

5G on the Rise

au 5G

INTEGRATED REPORT 2020

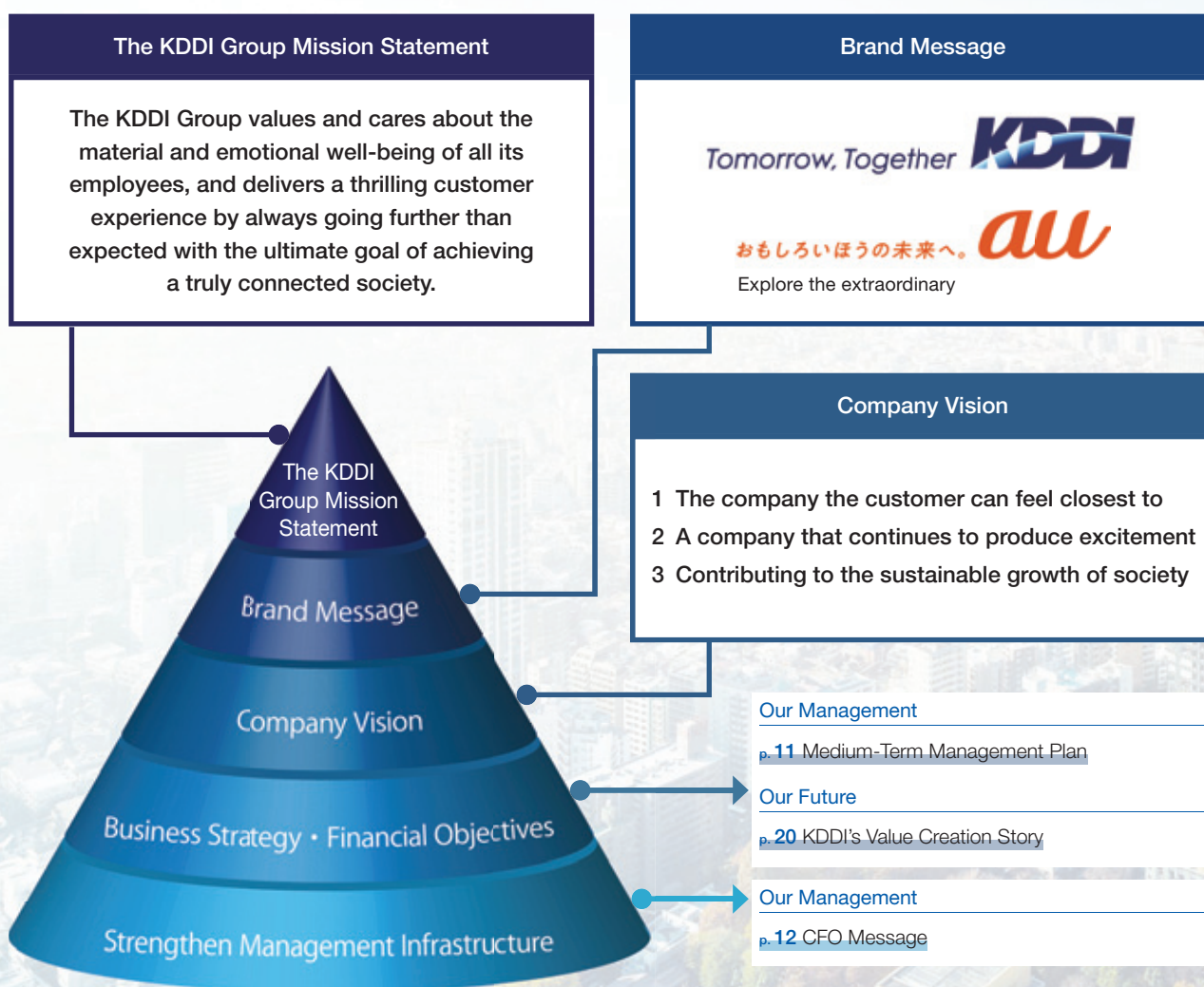
Tomorrow, Together

Realizing Sustained 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 its medium-term management plan spanning the period of April 1, 2019 to March 31, 2022 (FY20.3–FY22.3).



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Editorial Policy: Disclosure of Financial and Non-Financial Information

This report is based on multiple guidelines and frameworks, including the principles outlined by the International Integrated Reporting Council (IIRC), 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.

WEB Financial Information



Investor Relations

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

WEB 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.

Consolidated Financial Highlights*¹

(Years ended March 31)

Consolidated	2011	2012	2013	2014
Operating Revenues/Operating Revenue ▶ P. 49	¥3,434,546	¥3,572,098	¥3,662,289	¥4,333,628
Operating Income ▶ P. 49	471,912	477,648	512,669	663,245
Operating Margin	13.7%	13.4%	14.0%	15.3%
EBITDA* ³	936,315	908,499	959,571	1,186,069
EBITDA Margin	27.3%	25.4%	26.2%	27.4%
Net Income/Profit for the Year Attributable to Owners of the Parent ▶ P. 49	255,122	238,605	241,470	322,038
Capital Expenditures ▶ P. 51	443,677	421,568	467,020	571,799
Depreciation and Amortization	449,318	417,886	406,726	470,098
Interest-Bearing Debt ▶ P. 50	979,630	1,046,754	977,563	1,084,966
Equity Ratio/Ratio of Equity Attributable to Owners of the Parent	55.7%	51.5%	55.1%	55.1%
Return on Equity/Ratio of Return on Equity Attributable to Owners of the Parent (ROE)	12.4%	11.5%	11.2%	13.0%
Return on Assets/Ratio of Return on Total Assets (ROA)	12.4%	12.3%	12.7%	14.7%
Earnings per Share/Basic Earnings per Share* ⁴ (yen/U.S. dollars)	96.92	96.86	105.30	132.87
Dividends per Share* ⁴ (yen/U.S. dollars) ▶ P. 49	23.33	26.67	30.00	43.33
Dividend Payout Ratio	24.1%	27.5%	28.5%	32.6%
Net Cash Provided by (Used in) Operating Activities	717,354	725,886	523,908	772,207
Net Cash Provided by (Used in) Investing Activities	(440,546)	(484,507)	(472,992)	(546,257)
Free Cash Flows* ⁵ ▶ P. 51	276,808	241,379	50,916	225,950
Net Cash Provided by (Used in) Financing Activities	(279,998)	(225,931)	(140,249)	(105,643)
Number of Consolidated Employees (people)	18,418	19,680	20,238	27,073
Number of Female Managers* ⁶ (people)	92	113	124	140
Number of Consolidated Foreign Employees (people)	—	—	—	2,630
CO ₂ Emissions* ⁷ (t) ▶ P. 33	1,108,282	1,218,659	1,049,422	939,502
Power Consumption* ⁸ (MWh)	1,995,042	2,190,787	1,885,703	1,686,480

*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 Yen amounts are translated into U.S. dollar amounts, for convenience only, at the rate of ¥108.83 = U.S.\$1 on March 31, 2020.

*³ 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

*⁴ 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.

*⁵ Free cash flows = Net cash provided by (used in) operating activities + net cash provided by (used in) investing activities

*⁶ Including KDDI employees on loan outside of the Company in addition to full-time KDDI employees

*⁷ Covers electric power and fuel consumption (heavy oil, light oil, kerosene, and city gas) on a non-consolidated basis. The emission coefficient for electric power consumption is 0.555kg-CO₂/kWh (emissions excluding heat, steam, and hot/cold water).

*⁸ Non-consolidated basis

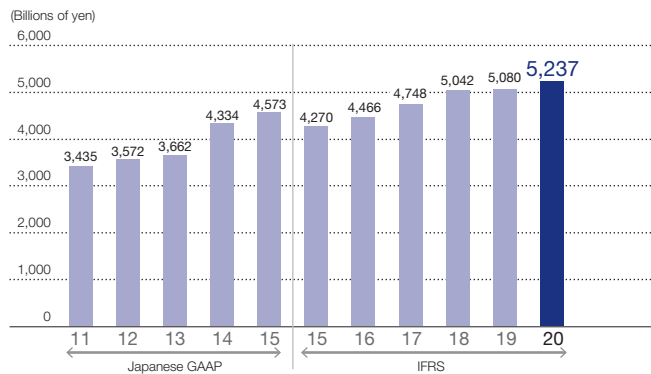
Japanese GAAP	IFRS						
	Millions of yen						Millions of U.S. dollars*2
2015	2015	2016	2017	2018	2019	2020	2020
¥4,573,142	¥4,270,094	¥4,466,135	¥4,748,259	¥5,041,978	¥5,080,353	¥5,237,221	\$48,123
741,299	665,719	832,583	912,976	962,793	1,013,729	1,025,237	9,421
16.2%	15.6%	18.6%	19.2%	19.1%	20.0%	19.6%	19.6%
1,292,597	1,284,553	1,410,971	1,524,207	1,560,061	1,598,670	1,750,861	16,088
28.3%	30.1%	31.6%	32.1%	30.9%	31.5%	33.4%	33.4%
427,931	395,805	494,878	546,658	572,528	617,669	639,767	5,879
576,197	667,714	531,434	519,365	560,831	601,757	615,054	5,652
494,570	518,708	532,442	545,177	546,609	562,282	689,473	6,335
1,002,214	1,154,116	1,235,287	1,151,650	1,118,616	1,275,711	1,680,367	15,440
57.3%	54.5%	56.3%	56.7%	57.4%	57.1%	45.8%	45.8%
14.9%	13.5%	15.5%	15.9%	15.6%	15.5%	14.9%	14.9%
14.5%	12.1%	14.5%	15.0%	15.0%	14.6%	12.1%	12.1%
170.84	158.01	197.73	221.65	235.54	259.10	275.69	2.53
56.67	56.67	70.00	85.00	90.00	105.00	115.00	1.06
33.2%	35.9%	35.4%	38.3%	38.2%	40.5%	41.7%	41.7%
962,249	968,752	884,538	1,161,074	1,061,405	1,029,607	1,323,356	12,160
(674,520)	(635,745)	(667,917)	(637,225)	(633,847)	(714,578)	(610,950)	(5,614)
287,729	333,006	216,621	523,849	427,558	315,028	712,406	6,546
(224,862)	(310,528)	(299,003)	(485,784)	(453,168)	(310,951)	(546,381)	(5,020)
28,172	28,456	31,834	35,032	38,826	41,996	44,952	44,952
177	177	251	270	302	321	342	342
2,624	2,624	4,380	4,423	4,308	4,208	4,393	4,393
1,044,357	1,044,357	1,081,553	1,067,495	1,163,912	1,200,753	1,260,162	1,260,162
1,873,293	1,873,293	1,939,115	1,913,747	2,086,626	2,151,456	2,258,518	2,258,518

Financial and Non-Financial Highlights

(Years ended March 31)

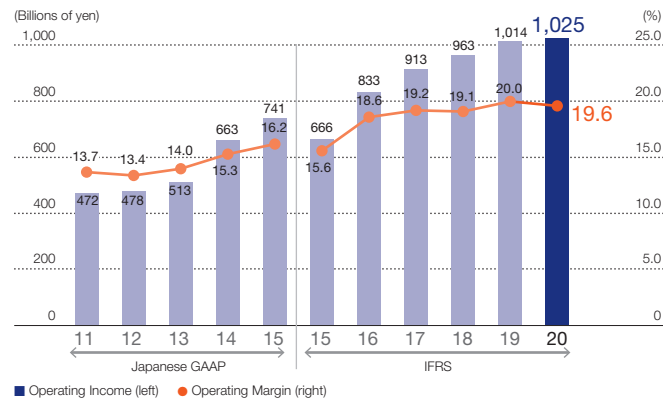
Operating Revenues/Operating Revenue

YOY +3.1%



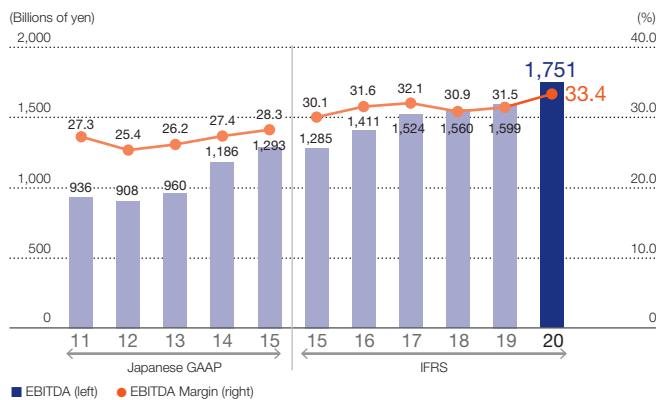
Operating Income

YOY +1.1%



EBITDA

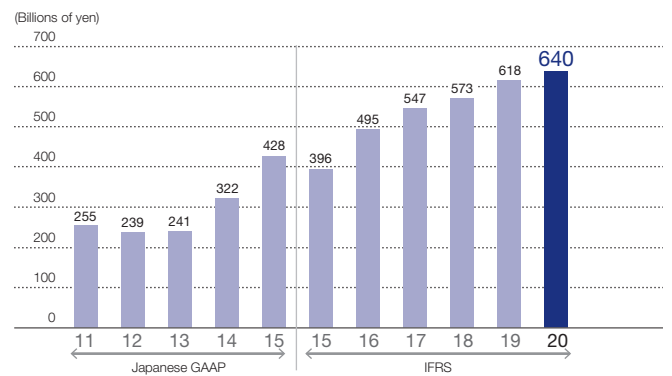
YOY +9.5%



Net Income /

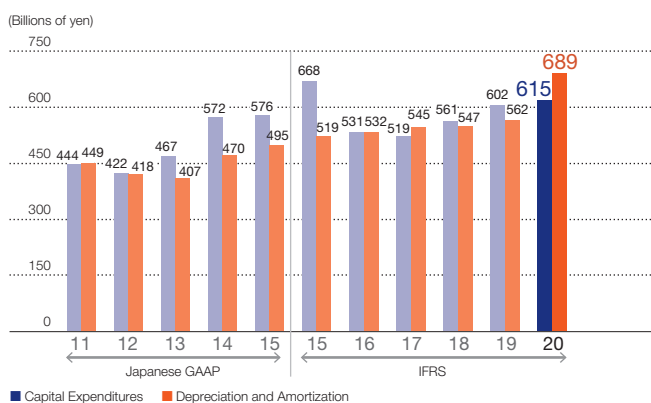
Profit for the Year Attributable to Owners of the Parent

YOY +3.6%



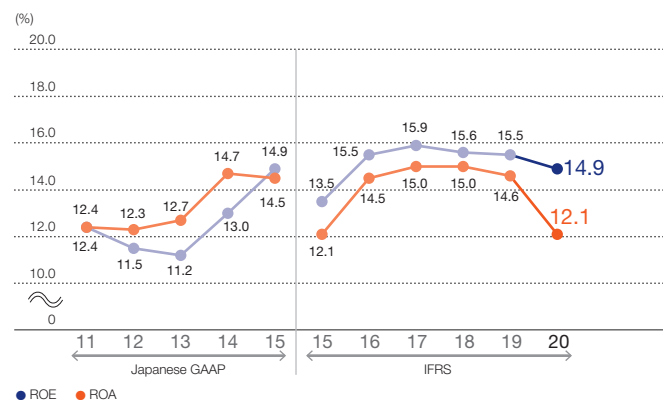
Capital Expenditures

YOY +¥13.3 billion



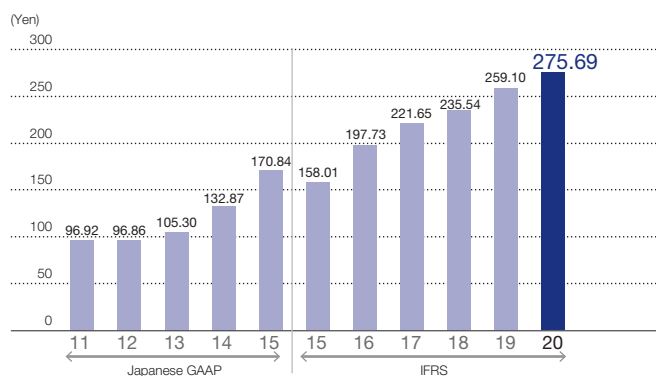
ROE

YOY -0.6 pt



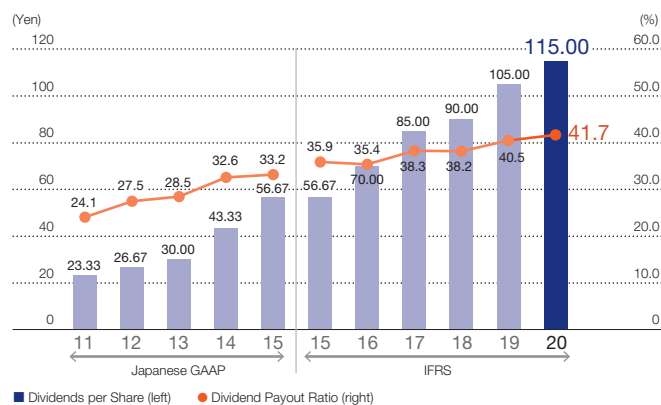
Earnings per Share/ Net Basic Earnings per Share (EPS)

YOY +6.4%



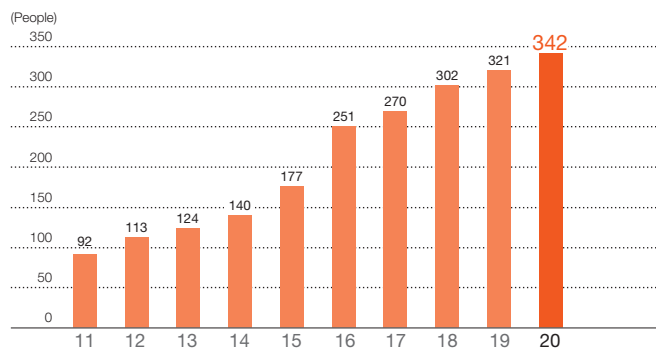
Dividends per Share

YOY +10.0 yen



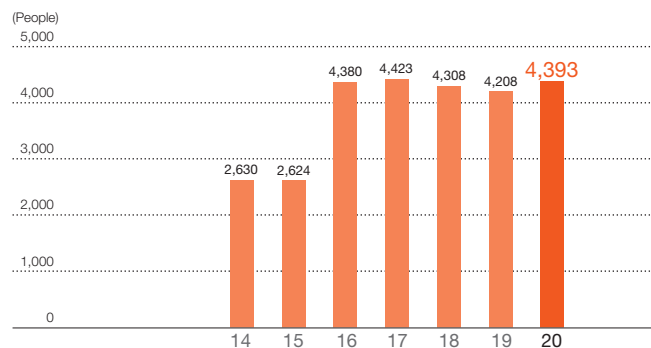
Number of Female Managers

YOY +6.5%



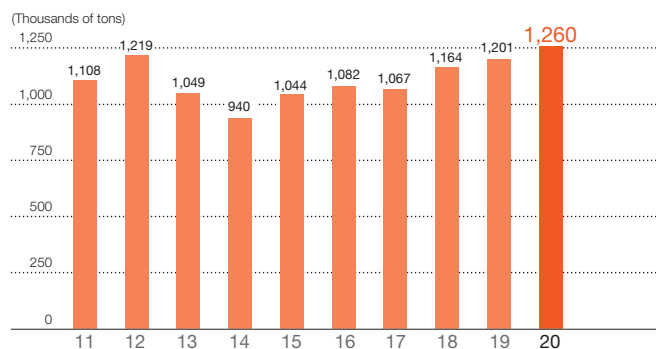
Number of Consolidated Foreign Employees

YOY +4.4%



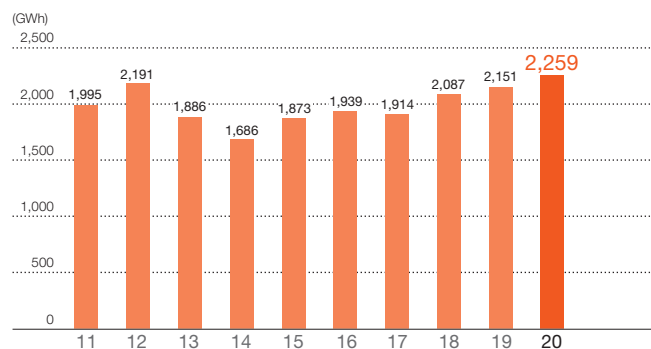
CO₂ Emissions (Non-consolidated)

YOY +4.9%



Power Consumption (Non-consolidated)

YOY +5.0%



CEO Message



Looking back on the fiscal year ended March 31, 2020, we see there were myriad environmental changes in the telecommunications industry, such as the amended Telecommunications Business Law going into force, the market entry of a fourth telecommunications provider, and the full start of 5G services.

In addition, the recent COVID-19 pandemic has had a tremendous impact on economic and social activities throughout the world. The new normal born of this unprecedented situation has upended society and simultaneously provided a major opportunity to accelerate change.

Amid this sea change, the entire KDDI Group has come together to help contribute to the sustainable growth of society as stated in the Company Vision and will continue focusing on achieving the goals of the medium-term management plan.

In this message, I will look back on the fiscal year ended March 31, 2020 and talk about our COVID-19 countermeasures and KDDI's post-pandemic future.

| Accomplishments in the First Year of the Medium-Term Management Plan

Under the medium-term management plan unveiled in 2019, KDDI targets growth of 1.5 times in 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. Converting that to compound average growth rate (CAGR) would require around 7% growth per year. In the fiscal year ended March 31, 2020, EPS grew 6.4% to ¥275.69 due to stable profit growth and share buybacks. I think we were able to make a solid step forward in achieving the goals of our medium-term management plan.

In the three years between March 31, 2020 and March 31, 2022, we expected to maximize profit in the final fiscal year by expanding growth domains and taking cost efficiency measures, but the results for the fiscal year ended March 31, 2020 exceeded our initial forecast and internal plan.

[Page Link](#) P. 11 Progress Made under the Medium-Term Management Plan (FY2020.3-FY2022.3)

| Manifesting Profit Growth in Growth Fields

In the fiscal year ended March 31, 2020, the growth fields of Life Design Domain and Business Services segment drove the increase in operating income.

[Page Link](#) P. 14 Financial Results Summary

This, I believe, was a manifestation of the accomplishments of our approximately ¥500 billion in growth investments under the previous medium-term management plan (FY2017.3–FY2019.3) with the aim of achieving sustainable growth.

In the Life Design Domain, growth investments are connected to expanding the scale of the energy and finance fields. In addition, in the Business Services segment, we have set up a one-stop system that can offer use of devices, networks, cloud services, and data through growth investments with the aim of helping companies promote their digital transformation (DX). These combined strengths are now contributing to both our core and new businesses, boosting profits.

| Formulating “KDDI Sustainable Action”

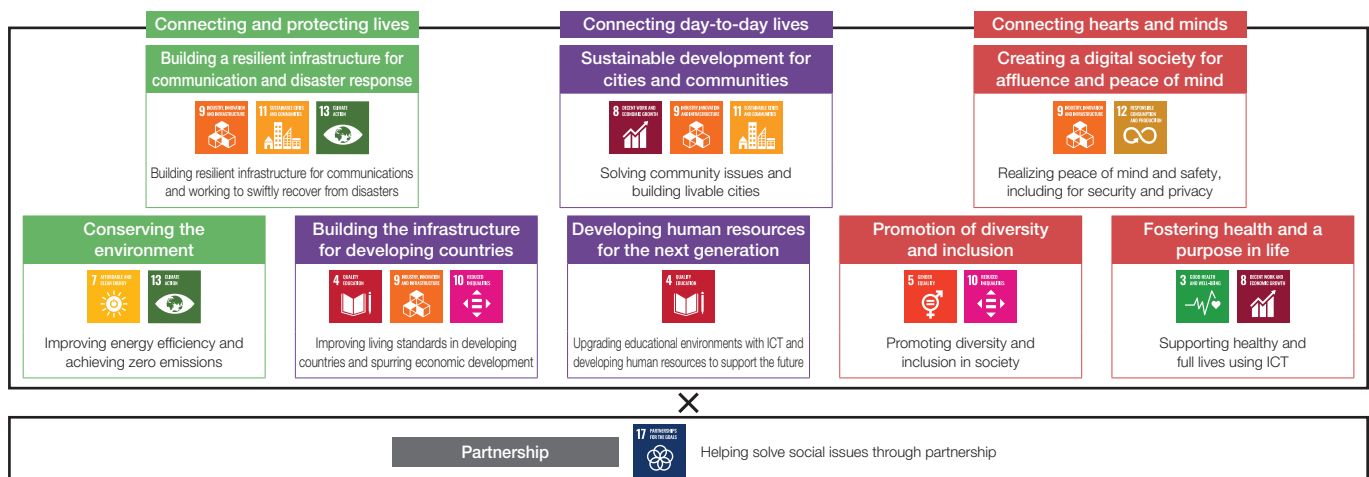
In 2020, KDDI formulated “KDDI Sustainable Action”—KDDI’s initiatives for the SDGs aimed at 2030 with a determination to continue working to solve various social issues through business going forward. In consideration of the social issues and the business sectors KDDI can contribute to as a telecommunications operator, we revised KDDI’s target SDGs, which were linked with the medium-term management plan, into eight social fields.

We do not view social issues merely as risks; we also consider them opportunities to leverage the unique strengths of KDDI. We strive to solve diverse social issues while raising profit as a business, such as by providing inexpensive, high-quality telecommunications services in developing countries and spurring regional revitalization using 5G, IoT, and other technologies.

[Page Link](#) P. 28 Our Future 4: The Sustainability Expected of a Telecommunications Company

KDDI Sustainable Action

Our “power to make connections” will help create a brighter future for all



Initiatives of Each Business

Personal Services Segment

In March 2020, we began to offer a commercial 5G service “au 5G” in some areas of 15 prefectures across Japan. We plan to expand the “au 5G” area to major cities in all prefectures from summer 2020 onward. In addition, we began offering smartphone pricing plans for “au 5G” that pair unlimited data with popular entertainment content, such as “Data MAX 5G ALL STAR Pack”^{*} and “Data MAX 5G Netflix Pack.” With “au 5G,” users can instantaneously, easily, and freely handle large amounts of data. Under the concept of “UNLIMITED WORLD au 5G,” which is free from conventional restrictions, we will collaborate with partners from various industries to provide a new augmented experience for all facets of life, such as entertainment, sports, and art.

Furthermore, KDDI aims to maximize Group IDs, engagement, and total ARPU by achieving the “integration of telecommunications and life design.” Specifically, we strengthened points of contact with customers (engagement) by working to heighten the appeal of “au PAY,” the smartphone payment service we started in 2019. We will also continue to expand Group IDs, which are the foundation of our existing telecommunications business, through appealing offers anchored to customer perspectives by using big data. Moreover, we have polished up the “au PAY” app to position it as a super app that acts as the entry point to all of a customer’s daily activities as we strive to maximize total ARPU by providing new experience value to customers.

^{*} Included content: Netflix (basic plan), Apple Music, YouTube Premium, and TELASA

[Page Link](#)
[P. 22 Our Future 1: Customer-Oriented Value Provision](#)
[Page Link](#)
[P. 24 Our Future 2: “au PAY” Targets](#)

Business Services Segment

Digital transformation (DX) is accelerating at companies across industries and usage areas, and business models themselves are significantly changing. We are stably growing our existing mobile and fixed-line telecommunications businesses. We are promoting the creation of new experience value and businesses unique to the 5G era with various partner businesses as a digital integrator for a time when all things are being incorporated into telecommunications. These efforts are centered around KDDI DIGITAL GATE, which is a business development base for the 5G/IoT era supporting customers’ DX. And through our IoT World Architecture, we will continue helping to build a foundation that is resilient to environmental changes by further expanding IoT in Japan and overseas, as we maintain our efforts to expand the scale of our domestic and international business.

Taking Action Aimed at Diverse Social Issues, COVID-19, and the Post-Pandemic Era

In recent years full-scale digitization has continued to march forward with the advance of 5G, IoT, AI, big data and other technologies, shifting toward a data-driven society that finds greater value in data. KDDI uses these technologies to solve various social issues people are facing, including taking action aimed at COVID-19 and the post-pandemic era, as we promote initiatives to ensure the safety and peace of mind of consumers and to make economic activity sustainable.

To this end, in August 2020, KDDI and KDDI Research, Inc. formulated KDDI Accelerate 5.0, which aims to build a resilient future society in the era of the new normal. 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, including 5G networks.

We will create an advanced, open platform for each industry using the resilient 5G/Beyond 5G network that supports the industrial foundations of Japan. Using this environment, we will integrate cyber spaces and physical spaces while working with various corporate partners to combine our knowhow and assets in each sector.

Through these efforts, if we can create new engagement with customers, KDDI will successfully evolve into a recurring, resilient business model.

The evolution of business models in each industry will likely create new life styles, net economic mechanisms, and new social systems.

KDDI will continue accelerating Society 5.0 with 5G to help build a resilient, future society.

Transforming into a Company that Puts Human Resources First

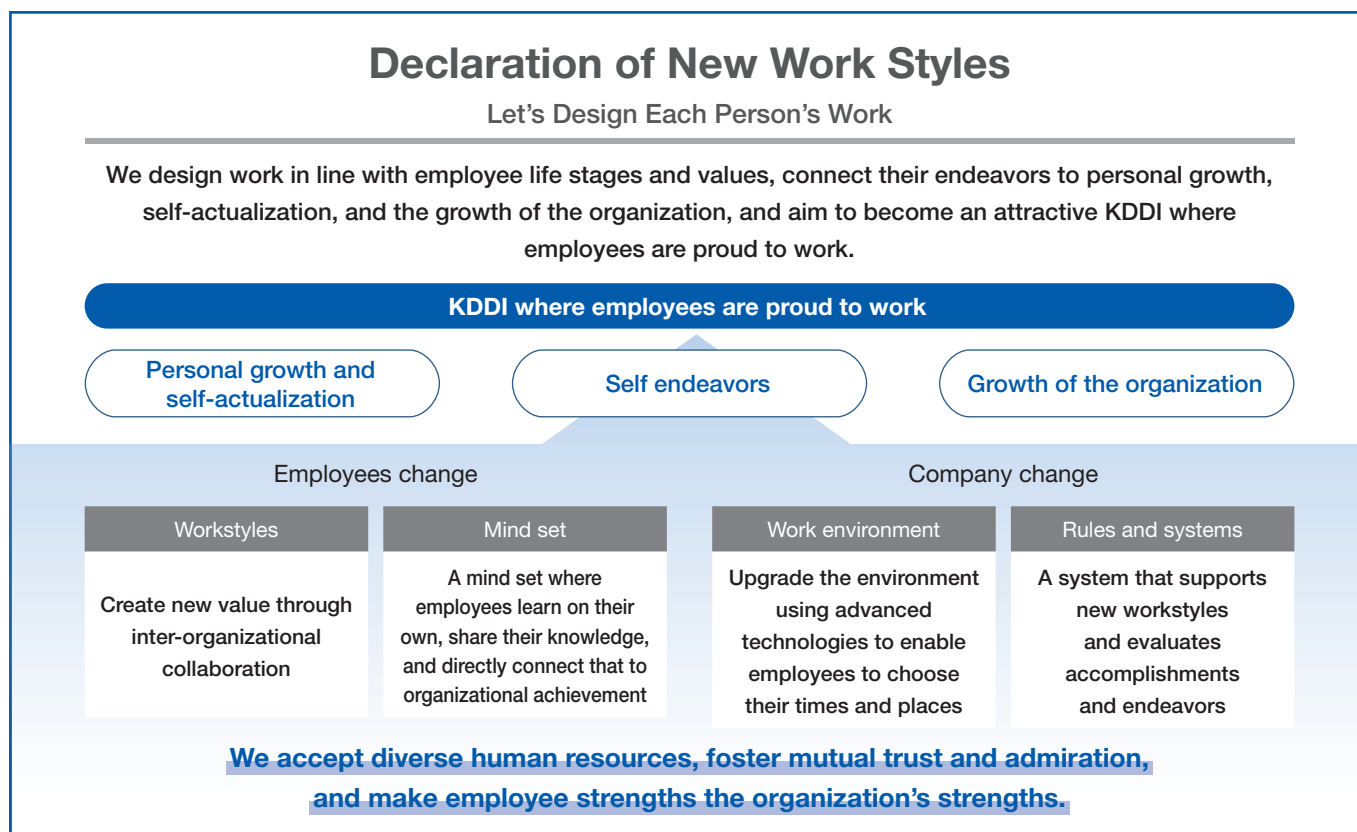
To continue outperforming the competition amid a business environment that drastically changes all the time, KDDI employees and organizations will need a high degree of autonomy and growth.

KDDI has long promoted a model of human resources focused on an ideal employee who continues growing given a high degree of autonomy based on management's policy of putting human resources first. We have now also formulated the Declaration of New Work Styles centered on realizing workstyles that enable each employee to rack up accomplishments without being tied to specific times or places. Under this new approach, each employee will realize a workstyle that is suited to their personal preference, living environment and role in the organization.

In addition, to support these new workstyles, we steadily rolled out a new system for human resources from August 2020 with the purpose of evaluating and praising employees on their accomplishments, endeavors, and abilities (rather than hours worked) and accordingly reflecting these in compensation. We introduced human resource management that clarified the scope of work duties to promote the cultivation of expertise and a remuneration system based on market value. In this way, we will continue aiming to provide various growth opportunities in a wide range of business areas in the KDDI Group while leveraging the strengths of job-focused management.

Furthermore, by promoting internal DX to upgrade our offices and IT environment, we will continue realizing workstyles suited to each employee in a hybrid form combining telework and office work.

Declaration of New Work Styles: Framework





The KDDI Group Philosophy as the Basis of Sustainable Management

By practicing the KDDI Group Philosophy, KDDI aims to become a company that is beloved and trusted by all its stakeholders. 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 earnestly help to resolve them. The KDDI Group Philosophy embodies this corporate stance and our employees' ideas, and I think this serves as the basis of sustainable management.

As we widely expand our business in Japan and overseas, I feel it is necessary that each business division strengthen collaboration and all employees take action with shared values. Going forward, all employees will continue to share the KDDI Group Philosophy and come together to promote sustainable management by carrying out the mission.

[Web Link](#)
[Sustainability Report 2020](#) [Inside Cover](#) [The KDDI Group Philosophy](#)

Aiming to Achieve both Sustainable Growth and Stronger Shareholder Returns

KDDI has stayed true to its basic aim of sustaining growth. Overcoming hardships since its founding in 2000, KDDI has achieved 19 consecutive fiscal years of profit growth. The view that the telecommunications industry is unlikely to grow much more, even on a global basis, is becoming more widespread. Yet, at KDDI, we are rallying our ingenuity to meet the challenge of sustaining growth.

October 1, 2020 will mark the 20th anniversary of KDDI's establishment.

Tomorrow, Together

We will continue to move forward, together with customers, partners, and society at large, sharing a faith in the future as we aim to both sustainably grow profit and reinforce shareholder returns from a long-term perspective.

As we move forward together, I would like to express my sincere appreciation for your continued support and guidance for the KDDI Group.

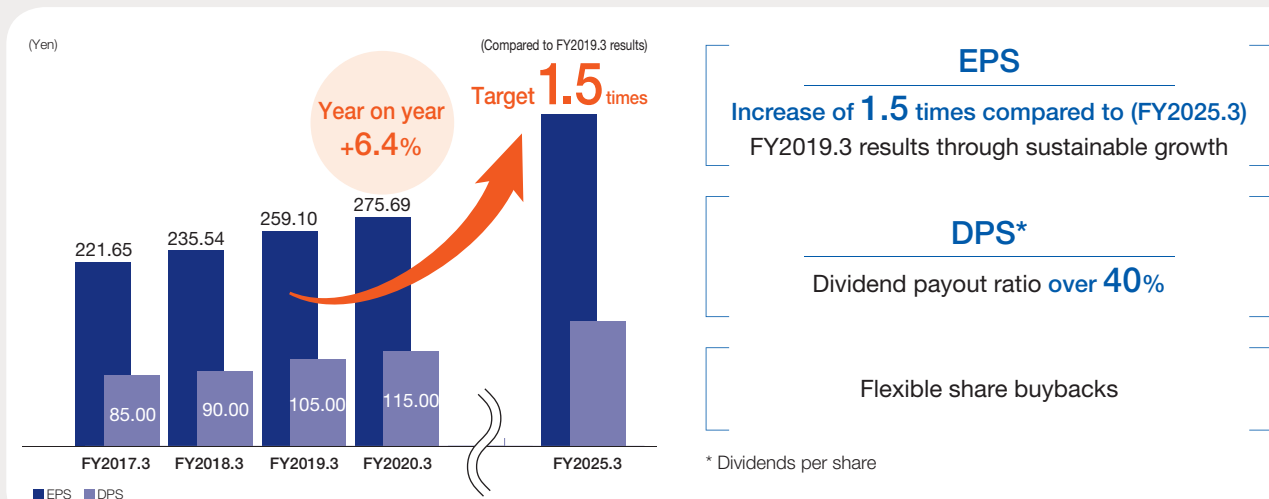
Progress Made under the Medium-Term Management Plan (FY2020.3-FY2022.3)

A Smooth Start toward the Successful Implementation of the Medium-Term Management Plan

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.

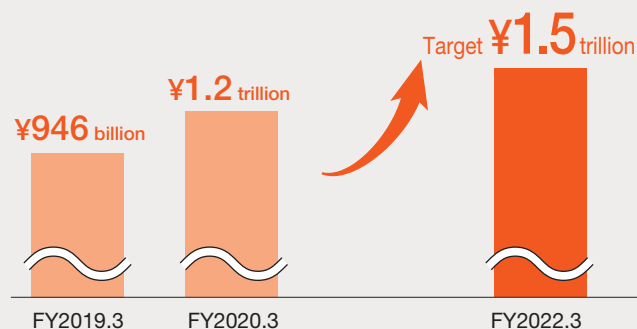
Regarding shareholder returns, KDDI has steadily increased dividends toward a dividend payout ratio of over 40%, while taking a flexible approach to buying back its own shares.

Through these initiatives, we intend to continue **to achieve both sustained profit growth with stronger shareholder returns.**

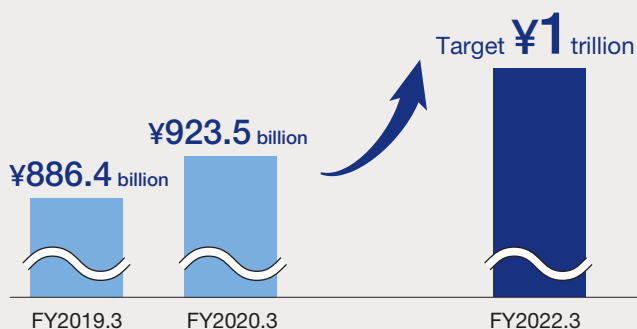


Net operating revenue in both the Life Design Domain and Business Services segment steadily expanded, helping grow EPS.

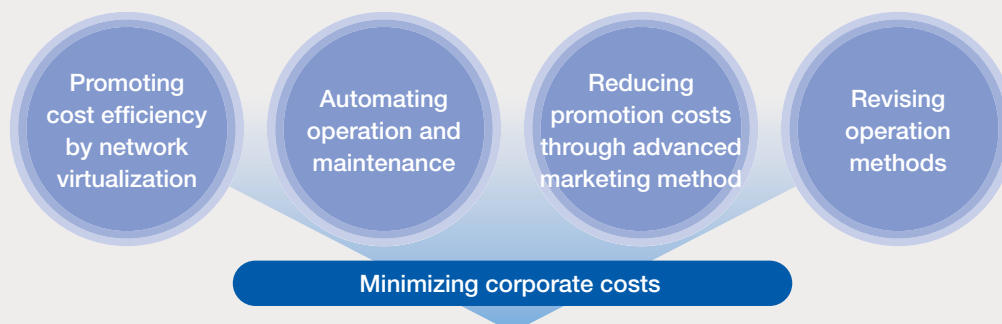
Operating revenue of Life Design Domain



Operating revenue of Business Services segment



Around 90% of our cost efficiency goals have come into clear view, and we will continue aiming for 100% achievement.



Generating approx. ¥100 billion profit through cost reductions, etc.

CFO Message



“ While keeping a close eye on future developments, we aim to achieve our financial results forecasts and successfully implement our medium-term management plan. ”

Shinichi Muramoto

Executive Vice President, Representative Director
Executive Director, Corporate Sector

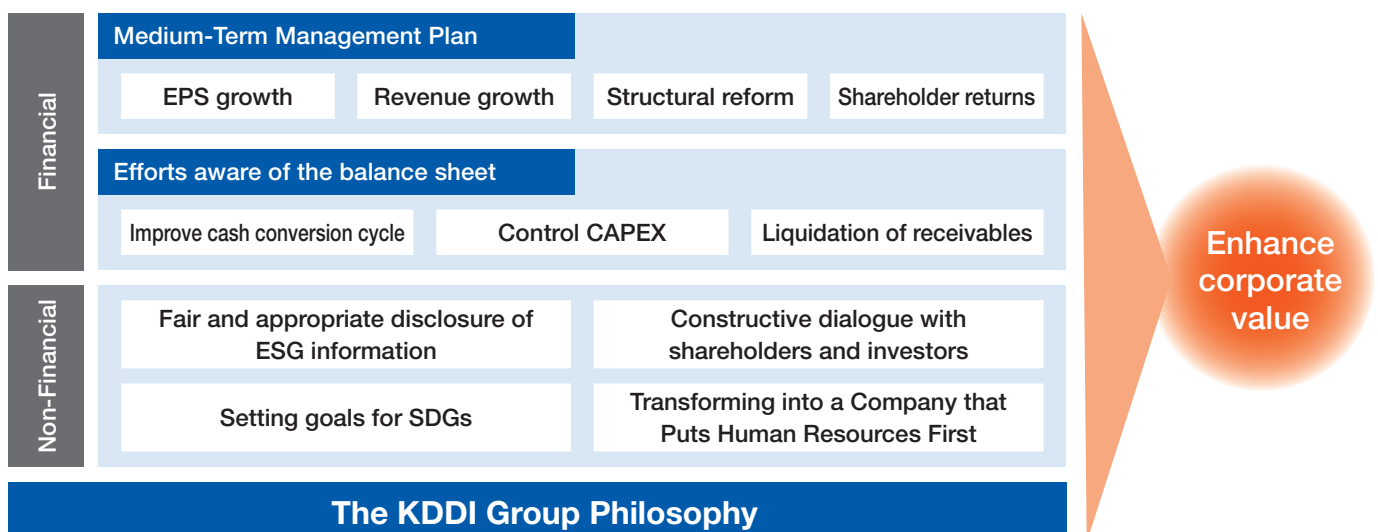
Striving to Maximize Corporate Value

In the two years since being appointed Executive Director of the Corporate Sector, I have worked hard on both financial and non-financial fronts to maximize corporate value.

On the financial front, I worked on the priority of achieving the goals outlined in the medium-term management plan, such as EPS growth in tandem with business growth and structural

reforms. To achieve long-term and stable growth in the telecommunications industry, where the market is rapidly changing, we need to strengthen our financial foundation to nimbly acquire and leverage business resources. To this end, we are taking measures to maximize cash flow, aware of the balance sheet. These mainly include swifter collection of accounts

To Maximize Corporate Value



Aim to maximize corporate value through both financial and non-financial efforts

receivable (improved cash conversion cycle), effective capital expenditures, and liquidation of credit card receivables.

On the non-financial front, we are enhancing disclosure on our website in an effort to ensure fair and appropriate disclosure of ESG information. In addition, we carefully consider the points made through ESG briefings and dialogue with shareholders and investors, and we use them to make improvements. For 2030, we established SDG targets in eight areas, such as building a resilient infrastructure for communication and disaster

response and conserving the environment. As a company responsible for social infrastructure, KDDI has the mission of proactively addressing various social issues and aims to grow alongside society. Furthermore, we are striving to be a company that puts human resources first and attracts a diverse range of talented personnel. By strengthening the training of DX personnel and new work styles for the new normal era, we aim to spur innovation and enhance productivity in an effort to help maximize corporate value.

Cash Allocation

We continue to prioritize growth investment to sustainably grow profits. We conduct M&A in growth fields and carry out capital investment with the aim of maintaining and enhancing our competitiveness.

We forecast capital investment of ¥610 billion in the fiscal year ending March 31, 2021, which is roughly level with the previous fiscal year, as we actively pursue 5G investments and reduce 4G investments. Over the medium term, we intend to maintain this investment level of around ¥600 billion.

KDDI considers M&A mainly in terms of: 1) maximizing Group IDs, the basis for “the integration of telecommunications and life design,” 2) maximizing life time value by expanding operating revenue and increasing engagement, 3) providing new value by acquiring additional capabilities for the 5G and IoT era, and 4) expanding global business.

As for shareholder returns, in line with the medium-term management plan, we conduct flexible share buybacks in addition to maintaining a dividend payout ratio of over 40%.

Financing during the COVID-19 Crisis

Because the impact of COVID-19 on our telecommunications business (a subscription business model) is small compared with our goods-focused businesses (one-time-fee business model), the entire Group's cash flow has not been seriously affected.

In preparation for a prolonged COVID-19 crisis and further uncertainty, KDDI has ensured operations have more leeway than before when it comes to financing and has secured funding procurement methods from financial institutions, such as commitment lines.

Dialogue with Shareholders and Investors

Shareholders and investors are an important source of support and enlighten our understanding of business continuity.

During dialogue, we strive to further everyone's understanding that KDDI aims to ensure sustainable profit growth and stronger shareholder returns as well as making use of the valuable opinions we receive in management.

We position the building of strong trust-based relationships as the top priority of management and commit to practicing management focused on increasing corporate value, proactively disclosing information, and enhancing communication.

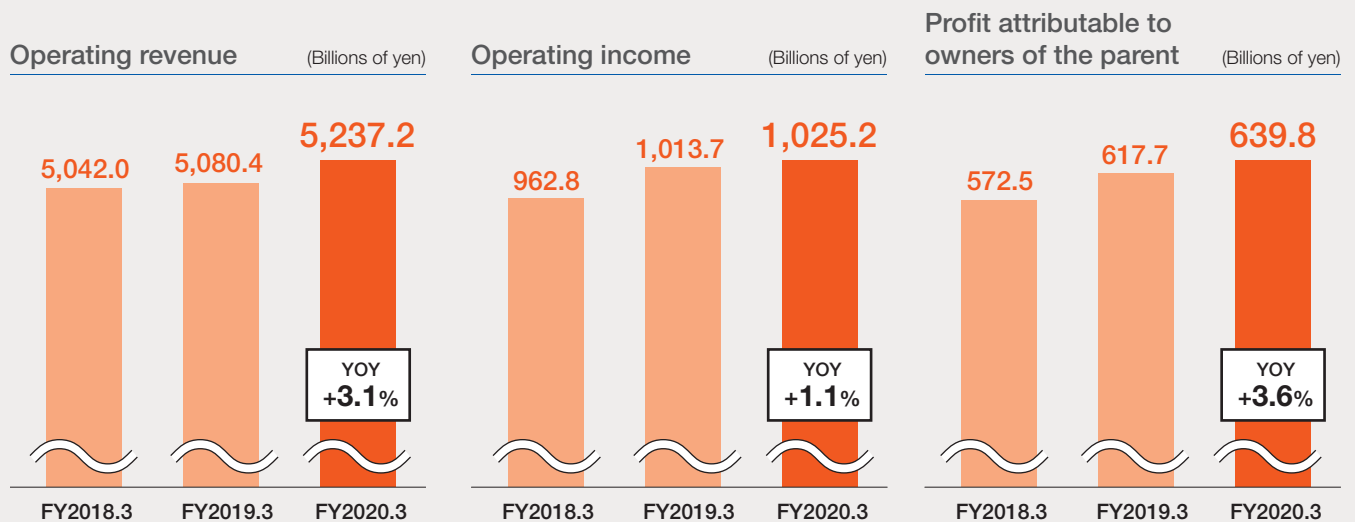


Financial Results Summary

Consolidated Financial Highlights for FY2020.3

Consolidated operating revenue was ¥5,237.2 billion (up 3.1% year on year) and operating income was ¥1,025.2 billion (up 1.1% year on year), both exceeding initial forecasts and

achieving 19 consecutive fiscal years of profit growth. Profit attributable to owners of the parent was ¥639.8 billion (up 3.6% year on year) due mainly to the increase in operating income.



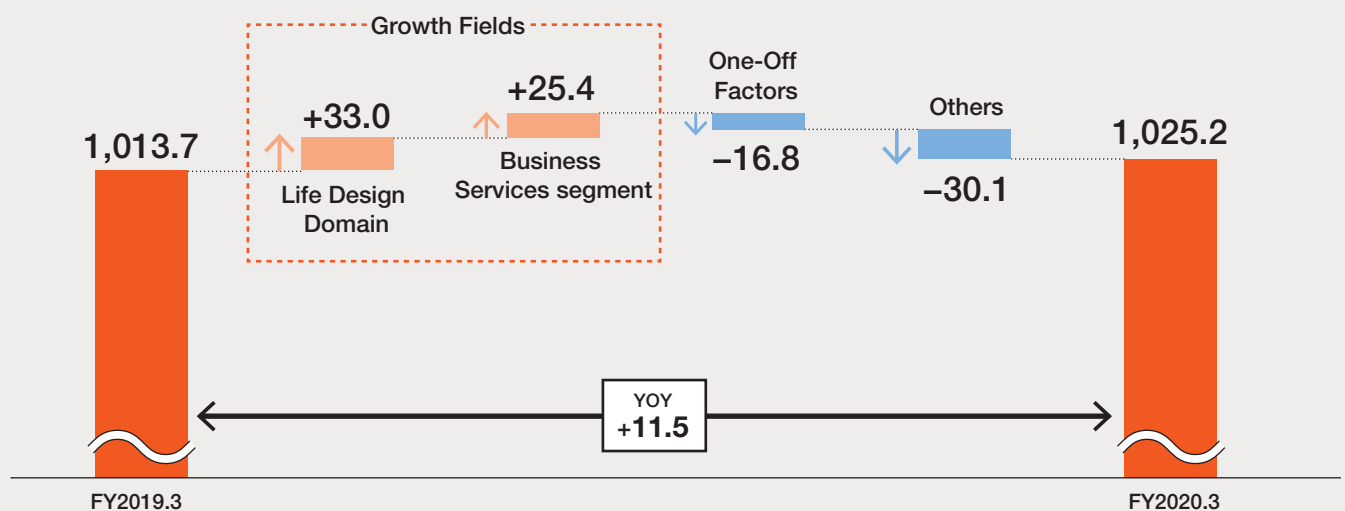
In addition to ¥16.8 billion of factors that temporarily suppressed profit, such as the impact of changing the fiscal year end of the Myanmar business and accelerated depreciation due to the suspension of 3G services on March 31, 2022, we recorded an impairment loss anticipating the impact of the COVID-19

pandemic and costs for sustainable growth. However, financial results were driven by increasing profit in the growth fields of the Life Design Domain and the Business Services segment. As a result, operating income rose ¥11.5 billion.

[Page Link](#)
[P. 52-57 Performance Analysis by Segment](#)

Operating Income: Factors for Change

(Billions of yen)



FY2021.3 Financial Forecast

We expect operating revenue and operating income will remain at levels similar to the previous fiscal year.

Operating revenue **¥5,250 billion** Operating income **¥1,030 billion**
 Profit attributable to owners of the parent **¥640 billion**

FY2021.3 Consolidated Operating Results Forecast

We expect consolidated operating revenue of ¥5,250 billion and operating income of ¥1,030 billion. Accounting for the currently foreseeable impacts of the COVID-19 pandemic, we aim to achieve an increase in the full-year consolidated operating results. We will continue working to realize the operating

results forecast of the current fiscal year and the targets of the medium-term management plan while contributing to the stability of society and daily life based on the Basic COVID-19 Pandemic Response Policy that KDDI established as well as carefully monitoring and assessing future developments.

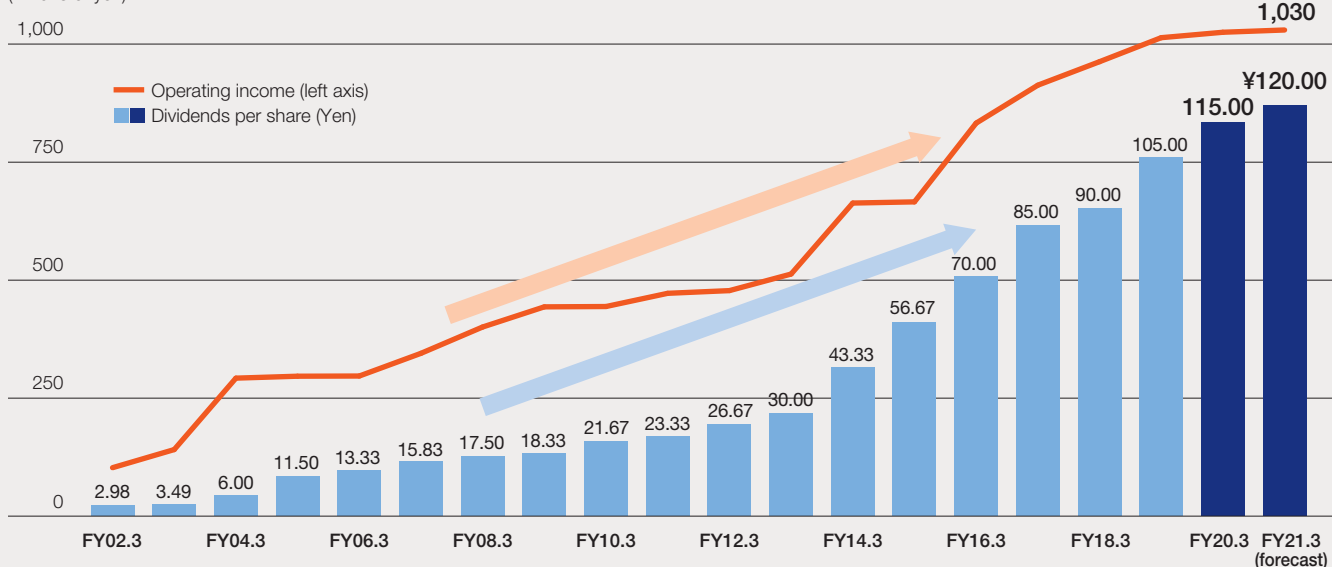
Shareholder Returns

Dividends per share in the fiscal year ended March 31, 2020 stood at ¥115 for the year (dividend payout ratio: 41.7%), a ¥10 increase year on year. The forecast for the current fiscal year is an increase of ¥5 to an annual dividend of ¥120, aiming

for an increase in dividends for 19 consecutive fiscal years. Although we postponed the announcement of new share buybacks, we will continue to flexibly conduct them while keeping an eye toward achieving EPS targets.

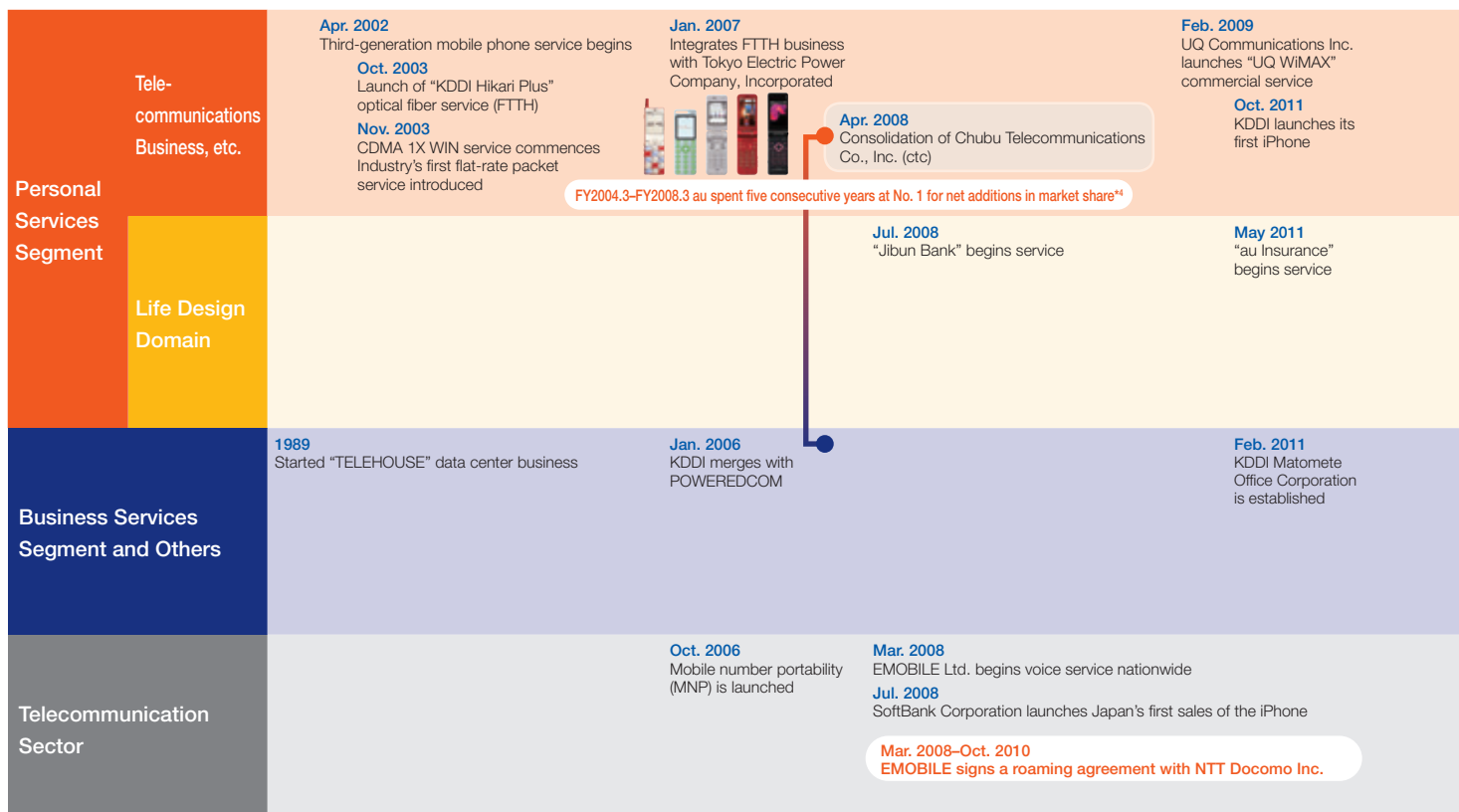
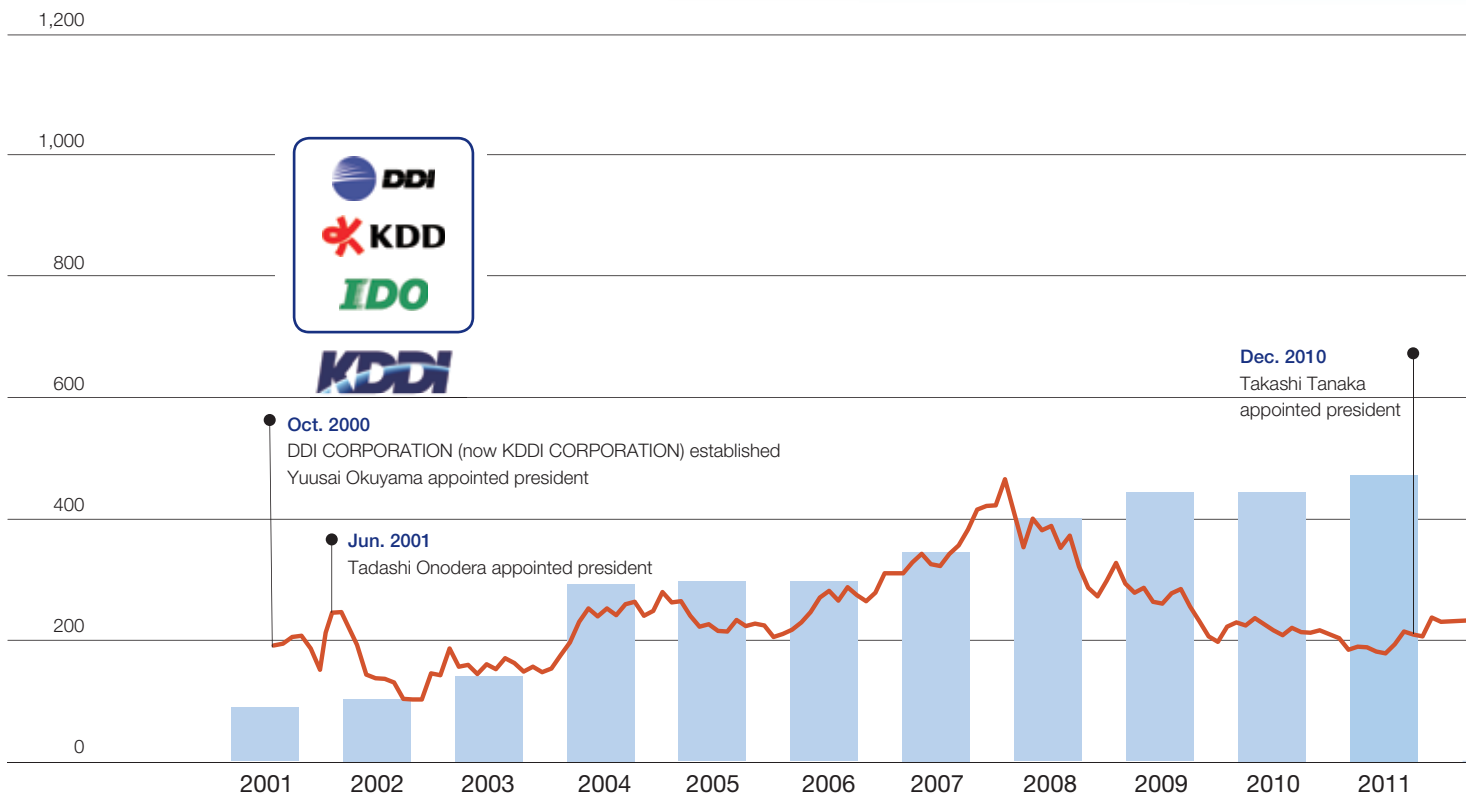
Operating Income and Dividends per Share

(Billions of yen)



The Path of Value Creation

(Operating income*1: Billions of yen)



Note: Company and service names are as of June 2020.

*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

3G

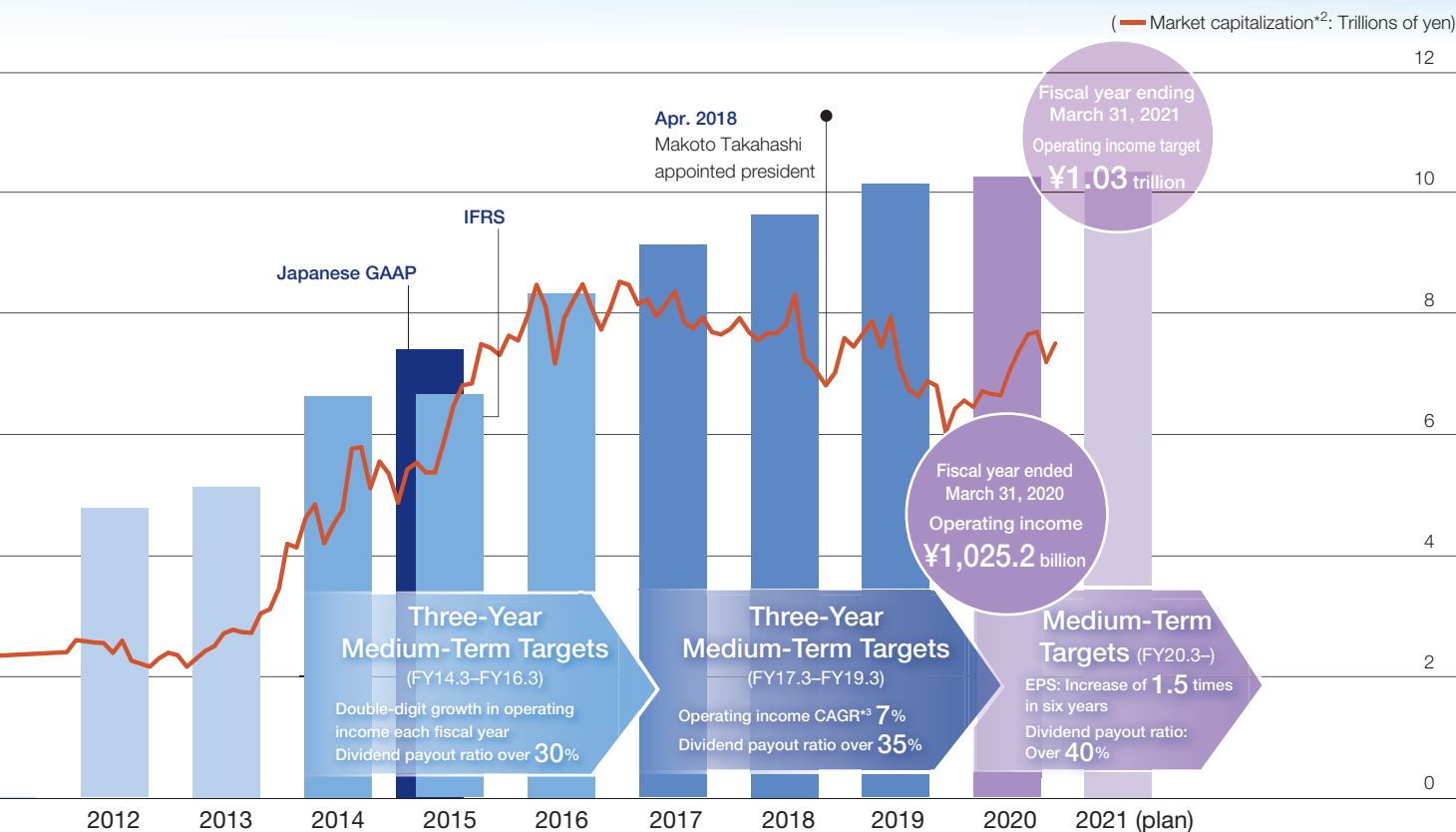
Popularization of mobile phones

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



*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's Surrounding Business Environment

Political (Government / Legislation)

- Expectations for realizing Society 5.0 for SDGs

Economic

- Worries due to the impact of COVID-19
- Expansion of cashless settlement

Social (Society / Culture)

- Declining birth rate and aging population / Shrinking population

Technological

- Technological advancements, such as 5G/IoT, AI, and big data

Customers (Market / Clients)

- Expansion of smartphone-centric services

Competition

- Popularization of budget smartphones
- Entrance of a fourth telecommunications operator

INPUT

Building resilient infrastructure for communications and working to swiftly recover from disasters

- 4G LTE population coverage over 99.9% (FY2022.3)
- Take measures to make routes more resilient • Achieve zero major accidents

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

- Achieve zero data security incidents
- Conduct data security training for all employees (at least once per year)

Solving community issues and building livable cities

- Provide 5G commercial services in all prefectures (FY2022.3)
- 60 regional revitalization projects (initiatives to co-create solutions for issues with regions using IoT and ICT) (cumulative total FY2020.3–FY2022.3)

Promoting diversity and inclusion in society

- Promote 200 women to line manager positions (FY2021.3 target)
- Percentage of female new graduate hires: 30% (FY2021.3 target)

Promoting sustainable procurement and respecting workers' rights

- Zero violations related to human rights
- 100% attendance rate for KDDI Philosophy study groups

Improving energy efficiency and achieving zero emissions

- Reduce CO₂ emissions by 7% compared with the fiscal 2013 level at KDDI (in Japan, non-consolidated basis)

KDDI Sustainable Action

Connecting and protecting lives

Building a resilient infrastructure for communication and disaster response



Building resilient infrastructure for communications and working to swiftly recover from disasters

Conserving the environment



Improving energy efficiency and achieving zero emissions

Building the infrastructure for developing countries



Improving living standards in developing countries and spurring economic development

Partnership

Medium-Term
Corporate

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

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.

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

Our “power to make connections” will 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



Developing human resources for the next generation



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



Connecting hearts and minds

Creating a digital society for affluence and peace of mind



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

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

OUTCOME


Material Sustainability Issues




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

Management Plan
P. 11

Governance
P. 34-

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

Our Future : KDDI's Value Creation Story

A year ago 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.

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

Business Strategy

- 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

Our Future **1: Customer-Oriented Value Provision**

Aiming to Maximize Group IDs



P. 22

Our Future **2: “au PAY” Targets**

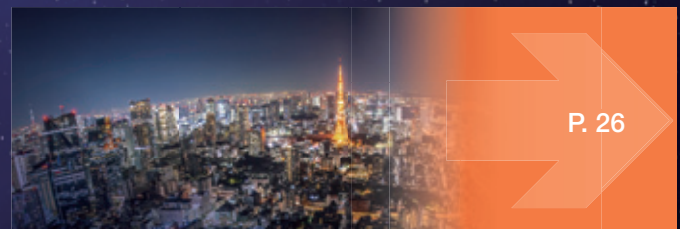
Leading the Way on Going Cashless



P. 24

Our Future **3: KDDI Accelerate 5.0**

Accelerating Society 5.0 with 5G to create an even brighter society for the future



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Our Future **4: The Sustainability Expected of a Telecommunications Company**



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Our Future 1: Customer-Oriented Value Provision

Aiming to Maximize Group IDs

The competitive environment of Japan's mobile telecommunications market is changing drastically. For example, MVNOs and other budget smartphones continue to gradually expand, the amended Telecommunication Business Act went into effect in October 2019, and a fourth telecommunications carrier has entered the market.

To sustainably grow under this kind of environment, KDDI aims to further expand earnings by maximizing Group IDs, engagement, and total ARPU.



[01: Group IDs]

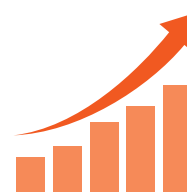
au
UQ mobile
BIGLOBE mobile
J:COM MOBILE



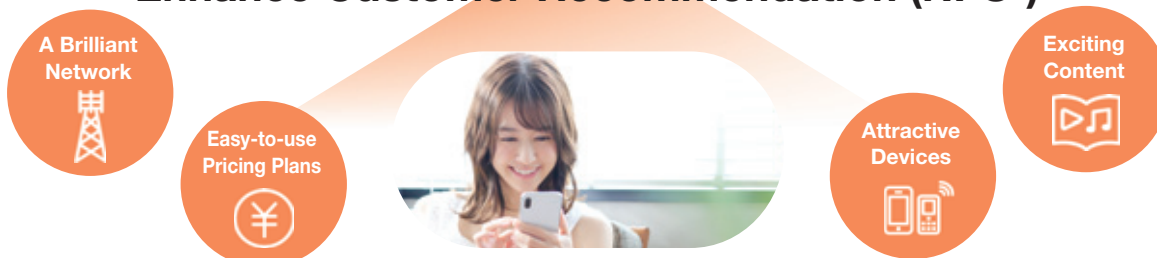
[02: Engagement]



[03: Total ARPU]



Enhance Customer Recommendation (NPS*)



Expanding business with a top priority on building trusting relationships with customers

*Abbreviation for Net Promoter Score

Aiming to Provide Customer-Oriented Value

We are promoting strategies centered on engagement with the aim of maximizing Group IDs, engagement, and total ARPU, which comprise the axis of KDDI's sustainable growth.

Engagement refers to trust-based relationships with customers.

If we enhance engagement, customers will more frequently use our services and use them for longer. We can expect that, as a result, the churn rate will improve and Group IDs will further expand. In addition, we can work to maximize total ARPU in tandem with the expansion of both telecommunications

ARPU and value added ARPU by providing new experience value through further promoting the "integration of telecommunications and life design" as a basis for these robust trust-based relationships.

With the aim of enhancing engagement, KDDI will continue operating its businesses with the top priority of building trust-based relationships with customers by improving all points of contact with customers, such as a brilliant network, easy-to-use pricing plans, exciting content, and attractive devices.

Maximizing Group IDs and Enhancing Engagement

To build a robust ID base across the entire Group, KDDI promotes three specific initiatives to strengthen its momentum. First, [01] we stem outflow from the Group by leveraging the KDDI Group's brands, including MVNO, for customers wanting to move from "au" to a budget smartphone. Then, [02] we maximize Group IDs by more actively making new acquisitions from the highly liquid MVNO market while enhancing the competitiveness of the KDDI Group brands, including MVNO.

Furthermore, [03] for customers who want to use large capacity telecommunications without stress, we aim to ensure the high quality telecommunications and experience value of "au," establish a Group-wide circulatory structure by upselling to au, and further strengthening our momentum.

Furthermore, to accelerate these Group strategies, KDDI will integrate "UQ mobile" in October 2020. "UQ mobile" is already used by more than 2 million customers because it provides high-quality yet low-cost services. By creating a double brand with "UQ mobile," we will first 1) reinforce our sales organization by reorganizing and integrating the nationwide sales organizations and sales channels for "au" and "UQ mobile." In addition, we will 2) leverage the unique characteristics of both brands to provide easy-to-understand pricing plans that meet customer needs and thereby offer new value. And, finally, we will 3) streamline overlapping tasks and operations with the aim of strengthening our competitiveness through the consolidation of the Group's management resources.

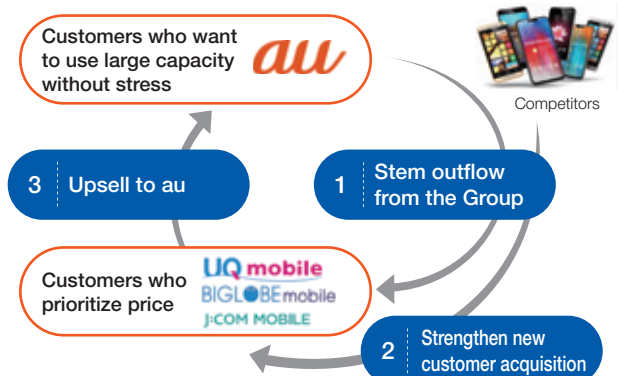
Aiming to Further Expand Our Growth Area

Deepening engagement with customers while expanding our points of contact will also help further expand our Life Design Domain, which is a growth fields for KDDI.

First, regarding customers who use the KDDI Group's telecommunications services, we aim to maximize total ARPU mainly by promoting rich content with the shift to 5G while expanding Group IDs, which form our foundation.

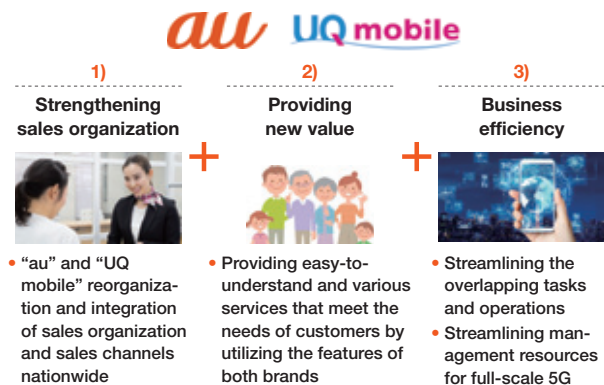
In addition, going forward, with a foothold in our alliance with Ponta, which is an open platform, we will continue reinforcing our approach toward new points of contact with customers. Specifically, we want customers to feel the merit of using KDDI's value added services by using payments and points with the aim of enhancing engagement through "au PAY" and other services, leading to further expansion in growth fields.

[01: Strengthen ID Base Across Entire Group]



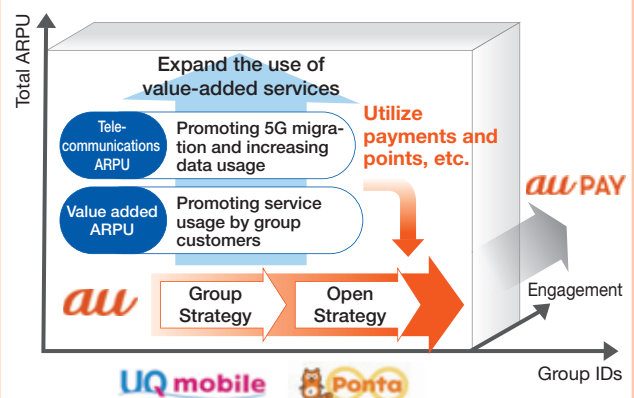
Meet a wide range of needs and strengthen momentum with the Group's combined capabilities

[02: Enhancing Engagement]



Aiming to strengthen competitiveness by consolidating Group management resources

[03: Further Expansion of Growth Area]



Expand by promoting ARPU growth measures and open strategy

Our Future 2: “au PAY” Targets

Leading the Way on Going Cashless

By offering “au PAY” smartphone payments, KDDI expands contact with customers and is working to build robust, long-term engagement with customers by using various life design services.

In addition, we aim to continue evolving our services mainly by integrating au WALLET Points into Ponta Points and collaborating with various financial services.



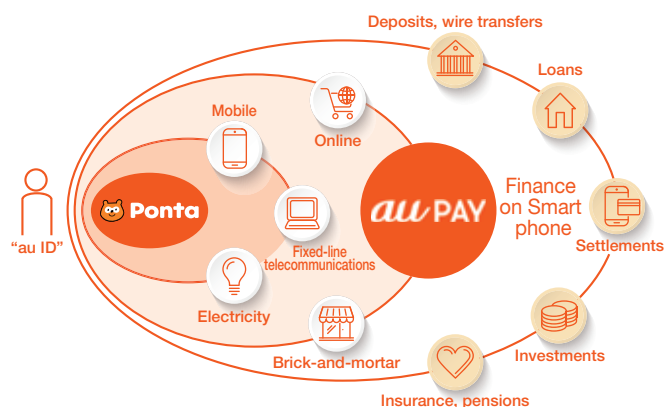
KDDI's Initiatives in the Settlement and Financial Fields

Smartphones have become an essential tool in people's lives now. In today's “smartphone-centric” world, people can conduct and manage settlement and financial services with their smartphone.

KDDI has spearheaded initiatives in the settlement and finance fields ahead of industry peers. Examples include starting Jibun Bank for internet banking specialized for mobile phones in 2008 and developing “au WALLET” as a new settlement function that earns points and can be used at brick-and-mortar stores in addition to online stores thanks to the electronic money card connected with “au ID” in 2014.

Then in 2019, we launched the Smart Money Concept to comprehensively provide “smartphone-centric” settlement and financial experiences to customers with the “au PAY” app serving as an entry point to various services, namely deposits, settlements, investments, loans, and insurance. In addition, to realize this concept, we founded au Financial Holdings.

Smart Money Concept Centered on “au PAY”



KDDI's “au PAY” Smartphone Payments

In Japan, the government is promoting cashless payments with a 2025 goal of having 40% of settlements being cashless. In line with this, the market for smartphone payments is significantly expanding due in part to ad campaigns rolled out by telecommunication companies.

In April 2019, we started smartphone payments using bar-codes and QR codes under the name “au PAY.” As of March 31, 2020, membership rose to 23.5 million with 1.9 million locations where customers can use points and smartphone payments. Our number of members, payment users, participating retailers, and transaction volume are steadily expanding.

Helping Enhance “au” Engagement

One reason KDDI focuses on “au PAY” is to help enhance customer engagement.

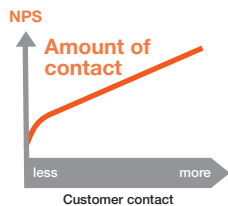
Analyzing the last few years, we see a correlation: the more contact we have with customers, the higher NPS*¹ rises. In addition, we discovered that of the numerous life design services we have, “au PAY,” which is used daily by customers, had a particularly large effect.

At au shops, contact with customers is limited to the handset purchase cycle, which is usually once every two or three years. But by expanding services, including the “au PAY” app, “au PAY” card, and “au PAY” market (online shopping mall), we are able to have daily contact with customers.

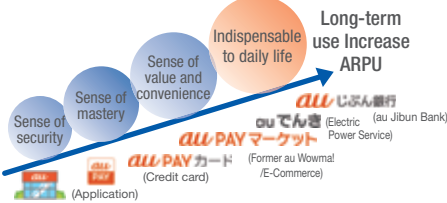
Furthermore, we aim to build robust, long-term engagement with customers by using tie-up services with long-term contracts, such as “au Denki” and financial services, becoming an indispensable part of customers' lives.

*1 Net Promoter Score (customer recommendation score)

Correlation between customer contact and NPS



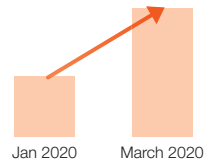
Enhancing engagement through increased contact



au PAY

Number of Payments

More than double following the campaign^{*3}



Integrated with Ponta points
Full-scale partnership with Lawson
(Started from the end of May 2020)



Among Japan's largest member bases with over 100 million
Expansion of affiliated stores accepting points and payments

Number of payments greatly increased.

Promoted initiatives to increase contact

^{*3} Campaign that anyone can participate in and get 1 billion yen every week (Feb 2020 to March 2020)

Helping Expand the "au Economic Zone"

Ponta Points (formerly "au WALLET" Points) are given to customers when they pay "au" telecommunications fees and use "au" services, such as "au PAY" or "au PAY" card.

KDDI is building an ecosystem where points circulate within the "au Economic Zone" by setting up the "au PAY" market as a place to use saved up points.

Going forward, we aim to create a more virtuous cycle for points and maximize the "au Economic Zone" by focusing on "au PAY" to promote the use and charging of "au PAY" card and giving bargains to customers who use saved up points at "au PAY" market.

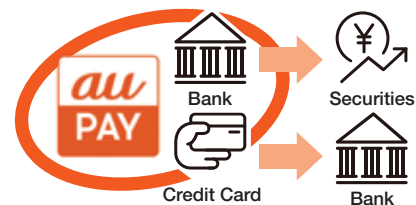


Synergy with the Financial Business Expecting Future Profit Growth

We will continue connecting "au PAY" to the various settlement and financial services held by the KDDI Group.

For the fiscal year ended March 31, 2020, transaction volume of settlement and loan^{*4} exceeded ¥6.5 trillion. Going forward, we aim to expand earnings and expand circulation between financial services in part by connecting "au PAY" to the use of securities services from banks and banking services from credit cards.

^{*4} "au PAY" settlement amount + "au PAY" card settlement amount + "au Carrier Billing" settlement amount + au Jibun Bank settlement amount + loan execution amount



Two Initiatives to Expand "au PAY" Contact Points

Carrying Out the "Anybody! Can Get ¥1 Billion Per Week! Campaign"

To raise awareness of "au PAY," over a seven-week period from February 2020, we carried out a campaign to award "au WALLET" Points equivalent to a maximum of 20% of settlement amounts. That had a significant effect, greatly helping to enhance the presence of "au PAY," such as by significantly raising awareness and getting many non-"au" customers to sign up.

Creating New Contact Points by Integrating Ponta Points

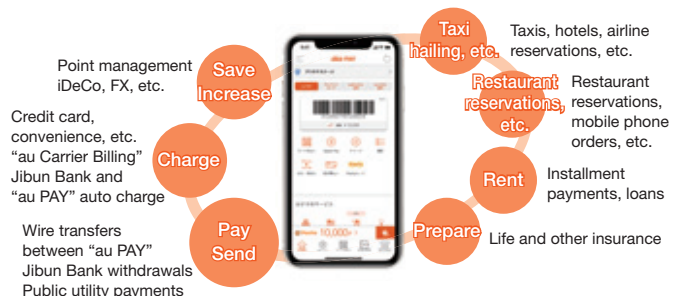
In May 2020, we integrated "au WALLET" Points into Ponta Points, creating a point member base of over 100 million, one of the largest in Japan.

With this member base as a foundation, we combined both groups' assets, such as KDDI's advanced technologies and around 14,500 Lawson stores,^{*2} to continue providing new experience value to customers. In addition, with a foothold in the Ponta open platform alliance, we aim to expand contact with non-"au" customers and further expand transaction volume of settlement and loan.

^{*2} As of May 2020

Aiming to Make "au PAY" a Super App

The super app that KDDI aims for is one that will be the most used by customers and serve as a launchpad for their daily lives. Going forward, we aim to further evolve as a super app by further expanding the function of "au PAY" and connecting it with daily life services, such as hailing taxis and making restaurant reservations.



Summary of Characteristics of KDDI's Settlement and Financial Fields

1. Launch of the Smart Money Concept, centered on "au PAY"
2. Point member base of over 100 million
3. Further earnings expansion with an over ¥6.5 trillion transaction volume of settlement and loan

Our Future **3: KDDI Accelerate 5.0**

Accelerating Society 5.0 with 5G to create an even brighter society for the future

KDDI and KDDI Research, Inc. formulated KDDI Accelerate 5.0—a concept that envisions the future in 2030.

We aim to create a resilient future society to establish new lifestyles for people, as well as spur economic development and solve social issues in Japan, through the evolution of three layers, along with research and development in seven fields to support that evolution.

About KDDI Accelerate 5.0

1. Background

As the effects of the COVID-19 pandemic drag on, the need has grown rapidly for telework, online education, remote health-care and the like, highlighting the social importance of the ICT infrastructure that maintains economic activity and consumers' peace of mind and safety in Japan. In addition, each industry is expected to create a resilient business model, supporting

economic growth in Japan and an even brighter society, bursting with vitality, for the future. Against this social backdrop, we put together KDDI Accelerate 5.0 with the aim of contributing to the era of the new normal by actively working to build networks and platforms and to create business models.

2. Upgrading the environment in three layers

To realize KDDI Accelerate 5.0, we will upgrade the environment in three layers.

1. Network Layer:

The network layer forms the base of a new social foundation. To engrain 5G in Japanese society and industry, we need to quickly roll out highly reliable networks based on the latest technologies across the country.

KDDI will introduce the technologies of overseas companies to maintain Japan's international competitiveness and will lead efforts to adopt world-class advanced technologies in Japan. In addition, KDDI will accelerate the nationwide rollout of its 5G network mainly through proactive forward-looking investments and infrastructure sharing in rural areas.

2. Platform Layer:

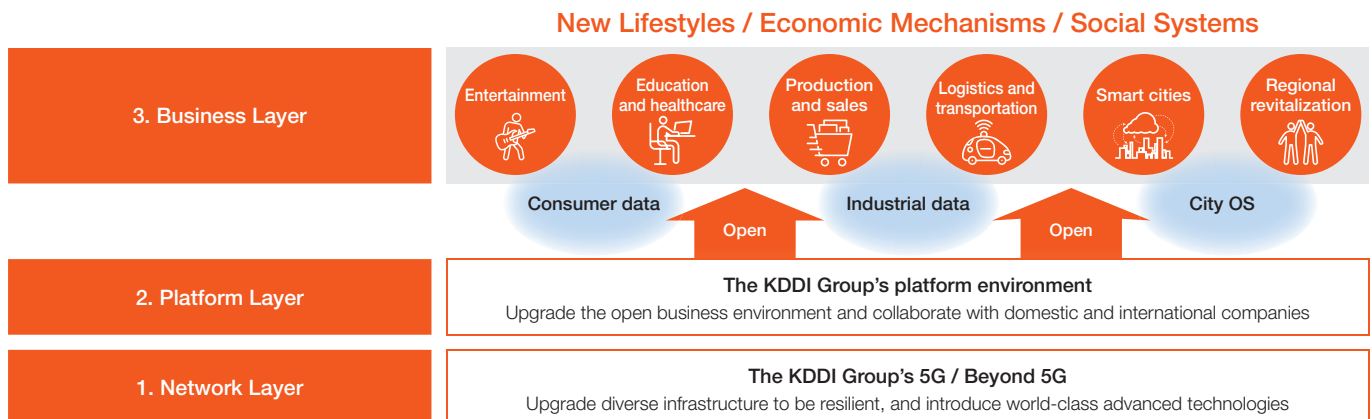
The platform layer is built on top of the network layer. It creates unprecedented new value by using cyber spaces to analyze

data collected from physical spaces and to then provide feedback on forecast results in physical spaces. KDDI will upgrade the open platform of advanced technologies for each industry in Japan through domestic collaboration with Japan's corporate platforms and venture companies while integrating its 5G network and the advanced cloud technologies of global IT companies.

3. Business Layer:

The business layer is positioned on top of resilient networks and open platforms to create new services and solutions. By integrating cyber and physical spaces through open innovation with companies in other industries, we aim to enhance engagement with customers, evolve into a resilient business model. KDDI will accelerate Society 5.0 with the aim of creating economic growth in Japan, as well as an even brighter society for the future.

The three layers that form the foundation of KDDI Accelerate 5.0



Technologies in Seven Fields that Unify Physical and Cyber Spaces

To accelerate Society 5.0, technology evolution is required to further accelerate the integration of physical spaces, where real people and things exist, and cyber spaces, which are the world of computers.

Data is collected from physical spaces, analyzed in cyber spaces, and then fed back into physical spaces again.

This cycle is supported by technologies in seven fields and close collaboration (orchestration) between those technologies.

Technologies in Seven Fields that Support KDDI Accelerate 5.0

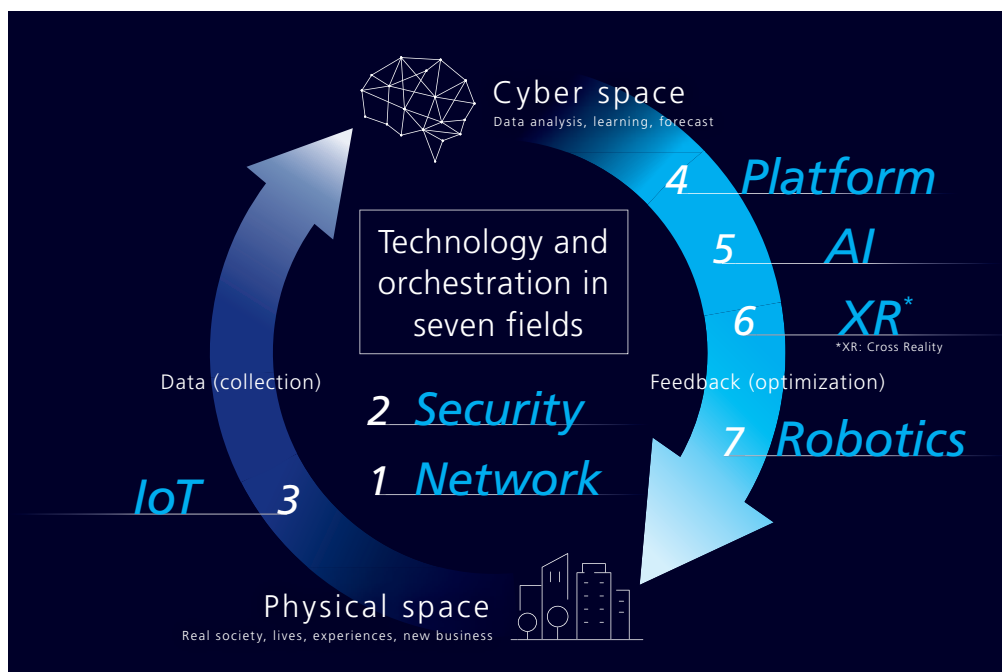
The seven technologies refer to network, security, IoT, platforms, AI, XR, and robotics.

Networks connect physical and cyber spaces, and security ensures the safety of both spaces.

IoT sends information collected from physical spaces to cyber spaces. Information accumulated on platforms in cyber space is analyzed by AI, which then provides guidance on how to utilize it in physical spaces.

XR and robotics enable the use of this information in physical spaces. XR makes use of human senses, and robotics physically animates drones and robots.

Repeating these cycles will increasingly optimize social and economic activities.



The proliferation of 5G service will drive the integration of physical and cyber spaces. And when we enter the beyond 5G era, the feedback from cyber spaces to physical spaces will be enhanced. These kinds of changes are being accelerated by research such as AI, XR and robotics that spur changes in human behavior; and the Life Design Business platform that KDDI is promoting.

Our Future 4: The Sustainability Expected of a Telecommunications Company

KDDI's Sustainability

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.

Minoru Tanaka

Executive Officer of Sustainability



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, which were linked with the medium-term management plan, into eight social fields.

Of the sustainability activities that form the foundation of these initiatives, I will go over our policies on governance, environmental measures, human resources, and human rights in this section.

Governance

By proactively adhering to the Corporate Governance Code and practicing the KDDI Group Philosophy, the foundation of its corporate activities, KDDI endeavors to strengthen corporate governance of all Group companies. In addition, KDDI directly holds meetings with investors on the topics of governance and sustainability as a part of its proactive approach to reflect the voices of our stakeholders in management.

Environmental Measures

With movements to address environmental issues accelerating, as demonstrated by the Paris Agreement and the TCFD, specific action plans are urgently needed in Japan to realize a society with zero CO₂ emissions. Through our core information communications operations, we contribute to improvements in work efficiency and reductions in the movement of people, helping to reduce CO₂ in society and reign in climate change. However, these benefits are countered by the rather large environmental impact caused by telecommunications equipment. Even considering that situation, KDDI formulated the KDDI GREEN PLAN 2017-2030 (in 2017) as well as KDDI Sustainable Action, declaring it will lower the environmental burden of society using ICT with the aim of achieving zero CO₂ emissions by 2050.

Human Resources

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 work to accommodate various personalities and abilities in its organization. We launched KDDI LEARNING CORPORATION in April 2019 and the learning facility LINK FOREST complex in April 2020. In addition, in April 2018, KDDI announced the KDDI Group Declaration of Health-Focused Management in a message from the President, and then created the Work Style Reform & Health Management Department in January 2019 as an organization focusing on health management. By promoting health management, we aim to establish a "health first" culture that fosters improvements in employee vitality and productivity.

Human Rights

As part of 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 furthering understanding among employees of the KDDI Code of Business Conduct and the KDDI Group Human Rights Policy. In March 2020, we conducted human rights due diligence, and we will continue to highlight risks and opportunities in all of 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 unique to Japan and the SDGs while highly valuing communication with our stakeholders.

[Web Link](#)

The unabridged version of this message is available on page 30 of the Sustainability Report.

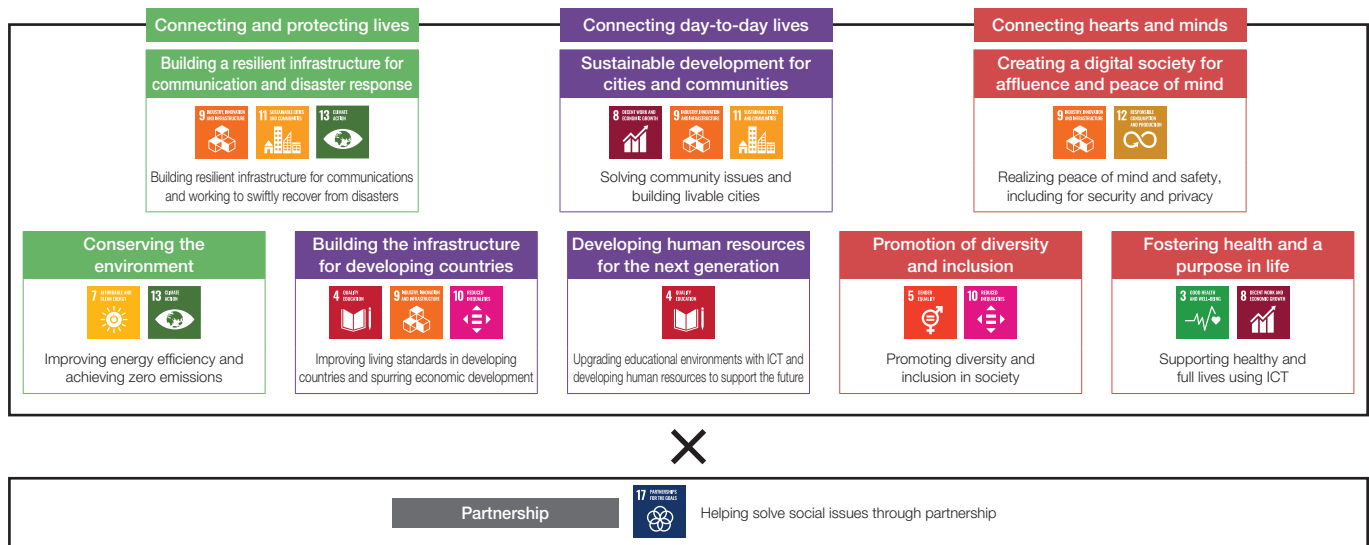
KDDI Sustainable Action

KDDI aims to grow with society through SDG initiatives while targeting not only the growth of the Company but social issues as well. 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.

We aim to further enhance corporate value and achieve sustainable growth with society by helping to solve social issues through business with partners by connecting and protecting lives, connecting day-to-day lives, and connecting hearts and minds while using 5G, IoT, and other technologies.

KDDI Sustainable Action

Our “power to make connections” will help create a brighter future for all



KDDI is “Connecting” Three Ways

At KDDI, our mission is to connect.

Not just faraway places using phone and internet lines, but something much more important.



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 mind

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.

KDDI Sustainable Action Initiatives

In May 2020, KDDI formulated "KDDI Sustainable Action: Our power to make connections will help create a brighter future for all"—KDDI's initiatives for the SDGs aimed at 2030 with a determination to continue working to solve various social issues through business going forward.

We analyzed the social issues for 2030 and the sectors where KDDI should focus given its business environment. In consideration of the social issues and the business sectors KDDI can contribute to as a telecommunications operator, we selected eight social issue fields and set targets for 2030.

Below, we describe our initiatives for eight issues.

Connecting and protecting lives

1. Building a resilient infrastructure for communication and disaster response

Building resilient infrastructure for communications and working to swiftly recover from disasters



Yukiko Habu
Deputy General Manager,
Operations Management
Department
Operations Division,
Technology Sector

KDDI is aiming to enhance mobile telecommunications quality and realize a society that can fully utilize high-quality telecommunications by providing reliable fixed-line and internet services. In the Operations Division, we will continue working together to monitor network operations to enable the provision of telecommunications as a lifeline during natural disasters.

Effects from COVID-19 have driven an increase in teleworking and other data use, along with rapid changes in telecommunications use in Japan. Although overall telecommunications traffic volume has not been affected, daytime fixed-line telecommunications traffic has increased by up to 63%. KDDI has therefore swiftly taken measures to maintain the telecommunications environment. In addition, we fulfilled our social responsibility as a telecommunications operator by working to safely provide a telecommunications environment to the many passengers, crew members, and health care providers on the large cruise ship that arrived in the Port of Yokohama in February 2020.

Going forward, we will continue helping every day to build safe and secure social foundations through telecommunications.

[Web Link](#)

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2. Conserving the environment

Improving energy efficiency and achieving zero emissions



Hisayasu Muraguchi
General Manager,
Mobile Base Site Facilities
Design Department
Engineering Division

As a KDDI Sustainable Action initiative, KDDI proclaimed its aim of zero CO₂ emissions by 2050. Because our businesses possess large-scale infrastructure, we need to ensure both environmental protection and sustainable business operations.

To achieve these dual goals, we must conduct a full-scale review of our energy consumption and take measures to deploy new technologies. We have been working to reduce electric power use by installing an efficient air-conditioning control system and a more efficient interflow and direct flow transformer in 2019. Furthermore, we have begun to consider using fuel cell batteries and installing new energy-efficient air-conditioning technology. In addition, as a medium- to long-term initiative, we review power distribution technology and develop power storage technology. Going forward, we will continue these unceasing efforts to help reduce CO₂ emissions for society as a whole.

[Web Link](#)

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Connecting day-to-day lives

3. Sustainable development for cities and communities

Solving community issues and building livable cities



Takayuki Noguchi
General Manager,
5G Deployment and
Planning Office
Technology Planning
Division

In Japan, due to the declining population and urban centralization, the issue of regional depopulation will continue to get worse going forward. To address this issue, we at KDDI will continue to help create a society where everyone can live a full life, free of inequality, and regardless of place of residence, through telecommunications.

From March 2020, we began fully offering 5G commercial services. I think we can leverage the characteristics of 5G, namely high speed, low latency, and multiple connections, in various fields including remote healthcare and education, agriculture, industry, and smart cities. To build the foundation for this, we began providing 5G commercial services in major cities across Japan from summer 2020, and we aim to offer 5G commercial services in every prefecture by March 2021.

Through the adoption of 5G, we will continue helping to realize a new society that solves the issues confronting rural areas.

[Web Link](#)

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4. Building the infrastructure for developing countries

Improving living standards in developing countries and spurring economic development



Noboru Edagawa
CEO,
KDDI SUMMIT
GLOBAL MYANMAR., LTD.



Tatsuya Hamada
Chairman and CEO,
MobiCom Corporation LLC

Mainly in developing countries in Asia, KDDI is working to help develop industry by providing inexpensive high-quality telecommunications services and upgrading telecommunications infrastructure with the aim of ensuring there are no residents living outside of our telecommunications area. In Myanmar, from 2014, we have worked to upgrade the telecommunications service environment through a joint business with Myanmar Posts & Telecommunications (MPT) and Sumitomo Corporation, thereby contributing to the development of the country. As of March 31, 2020, MPT was No. 1 in market share.

In Mongolia, we have been operating the comprehensive communications carrier MobiCom Corporation LLC since its founding in 1995. Every year, the company is selected for the Top 100 Mongolian Companies, which are chosen by the Mongolian government and Mongolian National Chamber of Commerce and Industry. In 2019, the company was awarded 17th place, the highest placement among telecommunications providers, signaling a high evaluation.

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5. Developing human resources for the next generation

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



Shigeki Matsuno
Administrative Officer,
Corporate Strategy
Planning Division

Rural Japan is facing various social issues, such as a declining birthrate, aging population, declining population, aging infrastructure, and increasing number of natural disasters. Attempts are being made to realize Society 5.0, which would help solve these issues through ICT. KDDI believes that to make these initiatives sustainable, we need to train the personnel, venture companies, and local companies that will take up the responsibility of solving these issues at the local level. To date, KDDI has worked with over 60 municipalities to solve problems, and the Company is collaborating with regional universities and technical colleges to promote corporate and human resources training for innovation, starting businesses, and DX, by leveraging its track record to date.

In addition, we established the KDDI Regional Initiatives Fund in April 2019 for regional revitalization by providing funding to training companies. Going forward, KDDI will continue to contribute to the sustainable development of society by working to train human resources that will develop regional areas and shape the future.

[Web Link](#)

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Connecting hearts and minds

6. Creating a digital society for affluence and peace of mind

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



Yuuko Hino
Assistant Manager,
Sustainability Department
General Administration
Division

In a society undergoing rapid digitization, a huge responsibility for telecommunications providers is to build a safer society where privacy and security are protected. With adoption of smartphones and cellphones widespread and increasingly younger people using them, KDDI respects UNICEF's Convention on the Rights of the Child and has been offering the KDDI Smartphone and Mobile Phone Safety Classes at elementary, middle, and high schools across Japan since the fiscal year ended March 31, 2006. These classes provide children with the means to use their own judgment to avoid risks, enabling them to safely and securely use smartphones and mobile phones.

The cumulative number of classes held is around 33,000, with attendees exceeding 6,110,000. In addition, we hold courses for seniors to learn basic phone functions and ways to use phones safely and securely. These classes have reached a cumulative total of around 1,500, with approximately 27,000 attendees. Going forward, we will continue to carry out these initiatives aimed at building a safe, rich, digital society.

[Web Link](#)
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7. Promotion of diversity and inclusion

Promoting diversity and inclusion in society



Kaname Utsumi
Head of Diversity &
Inclusion Department,
Human Resources
Planning Department
Human Resources Division

KDDI declared "embracing diversity" as part of the KDDI Group Philosophy and is working to continue building an organization that leverages diversity.

To promote the advancement of women, we set a target of hiring 200 female line managers as of March 31, 2021, and are conducting various training, mentoring, and career design programs.

KDDI promotes the employment and advancement of people with disabilities. We maintained an employment rate of 2.53% for people with disabilities, which is above the legally mandated level, as of June 1, 2020, by establishing a special subsidiary to contract KDDI's operations and expanding the range of activities, such as operating cafés at offices. We are also proactively working to quickly address LGBT issues. For example, the "au" Family Discount can also be applied to same-sex partners, and internal systems treat same-sex partners and their children as family members.

As an operator who has a public mission, we will continue helping realize a diverse and inclusive society by providing a work environment and services that respect diversity.

[Web Link](#)
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8. Fostering health and a purpose in life

Supporting healthy and full lives using ICT



Yumiko Katori
Manager,
Work Style Reform &
Health Management
Department
Human Resources Division

KDDI has undertaken work style reforms and health management as an important management issue for a long time. To further promote these initiatives, we established the Management Department as an organization dedicated to these causes in January 2019.

We are creating a company where all employees can stay healthy while achieving high performance by having a framework of around 40 internal counselors to conduct two annual interviews with every employee and assess their mental and physical health. With the spread of COVID-19, we formulated a basic policy based on the policies of KDDI Sustainable Action. The first of five items in the policy is "ensuring the safety of customers and employees of KDDI and its affiliates above all else." To prevent the spread of infections, around 90% of KDDI employees are working from home.

Going forward, we will continue striving to be a company that contributes to the sustainable development of society and where employees thrive.

[Web Link](#)
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Climate Change Initiatives

KDDI's Approach (Low-Carbon Society)

Greenhouse gas emissions, which are the cause of global warming, are steadily increasing every year, and reducing emissions is an issue for the entire human race.

The use of ICT is expected to lead to more efficient operations, including production and expenses, and help reduce the CO₂ emissions of customers. On the other hand, due to concerns about a larger environmental burden from data centers and bases in line with the expanded use of ICT, the development and introduction of energy-efficient equipment and machines has become an issue.

KDDI will continue to help reduce CO₂ emissions by providing new ICT services with the aim of realizing a low-carbon society.

Climate Change Risks and Opportunities

(1) Risks and Opportunities from Regulations

Among regulations and government policies in each country and region, there are some that impact the business activities of companies, such as energy efficiency standards, carbon taxes, and emission trading. KDDI believes that these regulations and policies could become a risk for business continuity and growth. We consider the response to these regulations to be an opportunity for business growth by building environmentally friendly bases and providing countries and regions with services connected to reducing society's environmental burden and energy efficiency using ICT.

(2) Risks and Opportunities from Physical Impact

Larger typhoons and increased precipitation due to global warming have resulted in damage to various regions. Due to their impact on the Company's telecommunications equipment, we recognize these natural disasters as risks to business continuity. On the other hand, demand has been increasing globally for measures to respond to these natural disasters. KDDI is working to expand business by promoting disaster countermeasures using ICT services, such as emergency response systems and disaster prevention systems.

(3) Other Risks and Opportunities

Insufficient response to climate change is a risk to business continuity and invites a deterioration in stakeholder trust and competitiveness in markets. KDDI has announced a long-term goal to mitigate climate change. Providing services that help lower environmental burden leads to an expansion of business and can contribute to Goal 7 (ensure access to sustainable energy for all) and Goal 13 (take specific action to combat climate change) of the SDGs.

Environmental Management

KDDI is currently carrying out its environmental conservation plan KDDI GREEN PLAN 2017-2030. This long-term plan runs until the fiscal year ended March 31, 2031 with the goal of achieving a 7% reduction in the Company's CO₂ emissions in comparison with the fiscal year ended March 31, 2014. To achieve this goal, we are working to reduce CO₂ emissions by using various reduction methods like renewable energy.

We discuss material issues related to the environment at the Sustainability Committee to demonstrate our position of promoting sustainability overall, including management and the environment. The President is the chair, and the Sustainability Department is the secretariat. The results of the discussions have been reflected in each organization's goals and rolled out to each division and Group company through the Environmental Subcommittee, which is attended by managers from each sector and Group company that have acquired ISO 14001. The Green Plan Subcommittee, which was established in the fiscal year ended March 31, 2018, assesses the progress towards the goals of KDDI GREEN PLAN 2017-2030 and promotes various activities.

Aiming for Zero CO₂ Emissions by 2050

We strongly promote the shift to renewable energy, aim to achieve zero CO₂ emissions by 2050, and reduce society's environmental burden using ICT.

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Sustainability Report 2020



An overview of all KDDI's sustainability activities is provided in the Sustainability Report 2020.

The Sustainability Report contains detailed information on the future KDDI aims to achieve through KDDI Sustainable Action 2030; KPI results related to material issues and the SDGs; environmental performance and other figures; and initiatives in each business. We therefore recommend reading it along with the Integrated Report.

Board Members

(As of June 17, 2020)

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)**

Makoto Takahashi

**President,
Representative Director**

Number of the Company's
shares held: 30,100



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)**
Apr. 2019 **Executive Director, Corporate and
Marketing Communications (Current position)**

Takashi Shoji

**Executive Vice
President,
Representative Director**

Number of the Company's
shares held: 12,400



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: 10,200



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: 13,500



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: 12,700



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: 38,000



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: 9,400



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: 1,300



Apr. 1965 Born

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

Goro Yamaguchi ●

Outside Director

Number of the Company's
shares held: 7,200



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: 200



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)**

Shigeo Ohyagi ●●


**Outside Director,
Independent Director**

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




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)**

Riyo Kano 

Outside Director,
Independent Director

Number of the Company's
shares held: 200



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)**

Shigeki Goto 

Outside Director,
Independent Director

Number of the Company's
shares held: 1,800



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. 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: 14,000



Kenichiro Takagi

Full-time Audit &
Supervisory Board
Member

Number of the Company's
shares held: 26,800




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: 0





Shin Honto 







































Audit & Supervisory
Board Member

Number of the Company's
shares held: 0



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

Composition of Directors and Advisory Committees

Name	Newly appoint- ed	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, 2020, the Nomination Advisory Committee met on two occasions and the Remuneration Advisory Committee met on three occasions.

Messages from Outside Directors

Shigeo Ohyagi
Outside Director and
Independent Director

Riyo Kano
Outside Director and
Independent Director

Shigeki Goto
Outside Director and
Independent Director



Shigeo Ohyagi Outside Director and Independent Director

In the two years that I have served as an outside director, KDDI has fulfilled diverse social missions, meeting society's expectations as an information telecommunications industry leader that provides social infrastructure. Amid the current COVID-19 crisis and many natural disasters, KDDI has met its obligation to proactively engage in emergency activities. Management continues to make substantial investments to maintain information networks and develop advanced data telecommunications technologies. I evaluate these efforts and their consistency highly.

I participate in discussions with tremendous interest. I initially thought a business model should leverage real world

business experience in the healthcare and materials fields to raise the quality of social life. But KDDI is aiming to merge information telecommunications and daily life together through virtual spaces that enrich our future lives.

Going forward, more than ever, corporate activities will be expected to contribute to the sustainability of society and I think KDDI's information telecommunications technologies can really help solve such social issues as the declining birthrate, graying population, regional disparities, and environmental problems. As an outside director, I will continue working hard to participate in discussions while constantly improving myself.

Riyo Kano Outside Director and Independent Director

At KDDI's Board of Directors meetings, the direction of corporate strategies, management issues, and action policies is shared among all directors. In particular, outside directors actively ask questions and provide opinions to enhance medium- to long-term corporate value, fulfilling the management monitoring function.

Amid this current COVID-19 crisis, KDDI's businesses are growing in importance. I think that in all aspects of life, from business to leisure activities, people really feel that telecommunications services are an indispensable lifeline. In addition, I feel the use of data owned by KDDI has played a large role in society mainly by helping prevent the spread of infection.

Going forward, amid new lifestyles and an accelerating transformation of society, people want KDDI to fill a role that exceeds the expectations of society.

KDDI is developing comprehensive services, with telecommunications at the core. To meet drastically changing social needs, swift and bold management decisions are needed in addition to steadfast efforts. As a member of the Board of Directors, which underpins those management decisions, I leverage the sense of balance and legal mind I have cultivated as a lawyer and speak from the position of being an "au" user when speaking at Board of Directors meetings.

Shigeki Goto Outside Director and Independent Director

I have engaged in information telecommunications research over many years, and I consider it an honor to be appointed as an independent outside director at KDDI, which is at the center of the information and telecommunications industry.

As a species, humans excel; and yet a single human can only eke out a precarious existence. It was only through communication that humans were able to build society and elevate themselves. Information telecommunications serve as the neural network of modern society. Using 5G services to comprehensively integrate all information into society is expected to greatly benefit humanity.

Although the word innovation is often used to refer to

technological revolution, Joseph Schumpeter defined it as "new combinations" in one of his early works. The telecommunications services provided by KDDI are a two-way combination. By building a mechanism to circulate valuable information, it is possible to contribute to the growth and development of customers, industries, and society.

My first theme as a researcher was artificial intelligence technology. Afterward, in the internet field, I promoted related technology from Japan to the Asia Pacific region. And I have recently undertaken research in cyber security. I hope to make use of my experiences for KDDI while learning many new things.

Corporate Governance

Basic Views on Corporate Governance, Change in the Corporate Governance Framework, Corporate Governance Framework

Basic Views on 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, as a telecommunications operator, 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.

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.

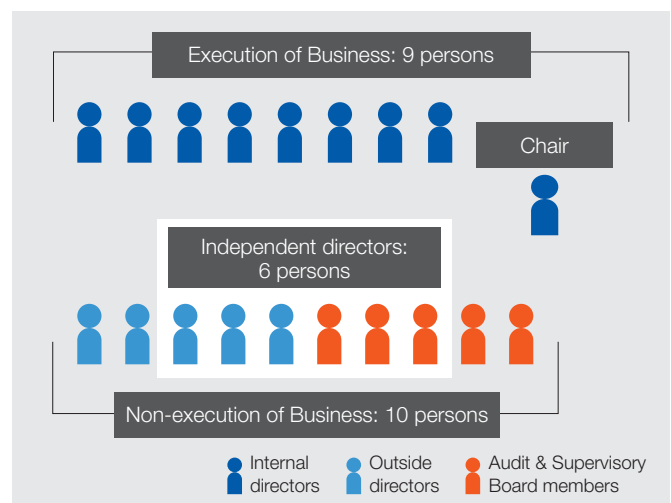
We recognize reinforcing corporate governance as important to achieving sustainable growth and increased corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the “Corporate Governance Code” defined by the financial instruments exchanges. While maintaining 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 increased corporate value over the medium to long term.

Composition of Board of Directors



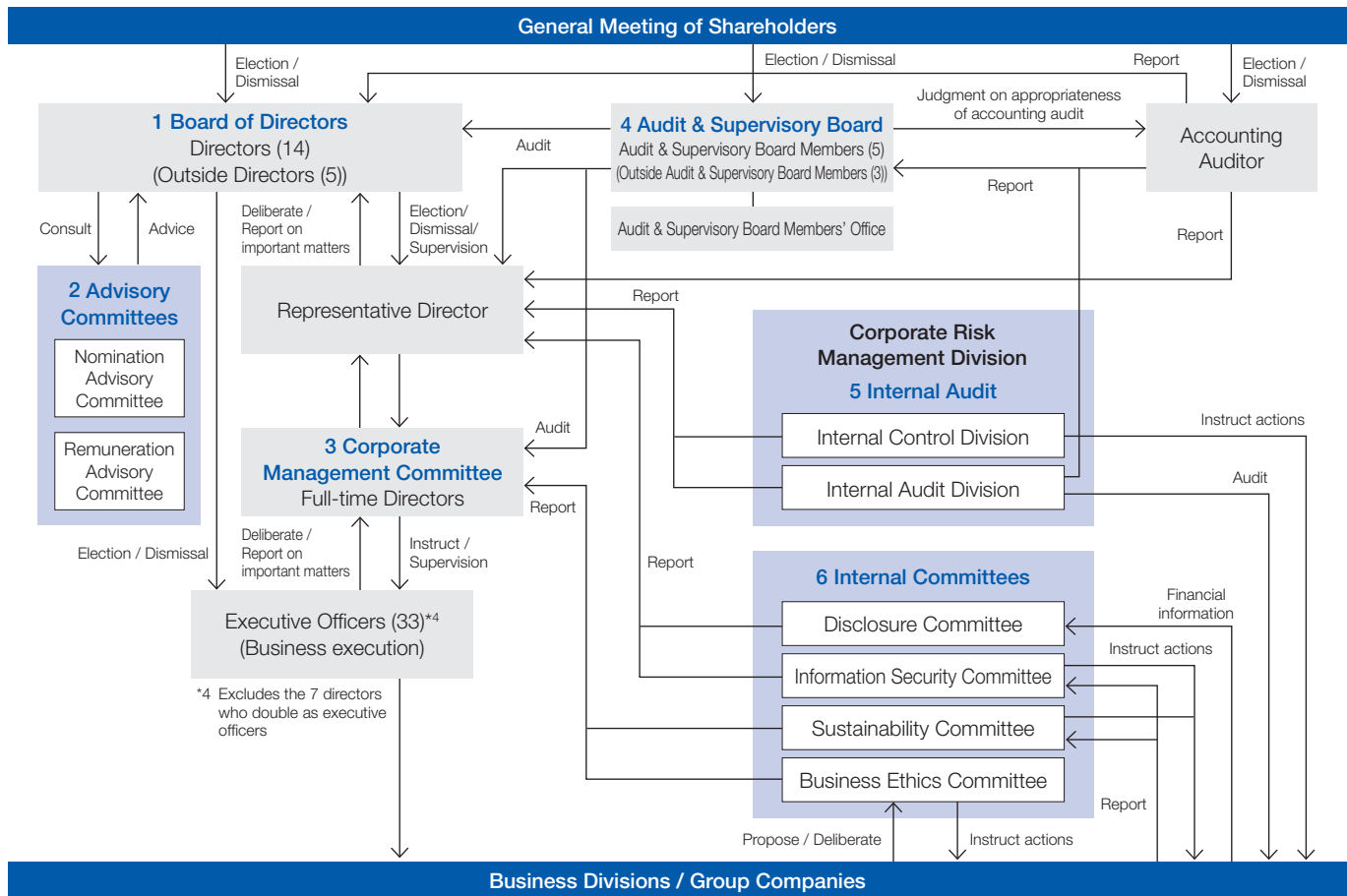
Changes in the Corporate Governance Framework

		2000—				2005—				2010—				2015—				2020—				(Year)
President		Yusai Okuyama				From June 2001 Tadashi Onodera				From December 2010 Takashi Tanaka				From April 2018 Makoto Takahashi								
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						
	Number of Audit & Supervisory Board members	5																				
Ensure independence	Number of independent directors*3																					
	Advisory Committee																					
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																				
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 conclusion of an Extraordinary Meeting of Shareholders convened in October 2000

*3 Independent officers pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.



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 half or more 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. 43)
- Disclosure Committee: deliberates on financial results information to be disclosed at fiscal period-ends (P. 45)
- 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 and functioning effectively.

The following two points were found to be rated particularly highly.

- Deliberations are held with a focused list of agenda items with outside directors and Audit & Supervisory Board members actively asking questions with an awareness of

sustainable growth and enhancement of medium- to long-term corporate value.

- Reports are regularly made on the progress of medium-term and annual plans and meaningful discussions are held regarding what should be done to achieve the goals.

Improvements over the Previous Evaluation

In the previous evaluation, one stated key issue was that “we will discuss the Company’s social mission and business strategies and what kind of company we want to be from various perspectives.” With this in mind, in 2019, we held discussions on our medium- and long-term business strategies, as well as our corporate culture, and outlined our Company Vision: Contributing to the sustainable growth of society. We also announced the social issues we would take up through our businesses and corporate activities.











Future Issues to be Addressed

To expand the size of our business, we will pursue multifaceted expansion into different industries and fields with the telecommunications business at our core. At the same time, with the understanding that it is important to monitor subsidiaries in particular to enhance the corporate value of the KDDI Group as a whole, we will continue to carry out timely and appropriate monitoring as a Group and consider better forms of supervision.

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. Other matters are given individual consideration depending on circumstances.

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		●	
Toshihiko Matsumiya (Certified Public Accountant)	Outside Audit & Supervisory Board Member			●
Jun Karube (Toyota Tsusho Corporation)	Outside Audit & Supervisory Board Member	●		
Shin Honto (Ministry of Land, Infrastructure, Transport and Tourism)	Outside Audit & Supervisory Board Member			●
Total	 Outside Director  Outside Audit & Supervisory Board Member	  	 	  

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 deepening 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,

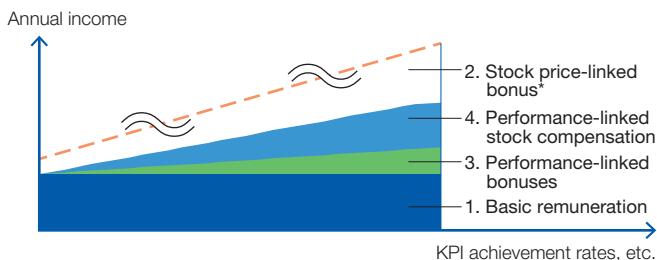
bonus, stock compensation) for each director is decided at the Board of Directors meeting based on the advice of the Compensation Advisory Committee.

For more details, please refer to the Notice of the 36th Annual Shareholders Meeting.

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:		
	4. Performance-linked stock compensation	<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 Certain KPIs tied to performance targets for each period <ul style="list-style-type: none"> Net increase in Group IDs The Group's total ARPA KDDI's SDG 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

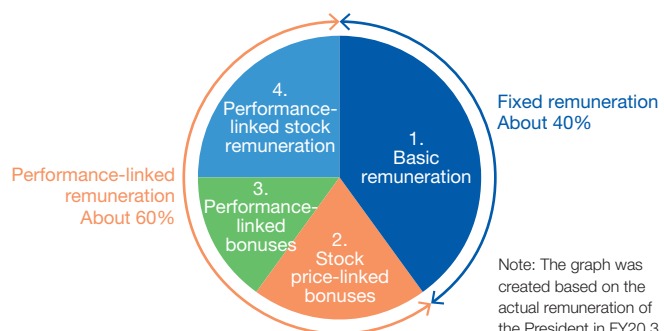
Example of Compensation for Directors (excluding outside directors)



Note: The graph was created based on the remuneration model for the President.

* 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 FY20.3.

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* 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.

* Basic Earnings per share

Results of Remuneration Advisory Committee Meeting (FY2020.3)

- The Remuneration Advisory Committee met three times, and all members attended.
- They discussed the amount of performance-linked compensation provided in the fiscal year ended March 31, 2019, 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.

Introduction of Stock Price-Linked Bonuses (Activities of the Remuneration Advisory Committee)

As the outside director chairing the Remuneration Advisory Committee, I submit this report.

The committee deliberates general compensation for directors and Audit & Supervisory Board members. In the fiscal year ended March 31, 2020, the Remuneration Advisory Committee met three times and conducted deliberations related to compensation systems for directors suited to KDDI from various perspectives. As a result, we were able to propose the introduction of stock price-linked bonuses. A general outline of that debate follows.

1. Level of compensation for KDDI's directors

First, regarding the level of compensation for KDDI's directors, we assessed whether it was commensurate with the expectations and responsibilities of directors and whether it was fair in comparison with the benchmark group of companies while referencing objective survey data from external specialist organizations. We also deliberated about the appropriate level. As a result, based mainly on comparisons with other companies of similar size and in the same industry in Japan, we advised that compensation be revised to a composition that is appropriate for the work duties of directors who are responsible for executing business in response to a mandate from shareholders.

2. Composition of compensation for KDDI's directors and selection of KPIs

Compensation for KDDI's directors had been composed of basic compensation, performance-linked bonuses, and performance-linked stock compensation. When revising the composition, we considered it from the direction of introducing a new compensation system that is more directly linked to the stock price and enhancement of medium- to long-term corporate value.

As a result, we advised adopting the following two KPIs.

(1) EPS growth rate

In the medium-term management plan, we target growth of 1.5 times in EPS by the fiscal year ending March 31, 2025, compared with the level in the fiscal year ended March 31, 2019. We established an indicator of year-on-year EPS growth rate as an incentive to support the achievement of this plan.

(2) Stock price change rate

We established the indicator of stock price change rate to incorporate market evaluations of operating results and corporate activities and enhance the connection with stock price. Furthermore, “stock change rate” means relative evaluation with the TOPIX growth rate, not the change rate of KDDI's stock price. In this way, we can make fair evaluations based on overall changes in the stock market.

This is how we introduced stock price-linked bonuses with the aim of strongly motivating achievement of the medium-term management plan goals and enhancing the connection between stock price and compensation for directors.

I believe the mission of this committee is to consider forms of compensation that are connected with sustainably enhancing corporate value over the medium to long term. We will continue to contribute to the sustainable growth of the KDDI Group.



Goro Yamaguchi
Remuneration Advisory
Committee chair
Outside director

Compliance

Compliance Policy

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.

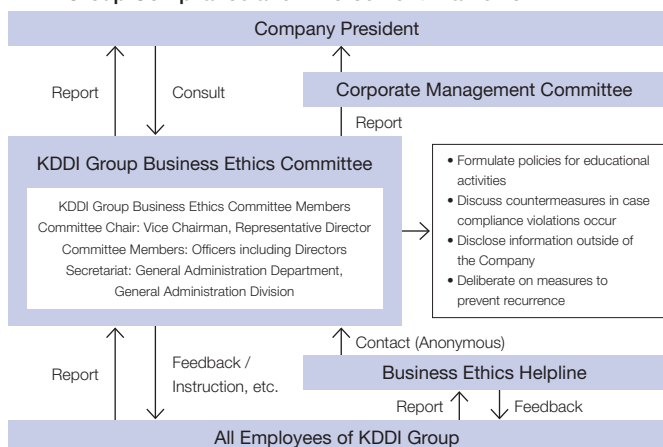
KDDI Group Compliance and Enforcement Framework

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 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



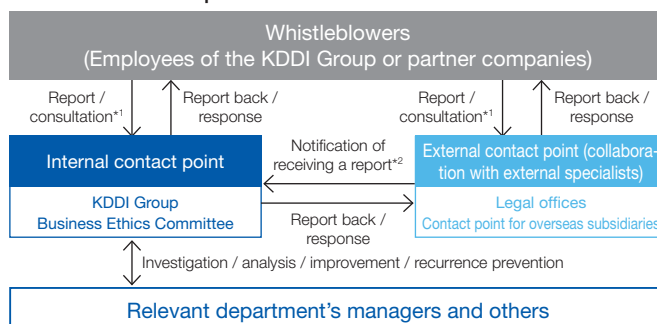
Business Ethics Helpline (Grievance Mechanism)

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 CSR in Supply Chain, we demand our business partners not engage in any activities that inhibit fairness, transparency or freedom of competition. However, in March 2020, KDDI and UQ Communications became subject to administrative guidance issued by the Ministry of Internal Affairs and Communications as their sales agencies were alleged to engage in improper sales practices involving excessive price discounts on cellular phone terminals in violation of upper limits stipulated by the Telecommunications Business Act. In line with this administrative guidance, the ministry demanded that thoroughgoing measures, including the provision of proper instructions to agencies, be taken to prevent recurrences.

In response, we are currently undertaking such initiatives as providing all agencies with follow-up explanation of the revised Telecommunications Business Act, implementing online training for agency staff, and mandating that agencies appoint managers in charge of compliance with legal guidelines.

Excepting the issues reported above, there were no legal actions against us concerning anticompetitive or monopolistic conduct in the fiscal year ended March 31, 2020. We will fully adhere to relevant regulations and continue appropriate business operations.

Risk Management and Internal Controls

Risk Management and Internal Controls

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.

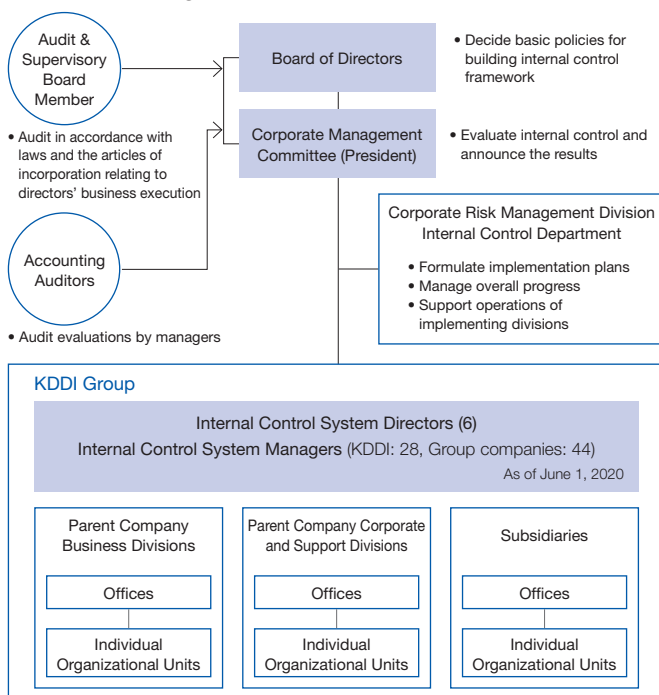
Our Risk Management and Internal Control

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.

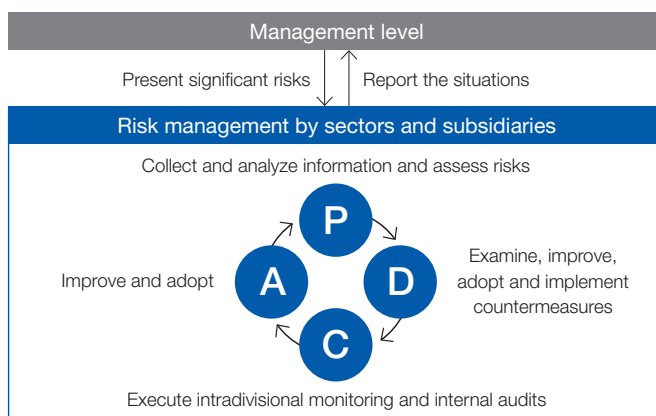
We have appointed 28 Internal Control System Managers within KDDI and 44 at Group companies, as well as 6 Internal Control System Directors to oversee their activities. Under their leadership, we introduce and run internal control systems, carrying out risk management activities, and run operational 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 at KDDI 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, 2020, we selected 25 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 accounting, 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

Disclosure and IR

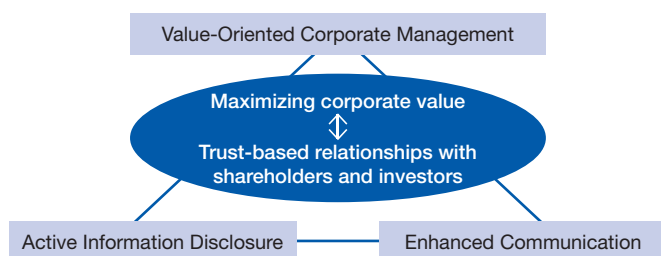
Fundamental Thinking

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.

Open IR Activities
Proactive IR Activities
Organized IR Activities

IR Activities in the Fiscal Year Ended March 31, 2020

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 and seminars for individual investors 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 novel coronavirus, 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, 2020

Individual meetings with institutional investors	Approx. 750 times
Financial results briefings	4 times
Overseas road shows	10 times
Number of participants or viewers of seminars for individual investors	Approx. 1,600 people

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 2020 Certified Health & Productivity Management Organization Recognition Program Gold Award in the PRIDE Index Ranked first in the 14th Toyo Keizai CSR Corporation Ranking (2020) 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. This 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, 2020, KDDI has received excellent evaluations. The Company was selected for a fourth consecutive year to receive the Daiwa Investor Relations Internet IR 2019 Grand Prize. We were also ranked Gold Prize in the "Gomez IR Website Overall Ranking 2019" by Morningstar Japan K.K. In addition, we were commended for operating an outstanding website in the Nikko IR All Japanese Listed Companies' Website Ranking.



- [The Japanese Market and KDDI](#)
- [Analysis of the Consolidated Statement of Income](#)
- [Analysis of the Consolidated Statement of Financial Position](#)
- [Analysis of Capital Expenditures and Cash Flows](#)
- [Performance Analysis by Segment](#)
- [Consolidated Financial Statements](#)
- [Corporate Overview / Stock Information](#)

The Japanese Market and KDDI

Mobile Communications Subscriptions

As of March 31, 2020, cumulative mobile communications subscriptions in Japan totaled 184.80 million,^{*1} up 4.0% year on year. The mobile market continues to grow, driven by the spread of smartphones, further advances in the trend of single users owning multiple devices, and increased use in business, including IoT.

Of this total, the KDDI Group's share expanded 0.7 points year on year to 31.7%^{*2} (around 58.64 million contracts).

There has also been continued growth in the number of service contracts for MVNO,^{*3} up 14.7% from a year earlier to 24.65 million.^{*1} The percentage of SIM card-based contracts reached 10%.^{*4}

Of this total, the KDDI Group's MVNO service contracts (UQ mobile, BIGLOBE mobile, J:COM MOBILE) expanded 25.4% year on year to 3.07 million.

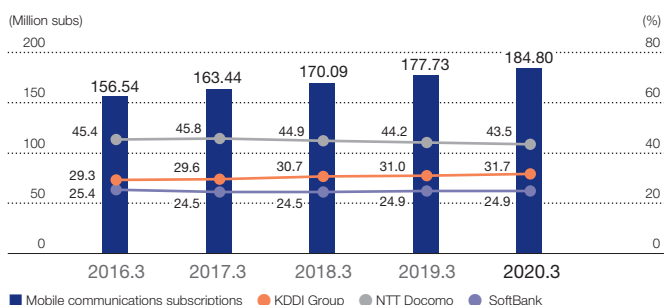
^{*1} Source: Official Announcement of Quarterly Data on the Number of Telecommunications Service Subscriptions and Market Shares (FY2019 Q4 (End of March 2020)), Ministry of Internal Affairs and Communications

^{*2} The KDDI Group includes KDDI, Okinawa Cellular Telephone Company (au), and UQ Communication. The SoftBank Group includes SoftBank and Y!Mobile. In addition, the figure includes subscriptions related to providing services to each company's MVNO.

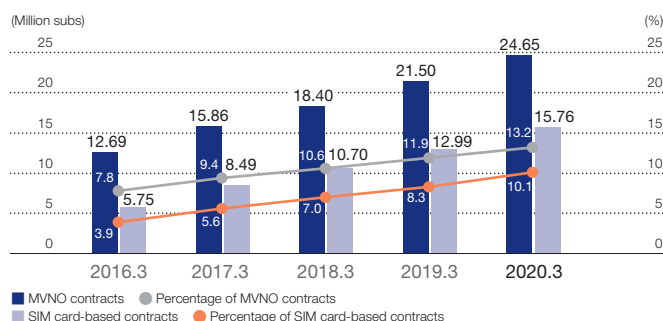
^{*3} MVNO: Mobile Virtual Network Operator

^{*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 (29.85 million contracts))

Mobile Communications Subscriptions^{*1}



MVNO Service Contracts and Percentage of Contracts^{*4}



5G on the Rise

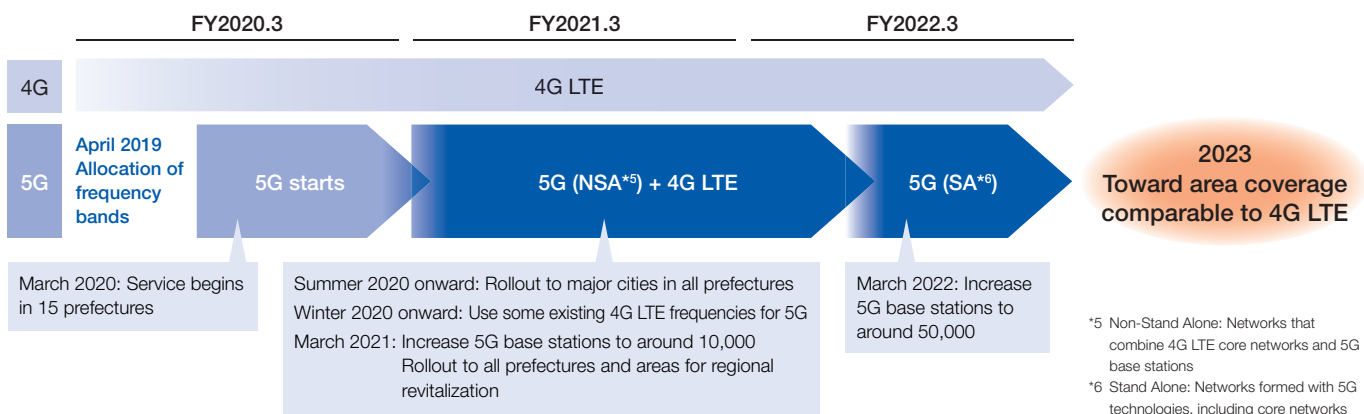
In Japan, 5G service started in March 2020. With the aim of quickly popularizing 5G services, each company is proactively working to upgrade their networks.

KDDI aims to quickly roll out its 5G services nationwide, expanding its 5G base stations to 10,000 nationwide in the fiscal year ending March 31, 2021 and up to 50,000 in the fiscal year

ending March 31, 2022.

In addition, to expand base stations into rural regions, we established 5G JAPAN as a joint venture with SoftBank. By sharing mutual base station resources, we will continue accelerating the expansion of base stations into rural areas.

"au 5G" Rollout Schedule



Non-Telecommunications Field

As growth in the telecommunications business alone becomes more difficult, each mobile telecommunications company is using its domestic telecommunications business customer base to ramp up initiatives aimed at expanding earnings in non-telecommunications business fields, including in settlement, finance, and commerce, to secure new sources of income.

Of these fields, the market for smartphone payments is expanding significantly. To achieve the 40% cashless payment ratio targeted by the government by 2025, we carried out a campaign to give points (cashless point provision business, October 2019 to June 2020), which became a tailwind.

In April 2019, KDDI began smartphone payment services under the name "au PAY." These services are expanding steadily as demonstrated by members exceeding 23.50 million and point-accepting locations surpassing 1.90 million as of March 31, 2020.

Page Link P. 24 Our Future 2: "au PAY" Targets

In addition, KDDI will continue providing new experience value to customers through "the integration of telecommunications and life design" by developing the life design business with concentric rings entailing commerce, finance, energy, entertainment, and education, around a core of the domestic telecommunications business and its customer base.

Furthermore, we aim to achieve sustainable growth in Japan and overseas by leveraging the knowhow we cultivated in Japan mainly in the consumer business in Myanmar and Mongolia.

Fixed-Line Telecommunications Business Domain

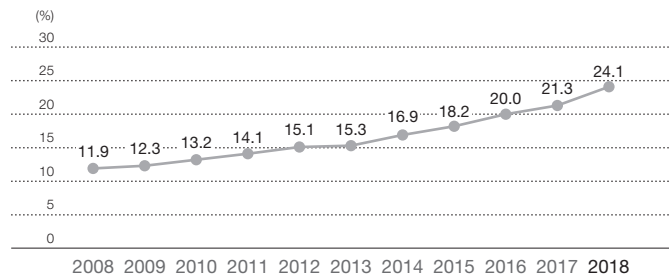
As of March 31, 2020, the number of fixed-line broadband subscriptions was up 2.4% year on year to 41.20 million.*1

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.

The number of KDDI's domestic broadband subscriptions (FTTH subscriptions + CATV services for RGU households) slightly increased at 10.11 million, up 1.9% year on year.

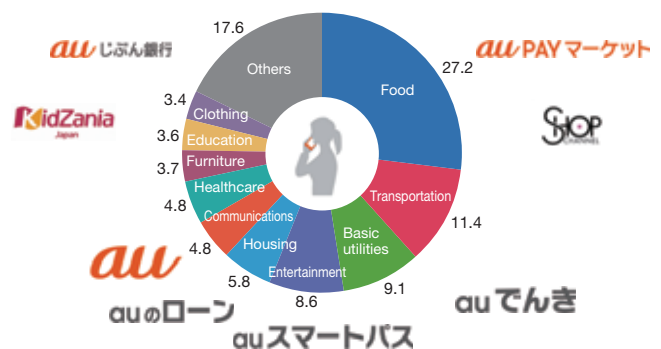
By cross-selling FTTH and CATV to the au and the Group's MVNO services, we expect the KDDI Group customer base to continue growing stronger and expanding.

Percentage of Cashless Payments for Private Final Consumption Expenditure in Japan



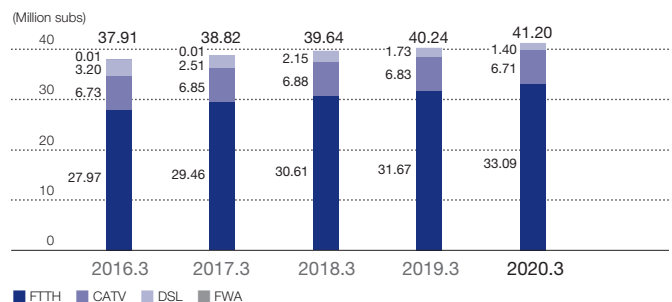
Source: KDDI, based on the Payments Japan Association's Cashless Roadmap 2020

Breakdown of Consumer Expenditure in Japan and KDDI's Main Life Design Services

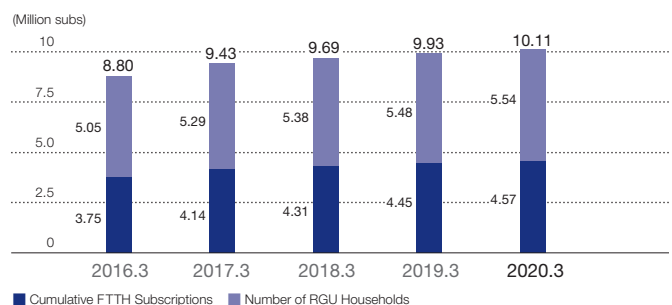


Source: KDDI, based on data from Ministry of Internal Affairs and Communications' Family Income and Expenditure Survey for Households with Two or More People, March 2020

Number of Fixed-Line Broadband Subscriptions*1 in Japan



Total of Cumulative FTTH Subscriptions*7 and Number of RGU Households*8



*7 Cumulative FTTH subscriptions: au HIKARI + Commuf@-hikari + au HIKARI Chura (OCT) + HIKARI J + BIGLOBE HIKARI and others (Personal Services segment basis)

*8 RGU: Revenue Generating Units. Each household's subscription to CATV, high-speed Internet connection, or telephony services represents one RGU.

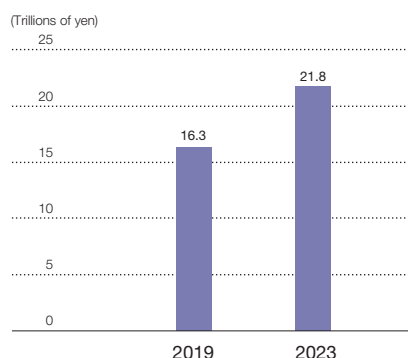
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Market Conditions for Corporate Customer Businesses

To avoid economic losses due to a shortage of IT personnel and the increase in legacy systems, the Ministry of Economy, Trade and Industry released the Guidelines for Promoting Digital Transformations in December 2018, and initiatives to promote DX are being advanced across Japan.

Due to the effects of the COVID-19 pandemic, regardless of size, all companies (small, medium, and large) are expected to further accelerate DX going forward. KDDI will continue helping customers realize DX while working with diverse partner companies and providing next-generation technologies, such as 5G, IoT, and AI.

Market Size of Japan's 3rd Platform



Source: KDDI, based on IDC Japan's *Japan 3rd Platform and Digital Transformation Trends* (expenditure basis)

Frequency Allocated to Each Telecommunications Company and Construction of Resilient Networks

Due to the proliferation of smartphones and tablets, and the increased performance of such devices, along with increasingly diverse mobile content services and evolution of telecommunications technologies, mobile traffic in Japan continues to grow, with both average monthly traffic and peak traffic rising by about 20% in the most recent year. (Source: "The State of

Mobile Communications Traffic in Japan," Ministry of Internal Affairs and Communications (December 2019))

Going forward, we will continue working to promote 5G and expand networks that support telework, online education, remote healthcare, and more, in addition to expanding new domains, including IoT business.

Allocation of Bandwidth among Japan's Mobile Telecommunications Operators (As of March 31, 2020)

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	FDD-LTE	FDD-LTE 3G*1	FDD-LTE	FDD-LTE	FDD-LTE 3G*1	WIMAX 2+ (TDD-LTE)	TDD-LTE		NR (TDD)	NR (TDD)		
	10MHz	15MHz*1	10MHz	20MHz*2	20MHz*1	50MHz*4	40MHz	240MHz	100MHz*6 100MHz	400MHz*6	600MHz	840MHz
NTT DOCOMO	10MHz	15MHz	15MHz	20MHz*3	20MHz		80MHz*5	240MHz	100MHz*6 100MHz	400MHz*6	600MHz	840MHz
	10MHz	15MHz	15MHz	20MHz*3	20MHz							
SoftBank	10MHz	15MHz	10MHz	15MHz	20MHz	30MHz AXGP	80MHz*5	250MHz	100MHz*6 100MHz	400MHz*6	500MHz	750MHz
	10MHz	15MHz	10MHz	15MHz	20MHz							
Rakuten Mobile				20MHz				40MHz	100MHz*6 100MHz	400MHz*6	500MHz	540MHz
				20MHz								

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

*2 Newly allocated by the Ministry of Internal Affairs and Communications on April 9, 2018

*3 Only in Tokyo, Nagoya, and Osaka

*4 Following the shutdown of UQ WIMAX services on March 31, 2020, this service is currently being provided as WIMAX 2+ (TDD-LTE).

*5 Of this 80MHz, 40MHz was newly allocated by the Ministry of Internal Affairs and Communications on April 9, 2018.

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

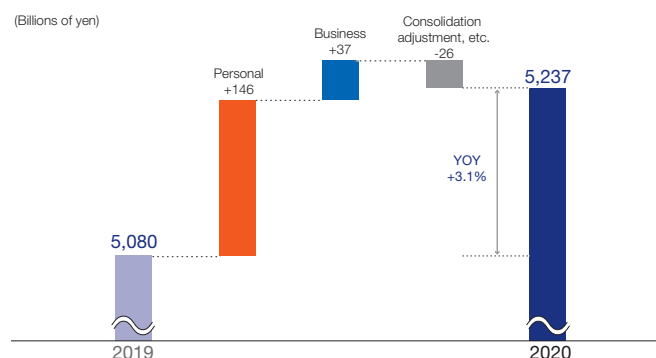
Analysis of the Consolidated Statement of Income

Operating Revenue

(Years ended March 31)

YOY  **up 3.1%** **¥5,237.2 billion**

The decline in handset sales revenue was offset by an increase in total ARPA revenue, MVNO revenue, and the consolidation impact of ENERES and Jibun Bank, as well as Business Services segment revenue. As a result, operating revenue grew 3.1% year on year to ¥5,237.2 billion.

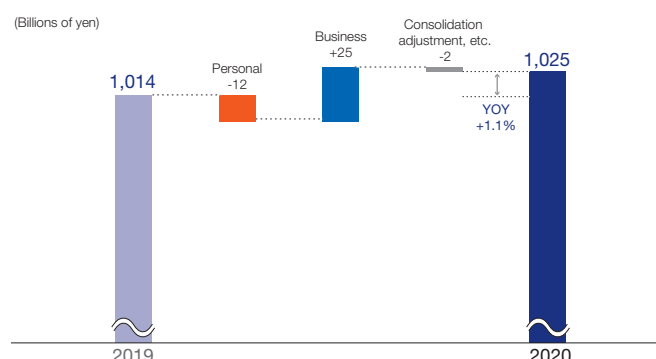


Operating Income

YOY  **up 1.1%** **¥1,025.2 billion**

Higher income in the growth fields of Life Design Domain and Business Services segment offset the decline in income brought about mainly by temporary factors that reduced profit in the first half, impairment losses focused on COVID-19, and costs expended for sustainable growth. As a result, operating income rose 1.1% to ¥1,025.2 billion.

Furthermore, both the Life Design Domain and the Business Services segment saw income increase more than 20% year on year.



Profit for the Year Attributable to Owners of the Parent

YOY  **up 3.6%** **¥639.8 billion**

Profit for the year attributable to owners of the parent increased 3.6% year on year to ¥639.8 billion, reflecting growth in operating income and a decline in non-controlling interests, despite an increase in income tax due to increase in profit before income tax.

Dividends per Share

YOY  **up ¥10** **¥115**

KDDI distributed an annual dividend of ¥115 per share, an increase of ¥10 compared with the previous year, for a consolidated dividend payout ratio of 41.7%—achieving an increase in dividends for the 18th consecutive fiscal year.

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Analysis of the Consolidated Statement of Financial Position

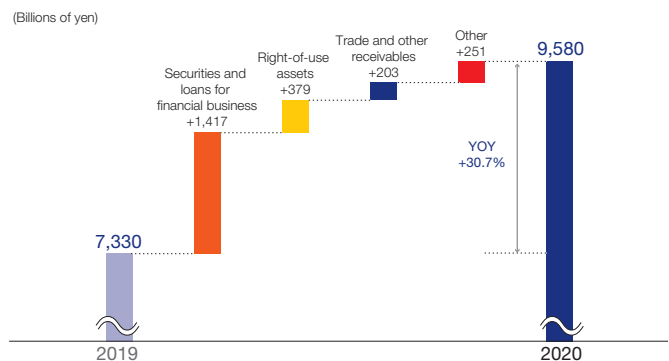
Total Assets

(Years ended March 31)

YOY

Up **¥2,249.7 billion** **¥9,580.1 billion**

Total assets were ¥9,580.1 billion, an increase of ¥2,249.7 billion from the previous fiscal year-end. The increase reflects greater assets in the financial business after making Jibun Bank a subsidiary, increased right-of-use assets in accordance with the adoption of IFRS No. 16, and growth in receivables due to the diversification of installment sales methods for au mobile phone handsets.

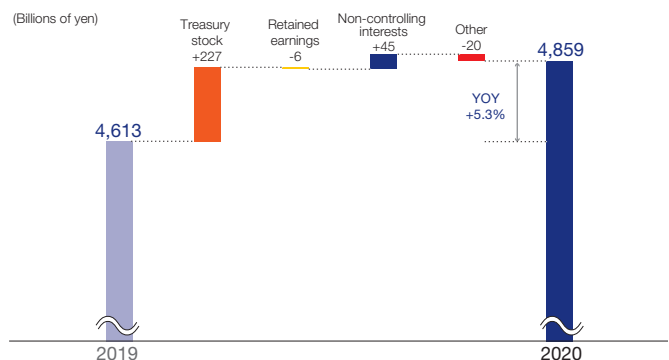


Total Equity

YOY

Up **¥246.2 billion** **¥4,859.1 billion**

Total equity was ¥4,859.1 billion, up ¥246.2 billion, mainly due to an increase in retained earnings associated with the increase in profit and an increase in non-controlling interests, which outweighed the transfer of capital surplus from retained earnings and cancellation of treasury stock in May 2019.



Interest-Bearing Debt

YOY

Up **¥404.7 billion** **¥1,680.4 billion**

Interest-bearing debt expanded ¥404.7 billion year on year to ¥1,680.4 billion, mainly because of the adoption of IFRS No. 16 and an increase from the issuance of bonds.

D/E Ratio

YOY



+0.08 point

0.38 times

The D/E ratio rose 0.08 of a point to 0.38 times as equity attributable to owners of the parent increased along with the increase in retained earnings, but interest-bearing debt also grew following the adoption of IFRS No. 16.

Analysis of Capital Expenditures and Cash Flows

Capital Expenditures (Payment Basis)

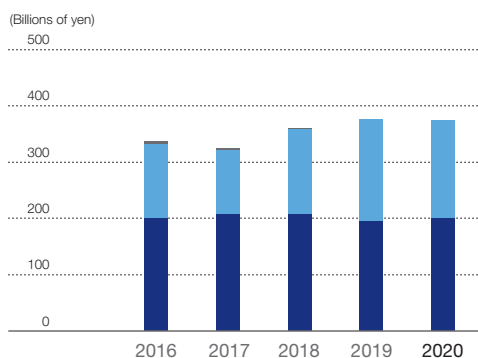
(Years ended March 31)

Consolidated capital expenditures increased ¥13.3 billion compared with the fiscal year ended March 31, 2019, to ¥615.1 billion.

Mobile

YOY  **Down ¥2.7 billion** ¥374.5 billion

In the mobile business, capital expenditures were down ¥2.7 billion to ¥374.5 billion, mainly because investments for UQ WiMAX and 3.5GHz band have come full circle as we have completed their establishment plans, although we moved up investments for 800MHz and 700MHz and 5G.

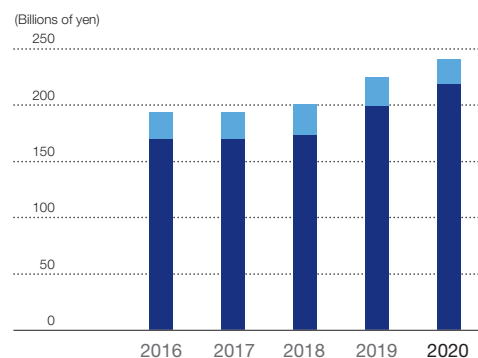


■ 3G	5	4	1	1	1
■ 4G LTE-5G	131	114	152	181	174
■ Common equipment	201	207	207	195	200
Total	338	325	360	377	374

Fixed-Line and Others

YOY  **Up ¥16.0 billion** ¥240.6 billion

In the fixed-line businesses and others, capital expenditures increased ¥16.0 billion year on year to ¥240.6 billion. Despite a decrease in FTTH-related investment, spending on investments rose mainly for building and upgrading network facilities.



■ FTTH	24	24	28	26	22
■ Other	170	170	173	199	219
Total	193	194	201	225	241

Cash Flows

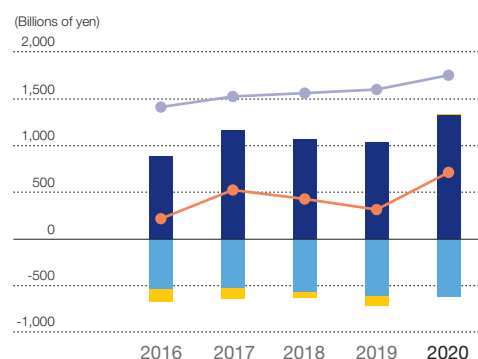
Free Cash Flows

YOY  **Up ¥397.4 billion** ¥712.4 billion

Free cash flows amounted to ¥712.4 billion, up ¥397.4 billion from the previous fiscal year due mainly to a decrease in au handset inventory and a smaller increase in receivables from installment sales in addition to an increase in revenue after making Jibun Bank a subsidiary and higher EBITDA following the adoption of IFRS No. 16.

Net cash provided by operating activities was ¥1,323.4 billion, ¥293.7 billion more than in the previous fiscal year. The increase mainly reflects an increase in trade and other receivables and the effects of adopting IFRS No. 16, despite increased outflows from the financial business.

Meanwhile, net cash used in investing activities was ¥611.0 billion, ¥103.6 billion lower than in the previous fiscal year. The decrease mainly reflects an increase in proceeds from acquiring control of subsidiaries and an increase in proceeds from the financial business, despite an increase in outflows due to acquiring shares of affiliates and an expansion in capital expenditures.



● Free Cash Flows	217	524	428	315	712
■ Net Cash Provided by (Used in) Operating Activities	885	1,161	1,061	1,030	1,323
■ Capital Expenditures	-531	-519	-561	-602	-615
■ Other, Net Cash Provided by (Used in) Investing Activities	-136	-118	-73	-113	4
● EBITDA	1,411	1,524	1,560	1,599	1,751

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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 commerce, finance, 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.

Overview of Operations in the Fiscal Year Ended March 31, 2020

Operating revenue increased 3.3% year on year to ¥4,568.0 billion. A decrease in mobile handset revenue was offset mainly by higher revenue from "au" total ARPA*1 and MVNOs and the effects of consolidating ENERES and Jibun Bank.

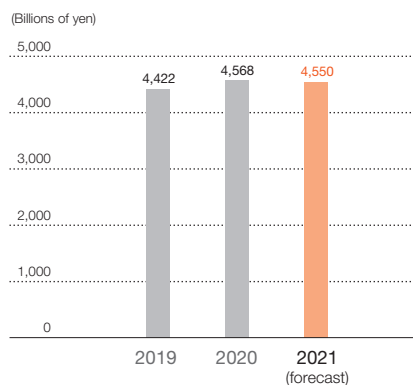
Operating income fell 1.3% year on year to ¥872.7 billion, due mainly to expenses incurred for sustainable growth and

temporary factors suppressing profit*2 in the first half despite a 22.4% year-on-year increase in operating income in the life design domain that exceeded initial forecasts.

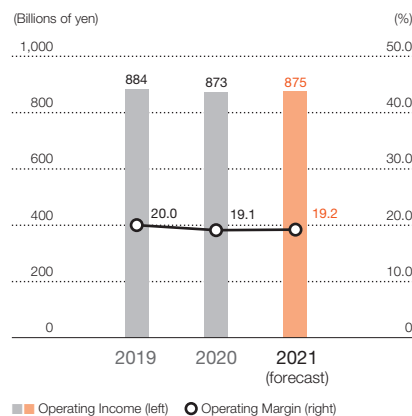
*1 au ARPA revenues + Value-Added ARPA revenues + Handset Repair and Compensation revenues + au Denki revenues

*2 Mainly accelerated amortization for the suspension of 3G service on March 31, 2022 and effects due to the change of fiscal year in the Myanmar business

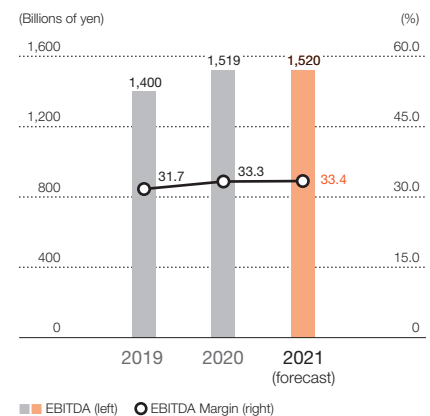
Operating Revenue



Operating Income/Operating Margin



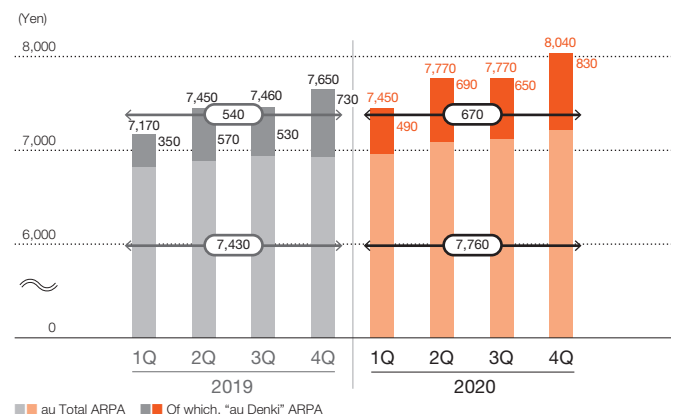
EBITDA/EBITDA Margin



au Total ARPA

au total ARPA rose ¥330 thanks to expansion in "au Denki" ARPA, which increased ¥130 year on year driven by a steady increase in contracts, 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 and commerce.

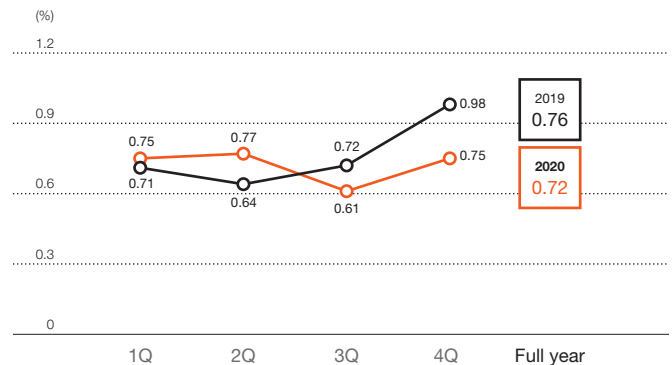
We expect au total ARPA to continue expanding from the fiscal year ending March 31, 2021 onward driven mainly by "au Denki" ARPA and value-added ARPA.



au Churn Rate

The au churn rate increased in the first half due to a temporary surge in demand ahead of a consumption tax hike and the amendment of the Telecommunication Business Act in October 2019, but the rate fell significantly in the second half as the overall liquidity of the market declined. As a result, the full-year rate was 0.72%, down 0.04 percentage points year on year.

To reduce the au churn rate, KDDI continues to enhance engagement with customers.



Life Design Domain

Overview of Operations in the Fiscal Year Ended March 31, 2020 for the Life Design Domain

Operating revenue expanded 28.8% year on year to ¥1,218.0 billion mainly owing to higher revenue from not only the energy field,*3 and the settlement and finance field,*3 but also “au Smart Pass,” commerce, repair and compensation.

Meanwhile, operating income grew 22.4% year on year to ¥180.0 billion, owing mainly to higher income in the energy field, driven by a steady increase in “au Denki” contracts, and higher income in the content field, driven by strong results in “au Smart Pass,” repair and protection.

*3 Including consolidation effects mainly of ENERES and Jibun Bank

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

The number of “au Smart Pass” and “au Smart Pass Premium” members increased 10 thousand compared with the end of the previous fiscal year to 15.50 million. Of this number, memberships of “au Smart Pass Premium,” which is a sophisticated version of “au Smart Pass,” increased 2.35 million year on year to 9.65 million (growing to 62% of all “au Smart Pass” memberships) due in part to the provision of more special benefits for members as well as the effects of expanding the scope of services to encompass non-“au” customers.

Reference: “au Smart Pass” is a package service for a monthly data fee of ¥372. Around 500 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.

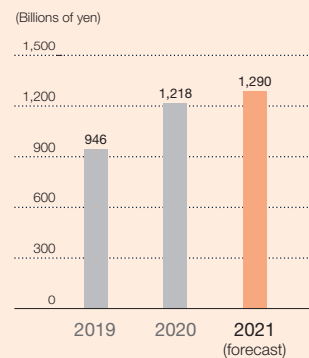
Three Fields of the Life Design Domain

Content field: The profit contribution from “au Smart Pass” is significant, and the profit margin is higher than other fields. We are working mainly to strengthen entertainment functions for the 5G era and cooperate with the financial and commerce field.

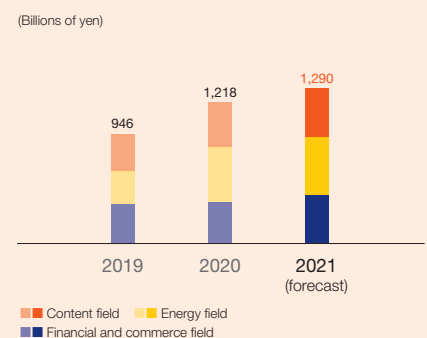
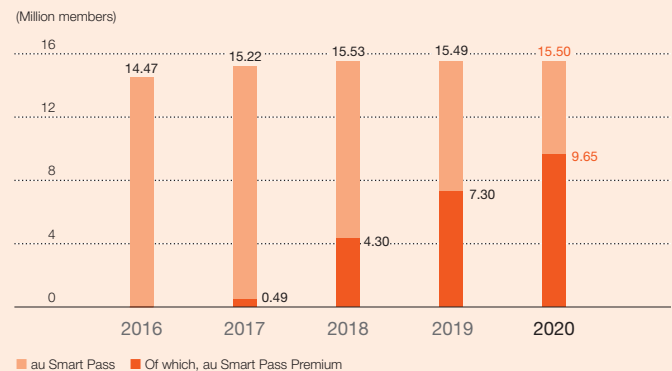
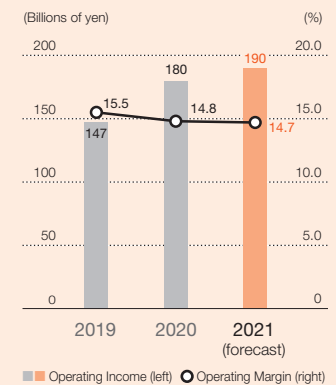
Energy field: The profit margin is low, but the number of users is steadily increasing and the growth rate is the highest. In addition to helping expand sales and enhance engagement, this field is showing that its profit contribution ratio is increasing.

Financial and commerce field: The field is in the phase where active users are rising, and we are spending to ensure medium-term growth. We aim for future profit contributions and expect the field to help enhance engagement with “au” users.

Operating Revenue



Operating Income/Operating Margin



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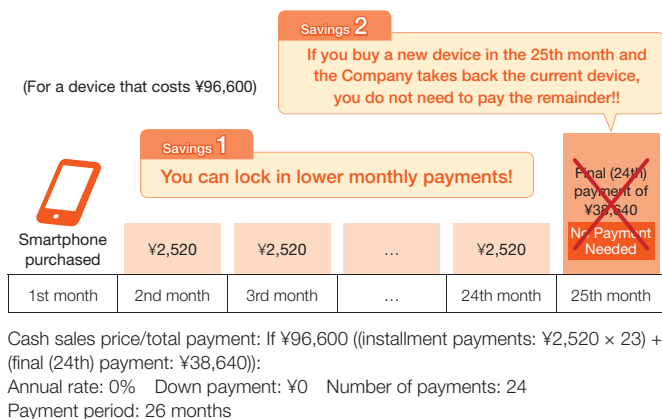
Main Initiatives of the Personal Services Segment

Launch of “UNLIMITED WORLD au 5G”

In July 2019, KDDI began offering the smartphone pricing plan “au Data MAX Plan.”*1 The plan has been well received as Japan’s first*2 unlimited monthly data plan,*3 and the percentage of people signed up for this and other high-volume data plans is steadily growing. In addition, we began offering the Kaetoku Program in February 2020 with the aim of making it easier to get the latest smartphones. This is the first fixed residual value smartphone purchasing program offered by a telecommunications carrier in Japan.*4

In this way, KDDI is steadily moving ahead with revisions to its pricing schemes for the 5G era.

Example of the Kaetoku Program



Then, in March 2020, KDDI began offering “au 5G” commercial services in some areas of 15 prefectures across Japan.

The four 5G smartphone pricing plans we offered with the launch of “au 5G” were ¥1,000 more expensive than similar 4G plans (however, we had a promotional offer that discounted ¥1,000 from the monthly fee for 25 months from the month of signing up), and we anticipate an expansion in medium-term Total ARPU.

In addition, we will continue promoting 5G with all our strength, such as by steadily launching sales of a wide lineup of seven devices, including high-spec models that have 8K high-quality cameras and mid-range ones with selective functions.

Providing a Wide Range of Mid-Range Models in Addition to Flagship Models



Note: 5G service is provided in some areas. Check the “au” website for available areas, sales release dates for 5G-capable smartphones, ad campaigns, and more.

Alliance with OTT Services in the 5G Era

For “au,” KDDI offers many unique original plans that combine data telecommunications and entertainment content.

In March 2020, we announced we would offer the Data MAX 5G ALL STAR Pack from June 2020, pairing unlimited data*3 with popular entertainment content (Netflix (basic plan), Apple Music, YouTube Premium, and TELASA).

Offering Unique Pricing Plans Incorporating Value-Added Services

Data MAX 5G ALL STAR Pack
¥5,460 per month for
six months starting from the month after signup



This is a plan that only KDDI can offer because the Company has garnered attention in the life design domain since early on, steadily building good relationships with over-the-top (OTT) media services.

KDDI can offer customers an attractive service lineup, and “au” acts as the distributor for OTT services. By pairing OTT services with “au” telecommunications plans, which have a churn rate of less than 1%, customers can use these services for the long haul, making these plans a win-win for us both.

KDDI will continue working hard with our various partners to develop and offer services that meet customer needs.

*1 The offering of this plan ended on September 30, 2019. The “au data MAX Plan-Netflix Pack” and the “au data MAX Plan Pro” were launched on September 13, 2019 and November 1, 2019 respectively.

*2 The first pricing plan for 4G LTE smartphones implemented by a Japanese MNO, based on KDDI’s own research, as of July 23, 2019.

*3 There are limits on data volumes for tethering and other functions. There are telecommunications speed restrictions for high-traffic times, video services, streaming services, and more.

*4 The first fixed residual value smartphone program by a Japanese MNO, based on KDDI’s own research, as of February 17, 2020.

Creating New Experience Value

The Shibuya 5G Entertainment Project was launched in January 2020 to create new experience value for the 5G era. The project consists of KDDI, Future Design Shibuya, the Shibuya City Tourism Association and 50 other participating companies. In addition, in March 2020, we announced the launch of the video streaming platform TELASA with our joint venture partner, TV Asahi Corporation, and the start of au 5G LIVE, a service that enhances the concert-viewing experience. We will continue accelerating augmented experiences in various domains using 5G and XR technologies.

Virtual Shibuya



In April 2019, KDDI consolidated Jibun Bank to further strengthen cooperation with the financial business.

In addition, from February 2020 we integrated our settlement and commerce services under the “au PAY” brand. In February and March, we held a promotional campaign to raise awareness of “au PAY,” in which we gave away up to ¥1,000,000,000 per week.

The campaign had a large effect. “au PAY” memberships grew from 22.40 million to 23.50 million, and many non-“au” customers signed up.

KDDI is actively working to promote use of “au PAY” by positioning it as a super app that increases contact with customers.

Furthermore, in December 2019, we finished reorganizing the financial business within the Group.*5 We are further accelerating the smart money concept as a financial group that has consolidated securities, life insurance, other types of insurance, banking, settlement, and asset management.

Through these efforts, the Group's transaction volume of settlement and finance exceeded ¥6.5 trillion in the fiscal year ended March 31, 2020, and we were able to achieve our medium-term targets ahead of schedule. We will continue expanding convenient financial services that can be used on smartphones and meeting various financial needs through “au PAY.”

*5 au Financial Holdings Corporation now holds shares in au Kabucom Securities Co., Ltd., au Insurance Co., Ltd., and Lifenet Insurance Company formerly held directly by KDDI.

Expanding the Global Business

The Myanmar telecommunications business, operated jointly by KDDI Summit Global Myanmar Co., Ltd. and Myanma Posts & Telecommunications, is working to increase customers' digital life experience value by enhancing entertainment content, providing bundled packs of data and value-added services (videos, games), and becoming the official partner of Myanmar's popular “Myanmar Idol” contest.

In addition, MobiCom Corporation LLC, which is a comprehensive communications carrier in Mongolia, was awarded the highest prize of “The best player of ICT EXPO 2019” at the ICT EXPO 2019, which was sponsored by Mongolia's telecommunications and information technology ministry and the telecommunications regulations committee.

Solving Social Issues through the Telecommunications Business

Social issues

- Resilient responses to abnormal weather phenomena
- 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. We have a social responsibility to continue earnestly helping address various social issues.

In recent years, Japan has suffered major damage from increasingly large cyclones due to abnormal weather phenomena. KDDI uses a lot of electricity, mainly for telecommuni-

cations equipment, and is shifting toward renewable energy. We are working to achieve zero CO₂ emissions, which are a greenhouse gas, by 2050 and maintain lifelines by upgrading overall recovery and support systems across land, sea, and air to prepare for intensifying large-scale disasters.

Going forward, we will actively roll out 5G services in a variety of fields, such as remote healthcare and education as well as mobility. Through the telecommunications business, we will contribute to the overall development of society by working to reduce the information gap and stimulate regional revitalization through innovation.

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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.

In collaboration with partner companies and using 5G, IoT, and other technology, we create new value through digital transformations with customers by providing one-stop services and solutions that help customers develop and expand their businesses on a global scale.

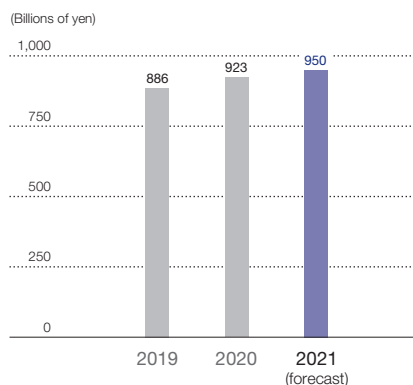
For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP, is building a regional support network offering close contact throughout Japan.

Overview of Operations in the Fiscal Year Ended March 31, 2020

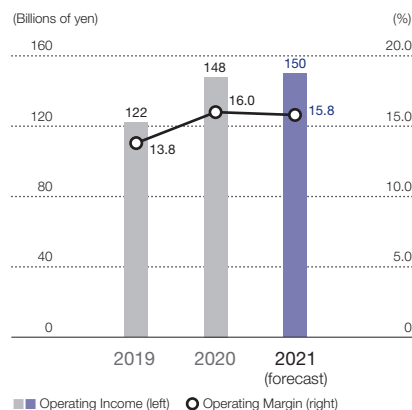
In the fiscal year ended March 31, 2020, operating revenue expanded 4.2% year on year to ¥923.5 billion. This increase mainly reflected higher revenue from mobile and fixed-line telecommunications business, including IoT-related sales, and higher revenue from domestic Group companies, including KDDI MATOMETE OFFICE CORPORATION and KDDI Evolva, Inc.

Operating income climbed 20.8% to ¥147.5 billion, thanks to a significant increase in income from the mobile telecommunications due to a steady expansion in contracts as well as an increase in income from all domains, including the fixed-line telecommunications business, domestic Group companies, and the overseas business.

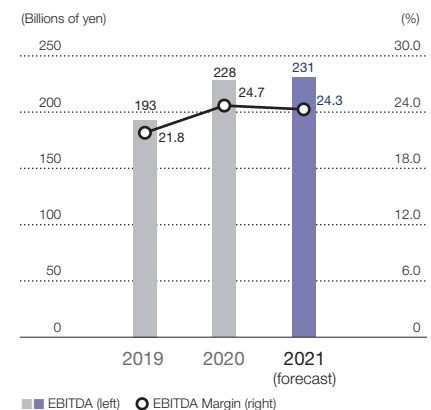
Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin

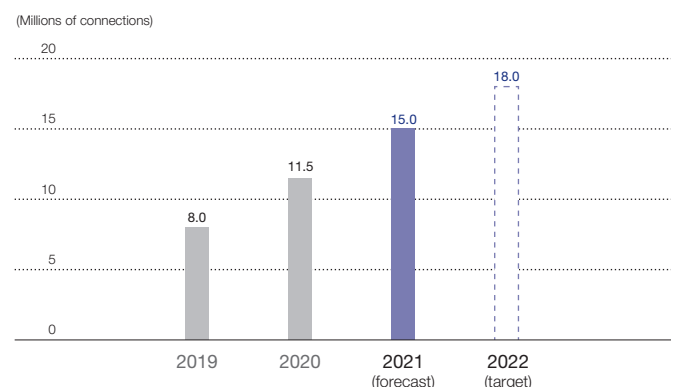


IoT Connections

KDDI is actively expanding its IoT connections, emphasizing IoT as a necessary technology for customers to promote their own DX by connecting all things with the internet.

In November 2019, the number of connections surpassed 10 million, and by March 31, 2020, the number steadily grew to over 11.50 million.

Although the outlook is unclear due to the impact of the COVID-19 pandemic, we will continue working to achieve our goal of 18.00 million by March 31, 2022, which is the final year of our medium-term management plan.



Key Initiatives in the Business Services Segment

Accelerating Customers' DX

In the Business Services segment, we are currently working to support the DX of customers, and these efforts are creating a virtuous cycle, such as contributing to the profit growth of the core telecommunications business (not just growth domains).

To promote DX more concretely, in September 2018 we opened the business development base KDDI DIGITAL GATE in the Toranomon area of Tokyo. Due to increasing customer needs, we also opened locations in Okinawa Prefecture (Naha) and Osaka Prefecture (Osaka City) in September 2019.

The total number of companies visiting KDDI DIGITAL GATE has exceeded 350.

Through activities at these locations, we support the growing sophistication of business and solve issues confronting various industries and companies.

KDDI DIGITAL GATE OSAKA



KDDI DIGITAL GATE OKINAWA



In addition, from March 2020 KDDI began to steadily offer 5G solutions for corporations. These include 5G, high-resolution video and AI. In March 2020, we introduced "au 5G" services at JFE Steel Corporation and JFE Steel's East Japan Works (Chiba Region). We announced that we are promoting the shift to a smart factory and stable operations of steel works using 4K video and other technology.

In this way, we will continue helping realize a sustainable society by using the latest ICT, including 5G.

Developing Global Business

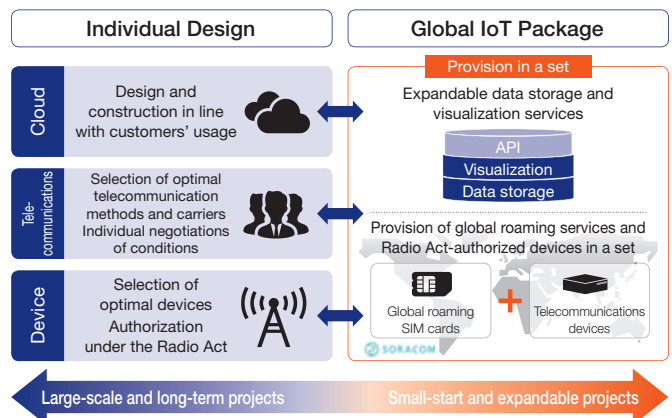
From March 2020, KDDI began providing the Global IoT Package to companies working to roll out 5G and IoT globally. It is a one-stop package that provides everything from the collection of data to storage, visualization and utilization.

This service is the first package service of the IoT World Architecture we announced in June 2018 and provides one-stop service for cloud servers, telecommunications connections, and telecommunications devices. This service adopts the structure of Toshiba Digital Solution Co., Ltd.'s Meister RemoteX™ in its IoT cloud service, which quickly realizes data storage and visualization. In addition, telecommunications connections are provided by SORACOM's global roaming SIM cards.

The service enables use of a set encompassing highly expandable cloud services, global roaming services and devices authorized by the Radio Act in addition to single-device use. We have therefore enabled customers developing global business to achieve rapid business transformation using IoT.

Going forward, the KDDI Group will continue promoting customers' digital transformations centered around the IoT World Architecture with Toshiba Digital Solutions and other partners.

KDDI IoT World Architecture



Solving Social Issues through DX Using IoT

Social issues

- Declining working-age population in rural areas
- Falling industrial competitiveness

In Japan, the working-age population is declining. To ensure the sustainable development of society, industrial revolution through DX is now essential. KDDI has a long history of providing business solutions using IoT with various partners and is actively promoting regional revitalization in cooperation with more than 60 municipalities.

Going forward, a rapid expansion in IoT is expected,

- Expanding economic gap between regions
- Worries over knowhow transmission due to a lack of successors

connecting all things through telecommunications, thanks to 5G. Under KDDI Sustainable Action for KDDI's SDGs, we are targeting the sustainable development of regions and cities. By combining the technologies and knowhow we have cultivated to date with 5G service, we will develop businesses and work hard in line with our aim of helping solve social issues.

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Consolidated Financial Statements

Consolidated Statement of Financial Position

KDDI Corporation and its Subsidiaries

As of March 31

			Millions of yen	Millions of U.S. dollars
	Notes	2019	2020	2020
Assets				
Non-current assets				
Property, plant and equipment	6, 8	¥2,546,181	¥2,406,231	\$22,110
Right-of-use assets	8, 36	—	378,870	3,481
Goodwill	7, 8	539,694	540,886	4,970
Intangible assets	7, 8	946,837	1,035,399	9,514
Investments accounted for using the equity method	9	174,000	233,225	2,143
Long-term loans for financial business	32, 33	—	952,070	8,748
Securities for financial business	32, 33	—	248,025	2,279
Other long-term financial assets	12, 32, 33	253,025	285,879	2,627
Deferred tax assets	16	15,227	23,783	219
Contract costs	25	412,838	436,675	4,012
Other non-current assets	13	10,117	15,975	147
Total non-current assets		4,897,918	6,557,018	60,250
Current assets				
Inventories	10	90,588	75,366	693
Trade and other receivables	11, 32	1,965,554	2,168,355	19,924
Short-term loans for financial business	32, 33	—	216,601	1,990
Call loans	32	—	50,937	468
Other short-term financial assets	12, 32, 33	41,963	53,358	490
Income tax receivables		4,633	4,712	43
Other current assets	13	125,162	84,600	777
Cash and cash equivalents	14	204,597	369,202	3,392
Total current assets		2,432,498	3,023,131	27,778
Total assets		¥7,330,416	¥9,580,149	\$88,029

			Millions of yen	Millions of U.S. dollars
	Notes	2019	2020	2020
Liabilities and Equity				
Liabilities				
Non-current liabilities				
Borrowings and bonds payable	15, 32, 33	¥1,040,978	¥1,147,551	\$10,544
Long-term deposits for financial business	32, 33	—	25,728	236
Lease liabilities	36	—	268,648	2,469
Other long-term financial liabilities	19, 32, 33	66,493	13,342	123
Retirement benefit liabilities	17	13,356	37,230	342
Deferred tax liabilities	16	100,680	98,570	906
Provisions	20	33,996	36,770	338
Contract liabilities	25	77,435	72,053	662
Other non-current liabilities	21	6,746	7,411	68
Total non-current liabilities		1,339,683	1,707,303	15,688
Current liabilities				
Borrowings and bonds payable	15, 32, 33	150,574	153,262	1,408
Trade and other payables	18, 32	671,969	657,298	6,040
Short-term deposits for financial business	32, 33	—	1,401,691	12,880
Call money	32	—	72,100	663
Lease liabilities	36	—	110,906	1,019
Other short-term financial liabilities	19, 32, 33	26,773	3,496	32
Income taxes payables		152,195	179,915	1,653
Provisions	20	34,403	44,966	413
Contract liabilities	25	116,076	107,897	991
Other current liabilities	21	225,810	282,209	2,593
Total current liabilities		1,377,801	3,013,738	27,692
Total liabilities		2,717,484	4,721,041	43,380
Equity				
Equity attributable to owners of the parent				
Common stock	23	141,852	141,852	1,303
Capital surplus	23	284,409	280,591	2,578
Treasury stock	23	(383,728)	(156,550)	(1,438)
Retained earnings	23	4,144,133	4,138,195	38,024
Accumulated other comprehensive income	23	(3,174)	(19,665)	(181)
Total equity attributable to owners of the parent		4,183,492	4,384,424	40,287
Non-controlling interests	38	429,440	474,684	4,362
Total equity		4,612,932	4,859,108	44,649
Total liabilities and equity		¥7,330,416	¥9,580,149	\$88,029

Note: The notes 1 to 42 are an integral part of these consolidated financial statements.

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Consolidated Statement of Income

KDDI Corporation and its Subsidiaries

For the years ended March 31

			Millions of yen	Millions of U.S. dollars
	Notes	2019	2020	2020
Operating revenue	25	¥5,080,353	¥5,237,221	\$48,123
Cost of sales	26	2,867,413	2,925,000	26,877
Gross profit		2,212,940	2,312,221	21,246
Selling, general and administrative expenses	26	1,210,470	1,299,504	11,941
Other income	27	10,140	12,492	115
Other expense	27	3,661	3,228	30
Share of profit of investments accounted for using the equity method	9	4,780	3,256	30
Operating income		1,013,729	1,025,237	9,421
Finance income	28	3,582	5,330	49
Finance cost	28	10,012	11,380	105
Other non-operating profit and loss	29	2,975	1,512	14
Profit for the year before income tax		1,010,275	1,020,699	9,379
Income tax	16	309,149	325,298	2,989
Profit for the year		¥ 701,126	¥ 695,401	\$ 6,390
Profit for the year attributable to				
Owners of the parent		¥ 617,669	¥ 639,767	\$ 5,879
Non-controlling interests		83,457	55,634	511
Profit for the year		¥ 701,126	¥ 695,401	\$ 6,390
Earnings per share attributable to owners of the parent	35			
Basic earnings per share (yen)		¥259.10	¥275.69	\$3
Diluted earnings per share (yen)		259.01	275.49	3

Note: The notes 1 to 42 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

			Millions of yen	Millions of U.S. dollars
	Notes	2019	2020	2020
Profit for the year		¥701,126	¥695,401	\$6,390
Other comprehensive income				
Items that will not be transferred subsequently to profit or loss				
Remeasurements of defined benefit pension plans	17, 30	(3,451)	(13,835)	(127)
Changes measured in fair value of financial assets through other comprehensive income	30, 32	(3,219)	(2,598)	(24)
Share of other comprehensive income of investments accounted for using the equity method	9, 30	(1,267)	(3,694)	(34)
Total		(7,937)	(20,127)	(185)
Items that may be subsequently reclassified to profit or loss				
Changes in fair value of cash flow hedge	30, 32	(106)	802	7
Translation differences on foreign operations	30	(6,620)	(10,201)	(94)
Share of other comprehensive income of investments accounted for using the equity method	9, 30	(88)	286	3
Total		(6,814)	(9,113)	(84)
Total other comprehensive income		(14,751)	(29,240)	(269)
Total comprehensive income for the year		¥686,375	¥666,161	\$6,121
Total comprehensive income for the year attributable to				
Owners of the parent		¥604,136	¥612,402	\$5,627
Non-controlling interests		82,238	53,759	494
Total		¥686,375	¥666,161	\$6,121

Notes: 1. Items in the statement above are disclosed net of tax.

2. Income taxes related to each component of other comprehensive income are disclosed in "Note 30. Other comprehensive income."

3. The notes 1 to 42 are an integral part of these consolidated financial statements.

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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, 2018		¥141,852	¥289,578	¥(338,254)	¥3,672,344	¥ 8,183	¥3,773,703	¥357,554	¥4,131,257
Cumulative effects of changes in accounting policies		—	—	—	187,468	—	187,468	29,302	216,770
Restated balance		141,852	289,578	(338,254)	3,859,812	8,183	3,961,171	386,856	4,348,027
Comprehensive income									
Profit for the year		—	—	—	617,669	—	617,669	83,457	701,126
Other comprehensive income		—	—	—	—	(13,533)	(13,533)	(1,219)	(14,751)
Total comprehensive income		—	—	—	617,669	(13,533)	604,136	82,238	686,375
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(227,937)	—	(227,937)	(34,277)	(262,214)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(2,176)	2,176	—	—	—
Purchase and disposal of treasury stock	23	—	(94)	(150,000)	—	—	(150,094)	—	(150,094)
Retirement of treasury stock	23	—	—	103,235	(103,235)	—	—	—	—
Changes due to business combination		—	—	—	—	—	—	3,324	3,324
Changes in interests in subsidiaries		—	(4,802)	—	—	—	(4,802)	(8,701)	(13,503)
Other		—	(274)	1,291	—	—	1,017	—	1,017
Total transactions with owners and other transactions		—	(5,169)	(45,474)	(333,348)	2,176	(381,816)	(39,655)	(421,470)
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	2	—	—	—	(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	24	—	—	—	(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	23	—	(75)	(150,000)	—	—	(150,075)	—	(150,075)
Retirement of treasury stock	23	—	(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 March 31, 2020		¥141,852	¥280,591	¥(156,550)	¥4,138,195	¥(19,665)	¥4,384,424	¥474,684	¥4,859,108

Millions of U.S. dollars

	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		\$1,303	\$2,613	\$ (3,526)	\$38,079	\$ (29)	\$38,441	\$3,946	\$42,387
Cumulative effects of changes in accounting policies	2	—	—	—	(2)	—	(2)	(1)	(3)
Restated balance		1,303	2,613	(3,526)	38,077	(29)	38,439	3,945	42,384
Comprehensive income									
Profit for the year		—	—	—	5,879	—	5,879	511	6,390
Other comprehensive income		—	—	—	—	(251)	(251)	(17)	(269)
Total comprehensive income		—	—	—	5,879	(251)	5,627	494	6,121
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(2,367)	—	(2,367)	(304)	(2,671)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(100)	100	—	—	—
Purchase and disposal of treasury stock	23	—	(1)	(1,378)	—	—	(1,379)	—	(1,379)
Retirement of treasury stock	23	—	(3,464)	3,464	—	—	—	—	—
Transfer from retained earnings to capital surplus		—	3,464	—	(3,464)	—	—	—	—
Changes due to business combination		—	—	—	—	—	—	244	244
Changes in interests in subsidiaries		—	(60)	—	—	—	(60)	(17)	(77)
Other		—	25	1	—	—	27	—	27
Total transactions with owners and other transactions		—	(35)	2,087	(5,931)	100	(3,779)	(77)	(3,856)
As of March 31, 2020		\$1,303	\$2,578	\$ (1,438)	\$38,024	\$(181)	\$40,287	\$4,362	\$44,649

Note: The notes 1 to 42 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	Millions of U.S. dollars
	Notes	2019	2020	2020
Cash flows from operating activities				
Profit for the period before income tax		¥1,010,275	¥1,020,699	\$9,379
Depreciation and amortization	6, 7	562,402	689,925	6,339
Impairment loss	8	2,737	12,619	116
Share of (profit) loss of investments accounted for using the equity method	9	(4,780)	(3,256)	(30)
Loss (gain) on sales of non-current assets		538	76	1
Interest and dividends income	28	(3,571)	(5,027)	(46)
Interest expenses	28	8,694	8,133	75
(Increase) decrease in trade and other receivables		(271,723)	(205,412)	(1,887)
Increase (decrease) in trade and other payables		23,008	10,070	93
(Increase) decrease in loans for financial business		—	(435,251)	(3,999)
Increase (decrease) in deposits for financial business		—	388,199	3,567
(Increase) decrease in call loans		—	9,278	85
Increase (decrease) in call money		—	12,100	111
(Increase) decrease in inventories		(1,544)	15,060	138
Increase (decrease) in retirement benefit liabilities		1,346	23,874	219
Other		(6,326)	85,734	788
Cash generated from operations		1,321,055	1,626,821	14,948
Interest and dividends received		6,375	8,718	80
Interest paid		(9,106)	(8,204)	(75)
Income tax paid		(290,689)	(307,861)	(2,829)
Income tax refund		1,971	3,883	36
Net cash provided by (used in) operating activities		1,029,607	1,323,356	12,160
Cash flows from investing activities				
Purchases of property, plant and equipment		(399,531)	(392,941)	(3,611)
Proceeds from sales of property, plant and equipment		848	2,557	23
Purchases of intangible assets		(202,607)	(226,363)	(2,080)
Payment-purchase of securities for financial business		—	(30,956)	(284)
Proceed-sales and proceed-redemption of securities for financial business		—	59,137	543
Purchases of other financial assets		(13,191)	(11,166)	(103)
Proceeds from sales/redemption of other financial assets		1,767	6,339	58
Acquisitions of control over subsidiaries		(13,274)	—	—
Proceeds from acquisition of subsidiaries	4	—	84,171	773
Purchases of stocks of associates		(83,799)	(96,162)	(884)
Proceeds from sales of stocks of subsidiaries and associates		(1,507)	26	0
Other		(3,285)	(5,593)	(51)
Net cash provided by (used in) investing activities		(714,578)	(610,950)	(5,614)
Cash flows from financing activities				
Net increase (decrease) of short-term borrowings	31	(10,274)	(32,000)	(294)
Proceeds from issuance of bonds and long-term borrowings	31	456,000	180,000	1,654
Payments from redemption of bonds and repayments of long-term borrowings	31	(302,151)	(118,662)	(1,090)
Repayments of finance lease obligations	31	(28,616)	—	—
Repayments of lease liabilities	31	—	(126,947)	(1,166)
Payments from purchase of subsidiaries' equity from non-controlling interests		(14,191)	(12,708)	(117)
Proceeds from stock issuance to non-controlling interests		159	4,226	39
Payments from purchase of treasury stock	23	(150,000)	(150,000)	(1,378)
Cash dividends paid		(227,700)	(257,009)	(2,362)
Cash dividends paid to non-controlling interests		(34,177)	(33,277)	(306)
Other		(0)	(4)	(0)
Net cash provided by (used in) financing activities		(310,951)	(546,381)	(5,020)
Effect of exchange rate changes on cash and cash equivalents	31	(314)	(1,419)	(13)
Net increase (decrease) in cash and cash equivalents	31	3,763	164,605	1,512
Cash and cash equivalents at the beginning of the year	14, 31	200,834	204,597	1,880
Cash and cash equivalents at the end of the year	14, 31	¥ 204,597	¥369,202	\$3,392

Note: The notes 1 to 42 are an integral part of these consolidated financial statements.

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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 its 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, 2020 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". From the fiscal year ended March 31, 2020, the four reporting segments of Personal Services, Life Design Services, Business Services, and Global Services were reorganized into the two reporting segments of Personal Services and Business Services based on their management approach, consolidating them based on the allocation of management resources and their performance evaluations. For the details, please refer to "(1) Outline of reporting segments" of "5. 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.

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥108.83=U.S.\$1, the approximate exchange rate on March 31, 2020. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be readily converted into U.S. dollars at this rate or any other rate.

(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:

Regarding the preparation of consolidated financial statement for the fiscal year ended March 31, 2020, the Groups makes the accounting estimates and assumptions that the impact of COVID-19 continues through the first half of 2020 and makes judgements that there are no material impact at this time by considering structural improvement and measure against change of business environment even assuming. However, if the judgements is reviewed based on the change of future conditions, it maybe affect significant impact on consolidated financial statement for the fiscal year ended March 31, 2021.

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 "8.

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 “10. 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 “16. 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 “17. Employee benefits”.

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 “32. 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 “33. 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 “20. Provisions”.

(5) Application of new standards and interpretations

The Group applies the new standards and interpretations listed below from the fiscal year ended March 31, 2020.

• IFRS 16 “Leases”

The Group has applied the following standard from the fiscal year ended March 31, 2020.

IFRS		Newly established contents
IFRS 16	Leases (Newly established in January 2016)	An amendment to the existing accounting standards and presentation methods related to leases

The Group has applied IFRS 16 in accordance with the transition elections available, and therefore retrospectively recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings as of April 1, 2019.

With the application of IFRS 16 from the first quarter of the fiscal year ended March 31, 2020, the accounting policies related to leases will be changed in the following ways.

As a lessee

Lease liabilities in lease transactions are measured as the current discounted price of the unpaid portion of the total lease amount on the start date of the lease. The weighted average incremental borrowing rate applied to lease liabilities at the initial adoption is 0.156%. Right-of-use assets are initially measured as the initially measured lease liability amount adjusted mainly for initial direct costs and prepaid lease fees. Right-of-use assets are consistently depreciated and amortized over the period of the lease.

Lease fees are allocated to finance costs and the repaid portion of remaining lease liabilities in order to ensure interest rate stays at a certain level of for the remaining lease liabilities. Finance costs are presented separately from depreciation costs related to right-of-use assets in the consolidated statement of income.

In determining whether or not a contract is a lease or whether or not a contract contains a lease, the actual content of the contract is the deciding factor, even if the contract does not take the legal form of a lease.

Furthermore, regarding leases that end in 12 months or less and leases that include a small amount of underlying assets, the related lease fees are recognized as an expense by either the straight-line method over the period of the lease or another consistent basis.

As a lessor

For leases that transfer the risk associated with owning an asset and most of the economic value, the Group categorizes these kinds of leases as finance leases. For finance leases transactions, we suspend the recognition of the underlying assets categorized as leases on the start date of the leases. Instead, in the consolidated statement of financial position, we recognize the assets whose ownership was acquired through finance leases as accounts receivable in an amount equal to the net unrecovered amount of the lease investment.

In addition, for leases that do not transfer the risk associated with owning an asset and most of the economic value, the Group categorizes these kinds of leases as operating leases. For operating leases transactions, the Group records the leased assets in the consolidated statement of financial position and recognize the received lease fees as revenue in the consolidated statement of income using the straight-line method over the period of the lease.

The difference between the undiscounted future minimum lease payments payable under operating leases as of March 31, 2019 and lease liabilities recognized as of April 1, 2019 is as follows:

	Millions of yen	Millions of U.S. dollars
	2019	2019
Undiscounted future minimum lease payments under operating leases as of March 31, 2019	¥ 83,938	\$ 771
Adjustments by discounting the future minimum lease payments payable under operating leases above	(476)	(4)
Discounted future minimum lease payments under operating leases as of April 1, 2019	83,462	766
Adjustments attributable to revision of the lease term and other factors	224,224	2,060
Lease obligations relating to leases that were classified as a finance lease	84,158	773
Lease liabilities as of April 1, 2019	¥391,844	\$3,601

Upon the application of IFRS 16, leases that were previously classified as operating leases are recognized as right-of-use assets and lease liabilities. Right-of-use assets and lease liabilities also include finance leases that were previously recognized as property, plant and equipment, intangible assets and other financial liabilities. The change in the accounting policy mainly resulted in an increase of right-of-use assets by ¥393,170 million (U.S.\$3,613 million) and lease liabilities by ¥391,844 million (U.S.\$3,601 million), while in a decrease of property, plant and equipment and intangible assets by ¥79,989 million (U.S.\$735 million), other financial liabilities by ¥84,158 million (U.S.\$773 million) and retained earnings by ¥181 million (U.S.\$2 million), respectively as of April 1, 2019.

(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, 2020. They have not been early adopted by the Group.

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, 2021	Fiscal year ending March 31, 2022	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.

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

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 are 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

Transactions with non-controlling interests that do not result in loss of control are accounted for by the Group 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 recorded in equity. Gains or losses on disposals to non-controlling interests without losing control are also recorded in 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 may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(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 and 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, where appropriate. 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 and not tested for impairment separately. Gross amount of investments in associates is tested for impairment as a single asset. Specifically, the Group evaluates whether there is objective evidence which indicates that the investment may be impaired or not on a quarterly basis. When objective evidence 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 the purpose of 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 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 acquiree 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	5–21 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 on disposal. The profit or loss arising from the derecognition of an item of property, plant and equipment is included in profit 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 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 is able to be measured reliably, product or production process has commercial and technical feasibility, the expenditure probably generates future economic benefits, 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

For the year ended March 31, 2019

At the inception of the lease contract, the assessment whether an arrangement is a lease or contains a lease is made based on the substance of the agreement. Assets are subject to lease if the implementation of an agreement depends on use of certain assets or groups of assets, and the right to use the assets is given under such agreement.

Lease transactions are classified as finance leases whenever all the risks and rewards of ownership of assets are substantially transferred to the Group (lessee). All other leases are classified as operating leases.

In finance lease transactions, leased assets are recognized as an asset in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the aggregated minimum lease payments, each determined at the inception of the lease, less accumulated depreciation and impairment losses. Lease obligations are recognized as “Other short-term financial liabilities” and “Other long-term financial liabilities” in the consolidated statement of financial position. Lease payments are apportioned between the financial cost and the reduction of the lease obligations based on the effective interest method. Finance cost is recognized in the consolidated statement of income. Assets held under finance leases are depreciated using straight-line method over their estimated useful lives if there is reasonable certainty that the ownership will be transferred by the end of the lease term; otherwise the assets are depreciated over the shorter of the lease term or their estimated useful lives.

In operating lease transactions, lease payments are recognized as an expense using the straight-line method over the lease terms.

For the year ended March 31, 2020

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 of time.

When the contract includes a lease, right-of-use assets is 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 pretax 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 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, 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. Also, 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 asset 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

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, 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 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.

- The Japanese Market and KDDI
- Analysis of the Consolidated Statement of Income
- Analysis of the Consolidated Statement of Financial Position
- Analysis of Capital Expenditures and Cash Flows
- Performance Analysis by Segment
- Consolidated Financial Statements
- Corporate Overview / Stock Information

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 or 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, 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 on which the 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 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:

- There is an economic relationship between the hedged item and the hedging instrument.*
- The effect of credit risk does not dominate the value changes that result from that economic relationship.*
- 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, in cases where no longer meet 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 comprise 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 is corresponding to 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

Certain subsidiaries of the Group adopt defined contribution plans. Contribution 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 pretax 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 payment 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 stocks are classified as equity. Proceeds from the Company's issuance of common stocks 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 and sale of mobile handsets. The Group enters into mobile telecommunications service agreements directly with customers or indirectly through distributors, and also 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. The mobile telecommunication service fees and commission fees such as activation fees are recognized on a flat rate basis and on a measured rate basis when the services are provided to the customers, whereupon 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 between the billing date and approximately one month thereafter.

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.

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(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 recorded when the service is provided, fulfilling the performance obligation. Installation fee revenue is recognized over the estimated average contract period based on the percentage remaining.

The consideration for these transactions is received between the billing date and approximately the following month.

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 is 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. 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. Electric power revenue is the revenue generated from electric power retail services. These revenues are recognized as the service is delivered based on the nature of each contract.

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 impact profit for the year.

The Group considers itself to be 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 basically billed before the performance obligation is fulfilled and is received approximately one month after 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 between the billing date and approximately one month later.

(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 of time 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 carryforwards 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 carryforwards 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. 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 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 stocks outstanding during the reporting period, adjusted for the number of treasury stocks 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 stocks outstanding, adjusted for the number of treasury stocks, are further adjusted based on the assumption that all dilutive potential common stocks are fully converted. Potential common stocks of the Group are related to BIP trust and ESOP trust.

4 Business Combinations

Jibun Bank Corporation

i. Overview of business combination

KDDI acquired the 608,614 shares issued via third party allocation by Jibun Bank Corporation ("Jibun Bank") on April 1, 2019. As a result, KDDI owns 1,408,614 shares (63.78%) in Jibun Bank, making Jibun Bank a consolidated subsidiary.

ii. Main objectives of business combination

KDDI now provides Jibun Bank with access to the big data, digital marketing resources and customer base that it has cultivated to date. We also continually create points of contact with customers and help strengthen the service offerings for customers' different life stages with the aim of maximizing the corporate value of Jibun Bank.

iii. Name and business description of the acquiree (as of March 31, 2020)

Company Name	Jibun Bank Corporation * On February 9, 2020, the name was changed to: au Jibun Bank Corporation
Establishment Date	June, 2008
Head Office	Nihonbashi Daiya Bldg. 14F, 1-19-1 Nihonbashi, Chuo-ku, Tokyo
President and name	Representative Director and President, Tomoki Usui
Description of Business	Internet banking
Paid-in Capital	62.5 billion yen

iv. The proportion of acquired equity interest with voting rights

Share of voting rights held just before the acquisition:	50.00%
Share of additional voting rights acquired on the combination date:	13.78%
Share of voting rights after the acquisition:	63.78%

v. Acquisition date

April 1, 2019

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vi. Consideration transferred and its components

	Millions of yen	Millions of U.S. dollars
As of acquisition date April 1	2019	2019
Fair value of equity held prior to acquisition	¥32,862	\$302
Cash payment	25,000	230
Total consideration transferred	A ¥57,862	\$532

¥26 million of acquisition-related costs for the business combination is recognized as selling, general and administrative expenses in the Consolidated Statement of Income.

vii. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

	Millions of yen	Millions of U.S. dollars
As of acquisition date April 1	2019	2019
Non-current assets		
Property, plant and equipment (Note 1)	¥ 992	\$ 9
Intangible assets (Note 1)	20,938	192
Long-term loans for financial business (Note 2)	572,206	5,258
Securities for financial assets	270,145	2,482
Other long-term financial assets	29,939	275
Total non-current assets	894,220	8,217
Current assets		
Trade and other receivables (Note 2)	2,605	24
Short-term loans for financial business (Note 2)	155,545	1,429
Call loans	60,215	553
Other short-term financial assets	9,046	83
Other current assets	3,331	31
Cash and cash equivalents	131,356	1,207
Total non-current assets	362,098	3,327
Total assets	¥1,256,318	\$11,544
Non-current liabilities		
Other long-term financial liabilities	¥ 35,541	\$ 327
Retirement benefit liabilities	39	0
Deferred tax liabilities	3,104	29
Provision	164	2
Other non-current liabilities	47	0
Total non-current liabilities	38,895	357
Current liabilities		
Trade and other payables	13,586	125
Short-term deposits for financial business	1,067,952	9,813
Call money	60,000	551
Other short-term financial liabilities	3,075	28
Income taxes payables	694	6
Other current liabilities	933	9
Total current liabilities	1,146,239	10,532
Total liabilities	¥1,185,134	\$10,890
Net assets	B ¥ 71,184	\$ 654
Non-controlling interests (Note 3)	C 25,783	237
Goodwill (Note 4)	A – (B–C) ¥ 12,460	\$ 114

Notes: 1. The analysis of property, plant and equipment and intangible assets

The main component of property, plant and equipment is equipment. The main component of intangible assets is software.

2. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected
As for the fair value of ¥2,605 million (U.S.\$24 million) of acquired trade and other receivables, included in assets, the total amount of contracts is ¥2,605 million (U.S.\$24 million) and the estimate of the contractual cash flows not expected to be collected at the acquisition date is none. As for the fair value of ¥728,002 million (U.S.\$6,689 million) of loans for financial business (short-term and long-term), the total amount of contracts is ¥750,990 million (U.S.\$6,901 million) and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥251 million (U.S.\$2 million).

3. Non-controlling interests

Non-controlling interests are measured by multiplying the net assets of the acquiree that can be identified on the acquisition date by the ratio of non-controlling interests after the business combination.

4. Goodwill

Goodwill reflects excess earning power expected from the collective human resources related to the future business development and its synergy with the existing businesses. There is no item deductible from the taxable income related to the recognized goodwill.

viii. Consideration for expenditures due to the acquisition of control over the subsidiary

	Millions of yen	Millions of U.S. dollars
As of acquisition date April 1	2019	2019
Cash consideration transferred	¥ (25,000)	\$(230)
Cash and cash equivalents held by the acquiree at the acquisition of control*	104,824	963
Cash payment for the acquisition of control over the subsidiary	¥ 79,823	\$ 733

ix. Gain on step acquisitions

The equity in Jibun Bank that KDDI held prior to the acquisition date was remeasured at the fair value on the acquisition date. As a result, we recognized a gain on step acquisitions of ¥1,347 million (U.S.\$12 million) due to the business combination. This income is recorded as other non-operating profit and loss in the consolidated statement of income.

x. Revenue and profit for the year of the acquiree*

Revenue and profit for the year of the acquiree after the acquisition date, which are recorded on the consolidated statement of income for the year ended March 31, 2020 are ¥40,769 million (U.S.\$375 million) and ¥1,152 million (U.S.\$11 million), respectively.

* Eliminations have been made to these figures for inter-group trade.

5 Segment Information

(1) Outline of reporting segments

The reporting segments of the Group are units of the Group of which separate financial information is available, and which are periodically monitored for the board of directors to determine the allocation of the business resources and evaluate the performance results.

In the fiscal year ended March 31, 2020, the Group reporting segments were reorganized into the two reporting segments of Personal Services and Business Services based on their management approach, consolidating them based on the allocation of management resources and their performance evaluations.

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.

Accordingly, the segment information for the fiscal year ended March 31, 2019 have been presented based on the segment classification after this change.

(2) Calculation method of revenue, income or loss, assets and other items by reporting segment

Accounting treatment of reported business segments is consistent with "3. Significant accounting policies".

Income of the reporting 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 reporting segments.

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(3) Information related to the amount of revenue, income or loss and other items by reporting segment

The Group's segment information is as follows:

For the year ended March 31, 2019

	Reporting segment					Adjustment (Note 2)	Millions of yen Amounts on the consolidated financial state- ments
	Personal	Business	Sub-total	Other (Note 1)	Total		
Revenue							
Revenue from external customers	¥4,342,405	¥710,473	¥5,052,878	¥27,475	¥5,080,353	¥ —	¥5,080,353
Inter-segment revenue or transfers	79,321	175,933	255,254	71,705	326,959	(326,959)	—
Total	4,421,726	886,406	5,308,132	99,180	5,407,312	(326,959)	5,080,353
Segment income (loss)	884,348	122,150	1,006,499	8,023	1,014,521	(792)	1,013,729
Finance income and finance cost (Net)							(6,430)
Other non-operating profit and loss							2,975
Profit for the year before income tax							¥1,010,275
Other items							
Depreciation and amortization	495,151	68,901	564,051	1,435	565,487	(3,204)	562,282
Impairment loss	2,329	408	2,737	—	2,737	—	2,737
Share of profit of investment accounted for using the equity method	2,076	642	2,718	2,061	4,780	—	4,780

Notes: 1. "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, and research and development of leading-edge technology.
2. Adjustment of segment income shows the elimination of inter-segment transactions.

For the year ended March 31, 2020

	Reporting segment					Adjustment (Note 2)	Millions of yen Amounts on the consolidated financial state- ments
	Personal	Business	Sub-total	Other (Note 1)	Total		
Revenue							
Revenue from external customers	¥4,482,792	¥729,331	¥5,212,123	¥25,097	¥5,237,221	¥ —	¥5,237,221
Inter-segment revenue or transfers	85,212	194,142	279,354	59,553	338,907	(338,907)	—
Total	4,568,003	923,474	5,491,477	84,651	5,576,128	(338,907)	5,237,221
Segment income (loss)	872,721	147,535	1,020,256	4,272	1,024,528	709	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	612,816	78,433	691,249	1,737	692,985	(3,513)	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

Millions of U.S. dollars

	Reporting segment					Adjustment (Note 2)	Amounts on the consolidated financial state- ments
	Personal	Business	Sub-total	Other (Note 1)	Total		
Revenue							
Revenue from external customers	\$41,191	\$6,702	\$47,892	\$231	\$48,123	\$—	\$48,123
Inter-segment revenue or transfers	783	1,784	2,567	547	3,114	(3,114)	—
Total	41,974	8,485	50,459	778	51,237	(3,114)	48,123
Segment income (loss)	8,019	1,356	9,375	39	9,414	7	9,421
Finance income and finance cost (Net)							(56)
Other non-operating profit and loss							14
Profit for the year before income tax							\$9,379
Other items							
Depreciation and amortization	5,631	721	6,352	16	6,368	(32)	6,335
Impairment loss	111	5	116	—	116	—	116
Share of profit of investment accounted for using the equity method	13	4	18	12	30	—	30

Notes: 1. "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, and research and development of leading-edge technology.
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 25. 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 such 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.

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6 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
Millions of yen						
As of April 1, 2018	¥4,953,016	¥611,653	¥279,246	¥177,792	¥552,028	¥6,573,735
Acquisition	69,726	3,557	438	415,879	15,021	504,621
Transfer from construction in progress	281,513	14,361	1,767	(358,286)	60,644	—
Acquisition by business combination	—	2,093	966	—	4,148	7,207
Disposal	(92,285)	(7,683)	(378)	(2,190)	(19,221)	(121,756)
Exchange differences	(670)	(1,269)	(263)	(146)	(1,139)	(3,488)
Other	(538)	(1,539)	58	(1,698)	378	(3,340)
As of March 31, 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

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
Millions of U.S. dollars						
As of April 1, 2019	\$47,880	\$5,708	\$2,590	\$2,126	\$5,622	\$63,925
Effects of changes in accounting policies	—	—	—	—	(1,297)	(1,297)
Acquisition	27	3	0	3,013	4	3,046
Transfer from construction in progress	2,792	275	2	(3,492)	423	—
Acquisition by business combination	—	5	—	1	7	13
Disposal	(670)	(55)	(2)	(21)	(174)	(920)
Exchange differences	(16)	(32)	(9)	(4)	(56)	(118)
Other	(13)	8	60	(14)	(52)	(12)
As of March 31, 2020	\$49,999	\$5,912	\$2,642	\$1,608	\$4,476	\$64,637

Accumulated depreciation and accumulated impairment loss

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
Millions of yen						
As of April 1, 2018	¥(3,431,340)	¥(370,586)	¥(4,083)	¥(1,090)	¥(329,439)	¥(4,136,539)
Depreciation	(298,256)	(22,346)	—	—	(56,882)	(377,484)
Disposal	79,500	6,556	1	—	17,377	103,435
Impairment loss	(532)	(110)	—	(49)	(34)	(725)
Exchange differences	242	(87)	—	0	361	516
As of March 31, 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)

Millions of U.S. dollars

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2019	\$(33,542)	\$(3,552)	\$(38)	\$(10)	\$(3,387)	\$(40,529)
Effects of changes in accounting policies	—	—	—	—	598	598
Depreciation	(2,815)	(227)	—	—	(319)	(3,361)
Disposal	536	46	—	(5)	153	730
Impairment loss	(4)	(0)	—	(0)	(0)	(5)
Exchange differences	9	4	—	—	27	40
As of March 31, 2020	\$(35,817)	\$(3,729)	\$(38)	\$(16)	\$(2,928)	\$(42,527)

Note: The depreciation of the property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in 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, 2018	¥1,521,676	¥241,067	¥275,163	¥176,701	¥222,589	¥2,437,196
As of March 31, 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

Millions of U.S. dollars

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of March 31, 2020	\$14,182	\$2,183	\$2,604	\$1,593	\$1,548	\$22,110

(2) Property, plant and equipment rented under finance lease

The carrying amount of finance lease assets included in property, plant and equipment (less accumulated depreciation and accumulated impairment loss) is as follows:

Millions of yen

As of March 31	2019
In-home customer premises equipment	¥68,078
Other	7,968
Total	¥76,046

(3) 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 15. Borrowings and bonds payable".

(4) Property, plant and equipment with limited ownership

There is no property, plant and equipment with limited ownership.

(5) 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.

(6) 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, 2019 and 2020.

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7 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						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2018	¥530,860	¥702,563	¥320,545	¥36,363	¥52,476	¥660,653	¥2,303,458
Effects of changes in accounting policies	(5,633)	—	—	—	—	—	(5,633)
Individual acquisition	—	111,126	—	—	16,503	61,217	188,847
Acquisition by business combination	23,925	389	3,146	—	—	303	27,764
Disposal	(6,401)	(74,296)	—	—	—	(39,896)	(120,593)
Exchange differences	(409)	(217)	—	—	—	(136)	(762)
Other	(3)	(153)	—	—	—	(10,738)	(10,894)
As of March 31, 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

Millions of U.S. dollars

	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2019	\$4,983	\$6,794	\$2,974	\$334	\$634	\$6,169	\$21,889
Effects of changes in accounting policies	—	—	—	—	—	(77)	(77)
Individual acquisition	—	1,970	—	—	176	489	2,635
Acquisition by business combination	115	84	49	—	—	60	307
Disposal	—	(747)	—	—	—	(447)	(1,194)
Exchange differences	(4)	(5)	—	—	—	(7)	(15)
Other	(1)	3	—	—	—	(86)	(84)
As of March 31, 2020	\$5,093	\$8,100	\$3,023	\$334	\$810	\$6,101	\$23,461

Accumulated amortization and impairment

Millions of yen

	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2018	¥ (4,259)	¥(422,657)	¥ (66,804)	¥ (8,264)	¥ (7,415)	¥(314,352)	¥(823,752)
Amortization	—	(108,197)	(20,607)	(1,653)	(6,532)	(47,809)	(184,798)
Impairment loss	(1,964)	(39)	—	—	—	(8)	(2,011)
Disposal	3,578	72,770	—	—	—	38,240	114,588
Exchange differences	—	119	—	—	—	199	318
Other	—	—	—	—	—	—	—
As of March 31, 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)

Millions of U.S. dollars

	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2019	\$ (24)	\$(4,208)	\$(803)	\$ (91)	\$(128)	\$(2,975)	\$(8,230)
Effects of changes in accounting policies	—	—	—	—	—	41	41
Amortization	—	(1,105)	(194)	(15)	(80)	(446)	(1,839)
Impairment loss	(99)	(5)	—	—	—	(7)	(111)
Disposal	—	718	—	—	—	439	1,156
Exchange differences	—	3	—	—	—	3	5
Other	—	—	—	—	—	—	—
As of March 31, 2020	\$(123)	\$(4,598)	\$(997)	\$(106)	\$(208)	\$(2,945)	\$(8,977)

Note: The amortization of intangible assets is included in "cost of sales" and "selling, general and administrative expenses" in Consolidated Statement of financial positions.

The carrying amounts of goodwill and intangible assets are as follows:

Carrying amount

Millions of yen

	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2018	¥526,601	¥279,905	¥253,741	¥28,099	¥45,061	¥346,300	¥1,479,707
As of March 31, 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

Millions of U.S. dollars

	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of March 31, 2020	\$4,970	\$3,502	\$2,026	\$228	\$602	\$3,156	\$ 14,484

(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, 2019 and 2020 are ¥23,728 million and ¥24,007 million (U.S.\$221 million).

(3) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives described above as of March 31, 2019 and 2020 are ¥63,379 million (U.S.\$582 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.

8 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	Millions of U.S. dollars
As of March 31	2019	2020	2020
Jupiter Telecommunication Co., Ltd. CATV business	¥280,771	¥280,709	\$2,579
Jupiter Shop Channel Co., Ltd.	92,577	92,577	851
AEON HD	36,860	31,621	291
ENERES Co., Ltd.	14,199	14,199	130
BIGLOBE Inc.	14,072	14,072	129
Other	101,216	107,708	990
Total	¥539,694	¥540,886	\$4,970

Intangible assets with indefinite useful lives

Cash generating unit or cash generating unit group		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
BIGLOBE Inc.	¥26,374	¥26,374	\$242
Jupiter Shop Channel Co., Ltd.	19,859	19,859	182
AEON HD	17,146	17,146	158
Total	¥63,379	¥63,379	\$582

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 units are discounted to their present value. When the Group calculates the future cash flows and discount future cash flows, growth rates on different types of forecasted revenue and forecasted change to corresponding major cost such as cost of sales and pre-tax discount rates are used as significant factors.

Forecast of cash flows used as a basis to estimate future cash flows is based on the recent business plan approved by the management, and the forecast is maximum 5 years. After 5 years, 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	2019	2020
As of March 31		
Jupiter Telecommunication Co., Ltd. CATV business	0.7%	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	0.0–9.4%	0.0%–7.1%

The growth rates used in estimated cash flows of each cash generating unit or group of cash generating units 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 cash generating units or cash generating units group to which goodwill and intangible assets with indefinite useful lives is allocated are as follows:

Cash generating unit or cash generating unit group

As of March 31	2019	2020
Jupiter Telecommunication Co., Ltd. CATV business	5.2%	5.1%
Jupiter Shop Channel Co., Ltd.	5.6%	6.1%
AEON HD	3.8%	4.8%
ENERES Co., Ltd.	7.9%	4.2%
BIGLOBE Inc.	4.5%	6.2%
Other	2.3%–22.2%	5.1%–17.8%

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 the growth rate and/or discount rate used for impairment test.

9 Investments Accounted for Using the Equity Method

(1) The carrying amounts of Investments accounted for using the equity method

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Interests in associates	¥139,713	¥233,225	\$2,143
Interests in joint ventures	34,287	—	—
Total	¥174,000	¥233,225	\$2,143

(2) Summarized financial information of associates and joint ventures

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, 2019 and 2020, there is not individually significant associate accounted for using the equity method.

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Profit for the year	¥3,690	¥3,256	\$30
Other comprehensive income, net of tax	(524)	(3,408)	(31)
Total comprehensive income for the year	¥3,166	¥ (152)	\$ (1)

ii. Joint ventures

Profit for the year, other comprehensive income and comprehensive income of joint ventures accounted for using the equity method is as follows. As of and for the years ended March 31, 2019 and 2020, there is no individually significant joint venture accounted for using the equity method.

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Profit for the year	¥1,090	¥—	\$—
Other comprehensive income, net of tax	(830)	—	—
Total comprehensive income for the year	¥ 260	¥—	\$—

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10 Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Finished goods and manufactured goods	¥87,751	¥71,626	\$658
Work in progress	2,119	3,121	29
Other	718	619	6
Total	¥90,588	¥75,366	\$693

There is no inventory to be sold after more than 12 months from March 31, 2019 and 2020, respectively.

(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	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Write down of the inventories expensed (Note)	¥5,709	¥9,498	\$87

Note: Write down is recognized as cost of sales.

(3) Inventories pledged as collateral

There are no inventories pledged as collateral.

11 Trade and Other Receivables

The analysis of trade and other receivables is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Current			
Trade receivables			
Accounts receivable—trade and notes receivable	¥1,894,889	¥2,101,271	\$19,308
Account receivable—other (Note)	91,417	88,008	809
Loss allowance	(20,751)	(20,924)	(192)
Total	¥1,965,554	¥2,168,355	\$19,924

Note: Accounts receivable-other is mainly consisted of the receivable related to payment agency service.

The amounts of trade and other receivables expected to be recovered after more than twelve months from March 31, 2019 and 2020, respectively are ¥531,323 million and ¥581,790 million (U.S.\$5,346 million).

The amount of the trade and other receivables on the consolidated statement of financial position is presented less loss allowance.

12 Other Financial Assets

The analysis of other financial assets is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Non-current assets (Other long-term financial assets)			
Financial assets at fair value through profit or loss			
Derivatives	¥ 150	¥ 146	\$ 1
Financial assets at fair value through other comprehensive income			
Equity instruments			
Equities	117,894	121,740	1,119
Financial assets at amortized cost			
Debt instruments			
Security deposits	44,387	55,046	506
Long-term accounts receivables	10,556	11,076	102
Lease receivables	89,750	83,140	764
Other	392	25,845	237
Loss allowance	(10,104)	(11,114)	(102)
Sub total	253,025	285,879	2,627
Current assets (Other short-term financial assets)			
Financial assets at fair value through profit or loss			
Derivatives	149	1,933	18
Financial assets at amortized cost			
Debt instruments			
Lease receivables	29,832	34,201	314
Short-term investment	4,640	5,720	53
Other	7,342	11,505	106
Sub total	41,963	53,358	490
Total	¥294,989	¥339,237	\$3,117

13 Other Assets

The analysis of other non-current assets and other current assets is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Non-current assets			
Long-term prepaid expenses	¥ 8,207	¥ 14,017	\$129
Other	1,909	1,957	18
Sub total	10,117	15,975	147
Current assets			
Prepaid expenses	58,863	60,766	558
Advance payment	11,602	9,356	86
Other	54,697	14,479	133
Sub total	125,162	84,600	777
Total	¥135,278	¥100,575	\$924

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14 Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Cash in hand and deposits held at call with banks	¥199,922	¥356,528	\$3,276
Term deposits with original maturities of three months or less	4,675	12,674	116
Total	¥204,597	¥369,202	\$3,392
Cash and cash equivalents in consolidated statement of cash flow	¥204,597	¥369,202	\$3,392

15 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	Millions of U.S. dollars	Average interest rate (%) (Note)	Due (Year)
As of March 31	2019	2020	2020		
Non-current					
Bonds payable (excluding current portion)	¥ 219,491	¥ 329,225	\$ 3,025	0.301%	2022-2029
Long-term borrowings (excluding current portion)	821,487	818,326	7,519	0.379%	2021-2029
Sub total	1,040,978	1,147,551	10,544	—	—
Current					
Current portion of bonds payable	60,000	39,997	368	1.151%	—
Current portion of long-term borrowings	58,574	113,265	1,041	0.716%	—
Short-term borrowings	32,000	—	—	—	—
Sub total	150,574	153,262	1,408	—	—
Total	¥1,191,553	¥1,300,813	\$11,953	—	—

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	As of March 31, 2019	Millions of yen	Millions of U.S. dollars	Interest rate (%)	Collateral	Due
				As of March 31, 2020	As of March 31, 2020			
KDDI Corp.	15th series of unsecured notes	May 29, 2009	19,999 (19,999)	— (—)	— (—)	1.969% per year	Unsecured	May 29, 2019
KDDI Corp.	18th series of unsecured notes	March 4, 2010	39,989 (39,989)	— (—)	— (—)	1.573% per year	Unsecured	December 20, 2019
KDDI Corp.	19th series of unsecured notes	September 6, 2010	39,981	39,997 (39,997)	368 (368)	1.151% per year	Unsecured	June 19, 2020
KDDI Corp.	20th series of unsecured notes	December 13, 2013	29,940	29,953	275	0.803% per year	Unsecured	December 20, 2023
KDDI Corp.	21st series of unsecured notes	September 10, 2014	29,930	29,943	275	0.669% per year	Unsecured	September 20, 2024
KDDI Corp.	22nd series of unsecured notes	July 12, 2018	29,901	29,912	275	0.310% per year	Unsecured	July 12, 2028
KDDI Corp.	23rd series of unsecured notes	November 22, 2018	39,901	39,922	367	0.110% per year	Unsecured	November 22, 2023
KDDI Corp.	24th series of unsecured notes	November 22, 2018	29,909	29,923	275	0.250% per year	Unsecured	November 21, 2025
KDDI Corp.	25th series of unsecured notes	November 22, 2018	19,930	19,937	183	0.395% per year	Unsecured	November 22, 2028
KDDI Corp.	26th series of unsecured notes	April 26, 2019	—	29,934	275	0.130% per year	Unsecured	April 26, 2024
KDDI Corp.	27th series of unsecured notes	April 26, 2019	—	29,917	275	0.230% per year	Unsecured	April 24, 2026
KDDI Corp.	28th series of unsecured notes	April 26, 2019	—	39,875	366	0.355% per year	Unsecured	April 26, 2029
KDDI Corp.	29th series of unsecured notes	November 29, 2019	—	49,908	459	0.020% per year	Unsecured	November 29, 2022
iret, Inc.	1st series of unsecured notes	June 27, 2016	12 (12)	— (—)	— (—)	0.330% per year	Unsecured	June 27, 2019

Note: The amounts in () presents the current portion of the bonds payable.

(3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities are as follows:

(Consolidated subsidiaries)

Assets set aside as issuance deposits as prescribed in Article 14, Paragraph 1 of Payment Services Act are as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Government bonds	¥3,001	¥—	\$—

Assets set aside as issuance deposits as prescribed in Article 15 of Payment Services Act are as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Deposit	¥35,000	¥—	\$—

Assets pledged as collateral are as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Property, plant and equipment	¥1,138	¥ 623	\$ 6
Stocks of subsidiaries and associates (Note)	768	768	7
Securities for financial business	—	177,664	1,632
Other short-term financial assets	35	7,770	71
Total	¥1,940	¥186,825	\$1,717

Obligations underlying to these assets pledged as collateral are as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Long-term borrowings (Note)	¥118	¥ 80,000	\$ 735
Current portion of long-term borrowings	122	62	1
Call money	—	72,100	662
Accounts payable	330	200	2
Total	¥569	¥152,362	\$1,400

Note: Stocks 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, 2019 and 2020 are ¥15,424 million and ¥14,033 million (U.S.\$129 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, 2019 and 2020 are ¥457,248 million and ¥457,112 million (U.S.\$4,200 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 32. Financial instruments" and "Note 33. Fair value of financial instruments."

16 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, 2019

	As of April 1, 2018	Impact by changes in accounting policies	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2019
Millions of yen								
Deferred tax assets								
Accrued bonuses	¥ 10,107	¥ —	¥ 3	¥ —	¥ —	¥ —	¥ 1	¥ 10,111
Accrued business tax	7,877	—	476	—	—	5	31	8,389
Inventories	5,235	—	(339)	—	—	—	47	4,960
Loss allowance	9,390	—	(300)	—	—	—	1	9,091
Property, plant and equipment and intangible assets	52,235	—	(7,085)	—	—	2	405	45,557
Deferred points	16,708	—	2,494	—	—	—	0	19,203
Retirement benefit liabilities	3,771	—	(1,831)	—	1,569	—	684	4,194
Accrued expenses	3,934	—	1,655	—	—	0	183	5,773
Advanced received	29,112	(29,112)	—	—	—	—	—	—
Contract liabilities	—	41,446	65,076	—	—	—	(66)	106,457
Other	45,929	—	8,098	13	70	3	20	54,133
Total	¥184,315	¥ 12,334	¥68,248	¥13	¥ 1,639	¥ 10	¥1,307	¥267,867
Deferred tax liabilities								
Retained profits of foreign related companies	¥893	¥ —	¥ 859	¥ —	¥ —	¥ —	¥ —	¥ 1,752
Special reserves	421	—	(109)	—	—	—	69	381
Appraisal gain on equity instruments	9,967	—	(394)	—	(1,436)	—	(330)	7,807
Property, plant and equipment and intangible assets	22,110	—	(7,806)	—	—	—	103	14,406
Identifiable intangible assets	107,407	—	(5,312)	—	—	933	—	103,028
Contract costs	—	112,527	81,775	—	—	—	(151)	194,151
Other	17,767	—	13,051	—	23	—	955	31,796
Total	158,563	¥112,527	¥82,065	¥ —	¥(1,413)	¥933	¥ 646	¥353,321

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	97,825	(6,565)	—	—	109	(105)	136,821
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
Advanced received	—	—	—	—	—	—	—	—
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 and intangible assets	14,406	97,742	(8,508)	—	—	—	17	103,638
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

Millions of U.S. dollars

	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	\$ 93	\$ —	\$ 2	\$—	\$ —	\$ 0	\$ (0)	\$ 95
Accrued business tax	77	—	14	—	—	0	1	93
Inventories	46	—	(1)	—	—	—	—	45
Loss allowance	84	—	8	—	—	0	(0)	92
Property, plant and equipment and intangible assets	419	899	(60)	—	—	1	(1)	1,257
Deferred points	176	—	25	—	—	—	—	202
Retirement benefit liabilities	39	—	10	(0)	58	—	1	107
Accrued expenses	53	—	(1)	—	—	—	(0)	52
Advanced received	—	—	—	—	—	—	—	—
Contract liabilities	978	—	(69)	—	—	—	(571)	338
Other	497	—	(23)	1	(3)	0	(86)	386
Total	\$2,461	\$899	\$ (94)	\$ 1	\$ 55	\$ 2	\$(657)	\$2,667
Deferred tax liabilities								
Retained profits of foreign related companies	\$ 16	\$ —	\$ (12)	\$—	\$ —	\$ —	\$ —	\$ 4
Special reserves	4	—	(1)	—	—	—	—	3
Appraisal gain on equity instruments	72	—	3	—	(10)	—	11	76
Property, plant and equipment and intangible assets	132	898	(78)	—	—	—	0	952
Identifiable intangible assets	947	—	(75)	(0)	—	10	—	882
Contract costs	1,784	—	102	—	—	—	(669)	1,217
Other	292	—	(84)	1	0	—	10	219
Total	\$3,247	\$898	\$(145)	\$ 1	\$(10)	\$10	\$(648)	\$3,354

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:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Deferred tax assets	¥ 15,227	¥ 23,783	\$ 219
Deferred tax liabilities	100,680	98,570	906
Deferred tax assets, net	¥ (85,454)	¥(74,787)	\$(687)

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 are ¥5,027 million and ¥5,878 million (U.S.\$54 million), respectively, as of March 31, 2019 and 2020.

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	Millions of U.S. dollars
As of March 31	2019	2020	2020
Deductible temporary differences	¥ 8,274	¥ 8,105	\$ 74
Tax loss carryforwards	26,077	26,791	246
Total	¥34,351	¥34,897	\$321

Expiration of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
1st year	¥ 204	¥ 5,427	\$ 50
2nd year	—	2,122	19
3rd year	1,176	477	4
4th year	514	5,063	47
5th year and thereafter	24,183	13,702	126
Total	¥26,077	¥26,791	\$246

(4) Income taxes

The analysis of income taxes is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Current tax expenses			
Current tax expenses on the profit for the year	¥302,349	¥333,391	\$3,064
Adjustments in respect of prior years (): refund)	(276)	88	1
Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses	(6,742)	(2,652)	(24)
Sub total	295,332	330,828	3,040
Deferred tax expenses			
Origination and reversal of temporary differences	15,427	(6,155)	(57)
Impact of change of tax rates	—	56	1
Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses	(143)	(1,935)	(18)
Review of the collectability of deferred tax assets	(1,467)	2,506	23
Sub total	13,817	(5,529)	(51)
Total	¥309,149	¥325,298	\$2,989

(5) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are described in "Note 30. 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, 2019 and 2020 is 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	2019	2020
Statutory income tax rate	31.6%	31.4%
Non-taxable dividends received	(0.2%)	(0.4%)
Impact of tax differences of foreign subsidiaries	0.0%	(0.0%)
Tax credit	(0.1%)	(0.0%)
Utilisation of previously unrecognised tax loss	(0.5%)	0.7%
Other	(0.1%)	0.2%
Average actual tax rate to incur	30.6%	31.9%

17 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. Trustee of the Fund is obliged to comply with laws, appointments by the Minister of Health, Labour and Welfare or Head of Regional Bureau of Health and Welfare, by law of the Fund and resolutions of the board of representatives, as well as to accomplish its duties related to the management and operation of the funded money. It is prohibited for the trustee to harm the appropriate management and operation of the funded money for the interest of itself or a 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	Millions of U.S. dollars
As of March 31	2019	2020	2020
Present value of the defined benefit obligations (funded)	¥405,369	¥421,178	\$3,870
Present value of the defined benefit obligations (unfunded)	10,330	12,468	115
Fair value of plan assets	(402,343)	(396,416)	(3,643)
Status of the funding	¥ 13,356	¥ 37,230	\$ 342
Retirement benefit liabilities	¥ 13,356	¥ 37,230	\$ 342
Net retirement benefit liabilities	¥ 13,356	¥ 37,230	\$ 342

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iv. The analysis of expenses related to defined benefit plans

The amount of expenses recognized related to defined benefit plans is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Current service cost	¥14,850	¥15,075	\$139
Interest expense	1,949	1,843	17
Interest income	(2,863)	(2,247)	(21)
Total	¥13,937	¥14,671	\$135

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 assumption at the end of each period is as follows:

As of March 31	2019	2020
Discount rate	0.6%	0.3%

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

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
0.5% increase	¥(28,892)	¥(29,974)	\$(275)
0.5% decrease	32,648	33,903	312

Note: Amounts shown in parentheses represent decrease of defined benefit obligations.

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, 2020 to be ¥10,100 million (U.S.\$93 million).

(2) Defined contribution pension plans

The amount of expenses recognized related to defined contribution pension plans is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Expenses related to defined contribution pension plans	¥3,112	¥3,136	\$29

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. The certain Group subsidiaries cannot calculate the reasonable amount of pension assets corresponding to the amount of their contributions, and therefore the amount of contributions is recognized as retirement benefit expenses as well as defined contribution pension

plans. The expenses on the consolidated statement of income for the years ended March 31, 2019 and 2020 are ¥1,724 million and ¥1,808 million (U.S.\$17 million), respectively.

The Group can reduce its costs and practical burden related to administration and finance operation by participating in this fund and reduce a risk to discontinue a pension plan, 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	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Pension assets	¥(40,452)	¥(43,105)	\$(396)
Benefit obligations for the purpose of calculating pension financials	36,881	38,115	350
Difference	(3,571)	(4,990)	(46)
Ratio of the funded pension assets	109.7%	113.1%	
Difference consists of			
Surplus	(3,571)	(4,990)	(46)

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(ii) Ratio of contributions by the Group to the fund

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Contributions by the Group	¥(1,481)	¥(1,516)	\$(14)
All contributions to the fund	(2,439)	(2,516)	(23)
Ratio to the all contributions to the fund	60.7%	60.3%	

In accordance with the provision of Defined Benefit Corporate Pension Act, bylaw of the Fund requires to recalculate the amount of contributions every 5 years with a financial year end as a 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, 2020 to be ¥ 1,808 million (U.S.\$17 million).

18 Trade and Other Payables

The analysis of the trade and other payables is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Current liabilities			
Accounts payable (Note)	¥493,409	¥476,749	\$4,381
Accounts payable—trade	146,016	147,637	1,357
Accrued expenses	32,033	32,549	299
Other obligations	512	363	3
Total	¥671,969	¥657,298	\$6,040

Note: Accounts payable is mainly consisted of the payable 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, 2019 and 2020, respectively are ¥6,508 million and ¥1,299 million (U.S. \$12 million).

19 Other Financial Liabilities

The analysis of other financial liabilities is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Non-current liabilities (Other long-term financial liabilities)			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	¥ 5,835	¥ 4,555	\$ 42
Financial liabilities at amortized cost			
Lease obligations	57,399	—	—
Long-term account payables	3,258	2,530	23
Other	—	6,257	57
Sub total	66,493	13,342	123
Current liabilities (Other short-term financial liabilities)			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	14	3,496	32
Financial liabilities at amortized cost			
Lease obligations	26,759	—	—
Sub total	26,773	3,496	32
Total	¥93,265	¥16,838	\$155

20 Provisions

(1) Movements of provisions

Changes in provisions are as follows:

	Millions of yen			
	Provision for customer points	Asset retirement obligation	Other provisions	Total
As of April 1, 2018	¥29,027	¥ 9,194	¥ 3,765	¥41,986
Increase during the year	33,963	26,056	—	60,020
Decrease during the year (intended use)	(31,219)	(2,260)	(128)	(33,607)
Decrease during the year (reversal)	—	—	—	—
As of March 31, 2019	31,771	32,990	3,637	68,399
Increase during the year	54,276	1,404	10,828	66,508
Decrease during the year (intended use)	(51,136)	(1,612)	(424)	(53,171)
Decrease during the year (reversal)	—	—	—	—
As of March 31, 2020	¥34,912	¥32,783	¥14,041	¥81,736
Non-current liabilities	¥ —	¥31,672	¥ 5,098	¥36,770
Current liabilities	34,912	1,111	8,943	44,966

	Millions of U.S. dollars			
	Provision for customer points	Asset retirement obligation	Other provisions	Total
As of April 1, 2019	\$292	\$303	\$ 33	\$628
Increase during the year	499	13	99	611
Decrease during the year (intended use)	(470)	(15)	(4)	(489)
Decrease during the year (reversal)	—	—	—	—
As of March 31, 2020	\$321	\$301	\$129	\$751
Non-current liabilities	\$ —	\$291	\$ 47	\$338
Current liabilities	321	10	82	413

(2) Components of provisions

The main components of provisions of the Group are as follows:

i. Provision for customer points

The Group has operated 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.

ii. 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 the assumption at present and is subject to changes depending on revised future assumptions.

iii. Other provisions

Other provisions include provision for contract loss and provision for warranties for completed construction.

21 Other Liabilities

The analysis of other liabilities is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Non-current liabilities			
Long-term deposits payable	¥ 1,883	¥ 1,836	\$ 17
Other	4,863	5,575	51
Sub total	6,746	7,411	68
Current liabilities			
Deposits payable	146,821	170,188	1,564
Accrued bonuses	30,409	32,192	296
Consumption tax payable	24,599	50,736	466
Other	23,980	29,093	267
Sub total	225,810	282,209	2,593
Total	¥232,556	¥289,620	\$2,661

22 Share-based Payment (Stock Grant Plans)

The Company has 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").

As for the directors, the Company and its certain consolidated subsidiaries have adopted the Board Incentive Plan (BIP). As 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 KPI (Key Performance Indicators) annually.

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2019 and 2020, respectively were ¥1,334 million and ¥2,673 million (U.S.\$25 million).

(1) KDDI CORPORATION

In the fiscal year ended March 31, 2020, the Company has introduced BIP trust and ESOP trust. The stocks of the Company are granted by the institution.

For the year ended March 31, 2019

	The number of granted (stock)	Granted date	Fair value of granted date (Note 1)		Vesting conditions
			(Yen)	(U.S. dollar)	
BIP trust	202,395	August 1, 2018	¥3,027.80	\$28	(Note 2)
ESOP trust	235,157	August 1, 2018	3,027.80	28	(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 basically subject to continued service from grant date to vesting date.

For the year ended March 31, 2020

	The number of granted (stock)	Granted date	Fair value of granted date (Note 1)		Vesting conditions
			(Yen)	(U.S. dollar)	
BIP trust	240,480	March 7, 2019	¥2,490.40	\$23	(Note 2)
ESOP trust	819,452	March 7, 2019	2,490.40	23	(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 basically subject to continued service from grant date to vesting date.

(2) Okinawa Cellular Telephone Company

In the fiscal year ended March 31, 2020, consolidated subsidiary Okinawa Cellular Telephone Company has introduced BIP trust and ESOP trust. The stocks of Okinawa Cellular Telephone Company are granted by the institution.

For the year ended March 31, 2019

	The number of granted (stock)	Granted date	Fair value of granted date (Note 1)		Vesting conditions
			(Yen)	(U.S. dollar)	
BIP trust	2,392	June 14, 2018	¥4,113.81	\$38	(Note 2)
ESOP trust	2,913	April 25, 2018	4,013.83	37	(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 basically subject to continued service from grant date to vesting date.

For the year ended March 31, 2020

	The number of granted (stock)	Granted date	Fair value of granted date (Note 1)		Vesting conditions
			(Yen)	(U.S. dollar)	
BIP trust	3,088	March 25, 2019	¥3,441.79	\$32	(Note 2)
ESOP trust	5,016	March 25, 2019	3,441.79	32	(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 basically subject to continued service from grant date to vesting date.

23 Common Stock and Other Equity Items

(1) Common stock and capital surplus

The number of authorized stock, outstanding stock, common stock and the balance of capital surplus in each consolidated fiscal year are as follows:

	Shares		Millions of yen	
	Authorized stock	Outstanding stock	Common stock	Capital surplus
Balance as of April 1, 2018	4,200,000,000	2,587,213,525	¥141,852	¥289,578
Increase and decrease during the period (Note 3)	—	(55,209,080)	—	(5,169)
Balance as of March 31, 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

	Shares		Millions of U.S. dollars	
	Authorized stock	Outstanding stock	Common stock	Capital surplus
Balance as of March 31, 2019	4,200,000,000	2,532,004,445	\$1,303	\$2,613
Increase and decrease during the period (Note 3)	—	(176,630,845)	—	(35)
Balance as of March 31, 2020	4,200,000,000	2,355,373,600	\$1,303	\$2,578

Notes: 1. Common stocks are no par value.

2. Outstanding stocks are fully paid.

3. Decrease in the number of outstanding stock and capital surplus 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 stock during each consolidated fiscal year are as follows:

	Number of treasury stock (Shares)	Amount (Millions of yen)
Balance as of April 1, 2018 (Note 3)	181,809,302	¥(338,254)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	55,039,325	(150,000)
Cancellation of treasury stock	(55,209,080)	103,235
Disposal of treasury stock (Note 2)	(685,774)	1,291
Balance as of March 31, 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)

	Number of treasury stock (Shares)	Amount (Millions of U.S. dollars)
Balance as of March 31, 2019 (Note 3)	180,953,773	\$(3,526)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	51,194,050	(1,378)
Cancellation of treasury stock	(176,630,845)	3,464
Disposal of treasury stock (Note 2)	(52,018)	1
Balance as of March 31, 2020 (Note 3)	55,464,960	\$(1,438)

Notes: 1. Of the increase in the number of treasury stock as of March 31, 2019 and 2020, 55,039,000 shares and 51,194,000 shares were mainly due to the purchase from the market.
2. Decrease in the number of treasury stock was due to grant to beneficiaries of executive compensation BIP trust and stock grants ESOP trust.
3. In the balance of treasury stock as of March 31, 2019 and 2020, Company's stocks owned by executive compensation BIP trust and stock grants ESOP trust are included.

(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, 2019

	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, 2018	¥ (9,141)	¥19,679	¥(2,355)	¥ —	¥ 8,183
Amount incurred during the year	(5,392)	(4,445)	(1,022)	(3,427)	(14,286)
Reclassified to consolidated statement of income	(388)	—	1,142	—	754
Transferred to retained earnings	—	(1,251)	—	3,427	2,176
Balance as of March 31, 2019	¥(14,922)	¥13,983	¥(2,235)	¥ —	¥ (3,174)

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. 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)

Millions of U.S. dollars

	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	\$(137)	\$128	\$(21)	\$ —	\$ (29)
Amount incurred during the year	(78)	(52)	(5)	(127)	(263)
Reclassified to consolidated statement of income	—	—	11	—	11
Transferred to retained earnings	—	(27)	—	127	100
Balance as of March 31, 2020	\$(216)	\$ 49	\$(15)	\$ —	\$(181)

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. 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 fluctuation.

(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.

24 Dividends

Dividends to common shareholders are as follows:

(1) Dividends paid

For the year ended March 31, 2019

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 20, 2018 General meeting of shareholders (Note 1, 2)	Common stock	¥108,243	¥45	March 31, 2018	June 21, 2018
November 1, 2018 Board of directors (Note 1, 2)	Common stock	119,624	50	September 30, 2018	December 3, 2018

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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

Resolution	Type	Aggregate amount of dividends (Millions of U.S. dollars)	Dividends per share (U.S. dollars)	Record date	Effective date
June 19, 2019 General meeting of shareholders (Note 1, 2)	Common stock	\$1,188	\$1	March 31, 2019	June 20, 2019
November 1, 2019 Board of directors (Note 1, 2)	Common stock	1,174	1	September 30, 2019	December 3, 2019

Notes: 1. Dividends of the Company's shares owned by executive compensation BIP trust and stock grants ESOP trust are not included in aggregate amount of the dividends above.
2. Other than that above, there are dividends paid by the Company to beneficiaries of executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2020.

(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, 2019

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 19, 2019 General meeting of shareholders (Note 1, 2)	Common stock	¥129,308	Retained earnings	¥55	March 31, 2019	June 20, 2019

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

Resolution	Type	Aggregate amount of dividends (Millions of U.S. dollars)	Source of dividends	Dividends per share (U.S. dollars)	Record date	Effective date
June 17, 2020 General meeting of shareholders (Note 1, 2)	Common stock	\$1,268	Retained earnings	\$1	March 31, 2020	June 18, 2020

Notes: 1. Dividends of the Company's shares owned by executive compensation BIP trust and stock grants ESOP trust are not included in aggregate amount of the dividends above.
2. Other than that above, there are dividends paid by the Company to beneficiaries of executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2020.

25 Revenue

(1) Division of profit

The Group divides profit from contracts with customers into five categories depending on the contract: mobile telecommunications and value-added services (Total ARPA), MVNO services, fixed-line telecommunications services, business services and other services. Profit from each segment is divided as follows:

For the year ended March 31, 2019

Segment	Product / Service	Millions of yen
Personal Services		¥4,342,405
	Total ARPA	2,191,178
	MVNO	46,290
	Fixed-line telecommunications	811,387
	Others	1,293,550
Business Services		710,473
Others		27,475
Total		¥5,080,353
Profit from contracts with customers		5,021,196
Profit from other sources		59,157

For the year ended March 31, 2020

Segment	Product / Service	Millions of yen	Millions of U.S. dollars
Personal Services		¥4,482,792	\$41,191
	Total ARPA	2,266,674	20,828
	MVNO	66,015	607
	Fixed-line telecommunications	804,459	7,392
	Others	1,345,644	12,365
Business Services		729,331	6,702
Others		25,097	231
Total		¥5,237,221	\$48,123
Profit from contracts with customers		5,146,113	47,286
Profit from other sources		91,108	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, 2019

	Millions of yen As of April 1, 2018	Millions of yen As of March 31, 2019
Receivables from contracts with customers	¥1,592,072	¥1,810,042
Contract liabilities	197,043	193,511

For the year ended March 31, 2020

	Millions of yen As of April 1, 2019	Millions of yen As of March 31, 2020	Millions of U.S. dollars As of March 31, 2020
Receivables from contracts with customers	¥1,810,042	¥1,984,185	\$18,232
Contract liabilities	193,511	179,950	1,653

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, 2019 and 2020, ¥130,694 million and ¥145,731 million (U.S.\$1,339 million) were included in outstanding contract liabilities at the beginning of the fiscal year, respectively. This is immaterial to the amount of profit recognized from performance obligations fulfilled (or partially fulfilled) in the years ended March 31, 2019 and 2020.

(3) Transaction amounts allocated to remaining performance obligations

The transaction amounts allocated to remaining performance obligations were ¥153,830 million and ¥132,240 million (U.S.\$1,215 million), respectively, as of March 31, 2019 and 2020. Most of these performance obligations comprise earnings from activation fees related to mobile communications services and "au HIKARI" brand services, and they are expected to be recognized as profit within approximately five years, when the services are provided and performance obligations are fulfilled. 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, 2019	Millions of yen March 31, 2020	Millions of U.S. dollars March 31, 2020
Costs to obtain contracts	¥361,437	¥381,533	\$3,506
Costs to fulfill contracts	51,401	55,142	507

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 over two to three years in line with the main estimated contract period for users of each service.

The Group determines the recoverability of capitalized contract costs when they are capitalized and reevaluates 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, 2019 and 2020 amounted to ¥176,228 million and ¥198,880 million (U.S.\$1,827 million), respectively, and there were no impairment loss.

26 Expenses by Nature

Expenses by nature that constitute cost of sales and selling, general and administrative expenses are as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Handset sales cost, repair cost	¥ 814,261	¥ 738,011	\$ 6,781
Depreciation and amortization	562,282	689,473	6,335
Communication equipment usage fee and rentals	427,755	323,057	2,968
Staff cost	422,979	438,814	4,032
Operations outsourcing	322,737	331,982	3,050
Sales commission	308,510	323,269	2,970
Power retail sales cost	220,041	350,241	3,218
Rent	77,551	54,876	504
Utilities	65,389	68,497	629
Other (Note)	856,375	906,285	8,328
Total	¥4,077,882	¥4,224,504	\$38,818

Note: Other is mainly consisted of advertising expense and maintenance costs for communication equipment, etc.

27 Other Income and Other Expense

(1) The analysis of other income

The analysis of other income is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Compensation income, etc.	¥ 687	¥ 1,164	\$ 11
Subsidy income, etc.	583	773	7
Income from recovery of bad debts	761	703	6
Other	8,109	9,852	91
Total	¥10,140	¥12,492	\$115

(2) The analysis of other expense

The analysis of other expense is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Reduction entry of land contribution for construction	¥ —	¥ 6	\$ 0
Loss on sale of fixed assets	600	297	3
Other	3,061	2,926	27
Total	¥3,661	¥3,228	\$30

28 Finance Income and Finance Cost

(1) The analysis of finance income

The analysis of finance income is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Interest income:			
Financial assets at amortized cost	¥1,256	¥ 930	\$ 9
Dividend income:			
Financial assets at fair value through other comprehensive income	2,279	4,052	37
Other	47	348	3
Total	¥3,582	¥5,330	\$49

(2) The analysis of finance cost

The analysis of finance cost is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Interest expense:			
Financial liabilities at amortized cost	¥ 7,574	¥ 7,250	\$ 67
Financial liabilities at fair value through profit or loss			
Derivatives	1,120	882	8
Loss on foreign currency exchange	128	1,739	16
Other	1,189	1,508	14
Total	¥10,012	¥11,380	\$105

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29 Other Non-operating Profit

The analysis of other non-operating profit is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Gain or loss on change in equity	¥ —	¥ 76	\$ 1
Gain or loss on step acquisitions	2,999	1,426	13
Gain or loss on sales of stocks of subsidiaries and affiliates	(24)	10	0
Total	¥2,975	¥1,512	\$14

30 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	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
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	¥ (5,020)	¥(20,160)	\$(185)
Tax effect	1,569	6,325	58
After tax effect	(3,451)	(13,835)	(127)
Net change in financial assets at fair value through other comprehensive income			
Gain (loss) arising during the year	(4,655)	(3,674)	(34)
Tax effect	1,436	1,076	10
After tax effect	(3,219)	(2,598)	(24)
Share of investments accounted for using the equity method			
Gain (loss) arising during the year	(1,267)	(3,694)	(34)
After tax effect	(1,267)	(3,694)	(34)
Total	(7,937)	(20,127)	(185)
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedge			
Gain (loss) arising during the year	(1,295)	(61)	(1)
Transferred to profit for the year	1,142	1,228	11
Before tax effect	(154)	1,167	11
Tax effect	47	(365)	(3)
After tax effect	(106)	802	7
Exchange differences on translating foreign operations			
Gain (loss) arising during the year	(6,232)	(10,201)	(94)
Transferred to profit for the year	(388)	—	—
Before tax effect	(6,620)	(10,201)	(94)
After tax effect	(6,620)	(10,201)	(94)
Share of investments accounted for using the equity method			
Gain (loss) arising during the year	(88)	(121)	(1)
Transferred to profit for the year	—	408	4
After tax effect	(88)	286	3
Total	(6,814)	(9,113)	(84)
Total other comprehensive income	¥(14,751)	¥(29,240)	\$(269)

31 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, 2018	¥200,834	¥84,779	¥ —	¥29,000	¥835,036	¥169,801	¥(5,882)
Cash flows	4,077	(28,616)	—	(10,274)	43,868	109,981	—
Acquisitions	—	24,696	—	—	—	—	—
Movements by a subsidiary or other business fluctuations caused by gain or loss	—	—	—	13,274	1,168	—	—
Foreign exchange adjustments	(314)	(12)	—	—	(11)	—	—
Fair value movements	—	—	—	—	—	—	72
Other non-cash movements	—	3,311	—	—	—	(290)	—
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 March 31, 2020	¥369,202	¥ —	¥379,554	¥ —	¥931,591	¥369,222	¥(4,553)

	Millions of U.S. dollars						
	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	\$1,880	\$773	\$ —	\$294	\$8,087	\$2,568	\$(53)
Effects of changes in accounting policies	—	(773)	3,601	—	—	—	—
Cash flows	1,526	—	(1,166)	(294)	196	827	—
Acquisitions	—	—	1,047	—	—	—	—
Movements by a subsidiary or other business fluctuations caused by gain or loss	—	—	—	—	276	—	—
Foreign exchange adjustments	(13)	—	1	—	(0)	—	—
Fair value movements	—	—	—	—	—	—	12
Other non-cash movements	—	—	6	—	2	(2)	—
Net debt as of March 31, 2020	\$3,392	\$ —	\$3,488	\$ —	\$8,560	\$3,393	\$(42)

Note: Borrowings due after 1 year includes the liabilities generated from operating activities.

32 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 fulfill 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 recognised and measured thorough 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 age 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
		Lifetime expected credit loss
		Collective
Balance as of April 1, 2018		¥63,321
Increase during the year		28,096
Decrease during the year (reversal)		(9,696)
Decrease during the year (intended use)		(17,744)
Other		(33,122)
Balance as of March 31, 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

		Millions of U.S. dollars
		Lifetime expected credit loss
		Collective
Balance as of March 31, 2019		\$284
Increase during the year		243
Decrease during the year (reversal)		(93)
Decrease during the year (intended use)		(143)
Other		(1)
Balance as of March 31, 2020		\$290

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, 2019 and 2020 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. On the other hand, the Group's maximum credit risk exposure (net) represents the amount of the maximum exposure with respect to credit risks reflecting the mitigation effect of the collateral held or other credit enhancement.

Maximum exposure for Trade receivables

For the year ended March 31, 2019

					Millions of yen
	Current	More than 30 days past due	More than 90 days past due	Total	
Gross carrying amount	¥1,947,732	¥8,418	¥40,711	¥1,996,862	
Expected loss rate	0.6%	21.4%	42.7%	—	
Loss allowance	11,684	1,798	17,374	30,855	

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	

					Millions of U.S. dollars
	Current	More than 30 days past due	More than 90 days past due	Total	
Gross carrying amount	\$19,700	\$117	\$401	\$20,218	
Expected loss rate	0.5%	13.3%	44.7%	—	
Loss allowance	95	16	179	290	

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 and bond issuances, 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. which is considered to be readily convertible into cash to address liquidity risk. Please refer to "Note 14. 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 unextended commitment line contracts with domestic dominant financial institutions and leading financial institutions in foreign countries in addition to uncommitted credit facilities.

(a) Maturity analysis

Following tables represent analysis of the Group's non-derivative financial liabilities and derivative financial liabilities to be settled on a net basis by category based on respective 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, 2019

	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	¥ 671,969	¥ 671,969	¥665,461	¥ 1,056	¥ 690	¥ 546	¥ 540	¥ 3,675
Short-term borrowings	32,000	32,000	32,000	—	—	—	—	—
Long-term borrowings	880,061	891,023	61,322	115,725	75,631	152,445	149,695	336,205
Bonds payable	279,492	286,254	62,031	40,962	733	733	70,733	111,064
Deposits for financial business	—	—	—	—	—	—	—	—
Lease payment	84,158	89,004	28,517	24,528	16,060	10,287	6,263	3,349
Sub total	1,947,680	1,970,250	849,331	182,270	93,114	164,010	227,231	454,293
Derivative financial liabilities (Note)								
Exchange contracts	39	39	14	17	8	1	—	—
Interest rate swaps	5,810	5,810	—	741	—	—	2,479	2,590
Sub total	5,849	5,849	14	757	8	1	2,479	2,590
Total	¥1,953,529	¥1,976,100	¥849,345	¥183,027	¥93,122	¥164,011	¥229,710	¥456,883

Note: Credits and debts resulted from derivative transactions are presented on a net basis.

As of March 31, 2020

	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	2,903	2,903	2,901	1	1	—	—	—
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

As of March 31, 2020

Millions of U.S. dollars								
	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	\$ 6,040	\$ 6,040	\$ 6,028	\$ 8	\$ 1	\$ 1	\$ 1	\$ 0
Short-term borrowings	—	—	—	—	—	—	—	—
Long-term borrowings	8,560	8,647	1,064	695	1,677	1,836	1,182	2,194
Bonds payable	3,393	3,457	379	9	469	652	557	1,392
Deposits for financial business	13,116	13,128	12,892	9	100	18	11	98
Lease liabilities	3,488	3,542	1,050	800	573	434	256	428
Sub total	34,596	34,814	21,412	1,522	2,820	2,940	2,007	4,112
Derivative financial liabilities (Note)								
Exchange contracts	27	27	27	0	0	—	—	—
Interest rate swaps	47	47	8	—	—	18	—	21
Sub total	74	74	35	0	0	18	—	21
Total	\$34,670	\$34,888	\$21,447	\$1,522	\$2,820	\$2,958	\$2,007	\$4,133

Note: Credits and debts resulted 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. Certain subsidiary manages market risk by measuring their using risk volume using Value at risk (VaR) on a daily basis and VaR as of March 31, 2020 is ¥1,652 million (U.S.\$ 15 million).

(a) Exchange risk

The Group is exposed to exchange rate fluctuation risk ("exchange risk") resulted 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 U.S. dollar, Euro and Hong Kong dollar.

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 program. 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 Japanese yen against U.S. dollar, Euro and Hong Kong dollar at the end of each fiscal year against profit before tax of the Group is as follows.

This analysis is on presumption 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				Millions of U.S. dollars	
For the year ended March 31	2019	2020		2020	
Profit before tax					
U.S. dollar	¥(3,070)	¥(1,855)			\$(17)
Euro	(301)	(707)			(6)
Hong Kong dollar	(681)	(682)			(6)
Total	¥(4,052)	¥(3,244)			\$(30)

At the end of each fiscal year, impact against the Group's profit or loss, in cases where Japanese yen depreciated 10% against U.S. dollar, Euro and Hong Kong dollar, would be equal and opposite figures presented above on presumption that all other variables are held constant.

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(ii) Derivatives (forward foreign exchange contracts)

Details of major exchange contracts existed at March 31, 2019 and 2020 are as follows:

Derivatives designated as hedges

Certain subsidiaries of the Group is to apply hedge accounting to foreign exchange risk

	Millions of yen								Millions of U.S. dollars			
	2019				2020				2020			
	Contractual amount		Fair value		Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Forward foreign exchange contracts	¥7,672	¥6,261	¥270	¥36	¥15,211	¥3,865	¥189	¥41	\$140	\$36	\$2	\$0

	Millions of yen				Millions of U.S. dollars			
	2019				2020			
As of March 31	¥ 235				¥ 148			
Carrying amount	7,672				15,211			
Contractual amount	April 2019– March 2023				April 2020– March 2023			
Maturity date	1				1			
Hedge ratio (Note 1)	(225)				(86)			
Change in intrinsic value of outstanding hedging instrument	225				86			
Change in value of hedge item used to determine hedge effectiveness								

Notes: 1. Since the Group is engaged in the foreign exchange contracts in the same currency as the purchase transaction of contents to occur in the future with a high possibility, hedge ratio of foreign exchange contracts is one-to-one.
2. The Group does not have non-effective portion of the hedge.

Derivatives not designated as hedges

	Millions of yen								Millions of U.S. dollars			
	2019				2020				2020			
	Contractual amount		Fair value		Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Forward foreign exchange contracts	¥13,006	¥—	¥39	¥4	¥92,216	¥—	¥1,120	¥2,256	\$847	\$—	\$11	\$21

(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. 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 rate in order to avoid future interest payment increase, primarily resulting from rising interest rate.

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 1% increase of interest rate at the end of each fiscal year against profit before tax of the Group is as follows. This analysis is on presumption that all other variables (balance, exchange rate etc.) are held constant.

	Millions of yen		Millions of U.S. dollars	
	2019	2020	2020	
For the year ended March 31				
Profit before tax	¥(8)	¥(6)	\$0	

Amounts shown in parentheses represent negative impact against profit of the Group.

(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 fluctuation arising from floating rate borrowings.

Derivatives designated as hedges

	Millions of yen								Millions of U.S. dollars			
	2019				2020				2020			
	Contractual amount		Fair value		Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
As of March 31												
Interest rate swap	¥230,000	¥230,000	¥—	¥5,810	¥250,000	¥130,000	¥—	¥4,807	\$2,297	\$1,195	\$—	\$44

	2019		2020		2020	
	Millions of yen	Millions of U.S. dollars	Millions of yen	Millions of U.S. dollars	Millions of yen	Millions of U.S. dollars
As of March 31						
Carrying amount	¥ (5,810)	¥ (4,807)				\$ (44)
Contractual amount	230,000	250,000				2,297
Maturity date	December 2020– December 2025	December 2020– December 2025				December 2020– December 2025
Hedge ratio (Note 1)	1	1				1
Change in intrinsic value of outstanding hedging instrument	72	825				8
Change in value of hedge item used to determine hedge effectiveness	(72)	(825)				(8)

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 through monitoring market value and 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 of 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.

	2019	2020	2020
	Millions of yen	Millions of U.S. dollars	Millions of U.S. dollars
For the year ended March 31			
Accumulated other comprehensive income (before tax effect)	¥(8,009)	¥(7,764)	\$(71)

Amounts shown in parentheses represent negative impact against other comprehensive income of the Group.

(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	2019	2020
Ratio of equity attributable to owners of the parent (Note 1)	%	57.1	45.8
D/E ratio (debt/equity ratio) (Note 2)	ratio	0.30	0.38

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, the Group meets the material capital controls applicable to the Group (excluding general rules such as the Companies Act etc.).

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(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, 2019

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	¥ —	¥ —	¥ —	¥ —
Securities for financial businesses	—	—	—	—
Other long-term financial assets	134,981	117,894	150	253,025
Current assets				
Trade and other receivables	1,965,554	—	—	1,965,554
Short-term loans for financial business	—	—	—	—
Call loan	—	—	—	—
Other short-term financial assets	41,814	—	149	41,963
Cash and cash equivalents	204,597	—	—	204,597
Total	¥2,346,946	¥117,894	¥299	¥2,465,140

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	¥1,040,978	¥—	¥ —	¥1,040,978
Long-term deposits for financial business	—	—	—	—
Other long-term financial liabilities	60,657	—	5,835	66,493
Current liabilities				
Borrowings and bonds payable	150,574	—	—	150,574
Trade and other payables	671,969	—	—	671,969
Short-term deposits for financial business	—	—	—	—
Call money	—	—	—	—
Other short-term financial liabilities	26,759	—	14	26,773
Total	¥1,950,937	¥—	¥5,849	¥1,956,787

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

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	¥1,147,551	¥—	¥ —	¥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

Millions of U.S. dollars

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	\$ 8,748	\$ —	\$ —	\$ 8,748
Securities for financial business	—	2,279	—	2,279
Other long-term financial assets	1,507	1,119	1	2,627
Current assets				
Trade and other receivables	19,924	—	—	19,924
Short-term loans for financial business	1,990	—	—	1,990
Call loans	468	—	—	468
Other short-term financial assets	469	—	22	490
Cash and cash equivalents	3,392	—	—	3,392
Total	\$36,499	\$3,398	\$23	\$39,919

Millions of U.S. dollars

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	\$10,544	\$—	\$ —	\$10,544
Long-term deposits for financial business	236	—	—	236
Lease liabilities	2,469	—	—	2,469
Other long-term financial liabilities	81	—	42	123
Current liabilities				
Borrowings and bonds payable	1,408	—	—	1,408
Trade and other payables	6,040	—	—	6,040
Short-term deposits for financial business	12,880	—	—	12,880
Call money	663	—	—	663
Lease liabilities	1,019	—	—	1,019
Other short-term financial liabilities	—	—	32	32
Total	\$35,339	\$—	\$74	\$35,413

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(4) Financial assets at fair value through other comprehensive income

The Group owns the equity instruments 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	Millions of U.S. dollars
As of March 31	2019	2020	2020
Fair value			
Listed equities	¥ 80,090	¥ 77,635	\$ 713
Unlisted equities	37,804	44,105	405
Total	¥117,894	¥121,740	\$1,119

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Dividends received			
Listed equities	¥2,054	¥2,052	\$19
Unlisted equities	201	1,999	18
Total	¥2,255	¥4,052	\$37

Major description of investments in financial assets at fair value through other comprehensive income is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Listed equities			
TOYOTA MOTOR CORPORATION	¥ 51,860	¥ 51,972	\$ 478
PIA Corporation	7,199	3,498	32
GREE, Inc.	3,616	3,336	31
Japan Airport Terminal Co. Ltd.	2,847	2,543	23
East Japan Railway Company	3,190	2,442	22
LAWSON, Inc.	—	2,108	19
COLOPL, Inc.	1,752	2,030	19
gremz, Inc.	1,430	1,700	16
J-Stream Inc.	757	1,611	15
giftee Inc.	—	1,493	14
Other	7,439	4,903	45
Sub total	80,090	77,635	713
Unlisted equities			
A-Fund, L.P.	6,645	7,393	68
Finatext Ltd.	5,099	4,600	42
COMMUNITY NETWORK CENTER INCORPORATED	3,492	3,604	33
Japan Taxi Co.,Ltd.(currently Mobility Technologies Co.,Ltd.)	—	2,272	21
Other	22,568	26,236	241
Sub total	37,804	44,105	405
Total	¥117,894	¥121,740	\$1,119

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:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Fair value at the disposal date	¥1,945	¥6,224	\$57
Accumulated gains / losses arising from sale	1,085	5,450	50
Dividends received	25	0	0

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 ¥1,251 million and ¥2,898 million (U.S.\$27million), respectively, for the years ended March 31, 2019 and 2020.

33 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 on the basis of 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, 2019

	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	¥80,090	¥ —	¥37,804	¥117,894
Securities for financial business	—	—	—	—
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	299	—	299
Interest rate swaps	—	—	—	—
Investment trusts	—	—	—	—
Financial liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	39	—	39
Interest rate swaps	—	5,810	—	5,810

As of March 31, 2020

	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	—	1,916	—	1,916
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	—	2,903	—	2,903
Interest rate swaps	—	5,148	—	5,148

Millions of U.S. dollars				
	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	\$ 713	\$ —	\$405	\$1,119
Securities for financial business	2,111	168	—	2,279
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	18	—	18
Interest rate swaps	—	1	—	1
Investment trusts	—	4	—	4
Financial liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	27	—	27
Interest rate swaps	—	47	—	47

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, 2019 and 2020.

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 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 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 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 fair value hierarchy according to observability of inputs.

(c) 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 fair value hierarchy.

(ii) 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 fair value hierarchy.

(d) 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, 2019.

	Millions of yen
	Financial assets at fair value through other comprehensive income
	Equities
As of April 1, 2018	¥29,350
Acquisition	10,723
Gain recognized on other comprehensive income	(1,159)
Sale	(1,861)
Other	751
As of March 31, 2019	¥37,804

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

	Millions of U.S. dollars
	Financial assets at fair value through other comprehensive income
	Equities
As of April 1, 2019	\$347
Acquisition	85
Gain recognized on other comprehensive income	(17)
Sale	(2)
Other	(8)
As of March 31, 2020	\$405

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, 2019

	Fair value			
	Millions of yen	Valuation technique	Unobservable inputs	Range
Equities	¥37,804	Income approach	Discount rate	5.7%–11.2%

As of March 31, 2020

	Fair value				
	Millions of yen	Millions of U.S. dollars	Valuation technique	Unobservable inputs	Range
Equities	¥44,105	\$405	Income approach	Discount rate	5.7%–11.2%

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, 2019

					Millions of yen
					Fair value
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Loans for financial business	¥ —	¥ —	¥ —	¥—	¥ —
Other financial assets					
Government bonds	3,001	3,027	—	—	3,027
Monetary claims bought	—	—	—	—	—
Financial liabilities					
Borrowing and bonds payable					
Borrowings	880,061	—	888,704	—	888,704
Bonds payables	279,492	283,602	12	—	283,614
Deposits for financial business	—	—	—	—	—

Notes: 1. Loans for financial business in the table above contain their current portion.
 2. Borrowings, bonds payable and lease payments in the table above contain 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, 2020

					Millions of yen
					Fair value
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Loans for financial business	¥1,168,671	¥ —	¥1,162,160	¥—	¥1,162,160
Other financial assets					
Government bonds	—	—	—	—	—
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

					Millions of U.S. dollars
					Fair value
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Loans for financial business	\$10,739	\$ —	\$10,679	\$—	\$10,679
Other financial assets					
Government bonds	—	—	—	—	—
Monetary claims bought	200	—	186	—	186
Financial liabilities					
Borrowing and bonds payable					
Borrowings	7,825	—	7,890	—	7,890
Bonds payables	3,393	3,404	—	—	3,404
Deposits for financial business	13,116	—	13,125	—	13,125

Notes: 1. Loans for financial business in the table above contain their current portion.
 2. Borrowings, bonds payable and lease payments in the table above contain 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 of financial assets and financial liabilities

(a) Government bonds

The fair value of government bonds is estimated based on quoted price. Government bonds are classified as level 1 of fair value hierarchy.

(b) 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 fair value hierarchy.

(c) 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 fair value hierarchy.

(d) 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 fair value hierarchy.

(e) 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 fair value hierarchy.

(f) 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. Discount rate is the interest rate used when accepting new deposits. Also, 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 fair value hierarchy.

34 Commitments

(1) Purchase commitments

As of March 31, 2019 and 2020, the Group's commitments to purchase property, plant and equipment, intangible assets and other are as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Property, plant and equipment	¥164,407	¥174,379	\$1,602
Intangible assets	68,188	15,133	139
Total	¥232,596	¥189,512	\$1,741

Note: These amounts above don't reflect contents of all contracts that the Group is expected to enter into in the future.

35 Earnings per Share

(1) Basic earnings per share

Basic earnings per share and its calculation basis are as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Profit for the year attributable to owners of the parent	¥617,669	¥ 639,767	\$ 5,879
Weighted average number of common stocks outstanding (Thousands of shares)	2,383,892	2,320,622	2,320,622
Basic earnings per share (Yen and U.S. dollar)	¥259.10	¥275.69	\$2.53

(2) Diluted earnings per share

Diluted earnings per share and its calculation basis are as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Profit for the year attributable to owners of the parent	¥617,669	¥639,767	\$5,879
Adjustment of profit	—	—	—
Profit used in calculation of diluted earnings per share	617,669	639,767	5,879

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		Thousands of shares	
For the year ended March 31	2019	2020	
Weighted average number of common stocks outstanding	2,383,892	2,320,622	
Effect of dilutive potential common stocks			
BIP trust and ESOP trust	796	1,665	
Weighted average number of common stocks during the year	2,384,689	2,322,287	

		Yen	U.S. dollars
For the year ended March 31	2019	2020	2020
Diluted earnings per share	¥259.01	¥275.49	\$2.53

Note: In the calculation of basic earnings per share and diluted earnings per share, the Company's stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks is deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

36 Lease

(1) Lease as a lessee

For the year ended March 31, 2019

i. Finance lease

Finance lease of the Group mainly relates to in-home customer premises equipment for CATV and communication.

(a) Future gross minimum lease payments

Future gross minimum lease payments of the leased assets recognized based on finance lease contracts, their present value and future finance costs by due date are as follows:

	Future gross minimum lease payments	Present value of future gross minimum lease payments
	Millions of yen	Millions of yen
As of March 31	2019	2019
Within one year	¥28,517	¥26,759
Over one year to five years	57,138	54,155
Over five years	3,349	3,244
Total	¥89,004	¥84,158
Less: Future finance cost (Note)	¥ 4,846	
Present value of lease obligation	84,158	

Note: Difference between future gross minimum lease payments and their present value represents interest portion of the finance lease.

(b) Details of the lease contracts

Some of the Group's lease contracts contain terms of renewal or purchase options. However, the Group does not have any lease contracts that contain sublease contracts or contingent rents and escalation clauses, provision in a contract for increasing the contracted price, and restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.

ii. Operating lease

Operating lease of the Group mainly relates to lease of land and buildings for base station.

(a) Gross minimum lease payments and contingent rent

For the years ended March 31, 2019, gross minimum lease payments and contingent rents of cancellable or non-cancellable operating leases recognized as expenses are as follows:

	Millions of yen
For the year ended March 31	2019
Gross minimum lease payments	¥151,333
Contingent rents	288
Total	¥151,621

Lease payments are included in "Cost of sales" or "Selling, general and administrative expenses" in the consolidated statement of income.

(b) Unexpired lease payments under non-cancellable operating lease

At the end of each fiscal year, analysis of future gross minimum lease payments under non-cancellable operating leases of the Group by due date is as follows:

	Millions of yen
As of March 31	2019
Within one year	¥17,805
Over one year to five years	41,173
Over five years	24,960
Total	¥83,938

(c) Details of the lease contracts

Some of the lease contracts contain terms of renewal. However, the Group does not have any lease contracts that contain purchase option, sub-lease contracts, escalation clauses (provision in a contract for increasing the contracted price) and restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.

For the year ended March 31, 2020

The group mainly leases office space, building for base station, dark fiber and in-house customer premises equipment for CATV and communication. Lease contract for office space, building for base station and dark fiber include extension and termination options. However, the group does not have any lease contract that contain restriction or covenants.

i. Amounts recognized in the Consolidated Statements of Financial Position

	Millions of yen	Millions of U.S. dollars
As of March 31	2020	2020
Right-of-use assets		
Real estate for base station as the underlying assets	¥174,966	\$1,608
Transmission line as the underlying assets	29,108	267
Real estate for office and telecommunication business as underlying assets	84,148	773
Telecommunication equipment as underlying assets	19,757	182
Other underlying assets	70,891	651
Total right-of-use assets	¥378,870	\$3,481

	Millions of yen	Millions of U.S. dollars
As of March 31	2020	2020
Increase of right-of-use assets	¥113,903	\$1,047

ii. Amounts recognized in the Consolidated Statements of Income

	Millions of yen	Millions of U.S. dollars
For the year ended March 31	2020	2020
Depreciation associated with right-of-use assets		
Real estate for base station as the underlying assets	¥ 53,306	\$ 490
Transmission line as the underlying assets	6,967	64
Real estate for office and telecommunication business as underlying assets	30,785	283
Telecommunication equipment as underlying assets	7,847	72
Other underlying assets	24,651	227
Total depreciation associated with right-of-use assets	¥123,556	\$1,135
Interest expense associated with lease liabilities	2,082	19

iii. Cash flows associated with leases

	Millions of yen	Millions of U.S. dollars
For the year ended March 31	2020	2020
Total cash outflows associated with leases	¥129,029	\$1,186

(2) Lease as a lessor

i. Finance lease

One of the company's consolidated subsidiaries, KDDI Summit Global Myanmar Co., Ltd. (KSGM) operates telecommunication business in Myanmar jointly with Myanmar Posts & Telecommunications (MPT), a government organization in Myanmar. KSGM leases telecommunication equipment to MPT classified as finance lease in the joint operation.

For the year ended March 31, 2019

Future gross minimum lease payments receivable

Future gross lease payments receivable under the finance leases held by the Group and their present value and future finance income are as follows:

	Future gross minimum lease payments	Present value of future gross minimum lease payments
	Millions of yen	Millions of yen
As of March 31	2019	2019
Within one year	¥ 36,967	¥ 29,832
Over one year to five years	98,669	86,829
Over five years	3,095	2,921
Total	¥138,732	¥119,582
Less: Future finance income	¥ 19,150	
Net investment in the lease	119,582	
Less: Present value of unguaranteed residual value	—	
Present value of lease obligation	119,582	

For the year ended March 31, 2020

(a) Income from lease

Not applicable.

(b) Maturity analysis

	Millions of yen	Millions of U.S. dollars
As of March 31	2020	2020
Within one year	¥ 40,414	\$ 371
Over one year to two years	35,261	324
Over two year to three years	28,111	258
Over three year to four years	17,663	162
Over four years to five years	8,817	81
Over five years	2,510	23
Total	¥132,776	\$1,220
Unearned finance income	¥ (15,435)	\$ (142)
Net investment in the lease	117,341	1,078

37 Non-cash Transactions

For the years ended March 31, 2019, non-cash transactions, i.e. financial transactions that do not require the use of cash and cash equivalents, comprise acquisition of property, plant and equipment resulted from new finance leases of ¥24,696 million.

For the years ended March 31, 2020, non-cash transactions, i.e. financial transactions that do not require the use of cash and cash equivalents, comprise acquisition of right-of-use assets resulted from new finance leases of ¥113,903 million (U.S.\$1,047 million).

38 Major Subsidiaries

(1) Organizational structure

Major subsidiaries of the Group are as follows. Basically, 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, 2019	As of March 31, 2020
Okinawa Cellular Telephone Company	Personal Services	Naha-shi, Okinawa	Telecommunications services (au mobile phone services)	51.6	51.6
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	Minato-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	Okayama-shi, Okayama	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 (Note 3)	Chuo-ku, Tokyo	Holding company for financial business	100.0	100.0
Syn.Holdings, Inc	Personal Services (Note 3)	Minato-ku, Tokyo	Holding company of internet service companies	82.3	82.3
Jupiter Shop Channel Co., Ltd.	Personal Services (Note 3)	Chuo-ku, Tokyo	Mail order services	55.0 (50.0)	55.0 (50.0)
Jupiter Entertainment Co.,Ltd.	Personal Services (Note 3)	Chiyoda-ku, Tokyo	Management of TV channels	100.0 (100.0)	100.0 (100.0)
ENERES Co., Ltd.	Personal Services (Note 3)	Chiyoda-ku, Tokyo	Energy information business	100.0	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	63.8 (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 (Note 4)	New York, U.S.A.	Diversified Telecommunications services in US	100.0	100.0
KDDI Europe Limited	Business Services (Note 4)	London, U.K.	Diversified Telecommunications services in Europe	100.0 (4.2)	100.0 (4.2)
KDDI China Corporation	Business Services (Note 4)	Beijing, China	Sales, maintenance and operation of communication equipment in China	85.1	85.1
KDDI Singapore Pte Ltd	Business Services (Note 4)	Singapore	Diversified Telecommunications services in Singapore	100.0	100.0
TELEHOUSE Holdings Limited	Business Services (Note 4)	London, U.K.	Holding Company	100.0	100.0
TELEHOUSE International Corporation of Europe Ltd.	Business Services (Note 4)	London, U.K.	Data center services in Europe	92.8 (92.8)	92.8 (92.8)
KDDI Summit Global Singapore Pte. Ltd.	Personal Services (Note 5)	Singapore	Holding Company	50.1	50.1

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Company name	Segment	Location	Key business	The proportion of voting rights (%)	
				As of March 31, 2019	As of March 31, 2020
KDDI Summit Global Myanmar Co., Ltd.	Personal Services (Note 5)	Yangon, Myanmar	Telecommunication business in collaboration with Myanmar Posts & Telecommunications (MPT)	100.0 (100.0)	100.0 (100.0)
Mobicom Corporation LLC	Personal Services (Note 5)	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 majority of voting rights of 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 majority of voting rights of 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.

3. From the fiscal year ended March 31, 2020, the reporting segment has been changed from Life Design Service to Personal Services.

4. From the fiscal year ended March 31, 2020, the reporting segment has been changed from Global Service to Business Services.

5. From the fiscal year ended March 31, 2020, the reporting segment has been changed from Global Service to Personal Services.

(2) Financial statements of subsidiaries with material non-controlling interest for the Group

i. Jupiter Telecommunication Co Ltd. ("Jupiter telecom").

As of March 31	2019	2020
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

As of March 31	2019	Millions of yen	Millions of U.S. dollars
		2020	2020
Current assets	¥ 131,216	¥ 135,043	\$1,241
Non-current assets	1,024,411	1,078,222	9,907
Current liabilities	144,491	254,085	2,335
Non-current liabilities	647,298	568,971	5,228
Total equity	¥ 363,839	¥ 390,209	\$3,585

Amounts equivalent to the interests in total equity of Jupiter Telecom attributable to the Group, and the non-controlling interests are as follows:

As of March 31	2019	Millions of yen	Millions of U.S. dollars
		2020	2020
Interests attributable to owners of the parent	¥149,177	¥167,454	\$1,539
Non-controlling interests	214,662	222,755	2,047
Total	¥363,839	¥390,209	\$3,585

(b) Consolidated statements of income and comprehensive income

For the year ended March 31	2019	Millions of yen	Millions of U.S. dollars
		2020	2020
Revenue	¥815,461	¥826,451	\$7,594
Profit for the year before income tax	118,926	113,999	1,047
Income taxes	38,612	37,786	347
Profit, net of tax	80,314	76,213	700
Other comprehensive income	(183)	866	8
Total comprehensive income	¥ 80,131	¥ 77,078	\$ 708

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	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Profit for the year attributable to owners of the parent	¥40,379	¥38,416	\$353
Profit for the year attributable to non-controlling interests	39,935	37,796	347
Sub total	80,314	76,213	700
Other comprehensive income attributable to owners of the parent	(61)	420	4
Other comprehensive income attributable to non-controlling interests	(123)	446	4
Sub total	(183)	866	8
Total comprehensive income attributable to owners of the parent	40,318	38,836	357
Total comprehensive income attributable to non-controlling interests	39,812	38,242	351
Total	¥80,131	¥77,078	\$708

For the years ended March 31, 2019 and 2020, dividends paid by Jupiter Telecom to non-controlling interests were ¥32,600 million and ¥30,304 million (U.S.\$278 million), respectively.

(c) Consolidated statement of cash flows

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Cash flows from operating activities (net)	¥170,705	¥176,064	\$1,618
Cash flows from investing activities (net)	(90,563)	(91,272)	(839)
Cash flows from financing activities (net)	(118,748)	(86,670)	(796)
Increase (decrease) of cash and cash equivalents	(38,606)	(1,878)	(17)

ii. UQ Communications

As of March 31	2019	2020
The proportion of ownership interests held by non-controlling interests	67.7%	67.7%

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) Statements of financial position

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Current assets	¥ 80,827	¥ 68,494	\$ 629
Non-current assets	317,912	283,570	2,606
Current liabilities	80,906	128,669	1,182
Non-current liabilities	226,177	128,150	1,178
Total equity	¥ 91,657	¥ 95,245	\$ 875

Amounts equivalent to the interests in total equity of UQ Communications attributable to the Group, and the non-controlling interests are as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2019	2020	2020
Interests attributable to owners of the parent	¥48,999	¥51,661	\$475
Non-controlling interests	42,658	43,584	400
Total	¥91,657	¥95,245	\$875

(b) Statement of income and comprehensive income

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2019	2020	2020
Revenue	¥313,185	¥307,545	\$2,826
Profit for the year before income tax	48,284	15,316	141
Income taxes	10,199	5,567	51
Profit, net of tax	38,086	9,750	90
Other comprehensive income	—	—	—
Total comprehensive income	¥ 38,086	¥ 9,750	\$ 90

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Amounts equivalent to the interests of net profit and comprehensive income attributable to the Group, and the non-controlling interests are as follows:

		Millions of yen	Millions of U.S. dollars
	2019	2020	2020
For the year ended March 31			
Profit for the year attributable to owners of the parent	¥12,115	¥6,755	\$62
Profit for the year attributable to non-controlling interests	25,970	2,995	28
Sub total	38,086	9,750	90
Other comprehensive income attributable to owners of the parent	—	—	—
Other comprehensive income attributable to non-controlling interests	—	—	—
Sub total	—	—	—
Total comprehensive income attributable to owners of the parent	12,115	6,755	62
Total comprehensive income attributable to non-controlling interests	25,970	2,995	28
Total	¥38,086	¥9,750	\$90

(c) Statement of cash flows

		Millions of yen	Millions of U.S. dollars
	2019	2020	2020
For the year ended March 31			
Cash flows from operating activities (net)	¥63,632	¥65,101	\$598
Cash flows from investing activities (net)	(49,614)	(21,041)	(193)
Cash flows from financing activities (net)	(14,047)	(44,069)	(405)
Increase (decrease) of cash and cash equivalents	(29)	(9)	(0)

39 Related Party Transactions

(1) Related party transactions

For the year ended March 31, 2019

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, 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.

(2) Remuneration of key management

Remuneration of key management is as follows:

		Millions of yen	Millions of U.S. dollars
	2019	2020	2020
For the year ended March 31			
Short-term employee benefits	¥704	¥ 857	\$ 8
Share-based payment	184	209	2
Total	¥887	¥1,066	\$10

Remuneration of key management represents remuneration to directors and audit & supervisory board members of the Company, including outside directors and audit & supervisory board members.

40 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	Millions of U.S. dollars
As of March 31	2019	2020	2020
Total commitment line borrowings	¥—	¥602,448	\$5,536
Amounts lent	—	192,155	1,766
Unused balance of lending	—	410,293	3,770

41 Subsequent Events

Cancellation of treasury stocks

The Board of Directors of KDDI at its meeting held on May 14, 2020, resolved that KDDI will cancel a portion of its treasury stock pursuant to Article 178 of the Companies Act of Japan, as stated below.

- (1) Type of shares to be canceled: Shares of common stocks
- (2) Number of shares to be canceled: 51,194,050 shares (2.17% of the total issued shares before cancellation)
- (3) Date of cancellation: May 22, 2020

Reference: After the cancellation, the number of treasury stocks will be 0.19% of the total number of issued shares.

Total number of issued shares after the cancellation:

2,304,179,550 shares

Total number of treasury stocks after the cancellation:

4,270,910 shares(*)

* These are only shares of KDDI shares owned by the executive's compensation BIP Trust Account and ESOP Trust Account.

42 Approval of the Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2020 have been approved by the Board of Directors on June 18, 2020.

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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, 2020, 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, 2020, 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.

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:

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 Tamachi Station Tower S 13th Floor, 3-1-21 Shibaura, Minato-ku, Tokyo 108-0023, Japan
 T: +81(3)6400-5561, F: +81(3)6400-5562

- 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.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to consolidated financial statements.

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 18, 2020

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Corporate Overview

(As of March 31, 2020)

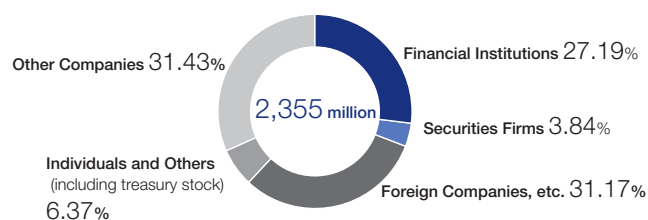
Company Name	KDDI CORPORATION
Date of Establishment	June 1, 1984 (The KDDI CORPORATION was established in October 2000 through the merger of DDI CORPORATION, KDD Corporation, and IDO CORPORATION.)
Business Objective	Telecommunications business
Head Office	Garden Air Tower, 10-10, Iidabashi 3-chome, Chiyoda-ku, 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	44,952 (consolidated)

Stock Information

(As of March 31, 2019)

SE Code	9433
Number of Shares Authorized	4,200,000,000 shares
Number of Shares Issued and Outstanding	2,355,373,600 shares (Note) Following a cancellation of treasury stock on May 23, 2019, the total number of issued shares decreased by 176,630,845 shares.
Number of Shareholders	228,875 shareholders

Breakdown of Shareholding by Investor Type



Major Shareholders

Name of Corporate Entity	Number of Shares Held	Ratio of Controlling Share ^{Note 1} (%)	Ratio of Voting (%)
KYOCERA Corporation	335,096,000	14.22	14.54
Toyota Motor Corporation	298,492,800	12.67	12.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	222,197,700	9.43	9.64
Japan Trustee Services Bank, Ltd. (Trust Account)	130,888,800	5.55	5.68
Japan Trustee Services Bank, Ltd. (Trust Account 7)	44,997,400	1.91	1.95
JP MORGAN CHASE BANK 385151	29,918,389	1.27	1.29
Japan Trustee Services Bank, Ltd. (Trust Account 5)	29,798,500	1.26	1.29
State Street Bank West Client – Treaty 505234	29,209,075	1.24	1.26
State Street Bank and Trust Company 505103	27,756,792	1.17	1.20
Japan Trustee Services Bank, Ltd. (Trust Account 4)	26,597,100	1.12	1.15

(Note 1) The above ratio of controlling shares is calculated including treasury stocks (51,194,050 shares) ^(Note 2). KDDI excludes treasury stocks from the list of major shareholders above.

(Note 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 (4,270,910 shares as of March 31, 2020) are added to the number of treasury shares. These shares do not have voting rights.

* "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.

* Other company and product names are registered trademarks or trademarks of their respective companies

Disclaimer related to corporate governance (from page 34)

Please note that the section is an English translation of the Japanese version (as of July 13, 2020), prepared for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy, the Japanese original shall prevail.

