

- 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

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

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Notes to Consolidated Financial Statements

KDDI Corporation and its Subsidiaries

1 Reporting Entity

KDDI CORPORATION ("the Company") was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of 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:

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

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

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

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

After rebalancing, 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

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
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
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
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:

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

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

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

Assets pledged as collateral are as follows:

As of March 31	2019	Millions of yen	Millions of U.S. dollars
		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
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.

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(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	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
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	2019	2020	2020	2020	2020	2020
Carrying amount	¥ (5,810)	¥ (4,807)	¥ (4,807)	\$ (44)		
Contractual amount	230,000	250,000	250,000	2,297		
Maturity date	December 2020– December 2025	December 2020– December 2025	December 2020– December 2025	December 2020– December 2025		
Hedge ratio (Note 1)	1	1	1	1		
Change in intrinsic value of outstanding hedging instrument	72	825	825	8		
Change in value of hedge item used to determine hedge effectiveness	(72)	(825)	(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
For the year ended March 31	Millions of yen	Millions of U.S. dollars	Millions of U.S. dollars
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	Millions of yen 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	Millions of yen 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		Valuation technique	Unobservable inputs	Range
	Millions of yen	Millions of U.S. dollars			
Equities	¥37,804		Income approach	Discount rate	5.7%–11.2%

As of March 31, 2020

	Fair value		Valuation technique	Unobservable inputs	Range
	Millions of yen	Millions of U.S. dollars			
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.

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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.

- 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



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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- 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