



Consolidated Financial Statements

Consolidated Statement of Financial Position

KDDI Corporation and its Subsidiaries

As of March 31

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

Millions of yen

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

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



Consolidated Statement of Income

KDDI Corporation and its Subsidiaries

For the years ended March 31

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

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

Consolidated Statement of Comprehensive Income

KDDI Corporation and its Subsidiaries
For the years ended March 31

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

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

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

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



Consolidated Statement of Changes in Equity

KDDI Corporation and its Subsidiaries

Millions of yen

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

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

Consolidated Statement of Cash Flows

KDDI Corporation and its Subsidiaries

For the years ended March 31

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

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



Notes to Consolidated Financial Statements

KDDI Corporation and its Subsidiaries

1 Reporting Entity

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

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

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

2 Basis of Preparation

(1) Compliance of consolidated financial statements with IFRSs

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

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgement

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

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

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

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

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

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

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

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

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

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

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

iii. Evaluation of inventories

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

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

iv. Recoverability of deferred tax assets

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

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

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

v. Measurement of defined benefit obligations

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

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

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

(6) Standards not yet adopted

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

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

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

vi. Collectability of trade and other receivables

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

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

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

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

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

viii. Provisions

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

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

(5) Application of new standards and interpretations

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



3 Significant Accounting Policies

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

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

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

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

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

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

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

(c) Disposal of a subsidiary

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

(d) Unification of reporting period

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

ii. Associates

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

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

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

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

iii. Joint arrangements

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

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

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

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

(2) Business combination

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

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

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

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

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

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

(3) Segment information

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

(4) Foreign currency translation

i. Functional currency and presentation currency

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

ii. Foreign currency transactions

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

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

iii. Foreign operations

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

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

(5) Property, plant and equipment

i. Recognition and measurement

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

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

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

ii. Depreciation and useful lives

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

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

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

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

iii. Derecognition

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

(6) Goodwill

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

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

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



(7) Intangible assets

i. Recognition and measurement

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

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

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

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

ii. Depreciation and useful lives

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

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

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

(8) Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

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

(b) Classification of non-derivative financial assets

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

(c) Derecognition of financial assets

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

ii. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

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

(b) Classification of financial liabilities

Financial liabilities measured at amortized cost

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

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

(c) Derecognition of financial liabilities

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

iii. Presentation of financial assets and liabilities

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

(12) Impairment of financial assets

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

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

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



(13) Derivatives and hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(14) Cash and cash equivalents

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

(15) Inventories

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

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

(16) Employee benefits

i. Defined benefit plans

The Group primarily adopts defined benefit plans.

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

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

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

ii. Defined contribution plans

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

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

iii. Short-term employee benefits

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

(17) Provisions

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

(18) Share-based payment

i. Stock options

The Group has equity-settled stock option plans as incentive plans for its directors and employees. Stock options are measured at fair value at the grant date, which is calculated using the Black-Scholes or other models.

The fair value of stock options at the grant date is recognized as an expense over the vesting period, based on the estimated number of stock options that are expected to vest, with corresponding amount recognized as increase in equity.

ii. Executive compensation BIP trust and stock-granting ESOP trust

The Group has introduced the executive compensation BIP (Board Incentive Plan) trust and a stock-granting ESOP (Employee Stock Ownership Plan) trust. These plans are accounted for as equity-settled share based payments and the shares of the Company held by the trust are included in treasury stock. The fair value of the shares of the Company at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Company granted is determined by adjusting the market value, taking into account the expected dividend yield of the shares.

(19) Equity

i. Common stock

Common stock is classified as equity. Proceeds from the Company's issuance of common shares are included in common stock and capital surplus and its direct issue costs are deducted from capital surplus.

ii. Treasury stock

When the Group acquires treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Group sells treasury stocks, differences between the carrying amount and the consideration received upon sale are recognized as capital surplus.

(20) Revenue

i. Mobile telecommunications services

The Group generates revenue mainly from its mobile telecommunications services (including UQ mobile and MVNO services) and sale of mobile handsets. The Group enters into mobile telecommunications service agreements directly with customers or indirectly through distributors, and sells mobile handsets to its distributors.

Revenue from the mobile telecommunications services primarily consists of basic monthly charges and communication fees ("the mobile telecommunication service fees"), and commission fees such as activation fees. Revenue from the mobile telecommunication service fees and commission fees are recognized on a flat-rate basis and on a measured-rate basis when the services are provided to the customers, which is when the service is provided to the customer in accordance with

contract and the performance obligation is fulfilled. Discounts of communication charges are deducted from the mobile telecommunications service fees on a monthly basis.

Furthermore, the consideration for transactions related to revenue from mobile telecommunications services is received within approximately one month of the billing date.

Revenue from the sale of mobile handsets comprises proceeds from the sale of mobile handsets and accessories to customers or distributors.

The business flows of the above transactions consist of "indirect sales," wherein the Company sells mobile handsets to distributors and enters into communications service contracts with customers through those distributors, and "direct sales," wherein the Company and certain subsidiaries of the Company sell mobile handsets to customers and enter into communications service contracts directly with the customers. Revenue in each case is recognized as described below.

Revenue from the sale of mobile handsets is received within approximately one month following the sale to the distributor or other vendor.

(a) Indirect sales

As the distributor has the primary obligation and inventory risk for the mobile handsets, the Group sells to the distributors, the Group considers distributors as the principals in each transaction. Revenue from the sale of mobile handsets is recognized when mobile handsets are delivered to distributors, which is when control over the mobile handsets is transferred to the distributor and the performance obligation is fulfilled. Certain commission fees paid to distributors are deducted from revenue from the sale of mobile handsets.

(b) Direct sales

In direct sales transactions, revenue from the sale of mobile handsets and revenue from service fees, including mobile telecommunications service fees, are considered to be bundled. Therefore, contracts that are concluded for a bundled transaction are treated as a single contract for accounting purposes. The total amount of the transaction allocated to revenue from the sale of mobile handsets and mobile telecommunications service fees is based on the proportion of each component's independent sales value. The amount allocated to mobile handset sales is recognized as revenue at the time of sale, which is when the performance obligation is determined to have been fulfilled. The amount allocated to mobile telecommunications service fees is recognized as revenue when the service is provided to the customer, which is when the performance obligation is determined to have been fulfilled.

In both direct and indirect sales, activation fees and handset model exchange fees are deferred as contract liabilities upon entering into the contract. They are not recognized as a separate performance obligation, but combined with mobile telecommunications services. They are recognized as revenue over the period when material renewal options exist.

The consideration of these transactions is received in advance, when the contract is signed.

Points granted to customers through the customer loyalty program are allocated to transaction prices based on the independent sales values of benefits to be exchanged based on the estimated point utilization rate, which reflects points that will expire due to future cancellation or other factors. The points are recognized as revenue when the customers utilize those points and take control of the goods or services, which is when the performance obligation is considered fulfilled.

ii. Fixed-line telecommunications services (including the CATV business)

Revenue from fixed-line telecommunications services primarily consists of revenues from voice communications, data transmission, FTTH services, CATV services and related installation fees.

The above revenue, excluding installation fee revenue, is recognized when the service is provided, which is when the service is provided to



the customer in accordance with contact and the performance obligation is fulfilled. Installation fee revenue is recognized over the estimated average contract period based on the percentage remaining.

The consideration for these transactions is received within approximately one month of the billing date.

iii. Value-added services

Revenue from content services mainly comprises revenue from information fees, revenue arising from payment agency services, revenue through advertising businesses, agency fees on content services, and revenue from the energy business, etc.

Revenue from information fees comprises the revenue from membership fees for the content provided to customers on websites that the Group operates or that the Group jointly operates with other entities and the performance obligation is fulfilled over the period in which the service is provided. Revenue arising from payment agency services comprises the revenue from fees for collecting the receivables of content providers from customers as the agent of content providers together with the telecommunication fees and the performance obligation is fulfilled when the Group collects the receivables. Electric power revenue comprises the revenue generated from electric power retail services and the performance obligation is fulfilled when the Group provides the services.

These revenues are recognized over the period in which the service is provided based on the nature of each contract since the performance obligations identified based on the contract with customer are fulfilled over time or when the Group provides the service.

The Group may act as an agent in a transaction. To report revenue from such transactions, the Group determines whether it should present the gross amount of the consideration received from customers, or the net amount of the consideration received from customers less payments paid to a third party. The Group evaluates whether the Group has the primary obligation for providing the goods and services under the arrangement or contract, the inventory risk, latitude in establishing prices, and the credit risk. However, the presentation being on a gross basis or a net basis does not affect profit for the year.

The Group considers itself an agent for payment agency services, advertisement services and certain content services described above because it earns only commission income based on pre-determined rates, does not have the authority to set prices and solely provides a platform for its customers to perform content-related services. The Group thus does not control the service before control is transferred to the customer. Therefore, revenue from these services is presented on a net basis.

The consideration for these transactions is received within approximately one to three months after the performance obligation has been fulfilled.

iv. Global services

Global services mainly comprise solution services, data center services and mobile telephone services.

Revenue from data center services comprise the service charges the Group receives for using space, electricity, networks or other amenities at its self-operated data centers in locations around the world. In general, contracts cover more than one year, and revenue is recognized for the period over which the services are provided.

The consideration for these transactions is billed before the performance obligation is fulfilled and is received within approximately one month of billing.

Revenue from mobile telephone services comprises revenue from mobile handsets and mobile telecommunication services. Revenue from the sale of mobile handsets is recognized at the time of sale of the handsets, when the performance obligation is determined to have been fulfilled. Revenue from mobile telecommunication services is recognized

at the time the services are provided to the customer, when the performance obligation is determined to have been fulfilled.

v. Solution services

Revenue from solution services primarily consists of revenues from equipment sales, engineering and management services ("the solution service income"). The solution service income is recognized based on the consideration received from the customers when the goods or the services are provided to the customers and the performance obligation is fulfilled.

Payment for any performance obligation is received within approximately one month of the billing date.

(21) Finance income and costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment (shareholders' right) is established.

Finance costs mainly comprise interest expense, exchange losses and changes in fair value of financial assets at fair value through profit or loss. Interest expense is recognized using the effective interest method.

(22) Other non-operating profit and loss

Other non-operating profit and loss includes gain and loss on investment activities. Specifically, gain and loss on step acquisitions, gain and loss on sales of stocks of subsidiaries and associates, and gain and loss on deemed disposal are included.

(23) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset, which takes a substantial period before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period they incurred.

(24) Income taxes

Income taxes are composed of current and deferred taxes and recognized in profit or loss, except for taxes related to items that are recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities on the current year's taxable income, plus adjustments to the amount paid in prior years. To determine the current tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in the countries in which the Group operates and earns taxable income or losses.

Deferred tax assets and liabilities are, using asset and liability method, recognized on temporary differences between the carrying amounts of assets and liabilities on the consolidated financial statements and their tax base, and tax loss carry forwards and tax credits. However, no deferred tax assets and liabilities are recognized on following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities related to transactions other than business combination, that affects neither the accounting profit nor the taxable profit (loss); and

- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on all deductible temporary differences, unused tax loss carry forwards and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized on taxable temporary differences. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to realize all or part of the benefit of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(25) Dividends

For the purpose of the consolidated financial statements, dividends to owners of the parent company are recognized as a liability for the period over which the dividends are approved by the owners of the parent company.

(26) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to common stock.

Basic earnings per share is calculated by dividing profit for the year attributable to common stockholders of the parent by the weighted average number of common shares outstanding during the reporting period, adjusted for the number of treasury shares acquired. For the purpose of calculating diluted earnings per share, net profit attributable to owners of the parent and the weighted average number of common shares outstanding, adjusted for the number of treasury shares, are further adjusted based on the assumption that all dilutive potential common shares are fully converted. Potential common stocks of the Group are related to the BIP trust and ESOP trust.

4 Segment Information

(1) Outline of reportable segments

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

The Group has the two reportable segments of Personal Services and Business Services as well as operating segments.

The Personal Services segment provides services to individual customers.

In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, energy, entertainment, and education, while focusing on conventional telecommunications services, chiefly under the “au” brand, such as those related to smartphones, cell phones, FTTH, and CATV.

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

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with “TELEHOUSE” brand data center services and a variety of solutions encompassing network and cloud services, smartphones and other devices, and the KDDI “IoT Worldwide Architecture”, which supports customers’ IoT businesses.

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

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

The reportable segments for some subsidiary companies were changed due to organization change in the fiscal year ended March 31, 2021. Accordingly, the segment information for the fiscal year ended March 31, 2020 is presented based on the segment classification after this change.

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

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

Income of the reportable segments is based on the operating income.

Inter segment transaction price is determined by taking into consideration the price by arm’s length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reportable segments.



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

The Group's segment information is as follows:

For the year ended March 31, 2020

	Reportable segment					Adjustment (Note 2)	Millions of yen Amounts on the consolidated financial statements
	Personal	Business	Sub-total	Other (Note 1)	Total		
Revenue							
Revenue from external customers	¥4,466,008	¥746,620	¥5,212,628	¥24,593	¥5,237,221	¥ —	¥5,237,221
Inter-segment revenue or transfers	81,901	194,956	276,857	55,926	332,783	(332,783)	—
Total	4,547,908	941,576	5,489,485	80,519	5,570,004	(332,783)	5,237,221
Segment income (loss)	871,606	149,012	1,020,618	3,783	1,024,401	836	1,025,237
Finance income and finance cost (Net)							(6,049)
Other non-operating profit and loss							1,512
Profit for the year before income tax							¥1,020,699
Other items							
Depreciation and amortization	612,379	78,748	691,128	1,694	692,821	(3,349)	689,473
Impairment loss	12,042	578	12,619	—	12,619	—	12,619
Share of profit of investment accounted for using the equity method	1,469	478	1,948	1,309	3,256	—	3,256

For the year ended March 31, 2021

	Reportable segment					Adjustment (Note 2)	Millions of yen Amounts on the consolidated financial statements
	Personal	Business	Sub-total	Other (Note 1)	Total		
Revenue							
Revenue from external customers	¥4,506,412	¥779,852	¥5,286,264	¥26,336	¥5,312,599	¥ —	¥5,312,599
Inter-segment revenue or transfers	78,704	211,782	290,486	51,993	342,479	(342,479)	—
Total	4,585,116	991,634	5,576,750	78,329	5,655,079	(342,479)	5,312,599
Segment income (loss)	862,858	166,675	1,029,533	7,355	1,036,888	507	1,037,395
Finance income and finance cost (Net)							(1,772)
Other non-operating profit and loss							2,433
Profit for the year before income tax							¥1,038,056
Other items							
Depreciation and amortization	643,732	85,276	729,008	2,030	731,038	(3,600)	727,438
Impairment loss	6,730	659	7,389	6	7,395	—	7,395
Share of profit of investment accounted for using the equity method	2,593	62	2,655	2,229	4,884	—	4,884

Notes: 1. "Other" includes construction and maintenance of facilities, research and development of leading-edge technology, and other operations that do not constitute reportable segments.

2. Adjustment of segment income shows the elimination of inter-segment transactions.

(4) Information by product and service

Information by product and service is described in “Note 24. Revenue.”

(5) Information by region

i. Revenue

Description is omitted as the revenue from external customers in Japan accounts for most of the revenue on the consolidated statement of income.

ii. Non-current assets (excluding financial assets, deferred income tax assets and retirement benefit assets)

Description is omitted as non-current assets located in Japan accounts for most of these assets on the consolidated statement of financial position.

(6) Information by major customer

Description is omitted as the revenue from a specific external customer is less than 10% of the revenue on the consolidated statement of income.

5 Property, Plant and Equipment

(1) Movements of property, plant and equipment

Movements of acquisition costs, accumulated depreciation and accumulated impairment loss of the property, plant and equipment are as follows:

Acquisition costs

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2019	¥5,210,763	¥621,173	¥281,833	¥231,351	¥611,858	¥6,956,979
Effects of changes in accounting policies	—	—	—	—	(141,114)	(141,114)
Acquisition	2,884	284	3	327,860	437	331,467
Transfer from construction in progress	303,825	29,893	266	(380,024)	46,040	—
Acquisition by business combination	—	549	—	80	808	1,437
Disposal	(72,899)	(5,937)	(165)	(2,243)	(18,909)	(100,152)
Exchange differences	(1,782)	(3,478)	(930)	(485)	(6,147)	(12,822)
Other	(1,389)	884	6,517	(1,492)	(5,864)	(1,344)
As of March 31, 2020	5,441,403	643,368	287,524	175,047	487,109	7,034,452
Acquisition	2,958	630	7	483,070	424	487,089
Transfer from construction in progress	313,235	66,721	788	(425,668)	44,924	—
Acquisition by business combination	—	3	—	—	14	17
Disposal	(95,240)	(9,944)	(826)	(385)	(11,690)	(118,084)
Exchange differences	(46)	(575)	2,011	288	(5,132)	(3,454)
Other	(1,392)	4,714	(1,345)	(5,450)	2,574	(898)
As of March 31, 2021	¥5,660,918	¥704,918	¥288,161	¥226,901	¥518,224	¥7,399,122



Accumulated depreciation and accumulated impairment loss

Millions of yen

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2019	¥(3,650,387)	¥(386,574)	¥(4,082)	¥(1,139)	¥(368,617)	¥(4,410,798)
Effects of changes in accounting policies	—	—	—	—	65,068	65,068
Depreciation	(306,398)	(24,684)	—	—	(34,672)	(365,754)
Disposal	58,353	5,037	—	(546)	16,621	79,465
Impairment loss	(471)	(18)	—	(45)	(4)	(537)
Exchange differences	966	453	—	—	2,918	4,337
As of March 31, 2020	(3,897,936)	(405,786)	(4,082)	(1,730)	(318,687)	(4,628,221)
Depreciation	(326,490)	(27,187)	—	—	(37,733)	(391,410)
Disposal	84,375	5,994	—	—	10,872	101,241
Impairment loss	(2,768)	(281)	—	(1,610)	(341)	(5,000)
Exchange differences	44	6,914	—	—	10,294	17,252
As of March 31, 2021	¥(4,142,776)	¥(420,345)	¥(4,082)	¥(3,340)	¥(335,594)	¥(4,906,137)

Note: The depreciation of the property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of financial positions.

The carrying amounts of the property, plant and equipment are as follows:

Carrying amount

Millions of yen

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2019	¥1,560,377	¥234,600	¥277,752	¥230,211	¥243,241	¥2,546,181
As of March 31, 2020	¥1,543,467	¥237,582	¥283,442	¥173,317	¥168,423	¥2,406,231
As of March 31, 2021	¥1,518,142	¥284,573	¥284,079	¥223,561	¥182,630	¥2,492,985

(2) Property, plant and equipment pledged as collateral

For the amount of property, plant and equipment pledged as collateral for liabilities including borrowings, please refer to "Note 14. Borrowings and bonds payable."

(3) Property, plant and equipment with limited ownership

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

(4) Property, plant and equipment under construction

Expenditures included in the carrying amount of property, plant and equipment under construction are presented as construction in progress in the table above.

(5) Capitalization of borrowing costs

There are no significant borrowing costs included in the acquisition costs of the property, plant and equipment for the years ended March 31, 2020 and 2021.

6 Goodwill and Intangible Assets

(1) Movements of goodwill and intangible assets

The movements of the acquisition costs, accumulated amortization and accumulated impairment loss of the intangible assets are as follows:

Acquisition costs

	Intangible assets							Millions of yen
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	Total	
As of April 1, 2019	¥542,339	¥739,412	¥323,691	¥36,363	¥ 68,979	¥671,402	¥2,382,187	
Effects of changes in accounting policies	—	—	—	—	—	(8,424)	(8,424)	
Individual acquisition	—	214,364	—	—	19,154	53,239	286,756	
Acquisition by business combination	12,504	9,174	5,281	—	—	6,490	33,448	
Disposal	—	(81,274)	—	—	—	(48,659)	(129,933)	
Exchange differences	(407)	(507)	—	—	—	(743)	(1,656)	
Other	(135)	367	—	—	—	(9,341)	(9,108)	
As of March 31, 2020	554,302	881,537	328,972	36,363	88,133	663,964	2,553,270	
Individual acquisition	—	133,221	—	—	23,380	51,765	208,366	
Acquisition by business combination	620	27	—	—	—	—	646	
Disposal	—	(126,757)	—	—	—	(47,060)	(173,817)	
Exchange differences	270	85	—	—	—	833	1,187	
Other	—	55	—	—	(382)	(7,605)	(7,932)	
As of March 31, 2021	¥555,191	¥888,168	¥328,972	¥36,363	¥111,131	¥661,897	¥2,581,721	

Accumulated amortization and impairment

	Intangible assets							Millions of yen
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	Total	
As of April 1, 2019	¥ (2,645)	¥(458,004)	¥ (87,411)	¥ (9,917)	¥(13,947)	¥(323,731)	¥ (895,655)	
Effects of changes in accounting policies	—	—	—	—	—	4,481	4,481	
Amortization	—	(120,209)	(21,072)	(1,653)	(8,665)	(48,565)	(200,163)	
Impairment loss	(10,771)	(572)	—	—	—	(740)	(12,082)	
Disposal	—	78,103	—	—	—	47,746	125,849	
Exchange differences	—	280	—	—	—	305	585	
Other	—	—	—	—	—	—	—	
As of March 31, 2020	(13,416)	(500,401)	(108,482)	(11,570)	(22,611)	(320,504)	(976,985)	
Amortization	—	(126,913)	(21,072)	(1,653)	(10,703)	(47,790)	(208,131)	
Impairment loss	(1,355)	(692)	—	—	—	(348)	(2,395)	
Disposal	—	125,020	—	—	—	46,533	171,553	
Exchange differences	—	(55)	—	—	—	(456)	(511)	
Other	—	—	—	—	—	—	—	
As of March 31, 2021	¥(14,771)	¥(503,041)	¥(129,554)	¥(13,223)	¥(33,315)	¥(322,566)	¥(1,016,469)	

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



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

	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2019	¥539,694	¥281,408	¥236,280	¥26,446	¥55,032	¥347,671	¥1,486,532
As of March 31, 2020	¥540,886	¥381,136	¥220,489	¥24,793	¥65,521	¥343,460	¥1,576,285
As of March 31, 2021	¥540,420	¥385,126	¥199,418	¥23,140	¥ 77,816	¥339,331	¥1,565,251

(2) Total expenditures related to research and development expensed during the period

Research and development costs expensed as selling, general and administrative expenses for the years ended March 31, 2020 and 2021 are ¥24,007 million and ¥24,131 million, respectively.

(3) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives described above as of March 31, 2020 and 2021 is ¥63,379 million.

The details of intangible assets are trademark rights that were acquired through business combinations. As these trademark rights exist as long as businesses are continued, useful lives of these intangible assets are assumed to be indefinite.

7 Impairment of Property, Plant and Equipment, Goodwill, Intangible Assets and Right-of-use Assets

Impairment test of cash generating units including goodwill and intangible assets with indefinite useful lives

The Group tests for impairment of goodwill and intangible assets with indefinite useful lives at least annually, and whenever there is an indication of impairment.

The total carrying amounts of the goodwill and intangible assets with indefinite useful lives allocated to cash-generating units or cash generating unit groups are as follows:

Goodwill

Cash-generating unit or cash-generating unit group	Millions of yen	
As of March 31	2020	2021
Jupiter Telecommunication Co., Ltd. CATV business	¥280,709	¥280,709
Jupiter Shop Channel Co., Ltd.	92,577	92,577
AEON HD	31,621	31,621
ENERES Co., Ltd.	14,199	14,199
BIGLOBE Inc.	14,072	14,072
Other	107,708	107,242
Total	¥540,886	¥540,420

Intangible assets with indefinite useful lives

Cash-generating unit or cash-generating unit group	Millions of yen	
As of March 31	2020	2021
BIGLOBE Inc.	¥26,374	¥26,374
Jupiter Shop Channel Co., Ltd.	19,859	19,859
AEON HD	17,146	17,146
Total	¥63,379	¥63,379

The recoverable amount of goodwill and intangible assets with indefinite useful lives allocated to cash-generating units or group of cash generating units is calculated using value in use.

In assessing value in use, the estimated future cash flows arisen from cash generating-units or group of cash generating unit are discounted to their present value. When the Group calculates the future cash flows and discount future cash flows, the business plan developed based on different type of forecasted revenue and cost such as cost of sales and selling, general and administrative expenses, growth rates and pre-tax discount rates are used as significant assumptions.

The forecast of cash flows used as a basis to estimate future cash flows is based on the recent business plan approved by the management, which reflects past experience and external information, and the maximum forecast is 5 years. After 5 years, a certain growth rate of profit before tax after consideration of a long-term average growth rate for the market is used.

The growth rates of estimated profit before tax in projection period, which are used to calculate value in use of cash-generating units, are as follows:

Cash-generating unit or cash-generating unit group	2020	2021
As of March 31		
Jupiter Telecommunication Co., Ltd. CATV business	0.0%	0.0%
Jupiter Shop Channel Co., Ltd.	0.0%	0.0%
AEON HD	0.0%	0.0%
ENERES Co., Ltd.	0.0%	0.0%
BIGLOBE Inc.	0.0%	0.0%
Other	0.0%–7.1%	0.0%–6.5%

The growth rates used in estimated cash flows of each cash-generating unit (CGU) or group of CGUs reflect the status of the country and the industry to which the CGU belongs, and does not exceed the long-term average growth rate for the market.

The pre-tax discount rates, which are used to calculate value in use of CGU or group of CGUs to which goodwill and intangible assets with indefinite useful lives, is allocated are as follows:

Cash-generating unit or cash-generating unit group	2020	2021
As of March 31		
Jupiter Telecommunication Co., Ltd. CATV business	5.1%	5.1%
Jupiter Shop Channel Co., Ltd.	6.1%	6.7%
AEON HD	4.8%	5.3%
ENERES Co., Ltd.	4.2%	5.4%
BIGLOBE Inc.	6.2%	7.2%
Other	5.1%–17.8%	5.1%–16.7%

Although goodwill and intangible assets with indefinite useful lives have a risk of impairment when major assumptions used for impairment test change, the Group has determined that a significant impairment loss is not probable in the cash generating units or cash generating unit group regardless of the reasonable change of business plan the growth rate and/or discount rate used for impairment test.

8 Investments Accounted for Using the Equity Method

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

	2020	2021
As of March 31		
Interests in associates	¥233,225	¥233,921
Total	¥233,225	¥233,921

Millions of yen

(2) The Group's share of comprehensive income of associates accounted for using the equity method

i. Associates

Profit for the year, other comprehensive income and comprehensive income of associates accounted for using the equity method are as follows. As of and for the years ended March 31, 2020 and 2021, there is not individually significant associate accounted for using the equity method.

	2020	2021
For the year ended March 31		
Profit for the year	¥3,256	¥4,884
Other comprehensive income, net of tax	(3,408)	(68)
Total comprehensive income for the year	¥ (152)	¥4,816

Millions of yen



9 Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

	Millions of yen	
As of March 31	2020	2021
Finished goods and manufactured goods	¥71,626	¥66,250
Work in progress	3,121	3,385
Other	619	186
Total	¥75,366	¥69,821

There is no inventory to be sold after more than 12 months from March 31, 2020 and 2021.

(2) Write down of the inventories expensed during the period

Write down of the inventories expensed during the period is as follows:

	Millions of yen	
For the year ended March 31	2020	2021
Write down of the inventories expensed (Note)	¥9,498	¥6,083

Note: Write down is recognized as costs of sales.

(3) Inventories pledged as collateral

There are no inventories pledged as collateral.

10 Trade and Other Receivables

The analysis of trade and other receivables is as follows:

	Millions of yen	
As of March 31	2020	2021
Current		
Trade receivables		
Accounts receivable—trade and notes receivable	¥2,101,271	¥2,134,956
Accounts receivable—other (Note)	88,008	111,815
Loss allowance	(20,924)	(17,336)
Total	¥2,168,355	¥2,229,435

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

The amounts of trade and other receivables expected to be recovered after more than twelve months from March 31, 2020 and 2021 are ¥581,790 million and ¥481,835 million, respectively.

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

11 Other Financial Assets

The analysis of other financial assets is as follows:

As of March 31	2020	2021
Millions of yen		
Non-current assets (Other long-term financial assets)		
Financial assets at fair value through profit or loss		
Derivatives	¥ 146	¥ 164
Financial assets at fair value through other comprehensive income		
Equity instruments		
Equities	121,740	177,224
Financial assets at amortized cost		
Debt instruments		
Security deposits	55,046	55,837
Long-term accounts receivables	11,076	11,879
Lease receivables	83,140	71,155
Other	25,845	20,911
Loss allowance	(11,114)	(11,970)
Sub total	285,879	325,201
Current assets (Other short-term financial assets)		
Financial assets at fair value through profit or loss		
Derivatives	1,933	4,085
Financial assets at amortized cost		
Debt instruments		
Lease receivables	34,201	35,597
Short-term investment	5,720	18,671
Other	11,505	11,601
Sub total	53,358	69,955
Total	¥339,237	¥395,155



12 Other Assets

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

		Millions of yen	
As of March 31	2020	2021	
Non-current assets			
Long-term prepaid expenses	¥ 14,017	¥ 19,617	
Other	1,957	1,704	
Sub total	15,975	21,321	
Current assets			
Prepaid expenses	60,766	66,740	
Advance payments	9,356	10,131	
Other	14,479	27,625	
Sub total	84,600	104,496	
Total	¥100,575	¥125,817	

13 Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

		Millions of yen	
As of March 31	2020	2021	
Cash in hand and deposits held at call with banks	¥356,528	¥806,770	
Term deposits with original maturities of three months or less	12,674	3,032	
Total	¥369,202	¥809,802	
Cash and cash equivalents in consolidated statement of cash flow	¥369,202	¥809,802	

14 Borrowings and Bonds Payable

(1) The analysis of borrowings and bonds payable

The analysis of borrowings and bonds payable is as follows:

		Millions of yen		Average interest rate (%) (Note)	Due (Year)
As of March 31	2020	2021			
Non-current					
Bonds payable (excluding current portion)	¥ 329,225	¥ 329,384	0.30	2022-2029	
Long-term borrowings (excluding current portion)	818,326	822,280	0.39	2022-2029	
Sub total	1,147,551	1,151,664	—	—	
Current					
Current portion of bonds payable	39,997	—	—	—	
Current portion of long-term borrowings	113,265	73,375	0.24	—	
Short-term borrowings	—	19,517	0.06	—	
Sub total	153,262	92,892	—	—	
Total	¥1,300,813	¥1,244,556	—	—	

Note: Average interest rate represents weighted average interest rate to the ending balance of the borrowings and other debts.

(2) Terms of issuing bonds payable

The summary of terms of issuing bonds payable is as follows:

Entity	Description	Issuance date	Millions of yen		Interest rate (%)	Collateral	Due
			As of March 31, 2020	As of March 31, 2021			
KDDI Corp.	19th series of unsecured notes	September 6, 2010	39,997 (39,997)	— —	1.15 per year	Unsecured	June 19, 2020
KDDI Corp.	20th series of unsecured notes	December 13, 2013	29,953	29,966	0.80 per year	Unsecured	December 20, 2023
KDDI Corp.	21st series of unsecured notes	September 10, 2014	29,943	29,956	0.67 per year	Unsecured	September 20, 2024
KDDI Corp.	22nd series of unsecured notes	July 12, 2018	29,912	29,923	0.31 per year	Unsecured	July 12, 2028
KDDI Corp.	23rd series of unsecured notes	November 22, 2018	39,922	39,944	0.11 per year	Unsecured	November 22, 2023
KDDI Corp.	24th series of unsecured notes	November 22, 2018	29,923	29,937	0.25 per year	Unsecured	November 21, 2025
KDDI Corp.	25th series of unsecured notes	November 22, 2018	19,937	19,944	0.40 per year	Unsecured	November 22, 2028
KDDI Corp.	26th series of unsecured notes	April 26, 2019	29,934	29,951	0.13 per year	Unsecured	April 26, 2024
KDDI Corp.	27th series of unsecured notes	April 26, 2019	29,917	29,931	0.23 per year	Unsecured	April 24, 2026
KDDI Corp.	28th series of unsecured notes	April 26, 2019	39,875	39,889	0.36 per year	Unsecured	April 26, 2029
KDDI Corp.	29th series of unsecured notes	November 29, 2019	49,908	49,944	0.02 per year	Unsecured	November 29, 2022

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

(3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

As of March 31	Millions of yen	
	2020	2021
Property, plant and equipment	¥ 623	¥ 519
Stocks of subsidiaries and associates (Note)	768	768
Securities for financial business	177,664	223,947
Other short-term financial assets	7,770	6,030
Total	¥186,825	¥231,264

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

As of March 31	Millions of yen	
	2020	2021
Long-term borrowings (Note)	¥ 80,000	¥ 80,000
Current portion of long-term borrowings	62	—
Call money	72,100	107,900
Accounts payable	200	200
Total	¥152,362	¥188,100

Note: Shares of Kagoshima Mega Solar Power Corporation, an affiliate accounted for using the equity method, are pledged as collateral for its borrowings from financial institutions. The amounts of borrowings as of March 31, 2020 and 2021 are ¥14,033 million and ¥12,628 million, respectively. These amounts are not included in long-term borrowings in the above table.

Certain subsidiaries of the Group have financed from financial institutions due to acquisitions and others. Except for certain loan agreements on insignificant amount of borrowings, these borrowings are subject to financial covenants such as maintenance of shareholder's equity, net asset and surplus of profit as prescribed in the terms of each agreement. The amounts of borrowings as of March 31, 2020 and 2021 are ¥457,112 million and ¥434,087 million, respectively.

Except for the borrowings above, there is no financial covenant on borrowings and bonds payable, which has a significant effect on the Group's financial activities. For the fair value and amounts by due dates of borrowings and bonds payable, please refer to "Note 31. Financial instruments" and "Note 32. Fair value of financial instruments."



15 | Deferred Tax and Income Taxes

(1) Movement by major cause of deferred tax assets and deferred tax liabilities

The balance of and the movement in recognized deferred tax assets and deferred tax liabilities are as follows:

For the year ended March 31, 2020

	Millions of yen							
	As of April 1, 2019	Impact by changes in accounting policies	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehen- sive income	Acquisition by business combina- tions	Other (Note)	As of March 31, 2020
Deferred tax assets								
Accrued bonuses	¥ 10,111	¥ —	¥ 260	¥ —	¥ —	¥ 12	¥ (33)	¥ 10,350
Accrued business tax	8,389	—	1,572	—	—	17	90	10,068
Inventories	4,960	—	(76)	—	—	—	—	4,884
Loss allowance	9,091	—	900	—	—	4	(8)	9,988
Property, plant and equipment and intangible assets	45,557	—	(3,486)	—	—	109	(22)	42,157
Lease liabilities	—	97,825	(3,078)	—	—	—	(83)	94,664
Deferred points	19,203	—	2,752	—	—	—	—	21,954
Retirement benefit liabilities	4,194	—	1,086	(9)	6,325	—	94	11,690
Accrued expenses	5,773	—	(94)	—	—	—	(47)	5,632
Contract liabilities	106,457	—	(7,516)	—	—	—	(62,128)	36,813
Other	54,133	—	(2,548)	126	(330)	35	(9,388)	42,028
Total	¥267,867	¥97,825	¥(10,228)	¥118	¥ 5,995	¥ 177	¥(71,525)	¥290,228
Deferred tax liabilities								
Retained profits of foreign related companies	¥ 1,752	¥ —	¥ (1,302)	¥ —	¥ —	¥ —	¥ —	¥ 450
Special reserves	381	—	(66)	—	—	—	—	315
Appraisal gain on equity instruments	7,807	—	279	—	(1,076)	—	1,239	8,249
Property, plant and equipment, intangible assets and right-of-use assets	14,406	97,742	(8,508)	—	—	—	17	103,658
Identifiable intangible assets	103,028	—	(8,172)	(3)	—	1,122	—	95,975
Contract costs	194,151	—	11,149	—	—	—	(72,804)	132,496
Other	31,796	—	(9,136)	126	35	—	1,053	23,873
Total	¥353,321	¥97,742	¥(15,757)	¥124	¥(1,041)	¥1,122	¥(70,495)	¥365,015

For the year ended March 31, 2021

Millions of yen

	As of April 1, 2020	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehen- sive income	Acquisition by business combina- tions	Other (Note)	As of March 31, 2021
Deferred tax assets							
Accrued bonuses	¥ 10,350	¥ 57	¥—	¥ —	¥—	¥ 109	¥ 10,516
Accrued business tax	10,068	2,282	—	—	—	24	12,374
Inventories	4,884	(678)	—	—	—	115	4,321
Loss allowance	9,988	477	—	—	—	171	10,635
Property, plant and equipment, intangible assets	42,157	11,577	—	—	—	(37)	53,697
Lease liabilities	94,664	7,124	—	—	—	—	101,788
Deferred points	21,954	(4,367)	—	—	—	0	17,587
Retirement benefit liabilities	11,690	38,168	—	(45,982)	—	(122)	3,754
Accrued expenses	5,632	340	—	—	—	1	5,973
Contract liabilities	36,813	(1,401)	—	—	—	1	35,413
Other	42,028	(3,993)	—	(895)	—	(2,153)	34,987
Total	¥290,228	¥49,586	¥—	¥(46,877)	¥—	¥(1,891)	¥291,045
Deferred tax liabilities							
Retained profits of foreign related companies	¥ 450	¥ 775	¥—	¥ —	¥—	¥ —	¥ 1,225
Special reserves	315	(140)	—	—	—	—	174
Appraisal gain on equity instruments	8,249	111	—	11,246	—	(2,257)	17,349
Property, plant and equipment, intangible assets and right-of-use assets	103,658	2,142	—	—	—	—	105,800
Identifiable intangible assets	95,975	(7,874)	—	—	—	—	88,101
Retirement benefit assets	—	37,004	—	(24,885)	—	—	12,119
Contract costs	132,496	15,936	—	—	—	—	148,431
Other	23,873	(17,850)	—	(283)	—	779	6,520
Total	¥365,015	¥30,104	¥—	¥(13,921)	¥—	¥(1,478)	¥379,720

Note: "Other" includes exchange differences on foreign operations.

(2) The analysis of deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities on the consolidated statement of financial position are as follows:

As of March 31	2020	2021
Deferred tax assets	¥ 23,783	¥ 11,396
Deferred tax liabilities	98,570	100,071
Deferred tax assets, net	¥(74,787)	¥(88,675)

The Group evaluates the recoverability of deferred tax assets at recognition by considering the possibility to utilize a part or all of deductible temporary differences or tax loss carryforwards for future taxable income. The Group considers the planned reversal of deferred tax liabilities as well as expected future taxable income and tax planning for evaluating the recoverability of deferred tax assets, and recognizes deferred tax assets to the extent that future taxable income is expected.

Deferred tax assets for tax losses in certain subsidiaries as of March 31, 2020 and 2021 are ¥5,878 million and ¥5,593 million, respectively.

All deferred tax assets related to these losses were determined recoverable as taxable income exceeding the tax losses is expected.



(3) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

As a result of evaluating the recoverability of the deferred tax assets above, the Group has not recognized deferred tax assets on certain deductible temporary differences and tax loss carryforwards. The amounts of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets are as follows:

	Millions of yen	
As of March 31	2020	2021
Deductible temporary differences	¥ 8,105	¥15,087
Tax loss carryforwards	26,791	55,209
Total	¥34,897	¥70,296

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

	Millions of yen	
As of March 31	2020	2021
1st year	¥ 5,427	¥ 1,859
2nd year	2,122	471
3rd year	477	5,178
4th year	5,063	2,982
5th year and thereafter	13,702	44,718
Total	¥26,791	¥55,209

(4) Income taxes

The analysis of income taxes is as follows:

	Millions of yen	
For the year ended March 31	2020	2021
Current tax expenses		
Current tax expenses on the profit for the year	¥333,391	¥353,181
Adjustments in respect of prior years ((): refund)	88	203
Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses	(2,652)	(2,451)
Sub total	330,828	350,933
Deferred tax expenses		
Origination and reversal of temporary differences	(6,155)	(18,288)
Impact of change of tax rates	56	(2)
Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses	(1,935)	(1,504)
Review of the collectability of deferred tax assets	2,506	312
Sub total	(5,529)	(19,482)
Total	¥325,298	¥331,451

(5) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are described in "Note 29. Other comprehensive income."

(6) Reconciliation of effective tax rates

Reconciliation of statutory effective tax rates and actual tax rates for the years ended March 31, 2020 and 2021 are as follows. The actual tax rate shows the ratio of income taxes incurred by all Group companies to the profit before income tax for the year.

For the year ended March 31	2020	2021
Statutory income tax rate	31.4%	31.4%
Non-taxable dividends received	(0.4%)	(0.3%)
Impact of tax differences of foreign subsidiaries	(0.0%)	(0.0%)
Tax credit	(0.0%)	(0.1%)
Valuation allowance	0.7%	0.7%
Other	0.2%	0.3%
Average actual tax rate to incur	31.9%	31.9%

16 Employee Benefits

The Group operates defined benefit pension plans and lump-sum retirement plans (unfunded) as its defined benefit plans, as well as defined contribution pension plans.

The Group and its certain consolidated subsidiaries adopt point system in their retirement benefit plans, where the amount of benefits is calculated based on the accumulated points granted in proportion to the employees' entitlement and wage ranks.

Management, operation and benefit of the assets are mainly controlled by legally independent KDDI Corporate Pension Fund (the "Fund").

In accordance with Defined Benefit Corporate Pension Act and other laws, the Group is obliged to pay contributions to the Fund, which pays pension benefits. The trustee of the Fund is obliged to comply with laws, appointments by the Minister of Ministry of Health, Labour and Welfare or the Head of the Regional Bureau of Health and Welfare, by law of the Fund and resolutions of the board of representatives, as well as to fulfill fiduciary duties related to the management and operation of the funded money. The trustee is prohibited from abusing the appropriate management and operation of the funded money for self-interest or the interest of third party other than the Fund.

(1) Defined benefit pension plans

i. The amounts on the consolidated statement of financial position

The amounts related to the defined benefit pension plans on the consolidated statement of financial position are as follows:

As of March 31	2020	2021
Present value of the defined benefit obligations (funded)	¥421,178	¥401,044
Present value of the defined benefit obligations (unfunded)	12,468	12,085
Fair value of plan assets	(396,416)	(439,384)
Status of the funding	¥ 37,230	¥ (26,254)
Retirement benefit liabilities	¥ 37,230	¥ 12,109
Retirement benefit assets	—	(38,364)
Net retirement benefit liabilities	¥ 37,230	¥ (26,254)



ii. Movement in the defined benefit obligations and plan assets

The movement in the defined benefit obligations is as follows:

For the year ended March 31	2020	2021
Millions of yen		
The movement in the present value of the defined benefit obligations		
Opening balance	¥415,699	¥433,646
Current service cost	15,075	15,492
Interest expense	1,843	1,144
Sub total	432,617	450,282
Remeasurements		
Amount from change in financial assumptions	14,126	(24,263)
Amount from change in demographic assumptions	225	16
Benefit payments	(13,073)	(12,937)
Exchange differences	(20)	23
New consolidation	60	—
Other	(290)	8
Ending balance	¥433,646	¥413,130

The movement in the plan assets is as follows:

For the year ended March 31	2020	2021
Millions of yen		
Changes in fair value of the plan assets		
Opening balance	¥(402,343)	¥(396,416)
Interest income	(2,247)	(1,408)
Remeasurements		
Return on plan assets	6,143	(43,090)
Benefit payments	12,226	11,797
Contribution to the plans		
Contribution from employers	(10,117)	(10,267)
New consolidation	—	—
Other	(77)	—
Ending balance	¥(396,416)	¥(439,384)

The weighted average duration of the defined benefit obligations for the years ended March 31, 2020 and 2021 are 16.3 years and 15.8 years, respectively.

iii. Components of plan assets

KDDI Corporate Pension Fund manages its funded money to secure long-term return required to cover the benefit of pensions and lump-sum payments over the future. Based on this, our investment policy is to basically analyse the risk/return characteristics by asset and evaluate the correlation among assets in order to invest in a diversified portfolio.

Specifically, it sets policy asset allocation with the efficient combination of various assets including equities and government and corporate bonds, designs corresponding manager structure, selects managing trustee and invests.

In accordance with the provision of the Defined Benefit Corporate Pension Act, bylaw of the Fund requires to the amount of contributions to be recalculated the amount of contributions at least every 5 years, with the financial year-end serving as the basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

The fair value of the plan assets as of March 31, 2020 and 2021 consists of the components below:

As of March 31	2020			2021		
	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total
Equities	¥ 54,609	¥ —	¥ 54,609	¥ 78,277	¥ —	¥ 78,277
Debt securities	181,721	—	181,721	185,050	—	185,050
Other (Note)	45,412	114,674	160,086	57,325	118,732	176,057
Total	¥281,742	¥114,674	¥396,416	¥320,652	¥118,732	¥439,384

Note: Other includes hedge funds, private equities and cash.

iv. The analysis of expenses related to defined benefit plans

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

For the year ended March 31	2020	2021
Current service cost	¥15,075	¥15,492
Interest expense	1,843	1,144
Interest income	(2,247)	(1,408)
Total	¥14,671	¥15,228

The expenses above are included in the “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

v. Actuarial assumptions

Major actuarial assumptions at the end of each period are as follows:

As of March 31	2020	2021
Discount rate	0.3%	0.7%

Other than the component above, actuarial assumptions also include expected salary growth rate, mortality and expected retirement rate.

vi. Sensitivity analysis of actuarial assumptions

The movement in the defined benefit obligations due to changes in discount rates by the ratio below at the end of each period is as follows. This analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may change.

Discount rates

As of March 31	2020	2021
0.5% increase	¥(29,974)	¥(26,288)
0.5% decrease	33,903	27,437

vii. Contributions to the plan assets in the next financial year

The policy of the Group is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. The Group estimates the contributions to the plan assets for the year ending March 31, 2022 to be ¥8,204 million.

(2) Defined contribution pension plans

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

For the year ended March 31	2020	2021
Expenses related to defined contribution pension plans	¥3,136	¥3,259



The expenses above are included in the “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

Certain Group subsidiaries participate in a multiemployer plan, Sumisho Rengo Corporation Pension Fund.

Sumisho Rengo Corporation Pension Fund is a fund-type corporate pension established in accordance with Defined Benefit Corporate Pension Act, and co-operated by multiple Sumitomo Shoji Group companies. Certain Group subsidiaries cannot reasonably calculate the amount of pension assets corresponding to the amount of their contributions, and therefore the amount of contributions is recognized as retirement benefit expenses as defined contribution pension plans. The

expenses on the consolidated statement of income for the years ended March 31, 2020 and 2021 are ¥1,808 million and ¥1,804, respectively.

The Group can reduce its costs and practical burden related to administration and finance operation by participating in this fund and simultaneously reduce the risk of a pension plan's discontinuance, while the fund is co-operated by multiple companies and the Group cannot necessarily reflect its intent.

The financial position of the fund based on the latest annual report (closed by pension accounting) is as follows. The fund does not accept or succeed other funds, and does not incur benefit obligations by other employers.

(i) Status of funding in the overall plan

	Millions of yen	
For the year ended March 31	2020	2021
Pension assets	¥(43,105)	¥(44,898)
Benefit obligations for the purpose of calculating pension financials	38,115	41,102
Difference	(4,990)	(3,796)
Ratio of the funded pension assets	113.1%	109.2%
Difference consists of		
Surplus	(4,990)	(3,796)

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

	Millions of yen	
For the year ended March 31	2020	2021
Contributions by the Group	¥(1,516)	¥(1,599)
All contributions to the fund	(2,516)	(2,663)
Ratio to the all contributions to the fund	60.3%	60.1%

In accordance with a provision of the Defined Benefit Corporate Pension Act, a bylaw of the Fund requires the amount of contributions to be recalculated every 5 years, with the financial year-end serving as the basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

(iii) Contributions to the multiemployer plans in the next financial year

The Group estimates the contributions to the multiemployer plans for the year ending March 31, 2022 to be ¥ 1,804 million.

17 Trade and Other Payables

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

	Millions of yen	
As of March 31	2020	2021
Current liabilities		
Accounts payable (Note)	¥476,749	¥578,024
Accounts payable—trade	147,637	142,163
Accrued expenses	32,549	33,778
Other obligations	363	380
Total	¥657,298	¥754,345

Note: Accounts payable mainly consists of the payables for capital investments and sale commission.

The amounts of trade and other payables expected to be settled after more than twelve months from the March 31, 2020 and 2021 are ¥1,299 million and ¥6,617 million, respectively.

18 Other Financial Liabilities

The analysis of other financial liabilities is as follows:

		Millions of yen	
As of March 31	2020	2021	
Non-current liabilities (Other long-term financial liabilities)			
Financial liabilities at fair value through profit or loss			
Derivatives	¥ 4,555	¥ 3,584	
Financial liabilities at amortized cost			
Long-term account payables	2,530	2,276	
Other	6,257	8,312	
Sub total	13,342	14,172	
Current liabilities (Other short-term financial liabilities)			
Financial liabilities at fair value through profit or loss			
Derivatives	3,496	1,655	
Sub total	3,496	1,655	
Total	¥16,838	¥15,827	

19 Provisions

(1) Movements of provisions

Changes in provisions are as follows:

					Millions of yen
	Asset retirement obligation	Provision for customer points	Other provisions	Total	
As of April 1, 2019	¥32,990	¥31,771	¥ 3,637	¥ 68,399	
Increase during the year	1,404	54,276	10,828	66,508	
Decrease during the year (intended use)	(1,612)	(51,136)	(424)	(53,171)	
Decrease during the year (reversal)	—	—	—	—	
As of March 31, 2020	32,783	34,912	14,041	81,736	
Increase during the year	40,597	39,583	5,838	86,017	
Decrease during the year (intended use)	(483)	(47,285)	(3,583)	(51,351)	
Decrease during the year (reversal)	—	—	—	—	
As of March 31, 2021	¥72,896	¥27,210	¥16,296	¥116,401	
Non-current liabilities	¥71,819	¥ —	¥ 5,657	¥ 77,476	
Current liabilities	1,077	27,210	10,639	38,925	

(2) Components of provisions

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

i. Asset retirement obligation

Asset retirement obligations are recognized by the reasonably estimated amount required for the removal of equipment, such as base stations, certain offices, data centers and network centers. The estimate is based on present assumptions and is subject to changes if assumptions are revised in the future.

ii. Provision for customer points

The Group operates some points programs, including the au point program, and grants points to customers of the Group, for the purpose of sales promotions. In anticipation of the future use of such points by

customers, the Group has recorded these points, which are mainly granted by using au Pay and au Pay card, apps and product sales services provided by other companies to debt as a provision for customer points. The Group has measured the amounts of provision for customer point at an estimated amount to be used in the future based on historical experience.

There is an inherent uncertainty regarding the extent of usage of such points by customers, and once the points expire, the customers forfeits the right to use them.

iii. Other provisions

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



20 Other Liabilities

The analysis of other liabilities is as follows:

As of March 31	2020	2021
Millions of yen		
Non-current liabilities		
Long-term deposits payable	¥ 1,836	¥ 1,842
Other	5,575	8,970
Sub total	7,411	10,813
Current liabilities		
Deposits payable	170,188	165,231
Accrued bonuses	32,192	32,144
Consumption tax payable	50,736	49,605
Other	29,093	34,481
Sub total	282,209	281,461
Total	¥289,620	¥292,273

21 Share-based Payment (Stock Grant Plans)

The Company and its certain consolidated subsidiaries have several stock compensation plans (hereafter, the "Plan") for directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors and part-time directors) that have entered into engagement agreements with the Company (hereafter, "Directors and Other Executives").

For the directors, the Company and its certain consolidated subsidiaries have adopted the Board Incentive Plan (BIP). For the Group's senior management, the Company has adopted the Employee Stock Ownership Plan (ESOP).

BIP (Board Incentive Plan) is being initiated in order to link compensation for Directors and Other Executives with shareholder value and to

increase their awareness of contributing to increases in operating performance and corporate value over the medium to long term. This ESOP Trust is being introduced as an incentive plan to enhance corporate value over the medium to long term by increasing awareness among the Company's managers of operating performance and stock price.

Under BIP and ESOP, the right (the number) for stock granted is vested based on achievement based of Key Performance Indicators (KPIs) annually.

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2020 and 2021 are ¥2,673 million and ¥1,349 million, respectively.

(1) KDDI CORPORATION

The Company has BIP trust and ESOP trust. The stocks of the Company are granted by the institution.

For the year ended March 31, 2020

	Number of shares granted	Granted date	Fair value of granted date (Yen) (Note 1)	Vesting conditions
BIP trust	240,480	March 7, 2019	¥2,490.40	(Note 2)
ESOP trust	819,452	March 7, 2019	2,490.40	(Note 2)

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.

2. Vesting conditions are subject to continued service from grant date to vesting date.

For the year ended March 31, 2021

	Number of shares granted	Granted date	Fair value of granted date (Yen) (Note 1)	Vesting conditions
BIP trust	214,068	March 12, 2020	¥2,875.52	(Note 2)
ESOP trust	243,382	March 12, 2020	2,875.52	(Note 2)

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.

2. Vesting conditions are subject to continued service from grant date to vesting date.

(2) Okinawa Cellular Telephone Company

Consolidated subsidiary Okinawa Cellular Telephone Company has BIP trust and ESOP trust. The shares in Okinawa Cellular Telephone Company are granted by the institution.

For the year ended March 31, 2020

	Number of shares granted	Granted date	Fair value of granted date (Yen) (Note 1)	Vesting conditions
BIP trust	3,088	March 25, 2019	¥3,441.79	(Note 2)
ESOP trust	5,016	March 25, 2019	3,441.79	(Note 2)

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are subject to continued service from grant date to vesting date.

For the year ended March 31, 2021

	Number of shares granted	Granted date	Fair value of granted date (Yen) (Note 1)	Vesting conditions
BIP trust	3,088	March 25, 2020	¥3,446.78	(Note 2)
ESOP trust	6,738	March 25, 2020	3,446.78	(Note 2)

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are subject to continued service from grant date to vesting date.

22 Common Stock and Other Equity Items

(1) Common stock and capital surplus

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

	Stock		Millions of yen	
	Authorized shares	Outstanding shares	Common stock	Capital surplus
Balance as of April 1, 2019	4,200,000,000	2,532,004,445	¥141,852	¥284,409
Increase and decrease during the period (Note 3)	—	(176,630,845)	—	(3,818)
Balance as of March 31, 2020	4,200,000,000	2,355,373,600	¥141,852	¥280,591
Increase and decrease during the period (Note 3)	—	(51,194,050)	—	(1,916)
Balance as of March 31, 2021	4,200,000,000	2,304,179,550	¥141,852	¥278,675

Notes: 1. Common stocks has no par value.
2. Outstanding shares are fully paid.
3. The decrease in the number of outstanding shares was due to the cancellation of treasury stocks.

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the proceeds upon issuance of equity instruments shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to common stock.



(2) Treasury stock

Changes in the number of treasury shares during each consolidated fiscal year are as follows:

	Treasury stock (Shares)	Amount (Millions of yen)
Balance as of April 1, 2019 (Note 3)	180,953,773	¥(383,728)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	51,194,050	(150,000)
Cancellation of treasury stock	(176,630,845)	377,034
Disposal of treasury stock (Note 2)	(52,018)	144
Balance as of March 31, 2020 (Note 3)	55,464,960	(156,550)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	42,968,889	(136,087)
Cancellation of treasury stock	(51,194,050)	150,000
Disposal of treasury stock (Note 2)	(18,457,546)	55,918
Balance as of March 31, 2021 (Note 3)	28,782,253	¥ (86,719)

Notes: 1. The increase in the number of treasury shares in the fiscal year ended March 31, 2020 and 2021, are mainly due to the purchase from the market, 51,194,000 shares, and 42,968,800 shares, respectively.
 2. The decrease in the number of treasury stock in the fiscal year ended March 31, 2020 and 2021 are due to the allocation to third party and grant to beneficiaries of executive compensation BIP trust and stock grants ESOP trust.
 3. The balance of treasury stock as of March 31, 2020 and 2021 includes share of the Company owned by the executive compensation BIP trust and stock grants ESOP trust.

(3) Retained earnings

The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Changes in accumulated other comprehensive income

Changes in each component of accumulated other comprehensive income are as follows:

i. Changes in each component of accumulated other comprehensive income

For the year ended March 31, 2020

	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2019	¥(14,922)	¥13,983	¥(2,235)	¥ —	¥ (3,174)
Amount incurred during the year	(8,532)	(5,708)	(581)	(13,772)	(28,593)
Reclassified to consolidated statement of income	—	—	1,228	—	1,228
Transferred to retained earnings	—	(2,898)	—	13,772	10,875
Balance as of March 31, 2020	¥(23,454)	¥ 5,377	¥(1,588)	¥ —	¥(19,665)

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 29. Other comprehensive income."

For the year ended March 31, 2021

Millions of yen

	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2020	¥(23,454)	¥ 5,377	¥(1,588)	¥ —	¥(19,665)
Amount incurred during the year	12,912	25,542	(335)	45,991	84,110
Reclassified to consolidated statement of income	—	—	1,103	—	1,103
Transferred to retained earnings	—	(2,645)	—	(45,991)	(48,636)
Balance as of March 31, 2021	¥(10,541)	¥28,273	¥ (820)	¥ —	¥ 16,912

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 29. Other comprehensive income."

ii. The analysis of accumulated other comprehensive income

Accumulated other comprehensive income includes following items.

(a) Translation differences on foreign operations

This represents the exchange differences incurred upon consolidation of the foreign operations' financial statements denominated in foreign currencies.

(b) Changes in fair value of financial assets at fair value through other comprehensive income

This represents the valuation differences on fair value of financial assets at fair value through other comprehensive income.

(c) Changes in fair value of cash flow hedge

This represents the effective portion of changes in fair value of derivative transactions designated as cash flow hedge, which is used by the Group to avoid the risk of future cash flows fluctuations.

(d) Remeasurements of defined benefit pension plan

Remeasurements of defined benefit pension plan are mainly the effects of differences between the actuarial assumptions at the beginning of the year and their actual results, and the effects of changes in actuarial assumptions.

23 Dividends

Dividends to common shareholders are as follows:

(1) Dividends paid

For the year ended March 31, 2020

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 19, 2019 General meeting of shareholders (Note 1, 2)	Common stock	¥129,308	¥55	March 31, 2019	June 20, 2019
November 1, 2019 Board of directors (Note 1, 2)	Common stock	127,733	55	September 30, 2019	December 3, 2019



For the year ended March 31, 2021

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 17, 2020 General meeting of shareholders (Note 1, 2)	Common stock	¥137,995	¥60	March 31, 2020	June 18, 2020
October 30, 2020 Board of directors (Note 1, 2)	Common stock	138,004	60	September 30, 2020	December 2, 2020

Notes: 1. Dividends of the Company's shares owned by the executive compensation BIP trust and stock grants ESOP trust are not included in the aggregate amount of the dividends above.

2. Other than that above, the Company also paid dividends to beneficiaries of the executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2020 and 2021.

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

For the year ended March 31, 2020

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 17, 2020 General meeting of shareholders (Note 1, 2)	Common stock	¥137,995	Retained earnings	¥60	March 31, 2020	June 18, 2020

For the year ended March 31, 2021

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 23, 2021 General meeting of shareholders (Note 1, 2)	Common stock	¥136,524	Retained earnings	¥60	March 31, 2021	June 24, 2021

Notes: 1. Dividends of the Company's shares owned by the executive compensation BIP trust and stock grants ESOP trust are not included in the aggregate amount of the dividends above.

2. Other than that above, the Company also paid dividends to beneficiaries of the executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2020 and 2021.

24 Revenue

(1) Division of revenues

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

The name for some product and services were changed in the fiscal year ended March 31, 2021. Accordingly, Product / Service is presented based on the name after the change. There is no change in the numerical definition.

For the year ended March 31, 2020

Segment	Product / Service	Millions of yen
Personal Services		¥4,466,008
	au Total ARPA	2,266,674
	UQ mobile+MVNO	66,015
	Fixed-line telecommunications	804,459
	Others	1,328,860
Business Services		746,620
Others		24,593
Total		¥5,237,221
Profit from contracts with customers		5,146,113
Profit from other sources		91,108

Note: The amounts presented exclude inter-segment transactions.

For the year ended March 31, 2021

Segment	Product / Service	Millions of yen
Personal Services		¥4,506,412
	au Total ARPA	2,303,938
	UQ mobile+MVNO	96,998
	Fixed-line telecommunications	814,059
	Others	1,291,417
Business Services		779,852
Others		26,336
Total		¥5,312,599
Profit from contracts with customers		5,213,762
Profit from other sources		98,837

Note: The amounts presented exclude inter-segment transactions.

(2) Outstanding contract balances

The Group's assets and contract liabilities from contracts with customers are as follows:

For the year ended March 31, 2020

	Millions of yen As of April 1, 2019	Millions of yen As of March 31, 2020
Receivables from contracts with customers	¥1,810,042	¥1,984,185
Contract liabilities	193,511	179,950

For the year ended March 31, 2021

	Millions of yen As of April 1, 2020	Millions of yen As of March 31, 2021
Receivables from contracts with customers	¥1,984,185	¥2,003,196
Contract liabilities	179,950	172,558

The contract liabilities are earned from activation fees related to mobile communications services and "au HIKARI" brand services. Points granted to customers through the customer loyalty program are allocated to transaction prices based on the independent sales values of benefits with the advance payment.

Regarding revenue recognized for the years ended March 31, 2020 and 2021, ¥145,731 million and ¥90,428 million were included in outstanding contract liabilities at the beginning of the fiscal year, respectively.

In the fiscal year ended March 31, 2020 and 2021, the revenues recognized from performance obligation fulfilled (or partially fulfilled) in the past period are immaterial.



(3) Transaction amounts allocated to remaining performance obligations

The transaction amounts allocated to remaining performance obligations in the fiscal year ended March 31, 2020 and 2021 are ¥132,240 million and ¥132,804 million, respectively. The performance obligations mainly comprise the revenues from activation fees related to mobile communications services and “au HIKARI” brand services and assumes to be fulfilled when the service is provided. The revenues are expected to be recognized within approximately five years and six years, respectively, from March 31, 2020 and 2021. Approximately 50% of the transaction value allocated to the performance obligation is expected to be recognized as revenue within one year. In addition, the Group adopts the simplified method from paragraph 121 of IFRS 15 as a practical expedient and has not included information related to remaining performance obligations that have an original expected duration of one year or less.

(4) Assets recognized from the costs to obtain or fulfill contracts with customers

The Group's assets recognized from contract costs are as follows:

	Millions of yen March 31, 2020	Millions of yen March 31, 2021
Costs to obtain contracts	¥381,533	¥410,203
Costs to fulfill contracts	55,142	56,113

The portion expected to be recovered from the incremental costs to obtain contracts with customers and the costs directly related to fulfilling contracts is capitalized and recorded under contract costs in the consolidated statement of financial position. Incremental costs to obtain contracts comprise costs to obtain contracts with customers that would not have been incurred had the contracts not been obtained.

Incremental costs to obtain contracts that are capitalized are mainly sales commissions to agencies like au shop incurred when contracts are obtained. Costs to fulfill contracts mainly comprise necessary set-up and other fees incurred between the receipt of an application and the start of services. These capitalized costs comprise incremental costs that would not have been incurred had telecommunications contracts not been obtained. Furthermore, when capitalizing these costs, only the amount expected to be recovered is recognized after taking into account the estimated contract period for the telecommunications contracts. The resulting assets are amortized on a straight-line basis in line with the main estimated contract period for users of each service.

These assets are amortized on a straight-line basis based on two to three years of estimated contract period in the fiscal year ended March 31, 2020 and based on there to four years of estimated contract period in the fiscal year ended March 31, 2021, respectively.

The Group determines the recoverability of capitalized contract costs when they are capitalized and re-evaluates this each quarter. Specifically, the Group determines whether or not the book value of the assets exceeds the remaining amount of consideration the company expects to receive based on the telecommunications contract over the estimated contract period less the costs directly related to providing the service that have not yet been recognized as expenses. If the scenario used in estimates and assumptions changes, an impairment loss related to the asset is recognized in net profit or loss. This could therefore have a material impact on the value of assets capitalized from contract costs. Accordingly, the Group regards these estimates as material.

The amortization costs incurred from these assets in the years ended March 31, 2020 and 2021 amounted to ¥198,880 million and ¥199,932 million, respectively, and the impairment losses are not recognized.

25 Expenses by Nature

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

	Millions of yen	
For the year ended March 31	2020	2021
Handset sales cost, repair cost	¥ 738,011	¥ 678,127
Depreciation and amortization	689,473	727,438
Communication equipment usage fee and rentals	323,057	324,276
Staff cost	438,814	450,831
Operations outsourcing	331,982	333,455
Sales commission	323,269	336,138
Power retail sales cost	350,241	381,983
Rent	54,876	64,117
Utilities	68,497	67,126
Other (Note)	906,285	928,919
Total	¥4,224,504	¥4,292,410

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

26 Other Income and Other Expense

(1) The analysis of other income

The analysis of other income is as follows:

		Millions of yen	
For the year ended March 31	2020	2021	
Subsidy income, etc.	¥ 1,164	¥ 5,044	
Gain on sale of fixed assets	221	2,676	
Compensation income, etc.	773	857	
Income from recovery of bad debts	703	855	
Other	9,632	7,704	
Total	¥12,492	¥17,136	

(2) The analysis of other expense

The analysis of other expense is as follows:

		Millions of yen	
For the year ended March 31	2020	2021	
Reduction entry of land contribution for construction	¥ 6	¥ 4	
Loss on sale of fixed assets	297	425	
Other	2,926	4,386	
Total	¥3,228	¥4,815	

27 Finance Income and Finance Cost

(1) The analysis of finance income

The analysis of finance income is as follows:

		Millions of yen	
For the year ended March 31	2020	2021	
Interest income:			
Financial assets at amortized cost	¥ 930	¥ 529	
Dividend income:			
Financial assets at fair value through other comprehensive income	4,052	3,148	
Gain on foreign currency exchange	—	2,497	
Other	348	364	
Total	¥5,330	¥6,539	

(2) The analysis of finance cost

The analysis of finance cost is as follows:

		Millions of yen	
For the year ended March 31	2020	2021	
Interest expense:			
Financial liabilities at amortized cost	¥ 7,250	¥6,122	
Financial liabilities at fair value through profit or loss			
Derivatives	882	807	
Loss on foreign currency exchange	1,739	—	
Other	1,508	1,382	
Total	¥11,380	¥8,311	



28 Other Non-operating Profit

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

	Millions of yen	
For the year ended March 31	2020	2021
Gain or loss on change in equity	¥ 76	¥1,418
Gain or loss on step acquisitions	1,426	—
Gain or loss on sales of stocks of subsidiaries and affiliates	10	1,016
Total	¥1,512	¥2,433

29 Other Comprehensive Income

Amounts arising during the year, amounts transferred to profit and tax effect included in other comprehensive income of the Group are as follows:

	Millions of yen	
For the year ended March 31	2020	2021
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of the net defined benefit liability (asset)		
Gain (loss) arising during the year	¥(20,160)	¥67,203
Tax effect	6,325	(21,097)
After tax effect	(13,835)	46,106
Net change in financial assets at fair value through other comprehensive income		
Gain (loss) arising during the year	(3,674)	37,332
Tax effect	1,076	(11,246)
After tax effect	(2,598)	26,086
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	(3,694)	254
After tax effect	(3,694)	254
Total	(20,127)	72,445
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedge		
Gain (loss) arising during the year	(61)	945
Transferred to profit for the year	1,228	1,103
Before tax effect	1,167	2,048
Tax effect	(365)	(613)
After tax effect	802	1,436
Exchange differences on translating foreign operations		
Gain (loss) arising during the year	(10,201)	15,174
Transferred to profit for the year	—	—
Before tax effect	(10,201)	15,174
After tax effect	(10,201)	15,174
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	(121)	(322)
Transferred to profit for the year	408	—
After tax effect	286	(322)
Total	(9,113)	16,288
Total other comprehensive income	¥(29,240)	¥88,733

30 Cash Flow

An analysis of net debt and the movements in net debt for the periods presented are as follows:

	Millions of yen						
	Cash/current bank account	Finance leases	Lease liabilities	Borrowings due within 1 year	Borrowings due after 1 year	Bonds	Hedge assets held for borrow. Due after 1 year
Net debt as of April 1, 2019	¥204,597	¥84,158	¥ —	¥32,000	¥880,061	¥279,492	¥(5,810)
Effects of changes in accounting policies	—	(84,158)	391,844	—	—	—	—
Cash flows	166,025	—	(126,947)	(32,000)	21,350	89,988	—
Acquisitions	—	—	113,903	—	—	—	—
Movements by a subsidiary or other business fluctuations caused by gain or loss	—	—	—	—	29,984	—	—
Foreign exchange adjustments	(1,419)	—	102	—	(8)	—	—
Fair value movements	—	—	—	—	—	—	1,257
Other non-cash movements	—	—	652	—	204	(258)	—
Net debt as of April 1, 2020	369,202	—	379,554	—	931,591	369,222	(4,553)
Cash flows	437,670	—	(133,226)	19,517	(35,801)	(40,000)	—
Acquisitions	—	—	150,584	—	—	—	—
Movements by a subsidiary or other business fluctuations caused by gain or loss	—	—	—	—	—	—	—
Foreign exchange adjustments	2,930	—	(170)	—	—	—	—
Fair value movements	—	—	—	—	—	—	969
Other non-cash movements	—	—	4,183	—	(135)	162	—
Net debt as of March 31, 2021	¥809,802	¥ —	¥400,925	¥19,517	¥895,655	¥329,384	¥(3,584)

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



31 Financial Instruments

(1) Risk management

The Group's operating activities are subject to influence from the business and financial market environment. Financial instruments held or assumed in the course of business are exposed to risks inherent in those instruments. Such risks include (i) Credit risk, (ii) Liquidity risk and (iii) Market risk. The Group has a risk management program in place to minimize effects on the Group's financial position and results of operations through establishing an internal management system and using financial instruments. Specifically, the Group manages these risks by using methods as described below.

i. Credit risk management

(a) Credit risks of financial assets owned by the Company

Credit risk is the risk that a party to the Group's financial instrument will cause a financial loss for the Group by failing to discharge its contractual obligation. Specifically, the Group is exposed to the following credit risks. Trade, lease, other receivables and loans for financial business of the Group are exposed to the credit risk of our customers. The debt securities held for surplus investment are exposed to the issuer's credit risk related to the deterioration of its financial condition. In addition, derivatives used by the Group to hedge exchange risk and interest rate risk and bank balances are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

(b) Responses to the risk owned by the Company

With regard to credit risks to the customer, the Group has a system in place for assessing credit status as well as performing term administration and balance management for each counterparty based on the credit management guidelines of each Group company.

With regard to lease, other receivables and loans for financial business, the Group determines there has been a significant increase in credit risk of the financial assets since initial recognition in case the cash collection of the financial assets was delayed (as well as the case of request for grace period) after the trade date. However, even when late payment or request for grace period occurs, the Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage, the risk of default would be low, and the objective data such as external credit ratings reveals their ability to fulfil the obligation of contractual cash flow in the near future.

With regard to debt securities, the Group determines there has been a significant increase in its credit risk since initial recognition when the Group evaluates the risk of default is high based upon rating information provided by major rating agencies.

Expected credit loss is recognized and measured through transactions and financial information available in the course of such credit risk management, while taking macroeconomic condition such as the number of bankruptcies and actual or expected significant changes in the operating results of the debtor into consideration. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default occurs when a debtor to a financial asset fails to make contractual payments within 90 days of when they fall due.

The Group directly writes off the gross carrying amount of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

The Group's receivables have no significantly concentrated credit risk exposure to any single counterparty or any group of counterparties.

The Group considers that there is substantially low credit risk resulting from counterparty default because counterparties of the Group's derivatives and bank transactions are limited to high credit quality financial institutions. For surplus investments and derivative transactions, the finance and accounting department, following internal rules of each Group company and accompanying regulations that prescribe details, arranges to have each transaction approved by an authorized person as designated in the authorization regulation on a transaction-to-transaction basis so that the Group can minimize credit risk. Counterparties to those transactions are limited to financial institutions with high credit rating.

Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. With regard to performing trade receivables, loss allowance is recognized by estimating the expected credit losses based on historical credit loss experience and forward-looking information for the tenor of each trade receivables.

Measurement of expected credit losses on lease, other receivables and loans for financial business

When credit risk related to lease and other receivables has not increased significantly since the initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating the 12-month expected credit losses collectively based upon both historical credit loss experience and forward-looking information.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

Measurement of the expected credit losses on other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating the 12-month expected credit losses.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

(c) Quantitative and qualitative information on the amounts arising from expected credit losses
Loss allowance for trade receivables

	Millions of yen
	Measured at the amount equal to the lifetime expected credit losses
Balance as of April 1, 2019	¥30,855
Increase during the year	26,450
Decrease during the year (reversal)	(10,119)
Decrease during the year (intended use)	(15,602)
Other	(63)
Balance as of March 31, 2020	31,521
Increase during the year	25,465
Decrease during the year (reversal)	(13,100)
Decrease during the year (intended use)	(15,546)
Other	809
Balance as of March 31, 2021	¥29,149

Loss allowance and reversal of loss allowance are recorded in "selling, general and administrative expenses" in the consolidated statement of income.

There is no contractual, uncollected balance for financial assets written off during the fiscal years ended March 31, 2020 and 2021 respectively, for which collecting efforts are still being made.

There are no significant loss allowances for lease receivables, other receivables, loans for financial business and other investments (debt securities).

(d) Maximum exposure to credit risks

The Group's maximum exposure to credit risks is as follows.

The Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement.

Maximum exposure for trade receivables

For the year ended March 31, 2020

	Millions of yen			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	¥2,143,991	¥12,730	¥43,635	¥2,200,355
Expected loss rate	0.5%	13.3%	44.7%	—
Loss allowance	10,333	1,692	19,496	31,521

For the year ended March 31, 2021

	Millions of yen			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	¥2,205,546	¥11,287	¥41,447	¥2,258,280
Expected loss rate	0.3%	15.9%	48.4%	—
Loss allowance	7,277	1,796	20,076	29,149

Note: There is no collateral and other credit enhancement owned by the Group.



ii. Liquidity risk management

The Group is exposed to liquidity risk that the Group may be unable to meet the obligations such as notes and trade payables.

The Group finances necessary funds through bank borrowings, bond issuances and liquidation of receivables in the context of its capital expenditure project mainly to conduct telecommunications businesses. Any excess funds incurred are invested in short-term deposits etc.

Most of the trade and other payables are payable within one year. The Group's current liabilities including such trade payables are exposed to liquidity risk at the time of settlement, however, the Group avoids the risk using methods such as monthly financial planning review conducted by each Group company. In addition, to manage liquidity risk, the Group aims for continuously stable cash management through monitoring account activity by preparing monthly cash flow projection, and maintains liquidity at certain level. The Group has short-term deposits etc. that is considered to be readily convertible into cash to address liquidity risk. Please refer to "Note 13. Cash and cash equivalents" for details.

Long-term financing is conducted following approval by the Board of Directors of the annual financial plan prepared by the finance and accounting department. The Group minimizes its liquidity risk by entering into a number of long- and short-term unexpended commitment line contracts with domestic dominant financial institutions and leading financial institutions in foreign countries in addition to uncommitted credit facilities.

(a) Maturity analysis

The following tables analyse the Group's non-derivative financial liabilities and derivative financial liabilities to be settled on a net basis by category based on the remaining periods to contractual maturity at the end of each fiscal year. Amounts shown in the tables below are contractual undiscounted cash flows.

As of March 31, 2020

	Millions of yen								
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	
Non-derivative financial liabilities									
Trade and other payables	¥ 657,298	¥ 657,298	¥ 655,998	¥ 904	¥ 107	¥ 115	¥ 139	¥ 33	
Short-term borrowings	—	—	—	—	—	—	—	—	
Long-term borrowings	931,591	941,055	115,775	75,679	182,469	199,762	128,601	238,768	
Bonds payable	369,222	376,226	41,222	993	50,993	70,983	60,578	151,458	
Deposits for financial business	1,427,419	1,428,724	1,403,064	993	10,933	1,932	1,171	10,632	
Lease liabilities	379,554	385,503	114,260	87,110	62,413	47,192	27,903	46,624	
Sub total	3,765,084	3,788,805	2,330,318	165,680	306,915	319,983	218,393	447,516	
Derivative financial liabilities (Note)									
Exchange contracts	32	32	30	1	1	—	—	—	
Foreign exchange swaps	2,871	2,871	2,871	—	—	—	—	—	
Interest rate swaps	5,148	5,148	880	—	—	1,945	—	2,322	
Sub total	8,051	8,051	3,782	1	1	1,945	—	2,322	
Total	¥3,773,135	¥3,796,856	¥2,334,100	¥165,681	¥306,916	¥321,928	¥218,393	¥449,838	

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

As of March 31, 2021

	Millions of yen								
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	
Non-derivative financial liabilities									
Trade and other payables	¥ 754,345	¥ 754,345	¥ 747,728	¥ 1,620	¥ 1,646	¥ 1,303	¥ 1,302	¥ 745	
Short-term borrowings	19,517	19,517	19,517	—	—	—	—	—	
Long-term borrowings	895,655	903,357	75,905	152,789	230,192	129,090	130,546	184,835	
Bonds payable	329,384	335,004	993	50,993	70,983	60,578	30,458	121,001	
Deposits for financial business	1,850,090	1,851,599	1,818,812	10,842	2,045	1,049	1,088	17,763	
Lease liabilities	400,925	407,593	140,307	80,218	58,752	39,828	24,439	64,049	
Sub total	4,249,916	4,271,415	2,803,262	296,461	363,618	231,849	187,833	388,393	
Derivative financial liabilities (Note)									
Exchange contracts	—	—	—	—	—	—	—	—	
Foreign exchange swaps	1,164	1,164	1,164	—	—	—	—	—	
Interest rate swaps	4,075	4,075	491	—	1,586	—	1,998	—	
Sub total	5,239	5,239	1,655	—	1,586	—	1,998	—	
Total	¥4,255,155	¥4,276,655	¥2,804,917	¥296,461	¥365,204	¥231,849	¥189,830	¥388,393	

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

iii. Market risk management

Market risk management consists of (a) Exchange risk management, (b) Interest rate risk management and (c) Price risk management of equity instruments. A certain subsidiaries manage market risk by measuring their market risk volume using value at risk (VaR) on a daily basis.

To calculate VaR, the subsidiaries use the historical simulation approach (six-month holding period, 99% confidence interval). As of the previous fiscal year-end (March 31, 2020), overall market risk amounted to ¥1,652 million. As of March 31, 2021, overall market risk amounted to ¥3,105 million. VaR measures market risk using a certain statistically calculated probability based on past market variability. However, it is not always possible to ascertain risk in a market environment undergoing drastic changes that would ordinarily be inconceivable.

(a) Exchange risk

The Group is exposed to exchange rate fluctuation risk ("exchange risk") that results from translating foreign currency denominated trade receivables arising from transactions that the Group conducted using non-functional currencies into their functional currencies at the exchange rate prevailing at the end of reporting period.

The Group also operates in foreign countries. Currently, the Group is developing international businesses through capital contribution and establishment of joint ventures in Asia (Singapore and China etc.), North America and Europe etc. As a result of these international operating activities, the Group is exposed to various exchange risks primarily related to the U.S. dollar.

A certain subsidiary hedges exchange fluctuation risk by adopting forward exchange contracts as derivative transactions. The purpose is to fix the exchange fluctuation for broadcasting right related to foreign programs. For derivative transactions, the Company develops implementation plans on a transaction-to-transaction basis following internal rules approved by the Board of Directors, and obtains approval as stipulated in the authorization regulation, before conducting the transactions. The Group's policy is to use derivative transactions only to avoid risk and conduct no speculative transactions in order to gain trading profits.

(i) Sensitivity analysis of exchange rate

Sensitivity analysis of the impact of the 10% appreciation of the Japanese yen against the U.S. dollar, Pound and Euro at the end of each fiscal year against profit before tax of the Group is as follows.

This analysis assumes that all other variables (balance, interest etc.) are held constant, and the sensitivity analysis below does not contain impacts of translation of financial instruments denominated in functional currencies, and impacts of translation of revenues and expenses, assets and liabilities of foreign operations into presentation currency.

		Millions of yen	
For the year ended March 31		2020	2021
Profit before tax			
U.S. dollar		¥(1,855)	¥(2,051)
Pound		(599)	(1,441)
Euro		(707)	(1,079)
Total		¥(3,161)	¥(4,572)

If the Japanese yen depreciate 10% against the U.S. dollar, Pound and Euro and all other variables are held constant at the end of each fiscal year, the impact on the Group's profit or loss would be the exact reverse of the figures presented above assuming.

(ii) Derivatives (forward foreign exchange contracts, foreign exchange swaps)

Details of major exchange contracts existed at March 31, 2020 and 2021 are as follows:

Derivatives designated as hedges

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

		Millions of yen			
		2020		2021	
		Contractual amount		Fair value	
As of March 31		Total	Over one year	Total	Over one year
		Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts		¥15,211	¥3,865	¥189	¥41
		¥22,910	¥1,668	¥1,028	¥5

		Millions of yen	
As of March 31		2020	2021
Carrying amount		¥ 148	¥ 1,023
Contractual amount		15,211	22,910
Maturity date		April 2020–March 2023	April 2021–March 2023
Hedge ratio (Note 1)		1	1
Change in intrinsic value of outstanding hedging instrument		(86)	875
Change in value of hedge item used to determine hedge effectiveness		86	(875)

Notes: 1. Since the Group enters into the foreign exchange contracts in the same currency that future purchase transactions are highly likely to occur, the hedge ratio of foreign exchange contracts is one-to-one.

2. The Group does not have a non-effective portion of the hedge.



Derivatives not designated as hedges

	Millions of yen							
	2020				2021			
	Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Forward foreign exchange contracts	¥70,910	¥ —	¥1,070	¥2,306	¥122,944	¥ —	¥(835)	¥2,430
Foreign exchange swaps	21,307	21,307	50	(50)	55,556	55,556	(376)	379

(b) Interest rate risk

Interest rate risk is defined as the risk that market interest rate fluctuation results in changes in fair value of financial instruments or future cash flows arising from financial instruments. The interest rate risk exposure of the Group mainly relates to payables such as borrowings or bonds, and receivables such as interest-bearing deposits. As amount of interest is influenced by market interest rate fluctuation, the Group is exposed to interest rate risk resulting from changes in future cash flows of interest.

The Group finances funds through bond issuance at fixed interest rates in order to avoid future increase in interest payments, primarily resulting from rising interest rates.

Certain subsidiaries stabilize their cash flows by using interest rate swap transactions to minimize interest rate risk on borrowings.

(i) Sensitivity analysis of interest rate

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

	Millions of yen	
For the year ended March 31	2020	2021
Profit before tax	¥(6)	¥(198)

(ii) Derivatives (interest swap contracts)

In interest swap contracts, the Group enters into agreements to exchange the differences between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Using these contracts, the Group minimizes its risk of cash flows fluctuations arising from floating rate borrowings

Derivatives designated as hedges

	Millions of yen							
	2020				2021			
	Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate swap	¥250,000	¥130,000	¥—	¥4,807	¥140,000	¥130,000	¥—	¥3,556

	Millions of yen	
As of March 31	2020	2021
Carrying amount	¥ (4,807)	¥ (3,556)
Contractual amount	250,000	140,000
Maturity date	December 2020–December 2025	December 2023–December 2025
Hedge ratio (Note 1)	1	1
Change in intrinsic value of outstanding hedging instrument	825	944
Change in value of hedge item used to determine hedge effectiveness	(825)	(944)

Notes: 1. Since the Group runs the borrowing (hedged item) and interest rate swap transaction (hedging instrument) in the same amount, hedge ratio of interest rate swap transaction is one-to-one.

2. The Group does not have any non-effective portion of the hedge.

(c) Price risk management of equity instruments

Price risk of equity instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to such price risk as it holds equity instruments.

To manage price risk arising from those equity instruments, the corporate finance and accounting department documents policies of investment in the equity instruments and the entire Group complies with those policies. For material investments, it is obliged to report to and obtain approval from the Board of Directors in a timely manner. To manage those equity instruments, the Group continuously reviews its holdings by monitoring market value and the financial condition of the issuer (counterparty) taking into account the market condition and the relationship with the counterparty.

(i) Sensitivity analysis of price of equity instruments

Sensitivity analysis of the impact of the 10% decrease in the price of equity instruments at the end of each fiscal year against other comprehensive income of the Group (before tax effect) is as follows:

This analysis is on presumption that all other variables (balance, exchange rate etc.) are held constant.

	Millions of yen	
For the year ended March 31	2020	2021
Accumulated other comprehensive income (before tax effect)	¥(7,764)	¥(11,555)

(2) Capital management

The Group seeks to realize sustainable medium- and long-term growth and maximize its corporate value. To achieve those objectives, the Group's basic policy for equity risk management is to maintain adequate equity structure while monitoring capital cost, along with

maintaining current fund-raising capability and ensuring financial soundness. Major performance benchmarks used by the Group to manage its equity are Ratio of equity attributable to owners of the parent and debt / equity ratio ("D/E ratio").

Ratio of equity attributable to owners of the parent and D/E ratio at the end of each fiscal year are as follows:

As of March 31	Unit	2020	2021
Ratio of equity attributable to owners of the parent (Note 1)	%	45.8	45.2
D/E ratio (debt/equity ratio) (Note 2)	ratio	0.38	0.35

Notes: 1. Ratio of equity attributable to owners of the parent: Equity attributable to owners of the parent / Total assets × 100

2. D/E ratio (debt / equity ratio): Interest bearing debt / Equity attributable to owners of the parent

As of March 31, 2020 and 2021, the Group meets the material capital controls applicable to the Group (excluding general rules such as the Companies Act etc.).

(3) Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities of the Group is as follows:

As of March 31, 2020

	Millions of yen			
	Carrying amount			Total
	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

As of March 31, 2021

	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	¥1,148,700	¥ —	¥ 106	¥1,148,805
Securities for financial business	—	276,065	—	276,065
Other long-term financial assets	147,812	177,224	164	325,201
Current assets				
Trade and other receivables	2,229,435	—	—	2,229,435
Short-term loans for financial business	233,605	—	—	233,605
Call loans	33,846	—	—	33,846
Other short-term financial assets	64,668	—	5,287	69,955
Cash and cash equivalents	809,802	—	—	809,802
Total	¥4,667,868	¥453,289	¥5,557	¥5,126,714

Millions of yen
Carrying amount

	Financial liabilities at amortized cost	Financial liabilities at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Total
Financial liabilities				
Non-current liabilities				
Borrowings and bonds payable	¥1,151,664	¥—	¥ —	¥1,151,664
Long-term deposits for financial business	32,850	—	—	32,850
Lease liabilities	288,650	—	—	288,650
Other long-term financial liabilities	10,588	—	3,584	14,172
Current liabilities				
Borrowings and bonds payable	92,892	—	—	92,892
Trade and other payables	754,345	—	—	754,345
Short-term deposits for financial business	1,817,240	—	—	1,817,240
Call money	115,815	—	—	115,815
Lease liabilities	112,275	—	—	112,275
Other short-term financial liabilities	—	—	1,655	1,655
Total	¥4,376,319	¥—	¥5,239	¥4,381,558

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

The Group owns the equity instruments listed above as investment to maintain and strengthen the business relationship with investees, and therefore classifies them as financial assets at fair value through other comprehensive income.

i. The analysis and fair value by description of financial assets at fair value through other comprehensive income

The analysis and dividends received related to financial assets at fair value through other comprehensive income are as follows:

	Millions of yen	
As of March 31	2020	2021
Fair value		
Listed equities	¥ 77,635	¥115,552
Unlisted equities	44,105	61,672
Total	¥121,740	¥177,224
For the year ended March 31	Millions of yen	
	2020	2021
Dividends received		
Listed equities	¥2,052	¥2,169
Unlisted equities	1,999	911
Total	¥4,052	¥3,080



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

As of March 31	2020	2021
Millions of yen		
Listed equities		
TOYOTA MOTOR CORPORATION	¥ 51,972	¥ 68,881
LAWSON, Inc.	2,108	11,457
J-Stream Inc.	1,611	7,302
PIA Corporation	3,498	4,807
GREE, Inc.	3,336	4,472
Japan Airport Terminal Co. Ltd.	2,543	3,313
gremz, Inc.	1,700	3,234
East Japan Railway Company	2,442	2,342
Internet Initiative Japan Inc.	1,489	2,182
COLOPL, Inc.	2,030	1,946
Other	4,907	5,616
Sub total	77,635	115,552
Unlisted equities		
A-Fund, L.P.	7,393	11,965
COMMUNITY NETWORK CENTER INCORPORATED	3,604	4,996
Finatext Ltd.	4,600	4,600
WiL Fund II, L.P.	2,141	2,718
Other	26,367	37,393
Sub total	44,105	61,672
Total	¥121,740	¥177,224

ii. Financial assets at fair value through other comprehensive income disposed during the period

The Group sells its financial assets at fair value through other comprehensive income as a result of periodic review of portfolio and for the management of risk assets. Fair value at the disposal date, accumulated gains / losses arising from sale and dividends received are as follows:

For the year ended March 31	2020	2021
Millions of yen		
Fair value at the disposal date	¥6,224	¥4,066
Accumulated gains / losses arising from sale	5,450	3,596
Dividends received	0	68

iii. Reclassification to retained earnings

The Group reclassifies accumulated gains or losses arising from changes in the fair value of financial assets at fair value through other comprehensive income into retained earnings, when it disposes the investments, etc. Accumulated gains or losses, net of tax, reclassified from accumulated other comprehensive income into retained earnings are ¥2,898 million and ¥2,645 million, respectively, for the years ended March 31, 2020 and 2021.

(5) Analysis of gains and losses arising from derecognition of financial assets measured at amortized cost and the reason for derecognition

Loans for financial business	Gains and losses arising from derecognition of financial assets measured at amortized cost (():losses)
	Millions of yen
	¥6,966

In the fiscal year ended March 31, 2021, au Jibun Bank Corporation derecognizes a portion of the loans for financial business listed on its consolidated balance sheet due to the sale of housing loan obligations aimed at ensuring an appropriate equity ratio.

32 Fair Value of Financial Instruments

The financial instruments that are measured at fair value are classified into 3 levels of fair value hierarchy according to the observability and significance of the inputs used for measurement. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Group determines the hierarchy of the levels based on the lowest level input that is significant to the fair value measurement.

(1) The fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis.

i. The hierarchy of the fair value

The following table presents the classification by fair value hierarchy of the financial assets and financial liabilities recognized at fair value on the consolidated statement of financial position.

As of March 31, 2020

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	¥ 77,635	¥ —	¥44,105	¥121,740
Securities for financial business	229,749	18,275	—	248,024
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	181	—	181
Foreign exchange swaps	—	1,735	—	1,735
Interest rate swaps	—	163	—	163
Investment trusts	—	434	—	434
Financial liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	32	—	32
Foreign exchange swaps	—	2,871	—	2,871
Interest rate swaps	—	5,148	—	5,148



As of March 31, 2021

	Level 1	Level 2	Level 3	Total
Millions of yen				
Recurring fair value measurements				
Financial assets				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	¥115,552	¥ —	¥61,672	¥177,224
Securities for financial business	257,183	18,882	—	276,065
Financial assets at fair value through profit or loss				
Loans for financial business	—	106	—	106
Derivatives				
Exchange contracts	—	1,027	—	1,027
Foreign exchange swaps	—	2,755	—	2,755
Interest rate swaps	—	467	—	467
Investment trusts	—	1,202	—	1,202
Financial liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	—	—	—
Foreign exchange swaps	—	1,164	—	1,164
Interest rate swaps	—	4,075	—	4,075

Any significant transfers of the financial instruments between levels are evaluated at each period end. There was no significant transfer of the financial instruments between levels for the years ended March 31, 2020 and 2021.

ii. Measurement method of the fair value of financial assets and financial liabilities

(a) Equities

Listed equities are based on the prices on exchange and within level 1 of the fair value hierarchy.

Unlisted equities are calculated by the valuation technique based on the discounted future cash flows, valuation technique based on the market prices of the comparative companies, valuation technique based on the net asset value and other valuation techniques, and are within the level 3 of the fair value hierarchy. Unobservable input such as discount rates and valuation multiples are used for fair value measurements of unlisted equities, adjusted for certain illiquidity discounts and non-controlling interest discounts, if necessary.

(b) Securities for financial business

Securities for financial business are measured using quoted prices in active markets for identical assets if such prices are available, and are classified as level 1 of the fair value hierarchy. If such prices are unavailable, they are measured using the prices based on available information like brokered markets and the valuation technique based on the discounted future cash flows using discounted rates reflecting risk free rates and credit spreads, and are classified as level 2 of the fair value hierarchy according to observability of inputs

(c) Loans for financial business

Loans for financial business are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk, and are classified as the level 2 of fair value hierarchy.

(d) Derivatives

(i) Exchange contracts

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to exchange contracts are classified as level 2 of the fair value hierarchy.

(ii) Foreign exchange swaps

The fair value of forward foreign exchange swap is determined using forward exchange rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to exchange swap are classified as level 2 of fair value hierarchy.

(iii) Interest rate swaps

Interest rate swaps are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk. The financial assets and financial liabilities related to interest rate swaps are classified as the level 2 of the fair value hierarchy.

(e) Investment trusts

Investment trusts are measured using quoted prices in inactive markets for identical assets based on market approach, and are classified as level 2 of fair value hierarchy.

iii. Reconciliation of level 3

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2020.

	Millions of yen
	Financial assets at fair value through other comprehensive income
	Equities
As of April 1, 2019	¥37,804
Acquisition	9,298
Gain recognized on other comprehensive income	(1,883)
Sale	(234)
Other	(880)
As of March 31, 2020	¥44,105

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2021.

	Millions of yen
	Financial assets measured at fair value through other comprehensive income
	Equities
As of April 1, 2020	¥44,105
Acquisition	8,866
Gain recognized on other comprehensive income	6,828
Sale	(1,126)
Other	3,000
As of March 31, 2021	¥61,672

iv. Evaluation process of level 3

Fair value measurements of unlisted equities are performed by a management department independent from sales departments in accordance with the prescribed rules. Fair value measurements including fair value models are examined for the adequacy by periodically evaluating the business descriptions and the availability of business plans of the companies issuing the equities, as well as comparative listed companies.

v. Quantitative information related to assets classified as level 3

Information related to evaluation technique and significant unobservable inputs of assets measured at fair value on a recurring basis classified as level 3 is as follows:

As of March 31, 2020

	Fair value			
	Millions of yen	Valuation technique	Unobservable inputs	Range
Equities	¥44,105	Income approach	Discount rate	5.7%–11.2%

As of March 31, 2021

	Fair value			
	Millions of yen	Valuation technique	Unobservable inputs	Range
Equities	¥61,672	Income approach	Discount rate	3.2%–12.0%

vi. Sensitivity analysis related to the changes in significant unobservable inputs

For financial instruments classified as level 3, no significant changes in fair value are expected to occur as a result of changing unobservable inputs to other alternative assumptions that are considered reasonable.

(2) The fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value.

i. The hierarchy of the fair value

The following are the fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value. The financial assets and financial liabilities that are measured at amortized cost are included.



As of March 31, 2020

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Millions of yen					
Financial assets					
Loans for financial business	¥1,168,671	¥ —	¥1,162,160	¥—	¥1,162,160
Other financial assets					
Monetary claims bought	21,808	—	20,290	—	20,290
Financial liabilities					
Borrowing and bonds payable					
Borrowings	851,591	—	858,682	—	858,682
Bonds payables	369,222	370,499	—	—	370,499
Deposits for financial business	1,427,419	—	1,428,422	—	1,428,422

Notes: 1. Loans for financial business in the table above include their current portion.
 2. Borrowings and bonds payable in the table above include their current portion.
 3. Financial assets and financial liabilities whose fair values are similar to the carrying amounts are not included in the table above.

As of March 31, 2021

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Millions of yen					
Financial assets					
Loans for financial business	¥1,382,305	¥ —	¥1,372,083	¥—	¥1,372,083
Other financial assets					
Monetary claims bought	16,881	—	16,574	—	16,574
Financial liabilities					
Borrowing and bonds payable					
Borrowings	815,655	—	821,554	—	821,554
Bonds payables	329,384	331,120	—	—	331,120
Deposits for financial business	1,850,090	—	1,851,319	—	1,851,319

Notes: 1. Loans for financial business in the table above include their current portion.
 2. Borrowings and bonds payable in the table above include their current portion.
 3. Financial assets and financial liabilities whose fair values are similar to the carrying amounts are not included in the table above.

ii. Measurement method of the fair value

(a) Loans for financial business

The fair value of loans for financial business is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk. Loans for financial business are classified as level 2 of the fair value hierarchy.

(b) Monetary claims bought

The fair value of monetary claims bought is measured using quoted prices in inactive markets for identical assets based on market approach and is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk. Monetary claims bought are classified as level 2 of the fair value hierarchy.

(c) Borrowings

For borrowings with variable interest rates, the carrying amount is used as fair value, as the rates reflect the market interest rate within a short term and there is no significant change expected in the Group entities' credit conditions after financing. For borrowings with fixed interest rates, fair value is estimated by discounting the total of principal and

interest using the current interest rate adjusted for the remaining maturity period of the borrowings and credit risk. Borrowings are classified as level 2 of the fair value hierarchy.

(d) Bonds payables

For bonds payable with quoted price, the fair value is estimated based on quoted price. For bonds payable without quoted price, the fair value is calculated by the present value of future cash flows discounted using the interest rate adjusted for the remaining maturity period and credit risk. Bonds payables with quoted price are classified as level 1 of fair value hierarchy and bonds payables without quoted price are classified as level 2 of the fair value hierarchy.

(e) Deposits for financial business

For demanded deposits of the deposits for financial business, amounts payable on request at the year-end closing date (carrying amount) are considered to represent fair value. The fair value of time deposits is measured at the present value calculated by discounting each portion of future cash flows classified by period. The discount rate is the interest rate used when accepting new deposits. In addition, the contract principal and interest of time deposits classified is measured at the amounts after classification. Deposits for financial business are classified as level 2 of the fair value hierarchy.

33 Commitments

Purchase commitments

	Millions of yen	
For the year ended March 31	2020	2021
Property, plant and equipment	¥174,379	¥337,306
Intangible assets	15,133	14,403
Total	¥189,512	¥351,708

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

34 Earnings per Share

(1) Basic earnings per share

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

	Millions of yen	
For the year ended March 31	2020	2021
Profit for the year attributable to owners of the parent	¥ 639,767	¥ 651,496
Weighted average number of common shares outstanding (Thousands of shares)	2,320,622	2,292,738
Basic earnings per share (Yen)	¥275.69	¥284.16

(2) Diluted earnings per share

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

	Millions of yen	
For the year ended March 31	2020	2021
Profit for the year attributable to owners of the parent	¥639,767	¥651,496
Adjustment of profit	—	—
Profit used in calculation of diluted earnings per share	¥639,767	¥651,496

	Thousands of shares	
For the year ended March 31	2020	2021
Weighted average number of common shares outstanding	2,320,622	2,292,738
Effect of dilutive potential common shares		
BIP trust and ESOP trust	1,665	1,967
Weighted average number of common shares during the year	2,322,287	2,294,705

	Yen	
For the year ended March 31	2020	2021
Diluted earnings per share	¥275.49	¥283.91

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

**35 Lease****(1) Lease as a lessee**

The Group mainly leases office space, buildings for base stations, dark fiber and in-house customer premises equipment for CATV and communication. Lease contracts for office space, buildings for base stations and dark fiber include extension and termination options. However, the Group does not have any lease contracts that contain restrictions or covenants.

i. Amounts recognized in the Consolidated Statements of Financial Position

	Millions of yen	
As of March 31	2020	2021
Right-of-use assets		
Real estate for base station as the underlying assets	¥174,966	¥164,833
Transmission line as the underlying assets	29,108	31,922
Real estate for office and telecommunication business as the underlying assets	84,148	112,866
Telecommunication equipment as the underlying assets	19,757	15,099
Other underlying assets	70,891	72,052
Total right-of-use assets	¥378,870	¥396,772

	Millions of yen	
As of March 31	2020	2021
Increase of right-of-use assets	¥113,903	¥150,584

ii. Amounts recognized in the Consolidated Statements of Income

	Millions of yen	
For the year ended March 31	2020	2021
Depreciation associated with right-of-use assets		
Real estate for base station as the underlying assets	¥ 53,306	¥ 53,638
Transmission line as the underlying assets	6,967	6,523
Real estate for office and telecommunication business as the underlying assets	30,785	35,894
Telecommunication equipment as the underlying assets	7,847	7,733
Other underlying assets	24,651	24,109
Total depreciation associated with right-of-use assets	¥123,556	¥127,897
Interest expense associated with lease liabilities	2,082	1,799

iii. Cash flows associated with leases

	Millions of yen	
For the year ended March 31	2020	2021
Total cash outflows associated with leases	¥129,029	¥135,025

(2) Lease as a lessor**i. Finance lease**

KDDI Summit Global Myanmar Co., Ltd. (KSGM), one of the Group's consolidated subsidiaries, operates the telecommunication business in Myanmar jointly with Myanmar Posts & Telecommunications (MPT), an organization under the Ministry of Transport and Communications in Myanmar. KSGM mainly leases telecommunication equipment to MPT classified as finance lease in the joint operation.

(a) Income from lease

Not applicable.

(b) Maturity analysis

As of March 31	2020	2021
Within one year	¥ 40,414	¥ 41,437
Over one year to two years	35,261	33,797
Over two year to three years	28,111	22,825
Over three year to four years	17,663	13,525
Over four years to five years	8,817	6,843
Over five years	2,510	1,561
Total	¥132,776	¥119,988
Unearned finance income	¥ (15,435)	¥ (13,235)
Net investment in the lease	117,341	106,753

36 Non-cash Transactions

For the fiscal years ended March 31, 2020 and 2021, non-cash transactions (investment and finance transaction that don't require the use of cash and cash equivalents) comprise acquisition of right-of-use assets resulting from new leases of ¥113,903 million and ¥150,584 million, respectively.

37 Major Subsidiaries

(1) Organizational structure

Major subsidiaries of the Group are as follows. They have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Company name	Segment	Location	Key business	The proportion of voting rights (%)	
				As of March 31, 2020	As of March 31, 2021
Okinawa Cellular Telephone Company	Personal Services	Naha-shi, Okinawa	Telecommunications services (au mobile phone services)	51.6	52.4
Jupiter Telecommunications Co., Ltd. (Note 1)	Personal Services	Chiyoda-ku, Tokyo	Management of CATV operators and broadcasting service providers	50.0	50.0
J:COM West Co., Ltd.	Personal Services	Chuo-ku, Osaka	Management of CATV (broadcasting and telecommunication business)	92.8 (92.8)	92.8 (92.8)
UQ Communications Inc. (Note 2)	Personal Services	Chiyoda-ku, Tokyo	Wireless broadband services	32.3	32.3
BIGLOBE Inc.	Personal Services	Shinagawa-ku, Tokyo	Telecommunications services under Telecommunications Business Act	100.0	100.0
AEON Holdings Corporation of Japan	Personal Services	Shinjuku-ku, Tokyo	Operation of language schools starting with English conversation	100.0	100.0
Chubu Telecommunications Co., Inc.	Personal Services Business Services	Naka-ku, Nagoya-shi, Aichi	Telecommunications services under Telecommunications Business Act	80.5	80.5
Wire and Wireless Co., Ltd.	Personal Services	Chuo-ku, Tokyo	Wireless broadband services	95.2	95.2
au Financial Holdings Corporation	Personal Services	Chuo-ku, Tokyo	Holding company for financial business	100.0	100.0
Supership Holdings, Inc	Personal Services	Minato-ku, Tokyo	Holding company of internet service companies	82.3	83.6
Jupiter Shop Channel Co., Ltd.	Personal Services	Koto-ku, Tokyo	Mail order services	55.0 (50.0)	55.0 (50.0)
Jupiter Entertainment Co.,Ltd.	Personal Services	Chiyoda-ku, Tokyo	Management of TV channels	100.0 (100.0)	100.0 (100.0)



Company name	Segment	Location	Key business	The proportion of voting rights (%)	
				As of March 31, 2020	As of March 31, 2021
ENERES Co., Ltd.	Personal Services	Chiyoda-ku, Tokyo	Energy information business	59.0	59.0
KDDI Matomete Office Corporation	Business Services	Shibuya-ku, Tokyo	IT support services for small and medium-sized companies	95.0	95.0
KDDI Evolva, Inc.	Business Services	Shinjuku-ku, Tokyo	Call center, temporary personnel services	100.0	100.0
Japan Internet Exchange Co., Ltd.	Business Services	Chiyoda-ku, Tokyo	Exchange port providing services for internet service providers	70.7 (6.9)	70.7 (6.9)
KDDI Engineering Corporation	Other	Shibuya-ku, Tokyo	Construction, maintenance and operation support for communication equipment	100.0	100.0
KDDI Research, Inc.	Other	Fujimino-shi, Saitama	Technology research and product development related to telecommunication services	91.7	91.7
Kokusai Cable Ship Co., Ltd.	Other	Kawasaki-shi, Kanagawa	Construction and maintenance of submarine cable	100.0	100.0
Japan Telecommunication Engineering Service Co., Ltd.	Other	Shinjuku-ku, Tokyo	Design, construction, operation support and maintenance for communication equipment	74.3	74.3
KDDI America, Inc.	Business Services	New York, U.S.A.	Diversified telecommunications services in US	100.0	100.0
KDDI Europe Limited	Business Services	London, U.K.	Diversified Telecommunications services in Europe	100.0 (4.2)	100.0 (4.2)
KDDI China Corporation	Business Services	Beijing, China	Sales, maintenance and operation of communication equipment in China	85.1	85.1
KDDI Singapore Pte Ltd	Business Services	Singapore	Diversified Telecommunications services in Singapore	100.0	100.0
TELEHOUSE International Corporation of America	Business Services	New York, U.S.A.	Data center services in America	70.8 (2.3)	70.8 (2.3)
TELEHOUSE Holdings Limited	Business Services	London, U.K.	Holding company	100.0	100.0
TELEHOUSE International Corporation of Europe Ltd.	Business Services	London, U.K.	Data center services in Europe	92.8 (92.8)	92.8 (92.8)
KDDI Summit Global Singapore Pte. Ltd.	Personal Services	Singapore	Holding company	50.1	50.1
KDDI Summit Global Myanmar Co., Ltd.	Personal Services	Yangon, Myanmar	Telecommunication business in collaboration with Myanma Posts & Telecommunications (MPT)	100.0 (100.0)	100.0 (100.0)
Mobicom Corporation LLC	Personal Services	Ulaanbaatar, Mongolia	Diversified telecommunications services in Mongolia	98.8 (98.8)	98.8 (98.8)

Numbers in parentheses represent indirect voting rights.

- Notes: 1. The Group does not own a majority of the voting rights in Jupiter Telecommunications Co., Ltd. ("Jupiter Telecom"). However, the Group owns 50% of the voting rights of Jupiter Telecom and has the power to govern its financial and operating policies. Accordingly, Jupiter Telecom is controlled by the Group and included in the consolidated financial statements.
2. The Group does not own a majority of the voting rights in UQ Communications Inc. ("UQ"). However, UQ is consolidated by the Group because UQ is considered to be controlled by the Group on the grounds that the Group is the largest shareholder of UQ, the director dispatched from the Group has the right of representation, the directors dispatched from the Group have the executive power in the UQ's Board of Directors, and the operations of UQ are significantly dependent on the Company.

(2) Financial statements of the Group's subsidiaries with material non-controlling interests

Jupiter Telecommunication Co Ltd. ("Jupiter Telecom").

As of March 31	2020	2021
The proportion of ownership interests held by non-controlling interests	50.0%	50.0%

The proportion of ownership interests by non-controlling interests held equals the voting rights by non-controlling interests.

Amounts before adjustments to internal transactions of the Group are as follows:

(a) Consolidated statements of financial position

	Millions of yen	
As of March 31	2020	2021
Current assets	¥ 135,043	¥ 154,139
Non-current assets	1,078,222	1,116,346
Current liabilities	254,085	184,158
Non-current liabilities	568,971	662,847
Total equity	¥ 390,209	¥ 423,479

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

	Millions of yen	
As of March 31	2020	2021
Interests attributable to owners of the parent	¥167,454	¥189,452
Non-controlling interests	222,755	234,026
Total	¥390,209	¥423,479

(b) Consolidated statements of income and comprehensive income

	Millions of yen	
For the year ended March 31	2020	2021
Revenue	¥826,451	¥831,719
Profit for the year before income tax	113,999	117,038
Income taxes	37,786	38,070
Profit, net of tax	76,213	78,968
Other comprehensive income	866	2,292
Total comprehensive income	¥ 77,078	¥81,259

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

	Millions of yen	
For the year ended March 31	2020	2021
Profit for the year attributable to owners of the parent	¥38,416	¥40,128
Profit for the year attributable to non-controlling interests	37,796	38,840
Sub total	76,213	78,968
Other comprehensive income attributable to owners of the parent	420	1,144
Other comprehensive income attributable to non-controlling interests	446	1,148
Sub total	866	2,292
Total comprehensive income attributable to owners of the parent	38,836	41,271
Total comprehensive income attributable to non-controlling interests	38,242	39,988
Total	¥77,078	¥81,259

For the years ended March 31, 2020 and 2021, dividends paid by Jupiter Telecom to non-controlling interests were ¥30,304 million and ¥28,523 million, respectively.

**(c) Consolidated statement of cash flows**

Millions of yen

For the year ended March 31	2020	2021
Cash flows from operating activities (net)	¥176,064	¥193,827
Cash flows from investing activities (net)	(91,272)	(93,662)
Cash flows from financing activities (net)	(86,670)	(87,765)
Increase (decrease) of cash and cash equivalents	(1,878)	12,399

38 Related Party Transactions**(1) Related party transactions**

For the year ended March 31, 2020

There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

For the year ended March 31, 2021

There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

(2) Remuneration of key management

Remuneration of key management is as follows:

Millions of yen

For the year ended March 31	2020	2021
Short-term employee benefits	¥ 857	¥ 878
Share-based payment	209	182
Total	¥1,066	¥1,060

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

39 Contingent Events**Commitment line lending contract**

Certain consolidated subsidiaries are engaged in consumer lending business through cash advances and credit card loans, which are related to the credit cards. With regard to such loans, of the amount established in a loan contract (the contracted limit), the contract allows customers to take out a loan at any time within the amount of credit limit approved by these consolidated subsidiaries (the loan limit).

Since some of these contracts expire without the actual loan being drawn, in addition to the Group Companies having discretion to increase or decrease the loan limit, the unused balance of these loans would not necessarily be drawn in its entirety.

The balances of the unused lending commitment lines are as follows:

Millions of yen

As of March 31	2020	2021
Total commitment line borrowings	¥602,448	¥620,485
Amounts lent	192,155	202,867
Unused balance of lending	410,293	417,618

40 Subsequent Events

Repurchase of treasury stocks

The Board of Directors of KDDI at its meeting held on May 14, 2021, resolved that KDDI would repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, which applies pursuant to Article 165, Paragraph 3, of that law.

(1) Reason for repurchase of KDDI's own shares

To implement flexible capital policies in response to the change in the business environment and to provide shareholders return.

(2) Reason for repurchase of KDDI's own shares

- (a) Type of shares to be repurchased: Shares of common stock
- (b) Total number of shares to be repurchased: Up to 52,000,000 shares
- (c) Repurchase period: From June 1, 2021 to March 24, 2022
- (d) Total amount of repurchase price: Up to ¥150 billion

(3) Repurchase method

Market purchases: Market purchases through the Tokyo

41 Approval of the Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2021 were approved by the Board of Directors on June 24, 2021.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KDDI CORPORATION

Opinion

We have audited the consolidated financial statements of KDDI CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers Kyoto
Tamachi Station Tower S 13th Floor, 3-1-21 Shibaura, Minato-ku, Tokyo 108-0023, Japan
Tel: +81 (3) 6400-5561, Fax: +81 (3) 6400-5562, www.pwc.com/jp/kyoto

1/5



Recoverability of goodwill (Notes to Consolidated Financial Statements, Note 3. Significant accounting policies, (6) Goodwill and Notes to Consolidated Financial Statements, 7. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets)	
Key audit matter description	How our audit addressed the key audit matter
<p>The amount of goodwill recorded in KDDI Corporation's consolidated statement of financial position is 540,420 million yen (5.13% of total assets on a consolidated basis). For a breakdown of goodwill allocated to each cash-generating unit ("CGU"), see Note 7. Impairment of property, plant and equipment, goodwill, intangible assets, and right-of-use assets in the Notes to the Consolidated Financial Statements.</p> <p>The recoverable amount is determined based on the value in use. The value in use is calculated by discounting future cash flows at a pre-tax discount rate. The estimation of future cash flows is based on the most recent business plan approved by management and is estimated for each CGU. The forecast period for the business plan is a maximum of five years, and beyond the forecast period, an assumed growth rate that takes into account the long-term average growth rate of the market is used. The growth rate is determined by taking into account the state of the country and industry in which the CGU operates. The discount rate applied to the future cash flows reflects the time value of money and the risks inherent in the asset. The value in use measurements includes significant assumptions about sales, cost of sales and selling, general and administrative expenses in the business plans, growth rates and pre-tax discount rates.</p> <p>Significant assumptions involving a high degree of estimation uncertainty are therefore required in management's judgement of the recoverability of goodwill. Depending on the outcome of the estimates, impairment losses may not be recognized or could be inaccurate. Also, the amount of goodwill recorded in the consolidated financial statements is quantitatively material. Based on these factors, it was determined that the audit of management's assessment of the recoverability of goodwill was a key audit matter.</p>	<p>We have performed the following principal auditing procedures to assess management's analysis of the recoverability of goodwill:</p> <ul style="list-style-type: none"> · We evaluated the design and operating effectiveness of the relevant internal controls which were implemented by management in order to ensure the appropriateness of the impairment test · We evaluated the appropriateness of the model used to determine value in use as well as the reasonableness of the pre-tax discount rate, with the assistance of valuation experts · We performed sensitivity analyses of the significant assumptions of the business plan, growth rate and pre-tax discount rate for each CGU · We evaluated the significant assumptions used by management to estimate net sales, cost of sales, and selling, general and administrative expenses, including growth rates for each CGU <p>This included the following principal procedures:</p> <ol style="list-style-type: none"> i. Assessed the growth rate used by management by comparing it to market forecasts and sector-specific forecasts ii. Recalculated the analysis underlying the pre-tax discount rate used by management and assessed the discount rate for reasonableness by evaluating the underlying assumptions used iii. Evaluated management's business plan with respect to significant assumptions included in estimates of net sales, cost of sales and selling, general and administrative expenses iv. Evaluated the historical performance of each CGU compared to previous estimates made for net sales, cost of sales and selling, general and administrative expenses v. Confirmed the consistency between the business plan used for impairment testing and the most recent business plan approved by management



Significant judgments and estimates regarding contract costs (Notes to Consolidated Financial Statements, Note 24.Revenue)	
Key audit matter description	How our audit addressed the key audit matter
<p>Contract costs included in KDDI Corporation's consolidated statements of financial position amounted to 466,316 millions of yen (4.43% of consolidated assets). Costs to obtain contracts consist primarily of selling commissions paid to au shops and other agencies incurred when acquiring customers, amounting to 410,203 million yen. In addition, costs to fulfill contracts were 56,113 million yen, primarily for commissions and upfront fees collected prior to the commencement of services.</p> <p>The capitalization of these costs requires management's judgment as to whether the applicable charges fall within the definition of contract costs under IFRS 15, Revenue from Contracts with Customers. Such judgment shall be made in accordance with the contractual and other information regarding agent commissions such as au shops, etc. In addition, in order to amortize the capitalized costs, management must make certain assumptions regarding the expected contract term and the determination of recoverability, which involves a high degree of estimation uncertainty. Depending on the outcome of the estimates and assumptions made, amortization expense of capitalized contract costs could be inaccurate. In addition, the amount of costs capitalized is quantitatively material to the consolidated financial statements. Based on these factors, it was determined that the audit of the capitalized contract costs was a key audit matter.</p>	<p>We have performed the following principal auditing procedures to assess the capitalized contract costs:</p> <ul style="list-style-type: none"> · We evaluated the design and operating effectiveness of the relevant internal controls implemented by management to ensure the appropriateness of accounting for contract costs · We recalculated of whether the incremental costs to acquire contracts and costs to fulfill contracts accounted for as expenses under Japanese GAAP have been accurately aggregated without omission · We tested the appropriateness of costs classified by the company as costs to obtain contracts by verifying that those costs related to sales commissions paid in connection with obtaining those customer contracts by examining the contractual and other information regarding agent commissions such as au shops, etc by testing on a sampling basis · In order to verify the reasonableness of the expected contract term, verification of the data used and comparing of the results obtained by reperforming and recalculating the expected term independently under the same conditions · We compared contract renewals to the expected contract term estimated to corroborate the reasonableness of management's estimate · We analyzed the recoverability of capitalized contract costs, including performing sensitivity analyses and other comparisons based on the approved business plan to corroborate that such capitalized costs are not impaired

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Toshimitsu Wakayama

Designated Engagement Partner
Certified Public Accountant

Ryoichi Iwasaki

Designated Engagement Partner
Certified Public Accountant

Tetsuro Iwase

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Kyoto

June 24, 2021