



This translation is to be used solely as a reference and the consolidated financial statements in this release are unaudited.

Financial Statements Summary for the six-month period ended September 30, 2020 [IFRS]

October 30, 2020

Company name: **KDDI CORPORATION** URL <https://www.kddi.com>
 Stock listing: Tokyo Stock Exchange - First Section
 Code number: 9433
 Representative: Makoto Takahashi, President
 Scheduled date of quarterly report filing: November 5, 2020
 Scheduled date of dividend payment: December 2, 2020
 Supplemental materials of quarterly results: Yes
 Presentation for quarterly results: Yes (for institutional investors and analysts)

(Amount Unit : Millions of yen, unless otherwise stated)
 (Amounts are rounded off to nearest million yen)

1. Consolidated Financial Results for the six-month period ended September 30, 2020 (April 1, 2020 - September 30, 2020)

(1) Consolidated Operating Results (Percentage represents comparison change to the corresponding previous quarterly period)

	Operating revenue		Operating income		Profit for the period before income tax		Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
	%		%		%		%		%		%	
Six-month period ended September 30, 2020	2,537,196	(1.1)	588,763	6.4	588,385	6.9	404,342	7.1	372,899	7.3	412,200	9.6
Six-month period ended September 30, 2019	2,564,457	4.2	553,407	(1.4)	550,195	(1.8)	377,579	(2.3)	347,545	0.6	376,076	(3.7)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six-month period ended September 30, 2020	162.13		162.02	
Six-month period ended September 30, 2019	148.67		148.63	

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
				%
As of September 30, 2020	9,898,023	5,101,777	4,629,269	46.8
As of March 31, 2020	9,580,149	4,859,108	4,384,424	45.8

2. Dividends

	Dividends per share				
	1 st Quarter End	2 nd Quarter End	3 rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	55.00	—	60.00	115.00
Year ending March 31, 2021	—	60.00			
Year ending March 31, 2021 (forecast)			—	60.00	120.00

Note: Changes in the latest forecasts released : No

3. Consolidated Financial Results Forecast for Year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentage represents comparison to previous fiscal year)

	Operating revenue		Operating income		Profit for the year attributable to owners of the parent		Basic earnings per share	
	%		%		%		Yen	
Entire fiscal year	5,250,000	0.2	1,030,000	0.5	640,000	0.0	278.27	

Note: Changes in the latest forecasts released : No

*The above forecasts reflects the impact of COVID-19 based on the information currently available. The update for forecast will be disclosed promptly if the situation is changed.

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation) during the six-month period ended September 30, 2020 : None

Addition: None

Exclusion: None

(2) Changes in accounting policies and estimates

1) Changes in accounting policies required under IFRSs: None

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

(3) Numbers of outstanding shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of September 30, 2020	2,304,179,550
	As of March 31, 2020	2,355,373,600

2) Number of treasury stock	As of September 30, 2020	4,117,084
	As of March 31, 2020	55,464,960

3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the six-month period ended September 30, 2020	2,300,006,599
	For the six-month period ended September 30, 2019	2,337,654,931

Note: The 4,117,083 shares as of September 30, 2020 and the 4,270,910 shares as of March 31, 2020 of KDDI's stock owned by the executive compensation BIP Trust account and the stock-granting ESOP Trust account are included in the total number of treasury stock.

This quarterly earnings report is not subject to quarterly review procedure.

Explanation for appropriate use of forecasts and other notes

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.8 "1. Qualitative Information / Consolidated Financial Statements, etc (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results" under [the Attachment] for the assumptions used and other notes.
2. On October 30, 2020, KDDI will hold a financial result briefing for the institutional investors and analysts. Presentation materials will be webcasted on the same time as the release of this earnings report, and the live presentation and Q&A summary will be also posted on our website immediately after the commencement of the financial result briefing. In addition to the above, KDDI holds the briefing and the presentations on our business for the individual investors timely. For the schedule and details, please check our website.

[the Attachment]

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1. Qualitative Information / Consolidated Financial Statements, etc.

(1) Explanation of Financial Results

1) Results Overview

Industry Trends and KDDI's Position

Due to recent advances in 5G, IoT, AI, big data, and other technologies that are driving full-fledged digitization, we are transforming into a data-driven society, one that places a higher value on data than ever before. With the wider acceptance of these technologies, all industries are accelerating toward a digital transformation (DX), and expectations are that this will realize Society 5.0*1 for SDGs,*2 a development that will simultaneously spur economic development and solve social issues. In addition, due to the impact of the recent novel coronavirus pandemic, all facets of life and industry have settled into a new normal, and people are clamoring for an accelerated DX that will facilitate the building of a resilient social foundation that can help prevent the spread of the virus while supporting economic growth.

Amid these circumstances, in March 2020, we began offering fifth-generation wireless service under the name “au 5G.” For individual customers, we began offering the “Data MAX 5G ALL STAR Pack” and other au 5G pricing plans, which combine unlimited data*3 and popular entertainment options. We also began selling 5G smartphones optimized for entertainment. Users can now freely, easily, and instantaneously handle massive amounts of data. Under the concept of “UNLIMITED WORLD au 5G,” which frees customers from conventional restrictions, we joined with partners in various industries to offer new ways to experience entertainment, sports, art, and more in the new normal. In addition, KDDI took over the UQ mobile business of UQ Communications Inc. through a corporate split with an effective date of October 1, 2020. Going forward, we will continue offering pricing plans and services in line with usage styles through a multi-brand strategy. The “au” brand is offered to customers who want a good deal for various services along with unlimited data volume. The “UQ mobile” brand, on the other hand, is geared toward customers who want a simpler plan at a reasonable price.

For corporate customers, corporate DX is accelerating in various industries and business arenas, greatly changing business models. Focusing on KDDI DIGITAL GATE, which is a business development base for the 5G/IoT era that supports customers' DX, we are working with various partner companies to promote the creation of new experience value and businesses that are only possible in the 5G era as well as to help create strong corporate foundations resilient to environmental changes.

The entire Company is promoting sustainability activities aimed at achieving the SDGs. In line with our commitment to continue working to solve various social issues through business going forward, in May 2020 we established the new “KDDI Sustainable Action,” which focuses on 2030. We will continue contributing to the sustainable growth of society by connecting lives, connecting homes, and connecting hearts while using 5G, IoT, and other technologies.

Based on the policy of “KDDI Sustainable Action,” we announced KDDI's five basic policies related to the novel coronavirus pandemic. Meanwhile, we will maintain telecommunications services, which serve as the foundation and lifeline for society, and proactively cooperate on initiatives spearheaded by governments, municipalities, public organizations, and other groups. In these ways, we will continue unifying the capabilities of the Group and fulfilling our social responsibility to stably support industry and everyone's lives going forward.

Furthermore, in August 2020, KDDI and KDDI Research, Inc. formulated KDDI Accelerate 5.0, which aims to build a resilient future society in the era of the new normal. We will accelerate the realization of Society 5.0 promoted by the government through the utilization of technology and the orchestration of seven fields that support the evolution of business layers, platform layers, and network layers, including 5G networks.

In August 2020, we introduced a new system for human resources with the purpose of evaluating and praising employees on their accomplishments, endeavors, and abilities (rather than hours worked) and accordingly reflecting these in compensation. We will continue promoting KDDI's version of job-focused management by leveraging its strength in clarifying the scope of work duties while seizing various growth opportunities in a wide range of business areas in the KDDI Group. Furthermore, by upgrading our offices and IT environment to realize diverse workstyles, we aim to enable employees to tap their full potential, increase engagement, and achieve sustainable corporate growth.

*1. One of the medium- to long-term growth strategies of Japan, which refers to an ideal human-centric society achieved by using systems that highly integrate cyberspace with physical space.

*2. Sustainable Development Goals: international goals that were adopted at the United Nations summit in September 2015

*3. When using for tethering, data sharing and international roaming (World Data Flat), the maximum limit is 30GB/month for Data MAX 5G, 60GB/month for the Data MAX 5G Netflix Pack and 80GB/month for the Data MAX 5G ALL STAR Pack.

Data speed will be restricted when you use services that require significant data communication or long sessions, such as video sharing and streaming services. Services subject to the restriction are chosen according to their impact on KDDI's network. Internet service, however, will not be disrupted. If you use a significant amount of data over a specified period, the data speed will be restricted during peak times.

Financial Results

For the six-month period ended September 30, 2020

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2019	Six-month period ended September 30, 2020	Increase (Decrease)	Increase (Decrease)%
Operating revenue	2,564,457	2,537,196	(27,262)	(1.1)
Cost of sales	1,391,447	1,314,086	(77,361)	(5.6)
Gross profit	1,173,010	1,223,109	50,099	4.3
Selling, general and administrative expenses	625,345	642,997	17,652	2.8
Other income and expense (Net)	3,436	7,019	3,583	104.3
Share of profit(loss) of investments accounted for using the equity method	2,306	1,632	(674)	(29.2)
Operating income	553,407	588,763	35,356	6.4
Finance income and cost (Net)	(4,714)	(2,290)	2,423	—
Other non-operating profit and loss (Net)	1,502	1,913	411	27.3
Profit for the period before income tax	550,195	588,385	38,190	6.9
Income tax	172,617	184,043	11,426	6.6
Profit for the period	377,579	404,342	26,764	7.1
Attributable to owners of the parent	347,545	372,899	25,355	7.3
Attributable to non-controlling interests	30,034	31,443	1,409	4.7

During the six-month period ended September 30, 2020, operating revenue decreased by 1.1% year on year to ¥2,537,196 million mainly due to a decrease of handset sales revenues despite of increase of revenue in Life design domain.

Operating income increased by 6.4% year on year to ¥588,763 million mainly due to a decrease of expenses for handset sales and an increase in gross profit of energy business.

Profit for the period attributable to owners of the parent increased by 7.3% year on year to ¥372,899 million mainly due to an increase of operating income.

The business environment surrounding the KDDI group is affected by COVID-19. However, the KDDI Group continues to work on implementing its business strategy and enhancing the management base and there will be no significant impact on consolidated financial results for the six-month period ended September 30, 2020.

2) Results by Business Segment

Personal Services

The Personal Services segment provides services to individual customers.

In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, entertainment, and education, while focusing on conventional telecommunications services, chiefly under the "au" brand, such as those related to smartphones, cell phones, FTTH, and CATV. We will continue accelerating the provision of dynamic services attuned to customer needs and market conditions through a multi-brand strategy that encompasses "au" and "UQ mobile," which has simple plans at reasonable prices.

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.

Quarterly Highlights

- In September 2020, we announced that from October onward we will roll out six 5G smartphone models forming a broad product lineup from high-spec models featuring HD 108-megapixel cameras to middle-range models with select features and models boasting high cost performance. Furthermore, all of the "au" smartphone models sold going forward will be 5G capable.
- Regarding 5G pricing plans, from October 1, 2020, we reduce by ¥1,000*1 "au Pitatto Plan" for 5G smartphones that automatically applies monthly fees in line with data volumes. Moreover, from October 1, 2020, we offer the "5G Start Discount," which discounts ¥1,000 every month from "Data MAX 5G" and other plans for the twelve months following signup, and the "Smartphone Support Discount III," which discounts monthly fees for the six months following a new contract*2 or a change in handset model.*3 Through these pricing plans and campaigns, customers can continue to easily use "au 5G" at the same price as 4G LTE.*4
- From October 2020, to promote the full-scale operation of "au 5G," we provide new video-related services, such as the professional, rich vertical video service "smash"; "Data MAX 5G TV Pack," which brings together VOD services from four broadcast stations; and expanded Smart Pass puremiamu, including multi-angle videos. In addition, to ensure customers can quickly experience the new services of the 5G era, we will continue to provide new experiences in many different places using 5G and XR technologies,*5 such as AR cheering and VR viewing at pro baseball games in collaboration with the Yokohama DeNA BayStars and a Halloween event at Virtual Shibuya, a virtual space publicly recognized by Shibuya Ward.
- In August 2020, used digital technology for the grand reopening of "au Minato Mirai" as a store boasting the dual benefits of the ease of online shopping and the cordial hospitality of stores. At "au Minato Mirai," you can select a model or pricing plan in advance online at home or outside, use a self-service terminal at the store that synchs with that data, and quickly and easily complete the process for changing handset models. In addition, for customers unsure of the contract details or processes, the staff offers support on site and you can comfortably finish the process.
- In July 2020, we made Netflix and Amazon Prime Video compatible with our Cable Plus STB-2 provided for CATV.
- Aiming to further expand the "au Economic Zone," we took measures to boost use of au PAY and Ponta Points through regular point boosting campaigns at Lawson stores and continuous point boosting campaigns with major companies like Uniqlo and in industries like drug stores and super markets. In addition, in July 2020, we registered au PAY and au PAY Card as cashless settlement services for the My Number Point Business and are working to acquire users through campaigns and TV commercials.
- The Myanmar telecommunications business, which is jointly operated by KDDI Summit Global Myanmar Co., Ltd. and Myanma Posts & Telecommunications (MPT), concluded an official partner agreement with Myanmar's most popular e-Sports team, the "Burmese Ghouls." The Mongolia-based MobiCom Corporation LLC changed the name of its electronic settlement service from "Candy" to "monpay" in September 2020. With the new brand "monpay," the company is working to promote more widespread use of electronic settlement services within Mongolia.

*1. Customers who are already using "au Pitatto Plan 5G" will also see the changes reflected from their October 2020 bill. In line with this, "au Pitatto Plan 5G" users will not be able to apply the "5G Start Campaign" discount.

*2. This is also applicable for customers who will use the same handset after signing up.

*3. When switching from an "au" IC card (SIM card), this is also applicable for customers who will use the same handset after signing up. (A fee will be charged for changing from the "au" IC card.)

*4. With the "5G Start Discount," customers can use "Data MAX 5G," "Data MAX 5G Netflix Pack," and "Data MAX 5G TV Pack" for the same price as 4G LTE for the twelve months after the month in which the customer signed up.

*5. Extended Reality: a catchall phrase for virtual reality technology

Operating performance in the Personal Services segment for the six-month period ended September 30, 2020 is described below.

Results

For the six-month period ended September 30, 2020

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2019	Six-month period ended September 30, 2020	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	2,229,437	2,192,845	(36,593)	(1.6)
Operating Income	468,218	495,074	26,856	5.7

During the six-month period ended September 30, 2020, operating revenue decreased by 1.6% year on year to ¥2,192,845 million mainly due to a decrease of handset sales revenues despite of increase of revenue in energy business and finance business.

Operating income increased by 5.7% year on year to ¥495,074 million mainly due to a decrease expenses for handset sales and an increase in gross profit of energy business.

Business Services

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.

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.

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.

Quarterly Highlights

- In support of new workstyles for companies affected by COVID-19, we announced the Managed Zero Trust Solutions, which realize secure, comfortable IT environments based on the internet. We will steadily enhance a suite of services, including networks, ID recognition, security, cloud apps, and management operations, which form the components of these solutions. At the new base for our corporate departments (Toranomon, Minato-ku, Tokyo), which has reduced the number of seats compared to employees by 40%, we realized diverse workstyles and, based on the insights gained from this, we will continue evolving these Managed Zero Trust Solutions.
- From July, we launched a pilot study of Amazon Web Services (AWS) Wavelength in collaboration with AWS to provide ultralow latency 5G services. We installed AWS computing at the edge of our 5G network, and with this unprecedentedly low latency, we will continue accelerating initiatives aimed at realizing remote operations of high-res XR, smart factories, and construction equipment.
- In July, we opened a new branch of our data center brand TELEHOUSE, which is expanding globally, on a campus in Frankfurt, Germany. In addition, in July, we acquired a building in London Docklands, which is near our existing data center in London, England. We aim to open a new data center there in early 2022.
- KDDI was awarded first place in overall customer satisfaction in the Large Corporations / Medium-Sized Enterprises Market Segment, for the fifth consecutive year, in J.D. Power Japan's 2020 Business Mobile Phone Service Satisfaction Study. We were also awarded first place in overall customer satisfaction in the Medium-Sized Enterprises / Small Companies Market Segment for the first time. In addition, we were awarded first place in overall customer satisfaction for the eighth consecutive year in J.D. Power's 2020 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study. KDDI will continue working to enhance the satisfaction of its corporate customers across all Group companies, including KDDI MATOMETE OFFICE CORPORATION.

Going forward, we will continue to transform our business with the aim of being customers' true first choice of business partner and helping develop and expand the business of corporate customers.

Operating performance in the Business Services segment for the six-month period ended September 30, 2020, is described below.

Results

For the six-month period ended September 30, 2020

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2019	Six-month period ended September 30, 2020	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	459,273	476,227	16,953	3.7
Operating Income	83,114	90,053	6,940	8.3

During the six-month period ended September 30, 2020, operating revenue increased by 3.7% year on year to ¥476,227 million mainly due to an increase of revenues from telecommunication fees despite of decrease of handset sales revenues. Operating income increased by 8.3% year on year to ¥90,053 million mainly due to an increase of operating revenue and a decrease of expenses for handset sales.

(2) Explanation of Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2020	As of September 30, 2020	Increase (Decrease)
Total assets	9,580,149	9,898,023	317,874
Total liabilities	4,721,041	4,796,246	75,204
Total equity	4,859,108	5,101,777	242,669
Equity attributable to owners of the parent	4,384,424	4,629,269	244,845
Ratio of equity attributable to owners of the parent to total assets	% 45.8	% 46.8	% 1.0

(Assets)

Total assets increased by ¥317,874 million year on year to ¥9,898,023 million as of September 30, 2020 mainly due to an increase of loans for financial business and securities for financial business despite of decrease of trade and other receivables.

(Liabilities)

Total liabilities increased by ¥75,204 million year on year to ¥4,796,246 million as of September 30, 2020 mainly due to an increase of deposits for financial business and call money despite of decrease of trade and other payables.

(Equity)

Total equity increased to ¥5,101,777 million mainly due to an increase in equity attributable to owners of the parent. As a result, ratio of equity attributable to owners of the parent to total assets increased from 45.8% as of March 31, 2020, to 46.8% as of September 30, 2020.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2019	Six-month period ended September 30, 2020	Increase (Decrease)
Net cash provided by (used in) operating activities	531,638	702,664	171,026
Net cash provided by (used in) investing activities	(274,251)	(327,300)	(53,049)
Free cash flows (Note)	257,387	375,364	117,977
Net cash provided by (used in) financing activities	(95,070)	(283,480)	(188,410)
Effect of exchange rate changes on cash and cash equivalents	(1,310)	(460)	850
Net increase (decrease) in cash and cash equivalents	161,007	91,424	(69,583)
Cash and cash equivalents at the beginning of the period	204,597	369,202	164,605
Cash and cash equivalents at the end of period	365,604	460,626	95,022

Note: Free cash flows are calculated as the sum of “net cash provided by (used in) operating activities” and “net cash provided by (used in) investing activities.”

Net cash provided by operating activities increased ¥171,026 million year on year to ¥702,664 million mainly due to a shift from an increase to a decrease in trade and other receivables and a wider range of increase in deposits for financial business.

Net cash used in investing activities increased ¥53,049 million year on year to ¥327,300 million mainly due to a decrease in proceeds from acquisition of subsidiaries and an increase in purchases of securities for financial business.

Net cash used in financing activities increased ¥188,410 million year on year to ¥283,480 million mainly due to a decrease in proceeds from the issuance of bonds and long-term borrowings and a decrease in net proceeds from short-term borrowings.

Reflecting these factors and a decrease of ¥460 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of September 30, 2020, increased by ¥91,424 million from March 31, 2020 to ¥460,626 million.

(3) Explanation Regarding Future Forecast Information of Consolidated Financial Results

KDDI disclosed the full-year consolidated financial estimation for the year ending March 31, 2021 in the financial Statements Summary for the year ended March 31, 2020 (disclosed on May 14, 2020) were as follows;

Operating Revenue: ¥5,250,000 million, Operating Income: ¥1,030,000 million, Profit for the year attributable to owners of the parent: ¥640,000 million.

There is no change from above estimation. The update for forecast will be disclosed promptly if the situation is changed.

(4) Management Policy, Management Strategy, etc.

At the Board of Directors meeting held on October 30, 2020, KDDI reviewed the intention of eliminating all treasury stock under the medium-term management plan (fiscal 2019–21) and resolved to dynamically utilize and eliminate treasury stock. Accordingly, there are items that should be revised in “(1) The Company’s Medium- to Long-Term Management Strategy” under “Section One, Corporate Data, Section Two, Business Status, 1. Management Policy, Management Environment, and Matters to Be Dealt with, etc.” in the 36th Securities Report released in the previous fiscal year. The relevant parts have been compiled below, and changes have been underlined.

Medium-Term Management Plan (FY2019–21)

■ Financial Targets

We aim to achieve sustainable growth in operating income and realize expansion of 1.5 times for EPS* by fiscal 2024 (compared with fiscal 2018).

Regarding returns to shareholders, we will continue to stably pay out dividends, raising the consolidated payout ratio from the current figure of over 35% to over 40%, and dynamically utilize and eliminate treasury stock by striking a balance with growth investments.

* Earnings Per Share

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Non-current assets :		
Property, plant and equipment	2,406,231	2,398,610
Right-of-use assets	378,870	386,277
Goodwill	540,886	539,455
Intangible assets	1,035,399	1,012,938
Investments accounted for using the equity method	233,225	230,361
Long-term loans for financial business	952,070	1,191,988
Securities for financial business	248,025	277,461
Other long-term financial assets	285,879	303,054
Deferred tax assets	23,783	16,310
Contract costs	436,675	444,518
Other non-current assets	15,975	21,689
Total non-current assets	<u>6,557,018</u>	<u>6,822,660</u>
Current assets :		
Inventories	75,366	69,753
Trade and other receivables	2,168,355	2,116,386
Short-term loans for financial business	216,601	225,920
Call loans	50,937	37,152
Other short-term financial assets	53,358	65,951
Income tax receivables	4,712	5,909
Other current assets	84,600	93,666
Cash and cash equivalents	369,202	460,626
Total current assets	<u>3,023,131</u>	<u>3,075,362</u>
Total assets	<u><u>9,580,149</u></u>	<u><u>9,898,023</u></u>

(Unit: Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	1,147,551	1,136,098
Long-term deposits for financial business	25,728	28,643
Lease liabilities	268,648	270,306
Other long-term financial liabilities	13,342	13,837
Retirement benefit liabilities	37,230	39,534
Deferred tax liabilities	98,570	96,742
Provisions	36,770	37,614
Contract liabilities	72,053	72,598
Other non-current liabilities	7,411	7,782
Total non-current liabilities	<u>1,707,303</u>	<u>1,703,152</u>
Current liabilities :		
Borrowings and bonds payable	153,262	120,763
Trade and other payables	657,298	517,005
Short-term deposits for financial business	1,401,691	1,643,042
Call money	72,100	112,168
Lease liabilities	110,906	109,802
Other short-term financial liabilities	3,496	2,280
Income taxes payables	179,915	172,507
Provisions	44,966	38,335
Contract liabilities	107,897	101,590
Other current liabilities	282,209	275,602
Total current liabilities	<u>3,013,738</u>	<u>3,093,094</u>
Total liabilities	<u>4,721,041</u>	<u>4,796,246</u>
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	280,591	280,623
Treasury stock	(156,550)	(6,096)
Retained earnings	4,138,195	4,224,547
Accumulated other comprehensive income	(19,665)	(11,656)
Total equity attributable to owners of the parent	<u>4,384,424</u>	<u>4,629,269</u>
Non-controlling interests	474,684	472,508
Total equity	<u>4,859,108</u>	<u>5,101,777</u>
Total liabilities and equity	<u>9,580,149</u>	<u>9,898,023</u>

(2) Condensed Interim Consolidated Statement of Income

(Unit: Millions of yen)

	For the six-month period ended September 30, 2019	For the six-month period ended September 30, 2020
Operating revenue	2,564,457	2,537,196
Cost of sales	1,391,447	1,314,086
Gross profit	1,173,010	1,223,109
Selling, general and administrative expenses	625,345	642,997
Other income	4,682	8,511
Other expense	1,246	1,492
Share of profit of investments accounted for using the equity method	2,306	1,632
Operating income	553,407	588,763
Finance income	2,289	2,125
Finance cost	7,003	4,416
Other non-operating profit and loss	1,502	1,913
Profit for the period before income tax	550,195	588,385
Income tax	172,617	184,043
Profit for the period	377,579	404,342
Profit for the period attributable to:		
Owners of the parent	347,545	372,899
Non-controlling interests	30,034	31,443
Profit for the period	377,579	404,342
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	148.67	162.13
Diluted earnings per share (yen)	148.63	162.02

(Unit: Millions of yen)

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2020
Operating revenue	1,318,356	1,294,516
Cost of sales	711,114	673,771
Gross profit	607,242	620,745
Selling, general and administrative expenses	313,365	326,921
Other income	2,769	3,797
Other expense	582	889
Share of profit of investments accounted for using the equity method	1,542	1,313
Operating income	297,607	298,045
Finance income	754	620
Finance cost	2,739	2,080
Other non-operating profit and loss	155	1,873
Profit for the period before income tax	295,777	298,458
Income tax	94,451	92,966
Profit for the period	201,326	205,492
Profit for the period attributable to:		
Owners of the parent	184,992	190,575
Non-controlling interests	16,334	14,917
Profit for the period	201,326	205,492
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	79.47	82.86
Diluted earnings per share (yen)	79.44	82.80

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the six-month period ended September 30, 2019	For the six-month period ended September 30, 2020
Profit for the period	377,579	404,342
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	13,056	9,843
Share of other comprehensive income of investments accounted for using the equity method	(3,134)	121
Total	9,922	9,964
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(182)	130
Translation differences on foreign operations	(11,323)	(2,125)
Share of other comprehensive income of investments accounted for using the equity method	80	(112)
Total	(11,425)	(2,107)
Total other comprehensive income	(1,502)	7,858
Total comprehensive income for the period	376,076	412,200
Total comprehensive income for the period attributable to:		
Owners of the parent	348,243	382,395
Non-controlling interests	27,833	29,805
Total	376,076	412,200

(Note) Items in the statement above are presented net of tax.

(Unit: Millions of yen)

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2020
Profit for the period	201,326	205,492
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	11,007	3,640
Share of other comprehensive income of investments accounted for using the equity method	41	(0)
Total	11,048	3,639
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	152	(105)
Translation differences on foreign operations	(1,841)	(62)
Share of other comprehensive income of investments accounted for using the equity method	(273)	(18)
Total	(1,962)	(185)
Total other comprehensive income	9,086	3,455
Total comprehensive income for the period	210,412	208,947
Total comprehensive income for the period attributable to:		
Owners of the parent	193,888	195,081
Non-controlling interests	16,525	13,866
Total	210,412	208,947

(Note) Items in the statement above are presented net of tax.

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the six-month period ended September 30, 2019

(Unit: Millions of yen)

	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 period	—	—	—	347,545	—	347,545	30,034	377,579
Other comprehensive income	—	—	—	—	699	699	(2,201)	(1,502)
Total comprehensive income	—	—	—	347,545	699	348,243	27,833	376,076
Transactions with owners and other transactions								
Cash dividends	—	—	—	(129,143)	—	(129,143)	(32,320)	(161,463)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	1,605	(1,605)	—	—	—
Purchase and disposal of treasury stock	—	(45)	(80,000)	—	—	(80,045)	—	(80,045)
Retirement of treasury stock	—	(377,034)	377,034	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	377,034	—	(377,034)	—	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—	26,574	26,574
Changes in interests in subsidiaries	—	(2,265)	—	—	—	(2,265)	469	(1,796)
Other	—	873	142	—	—	1,015	—	1,015
Total transactions with owners and other transactions	—	(1,437)	297,176	(504,572)	(1,605)	(210,438)	(5,277)	(215,714)
As of September 30, 2019	141,852	282,972	(86,552)	3,986,926	(4,081)	4,321,117	451,848	4,772,965

For the six-month period ended September 30, 2020

(Unit: Millions of yen)

	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, 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 period	—	—	—	372,899	—	372,899	31,443	404,342
Other comprehensive income	—	—	—	—	9,495	9,495	(1,638)	7,858
Total comprehensive income	—	—	—	372,899	9,495	382,395	29,805	412,200
Transactions with owners and other transactions								
Cash dividends	—	—	—	(138,036)	—	(138,036)	(30,326)	(168,362)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	1,487	(1,487)	—	—	—
Purchase and disposal of treasury stock	—	—	(0)	—	—	(0)	—	(0)
Retirement of treasury stock	—	(150,000)	150,000	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	150,000	—	(150,000)	—	—	—	—
Changes in interests in subsidiaries	—	(704)	—	—	—	(704)	(1,655)	(2,359)
Other	—	736	454	—	—	1,190	—	1,190
Total transactions with owners and other transactions	—	32	150,454	(286,548)	(1,487)	(137,550)	(31,981)	(169,531)
As of September 30, 2020	141,852	280,623	(6,096)	4,224,547	(11,656)	4,629,269	472,508	5,101,777

(5) Condensed Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the six-month period ended September 30, 2019	For the six-month period ended September 30, 2020
Cash flows from operating activities		
Profit for the period before income tax	550,195	588,385
Depreciation and amortization	341,283	351,118
Impairment losses	5	1,480
Share of (profit) loss of investments accounted for using the equity method	(2,306)	(1,632)
Loss (gain) on sales of non-current assets	113	(1,940)
Interest and dividends income	(2,275)	(1,959)
Interest expenses	4,193	3,588
(Increase) decrease in trade and other receivables	(69,577)	54,350
Increase (decrease) in trade and other payables	(66,698)	(106,571)
(Increase) decrease in loans for financial business	(199,994)	(249,236)
Increase (decrease) in deposits for financial business	149,005	244,266
(Increase) decrease in Call loans	(12,868)	13,785
Increase (decrease) in Call money	8,500	40,068
(Increase) decrease in inventories	15,281	5,535
Increase (decrease) in retirement benefit liabilities	2,027	2,304
Other	(19,965)	(51,433)
Cash generated from operations	696,920	892,107
Interest and dividends received	4,308	3,713
Interest paid	(4,168)	(3,639)
Income tax paid	(165,422)	(189,517)
Net cash provided by (used in) operating activities	531,638	702,664
Cash flows from investing activities		
Purchases of property, plant and equipment	(192,333)	(210,080)
Proceeds from sales of property, plant and equipment	53	3,203
Purchases of intangible assets	(119,571)	(86,220)
Purchases of securities for financial business	(13,483)	(65,928)
Proceeds from sales and redemption of securities for financial business	38,983	38,887
Purchases of other financial assets	(4,287)	(12,023)
Proceed from sales and redemption of other financial assets	2,734	3,090
Proceeds from acquisition of subsidiaries	86,151	—
Purchases of stocks of associates	(71,314)	(500)
Proceeds from sales of stocks of subsidiaries and associates	16	3,000
Other	(1,200)	(730)
Net cash provided by (used in) investing activities	(274,251)	(327,300)

(Unit: Millions of yen)

	For the six-month period ended September 30, 2019	For the six-month period ended September 30, 2020
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	125,500	7,500
Proceeds from issuance of bonds and long-term borrowings	120,000	—
Payments from redemption of bonds and repayments of long-term borrowings	(26,792)	(51,664)
Repayments of lease obligations	(69,908)	(68,869)
Payments from purchase of subsidiaries' equity from non-controlling interests	(3,081)	(2,191)
Proceeds from stock issuance to non-controlling interests	866	7
Payments from purchase of treasury stock	(80,000)	(0)
Cash dividends paid	(129,289)	(138,004)
Cash dividends paid to non-controlling interests	(32,366)	(30,257)
Other	—	(1)
Net cash provided by (used in) financing activities	(95,070)	(283,480)
Effect of exchange rate changes on cash and cash equivalents	(1,310)	(460)
Net increase (decrease) in cash and cash equivalents	161,007	91,424
Cash and cash equivalents at the beginning of the period	204,597	369,202
Cash and cash equivalents at the end of the period	365,604	460,626

(6) Going Concern Assumption

None

(7) Notes to Condensed Interim Consolidated Financial Statements

1. Reporting entity

KDDI Corporation (“the Company”) was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company’s condensed interim consolidated financial statements as of and for the six-month period ended September 30, 2020 comprise the Company and its consolidated subsidiaries (“the Group”) and the Group’s interests in associates and joint ventures. The Company is the ultimate parent company of the Group.

The Group’s major business and activities are “Personal Services” and “Business Services”.

For the details, please refer to “(1) Outline of reporting segments” of “Note 4. Segment information.”

2. Basis of preparation

(1) Compliance of condensed interim consolidated financial statements with IFRSs

The Group’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34 of IFRSs as prescribed in Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), hereinafter referred to as “Ordinance on Quarterly Consolidated Financial Statements” as they satisfy the requirement of a “specific company” set forth in Article 1-2 of Ordinance on Quarterly Consolidated Financial Statements. The condensed interim consolidated financial statements, which do not contain all the information required in annual consolidated financial statements, should be read in conjunction with the annual consolidated financial statements for the previous fiscal year ended March 31, 2020.

(2) Basis of measurement

The Group’s condensed interim consolidated financial statements have been prepared under the historical cost basis except for the following significant items on the condensed interim 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 condensed interim consolidated financial statements are presented in Japanese yen, which is the currency of the primary economic environment of the Company’s business activities, and are rounded to the nearest million yen.

(4) Use of estimates and judgement

The preparation of condensed interim 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.

The judgments, estimates and assumptions that have significant impact on the amount in the condensed interim consolidated financial statements as of and for the six-month period ended September 30, 2020 are consistent with those described in the annual consolidated financial statements for the previous fiscal year ended March 31, 2020 in principle, excluding the impact of COVID-19 described below.

Regarding the impact of COVID-19, although at the end of the previous fiscal year we put in place assumption that the impact would last into the first half of 2020, we switched to assumptions that the impact would last throughout 2020 at least based on currently available information and in light of current conditions. We made accounting estimates based on these assumptions. Furthermore, the impact of this change on the quarterly financial statements is minor.

(5) Application of new standards and interpretations

The Group doesn't have significant standards and interpretations applied from the three-month period ended June 30, 2020.

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the condensed interim consolidated financial statements are not mandatory as of September 30, 2020. They have not been early adopted by the Group.

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and amendments
IFRS 17	Insurance contracts	January 1, 2023	fiscal year ending March 31, 2024	IFRS 17 will replace IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

3. Significant accounting policies

The significant accounting policies applied in this condensed interim consolidated financial statements for the six-month period ended September 30, 2020, are consistent with those of the annual financial statements, as described in the consolidated financial statements for the previous fiscal year ended March 31, 2020. Also, income tax expenses on condensed interim consolidated statement of income are calculated based on the estimated average annual effective income tax rate.

4. Segment information

(1) Outline of reporting segments

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

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.

Beginning in the three-month period ended June 30, 2020, the reportable segments for some subsidiary companies were changed due to organization change. Accordingly, the segment information for the six-month period ended September 30, 2019 and the six-month period ended September 30, 2020 have been presented based on the segment classification after this change.

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

Accounting treatment of reported business segments is consistent with “Note 3.

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

Inter segment transaction price is determined based on 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 reporting segment

The Group's segment information is as follows:

For the six-month period ended September 30, 2019

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	2,189,896	364,486	2,554,381	10,076	2,564,457	—	2,564,457
Inter-segment revenue or transfers	39,542	94,788	134,329	25,525	159,854	(159,854)	—
Total	2,229,437	459,273	2,688,711	35,601	2,724,312	(159,854)	2,564,457
Segment income	468,218	83,114	551,332	1,573	552,905	502	553,407
Finance income and finance cost (Net)							(4,714)
Other non-operating profit and loss (Net)							1,502
Profit for the period before income tax							550,195

For the six-month period ended September 30, 2020

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	2,153,496	372,356	2,525,852	11,343	2,537,196	—	2,537,196
Inter-segment revenue or transfers	39,348	103,871	143,219	24,277	167,496	(167,496)	—
Total	2,192,845	476,227	2,669,071	35,621	2,704,692	(167,496)	2,537,196
Segment income	495,074	90,053	585,127	3,935	589,062	(299)	588,763
Finance income and finance cost (Net)							(2,290)
Other non-operating profit and loss (Net)							1,913
Profit for the period before income tax							588,385

(Note 1) Business segment "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, and research and development of leading-edge technology.

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

For the three-month period ended September 30, 2019

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	1,123,231	189,723	1,312,954	5,402	1,318,356	—	1,318,356
Inter-segment revenue or transfers	20,881	48,418	69,299	12,449	81,747	(81,747)	—
Total	1,144,112	238,140	1,382,253	17,851	1,400,104	(81,747)	1,318,356
Segment income	250,397	46,015	296,412	951	297,363	244	297,607
Finance income and finance cost (Net)							(1,985)
Other non-operating profit and loss (Net)							155
Profit for the period before income tax							295,777

For the three-month period ended September 30, 2020

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	1,098,337	190,047	1,288,384	6,132	1,294,516	—	1,294,516
Inter-segment revenue or transfers	20,627	52,232	72,859	12,786	85,645	△85,645	—
Total	1,118,964	242,279	1,361,242	18,919	1,380,161	△85,645	1,294,516
Segment income	251,904	44,337	296,241	2,034	298,275	△230	298,045
Finance income and finance cost (Net)							△1,460
Other non-operating profit and loss (Net)							1,873
Profit for the period before income tax							298,458

(Note 1) Business segment “Other” does not constitute reporting segments, and includes construction and maintenance of facilities, and research and development of leading-edge technology.

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

5. Significant subsequent events

Acquisition of Treasury Stock

At the Board of Directors meeting held on October 30, 2020, KDDI resolved matters related to the acquisition of treasury stock based on regulations of the Companies Act Article 156 as applied mutatis mutandis pursuant to Article 165, Paragraph 3.

(1) Reason for the Acquisition of Treasury Stock

KDDI will acquire the treasury stock required for the disposal of treasury stock through a third-party allocation to the disposal recipient Toyota Motor Corporation as well as in line with its shareholder returns measures and to enable the execution of its dynamic capital policy in response to changes in the business environment.

(2) Matters Related to the Acquisition of Treasury Stock

- 1) Type of shares to be acquired: KDDI common stock
- 2) Total number of shares to be acquired: 84,000,000 (upper limit)
- 3) Acquisition period: November 2, 2020 to May 31, 2021*
- 4) Total acquisition price: 200 billion yen (upper limit)

* The November 2, 2020 start date of the acquisition period is conditional upon the immediate effectiveness of the securities registration statement filed on October 30, 2020.

(3) Acquisition Method

Open-market purchases: Open-market purchases at the Tokyo Stock Exchange

Business and Capital Alliance with Toyota Motor Corporation and Disposal of Treasury Stock

At a Board of Directors meeting held on October 30, 2020, KDDI resolved to form a business and capital alliance with Toyota Motor Corporation (hereinafter, "Toyota") to promote a strategic partnership over the medium to long term and dispose of treasury stock through a third-party allocation to Toyota, concluding a business and capital alliance agreement on the same day. The overview of the disposal of treasury stock is as follows.

(1) Disposal Deadline: January 29, 2021

(2) Type and number of shares to be disposed of: 18,301,600*

* Under the Business and Capital Alliance Agreement, in the event that the Company is unable to amass holdings of 18,301,600 shares of treasury stock, which is the number to be issued for the Disposal of Treasury Stock, by January 22, 2021, or a date separately agreed upon between the two companies, the rules state that Toyota's application in relation to the Disposal of Treasury Stock will be for a number of shares equivalent to the number of treasury shares owned by KDDI on that day.

(3) Disposal price: 2,853 yen per share

(4) Total disposal price: 52,214,464,800 yen