Consolidated Financial Statements

Fiscal Year Ended March 31, 2024

KDDI CORPORATION

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

i. Consolidated Statement of Financial Position

(Unit: Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Assets			
Non-current assets :			
Property, plant and equipment	6,8	2,595,721	2,786,933
Right-of-use assets	8,36	393,935	425,173
Goodwill	7,8	541,058	568,134
Intangible assets	7,8	1,048,396	1,062,683
Investments accounted for using the equity method	9	261,169	301,037
Long-term loans for financial business	32,33	2,038,403	3,200,059
Securities for financial business	32,33	411,063	413,767
Other long-term financial assets	12,32,33	304,106	391,453
Retirement benefit assets	17	62,911	5,096
Deferred tax assets	16	12,203	17,948
Contract costs	25	637,534	685,310
Other non-current assets	13	29,924	36,678
Total non-current assets		8,336,424	9,894,271
Current assets :			
Inventories	10	99,038	91,290
Trade and other receivables	11,25,32	2,445,250	2,702,152
Short-term loans for financial business	32,33	304,557	367,593
Call loans	32	53,944	28,237
Other short-term financial assets	12,32,33	60,158	30,662
Income tax receivables		2,663	2,384
Other current assets	13	141,236	142,263
Cash and cash equivalents	14	480,252	887,207
Total current assets		3,587,098	4,251,789
Total assets		11,923,522	14,146,060

(Unit: Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Liabilities and Equity			
Liabilities			
Non-current liabilities :			
Borrowings and bonds payable	15,32,33	914,233	1,577,370
Long-term deposits for financial business	32,33	64,829	112,730
Lease liabilities	32,36	286,437	292,003
Other long-term financial liabilities	19,32,33	10,309	10,166
Retirement benefit liabilities	17	11,739	11,801
Deferred tax liabilities	16	188,101	235,723
Provisions	20	52,414	47,800
Contract liabilities	25	76,258	81,674
Other non-current liabilities	21	12,366	11,804
Total non-current liabilities		1,616,687	2,381,071
Current liabilities :			
Borrowings and bonds payable	15,32,33	337,961	407,013
Trade and other payables	18,32	801,927	899,125
Short-term deposits for financial business	32,33	2,652,723	3,713,407
Call money	32	—	37,972
Cash collateral received for securities lent	15,32	244,111	263,157
Lease liabilities	32,36	112,805	118,016
Other short-term financial liabilities	19,32,33	6,894	7,762
Income taxes payables		129,404	161,152
Provisions	20	25,398	21,953
Contract liabilities	25	82,242	84,947
Other current liabilities	21	242,712	253,257
Total current liabilities		4,636,176	5,967,762
Total liabilities		6,252,863	8,348,833
Equity			
Equity attributable to owners of the parent			
Common stock	23	141,852	141,852
Capital surplus	23	279,371	310,587
Treasury stock	23	(545,833)	(845,093)
Retained earnings	23	5,220,504	5,522,578
Accumulated other comprehensive income	23	32,394	123,438
Total equity attributable to owners of the parent		5,128,288	5,253,362
Non-controlling interests	38	542,370	543,864
Total equity		5,670,659	5,797,226
Total liabilities and equity		11,923,522	14,146,060

ii. Consolidated Statement of Income

(Unit: Millions of yen)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Operating revenue	25	5,671,762	5,754,047
Cost of sales	26	3,260,030	3,323,514
Gross profit		2,411,731	2,430,533
Selling, general and administrative expenses	26	1,408,391	1,503,680
Other income	27	71,629	32,951
Other expense	27	3,790	8,165
Share of profit of investments accounted for using the equity method	9	6,213	9,945
Operating income		1,077,393	961,584
Finance income	28	10,175	21,866
Finance cost	28	8,658	10,215
Other non-operating profit and loss	29	612	19,490
Profit for the year before income tax		1,079,523	992,725
Income tax	16	339,484	336,621
Profit for the year		740,039	656,104
Profit for the year attributable to:			
Owners of the parent		679,113	637,874
Non-controlling interests		60,926	18,230
Profit for the year		740,039	656,104
Earnings per share attributable to owners of the parent	35		
Basic earnings per share (yen)		311.01	301.26
Diluted earnings per share (yen)		310.88	301.18

iii. Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit for the year		740,039	656,104
Other comprehensive income			
Items that will not be transferred subsequently to profit or loss			
Remeasurements of defined benefit pension plans	17,30	12,526	(40,934)
Changes measured in fair value of financial assets through other comprehensive income	30,32	(24,837)	60,123
Share of other comprehensive income of investments accounted for using the equity method	9,30	(555)	(406)
Total		(12,865)	18,783
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of cash flow hedge	30,32	(1,042)	2,266
Translation differences on foreign operations	30	19,935	42,036
Share of other comprehensive income of investments accounted for using the equity method	9,30	1,672	(17)
Total		20,565	44,284
Total other comprehensive income		7,700	63,068
Total comprehensive income for the year		747,738	719,172
Total comprehensive income for the year attributable to:			
Owners of the parent		680,084	690,726
Non-controlling interests		67,655	28,446
Total		747,738	719,172

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

iv. Consolidated Statement of Changes in Equity

For the year ended March 31, 2023

(Unit: Millions of yen)

		Equity attributable to owners of the parent							
	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2022		141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663
Cumulative effects of changes in accounting policies		—	—	—	3,682	348	4,030	—	4,030
Restated balance		141,852	279,371	(299,827)	4,821,799	43,422	4,986,617	528,077	5,514,694
Comprehensive income									
Profit for the year		—	—	—	679,113	—	679,113	60,926	740,039
Other comprehensive income		—	—	—	—	971	971	6,729	7,700
Total comprehensive income		—	—	—	679,113	971	680,084	67,655	747,738
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(288,394)	—	(288,394)	(46,225)	(334,618)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	11,999	(11,999)	—	—	—
Purchase and disposal of treasury stock	23	—	(41)	(250,152)	—	—	(250,192)	—	(250,192)
Retirement of treasury stock	23	—	(5,313)	5,313	—	—	—	—	—
Transfer from retained earnings to capital surplus		—	4,014	—	(4,014)	—	—	—	—
Changes in interests in subsidiaries		—	(445)	—	—	—	(445)	(7,137)	(7,582)
Other		—	1,786	(1,167)	—	—	619	—	619
Total transactions with owners and other transactions		—	1	(246,005)	(280,408)	(11,999)	(538,412)	(53,361)	(591,773)
As of March 31, 2023		141,852	279,371	(545,833)	5,220,504	32,394	5,128,288	542,370	5,670,659

For the year ended March 31, 2024

(Unit: Millions of yen)

		Equity attributable to owners of the parent							
	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2023		141,852	279,371	(545,833)	5,220,504	32,394	5,128,288	542,370	5,670,659
Comprehensive income									
Profit for the year		—	—	—	637,874	—	637,874	18,230	656,104
Other comprehensive income		—	—	—	—	52,852	52,852	10,216	63,068
Total comprehensive income		—	—	—	637,874	52,852	690,726	28,446	719,172
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(297,607)	—	(297,607)	(71,450)	(369,057)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(38,192)	38,192	—	—	—
Purchase and disposal of treasury stock	23	—	(66)	(300,000)	—	—	(300,066)	—	(300,066)
Changes in ownership interests in subsidiaries		—	46,544	—	—	—	46,544	30,333	76,877
Changes in interests in subsidiaries		—	(15,098)	—	—	—	(15,098)	14,055	(1,043)
Other		—	(164)	739	—	—	575	110	685
Total transactions with owners and other transactions		—	31,216	(299,261)	(335,799)	38,192	(565,652)	(26,953)	(592,605)
As of March 31, 2024		141,852	310,587	(845,093)	5,522,578	123,438	5,253,362	543,864	5,797,226

v. Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from operating activities			
Profit for the year before income tax		1,079,523	992,725
Depreciation and amortization	6,7	697,152	687,349
Impairment loss	8	2,354	9,607
Loss allowance		3,772	100,067
Share of (profit) loss of investments accounted for using the equity method	9	(6,213)	(9,945)
Loss (gain) on sales of non-current assets		(1,581)	(579)
Interest and dividends income	28	(9,914)	(8,075)
Interest expenses	28	7,142	8,813
(Increase) decrease in trade and other receivables		(108,567)	(243,859)
Increase (decrease) in trade and other payables		5,396	78,290
(Increase) decrease in loans for financial business		(752,583)	(1,223,112)
Increase (decrease) in deposits for financial business		500,047	1,108,586
Increase (decrease) in borrowings for financial business		(5,400)	410,000
(Increase) decrease in Call loans		(8,881)	25,707
Increase (decrease) in Call money		(141,348)	37,972
Increase (decrease) in cash collateral received for securities lent		244,111	19,046
(Increase) decrease in inventories		(24,421)	7,635
(Increase) decrease in retirement benefit assets		(18,190)	57,815
Increase (decrease) in retirement benefit liabilities		(757)	(733)
Other		(99,947)	(81,572)
Cash generated from operations		1,361,693	1,975,739
Interest and dividends received		13,468	11,903
Interest paid		(6,768)	(8,526)
Income tax paid		(292,659)	(274,993)
Income tax refund		3,134	2,376
Net cash provided by (used in) operating activities		1,078,869	1,706,498

(Unit: Millions of yen)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from investing activities			
Purchases of property, plant and equipment		(394,652)	(523,940)
Proceeds from sales of property, plant and equipment		3,754	413
Purchases of intangible assets		(239,473)	(225,590)
Purchases of securities for financial business		(385,468)	(368,055)
Proceeds from sales and redemption of securities for financial business		311,511	324,702
Purchases of other financial assets		(8,900)	(60,854)
Proceeds from sales and redemption of other financial assets		1,892	8,317
Payments for acquisition of subsidiaries		—	(6,659)
Proceeds from acquisition of subsidiaries	4	—	27,450
Purchases of stocks of associates		(9,847)	(1,848)
Proceeds from sales of stocks of subsidiaries and associates		—	3,481
Other		(11,297)	(9,849)
Net cash provided by (used in) investing activities		(732,480)	(832,433)
Cash flows from financing activities			
Net increase (decrease) of short-term borrowings	31	49,983	123,626
Proceeds from issuance of bonds and long-term borrowings	31	200,000	416,000
Payments from redemption of bonds and repayments of long-term borrowings	31	(200,500)	(219,020)
Repayments of lease liabilities	31	(128,288)	(128,974)
Payments from purchase of subsidiaries' equity from non-controlling interests		(7,002)	(4,741)
Proceeds from stock issuance to non-controlling interests		49	16,938
Repayments to non-controlling interests		—	(11,434)
Payments from purchase of treasury stock	23	(250,152)	(300,000)
Proceeds from sales of treasury stock		—	0
Cash dividends paid		(287,117)	(297,575)
Cash dividends paid to non-controlling interests		(46,810)	(71,297)
Other		(0)	(1)
Net cash provided by (used in) financing activities		(669,837)	(476,477)
Effect of exchange rate changes on cash and cash equivalents	31	7,087	9,367
Net increase (decrease) in cash and cash equivalents	31	(316,361)	406,955
Cash and cash equivalents at the beginning of the year	14,31	796,613	480,252
Cash and cash equivalents at the end of the year	14,31	480,252	887,207

[Notes to 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 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, 2024 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 "5. Segment information."

2. Basis of preparation

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

(2) Basis of measurement
The Group's consolidated financial statements have been prepared under the historical cost basis except for the following significant items on the consolidated statement of financial position:

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

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

(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:

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. Material accounting policies (5) Property, plant and equipment, (7) Intangible assets 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. Material accounting policies (9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets" and-"8. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets."

iii. Evaluation of inventories

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

The content and amount related to evaluation of inventories are described in "3. Material accounting policies (15) Inventories" and "10. Inventories."

iv. Recoverability of deferred tax assets

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

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

The content and amount related to deferred tax assets are described in "3. Material accounting policies (24) Income taxes" and "16. Deferred tax and income taxes."

v. Measurement of defined benefit obligations

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

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is a 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. Material accounting policies (16) Employee benefits" and "17. Employee benefits."

vi. Collectability of trade and other receivables

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

The content and amount related to collectability of trade and other receivables are described in "3. Material accounting policies (12) Impairment of financial assets" and "32. Financial Instruments."

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

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

The content and amount related to fair value of financial assets are described in "3. Material accounting policies (11) Financial instruments and (13) Derivatives and hedge accounting" and "33. Fair value of financial instruments."

viii. Provisions

The Group recognizes provisions, including asset retirement obligations and provisions for point program, in the consolidated statement of financial position. These provisions are recognized based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the current year end date. Expenditures necessary for settling the obligations are calculated by taking all possible future results into account; however, they may be affected by unexpected events or changes in conditions, which may have a material impact on the Group’s consolidated financial statements in future periods.
The nature and amount of recognized provisions are stated in “3. Material accounting policies (17) Provisions” and “20. Provisions.”

(5) Application of new standards and interpretations
The Group applies the new standards and interpretations listed below from the fiscal year ended March 31, 2024.

- IFRS 17 “Insurance Contracts”

IFRS		New or revised content
IFRS17	Insurance Contracts	Revision of insurance contracts

The Group has adopted IFRS 17 "Insurance Contracts" (hereinafter referred to as "IFRS 17") from the fiscal year ended March 31, 2024.
The Group has retrospectively applied IFRS 17 in accordance with the following transitional requirements at the transition date:
・Identify, recognize and measure each group of insurance contracts as if IFRS 17 had always been applied
・Derecognize any existing balances that would not exist had IFRS 17 always been applied
・Recognize any resulting net difference in equity

In IFRS 17, the Group classifies contracts that involve significant insurance risks as insurance contracts. We have applied the premium allocation approach for insurance contracts issued and reinsurance contracts held in the non-life insurance business. We have applied the general measurement model for insurance contracts issued and reinsurance contracts held in the life insurance business.

Regarding insurance finance income or expenses, we include the amount calculated by regularly allocating the total expected finance income or expenses over the duration of group of insurance contracts in the net profit or loss, and the difference between the amount measured when applying the book value of group of insurance contracts and the regular allocation is recorded as other comprehensive income.

The Group has applied the full retrospective approach to the group of insurance contracts issued in the non-life and life insurance businesses, recognizing and measuring them as if IFRS 17 had always been applied.

The Group has applied transitional requirements for IFRS 17 and has not disclosed the impact of IFRS 17 on each financial statement item and earnings per share. The impact of the adoption of IFRS 17 on condensed interim consolidated financial statements as of April 1, 2022 is shown in condensed interim consolidated statement of changes in equity.

(6) Standards not yet adopted
The following is a list of newly established or revised standards and interpretations that have been disclosed prior to the approval date of the consolidated financial statements, but have not been early adopted by the Group. The impact on the consolidated financial statements of the Group is currently under evaluation.

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 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	The new standard that replaces IAS 1 on Presentation of Financial Statements and Disclosure in the current accounting standards

3. Material accounting policies

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

(1) Basis of consolidation
i. Subsidiaries

(a) Consolidation of subsidiaries

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

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

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

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

Transactions with non-controlling interests that do not result in loss of control are accounted for by the Group as equity transactions. The difference between fair value of any consideration paid and the proportion acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests without losing control are also recorded in equity.

(c) Disposal of a subsidiary

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

(d) Unification of reporting period

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

ii. Associates

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognized in other comprehensive income is reclassified to profit or loss, where appropriate. When the Company's share of losses in an associate equals or exceeds its carrying amount of interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's investment in associates includes goodwill recognized on acquisition. Accordingly, goodwill is not recognized 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, those investments are tested for impairment. Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The accounting policies of associates have been changed to conform to the Group's accounting policies, when necessary.

iii. Joint arrangements

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

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

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

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

(2) Business combination

The Group accounts for business combinations by applying the acquisition method. Consideration transferred to acquire subsidiaries is the fair values of the assets transferred, the liabilities incurred by former owners of the acquiree and the equity interests issued by the Group. Consideration transferred also includes 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	9-15 years
Antenna equipment	10-42 years
Toll and local line equipment	6-27 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 profit or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

(6) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the 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 " 3. Material accounting policies (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 an 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	5-10 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 and 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 are 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 conditions 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 in profit or loss.

(iii) Debt instruments measured at fair value through other comprehensive income

If financial assets meet the following conditions, they are categorized as debt instruments measured at fair value through other comprehensive income.
If the assets are owned for the purposes of both sale and recovery of cash flow in line with an agreement for the financial assets in the Group's business model
If the assets generate cash flows from only the payment of interest related to principal and principal balance on the dates specified by the agreement conditions
Debt instruments measured at fair value through other comprehensive income are initially recognized at fair value (including directly attributable transaction expenses). After initial recognition, they are measured at fair value, and the change in fair value is classified to other comprehensive income as "financial assets measured at fair value through other comprehensive income."
If recognition is suspended, the cumulative amount of profit or loss recognized through other comprehensive income is reclassified as net income or loss.

(iv) 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.

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 assesses 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 affect 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 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. Post-employment benefits

The Group has adopted a defined benefit plan and a defined contribution plan as post-employment benefit plans for its employees.

(a) 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. This figure is recognized by adjusting the amount related to the maximum asset value as needed with consideration given to the usable economic benefits. 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.

(b) 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.

ii. 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 Group 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 Group 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.

1) 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.

2) 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 stand-alone selling prices. 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. Stand-alone selling prices for mobile handsets and mobile telecommunications service revenues are the prices that would be observable if mobile handsets and mobile telecommunications service were sold to customers independently at the inception of the contract. 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 stand-alone selling prices 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 value-added services mainly comprises revenue from information fees, revenue from commission on transfer of receivables, 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 from commission on transfer of receivables 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 commission on transfer of receivables, 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. 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.

v. 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.

(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 from transactions (excluding business combination transactions) not generating taxable or deductible temporary differences at the time of transaction and not affecting accounting income (loss) or taxable income (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.

The Company and some domestic subsidiaries applied for approval of a Group tax sharing system in the consolidated financial year under review and will adopt this system from the following consolidated fiscal year. As a result, the aforementioned entities apply tax effect accounting that assumes the adoption of the Group tax sharing system from the end of the consolidated fiscal year under review.

(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 Company are related to the BIP trust and ESOP trust.

(27) Insurance Contracts

In IFRS 17, the Group classifies contracts that involve significant insurance risks as insurance contracts. We have applied the premium allocation approach for insurance contracts issued and reinsurance contracts held in the non-life insurance business. We have applied the general measurement model for insurance contracts issued and reinsurance contracts held in the life insurance business.

Regarding insurance finance income or expenses, we include the amount calculated by regularly allocating the total expected finance income or expenses over the duration of group of insurance contracts in the net profit or loss, and the difference between the amount measured when applying the book value of group of insurance contracts and the regular allocation is recorded as other comprehensive income.

4. Business combination

Acquisition of Relia, Inc. and Business Integration of KDDI Evolva, Inc. and the Relia Group

(1) Outline of the Business Integration

On September 1, 2023, the Company's wholly owned subsidiary KDDI Evolva, Inc. (KDDI Evolva) and Mitsui & Co., Ltd.'s (Mitsui) equity method affiliate Relia, Inc. (Relia) underwent a business integration (the "Business Integration") based on a spirit of equal partnership and launched Altius Link, Inc. (Altius Link)

①Mitsui established Otemachi Holdings G.K. on January 6, 2023. Otemachi Holdings G.K. made a tender offer for all of Relia's common stock*[1] to facilitate the Business Integration from May 30, 2023.

②Following the launch of the Tender Offer, Otemachi Holdings G.K. and Mitsui implemented a squeeze-out procedure, issuing a demand for a share cash-out so that it can claim full ownership of all Relia's shares of the common stock.*[2]

③After the completion of the squeeze-out procedure, an absorption-type merger was executed between Relia and Otemachi Holdings G.K. on August 31, 2023 wherein Relia was the surviving company and Otemachi Holdings G.K. was the absorbed company (Merger No.1”).

④After Merger No. 1 became effective, an absorption-type merger was executed on September 1, 2023 wherein KDDI Evolva was the surviving company and Relia was the absorbed company (“Merger No. 2”), with a merger ratio such that KDDI and Mitsui respectively own 51.0% and 49.0% of the voting rights.

With the utmost respect for the corporate culture and management autonomy that KDDI Evolva and Relia have fostered, both KDDI and Mitsui will support any decisions regarding new measures enacted to enhance the corporate value of Altius Link.

*1. Excluding Relia shares owned by Mitsui and treasury shares (if any) owned by Relia.
*2. Excluding treasury shares (if any) owned by Relia.

(2) Main Reasons for Conducting the Business Integration

In recent years, the importance of BPO*3 has been increasing due to a shortage of human resources caused by a decrease in the working population and corporate work style reforms. In addition, the need for DX (digital transformation) is increasing across companies and society, and the accelerating pace of digitalization is becoming notable, leading to the BPO industry itself entering a period of structural change. As a result, there is a need to upgrade services and expand business domains in response to the diversification of customer needs and changes in corporate activities. KDDI and Mitsui decided to implement the Business Integration in response to this environment, looking to strengthen contact center services, provide services to resolve customers' business issues, and achieve further customer success. The Business Integration will combine the DX promotion service in digital channel fields and operational design and operational capabilities owned by both KDDI Evolva and Relia as well as the capabilities of the KDDI Group and the Mitsui Group with regard to corporate customer contacts, IT, and overseas business expertise. This will better position KDDI and Mitsui for solving customer’s tangible problems while enabling them to develop and expand digital BPO*4 services both in Japan and overseas.

*3. “BPO,” or Business Process Outsourcing, refers to outsourcing a portion of corporate business processes ranging from design to implementation and operation to specialists.
*4. “Digital BPO” is a BPO method entailing the outsourcing of operations utilizing digital technologies such as AI in addition to human resources to achieve greater efficiency.

(3) Name and Description of Business of the Acquired Company (as of August 31, 2023)

Company name	Relia Inc.
Established	June, 1987
Head Office	2-6-5 Yoyogi, Shibuya-ku, Tokyo
Executives	Representative Director,President ＆ CEO Takashi Amino
Main business	Contact center operations, back-office operations
Capital	¥998 million

(4) Name and Description of Business of the Integrated Company After the Business Integration (as of September 1, 2023)

Company name	Altius Link, Inc.
Established	May, 1996 (Inauguration Sep, 2023)
Head Office	2-3-2 Nishishinjyuku, Shinjyuku-ku, Tokyo
Executives	Representative Director,President ＆ CEO Takashi Amino Representative Director,Executive Vice President Hajime Wakatsuki
Main business	Contact center operations, back-office operations, IT solutions operations, other related operation
Capital	¥100 million

(5) Content of the Allocation Related to the Business Integration

Regarding the shares of Relia held by KDDI Evolva and Mitsui after the Business Integration, the Company allocated and issued 49 common shares of KDDI Evolva.

(6) Percentage of Voting Equity Interests Acquired

Percentage of voting rights on the date of Business Integration: 51.0%

(7) Date of Controlling Interest Acquisition

September 1, 2023

(8) Consideration and its breakdown

(Unit: Millions of yen)

		Acquisition date (Sep 1, 2023)
Fair value of KDDI Evolva common shares allocated and issued when control was acquired		46,544
Total consideration	A	46,544

Acquisition-related expenses for the Business Integration totaling ¥605 million were recorded under “selling, general and administrative expenses” in the consolidated statement of income.

(9) The table below shows the fair value of assets and liabilities, and goodwill as of the acquisition date

(Unit: Millions of yen)

		Acquisition date (Sep 1, 2023)
Non-current assets :		
Property, plant and equipment (Note1)		12,669
Right-of-use assets (Note1)		8,355
Other long-term financial assets		4,396
Other		2,048
Total non-current assets		27,468
Current assets :		
Trade and other receivables (Note2)		19,305
Cash and cash equivalents		27,438
Other		2,113
Total current assets		48,856
Total assets		76,324
Non-current liabilities :		
Other long-term financial liabilities		2,343
Other		5,370
Total non-current liabilities		7,713
Current liabilities :		
Trade and other payables		9,814
Other		9,847
Total current liabilities		19,661
Total liabilities		27,374
Net assets	B	48,949
Non-controlling interests (Note3)	C	23,987
Goodwill (Note4)	A-(B-C)	21,582

Regarding the Business Integration, the Company conducted tentative procedures because of the allocation of the acquisition price during the second and third quarters of the fiscal year under review. However, once the allocations for the fiscal year under review had been determined, it was calculated that goodwill would decline ¥2,517 million on the date that control was acquired. This was mainly due to increases in intangible assets, deferred tax liabilities, and non-controlling interests totaling ¥7,429 million, ¥2,673 million, and ¥2,418 million, respectively.

Notes: 1. Breakdown of property, plant and equipment and intangible assets
Property, plant and equipment mainly comprise buildings and equipment.
Intangible assets mainly comprise customer-related assets and software.
2. Fair value of acquired receivables, uncollected amounts from agreements, and amount expected to be unrecoverable
Of the ¥19,305 million fair value of operating and other receivables acquired (mainly accounts receivable), agreements total ¥19,305 million, and none are expected to be unrecoverable.
3. Non-controlling interests
Non-controlling interests are measured by multiplying the percentage of non-controlling interests by the identifiable net assets of the acquired company on the date control was acquired.
4. Goodwill
Goodwill reflects the synergy between existing businesses and expected future surplus profitability due to business expansion. Of recognized goodwill, none is expected to be deductible for tax purposes.

(10) The table below shows proceeds from obtaining control of the subsidiary

(Unit: Millions of yen)

	Acquisition date (Sep 1, 2023)
Cash and cash equivalents held by the acquiree at the time of obtaining control	27,438
Cash proceeds from obtaining control of the subsidiary	27,438

(11) Revenue and profit for the period of the acquiree
Operating revenue of the acquired company from the control acquisition date recognized in the consolidated statement of income ended March 31, 2024 was ¥69,092 million, and net income was ¥3,517 million.

(12) Consolidated revenue and net income on the assumption that the business combination was completed at the beginning of the year (Pro forma financial information)
If the Business Integration had been conducted on the start date of the fiscal year under review, operating revenue in the consolidated statement of income in the fiscal year under review would be ¥5,801,580 million, and net income would be ¥656,681 million. In addition, the pro-forma data has not received audit certification.

5. Segment information

(1) Outline of reportable segments
The reporting segments of the Group are units of the Group of which separate financial information is available, and which are periodically monitored for the board of directors to determine the allocation of the business resources and evaluate the performance results.
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, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands “au,” “UQ mobile,” and “povo,” and are also working with local partners to eliminate the digital divide and achieve regional co-creation.
Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and Telehouse brand data center services.
We continue to provide global one-stop solutions that contribute to the development and expansion of our customers’ businesses through IoT and DX centered on 5G communications in collaboration with our partners.
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.

From this fiscal year, we have reassessed certain operating segments of our company, consolidated subsidiaries, and associated companies based on organizational changes. Accordingly, the segment information for the fiscal year ended March 31, 2023 is presented based on the segment classification after this change.
In addition, we have applied IFRS 17 "Insurance Contracts" from the three-month period ended June 30, 2023. As a result, we disclose the figures after applying the accounting standard retrospectively for the fiscal year ended March 31, 2023.

(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. Material 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, 2023

(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	4,730,138	899,141	5,629,278	42,483	5,671,762	—	5,671,762
Inter-segment revenue or transfers	90,475	233,040	323,514	96,312	419,827	(419,827)	—
Total	4,820,612	1,132,180	5,952,793	138,796	6,091,589	(419,827)	5,671,762
Segment income (loss)	878,963	191,502	1,070,465	6,767	1,077,232	161	1,077,393
Finance income and finance cost (Net)							1,517
Other non-operating profit and loss							612
Profit for the year before income tax							1,079,523
Other items							
Depreciation and amortization	604,871	90,729	695,600	5,400	701,000	(4,409)	696,591
Impairment loss	2,289	48	2,337	17	2,354	—	2,354
Share of profit of investment accounted for using the equity method	2,187	(244)	1,943	4,270	6,213	—	6,213

For the year ended March 31, 2024

(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	4,675,796	1,033,486	5,709,282	44,765	5,754,047	—	5,754,047
Inter-segment revenue or transfers	71,425	231,253	302,677	97,029	399,706	(399,706)	—
Total	4,747,221	1,264,739	6,011,959	141,794	6,153,753	(399,706)	5,754,047
Segment income (loss)	740,360	211,912	952,271	10,513	962,785	(1,201)	961,584
Finance income and finance cost (Net)							11,652
Other non-operating profit and loss							19,490
Profit for the year before income tax							992,725
Other items							
Depreciation and amortization	586,820	95,584	682,404	7,820	690,224	(4,372)	685,852
Impairment loss	9,301	284	9,585	23	9,607	—	9,607
Share of profit of investment accounted for using the equity method	4,587	549	5,136	4,809	9,945	—	9,945

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

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

(4) Information by product and service

Information by product and service is described in "Note 25. Revenue."

(5) Information by region

i. Revenue

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

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

Description is omitted as non-current assets located in Japan accounts for most of 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.

6. Property, plant and equipment

(1) Movements of property, plant and equipment

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

Acquisition costs

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2022	5,862,061	735,821	293,712	331,649	549,676	7,772,919
Acquisition	4,209	236	11	359,960	619	365,035
Transfer from construction in progress	296,388	16,646	760	(357,379)	43,584	−
Disposal	(89,941)	(7,968)	(1,014)	(446)	(22,808)	(122,179)
Exchange differences	(1,457)	3,161	637	665	6,318	9,323
Other	4,018	1,108	(682)	(4,960)	(2,387)	(2,904)
As of March 31, 2023	6,075,279	749,004	293,423	329,488	575,002	8,022,195
Acquisition	86,647	11,480	22,949	374,718	20,493	516,287
Transfer from construction in progress	237,145	31,420	62,808	(387,462)	56,088	−
Acquisition of business combination	−	3,275	128	89	2,387	5,879
Disposal	(350,137)	(20,472)	(344)	(1,894)	(27,804)	(400,651)
Exchange differences	5,808	12,030	4,476	4,534	21,651	48,499
Other	(1,676)	2,152	1,071	9,750	(12,177)	(880)
As of March 31, 2024	6,053,064	788,890	384,511	329,224	635,641	8,191,330

Accumulated depreciation and accumulated impairment loss

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2022	(4,374,484)	(441,884)	(4,082)	(3,715)	(363,274)	(5,187,439)
Depreciation	(286,778)	(21,955)	－	－	(40,250)	(348,984)
Disposal	86,465	6,185	265	－	22,198	115,113
Impairment loss	(1,459)	(177)	－	(11)	(243)	(1,889)
Exchange differences	407	(602)	(1)	(160)	(2,918)	(3,275)
As of March 31, 2023	(4,575,849)	(458,433)	(3,819)	(3,885)	(384,488)	(5,426,474)
Depreciation	(277,454)	(21,906)	－	－	(39,080)	(338,440)
Disposal	338,547	18,938	188	－	26,871	384,544
Impairment loss	(5,415)	(605)	(151)	(13)	(941)	(7,125)
Exchange differences	(3,295)	(1,453)	42	(917)	(11,279)	(16,903)
As of March 31, 2024	(4,523,466)	(463,459)	(3,740)	(4,816)	(408,917)	(5,404,397)

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, 2022	1,487,577	293,937	289,630	327,934	186,402	2,585,481
As of March 31, 2023	1,499,429	290,571	289,604	325,603	190,515	2,595,721
As of March 31, 2024	1,529,599	325,431	380,772	324,408	226,724	2,786,933

(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 15. 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, 2023 and 2024.

7. Goodwill and intangible assets

(1) Movements of goodwill and intangible assets
The movements of the acquisition costs, accumulated amortization and accumulated impairment loss of the intangible assets are as follows:

Acquisition costs

	Millions of yen						
	Goodwill	Intangible assets					Total
		Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2022	555,733	959,633	328,972	36,363	130,707	652,216	2,663,623
Individual acquisition	—	138,020	—	—	10,760	108,256	257,036
Disposal	—	(91,971)	—	—	—	(50,814)	(142,785)
Exchange differences	96	(660)	—	—	—	582	17
Other	—	3,253	—	—	(76)	(11,292)	(8,115)
As of March 31, 2023	555,829	1,008,274	328,972	36,363	141,391	698,947	2,769,776
Individual acquisition	—	152,369	—	—	10,161	79,891	242,421
Acquisition of business combination	41,220	852	14,884	—	—	79	57,034
Disposal	(15,062)	(106,631)	(351)	(19,372)	—	(54,154)	(195,570)
Exchange differences	1,251	1,447	—	—	—	2,537	5,235
Other	—	2,863	—	—	(28)	(9,051)	(6,216)
As of March 31, 2024	583,237	1,059,174	343,504	16,991	151,525	718,249	2,872,680

Accumulated amortization and impairment

Millions of yen

	Goodwill	Intangible assets					Total
		Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2022	(14,771)	(541,963)	(150,374)	(14,876)	(46,486)	(328,968)	(1,097,437)
Amortization	—	(136,682)	(19,562)	(1,653)	(15,005)	(49,644)	(222,546)
Impairment loss	—	(449)	—	—	—	(3)	(452)
Disposal	—	90,094	—	—	—	50,344	140,438
Exchange differences	—	307	—	—	—	(632)	(324)
Other	—	—	—	—	—	—	—
As of March 31, 2023	(14,771)	(588,693)	(169,936)	(16,529)	(61,491)	(328,902)	(1,180,322)
Amortization	—	(130,737)	(20,493)	(1,066)	(15,955)	(52,744)	(220,995)
Impairment loss	(332)	(1,742)	—	—	—	(226)	(2,300)
Disposal	—	102,313	326	9,099	—	52,248	163,985
Exchange differences	—	(695)	—	—	—	(1,537)	(2,232)
Other	—	—	—	—	—	—	—
As of March 31, 2024	(15,103)	(619,556)	(190,103)	(8,495)	(77,446)	(331,160)	(1,241,864)

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

Millions of yen

	Goodwill	Intangible assets					Total
		Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2022	540,962	417,669	178,598	21,487	84,220	323,249	1,566,186
As of March 31, 2023	541,058	419,581	159,035	19,834	79,900	370,046	1,589,454
As of March 31, 2024	568,134	439,618	153,401	8,496	74,078	387,089	1,630,816

(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, 2023 and 2024 are ¥26,373 million and ¥27,721 million, respectively.

(3) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives described above as of March 31, 2023 and 2024 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.

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

Impairment test of CGUs 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 CGUs or groups of CGUs are as follows:

Goodwill

	Millions of yen	
CGUs or groups of CGUs	As of March 31, 2023	As of March 31, 2024
JCOM Co., Ltd. CATV business	280,709	278,020
Jupiter Shop Channel Co., Ltd.	92,577	92,577
AEON HD	31,621	31,288
Altius Link, Inc.	1,975	23,557
ENERES Co., Ltd.	14,199	14,199
BIGLOBE Inc.	14,072	14,072
Other	105,905	114,421
Total	541,058	568,134

Intangible assets with indefinite useful lives

	Millions of yen	
CGUs or groups of CGUs	As of March 31, 2023	As of March 31, 2024
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 CGUs or groups of CGUs is calculated using value in use.

In assessing value in use, the estimated future cash flows from CGUs or groups of CGUs 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 key 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 CGUs, are as follows.

CGUs or groups of CGUs	As of March 31, 2023	As of March 31, 2024
JCOM Co., Ltd. CATV business	0.0%	0.0%
Jupiter Shop Channel Co., Ltd.	0.0%	0.0%
AEON HD	0.0%	0.0%
Altius Link, Inc.	0.0%	0.0%
ENERES Co., Ltd.	0.0%	0.0%
BIGLOBE Inc.	0.0%	0.0%
Other	0.0%-6.5%	0.0%-7.0%

The growth rates used in estimated cash flows of CGUs or group of CGUs reflect the status of the country and the industry to which the CGUs 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 CGUs or groups of CGUs to which goodwill and intangible assets with indefinite useful lives, are allocated are as follows.

CGUs or groups of CGUs	As of March 31, 2023	As of March 31, 2024
JCOM Co., Ltd. CATV business	5.7%	6.3%
Jupiter Shop Channel Co., Ltd.	5.6%	5.6%
AEON HD	5.6%	6.5%
Altius Link, Inc.	8.9%	9.2%
ENERES Co., Ltd.	6.3%	5.6%
BIGLOBE Inc.	8.5%	9.1%
Other	5.7%-19.3%	6.3%-20.4%

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

9. Investments accounted for using the equity method

In addition, we have applied IFRS 17 "Insurance Contracts" from the fiscal year ended March 31, 2024. As a result, for the fiscal year ended March 31, 2023 and as of March 31, 2023, we disclose the figures after applying the accounting standard retrospectively.

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Interests in associates	261,169	301,037
Total	261,169	301,037

(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, 2023 and 2024, there is no individually significant associate accounted for using the equity method.

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit for the year	6,213	9,945
Other comprehensive income, net of tax	1,117	(423)
Total comprehensive income for the year	7,330	9,522

10. Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Finished goods and manufactured goods	96,169	88,249
Work in progress	2,570	2,574
Other	299	467
Total	99,038	91,290

There is no inventory to be sold after more than 12 months from March 31, 2023 and 2024.

(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, 2023	For the year ended March 31, 2024
Write down of the inventories expensed (Note)	2,308	2,473

Note: Write down is recognized as costs of sales.

(3) Inventories pledged as collateral

There are no inventories pledged as collateral.

11. Trade and other receivables

The analysis of trade and other receivables is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Current:		
Trade receivables		
Accounts receivable-trade and notes receivable	2,281,671	2,533,529
Accounts receivable-other (Note)	182,747	227,062
Loss allowance	(19,168)	(58,439)
Total	2,445,250	2,702,152

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, 2023 and 2024 are ¥418,636 million and ¥438,047 million, respectively.

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

12. Other financial assets

The analysis of other financial assets is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Non-current assets (Other long-term financial assets):		
Financial assets at fair value through profit or loss		
Derivatives	80	748
Financial assets at fair value through other comprehensive income		
Equity instruments		
Investment securities	178,090	316,613
Financial assets at amortized cost		
Debt instruments		
Security deposits	64,627	50,094
Long-term accounts receivables	15,760	13,496
Lease receivables	40,205	31,960
Other	21,225	24,456
Loss allowance	(15,879)	(45,915)
Sub total	304,106	391,453
Current assets (Other short-term financial assets):		
Financial assets at fair value through profit or loss		
Derivatives	6,961	10,096
Financial assets at amortized cost		
Debt instruments		
Lease receivables	28,832	23,321
Short-term investment	10,456	7,447
Other	13,909	13,078
Loss allowance	—	(23,281)
Sub total	60,158	30,662
Total	364,265	422,115

13. Other assets

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Non-current assets		
Long-term prepaid expenses	26,909	33,207
Other	3,016	3,471
Sub total	29,924	36,678
Current assets		
Prepaid expenses	86,518	77,971
Advance payments	21,058	23,629
Other	33,660	52,812
Loss allowance	—	(12,149)
Sub total	141,236	142,263
Total	171,160	178,941

14. Cash and cash equivalents

The analysis of cash and cash equivalents is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Cash in hand and deposits held at call with banks	480,052	885,229
Term deposits with original maturities of three months or less	199	1,978
Total	480,252	887,207
Cash and cash equivalents in consolidated statement of cash flow	480,252	887,207

15. Borrowings and bonds payable

(1) The analysis of borrowings and bonds payable

The analysis of borrowings and bonds payable is as follows:

	Millions of yen			
	As of March 31, 2023	As of March 31, 2024	Average interest rate (%) (Note)	Due (Year)
Non-current				
Bonds payable (excluding current portion)	309,503	249,659	0.33	2025-2029
Long-term borrowings (excluding current portion)	604,730	1,327,712	0.27	2025-2030
Sub total	914,233	1,577,370	—	—
Current				
Current portion of bonds payable	69,979	59,995	0.40	—
Current portion of long-term borrowings	198,465	153,464	0.51	—
Short-term borrowings	69,517	193,554	0.19	—
Sub total	337,961	407,013	—	—
Total	1,252,194	1,984,384	—	—

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 As of March 31, 2023	Millions of yen As of March 31, 2024	Interest rate (%)	Collateral	Due
KDDI Corp.	20th series of unsecured notes	December 13, 2013	29,991 (29,991)	—	0.80 per year	Unsecured	December 20, 2023
KDDI Corp.	21st series of unsecured notes	September 10, 2014	29,982	29,995 (29,995)	0.67 per year	Unsecured	September 20, 2024
KDDI Corp.	22nd series of unsecured notes	July12, 2018	29,944	29,955	0.31 per year	Unsecured	July 12, 2028
KDDI Corp.	23rd series of unsecured notes	November 22, 2018	39,987 (39,987)	—	0.11 per year	Unsecured	November 22, 2023
KDDI Corp.	24th series of unsecured notes	November 22, 2018	29,965	29,979	0.25 per year	Unsecured	November 21, 2025
KDDI Corp.	25th series of unsecured notes	November 22, 2018	19,959	19,966	0.40 per year	Unsecured	November 22, 2028
KDDI Corp.	26th series of unsecured notes	April 26, 2019	29,984	30,000 (30,000)	0.13 per year	Unsecured	April 26, 2024
KDDI Corp.	27th series of unsecured notes	April 26, 2019	29,958	29,972	0.23 per year	Unsecured	April 24, 2026
KDDI Corp.	28th series of unsecured notes	April 26, 2019	39,917	39,931	0.36 per year	Unsecured	April 26, 2029
KDDI Corp	30th series of unsecured notes	October 27, 2022	49,912	49,947	0.21 per year	Unsecured	October 27, 2025
KDDI Corp	31st series of unsecured notes	October 27, 2022	49,882	49,908	0.43 per year	Unsecured	October 27, 2027

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:

	Millions of yen As of March 31, 2023	Millions of yen As of March 31, 2024
Property, plant and equipment	519	519
Stocks of subsidiaries and associates (Note)	768	768
Securities for financial business	356,266	359,283
Loans for financial business	163,456	780,591
Other long-term financial assets	13,248	7,129
Other non-current assets	3,787	4,160
Total	538,043	1,152,450

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Long-term borrowings（Note）	61,100	521,100
Current portion of long-term borrowings	50,000	–
Accounts payable	66	–
Cash collateral received for securities lent	244,111	229,635
Total	355,277	750,735

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, 2023 and 2024 are ¥9,725 million and ¥8,235 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, 2023 and 2024 are ¥399,013 million and ¥368,071 million, respectively.
Except for the borrowings above, there is no financial covenant on borrowings and bonds payable, which has a significant effect on the Group's financial activities. For the fair value and amounts by due dates of borrowings and bonds payable, please refer to "Note 32. Financial instruments" and "Note 33. Fair value of financial instruments."

16. Deferred tax and income taxes

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

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

For the year ended March 31, 2023

	Millions of yen						
	As of April 1, 2022	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2023
Deferred tax assets							
Accrued bonuses	11,239	575	—	—	2	(4)	11,812
Accrued business tax	7,518	719	—	—	5	(273)	7,969
Inventories	4,642	(1,989)	—	—	—	(140)	2,514
Loss allowance	10,202	7,237	—	—	—	138	17,577
Property, plant and equipment and intangible assets	55,209	(9,368)	—	—	8	207	46,058
Lease liabilities	129,589	(949)	—	—	—	—	128,640
Deferred points	12,897	(4,230)	—	—	—	(115)	8,552
Retirement benefit liabilities	2,227	(635)	(5)	0	5	(6)	1,586
Accrued expenses	6,055	1,079	—	—	2	244	7,380
Contract liabilities	33,333	(2,820)	—	—	—	(436)	30,077
Other	35,085	(8,207)	139	(326)	15	(30)	26,677
Total	307,996	(18,587)	134	(326)	37	(414)	288,840
Deferred tax liabilities							
Retained profits of foreign related companies	1,842	379	—	—	—	—	2,221
Special reserves	173	21	—	—	—	—	194
Appraisal gain on equity instruments	26,671	—	—	(8,044)	29	(2)	18,653
Property, plant and equipment, intangible assets and right-of-use assets	133,828	1,103	—	—	—	343	135,274
Identifiable intangible assets	85,292	(6,538)	—	—	—	—	78,755
Retirement benefit assets	12,626	(14)	—	5,715	—	412	18,738
Contract costs	173,482	25,259	—	—	—	—	198,741
Other	6,537	5,412	(15)	(788)	190	825	12,161
Total	440,451	25,623	(15)	(3,117)	219	1,578	464,739

For the year ended March 31, 2024

	Millions of yen						
	As of April 1, 2023	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2024
Deferred tax assets							
Accrued bonuses	11,812	643	—	—	355	(11)	12,799
Accrued business tax	7,969	1,227	—	—	120	(12)	9,304
Inventories	2,514	(25)	—	—	(1)	(1)	2,486
Loss allowance	17,577	(198)	—	—	6	(10)	17,375
Property, plant and equipment and intangible assets	46,058	(16,871)	—	—	105	349	29,641
Lease liabilities	128,640	(1,135)	—	—	—	(6,287)	121,217
Deferred points	8,552	(2,212)	—	—	—	—	6,340
Retirement benefit liabilities	1,586	(744)	5	840	86	—	1,773
Accrued expenses	7,380	(490)	—	—	25	—	6,915
Contract liabilities	30,077	(1,095)	—	—	—	(663)	28,319
Other	26,677	4,719	10	(1,742)	361	14	30,039
Total	288,840	(16,182)	15	(902)	1,057	(6,621)	266,208
Deferred tax liabilities							
Retained profits of foreign related companies	2,221	2,536	—	—	—	(27)	4,731
Special reserves	194	—	—	—	—	—	194
Appraisal gain on equity instruments	18,653	—	—	27,945	—	(0)	46,599
Property, plant and equipment, intangible assets and right-of-use assets	135,274	464	—	—	—	(7,146)	128,593
Identifiable intangible assets	78,755	(4,422)	—	—	(375)	(1)	73,957
Retirement benefit assets	18,738	—	—	(17,581)	—	26	1,183
Contract costs	198,741	16,798	—	—	—	—	215,539
Other	12,161	48	171	(730)	(284)	1,822	13,188
Total	464,739	15,424	171	9,634	(660)	(5,325)	483,983

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

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

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Deferred tax assets	12,203	17,948
Deferred tax liabilities	188,101	235,723
Deferred tax assets, net	(175,898)	(217,775)

The Company and some domestic subsidiaries applied for approval of a Group tax sharing system in the consolidated financial year under review and will adopt this system from the following consolidated fiscal year. As a result, the aforementioned entities apply tax effect accounting that assumes the adoption of the Group tax sharing system from the end of the consolidated fiscal year under review.

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, 2023 and 2024 are ¥4,847 million and ¥4,283 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, 2023	As of March 31, 2024
Deductible temporary differences	8,678	27,613
Tax loss carryforwards	56,972	88,146
Total	65,649	115,759

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
1st year	1,404	—
2nd year	173	265
3rd year	75	348
4th year	126	1,603
5th year and thereafter	55,194	85,930
Total	56,972	88,146

(4) Income taxes

The analysis of income taxes is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Current tax expenses		
Current tax expenses on the profit for the year	289,339	311,052
Adjustments in respect of prior years (( ): refund)	6,042	(5,987)
Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses	(107)	(51)
Sub total	295,274	305,015
Deferred tax expenses		
Origination and reversal of temporary differences	44,278	32,623
Impact of change of tax rates	(8)	(0)
Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses	(5)	(89)
Review of the collectability of deferred tax assets	(55)	(927)
Sub total	44,210	31,606
Total	339,484	336,621

(5) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are described in "Note 30. Other comprehensive income."

(6) Reconciliation of effective tax rates

Reconciliation of statutory effective tax rates and actual tax rates for the years ended March 31, 2023 and 2024 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, 2023	For the year ended March 31, 2024
Statutory income tax rate	31.4%	31.4%
Non-taxable dividends received	(1.8)	(3.1)
Impact of tax differences of foreign subsidiaries	1.5	3.2
Tax credit	(0.1)	(0.2)
Valuation allowance	(0.3)	2.1
Other	0.7	0.5
Average actual tax rate to incur	31.4%	33.9%

17. Employee benefits

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

The Company 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 fulfil fiduciary duties related to the management and operation of the funded money. The trustee is prohibited from abusing the appropriate management and operation of the funded money for self-interest or the interest of third party other than the Fund.

(1) Defined benefit pension plans

i. The amounts on the consolidated statement of financial position

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Present value of the defined benefit obligations (funded)	353,214	337,456
Present value of the defined benefit obligations (unfunded)	11,623	11,033
Fair value of plan assets	(416,009)	(439,417)
The effect of asset ceiling	—	97,633
Status of the funding	(51,172)	6,705
Retirement benefit liabilities	11,739	11,801
Retirement benefit assets	(62,911)	(5,096)
Net retirement benefit liabilities	(51,172)	6,705

ii. Movement in the defined benefit obligations, plan assets, and the effect of asset ceiling

The movement in the defined benefit obligations is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
The movement in the present value of the defined benefit obligations		
Opening balance	412,321	364,838
Current service cost	4,554	2,452
Interest expense	2,145	3,748
Sub total	419,020	371,038
Remeasurements:		
Amount from change in financial assumptions	(38,053)	(8,311)
Amount from change in demographic assumptions	(30)	(101)
Benefit payments	(16,360)	(16,934)
Exchange differences	10	37
New consolidation	4	2,273
Other	246	488
Ending balance	364,838	348,490

The movement in the plan assets is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Changes in fair value of the plan assets:		
Opening balance	(444,546)	(416,009)
Interest income	(2,880)	(5,732)
Remeasurements:		
Return on plan assets	19,635	(30,172)
Benefit payments	14,827	15,812
Contribution to the plans		
Contribution from employers	(3,045)	(1,514)
New consolidation	—	(1,803)
Other	—	—
Ending balance	(416,009)	(439,417)

The movement in the effect of asset ceiling is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Changes in the effect of asset ceiling:		
Opening balance	—	—
the effect of asset ceiling	—	97,633
Ending balance	—	97,633

Note: If a defined benefit plan runs a surplus, the defined benefit plan recorded in the statement of financial position (assets related to retirement benefits) sets a maximum value for assets at the current value of a projected usable future economic benefit, specifically, it indicates a decrease in future funding to the defined benefit plans.

The weighted average duration of the defined benefit obligations for the years ended March 31, 2023 and 2024 are 14.6 years and 13.9 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 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, 2023 and 2024 consists of the components below:

	Millions of yen					
	As of March 31, 2023			As of March 31, 2024		
	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	53,153	—	53,153	60,851	—	60,851
Debt securities	165,499	—	165,499	169,531	—	169,531
Other (Note)	45,403	151,955	197,357	41,367	167,668	209,035
Total	264,054	151,955	416,009	271,749	167,668	439,417

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:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Current service cost	4,554	2,452
Interest expense	2,145	3,748
Interest income	(2,880)	(5,732)
Total	3,819	468

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, 2023	As of March 31, 2024
Discount rate	1.4%	1.4%

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

vi. Sensitivity analysis of actuarial assumptions

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

Discount rates	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
0.5% increase	(19,881)	(17,358)
0.5% decrease	21,808	19,014

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, 2025 to be ¥1,440 million.

(2) Defined contribution pension plans

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

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Expenses related to defined contribution pension plans	8,057	9,538

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, 2023 and 2024 are ¥1,819 million and ¥1,775 million, 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, 2023	For the year ended March 31, 2024
Pension assets	(55,035)	(55,766)
Benefit obligations for the purpose of calculating pension financials	46,368	49,100
Difference	(8,667)	(6,665)
Ratio of the funded pension assets	118.7%	113.6%
Difference consists of :		
Surplus	(8,667)	(6,665)

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

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Contributions by the Group	(1,743)	(1,719)
All contributions to the fund	(2,812)	(2,787)
Ratio to all contributions to the fund	62.0%	61.7%

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, 2025 to be ¥ 1,775 million.

18. Trade and other payables

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Current liabilities		
Accounts payable (Note)	586,110	651,135
Accounts payable-trade	172,402	196,920
Accrued expenses	43,040	50,570
Other obligations	375	500
Total	801,927	899,125

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 March 31, 2023 and 2024 are ¥1,019 million and ¥186 million, respectively.

19. Other financial liabilities

The analysis of other financial liabilities is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Non-current liabilities (Other long-term financial liabilities):		
Financial liabilities at fair value through profit or loss		
Derivatives	806	409
Financial liabilities at amortized cost		
Long-term account payables	1,967	1,940
Other	7,535	7,816
Sub total	10,309	10,166
Current liabilities (Other short-term financial liabilities):		
Financial liabilities at fair value through profit or loss		
Derivatives	6,894	7,761
Financial liabilities at amortized cost		
Other	—	2
Sub total	6,894	7,762
Total	17,202	17,928

20. 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, 2022	64,585	23,988	7,141	95,713
Increase during the year	995	22,448	6,485	29,927
Decrease during the year (intended use)	(17,798)	(28,620)	(1,410)	(47,828)
Decrease during the year (reversal)	—	—	—	—
As of March 31,2023	47,781	17,816	12,215	77,812
Increase during the year	10,911	19,047	2,071	32,028
Decrease during the year (intended use)	(15,477)	(21,489)	(3,098)	(40,064)
Decrease during the year (reversal)	(23)	—	—	(23)
As of March 31,2024	43,192	15,374	11,188	69,753
Non-current liabilities	42,323	—	5,477	47,800
Current liabilities	868	15,374	5,711	21,953

(2) Components of provisions

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

i. Asset retirement obligation

Asset retirement obligations are recognized using 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 Ponta 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 forfeit the right to use them.

iii. Other provisions

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

21. Other liabilities

The analysis of other liabilities is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Non-current liabilities:		
Long-term deposits payable	1,902	1,942
Other	10,465	9,862
Sub total	12,366	11,804
Current liabilities:		
Deposits payable	136,314	133,328
Accrued bonuses	36,498	39,608
Consumption tax payable	28,715	37,197
Other	41,185	43,124
Sub total	242,712	253,257
Total	255,078	265,061

22. 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, 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 off 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, 2023 and 2024 are ¥1,856 million and ¥710 million, respectively.

(1) KDDI CORPORATION

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

For the year ended March 31, 2023

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	195,319	March 10, 2022	3,620.06	(Note 2)

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

For the year ended March 31, 2024

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	167,882	March 9, 2023	3,932.79	(Note 2)

Note 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.
Note 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, 2023

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	2,557	March 25, 2022	4,916.00	(Note 2)
ESOP trust	5,696	March 25, 2022	4,916.00	(Note 2)

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

For the year ended March 31, 2024

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	10,040	March 27, 2023	2,990.00	(Note 2)
ESOP trust	4,108	March 27, 2023	2,990.00	(Note 2)

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

23. Common stock and other equity items

(1) Common stock and capital surplus

The number of authorized 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, 2022	4,200,000,000	2,304,179,550	141,852	279,371
Increase and decrease during the period	–	(1,467,242)	–	1
Balance as of March 31, 2023	4,200,000,000	2,302,712,308	141,852	279,371
Increase and decrease during the period	–	–	–	31,216
Balance as of March 31, 2024	4,200,000,000	2,302,712,308	141,852	310,587

Note 1: Common stock has no par value.

Note 2: Outstanding shares are fully paid.

Note 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, 2022 (Note 3)	88,978,932	(299,827)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	59,823,205	(254,933)
Cancellation of treasury stock	(1,467,242)	5,313
Disposal of treasury stock (Note 2)	(1,743,966)	3,614
Balance as of March 31, 2023 (Note 4)	145,590,929	(545,833)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	75,112,630	(300,000)
Cancellation of treasury stock	—	—
Disposal of treasury stock (Note 2)	(245,399)	739
Balance as of March 31, 2024 (Note 4)	220,458,160	(845,093)

Note 1: The increase in the number of treasury shares mainly due to the purchase from the market in the fiscal year ended March 31, 2023 and the increase in the number of treasury shares in the fiscal year ended March 31, 2024, are mainly due to the tender offer and the purchase from the market, 59,823,200 shares, and 75,112,600 shares, respectively.

Note 2: The decrease in the number of treasury stock is mainly due to the allocation to grant to beneficiaries of executive compensation BIP trust and stock grants ESOP trust.

Note 3: The balance of treasury stock as of April 1, 2022 includes share of the Company owned by the executive compensation BIP trust and stock grants ESOP trust.

Note 4: The balance of treasury stock as of March 31, 2023 and March 31, 2024 includes share of the Company owned by the executive compensation BIP 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:
IFRS 17 "Insurance Contracts" has been adopted from this fiscal year, and accordingly the figures have been calculated retrospectively to apply the accounting standard for the fiscal year ended March 31, 2023.

i. Changes in each component of accumulated other comprehensive income
For the year ended March 31, 2023:

	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	Change in reserve fund of insurance finance expenses	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2022	6,297	36,403	375	348	–	43,422
Amount incurred during the year	12,980	(24,156)	(852)	204	12,429	605
Reclassified to consolidated statement of income	–	–	366	–	–	366
Transferred to retained earnings	–	430	–	–	(12,429)	(11,999)
Balance as of March 31, 2023	19,277	12,677	(112)	553	–	32,394

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

For the year ended March 31, 2024:

	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	Change in reserve fund of insurance finance expenses	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2023	19,277	12,677	(112)	553	－	32,394
Amount incurred during the year	37,334	59,966	654	(41)	(41,040)	56,874
Reclassified to consolidated statement of income	(4,423)	－	401	－	－	(4,022)
Transferred to retained earnings	－	(2,847)	－	－	41,040	38,192
Balance as of March 31, 2024	52,188	69,796	943	512	－	123,438

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

ii. The analysis of accumulated other comprehensive income

Accumulated other comprehensive income includes following items.

(a) Translation differences on foreign operations

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

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

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

(c) Changes in fair value of cash flow hedge

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

(d) Change in reserve fund of insurance finance expense

This represents the impact of the time value of money of future cash flows related to insurance contracts, as well as the fluctuation due to financial risks.

(e) 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, the effects of changes in actuarial assumptions, and change in the effect of asset ceiling.

24. Dividends

Dividends to common shareholders are as follows:

(1) Dividends paid

For the year ended March 31, 2023

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 22, 2022 General meeting of shareholders (Note 1)	Common stock	143,988	65	March 31, 2022	June 23, 2022
November 2, 2022 Board of directors (Note 2)	Common stock	142,496	65	September 30, 2022	December 5, 2022

For the year ended March 31, 2024

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 21, 2023 General meeting of shareholders (Note 2)	Common stock	150,998	70	March 31, 2023	June 22, 2023
November 2, 2023 Board of directors (Note 2)	Common stock	146,527	70	September 30, 2023	December 5, 2023

Note 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.

Note 2: Dividends of the Company's shares owned by the executive compensation BIP trust are not included in the aggregate amount of the dividends above.

(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, 2023:

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 21, 2023 General meeting of shareholders (Note)	Common stock	150,998	Retained earnings	70	March 31, 2023	June 22, 2023

For the year ended March 31, 2024:

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 19, 2024 General meeting of shareholders (Note)	Common stock	145,758	Retained earnings	70	March 31, 2024	June 20, 2024

Note: Dividends of the Company's shares owned by the executive compensation BIP trust are not included in the aggregate amount of the dividends above.

25. Revenue

(1) Division of revenues

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

For the year ended March 31, 2023

Segment	Product / Service	Millions of yen
Personal Services		4, 730,138
	Mobile communications revenues	1,591,413
	Multi-Brand value-added revenues	442,475
	Fixed-line telecommunications	819,509
	Others	1,876,740
Business Services		899,141
Others		42,483
Total		5,671,762
Profit from contracts with customers		5,518,184
Profit from other sources		153,578

Note: The amounts presented exclude inter-segment transactions.

For the year ended March 31, 2024

Segment	Product / Service	Millions of yen
Personal Services		4,675,796
	Mobile communications revenues	1,555,311
	Multi-Brand value-added revenues	467,694
	Fixed-line telecommunications	824,905
	Others	1,827,886
Business Services		1,033,486
Others		44,765
Total		5,754,047
Profit from contracts with customers		5,570,136
Profit from other sources		183,911

Note: The amounts presented exclude inter-segment transactions.

(2) Outstanding contract balances

The Group's receivables and contract liabilities from contracts with customers are as follows.

For the year ended March 31, 2023:

	Millions of yen As of April 1, 2022	Millions of yen As of March 31, 2023
Receivables from contracts with customers	2,032,463	2,106,035
Contract liabilities	157,174	158,500

For the year ended March 31, 2024:

	Millions of yen As of April 1, 2023	Millions of yen As of March 31, 2024
Receivables from contracts with customers	2,106,035	2,320,661
Contract liabilities	158,500	166,621

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 stand-alone selling prices of benefits with the advance payment.

Regarding revenue recognized for the years ended March 31, 2023 and 2024, ¥76,680 million and ¥77,383 million were included in outstanding contract liabilities at the beginning of the fiscal year, respectively.
In the fiscal year ended March 31, 2023 and 2024, 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, 2023 and 2024 are ¥144,662 million and ¥158,371 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 six years, from March 31, 2023 and 2024. 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 fulfil contracts with customers

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

	Millions of yen March 31, 2023	Millions of yen March 31, 2024
Costs to obtain contracts	582,382	634,663
Costs to fulfill contracts	55,153	50,647

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 fulfil 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.
Regarding the estimated contract period, we make significant assumptions related to factors such as the expected period until cancellation or model change based on past performance data and other relevant elements.

These assets are amortized on a straight-line basis-based on three to four years of estimated contract period in the fiscal year ended March 31, 2023 and 2024.
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.
In determining the recoverability, we make key assumptions regarding the business plan based on revenue projections and cost fluctuation projections for cost of sales, sales and general administrative expenses, and other costs.
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 recognized from these assets in the years ended March 31, 2023 and 2024 amounted to ¥233,952 million and ¥273,756 million, respectively, and the impairment losses are not recognized.

26. 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, 2023	For the year ended March 31, 2024
Handset sales cost, repair cost	657,987	665,063
Depreciation and amortization	696,591	685,852
Communication equipment usage fee and rentals	352,031	368,990
Staff cost	468,597	524,194
Operations outsourcing	340,776	399,646
Sales commission	357,675	367,883
Power retail sales cost	630,628	556,006
Advertising expense	104,135	110,490
Sales promotion expense	105,390	66,710
Loss allowance	3,772	100,067
Other (Note)	950,839	982,292
Total	4,668,421	4,827,194

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

27. 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, 2023	For the year ended March 31, 2024
Subsidy income, etc.	55,392	16,417
Gain on sale of fixed assets	1,747	707
Compensation income, etc.	2,366	609
Other	12,125	15,218
Total	71,629	32,951

(2) The analysis of other expense

The analysis of other expense is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Reduction entry of land contribution for construction	—	4,951
Loss on sale of fixed assets	165	129
Other	3,624	3,086
Total	3,790	8,165

28. 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, 2023	For the year ended March 31, 2024
Interest income:		
Financial assets at amortized cost	1,998	3,367
Dividend income:		
Financial assets at fair value through other comprehensive income	7,910	4,694
Gain on foreign currency exchange	—	12,547
Other	267	1,258
Total	10,175	21,866

(2) The analysis of finance cost

The analysis of finance cost is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Interest expense:		
Financial liabilities at amortized cost	6,528	8,287
Financial liabilities at fair value through profit or loss		
Derivatives	615	527
Foreign exchange loss	14	—
Other	1,501	1,401
Total	8,658	10,215

29. Other non-operating profit

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

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Gain or loss on change in equity, etc.	35	9,946
Gain on bargain purchase	584	252
Gain or loss on sales of stocks of subsidiaries and affiliates	(7)	7,159
Gain or loss on step acquisition	—	2,132
Total	612	19,490

30. Other comprehensive income

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

IFRS 17 "Insurance Contracts" has been adopted from the fiscal year ended March 31, 2024, and the figures have been calculated retrospectively to apply the accounting standard for the fiscal year ended March 31, 2023.

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
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	18,241	(59,356)
Tax effect	(5,715)	18,422
After tax effect	12,526	(40,934)
Net change in financial assets at fair value through other comprehensive income		
Gain (loss) arising during the year	(32,881)	88,068
Tax effect	8,044	(27,945)
After tax effect	(24,837)	60,123
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	(555)	(406)
After tax effect	(555)	(406)
Total	(12,865)	18,783
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedge		
Gain (loss) arising during the year	(1,869)	2,878
Transferred to profit for the year	366	401
Before tax effect	(1,503)	3,278
Tax effect	461	(1,012)
After tax effect	(1,042)	2,266
Exchange differences on translating foreign operations		
Gain (loss) arising during the year	19,935	46,459
Transferred to profit for the year	—	(4,423)
Before tax effect	19,935	42,036
After tax effect	19,935	42,036
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	1,689	60
Transferred to profit for the year	(17)	(78)
After tax effect	1,672	(17)
Total	20,565	44,284
Total other comprehensive income	7,700	63,068

31. Cash flow

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

Millions of yen

	Cash/ current bank account	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, 2022	796,613	391,984	56,034	822,544	329,543	(2,197)
Cash flows	(323,448)	(128,288)	13,483	(19,400)	50,000	—
Acquisitions	—	132,917	—	—	—	(1,100)
Foreign exchange adjustments	7,087	58	—	—	—	—
Fair value movements	—	—	—	—	—	1,030
Other non-cash movements	—	2,572	—	52	(61)	361
Net debt as of March 31, 2023	480,252	399,242	69,517	803,196	379,482	(1,906)
Cash flows	397,588	(128,974)	123,626	676,980	(70,000)	—
Acquisitions	—	128,868	—	—	—	—
Change arising from the acquisition or loss of control of a subsidiary or other business	—	6,544	411	1,218	—	—
Foreign exchange adjustments	9,367	2,338	—	—	—	—
Fair value movements	—	—	—	—	—	397
Other non-cash movements	—	2,000	—	(217)	172	—
Net debt as of March 31, 2024	887,207	410,019	193,554	1,481,176	309,653	(1,509)

Note: Borrowings includes the liabilities generated from operating activities.

32. Financial Instruments

(1) Risk management

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

(i) Credit risk management

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

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

(b) Responses to the risk owned by the Company

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

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

Millions of yen

	Trade receivables	Lease Receivables and Other Receivables	Total
	Measured at the amount equal to the lifetime expected credit losses	Financial assets for which credit risk has significantly increased since initial recognition	
Balance as of April 1, 2022	31,055	—	31,055
Increase during the year	34,159	—	34,159
Decrease during the year (reversal)	(18,305)	—	(18,305)
Decrease during the year (intended use)	(11,355)	—	(11,355)
Other	(766)	—	(766)
Balance as of March 31, 2023	34,788	—	34,788
Increase during the year	28,771	107,413	136,184
Decrease during the year (reversal)	(16,757)	—	(16,757)
Decrease during the year (intended use)	(15,542)	—	(15,542)
Other	57	—	57
Balance as of March 31, 2024	31,317	107,413	138,730

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, 2023 and 2024 respectively, for which collecting efforts are still being made.

Lease receivables and other receivables include a loss allowances related to the Myanmar telecommunications business.
In the consolidated fiscal year under review, after estimating the forecast credit loss for the entire period related to the collection of lease receivables held by KDDI's consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (KSGM), the Company recognized a loss allowance for a portion of the lease receivables.
KSGM provides support for the telecommunications business operations of Myanma Posts & Telecommunications (MPT), an organization under Myanmar's Ministry of Transport and Communication. KSGM leases telecommunications equipment categorized as finance leases to MPT. Through these lease transactions, KSGM holds U.S. dollar-denominated lease receivables with MPT. The Myanmar telecommunications business has continued to post operating losses. Foreign exchange control regulations were enacted by the Central Bank of Myanmar and the Foreign Exchange Supervisory Committee and went into effect in April 2022. Since that date, the conversion of money from the local Kyat currency to a foreign currency requires the completion of an approval process overseen by the Central Bank of Myanmar. As a result, KSGM is subject to restrictions on the collection of lease receivables denominated in U.S. dollars. Comprehensively considering these conditions, at the end of the fiscal year under review, the Company determined there is a significant increase in credit risk and recognized a loss allowance of ¥107,413 million for lease receivables related to these business activities.

The main estimates used in the calculation of cash flows that KSGM expects to receive are converted into U.S. dollars. Regarding the dollar conversion amount, the Company uses the approved results for U.S. dollar conversion in the Myanmar telecommunications business from the start of the restrictions on foreign currency management in April 2022 to estimate future dollar convertible amounts. After comparing the Kyat-denominated cash flows that MPT expects to pay in each fiscal year with the dollar convertible amount expected in the fiscal year, the lower amount is used as the estimated future cash flow. In addition, when calculating allowances, to reflect the uncertainty, multiple scenarios are established with different dollar convertible amounts, which is the main factor within the model, are established. The present value (subtracting the initial effective interest rate for lease receivables from the estimated future cash flows in each scenario) is calculated using the weighted average based on the probability of each scenario.
Going forward, due in part to the worsening situation of the U.S. dollar conversion regulations, if there is a change in the main factors, it is possible that some or all of the ¥23,016 million in lease receivables will be recorded as additional loss allowances.

Excluding the loss allowance related to the Myanmar telecommunications business, there are no major loss allowances related to lease receivables or other receivables, financial business loans, or other investments (securities that are debt financial instruments).

(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, 2023

	Millions of yen			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	2,232,238	151,129	45,929	2,429,296
Expected loss rate	0.3%	1.4%	57.0%	—
Loss allowance	6,509	2,091	26,188	34,788

For the year ended March 31, 2024

	Millions of yen			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	2,532,914	131,651	46,428	2,710,993
Expected loss rate	0.2%	1.6%	50.1%	—
Loss allowance	5,952	2,092	23,273	31,317

Maximum exposure of lease receivables and other receivables related to the Myanmar telecommunications business
For the year ended March 31, 2023

	Millions of yen			
		Expected Credit Loss over the entire period		
	Expected credit losses over 12 months	Financial assets for which credit risk has significantly increased since initial recognition	Financial Assets impaired by credit losses	Total
Lease receivables and other receivables	127,468	—	—	127,468
Expected credit losses	—	—	—	—

For the year ended March 31, 2024

	Millions of yen			
		Expected Credit Loss over the entire period		
	Expected credit losses over 12 months	Financial assets for which credit risk has significantly increased since initial recognition	Financial Assets impaired by credit losses	Total
Lease receivables and other receivables	—	130,429	—	130,429
Lease receivables and other receivables	—	107,413	—	107,413

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 14. Cash and cash equivalents" for details.

Long-term financing is conducted following approval by the Board of Directors of the annual financial plan prepared by the finance and accounting department. The Group minimizes its liquidity risk by entering into a number of long- and short-term 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, 2023

	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	801,927	801,927	800,909	411	129	6	4	469
Short-term borrowings	69,517	69,517	69,517	—	—	—	—	—
Long-term borrowings	803,196	817,520	200,713	154,882	154,173	140,650	146,977	20,124
Bonds payable	379,482	384,409	71,303	60,898	80,778	30,563	50,529	90,339
Deposits for financial business	2,717,552	2,717,771	2,705,020	10,092	1,179	868	610	1
Lease liabilities	399,242	398,314	116,806	84,851	58,309	40,951	26,839	70,558
Sub total	5,170,915	5,189,458	3,964,268	311,134	294,568	213,038	224,960	181,491
Derivative financial liabilities (Note)								
Currency-related transactions	2,476	2,476	2,410	(4)	63	—	8	—
Interest rate-related transactions	5,224	5,224	361	—	740	—	—	4,123
Sub total	7,700	7,700	2,771	(4)	803	—	8	4,123
Total	5,178,615	5,197,158	3,967,038	311,129	295,371	213,038	224,967	185,613

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

As of March 31, 2024

	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	899,125	899,125	898,939	182	3	0	0	0
Short-term borrowings	193,554	293,981	293,981	—	—	—	—	—
Long-term borrowings	1,481,176	1,496,007	157,489	181,486	264,536	666,503	165,329	60,665
Bonds payable	309,653	313,106	60,898	80,778	30,563	50,529	50,268	40,071
Deposits for financial business	3,826,137	3,791,533	3,678,803	18,909	6,830	86,991	—	—
Lease liabilities	410,019	412,402	147,623	80,471	55,414	39,836	25,578	63,480
Sub total	7,119,665	7,206,154	5,237,732	361,826	357,347	843,859	241,174	164,216
Derivative financial liabilities (Note)								
Currency-related transactions	2,372	2,372	2,326	46	—	—	—	—
Interest rate-related transactions	5,798	5,798	—	—	—	363	74	5,361
Sub total	8,170	8,170	2,326	46	—	363	74	5,361
Total	7,127,835	7,214,324	5,240,057	361,872	357,347	844,223	241,248	169,577

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) 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 (except for au Jibun Bank)

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, 2023	For the year ended March 31, 2024
Profit before tax		
U.S. dollar	(3,143)	(2,229)
Pound	(2,050)	(3,956)
Euro	(1,163)	(2,095)
Total	(6,356)	(8,279)

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 reserve of the figures presented above assuming.

ii. Derivatives (currency-related transactions)

Details of major exchange contracts existed at March 31, 2023 and 2024 are as follows:

Derivatives designated as hedges

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

	Millions of yen							
	As of March 31, 2023				As of March 31, 2024			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Currency-related transactions	43,117	9,541	1,198	687	45,185	12,507	3,206	99

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Carrying amount	511	3,107
Contractual amount	43,117	45,185
Maturity date	May 2023 -December 2027	April 2024 -December 2027
Hedge ratio (Note 1)	1	1
Change in intrinsic value of outstanding hedging instrument (Note 2)	(2,609)	2,596

Note 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.

Note 2: The change in the value of the hedged item used as the basis for recognizing hedge ineffectiveness approximates the change in the fair value of the hedging instrument. The Group does not have a non-effective portion of the hedge.

Derivatives not designated as hedges

	Millions of yen							
	As of March 31, 2023				As of March 31, 2024			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Currency-related transactions	147,511	—	2,340	2,410	106,504	—	2,316	2,304

(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 (except for au Jibun Bank)

For each fiscal year, there is no material impact on income before income taxes in the consolidated statements of income, even if a 1% interest rate fluctuation occurs for the financial instruments with floating interest rates held. This analysis assumes that all other variables (balance, exchange rate etc.) are held constant.

ii. Derivatives (Interest rate-related transactions)

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							
	As of March 31, 2023				As of March 31, 2024			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate-related transactions	131,100	51,100	8	1,101	57,600	57,600	0	423

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Carrying amount	(1,093)	(423)
Contractual amount	131,100	57,600
Maturity date	December 2023 - March 2028	December 2025 - September 2053
Hedge ratio (Note 1)	1	1
Change in intrinsic value of outstanding hedging instrument	1,104	670

Note 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.

Note 2: The change in the value of the hedged item used as the basis for recognizing hedge ineffectiveness approximates the change in the fair value of the hedging instrument. The Group does not have any non-effective portion of the hedge.

Derivatives not designated as hedges

	Millions of yen							
	As of March 31, 2023				As of March 31, 2024			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate-related transactions	145,631	145,631	4,123	4,123	203,460	203,460	5,353	5,435

(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 (except for au Jibun Bank)

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, 2023	For the year ended March 31, 2024
Accumulated other comprehensive income (before tax effect)	(12,216)	(25,723)

(d)Market risk management at au Jibun Bank Co., Ltd.

Our consolidated subsidiary, au Jibun Bank, monitors and manages the amount of market risk on a daily basis using Value at Risk (VaR).

VaR is calculated using the historical simulation method (holding period of 21 business days, confidence level of 99%, observation period of 250 business days). Market risk amount is ¥4,090million in total, as of the end of the fiscal year ended March 31, 2023. Similarly, the total market risk amount is ¥3,524 million, as of the end of the fiscal year ended March 31, 2024. Note that VaR measures the amount of market risk at a certain probability of occurrence statistically calculated based on past market fluctuations, and may not be able to capture risks under circumstances where the market environment changes dramatically beyond what is normally possible.

(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:

	Unit	As of March 31, 2023	As of March 31, 2024
Ratio of equity attributable to owners of the parent (Note)	%	43.0	37.1
D/E ratio (debt / equity ratio)	ratio	0.32	0.46

Note: Ratio of equity attributable to owners of the parent : Equity attributable to owners of the parent / Total assets ×100

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

As of March 31, 2024, 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, 2023

	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	—	—	2,038,403	2,038,403
Securities for financial businesses	55,152	355,911	—	411,063
Other long-term financial assets	125,937	178,090	80	304,106
Current assets:				
Trade and other receivables	2,445,250	—	—	2,445,250
Short-term loans for financial business	247,054	—	57,503	304,557
Call loans	53,944	—	—	53,944
Other short-term financial assets	50,032	—	10,127	60,158
Cash and cash equivalents	480,252	—	—	480,252
Total	3,457,621	534,000	2,106,112	6,097,733

	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	914,233	—	—	914,233
Long-term deposits for financial business	64,829	—	—	64,829
Lease liabilities	286,437	—	—	286,437
Other long-term financial liabilities	9,503	—	806	10,309
Current liabilities:				
Borrowings and bonds payable	337,961	—	—	337,961
Trade and other payables	801,927	—	—	801,927
Short-term deposits for financial business	2,652,723	—	—	2,652,723
Call money	244,111	—	—	244,111
Lease liabilities	112,805	—	—	112,805
Other short-term financial liabilities	—	—	6,894	6,894
Total	5,424,529	—	7,700	5,432,229

As of March 31, 2024

	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	—	—	3,200,059	3,200,059
Securities for financial business	119,838	293,929	—	413,767
Other long-term financial assets	74,092	316,613	748	391,453
Current assets:				
Trade and other receivables	2,702,152	—	—	2,702,152
Short-term loans for financial business	277,652	—	89,942	367,593
Call loans	28,237	—	—	28,237
Other short-term financial assets	20,566	—	10,096	30,662
Cash and cash equivalents	887,207	—	—	887,207
Total	4,109,743	610,542	3,300,845	8,021,130

	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	1,577,370	—	—	1,577,370
Long-term deposits for financial business	112,730	—	—	112,730
Lease liabilities	292,003	—	—	292,003
Other long-term financial liabilities	9,756	—	409	10,166
Current liabilities:				
Borrowings and bonds payable	407,013	—	—	407,013
Trade and other payables	899,125	—	—	899,125
Short-term deposits for financial business	3,713,407	—	—	3,713,407
Call money	37,972	—	—	37,972
Collateral for bond repurchase transactions	263,157	—	—	263,157
Lease liabilities	118,016	—	—	118,016
Other short-term financial liabilities	2	—	7,761	7,762
Total	7,430,552	—	8,170	7,438,722

Note: Effective from the fourth quarter of the fiscal year ended March 31, 2022, au Jibun Bank Corporation has changed its management for housing loan receivables from a management aimed at collecting receivables to a management aimed at sustainable business development and securing a stable revenue base through the collection of receivables, resulting in a change in business model.
In accordance with the change in business model, effective April 1, 2022, the measurement category of loans for financial business, which is categorized in financial assets at amortized cost, will be changed to financial assets at fair value through profit or loss. For details of the measurement method for each category, please refer to "3. Material Accounting Policies (11) Financial Instruments." The amount to be reclassified as of April 1, 2022 is ¥1,362,678 million.

(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, 2023	As of March 31, 2024
Fair value		
Listed equities	122,161	257,227
Unlisted equities	43,444	46,277
Other	12,485	13,109
Total	178,090	316,613

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Dividends received		
Listed equities	2,704	3,559
Unlisted equities	238	217
Other	4,968	829
Total	7,910	4,604

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Listed equities		
TOYOTA MOTOR CORPORATION	75,148	151,576
Internet Initiative Japan Inc.	4,617	57,818
LAWSON, Inc.	11,837	21,807
PIA Corporation	5,035	5,066
gremz,Inc.	4,067	3,805
Japan Airport Terminal Co., Ltd.	4,019	3,611
Finatext Holdings Ltd.	2,057	2,989
East Japan Railway Company	2,191	2,616
JTOWER Inc.	2,712	2,195
Datasection Inc.	550	1,531
Other	9,928	4,215
Sub total	122,161	257,227
Unlisted equities		
COMMUNITY NETWORK CENTER INCORPORATED	5,050	5,943
Japan Platform of Industrial Transformation, Inc.	5,000	5,000
WiL Fund II, L.P.	4,205	4,603
WILLER Co., Ltd.	2,053	2,639
Other	39,621	41,200
Sub total	55,929	59,386
Total	178,090	316,613

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

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

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Fair value at the disposal date	1,897	4,678
Accumulated gains / losses arising from sale	(514)	4,125
Dividends received	0	89

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 ¥(430) million and ¥2,847 million, respectively, for the years ended March 31, 2023 and 2024.

33. Fair value of financial instruments

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

- Level 1：Quoted prices in active markets for identical assets or liabilities
- Level 2：The fair value of the asset or liability measured using inputs that are observable either directly or indirectly other than quoted prices included within level 1
- Level 3：The fair value of the asset or liability measured using inputs 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, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through other comprehensive income				
Securities for financial business	335,026	20,884	—	355,911
Other financial assets				
Investment securities	122,161	—	55,929	178,090
Financial assets at fair value through profit or loss				
Loans for financial business	—	2,095,906	—	2,095,906
Other financial assets				
Derivatives				
Currency-related transactions	—	2,917	—	2,917
Interest rate-related transactions	—	4,123	—	4,123
Money trusts	—	385	—	385
Investment trusts	—	2,781	—	2,781
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
Derivatives				
Currency-related transactions	—	2,476	—	2,476
Interest rate-related transactions	—	5,224	—	5,224

As of March 31, 2024

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through other comprehensive income				
Securities for financial business	270,795	23,134	—	293,929
Other financial assets				
Investment securities	257,227	—	59,386	316,613
Other	998	—	—	998
Financial assets at fair value through profit or loss				
Loans for financial business	—	3,290,001	—	3,290,001
Other financial assets				
Derivatives				
Currency-related transactions	—	5,491	—	5,491
Interest rate-related transactions	—	5,353	—	5,353
Investment trusts	—	5,577	—	5,577
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
Derivatives				
Currency-related transactions	—	2,372	—	2,372
Interest rate-related transactions	—	5,798	—	5,798

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, 2023 and 2024.
Effective from the fourth quarter of the fiscal year ended March 31, 2022, au Jibun Bank Corporation has changed its management for housing loan receivables from a management aimed at collecting receivables to a management aimed at sustainable business development and securing a stable revenue base through the collection of receivables, resulting in a change in business model.
In accordance with the change in business model, effective from April 1, 2022, the measurement category of loans for financial business, which is categorized in financial assets at amortized cost, will be changed to financial assets at fair value through profit or loss. Regarding measurement methods applied to segment assets since the change in categories, “financial assets measured at fair value through net income or loss” are recognized at fair value at the time of recognition, and transaction expenses are measured at net income or loss when they are incurred. Income or loss related to “financial assets measured at fair value through net income or loss” are recognized at net income or loss. The carrying amount to be reclassified and its fair value as of April 1, 2022 are ¥1,362,678 million and ¥1,381,184 million.

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

(a) 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.

(b) Other financial assets and liabilities

(i) Investment securities

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 investment securities, adjusted for certain illiquidity discounts and non-controlling interest discounts, if necessary.

(ii) Derivatives

Currency-related transactions

Currency-related transactions are calculated 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 currency-related transactions are classified as level 2 of the fair value hierarchy.

Interest rate-related transactions

Interest rate-related transactions 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-related transactions are classified as the level 2 of the fair value hierarchy.

(iii) 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.

(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 level 2 of the 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, 2023.

	Millions of yen
	Financial assets measured at fair value through other comprehensive income
	Investment securities
As of April 1, 2022	61,714
Acquisition	8,895
Gain recognized on other comprehensive income	(13,938)
Sale	(879)
Other	137
As of March 31, 2023	55,929

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2024.

	Millions of yen
	Financial assets measured at fair value through other comprehensive income
	Investment securities
As of April 1, 2023	55,929
Acquisition	3,996
Gain recognized on other comprehensive income	409
Sale	(351)
Other	(597)
As of March 31, 2024	59,386

iv. Evaluation process of level 3

Fair value measurements of unlisted investment securities are performed by finance and accounting departments independent from equity management 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 investment securities, 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, 2023

	Fair value	Valuation technique	Unobservable inputs	Range
	Millions of yen			
Unlisted equities	43,444	Income approach	Discount rate	2.9%-16.6%

As of March 31, 2024

	Fair value	Valuation technique	Unobservable inputs	Range
	Millions of yen			
Unlisted equities	46,277	Income approach	Discount rate	5.0%-16.6%

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, 2023

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Loans for financial business	17,426	—	17,410	—	17,410
Securities for financial business	55,152	56,131	—	—	56,131
Other financial assets					
Monetary claims bought	11,637	—	11,384	—	11,384
Financial liabilities					
Borrowing and bonds payable					
Borrowings	692,096	—	690,687	—	690,687
Bonds payables	379,482	379,031	—	—	379,031
Deposits for financial business	2,717,552	—	2,718,651	—	2,718,651

Note.1: Loans for financial business in the table above include their current portion.

Note.2: Borrowings and bonds payable in the table above include their current portion.

Note.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, 2024

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Loans for financial business	26,396	—	26,375	—	26,375
Securities for financial business	119,838	103,702	5,108	9,993	118,803
Other financial assets					
Monetary claims bought	14,050	—	13,670	—	13,670
Financial liabilities					
Borrowing and bonds payable					
Borrowings	1,481,176	—	1,471,120	—	1,471,120
Bonds payables	309,653	308,027	—	—	308,027
Deposits for financial business	3,826,137	—	3,829,405	—	3,829,405

Note.1: Loans for financial business in the table above include their current portion.

Note.2: Borrowings and bonds payable in the table above include their current portion.

Note.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) Securities for financial business

The fair value of securities for financial business is determined based on market prices for those with market prices available, and using prices obtained from third parties for those without market prices. Therefore, financial instruments with active market prices are classified as Level 1 of the fair value hierarchy, those without active market prices are classified as Level 2, and those without market prices are classified as Level 3 of the fair value hierarchy.

(c) Monetary claims bought

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

(d) Borrowings

For borrowings with variable interest rates, the carrying amount is used as fair value, as the rates reflect the market interest rate within a short term and there is no significant change expected in the Group entities' credit conditions after financing. For borrowings with fixed interest rates, fair value is estimated by discounting the total of principal and interest using the current interest rate adjusted for the remaining maturity period of the borrowings and credit risk. Borrowings are classified as level 2 of the fair value hierarchy.

(e) Bonds payables

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

(f) Deposits for financial business

For demanded deposits of the deposits for financial business, amounts payable on request at the year-end closing date (carrying amount) are considered to represent fair value. The fair value of time deposits is measured at the present value calculated by discounting each portion of future cash flows classified by period. 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.

34. Commitments

Purchase commitments

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Property, plant and equipment	207,544	227,677
Intangible assets	14,959	12,358
Total	222,503	240,035

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

35. Earnings per share

(1) Basic earnings per share

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

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit for the year attributable to owners of the parent	679,113	637,874
Weighted average number of common shares outstanding (Thousands of shares)	2,183,607	2,117,320
Basic earnings per share	311.01	301.26

(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, 2023	For the year ended March 31, 2024
Profit for the year attributable to owners of the parent	679,113	637,874
Adjustment of profit	—	—
Profit used in calculation of diluted earnings per share	679,113	637,874

	Thousands of shares	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Weighted average number of common shares outstanding	2,183,607	2,117,320
Effect of dilutive potential common shares		
BIP trust and ESOP trust	909	582
Weighted average number of common shares during the year	2,184,516	2,117,902

	Yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Diluted earnings per share	310.88	301.18

Note 1: 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.

Note 2: As stated in "2. Basis of Preparation (5) Application of new standards and interpretations," we have applied IFRS 17 "Insurance Contracts" from the fiscal year ended March 31, 2024, reflecting the cumulative impact of the change in standards as of the beginning of the fiscal year ended March 31, 2023, which is the transition date. Consequently, the figures for the fiscal year ended March 31, 2023 have been restated to reflect these changes.

36. 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, 2023	As of March 31, 2024
Right-of-use assets		
Real estate for base stations as the underlying asset	149,693	148,156
Transmission lines as the underlying asset	27,735	26,051
Real estate for office and telecommunication business as the underlying asset	114,357	97,272
Telecommunication equipment as the underlying asset	15,721	20,578
Other underlying assets	86,429	133,116
Total right-of-use assets	393,935	425,173

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Increase of right-of-use assets	132,917	150,246

ii. Amounts recognized in the consolidated statements of income

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Depreciation associated with right-of-use assets		
Real estate for base stations as the underlying asset	55,289	55,633
Transmission line as the underlying asset	5,381	5,174
Real estate for office and telecommunication business as the underlying asset	34,794	30,840
Telecommunication equipment as the underlying asset	6,458	6,462
Other underlying assets	22,136	29,805
Total depreciation associated with right-of-use assets	124,058	127,914
Interest expense associated with lease liabilities	2,206	3,313

iii. Cash flows associated with leases

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Total cash outflows associated with leases	130,494	132,286

(2) Lease as a lessor

i. Finance lease

Mainly, KDDI's consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (KSGM) provides support for the telecommunications business operations of Myanma Posts & Telecommunications (MPT), an organization under Myanmar's Ministry of Transport and Communication. KSGM leases telecommunications equipment categorized as finance leases to MPT.

(a) Income from lease

Not applicable.

(b) Maturity analysis

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Within one year	43,894	28,801
Over one year to two years	30,545	18,337
Over two years to three years	19,198	10,065
Over three years to four years	11,022	5,728
Over four years to five years	4,525	2,942
Over five years	1,198	992
Total	110,383	66,866
Unearned finance income	(41,346)	(11,585)
Net investment in the lease	69,037	55,281
Loss allowance	—	(55,186)
Lease balance	69,037	94

37. Non-cash transactions

For the fiscal years ended March 31, 2023 and 2024, 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 ¥132,917 million and ¥128,868 million, respectively.

38. 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, 2023	The proportion of voting rights (%) As of March 31, 2024
Okinawa Cellular Telephone Company	Personal Services Business Services	Naha-shi, Okinawa	Telecommunications services (au mobile phone services)	53.9	51.9
JCOM., Ltd. (Note 1)	Personal Services Business 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)	93.1 (93.1)	93.1 (93.1)
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	A holding company for language-related companies, including English conversation schools	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	80.9
Wire and Wireless Co., Ltd.	Business 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	Other Services	Minato-ku, Tokyo	Holding company of internet service companies	83.6	84.1
Jupiter Shop Channel Co., Ltd.	Personal Services	Koto-ku, Tokyo	Mail order services	55.0 (50.0)	55.0 (50.0)
au Energy Holdings Corporation	Personal Services Business Services	Chiyoda-ku, Tokyo	Business administration of subsidiary companies involved in energy	100.0	100.0

KDDI Matomete Office Corporation	Business Services	Shibuya-ku, Tokyo	IT support services for small and medium-sized companies	95.0	95.0
Altius Link, Inc. (Note 3)	Business Services	Shinjuku-ku, Tokyo	Call center, temporary personnel services	100.0	51.0
KDDI Digital Divergence Holdings Corporation	Business Services	Minato-ku, Tokyo	Functions for the planning, formulation, and advancement of the business strategies of group companies in DX business, and management business of group companies	100.0	100.0
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
KDDI Cableships & Subsea Engineering Inc.	Other	Kawasaki-ku, 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	83.8	84.5
KDDI America, Inc.	Business Services	Staten Island, NY 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	100.0
				(4.2)	(4.2)
KDDI China Corporation	Business Services	Beijing, China	Sales, maintenance and operation of communication equipment in China	85.1	85.1
KDDI Asia Pacific Pte Ltd.	Business Services	Singapore	Diversified Telecommunications services in Singapore	100.0	100.0
TELEHOUSE International Corporation of America	Business Services	Staten Island, NY U.S.A.	Data center services in America	70.8	73.1
				(2.3)	(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	93.4
				(92.8)	(93.4)

KDDI Canada, Inc.	Business Services	Toronto, ON, Canada	Data center services in Canada	—	100.0
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	Support for telecommunications business operations of 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.

Note 1: The Group does not own a majority of the voting rights in JCOM., Ltd. ("JCOM"). However, the Group owns 50% of the voting rights of JCOM and has the power to govern its financial and operating policies. Accordingly, JCOM is controlled by the Group and included in the consolidated financial statements.

Note 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.

Note 3: KDDI Evolva, Inc.("KDDI Evolva"), a wholly-owned subsidiary of KDDI, and Relia, Inc.("Relia"), an equity method affiliate of Mitsui & Co., Ltd.) established Altius Link, Inc. ("Altius Link") on September 1, 2023, in connection with a business integration based on a spirit of equality. The details are in "4. Business combination."

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

JCOM., Ltd., ("JCOM").

	As of March 31, 2023	As of March 31, 2024
The proportion of ownership interests held by non-controlling interests	50.0%	50.0%

The proportion of ownership interests held 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, 2023	As of March 31, 2024
Current assets	162,135	175,979
Non-current assets	1,142,944	1,142,759
Current liabilities	280,254	300,485
Non-current liabilities	539,176	493,030
Total equity	485,649	525,224

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Interests attributable to owners of the parent	231,210	257,366
Non-controlling interests	254,438	267,858
Total	485,649	525,224

(b) Consolidated statements of income and comprehensive income

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Revenue	873,965	928,975
Profit for the year before income tax	116,906	127,276
Income taxes	37,739	34,534
Profit, net of tax	79,167	92,742
Other comprehensive income	(1,363)	2,472
Total comprehensive income	77,804	95,214

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, 2023	For the year ended March 31, 2024
Profit for the year attributable to owners of the parent	40,705	46,845
Profit for the year attributable to non-controlling interests	38,462	45,897
Sub total	79,167	92,742
Other comprehensive income attributable to owners of the parent	(639)	1,212
Other comprehensive income attributable to non-controlling interests	(724)	1,260
Sub total	(1,363)	2,472
Total comprehensive income attributable to owners of the parent	40,066	48,057
Total comprehensive income attributable to non-controlling interests	37,738	47,157
Total	77,804	95,214

For the years ended March 31, 2023 and 2024, dividends paid by JCOM to non-controlling interests were ¥30,724 million and ¥47,660 million, respectively.

(c) Consolidated statement of cash flows

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from operating activities (net)	194,877	185,172
Cash flows from investing activities (net)	(89,808)	(63,668)
Cash flows from financing activities (net)	(122,475)	(137,902)
Increase (decrease) of cash and cash equivalents	(17,407)	(16,398)

39. Related party transactions

(1) Related party transactions

For the year ended March 31, 2023:

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, 2024:

The significant related party transactions and balances are mentioned below.

Transactions between the Group and the relevant party are as follows.

Parent Company and Main Shareholders (limited to companies and other entities)

(Millions of yen)

Type	Name of company or person	Location	Capital or investment	Business	Share of voting rights	Relationship with relevant party	Transaction	Transaction amount	Line item	Balance at year-end
Main shareholder	Toyota Motor Corporation	Toyota, Aichi	635,402	Manufacture and sale of automobiles	Directly holds 12.1%	Business and capital alliance	Share buybacks	250,000	—	—

Transaction conditions and policy for deciding transaction conditions

Note: Regarding share buybacks, based on the Board of Directors meeting held on July 28, 2023, via a tender offer, shares were acquired at the purchase price of ¥3,900 per share of KDDI common stock.

(2) Remuneration of key management

Remuneration of key management is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Short-term employee benefits	884	808
Share-based payment	180	153
Total	1,064	961

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

40. Contingent events

Commitment line lending contract

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

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

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

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Total commitment line borrowings	751,327	865,360
Amounts lent	247,054	275,302
Unused balance of lending	504,272	590,058

41. Subsequent events

Converting Lawson, Inc. into an Equity-Method Affiliate and Borrowing Funds

On February 6, 2024, Mitsubishi Corporation (MC) and KDDI announced that the companies entered into a basic agreement to acquire shares of Lawson, Inc. through a public tender offer (the "Offer") based on the Financial Instruments and Exchange Act. KDDI began conducting the Offer from March 28, 2024.

The Offer was completed on April 25, 2024, and KDDI submitted a public tender offer report on April 26, 2024. As a result of the Offer, our voting rights for Lawson became 41.1%. Therefore, Lawson became an equity-method affiliate as of May 7, 2024, the commencement date of the settlement of the Offer.

Going forward, through a series of procedures where MC and KDDI will be the only shareholders of Lawson, the two companies plan to each own 50.00% of voting rights for Lawson shares. As a result, Lawson is planned to become a joint venture company that applies the equity method under KDDI.

Moreover, we have obtained the following borrowings to secure the necessary funds for the Offer.

(1) Fund purpose: Necessary funds for the offer, funds to pay for various associated business expenses, etc.
(2) Lender: MUFG Bank, Ltd.
(3) Loan amount: ¥405 billion
(4) Loan interest: Standard interest + a spread
(5) Loan execution date: May 2, 2024
(6) Loan period: Within one year
(7) Collateral situation: No collateral

Repurchase of Treasury Shares, Tender Offer of Treasury Shares and Market Purchases of Treasury Shares

At the board of directors' meeting held on May 10, 2024, the Company resolved to conduct a repurchase of treasury shares, and, as a specific method of repurchasing the treasury shares pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the Company's articles of incorporation, the Company resolved to conduct a tender offer of treasury shares(the "Tender Offer").

(1) Objective of the Tender Offer

On February 20, 2024, Toyota Motor Corporation ("Toyota Motor") informed the Company of its intention to sell a portion of the Company's ordinary share that it currently holds. As a result of deliberations, and in light of the number of shares held by Toyota Motors and the ratio of the number of voting rights held by Toyota Motors after the share repurchase, the Company concluded that it would be appropriate to repurchase shares in order to further strengthen shareholder returns, and among them, to repurchase 49,800,000 shares from Toyota Motors.

In addition, regarding the number of share certificates planned for purchase in the Tender Offer, as a result of deliberations on providing an opportunity for tendering to shareholders other than Toyota Motors, the Company believes that the number of shares

calculated by adding around 10% to the number of shares to be tendered by Toyota Motors in the Tender Offer is appropriate; therefore, 54,780,000 shares has been set as the maximum number.
Considering the above, at the board of directors' meeting held on May 10, 2024, the Company resolved to repurchase treasury shares and, as a specific method of repurchasing treasury shares, to conduct the Tender Offer and to conduct market purchases on Tokyo Stock Exchange within the total acquisition cost obtained by subtracting the total acquisition cost of the Company's ordinary shares acquired by the Tender Offer from the upper limit of the total acquisition cost (300 billion yen) for the share repurchase based on the BOD Resolution of May 10, 2024.

(2) Details of the resolution of the board of directors on the acquisition of treasury shares
1) Type of share certificates: the Company's ordinary shares
2) Number of share certificates planned for acquisition: 87,000,000 Shares（upper limit）
3) Total acquisition cost: 300 billion yen（upper limit）
4) Acquisition period: From May 13, 2024 to October 31, 2024

(3) Tender Offer outline
1) Type of share certificates: the Company's ordinary shares
2) Number of share certificates planned for purchase: 54,780,000 Shares（upper limit）
3) Tender Offer Price: 3,896 yen per 1 (one) ordinary share
4) Total Acquisition Cost: 213 billion yen（upper limit）
5) Period of the Tender Offer: From May 13, 2024 to June 10, 2024
6) Publication date for commencing the Tender Offer: May 13, 2024
7) Commencement Date of Settlement: July 2, 2024

(4) Market Purchases outline
1) Type of share certificates: the Company's ordinary shares
2) Total Acquisition Cost: the cost obtained by subtracting the total acquisition cost of the Company's ordinary shares acquired by the Tender Offer from 300 billion yen (upper limit)
3) Acquisition period: From July 3, 2024 to October 31, 2024

Elimination of Treasury Shares
At its meeting held on May 10, 2024, the Board of Directors resolved to eliminate treasury shares based on the rules outlined in Article 178 of the Companies Act and carried out this elimination. Details are as follows.
1. Type of shares eliminated: KDDI common stock
2. Number of shares eliminated: 110,865,892
   (Percentage of total issued shares before the elimination: 4.81%)
3. Elimination date: May 20, 2024
   Note: With this elimination, the number of treasury shares held by KDDI total 5.00% of all issued shares.
   Number of total issued shares after the elimination: 2,191,846,416
   Number of treasury shares after the elimination: 109,592,321
   These figures include the 1,074,019 KDDI shares held by the board member compensation BIP trust.

42. Approval of the consolidated financial statements

The consolidated financial statements for the year ended March 31, 2024 were approved by Makoto Takahashi, president and CEO, and Nanae Saishoji, member of Board of Directors, Managing Executive Officer and Chief Financial Officer, on June 20, 2024.