

KDDI Integrated Sustainability and Financial Report 2022

Peoples' values vary.
Society offers more choices.

Beyond these huge changes,
we want to create a new world,
where people accept one another,
and where each of us can make our dreams a reality.

For that to happen, we must overcome some hurdles such as:

- Outdated conventional thinking.
- Preconceptions.

If there are boundaries that keep us apart,
let us eliminate them and connect.

With communication increasingly integrated into our lives,
our capabilities should dramatically increase.

We have the technology.
We have the mindset.
We have the partners.

Together, we can surely make it happen,
while enhancing the power to connect in line with the times.

Let's enjoy the thrill of creating things.

Let's go forward together,
towards a more interesting future.

The creation of a society in which
anyone can make their dreams a reality,
by enhancing the power to connect.

KDDI VISION 2030



KDDI brand site
<https://brand.kddi.com/>

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Editorial Policy

Disclosure of Financial and Non-Financial Information

This report integrates the “Integrated Report” and the “Sustainability Report,” which were previously published separately, into the “Integrated Sustainability and Financial Report” to offer investors and other stakeholders a better understanding of KDDI’s basic information, financial data, management strategies, and sustainability information. Additional sustainability and research & development (R&D) information that is not contained in this report can be found on KDDI’s website.

KDDI has applied International Financial Reporting Standards (IFRS) since FY16.3. For this report, unless otherwise stated, figures up to FY14.3 are based on Japanese GAAP and figures for FY15.3 onward are based on IFRS. This report is based on multiple guidelines and frameworks, including the principles outlined by the Value Reporting Foundation (VRF, which was launched through the merger of IIRC and SASB).

Disclaimer Regarding Forward-Looking Statements

Statements contained in this report concerning KDDI's plans, strategies, beliefs, expectations, or projections about the future, and other statements other than those of historical fact, are forward-looking statements based on management's assumptions in light of information currently available and involve risks and uncertainties. Actual results may differ materially from these statements. Potential risks and uncertainties include, but are not limited to, domestic and overseas economic conditions; fluctuations in currency exchange rates, particularly those affecting the U.S. dollar, euro, and other overseas currencies in which KDDI or KDDI Group companies do business; and the ability of KDDI and KDDI Group companies to continue developing and marketing services that enable them to secure new customers in the telecommunications market—a market characterized by rapid technological advances, the steady introduction of new services, intense price competition, and others.



Website Information

KDDI <https://www.kddi.com/english/>

KDDI Brand Book <https://brand.kddi.com/>

Financial Information

Investor Relations

<https://www.kddi.com/english/corporate/ir/>



Non-Financial Information

Sustainability

<https://www.kddi.com/english/corporate/sustainability/>



Research & Development (R&D)

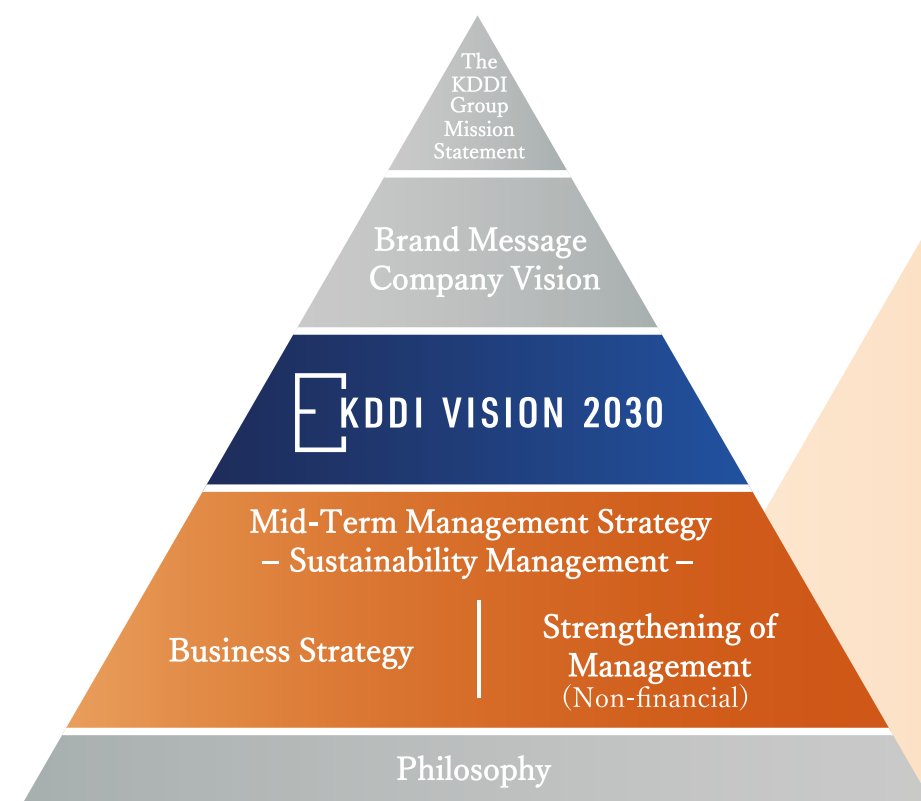
<https://www.kddi.com/english/corporate/r-and-d/>



New Mid-Term Management Strategy (FY23.3-FY25.3)

To realize the ideal future society while responding to such changes in our business environment, we have recently established the “KDDI VISION 2030” and formulated a new materiality that comprehensively covers social issues and the importance of the KDDI Group’s management from a long-term perspective.

Based on this materiality, the “Mid-Term Management Strategy (FY23.3-FY25.3)” is centered on “Sustainability Management,” which aims for the sustainable growth of society and the enhancement of corporate value together with our partners. We will also promote our “Satellite Growth Strategy,” which aims to advance the 5G-driven evolution of its telecommunications business and the expansion of focus areas with telecommunications at the core, while strengthening our management base to support this strategy.



New Materiality
→ P45

KDDI VISION 2030 → P1

The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.

Mid-Term Management Strategy – Sustainability Management –

→ P5 → P8

Business Strategy

5G-driven evolution of the telecommunications business and expansion of focus areas with telecommunications at the core

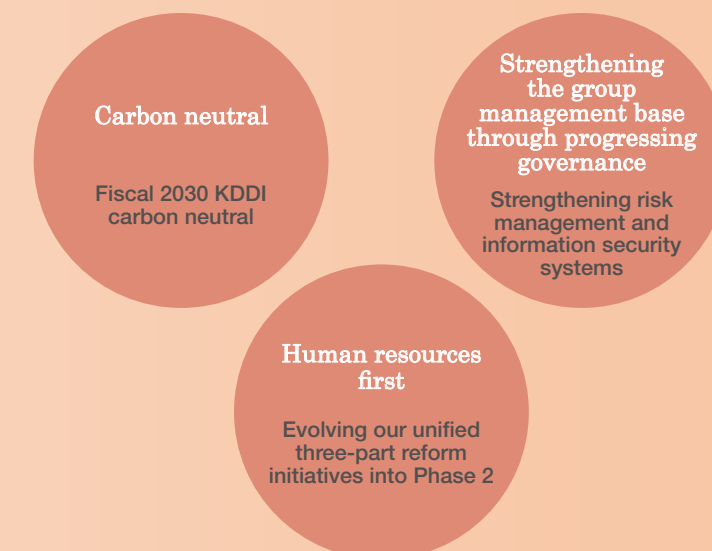
Satellite Growth Strategy → P15, 35



Strengthening of Management (Non-Financial)

→ P39

Strengthening of management base that contributes to the sustainable development of society and the enhancement of corporate value



6 Advancing stakeholder engagement

1
Promotion of innovation centered on telecommunications
→ P51

2
Realization of safe, secure, and prosperous society
→ P59

3
Carbon neutral
→ P67

4
Strengthening the group management base through progressing governance
→ P73

5
Human resources first
→ P77

Philosophy

The KDDI Group Mission Statement

The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society.

Brand Message

Tomorrow, Together **KDDI**

おもしろいほうの未来へ。 **au**
 Explore the extraordinary

Company Vision

01 The company the customer can feel closest to

02 A company that continues to produce excitement

03 Contributing to the sustainable growth of society

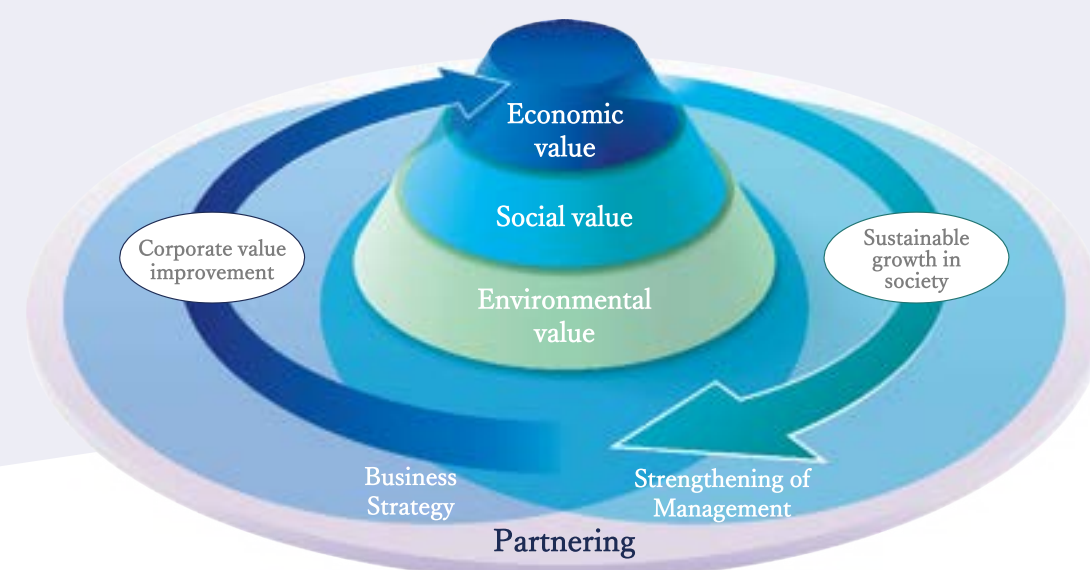
Sustainability Management

Working with partners to achieve sustainable growth and enhance corporate value

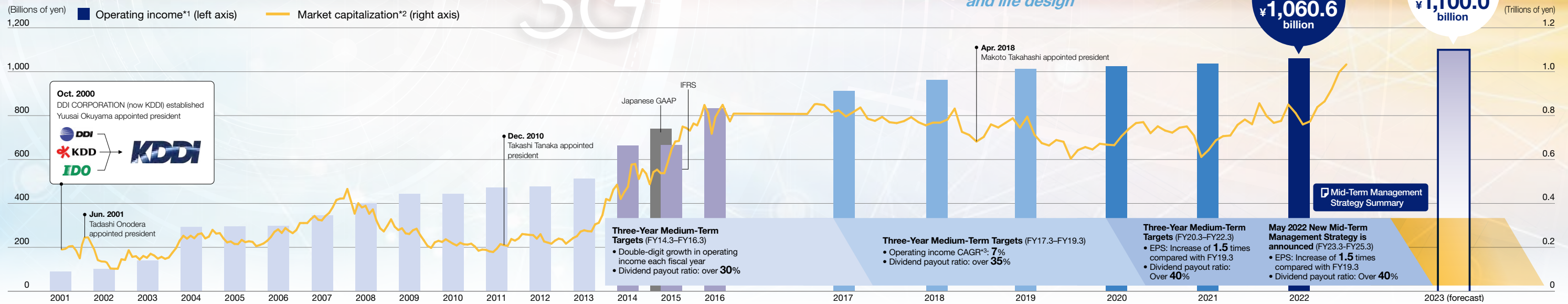
Contribution to “Realizing a truly connected society” including the KDDI Group Mission is exactly what sustainability is all about. By enhancing social and environmental value in addition to economic value, we will realize a cycle of sustainable growth for both the company and society.

The KDDI Group Philosophy

The KDDI Group Philosophy expresses the attitudes, values, and behavior that all of us—executives and employees—need to exhibit in order to achieve our corporate philosophy. The KDDI identity and KDDI vision that we must embrace as a telecommunications operator are incorporated throughout. The KDDI Group Philosophy is the foundation of our sustainability initiatives and is the basic stance KDDI executives and employees must adopt. By putting the KDDI Group Philosophy into practice, we aim to be a company admired and trusted by all stakeholders.



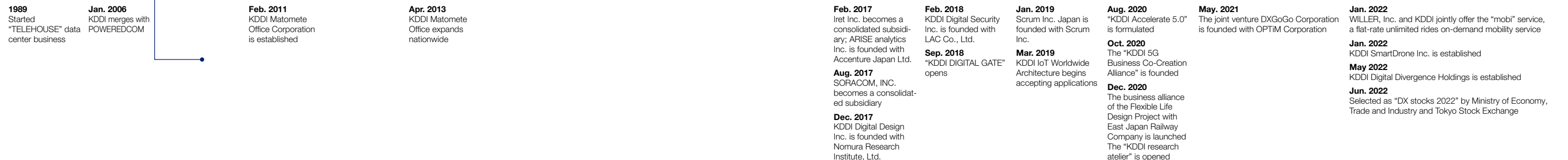
The Path of Value Creation



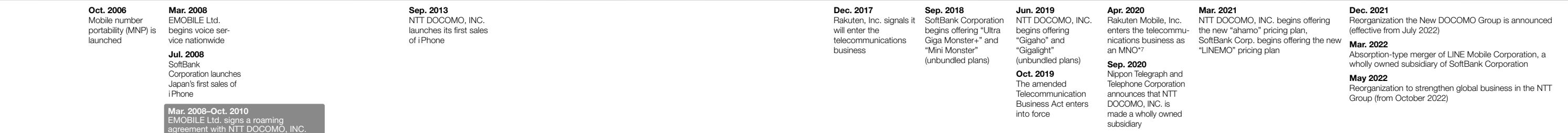
Personal Services Segment



Business Services Segment (including others)



Telecommunication Sector



*1 Results for fiscal years ended March 31. Figures up to FY14.3 are based on Japanese GAAP and figures for FY15.3 onward are based on IFRS

*2 On a closing price basis for the end of October 2000 to the end of March 2022 (monthly)

*3 CAGR: Compound Average Growth Rate

*4 Share among NTT DOCOMO, INC. (NTT DOCOMO), SoftBank Corp. (SoftBank), and KDDI + Okinawa Cellular Telephone Company (au)

*5 MPT: Myanmar Posts & Telecommunications

*6 Made a consolidated subsidiary in December 2018

*7 MNO: Mobile Network Operator

Note: Company and service names are as of July 2022.

CEO Message

Since the company’s founding, our mission has been to achieve a truly connected society. Our business is intrinsically public and directly connected to customers’ lives.

Throughout FY22.3, the COVID-19 pandemic has driven rapid digital shifts in all areas, increasing the importance of the role of telecommunications. Meanwhile, the government upholds the “The Vision for a Digital Garden City Nation” to promote regional vitalization through digitalization. As a result, our daily lives and businesses are increasingly digitalized. We support people’s new lifestyles and promote efforts toward creating a resilient future society that achieves both economic progress and the resolution of social issues.

To achieve our ideal future society while accommodating changes in the business environment, we set out a new vision, “KDDI VISION 2030: The creation of a society in which anyone can make their dreams a reality by enhancing the power to connect,” and established new materiality that holistically cover social issues and the level of importance in the KDDI Group’s management from a long-term perspective.

Taking these into account, our new Mid-Term Management Strategy (FY23.3 to FY25.3) places “Sustainability Management,” which aims for sustainable growth of society and the enhancement of corporate value together with our partners, at the

core and promotes “Business Strategy” and “Strengthening of Management.”

We positioned our Business Strategy as the “Satellite Growth Strategy” to clearly demonstrate the new growth achieved by deepening the existing businesses and maximizing synergies in the related business areas. We will evolve our “Power to Connect” by leveraging the characteristics of 5G and aim for an era in which new values will be generated as a result of the “blending” of telecommunications into all kinds of scenes. Throughout the mid-term, we will engage in the 5G-driven evolution of our telecommunications business, the expansion of focus areas centered around telecommunications, and the enhancement of the underlying management foundation.

Here, I reflect on FY22.3 and the previous Mid-Term Management Strategy and then explain the newly established Mid-Term Management Strategy.

President,
Representative Director

m. Takahashi



Tomorrow, Together

Looking Back
on the Previous
Mid-Term
Management
Strategy
(FY20.3-FY22.3)

On Conclusion of the Previous Mid-Term Management Strategy

Throughout the previous mid-term from FY20.3 to FY22.3, KDDI achieved both sustainable profit growth and enhanced shareholder returns.

The operating revenue and income of the growth fields, Life Design Domain and Business Services segments, steadily increased to reach our goals on the operational scale. Furthermore, we achieved a dividend payout ratio of over 40% and 5% growth in CAGR for EPS.

As a result of the implementation of our business strategies with the integration of telecommunications and life design, we succeeded in achieving continued growth even with the competitive environment of the telecommunications industry undergoing significant change.

	FY22.3	CAGR FY19.3-FY22.3	(Reference) Related goals FY19.3-FY22.3
Operating revenue	5,446.7 billion yen	+2.3%	Cost reduction, etc. 3 years total ¥100 billion (approximately)
Operating income	1,060.6 billion yen	+1.5%	
Operating revenue of Life Design Domain	1,422.0 billion yen	+14.6%	FY22.3 1.44 trillion yen*
Operating revenue of Business Services segment	1,042.6 billion yen	+5.6%	FY22.3 1 trillion yen
Dividend payout ratio	41.7%	—	Over 40%
EPS	300.03 yen	+5.0%	FY19.3→FY25.3 1.5 times

* Comparison with the mid-term goal of 1.5 trillion yen. The calculation considers the impact of the change in accounting procedures in the energy business (approximately 60.0 billion yen)

CEO Message

Looking Back
on the Previous
Mid-Term
Management
Strategy
(FY20.3-FY22.3)

Multi-Brand Strategy and
5G Rollout

With new telecommunications providers entering the market and competition heating up, services and pricing plans are diversifying, and the telecommunications industry itself is undergoing significant changes.

Under such environment, we have strived to offer pricing plans that meet various needs and diverse lifestyles through our multi-brand strategy. The featured brands are “au” providing unlimited use without anxiety, “UQ mobile” with simple and secure pricing, and “povo” in which users can choose services freely (called “toppings”) they need. As a result, we gained momentum, as shown by the net increase in the total number of multi-brand IDs throughout the fiscal year.

For 5G, under the slogan Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au), we aim to build a comfortable and reliable network in railways, shopping centers, and other focus areas, based on extensive cover places frequented by customers. Cumulative 5G unit sales reached 8 million units and are still steadily growing. We are committed to providing 5G experiences to more and more customers.



End of 3G Services

One topic in FY22.3 is the suspension of 3G at the end of March 2022. We would like to hereby express our gratitude to all our customers for having used our 3G services for approximately 20 years.

Under this challenging environment, the success of suspension without major incidents is a positive result that can be reflected in future services. Since 3G was power-consuming, its suspension was also an accomplishment from an environmental point of view.



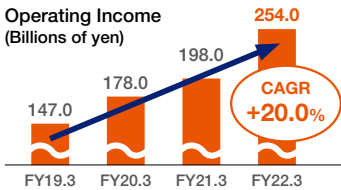
2002	Third-generation mobile phone service begins
2003	CDMA 1X WIN service commences the industry's first flat-rate packet service introduced
2005	KDDI launches W33SA, the mobile phone with one-seg TV support
2006	LISMO, the comprehensive music service begins; Google search engine introduced in EZweb
2011	KDDI launches its first sales of iPhone

Initiatives in the Growth Fields
(Life Design Domain and Business Services segment)

We achieved double-digit growth in operating income for both Life Design Domain and Business Services segment.

► Life Design Domain

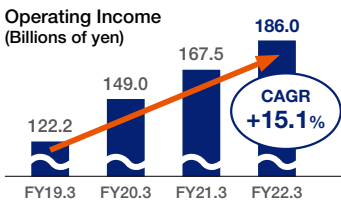
We have sought to expand life design services with “integration of telecommunications and life design” in focus. All major services have grown, including the smartphone payment service au PAY as important customer contact, financial services supported by au PAY Card and mortgage services, and energy services such as au Denki.



Key indicators	au PAY members and au PAY Card members	Number of au PAY Card members	Number of au Denki, etc. subscriptions	Transaction Volume of Settlement / Loan
	37million (CAGR13.4%)	7.6million (CAGR20.0%)	3.38million (CAGR approximately 20.0%)	11.7trillion yen (2.6 times compared to FY19.3)

► Business Services segment

Digital transformation (DX) of enterprises has brought a tremendous change in business styles and customer relationships. In such environment, we aim to accelerate customers’ DX centered on our strengths in telecommunications and IoT. The sales of the NEXT Core Business, which is a driving force of DX, account for more than 30% of the Business Services segment. We also achieved solid growth as an industry leader in terms of the number of IoT connections.



Key indicators	NEXT Core Business Percentage in the entire Business Services segment sales	IoT Connections*	
	FY22.3 31.9%	FY22.3: 24.5 million connections (3.1 times compared to FY19.3)	* KDDI non-consolidated basis

New Mid-Term
Management
Strategy
(FY23.3-FY25.3)

KDDI VISION 2030

To achieve our ideal future society, we set out a new vision, “KDDI VISION 2030: The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.”

To contribute to building a resilient social infrastructure that withstands environmental changes, we will further accelerate “KDDI Sustainable Action” embracing the ideas of “Connecting and protecting lives,” “Connecting Day-to-day lives,” “Connecting hearts and minds” through businesses with our partners while utilizing technology.

By 2030, we will aim for “a platformer supporting society” that can add value to every industry and life scene. To date, we have sought to expand growth fields in non-telecommunications areas through smartphones with the “integration of telecommunications and life design.” In the new Mid-Term Business Strategy, we will foresee the year 2030 and promote “business transformation centered on 5G.”

The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.

KDDI VISION 2030



Sustainability Management and Medium-Term Targets

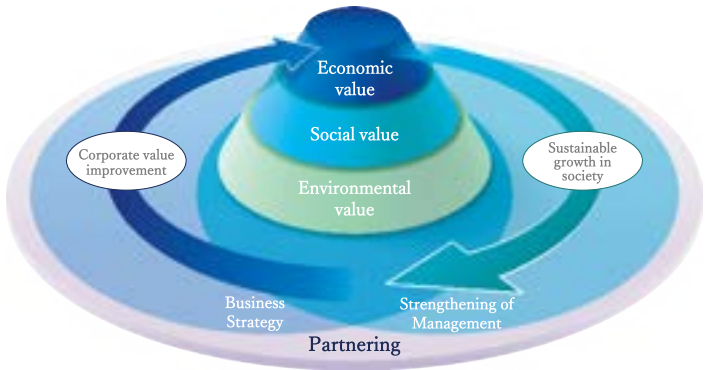
Mid-Term Management Strategy

Defining new materiality and promoting the mid-term management strategy



New Materiality
Promotion of innovation centered on telecommunications
Realization of safe, secure, and prosperous society
Carbon neutral
Strengthening the group management base through progressing governance
Human resources first
Advancing stakeholder engagement

Sustainability Management



From a long-term perspective, we have established the “new materiality (material issues)” centered on the interests of diverse stakeholders such as long-term investors as well as our long-term vision and enterprise impact. With this in mind, we position Sustainability Management at the core and promote reinforcement of the business strategy and the underlying management foundation.

By doing so, we will aim for the sustainable growth of society and the enhancement of our corporate value. Our goal is to create a virtuous cycle in which society’s growth is fed back on the subsequent business strategies, and the business growth is reflected in society.

CEO Message

New Mid-Term
Management
Strategy
(FY23.3-FY25.3)

Business Strategy/Satellite Growth Strategy -- P35

In our Business Strategy, we have positioned our business growth strategy in the focus areas centered on 5G, which is expected to prosper with the birth of 5G SA (standalone), as the “Satellite Growth Strategy.”

For the core service of 5G communications, we will focus on 5G network building and device popularization so the multi-brand communication ARPU revenues, which have been declining due to price reduction of smartphone fees, will increase in FY25.3 compared to FY22.3.

In addition, we have defined five focus areas with potential growth in the previous Mid-Term Business Strategy, namely [1] DX, [2] Finance, [3] Energy, [4] LX, and [5] Regional co-creation (CATV and other services.) We will accelerate growth by utilizing the synergies of these areas centered on telecommunications. Particularly in DX, we will establish an environment where customers can use 5G without concerns by blending telecommunications into everything through IoT.

To that end, we provide business platforms according to the needs of various industries to support customers’ business creations. We aim for a virtuous cycle of DX in which newly added values transform people’s lives.

During the mid-term, our goal is to make the DX Business Services segment our second largest business next to domestic telecommunications, accounting for approximately 20% of the consolidated operating income. Finance and energy businesses will accelerate our growth. LX transforms people’s experiences with an eye on the future. Regional revitalization will contribute to solving social issues with local communities. By growing these businesses, we aim to boost the sales of these focus areas to over 50% of the consolidated sales.

Satellite Growth Strategy



Summary of Efforts in Focus Areas

DX

Business Services segment to become **second largest business** after domestic telecommunications, aiming for about 20% of consolidated operating income.
Aim for **double-digit mid-term CAGR growth** in sales in DX

Finance

Accelerate business growth through expansion of customer base and new initiatives aim for **double-digit mid-term CAGR growth** in sales

Energy

LX

Creating new businesses that transform the living experience with an eye on the future

Regional co-creation
-CATV, etc.-

Contribute to solving social issues facing local communities



New Mid-Term
Management
Strategy
(FY23.3-FY25.3)

Initiatives for Strengthening of Management -- P39

To strengthen the foundation of our management that supports our “Sustainability Management,” we will also promote initiatives to deal with major social issues such as carbon neutrality, transforming ourselves into a company that puts human resources first, respects for human rights, and improvements of our group governance.

First, KDDI is actively addressing carbon neutrality, which is a major issue on a global scale. KDDI (non-consolidated) is aiming to achieve net-zero CO₂ emissions by fiscal 2030 and the Group as a whole by fiscal 2050. In order to achieve these targets, we will proactively promote energy efficiency and shift to renewable energy for mobile phone base stations and telecommunications equipment.

In addition, to ensure ongoing sustainable growth amid a business environment that is undergoing constant and profound change, employees and organizations must drive innovation and acquire a high degree of autonomy and growth to transform into a company that puts human resources first. In promoting innovation, we will strengthen R&D and capital investment for 5G and beyond 5G. And we will accelerate efforts for business creation, R&D, AI and advanced security technology efforts based on our Satellite Growth Strategy and will deepen partnerships such as collaboration with startups.

Mid-Term Management Strategy Summary

We position “Sustainability Management” at the core and aim to achieve the sustainable growth of society and the enhancement of corporate value together with our partners by promoting the Satellite Growth Strategy and strengthening of management.

For business growth, we aim to increase ARPU revenue by driving 5G, achieve profit growth of over 100 billion yen in focus areas, and improve cost efficiency by 100 billion yen.

The Company’s financial policy is to prioritize capital and strategic business investments to 5G and other focus areas, aiming for a dividend payout ratio of over 40% and flexibly repurchasing shares. EPS growth goal is still 1.5 times compared to FY19.3.

We are committed to transforming our business in the environment that is undergoing constant and profound change, including the unstable global situation.

Sustainability	Aiming for sustainable growth of society and enhancement of corporate value with partners through promoting Satellite Growth Strategy and strengthening management base to support it	
Business Growth	ARPU revenue increase due to 5G promotion (FY22.3 vs. FY25.3)	
	Profit growth in focus areas	100 billion yen or more
	Cost efficiency	100 billion yen target
Financial Policy	<ul style="list-style-type: none">• Prioritize capital expenditures and strategic business investments in 5G and focus areas• Dividend payout ratio over 40%• Flexible share repurchases	
EPS Growth	Continue to aim for 1.5x growth versus FY19.3	

Regarding
the Recent
Communication
Failure

Regarding the Communication Failure on July 2, 2022

From July 2, 2022, KDDI experienced a prolonged communication failure. We sincerely apologize for the inconvenience caused to our customers using telecom services throughout Japan.

As a telecommunications carrier supporting social infrastructure and providing stable service, we take this incident seriously.

The entire company is committed to preventing recurrences of similar incidents and providing a telecommunications network that customers can use confidently by accommodating the ever-increasing amount of required transmission data in the 5G/Beyond 5G era.

We will contribute groupwide to achieving a truly connected society.

We appreciate your unwavering support and helpful guidance for the KDDI Group.

About the Communication Failure on July 2, 2022

We deeply apologize for the extended inconvenience and trouble caused to customers nationwide using our communication services that began on 1:35 a.m. on Saturday, July 2, 2022.

As a telecommunications carrier, supporting social infrastructure and providing stable service, we take such incidents seriously.

We have implemented measures to try to prevent recurrences and will make every effort to foster smooth operations going forward.

Overview and Effect of the Communication Failure

The effect of the communication failure lasted for a total of 61 hours 25 minutes, from July 2 (Sat) 1:35 am to July 4 (Mon) 3:00 pm (JST). As for the scale, about 22.78 million voice users and 7.65 million or more data users were affected in KDDI (non-consolidated). With Okinawa Cellular Telephone Company combined, the number rose to about 23.16 million voice users and 7.75 million or more data users.

The communication failure spread to a broad range of indus-

tries using smartphones and IoT devices, such as logistics, automobile, administrative services, banking, and transportation, affecting the living infrastructure.

Based on the challenges revealed by the incident, in addition to strictly implementing recurrence prevention measures and achieving stable service operations, we are committed to grasping new usage scenes and effects of services as well as establishing timely and appropriate information disclosure to customers.

General Outline of Communication Failure

Affected nationwide customers for a long time

Affected time	From July 2 (Sat) 1:35 am to July 4 (Mon) 3:00 pm (JST) (Total : 61 hours 25 minutes)
Affected area	Nationwide

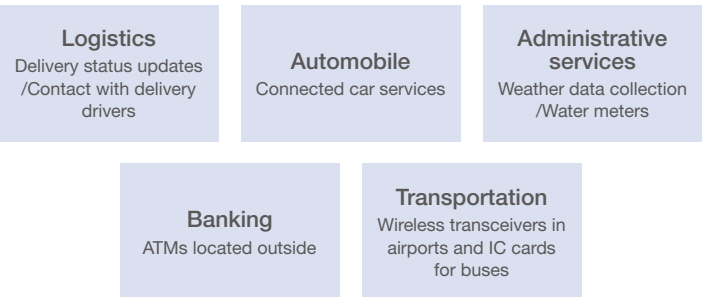
The number of affected customers

Voice (VoLTE)	About 22.78 million
Data (4G/5G)	7.65 million or more

* The scale of the effect is estimated and calculated based on the differences in calls and registration requests between the normal condition (one week before the communication failure, based on the same time frame) and the failed condition.

Impact on Corporate Customers

Affected various industries and living infrastructures



Overview of Communication Failure and Our Response

On July 2, 2022, during maintenance, a routing misconfiguration caused approx. 15 minutes of communication interruption. After we reverted the configuration, a large number of location registration request signals were resent.

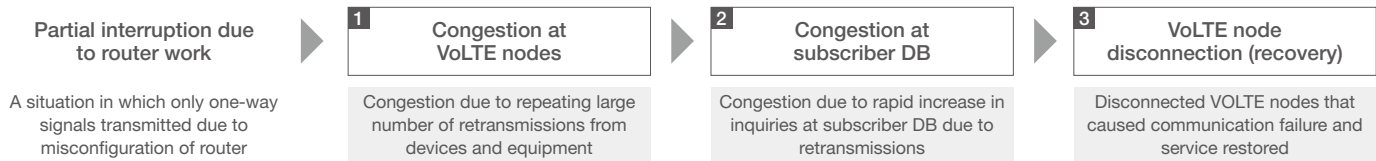
Congestion at “VoLTE nodes” for voice services, congestion at “subscriber databases (DB)” used for subscriber authentication, and data inconsistency of the subscriber databases occurred one after another, causing extended communication failure. We implemented traffic flow rate control and data inconsistency correction measures to reduce system overload, but the insufficient load reduction remained for a long time.

On July 4, 2022, we identified the VoLTE nodes that caused unnecessary excessive signal transmission and separated the nodes. As a result, both voice and data communications were confirmed to have recovered to the same level as the previous week.

To summarize, a routing misconfiguration caused communication interruption, which caused a vast number of location registration request signals, and eventually congested VoLTE nodes and subscriber DB nationwide. The communication failure was recovered by separating the problematic VoLTE nodes.

Overview of the Communication Failure

Large number of location registration request signals generated due to incorrect route settings. VoLTE nodes and subscriber DB nationwide were congested.



System to Drive Quality and Service Improvement

Based on the root cause and challenges of the failure, we built a cross-organizational system, granting the highest priority to network stabilization and improvement of customer relations.

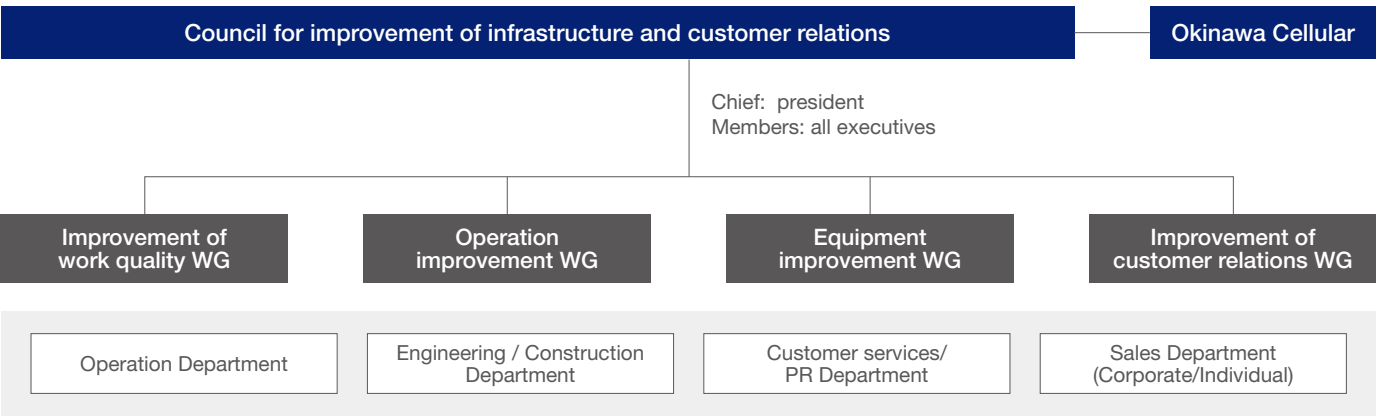
In the “Council for improvement of infrastructure and customer relations,” where president serves as the chief, we are actively implementing measures in four working groups: “Im-

provement of work quality WG,” “Operation improvement WG,” “Equipment improvement WG,” and “Improvement of customer relations WG.”

Operation, Engineering/Construction, Customer Services/PR, and Sales (Corporate/Individual) Departments collaborate as a company-wide effort.

System to Drive Quality and Service Improvement

Building a cross-organizational system, granting highest priority to network stabilization and improvement of customer relations



Recurrence Prevention Measures

On maintenance work, we will review “Operation Procedure Management Rules,” “Check Procedure of Operation Approval,” and additionally, “Operational Risk Assessment and Operation Suppression Criteria/Duration.”

On scaling the maintenance work, we develop more elaborate tools to detect congestion at VoLTE nodes and redesign congestion control.

In prolonging the maintenance work, we will review recovery procedures when congestion occurs and develop tools to recover congestion at VoLTE nodes.

On customer announcements, we improve information disclosure to customers and facilitate timely and appropriate announcements.

	Implementation details	Implementation period
Maintenance work	(1)Review of Operation Procedure Management Rules, Check Procedure of Operation Approval (2)Review of Operational Risk Assessment and Operation Suppression Criteria/Duration	(1)July 14, 2022 implemented (2)July 22, 2022 implemented
Get larger scale	(1)Development of more elaborate tools to detect congestion at VoLTE Nodes (2)Review and inspection of design for congestion control	(1)July 28, 2022 implemented (2)Inspection completed by the end of August 2022, plans formulated
Prolongation	(1)Review of recovery procedures when congestion occurs (2)Development of tools to recover congestion at VoLTE Nodes	(1)July 11, 2022 implemented (2)August 24, 2022 operation started
Announcement for customers	• Improvement of information disclosure to customers; timely and appropriate announcements	Partially implemented on July 14, 2022, the rest of parts implemented by the end of September 2022

On July 28, 2022, we submitted a serious accident report based on Article 28 of the Telecommunications Business Act to the Ministry of Internal Affairs and Communications (MIC).

On August 3, we received a reprimand and written administrative guidance from MIC to prevent the recurrence of similar accidents.

For the recurrence-preventive measures and other challenges such as announcement methods, we will continue our efforts, taking into account the conclusions of discussions in the investigation committee conducted by the MIC.

Special Feature

Enhancing the “Power to Connect”

KDDI aims to evolve the “Power to Connect” by taking advantage of the characteristics of 5G and integrating telecommunication into every domain to create an era of new value together with diverse partners.

In this section, we introduce our efforts in satellite telecommunication, mobility, the metaverse, and other areas under the theme of “Enhancing of the Power to Connect.”

Part 1 Power to Connect × Social Infrastructure

→ P21



Part 2 Power to Connect × Building Communities

→ P25



Part 3 Power to Connect × Entertainment

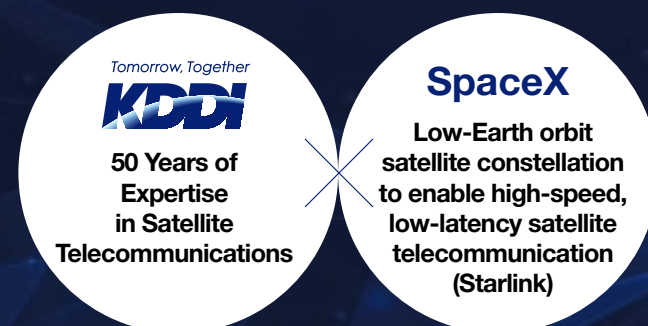
→ P29



Part 1 Power to Connect x Social Infrastructure

From the Space Realization of “Connecting More and Always” Satellite Telecommunications Project Launched.

KDDI has been a key player in Japan’s satellite telecommunication services for over half a century. In 2021, KDDI launched a project using SpaceX’s Starlink satellite telecommunication service, which will spearhead the next generation of the space industry. KDDI’s latest challenge is to spread the new high-speed telecommunications of the 5G era to every corner of Japan.



Starlink to Deliver High-Speed Telecommunications Worldwide

Starlink is a satellite telecommunications service provided by SpaceX, a company headed by CEO Elon Musk. Starlink’s telecommunications satellites are positioned in low-Earth orbit at an altitude of approximately 550 km. It is about 1/65th the distance from the Earth’s surface compared with conventional geostationary orbit satellites, enabling significantly lower latency and faster transmission.

KDDI Has Been Working on Satellite Telecommunications for Over 50 Years

For over 50 years, since the world’s first successful trans-Pacific TV broadcast reception in 1963, KDDI has contributed to the development of international communications as a pioneer of satellite telecommunications in Japan. This has included temporary communications during disasters, communications for ships and aircraft, and international video transmission.

KDDI's History of Satellite Telecommunications



1963
First successful TV broadcast between Japan and the US.

1966
KDD launched its services for the Ibaraki Earth Station.

1969
KDD launched its services for the Yamaguchi Satellite Earth Station in Yamaguchi Prefecture.



KDD Ibaraki Earth Station

1982
The Inmarsat service was launched.



1998
The Iridium service was launched.



2019
The Iridium Certus Service was launched.



2018
The Inmarsat 5th generation service was launched.

Q Why is KDDI Engaged in Satellite Telecommunications?

Telecommunications has brought about various changes and benefits to society by connecting all kinds of people and products and increasing high-speed communication. However, there are still areas in mountainous regions and isolated islands where optical fiber for high-speed telecommunications cannot be installed and the benefits of this service are not available. KDDI and SpaceX share the commitment to “bringing the urban mobile experience to rural customers” and are working to achieve this by leveraging KDDI’s satellite telecommunication technology, accumulated over more than 50 years, and Starlink’s latest high-speed satellite telecommunications.

A To bridge the digital divide and create a society where people can live with peace of mind.

Number of isolated islands in Japan

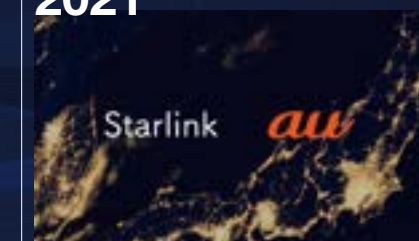
approx. **6,800**

Number of mountains in Japan

approx. **16,000**



2021



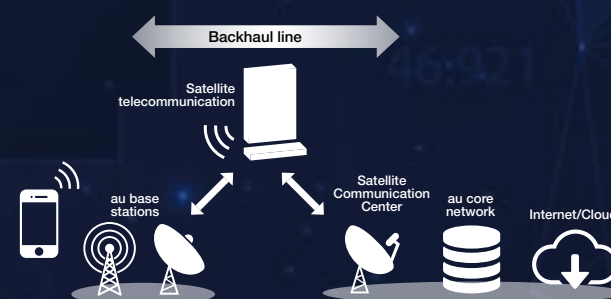
High-Speed Satellite Telecommunications Services are Being Used to Provide High-Speed Telecommunications in the 5G Era in Mountainous Regions and Isolated Islands.

Delivering High-Speed Telecommunications to Hard-to-Connect Areas: Toward the Realization of “Connecting More and Always”

In September 2021, KDDI finalized a contract to introduce the Starlink satellite communication service to the backhaul* lines of KDDI’s base stations. By replacing backhaul lines at base stations, which were previously connected by existing satellite lines as optical fiber could not be installed, with Starlink technology, KDDI will deliver high-speed telecommunications to mountainous areas and remote islands.

We will continue to provide safety by utilizing Starlink to ensure people can stay connected at all times and to work to eliminate the digital divide.

* Backhaul: A relay line connecting a mobile phone base station and the backbone communication network (core network)



Starlink telecommunication services are used for backhaul lines connecting au base stations and ground stations.

An Urban Mobile Connectivity

Experience For Rural Mobile Customers



Constructed a ground station at Yamaguchi Satellite Earth Station to connect Starlink’s telecommunication satellites to the Internet network on the ground.

au base stations where Starlink will be installed

Over **1,200** locations (mid-term image)

Part 1 Power to Connect x Social Infrastructure

What Happens When We are “Connected”?

Satellite telecommunications section

What Will Be the Role and Importance of Satellite Telecommunications in the Future as Telecommunications are Integrated into All Industries and the Foundations of People’s Lives Are “Connected”?

As telecommunications have become an integral part of every aspect of our lives, the digital divide between urban areas, where high-speed telecommunications including 5G and optical fiber are well developed, and rural areas, such as mountainous areas and islands where undeveloped areas remain, has emerged. In response to this challenge, we believe that the features of satellite telecommunications, such as wide coverage, versatile installation options, and disaster resistance, will contribute to securing a comfortable telecommunications environment for rural areas and play an important role in bridging the digital divide.

High-Speed Telecommunication Will Be Available in All Locations, Including Mountainous Areas and Isolated Islands.

Why Did You Select SpaceX as a Business Partner?

We selected SpaceX, with whom we announced a business alliance last year, as our partner because of our high expectations of the potential of Starlink, a high-speed satellite telecommunications service that SpaceX offers worldwide. Starlink is an innovative broadband satellite that can achieve significantly lower latency and higher transmission speeds than conventional satellite telecommunications. We believe that our alliance will create new value through synergies with SpaceX and KDDI’s satellite communications technology, which has matured over more than 50 years of experience in the industry.

What Were the Challenges and Enticements of this Partnership?

- (1) As the demands of connecting to non-geostationary satellite were unprecedented for KDDI, we struggled to achieve the technical requirements.
- (2) The founder of SpaceX, Elon Musk, is a tenacious individual who spent nearly 10 years trying to launch the Falcon rocket and finally succeeded. Inspired by this, we persisted in considering brand-new initiatives.

What Kind of Future or Society Will Be Realized When We Are All Connected?

Enabling rural areas (e.g., mountainous regions and isolated islands where it is difficult to deliver strong telecommunications due to the difficulty of installing optical fiber) to secure a comfortable telecommunications environment offering high-speed and low-latency telecommunications will allow these areas to benefit from information and telecommunications technology and will build a society in which the digital divide between urban and rural areas no longer exists.

What Are the Future Prospects of Satellite Telecommunications?

Beyond 5G will offer the seamless coordination and connection of extraterrestrial and terrestrial networks. By covering areas not covered by existing cellular networks with satellite telecommunications technology, uninterrupted telecommunication services will be provided in all locations.

Technology Sector
Global Engineering & Operations Division
Senior Director
Deputy General Manager
Nobuyuki Kawai

2011 Yamaguchi Satellite Earth General Manager
2020 Deputy General Manager of Global Engineering & Operations Division
2021 Deputy General Manager of Technical Strategy Headquarters (another post)
Japanese Representative of ITU-R standardization related to satellite communications (Chair of Committee 5 (COM5) for the 2019 World Radiocommunication Conference (WRC-19))

Solving Social Issues and Realizing Comfortable Lifestyles with Smart Drones Equipped with Mobile Communications Technology

As expectations of the use of drones as an aspect of social infrastructure continue to build with the impending enforcement of the “unassisted blind flight in manned areas (Level 4 flight)” law, the KDDI Group is accelerating its efforts to implement the use of drones and solve social issues using drones.



Turning Drones into Social Infrastructure

Since 2016, KDDI has been working toward the commercialization of drones, developing smart drones equipped with the mobile communications technology and operational management systems essential for safe remote and long-distance flights and accumulating advanced demonstration tests and case studies. Established “KDDI SmartDrone Inc.” in April 2022. “Fly to make it happen” is our mission to realize a society where drones can fly autonomously and make people’s personal and work lives easier.

Collaboration with Local Governments and Businesses to Solve Local Issues

KDDI SmartDrone works with local governments and companies to solve social issues through the use of drones. In August 2020, the nation’s first municipally-operated drone delivery service was launched in Ina City, Nagano Prefecture. Drones deliver daily necessities and other items ordered by residents using cable TV to support residents in hilly and mountainous regions and the elderly who face difficulties shopping. In October 2021 and February 2022, we conducted demonstration tests of drone transportation of food and medical supplies in manned urban zones to verify operational and business feasibility in close-to-real-life conditions.

The Future Supported by Smart Drone

Technological innovations are significantly expanding the potential of smart drones. KDDI SmartDrone aims to utilize smart drones in mountainous areas and isolated islands by expanding the au network using SpaceX’s Starlink satellite telecommunications service. We are also working with PRODRONE, a group company, to develop the world’s first “amphibious drone” that can fly and dive underwater, expanding the potential of drone activity. KDDI SmartDrone will continue to work with companies, local governments, and start-up companies to expand the use and practical application of smart drones, and contribute to the resolution of social issues and the sustainable development of society through drones.



Transport of pharmaceuticals and food in urban areas



“Amphibious drone” to be used for underwater inspection work, etc.



Autonomous flight drone efficiently performs inspections of offshore wind facilities.



KDDI SmartDrone Inc.
President and CEO
Masafumi Hirono

Joined KDDI in 2004. After working on the development of WiMAX base stations, he has been engaged in planning and development work related to the construction of cellular networks. Since October 2016, he has been promoting the commercialization of smart drone using cellular networks and assigned his current position in April 2022.

Part 2 Power to Connect x Building Communities

Connecting People, Products, and Things to Realize Safe and Convenient Lifestyles

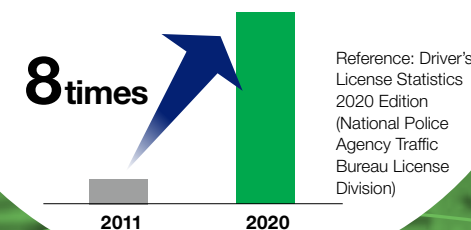
We aim to provide more secure lives for the elderly, more freedom of movement for those raising children, and more comfortable lives for everyone.
KDDI will use telecommunications and connectivity to respond to the wishes of each individual.

Social Issues to Be Solved

case 1 Decrease in the Ways of Transportation

Despite the increasing number of elderly people voluntarily returning their driver's licenses, up to 1,000 km of bus routes are to be discontinued each year in regional cities due to the decrease in the number of users. There is thus increasing anxiety among the elderly about access to transportation.

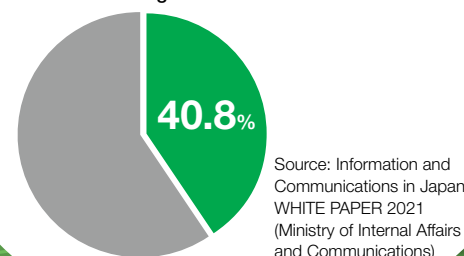
Number of Driver's Licenses Returned by the Elderly



case 2 Digital Divide

It is argued that the digital divide (information gap) leads to delays in evacuation actions during disasters and emergencies, making the connection of the elderly with the information society an urgent need.

Smartphone and Tablet Usage Rates Among the Over 70 Years Old



case 1 Supporting Free, One-Mile Mobility Services and Telecommunications

mobi, which is provided by Community Mobility, a joint venture between KDDI and WILLER Inc., is a "short ride within a certain area" service that combines mobility services and telecommunications to replace walking and bicycling with flat-rate transport within a radius of approximately 2 km. Cars can be dispatched via an app or phone and AI routing takes into account the customer's reservation status and road conditions to provide an optimal and efficient route from the point of origin to the destination. Through mobi, we will nurture communities and sustainable urban development by supporting the free movement of elderly people who are anxious about their mobility and parents with young children who have difficulty picking up and dropping off their children.

- Carpooling is an efficient way to get around
- Cars are dispatched via an app or phone call
- AI optimizes routes



Eliminates all Barriers to Mobility
by Reaching out to People of
Different Ages and Communities

Point 1 By App or by Phone

Reservations can be made using a dedicated smartphone app or by phone



Point 2

AI takes you via the best route
Drives to the destination via the optimal route, taking road conditions and travel requests in the area into account

Point 3 Anywhere, Anytime

mobi is available anywhere and as often as you want



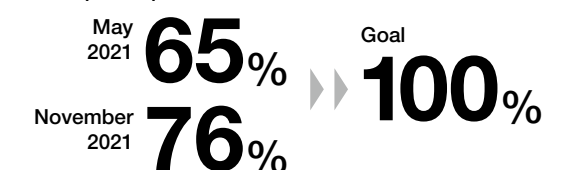
case 2 Aim to Increase the Rate of Smartphone Penetration to 100% in a Village with a Population of 5,000 of which 43% Are Elderly People

KDDI is working with Hidaka-mura in Kochi Prefecture on "Digitizing the Entire Village Project" which aims to improve the quality of public services and revitalize local communication using smartphones.

KDDI traveled to Hidaka-mura, where there are no mobile phone stores, to accept applications for smartphones, conduct classes on how to use them, and hold explanatory meetings for residents at community associations. By promoting the use of smartphones, we will support the safety and health of residents and the revitalization of local communities, while aiming to realize a society in which everyone can enjoy the benefits of digital technology.

- Disaster prevention
- Health promotion
- Communication activation

Smartphone penetration rate



Ms. Emiko Watanabe, who is a smartphone teacher at Hidaka Village's Yorozu Sodanjo.

"I want my students to be able to use smartphones so well that they don't need me in the counseling center."

Established a "Yorozu Sodanjo" (consultation center) where residents can casually ask for advice on smartphone operation at any time.



Bridging the Digital Divide
to Make Residents' Lives more
Convenient and Affluent

What Happens When We Are “Connected”?

Mobility services section

What Are the Challenges Facing the Local Communities?

Various issues impact each region, such as an aging population, population decrease, the need for appropriate environments to raise children, the need for flexible work styles, and the need for regional revitalization.

What is the Future Role and Importance of Regional Co-Creation?

mobi aims to redesign lifestyles through the provision of safe and environmentally friendly mobility services in cooperation with local residents, local government organizations, transportation companies, and local businesses. Each region has unique challenges, and we believe it is important to create services that address these challenges on a community-by-community basis.

What Challenges Do You See in Terms of Regional Development and an Aging Society?

With the increasing number of elderly people voluntarily returning their driver's licenses and the discontinuation of local transportation due to a decrease in the number of local bus users, there is increasing anxiety among, in particular, the elderly about access to transportation. Transportation is also a challenge for households with small children who may struggle to pick up and drop off children at various locations. Additionally, the spread of COVID-19 has increased the demand for short-distance transportation, but we believe there is a dearth of mobility that meets this demand.

What Initiatives Are in Place to Solve These Challenges and How Have Users Responded?

While issues differ from region to region, we are collaborating with various stakeholders to provide mobility services that match the challenges faced by each region.



Communities Are Revitalized and
Local Communities Are Energized



To Reduce the Burden of
Child-Rearing and Prevent Isolation

We have received feedback from elderly customers who say that the service has made their hospital visits easier, and from customers with small children who say that the service is convenient for shopping and picking up their children from pre-school and nursery school.

What Kind of Future and Society will be Realized after These Issues are Resolved?

While solving social issues in each region through mobi, we would like to create new mobility experiences that make “getting around” itself more enjoyable by rediscovering the connection with neighborhoods, such as encountering delicious food in the neighborhood or enjoying hanging out for a bit.

What Kind of Future and Society will be Realized When all Areas are Connected?

Whether you are pushing a stroller, going to work or school, or having difficulty in driving, our goal is to realize a society in which everyone can go out freely and with peace of mind. Based on the concept of “we will turn mobility into excitement,” local governments, local businesses, and transportation operators will work together to revitalize the entire community.

Community Mobility Inc. Representative Director Executive Vice President Toshiaki Matsuura

Joined KDDI in 2006. He is engaged in business strategy formulation for au and FTTH services and business and capital alliances with partners. Since 2020, he has promoted the launch of MaaS business, and in 2022, he was appointed as Executive Vice President of Community Mobility Inc., which was established as joint venture with WILLER, Inc.



Solving Issues in Cities and Rural Areas through City DX

With the spread of COVID-19, City DX is attracting more and more attention. KDDI is supporting the promotion of smart cities, which aim to solve problems in transportation, work life, administration, logistics, environment, and energy and realize better living conditions with telecommunications.

Initiative (1) Promoting Solutions to Social Issues Using AI and Analyses of Human Flow

In recent years, several social issues have emerged that need to be solved, such as promoting smart cities, achieving carbon neutrality, economic recovery from COVID-19, and enabling MaaS businesses. In June 2022, KDDI together with Mitsui & Co., Ltd., announced the establishment of GEOTRA Co., LTD, a new company created to promote City DX in June 2022. We believe that there are social issues that can be solved by “the ability to accurately monitor people’s activities” and we will accelerate the resolution of various social issues by providing platform and analysis services that utilize AI, location data from au, and other big data to understand and predict the means, time, and purpose of people’s movements.



Granular human flow data shows the path of each consumer



Case Studies

- Conducted a personal activity analysis for Mitsubishi Estate Co., Ltd. to determine the amount of CO₂ emissions in the Marunouchi area of Tokyo to achieve carbon neutrality and to enhance the attractiveness of the area.
- Analyzed the mobility characteristics of Shibuya City, Tokyo, and made the results available to the public via a dashboard.

Initiative (2) Decentralized Urban Development to Create New Ways of Working and Living

In collaboration with East Japan Railway Company, we are working on a new type of decentralized urban development in which the core city in the urban area and satellite cities in the suburbs and rural areas function together, rather than concentrating essential functions in a single location, to create a rich lifestyle unrestricted by time or place post-COVID-19. The

Shinagawa Development Project, which is developing the core city, is integrating transportation and telecommunications to create a cutting-edge communications infrastructure and service platform (urban OS), developing satellite cities as distributed hubs, and promoting the development of mobility services in and around the core city.

Project examples: Space Freedom Workplace and Bullet Train Workplace

Space Freedom Workplace



Bullet Train Workplace



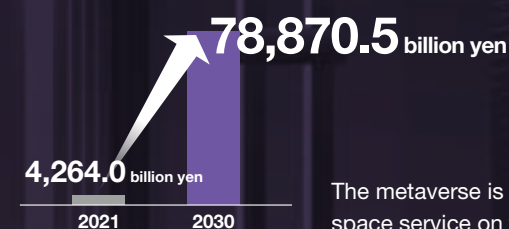
Satellite cities and decentralized workplaces will be developed around cities and throughout Japan as decentralized bases in the “Space Freedom Project,” and services integrating transportation, telecommunication, and city services will be considered.

Part 3 Power to Connect x Entertainment

The Borderless Society Brought about by the Urban-Linked Metaverse Overcomes Divisions and Connects People

The metaverse is a concept attractive to a large number of people. While the global pandemic has restricted various economic, cultural, and other activities, KDDI is using cutting-edge technology to create platforms that create new urban experiences and connect people and cultures.

Global Metaverse Market Size Forecast



Source: Information and Communications in Japan WHITE PAPER 2022 (Ministry of Internal Affairs and Communications)

The metaverse is a 3D virtual space service on the Internet that is experienced by avatars. Its market size is projected to reach 78,870.5 billion yen by 2030.

KDDI's Urban-Linked Metaverse Functionally and Economically Links Real Cities and Virtual Spaces

KDDI is working with local governments to expand opportunities to disseminate the attractions of real cities to the rest of Japan and abroad through the dissemination of the "urban-linked metaverse" to revitalize local communities and economies while also creating a place to transmit, experience, and share entertainment without close contact against the background of COVID-19.

Virtual Shibuya, which launched in May 2020 in collaboration with Shibuya City, Tokyo, hosts live performances, public exhibitions, and other virtual events in collaboration with diverse companies, artists, and users, including start-ups. With a total attendance of approximately 1 million people, the platform provides a place where people can gather and create valuable experiences from their own homes with content that utilizes cutting-edge technology. The platform also contributes to the development of Shibuya by selling special goods at events and giving all profits from the sales back to Shibuya City.



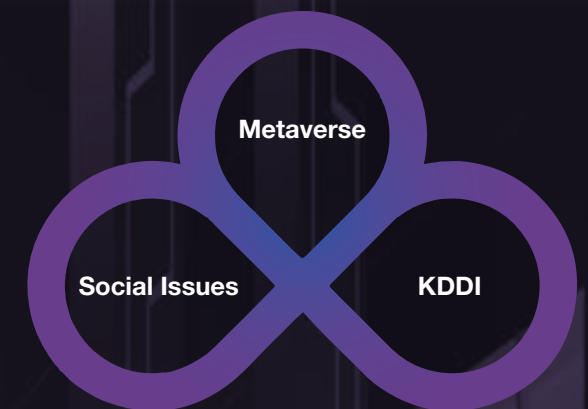
Number of participating users: Total

Over 1 million



Virtual Shibuya is a delivery platform authorized by Shibuya City. It is available for smartphones, PCs, and VR goggles.

A Place Where Everyone Can Play an Active Role in Society Regardless of Gender, Age, and Disability, Etc.



Metaverse Expected to Solve Social Issues

- ✓ Dissemination of urban attractions and regional revitalization
- ✓ Continuation of cultural and economic activities against the background of COVID-19
- ✓ Creation of communities unrestricted by time and place
- ✓ Providing opportunities for self-expression and places where everyone can express themselves

"Equality" in a Virtual Space, Free From Time, Geographical, and Physical Limitations

At the Virtual Shibuya au 5G Halloween Fest 2021, an event held on Virtual Shibuya in October 2021, Metajob!, provided by Moon Creative Lab Inc., was introduced. This demonstrated a new possibility in the metaverse where it enables people who live far away from the Shibuya area or who for health reasons find it difficult to serve customers in person to work in their avatar form.

KDDI will continue to accelerate the fusion of the real and virtual worlds by combining the latest telecommunications technology with entertainment in collaboration with local governments, companies, users, and society as a whole to realize a society in which everyone can play an active role.



Metajob! offers part-time jobs using avatars in the virtual space.

Linking Virtual and Real Life to Enrich Communication

AVATARIUM*



Scan yourself and enjoy virtual space with a realistic avatar.

* A platform developed by Pocket RD Inc. that allows you to automatically generate your own avatar.

Virtual Karaoke*



Machico, a voice actress who performs karaoke in Shibuya and as an avatar in the virtual world synchronize their performances.

* "JOYSOUND Presents Machico's New Sensation of Solo Virtual Karaoke LIVE" held at the Virtual Shibuya au 5G Halloween festival 2021 in collaboration with JOYSOUND.

Part 3 Power to Connect x Entertainment

What Happens When We are “Connected”?

Metaverse section

Why is KDDI Emphasizing “Linkage with Cities” and “UGC (User-Generated Content)” in the Metaverse?

Originally, we did not create Virtual Shibuya to create a metaverse. Initially, we offered experimental AR/MR-based services and content to visitors in the city, but we had to cancel the program due to the COVID-19 pandemic. During lockdowns, it was no longer possible to visit the city or share the same space with others, something that had previously been taken for granted. Therefore, we changed the concept of Virtual Shibuya to provide a platform for people to gather virtually at the “Shibuya Scramble Crossing,” a place known throughout Japan, and “share the same time” through events and other activities. In other words, from the beginning, we have emphasized the importance of linking Virtual Shibuya with real cities.

Also, if we assume that a metaverse is like a city created on the Internet where people gather, it is the people that they should play principal roles and there is no different from a real world city. The platform operator must provide an environment in which the people who have gathered can create content and provide it to other users rather than unilaterally providing the content they can experience in the city. UGC is important for the people who gather to exercise their creativity and engage in the development of the metaverse urban community.

We believe that through the creative activities of the residents of the urban-linked metaverse, the “character” of the interlocking cities will become apparent in the urban-linked metaverse. The content generated here will be fed back to the real city and the shape of the city will change. Our aim is to create a model that evolves the city itself.

What is the Aim and Purpose of the Virtualcity Consortium?

In the urban-linked metaverse (hereafter referred to as the “virtual city”), we aim to create a new city where the real city and virtual space are linked and develop together. To this end, in order to develop virtual city and to exercise people’s creativity, it was necessary to create a framework for solving issues, such as organizing the rights of stakeholders and establishing compliance guidelines, and rules to facilitate the exercise of creativity, from both perspectives of the virtual city and the real city.

Thus, when we began developing Virtual Shibuya, we also considered legal risks and discussed the project with the local government, related companies, and local stakeholders to identify how to link the project with the city.

In November 2021, we launched the Virtualcity Consortium to create a common understanding of the project among interested parties based on the knowledge gained from our activities and to compile guidelines that other local governments and metaverse-related businesses can use as a reference. The Virtual City Guidelines were published in April 2022 and attracted a great deal of attention.

How does the Metaverse Change Society?

We believe that metaverses will expand the sphere in which people live. If we can exercise our creativity in a metaverse, I think that we will be able to not only communicate and experience entertainment but also make a living in this domain. As activities in a metaverse are fed back to the real city, the economic zone of the real city can also be expanded. Ultimately, I would be happy if the urban-linked metaverse became a place that people want to visit daily.

Future Prospects of the Metaverse

From the customer’s point of view, it is not important who the provider is or where the platform is located. Even if metaverse worlds are created for each company or IP in the future, the ideal situation would not be for any one company to monopolize the entire metaverse market but for everyone to be able to come and go freely between each world and for those who are active there to work together with the platformers to create new worlds.

To realize such a vision, interoperability between different platforms is important. We believe that the functions and experiences of the metaverse will gradually converge, although at this stage it is still a matter of trial and error for each company. Beyond the convergence, we must realize a world where people can freely and securely move between various worlds while retaining their digital identities, avatars, items, etc. For this purpose, we intend not only to develop the au version of the metaverse but also to actively work on the development of the environment, such as connections with other platforms and rules.



Business Exploration & Development Division
LX Strategy Department & Web3 Business Development Office
Metaverse Business Planning Team Leader

Haruku Kawamoto

After joining KDDI in 2018, Mr. Kawamoto has been engaged in 5G-related service development work and investment collaborations with domestic and overseas venture companies. Senior Virtual Reality Specialist. He has been a project lecturer at the Graduate School of Media and Governance at Keio University since 2020.

For Secure Use of “Power to Connect”

Support the Realization of Society 5.0 With Robust Information Security

As society becomes increasingly digitalized through 5G and IoT, addressing security risks is growing in importance. KDDI is committed to enhancing information security and making continual improvements to ensure the safe use of telecommunication services, which are an indispensable part of our daily lives.



Responding to New Threats That Are Becoming More Sophisticated and Complex Every Day

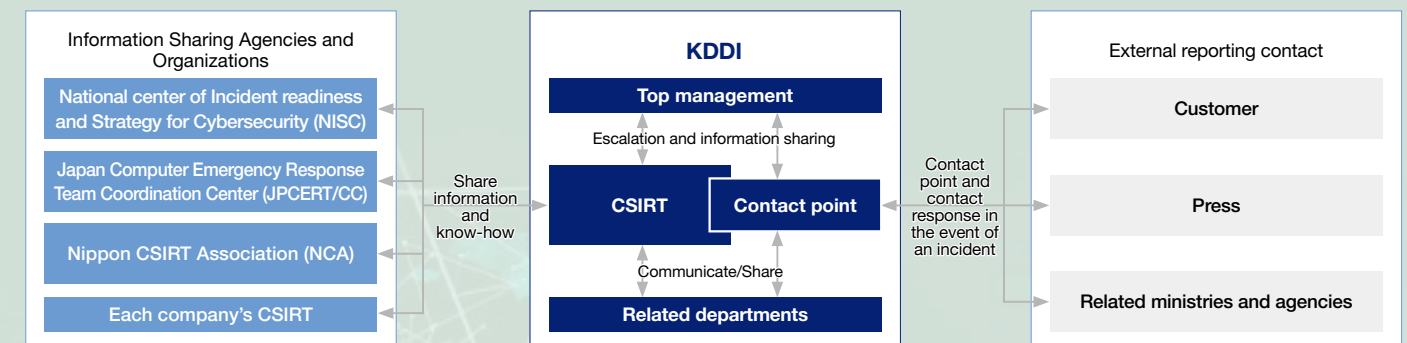
As DX advances and digital technology permeates every corner of society, the role of telecommunications is becoming increasingly important. KDDI strives to ensure information security to provide stable communication services at all times as part of our duties as a telecommunications carrier responsible for important lifelines.

To protect telecommunications facilities from the threat of cyberattacks, such as unauthorized access, tampering, and targeted attacks, professionally trained security engineers conduct monitoring 24 hours a day, 365 days a year. Dangerous incidents such as unauthorized access and tampering are detected in real

time and KDDI-CSIRT* and related departments within the company work together and cooperate to respond promptly.

Additionally, we are constantly evolving our response to new threats, which are becoming more sophisticated and complex every day by developing technologies to automate cyberattack analysis and monitoring using AI and collecting and analyzing vulnerability information and attack trends in cooperation with CSIRT organizations in Japan and overseas.

* KDDI Computer Security Incident Response Team: An organization dedicated to responding to company-wide security incidents.



Reducing Information Security Risks

KDDI has established the Information Security Committee to ensure information security throughout the Group and is working to formulate security measures in the management of all information assets, prevent information leaks from the company, and implement company-wide measures to prevent unauthorized access from external networks. The Committee is incorporated into the corporate governance structure for the risk management of the entire company and operates under a company-wide organizational structure.

For Group companies, KDDI has established security standards common to the KDDI Group and applies them to all Group companies. Additionally, KDDI and Group companies hold regular Information Security Promoter Meetings to manage all information assets and strengthen management measures, and the entire Group works to reduce security risks.

Furthermore, to eliminate information security incidents, we are implementing reinforcement measures in each department to improve the information security awareness of executives and employees.

KDDI will continue to make every effort to ensure information security so that the telecommunications infrastructure, which is the foundation of all industries and our daily lives, can be used with peace of mind. We will also support efforts to solve various social issues such as regional development, work style reform, education, and medical care through telecommunications and help realize “Society 5.0,” a new society that balances economic development and the resolution of social issues.

Serious Information Security Incidents (2018-2021)

Suspension of telecommunications services due to external cyberattacks

0

Leakage of personal data due to external cyberattacks

0

Divulgence of personal data

0

KDDI Value Creation Model

Reinvestment of capital, optimal allocation of management resources, and circulation to our corporate brand value



Satellite Growth Strategy and Strengthening of Management (Non-Financial)

Framework Organization for the New Mid-Term Management Strategy and Key Themes

Key Theme
1

Satellite Growth Strategy Centered on 5G

In the new mid-term strategy, we named business strategies "Satellite Growth Strategy." Putting 5G, which is set to expand full-scale, at the center of the strategies, we will advance our telecommunication business and focus areas with telecommunication at the center.

For 5G that will drive growth, we will aim to "blend in" telecommunications to every scene to bring about an era that provides new value with diverse partners. Defining the following five domains as focus areas— (1) DX (digital transformation), (2) Finance, (3) Energy, (4) LX (life transformation), and (5) Regional co-creation (CATV, etc) —we will accelerate the growth of the new domains, generating synergies with telecommunication at the center.

Key Theme
2

Expanding Growth Areas Centered on Telecommunications through Partnering and Technology

In the era of blended telecommunications, KDDI aims to achieve new growth by leveraging our strengths in the field of 5G as well as the know-how and partnering we have cultivated over the years to deepen our existing businesses and maximize synergies in related businesses.

In DX, we will utilize group assets mainly through 5G, aiming for a positive cycle of our businesses transforming people's lives.

In finance, we will launch B-to-B-to-X businesses by providing platform services, and in energy, VPP* businesses and so forth based on data utilization. In LX, with the hope of transforming lifestyles as the next step of Life Design, we will transform people's experiences and activities in daily life by promoting 5G penetration and advancing technologies, while for regional co-creation, we will work on solving the digital divide problem.

* VPP(Virtual Power Plant): Using ICT and other technologies to control decentralized solar power, storage batteries and other energy sources like they are one power plant

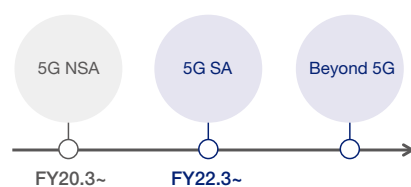
5G Communications

Expanding the Areas and Providing New Value

To develop areas that will serve 5G, we will expand in areas where people are likely to go to on a daily basis to enable more customers to enjoy 5G comfortably. By improving area coverage across Japan, we will also contribute to targets by the government's Vision for a Digital Garden City Nation. In 5G, arenas to bring about new value will expand with full-scale of Stand-Alone (SA) development. Network slicing will bring steady communication for each use case and openness and virtualization will also advance network operations. We have been behind other nations in terms of 5G deployment, but now we will proactively introduce 5G as well as its usage scenes with an eye to the times beyond 5G.

Evolution of 5G Technology

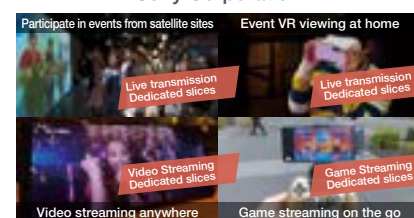
New value opportunities expand with full-scale 5G SA



Network slicing
Openness and Virtualization

5G SA Application Examples

Sony Corporation



"Entertainment experiences everywhere"
Co-creating through network slicing

5G Area Construction

Reinforcing customers' lifeline and nationwide coverage also contributes to government targets

Areas along the customer's lifeline

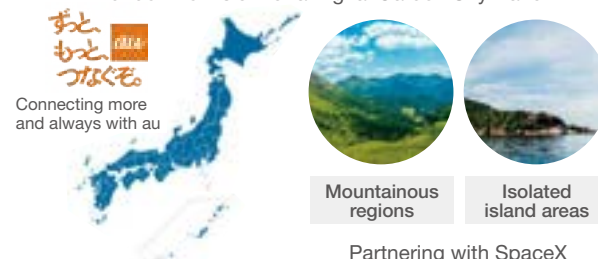
Areas with high data traffic: analyze, predict and build efficiently



Commercial districts
Bullet train
Expressways

Nationwide coverage

Contributing to the 5G population coverage target (95% by FY24.3) under the Vision for a Digital Garden City Nation



Partnering with SpaceX
promoting measures to prevent blind spots

Increase of Multi-Brand Communications ARPU Revenues

Regarding 5G penetration, we aim to achieve a mid-term target of 80%, and multi-brand communications ARPU revenues are expected to increase in FY25.3 compared to FY22.3. To maximize ARPU, we will also expand services through partnering, which is our strength, and provide experiences that are unique to 5G. We will provide leading entertainment services with worry-free unlimited data usage without anxiety super-definition videos and real-time services.

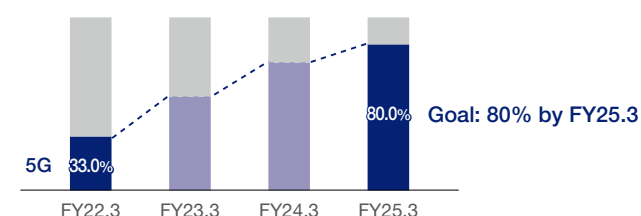
Maximize ARPU

Expand services to provide unique 5G experiences through partnering



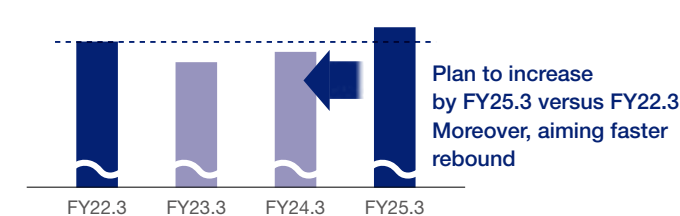
5G Penetration

* Personal Services segment basis



Multi-Brand Communications ARPU Revenues

* Personal Services segment basis



Targets in Focus Areas (DX, Finance, Energy, Life Transformation, and Regional Co-Creation) and Initiatives in Each Area

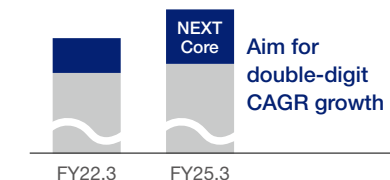
DX

The center of the growth for the focus areas is the Corporate Business of DX. In the NEXT Core business, we will aim for double-digit growth in sales CAGR, making the Business Services segment the second pillar of growth after telecommunication, raising its operating income CAGR by double digits and making it account to about 20% of our group's consolidated operating income. To do that, we will capitalize on our strengths and advance the optimized operational and maintenance management developed over the years with our global partners when telecommunication will reach every corner of society, and will provide new value with our partners through 5G and DX.

In the future, we will combine our extensive assets such as ID management, payment, and data analysis developed through our telecommunication operations and consumer businesses, with guaranteed bandwidth based on 5G network slicing, proposing solution cases that tailored to each industry, to accelerate the DX of our corporate customers. We will also launch successful domestic DX models worldwide, based on our sales structure that unites our domestic and global sales prowess.

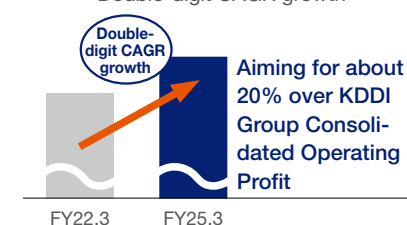
Operating Revenue

DX Promotion
NEXT Core business drives business growth



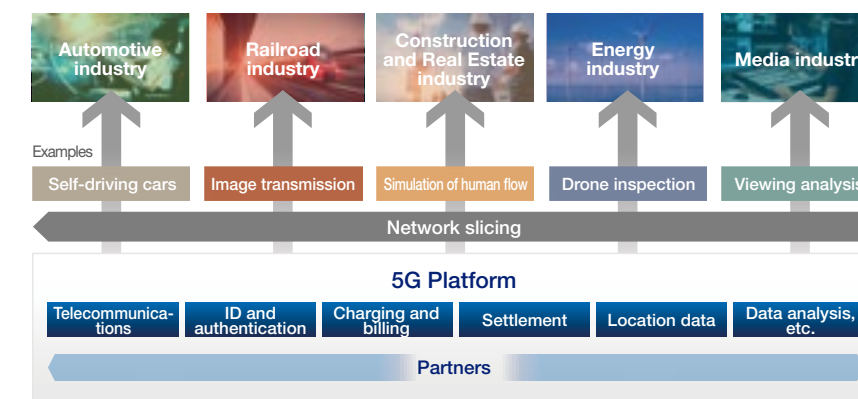
Operating Income

Overall Business Services segment
Double-digit CAGR growth



Accelerate DX of Customer Companies

Aiming to provide industry-specific platforms that support business creation



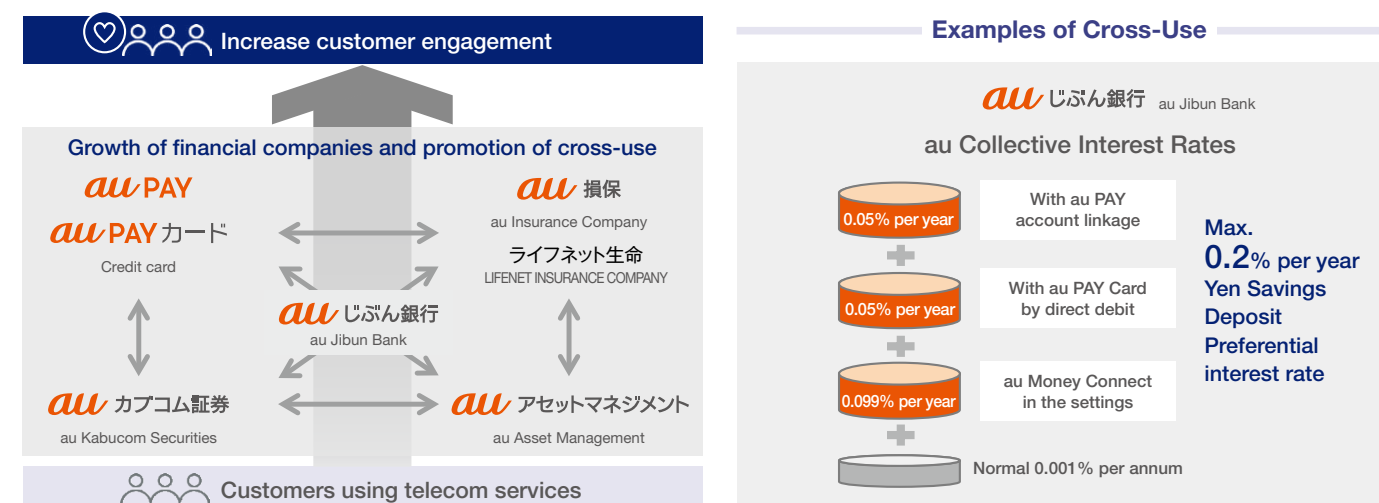
Satellite Growth Strategy and Strengthening of Management (Non-Financial)

Finance

In the finance business, we will achieve double-digit growth in operating revenue and operating income CAGR, mostly through growth drivers including home mortgages and the number of credit card members, while interlinking wide-ranging features and services from the finance group, and encourage customers’ use of these services and functions across different channels. In the future, we will launch B-to-B-to-X services by providing platforms for au Financial Group’s Banking as a Service (BaaS) to non-financial business operators, to make BaaS accessible for customers, employees and store operators beyond, expanding our business domains. Just as in telecommunication, we will aim to provide new added value by integrating financial services into all types of services.

Financial Cross-Use

Collaboration of a wide range of financial functions within the Group

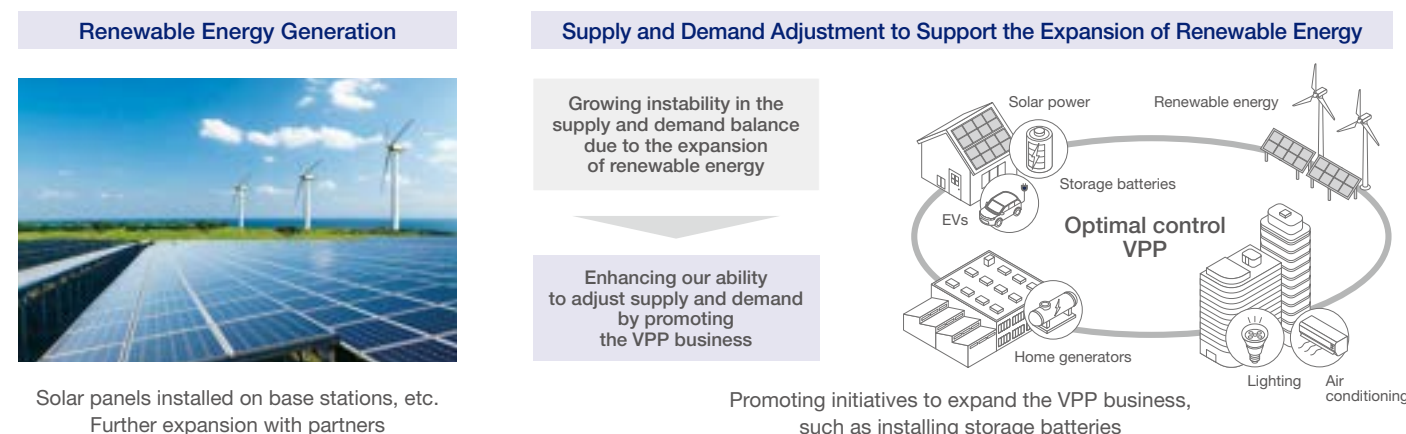


Energy

In the energy business, we will aim for double-digit growth of operating revenue CAGR in mid-term through steadying income and expanding the customer base. We will also launch new carbon-neutrality-related businesses. We will look to providing renewable energy, strengthening our prowess to adjust supply-demand to address the fluctuations in the supply-demand balance arising out of the growth of renewable energy, advancing our VPP business.

Carbon Neutral-Related Business

Contributing to society's carbon neutrality through business



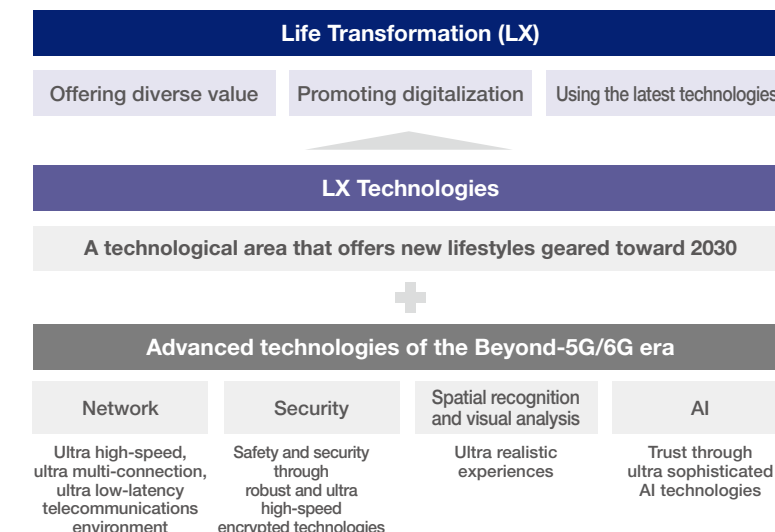
LX

In order to create future-oriented business models, we will focus on LX Technologies from the consumer's perspective, and we will bring innovation to diversifying consumption and experience behavior and create the exciting future society in LX.

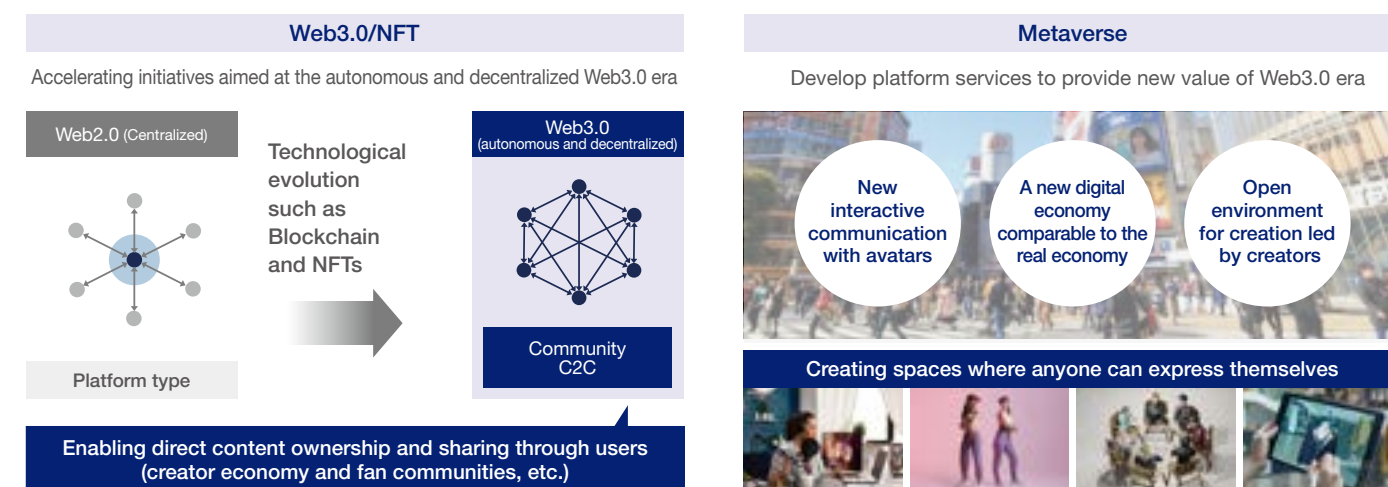
For the metaverse, towards the Web3.0 era in which users can directly own and share contents with each other, we aim to revitalize local communities and economies and will create spaces where everyone can express themselves through virtual cities, which are urban-linked metaverse in collaboration with local governments. For the satellite telecommunications, SpaceX’s Starlink satellite telecommunication service will provide high-speed telecommunications quality even in mountainous areas and isolated islands. For the drones, we will develop smart drones equipped with mobile telecommunications and operation management systems, and we will contribute to the creation of new experiences for the future society by accumulating advanced demonstration experiments and introduction cases.

Life Transformation (LX)

Promoting research of technological areas centered on consumer perspectives to create future-oriented business models

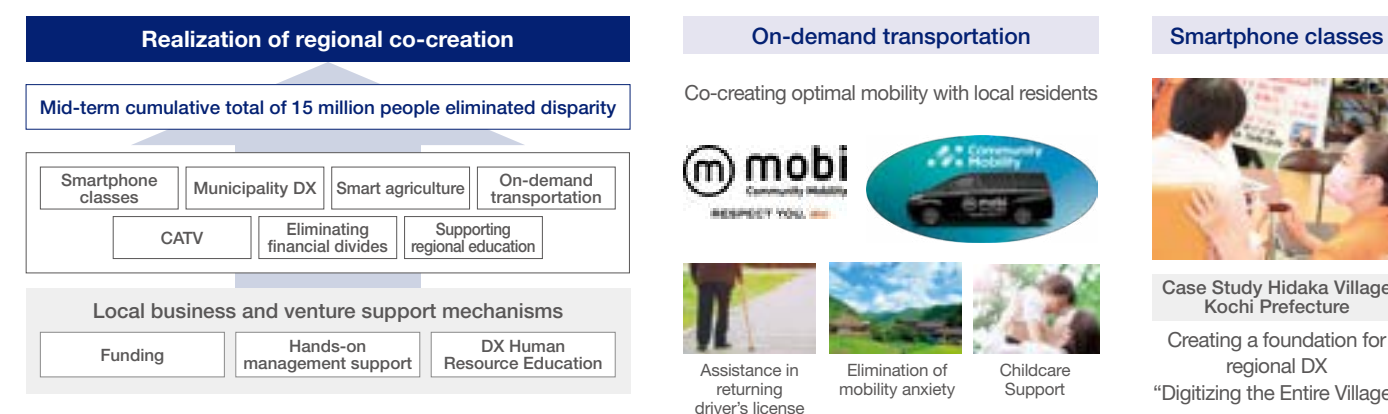


Value Creation by LX



Regional co-creation

We will deal with problems in regional communities and create together with the communities. We will work on eliminating a total of 15 million digital-divide cases in mid-term.



Satellite Growth Strategy and Strengthening of Management (Non-Financial)

Strengthen our management base

We will aim for the continuous growth of society and advance corporate value together with our partners by driving our business strategies and strengthening our management base to support them. Here we introduce our efforts to strengthen our management base.

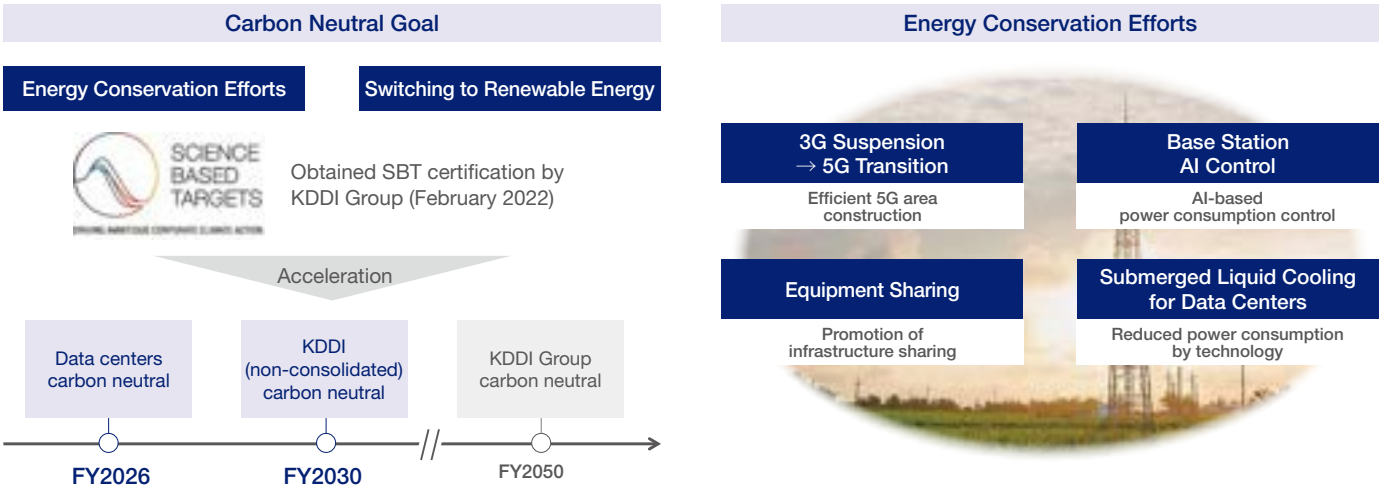
Carbon-Neutral

KDDI alone aims to achieve net-zero CO₂ emissions in our business activities by fiscal 2030. In addition, we aim to achieve net-zero CO₂ emissions at our data centers worldwide under the TELEHOUSE brand by fiscal 2026. Furthermore, the KDDI Group as a whole aims to achieve net-zero CO₂ emissions by fiscal 2050.

To achieve these goals, we will promote infrastructure sharing, efficiently construct 5G areas, and save energy by utilizing base station AI control, submerged liquid cooling for data centers, etc.

Also, KDDI has established au Energy Holdings Corporation as of July 1, 2022. We will work strategically and aggressively to switch to the use of renewable energy sources and contribute to the realization of domestic decarbonization throughout the KDDI Group as a whole.

To achieve the target



Human Resource

We will promote our transformation into a company that puts human resources first by advancing to the next phase of our unified three-part reform of work styles, the KDDI Version Job Style Personnel System and internal DX, and workstyle reforms.

To further promote the development of highly specialized human resources, we will develop professionals and improve all employees' DX skills through “KDDI DX University,” shifting personnel to focus areas.

By expanding DX human resources, we will create new businesses in collaboration with customers and partners, and promote our own business transformation.

KDDI will accelerate the resolution of social issues and business transformation by creating new businesses and strengthening non-telecommunications businesses by utilizing 5G and promoting DX, continuously connecting with customers and society and generating added value based on telecommunications.

Respect for Human Rights

The KDDI Group has established the “KDDI Group Human Rights Policy,” recognizing that all business activities are based on respect for human rights. In order to further accelerate our efforts to fulfill our responsibility to respect human rights, we revised the KDDI Group Human Rights Policy in October 2022.

Under the new materiality, we have set “Respect for Human Rights” as one of the values we embrace, and we respect human rights in all our business activities by complying with the KDDI Group Human Rights Policy. In accordance with the UN Guiding Principles on Business and Human Rights, we have also conducted human rights due diligence to identify the human rights issues that global companies are expected to address, and reflect them when considering measures.

Regarding our Myanmar operations, we believe it is important to support the people of Myanmar with telecommunication services, which are indispensable to their daily lives, stimulate economic activity and will have a positive impact in terms of respect for human life. To this end, we are also in the process of human rights due diligence through a third-party professional organization and address the issue in accordance with international human rights norms. We will continue to assess human rights risks in our business operations.

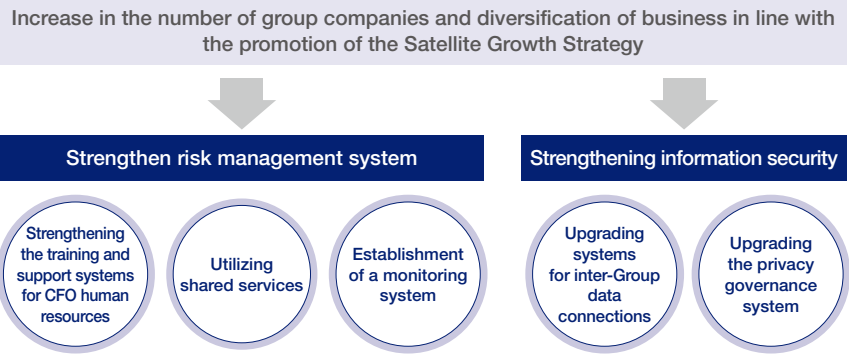
Cost Efficiency

We aim to save about 100 billion yen in cost efficiencies in the mid-term. Regarding technology-related areas, accelerating 5G roll-out to more areas, we will appropriately control our investment criteria, including by promoting the sharing of infrastructures and using advanced technologies. We will also work to transform our sales structure and improve the efficiency of our sales channels.

Group Governance

We welcome more group companies and will diversify our businesses through the advancement of the Satellite Growth Strategy. To achieve synergy and growth for the entire group, we will strengthen our CFO human resource development and support system. We will also strengthen our risk management system through shared services and the establishment of a monitoring system. Additionally, we will enhance information security by preparing for inter-group data linkage and a privacy governance system.

Strengthened risk management and information security systems



CFO Message



We will aim to achieve the sustainable growth of society and the enhancement of corporate value together with our partners by promoting our Satellite Growth Strategy and strengthening the underlying management base

Executive Vice President,
Representative Director
Executive Director, Corporate Sector

Shinichi Muramoto

Creating a Virtuous Cycle Underpinned by Sustainability Management

With Sustainability Management at the core, we will work with our partners to create a virtuous cycle for the sustainable growth of society and the enhancement of corporate value.

There is a growing interest in ESG initiatives in the stock market. Over the years, we have honed our non-financial strengths, including our disaster countermeasures and the KDDI Group Philosophy. We formulated our new material issues by mapping the issues raised in our new Mid-Term Management Strategy according to two axes: topics of interest to long-term investors and various other stakeholders, and our vision. As a result, the issues have been consolidated into six material issues. The major changes are: pursuit of innovation needed to transform our businesses, enhancement of human resources and governance in step with the diversification of our business-

es, and response to the international society’s growing concerns about climate change and other issues.

At the same time, we have defined for each materiality the “Values we embrace,” the different types of values we need to provide to society. We have also set 25 sustainability targets (KPIs) to work toward for each value to be provided. [→ P47](#)

As interest in ESG rises, so do expectations for the visualization of capital expenditures and non-financial capital. We will step up our efforts to disclose information closely related to our long-term strategy. Please also keep an eye on the innovation needed to implement the Satellite Growth Strategy, the enhancement of management foundation that involves initiatives to transform us into a company that puts human resources first, and our progress toward the new sustainability targets.

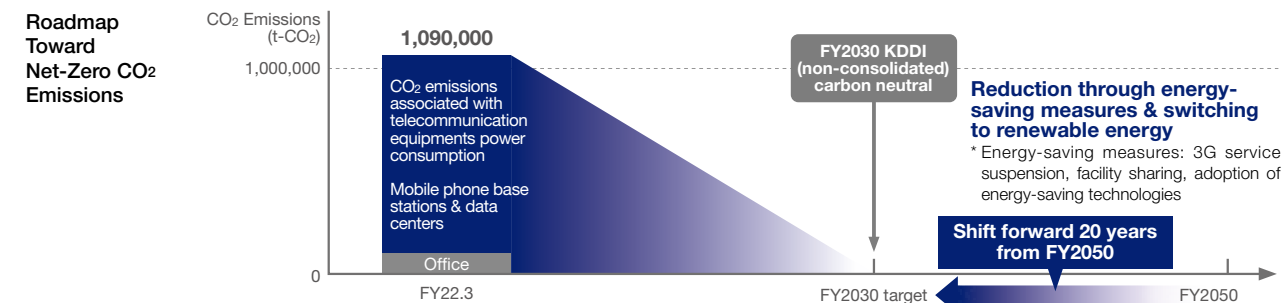
Accelerating Our Initiatives toward Carbon Neutrality

In February 2022, we received certification of our CO₂ reductions targets from the “Science Based Targets initiative (SBTi).” In April 2021, we declared our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

“KDDI Sustainable Action,” our action plan for contributing to the SDGs, originally announced that it would aim to achieve net-zero CO₂ emissions, but we have decided to move up this goal by 20 years and make our business operations carbon neutral by FY2030. In addition, we will endeavor to achieve net-zero CO₂ emissions for all TELEHOUSE brand data centers

around the world by FY2026, and for the entire KDDI Group by FY2050.

We will also respond to the growth of 5G traffic by developing technologies for conserving energy, such as demonstration testing of commercial fuel cells, and for balancing base station output through the use of AI-driven usage monitoring. In addition to our suspension of 3G services at the end of March 2022, we will seek to achieve further reductions of power consumption sharing infrastructure, adopting various energy-saving technologies, and switching to renewable energy.



Transforming into a Company That Puts Human Resources First, and Promoting DX

We consider human resources to be our greatest resource. With the aim of transforming KDDI into a “Human Resources First Company” that places the development and enhancement of human resources at the core of its management, KDDI is promoting the three pillars of “introduction of KDDI Version Job Style Personnel System,” “realization of the KDDI New Working Style Declaration,” and “promotion of internal DX,” and will evolve our unified three-part reform initiatives into Phase 2.

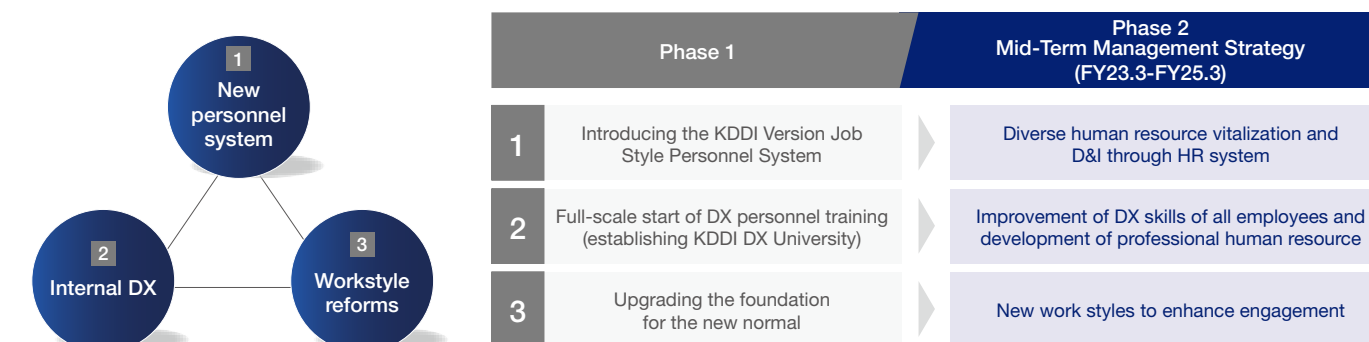
Moreover, we have defined our transformation into a company that puts human resources first as a new materiality. We will leverage a diverse pool of sophisticated professionals and

cultivate a culture that embraces challenges so that we can further produce innovation and contribute to the sustainable growth of society.

As a specific target, we will work to raise the professional human resources ratio in both established business domains and new ones (non-telecommunication businesses, etc.) to at least 30% by FY25.3. Also, we will use KDDI DX University to enhance the DX skills of all KDDI employees and to train DX professionals. We will then shift DX talent to focus areas, and expand basic DX skills training across the KDDI Group.

Transforming into a Company that Puts Human Resources First

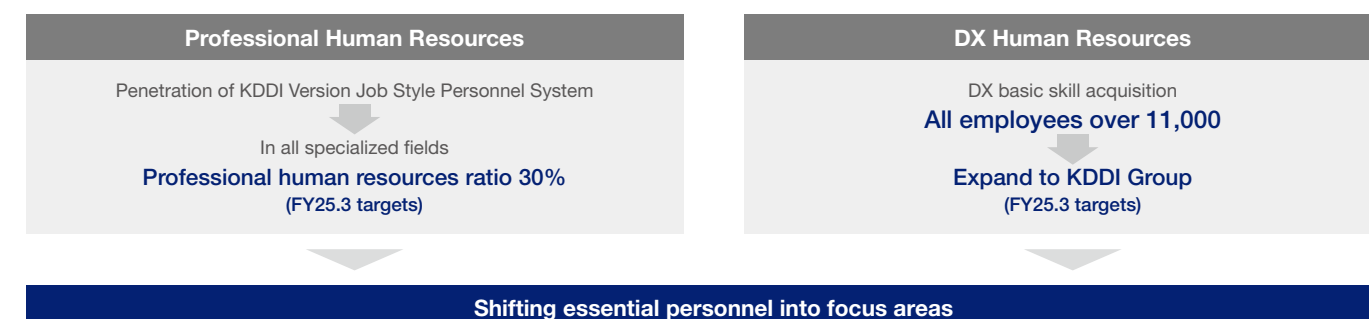
Evolving our unified three-part reform initiatives into Phase2



Human Resource Development

Maximizing organizational strengths to drive business strategy centered on DX

KDDI DX University*



* In-house human resources development organization launched in 2020

CFO Message

Thoroughly Engraining Respect for Human Rights in KDDI Group Business Activities

The KDDI Group has established the “KDDI Group Human Rights Policy,” recognizing that all business activities are based on respect for human rights. In order to further accelerate our efforts to fulfill our responsibility to respect human rights, we revised the KDDI Group Human Rights Policy in October 2022. In our new materiality,

we have positioned “respect for human rights” as one of the values to be provided. Going forward, we will continue adhering to the KDDI Group Human Rights Policy to ensure respect for human rights in all business activities and the performance of human rights due diligence across our global operations.

Respect for Human Rights

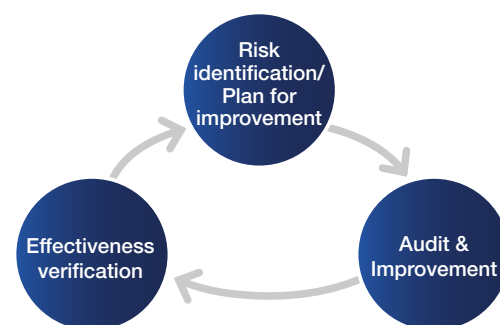
Thoroughly engraining respect for human rights in KDDI Group business activities

Observing the KDDI Group Human Rights Policy

- Respect for human rights in all business activities
- Avoid or reduce any negative impacts on human rights
- Avoid involvement in infringement of human rights
- Promote human rights enlightenment activities for all KDDI Group executives and employees, etc.



Global Human Rights Due Diligence



Cost Efficiency and Cash Allocation

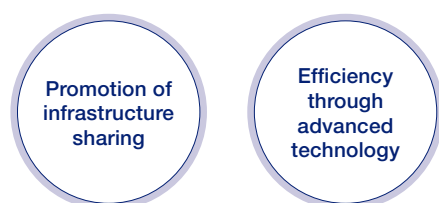
We are striving for greater cost efficiency. On the technical side, where 3G service has been suspended and expansion of 5G service areas is being accelerated, we are practicing appropriate control of our investments, including by promoting infrastructure sharing and adopting advanced technologies. In commercial operations, we will seek mid-term cost efficiencies on the scale of 100 billion yen through actions such as transforming our sales system and streamlining sales channels.

With regard to cash allocation, we will continue strengthening our investment in growth and shareholder returns to support

our sustainable growth. We will also work to attain operating CF (excluding financial business) flow on the level of 5 trillion yen over the mid-term. The operating CF produced will be preferentially allocated to capital expenditures in 5G and focus areas, as well as strategic business investments, for a total investment of around 2 trillion yen. We will aim for shareholder returns of around 1.5 trillion yen in the mid-term by raising the dividend payout ratio over 40% and flexibly repurchasing shares in consideration of factors such as growth investment performance.

Cost Efficiency

Technology



Appropriate control of investment

Sales

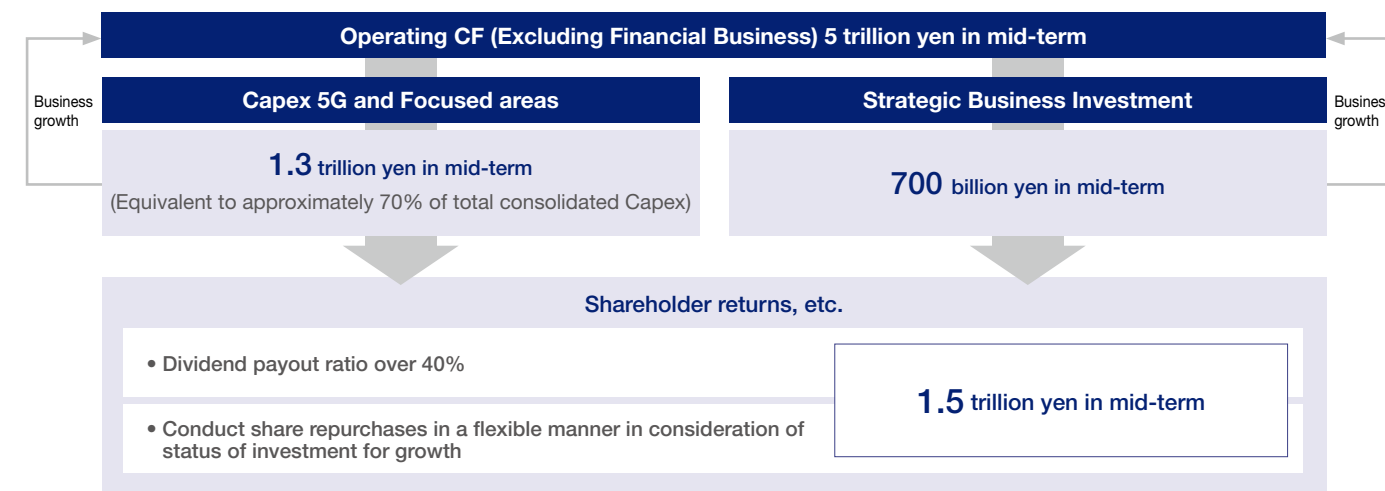


Marketing efficiency

Goal: achieve cost efficiencies of 100 billion yen in mid-term

Cash Allocation Policy

Continue to strengthen investment in growth and shareholder returns for sustainable growth



In Conclusion

Looking ahead, the world will likely continue to change with each passing moment, and with it the business environment will undergo tremendous changes as well. In order to successfully adapt to this fluid environment and realize the vision for our future, we will firmly engrain the KDDI Group Philosophy—our unshakable cornerstone—as a mindset and code of conduct shared by management and employees alike. We will endeavor to strengthen our management base through integrated management of our Group and efforts to reinforce our systems of risk management and information security through synergy with a system of corporate governance that respects human rights and ensures transparency and fairness.

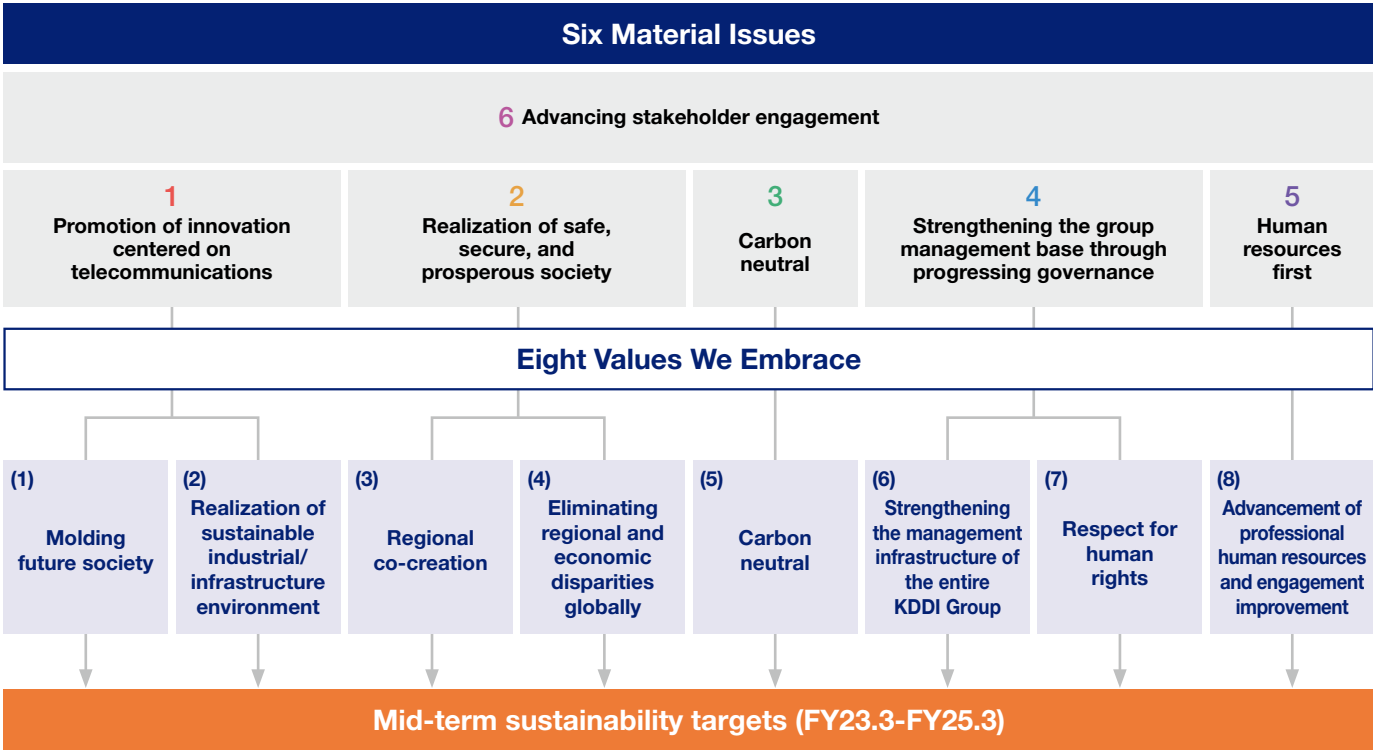
As we carry out the new three-year plan for transforming our business, we will guide our decisions and actions with the valuable insights we gain from dialogue with our shareholders and investors.



New Materiality

Six Material Issues

We have mapped and summarized the issues to be addressed in the New Mid-Term Management Strategy based on the concerns of long-term investors and other multi-stakeholder groups and their impact on our business. The changes are in the areas of promoting innovation necessary for our business transformation, strengthening human resources and governance in line with the diversification of our business, and responding to the growing awareness of issues in the international community, such as climate change.



Materiality

1

Promotion of Innovation Centered on Telecommunications

► Values We Embrace

(1) Through Satellite Growth Strategy centered on communications, promote innovation that customers can experience in their daily lives and create a future society.

(2) Realize a sustainable industrial/infrastructure environment by providing innovative solutions for communications and other social infrastructure/connected vehicles.

Materiality

2

Realization of Safe, Secure, and Prosperous Society

► Values We Embrace

(3) Realize regional co-creating by connecting people and regions together with DX centered on communication and solving information gaps and regional issues.

(4) Eliminate regional and economic disparities by contributing to local economic development through the maintaining and expanding of communications and peripheral services in emerging overseas countries.

Materiality

3

Carbon Neutral

► Values We Embrace

(5) In addition to achieving carbon neutrality in 2030*, we will provide customers with renewable electricity and contribute to solving the global climate change problem.

* Scope1+2

Materiality

4

Strengthening the Group Management Base Through Progressing Governance

► Values We Embrace

(6) Create social and environmental value by establishing a strong management infrastructure through the strengthening of governance in the entire KDDI Group.

(7) Respect human rights in all business activities, eradicate human rights violations in the supply chain, and contribute to the sustainable growth of society.

Materiality

5

Human Resources First

► Values We Embrace

(8) Create innovation and contribute to the sustainable growth of society by fostering a corporate culture that encourages the active participation of diverse and professional talent while also providing a challenge.

Materiality

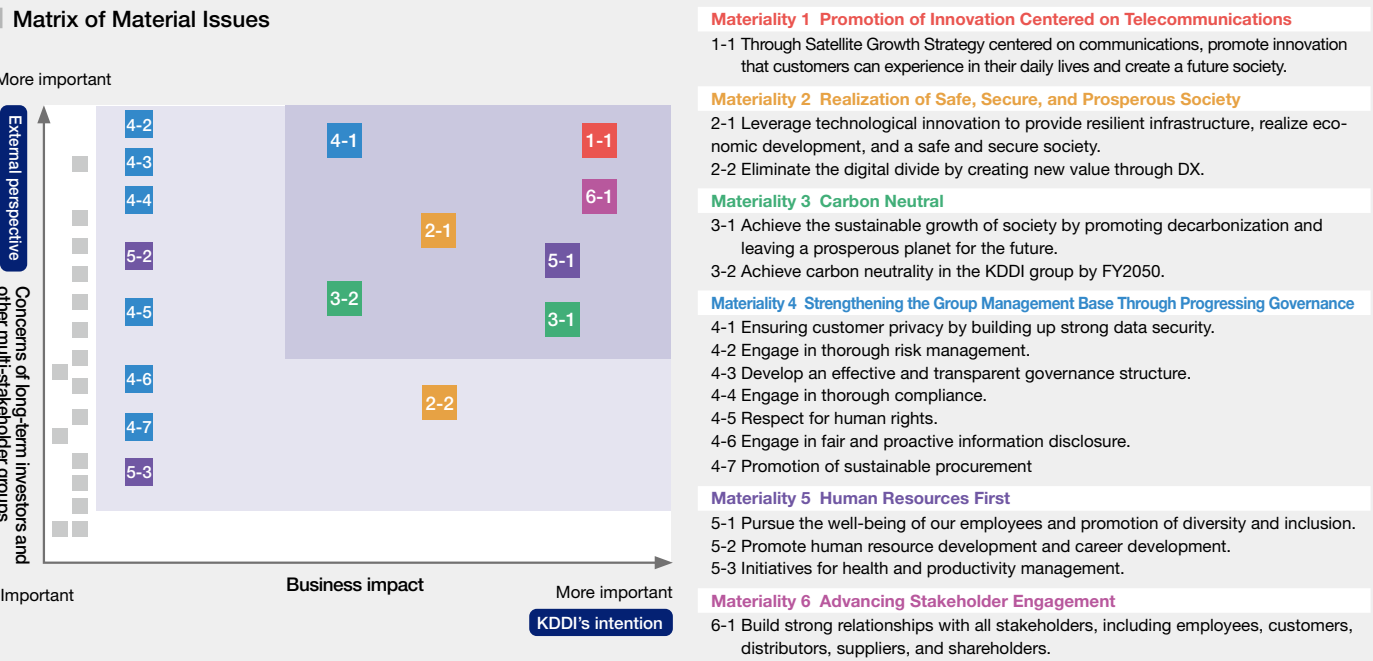
6

Advancing Stakeholder Engagement

Process for Re-Identifying Material Issues

KDDI has revised the Material Issues related to sustainability in conjunction with the establishment of its New Mid-Term Management Strategy (FY23.3-FY25.3).

1. Identify key issues based on the GRI requirements, international guidelines for sustainability information disclosure, and the requirements of ESG assessment for the information technology and telecommunications industry.
2. Priorities are set by scoring the “concerns of long-term investors and other multi-stakeholder groups (vertical axis)” and the “business impact (horizontal axis).”
3. Identify six material issues that reflect the opinions of external experts collected through interviews.
4. The Sustainability Committee and the Board of Directors deliberate on the appropriateness of the proposal and finalize it.



Eight Values We Embrace and Twenty-Five Mid-Term Sustainability Targets (FY23.3-FY25.3)

Values We Embrace	Mid-Term Sustainability Targets (FY23.3-FY25.3)			
	Details of implementation	Index	FY22.3 results	FY25.3
(1) Molding future society	Promoting business creations and R&D projects based on Satellite Growth Strategy	Number of projects (Mid-Term cumulative total)	21	60
	Providing virtual cities in collaboration with local governments	Growth of Monthly Active Users		
	Promoting innovation to strengthen intellectual capital	Number of patents held in 5G/Beyond 5G + Satellite Growth-related areas	—	Year on year grew 20%
(2) Realization of sustainable industrial/ infrastructure environment	Contribution to industry/ infrastructure DX	IoT connections	24.5 million connections	44 million connections
	Promoting customer work style reform	Percentage of KDDI customers (corporate customers) deploying zero-trust solutions	—	35%
	Expand 5G coverage	5G population coverage governmental target 95% by FY2024.3		
	Eradication of major incidents	Number of serious incidents * Based on the Ministry of Internal Affairs and Communications' incident reporting guidelines.	0	0
(3) Regional co-creation	Solving disparity in regions	Number of people supported (Mid-Term cumulative total) * Services such as smartphone classes, in-store support, usage support, on-demand transportation, local education (lectures and seminars,) Simple TV Phone service, and disparity elimination for local governments, medium-sized and SMBs.	5.7 million	15 million
	Development of regional experience support services	Number of users of regional experience support services (Mid-Term cumulative total)		
	Eliminating financial divides	Transaction volume of settlement/loan	11.7 trillion yen	16.3 trillion yen
(4) Eliminating regional and economic disparities globally	Expand global business in Myanmar	Ensure the safety of our employees, respect the human rights of the people in emerging countries, and strive to maintain the social infrastructure that is essential to people's daily lives.		
	Education and training of the next generation in Mongolia using telecommunications	Number of subscribers to Stars, a communications service for children aged 13 and under (cumulative total)	—	0.18 million

Values We Embrace	Mid-Term Sustainability Targets (FY23.3-FY25.3)			
	Details of implementation	Index	FY22.3 results	FY25.3
(5) Carbon neutral	KDDI's carbon neutrality including telecommunication facilities	KDDI's carbon neutrality including telecommu-nication facilities (Scope1+2) (KDDI non-consolidated)	CO ₂ emissions: 1.09 million tCO ₂	Achievement of FY2030 carbon neutrality
		Achievement of carbon neutrality by the KDDI Group at its worldwide data centers * Excluding data center facilities and equipment provided by other companies on a partial lease basis	CO ₂ emissions: 0.3 million tCO ₂	Achievement of FY2026 carbon neutrality
	Providing renewable energy to customers	Percentage of corporate contracts supplied with renewable energy	—	Over 60%
	Providing next-generation renewable energy solutions	Promote and streamline the use of renewable energy in society by providing next-gen-eration energy solutions such as EV station installation, virtual power plants (VPP), and IoT-based renewable energy infrastructure maintenance through partner collaboration		
(6) Strengthening the management infrastructure of the entire KDDI Group	Strengthen the governance and information security of the Group as a whole	No. of serious incidents* ¹ · Cybersecurity-induced divulgence of personal data and significant service outages · Inappropriate use of personal data · Serious incidents other than the above	0	0
		Number of initiatives of advanced security technology* ² (Mid-Term cumulative total)	4	15
(7) Respect for human rights	Conduct business activities with respect for human rights	Respect for human rights in all KDDI Group business activities		
	Human rights due diligence* ³	Improvement rate for suppliers that may be violating human rights (consider suspending business with them if they fail to respond) · Endorsement of KDDI Group Procurement Policy · Identification and dialogue with high-risk parties · Improvement support for high-risk parties	Check the status of respect for human rights with approximately 90% of top suppliers in terms of the purchase value (response rate: 98%)	Improvement rate: 100%
(8) Advancement of professional human resources and engagement improvement	Career development for skilled human resources	Percentage of professional human resources on all specialized fields	—	30% * All areas
		All employees who have completed DX basic skills training (KDDI non-consolidated: Mid-Term cumulative total) * Learning opportunities to be expanded to the Group	—	All employees
	Conduct the Employee Engagement Survey	Maintain and improve employee engagement score	72 * Average of quarterly survey results (4 times/year)	Maintain 72 or over
	Promotion of diversity-oriented human resources (D&I)	Ratio of female directors	7.1%	20% or over
		Percentage of females in managerial positions* ⁴ (KDDI non-consolidated)	9.4%	15% or over

*1 Cases that require reporting or notification to the competent authorities and cause severe damage to reputation.

*2 Number of news releases and topics by KDDI non-consolidated and KDDI Research, Inc.

*3 Top 90% of KDDI Group procurement amount and suppliers with known human rights risks are covered.

*4 Personnel in managerial positions : Leaders who have personnel evaluation authority and experts in specialized area, the percentage is as of April 1st in next fiscal year.

Message from the General Manager of the Sustainability Management Division



Executive Officer
The Deputy General Manager, Corporate Sector and
the General Manager of the Sustainability
Management Division

Nanae Saishoji

KDDI VISION 2030, the Mid-Term Management Strategy (FY23.3-FY25.3) and Sustainability Management

In May 2022, we announced KDDI VISION 2030 and the Mid-Term Management Strategy (FY23.3-FY25.3).

KDDI VISION 2030 was designed to incorporate the essence of the KDDI Group Mission Statement and KDDI Sustainable Action which was formulated in May 2020. The Mission Statement reads, “The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society.” It expresses our aspiration to resolve social issues. KDDI Sustainable Action declares our determination to continue working to solve diverse social issues through business.

Many issues such as global warming and other climate change issues, the destruction of ecosystems and other environmental issues, human rights problems and the widening of the gap between the rich and the poor are becoming worse. International organizations, rating agencies, disclosure task forces and other task forces, investors, customers, business partners, corporate employees and other stakeholders are accelerating their activities to address these issues. We will advance KDDI Sustainable Action. Guided by the Mid-Term Management Strategy (FY23.3-FY25.3), we will promote the Satellite Growth Strategy and strengthen the management functions that support it based on sustainability management in an aim to achieve the sustainable growth of society and to increase corporate value together with our partners.

In the process of formulating the Mid-Term Management Strategy, we also defined New Materiality. It comprehensively includes social issues from a long-term perspective and the degree of their significance in our management. At the time of formulation, we examined the interests of long-term investors and other stakeholders and the impact of issues on our business. We created Eight Values we embrace regarding the individual material issues identified in consideration of social and environmental value. These stories

explained specific actions as well as the goals to be achieved. In addition, we connected the value proactively provided by businesses with the Satellite Growth Strategy and the defensive aspects with the strengthening of management base.

Promotion of Sustainability Management

Our concept of sustainability management means the incorporation of long-term and social value perspectives into our management strategies to achieve sustainable growth. We will strive to enhance not only economic value but also social and environmental value to increase corporate value and contribute to the sustainable growth of society. For this purpose, it is vital that we think about “what we can do to best serve society leveraging our own strengths.”

Revised in 2021, Japan’s Corporate Governance Code defines actions for addressing sustainability issues, such as climate change and other global environmental issues, respect for human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, as important management issues that can lead to earnings opportunities in addition to mitigating risk. To resolve issues, we should implement proactive strategies in addition to defensive measures. These strategies should not be a mere addition to our management strategies. Its content should not be “doing what is good for the environment and society is sufficient.”

We recognize these issues as priority issues. We will carry out the Mid-Term Management Strategy to help achieve the sustainable growth of society together with our partners. We will

aim to establish a virtuous cycle in which the growth of society will be incorporated into our future business strategies that again lead to doing good things for society.

Aiming to Be a Top Company in Sustainability Management



















In connection with the formulation of the Mid-Term Management Strategy, we established the Sustainability Management Division in April 2022. This new organization is playing a central role in the implementation of sustainable management. The goal of this move was the strengthening and acceleration of sustainability activities including the creation of sustainability-related policies, the implementation of and support for various companywide measures and the distribution of information about them. Its mission is to propagate sustainable management across the Group in collaboration with the operating divisions.

Corporate economic activities burden the planet, the environment and society. Business must offset the burdens they put on the Earth through their business activities at their cost. Today, businesses must be aware of environmental and social issues and carry out actions to address them through their business operations. In addition, they must transform their business model by shifting to the idea of creating different types of value at the same time. It is important to continue creating circulation models in which businesses resolve environmental and social issues and the solutions to these issues provide earnings opportunities for businesses. The KDDI Group aims to become a top company in sustainability management by ensuring that the value we provide to society is realized.

KDDI Sustainable Action

It has been created representing our determination to continue working to solve various social issues through our business as we move towards 2030. We aim to further enhance corporate value and achieve sustainable growth with society by helping to solve social issues through business with partners by connecting and protecting lives, connecting day-to-day lives, and connecting hearts and minds while using 5G, IoT, and other technologies.

Relationship between KDDI's Material Issues and KDDI Sustainable Action

Material Issues	KDDI Sustainable Action							
	Connecting and Protecting Lives		Connecting Day-to-Day Lives			Connecting Hearts and Minds		
	Building a resilient infrastructure for communication and disaster response	Conserving the environment	Sustainable development for cities and communities	Building the infrastructure for developing countries	Developing human resources for the next generation	Creating a digital society for affluence and peace of mind	Promotion of diversity and inclusion	Fostering health and a purpose in life
1. Promotion of innovation centered on telecommunications → P51	●		●			●		
2. Realization of safe, secure, and prosperous society → P59			●	●		●		
3. Carbon neutral → P67		●						
4. Strengthening the group management base through progressing governance → P73						●		
5. Human resources first → P77					●		●	●
6. Advancing stakeholder engagement	●	●	●	●	●	●	●	●
Corresponding SDGs	  	 	  	  		 	 	 

Materiality

1

Promotion of Innovation Centered on Telecommunications

Values we embrace (1) **Molding Future Society**



Our power to make connections will support new technologies and create excitement beyond customers' expectations and a thrilling future experience.

Executive Officer
Executive Director, Corporate Strategy Planning Division and
Executive Director, Business Exploration & Development Division

Hiromichi Matsuda

Our power to make connections will bring about innovation in people's lives, experiences and actions.

KDDI aims to push ahead with innovation that customers will really feel in their daily life and to create a thrilling future society using our power to make connections. We express this aim as life transformation (LX)* in the Mid-Term Management Strategy. In the domain of LX, we focus on the metaverse, outer space and drones.

First, the metaverse will bring overwhelming innovation in customers' experiences and behaviors. It will provide new experiences beyond geographical and social constraints. The metaverse allows you to have a personality that is different from your real personality using an avatar. It is expected to be a gateway to next-generation communication. KDDI will be offering an urban-linked metaverse. There is hope for the metaverse from the perspective of regional revitalization. For example, using the metaverse, we can be in the virtual space that simulates a real city in a digital form. Users can experience the attractions of the region from their homes. A large number of local governments have shown interest in it as a new tool for advertising regional attractions.

Next, we will work on space communication in collaboration with Space Exploration Technologies Corp., better known as SpaceX. That will make high speed telecommunication equivalent to the services in urban areas available anywhere. It will ensure that au's communication services can be enjoyed in mountainous areas and on remote islands where communication used to be slow and unstable and help increase the social value of provincial regions. In addition, actions of viewing the Earth from space will increase. We expect these actions to create value in many different ways, such as the monitoring of greenhouse gas distribution, studies on the proper positioning for the installation of solar power generation equipment and the improved safety of workers on remote construction sites.

Drones have achieved labor reduction and the automation of logistics, inspection, monitoring, measurement and other processes conventionally dependent on human workers and they have replaced humans in dangerous work. Drones will bring about innovation in people's lives and businesses. Linking mobility devices, such as robots on the ground and drones in the sky to communications services will create a new experience.

They will all require high speed telecommunications. KDDI will combine our power to make connections with cutting-edge technologies to provide excitement beyond customers' expectation and build a thrilling future society.

Co-Creation Based on Partnering Will Be the Key to Accelerating Sustainability in the 5G Era

KDDI's strengths include its technologies and knowledge for establishing connections which we have untiringly pursued for a long time. This also includes partnering that transcends the boundaries between businesses and industries. KDDI has been working to improve services, create new businesses and address social issues through co-creation with partner companies. We believe that co-creation with partner companies will be necessary to surmount the big wave of changes caused by 5G in particular. We have long been involved in partnering in a very natural form, in which KDDI supports telecommunications while partner companies that are professionals support the technologies and knowledge in the domains that we are not specialize with.

We aspire to create environmental, social and economic value through business and accelerate the creation of value through partnering. This idea underlies the sustainability management stated in our Mid-Term Management Strategy. We will continue to work to realize this. We hope you will look forward to the sustainable future created by KDDI.

*LX: Life Transformation (a business model that transforms diversifying consumption, life experience and behaviors with an eye to the future)



1 Promotion of Innovation Centered on Telecommunications

► Values we embrace (1) Molding Future Society

Regional Revitalization Through Urban-Linked Metaverse

KDDI launched “Virtual Shibuya” in May 2020 as a distribution platform authorized by Shibuya City. In February 2022, KDDI expanded this development by adding “Virtual Osaka” to create opportunities to sustain and expand the city’s cultural creation activities through the provision of new entertainment.

So far, in collaboration with diverse companies, artists, and users, including start-ups, KDDI has hosted live performances, public viewings, and other virtual events. With a total attendance of approximately 1 million people, the platform provides a place where people can gather and create valuable experiences from

their own homes with content that utilizes cutting-edge technology. The platform has also contributed to the development of Shibuya by selling special goods at events and giving all profits from the sales back to Shibuya City.

KDDI will continue to promote the expansion of culture and economy in Japan and abroad in cooperation with local governments, various companies, users, and society as a whole.

📌 The borderless society brought about by the urban-linked metaverse overcomes divisions and connects people.



©Shibuya 5G Entertainment Project

🔗 Virtual Shibuya (Japanese only)



©Virtual Osaka

🔗 Virtual Osaka

Using SpaceX’s Starlink Satellite Telecommunication Service for Backhaul Lines at KDDI Base Stations

In September 2021, KDDI finalized a contract to introduce the Starlink satellite telecommunication service to the backhaul* lines of its base stations. Using Starlink technology to replace backhaul lines at base stations, which were previously connected by existing satellite lines as optical fiber could not be installed, KDDI will deliver high-speed telecommunications to

mountainous areas and remote islands. We will continue to provide security by utilizing Starlink to ensure people can stay connected at all times and to work to eliminate the digital divide.

*Backhaul: A relay line connecting a cell phone base station and the backbone telecommunication network (core network).

📌 From the Space Realization of “Connecting More and Always” Satellite Telecommunications Project Launched.

🔗 KDDI selects SpaceX’s Starlink for cellular backhaul



Credits: SpaceX

Ensuring Comfortable Lifestyles Through the Use of Drones in Social Infrastructure

Expectations for the use of drones as social infrastructure are growing even higher with the impending enforcement of the “unassisted out-of-sight flight in manned areas (Level 4 flight)”



law. KDDI has developed smart drones equipped with mobile telecommunications and UAV Traffic Management System and accumulated advanced demonstration tests and case studies. In April 2022, it launched full-scale operations of KDDI SmartDrone Inc.

KDDI SmartDrone collaborates with various companies, local governments, and start-ups to solve social issues with the use of drones. In hilly and mountainous regions, we are providing a drone delivery service to support residents and the elderly who face difficulties shopping. We have also started demonstration tests of drone transportation of food and medical supplies in urban zones to create a society where drones can fly autonomously and make people’s personal and working lives easier.

📌 Solving Social Issues and Ensuring Comfortable Lifestyles with Smart Drones Equipped with Mobile Communications Technology

🔗 KDDI SmartDrone Inc. (Japanese only)

A Case Study of Smart Drone Innovations

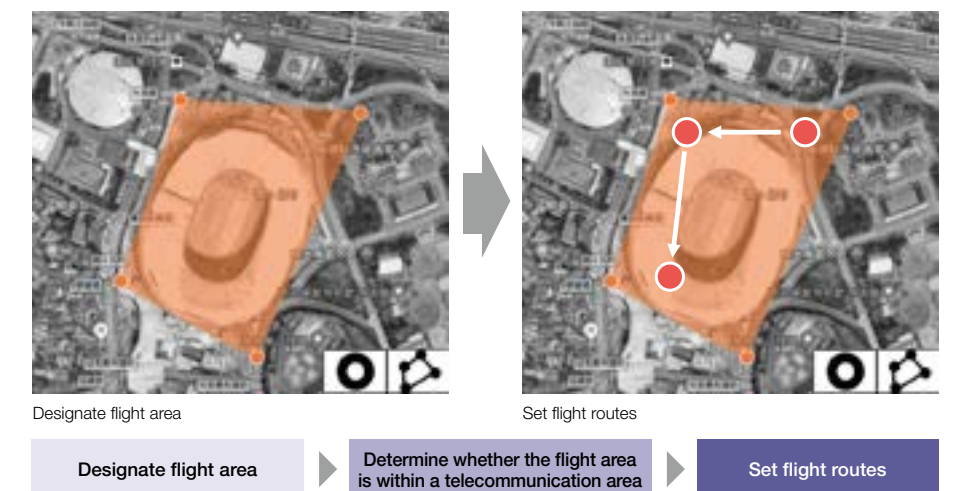
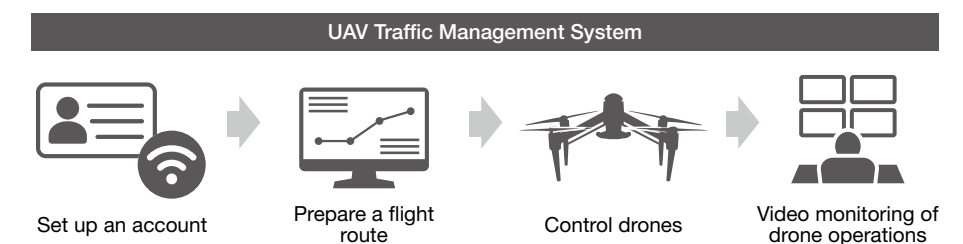
To manage safe drone flights, KDDI has been developing UAV Traffic Management System to apply to overflight airwaves, flight permission, airspace control, and flight control.

Since this flight-control system is the foundation supporting various drone usage scenarios, such as surveillance, security, inspection, monitoring, logistics, and agriculture, we are placing particular emphasis on innovation.

We hold 89 patents (53% of 169 drone patents) (as of December 2021) related to the Traffic Management System and will continue to promote innovation with the aim of turning drones into social infrastructure.

A Case Study of a Patent for the UAV Traffic Management System

In “set flight routes” function, customers can specify the drone’s flight route. To ensure that the flight area is correctly set within the telecommunication area, we have introduced a mechanism to determine whether or not the flight route is within the telecommunication area. This mechanism has been registered as our patent. Many of these patented technologies are implemented in the UAV Traffic Management System.



Materiality
1

Promotion of Innovation Centered on Telecommunications

Values we embrace (2) **Realization of Sustainable Industrial/Infrastructure Environment**



Our customer-centric DX will provide innovative solutions to communities and industries, contributing to the realization of a sustainable platform for industry and infrastructure

Executive Vice President, Director
Executive Director, Solution Business Sector
Keiichi Mori

Opportunities to Solve Challenges through Corporate DX

The coronavirus pandemic has dramatically transformed the ways that people live and work. I believe that the new normal will reshape our established values and accelerate efforts to solve the challenges facing society. KDDI is advancing the digital transformation (DX) of its customers' work styles with the aim of redesigning the work environment into one that enables people to work more productively by freeing them from the constraints of time and location. DX enhancements such as 5G and zero-trust solutions will make it possible to confidently and securely work in any remote location, while staying up to date on the latest information. And, it will be possible for teams to virtually carry out projects and development without falling behind schedule. This environment will empower workers to make effective use of their commuting time and will help to solve various social challenges, such as the need to balance work with parenting and family care responsibilities. Moreover, the new work styles can help society to address the excessive concentration of economic activity and consumers in large urban areas. By promoting telework based in smaller communities, particularly those with shrinking populations, we can energize those areas and their industries, thus attracting more workers and creating a virtuous circle.

Knowledge & Expertise in DX/IoT, Collaboration with Partners

KDDI is endowed with three strengths in the sustainable advancement of DX. The first is our capabilities. We have a large pool of talent possessing knowledge, expertise, and sophisticated skills in DX. In July 2022 we launched the KDDI Digital Divergence Group as a DX-focused organization that merges the DX insights and know-how of KDDI Group companies to support the DX of customers. The establishment of a company with capabilities in cloud computing, agile development, and

other essentials for driving DX forward bolsters our DX support and development. Our second strength is our wealth of insights in IoT. These insights have been built up through our 20 years of experience in selecting the best sensors for their application, collecting and analyzing data, and implementing other processes. The third is partnering. We have forged robust collaborative ties with over 600 telecommunications firms around the world. Our collaboration with partners with expertise in specialties such as cloud computing, distribution, and marketing is driving force for our efforts to tackle social challenges and transform business. At the same time, DX takes more than technology to succeed; it also requires visionary thinking for transforming business models. To this end, we are further cultivating DX talent through the KDDI DX University, which we launched in 2020 as an internal initiative.

DX Will Empower People to Focus More on Tasks with Higher Value Added

IoT is at the heart of business DX for supporting industry. AI-driven inspection and analysis of IoT data collected from sensors and terminals enables people to put more energy into high value-added tasks such as decision-making and long-term planning. Let's consider an example from agriculture. Rice farmers might spend some three hours a day making the rounds of their scattered paddies to check the water level and temperature. However, IoT is now being used to allow farmers to instantly check weather and paddy conditions from their home, which helps them to boost their efficiency and earnings. This is a key role for KDDI—leveraging IoT to transform local and primary industries. We are working to strengthen remote communication by digitally supporting diverse “connections.” In doing so, we seek to realize a sustainable platform for industry and infrastructure that benefits society and the environment, and thus contributes to our goal for KDDI VISION 2030: The creation of a society in which anyone can make their dreams a reality.

Values we embrace (2)
Realization of Sustainable Industrial/Infrastructure Environment

[Mid-Term Sustainability Targets (FY23.3-FY25.3)]

Number of IoT lines contributing to industry/infrastructure DX	Zero-trust solution deployment	5G population coverage governmental target	Number of serious accidents*1
44 million	35 %	95 % by FY2024.3	0

*1 Based on the Ministry of Internal Affairs and Communications' accident reporting guidelines.

[Concrete Actions]

- ▶ **Corporate DX to support diverse work styles**
- ▶ **Business DX to transform business through 5G & IoT**
- ▶ **Cultivation of DX talent with innovative ideas**

[Strengths]

- **Diverse capabilities: Telecom infrastructure, DX insights, know-how, talent, and more**
- **Achievements and experience built up as a leader in IoT**
- **Business co-creation with partners in many different specialty areas**

[Risks]

- **Increase in costs (R&D, procurement, etc.) due to business expansion**
- **Destabilization of the international community**

[Opportunities]

- **Co-creation of new enterprises through collaboration with diverse partners**
- **Resolution of shortages in working population and successors through work process streamlining/automation, remote operations, etc.**

[Social Issue]

Responding to rural flight, declining birthrate, population aging, shrinking workforce, as well as lifestyle changes and work style reforms precipitated by the coronavirus pandemic

1 Promotion of Innovation Centered on Telecommunications

▶ Values we embrace (2) Realization of Sustainable Industrial/Infrastructure Environment

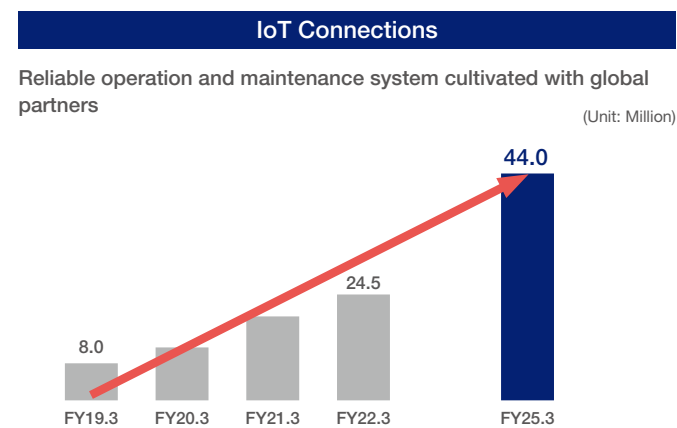
Increase in IoT Connections

Our IoT connections are strong in the social infrastructure and global domains, such as connected cars, electricity, gas, and smart meters. KDDI's strength lies in its approximately 20 years of operational experience and maintenance of management systems used in such critical infrastructures. Our IoT connections are steadily expanding, with KDDI (non-consolidated) surpassing 26 million lines in June 2022, giving it the top market share in Japan. In the mid-term, we will contribute to the realization of a sustainable industrial and infrastructural environment by providing innovative solutions for telecommunications, other social infrastructure, and connected cars, aiming for 44 million lines in FY25.3. Overseas, through an optimal combination of localization and global standards, our support is not limited to connected cars but is undergoing massive expansion to include the DX of our customers' overseas locations and the provision of platforms for a wide range of industries.

In the future, we will accelerate the DX of our customers'

■ Outlook of DX leveraging our strengths

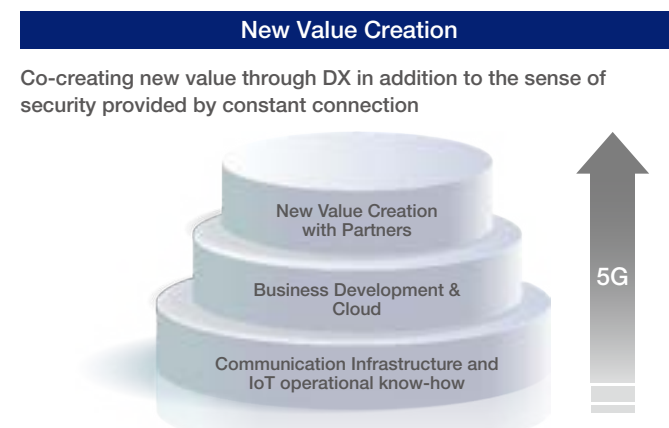
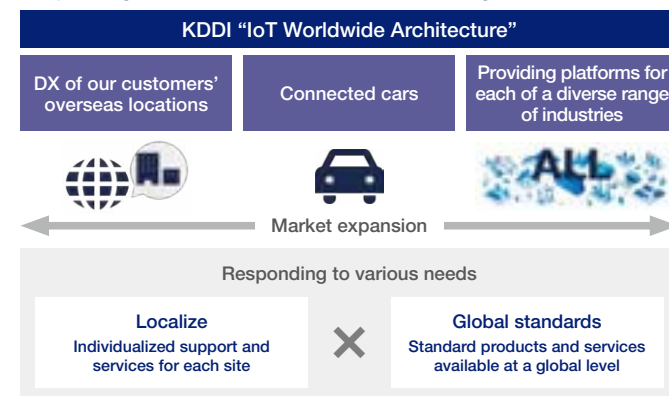
Further evolution of operational management know-how optimized for an era of blended communications



companies by providing platforms for each of a diverse range of industries to further create new added value.

■ KDDI "IoT Worldwide Architecture"

Responding to various needs from localization to global standards



Jointly with J-POWER (Electric Power Development Co., Ltd.), Conducted Drone Inspection Verification of Approximately 40 Electric Power Facilities Nationwide

Electric Power Development Co., Ltd. (hereafter referred to as "J-POWER") and KDDI have been conducting a series of drone inspection verification tests of J-POWER facilities scattered across Japan since November 1, 2021, starting with about 40 hydroelectric power generation facilities. The project uses drone photography and 3D modeling of dams, distribution lines, buildings, and other electric power-related facilities to verify work



efficiency, compare accuracy with existing inspection work, and identify possible alternatives, using technologies such as automatic detection of equipment abnormali-

ties and analysis of aging and deterioration conditions.

J-POWER has been promoting the use of drones to improve the safety of power facility inspections and reduce work time and costs, including the development of technology for power facility inspection drones that use autonomous imaging technology for power lines and overhead ground wires. As part of these efforts, in September 2020, J-POWER and KDDI jointly conducted a blade (blade parts of wind turbines) inspection demonstration using the drone's auto-flight function at a wind power facility and succeeded in reducing the inspection time to about one tenth of the conventional time. Since May 2021, we have completed the inspection of the blades of 67 wind power facilities using drones with an auto-flight function, and we are expanding the scope of inspections further in FY23.3.

KDDI has been developing and providing a smart drone

platform that enables drones to be remotely controlled via mobile telecommunications such as 4G LTE for safe long-distance flights, with the aim of creating a society in which drones are used as infrastructure to support daily life in fields such as logistics, agriculture, and monitoring.

After this nationwide drone inspection verification, KDDI will continue to promote drone inspections of hydroelectric, thermal, wind, and other electric power facilities by combining J-POWER's electric power facility inspection technology with KDDI's drone flight and operation technology.

📍 Jointly with J-POWER, conducted drone inspection verification of approximately 40 electric power facilities nationwide (Japanese only)



Example of 3D modeling from drone-captured data: Nukabira Power Plant

Smart Fishery and Agriculture Initiatives Using IoT

Fishery and agriculture operations are often based on long years of experience and intuition. In addition, there have been issues such as the burden of workers having to go directly to the seashore or rice paddies to check changes in their conditions. The use of IoT contributes to solving various issues, such as improving work efficiency, reducing costs, and stabilizing and improving the quality of harvests, by making it possible to check the current condition of the sea and paddy fields with a smartphone or tablet without having to visit the site. Also, by visualizing experience and intuition with data, we expect to expand employment opportunities in the fishing and farming industry for novices and young people.



Smart buoy installed off the coast of Keshima, Maizuru City, Kyoto Prefecture (Photo provided by KDDI Research, Inc.)



Agricultural sensors installed in rice paddies in Toyooka City, Hyogo Prefecture (Photo provided by KDDI Research, Inc.)

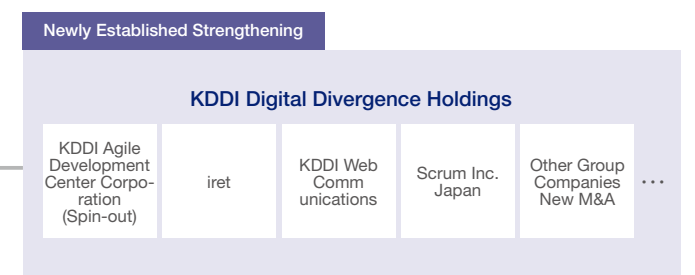
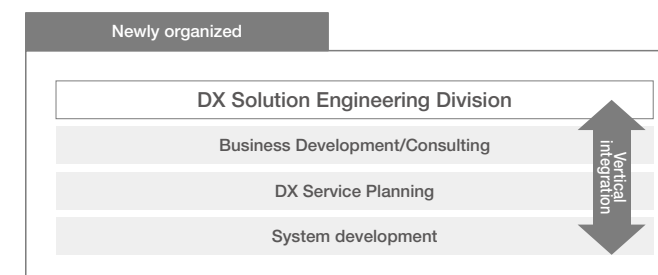
📍 Solutions for agriculture, forestry, and fisheries (for corporations and businesses) (Japanese only)

Strengthening Systems and Expanding Resources to Create New Value

In April 2022, KDDI established the DX Solution Engineering Division by integrating business, DX and system development divisions to establish a system that can provide all DX solutions at once. On May 12, 2022, KDDI also established an intermediary shareholder company, "KDDI Digital Divergence Holdings Corporation." By developing a designated digital transformation

(DX) structure, KDDI will provide speedy support for DX of our customers, achieve effective collaboration within the group, and expand business alliances with external DX support companies, aiming to maximize the value of the group's DX business.

📍 KDDI Digital Divergence Holdings Launched



Structure as of July 1, 2022

Materiality
2

Realization of Safe, Secure, and Prosperous Society

Values we embrace (3) **Regional Co-Creation**

Address the challenges faced by local communities and realize regional co-creation through communication and technology, taking citizens' opinions into account

Executive Vice President, Director
Executive Director, Personal Business Sector
Toshitake Amamiya

Digital Power is Expected to Mitigate Inequality Between Urban and Rural Areas

Various challenges surrounding the rural areas are becoming severe, such as shrinking population, insufficient working population due to falling birthrate and aging population, declining quality of local services and community functions supporting everyday life, and expanding informational and economic divides. To solve such challenges, mitigation of divides through digital technology is gaining expectations. For example, the Japanese government has set forth the "Vision for a Digital Garden City Nation" to aim for the revitalization of rural areas through digital technologies.

Regional Co-Creation that Values Residents' Voices is Important

We at KDDI are committed to supporting regional co-creation using the power of communication and technology. To realize optimum contribution, we think it is essential to value the thoughts of local residents and understand their unique challenges to work "together" toward solving them. We have a role in supporting the residents' goals in ways unique to each community using digital technologies centered on smartphones. In addition to helping residents with smartphone classes and other programs, we are also committed to activating communication between people to people and community to community through helping digital usage of companies and municipalities, or advertising attractiveness and creating experiences unique to the community.

Aim for Sustainable Regional Co-Creation by Utilizing KDDI's Strengths of Owning a Nationwide Network

KDDI has strengths in the nationwide communication infrastructure and brick-and-mortar stores (such as "au Shops") as contact with our customers. We create new businesses to solve local challenges and co-create social values by combining this strength with various assets gained from partnerships and alliances with external entities.

For example, in Hidaka Village, Kochi Prefecture, we are promoting a "Digitizing the Entire Village" to achieve a 100% ownership rate of smartphones among residents. Together with the local government and partnered companies, we are working toward improving the quality of public services and facilitating local communication based on smartphones.

Furthermore, we are using various financial services such as the smartphone payment service "au PAY" to vitalize the local economy and contribute to mitigating inequality between rural and urban areas.

The unlimited in-area ride service "mobi" starting from April 2022 supports elderly citizens uncomfortable with mobility and families having difficulty picking up and dropping off their children. The service combines mobility services and communication to provide novel transportation experiences and solve social issues in rural and urban areas.

One important aspect is to drive such regional co-creation efforts sustainably so they will not end as one-off experiences. KDDI is committed to achieving sustainable regional co-creation by reflecting solutions for local challenges like digital divides in its next business plan and creating a virtuous cycle of passing back the profit to society.

Values we embrace (3)

Regional Co-Creation

[Mid-Term Sustainability Targets (FY23.3-FY25.3)]

Number of solving disparity
in regions***15** million (Mid-Term cumulative total)Transaction volume of
settlement/loan**16.3** trillion yen

* Services such as smartphone classes, in-store support, usage support, on-demand transportation, local education (lectures and seminars,) Easy TV Phone service, and divide mitigations for local governments, medium-sized and SMBs.

[Concrete Actions]

- ▶ Contribute to the local community through strong bonds with local companies
- ▶ Mitigate the digital divide by conducting smartphone classes in au shops
- ▶ Solve transportation challenges through community-based MaaS
- ▶ Maximize bidirectional synergies between communication and financial services such as au PAY

[Strengths]

- Nationwide communication infrastructure and brick-and-mortar stores (such as au Shops) as customer contact
- Advanced technologies such as 5G, IoT, and big data
- Collaboration know-how with partners in all kinds of segments such as startups, community-based companies, and local educational institutions

[Risks]

- Decrease of users and business income due to the decrease in working population and worsening of economic inequality between communities

[Opportunities]

- Vitalization of local economies through business development with strengths in industries, cultures, natural assets, and communities unique to each area

[Social Issue]

- Solve lagging digitalization and insufficient number of digital DX talents, entrepreneurs and community contributors in rural areas
- Mitigate inequality between urban and rural areas in aspects such as labor productivity, education, economy, and information
- Improve communication infrastructure between urban and rural areas to mitigate the telecommunication divide
- Promote network resilience with a view to infrastructure development and disaster response
- Establish an economic base to address the era of people living to the age of 100
- Mitigate the financial divide among communities

2 Realization of Safe, Secure, and Prosperous Society

► Values we embrace (3) Regional Co-Creation

Solving Mobility Issues with mobi, a “Short Ride” Service

“mobi,” provided by the Community Mobility Inc., a joint venture between KDDI and WILLER Inc., is a “short ride within a certain area” service that combines mobility services and telecommunications to replace walking and bicycling with flat-rate transport within a radius of approximately 2 km.

With the recent increase in the number of elderly people voluntarily returning their driver’s licenses, this project supports those elderly people who are anxious about their mobility due to the shrinking public transportation system caused by the shortage of drivers in rural areas. It also supports greater mobility for households with small children who may struggle to pick up and drop off their children at various locations.

Solving transportation issues is becoming increasingly important as the rise in the time spent around the home (caused by the spread of COVID-19) continues to drive up demand for short-distance travel. KDDI will contribute to the creation of communities and sustainable urban development by combining mobility services and telecommunications to solve social and transport issues in rural and urban areas and support digital transformation in the transportation industry.

📌 Supporting Free, One-Mile Mobility Services and Telecommunications

📌 Launched the joint venture mobi, a “short ride within a certain area” service (Japanese only)

Carpooling is an efficient way to get around

Cars are dispatched via an app or phone call

AI optimizes routes



Hidaka-mura in Kochi Prefecture, Regional Revitalization Through the “Digitizing the Entire Village”

KDDI is working with Hidaka-mura in Kochi Prefecture to promote the “Digitizing the Entire Village” to improve the quality of public services and revitalize local communication using smartphones. As part of this project, KDDI aims to achieve 100%



smartphone penetration among residents. By promoting the use of smartphones, we will support the safety and health of residents and the revitalization of local communities. Additionally, we will work to

realize a society in which everyone can enjoy the benefits of digital technology by providing on-site sales of smartphones and help with their use, and by helping all generations, including seniors, to enjoy an easier life by using smartphones effectively.

📌 Aim to Increase the Rate of Smartphone Penetration to 100% in a Village with a Population of 5,000 of Which 43% Are Elderly People

📌 Hidaka-mura in Kochi Prefecture, CHANGE, and KDDI conclude a collaboration agreement to jointly promote the “Digitizing the Entire Village” (Japanese only)

Eliminate Financial Disparities Through the Provision of Financial Services that are Easily Accessible to All

au Financial Holdings Corporation, KDDI’s financial holding company, fulfils various functions including in the areas of banking, securities, credit cards, life insurance, and non-life insurance. As a familiar presence for customers in an increasingly complex and diverse financial system, au Financial Holdings provides convenient financial services that are easily accessible to all, anytime, anywhere via smartphone, and that meet a variety of needs.

In addition to daily online and offline financial activities, we are working to build strong engagement by providing efficient

asset management functions through family budget and life plan diagnostic services to nurture long-term relationships with customers across various life stages where they may need investments, loans, or savings. Additionally, to prevent disparities in access due to IT literacy, we implement easy-to-understand services that can be completed via smartphone, while also contributing to the improvement of financial literacy.

📌 au Financial Holdings Corporation (Japanese only)

Eliminating the Digital Divide for the Elderly and Other Residents Through Smartphone Classes in Collaboration with a Ministry of Internal Affairs and Communications Project

On May 20, 2022, KDDI was selected by the Ministry of Internal Affairs and Communications (MIC) as a project implementing organization for the “FY2022 Digital Utilization Support Promotion Project for Users,” as it had been in FY22.3. By providing lectures (smartphone classes) on administrative tasks that can be performed using smartphones, such as how to apply for and use My Number Cards and how to issue COVID-19 vaccine passports, we are working to eliminate the digital divide and alleviate the concerns of the elderly and others regarding the use of digital technology, with the ultimate aim of realizing a society in which everyone can enjoy the benefits of digitalization.



📌 au Smartphone Classes (Japanese only)

Community Activities to “Connect” Local Communities and Employees

As the shortage of local development leaders due to the ageing and declining population emerges as a major social issue, significant attention is being paid to human resources from outside the community, called the “related population,” who can create novel changes through their diverse involvement with the local community. KDDI is promoting activities to encourage employees to connect with and contribute to the local community.

In July 2020, we launched the Regional Supporter system, a community of voluntary employees who want to “energize the region.” Initially, employees used their time outside of work to participate in these activities, but from FY23.3, the company has begun including these activities as part of its business operations to realize KDDI’s goal of becoming “the company that customers can feel closest to.”



Harvesting apples in Iizuna town, Nagano Prefecture, at a farm co-owned by the company.

Some of our activities have included holding study sessions for employees on regional co-creation and exchange meetings among regional supporters, visiting local communities to experience the harvesting of crops, holding markets in company spaces to sell local products, and a variety of other projects to connect with and contribute to local communities.

Markets selling local products are a good opportunity for employees who do not participate in regional supporter activities to learn about this initiative, and support for the activities of regional supporters is steadily expanding.

These activities began in Hyogo, Hiroshima, and Nagano prefectures and will be expanded to Fukuoka prefecture and Hokkaido in 2022 in response to employee requests. Currently, over 100 employees are registered as supporters in each of the five regions, with a total of 640 employees registered.



Regional supporters learn about the company’s community development activities in Iizuna Town, Nagano Prefecture.

Materiality
2

Realization of Safe, Secure, and Prosperous Society

Values we embrace (4) **Eliminating Regional and Economic Disparities Globally**

We will help emerging countries solve social issues and develop economically through the telecommunication business.

Managing Executive Officer
Executive Director, Global Consumer Business Sector
Hiroyuki Soshi



Working to Eliminate Regional and Economic Disparities to Realize a Safe, Secure, and Prosperous Society in Emerging Countries

There are disparities between developed countries and emerging countries and also within emerging countries. I believe that KDDI will be able to help eliminate regional and economic disparities in emerging countries by developing and expanding telecommunication services as a social infrastructure and services related to communication. We have been engaged in long-term efforts in Mongolia and Myanmar. As a result, 4G services in urban areas such as Ulaanbaatar and Yangon provide top-class quality communication environments in Asia, comparable to the environment in Tokyo. Our Mongolian business began in 1996. At that time, merely 0.4% of the population held mobile phones. Today, the penetration rate has reached 138%. In Myanmar in 2014, we started supporting Myanma Posts and Telecommunications, a state-run operator with a communication license, through KDDI Summit Global Myanmar Co. Ltd., a joint venture with Sumitomo Corporation. Mobile phone penetration rose from 13% in 2013 to 126% in 2021. Today, mobile phone services are available to all citizens of Myanmar.

Creating Local Employment in Emerging Countries and Continuing Locally Based Activities That Start with the Launch of a Business

KDDI's experience and track record of operating and developing locally based businesses over the long term are advantages for KDDI. These businesses require a massive capital investment and huge running costs. In Mongolia and Myanmar, we have established a cycle of providing services to local customers at affordable prices, financing capital investment using the operating revenue and then developing higher-quality services. We work with local people on site to ensure

the autonomous operation of businesses from a local perspective. We have more than 1,700 employees in Mongolia and more than 1,300 in Myanmar. Most of them are locally employed. We are working to maintain the telecommunication infrastructure that is an indispensable part of people's lives together with highly-skilled local staff.

Continuing to Work to Support Economic Development and the Improvement of People's Quality of Life

Seeing that mobile phones are now widely used, I feel that we succeeded in supporting the economic development and the qualitative improvement of people's lives in Mongolia and Myanmar. However, there are still lots of problems unique to emerging countries, including inequalities in education and water issues. In Mongolia, we provide affordable communication services to children 13 years of age and younger under the "Stars" brand. We are also involved in the "Smart Education" project, which supports learning during the pandemic in collaboration with World Vision Mongolia, an international non-governmental organization, Mongolia's Ministry of Education and Science and the United Nations Children's Fund (UNICEF). It provides equal educational opportunities to children who may lag behind in learning without access to education services because they lack an Internet connection or smartphone. In the Mongolian government's promotion of industry in the IT and digital domains, we continue our activities of donating computers recycled by KDDI to public-owned schools and administrative facilities in different regions in the country with a view toward supporting the development of younger generations.

In Myanmar, we carried out the "Clean and Sustainable Water Program." With the goal of solving water problems, it constructed wells in villages with poor access to water for everyday living. We will continue many different locally-led initiatives in emerging countries to create a virtuous cycle of social and environmental contribution and business growth.

Values we embrace (4)
Eliminating Regional and Economic Disparities Globally

[Mid-Term Sustainability Targets (FY23.3-FY25.3)]

Expansion of global business in Myanmar
Striving to maintain social infrastructure that is essential in people's lives while ensuring employee safety and respecting the human rights of people in emerging countries

Education and the development of the next generation with telecommunications in Mongolia
Stars: a communication service for children 13 years of age and younger who will be the next generation
Number of subscribers (cumulative total) **180,000**

[Concrete Actions]

- ▶ **Providing a high quality telecommunication environment that is accessible to anyone**
- ▶ **Developing next-generation digital professionals who will support the economic development of emerging countries**
- ▶ **Resolving inequalities in education and other social issues in collaboration with outside partners**

[Strengths]

- **Experience and track record in the operation and development of locally based telecommunication businesses**
- **Locally employed staff who are highly skilled**
- **Expertise in problem solving through the expansion of telecommunication and peripheral services**

[Risks]

- **Destabilization of social circumstances in emerging countries**
- **Achievement of autonomous and continuous economic development**

[Opportunities]

- **Continued ubiquitization of digital services**
- **Advancement of telecommunication and IT technologies (such as 5G, IoT, xR and AI)**

[Social Issue]

Regional and economic disparities between developed countries and emerging countries or within emerging countries

2 Promotion of innovation centered on telecommunications

► Values we embrace (4) Eliminating Regional and Economic Disparities Globally

Business Expansion in Mongolia

Mongolia has a population of approximately 3 million and a land area approximately four times the size of Japan. To provide telecommunication services to this vast country, we launched our telecommunication business in 1996 by establishing MobiCom Corporation LLC (hereafter referred to as “MobiCom”), a local subsidiary in the country. In the 26 years since, MobiCom has led the telecommunications and IT industries in Mongolia as the country’s largest integrated telecommunications operator.

Since the launch of the first mobile telecommunications service in Mongolia, MobiCom introduced 3G service in 2009 and 4G LTE service in 2016, expanding the number of 4G wireless base stations from 60 as of 2016 to 1,000 by 2020, and has maintained the No. 1 market share in the country. In 2018, MobiCom also obtained the country’s first E-money license and offers payment and loan services etc. through its mobile e-money “monpay app.”

In KDDI’s human resources exchange program, MobiCom

employees are engaged in tasks related to wireless communication technology and IT security, enabling them to apply the skills they acquired in Japan to provide higher quality communications services in Mongolia after their return.

We will continue to contribute to the development of telecommunications infrastructures in Mongolia and support the development and improvement of infrastructures of everyday life of Mongolian citizens.



Experience booth at
MobiCom shop

“Smart Education” Project to Support Learning Against the Backdrop of COVID-19 in Mongolia

MobiCom, a consolidated subsidiary of KDDI, is implementing the “Smart Education” project nationwide in Mongolia as part of its Corporate Social Responsibility (CRS) activities in cooperation with World Vision Mongolia (an international NGO that supports children), the Ministry of Education and Science, and UNICEF. In Mongolia, over 60% of teaching moved online due to the spread of COVID-19, but 180,000 children could not have access to online classes because they did not own smartphones or other devices. This could delay the learning of these children. To address this, we launched the “Smart Education” project to provide equal educational opportunities for all Mongolian children. In 2021, as part of the project, we gave 1,320 students aged 8-13 years old from all over Mongolia a smartphone and a communication package with 3GB of data usage. In 2022, an additional 2,000 children participated in this project.



Children who participated in the project

Stars: Telecommunications Service for Children Aged 13 and Under

Stars is MobiCom’s telecommunication service for children aged 13 and under. The service is safe and easy to use for both parents and children, allowing parents to put money on smartphones of their children, for example.

By leveraging synergies with the “Smart Education” project, we aim to reach 180,000 subscribers by the end of FY25.3 to help eliminate inequalities in educational opportunities due to regional and economic disparities.

Training Programs for MPT Workers Who Will Be the Next Generation

To further improve customer satisfaction and telecommunication quality in Myanmar, KDDI has been running long-term training programs for MPT workers.

In these programs, KDDI employees instruct trainees on advanced network technology and pass on the knowledge and

expertise in sales and business operations that they have cultivated over many years.

After returning to Myanmar, the trainees use the skills they acquired in Japan to contribute to the country’s development.

Initiatives for Water-Related Issues in Emerging Countries

W.A.S.H. Project (MobiCom)

In cooperation with the international NGO World Vision Mongolia, we have installed flush toilets and washbasins in schools with no water or sewage infrastructure to improve sanitation.

Clean and Sustainable Water Program (Myanmar)

By implementing well maintenance, the program helps to improve public health in villages in water-stressed areas where it is difficult to access clean water.



KDDI Foundation International Cooperation Projects

The KDDI Foundation conducts overseas human resources development, projects to eliminate the digital divide, and educational and cultural support activities to contribute to the sustainable development of developing countries through the use of ICT, responding flexibly to the social issues that are emerging due to the COVID-19 pandemic.

Overseas human resources development

Since 1957, we have planned and conducted technical training in information and telecommunications for trainees from developing countries. To date, over 6,000 trainees from 144 countries have attended our courses.

Project to eliminate the digital divide

We are working with local government agencies on Asia-Pacific Telecommunity (APT) projects to contribute to eliminating the digital divide.

Educational and cultural support for developing countries

We provide a variety of support to help children realize their potential and develop the human resources that will lead the future. In Cambodia, we build schools, provide educational support such as English and computer classes, and support the dissemination of traditional performing arts. In Myanmar, we support art and music classes in private schools. In Nepal, we provide educational support using ICT, such as classes in robot programming. In other countries, we are promoting the use of online and localized support.

KDDI Foundation International Cooperation Projects (Japanese only)



Field testing of drone for disaster use in Vietnam



Robot programming education in Nepal

Carbon Neutral

Values we embrace (5) Carbon Neutral

Contributing towards achievement of carbon neutrality and resolution of climate change issues with a view to a sustainable society through co-creation based on partnering

Senior Managing
Executive Officer, Director
Executive Director,
Technology Sector

**Kazuyuki
Yoshimura**



au Energy Holdings
Corporation
President, Representative
Director

**Koichiro
Nakagiri**



— What tasks will KDDI address in connection with the common global issue of climate change?

Yoshimura: Climate change is an issue common to the human race that the whole world must deal with. KDDI acknowledges the importance of carbon neutrality for reducing our business risks because the telecommunications business can be affected by typhoons and other natural disasters. As a telecommunications operator, we have a mission of offering communication services as social infrastructure to customers. The 5G services require more base stations than conventional 3G and 4G services do. As base stations consume a huge amount of electric power for transmitting radio waves, it creates a dilemma in which we would end up consuming more electricity if we were to offer a new world based on 5G technologies to customers. We are aware that it is a big task for KDDI to achieve both expansion of our service areas while both reducing electricity consumption and achieving carbon neutrality.

— What tasks does au Energy Holdings Corporation address as an operator of the energy business?

Nakagiri: The energy crisis has sparked a global race for power sources and energy. For example, Russia's invasion of Ukraine brought about an energy shortage in Europe, leading to the reversion to coals which emits a huge amount of CO₂. I think we need to first overcome this energy crisis, and strive towards carbon neutrality to create a sustainable society.

It is quite difficult for an electricity retailer to realize a carbon-free society. As au Energy Holdings has a limited independent power generation capacity, it will be important that we shift to supplying electric power produced from low-carbon or renewable energy. We will work to provide renewable energy first for customers and then for our communication facilities with a view to achieving decarbonization. In addition, we believe that it is our mission for achieving carbon neutrality in society to offer more energy efficient solutions to our corporate customers.

— What strengths does each company have in their efforts to achieve carbon neutrality?

Yoshimura: KDDI excels in collaborating with corporate partners in

the aspects of technologies and business, and we place great importance on partnering to achieve carbon neutrality. For example, in a demonstration trial with Intel Corporation for lowering the power consumption of communication servers, we used artificial intelligence (AI) for the first time in Japan to verify that power consumption was reduced by up to 20%. With the aim of commercializing the system around 2024, we are studying its feasibility. Another example is a demonstration trial with Mitsubishi Heavy Industries, Ltd. and NEC Networks & System Integration Corporation using a liquid immersion cooling system, which uses liquid for cooling information technology (IT) equipment. This trial achieved a 43% reduction in power consumption from the level of conventional data centers, and we are continuing the study towards commercialization.

As for base stations, we conducted a demonstration trial with Nokia Solutions and Networks Japan G.K. and confirmed that AI control reduced power consumption by up to 50%. After verifying the safety of the system, we will work on commercialization to meet the growing demand for the additional servers and expansion of data centers.

And one of the benefits of partnering is that new technologies verified can be used within the KDDI Group. I think it is a great



advantage to be able to work towards carbon neutrality in a business covering all sections, or specifically from base stations to customers.

Nakagiri: au Electricity has a customer base of around 3.38 million in FY22.3, and its advantage lies in contacts with customers chiefly through au Shops. For corporate customers with high demand for carbon neutrality and decarbonization, we will provide decarbonized options and solutions through a subsidiary, ENERES Co., Ltd (hereafter referred to as “ENERES”). KDDI and ENERES have been commissioned by the Ministry of Economy, Trade and Industry to implement a demonstration project with a virtual power plant*¹ (hereafter referred to as “VPP”) since 2016, and we have a great advantage in our accumulation of VPP technologies and knowledge. Multiple communication connections and low latency, which are the characteristics of 5G technologies, are important to control the VPP. With the use of our strengths in advanced technologies we have as a telecommunications operator, we achieved advancement of the VPP in the project. Technological integration between the telecommunication business and the electric power business has produced major synergies. In addition, we believe we can further promote carbon neutrality using VPP technologies through installation of solar panels and storage batteries in idle spaces around base stations.

— What specific actions are you taking for carbon neutrality?

Yoshimura: KDDI has moved up the target date of net zero CO₂ emissions in our business activities, from fiscal 2050 to fiscal 2030. To achieve carbon neutrality, we must work to reduce CO₂ emissions by 1.09 million tons per year. Base stations, data centers and other communication facilities must account for 98% of this reduction, and base stations alone must be responsible for 60%. We carried out 3G suspension at the end of March 2022, and as a result, power consumption from 3G facilities was reduced. It is an example of reduction achievements. Our existing data centers are currently shifting to electric power generated from renewable energy, and those in Europe already completed a 100% shift to renewable energy. When any new data center is built, it will be designed on the basis of a 100% use of renewable energy. In addition, for lowering power consumption of base stations, we are taking a range of actions towards carbon neutrality. They include sharing base stations with SoftBank Corp., employing AI to conserve power in communication servers, introducing liquid immersion technologies for cooling IT equipment, and investing in a start-up that develops perovskite solar cells*², characterized in that they are thin and can be folded with light force. We are doing this investment with the help of the KDDI Green Partners Fund*³, which is a corporate venture capital (CVC) fund aimed at supporting companies working on climate issues.

Nakagiri: For individual customers, we offer the au Electricity “Eco Plan,” which supplies electric power derived from net 100% renewable energy with net-zero CO₂ emissions. Amid the ESG trend, our corporate customers are accelerating their actions towards carbon neutrality. Accordingly, we are required to provide more renewable energy. Also for the purpose of achieving carbon neutrality in the entire KDDI Group, we believe it is important to play our role as an electricity retailer.

— What is your aspiration towards carbon neutrality and what do you expect from a carbon-neutral society?

Yoshimura: KDDI sent out a message through the KDDI VISION 2030. It reads, “The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.” The telecommunication business constitutes a foundation of the society that we seek to create. Electric power is essential to advancing telecommunication, and it is a tremendous challenge as well as a very dream-inspiring job to achieve both an evolution of telecommunication and carbon neutrality. We hope to have a high spirit in serving society as well as the global environment, and we do not think it is impossible to do this. As remote work spread during the COVID-19 pandemic, human movements for commuting and other purposes have been on the decrease. The use of telecommunications has contributed to this, and we will be able to better serve the global environment if we can provide telecommunication services using renewable energy. We hope to change the era where telecommunication consumes a huge amount of power and to create a virtuous circle for the global environment by moving ahead with energy conservation.

Nakagiri: When we look to the future, carbon neutrality is a very big business opportunity. We are sure that the pursuit of carbon neutrality will drastically change the conventional heavy supply chains of electric power built for thermal, nuclear and hydraulic power generation. As the spread of solar panels, electric vehicles and other types of storage batteries to households, it will become commonplace for electric power produced in the day to be consumed at households and for surplus power to be sold. If the power trading market is closer to individuals, they may earn money through power trading. Further expansion of renewable energy will bring about a paradigm shift in businesses surrounding energy and create a huge business opportunity. If we overcome the energy crisis and accelerate the shift to distributed power supplies and renewable energy, we can create a clean world that people find comfortable to live in. This cannot be realized by us alone. With the help of the KDDI Group and partner companies, we will work together to establish carbon neutrality and to resolve climate issues.

*¹ A virtual power plant is an integration of small-sized power plants and power demand control systems with the use of IoT and other technologies to control them as if they were a single power plant.

*^{2,3} KDDI Green Partners Fund →P71



Values we embrace (5) Carbon Neutral

[Mid-Term Sustainability Targets (FY23.3-FY25.3)]

Carbon Neutral*

- Fiscal **2026** (data centers)
- Fiscal **2030** (KDDI non-consolidated)
- Fiscal **2050** (KDDI Group)

Percentage of corporate contracts supplied with renewable energy
Over 60%

Providing next-generation renewable energy solutions

- EV station installation
- Virtual power plants (VPP)
- IoT-based renewable energy infrastructure maintenance

* Scope 1+2

[Concrete Actions]

- ▶ Shift of data centers to electric power derived from renewable energy
- ▶ Sharing of base stations with other communications operators
- ▶ Power conservation of communication servers with the use of artificial intelligence (AI)
- ▶ Liquid immersion technologies for cooling IT equipment
- ▶ KDDI Green Partners Fund for supporting start-ups tackling climate issues
- ▶ Offering of an Eco Plan in the au Electricity service for supplying electric power derived from net 100% renewable energy with net zero CO₂ emissions (to personal customers)
- ▶ Offering of decarbonized options and solutions (to corporate customers)

[Strengths]

- Technological and business collaboration with partner companies
- Application of verified new technologies within the KDDI Group
- A rich customer base and contacts with customers through au Shops and others

[Risks]

- Increase in power consumption due to expansion of 5G service areas
- Negative impact of typhoons and other natural disasters arising from climate change on the communication business

[Opportunities]

- Business growth through construction of environmentally friendly base stations and provision of ICT-based services that lead to energy conservation and environmental impact reduction in different countries and regions

[Social Issue]

- Emergence of various risks from intensifying global warming and climate changes
 - Energy crisis following international conflicts and similar events

3 Carbon Neutral ▶ Values we embrace (5) Carbon Neutral

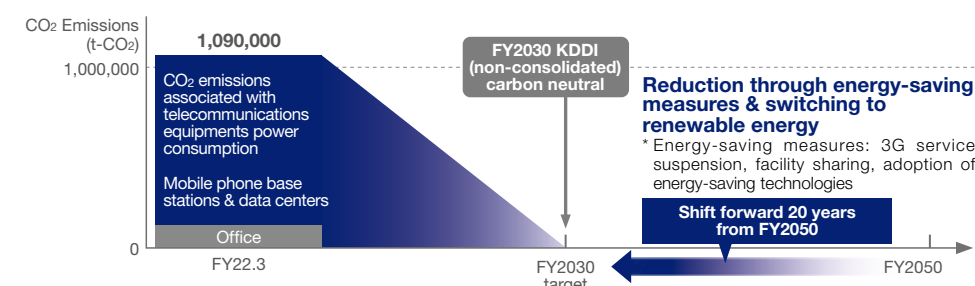
Aim to Achieve Net-Zero CO₂ Emissions in Our Business Activities by fiscal 2030

KDDI aims to achieve net-zero CO₂ emissions in its business activities by fiscal 2030. The KDDI Group as a whole aims to achieve net-zero CO₂ emissions by fiscal 2050.

Efforts to reduce CO₂ emissions

- Switching to renewable energy to supply the electricity used at base stations and telecommunications facilities (including the use of non-fossil certificates)
- Use of renewable energy in KDDI offices
- Installation of solar power generation equipment at base stations
- Introduction of energy-efficient technologies at base stations and telecommunications facilities*¹
- Shared use of base stations with other companies*²
- New energy-efficient telecommunications facilities
- Optimization of air conditioning efficiency in data centers
- Use of hydrogen-powered vehicles during disasters and other emergencies*³
- Investment in environmentally-friendly initiatives through the KDDI Green Partners Fund

Roadmap Toward Net-Zero CO₂ Emissions



- *¹ KDDI and Nokia agree on Japan's first demonstration test to reduce base station power usage by up to 50% using AI control (Japanese only)
- *² KDDI Corporation and SoftBank Corp. Establish Joint Venture to Promote the Rapid Build-out of 5G Networks in Japan's Rural Areas
- *³ Demonstration experiment of base stations operating with zero CO₂ emissions using hydrogen-powered vehicles (Japanese only)

Aim to Achieve Carbon Neutrality in Worldwide Data Centers* by Fiscal 2026

As a telecommunications carrier, KDDI believes that the provision of its telecommunications services can improve broader operational efficiency, thereby contributing to a general reduction in CO₂ emissions and revitalizing society.

In terms of reducing the burden caused by its own power consumption, KDDI will significantly accelerate previous emissions reduction targets through energy-saving measures and

technological innovation in renewable energy. Our data centers, which we operate globally under the TELEHOUSE brand name, will be among the first to achieve carbon neutrality by fiscal 2026.

* Refers to data centers where the KDDI Group owns the buildings and facilities; excludes the data center facilities that provide services by borrowing some of other companies' facilities and equipment.

Obtained SBT Certification, an International Initiative for Climate Change

In February 2022, the KDDI Group obtained SBT certification under the international Science-Based Targets initiative (SBTi). In addition to the CO₂ emissions reduction targets set by KDDI on a non-consolidated basis (in Japan), the KDDI Group as a whole will further promote measures to address climate change by setting new targets. To reduce CO₂ emissions, we will promote energy efficiency and shift to renewable energy for cell phone base stations and telecommunications equipment.



About this goal

Target Items		Targets (group)
Scope 1	Direct GHG emissions from their business activities	By fiscal 2030, reduce CO ₂ emissions by 50% compared with fiscal 2019
Scope 2	Indirect GHG emissions from the use of electricity, heat, and steam supplied by other companies	
Scope 3	Indirect GHG emissions other than Scope 2 (emissions by others related to business activities)	By fiscal 2030, reduce CO ₂ emissions by 14% compared with fiscal 2019

✔ KDDI's CO₂ Emission reduction Targets obtain approval from SBT Initiative

3 Carbon Neutral

► Values we embrace (5) Carbon Neutral

KDDI Green Partners Fund

In November 2021, we established the “KDDI Green Partners Fund” to invest 5 billion yen over 5 years to support startups working to address climate change issues. The slogan of the KDDI Green Partners Fund is “Connecting a prosperous planet to the future.” KDDI believes that innovation through co-creation that transcends corporate and organizational frameworks will be a major driving force toward achieving carbon neutrality. We provide funding to startup companies that address climate change issues through this fund. By utilizing KDDI’s various assets as growth opportunities for portfolio companies, we will work together to promote technological innovation and the diffusion and expansion of new technologies in the environmental field. As our first project, in March 2022 we invested in EneCoat Technologies Co., Ltd., a developer of next-generation solar cells. More solar power generation facilities are required to achieve carbon neutrality, but in Japan, where flat land is scarce, there is expected to be a shortage of suitable sites for solar power generation facilities. As a solution to this problem, the anticipated next-generation solar cells can be installed in places where the existing technology does not permit this. The perovskite solar cells developed by EneCoat Technologies combine “thin,” “lightweight,” and “bendable” properties with high power generation efficiency and are expected to be applied to building walls and roofs with low load-bearing capacity. They also offer



high power generation efficiency in medium and low-illumination areas, such as under cloudy skies and indoor lighting, where existing photovoltaic systems have been unable to achieve sufficient power generation efficiency. In terms of both area and illumination, these advances are expected to resolve the installation constraints of existing technologies. KDDI is planning to conduct demonstration experiments with EneCoat Technologies on renewable energy generation at cell phone base stations and hopes to install the system at base stations in the future.

🔗 KDDI Green Partners Fund (Japanese only)

🔗 Investment in EneCoat Technologies, a Developer of Next-Generation Solar Cells (Japanese only)

Contributing to the Carbon Neutrality of Society through the Energy Business

On September 1, 2021, the KDDI Group launched the au Electricity “eco Plan,” an environmentally friendly electricity service with virtually 100% renewable energy for individual customers. Under this plan, a portion of the electricity charges is donated to environmental conservation activities, allowing customers to contribute to environmental conservation by subscribing to this plan. The donations will be used for environmental conservation activities such as afforestation and reforestation through the Organization for Industrial, Spiritual and Cultural Advancement (OISCA), an international cooperation NGO that conducts environmental conservation activities and rural development, mainly in the Asia-Pacific region.

The KDDI Group also participated in the Ministry of Economy, Trade and Industry’s “Virtual Power Plant Construction Verification Project” for five years from FY17.3 to FY21.3 and in the “Verification Project for Further Utilization of Distributed Energy Resources” from FY22.3 to FY23.3. In those projects, we accumulated through demonstrations technical issues related to the control of household storage batteries and the improvement of accuracy, as well as the use of 5G communications and Multi-Access Edge Computing (MEC) technologies to achieve higher speed and accuracy.

In the future, we intend to contribute to solving issues related

to the introduction of domestic renewable energy by utilizing the control technology developed through the verification experiment and mobile communications technology such as 5G, which is indispensable for control, to help maintain the balance between supply and demand of electricity.



🔗 Eco Plan (Japanese only)

Utilization of Immersion Cooling Systems and a Demonstration Experiment for the Realization of Small Data Centers

KDDI Corporation, Mitsubishi Heavy Industries, Ltd. (hereinafter referred to as “Mitsubishi Heavy Industries”), and NEC Networks & System Integration Corporation (hereinafter referred to as “NEC Nets-SI”) launched a demonstration experiment on June 21, 2021, to reduce power consumption and promote decarbonization for the purpose of global environmental conservation. The project utilizes immersion cooling systems that cool servers with liquid and has started a demonstration experiment (hereinafter referred to as “the demonstration”) with the aim of realizing a small data center by housing it in a container and implement in Japan in FY23.3.

In this demonstration, KDDI, Mitsubishi Heavy Industries, and NEC Nets-SI bring their respective strengths beyond the industry’s boundaries to house 50 kVA worth of servers and immersion cooling systems in a 12-ft container, aiming for energy efficiency below PUE 1.1 – the lowest level in the industry – while providing sufficient cooling performance. This is expected to reduce the power consumption of the data center by approximately 35%, meeting the challenge of data centers consuming enormous amounts of electricity, thereby reducing CO₂ emissions.

In addition, it will complement existing data center processing by providing more options for data center placement, greatly easing installation environments and conditions and making data centers easier to install, enabling data processing at higher speeds and with

less latency. Furthermore, the high-performance and high-density cooling mechanisms will provide a solution for larger data centers to increase the number of servers and reduce energy consumption.

The three companies will continue to contribute to the development of digital transformation (DX) in Japan as well as to decarbonization and global environmental conservation through this demonstration.



The server cooling system and the small data center

🔗 KDDI, Mitsubishi Heavy Industries, and NEC Nets-SI launching a demonstration experiment for the use of immersion cooling systems and the realization of small data centers (Japanese only)

Reduction of the Electricity Usage Using Base Station AI Control Technology and Base Station Liquid Cooling Technology

On June 18, 2021, KDDI and Nokia Solutions and Networks Japan G.K. (hereafter referred to as “Nokia”) agreed to conduct a verification test aimed at reducing CO₂ emissions by reducing the power consumption at mobile phone base stations (hereafter referred to as the “Verification Test”). In this Verification Test, Nokia’s two technologies, namely base station AI control technology and base station liquid cooling technology, were introduced into a commercial mobile phone base station for the first time in Japan.

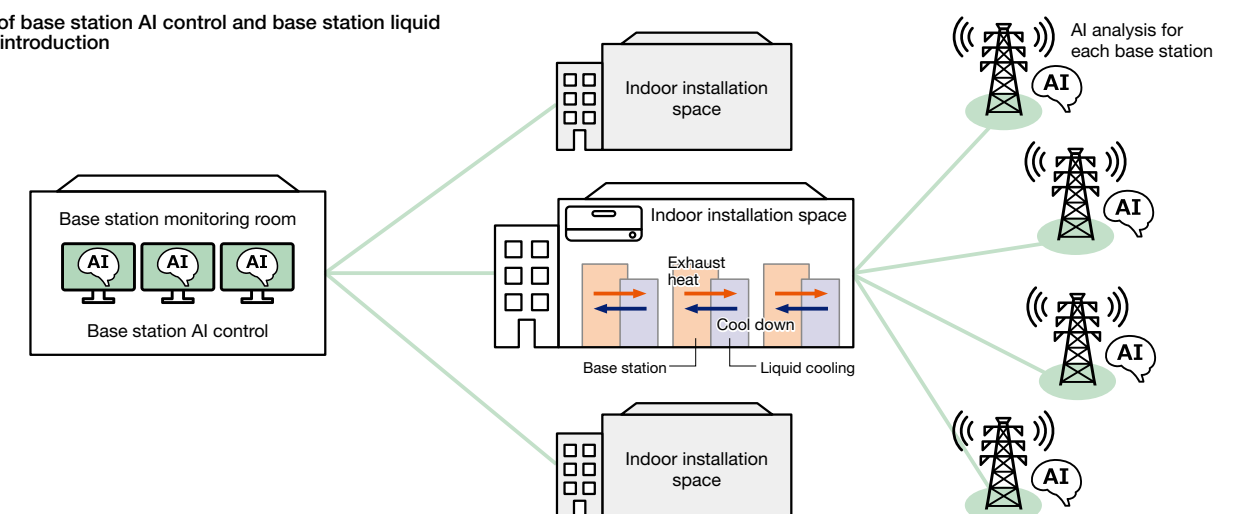
Base station AI control technology analyzes changes in traffic volume at each base station and dynamically stops or fires radio waves to reduce power consumption by up to 50%, while base

station liquid cooling technology aims to reduce power consumption by 70% or more for air conditioning in rooms housing base station equipment.

Based on the results from the verification of the effectiveness of each technology and the confirmation of the service impact on customers, KDDI will conduct necessary additional development and identify target base stations, aiming for full-scale introduction around 2023.

Based on the results of this Verification Test, the two companies will continue to conduct research and development on systems that enable the reduction of CO₂ emissions.

■ Picture of base station AI control and base station liquid cooling introduction



Materiality

4

Strengthening the Group Management Base Through Progressing Governance

Values we embrace (6) **Strengthening the management base of the entire KDDI Group**

Values we embrace (7) **Respect for Human Rights**

Carry out the Satellite Growth Strategy based on sustainability management and strengthen the management foundation that supports it

Executive Officer
The Deputy Executive Director, Corporate Sector and the General Manager of the Sustainability Management Division
Nanae Saishoji

Progressing Governance of the Diversifying Group Companies

Implementation of the Satellite Growth Strategy aimed at expanding business in priority areas centering on communications requires collaboration with group companies engaged in many different business domains. As of March 2022, KDDI had 159 consolidated subsidiaries and 38 affiliates in its corporate group. In light of the diversification of businesses and group companies, the significance of establishing a solid management foundation by increasing the governance of the whole group is increasing. In addition, the risk management system needs to be improved to prevent compliance violations and misconduct. A robust information security is increasingly necessary for the protection of diverse information assets from cyberterrorism and other attacks.

KDDI's Group Management Infrastructure Support Department was newly established within the Corporate Management Division. It plays a central role in understanding the problems facing group companies and in discussions for the provision of appropriate support. Thus, we are working to strengthen group governance.

Regarding Respect for Human Rights as a Key Issue to Address

Respect for human rights is a very significant matter in the global community. We have defined it as an important issue for us to address. We consider human rights in all our business activities and eliminate human rights abuses in the supply chain in an effort to ensure the continuous growth of society. Businesses must respect human rights in extensive areas. As a telecommunications operator, we understand that giving consideration to human rights in the use of artificial intelligence (AI), the metaverse and other new services

and content is a new issue that must be addressed. We will also increase the effectiveness of the Human Rights Subcommittee under the Sustainability Committee and ensure the constant operation of the PDCA cycle in human rights due diligence. We also encourage suppliers to agree to the KDDI Group Sustainable and Responsible Procurement Policy and interview and conduct visiting inspections of high-risk suppliers to enhance supply chain management.

Group Governance Supported by the Penetration and Entrenchment of the KDDI Group Philosophy

The KDDI Group Mission Statement reads, "The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society." The KDDI Group Philosophy acts as a perspective, values and code of conduct that each of us should keep and observe to fulfill the mission statement and achieve sustainable growth. It is the starting point of the KDDI Group's sustainability management. We often hold philosophy workshops for individual ranks and organizations to ensure the KDDI Group Mission Statement and the KDDI Group Philosophy are well understood and implemented throughout the Group and that all employees will behave guided by common values and a high ethical standard.

We also work to gain a good understanding of the KDDI Group's perspective and actions regarding sustainability from our suppliers. We are taking joint actions with them to address necessary issues.

We will carry out these actions to solidify the management foundation of the entire KDDI Group. We will support the Satellite Growth Strategy, our business strategy, and we will endeavor to create social and environmental value through our business.

Values we embrace (6)

Strengthening the Management Base of the Entire KDDI Group

[Mid-Term Sustainability Targets (FY23.3-FY25.3)]

No. of serious incidents ^{*1} (Governance and Information Security)	Number of advanced security technology initiatives ^{*2} (Mid-Term cumulative total)
0	15

^{*1} Cases that require reporting or notification to the competent authorities and cause severe damage to reputation.
^{*2} Number of news releases and topics by KDDI non-consolidated and KDDI Research, Inc.

- [Concrete Actions]
- ▶ Strengthen the corporate support structure for group companies
 - ▶ Increase governance using shared services
 - ▶ Construct and advance a risk control system
 - ▶ Improve security to protect information assets from cyberattack
 - ▶ Solidify the foundation for data governance
 - ▶ Carry out research and development to improve security technologies

- [Strengths]
- Ensure the KDDI Group Mission Statement and the KDDI Group Philosophy are well understood and implemented and maintain a high ethical standard by following the KDDI Code of Business Conduct

[Risks]	[Opportunities]
• Loss of social confidence after data leakage or personal information leakage	• Implementation of the Satellite Growth Strategy and the management foundation supporting it

[Social Issue]

Occurrence of cyberterrorism, data leakage, compliance violation and misconduct

Values we embrace (7)

Respect for Human Rights

[Mid-Term Sustainability Targets (FY23.3-FY25.3)]

Respect for human rights in all business activities	Improvement rate for suppliers that may be violating human rights (consider suspending business with them if they fail to respond) Improvement rate: 100%
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- [Concrete Actions]
- ▶ Observing the KDDI Group Human Rights Policy
 - (1) Respect for human rights in all business activities
 - (2) Avoid or reduce any negative impacts on human rights
 - (3) Avoid involvement in infringement of human rights
 - (4) Promote human rights enlightenment activities for all KDDI Group officers and employees
 - ▶ Continue human rights due diligence
 - ▶ Enhance supply chain management

- [Strengths]
- Corporate culture of respecting human rights through management based on the KDDI Group Philosophy

[Risks]	[Opportunities]
• Degradation of corporate brand value and impediment to the development of a sustainable society due to not addressing human rights violations	• Sound development of KDDI's businesses through the realization of a society free of human rights violations and the establishment of business activities without human rights violations

[Social Issue]

Occurrence of human rights violations (in the entire value chain, including KDDI and group companies)

4 **Strengthening the Group Management Base Through Progressing Governance**
▶ **Values we embrace (6) Strengthening the Management Base of the Entire KDDI Group**

Strengthening the Corporate Support System for Group Companies

In April 2022, KDDI established the Group Management Infrastructure Support Department within the Corporate Management Division. The objective is to establish a system to strengthen group governance through the CFO by assigning the CFOs of domestic and overseas subsidiaries (with exceptions) to the Group Management Infrastructure Support Department of the parent company, KDDI, and its subsidiaries.

Moreover, KDDI periodically visits the presidents and CFOs of subsidiaries to conduct interviews to understand the issues faced by each company. The issues identified are discussed at the “Group Governance Support Meeting” with the Group Management Infrastructure Support Department as the secretariat, in cooperation with relevant departments within KDDI, to provide appropriate support to resolve the issues.

We are also promoting efforts to improve the skills of CFOs and develop human resources through lectures by experienced CFOs and discussions among CFOs.

Strengthening Governance by Utilizing Shared Services

In April 2022, KDDI established the Corporate Sharing Service Division within the Corporate Sector to provide outsourced corporate operations (accounting, payroll, purchasing, etc.) for group companies. The Corporate Sharing Service Division is entrusted with the corporate operations of 31 group companies* and provides shared services on a full-cloud basis.

Moreover, KDDI provided support for the establishment of companies in the Satellite Growth Strategy focus areas of five companies: KDDI SmartDrone Inc., KDDI Digital Divergence Holdings Corporation, KDDI AGILE DEVELOPMENT CENTER CORPORATION, au Energy Holdings Corporation, and au Energy & Life Inc. This support included assistance in reviewing various rules and regulations and assisting with various procedures. In addition to the establishment of these companies, KDDI also began providing shared services for corporate operations.

* as of Aug 1, 2022

Establish and Upgrade Risk Control Systems

The KDDI Group has long been engaged in group-wide risk management activities, including countermeasures against important risks and the company-wide sharing of incidents and accidents. In light of the expansion of business domains and the diversification of group companies through the promotion of the Satellite Growth Strategy, we are rebuilding a common group risk management system to further strengthen group governance.

We will promote DX for the real-time centralized management of the important risks and countermeasure status of KDDI and group companies, internal and external incident/accident information, and basic internal controls that each organization should maintain and operate, aiming for more efficient and effective risk management throughout the group than ever before. The DX will visualize the status of risks and internal controls in each organization, further improve the effectiveness of the so-called “three lines model” in the business, management, and audit divisions, and enable management to anticipate risks and give timely instructions on risk responses.

By rebuilding our risk management system, we will strengthen our group governance as a defensive measure, as well as appropriately take risks as an offensive measure, to promote contributions to the sustainable growth of society and increase our corporate value.

Robust KDDI Group Information Security to Support Governance

The KDDI Group considers the enhancement of information security to be an important issue. The group is promoting initiatives to strengthen security and data governance infrastructure to protect information assets from cyberattacks, and is conducting research and development to enhance security technologies.

In FY23.3, we are working to improve privacy governance and data management levels by formulating a company-wide data management basic policy for data management operations, as well as by formulating group governance rules focusing on joint users of personal information.

As part of its efforts in advanced security technologies, KDDI is promoting research and development and international standardization in all areas of information security, including elemental technologies for cryptography and authentication, to support KDDI’s next-generation infrastructure. Furthermore, we are developing “next-generation cryptography,” such as lightweight and strong quantum computer resistant cryptography, which can be used in devices with low computing performance, including IoT devices. We are also accumulating knowledge on privacy assurance through user-participatory verification experiments, which is necessary for security research that takes human factors into account. We will continue to promote research and development to enhance privacy protection technologies that customers can trust and be satisfied with.

▶ **Values we embrace (7) Respect for Human Rights**

Basic Approach

The KDDI Group recognizes that all of our business activities are premised on respect for human rights. We believe that we have a responsibility to respect the human rights of our employees, business partners, and all other stakeholders involved in our business activities, as well as to prevent and mitigate human rights violations.

In July 2022, KDDI joined the United Nations Global Compact. Under the top management commitment, we will work on respecting human rights in our business activities.

🌐 Joined the UN Global Compact, the world’s largest sustainability initiative (Japanese only)

Human Rights Policy

In order to fulfill our responsibility to respect human rights and further accelerate our efforts, the KDDI Group revised the KDDI Group Human Rights Policy in October 2022. This policy was discussed and approved by the Corporate Management Committee and the Board of Directors.

In light of the increasing momentum in the demand for companies to take responsibility for respecting human rights, the revised policy clearly stipulates compliance with international laws and regulations, the continuous implementation of human rights due diligence, and dialogue with stakeholders.

In accordance with this policy, all Group employees will respect international standards such as the Universal Declaration of Human Rights and are committed to respecting human rights in accordance with the UN Guiding Principles on Business and Human Rights.

Furthermore, we will strive to protect the human rights of all stakeholders, including employees, customers, and business partners, and contribute to the achievement of a truly connected society.

🌐 KDDI Group Human Rights Policy

Structure

At the Sustainability Committee (which convenes twice a year) chaired by the President, KDDI determines the policy on activities related to human rights, develops and reviews the promotion structure, and checks the activities’ progress against targets. We will work on respecting human rights under the top management commitment.

We have also set up the Human Rights Subcommittee (which convenes twice a year) under the Sustainability Committee. The Subcommittee functions as an organization to propose and discuss the human rights issues of the entire KDDI Group and is headed by the General Manager of the Sustainability Management Division. The participants include the Corporate Risk Management Division, General Administration Division, Human Resources Division, Procurement Division, and other related business divisions.

Based on the “KDDI Group Human Rights Policy,” we will hold discussions on the promotion of respect for human rights, conduct human rights due diligence, and study measures to address human rights issues, in order to promote Group-wide efforts to respect human rights.

Human Rights Due Diligence

The KDDI Group has conducted human rights due diligence in accordance with the UN Guiding Principles on Business and Human Rights. In the initiatives, we have identified the human rights issues that global companies are expected to address and have reflected them when considering measures.

In FY23.3, we carried out a human rights impact assessment of our business activities and value chains, identifying key human rights issues in the KDDI Group by leveraging external experts’ advice. The KDDI Group Human Rights Policy, revised this fiscal year, clearly states the important human rights issues. We will continue to comply with this policy, and examine and implement measures through the human rights due diligence mechanism in cooperation with related divisions.

Respect for Human Rights in the Supply Chain

Conducting a Sustainable Procurement Survey
We have conducted a survey targeting our leading business partners (key suppliers*) using a Sustainable Procurement Survey since FY15.3. The survey covers seven themes, namely human rights and labor, safety and health, environment, fair and ethical trade, quality and safety, information security and contribution to society, as defined in the KDDI Sustainable and Responsible Procurement Guidelines based on the Responsible Business Alliance (RBA) code of conduct and Responsible Business Conduct Guidelines published by the Japan Electronics and Information Technology Industries Association (JEITA). In addition to them, it also covers other items that KDDI deems pertinent to the company, focusing on human rights and labor, health and safety, and environment. Through this survey, we make sure of sharing the KDDI Sustainable and Responsible Procurement Policy and other necessary information with suppliers. In FY22.3, we asked our primary suppliers representing approximately the top 90% of the total value of orders to answer the survey and received responses from over 98% of them. We use these responses to understand the supply chain situation and analyze risks.

Supplier Evaluation and Risk Assessment
We will take necessary measures to reduce risks, for example by conducting additional on-site research for suppliers with any risk from perspectives, such as human rights and labor, health and safety, and environment. To manage high risk suppliers, we added a new set of questions to the Sustainable Procurement Surveys from FY22.3, leading to strengthened risk assessment in the supply chain. The questions are divided into two parts: one on human rights including conflict minerals and the technical intern trainees, and the other on the environment including CO₂ emissions for scopes 1, 2, and 3. If a supplier is deemed to be at high risk, we will take corrective actions such as additional investigation through on-site audits and support through improvement proposals.

* Key suppliers: Suppliers with high transaction volume, suppliers of critical parts, and non-substitutable suppliers that account for approximately 90% of the total value of orders placed by the Group.

Materiality

5

Human Resources First

Values we embrace (8) **Advancement of Professional Human Resources and Engagement Improvement**



Our sophisticated professionals will use their talents to the fullest, taking pride and satisfaction in their work. Enhancement of employee engagement will contribute to the sustainable growth of society.

Executive Officer
Corporate Sector
General Manager, Human Resources Division

Toru Shirowa

Changes in Society Are Transforming the Work Environment

Today, the labor market environment is undergoing a sea change. For example, the coronavirus pandemic has driven a greater shift to work styles unrestricted by time and location. Diversity and inclusion are being advanced. Reskilling is being utilized as a human resources strategy. The competition for talent is becoming fiercer. And, labor mobility is increasing. Meanwhile, the Japanese government is calling for profound strengthening of investment in people under its vision for bringing forth a “new capitalism.” Going forward, KDDI must align with these and other rapid changes in society, boost productivity while implementing hybrid work styles, and create new value. To do this, we need to maintain a work environment that cultivates expert professionals, harnesses their talents to the fullest, and enhances employee engagement.

People Solve Challenges for Industry and Society, and Are the Source of Value-Creating Innovation

KDDI has produced many innovations over the years by collaborating with various partners and leveraging the knowledge and expertise it has amassed in diverse businesses—particularly telecommunications, but also DX, finance, energy, and more. The source of these innovations is our people. The sustainability goals that we are striving to achieve by FY25.3 include nurturing professionals and improving the DX skills of our entire workforce, including executives. The focus on building DX skills across our whole organization, rather than just the directly relevant teams, will be a strength for us ahead. Furthermore, our cultivation of professionals in all sorts of fields will enable us to achieve innovation in many different industries through collaboration among our employees, and thus will help us to continue providing value to society.

We firmly believe that investment in people is indispensable to our creation of innovation, and accordingly we are looking to raise our human resource investment in FY23.3 to double that for FY22.3.

KDDI Version Job Style Personnel System: A Career Development Driver for Diverse Talent

The KDDI Version Job Style Personnel System, launched in August 2020, has shaken up the established concept of managerial positions by creating a new type, “core management positions.” This makes managerial positions open not only to people who can fulfill the roles traditionally expected of managers, but also to expert talent who can lead projects by utilizing their strong expertise in specialized fields. Another feature of the KDDI Version Job Style Personnel System is that it does not focus on simply building high-level expertise; it also emphasizes nurturing well-rounded character and competencies. Since its introduction, this system has not only supported younger personnel, but has also encouraged experienced generalists in their 40s or 50s to start rethinking their career path.

At the same time, we are continuing to promote regular one-on-one meetings between employees and their supervisors in order to ensure the psychological safety necessary for a welcoming and rewarding workplace, and to improve employee engagement. Better engagement enhances the performance of not only individual employees, but also teams and the company as a whole, and thus also helps to provide value to society. We are counting on our personnel system to create an environment that enables diverse talent to shine by making the most of their expertise, regardless of age or gender—and in doing so increases our enterprise value and contributes to the sustainable growth of society.

Values we embrace (8)

Advancement of Professional Human Resources and Engagement Improvement

[Mid-Term Sustainability Targets (FY23.3-FY25.3)]

Percentage of professional human resources on all specialized fields	Basic DX skills training completion* (Mid-Term cumulative total)	Improve/maintain employee engagement score	Ratio of female directors	Percentage of females in managerial positions
30%	All employees	72 or over	20% or over	15% or over

(all targets are non-consolidated)
*Learning opportunities to be expanded to Group

[Concrete Actions]

- ▶ **Create innovation by cultivating professionals in many different business fields, and by improving the DX skills of all employees, including executives**
- ▶ **Use the KDDI Version Job Style Personnel System to drive forward employee career development, and create an environment that enables diverse talent to shine**

[Strengths]

- **Cultivation of DX-focused talent who can collaborate with all sorts of industries**
- **KDDI Version Job Style Personnel System: Shakes up the established concept of managerial positions, nurtures professionals with well-rounded character and competencies**

[Risks]

- **Difficulty of securing outstanding human resources as the working age population shrinks from low birthrate and population aging**
- **Increased cost of providing attractive work environment that offers various work styles accommodating diverse talent**

[Opportunities]

Securing of diverse talent by developing tangible and intangible aspects of the work environment under KDDI Version Job Style Personnel System, Promotion of internal DX and the Declaration of KDDI New Work Styles.

[Social Issue]

Businesses need to create new value as they align themselves with changes in society—such as adapting to the coronavirus pandemic’s transformation of the labor market environment, and profoundly strengthening investment in people as called for by the vision for “new capitalism” announced by the Japanese government in June 2022

5 Human Resources First
▶ **Values we embrace (8) Advancement of Professional Human Resources and Engagement Improvement**

KDDI Version Job Style Personnel System

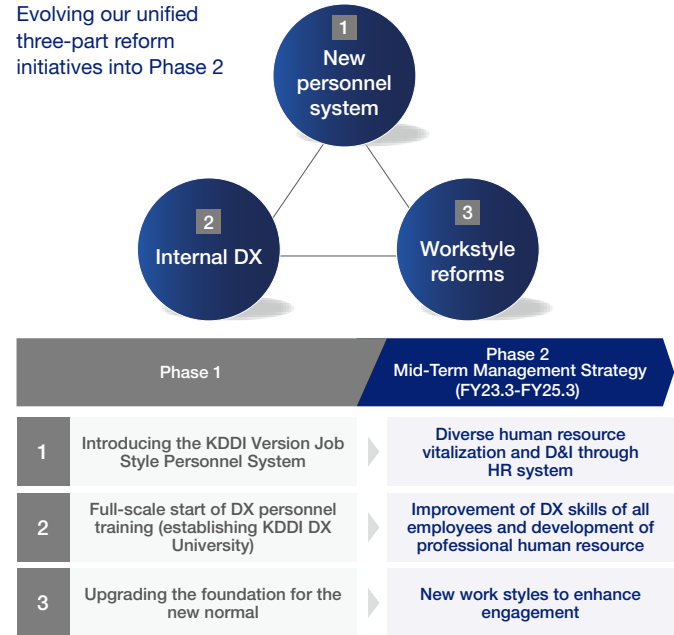
In August 2020, we introduced the KDDI Version Job Style Personnel System to realize sustainable growth of KDDI through each employee’s professionalism. In this system, “Job Style” is used to define the areas of job functions. Employees’ achievements, commitment to meeting challenges, and skills are directly rewarded, thereby “creating and nurturing professionals.”

To achieve sustained growth, KDDI is working to expand new business areas while its business continues to revolve around telecommunications. This means that there will be more fields where our employees can pursue successful careers.

To expand our business areas, we need talented human resources with more specialized skills and knowledge. KDDI hopes that all employees actively acquire skills they can apply in new business areas while they leverage their years of experience in the telecommunications business, so that they will become professionals capable of working successfully both within and outside the company.

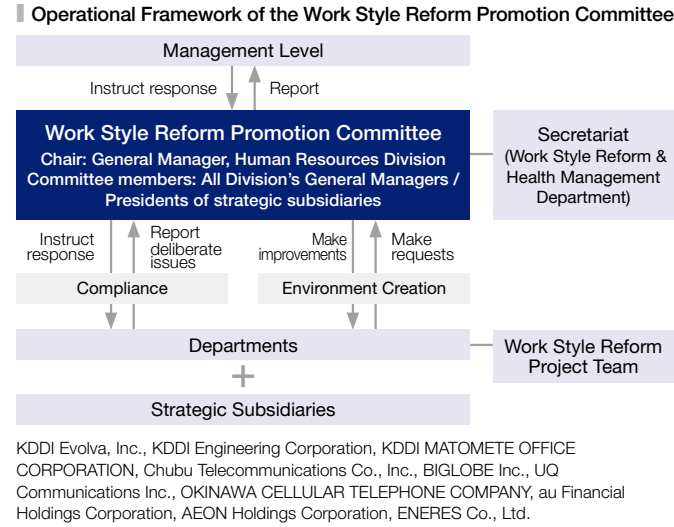
Through these actions, we will achieve transformation to a “human resource-first company,” that is, a company that values employees as the most valuable resources fundamental to management.

📄 KDDI Version Job Style Personnel System Introduced to Enable Work Styles that Lead to Achievements Regardless of When and Where Employees Work (Japanese only)



Workstyle Reforms

In January 2017, we launched full-scale initiatives for workstyle, including setting indicators related to working hours, reforms to promote fundamental changes in awareness and behavior toward a work style that is more productive. We also established the Work Style Reform Promotion Committee as part of the initiatives. The committee members consist of General Managers representing Divisions and the General Manager of Human Resources Division is the chair. Since April 2018, the heads of strategic subsidiaries have also been participants. In FY20.3, we set up a project team to facilitate employees’ diverse work styles. Since FY21.3, in accordance with the KDDI Declaration of New Work Styles, the team has been working to establish an environment (e.g., the promotion of DX) that enables diverse work styles, and working on the vision of new work styles under the introduction of the KDDI Version Job Style Personnel System, thereby further driving work style reforms to transform KDDI into a company that puts human resources first.



Professional Advancement of Women

Promoting gender equality and female empowerment not only deepens our understanding of women’s human rights but leads to solutions to issues in international society and corporate sustainable development.

Our commitment to gender equality is reflected in the Mid-Term Management Strategy, and we are promoting the advancement of women as a business strategy. We at KDDI strive to create an environment and climate where diverse human resources can make the most of their strengths and achieve high performance. We are focusing on cultivating female leaders and; raising awareness of gender issues while changing the behavior of management and improving the work-

ing environment, to support women’s ambitions and career growth even after life events such as childbirth and during child-rearing.

We believe that the participation of women in the company’s decision-making will enhance our corporate strengths and are focusing on developing female leaders. Under the new personnel system introduced in FY21.3, we define “personnel in managerial positions” as organizational leaders with the authority to evaluate personnel and experts in specialized fields. We have set a numerical target to increase the percentage of females in managerial positions to 15% or over by the end of FY25.3.

KDDI DX University (In-house human resources development organization)

To promote DX, we established KDDI DX University in FY21.3 as an internal human resources development organization. We are developing DX human resources by defining five specialized fields: Business Development, Consultant & Product Manager, Technologist, Data Scientist, and Experience Architect. The unique feature of this program is that it is incorporated into the personnel system as a way to promote job specialization, and

we will increase the number of DX human resources in the entire group to approximately 4,000 by FY24.3. Additionally, all employees will acquire basic DX skills by FY25.3, and the ratio of professional human resources in all specialized fields will be raised to 30%. These initiatives will promote the shift of personnel to focus areas and maximize the organizational strengths to promote business strategies centered on DX.



Productivity Improvements through Data-Driven Human Resources Practices

A dedicated People Analytics unit will be established to implement data-driven human resources practices.

They will contribute to the company, management, and employee engagement by providing information for decision-making and problem-solving through the expansion of

human resources data analysis methods, the expansion of analytical data, and the advancement of visualization to improve employee engagement and productivity, including rapid PDCA cycles for human resources processes and the visualization of human capital management information.

Talent Management

KDDI has introduced X-Career, a talent management system that proactively supports diverse growth and challenge opportunities for employees utilizing a wide range of business domains. The system is designed to enable each employee to expand and deepen their careers, and to create innovation through the integration of each career. Employees express their professional skills, areas of interest, and career aspirations on the system, and develop their careers autonomously through one-on-one

career planning with their supervisors, searching for role models and career maps that match their own interests, gap analysis through evaluations and human resource reviews, and reassignment, positional change, and matching cycle through open recruitment and internal side jobs.

By utilizing this system in line with the objectives and policies of the new personnel system, we aim to realize employee growth as well as sustainable growth of the company.

Improving Employee Engagement

KDDI conducts a quarterly Employee Engagement Survey because we believe that if our employees feel motivated and enjoy working, the company will continue to grow.

This survey measures employee engagement as defined by KDDI, namely each employee’s level of “voluntary contribution and motivation toward the company and their work,” to generate key indicators. The results of the survey are shared in real time with the leaders of each organization. Instead of the Human Resources Department analyzing the results of employee en-

gagement and formulating the measures, the leader of each organization shares the results with their members and discusses what issues their organization faces and what actions to take to increase employee motivation and satisfaction. We believe that this process will, in itself, improve the level of employee engagement.

We are committed to improving employee engagement by rolling out this activity company-wide.

Board Members

(As of June 29, 2022) * Number of the Company's shares held as of March 31, 2022

Directors

● Outside Director/Outside Audit & Supervisory Board Member ● Independent Director

●

Takashi Tanaka
Chairman,
Representative Director

Number of the Company's shares held: 62,500

●

Makoto Takahashi
President,
Representative Director

Number of the Company's shares held: 35,700

●

Shinichi Muramoto
Executive Vice President,
Representative Director

Number of the Company's shares held: 13,500

Feb. 26, 1957 Born

Apr. 2003 Executive Officer

Jun. 2007 Managing Executive Officer, Director

Jun. 2010 Senior Managing Executive Officer, Representative Director

Dec.2010 President, Representative Director

Apr. 2018 Chairman, Representative Director (Current position)

Jun. 2021 Outside Director of Astellas Pharma Inc. (Current position)

Oct. 24, 1961 Born

Apr. 2003 Executive Officer

Jun. 2007 Managing Executive Officer, Director

Jun. 2010 Senior Managing Executive Officer, Representative Director

Jun. 2016 Executive Vice President, Representative Director

Apr. 2018 President, Representative Director (Current position)

Mar. 2, 1960 Born

Oct. 2010 Executive Officer

Apr. 2016 Managing Executive Officer

Jun. 2016 Managing Executive Officer, Director

Apr. 2018 Executive Director, Corporate Sector (Current position)

Jun. 2018 Senior Managing Executive Officer, Director

Jun. 2020 Executive Vice President, Representative Director (Current position)

●

Keiichi Mori
Director,
Executive Vice President

Number of the Company's shares held: 15,600

●

Toshitake Amamiya
Director,
Executive Vice President

Number of the Company's shares held: 41,300

●

Kazuyuki Yoshimura
Senior Managing
Executive Officer, Director

Number of the Company's shares held: 6,400

Feb. 2, 1960 Born

Oct. 2014 Executive Officer

Apr. 2017 Managing Executive Officer

Jun. 2017 Managing Executive Officer, Director

Apr. 2019 Executive Director, Solution Business Sector (Current position)

Jun. 2019 Senior Managing Executive Officer, Director

Jun. 2022 Executive Vice President, Director (Current position)

Jun. 26, 1960 Born

Apr. 2012 Executive Officer

Apr. 2019 Managing Executive Officer

Jun. 2019 Managing Executive Officer, Director

Apr. 2022 Executive Director, Personal Business and Global Consumer Business Sector (Current position)

Jun. 2022 Executive Vice President, Director (Current position)

Apr. 19, 1965 Born

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

Jun. 2020 Executive Officer, Director

Apr. 2021 Managing Executive Officer, Director

Jun. 2022 Senior Managing Executive Officer, Director (Current position)

●

Goro Yamaguchi
Director

Number of the Company's shares held: 11,900

●

Keiji Yamamoto
Director

Number of the Company's shares held: 900

●

Riyo Kano
Director

Number of the Company's shares held: 900

Jan. 21, 1956 Born

Jun. 2009 Director and Managing Executive Officer of Kyocera Corporation

Apr. 2013 President and Representative Director, President and Executive Officer of Kyocera Corporation

Apr. 2017 Chairman of the Board and Representative Director of Kyocera Corporation (Current position)

Jun. 2017 Outside Director of KDDI (Current position)

Mar. 28, 1961 Born

Apr. 2016 Executive General Manager of TOYOTA MOTOR CORPORATION

Apr. 2017 Managing Officer of TOYOTA MOTOR CORPORATION

Jun. 2019 Outside Director of KDDI (Current position)

Jul. 2019 President, TOYOTA Connected Corporation (Current position)

Operating Officer of TOYOTA MOTOR CORPORATION

Jan. 2021 Operating Officer and Chief Information & Security Officer of TOYOTA MOTOR CORPORATION (Current position)

Jun. 2021 Chief Product Integration Officer of TOYOTA MOTOR CORPORATION (Current position)

May 11, 1966 Born

Apr. 1993 Registered as attorney at law

Jan. 2005 Partner, Tanabe & Partners (Current position)

Aug.2014 Member of Commission on Policy for Persons with Disabilities of Cabinet Office (Current position)

Jun. 2015 Outside Director of The Yamanashi Chuo Bank, Ltd. (Current position)

Feb.2017 Member of Examination Committee for Relief Assistance of Ministry of Health, Labour and Welfare (Current position)

Jun. 2019 Outside Director of KDDI (Current position)

●

Shigeki Goto
Director

Number of the Company's shares held: 2,500

●

Tsutomu Tannowa
Director

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

●

Junko Okawa
Director

Number of the Company's shares held: 0

Dec. 20, 1948 Born

Apr. 1996 Professor, Department of Computer Science and Engineering, School of Science and Engineering of Waseda University

Mar. 1997 Trustee of JNIC (Currently Japan Network Information Center (JPNIC)) (Current position)

Apr. 2015 Chairman of the Research and Development Strategies Expert Study Committee of the National center of Incident readiness and Strategy for Cybersecurity

Apr. 2019 Professor Emeritus of Waseda University (Current position)

Jun. 2020 Outside Director of KDDI (Current position)

Oct. 26, 1951 Born

Apr. 2007 Executive Officer of Mitsui Chemicals, Inc.

Apr. 2010 Managing Executive Officer of Mitsui Chemicals, Inc.

Jun. 2012 Member of the Board, Managing Executive Officer of Mitsui Chemicals, Inc.

Apr. 2013 Member of the Board, Senior Managing Executive Officer of Mitsui Chemicals, Inc.

Jun. 2014 Representative Director, Member of the Board, President & CEO of Mitsui Chemicals, Inc.

Apr. 2020 Representative Director, Chairperson of the Board of Mitsui Chemicals, Inc. (Current position)

Jun. 2022 Outside Director of KDDI (Current position)

Aug. 31,1954 Born

Feb.2010 Executive Officer of Japan Airlines Co., Ltd.

Feb.2012 Managing Executive Officer of Japan Airlines Co., Ltd.

Apr. 2013 Senior Managing Executive Officer of Japan Airlines Co., Ltd.

Jun. 2013 Director, Senior Managing Executive Officer of Japan Airlines Co., Ltd.

Apr. 2016 Representative Director, Senior Managing Executive Officer of Japan Airlines Co., Ltd.

Jun. 2018 Vice Chairperson of Japan Airlines Co., Ltd.

Apr. 2019 External Affairs Representative of Japan Airlines Co., Ltd.

Jun. 2020 Outside Director of The Shoko Chukin Bank, Ltd. (Current position)

Jun. 2022 Outside Director of KDDI (Current position)

Outside Director of Asahi Broadcasting Group Holdings Corporation (Current position)

Audit & Supervisory Board Members

●

Kenichiro Takagi
Full-time Audit & Supervisory
Board Member

Number of the Company's shares held: 40,600

●

Noboru Edagawa
Full-time Audit & Supervisory
Board Member

Number of the Company's shares held: 4,300

●

Yukihiko Asahina
Full-time Audit & Supervisory
Board Member

Number of the Company's shares held: 700

●

Toshihiko Matsumiya
Audit & Supervisory
Board Member

Number of the Company's shares held: 0

●

Jun Karube
Audit & Supervisory
Board Member

Number of the Company's shares held: 1,700

Composition of Directors and Advisory Committees

Name	Representative rights	Independent	Outside	Execution of Business	Nomination Advisory Committee	Remuneration Advisory Committee	Other
Takashi Tanaka	●			●	●	●	Chairman of Board of Directors
Makoto Takahashi	●			●	●	●	
Shinichi Muramoto	●			●			
Keiichi Mori				●			
Toshitake Amamiya				●			
Kazuyuki Yoshimura				●			
Goro Yamaguchi			●				
Keiji Yamamoto			●				
Riyo Kano		●	●		●	●	Chairman of Board of Nomination Advisory Committee
Shigeki Goto		●	●		●	●	Chairman of Board of Remuneration Advisory Committee
Tsutomu Tannowa		●	●		●	●	
Junko Okawa		●	●		●	●	

* During the FY22.3, the Nomination Advisory Committee met on three occasions and the Remuneration Advisory Committee met on two occasions.

Messages from Outside Directors



Shigeki Goto
Outside Director and
Independent Director

Riyo Kano
Outside Director and
Independent Director

Tsutomu Tannowa
Outside Director and
Independent Director

Junko Okawa
Outside Director and
Independent Director

Q1. Expectations toward the New Mid-Term Management Strategy (Sustainability Management, Satellite Growth Strategy, Strengthening of Management, etc.)

Q2. The atmosphere of the Board of Directors, and the effectiveness of its discussions along with the reasons (Newly appointed directors: Aspirations for the inauguration)

Q3. Recognition of our challenges, and the roles of outside directors based on the challenges

Shigeki Goto

1. By transforming the techniques for expressing information from analog to digital, we can easily go beyond the borders of time and space. Storage takes us beyond time and telecommunication takes us beyond space. Digital technology is intrinsically computation. Artificial intelligence (AI) is also a type of computation. By utilizing digital technology, human intellectual activities are amplified. Eventually, digital technology will be recorded as an important turning point in human history. Digital transformation (DX) currently in progress is just the beginning.

KDDI is leading digital technology utilization. Among the topics of the New Mid-Term Management Strategy, I have high expectations on value creation through life transformation (LX) * Digital technology will significantly change both lives of individuals and activities of the human society. I would like to move forward while enjoying the change.

2. The Board of Directors has developed an atmosphere of respecting the opinions of outside directors. Opinions and questions are raised from several points of view, from which I have much to learn. One weakness of humanity is that nobody can look at his or her own face. This is also true for companies. As an outside director, I aspire to serve as a mirror for KDDI.

3. Digital transformation (DX) is in progress everywhere in the world, but software and system management technologies at the root of DX still rely on humans. In other words, analog factors remain at the core. As a young engineer, I researched automatic software generation methods using AI, but it was unable to completely eliminate analog factors.

As a top runner in DX, KDDI must cope with the shortage of actual digital DX talents. I am committed to supporting KDDI's transformation to a company that puts human resources first by utilizing my experiences of teaching university students in the information and communication technology area.

Riyo Kano

1. The New Mid-Term Management Strategy is structured around sustainability management. I expect that KDDI can serve a significant role in making a carbon-neutral society a reality, not only from the energy conservation efforts of KDDI and related companies but also by providing various advanced technologies. In addition, a proposal of new lifestyles through life transformation (LX) may change our lifestyles to richer ones. I expect that our talents, assets and others centered around the communication infrastructure are utilized as much as possible so everyone can comfortably enjoy such lifestyles.

2. Active discussions exist at the Board of Directors, on which questions and opinions are raised from various viewpoints by executives equipped with diverse experiences and insights. In addition, information is frequently shared at meetings and briefings other than the Board of Directors, creating an atmosphere that welcomes the exchange of opinions and open discussions.

3. I acknowledge that we have always been intensely working on risk management as a provider of communications serving as a lifeline. However, in July 2022, a large-scale communication failure occurred, and as a result, we found challenges in addressing issues such as customer notification. I would like to carefully check problem-solving and preventive measures from the users' point of view.

Furthermore, I think that the management of an increased number of subsidiaries and related companies due to business diversification centered around communication is also a challenge. In addition to regular reporting in the Board of Directors, important matters regarding subsidiary management are reported whenever appropriate, and opinions and suggestions are raised from outside directors, leading to improvement in the area.

Tsutomu Tannowa (Newly Appointed)

1. The spread of COVID-19 infection has significantly affected our social life including business activities. Various communication opportunities now rely heavily on online measures, dramatically increasing the importance of maintaining ICT infrastructure at the foundation of online communication. Under such conditions, our recent communication failure caused significant inconvenience to many users. This is unacceptable for the Company undertaking such a highly public business as ICT, and therefore root cause analysis and establishment of preventive measures are of top priority.

2. I would like to fully use my experience in managing manufacturing companies to get involved in solving this challenge. Although the industry is obviously different, nothing differs from the perspectives of corporate social responsibility and risk management enhancement, etc.

3. In the future, businesses will require a higher level of ESG management. Furthermore, a mountain of individual challenges exists, such as working toward a carbon-neutral society and embracing corporate governance codes. I would like to work on effective support by utilizing an outsider's viewpoint to cope with these challenges.

Junko Okawa (Newly Appointed)

1. In such a turbulent era, I feel a big possibility as a social transformation company in our strategy which is centered around telecommunications and utilizes expertise, technical capabilities, and talent as well as imagines a future human society in a broad sense including social problem-solving. I expect KDDI to make this strategy a reality through investments at the right time and scale with associated responsibilities in mind, thereby becoming a trusted platform in a sustainable human society.

2. Using a third party's perspective to boost management capabilities and make profits fairly is of top priority. In addition, I would like to participate in honest discussions to enhance the

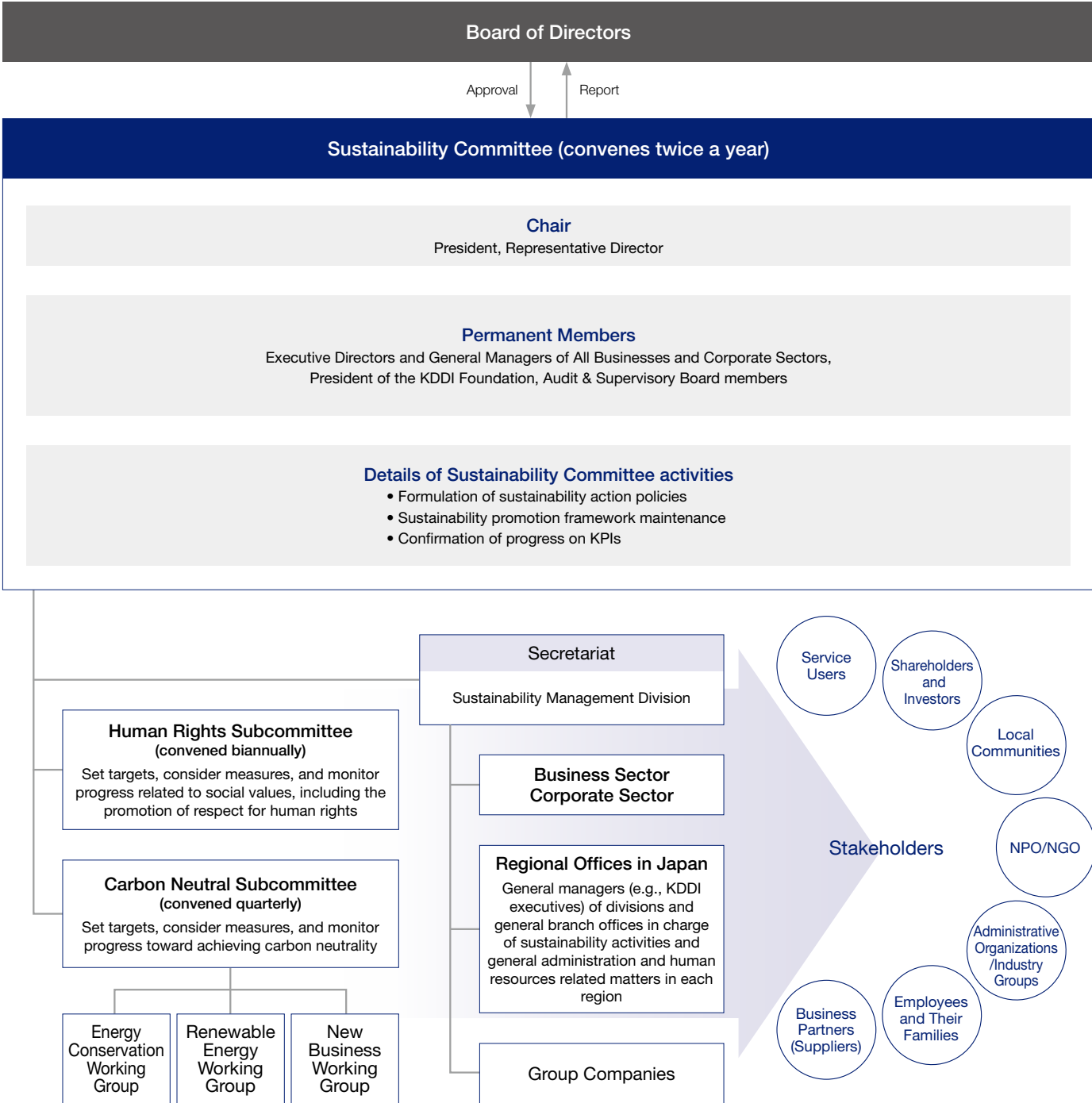
Company's value through diverse viewpoints, including topics such as reflecting social perspectives on our business from an outsider's eyes.

3. Since KDDI undertakes the infrastructure mandatory for digitalization, our roles and possibilities are expanding. This means that risk and responsibility are expanding as well. How should we navigate the company with awareness and tension as a company with a highly public nature, and at the same time never stop progressing to achieve management goals? I would like to serve my role so I can appropriately prioritize matters and make high-level decisions.

* A business model that transforms diversifying consumption, life experience and behaviors with an eye to the future

Sustainability Promotion Framework

The President of the KDDI serves as the chair with the remaining committee members made up of the executive directors and general managers of all the businesses and corporate sectors, the Audit & Supervisory Board members of KDDI, and the President of the KDDI Foundation. The committee considers sustainability to be a pillar of company-wide business strategies. Improvements in sustainability are incorporated into company-wide KPIs and are linked to executive remuneration and bonuses for all employees.



As of September 1, 2022

Corporate Governance

KDDI's Approach and Guidelines on Corporate Governance

As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, our telecommunications business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications. Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders (including customers, shareholders, business partners, employees, and local communities), and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and truly connected society. We recognize reinforcing corporate governance as important to achieving sustainable growth and increasing corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the “Corporate Governance Code” defined by the financial instruments exchanges. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making. In addition to our corporate credo and mission statement, we have formulated the “KDDI Group Philosophy,” which defines perspectives, values, and a code of conduct that executives and employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.

By proactively adhering to Japan's Corporate Governance Code and practicing the KDDI Group Philosophy, from the standpoint of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increase corporate value over the medium to long term.

[Corporate Governance Report](#)

Changes in the Corporate Governance Framework

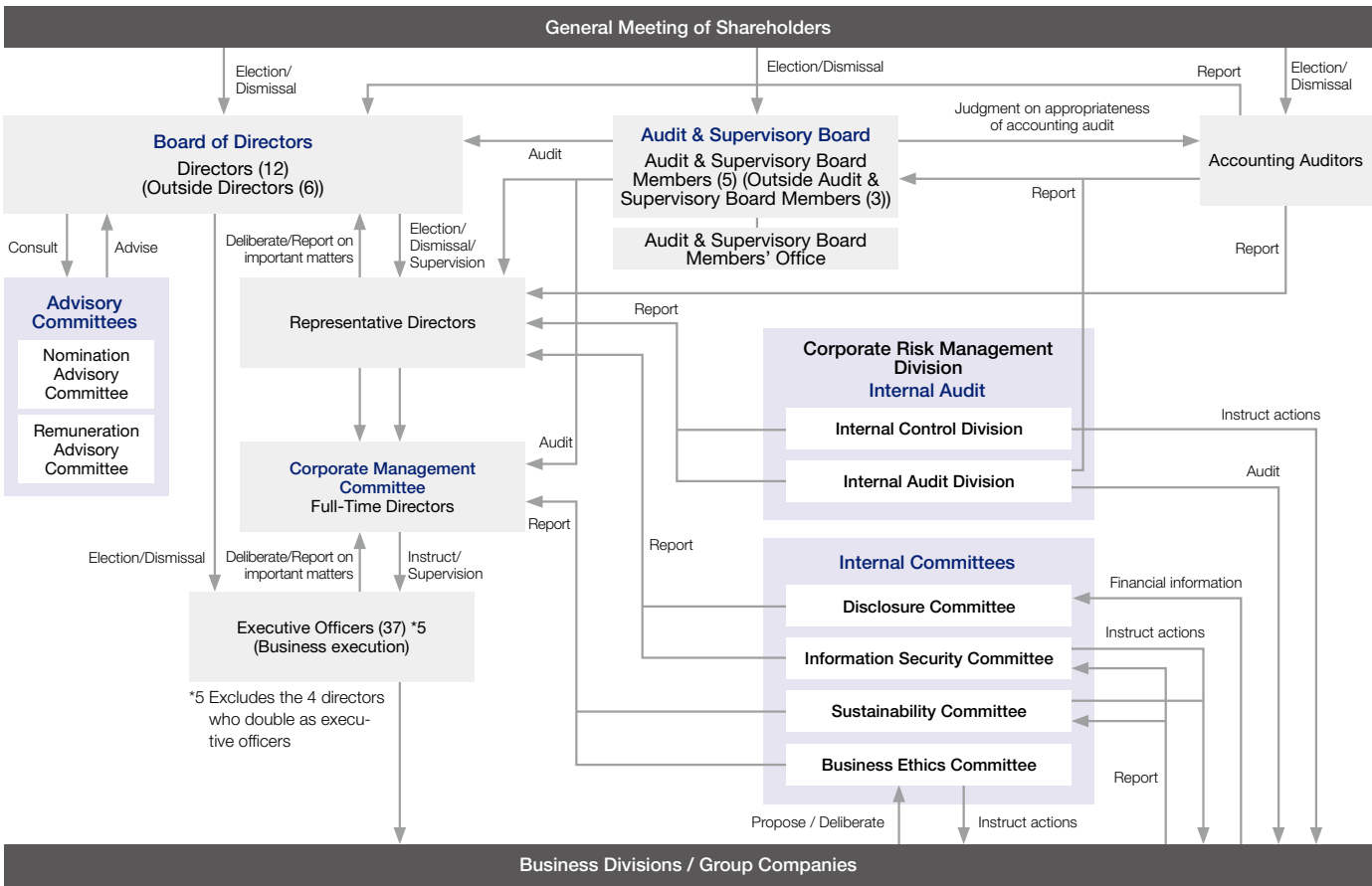
		2000 —				2005 —				2010 —				2015 —				2020 —										
President		Yuusai Okuyama	From June 2001 Tadashi Onodera								From December 2010 Takashi Tanaka				From April 2018 Makoto Takahashi													
Directors*1	Number of directors	53 ²	13	12	11				10	13	12				13	→	14				→	12						
	Outside directors			2	3				→	4	3				→	2				→	3	4	5				→	6
Assurance of diversity*1	Number of female directors																1										→	2
Audit & Supervisory Board members*1	Number of Audit & Supervisory Board members	5	→	4				→	5																→	4*4	→	5
Ensure independence	Number of independent directors*3										2	1	3				→	4	5	6							→	7
	Advisory Committee																Nomination Advisory Committee established in 2015											
			Introduction of a stock option system in 2002																									
Transparency in executive remuneration																	Remuneration Advisory Committee established in 2011											
																	Introduction of a performance-based bonus system for executives in 2011											
																		Introduction of stock compensation plan for directors in 2015										
																			Introduction of stock price-linked bonuses in 2019									
The KDDI Group Philosophy		Enactment in October 2000																Revised, continued promotion activities from 2013										

*1 Number of people at the conclusion of each Annual General Meeting of Shareholders
*2 Number of people at the launch of KDDI in October 2000
*3 Independent directors pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
*4 Outside director Shin Honto passed away on April 28, 2021 and his position as an Audit & Supervisory Board member concluded that day.

Corporate Governance

Corporate Governance Framework

(As of Oct. 1, 2022)



Corporate Governance Promotion Framework

We believe strengthening corporate governance to be one of the most vital issues in enhancing corporate value, and we are working to improve management efficiency and transparency.

KDDI is currently a company with board of company auditors, and in order to properly manage business execution, we have introduced an executive officer system to assign authority, clarify responsibilities and ensure effective and efficient business operations. We are also working to establish a framework for internal decision making to ensure timely management decisions. The number of directors is 12 (10 male and 2 female), including 6 outside directors, 4 of whom are independent directors, meeting the criteria for the ratio of independent outside directors (1/3 or more) required of companies listed on the Tokyo Stock Exchange Prime Market under the Corporate Governance Code. The Audit & Supervisory Board members consist of 5 members (all male), including 3 Outside Audit & Supervisory Board members, who are designated as independent directors. Regarding independent directors, the Company has a total of 7 independent directors and Audit & Supervisory Board members, ensuring a high degree of independence.

For the outside directors/auditors, we also provide a wide range of information outside the board meetings, including on business strategies, management status, R&D, and technology. Specifically, the heads and general managers of each business headquarters explain overall picture of business and issues, and regularly report on the management status of subsidiaries. In addition, we provide

opportunities to visit in-house exhibitions of R&D achievements as well as the telecommunication facilities and network monitoring center and other workplaces.

We report twice a year on corporate ethics and risk management activities. Moreover, in order for outside directors to strengthen their ability to gather information, they are invited to attend meetings of the Audit & Supervisory Board members when the auditing firm reports the results of the second-quarter review and the year-end audit, and liaison meetings with Audit & Supervisory Board members are held twice a year. In addition to the above, to strengthen information exchange and sharing between outside directors, we hold liaison meetings exclusively for outside directors and liaison meetings for outside directors and part-time outside Audit & Supervisory Board members.

We aim to raise the effectiveness of the Board of Directors' supervision of management and invigorate discussions of management strategies at board meetings by providing a deeper understanding of our business through these initiatives.

Criteria for Independence of Outside Directors/Auditors

In addition to the requirements in the Companies Act and the standards provided financial instruments exchanges we have formulated our own standards for judging the independence of outside directors/auditors. Specifically, we consider those belonging to business partners that account for 1% or more of the company's consolidated operating revenue or orders placed not independent.

Directors and Board of Directors

The Board of Directors is composed of directors, including independent outside directors. They determine important legal matters and supervise the business execution of directors, etc., to ensure the appropriateness.

Board of Directors FY22.3 Meetings

Number of meetings held	Internal directors' attendance rate	Outside directors' attendance rate	Outside auditors' attendance rate
12	100%	100%	100%

Evaluation of the Board of Directors' Effectiveness

Purpose of Conducting

We conduct a self-evaluation of the Board of Directors regularly every year in order to correctly understand its situation and continuously improve its operation.

Evaluation Process

We assess the effectiveness of the Board of Directors based on an evaluation by all the directors and Audit & Supervisory Board members themselves. The evaluation questionnaire combines a four-grade rating scale and free writing so that the effectiveness of the board's initiatives are assessed and matters to be improved are identified from two perspectives: quantitative and qualitative.

The evaluation covers the most recent one year and is conducted annually. The results of the evaluation are reported back to the Board of Directors to discuss future measures.

The main evaluation items are as follows:

- Operation of the Board of Directors (composition of members, documents and explanations, provision of information, etc.)
- Supervision of Executives (conflict of interest, risk management, management of subsidiaries, etc.)
- Medium- to long-term discussions (participation in mid-term management strategies, monitoring plan execution, etc.)

Evaluation Results

Summary

The evaluation confirmed that KDDI's Board of Directors is operating properly and functioning effectively. The following two points received particular praise:

- Management of the Board of Directors meetings utilizing the knowledge of outside directors
The Company has fostered a culture in which outside directors can actively speak up at Board of Directors meetings. In addition, executives are responding sincerely to the opinions and questions of outside directors, and the Board of Directors is managed in a manner that takes advantage of the knowledge of outside directors from various backgrounds.

- Discussions focused on sustainable growth and the medium- to long-term enhancement of corporate value
Discussions are being held from a medium- to long-term perspective on themes such as the sustainable growth of the mainstay domestic telecommunications business, full-scale rollout of 5G, and value creation through the integration of telecommunications and life design, the previous mid-term management strategy.

Improvements from Previous Evaluation

In the previous meetings, each director and Audit & Supervisory Board member proposed various themes to be discussed in the process of formulating new Mid-term Management Strategy to ensure KDDI's sustainable growth in a rapidly changing business environment, by holding discussions among directors and Audit & Supervisory Board members utilizing their diverse experiences and knowledge.

Based on this challenge, in 2021, we ensured time for the active and constructive exchange of opinions among executives and sufficient time for deliberations, and discussed various issues, including the proposed themes, for the formulation of the new Mid-Term Management Strategy.

Moving Forward

Through proactive initiatives based on the "Satellite Growth Strategy" with telecommunications at its core, KDDI continues to diversify its business domains and expand its business scale through an increase in the number of group companies.

In this environment, we believe that in order for the KDDI Group to fulfill its social responsibilities and achieve sustainable growth while appropriately responding to various risks, it is important to further strengthen corporate governance, which serves as the foundation for such efforts.

The Group as a whole will strive to further disseminate the "KDDI Group Philosophy," which serves as the foundation of its corporate activities, as well as strengthen its governance system, including risk management, while enhancing the effectiveness of risk management through timely and appropriate supervision by the Board of Directors.

📄 NOTICE OF THE 38TH ANNUAL SHAREHOLDERS MEETING

📄 Business Report Video (Initiatives of the 38th Year) (Japanese only)

Corporate Governance

Audit & Supervisory Board and Auditors

The KDDI Audit & Supervisory Board is composed of 5 members, including 3 outside members. Audit & Supervisory Board members conduct audits in accordance with the audit policy, execution plans for auditing, audit methods and work assignments determined by the Audit & Supervisory Board. All 3 outside Audit & Supervisory Board members are independent directors.

Full-Time Audit & Supervisory Board members attend meetings of the Board of Directors, as well as the Corporate Management Committee and other major meetings (Management Strategy Meeting, Monthly Profitability Review Meeting, KDDI Group Business Ethics Committee, etc.) to perform their audit duties, and express their opinions, as necessary.

In addition, in order to ensure sufficient communication with Representative Directors and to deepen mutual recognition and trust, they exchange opinions with Representative Directors twice a year on important audit issues, improvement of the auditing environment for Audit & Supervisory Board members, audit results, and requests related to audits.

Part-time outside Audit & Supervisory Board members receive reports on and discuss the auditing methods and results of the full-time Audit & Supervisory Board members at the Board of Auditors meetings, receive explanations of management policies and growth strategies at Board of Directors meetings, and express their opinions as appropriate from their standpoint as independent auditors. In addition, to promote communication with Representative Directors, roundtable meetings are held twice a year to exchange opinions.

In addition, Audit & Supervisory Board members obtain a written explanation of the audit plan, which includes the audit policy, audit plan, and audit system of the accounting auditors, and they also receive explanations and exchange opinions on the content of the explanation. Furthermore, the Company receives quarterly reports from the accounting auditors on the methods and results of audits (including quarterly reviews) and holds

discussions with them. In addition, the Company communicates with the accounting auditors as necessary and exchanges opinions to contribute to the formation of mutual audit opinions.

The Audit & Supervisory Board Member's Office has been established as a department to assist the Audit & Supervisory Board members in their duties. The Audit & Supervisory Board Member's Office has dedicated employees, and each Audit & Supervisory Board member has the right to direct and order these employees, with the prior consent of the Audit & Supervisory Board or a full-time Audit & Supervisory Board member as determined by the Audit & Supervisory Board.

Audit & Supervisory Board FY22.3 Meetings

Number of meetings held	Full-time Audit & Supervisory Board members' attendance rate	Part-time Outside Audit & Supervisory Board members' attendance rate
12	100%	100%

Internal Audits

We established the Audit Department in the Corporate Risk Management Division, which is in charge of risk management of the KDDI Group. It conducts internal audits of overall KDDI Group operations on the important risks identified through risk management activities. The results of internal audits are reported to the Company President and Audit & Supervisory Board members together with requests and recommendations concerning improvements and corrective measures to address highlighted issues, and the status and results of internal audits are also reported to the Board of Directors every quarter. In FY22.3, a total of 34 audits were carried out to monitor the progress of corrective / improvement measures and to prevent risks from materializing.

Nomination Advisory Committee and Remuneration Advisory Committee

To ensure the transparency and fairness of systems and standards for nomination of directors and Audit & Supervisory Board members and their executive remuneration, we have established the Nomination Advisory Committee and the Remuneration Advisory Committee, which deliberates and provides advice to the Board of Directors based on discussions thereof. The chair, vice-chair and more than half of the members of these committees are independent outside directors.

Nomination Advisory Committee Composition

Chair: Riyo Kano (Independent Outside Director)
Vice Chair: Shigeki Goto (Independent Outside Director)
Members of Committee:
Tsutomu Tannowa (Independent Outside Director)
Junko Okawa (Independent Outside Director)
Takashi Tanaka
Makoto Takahashi

Remuneration Advisory Committee Composition

Chair: Shigeki Goto (Independent Outside Director)
Vice Chair: Riyo Kano (Independent Outside Director)
Members of Committee:
Tsutomu Tannowa (Independent Outside Director)
Junko Okawa (Independent Outside Director)
Takashi Tanaka
Makoto Takahashi

Meetings Held FY22.3

The Nomination Advisory Committee met three times, and all members attended each time. The committee discussed the nomination of executives candidates at Annual Shareholders Meeting and other matters. The Remuneration Advisory Committee met twice, and all members attended each time. The committee discussed the payment of performance-linked remunerations and stock price-linked remunerations and executive remuneration levels and other matters.

Other Committees

We have established the Business Ethics Committee, a deliberative and decision-making body for compliance-related items, and the Disclosure Committee, a deliberative body for releasing information. We also have established the Sustainability Com-

mittee, which deliberates the promotion of sustainability. We collaborate with our group companies to manage their governance through various systems and frameworks in order to enforce the governance of the whole KDDI Group.

Items Related to Organizational Structure and Operations

Organizational form	Company with board of company auditors
Number of independent directors/auditors	7 (including 2 female)

Items Related to Directors

Number of directors prescribed in the articles of incorporation	20
Tenure period of directors prescribed in the articles of incorporation	1 year
Presiding Chair of Board of Directors	Chairman (President and Chairman are separate posts)
Number of directors	12 (including 2 female)
Outside directors	Appointed
Number of outside directors	6 (including 2 female)
Number of outside directors designated as independent directors	4 (including 2 female)

Items Related to Audit & Supervisory Board Members

Number of members prescribed in the articles of incorporation	5
Number of members	5 (all male)
Outside members	Appointed
Number of outside members	3 (all male)
Number of outside members designated as independent members	3 (all male)

Others

Number of executive officers	36 (34 male, 2 female) * Excludes the 4 directors who double as executive officers
Implementation of anti-takeover measure	Not implemented
President and Representative Director remuneration/ average KDDI employee annual salary	23 times

Changes in the Corporate Governance Framework

Corporate Governance Framework

Approach to Composition of Board of Directors

KDDI aims to transform ourselves into a “human resources first company” that regards human resources as its most significant resource and places their development and enhancement at the core of its management, and we consider including diverse human resources and utilizing their various knowledge, experiences, and skills to be an important growth driver. We believe that also ensuring diversity in the Board of Directors can lead to

better management decision making.

KDDI appoints people who meet the following criteria regardless of gender, age, nationality, race or ethnicity to ensure a diversity of opinions and highly specialized knowledge within the Board of Directors as a whole when making decisions including important management matters and implementing oversight as required by law.

Corporate Governance

Policies and Procedure for Nomination of Director and Audit & Supervisory Board Member Candidates

Appointment and Selection Standards

For both types of candidates: Have the character suitable for being a Board member, have high ethical standards and not be self-serving

Director candidates: Meet one or more of the following criteria:

- Have specialized knowledge and experience in each business field
- Have specialized knowledge or management knowledge suitable for a supervisor
- Have a high degree of independence

Audit & Supervisory Board member candidates: Have a wealth of experience and broad knowledge that will enable more appropriate audits and oversight of overall management from a position that is independent from directors

Nomination and Election Procedures for Directors

- (1) Select candidates based on the above criteria
- (2) Deliberate them at a Nomination Advisory Committee
- (3) Approve them at a Board of Directors
- (4) Elect them at the Annual Shareholders Meeting

Nomination and Election Procedures for Audit & Supervisory Board Members

- (1) Select candidates based on the left criteria
- (2) Deliberate them at a Nomination Advisory Committee meeting
- (3) Gain approval from the Audit & Supervisory Board
- (4) Approve them at a Board of Directors meeting
- (5) Elect them at the Annual Shareholders Meeting

Consideration Criteria for Termination

- When the performance of a business that a director is responsible for or the achievements of a department a director is responsible for are exceptionally poor
- When the company is harmed by a major misstep or intentional violation of a law, regulation or the Articles of Incorporation in their execution of duties
- When the company's credibility and reputation are significantly damaged by the inappropriate seeking of personal gain through the abuse of position or authority
- When the company determines that keeping a director is not appropriate

Termination Procedures for Directors

- After deliberations at the Nomination Advisory Committee meeting, the Board of Directors deliberates the matter as needed and implements necessary measures for termination

Diversity and Expertise of the Directors and Audit & Supervisory Board Members

From the perspective of achieving sustainable growth for the KDDI Group, KDDI has defined six skills in areas of expertise and experience that we believe are important for our directors and Audit & Supervisory Board members. The skills possessed by each director and Audit & Supervisory Board member are as follows.

	Name of director	Corporate management	Sales and marketing	Global	Digital technology	Finance and accounting	Legal affairs and risk management
Internal Directors	Takashi Tanaka	●	●	●	●		●
	Makoto Takahashi	●	●	●	●		●
	Shinichi Muramoto	●				●	●
	Keiichi Mori		●	●	●		
	Toshitake Amamiya	●	●	●			
	Kazuyuki Yoshimura				●		
Outside Directors	Goro Yamaguchi	●	●	●			●
	Keiji Yamamoto	●		●	●		
	Riyo Kano						●
	Shigeki Goto			●	●		
	Tsutomu Tannowa	●	●	●			●
	Junko Okawa	●	●				
Audit & Supervisory Board Member	Kenichiro Takagi	●				●	
	Noboru Edagawa	●		●	●		
	Yukihiro Asahina						●
	Toshihiko Matsumiya					●	●
	Jun Karube	●	●	●			●

Remuneration for Directors and Audit & Supervisory Board Members

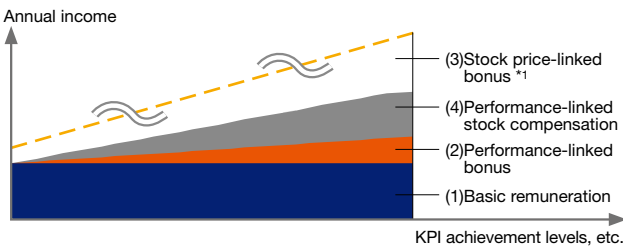
1. Remunerations for Directors

- The compensation of directors engaged in business execution is based on the KDDI Group's business performance for each fiscal year, progress toward the goals of the mid-term management strategy, and a compensation system linked to shareholder value in order to increase the willingness to contribute to the improvement of corporate value over the medium to long term.
- Outside directors who perform management supervising functions without involvement in the execution of businesses receive only fixed amount remuneration that does not vary with the Company's business performance.
- The Company has established the Remuneration Advisory Committee to ensure transparency and objectivity in the process of determining the system and levels of executive remuneration, along with the remuneration amounts based on these. This committee has a chair, and vice-chair, and at least half of the committee members are independent outside directors.

- The decision of the amounts of basic remuneration, performance-linked bonus, performance-linked stock compensation, and stock price-linked bonus are not delegated to the representative director, but the amounts are decided by resolution of the Board of Directors based on the advice of this committee.
- KDDI's executive remuneration levels are decided through comparison with sector peer companies, or with other companies of the same scale, in Japan, and take into account factors that include KDDI's management status. The appropriateness of the remuneration levels is also validated by the Remuneration Advisory Committee every year, with reference to objective survey data from an external specialized organization.
- For those who have made serious violations of the duties of directors, contrary to the delegation contract between KDDI and the directors, we may suspend the payment of performance-linked remuneration or demand the return of such remuneration.

2. Policy on the Content of Director Remuneration

■ Example of Compensation for Directors



Note: The graph was created based on the remuneration model for the President.
*1 Because stock price-linked bonuses change in line with EPS growth rate and stock price changes, the graph is only an example.

(1)Basic remuneration

It's monetary remuneration for which a fixed amount for each position is paid on a monthly basis.

(2)Performance-linked bonus

Calculate the amount of payment for each individual by following formula, and pay money in the first June after the end of each business year.

Performance-linked bonus: Basic amount by position multiplied by the Company's operating performance and KPI achievement rate

(3)Stock price-linked bonus

Calculate the amount of payment for each individual by following formula, and pay money in the first June after the end of each business year.

Stock price-linked bonus : Basic amount by position multiplied by coefficient*

* Coefficient: (EPS growth rate x 50%) + (stock price fluctuation rate x 50%)

A) EPS growth rate : EPS at the end of current fiscal year divided by EPS at the end of previous fiscal year

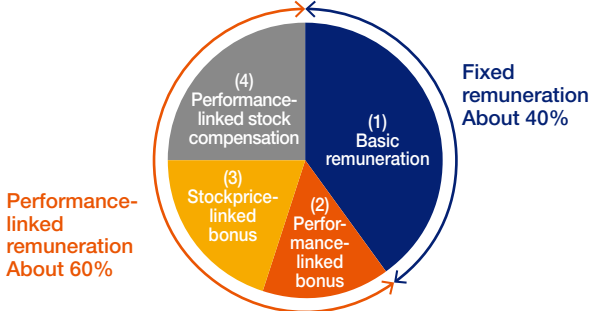
B) Stock price fluctuation rate (TOPIX growth rate): (KDDI's stock price at the end of current fiscal year / KDDI's stock price at the end of previous fiscal year) divided by (TOPIX at the end of current fiscal year / TOPIX at the end of previous fiscal year)

(4)Performance-linked stock compensation

For performance-linked stock compensation, points for each individual are calculated by following formula. Points will be awarded in the first June after the end of each fiscal year, and when the director retires, KDDI's shares will be delivered according to the cumulative number of points.

Performance-linked stock compensation: Basic points by position multiplied by the Company's operating performance and KPI achievement rate

■ Breakdown of Executive Remuneration



Note: The graph was created based on the actual remuneration of the President in FY22.3.

Corporate Governance

Reasons for selecting each evaluation metric and results are as follows:

The Company’s operating performance

Reasons for selection

A basic numerical value clearly showing a company’s business performance.

Result

As stated on page 184. -- P184

KPI achievement rate

Reasons for selection

KPI achievement rate is to measure the achievement rate of each business strategy under the mid-term management strategy, and therefore linked to the business growth and performance improvement.

Result

ESG-related items are also set as indicators along with indicators in each business strategy. In consideration of the importance of ESG, in FY23.3, one of the calculation criteria for (2) performance-linked bonus and (4) performance-linked stock remuneration in variable remuneration has been increased to approximately 30% of the total KPI.

EPS growth rate

Reasons for selection

To provide a strong incentive to achieve the target of the mid-term management strategy by using an indicator set as a target under the plan.

Result

1.06

Stock price fluctuation rate

Reasons for selection

To enhance a correlation between remunerations for directors and the shareholders value by using an indicator that is directly linked with an increase/decrease in shareholders value.

Result

1.18

3. Remuneration for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board members is decided by the consensus of the members of Audit & Supervisory Board. These members receive flat-rate remuneration that is not affected by fluctuations in the company’s operating performance.

4. Remuneration for Directors and Audit & Supervisory Board Members (FY22.3)

Unit: million yen

Executive classification	Total remuneration	Total remuneration by type			Number of eligible members
		Basic remuneration	Bonus	Stock compensation	
Directors (excluding outside directors)	939	378	375	186	9
Outside directors	84	84	—	—	5
Audit & Supervisory Board members (excluding outside members)	63	63	—	—	2
Outside Audit & Supervisory Board members	53	53	—	—	4

1. The number and amount of auditors paid above include 1 outside Audit & Supervisory Board member who passed away on April 28, 2021.
2. In addition to the above, adjustment payments to directors in lieu of retirement allowance were resolved at the 20th Annual Shareholders Meeting held on June 24, 2004 in connection with the cancellation of the executive retirement bonus system.

5. Total Remunerations and Bonuses of Board Members Who Receive Over 100 Million Yen (4 people)

Unit: million yen

Name	Executive classification	Total remuneration	Total remuneration by type		
			Basic remuneration	Bonus	Stock compensation
Takashi Tanaka	Director	162	52	85	25
Makoto Takahashi	Director	219	78	94	47
Takashi Shoji	Director	110	45	45	21
Shinichi Muramoto	Director	110	45	45	21

Outside Director/Auditor Support System

To ensure active discussions in the Board of Directors meetings, we inform outside directors and Audit & Supervisory Board members at least 3 days in advance of the dates and agenda items and provide agenda materials for upcoming meetings to help them gain a deeper understanding of the agenda in advance. In addition, we make the deliberations more substantial by accepting questions beforehand and preparing more extensive explanations for the meetings based on the questions.

We also provide a wide range of information outside the board meetings, including on business strategies, management status, R&D and technology. Specifically, each division’s general manager and Director provide detailed explanations of the general overview of the business and issues and regularly report on the management status of subsidiaries, we provide opportunities to visit in-house exhibitions of R&D achievements as well as the telecommunications equipment and network monitoring center and other workplaces. We also provide two reports every year on corporate ethics and risk management activities.

In addition, to enable outside directors to strengthen their ability to gather information, they are invited to attend meetings of the Audit & Supervisory Board when the auditing firm reports the results of the second quarter review and the year-end audit, and liaison meetings with Audit & Supervisory Board members are held twice a year.

To promote cooperation among outside directors, we hold liaison meetings exclusively for outside directors and liaison meetings for outside directors and part-time Audit & Supervisory Board members.

We aim to raise the effectiveness of the Board of Directors supervision of management and to invigorate discussions of management strategies at board meetings by providing a deeper understanding of our business through these initiatives.

We established the Audit & Supervisory Board Member’s Office, which supports Audit & Supervisory Board members, including part-time outside members.

Policies on Parent and Subsidiary Listings

One of KDDI’s subsidiaries, Okinawa Cellular Telephone Company (hereafter “Okinawa Cellular”), is listed on the Tokyo Stock Exchange Standard Market.

Being committed to “growth as a group,” KDDI aims to maximize mutual synergies and expand and strengthen new growth foundations for the entire group by maximizing the use of our assets and supporting the growth of group companies.

Okinawa Cellular was established with the cooperation of several prominent local companies, making it a community-based company that contributes strongly to the local community.

Based on this background, we believe that there are the following advantages to having Okinawa Cellular as a publicly traded company, and we believe that it continues to be significant to have Okinawa Cellular as a listed subsidiary.

1. Returns to investors

By implementing shareholder return measures as a listed company, Okinawa Cellular will be able to return profits to its investors, including local companies that cooperated in the company’s establishment and investors who have supported the company since its listing.

Okinawa Cellular’s shareholder return policy should be determined in consideration of the interests of all shareholders, taking into account the balance between medium- and long-term business growth and shareholder returns, and its implementation will be determined at the company’s discretion as an independent listed company.

2. Contributing to employment in Okinawa prefecture and securing talented human resources

Currently, many people from Okinawa prefecture have joined Okinawa Cellular and are playing an active role in the company. Given the geographical characteristics of Okinawa Cellular, we

believe that the fact that its business area is limited to Okinawa prefecture meets the needs of people from Okinawa who wish to work locally, and the fact that Okinawa Cellular is a publicly listed company also helps us recruit talented personnel.

3. Promote the use of Okinawa Cellular’s services and increase subscriptions by earning the trust of Okinawa residents

In addition to KDDI’s similar services, Okinawa Cellular also offers unique services based on local conditions. As a community-based listed company, we believe that we have earned the trust of people in Okinawa by operating our business in line with the expectations of the local community, and this has led to the promotion of Okinawa Cellular’s service use and increased subscriptions.

For transactions that may cause conflicts of interest, Okinawa Cellular determines whether to implement the transaction after multifaceted discussions by independent outside directors and independent outside auditors. Okinawa Cellular has also established a voluntary committee led by an independent outside director as an Advisory Committee to the Board of Directors to discuss director nominations and compensation, and decisions regarding management nominations and compensation are made after discussions by Okinawa Cellular’s independent directors/auditors to ensure transparency.

Through these efforts, we will ensure management transparency from the perspective of protecting minority shareholders, and at the same time meet the expectations of our shareholders by increasing corporate value and returning profits to shareholders.

KDDI will continue to respect independence and autonomy while mutually cooperating with Okinawa Cellular in business operations and development as a group.

Corporate Governance

Policy on Strategic Shareholdings

KDDI believes that participating in tie-ups with a variety of companies is essential to providing our customers with increasingly diverse and advanced services. KDDI possesses strategic shareholdings if such possession will contribute to the sustainable growth of KDDI's business and the medium- to long-term increase of corporate value.

Every year, the Board of Directors reviews all the pros and cons of continuing the possession of each individual strategic holding by judging its significance and economic rationale. When

a strategic shareholding is found to have only tenuous significance, KDDI will sell as promptly as possible.

KDDI calculates the ratio of the contribution by the issuing company to the KDDI's profits within the most recent fiscal year. The economic rationale is verified by comparing the ratio with the valuation of each strategic shareholding at the end of the most recent fiscal year, and confirming whether the ratio satisfies the capital cost standard established by KDDI.

Communication with Shareholders

We consider our shareholders and investors to be especially important stakeholders who fully understand and strongly support our business sustainability. Accordingly, we put the highest emphasis on building trust-based relationships with them in our management and strive to practice value-oriented corporate management, active information disclosure and enhanced communication. As part of our ongoing effort to improve communication, we hold quarterly presentation ses-

sions, where the management team presents KDDI's financial results directly. In addition, we organize private meetings and small-scale meetings with investors from both Japan and abroad and attend various conferences hosted by securities firms.

 Disclosure and IR

Vitalizing the General Meeting of Shareholders and Facilitating the Exercise of Voting Rights

Measures	Content
Early disclosure of General Meeting of Shareholders Notice	We send a notice around one week before the stipulated day by mail. Prior to that, the whole notice is disclosed on our website.
Scheduling to avoid days when many other companies hold their shareholders' meetings	We schedule the shareholders' meetings to avoid days when many other companies hold their shareholders' meetings.
Electronic voting system	Shareholders can exercise their voting rights via an online voting site. From the 2019 General Meeting of Shareholders, we introduced a system where shareholders can log in to the online voting site using a QR code in an effort to make things more convenient.
Participating in an electronic voting platform	We have joined the electronic voting platform.
English version of convocation notice	We publish a full English translation of the convocation notice on our website, online electronic voting site and voting platform.
Others * Extracted from the Corporate Governance Report	Shareholders can see the notice with their smartphone. In addition, to encourage the participation of more diverse shareholders in the General Meeting of Shareholders, we offer sign language interpretation as well as a hearing loop. The video of the meeting is available to anyone on demand on our website. We also are livestreaming so that shareholders can watch the proceedings and questions and answers on the day from a remote location. We also received "advance questions" on the Internet. By using this, we are striving to revitalize communication with our shareholders even under the situation of COVID-19.

 NOTICE OF THE 38TH ANNUAL SHAREHOLDERS MEETING

Principal Activities of Outside Directors and Outside Audit & Supervisory Board Members

* For independent members, we reappointed them as independent directors or auditors, judging from their background that there is no risk of a conflict of interest with general shareholders.

Outside Directors

Name	Reason for selection as an outside director of the Company (if designated as an independent director includes reason for this designation)	Principal activities in FY22.3
Goro Yamaguchi Male	Mr. Yamaguchi has a wealth of corporate management experience and excellent knowledge cultivated as the President and representative director of one of the world's leading electronic component and equipment manufacturers. On the Board of Directors, he expressed broad opinions related to business administration and operations from a medium- to long-term perspective, and has thus contributed to improving the corporate value of the Company. He has again been appointed as an outside director because the Company expects him to contribute to enhancing the supervising function of business execution based on his management experience of the other company and provide advice from a wide range of management perspectives.	Board of Directors (Attended 12 of 12 meetings)
Keiji Yamamoto Male	Mr. Yamamoto has excellent knowledge cultivated in IT development and electronics engineering divisions and abundant management experience as a management at the one of the world's leading automobile manufacturers. On the Board of Directors, he expressed broad opinions on promoting KDDI's 5G/IoT strategy, etc., from a medium- to long-term perspective, and has thus contributed to improving KDDI's corporate value. He has again been appointed as an outside director because the Company expects him to contribute to enhancing the supervising function of business execution and provide advice in the telecommunications field from technical perspectives.	Board of Directors (Attended 12 of 12 meetings)
Riyo Kano (Independent director) Female	Ms. Kano has abundant experience and superior knowledge, cultivated as a partner at a law firm and a committee member of government committees. On the Board of Directors, she expressed technical opinions related to legal risk management from a medium- to long-term perspective independent of the management team, and has thus contributed to improving KDDI's corporate value. She has again been appointed as an outside director because the Company expects her to contribute to enhancing the supervising function of business execution and provide advice from technical perspectives as a lawyer.	Board of Directors (Attended 12 of 12 meetings)
Shigeki Goto (Independent director) Male	Mr. Goto has a superior knowledge in information processing, telecommunications and network engineering, which is directly relevant to KDDI's business, as well as a deep understanding of cyber security that is valuable for the operation of our business. On the Board of Directors, he expressed technical opinions related to operational policy as an information communications operator providing social infrastructure, from a medium- to long-term perspective independent of the management team, and has thus contributed to improving KDDI's corporate value. He has again been appointed as an outside director because the Company expects him to contribute to enhancing the supervising function of business execution and provide advice in the telecommunications field from technical perspectives.	Board of Directors (Attended 12 of 12 meetings)
Tsutomu Tannowa (Independent director) Male	Mr. Tannowa has a wealth of corporate management experience cultivated as the Chairman of the Board and Representative Director of a major chemical manufacturer, while also offering excellent insight from a global perspective. He has been appointed as an outside director with the expectation that he will contribute to enhancing KDDI's corporate value by providing advice from a medium- to long-term perspective based on his management experience at the other company and by helping to strengthen the supervisory function of business execution.	—
Junko Okawa (Independent director) Female	Ms. Okawa has a wealth of corporate management experience, in addition to excellent insight cultivated from her work experience at a major airline company, especially in practical aspects such as customer service, corporate revitalization, and diversity promotion. She has been appointed as an outside director with the expectation that she will contribute to enhancing KDDI's corporate value by providing advice from a medium- to long-term perspective based on her management experience at other companies and by helping to strengthen the supervisory function of business execution.	—

* Mr. Tsutomu Tannowa and Ms. Junko Okawa are new directors who were appointed at the 38th Annual Shareholders Meeting.

Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside Audit & Supervisory Board member of the company (if designated as an independent member includes reason for this designation)	Principal activities in FY22.3
Yukihiro Asahina (Independent auditor) Male	Mr. Asahina has cultivated abundant experience and knowledge gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member.	Board of Directors (Attended 10 of 10 meetings) Audit & Supervisory Board(Attended 10 of 10 meetings)
Toshihiko Matsumiya (Independent auditor) Male	Mr. Matsumiya has abundant experience and knowledge as a Certified Public Accountant, as an employee of an auditing company, as the representative of an accountancy firm and as an auditor for other companies. From the perspective of leveraging this primarily accounting-related knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member.	Board of Directors (Attended 12 of 12 meetings) Audit & Supervisory Board(Attended 12 of 12 meetings)
Jun Karube (Independent auditor) Male	Mr. Karube has cultivated abundant experience and knowledge as a representative director of a listed company. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member.	Board of Directors (Attended 12 of 12 meetings) Audit & Supervisory Board(Attended 12 of 12 meetings)

* Mr. Yukihiro Asahina was appointed as an Audit & Supervisory Board member at the 37th Annual Shareholders Meeting held on June 23, 2021. The attendance was counted after the appointment.

Intellectual Property Management

Basic Policy on Intellectual Property

KDDI regards our intellectual property (IP) as an important resource for sustainable business growth and promotes IP activities that are integrated into our business strategies.

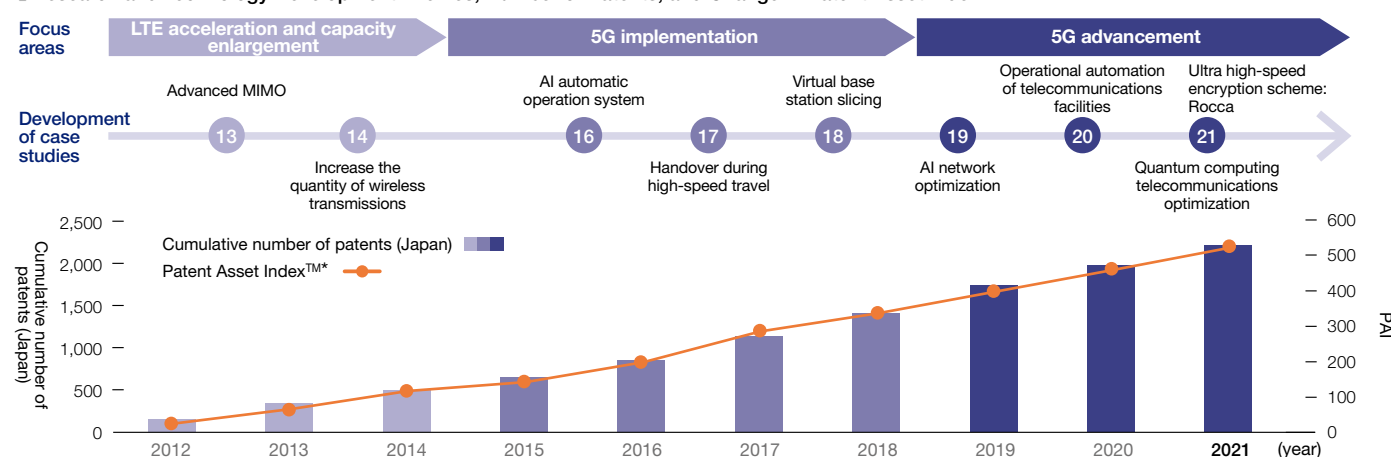
[Basic Policy]

1. We promote innovation in line with short, medium, and long-term business strategies and obtain IP strategically and utilize it effectively.
2. We support the IP activities of all companies to help develop collaborative projects with KDDI's Group companies and partners, including the start-ups in which we invest.
3. We respect the IP rights of third parties and minimize the risk of infringing IP rights in our business.
4. We contribute to the planning and promotion of business strategies through the analysis of IP information using IP landscaping.

1. Promotion of Innovation Centered on Telecommunications and Improvement of Brand Value

KDDI promotes the innovation of telecommunications networks from the short, medium, and long-term perspectives to improve the quality of telecommunications services. These efforts include applying for patents for ideas that will be exclusive to our business. Additionally, ideas for which infringement is difficult to detect externally are kept secret and used as know-how. In recent years, the number of patents held by KDDI and its Patent Asset Index™ (PAI) has increased as a result of enhanced innovation related to 5G and Beyond 5G. Looking ahead to the Beyond 5G era, we will further promote the innovation of telecommunications networks, which are the core of our business.

Research and Technology Development Themes, Number of Patents, and Change in Patent Asset Index

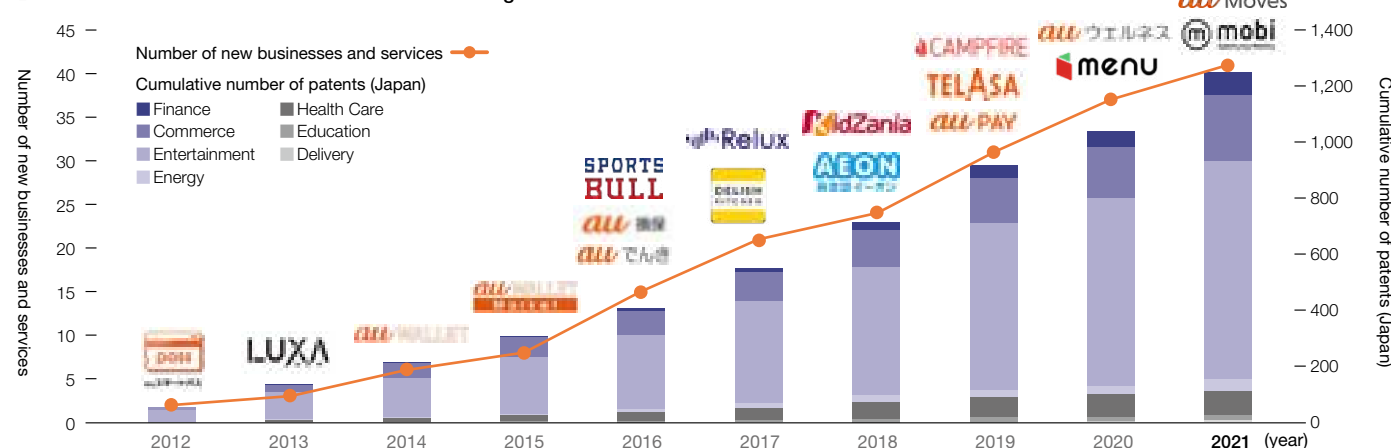


* The Patent Asset Index™ is calculated using LexisNexis' PatentSight®, a patent analysis tool. The overall evaluation index of a patent is calculated by multiplying the "Technology Relevance," which is itself calculated based on the number of citations of the patent, and the "Market Coverage," which is calculated based on the country of application and other factors.

KDDI is also entering peripheral areas centered on telecommunications to provide new services through business collaborations with our partners. When entering new markets, we conduct a complete risk analysis and take measures to avoid infringing the IP rights of third parties. Additionally, to provide new experiential value from the customer's perspective, we are promoting innovation in collaboration with Group companies and start-ups and working to create a competitive patent portfolio. Furthermore, the entire company is united in its efforts to improve the brand value of "KDDI," "au," "UQ mobile," and "povo." The "au" brand recently placed 12th (brand value: \$4.478 billion) in the Best Japan Brands 2022*.

* Ranked by Interbrand Japan, Inc. based on a calculation of the monetary value of Japanese brands that operate globally.

Number of New Businesses and Services and Change in the Number of Patents



2. Strengthening of IP Activities and Governance for the Business Growth of the KDDI Group

The Intellectual Property Division holds regular discussions with business divisions and KDDI Research, Inc. on IP activities based on an analysis of industry trends in each business and information on KDDI's and other companies' IP.

It is necessary for collaboration partners to appropriately implement their IP activities for the growth of co-creation projects with Group companies and start-ups. Thus, we support Group companies that face challenges in their IP management

systems and start-ups in which we have invested to ensure that the most appropriate IP activities are conducted*. As the number of Group companies and companies in which we have invested has increased, so has the number of companies we support.

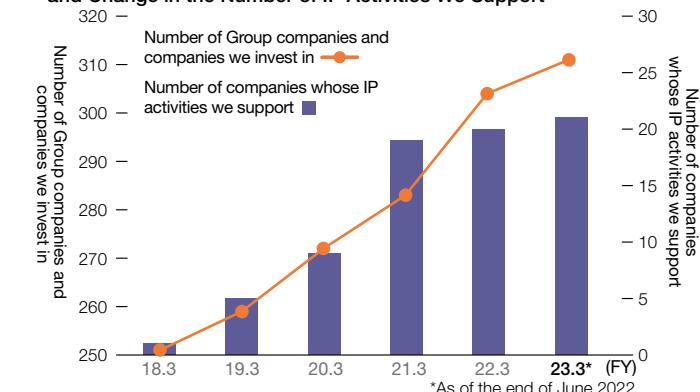
In recognition of this support, we received the Economy, Trade and Industry Minister's Prize for companies that use IP ("open innovation promotion company" category) at the 2018 Intellectual Property Achievement Awards held by the Ministry of Economy, Trade and Industry and the Japan Patent Office. This was the first award for an open innovation promotion company.

Additionally, to improve the understanding of IP company-wide, we educate our employees on the use of IP, how to minimize the risk of infringing IP rights, and the management of know-how. The training content is tailored to the job description and role of the target audience, such as all employees, researchers, new employees, and service planning divisions. The status of these IP initiatives is reported to the Corporate Management Committee and the Board of Directors to strengthen their governance.



Intellectual Property Achievement Awards

Number of Group Companies and Companies We Have Invested in, and Change in the Number of IP Activities We Support



* Approach to the handling of intellectual property and intangible assets to support start-ups (Japanese only)

3. Intellectual Property-Related Activities in Line with Sustainability Management

In response to social issues such as the declining birthrate, the aging population, and labor shortages, in the future, drones are expected to provide services in place of humans in the fields of logistics, inspection, monitoring, and surveying.

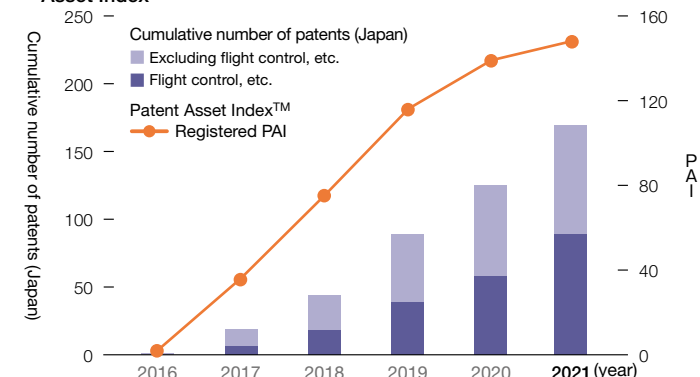
To realize this, KDDI is promoting innovation in the use of drones in the medium-to-long term.

IP landscaping is being used to conduct a comprehensive analysis of trends in the drone industry and related policies, regulations, and markets, as well as to examine our strengths and weaknesses in comparison with our competitors based on our patent information. These activities have led us to focus on "flight control and flight monitoring" using "telecommunication," which is one of our strengths, as a priority area for promoting innovation, and we are working to expand our patent portfolio.

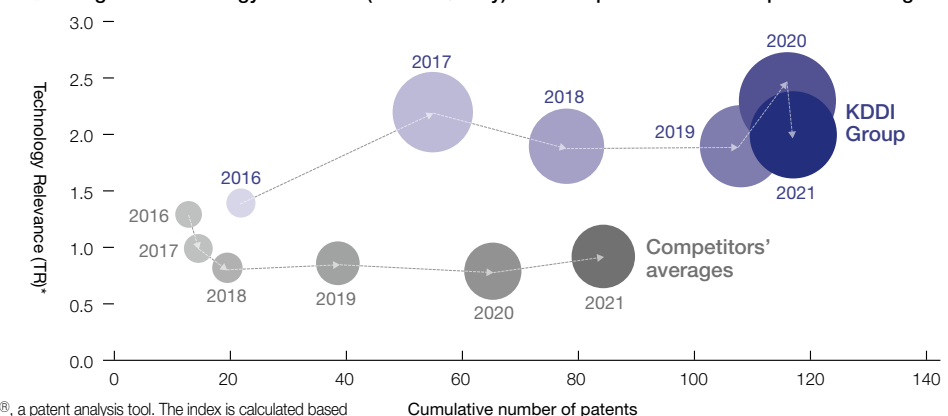
As a result of our efforts to obtain patents ahead of our competitors, according to our research, our Technology Relevance (patent quality) has exceeded the average of that of our competitors. We have thus developed a patent portfolio with a competitive advantage.

We will continue to promote IP activities for business growth as well as innovation to solve social issues.

Number of Patents Related to Smart Drones and Change in the Patent Asset Index



Changes in Technology Relevance (Patent Quality) and Comparisons with Competitors' Averages



* Technology Relevance is calculated using LexisNexis' PatentSight®, a patent analysis tool. The index is calculated based on the number of citations a patent receives in comparison with other patents in the same technical field in the same year.

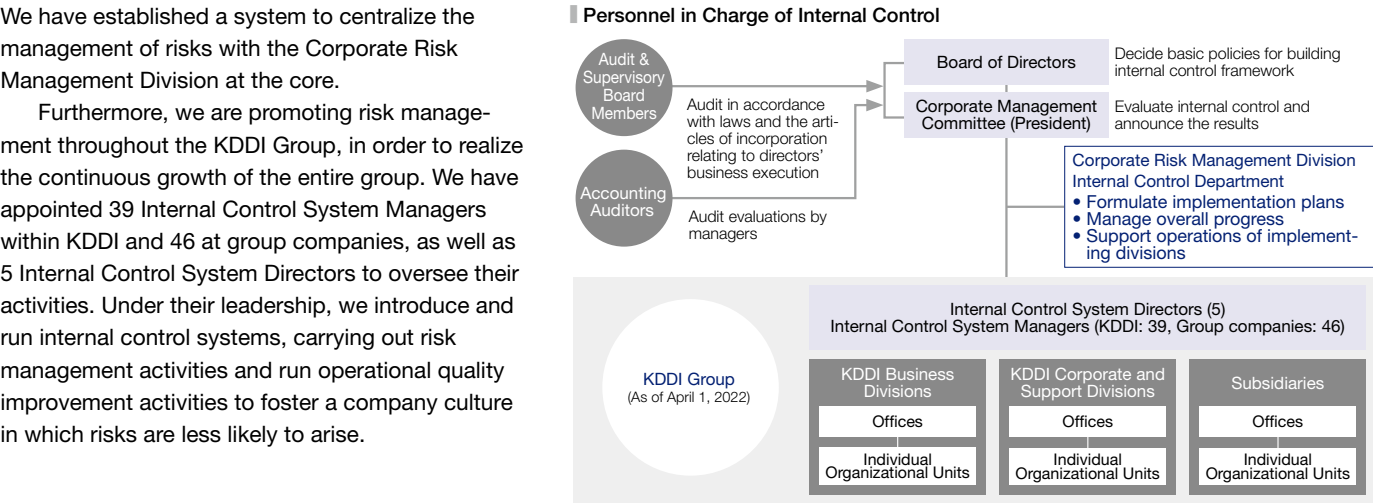
Risk Management and Internal Controls

KDDI's Approach (Risk Management and Internal Control)

In the ever-changing business environment, the risks that companies face are increasingly diverse and complicated.

We define factors and events that negatively influence the achievement of our business goals as risks and consider enforcing risk management as material business challenge. In order to be sustainable and responsible to society, we promote risk management initiatives throughout the KDDI Group.

KDDI's Risk Management and Internal Control



Risk Management Activity Cycle



Risk Identifying Process

We regularly examine information about risks to identify significant risks that seriously influence corporations, and discuss measures to reduce such risks and their impacts as much as possible in case we face them.

In order to ensure the achievement of our business goals, in FY22.3, we selected 31 significant risks based on issues that manifested in the past and changes in the business environment, and held internal audits centered on risk prediction, the reduction of significant risks and risk approach. The selected significant risks include cyber-attacks, an area that is becoming increasingly complex, global businesses, and issues arising from the expansion of new business fields such as e-commerce, finance and accounting, and energy as a result of the integration of telecommunications and life design, by the previous mid-term management strategy. In order to minimize information security risks, we have also established a common standard applicable group-wide to improve the level of information security across the group.

The status of these significant risks is also reflected on business risks that are revealed in the Securities Report* since it relates to the finance as well.

*For details, please see the Business Risks section of the Securities Report for FY23.3. (Japanese only)

Basic Policy for Constructing an Internal Control System

Based on the provision of Article 362, Paragraph 5 of the Companies Act, we passed the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors. In addition, we publicly announce resolutions and our operational status to ensure the fair, transparent and efficient execution of our corporate duties and maintain an effective system for internal controls to raise the company's quality level.

Risk Management and Internal Controls

Main Operational Risks

Risk	Competitors, rival technologies and rapid market shifts	Protection of confidentiality of communications and customer privacy (personal and corporate information)	Natural disasters and other unforeseen events	Laws, regulations, and government policies relating to the telecommunications sector	Acquisition of human resources, training and personnel management
Risk background	<ul style="list-style-type: none">The need to provide user support for product defects attributable to the rapid expansion of the commerce businessInability to acquire needed bandwidth we needIncrease in competition due to new high-speed wireless data technologyPossible rise in connection fees with other telecommunications operatorsIntensifying competition as a result of changes in the business landscape due to partnerships with other industries, sales packages that include other products (such as telecommunications + power), the emergence of MNOs and MVNOs in the market and other companies expanding their business fields	<ul style="list-style-type: none">Internal privacy breachesUnauthorized access from external networks	<ul style="list-style-type: none">Natural disasters, such as earthquakes, tsunamis, typhoons, or floods, as well as secondary damage from the spread of toxic substances caused by natural disastersWorldwide spread of an infectious disease (pandemic)War, terrorism, accidents, or other unforeseen eventsPower brownouts or blackoutsComputer viruses or other forms of cyber-attack and hackingOperation system hardware or software failuresFlaws in communication equipment and services	<ul style="list-style-type: none">Revisions to the calculation formula for inter-operator connection fees and / or accounting methodsRevisions to designated telecommunications facilities system and / or the regulations on prohibited activitiesRevisions to the universal service systemsThe emergence of MNOs and MVNOs in the mobile communication marketRevisions to the frequency allocation system and / or spectrum user fee systemChanges in rules regarding electricity retail and financial business, etc.Changes in rules regarding the usage of personal data, etc.	<ul style="list-style-type: none">Rise in human resources investment costs in the future
Potential impact on KDDI	<ul style="list-style-type: none">Negative impacts on the financial position and operations of the KDDI Group	<ul style="list-style-type: none">Could seriously damage the brand image of the KDDI Group. In addition to a possible loss of customer trust, we could also be forced to pay substantial compensation or surchargeIn the future, we may face higher costs to develop the framework necessary to protect the confidentiality of communications and customer privacyCould have a negative impact on the financial position and / or earnings performance of the KDDI Group	<ul style="list-style-type: none">Service outages or interruptions as a result of large-scale natural disasters or accidents caused by climate change, etc.Loss of opportunities to offer products and services due to service outages as a result of failures in network systems or communication equipment, substantial billing errors, closing of distributors, or suspension of distribution and reputational damages through media such as SNS could damage the brand image of the KDDI Group and lead to loss of customer trust and decreased customer satisfaction, which could have a negative impact on the earnings performanceThe Company's future business activities and earnings performance could be affected by customers' lost opportunities to use au Shops due to shortened store operating hours, reduced mobile data usage due to increased Wi-Fi usage at home, and the various influences on our life design business and solution services for corporate customers	<ul style="list-style-type: none">The KDDI Group's earnings performance could be negatively impacted by the revision or abolishment of laws and regulations or formulation of government policies relating to telecommunications and finance businessThe KDDI Group's earnings performance could be negatively impacted if the company's competitive advantage is relatively diminished as a result of competition	<ul style="list-style-type: none">If we are unable to handle matters appropriately in the future, the KDDI Group's brand image could be damaged, leading to loss of customer trust and a negative impact on our earnings performance
KDDI's response	<ul style="list-style-type: none">The creation of new value and the achievement of sustainable growth in the 5G / IoT era domestically and globally with a business strategy that focuses on the previous mid-term management strategy "integration of telecommunications and life design," which centers on telecommunications and expands peripheral businesses	<ul style="list-style-type: none">Establishment of the KDDI Code of Business Conduct, KDDI Security Policy, and KDDI Privacy PolicyEstablishment of the Business Ethics CommitteeReinforcement of various technical, organizational and human safety management measuresEducating all employees on the protection of confidentiality of communications and customer privacyWorking with our external partners, particularly with our retail network of au Shops, to strengthen management through the improvement of shop operations, monitoring and trainingEstablishing Information Security CommitteeAcquiring external authentication (ISMS) in the whole company24 / 7 monitoring of external attacks by specialists	<ul style="list-style-type: none">Initiatives to improve reliability of our network and prevent service outages by implementing Business Continuity PlanningEstablishing a disaster response headquarters as early as possible in the event of an emergency or disasterContract procedures available online 24 hours a dayInitiatives to ensure the safety of customers and employees	<ul style="list-style-type: none">Taking appropriate actions based on laws, regulations and government policiesAdvocating measures for fair competition with other telecommunications operators through various deliberation councils and study sessions as well as the public comment system of the Japan's Ministry of Internal Affairs and Communications	<ul style="list-style-type: none">Working together across the entire company to support personnel training and career development to keep up with technological innovationsAppropriate personnel management and the promotion of work style reforms based on the law

Initiatives in Response to the Internal Control Reporting System (J-SOX)

In response to the internal control reporting system based on the Financial Instruments and Exchange Law implemented in FY09.3, we conducted evaluations of the internal controls at KDDI and 10 major group subsidiaries (totaling 11 companies) in and outside Japan to ensure reliability of our financial reporting. The results of these evaluations were compiled in an internal control report, which was submitted to Japan's Prime Minister in June 2022, as well as disclosed to investors.

Activities to Enhance Operational Quality

In conjunction with the response to the internal control reporting system, we established an Internal Control Department that promotes initiatives for improving the overall operational quality of the whole Company, and Internal Control System Managers in each department facilitate initiatives that enhance the efficiency and standardization of operations to do so. Business improvement projects through this activity are added to a database, enabling all employees to utilize activities to enhance operational quality in their own departments.

Furthermore, to further raise each employee's awareness and motivation regarding the quality of operations, we have introduced the Operational Quality Improvement Prize to recognize excellent and ambitious initiatives. In addition, we have started working on the introduction of robotic process automation (RPA) across the Company as a way of improving operational quality, productivity, and efficiency at the same time, starting with the preparation of the RPA system environment and education programs.

Activities to Enhance Operational Quality

- e-learning training
- Sharing messages from executives and good examples of initiatives in e-mail newsletters and internal magazines
- Implementation of Operational Quality Improvement Prize (Once a year)

Compliance

Compliance Policy

We recognize that in order to fulfill our social responsibilities through our business activities, raising compliance awareness throughout the Group is a fundamental issue of corporate management.

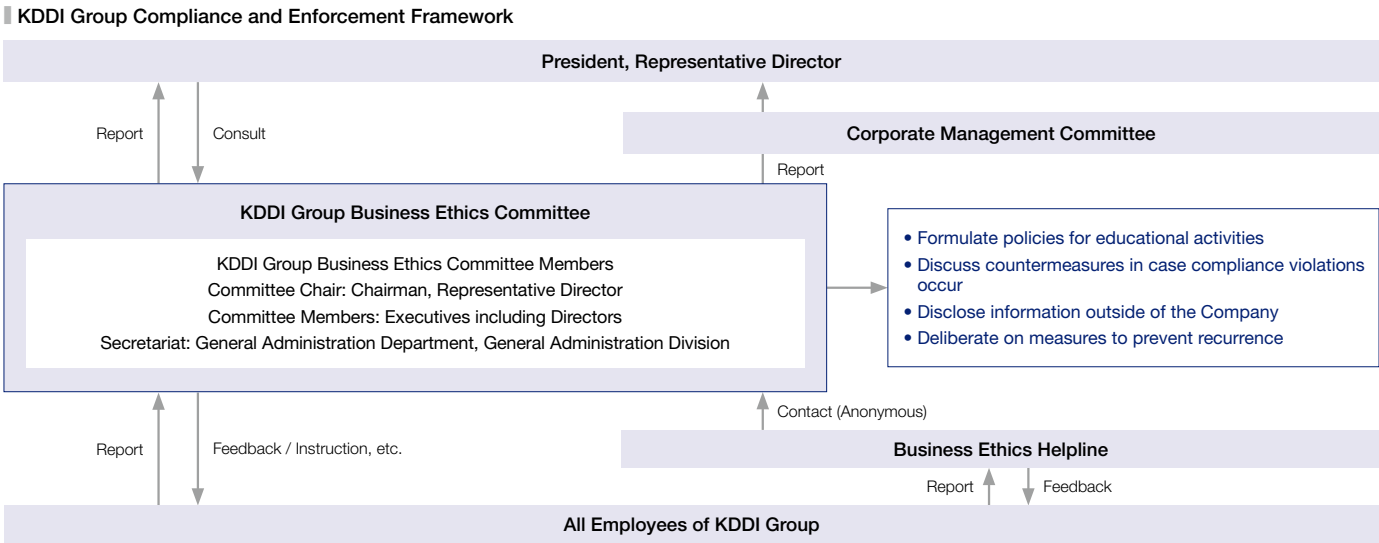
As a global corporate group, we continue to further enforce our group-wide compliance framework.

KDDI Group Compliance and Enforcement Framework

We created the KDDI Code of Business Conduct to support ethical behavior and ensure that every employee cultivates a compliance mindset. To ensure that the Code is shared and practiced, it is published on the intranet and a web link to the Code is put in business mobile devices lent to employees, enabling employees to check it whenever they are unsure what action to take. Also, we established the KDDI Group Business Ethics Committee as a decision-making body for KDDI Group’s compliance related matters. The committee is chaired by the committee chair as Chairman, Representative Director, and members include directors and additional nominees appointed by the chair as required. The committee holds a meeting once

every half-year, and in addition to assessing the conditions of Group companies, it builds and supports enhancement of compliance frameworks. The committee is also responsible for helpline issues, corruption prevention and compliance issues such as breaches of competition laws.

Under the KDDI Group Business Ethics Committee, the committee formulates policies on raising awareness, discusses countermeasures in case compliance violations occur and is responsible for disclosure of such information as well as the prevention of recurrence. In addition, the reports on their activities are made available to all employees via the intranet.



Compliance Education, Training and Awareness Raising

Target	Examples of Initiatives
All KDDI employees	Promotion of the KDDI Group Philosophy
All KDDI employees	Distribution of web shortcuts related to the KDDI Code of Business Conduct to business mobile devices lent to employees
KDDI Group Business Ethics staff, etc.	Explanatory Seminar on the Revised Whistleblower Protection Act
New line managers	e-learning contents on compliance
Group company executives	Training for learning risk management in corporate operations, legal and accounting knowledge, and labor management

Compliance

Initiatives to Prevent Harassment

Examples of Initiatives in FY22.3
Examples of Initiatives
Dissemination of the KDDI Code of Business Conduct and thorough implementation of actions
Training on harassment for department heads, group leaders, and line managers
Harassment reporting questionnaire for employees
Dissemination of report counters such as the Sexual Harassment and Human Relations Hotline and the Business Ethics Helpline by distributing whistleblowing cards to employees
Responses to take when reported harassment cases have been substantiated

Business Ethics Helpline (Fraud Detection Mechanism)

We established the Business Ethics Helpline in 2006 to serve as a contact point for all employees of KDDI, KDDI Group companies and business partners who have questions or concerns about business ethics and legal compliance, including human rights issues. The helpline is available anytime and can receive reports through an internal or external contact point established in collaboration with external experts (Reports can be received by e-mail, phone call or letter, in multiple languages). We also accept anonymous consultations and declarations.

Furthermore, we accept consultations and reports in accordance with the Whistleblower Protection Act, which went into effect in April 2006 and was revised in June 2022.

We are actively promoting the use of the Business Ethics Helpline and the Sexual Harassment and Human Relationships Hotline by distributing whistleblowing cards.

In FY22.3, there were 502 consultations and reports in all KDDI Group (as of January 2022), but there was no consultation or reporting of serious issues that require external announcement.

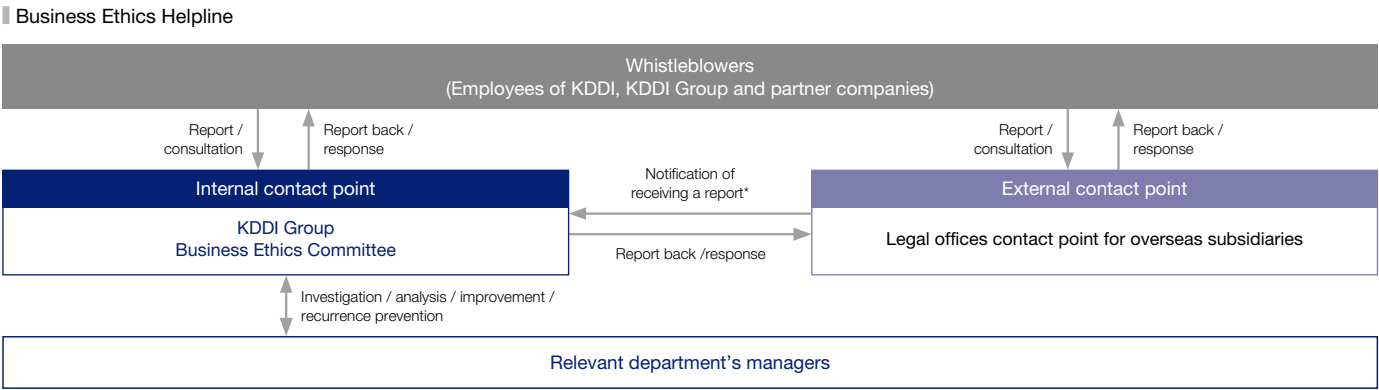
The KDDI Group Business Ethics Committee investigates the issues consulted on and reported as required while protecting privacy, and when the problems are detected, the committee members as well as the management team and the Audit & Supervisory Board members review the report and take corrective actions along with measures to prevent recurrence.

In the event that KDDI or KDDI Group company employees or others are found to have been affected by a violation of corporate ethics or legal compliance including human rights issues, KDDI is committed to redress the affected parties.

■ Compliance Consultations Received in the Last Two Years (KDDI Group) Unit: case

Consultations	FY21.3	FY22.3
Compliance consultations	671	502
Breakdown: harassments	220	207
Breakdown: other compliance violations	451	295

* As of January 2022 for FY22.3



* Consultations that the external contact point received are relayed to the internal contact point, keeping anonymity for the whistleblowers

Compliance

Elimination of Organized Crime Groups (Basic Approach and Implementation Status)

Our Basic Policy for the Creation of Internal Systems takes a firm stand on countering organized crime groups.

In addition to rules defining initiatives for blocking off any relations with such groups, the KDDI Code of Business Conduct,

which defines basic principles to be followed and enforced by all executives and employees, takes a firm stance against organized crime groups, rejecting any requests for illicit funds and refusing to comply with any demands.

Anti-Corruption Measures

Basic Approach to Anti-corruption

To prevent corrupt practices, the KDDI Code of Business Conduct defines the principles of promoting fair business activities and the conscientious performance of duties and prohibits activities such as bribing politicians and public officials, along with other similar types of corruption.

Specifically, this includes any business entertainment, gift and invitation given to a public official in the course of business with governmental agencies that is prohibited under the National Public Service Act and other applicable laws and regulations. KDDI has established that, when dealing with overseas governments and companies, employees will not provide any business entertainment, gift or invitation as stipulated in the UN Convention against Corruption as well as the laws and regulations of the relevant countries against foreign corrupt practices and unfair competition.

In addition to the above, we also stipulate the elimination of organized crime groups and prohibition of insider trading and anti-competitive behavior, and any violations will be punished in accordance with internal regulations. In order to prevent these

violations, we use e-learning courses and e-mails to inform all employees and raise their awareness. In FY22.3, there were no employees subject to disciplinary dismissal for violating the anti-corruption provisions of the KDDI Code of Business Conduct.

Sustainable Procurement

We also urge business partners to comply with the KDDI Sustainable and Responsible Procurement Guidelines, which defines rules for prohibition of corruption, bribery, abuse of power and giving or receiving illicit funds.

Political Contributions

For any political donations we make, we observe the Political Funds Control Act and follow the KDDI Code of Business Conduct and the KDDI Sustainable and Responsible Procurement Guidelines.

In FY22.3, we made political donations totaling 6 million yen in Japan, and there were no cases of legal action against us concerning corruption or bribery.

Preventing Anti-competitive Behaviors

The KDDI Code of Business Conduct defines rules that prohibit anticompetitive behaviors, and we make efforts to ensure that all employees comply with competition laws.

In addition to competition laws, we stipulate that local laws and regulations in each country and region on labor, tax, the environment, consumer protection and data protection must be examined thoroughly to ensure full compliance.

Furthermore, under the KDDI Sustainable and Responsible Procurement Guidelines, we demand our business partners to not engage in any activities that inhibit fairness, transparency or freedom of competition.

However, in an undercover survey conducted by the Ministry of Internal Affairs and Communications (hereafter MIC), a certain number of cases were found in which distributors violated the spirit of Article 27-3 of the Telecommunications Business Law by refusing to sell mobile devices to non-wireline subscribers. Therefore, in May 2021 and June 2022, KDDI received requests from MIC to take thorough measures to ensure that no inappropriate actions are taken. KDDI is in the process of reviewing its supervision system for distributors to ensure thorough compliance with the discipline.

In September 2021, following the compilation of the “2021 Report on Verification of Competition Rules” by MIC, KDDI received a request from MIC in the same month to quickly terminate existing contracts and to make it known that the handset purchase program is available without a wireline subscription. KDDI is striving to take appropriate measures, such as eliminating contract cancellation fees at the end of March 2022 to eliminate existing contracts and displaying easy-to-understand advertisements for handset purchase programs.

In June 2021, the Japan Fair Trade Commission (hereafter JFTC) released a follow-up study report titled “Competition Policy Issues in the Mobile Phone Market (FY2021 Study).” Based on the antimonopoly law and competition policy approach identified in the report, KDDI reported to the JFTC in October 2021 on changes to the handset purchase program offering method, the evaluation system for distributors, and the handling of proprietary merchandise, as well as other improvements, and also announced the improvements publicly.

We fully adhere to the related regulations and continue the appropriate business operations.

Responsible Tax Practice

Basic Tax Policy

We at KDDI Group pursue the satisfaction of our customers and benefits customers while fulfilling our social responsibilities not only by complying with international rules and applicable tax laws and regulations in all operating countries and regions, but also by complying with and following the spirit of the law and paying tax appropriately to engage in tax fairness, and thereby strive to maximize corporate value.

In FY22.3, we paid 331,957 million yen of corporate income tax, which accounts for 31.2% of gross income. KDDI Group submits the Securities Report after undergoing accounting audits by external independent accounting auditors and obtaining approval of the CFO (Executive Vice President, Representative Director / Executive Director, Corporate Sector) and the President.

Tax Governance Structure

The KDDI Group Tax Management Regulations have been established to ensure that the KDDI Group steadily implements the Basic Tax Policy in its actual business activities. KDDI Group companies are required to comply with the regulations. The regulations were established by KDDI and are overseen by the Chief Financial Officer.

Practical operations are transferred to KDDI's tax division, which reports to the CFO and the necessary meetings bodies when it becomes aware of significant events or risks related to the KDDI Group's tax affairs.

Initiatives to Maintain and Improve Tax Governance

As KDDI Group businesses become increasingly multinational and have more international transactions, our top management, including the President, is working to develop and promote a tax strategy that properly recognizes international tax risks and regards such risk as an important issue that is directly linked to management, while utilizing external specialists to have a deeper understanding of the latest tax updates. In addition, the head office is engaged in education for employees across the world and receives tax practice support from external specialists. With these initiatives, we strive to maintain and improve tax governance.

Also, with regard to the tax returns it prepares, KDDI has them reviewed by an external tax accountant corporation and obtains approval of the CFO before submitting them to the tax authorities.

Tax Transparency and Relations with Tax Authorities

To maintain the transparency of tax affairs, we prepare and submit an annual report on our activities by country in accordance with tax laws in Japan. We also work to build trust relationship with tax authorities in each country by conducting timely and appropriate disclosure of tax-related information, such as a business summary report on the overall status of the Group's activities in line with the relevant laws, regulations and disclosure standards of each country and region in which we operate. With these initiatives and prior inquiries as required, we strive to reduce tax risks.

Efforts to Prevent Tax Avoidance

In accordance with OECD's Action Plan on Base Erosion and Profit Shifting (BEPS), we are committed to ensuring proper tax payment in all operating countries including Japan, by aligning tax payments with the location of our economic activity and value creation, in line with the revision of tax regulations to tackle BEPS.

In particular, we handle transfer pricing taxation and anti-tax haven taxation, which are critical international taxation issues.

Transfer Pricing Tax Compliance

The KDDI Group's business is primarily in telecommunications and ancillary businesses in Japan, and its foreign-related transactions are few compared with those of other multinationals of similar size.

Where foreign-related transactions are conducted, the prudence of the foreign-related transaction is confirmed in compliance with the laws and regulations of the relevant countries, and transfer pricing documentation is prepared. Additionally, depending on the size of the foreign-related transaction, we pay the appropriate taxes by utilizing various systems in consultation with the tax authorities.

Tax Haven Tax Compliance

We do not use tax-free or low-tax jurisdictions (so-called “tax haven jurisdictions”) for tax avoidance. When an investment is made in a tax haven area for business reasons, the anti-tax haven taxation system is applied following the laws and regulations of the relevant countries. If the company is subject to anti-tax haven taxation, it will file the appropriate tax return and pay the tax due.

■ Amount of Tax Paid			Unit: 100 million yen
	FY21.3		
Japan	3,224	98.0%	
UK	24	0.7%	
France	9	0.3%	
Mongolia	7	0.2%	
China	6	0.2%	
Others	19	0.6%	
Total	3,289	100.0%	

Financial and Non-Financial Data

Consolidated Financial Highlights (Years ended March 31)

	Japanese GAAP			
Consolidated	FY12.3	FY13.3	FY14.3	FY15.3
Operating Revenues/Net Sales ↔ P107	3,572,098	3,662,289	4,333,628	4,573,142
Operating Income ↔ P107	477,648	512,669	663,245	741,299
Operating Margin	13.4%	14.0%	15.3%	16.2%
EBITDA*2	908,499	959,571	1,186,069	1,292,597
EBITDA Margin	25.4%	26.2%	27.4%	28.3%
Net Income/Profit for the Year Attributable to Owners of the Parent ↔ P107	238,605	241,470	322,038	427,931
Capital Expenditures ↔ P110	421,568	467,020	571,799	576,197
Depreciation and Amortization	417,886	406,726	470,098	494,570
Interest-Bearing Debt ↔ P108	1,046,754	977,563	1,084,966	1,002,214
Equity Ratio/Ratio of Equity Attributable to Owners of the Parent	51.5%	55.1%	55.1%	57.3%
Return on Equity/Ratio of Return on Equity Attributable to Owners of the Parent (ROE)	11.5%	11.2%	13.0%	14.9%
Return on Assets/Ratio of Return on Total Assets (ROA)	12.3%	12.7%	14.7%	14.5%
Earnings per Share/Basic Earnings per Share*3 (yen)	96.86	105.30	132.87	170.84
Dividends per Share*3 (yen) ↔ P108	26.67	30.00	43.33	56.67
Dividend Payout Ratio	27.5%	28.5%	32.6%	33.2%
Net Cash Provided by (Used in) Operating Activities	725,886	523,908	772,207	962,249
Net Cash Provided by (Used in) Investing Activities	(484,507)	(472,992)	(546,257)	(674,520)
Free Cash Flows*4 ↔ P110	241,379	50,916	225,950	287,729
Net Cash Provided by (Used in) Financing Activities	(225,931)	(140,249)	(105,643)	(224,862)

*1 Terminology differences between Japanese GAAP and IFRS (adopted from FY16.3) will be presented as "Japanese GAAP/IFRS."

*2 From FY13.3 and in FY15.3, the EBITDA calculation formula has been changed.

Until FY12.3 (JGAAP): EBITDA = Operating income + depreciation + noncurrent assets retirement cost

Until FY15.3 (JGAAP): EBITDA = Operating income + depreciation + amortization of goodwill + noncurrent assets retirement cost

Since FY15.3 (IFRS): EBITDA = Operating income + depreciation and amortization + noncurrent assets retirement cost + impairment loss

							IFRS
							Millions of yen
FY15.3	FY16.3	FY17.3	FY18.3	FY19.3	FY20.3	FY21.3	FY22.3
4,270,094	4,466,135	4,748,259	5,041,978	5,080,353	5,237,221	5,312,599	5,446,708
665,719	832,583	912,976	962,793	1,013,729	1,025,237	1,037,395	1,060,592
15.6%	18.6%	19.2%	19.1%	20.0%	19.6%	19.5%	19.5%
1,284,553	1,410,971	1,524,207	1,560,061	1,598,670	1,750,861	1,786,170	1,813,436
30.1%	31.6%	32.1%	30.9%	31.5%	33.4%	33.6%	33.3%
395,805	494,878	546,658	572,528	617,669	639,767	651,496	672,486
667,714	531,434	519,365	560,831	601,757	615,054	627,907	676,461
518,708	532,442	545,177	546,609	562,282	689,473	727,438	727,779
1,154,116	1,235,287	1,151,650	1,118,616	1,275,711	1,680,367	1,645,481	1,600,104
54.5%	56.3%	56.7%	57.4%	57.1%	45.8%	45.2%	45.0%
13.5%	15.5%	15.9%	15.6%	15.5%	14.9%	14.2%	13.8%
12.1%	14.5%	15.0%	15.0%	14.6%	12.1%	10.3%	9.8%
158.01	197.73	221.65	235.54	259.10	275.69	284.16	300.03
56.67	70.00	85.00	90.00	105.00	115.00	120.00	125.00
35.9%	35.4%	38.3%	38.2%	40.5%	41.7%	42.2%	41.7%
968,752	884,538	1,161,074	1,061,405	1,029,607	1,323,356	1,682,166	1,468,648
(635,745)	(667,917)	(637,225)	(633,847)	(714,578)	(610,950)	(658,925)	(761,593)
333,006	216,621	523,849	427,558	315,028	712,406	1,023,241	707,056
(310,528)	(299,003)	(485,784)	(453,168)	(310,951)	(546,381)	(585,571)	(727,257)

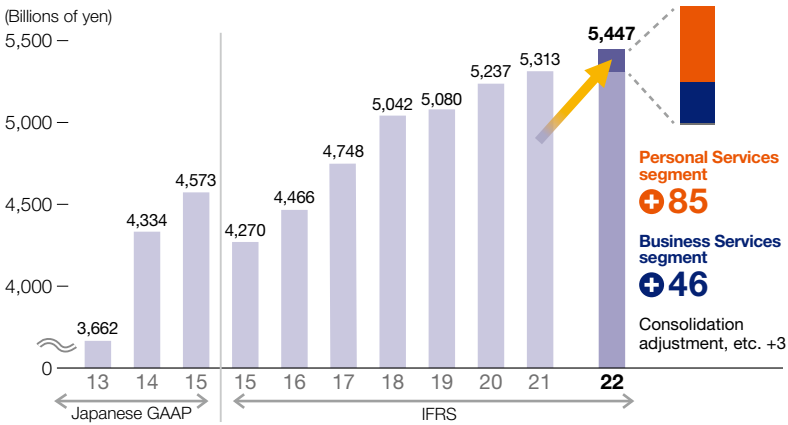
*3 Values are adjusted following stock splits conducted with effective dates of October 1, 2012, April 1, 2013, and April 1, 2015. Figures for previous fiscal years have been retroactively adjusted.

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

Financial and Non-Financial Highlights (Years ended March 31)

Financial

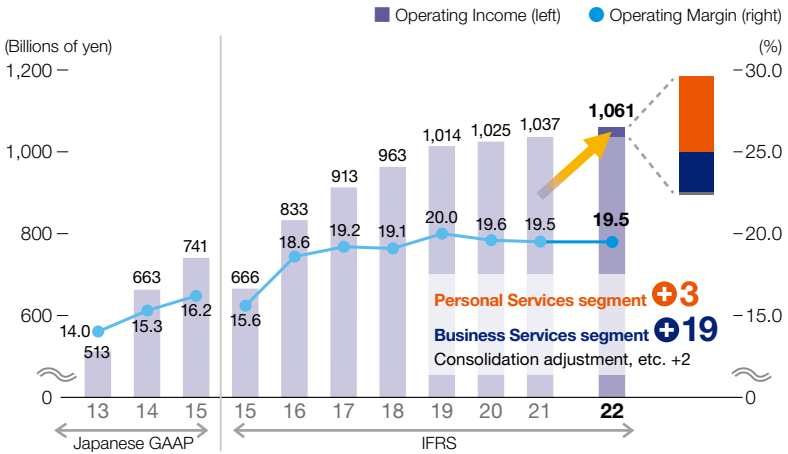
Operating Revenues/Net Sales



YOY **+2.5%**
¥5,446.7 billion

Higher Handset revenues and increased revenue from the Business Services segment and the financial and energy businesses resulted in net sales increased 2.5% year-on-year to ¥5,446.7 billion.

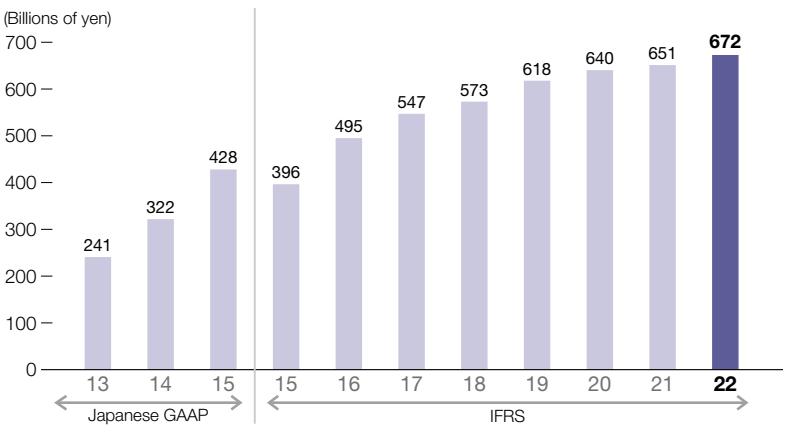
Operating Income



YOY **+2.2%**
¥1,060.6 billion

The decrease in Multi-Brand communications ARPU revenues was offset by an increase in MVNO and roaming revenues, as well as higher income from the Business Services segment and financial and energy businesses, which are the Company's focus areas. Operating income increased 2.2% year-on-year to ¥1,060.6 billion.

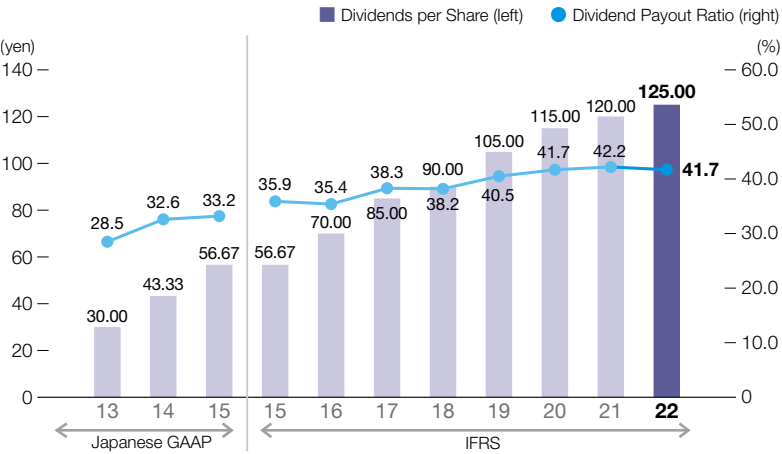
Net Income/Profit for the Year Attributable to Owners of the Parent



YOY **+3.2%**
¥672.5 billion

In addition to the increase in operating income, the increase in net financial income contributed to the 3.2% year-on-year increase in profit for the year attributable to owners of the parent, to ¥672.5 billion.

Dividends per Share



YOY **+¥5.00**
¥125.00

The annual dividend was ¥125, an increase of ¥5 year-on-year, and the consolidated dividend payout ratio was 41.7%. Regarding the dividend policy from FY23.3 to FY25.3, we will maintain a consolidated dividend payout ratio of over 40%, in parallel with our efforts toward sustainable growth, including capital investment in 5G and focus areas and strategic business investment.

Interest-Bearing Debt

YOY **-¥45.4 billion**
¥1,600.1 billion

Interest-bearing debt dropped by ¥45.4 billion year-on-year to ¥1,600.1 billion, mainly due to a decrease in lease obligations and borrowings.

D/E Ratio

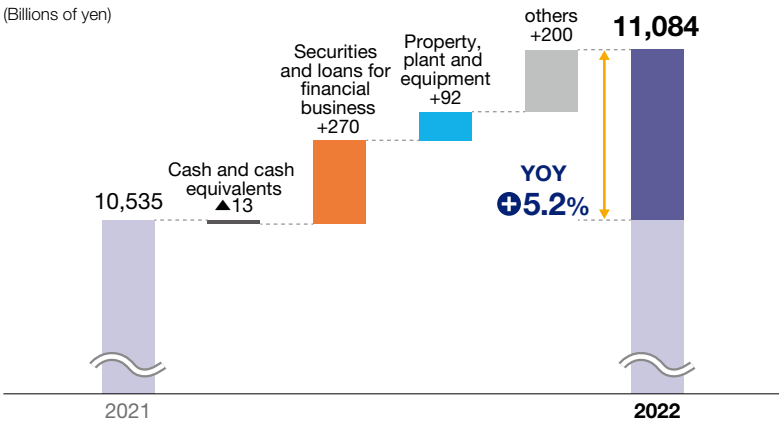
YOY **-0.03**
0.32 times

In addition to a decrease in interest-bearing debt, an increase in retained earnings led to an increase in the parent company's equity attributable to the owners of the parent. As a result, the D/E ratio was 0.32, a decrease of 0.03 year-on-year.

Financial and Non-Financial Highlights (Years ended March 31)

Financial

Total Assets

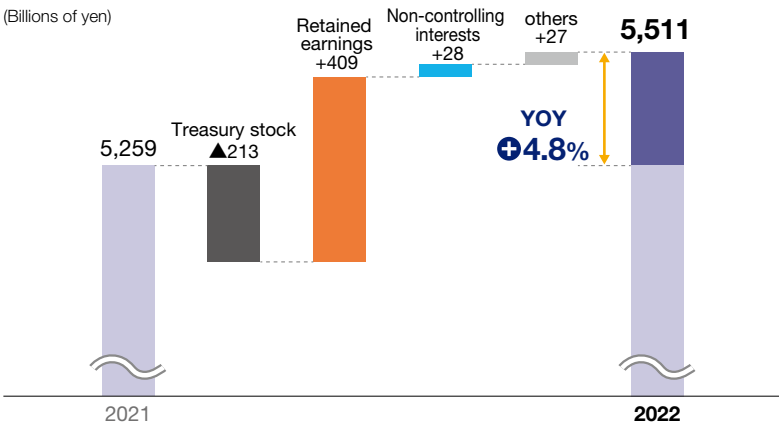


YOY **+** ¥549.1 billion

¥11,084.4 billion

Total assets increased by ¥549.1 billion year-on-year to ¥11,084.4 billion, mainly due to an increase in loans for the financial business because of the securitization of mortgage loan receivables.

Total Equity

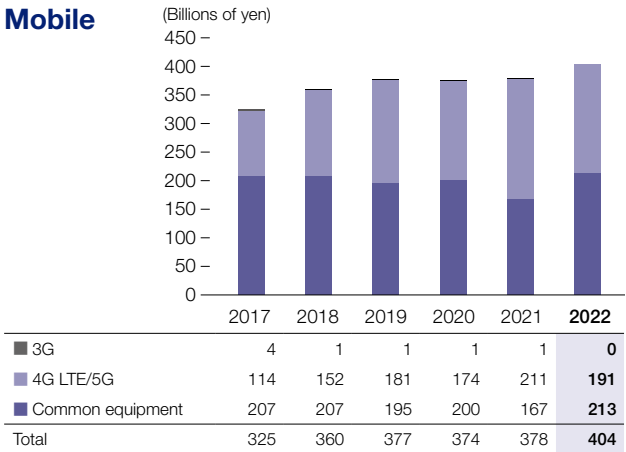


YOY **+** ¥251.2 billion

¥5,510.7 billion

Despite the acquisition of treasury stock, the increase in retained earnings due to higher profit for the period and an increase in non-controlling interests contributed to the increase in capital. Total equity amounted to ¥5,510.7 billion, up ¥251.2 billion year-on-year.

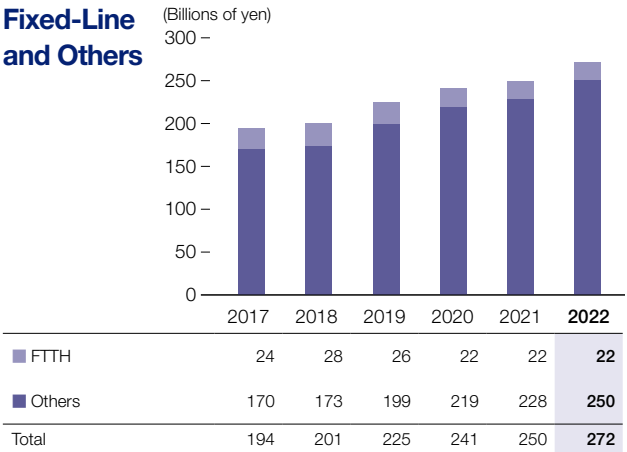
Capital Expenditures (Payment Basis)



YOY **+** ¥26.2 billion

¥404.2 billion

In the mobile business, while 4G investment decreased, 5G investment expanded, resulting in an increase of ¥26.2 billion year-on-year to ¥404.2 billion.

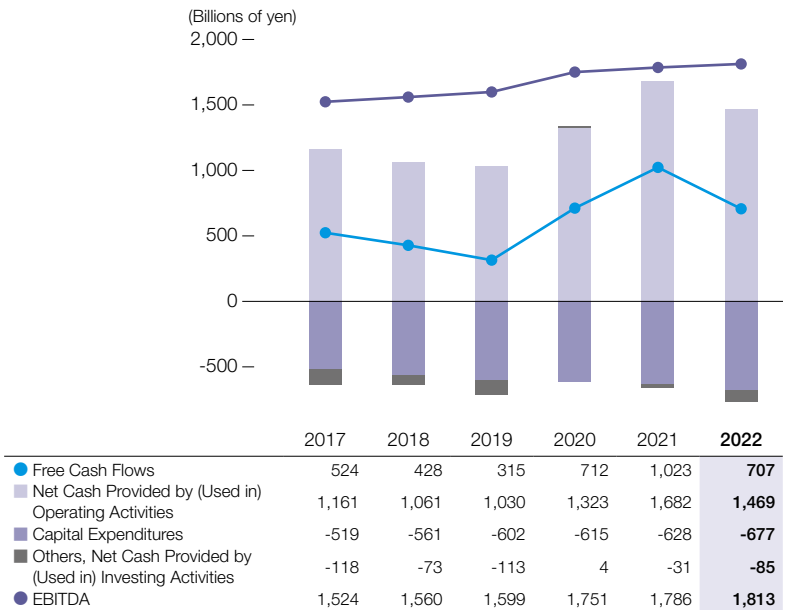


YOY **+** ¥22.4 billion

¥272.2 billion

Regarding the fixed lines, and others, net sales increased ¥22.4 billion year-on-year to ¥272.2 billion because some payments for FY21.3, were delayed to FY22.3, and in addition to the increase in voice, network, and other shared infrastructure facilities, etc.

Free Cash Flows



YOY **-** ¥316.2 billion

¥707.1 billion

Net cash provided by operating activities amounted to ¥1,258.4 billion*, a decrease of ¥154 billion year-on-year due to an increase in income taxes paid as well as other factors.

On the other hand, cash flow from investing activities increased by ¥65.1 billion year-on-year to ¥699.5 billion* due to an increase in capital expenditure for the promotion of 5G investment etc.

As a result, free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, amounted to ¥558.9 billion*, down ¥219.1 billion year-on-year.

* Excluding financial business (au Financial Holdings)

Financial and Non-Financial Highlights (Years ended March 31) **Non-Financial**

		Boundary	Unit
Number of employees		Consolidated	people
Working years		Non-consolidated	year
Number of managers		Non-consolidated	people
		Non-consolidated	%
Number of hired		Non-consolidated	%
CO ₂ emissions	Scope 1 ^{*3}	Direct GHG emissions	Non-consolidated t, %
	Scope 2 ^{*4}	Indirect GHG emissions from consumption of purchased electricity, heat or steam	Non-consolidated t, %
	Scope 3 ^{*5}	Purchased goods and services	Non-consolidated t, %
		Capital goods	Non-consolidated t, %
		Fuel- and energy-related activities not included in Scopes 1 and 2	Non-consolidated t, %
		Upstream transportation and distribution	Non-consolidated t, %
		Waste generated in operations	Non-consolidated t, %
		Business travel	Non-consolidated t, %
		Employee commuting	Non-consolidated t, %
		Upstream leased assets	Non-consolidated t, %
		Downstream transportation and distribution	Non-consolidated t, %
		Processing of sold products	Non-consolidated t, %
		Use of sold products	Non-consolidated t, %
		End-of-life treatment of sold products	Non-consolidated t, %
		Downstream leased assets	Non-consolidated t, %
		Franchises	Non-consolidated t, %
		Investment	Non-consolidated t, %
	Scope 3 Total		Non-consolidated t, %
Environmental impact data	Power consumption	Non-consolidated	1000 kWh
	Scope 1 emissions	Fuel	Non-consolidated t-CO ₂
	Scope 2 emissions ^{*4} (market-based)	Electricity, steam and hot and cold water	Non-consolidated t-CO ₂
	Total of Scope 1 + 2 emissions		Non-consolidated t-CO ₂
	Scope 3 emissions	Total of categories 1-15	Non-consolidated t-CO ₂
	Total of Scope 1 + 2 +3 emissions		Non-consolidated t-CO ₂
	Power consumption	Consolidated	1000 kWh
	Electricity consumption derived from renewable energy sources	Consolidated	1000 kWh
	Scope 1 emissions	Fuel	Consolidated t-CO ₂
	Scope 2 emissions ^{*4} (market-based)	Electricity, steam and hot and cold water	Consolidated t-CO ₂
Environmental impact data 2	Total of Scope 1 + 2 emissions (market-based)		Consolidated t-CO ₂
	Scope 2 emissions (location-based)	Electricity, steam and hot and cold water	Consolidated t-CO ₂
		Electric power consumption per subscriber ^{*6}	Non-consolidated 1000 kWh
		Fuel consumption ^{*7}	Non-consolidated kL
		Paper usage	Non-consolidated t
		Water usage ^{*8}	Non-consolidated 1,000 m ³
		Industrial waste ^{*9}	Non-consolidated t
		Number of mobile phones and other devices collected by KDDI : Mobile phone main body	Non-consolidated 10,000 devices
		Number of mobile phones and other devices collected by KDDI : Batteries	Non-consolidated 10,000 devices
		Number of mobile phones and other devices collected by KDDI : Chargers	Non-consolidated 10,000 devices
		Energy usage at equipment-related facilities	Non-consolidated 1000 kWh
		Water usage (Water supply, recycled water, well water, excluding waste water)	Consolidated 1,000 m ³
		Water resource usage (basic unit): Consolidated water usage/ Consolidated number of employees	Consolidated 1,000 m ³ / person
		Industrial waste (Nonhazardous industrial waste (telecommunications equipment, normal daily waste from KDDI buildings))	Consolidated t
	Renewable energy (business)	Total generated energy (sold)	Non-consolidated MWh
	Reduction of waste products and paper resources	Material recycling volume	Non-consolidated t
		Reduction of paper by putting bills on the web	Non-consolidated t
	Promotion of mobile phone recycling	Recycling rate (mobile phones)	Non-consolidated %

FY18.3		FY19.3		FY20.3		FY21.3		FY22.3		Note
38,826		41,996		44,952		47,320		48,829		
17.6		17.7		17.8		17.6		17.2		
302		321		342		370		344		*1 The number of managerial personnel includes KDDI managerial personnel as well as those temporarily transferred to other companies
—		—		—		—		9.4		
31.3		36.9		31.1		32.4		33.6		
t	%	t	%	t	%	t	%	t	%	
5,700	0.09	6,539	0.12	6,581	0.10	5,746	0.09	7,962	0.13	
1,073,088	17.67	1,058,143	18.98	1,041,559	16.13	1,049,105	16.28	1,078,552	17.55	*2 Figures for FY22.3 are percentage as of April 1, 2022.
3,818,806	62.89	3,347,946	60.05	3,529,472	54.65	3,581,713	55.57	3,373,587	54.88	*3 Heavy oil (crude oil), diesel kerosene, city gas
828,675	13.65	875,318	15.70	1,584,908	24.54	1,486,988	23.07	1,367,518	22.25	
35,280	0.58	37,104	0.67	40,188	0.62	41,729	0.65	43,950	0.71	*4 The CO ₂ emissions are calculated using the emission factors furnished by electric utility operators. (Emissions from heat, steam and hot and chilled water consumption are included.)
12,101	0.20	8,777	0.16	7,408	0.11	7,183	0.11	12,035	0.20	
1,043	0.02	710	0.01	413	0.01	464	0.01	485	0.01	
6,327	0.10	5,012	0.09	4,955	0.08	662	0.01	870	0.01	*5 Uses emission coefficients indicated in Japan's Ministry of the Environment's Overview of Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain.
4,332	0.07	4,034	0.07	5,043	0.08	1,897	0.03	2,153	0.04	
1,092	0.02	1,133	0.02	784	0.01	514	0.01	527	0.01	
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	*6 The number of subscribers combines subscriptions for au and FTTH (unit: 1,000 contracts).
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	
285,294	4.70	229,913	4.12	237,008	3.67	268,754	4.17	259,227	4.22	
426	0.01	344	0.01	205	0.00	150	0.00	125	0.00	*7 Fuel consumption includes heavy oil, diesel and kerosene (but excludes city gas and LP gas). The emission coefficient applied to GHG emissions calculation and reporting and disclosure system specified in the Act on Promotion of Global Warming Countermeasures is used.
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	*8 Water supply, recycled water, well water, excluding waste water
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	
0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	
4,993,376	82.23	4,510,291	80.90	5,410,384	83.77	5,390,054	83.63	5,060,478	82.32	*9 Nonhazardous industrial waste (telecommunications equipment, normal daily waste from KDDI buildings)
2,086,626		2,151,456		2,262,524		2,357,458		2,471,430		
5,700		6,539		6,581		5,746		7,962		
1,073,088	*10	1,058,143		1,041,559		1,049,105		1,078,552		*10 Stated figure is corrected. (Feb. 2023) Incorrect: 1,072,088 Correct: 1,073,088
1,078,788		1,064,683		1,048,140		1,054,850		1,086,514		
4,993,376		4,510,291		5,410,384		5,390,054		5,060,478		
6,072,164		5,574,974		6,548,524		6,444,904		6,146,992		
2,992,240		2,930,568		3,079,800		3,198,506		3,638,802		
143,311		158,338		169,349		338,319		374,438		
22,594		25,511		25,169		25,420		27,679		
1,504,142		1,369,942		1,352,131		1,296,381		1,496,547		
1,526,737		1,395,453		1,377,300		1,321,801		1,524,226		
—		1,486,429		1,486,924		1,475,724		1,618,657		
368		360		358		361		372		
319		330		544		345		364		
7,462		10,853		9,512		8,798		5,313		
746		400		395		842		397		
2,467		1,927		1,941		2,318		1,993		
134		125		118		112		114		
123		108		98		91		87		
57		54		63		54		58		
816,904		863,416		903,111		947,613		1,009,816		
1,002		730		675		1,156		1,087		
—		—		0		0		0		
4,937		3,303		3,753		3,319		4,816		
18,137		17,998		17,406		17,566		17,664		
1,093		1,618		792		1,073		1,714		
3,902		4,041		4,207		4,962		5,180		
99.8		99.8		99.8		99.8		99.8		

Consolidated Financial Statements

i. Consolidated Statement of Financial Position

Millions of yen			
As of March 31	Notes	FY21.3	FY22.3
Assets			
Non-current assets :			
Property, plant and equipment	5, 7	¥ 2,492,985	¥ 2,585,481
Right-of-use assets	7, 35	396,772	387,669
Goodwill	6, 7	540,420	540,962
Intangible assets	6, 7	1,024,831	1,025,223
Investments accounted for using the equity method	8	233,921	244,515
Long-term loans for financial business	31, 32	1,148,805	1,335,111
Securities for financial business	31, 32	276,065	338,285
Other long-term financial assets	11, 31, 32	325,201	329,268
Retirement benefit assets	16	38,364	44,720
Deferred tax assets	15	11,396	12,330
Contract costs	24	466,316	548,704
Other non-current assets	12	21,321	25,083
Total non-current assets		6,976,398	7,417,350
Current assets :			
Inventories	9	69,821	74,511
Trade and other receivables	10, 31	2,229,435	2,311,694
Short-term loans for financial business	31, 32	233,605	255,266
Call loans	31	33,846	45,064
Other short-term financial assets	11, 31, 32	69,955	67,154
Income tax receivables		7,969	2,904
Other current assets	12	104,496	113,822
Cash and cash equivalents	13	809,802	796,613
Total current assets		3,558,928	3,667,028
Total assets		¥10,535,326	¥11,084,379

Millions of yen			
As of March 31	Notes	FY21.3	FY22.3
Liabilities and Equity			
Liabilities			
Non-current liabilities :			
Borrowings and bonds payable	14, 31, 32	¥ 1,151,664	¥ 921,616
Long-term deposits for financial business	31, 32	32,850	33,240
Lease liabilities	35	288,650	279,265
Other long-term financial liabilities	18, 31, 32	14,172	14,198
Retirement benefit liabilities	16	12,109	12,496
Deferred tax liabilities	15	100,071	144,776
Provisions	19	77,476	70,073
Contract liabilities	24	71,669	71,083
Other non-current liabilities	20	10,813	11,015
Total non-current liabilities		1,759,474	1,557,762
Current liabilities :			
Borrowings and bonds payable	14, 31, 32	92,892	286,505
Trade and other payables	17, 31	754,345	834,496
Short-term deposits for financial business	31, 32	1,817,240	2,184,264
Call money	31	115,815	141,348
Lease liabilities	35	112,275	112,719
Other short-term financial liabilities	18, 31, 32	1,655	2,620
Income taxes payables		200,886	126,874
Provisions	19	38,925	25,641
Contract liabilities	24	100,889	86,091
Other current liabilities	20	281,461	215,397
Total current liabilities		3,516,383	4,015,953
Total liabilities		5,275,857	5,573,715
Equity			
Equity attributable to owners of the parent			
Common stock	22	141,852	141,852
Capital surplus	22	278,675	279,371
Treasury stock	22	(86,719)	(299,827)
Retained earnings	22	4,409,000	4,818,117
Accumulated other comprehensive income	22	16,912	43,074
Total equity attributable to owners of the parent		4,759,720	4,982,586
Non-controlling interests	37	499,749	528,077
Total equity		5,259,469	5,510,663
Total liabilities and equity		¥10,535,326	¥11,084,379

ii. Consolidated Statement of Income

Millions of yen			
For the years ended March 31	Notes	FY21.3	FY22.3
Operating revenue	24	¥5,312,599	¥5,446,708
Cost of sales	25	2,928,175	2,984,589
Gross profit		2,384,424	2,462,119
Selling, general and administrative expenses	25	1,364,234	1,422,539
Other income	26	17,136	21,001
Other expense	26	4,815	5,781
Share of profit of investments accounted for using the equity method	8	4,884	5,791
Operating income		1,037,395	1,060,592
Finance income	27	6,539	10,202
Finance cost	27	8,311	7,746
Other non-operating profit and loss	28	2,433	1,448
Profit for the year before income tax		1,038,056	1,064,497
Income tax	15	331,451	331,957
Profit for the year		¥ 706,605	¥ 732,540
Profit for the year attributable to:			
Owners of the parent		¥ 651,496	¥ 672,486
Non-controlling interests		55,109	60,054
Profit for the year		¥ 706,605	¥ 732,540
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	34	¥284.16	¥300.03
Diluted earnings per share (yen)		283.91	299.73

iii. Consolidated Statement of Comprehensive Income

Millions of yen			
For the years ended March 31	Notes	FY21.3	FY22.3
Profit for the year		¥706,605	¥732,540
Other comprehensive income			
Items that will not be transferred subsequently to profit or loss			
Remeasurements of defined benefit pension plans	16, 29	46,106	5,201
Changes measured in fair value of financial assets through other comprehensive income	29, 31	26,086	9,001
Share of other comprehensive income of investments accounted for using the equity method	8, 29	254	(6)
Total		72,445	14,195
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of cash flow hedge	29, 31	1,436	2,422
Translation differences on foreign operations	29	15,174	23,891
Share of other comprehensive income of investments accounted for using the equity method	8, 29	(322)	981
Total		16,288	27,294
Total other comprehensive income		88,733	41,490
Total comprehensive income for the year		¥795,339	¥774,029
Total comprehensive income for the year attributable to:			
Owners of the parent		¥736,709	¥706,668
Non-controlling interests		58,630	67,362
Total		¥795,339	¥774,029

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

iv. Consolidated Statement of Changes in Equity

Millions of yen									
For the year ended March 31, 2021									
	Notes	Equity attributable to owners of the parent							Total equity
		Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	
As of April 1, 2020		¥141,852	¥280,591	¥(156,550)	¥4,138,195	¥ (19,665)	¥4,384,424	¥474,684	¥4,859,108
Comprehensive income									
Profit for the year		—	—	—	651,496	—	651,496	55,109	706,605
Other comprehensive income		—	—	—	—	85,213	85,213	3,520	88,733
Total comprehensive income		—	—	—	651,496	85,213	736,709	58,630	795,339
Transactions with owners and other transactions									
Cash dividends	23	—	—	—	(276,085)	—	(276,085)	(31,336)	(307,421)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	48,636	(48,636)	—	—	—
Purchase and disposal of treasury stock	22	—	(3,298)	(80,153)	—	—	(83,451)	—	(83,451)
Retirement of treasury stock	22	—	(150,000)	150,000	—	—	—	—	—
Transfer from retained earnings to capital surplus		—	153,242	—	(153,242)	—	—	—	—
Changes in interests in subsidiaries		—	(2,851)	—	—	—	(2,851)	(2,229)	(5,080)
Other		—	991	(17)	—	—	974	—	974
Total transactions with owners and other transactions		—	(1,916)	69,830	(380,691)	(48,636)	(361,413)	(33,564)	(394,977)
As of March 31, 2021		¥141,852	¥278,675	¥(86,719)	¥4,409,000	¥16,912	¥4,759,720	¥499,749	¥5,259,469

Millions of yen									
For the year ended March 31, 2022									
	Notes	Equity attributable to owners of the parent							Total equity
		Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	
As of April 1, 2021		¥141,852	¥278,675	(86,719)	¥4,409,000	¥16,912	¥4,759,720	¥499,749	¥5,259,469
Comprehensive income									
Profit for the year		—	—	—	672,486	—	672,486	60,054	732,540
Other comprehensive income		—	—	—	—	34,182	34,182	7,308	41,490
Total comprehensive income		—	—	—	672,486	34,182	706,668	67,362	774,029
Transactions with owners and other transactions									
Cash dividends	23	—	—	—	(271,389)	—	(271,389)	(31,864)	(303,253)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	8,020	(8,020)	—	—	—
Purchase and disposal of treasury stock	22	—	(60)	(213,763)	—	—	(213,822)	—	(213,822)
Changes in interests in subsidiaries		—	(229)	—	—	—	(229)	(7,170)	(7,399)
Other		—	984	655	—	—	1,639	—	1,639
Total transactions with owners and other transactions		—	696	(213,108)	(263,369)	(8,020)	(483,801)	(39,034)	(522,835)
As of March 31, 2022		¥141,852	¥279,371	¥(299,827)	¥4,818,117	¥43,074	¥4,982,586	¥528,077	¥5,510,663

v. Consolidated Statement of Cash Flows

Millions of yen			
For the years ended March 31			
	Notes	FY21.3	FY22.3
Cash flows from operating activities			
Profit for the year before income tax		¥1,038,056	¥1,064,497
Depreciation and amortization	5, 6	727,745	728,101
Impairment loss	7	7,395	2,689
Share of (profit) loss of investments accounted for using the equity method	8	(4,884)	(5,791)
Loss (gain) on sales of non-current assets		(2,252)	(1,393)
Interest and dividends income	27	(3,710)	(7,022)
Interest expenses	27	6,929	6,681
(Increase) decrease in trade and other receivables		(51,014)	(51,616)
Increase (decrease) in trade and other payables		75,449	16,403
(Increase) decrease in loans for financial business		(213,740)	(207,966)
Increase (decrease) in deposits for financial business		422,671	367,415
(Increase) decrease in Call loans		17,091	(11,218)
Increase (decrease) in Call money		43,715	25,532
(Increase) decrease in inventories		5,495	(4,577)
(Increase) decrease in retirement benefit assets		(38,364)	(6,357)
Increase (decrease) in retirement benefit liabilities		(25,120)	387
Other		8,425	(84,111)
Cash generated from operations		2,013,889	1,831,655
Interest and dividends received		6,959	10,620
Interest paid		(7,300)	(6,499)
Income tax paid		(335,679)	(374,768)
Income tax refund		4,297	7,641
Net cash provided by (used in) operating activities		1,682,166	1,468,648
Cash flows from investing activities			
Purchases of property, plant and equipment		(414,722)	(425,800)
Proceeds from sales of property, plant and equipment		4,468	2,118
Purchases of intangible assets		(209,914)	(249,767)
Purchases of securities for financial business		(146,519)	(339,393)
Proceeds from sales and redemption of securities for financial business		122,038	277,300
Purchases of other financial assets		(18,774)	(12,822)
Proceeds from sales and redemption of other financial assets		4,848	7,165
Acquisitions of control over subsidiaries		(428)	—
Purchases of stocks of associates		(2,499)	(9,974)
Proceeds from sales of stocks of subsidiaries and associates		3,650	1,595
Other		(1,073)	(12,015)
Net cash provided by (used in) investing activities		(658,925)	(761,593)
Cash flows from financing activities			
Net increase (decrease) of short-term borrowings	30	19,517	17
Proceeds from issuance of bonds and long-term borrowings	30	77,500	—
Payments from redemption of bonds and repayments of long-term borrowings	30	(153,301)	(73,375)
Repayments of lease liabilities	30	(133,226)	(130,848)
Payments from purchase of subsidiaries' equity from non-controlling interests		(4,823)	(12,619)
Proceeds from the partial sales of shares of subsidiaries to non-contolling interests		—	6,750
Proceeds from stock issuance to non-controlling interests		9	108
Payments from purchase of treasury stock	22	(136,087)	(213,763)
Proceeds from sale of treasury stock		52,214	—
Cash dividends paid		(275,993)	(271,362)
Cash dividends paid to non-controlling interests		(31,379)	(32,164)
Other		(3)	(1)
Net cash provided by (used in) financing activities		(585,571)	(727,257)
Effect of exchange rate changes on cash and cash equivalents	30	2,930	7,012
Net increase (decrease) in cash and cash equivalents	30	440,600	(13,189)
Cash and cash equivalents at the beginning of the year	13, 30	369,202	809,802
Cash and cash equivalents at the end of the year	13, 30	¥ 809,802	¥ 796,613

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, 2022 comprise the Company and its consolidated subsidiaries (“the

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

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

2 Basis of Preparation

(1) Compliance of consolidated financial statements with IFRSs

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

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgement

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

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

As of the end of the fiscal year ended March 31, 2021, the Company had previously assumed that the impact of COVID-19 would last at least throughout the entire fiscal year ended March 31, 2022. However, the business environment surrounding the Company continues to be

unpredictable. Based on currently available information and in light of current conditions, the Company has revised its assumptions used for the preparation of its consolidated financial statements for the fiscal year ended March 31, 2022, making accounting estimates that the impact of COVID-19 will continue at least throughout the fiscal year ending March 31, 2023. This change on the consolidated financial statements for the fiscal year under review is immaterial. However, if future circumstances change and it becomes necessary to revise these judgments, it is possible that there could be a significant impact on the consolidated financial results for subsequent fiscal years.

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

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

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

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

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

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

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

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

iii. Evaluation of inventories

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

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

iv. Recoverability of deferred tax assets

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

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

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

v. Measurement of defined benefit obligations

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

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is 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. Significant account-

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the consolidated financial statements are not mandatory as of March 31, 2022. The Group did not choose to adopt them before the required adoption date.

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

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

ing policies (16) Employee benefits” and “16. Employee benefits.”

vi. Collectability of trade and other receivables

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

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

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

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

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

viii. Provisions

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

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

(5) Application of new standards and interpretations

The Group does not have significant standards and interpretations applied from the fiscal year ended March 31, 2022.

3 Significant Accounting Policies

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

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

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

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

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

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

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

(c) Disposal of a subsidiary

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

(d) Unification of reporting period

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

ii. Associates

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

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

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

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

iii. Joint arrangements

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

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

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

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

(2) Business combination

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

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

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

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

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

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

(3) Segment information

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

(4) Foreign currency translation

i. Functional currency and presentation currency

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

ii. Foreign currency transactions

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

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

iii. Foreign operations

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

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

(5) Property, plant and equipment

i. Recognition and measurement

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

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

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

ii. Depreciation and useful lives

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

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

Communication equipment	
Machinery	9–15 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 gain or loss arising from the derecognition of an item of property, plant and equipment is included in gain or loss when the item is derecognized.

(6) Goodwill

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

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

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. Instead, it is tested for impairment annually and if events or changes in circumstances indicate a potential impairment. For the impairment, please refer to "3. Significant 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 expense when it is incurred.

ii. Depreciation and useful lives

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

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

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

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

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

(b) Classification of non-derivative financial assets

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

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

Dividends are recognized in profit or loss.

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

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

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

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

(c) Derecognition of financial assets

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

ii. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

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

(b) Classification of financial liabilities

Financial liabilities measured at amortized cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

(c) Derecognition of financial liabilities

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

iii. Presentation of financial assets and liabilities

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

(12) Impairment of financial assets

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

- External credit rating of the financial asset
 - Downgrade of internal credit rating
 - Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
 - Reduced financial support from the parent company or associated companies
 - Delinquencies (Overdue information)
- Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received.



(13) Derivatives and hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(14) Cash and cash equivalents

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

(15) Inventories

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

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

(16) Employee benefits

i. 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 at the end of the reporting period. The defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. The discount rates are on the basis of the market yields of high-quality corporate bonds at the end of the reporting period, that are denominated in the currency in which the benefit will be paid, which corresponds to the estimated timing and amount of future benefits are to be paid.

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

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

(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 Company at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Company granted is determined by adjusting the market value, taking into account the expected dividend yield of the shares.

(19) Equity

i. Common stock

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

ii. Treasury stock

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

(20) Revenue

i. Mobile telecommunications services

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

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

which is when the service is provided to the customer in accordance with contract and the performance obligation is fulfilled. Discounts of communication charges are deducted from the mobile telecommunications service fees on a monthly basis.

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

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

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

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

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 related to transactions other than business combination, that affects neither the accounting profit nor the taxable profit (loss); and
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

4 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, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, energy, entertainment, education, and healthcare, while focusing on conventional telecommunications services, such as those related to smartphones, cell phones, FTTH, and CATV. We dynamically provide services attuned to customer needs and market conditions through a multi-brand strategy that encompasses “au,” “UQ mobile,” and “povo.” In the life design domain, we provide financial, energy and commerce services focused on the customer contact points of “au PAY” and “au Smart Pass.” We aim to expand the “au Economic Zone” going forward by enhancing these customer points and circulating reward points.

Overseas, we use know-how cultivated in Japan to actively provide telecommunications and life design services to individual customers, especially those in Myanmar, Mongolia, and other Asian regions.

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with a variety of solutions

(25) Dividends

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

(26) Earnings per share

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

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

encompassing smartphones and other devices, network and cloud services, and TELEHOUSE brand data center services.

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

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

The reportable segments for some subsidiary companies were changed due to organization change in the fiscal year ended March 31,2022. Accordingly, the segment information for the fiscal year ended March 31,2021 is presented based on the segment classification after this change.

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

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

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

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

Assets and liabilities are not allocated to reportable segments.



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

The Group's segment information is as follows:

For the year ended March 31, 2021	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Millions of yen Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	¥4,506,412	¥784,876	¥5,291,288	¥21,312	¥5,312,599	¥ —	¥5,312,599
Inter-segment revenue or transfers	78,704	211,754	290,458	51,791	342,249	(342,249)	—
Total	4,585,116	996,629	5,581,745	73,103	5,654,849	(342,249)	5,312,599
Segment income (loss)	862,858	167,486	1,030,343	6,545	1,036,888	507	1,037,395
Finance income and finance cost (Net)							(1,772)
Other non-operating profit and loss							2,433
Profit for the year before income tax							¥1,038,056
Other items							
Depreciation and amortization	643,732	85,342	729,074	1,964	731,038	(3,600)	727,438
Impairment loss	6,730	659	7,389	6	7,395	—	7,395
Share of profit of investment accounted for using the equity method	2,593	62	2,655	2,229	4,884	—	4,884

For the year ended March 31, 2022	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Millions of yen Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	¥4,597,313	¥828,038	¥5,425,351	¥21,357	¥5,446,708	¥ —	¥5,446,708
Inter-segment revenue or transfers	72,680	214,606	287,286	62,758	350,043	(350,043)	—
Total	4,669,993	1,042,644	5,712,637	84,114	5,796,751	(350,043)	5,446,708
Segment income (loss)	865,476	186,049	1,051,525	10,229	1,061,754	(1,162)	1,060,592
Finance income and finance cost (Net)							2,457
Other non-operating profit and loss							1,448
Profit for the year before income tax							¥1,064,497
Other items							
Depreciation and amortization	644,442	85,169	729,611	2,006	731,617	(3,838)	727,779
Impairment loss	1,998	676	2,674	15	2,689	—	2,689
Share of profit of investment accounted for using the equity method	3,600	464	4,063	1,728	5,791	—	5,791

Notes: 1. “Other” includes construction and maintenance of facilities, research and development of leading-edge technology, and other operations that do not constitute reportable segments.
2. Adjustment of segment income shows the elimination of inter-segment transactions.

(4) Information by product and service

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

(5) Information by region

i. Revenue

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

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

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

(6) Information by major customer

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

5 | Property, Plant and Equipment

(1) Movements of property, plant and equipment

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

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2020	¥5,441,403	¥643,368	¥287,524	¥175,047	¥487,109	¥7,034,452
Acquisition	2,958	630	7	483,070	424	487,089
Transfer from construction in progress	313,235	66,721	788	(425,668)	44,924	—
Acquisition by business combination	—	3	—	—	14	17
Disposal	(95,240)	(9,944)	(826)	(385)	(11,690)	(118,084)
Exchange differences	(46)	(575)	2,011	288	(5,132)	(3,454)
Other	(1,392)	4,714	(1,345)	(5,450)	2,574	(898)
As of March 31, 2021	5,660,918	704,918	288,161	226,901	518,224	7,399,122
Acquisition	16,953	1,897	284	467,207	2,172	488,513
Transfer from construction in progress	281,954	31,555	4,718	(354,341)	36,115	—
Acquisition by business combination	—	—	—	—	—	—
Disposal	(100,429)	(8,708)	(218)	(6,421)	(18,020)	(133,796)
Exchange differences	2,311	4,966	939	978	8,447	17,640
Other	354	1,193	(171)	(2,674)	2,739	1,441
As of March 31, 2022	¥5,862,061	¥735,821	¥293,712	¥331,649	¥549,676	¥7,772,919



Accumulated depreciation and accumulated impairment loss

Millions of yen						
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2020	¥(3,897,936)	¥(405,786)	¥(4,082)	¥(1,730)	¥(318,687)	¥(4,628,221)
Depreciation	(326,490)	(27,187)	—	—	(37,733)	(391,410)
Disposal	84,375	5,994	—	—	10,872	101,241
Impairment loss	(2,768)	(281)	—	(1,610)	(341)	(5,000)
Exchange differences	44	6,914	—	—	10,294	17,252
As of March 31, 2021	(4,142,776)	(420,345)	(4,082)	(3,340)	(335,594)	(4,906,137)
Depreciation	(317,551)	(27,894)	—	—	(39,960)	(385,405)
Disposal	88,747	7,747	—	(1)	17,202	113,695
Impairment loss	(1,455)	(172)	—	(14)	(181)	(1,822)
Exchange differences	(1,450)	(1,219)	—	(359)	(4,741)	(7,770)
As of March 31, 2022	¥(4,374,484)	¥(441,884)	¥(4,082)	¥(3,715)	¥(363,274)	¥(5,187,439)

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, 2020	¥1,543,467	¥237,582	¥283,442	¥173,317	¥168,423	¥2,406,231
As of March 31, 2021	¥1,518,142	¥284,573	¥284,079	¥223,561	¥182,630	¥2,492,985
As of March 31, 2022	¥1,487,577	¥293,937	¥289,630	¥327,934	¥186,402	¥2,585,481

(2) Property, plant and equipment pledged as collateral

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

(3) Property, plant and equipment with limited ownership

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

(4) Property, plant and equipment under construction

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

(5) Capitalization of borrowing costs

There are no significant borrowing costs included in the acquisition costs of the property, plant and equipment for the years ended March 31, 2021 and 2022.

6 Goodwill and Intangible Assets

(1) Movements of goodwill and intangible assets

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

Acquisition costs

Millions of yen							
	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2020	¥554,302	¥881,537	¥328,972	¥36,363	¥ 88,133	¥663,964	¥2,553,270
Individual acquisition	—	133,221	—	—	23,380	51,765	208,366
Acquisition by business combination	620	27	—	—	—	—	646
Disposal	—	(126,757)	—	—	—	(47,060)	(173,817)
Exchange differences	270	85	—	—	—	833	1,187
Other	—	55	—	—	(382)	(7,605)	(7,932)
As of March 31, 2021	555,191	888,168	328,972	36,363	111,131	661,897	2,581,721
Individual acquisition	—	168,281	—	—	20,328	49,914	238,523
Acquisition by business combination	—	—	—	—	—	—	—
Disposal	—	(95,598)	—	—	—	(41,445)	(137,043)
Exchange differences	542	567	—	—	—	1,831	2,940
Other	—	(1,785)	—	—	(753)	(19,981)	(22,518)
As of March 31, 2022	¥555,733	¥959,633	¥328,972	¥36,363	¥130,707	¥652,216	¥2,663,623

Accumulated amortization and impairment

Millions of yen							
	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2020	¥ (13,416)	¥(500,401)	¥ (108,482)	¥ (11,570)	¥(22,611)	¥(320,504)	¥ (976,985)
Amortization	—	(126,913)	(21,072)	(1,653)	(10,703)	(47,790)	(208,131)
Impairment loss	(1,355)	(692)	—	—	—	(348)	(2,395)
Disposal	—	125,020	—	—	—	46,533	171,553
Exchange differences	—	(55)	—	—	—	(456)	(511)
Other	—	—	—	—	—	—	—
As of March 31, 2021	(14,771)	(503,041)	(129,554)	(13,223)	(33,315)	(322,566)	(1,016,469)
Amortization	—	(131,681)	(20,820)	(1,653)	(13,171)	(46,367)	(213,693)
Impairment loss	—	(858)	—	—	—	—	(858)
Disposal	—	93,918	—	—	—	41,064	134,982
Exchange differences	—	(300)	—	—	—	(1,098)	(1,398)
Other	—	—	—	—	—	—	—
As of March 31, 2022	¥(14,771)	¥(541,963)	¥(150,374)	¥(14,876)	¥(46,486)	¥(328,968)	¥(1,097,437)

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:

	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2020	¥540,886	¥381,136	¥220,489	¥24,793	¥65,521	¥343,460	¥1,576,285
As of March 31, 2021	¥540,420	¥385,126	¥199,418	¥23,140	¥77,816	¥339,331	¥1,565,251
As of March 31, 2022	¥540,962	¥417,669	¥178,598	¥21,487	¥84,220	¥323,249	¥1,566,186

(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, 2021 and 2022 are ¥24,131 million and ¥25,081 million, respectively.

(3) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives described above as of March 31, 2021 and 2022 is ¥63,379 million.
The details of intangible assets are trademark rights that were acquired through business combinations. As these trademark rights exist as long as businesses are continued, useful lives of these intangible assets are assumed to be indefinite.

7 **Impairment of Property, Plant and Equipment, Goodwill, Intangible Assets and Right-Of-Use Assets**

Impairment test of cash generating units including goodwill and intangible assets with indefinite useful lives
The Group tests for impairment of goodwill and intangible assets with indefinite useful lives at least annually, and whenever there is an indication of impairment.
The total carrying amounts of the goodwill and intangible assets with indefinite useful lives allocated to cash-generating units or cash generating unit groups are as follows:

Goodwill		
Cash-generating unit or cash-generating unit group		
As of March 31	FY21.3	FY22.3
JCOM Co., Ltd. CATV business	¥280,709	¥280,709
Jupiter Shop Channel Co., Ltd.	92,577	92,577
AEON HD	31,621	31,621
ENERES Co., Ltd.	14,199	14,199
BIGLOBE Inc.	14,072	14,072
Other	107,242	107,784
Total	¥540,420	¥540,962

Intangible assets with indefinite useful lives

Cash-generating unit or cash-generating unit group		
As of March 31	FY21.3	FY22.3
BIGLOBE Inc.	¥26,374	¥26,374
Jupiter Shop Channel Co., Ltd.	19,859	19,859
AEON HD	17,146	17,146
Total	¥63,379	¥63,379

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

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

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

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

Cash-generating unit or cash-generating unit group		
As of March 31	FY21.3	FY22.3
JCOM Co., Ltd. CATV business	0.0%	0.0%
Jupiter Shop Channel Co., Ltd.	0.0%	0.0%
AEON HD	0.0%	0.0%
ENERES Co., Ltd.	0.0%	0.0%
BIGLOBE Inc.	0.0%	0.0%
Other	0.0%-6.5%	0.0%-6.0%

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

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

Cash-generating unit or cash-generating unit group		
As of March 31	FY21.3	FY22.3
JCOM Co., Ltd. CATV business	5.1%	5.8%
Jupiter Shop Channel Co., Ltd.	6.7%	7.3%
AEON HD	5.3%	5.2%
ENERES Co., Ltd.	5.4%	6.5%
BIGLOBE Inc.	7.2%	8.1%
Other	5.1%-16.7%	5.2%-15.2%

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

8 **Investments Accounted for Using the Equity Method**

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

Millions of yen		
As of March 31	FY21.3	FY22.3
Interests in associates	¥233,921	¥244,515
Total	¥233,921	¥244,515

(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, 2021 and 2022, there is not individually significant associate accounted for using the equity method.

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Profit for the year	¥4,884	¥5,791
Other comprehensive income, net of tax	(68)	975
Total comprehensive income for the year	¥4,816	¥6,766

9 Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

Millions of yen		
As of March 31	FY21.3	FY22.3
Finished goods and manufactured goods	¥66,250	¥71,262
Work in progress	3,385	2,684
Other	186	565
Total	¥69,821	¥74,511

There is no inventory to be sold after more than 12 months from March 31, 2021 and 2022.

(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	FY21.3	FY22.3
Write down of the inventories expensed (Note)	¥6,083	¥7,599

Note: Write down is recognized as costs of sales.

(3) Inventories pledged as collateral

There are no inventories pledged as collateral.

10 Trade and Other Receivables

The analysis of trade and other receivables is as follows:

Millions of yen		
As of March 31	FY21.3	FY22.3
Current		
Trade receivables		
Accounts receivable—trade and notes receivable	¥2,134,956	¥2,182,975
Accounts receivable—other (Note)	111,815	146,991
Loss allowance	(17,336)	(18,272)
Total	¥2,229,435	¥2,311,694

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, 2021 and 2022 are ¥481,835 million and ¥340,336 million, respectively.

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

11 Other Financial Assets

The analysis of other financial assets is as follows:

Millions of yen		
As of March 31	FY21.3	FY22.3
Non-current assets (Other long-term financial assets)		
Financial assets at fair value through profit or loss		
Derivatives	¥ 164	¥ 85
Financial assets at fair value through other comprehensive income		
Equity instruments		
Equities	177,224	199,608
Financial assets at amortized cost		
Debt instruments		
Security deposits	55,837	56,700
Long-term accounts receivables	11,879	13,081
Lease receivables	71,155	55,040
Other	20,911	17,761
Loss allowance	(11,970)	(13,008)
Sub total	325,201	329,268
Current assets (Other short-term financial assets):		
Financial assets at fair value through profit or loss		
Derivatives	4,085	9,596
Financial assets at amortized cost		
Debt instruments		
Lease receivables	35,597	35,122
Short-term investment	18,671	8,500
Other	11,601	13,937
Sub total	69,955	67,154
Total	¥395,155	¥396,422

12 Other Assets

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

Millions of yen		
As of March 31	FY21.3	FY22.3
Non-current assets		
Long-term prepaid expenses	¥ 19,617	¥ 20,635
Other	1,704	4,447
Sub total	21,321	25,083
Current assets		
Prepaid expenses	66,740	71,283
Advance payments	10,131	18,355
Other	27,625	24,184
Sub total	104,496	113,822
Total	¥125,817	¥138,905

13 Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

Millions of yen		
As of March 31	FY21.3	FY22.3
Cash in hand and deposits held at call with banks	¥806,770	¥794,375
Term deposits with original maturities of three months or less	3,032	2,238
Total	¥809,802	¥796,613
Cash and cash equivalents in consolidated statement of cash flow	¥809,802	¥796,613

14 Borrowings and Bonds Payable

(1) The analysis of borrowings and bonds payable

The analysis of borrowings and bonds payable is as follows:

Millions of yen			Average interest rate (%) (Note)	Due (Year)
As of March 31	FY21.3	FY22.3		
Non-current				
Bonds payable (excluding current portion)	¥ 329,384	¥ 279,564	0.35	2023-2029
Long-term borrowings (excluding current portion)	822,280	642,052	0.45	2023-2029
Sub total	1,151,664	921,616	—	—
Current				
Current portion of bonds payable	—	49,979	0.02	—
Current portion of long-term borrowings	73,375	180,491	0.21	—
Short-term borrowings	19,517	56,034	0.02	—
Sub total	92,892	286,505	—	—
Total	¥1,244,556	¥1,208,121	—	—

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:

As of March 31			Millions of yen		Interest rate (%)	Collateral	Due
Entity	Description	Issuance date	FY21.3	FY22.3			
KDDI Corp.	20th series of unsecured notes	December 13, 2013	29,966	29,978	0.80 per year	Unsecured	December 20, 2023
KDDI Corp.	21th series of unsecured notes	September 10, 2014	29,956	29,969	0.67 per year	Unsecured	September 20, 2024
KDDI Corp.	22th series of unsecured notes	July 12, 2018	29,923	29,933	0.31 per year	Unsecured	July 12, 2028
KDDI Corp.	23th series of unsecured notes	November 22, 2018	39,944	39,966	0.11 per year	Unsecured	November 22, 2023
KDDI Corp.	24th series of unsecured notes	November 22, 2018	29,937	29,951	0.25 per year	Unsecured	November 21, 2025
KDDI Corp.	25th series of unsecured notes	November 22, 2018	19,944	19,952	0.40 per year	Unsecured	November 22, 2028
KDDI Corp.	26th series of unsecured notes	April 26, 2019	29,951	29,967	0.13 per year	Unsecured	April 26, 2024
KDDI Corp.	27th series of unsecured notes	April 26, 2019	29,931	29,945	0.23 per year	Unsecured	April 24, 2026
KDDI Corp.	28th series of unsecured notes	April 26, 2019	39,889	39,903	0.36 per year	Unsecured	April 26, 2029
KDDI Corp.	29th series of unsecured notes	November 29, 2019	49,944	49,979 (49,979)	0.02 per year	Unsecured	November 29, 2022

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

(3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

Millions of yen		
As of March 31	FY21.3	FY22.3
Property, plant and equipment	¥ 519	¥ 519
Stocks of subsidiaries and associates (Note)	768	768
Securities for financial business	223,947	281,608
Other short-term financial assets	6,030	—
Other long-term financial assets	—	6,000
Total	¥231,264	¥288,895

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

Millions of yen		
As of March 31	FY21.3	FY22.3
Long-term borrowings (Note)	¥ 80,000	¥ 50,000
Current portion of long-term borrowings	—	30,000
Short-term borrowings	—	36,500
Call money	107,900	134,300
Accounts payable	200	132
Total	¥188,100	¥250,932

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, 2021 and 2022 are ¥12,628 million and ¥11,192 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 pre-scribed in the terms of each agreement. The amounts of borrowings as of March 31, 2021 and 2022 are ¥434,087 million and ¥433,863 million, respectively.

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

15 **Deferred Tax and Income Taxes**

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

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

For the year ended March 31, 2021

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

For the year ended March 31, 2022

Millions of yen							
	As of April 1, 2021	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2022
Deferred tax assets							
Accrued bonuses	¥ 10,516	¥ 633	¥ —	¥—	¥—	¥ 90	¥ 11,239
Accrued business tax	12,374	(4,859)	—	—	—	2	7,518
Inventories	4,321	19	241	—	—	61	4,642
Loss allowance	10,635	(452)	(1)	—	—	19	10,202
Property, plant and equipment, intangible assets	53,697	1,512	—	—	—	—	55,209
Lease liabilities	101,788	27,801	—	—	—	—	129,589
Deferred points	17,587	(4,690)	—	—	—	0	12,897
Retirement benefit liabilities	3,754	(1,604)	(4)	79	—	2	2,227
Accrued expenses	5,973	81	—	—	—	1	6,055
Contract liabilities	35,413	(2,079)	—	—	—	—	33,333
Other	34,987	98	—	—	—	—	35,085
Total	¥291,045	¥16,461	¥236	¥79	¥—	¥175	¥307,996
Deferred tax liabilities							
Retained profits of foreign related companies	¥ 1,225	¥ 616	¥—	¥ —	¥—	¥ —	¥ 1,842
Special reserves	174	(1)	—	—	—	—	173
Appraisal gain on equity instruments	17,349	4,762	—	4,559	—	—	26,671
Property, plant and equipment, intangible assets and right-of-use assets	105,800	28,028	—	—	—	—	133,828
Identifiable intangible assets	88,101	(2,808)	—	—	—	—	85,292
Retirement benefit assets	12,119	(1,937)	—	2,444	—	—	12,626
Contract costs	148,431	25,051	—	—	—	—	173,482
Other	6,520	(1,426)	—	1,068	—	375	6,537
Total	¥379,720	¥52,285	¥—	¥8,071	¥—	¥375	¥440,451

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	FY21.3	FY22.3
Deferred tax assets	¥ 11,396	¥ 12,330
Deferred tax liabilities	100,071	144,776
Deferred tax assets, net	¥(88,675)	¥(132,446)

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, 2021 and 2022 are ¥5,593 million and ¥5,821 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	FY21.3	FY22.3
Deductible temporary differences	¥15,087	¥33,235
Tax loss carryforwards	55,209	48,903
Total	¥70,296	¥82,139

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

Millions of yen		
As of March 31	FY21.3	FY22.3
1st year	¥ 1,859	¥ 104
2nd year	471	188
3rd year	5,178	278
4th year	2,982	309
5th year and thereafter	44,718	48,025
Total	¥55,209	¥48,903

(4) Income taxes

The analysis of income taxes is as follows:

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Current tax expenses		
Current tax expenses on the profit for the year	¥353,181	¥301,111
Adjustments in respect of prior years ((): refund)	203	(1,393)
Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses	(2,451)	(3,576)
Sub total	350,933	296,142
Deferred tax expenses		
Origination and reversal of temporary differences	(18,288)	35,997
Impact of change of tax rates	(2)	1
Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses	(1,504)	445
Review of the collectability of deferred tax assets	312	(628)
Sub total	(19,482)	35,815
Total	¥331,451	¥331,957

(5) Income taxes recognized in other comprehensive income

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

(6) Reconciliation of effective tax rates

Reconciliation of statutory effective tax rates and actual tax rates for the years ended March 31, 2021 and 2022 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	FY21.3	FY22.3
Statutory income tax rate	31.4%	31.4%
Non-taxable dividends received	(0.3%)	(2.0%)
Impact of tax differences of foreign subsidiaries	(0.0%)	1.1%
Tax credit	(0.1%)	(0.1%)
Valuation allowance	0.7%	1.9%
Other	0.3%	(1.0%)
Average actual tax rate to incur	31.9%	31.2%

16 Employee Benefits

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

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

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

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

(1) Defined benefit pension plans

i. The amounts on the consolidated statement of financial position

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

Millions of yen		
As of March 31	FY21.3	FY22.3
Present value of the defined benefit obligations (funded)	¥401,044	¥401,194
Present value of the defined benefit obligations (unfunded)	12,085	11,127
Fair value of plan assets	(439,384)	(444,546)
Status of the funding	¥ (26,254)	¥ (32,224)
Retirement benefit liabilities	¥ 12,109	¥ 12,496
Retirement benefit assets	(38,364)	(44,720)
Net retirement benefit liabilities	¥ (26,254)	¥ (32,224)

ii. Movement in the defined benefit obligations and plan assets

The movement in the defined benefit obligations is as follows:

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
The movement in the present value of the defined benefit obligations		
Opening balance	¥433,646	¥413,130
Current service cost	15,492	11,163
Interest expense	1,144	2,176
Sub total	450,282	426,469
Remeasurements		
Amount from change in financial assumptions	(24,263)	216
Amount from change in demographic assumptions	16	91
Benefit payments	(12,937)	(14,706)
Exchange differences	23	17
New consolidation	—	—
Other	8	235
Ending balance	¥413,130	¥412,321

The movement in the plan assets is as follows:

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Changes in fair value of the plan assets		
Opening balance	¥(396,416)	¥(439,384)
Interest income	(1,408)	(2,886)
Remeasurements		
Return on plan assets	(43,090)	(8,092)
Benefit payments	11,797	13,544
Contribution to the plans		
Contribution from employers	(10,267)	(7,801)
New consolidation	—	—
Other	—	74
Ending balance	¥(439,384)	¥(444,546)

The weighted average duration of the defined benefit obligations for the years ended March 31, 2021 and 2022 are 15.8 years and 15.4 years, respectively.

iii. Components of plan assets

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

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

trustee and invests.

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

The fair value of the plan assets as of March 31, 2021 and 2022 consists of the components below:

Millions of yen						
As of March 31	FY21.3			FY22.3		
	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	¥ 78,277	¥ —	¥ 78,277	¥ 61,911	¥ —	¥ 61,911
Debt securities	185,050	—	185,050	185,353	—	185,353
Other (Note)	57,325	118,732	176,057	47,103	150,178	197,281
Total	¥320,652	¥118,732	¥439,384	¥294,368	¥150,178	¥444,546

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	FY21.3	FY22.3
Current service cost	¥15,492	¥11,163
Interest expense	1,144	2,176
Interest income	(1,408)	(2,886)
Total	¥15,228	¥10,453

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	FY21.3	FY22.3
Discount rate	0.7%	0.6%

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	FY21.3	FY22.3
0.5% increase	¥(26,288)	¥(25,365)
0.5% decrease	27,437	25,951

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, 2023 to be ¥3,204 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	FY21.3	FY22.3
Expenses related to defined contribution pension plans	¥3,259	¥5,064

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, 2021 and 2022 are ¥1,804 million and ¥1,835 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	FY21.3	FY22.3
Pension assets	¥(44,898)	¥(52,533)
Benefit obligations for the purpose of calculating pension financials	41,102	43,578
Difference	(3,796)	(8,955)
Ratio of the funded pension assets	109.2%	120.5%
Difference consists of		
Surplus	(3,796)	¥(8,955)

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

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Contributions by the Group	¥(1,599)	¥(1,706)
All contributions to the fund	(2,663)	(2,757)
Ratio to the all contributions to the fund	60.1%	61.9%

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, 2023 to be ¥1,835 million.

17 Trade and Other Payables

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

Millions of yen		
As of March 31	FY21.3	FY22.3
Current liabilities		
Accounts payable (Note)	¥578,024	¥620,656
Accounts payable-trade	142,163	176,842
Accrued expenses	33,778	36,557
Other obligations	380	440
Total	¥754,345	¥834,496

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

The amounts of trade and other payables expected to be settled after more than twelve months from the March 31, 2021 and 2022 are ¥6,617 million and ¥3,218 million, respectively.

18 Other Financial Liabilities

The analysis of other financial liabilities is as follows:

Millions of yen		
As of March 31	FY21.3	FY22.3
Non-current liabilities (Other long-term financial liabilities)		
Financial liabilities at fair value through profit or loss		
Derivatives	¥ 3,584	¥ 2,197
Financial liabilities at amortized cost		
Long-term account payables	2,276	2,112
Other	8,312	9,889
Sub total	14,172	14,198
Current liabilities (Other short-term financial liabilities)		
Financial liabilities at fair value through profit or loss		
Derivatives	1,655	2,620
Sub total	1,655	2,620
Total	¥15,827	¥16,818

19 Provisions

(1) Movements of provisions

Changes in provisions are as follows:

Millions of yen				
	Asset retirement obligation	Provision for customer points	Other provisions	Total
As of April 1, 2020	¥32,783	¥34,912	¥14,041	¥81,736
Increase during the year	40,597	39,583	5,838	86,017
Decrease during the year (intended use)	(483)	(47,285)	(3,583)	(51,351)
Decrease during the year (reversal)	—	—	—	—
As of March 31, 2021	72,896	27,210	16,296	116,401
Increase during the year	2,182	37,667	1,846	41,695
Decrease during the year (intended use)	(10,493)	(40,889)	(11,001)	(62,383)
Decrease during the year (reversal)	—	—	—	—
As of March 31, 2022	¥64,585	¥23,988	¥ 7,141	¥95,713
Non-current liabilities	¥63,826	¥ —	¥ 6,247	¥70,073
Current liabilities	759	23,988	893	25,641

(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 point program, and grants points to customers of the Group, for the purpose of sales promotions. In anticipation of the future use of such points by

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

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

iii. Other provisions

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

20 | Other Liabilities

The analysis of other liabilities is as follows:

Millions of yen		
As of March 31	FY21.3	FY22.3
Non-current liabilities		
Long-term deposits payable	¥ 1,842	¥ 1,865
Other	8,970	9,150
Sub total	10,813	11,015
Current liabilities		
Deposits payable	165,231	129,059
Accrued bonuses	32,144	34,416
Consumption tax payable	49,605	17,664
Other	34,481	34,258
Sub total	281,461	215,397
Total	¥292,273	¥226,412

21 | Share-Based Payment (Stock Grant Plans)

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

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

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

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

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

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2021 and 2022 are ¥1,349 million and ¥1,599 million, respectively.

(1) KDDI CORPORATION

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

For the year ended March 31, 2021

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

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

For the year ended March 31, 2022

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	194,506	March 11, 2021	¥3,283.86	(Note 2)
ESOP trust	276,168	March 11, 2021	3,283.86	(Note 2)

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

(2) Okinawa Cellular Telephone Company

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

For the year ended March 31, 2021

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

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

For the year ended March 31, 2022

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	2,245	March 24, 2021	¥5,089.00	(Note 2)
ESOP trust	5,558	March 24, 2021	5,089.00	(Note 2)

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

22 | Common Stock and Other Equity Items

(1) Common stock and capital surplus

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

	Stock		Millions of yen	
	Authorized shares	Outstanding shares	Common stock	Capital surplus
Balance as of April 1, 2020	4,200,000,000	2,355,373,600	¥141,852	¥280,591
Increase and decrease during the period (Note 3)	—	(51,194,050)	—	(1,916)
Balance as of March 31, 2021	4,200,000,000	2,304,179,550	¥141,852	¥278,675
Increase and decrease during the period	—	—	—	696
Balance as of March 31, 2022	4,200,000,000	2,304,179,550	¥141,852	¥279,371

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

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



(2) Treasury stock

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

	Treasury stock (Shares)	Amount (Millions of yen)
Balance as of April 1, 2020 (Note 3)	55,464,960	¥(156,550)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	42,968,889	(136,087)
Cancellation of treasury stock	(51,194,050)	150,000
Disposal of treasury stock (Note 2)	(18,457,546)	55,918
Balance as of March 31, 2021 (Note 3)	28,782,253	(86,719)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	60,391,051	(213,763)
Cancellation of treasury stock	—	—
Disposal of treasury stock (Note 2)	(194,372)	655
Balance as of March 31, 2022 (Note 3)	88,978,932	¥(299,827)

Notes: 1. The increase in the number of treasury shares in the fiscal year ended March 31, 2021 and 2022, are mainly due to the purchase from the market, 42,968,800 shares, and 60,390,800 shares, respectively.
2. The decrease in the number of treasury stock in the fiscal year ended March 31, 2021 and 2022 are due to the allocation to grant to beneficiaries of executive compensation BIP trust and stock grants ESOP trust.
3. The balance of treasury stock as of March 31, 2021 and 2022 includes share of the Company owned by the executive compensation BIP trust and stock grants ESOP trust.

(3) Retained earnings

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

(4) Changes in accumulated other comprehensive income

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

i. Changes in each component of accumulated other comprehensive income

For the year ended March 31, 2021

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

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

For the year ended March 31, 2022

	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2021	¥(10,541)	¥28,273	¥(820)	¥ —	¥16,912
Amount incurred during the year	16,838	10,943	573	5,207	33,561
Reclassified to consolidated statement of income	(1)	—	621	—	620
Transferred to retained earnings	—	(2,813)	—	(5,207)	(8,020)
Balance as of March 31, 2022	¥ 6,297	¥36,403	¥375	¥ —	¥43,074

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

ii. The analysis of accumulated other comprehensive income

Accumulated other comprehensive income includes following items.

(a) Translation differences on foreign operations

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

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

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

(c) Changes in fair value of cash flow hedge

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

(d) Remeasurements of defined benefit pension plan

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

23 Dividends

Dividends to common shareholders are as follows:

(1) Dividends paid

For the year ended March 31, 2021

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



For the year ended March 31, 2022

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 23, 2021 General meeting of shareholders (Note 1, 2)	Common stock	¥136,524	¥60	March 31, 2021	June 24, 2021
October 29, 2021 Board of directors (Note 1, 2)	Common stock	134,823	60	September 30, 2021	December 1, 2021

Notes: 1. Dividends of the Company's shares owned by the executive compensation BIP trust and stock grants ESOP trust are not included in the aggregate amount of the dividends above.
2. Other than that above, the Company also paid dividends to beneficiaries of the executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2021 and 2022.

(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, 2021

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

For the year ended March 31, 2022

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 22, 2022 General meeting of shareholders (Note 1, 2)	Common stock	¥143,988	Retained earnings	¥65	March 31, 2022	June 23, 2022

Notes: 1. Dividends of the Company's shares owned by the executive compensation BIP trust and stock grants ESOP trust are not included in the aggregate amount of the dividends above.
2. Other than that above, the Company also paid dividends to beneficiaries of the executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2021 and 2022.

24 **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.

The name for some product and services were changed based on multi-brand strategy in the fiscal year ended March 31, 2022. Accordingly, Product / Service is presented based on the name after the change. There is no change in the numerical definition.

For the year ended March 31, 2021

Segment	Product / Service	Millions of yen
Personal Services		¥4,506,412
	Mobile communications revenues	1,722,034
	Multi-Brand value-added revenues	581,159
	Fixed-line telecommunications	814,059
	Others	1,389,160
Business Services		784,876
Others		21,312
Total		¥5,312,599
Profit from contracts with customers		5,213,762
Profit from other sources		98,837

Note: The amounts presented exclude inter-segment transactions.

For the year ended March 31, 2022

Segment	Product / Service	Millions of yen
Personal Services		¥4,597,313
	Mobile communications revenues	1,710,466
	Multi-Brand value-added revenues	647,961
	Fixed-line telecommunications	818,371
	Others	1,420,515
Business Services		828,038
Others		21,357
Total		¥5,446,708
Profit from contracts with customers		5,345,235
Profit from other sources		101,472

Note: The amounts presented exclude inter-segment transactions.

(2) Outstanding contract balances

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

For the year ended March 31, 2021

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

For the year ended March 31, 2022

	Millions of yen As of April 1, 2021	Millions of yen As of March 31, 2022
Receivables from contracts with customers	¥2,003,196	¥2,032,463
Contract liabilities	172,558	157,174

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, 2021 and 2022, ¥90,428 million and ¥83,842 million were included in outstanding contract liabilities at the beginning of the fiscal year, respectively.

In the fiscal year ended March 31, 2021 and 2022, 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, 2021 and 2022 are ¥132,804 million and ¥132,985 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 with-in approximately six years, from March 31, 2021 and 2022. Approximately 50% of the transaction value allocated to the performance obligation is expected to be recognized as revenue within one year. In addition, the Group adopts the simplified method from paragraph 121 of IFRS 15 as a practical expedient and has not included information related to remaining performance obligations that have an original expected duration of one year or less.

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

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

	Millions of yen AS of March 31, 2021	Millions of yen AS of March 31, 2022
Costs to obtain contracts	¥410,203	¥490,031
Costs to fulfill contracts	56,113	58,672

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

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

These assets are amortized on a straight-line basis based on three to four years of estimated contract period in the fiscal year ended March 31, 2021 and 2022.

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

The amortization costs incurred from these assets in the years ended March 31, 2021 and 2022 amounted to ¥199,932 million and ¥211,812 million, respectively, and the impairment losses are not recognized.

25 Expenses by Nature

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

	Millions of yen	
For the year ended March 31	FY21.3	FY22.3
Handset sales cost, repair cost	¥ 678,127	¥ 702,641
Depreciation and amortization	727,438	727,779
Communication equipment usage fee and rentals	324,276	332,953
Staff cost	450,831	461,176
Operations outsourcing	333,455	332,509
Sales commission	336,138	360,590
Power retail sales cost	381,983	410,175
Advertising expense	97,541	113,728
Other (Note)	962,621	965,578
Total	¥4,292,410	¥4,407,127

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

26 Other Income and Other Expense

(1) The analysis of other income

The analysis of other income is as follows:

	Millions of yen	
For the year ended March 31	FY21.3	FY22.3
Subsidy income, etc.	¥ 5,044	¥ 2,902
Gain on sale of fixed assets	2,676	1,658
Compensation income, etc.	857	797
Income from recovery of bad debts	855	786
Other	7,704	14,859
Total	¥17,136	¥21,001

(2) The analysis of other expense

The analysis of other expense is as follows:

	Millions of yen	
For the year ended March 31	FY21.3	FY22.3
Reduction entry of land contribution for construction	¥ 4	¥ 10
Loss on sale of fixed assets	425	265
Other	4,386	5,506
Total	¥4,815	¥5,781

27 Finance Income and Finance Cost

(1) The analysis of finance income

The analysis of finance income is as follows:

	Millions of yen	
For the year ended March 31	FY21.3	FY22.3
Interest income:		
Financial assets at amortized cost	¥ 529	¥ 537
Dividend income:		
Financial assets at fair value through other comprehensive income	3,148	5,989
Gain on foreign currency exchange	2,497	3,037
Other	364	639
Total	¥6,539	¥10,202

(2) The analysis of finance cost

The analysis of finance cost is as follows:

	Millions of yen	
For the year ended March 31	FY21.3	FY22.3
Interest expense:		
Financial liabilities at amortized cost	¥6,122	¥6,067
Financial liabilities at fair value through profit or loss		
Derivatives	807	615
Other	1,382	1,065
Total	¥8,311	¥7,746

28 Other Non-Operating Profit

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

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Gain or loss on change in equity	¥1,418	¥1,309
Gain or loss on sales of stocks of subsidiaries and affiliates	1,016	139
Total	¥2,433	¥1,448

29 Other Comprehensive Income

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

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
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	¥67,203	¥ 7,566
Tax effect	(21,097)	(2,365)
After tax effect	46,106	5,201
Net change in financial assets at fair value through other comprehensive income		
Gain (loss) arising during the year	37,332	13,560
Tax effect	(11,246)	(4,559)
After tax effect	26,086	9,001
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	254	(6)
After tax effect	254	(6)
Total	72,445	14,195
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedge		
Gain (loss) arising during the year	945	2,870
Transferred to profit for the year	1,103	621
Before tax effect	2,048	3,491
Tax effect	(613)	(1,068)
After tax effect	1,436	2,422
Exchange differences on translating foreign operations		
Gain (loss) arising during the year	15,174	23,892
Transferred to profit for the year	—	(1)
Before tax effect	15,174	23,891
After tax effect	15,174	23,891
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	(322)	1,003
Transferred to profit for the year	—	(22)
After tax effect	(322)	981
Total	16,288	27,294
Total other comprehensive income	¥88,733	¥41,490

30 Cash Flow

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

Millions of yen						
	Cash/current bank account	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, 2020	¥369,202	¥379,554	¥ —	¥931,591	¥369,222	¥(4,553)
Cash flows	437,670	(133,226)	19,517	(35,801)	(40,000)	—
Acquisitions	—	150,584	—	—	—	—
Foreign exchange adjustments	2,930	(170)	—	—	—	—
Fair value movements	—	—	—	—	—	969
Other non-cash movements	—	4,183	—	(135)	162	—
Net debt as of April 1, 2021	809,802	400,925	19,517	895,655	329,384	(3,584)
Cash flows	(20,201)	(130,848)	36,517	(73,375)	—	—
Acquisitions	—	117,985	—	—	—	—
Foreign exchange adjustments	7,012	(613)	—	—	—	—
Fair value movements	—	—	—	—	—	1,387
Other non-cash movements	—	4,536	—	264	159	—
Net debt as of March 31, 2022	¥796,613	¥391,984	¥56,034	¥822,544	¥329,543	¥(2,197)

Note: Borrowings includes the liabilities generated from operating activities.

31 Financial Instruments

(1) Risk management

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

i Credit risk management

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

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

(b) Responses to the risk owned by the Company

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

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

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

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

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

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

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

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

Measurement of expected credit losses on trade receivables

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

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

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

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

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

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

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

(c) Quantitative and qualitative information on the amounts arising from expected credit losses

Loss allowance for trade receivables

		Millions of yen
		Measured at the amount equal to the lifetime expected credit losses
Balance as of April 1, 2020		¥31,521
Increase during the year		25,465
Decrease during the year (reversal)		(13,100)
Decrease during the year (intended use)		(15,546)
Other		809
Balance as of March 31, 2021		29,149
Increase during the year		28,834
Decrease during the year (reversal)		(14,957)
Decrease during the year (intended use)		(12,072)
Other		101
Balance as of March 31, 2022		¥31,055

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, 2021 and 2022 respectively, for which collecting efforts are still being made.

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

(d) Maximum exposure to credit risks

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

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

Maximum exposure for trade receivables

For the year ended March 31, 2021

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

For the year ended March 31, 2022

					Millions of yen
	Current	More than 30 days past due	More than 90 days past due	Total	
Gross carrying amount	¥2,235,392	¥16,801	¥90,855	¥2,343,048	
Expected loss rate	0.3%	9.3%	25.4%	—	
Loss allowance	6,410	1,564	23,081	31,055	

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

ii. Liquidity risk management

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

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

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

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

(a) Maturity analysis

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

As of March 31, 2021

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

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

As of March 31, 2022

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	¥ 834,496	¥ 834,496	¥ 831,278	¥ 2,949	¥ 165	¥ 9	¥ 5	¥ 90
Short-term borrowings	56,034	56,034	56,034	—	—	—	—	—
Long-term borrowings	822,544	831,251	167,820	195,462	149,633	130,988	78,534	108,814
Bonds payable	329,543	334,011	50,993	70,983	60,578	30,458	30,348	90,653
Deposits for financial business	2,217,505	2,219,388	2,186,136	143	3,158	145	1,329	28,476
Lease liabilities	391,984	392,509	114,106	84,881	57,903	38,101	25,868	71,649
Sub total	4,652,104	4,667,689	3,406,367	354,418	271,437	199,701	136,084	299,682
Derivative financial liabilities (Note)								
Foreign exchange swaps	1,275	1,275	1,275	—	—	—	—	—
Interest rate swaps	3,542	3,542	1,345	901	—	1,296	—	—
Sub total	4,817	4,817	2,620	901	—	1,296	—	—
Total	¥4,656,922	¥4,672,507	¥3,408,986	¥355,319	¥271,437	¥200,997	¥136,084	¥299,682

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

iii Market risk management

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

To calculate VaR, the subsidiaries use the historical simulation approach (six-month holding period, 99% confidence interval). As of the previous fiscal year-end (March 31, 2021), overall market risk amounted to ¥3,105 million. As of March 31, 2022, overall market risk amounted to ¥3,177 million. VaR measures market risk using a certain statistically calculated probability based on past market variability. However, it is not always possible to ascertain risk in a market environment undergoing drastic changes that would ordinarily be inconceivable.

(a) Exchange risk

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

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

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

(i) Sensitivity analysis of exchange rate

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

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

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Profit before tax		
U.S. dollar	¥(2,051)	¥(2,255)
Pound	(1,441)	(1,789)
Euro	(1,079)	(1,154)
Total	¥(4,572)	¥(5,197)

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 (forward foreign exchange contracts, foreign exchange swaps)

Details of major exchange contracts existed at March 31, 2021 and 2022 are as follows:

Derivatives designated as hedges

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

Millions of yen								
	FY21.3				FY22.3			
	Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Forward foreign exchange contracts	¥22,910	¥1,668	¥1,028	¥5	¥47,007	¥9,568	¥3,130	¥10

Millions of yen		
As of March 31	FY21.3	FY22.3
Carrying amount	¥ 1,023	¥ 3,120
Contractual amount	22,910	47,007
Maturity date	April 2021–March 2023	April 2022–December 2027
Hedge ratio (Note 1)	1	1
Change in intrinsic value of outstanding hedging instrument	875	2,097
Change in value of hedge item used to determine hedge effectiveness	(875)	(2,097)

Notes: 1. Since the Group enters into the foreign exchange contracts in the same currency that future purchase transactions are highly likely to occur, the hedge ratio of foreign exchange contracts is one-to-one.
2. The Group does not have a non-effective portion of the hedge.



Derivatives not designated as hedges

	Millions of yen							
	FY21.3				FY22.3			
	Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Forward foreign exchange contracts	¥122,944	¥ —	¥(835)	¥2,430	¥ —	¥ —	¥ —	¥ —
Foreign exchange swaps	55,556	55,556	(376)	379	127,095	—	(354)	4,285

(b) Interest rate risk

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

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

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

(i) Sensitivity analysis of interest rate

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

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Profit before tax	¥(198)	¥0

(ii) Derivatives (interest swap contracts)

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

Derivatives designated as hedges

	Millions of yen							
	FY21.3				FY22.3			
	Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate swap	¥140,000	¥130,000	¥—	¥3,556	¥130,000	¥130,000	¥—	¥2,197

Millions of yen			
As of March 31	FY21.3	FY22.3	
Carrying amount	¥ (3,556)	¥ (2,197)	
Contractual amount	140,000	130,000	
Maturity date	December 2023–December 2025	December 2023–December 2025	
Hedge ratio (Note 1)	1	1	
Change in intrinsic value of outstanding hedging instrument	944	1,387	
Change in value of hedge item used to determine hedge effectiveness	(944)	(1,387)	

Notes: 1. Since the Group runs the borrowing (hedged item) and interest rate swap transaction (hedging instrument) in the same amount, hedge ratio of interest rate swap transaction is one-to-one.
2. The Group does not have any non-effective portion of the hedge.

Derivatives not designated as hedges

	Millions of yen							
	FY21.3				FY22.3			
	Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate swap	¥—	¥—	¥—	¥—	¥76,986	¥76,986	¥(1,269)	¥1,278

(c) Price risk management of equity instruments

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

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

(i) Sensitivity analysis of price of equity instruments

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

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

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Accumulated other comprehensive income (before tax effect)	¥(11,555)	¥(13,789)

(2) Capital management

The Group seeks to realize sustainable medium- and long-term growth and maximize its corporate value. To achieve those objectives, the Group's basic policy for equity risk management is to maintain adequate equity structure while monitoring capital cost, along with maintaining current fund-raising capability and ensuring financial soundness. Major performance benchmarks used by the Group to manage its equity are Ratio of equity attributable to owners of the parent and debt / equity ratio ("D/E ratio").

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

As of March 31	Unit	FY21.3	FY22.3
Ratio of equity attributable to owners of the parent (Note 1)	%	45.2	45.0
D/E ratio (debt / equity ratio) (Note 2)	ratio	0.35	0.32

Notes: 1. Ratio of equity attributable to owners of the parent : Equity attributable to owners of the parent / Total assets ×100
2. D/E ratio (debt / equity ratio): Interest bearing debt / Equity attributable to owners of the parent

As of March 31, 2021 and 2022, 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, 2021

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Long-term loans for financial business	¥1,148,700	¥ —	¥ 106	¥1,148,805
Securities for financial businesses	—	276,065	—	276,065
Other long-term financial assets	147,812	177,224	164	325,201
Current assets:				
Trade and other receivables	2,229,435	—	—	2,229,435
Short-term loans for financial business	233,605	—	—	233,605
Call loan	33,846	—	—	33,846
Other short-term financial assets	64,668	—	5,287	69,955
Cash and cash equivalents	809,802	—	—	809,802
Total	¥4,667,868	¥453,289	¥5,557	¥5,126,714

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

As of March 31, 2022

Millions of yen				
	Carrying amount			Total
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	
Financial assets:				
Non-current assets:				
Long-term loans for financial business	¥1,328,363	¥ —	¥ 6,747	¥1,335,111
Securities for financial business	—	338,285	—	338,285
Other long-term financial assets	129,576	199,607	85	329,268
Current assets:				
Trade and other receivables	2,311,694	—	—	2,311,694
Short-term loans for financial business	255,266	—	—	255,266
Call loans	45,064	—	—	45,064
Other short-term financial assets	53,762	—	13,392	67,154
Cash and cash equivalents	796,613	—	—	796,613
Total	¥4,920,338	¥537,892	¥20,224	¥5,478,455

Millions of yen				
	Carrying amount			Total
	Financial liabilities at amortized cost	Financial liabilities at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	¥ 921,616	¥—	¥ —	¥ 921,616
Long-term deposits for financial business	33,240	—	—	33,240
Lease liabilities	279,265	—	—	279,265
Other long-term financial liabilities	12,001	—	2,197	14,198
Current liabilities:				
Borrowings and bonds payable	286,505	—	—	286,505
Trade and other payables	834,496	—	—	834,496
Short-term deposits for financial business	2,184,264	—	—	2,184,264
Call money	141,348	—	—	141,348
Lease liabilities	112,719	—	—	112,719
Other short-term financial liabilities	—	—	2,620	2,620
Total	¥4,805,452	¥—	¥4,817	¥4,810,270

Notes: 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. Significant 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	FY21.3	FY22.3
Fair value		
Listed equities	¥115,552	¥137,893
Unlisted equities	61,672	61,714
Total	¥177,224	¥199,607

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Dividends received		
Listed equities	¥2,169	¥2,597
Unlisted equities	911	3,390
Total	¥3,080	¥5,987

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

Millions of yen		
As of March 31	FY21.3	FY22.3
Listed equities		
TOYOTA MOTOR CORPORATION	¥ 68,881	¥ 88,839
LAWSON, Inc.	11,457	9,864
GREE, Inc.	4,472	8,696
PIA Corporation	4,807	5,184
JTOWER Inc.	—	4,007
gremz,Inc.	3,234	3,829
Internet Initiative Japan Inc.	2,182	3,448
Japan Airport Terminal Co., Ltd.	3,313	3,404
J-Stream Inc.	7,302	2,379
Finatext Holdings Ltd.	—	2,306
Other	9,904	5,937
Sub total	115,552	137,893
Unlisted equities		
A-Fund, L.P.	11,965	9,406
COMMUNITY NETWORK CENTER INCORPORATED	4,996	6,316
Japan Platform of Industrial Transformation, Inc.	2,500	5,000
WiL Fund II, L.P.	2,718	4,221
Finatext Holdings Ltd.	4,600	—
Other	34,893	36,771
Sub total	61,672	61,714
Total	¥177,224	¥199,607

Notes: Finatext Holdings Ltd. was listed on December 22, 2021, and its shares were reclassified from unlisted equities to listed equities.

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	FY21.3	FY22.3
Fair value at the disposal date	¥4,066	¥7,320
Accumulated gains / losses arising from sale	3,596	2,863
Dividends received	68	2

iii. Reclassification to retained earnings

The Group reclassifies accumulated gains or losses arising from changes in the fair value of financial assets at fair value through other comprehensive income into retained earnings, when it disposes the investments, etc. Accumulated gains or losses, net of tax, reclassified from accumulated other comprehensive income into retained earnings are ¥2,645 million and ¥2,813 million, respectively, for the years ended March 31, 2021 and 2022.

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

Millions of yen		
Gains and losses arising from derecognition of financial assets measured at amortized cost (();losses)		
For the year ended March 31	FY21.3	FY22.3
Loans for financial business	¥6,996	¥11,647

In the fiscal year ended March 31, 2021 and 2022, au Jibun Bank Corporation derecognizes a portion of the loans for financial business listed on its consolidated balance sheet due to the sale of housing loan obligations.

32 Fair Value of Financial Instruments

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

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: 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.

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	¥257,183	¥18,882	¥ —	¥276,065
Other financial assets				
Equities	115,552	—	61,672	177,224
Financial assets at fair value through profit or loss				
Loans for financial business	—	106	—	106
Other financial assets				
Derivatives				
Exchange contracts	—	1,027	—	1,027
Foreign exchange swaps	—	2,755	—	2,755
Interest rate swaps	—	467	—	467
Money trusts	—	—	—	—
Investment trusts	—	1,202	—	1,202
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
Derivatives				
Foreign exchange swaps	—	1,164	—	1,164
Interest rate swaps	—	4,075	—	4,075

As of March 31, 2022

	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	¥317,948	¥20,337	¥ —	¥338,285
Other financial assets				—
Equities	137,893	—	¥61,714	199,607
Financial assets at fair value through profit or loss				
Loans for financial business	—	6,747	—	6,747
Other financial assets				
Derivatives				
Exchange contracts	—	3,121	—	3,121
Foreign exchange swaps	—	5,206	—	5,206
Interest rate swaps	—	1,355	—	1,355
Money trusts	—	1,747	—	1,747
Investment trusts	—	2,049	—	2,049
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
Derivatives				
Foreign exchange swaps	—	1,275	—	1,275
Interest rate swaps	—	3,542	—	3,542

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, 2021 and 2022.

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) Equities

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

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

(ii) Derivatives

Exchange contracts

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

level 2 of the fair value hierarchy.

Foreign exchange swaps

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

Interest rate swaps

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

(iii) Money trusts

Money trust is principally calculated by the same method as securities for financial business and classified as level 2 of fair value hierarchy.

(iv) 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 the level 2 of fair value hierarchy.

iii. Reconciliation of level 3

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

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

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2022.

	Millions of yen
	Financial assets measured at fair value through other comprehensive income
	Equities
As of April 1, 2021	¥61,672
Acquisition	9,247
Gain recognized on other comprehensive income	(3,533)
Sale	(3,296)
Other	(2,376)
As of March 31, 2022	¥61,714

iv. Evaluation process of level 3

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

v. Quantitative information related to assets classified as level 3

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

As of March 31, 2021

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

As of March 31, 2022

	Fair value			
	Millions of yen	Valuation technique	Unobservable inputs	Range
Equities	¥61,714	Income approach	Discount rate	3.0%–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, 2021

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

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

As of March 31, 2022

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Loans for financial business	¥1,583,629	¥—	¥1,601,404	¥—	¥1,601,404
Other financial assets					
Monetary claims bought	13,129	—	12,527	—	12,527
Financial liabilities					
Borrowing and bonds payable					
Borrowings	742,544	—	743,873	—	743,873
Bonds payables	329,543	330,083	—	—	330,083
Deposits for financial business	2,217,505	—	2,219,031	—	2,219,031

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

ii. Measurement method of the fair value

(a) Loans for financial business

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

(b) Monetary claims bought

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

(c) Borrowings

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

maturity period of the borrowings and credit risk. Borrowings are classified as level 2 of the fair value hierarchy.

(d) Bonds payables

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

(e) Deposits for financial business

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

33 Commitments

Purchase commitments

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Property, plant and equipment	¥337,306	¥253,953
Intangible assets	14,403	14,906
Total	¥351,708	¥268,859

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

34 Earnings Per Share

(1) Basic earnings per share

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

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Profit for the year attributable to owners of the parent	¥ 651,496	¥ 672,486
Weighted average number of common shares outstanding (Thousands of shares)	2,292,738	2,241,430
Basic earnings per share	¥ 284.16	¥ 300.03

(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	FY21.3	FY22.3
Profit for the year attributable to owners of the parent	¥651,496	¥672,486
Adjustment of profit	—	—
Profit used in calculation of diluted earnings per share	¥651,496	¥672,486

Thousands of shares		
For the year ended March 31	FY21.3	FY22.3
Weighted average number of common shares outstanding	2,292,738	2,241,430
Effect of dilutive potential common shares		
BIP trust and ESOP trust	1,967	2,214
Weighted average number of common shares during the year	2,294,705	2,243,645

Yen		
For the year ended March 31	FY21.3	FY22.3
Diluted earnings per share	¥283.91	¥299.73

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

35 | Lease

(1) Lease as a lessee

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

i. Amounts recognized in the consolidated statements of financial position

Millions of yen		
As of March 31	FY21.3	FY22.3
Right-of-use assets		
Real estate for base stations as the underlying asset	¥164,833	¥146,818
Transmission lines as the underlying asset	31,922	30,949
Real estate for office and telecommunication business as the underlying asset	112,866	117,502
Telecommunication equipment as the underlying asset	15,099	13,850
Other underlying assets	72,052	78,550
Total right-of-use assets	¥396,772	¥387,669

Millions of yen		
As of March 31	FY21.3	FY22.3
Increase of right-of-use assets	¥150,584	¥117,985

ii. Amounts recognized in the consolidated statements of income

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Depreciation associated with right-of-use assets		
Real estate for base stations as the underlying asset	¥53,638	¥ 54,122
Transmission line as the underlying asset	6,523	6,186
Real estate for office and telecommunication business as the underlying asset	35,894	36,069
Telecommunication equipment as the underlying asset	7,733	6,986
Other underlying assets	24,109	24,201
Total depreciation associated with right-of-use assets	¥127,897	¥127,564
Interest expense associated with lease liabilities	1,799	1,968

iii. Cash flows associated with leases

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Total cash outflows associated with leases	¥135,025	¥132,817

(2) Lease as a lessor

i. Finance lease

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

(a) Income from lease

Not applicable.

(b) Maturity analysis

Millions of yen		
As of March 31	FY21.3	FY22.3
Within one year	¥ 41,437	¥ 40,195
Over one year to two years	33,797	27,978
Over two years to three years	22,825	17,597
Over three years to four years	13,525	10,102
Over four years to five years	6,843	4,148
Over five years	1,561	1,098
Total	¥119,988	¥101,118
Unearned finance income	¥ (13,235)	¥ (10,956)
Net investment in the lease	106,753	90,162

36 | Non-Cash Transactions

For the fiscal years ended March 31, 2021 and 2022, 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 ¥150,584 million and ¥117,985 million, respectively.

37 | Major Subsidiaries

(1) Organizational structure

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

As of March 31				The proportion of voting rights (%)	
Company name	Segment	Location	Key business	FY21.3	FY22.3
Okinawa Cellular Telephone Company	Personal Services	Naha-shi, Okinawa	Telecommunications services (au mobile phone services)	52.4	52.5
JCOM., Ltd. (Note 1)	Personal Services	Chiyoda-ku, Tokyo	Management of CATV operators and broadcasting service providers	50.0	50.0
J:COM West Co., Ltd.	Personal Services	Chuo-ku, Osaka	Management of CATV (broadcasting and telecommunication business)	92.8 (92.8)	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	Operation of language schools starting with English conversation	100.0	100.0
Chubu Telecommunications Co., Inc.	Personal Services Business Services	Naka-ku, Nagoya-shi, Aichi	Telecommunications services under Telecommunications Business Act	80.5	80.5
Wire and Wireless Co., Ltd.	Personal Services	Chuo-ku, Tokyo	Wireless broadband services	95.2	95.2
au Financial Holdings Corporation	Personal Services	Chuo-ku, Tokyo	Holding company for financial business	100.0	100.0
Supership Holdings, Inc	Personal Services	Minato-ku, Tokyo	Holding company of internet service companies	83.6	83.6
Jupiter Shop Channel Co., Ltd.	Personal Services	Koto-ku, Tokyo	Mail order services	55.0 (50.0)	55.0 (50.0)
Jupiter Entertainment Co.,Ltd.	Personal Services	Chiyoda-ku, Tokyo	Management of TV channels	100.0 (100.0)	100.0 (100.0)

As of March 31				The proportion of voting rights (%)	
Company name	Segment	Location	Key business	FY21.3	FY22.3
ENERES Co., Ltd.	Personal Services	Chiyoda-ku, Tokyo	Energy information business	59.0	59.0
KDDI Matomete Office Corporation	Business Services	Shibuya-ku, Tokyo	IT support services for small and medium-sized companies	95.0	95.0
KDDI Evolva, Inc.	Business Services	Shinjuku-ku, Tokyo	Call center, temporary personnel services	100.0	100.0
Japan Internet Exchange Co., Ltd.	Business Services	Chiyoda-ku, Tokyo	Exchange port providing services for internet service providers	70.7 (6.9)	70.7 (6.9)
KDDI Engineering Corporation	Other	Shibuya-ku, Tokyo	Construction, maintenance and operation support for communication equipment	100.0	100.0
KDDI Research, Inc.	Other	Fujimino-shi, Saitama	Technology research and product development related to telecommunication services	91.7	91.7
Kokusai Cable Ship Co.,Ltd.	Other	Kawasaki-shi, Kanagawa	Construction and maintenance of submarine cable	100.0	100.0
Japan Telecommunication Engineering Service Co., Ltd.	Other	Shinjuku-ku, Tokyo	Design, construction, operation support and maintenance for communication equipment	74.3	83.2
KDDI America, Inc.	Business Services	New York, U.S.A.	Diversified telecommunications services in US	100.0	100.0
KDDI Europe Limited	Business Services	London, U.K.	Diversified Telecommunications services in Europe	100.0 (4.2)	100.0 (4.2)
KDDI China Corporation	Business Services	Beijing, China	Sales, maintenance and operation of communication equipment in China	85.1	85.1
KDDI Asisa Pacific Pte Ltd.	Business Services	Singapore	Diversified Telecommunications services in Singapore	100.0	100.0
TELEHOUSE International Corporation of America	Business Services	New York, U.S.A.	Data center services in America	70.8 (2.3)	70.8 (2.3)
TELEHOUSE Holdings Limited	Business Services	London, U.K.	Holding company	100.0	100.0
TELEHOUSE International Corporation of Europe Ltd.	Business Services	London, U.K.	Data center services in Europe	92.8 (92.8)	92.8 (92.8)
KDDI Summit Global Singapore Pte. Ltd.	Personal Services	Singapore	Holding company	50.1	50.1
KDDI Summit Global Myanmar Co., Ltd.	Personal Services	Yangon, Myanmar	Telecommunication business in collaboration with Myanma Posts & Telecommunications (MPT)	100.0 (100.0)	100.0 (100.0)
Mobicom Corporation LLC	Personal Services	Ulaanbaatar, Mongolia	Diversified telecommunications services in Mongolia	98.8 (98.8)	98.8 (98.8)

Numbers in parentheses represent indirect voting rights.

Notes: 1. The Group does not own a majority of the voting rights in 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.
2. The Group does not own a majority of the voting rights in UQ Communications Inc. ("UQ"). However, UQ is consolidated by the Group because UQ is considered to be controlled by the Group on the grounds that the Group is the largest shareholder of UQ, the director dispatched from the Group has the right of representation, the directors dispatched from the Group have the executive power in the UQ's Board of Directors, and the operations of UQ are significantly dependent on the Company.

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

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

As of March 31	FY21.3	FY22.3
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	FY21.3	FY22.3
Current assets	¥ 154,139	¥ 177,096
Non-current assets	1,116,346	1,133,837
Current liabilities	184,158	212,303
Non-current liabilities	662,847	637,641
Total equity	¥ 423,479	¥ 460,989

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	FY21.3	FY22.3
Interests attributable to owners of the parent	¥189,452	¥213,466
Non-controlling interests	234,026	247,523
Total	¥423,479	¥460,989

(b) Consolidated statements of income and comprehensive income

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Revenue	¥831,719	¥842,375
Profit for the year before income tax	117,038	115,798
Income taxes	38,070	34,068
Profit, net of tax	78,968	81,730
Other comprehensive income	2,292	1,847
Total comprehensive income	¥81,259	¥83,577

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	FY21.3	FY22.3
Profit for the year attributable to owners of the parent	¥40,128	¥41,746
Profit for the year attributable to non-controlling interests	38,840	39,984
Sub total	78,968	81,730
Other comprehensive income attributable to owners of the parent	1,144	915
Other comprehensive income attributable to non-controlling interests	1,148	931
Sub total	2,292	1,847
Total comprehensive income attributable to owners of the parent	41,271	42,662
Total comprehensive income attributable to non-controlling interests	39,988	40,915
Total	¥81,259	¥83,577

For the years ended March 31, 2021 and 2022, dividends paid by JCOM to non-controlling interests were ¥28,523 million and ¥27,113 million, respectively.

(c) Consolidated statement of cash flows

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Cash flows from operating activities (net)	¥193,827	¥184,369
Cash flows from investing activities (net)	(93,662)	(92,861)
Cash flows from financing activities (net)	(87,765)	(80,893)
Increase (decrease) of cash and cash equivalents	12,399	10,615

38 **Related Party Transactions**

(1) Related party transactions

For the year ended March 31, 2021:
There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

For the year ended March 31, 2022:
There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

(2) Remuneration of key management

Remuneration of key management is as follows:

Millions of yen		
For the year ended March 31	FY21.3	FY22.3
Short-term employee benefits	¥ 878	¥ 953
Share-based payment	182	186
Total	¥1,060	¥1,139

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

39 **Contingent Events**

Commitment line lending contract

Certain consolidated subsidiaries are engaged in consumer lending business through cash advances and credit card loans, which are related to the credit cards. With regard to such loans, of the amount established in a loan contract (the contracted limit), the contract allows customers to take out a loan at any time within the amount of credit limit approved by these consolidated subsidiaries (the loan limit). Since some of these contracts expire without the actual loan being drawn, in addition to the Group Companies having discretion to increase or decrease the loan limit, the unused balance of these loans would not necessarily be drawn in its entirety.

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

Millions of yen		
As of March 31	FY21.3	FY22.3
Total commitment line borrowings	¥620,485	¥704,483
Amounts lent	202,867	220,951
Unused balance of lending	417,618	483,532

40 **Subsequent Events**

Repurchase of treasury stocks

The Board of Directors of KDDI at its meeting held on May 13, 2022, resolved that KDDI would repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, which applies pursuant to Article 165, Paragraph 3, of that law.

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

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

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

- (a) Type of shares to be repurchased: Shares of common stock
- (b) Total number of shares to be repurchased: Up to 57,000,000 shares
- (c) Repurchase period: From June 1, 2022 to May 31, 2023
- (d) Total amount of repurchase price: Up to ¥200 billion

(3) Repurchase method

Market purchases : Market purchases through the Tokyo Stock Exchange.

41 **Approval of the Consolidated Financial Statements**

The consolidated financial statements for the year ended March 31, 2022 were approved by the Board of Directors on June 23, 2022.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KDDI CORPORATION

Opinion

We have audited the consolidated financial statements of KDDI CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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



Recoverability of goodwill

(Notes to Consolidated Financial Statements, Note 3. Significant accounting policies, (6) Goodwill and Notes to Consolidated Financial Statements, 7. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets)

Key audit matter description	How our audit addressed the key audit matter
<p>The amount of goodwill recorded in KDDI Corporation's consolidated statement of financial position is 540,962 million yen (4.88% of total assets on a consolidated basis). For a breakdown of goodwill allocated to each cash-generating unit ("CGU"), see Note 7. Impairment of property, plant and equipment, goodwill, intangible assets, and right-of-use assets in the Notes to the Consolidated Financial Statements.</p> <p>The recoverable amount is determined based on the value in use. The value in use is calculated by discounting future cash flows at discount rate. The estimation of future cash flows is based on the most recent business plan approved by management and is estimated for each CGU. The forecast period for the business plan is a maximum of five years, and beyond the forecast period, an assumed growth rate that takes into account the long-term average growth rate of the market is used. The growth rate is determined by taking into account the state of the country and industry in which the CGU operates. The discount rate applied to the future cash flows reflects the time value of money and the risks inherent in the asset. The value in use measurements includes significant assumptions about sales, cost of sales and selling, general and administrative expenses in the business plans, growth rates and discount rates.</p> <p>Significant assumptions involving a high degree of estimation uncertainty are therefore required in management's judgement of the recoverability of goodwill. Depending on the outcome of the estimates, impairment losses may not be recognized or could be inaccurate. Also, the amount of goodwill recorded in the consolidated financial statements is quantitatively material. Based on these factors, it was determined that the audit of management's assessment of the recoverability of goodwill was a key audit matter.</p>	<p>We have performed the following principal auditing procedures to assess management's analysis of the recoverability of goodwill:</p> <ul style="list-style-type: none"> We evaluated the design and operating effectiveness of the relevant internal controls which were implemented by management in order to ensure the appropriateness of the impairment test We evaluated the appropriateness of the model used to determine value in use as well as the reasonableness of the discount rate, with the assistance of valuation experts We performed sensitivity analyses of the significant assumptions of the business plan, growth rate and discount rate for each CGU We evaluated the significant assumptions used by management to estimate net sales, cost of sales, and selling, general and administrative expenses, including growth rates for each CGU <p>This included the following principal procedures:</p> <ol style="list-style-type: none"> Assessed the growth rate used by management by comparing it to market forecasts Recalculated the analysis underlying the discount rate used by management and assessed the discount rate for reasonableness by evaluating the underlying assumptions used Evaluated management's business plan with respect to significant assumptions included in estimates of net sales, cost of sales and selling, general and administrative expenses Evaluated the historical performance of each CGU compared to previous estimates made for net sales, cost of sales and selling, general and administrative expenses Confirmed the consistency between the business plan used for impairment testing and the most recent business plan approved by management



Significant judgments and estimates regarding contract costs (Notes to Consolidated Financial Statements, Note 24.Revenue)	
Key audit matter description	How our audit addressed the key audit matter
<p>Contract costs included in KDDI Corporation's consolidated statements of financial position amounted to 548,704 millions of yen (4.95% of consolidated assets). Costs to obtain contracts consist primarily of selling commissions paid to au shops and other agencies incurred when acquiring customers, amounting to 490,031 million yen. In addition, costs to fulfill contracts were 58,672 million yen, primarily for commissions and upfront fees collected prior to the commencement of services.</p> <p>The capitalization of these costs requires management's judgment as to whether the applicable charges fall within the definition of contract costs under IFRS 15, Revenue from Contracts with Customers. Such judgment shall be made in accordance with the contractual and other information regarding agent commissions such as au shops, etc. In addition, in order to amortize the capitalized costs, management must make certain assumptions regarding the expected contract term and the determination of recoverability, which involves a high degree of estimation uncertainty. Depending on the outcome of the estimates and assumptions made, amortization expense of capitalized contract costs could be inaccurate. In addition, the amount of costs capitalized is quantitatively material to the consolidated financial statements. Based on these factors, it was determined that the audit of the capitalized contract costs was a key audit matter.</p>	<p>We have performed the following principal auditing procedures to assess the capitalized contract costs:</p> <ul style="list-style-type: none"> - We evaluated the design and operating effectiveness of the relevant internal controls implemented by management to ensure the appropriateness of accounting for contract costs - We recalculated of whether the incremental costs to acquire contracts and costs to fulfill contracts accounted for as expenses under Japanese GAAP have been accurately aggregated without omission - We tested the appropriateness of costs classified by the company as costs to obtain contracts by verifying that those costs related to sales commissions paid in connection with obtaining those customer contracts by examining the contractual and other information regarding agent commissions such as au shops, etc by testing on a sampling basis - In order to verify the reasonableness of the expected contract term, verification of the data used and comparing of the results obtained by reperforming and recalculating the expected term independently under the same conditions - We compared contract renewals to the expected contract term estimated to corroborate the reasonableness of management's estimate - We analyzed the recoverability of capitalized contract costs, including performing sensitivity analyses and other comparisons based on the approved business plan to corroborate that such capitalized costs are not impaired

Other Information

The other information comprises the information included in the integrated report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such



disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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

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

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

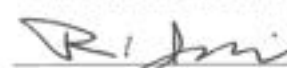

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



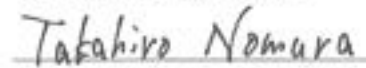

Toru Tamura

Designated Engagement Partner
Certified Public Accountant

Ryoichi Iwasaki

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Takahiro Nomura

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Kyoto

June 23, 2022

Disclosure and IR

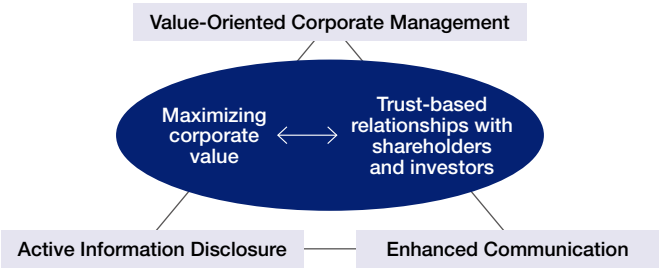


The Company is fully committed to undertaking fair and timely disclosure in an easily understandable manner of any information that could have a material bearing on the investment decisions of investors. Such disclosure is conducted on an ongoing basis, and is focused on the requirements of shareholders and investors. The Company's policy in this regard is in line with the Financial Instruments and Exchange Act and the Securities Listing Regulations of Tokyo Stock Exchange, Inc. governing the timely disclosure of information concerning the issuers of publicly listed securities. KDDI discloses its IR Basic Policy* on its website, explaining such matters as fundamental thinking regarding IR activities and the system for disclosing pertinent information. In particular, KDDI has set up a Disclosure Committee that concentrates on determining what information should be disclosed in every fiscal year with the goal of improving business transparency and supplying appropriate information to the public.

* Matters to be decided by the Board of Directors.

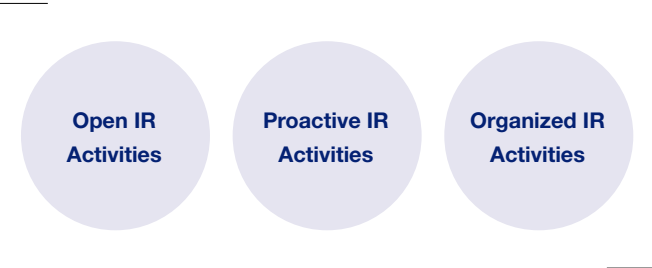
IR Basic Policy

KDDI places top management priority on building a trusting relationship with its shareholders and investors, ensuring value-oriented corporate management, active information disclosure, and enhanced communication.



Three IR Activity Guidelines

Through IR based on the activity guidelines outlined below, KDDI strives to build long-term, trust-based relationships with shareholders and investors, as well as maximize its corporate value.



IR Activities in FY22.3

Enhancing Communication

Earnings presentation meetings were held quarterly to allow management to directly communicate KDDI's results. KDDI also held individual and small group meetings with investors from Japan and overseas, and participated in various conferences sponsored by securities companies for better communication.

KDDI takes the opinions expressed by shareholders and investors seriously, communicating them not only to management but also to employees in general. Such opinions are considered an extremely valuable reference in the formation of business and management strategies.

In conjunction with the disclosure of quarterly financial results, we hold financial results briefings for analysts and institutional investors four times a year. Directors and others were supposed to visit institutional investors quarterly in Europe, the U.S., Asia, and other regions to explain the KDDI's financial status and future strategies, however, in FY22.3, we held individual meetings via telephone and video conference due to the effects of COVID-19. In FY22.3, we held 570 meetings in total via telephone and video conference, including 11 times of participation in conferences hosted by securities companies in Japan and overseas.

Active Information Disclosure

KDDI provides webcasts of its results presentations on its website, and also posts an English-language version of its results presentations.

Earnings reports, financial statements and operational data, information related to corporate governance, and other types of disclosure documents are made available. The data can also be viewed on our IR app and website, which are compatible with multiple devices.

Moreover, in our small meetings, we provide on-demand streaming of certain briefings on KDDI's website.

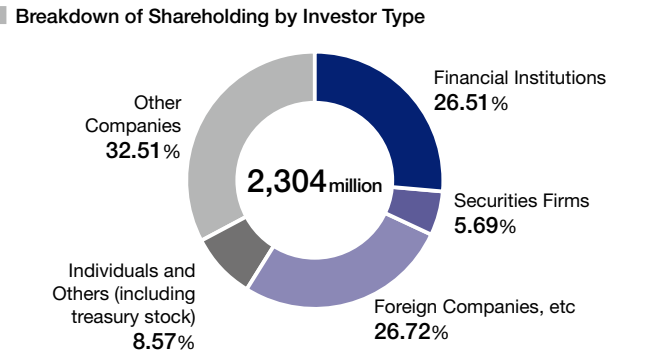
As a result of our IR activities, in FY22.3, KDDI has received excellent evaluations. KDDI was selected to receive the Daiwa Investor Relations Internet IR 2021 Excellence Award. We were also ranked Gold Prize in the "Gomez IR Site Ranking 2021" by Morningstar Japan K.K. In addition, we were commended for operating an outstanding website in the Nikko IR All Japanese Listed Companies' Website Ranking 2021. In addition, the Integrated Report 2021, published in 2021, was selected as one of 77 "Excellent Integrated Reports" by GPIF's investment management organizations.

Corporate Overview (As of March 31, 2022)

Company Name	KDDI CORPORATION
Date of Establishment	June 1, 1984 (The KDDI CORPORATION was established in October 2000 through the merger of DDI CORPORATION, KDD Corporation, and IDO CORPORATION.)
Business Objective	Telecommunications business
Head Office	Garden Air Tower, 10-10, Iidabashi 3-chome, Chiyoda-ku, Tokyo 102-8460, Japan
Registered Place of Business	3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-8003, Japan
President	Makoto Takahashi
Capital	¥141,852 million
Number of Employees	48,829 (consolidated)

Stock Information (As of March 31, 2022)

SE Code	9433
Number of Shares Authorized	4,200,000,000 shares
Number of Shares Issued and Outstanding	2,304,179,550 shares
Number of Shareholders	341,622 shareholders



Major Shareholders

Name of Corporate Entity	Number of Shares Held	Ratio of Voting*1 (%)	Shareholding Ratio*2 (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	357,949,400	16.13	15.53
KYOCERA Corporation	335,096,000	15.10	14.54
Toyota Motor Corporation	316,794,400	14.28	13.74
Custody Bank of Japan, Ltd. (Trust Account)	130,021,300	5.86	5.64
STATE STREET BANK WEST CLIENT - TREATY 505234	31,085,775	1.40	1.34
Barclays Securities Japan Limited	28,453,600	1.28	1.23
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	24,555,562	1.11	1.06
JPMorgan Securities Japan Co., Ltd.	23,590,296	1.06	1.02
STATE STREET BANK AND TRUST COMPANY 505103	22,595,124	1.02	0.98
JP MORGAN CHASE BANK 385781	21,868,304	0.99	0.94

*1 The ratio of voting is calculated excluding treasury stock (85,058,340 shares as of March 31, 2022). In addition, the Company's shares held by the Executive Remuneration BIP Trust Account, and the Stock Grant ESOP Trust Account (3,920,592 shares as of March 31, 2022) are included in the number of shares with voting rights, but the Company does not exercise its voting rights on these shares. The ratio of voting is calculated by rounding off to the second decimal place.

*2 Shareholding ratio is calculated after rounding down to the second decimal place.

KDDI CORPORATION

<https://www.kddi.com/english/>