

KDDI Integrated Sustainability and Financial Report 2023

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- Outdated conventional thinking.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/>

At KDDI, our mission is to connect.

KDDI's work of connecting is more than just connecting distant locations with communication lines.
We connect much larger things—people's lives, day-to-day lives, and hearts and minds.

Connecting and Protecting Lives

This means ensuring communications during disasters with our resilient infrastructure. It means implementing ICT technology to reduce environmental impact, helping our precious planet.



Connecting Day-to-Day Lives

This means helping resolve issues in communities, cities, and developing nations by bringing together new technologies and partners. It involves developing human resources today, so that we can help create better lives tomorrow.



Connecting Hearts and Minds

This means implementing initiatives aimed at creating a digital society characterized by affluence and peace of mind. A society where diversity displaces isolation and all can enjoy healthy, fulfilling lives. In this age of living beyond 100, this is more important than ever.



Thus, KDDI will evolve our "Power to Connect" into an era in which new values will be generated as a result of the "blending" of telecommunications into all kinds of scenes.

Our power to make connections will help create a brighter future for all.

KDDI Integrated Sustainability and Financial Report 2023

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Editorial Policy

Disclosure of Financial and Non-Financial Information

This report integrates the "Integrated Report" and the "Sustainability Report" into the "Integrated Sustainability and Financial Report" from FY23.3 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.

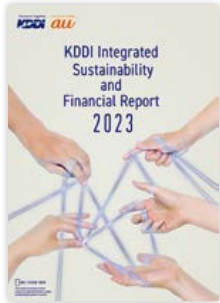
KDDI has applied International Financial Reporting Standards (IFRS) since FY16.3. For this report, unless otherwise stated, figures up to FY14.3 are based on Japanese GAAP and figures for FY15.3 onward are based on IFRS. This report is based on multiple guidelines and frameworks, including the principles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

Disclaimer Regarding Forward-Looking Statements

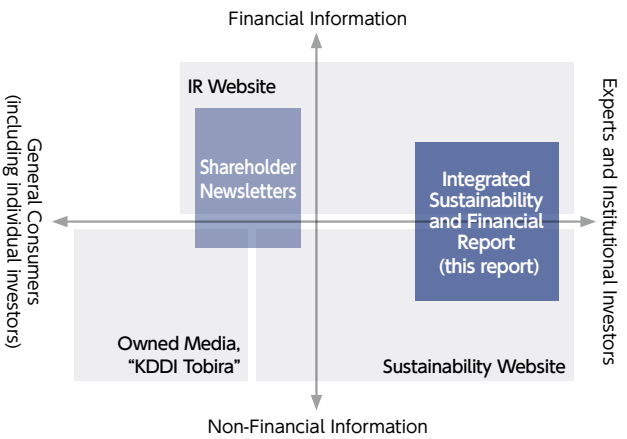
Statements contained in this report concerning KDDI's plans, strategies, beliefs, expectations, or projections about the future, and other statements other than those of historical fact, are forward-looking statements based on management's assumptions in light of information currently available and involve risks and uncertainties. Actual results may differ materially from these statements. Potential risks and uncertainties include, but are not limited to 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.

About the cover design

The cover design features a depiction of diverse individuals, including various ages and genders, connecting their hands as if playing a cat's cradle. This design builds upon the previous fiscal year's cover design that represented diversity, but it further emphasizes KDDI's "power to connect" and the creation of new value through "partnering" by connecting hand to hand with strands of light. Simultaneously, it symbolically represents KDDI's commitment to Sustainability Management.



Positioning of This Report



Website Information

- KDDI

▶ <https://www.kddi.com/english/>
- KDDI Brand Book

▶ <https://brand.kddi.com/>
- KDDI Tobira (Japanese only)

▶ <https://tobira.kddi.com/>



Financial Information	Non-Financial Information	
Investor Relations https://www.kddi.com/english/corporate/ir/	Sustainability https://www.kddi.com/english/corporate/sustainability/	Research & Development (R&D) https://www.kddi.com/english/corporate/r-and-d/

Framework for Mid-Term Management Strategy

The "Mid-Term Management Strategy (FY23.3-FY25.3)" is centered on "Sustainability Management," which aims for the sustainable growth in society and the corporate value improvement achieved together with our partners. As part of this strategy, we will also promote our "Satellite Growth Strategy," which aims to advance the 5G-driven evolution of our telecommunications business and the expansion of focus areas with telecommunications at the core, while strengthening our management base to support this strategy.

The Mid-Term Management Strategy is positioned within the framework of the KDDI Group Mission Statement, Brand Message, and Company Vision as well as the "KDDI VISION 2030," and is based on the "The KDDI Group Philosophy," which forms the foundation of KDDI's operations.



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

1. The company the customer can feel closest to
2. A company that continues to produce excitement
3. Contributing to the sustainable growth of society

KDDI VISION 2030

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

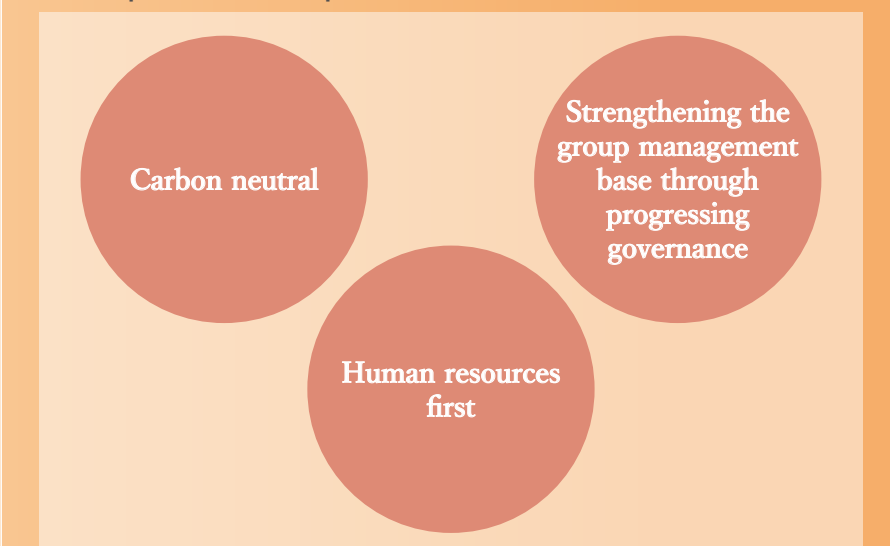
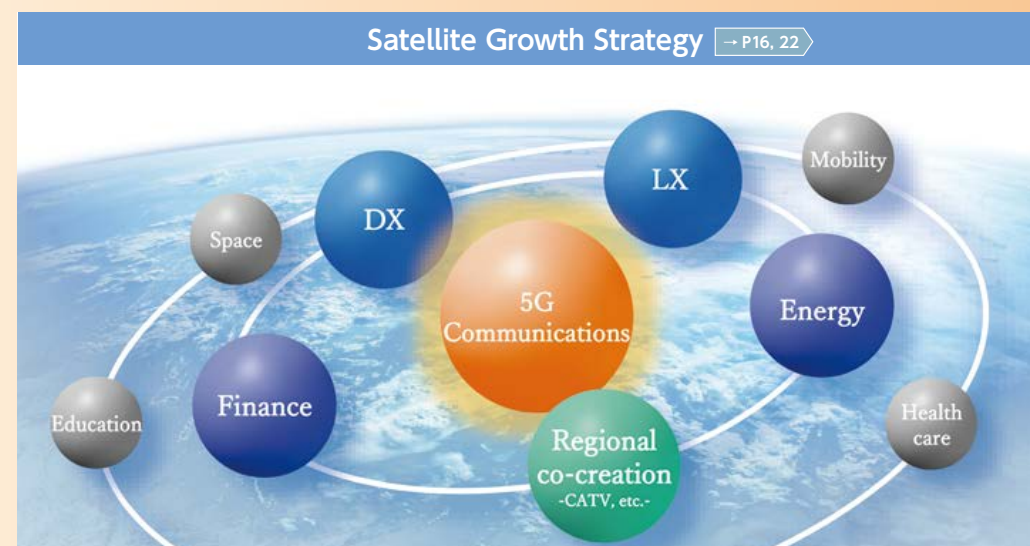
Mid-Term Management Strategy – Sustainability Management –

Business Strategy

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

Strengthening of Management (Non-Financial)

Strengthening of management base that contributes to the sustainable growth in society and the corporate value improvement



Tomorrow,
Together

The KDDI Group Philosophy

The KDDI Group Philosophy consists of the corporate credo, the KDDI Group Mission Statement, and five chapters with 38 items, which express the attitudes, values, and behavior that all employees need to exhibit in order to achieve sustainable growth for the Company and society. The KDDI identity and KDDI vision that we must embrace as a telecommunications operator are incorporated throughout.

The Philosophy is the foundation of our Sustainability Management and is the basic stance KDDI employees must adopt. By putting the KDDI Group Philosophy into practice, we aim to be a company admired and trusted by all stakeholders.



KDDI Group Philosophy Pocketbook

History of the KDDI Group Philosophy

In 2000, when three companies merged to form KDDI, the KDDI Group Philosophy was established with the aim of fostering a corporate culture in which employees from various backgrounds share common values. After being revised in 2013, it evolved into the current KDDI Group Philosophy.

Background of Revision

On March 11, 2011, the Great East Japan Earthquake struck, and KDDI's communications network suffered tremendous damage. The earthquake made KDDI strongly reaffirm its significance of existence and mission as a telecommunications company that plays a key role in social infrastructure. To fulfill the mission, it is necessary to unite the hearts and minds of all KDDI Group employees. To this end, we felt it necessary to revise the KDDI Group Philosophy into a new set of guiding principles. In revising the Philosophy, we have indicated what kind of company KDDI aims to be and what kind of attitudes and values we should act with, and have reflected the lessons learned from the Great East Japan Earthquake as well as content that can be applied to our own operations in all divisions. The KDDI Group Philosophy is filled with our aspirations for what we want to be as employees of KDDI.

In the Publication of the Revised KDDI Group Philosophy

KDDI has indicated that it will thoroughly pursue the following two objectives as part of its management based on the KDDI Group Philosophy.

- We will achieve the sustainable growth of the Group by ensuring all employees share and practice the Group's vision and management guidelines, and improving employee and organizational capabilities.
- Each employee learns the correct code of conduct and standards of judgment as a good person and earnestly engages in their work, thereby improving their personality and leading a meaningful life.

KDDI Group Philosophy and KDDI Code of Business Conduct

KDDI Group Philosophy Initiatives

KDDI believes that it is important for every employee to practice the KDDI Group Philosophy in order to permeate the KDDI Group Mission Statement, the KDDI VISION 2030, and KDDI's Sustainability Management. Accordingly, KDDI organizes study sessions for all employees to learn about the Philosophy from the very foundation, and is promoting initiatives to make employees in each organization aware of the connection between their activities and the Philosophy. By bringing all employees together under a common set of values, we aim to build on the strengths of KDDI's sustainable growth in the future.



Growth of society

Contributing to solving environmental and social issues

Sustainable profit growth

22 consecutive years of profit growth



Employee awareness

Employee satisfaction

Employee actions

Creating innovations

The Path of Value Creation

3G

Widespread use of mobile phones

2002
3G mobile phone service begins

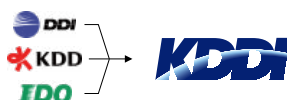
2003
Launch of "KDDI Hikari Plus" optical fiber service (FTTH)

FY04.3-FY08.3
No.1 net increase in market share for 5 consecutive terms from FY04.3 to FY08.3



2000 KDDI established

Oct. 2000
DDI CORPORATION (now KDDI)
established
Yuusai Okuyama appointed President

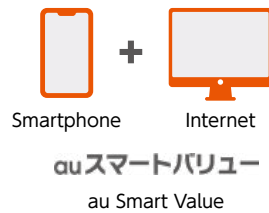


The rising popularity of smartphones

2011
KDDI launches its first sales of iPhone



2012
"au Smart Value" is launched



2013
JCOM Co., Ltd. is consolidated

2014
Achieved an actual population coverage ratio of 99% for 800MHz "4G LTE"

"au Pay Card" is launched



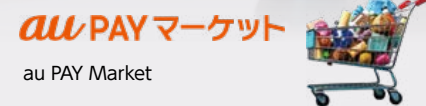
2015
UQ Communications Inc. starts "UQ mobile" service

Takashi Tanaka appointed President (Dec. 2010)

The integration of telecommunications and life design

2016
"au Denki" (electricity service) is launched
"au Insurance & Loans" is launched

2017
"au PAY Market" is launched



2018
AEON Holdings Corporation becomes a consolidated subsidiary

2019
KDDI "IoT World Architecture" applications open
"au PAY (QR code payment)" is launched
au Financial Holdings Corporation is established

5G

2020
5G launch
UQ mobile is integrated



2021
A new brand "povo" is launched



A business alliance with SpaceX's satellite broadband "Starlink"



Makoto Takahashi appointed President (Apr. 2018)

Creating new value by integrating telecommunications into every domain

2022
KDDI SmartDrone Inc. is established



Service for 3G mobile phones is terminated
au Energy Holdings Corporation is established as an energy holding company

2023 αU is launched



FY23.3
Operating income
¥1,075.7 billion

FY24.3
Operating income target
¥1,080.0 billion

■ Operating income*1 — Market capitalization*2

Tadashi Onodera appointed President (Jun. 2001)

Three-Year Medium-Term Targets (FY14.3-FY16.3)
• Double-digit growth in operating income each fiscal year
• Dividend payout ratio: over 30%

Three-Year Medium-Term Targets (FY17.3-FY19.3)
• Operating income: CAGR*3 7%
• Dividend payout ratio: over 35%

Three-Year Medium-Term Targets (FY20.3-FY22.3)
• EPS: FY19.3 → FY25.3 1.5 times
• Dividend payout ratio: Over 40%

May 2022 Mid-Term Management Strategy is announced (FY23.3-FY25.3)
• EPS: FY19.3 → FY25.3 1.5 times
• Dividend payout ratio: Over 40%

FY01.3 FY05.3 FY10.3 FY15.3 FY20.3 FY22.3

*1 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 2023 (monthly) *3 CAGR: Compound Average Growth Rate

CEO Message

KDDI makes achieving a truly connected society part of the KDDI Group Mission Statement.

Telecommunications are an integral part of modern society and form the basis for life, industry, and social activities. Therefore, the stability and reliability of telecommunications have become even more critical. As a telecommunications carrier, we play an important role in society, maintaining telecommunications 24 hours a day, 365 days a year. We also recognize that promoting efforts toward creating a resilient future society that achieves both economic progress and the resolution of social issues is a vital issue and should be undertaken actively.

To achieve such a future society, we formulated the “KDDI VISION 2030” in May 2022.

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

Our mission is to connect and protect lives, connect day-to-day lives, and connect hearts and minds. We will enhance our power to connect, and we hope to create a resilient future society in which anyone can make their dreams a reality.

Under the Mid-Term Management Strategy (FY23.3 to FY25.3), we will promote “Business Strategy” and the “Strengthening of Management Base” with Sustainability Management—which is based on a virtuous cycle of corporate value improvement and the sustainable growth in society—at the core.

In our Business Strategy, we will pursue a “Satellite Growth Strategy” that expands growth areas by deepening the existing businesses and maximizing synergies. With 5G communications as the center of the satellite, we will position growth areas around this core and take on challenges in various transformations to promote business.

Regarding Strengthening of Management Base, we aim to achieve carbon neutrality—an environmental issue on the global scale—by fiscal 2030 for KDDI (non-consolidated) and by fiscal 2050 for the KDDI Group. We will also actively pursue transformation into a company that puts human resources first as well as promoting unified group management.

We expect changes to accelerate in the future—both changes in the business environment brought about by new technologies as well as changes in the social environment due to the global situation. The KDDI Group will unite as one to respond to these changes and promote sustainable growth.

We look forward to your continued support and guidance as we work on these initiatives to meet the expectations of our customers and society.

KDDI CORPORATION
President,
Representative Director,
CEO

m. Takahashi



Tomorrow, Together

Looking Back on FY23.3

On Conclusion of the First Year of the Mid-Term Management Strategy

Under the current Mid-Term Management Strategy, we aim to achieve both sustainable profit growth and enhanced shareholder returns.

Our consolidated operating revenue for FY23.3 increased 4.1% year on year to 5,671.8 billion yen, while consolidated operating income was up 1.4% year on year to 1,075.7 billion yen. Against factors such as the impact of price reduction

and fuel price hikes, we were able to increase our operating income through steady growth in the focus areas of digital transformation (DX) and financial business, pursuing cost efficiency, and other efforts.

We are steadily advancing efforts toward achieving our goals for business growth: ARPU revenue increase due to 5G promotion, profit growth of 100 billion yen or more in focus areas, and cost efficiency at the level of 100 billion yen.

	FY23.3	YOY
Operating revenue	5,671.8 billion yen	+4.1%
Operating income	1,075.7 billion yen	+1.4%
Business Services segment	190.8 billion yen	+2.0%
Financial Business	36.0 billion yen	+85.6%

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” in May 2022.

To contribute to building a resilient social infrastructure that withstands environmental changes, we will connect and protect lives, connect day-to-day lives, and connect hearts and minds to create a society in which anyone can make their dreams a reality through businesses with our partners while utilizing technology.

Aiming for “a platformer supporting society” that can add value to every industry and life scene, we will promote “business transformation centered on 5G” with a view of the year 2030.

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

We have established the “materiality (material issues)” centered on the interests of diverse stakeholders such as long-term investors as well as our 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 base.

By doing so, we will aim for the sustainable growth in society and the corporate value improvement with our partners. 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.

Business Strategy/Satellite Growth Strategy

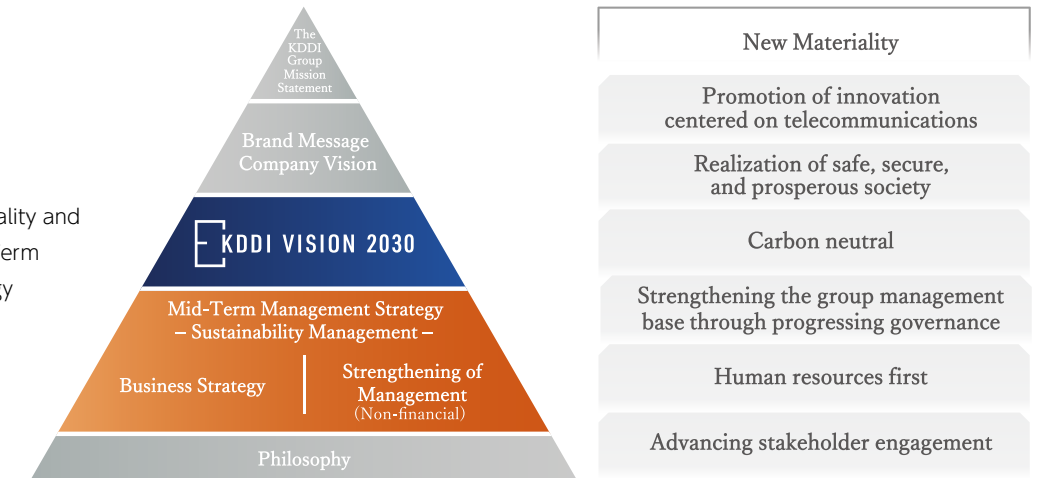
In our Business Strategy, we are pursuing our business growth strategy in the focus areas centered on 5G, which is expected to prosper with the Stand-Alone (SA), under the name “Satellite Growth Strategy.” With telecommunications—which is the power to connect—at the center, we will make new expansions into business areas that are positioned like satellites. For the core service of 5G communications, we will undertake all kinds of efforts to enhance the power to connect. We will also focus on 5G network building, provision of various services and penetration of 5G-compatible handsets so that multi-brand communications ARPU revenues, will increase in FY25.3 compared to FY22.3.

At the center of new business expansion are DX and life transformation (LX). For corporate customers, we will work on offering DX solutions that support the use of digital technologies to transform their businesses into becoming capable of sustainable growth. As for consumers, in an era of diversifying values, we will deliver an exciting world—both in the physical space and in cyberspace—through LX, which is represented by the metaverse.

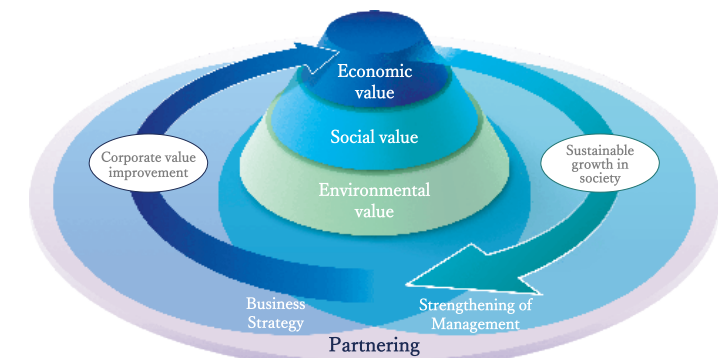
In addition, we will expand our financial business. Telecommunications and finance will become closely linked in our future day-to-day lives. In an era where telecommunications and finance blend into our lives, we will develop financial services to become more closely tied to the lives of our customers by maximizing synergy between telecommunications and various financial services.

Mid-Term Management Strategy

Defining new materiality and promoting the Mid-Term Management Strategy



Sustainability Management



Satellite Growth Strategy



Summary of Efforts in Focus Areas



Highlight 1

“KDDI Digital Twin for All”

Modern society is characterized by the prominent changes in the environment arising from various internal and external factors. To overcome such dramatic changes and achieve “the creation of a society in which anyone can make their dreams a reality” that is stated in KDDI VISION 2030, we have developed a concept called “KDDI Digital Twin for All.” DX for corporate customers and LX for individual customers form the two pillars of this concept.

Under “KDDI Digital Twin for All,” we will transform people’s lives to make them better by transferring data generated in the physical space where people live to the virtual cyberspace, conducting sophisticated simulations digitally in real time, and feeding back the results to the physical space.



A Society in which anyone can make their dreams a reality.
KDDI Digital Twin for All



Highlight 2

“Competition and Collaboration”

To achieve advanced technological innovation required in the era of Beyond 5G as well as promote Sustainability Management while increasing social and environmental values, it will be important to define the areas for competition and those for collaboration with competitors, and implement a balanced investment strategy. As an area for collaboration, in March 2023, we signed a basic agreement for global standardization of optical network technologies with Nippon Telegraph and Telephone Corporation toward deploying and standardizing innovative communication technologies centered on all-photonic networks. Through this agreement, the two companies will seek to achieve a sustainable high-capacity optical network using the telecommunications technologies and experiences they have developed so far.

In addition, 5G JAPAN Corporation—which started business in 2020—is contributing to the sustainable growth in society by promoting infrastructure sharing based on the mutual use of base station assets held by KDDI and SoftBank Corp. and accelerating the rollout of 5G in rural Japan. Furthermore, through providing roaming services to Rakuten Mobile, Inc. via our 4G network, we will promote the expansion of area coverage nationwide in Japan by driving the effective use of our 4G infrastructure and focusing on the rollout of our 5G network.

Going forward, we will continue to collaborate with both telecommunications operators as well as various other partners around the world to achieve a truly connected society.



Initiatives for Strengthening of Management Base

To strengthen the our management base 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, respect for human rights, and enhancement of our group governance.

We are also actively addressing carbon neutrality, which is a major issue on a global scale, and KDDI (non-consolidated) is aiming to achieve net-zero CO₂ emissions by fiscal 2030. Ahead of this, we aim to achieve the same goal at our data centers worldwide under the TELEHOUSE brand by fiscal 2026, while the KDDI Group as a whole aims to achieve net-zero CO₂ emissions by fiscal 2050. In addition to the commercialization of renewable energy generation, we will proactively promote energy efficiency and shift to renewable energy for mobile phone base stations and telecommunications equipment to achieve these goals.

In addition, to ensure ongoing sustainable growth amid a business environment that is undergoing constant and profound change, it is essential to transform into a company that puts human resources first, which promotes innovation and encourages a high degree of autonomy and growth for employees and organizations. 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.

Progress of Mid-Term Management Strategy

In our Mid-Term Management Strategy, we aim to achieve both business growth and shareholder returns. Besides sustainable profit growth, we will undertake capital expenditures and strategic business investments in 5G and focus areas. Based on a financial policy that aims for a dividend payout ratio of over 40% as shareholder returns, we will also consider flexible repurchasing of our shares.

As we move forward together, I would like to express my sincere appreciation for your continued support and guidance for the KDDI Group.

Value Creation Story

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.

KDDI VISION 2030

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

OUTCOME

Connecting and Protecting Lives

- Building a resilient infrastructure for communication and disaster response
- Conserving the environment

Connecting Day-to-Day Lives

- Sustainable development for cities and communities
- Building the infrastructure for developing countries
- Developing human resources for the next generation

Connecting Hearts and Minds

- Creating a digital society for affluence and peace of mind
- Promotion of diversity and inclusion
- Fostering health and a purpose in life

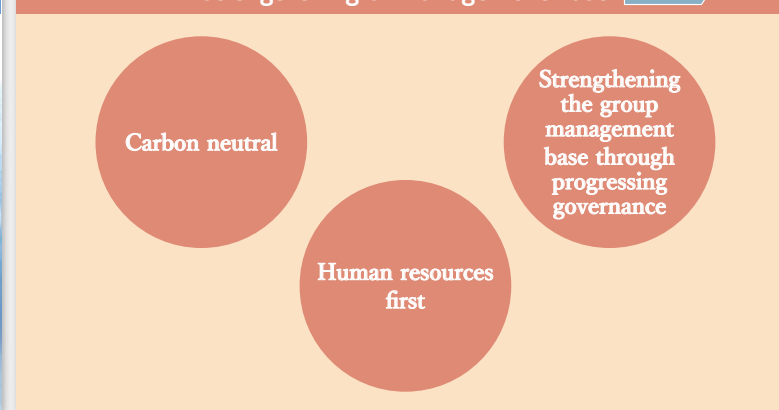
Sustainability Management

Working with partners to achieve sustainable growth in society and corporate value improvement.

Satellite Growth Strategy → P16, 22



Strengthening of Management Base → P85



BUSINESS/ OUTPUT

INPUT

Human resources who possess both expertise and well-rounded character
→ P35, 97

5G communication infrastructure and innovative technology, intellectual property
→ P139

Stable financial base
→ P150

Rich customer contacts and partnerships
→ P106

Six Material Issues and Mid-Term Sustainability Targets FY25.3 targets

1. Promotion of Innovation Centered on Telecommunications

Number of business strategy and R&D projects based on Satellite Growth Strategy (cumulative total): **60** cases
IoT connections (cumulative total): **44** million connections
* Figures since the start of the service

2. Realization of Safe, Secure, and Prosperous Society

Transaction Volume of Settlement/Loan (cumulative total): **16.3** trillion yen

3. Carbon Neutral

KDDI's carbon neutrality (Scope 1+2) (KDDI non-consolidated): fiscal **2030**

4. Strengthening the Group Management Base Through Progressing Governance

Number of advanced security technology initiatives (cumulative total): **15** cases
* Number of news releases and topics by KDDI (non-consolidated) and KDDI Research, Inc.

5. Human Resources First

Maintain and improve employee engagement score (KDDI non-consolidated): maintain **72** or over
Ratio of female directors (KDDI non-consolidated): **20%** or over

Percentage of females in managerial positions (KDDI non-consolidated): **15%** or over

* Calculated excluding incoming secondees and current secondees. Personnel in managerial positions: Leaders who have personnel evaluation authority and experts in specialized area.

6. Advancing Stakeholder Engagement

Financial Objectives FY23.3-FY25.3

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	

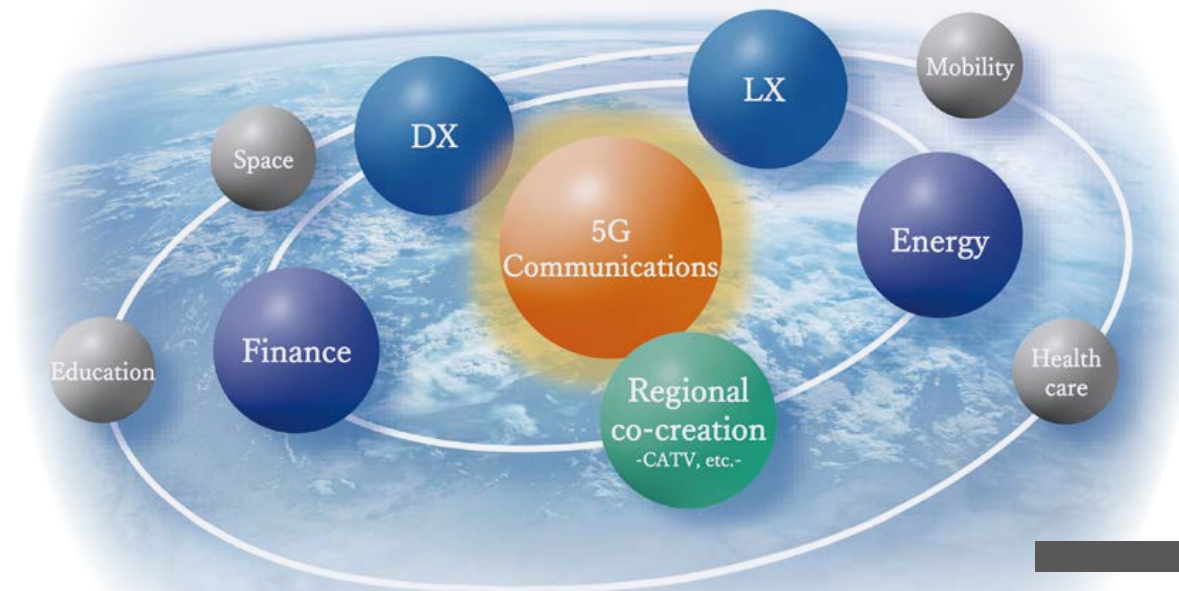
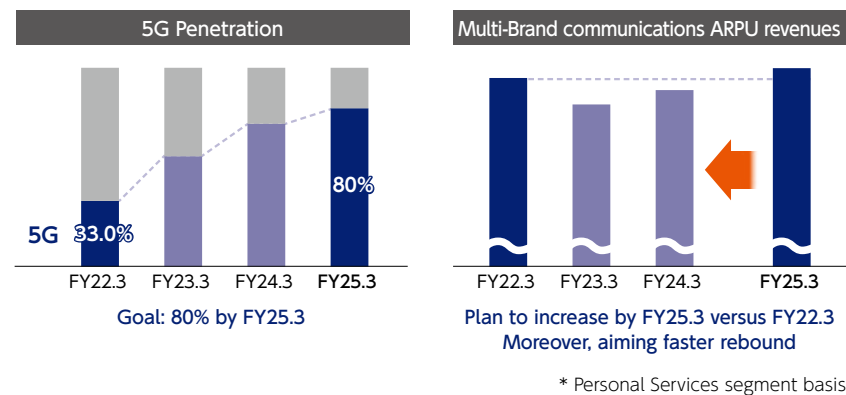
Satellite Growth Strategy: 5G Communications and Focus Areas

We have formulated and are promoting the “Satellite Growth Strategy” as a business strategy under the Mid-Term Management Strategy (FY23.3-FY25.3). The strategy aims to advance the 5G-driven evolution of our telecommunications business and the expansion of our business in focus areas with telecommunications at the core of our activities. We will maximize the KDDI Group’s corporate value by promoting initiatives that enhance social value mainly in our focus areas. Here, we will explain the main progress we have made up to FY23.3.

5G Communications

The key to the success of the Satellite Growth Strategy is 5G communications. Together with diverse partners, KDDI aims for an age of new value emerging from the integration of communications into every domain.

As of the end of FY23.3, the mobile telecommunications business has achieved steady growth with multi-brand communications ARPU of 3,940 yen and 31.23 million IDs. As for communications ARPU, the composition ratio of UQ mobile rose as did au unlimited usage plan subscriptions. ID exceeded the initial forecast due to strong momentum, especially for UQ mobile. The decline in YOY communications ARPU revenues has been steadily decreasing and we aim to rebound in the first half of FY24.3. We will continue to promote the attractiveness of 5G and unlimited usage plans, and further promote data usage through proposals tailored to meet customer needs to achieve further ARPU growth.



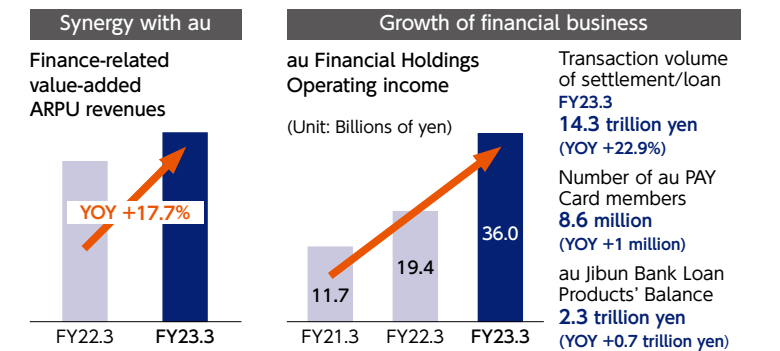
Operating income also grew steadily with a CAGR of +13.0% for the results of FY23.3 compared to FY19.3.

Our strength is that we can expand our business domain and ID by drawing on our existing telecommunications business customer base. There is a customer case that the monthly usage fee increased by a factor of approximately 4.5 from 2010 to 2022 as a result of outsourcing operations using managed services in addition to using multiple telecommunications services through various value propositions. We will continue to deepen our understanding of our customers and provide telecommunications and additional value.

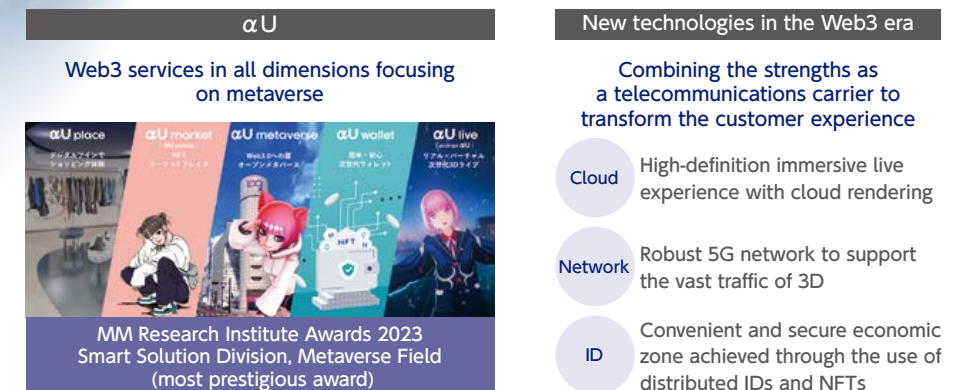
Finance

KDDI will promote the collaboration and cross-use of au Financial Holdings’ diverse functions and services to increase customer engagement. In FY23.3, finance-related value-added ARPU revenues grew steadily by 17.7% YOY.

In addition to the growth in operating income, au Financial Holdings’ customer base is steadily expanding with settlement/loan transaction volumes reaching 14.3 trillion yen, 8.6 million au PAY Card members, and 2.3 trillion yen held in au Jibun Bank loan products balance. We aim to maximize the corporate value of the KDDI Group by creating synergies resulting from leveraging au’s customer base through the growth of our financial business.

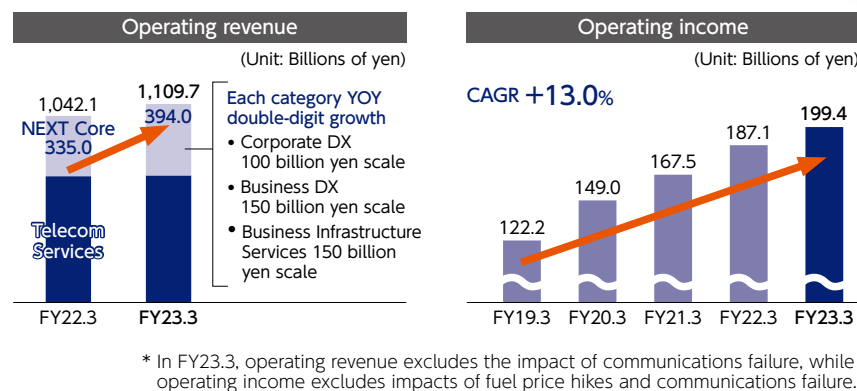


LX (Life Transformation)



DX

We will support our customers’ businesses by leveraging the diverse capabilities of the KDDI Group, with 5G at our core, in “Corporate DX” to support workstyle reform and improvement of business productivity, “Business DX” to solve management and social issues through the power of digital technology, and “Business Infrastructure Services” (data centers, contact centers, etc.) to facilitate these services. In terms of the performance of the Business Services segment in FY23.3, NEXT Core led operating revenue growth with an increase of 17.6% YOY, each category achieved double-digit YOY growth.



“αU” (Alpha U) launched in March 2023. It provides comprehensive services for the Web3 era, including shopping, markets, wallets, and live streaming centered on the metaverse. Additionally, αU is highly acclaimed, winning the most prestigious award in the MM Research Institute Awards 2023, Metaverse Field of Smart Solution Division. Going forward, KDDI will continue to combine its strengths in cloud, network, and ID with the new technologies of the Web3 era to transform the customer experience and create a prosperous future society.

In addition, we are developing services using drones and creating new experiences using Starlink through our satellite telecommunications partnership with SpaceX.

The Future We Aim for by Enhancing the “Power to Connect”

The “power to connect” is the key to solving a wide range of social issues such as depopulation, digital divide, natural disasters, and labor shortages due to declining birthrates and aging populations. As an infrastructure company that supports the information infrastructure of society, KDDI will strengthen the communication infrastructure that supports “connections” and solve the social issues that surround us by combining communication technology with cutting-edge technology. We will work toward the sustainable development of society by envisioning a future society in which everyone can realize their aspirations.

Future

All-Photonics Network, a next-generation communication infrastructure supporting “connections”

→P26



Utilization of space



Remote medicine



Immersive entertainment



Flying car



Robotics

Enhancing the Power to Connect CASE 2
Future Society Where Robots and People Coexist → P29



Mobility



Satellite communication



AI

Enhancing the Power to Connect CASE 1
Network “Connecting and Protecting Lives” → P28



Drone



Metaverse

Present



Next-Generation Communication Infrastructure Supporting "Connections": All-Photonics Network

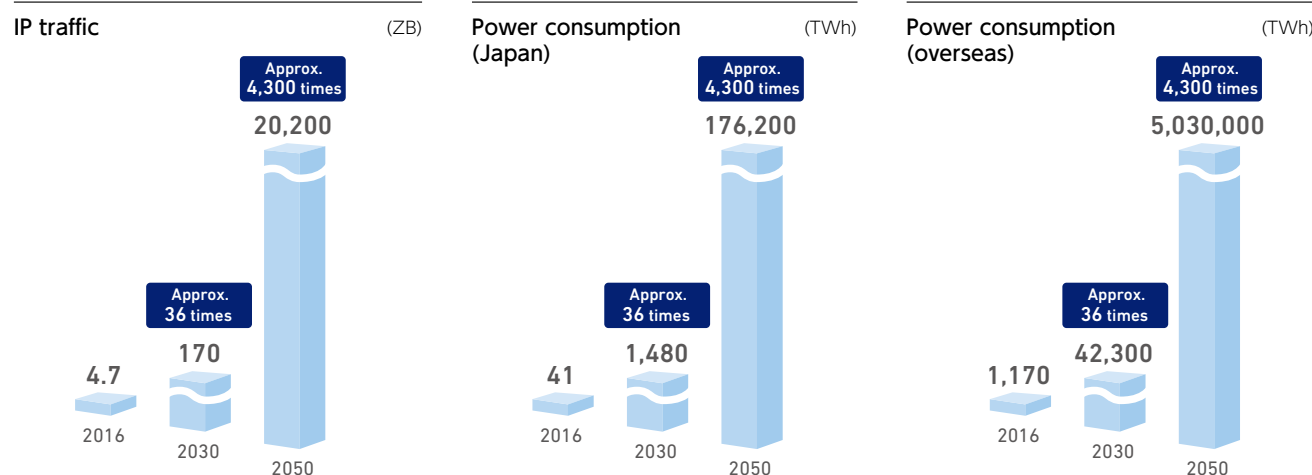
General Manager of Technology Strategy Division,
Technology Sector
Tomohiro Ohtani

All-Photonics Network Achieving Both Digital Twin and Carbon Neutrality

In the Beyond 5G era, where everything is connected by telecommunications, we believe that the "Digital Twin" will become an important mechanism for society, linking physical space (real world) and cyberspace (virtual space) capabilities to analyze the current situation and predict the future. It will bring about major changes in urban design, personal lifestyles, and many other aspects.

In a society where everything is connected by telecommunications, enormous amounts of data processing are required. Recently, the volume of global data distribution (IP traffic) has increased dramatically, hence, the power consumption of IT-related equipment for processing data has been on the rise accordingly. It is necessary, therefore, to improve transmission capacity, enhance data processing ability, and reduce power consumption in order to achieve both Digital Twin and carbon neutrality. An All-Photonics Network is an important key technology for solving this issue.

IT-Related Power Consumption Forecast

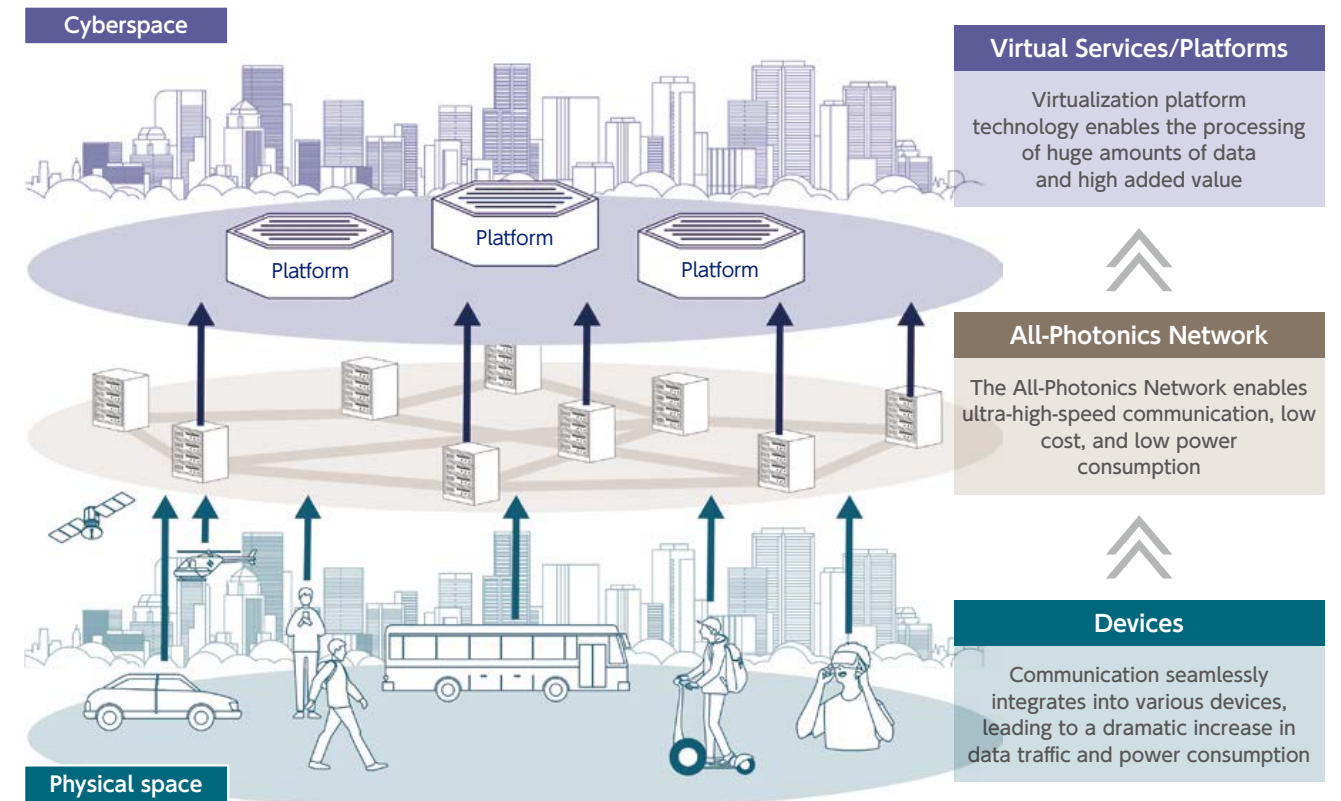


If power consumption increases in proportion to IP traffic growth, it will be approx. 36 times higher in 2030, and approx. 4,300 times higher in 2050, compared to 2016.
Source: 2022 White Paper Information and Communications in Japan (The Ministry of Internal Affairs and Communications)

In current network communication, signals are converted from optical to electrical and from electrical back to optical. However, an all-photonics network achieves ultra-high speed, low cost, and low power consumption by transmitting signals in their optical form without undergoing these conversions. Throughout our 60 years of research and development in undersea optical cables, we have cultivated three strengths in the field of optical communication. These strengths are long-distance transmission capable of spanning the Pacific Ocean, high-capacity transmission capable of handling the growing data traffic associated with Internet development, and a high reliability to withstand operation in the harsh environment of the seabed for many years. By leveraging these three strengths, we aim to establish a strong All-Photonics Network.

Furthermore, in addition to advancing our in-house research and development efforts, we are promoting open innovation in collaboration with worldwide partners, aiming for the standardization of transmission methods for All-Photonics Networks and their application to mobile networks.

KDDI's Vision for the Network



The realization of an All-Photonics Network will serve as a catalyst for various Digital Twin society innovations, accelerating the emergence of high-value and practical services and platforms that the world will demand in the future.

On the next page, our initiatives are introduced as specific examples of services and platforms that are created by enhancing the "power to connect."

Message

We want to shape the future together with people, while empathizing with their aspirations

KDDI has aimed to provide seamless communication to its customers as a mission of a telecommunications company. Nevertheless, to offer even more pleasure, surprise, and inspiration, we must further evolve our communication services. In doing so, we believe that it's important not only to focus on technological innovation but also to empathize with our customers. This involves understanding the desires and aspirations of various people, then combining new technologies to smoothly present them with options. This is the company vision we strive for.

The definition of happiness has changed from in the past when everyone was seeking material wealth. Now, we believe that realizing our aspirations according to our own values is what makes us happy. Communications can surely be of help for people in realizing their individual aspirations. We will continue to evolve the power to connect customers by empathizing with them in all aspects of our business, communication platforms, and new services.



Enhancing the Power to Connect CASE 1

Network for "Connecting and Protecting Lives"

Our business has progressed according to the desire to deliver communications anywhere, anytime on earth, and to eliminate disconnected locations. We believe that our mission is not just about connecting lines but also about connecting and protecting people's lives with the "power to connect."

Realization of "connecting more and always" with Starlink from space

KDDI has been a key player in Japan's satellite telecommunication services for over 60 years. In 2021, we partnered with Starlink, SpaceX's satellite telecommunication service, which is driving the next generation of space business. The partnership has expanded the possibilities of communication more than ever, bringing us much closer to the realization of a world in which communication is integrated into every aspect of our lives.

In the event of a large-scale disaster, communications are essential for emergency rescue calls, safety confirmation, damage assessment, and support activities. Even if terrestrial lines are unavailable during a disaster, communication lines can be secured by using Starlink via satellite.

In the Nakatsugawa area of Chichibu City, an au mobile communication environment has been secured using Starlink, with supplies delivered by remote autonomous drone flight. This initiative aims to provide livelihood support during the winter period to local residents in the Nakatsugawa area of Chichibu City, where logistics were disrupted by a landslide in September 2022. We have delivered up to 4 kg of food, daily necessities, medicines, and other supplies multiple times by drone to support the lives of local people.



Efforts for "Connecting and protecting lives" in everyday life

Not only in disasters, but also in everyday life, there are life-threatening social issues to be avoided, such as accidents involving cars and bicycles. KDDI has developed a function that uses smartphone location data to notify the respective drivers of bicycles, motorized vehicles, and automobiles when they approach the same intersection. This is a Digital Twin initiative that uses information gathered from the physical space to make predictions in cyberspace, then feeds it back into the physical space again.

With communication platforms, we can deliver a sense of security to people and protect their lives. We will continue to strive to provide a communication environment that connects anytime, anywhere.

Preventing Accidents on Public Roads Using Smartphone Location Data (Japanese only)

Enhancing the Power to Connect CASE 2

Future Society Where Robots and People Coexist

Japan's working-age population (ages 15-64) peaked in 1995 and has continued to decline, with a projected about 29% decline by 2050 compared to 2021.

In rural areas especially, which have experienced remarkable population decline and aging, various issues are causing concern, such as labor shortages and the lack of leaders in the local economy and industry.

Robots are expected to be one of the solutions to labor shortages. To enable robots to move freely and perform services such as sales/delivery, patrolling, and cleaning, KDDI plans to link its robot platform with various data gathered from security gates, elevators, and surveillance camera footage. By doing so, we aim to realize services that could not be realized independently and to build an environment that can respond flexibly to user demand. We will also conduct a survey on the acceptability of robots to consumers through actual demonstration experiments carried out in the city, and deliver our services to society in a more desirable form.



Message

In the Beyond 5G era, when you run out of milk in your refrigerator, you will not have to run to the supermarket to buy some. Instead, a delivery robot will deliver it to your door. Indeed, you may never run out of something in the first place.

By automatically connecting all things in society, various tasks can be accomplished without human intervention. Robots will be good partners to provide free time for people.



CFO Message



**We aim to achieve together with our partners
a virtuous cycle of corporate value
improvement and sustainable growth
in society through promoting our Satellite
Growth Strategy and strengthening
the management base that supports it**

Managing Executive Officer, CFO
Executive Director, Corporate Sector
Executive Officer of Sustainability
Nanae Saishoji

Management Strategy with Sustainability Management at the Core → P44

There is a growing interest in ESG initiatives in the stock market. With Sustainability Management at the core, KDDI aims to achieve together with our partners a virtuous cycle of corporate value improvement and sustainable growth in society. In the past, we have honed our non-financial initiatives, including the provision of a resilient telecommunications environment through our disaster countermeasures and the human resource development through activities for the penetration of KDDI Group Philosophy within the company. When formulating our Mid-Term Management Strategy, we selected six material issues based on topics of interest for multi-stakeholders including long-term investors, our vision, and the impact on our business. They incorporate aspects such as the promotion of innovation required for our business transformation, enhancement of human resources and governance in step with the diversification of our businesses, 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 “Eight values we embrace,” the different types of values we need to provide to society. We have also set a total of 25 mid-term sustainability targets (KPIs) to work toward for the respective values to be provided.

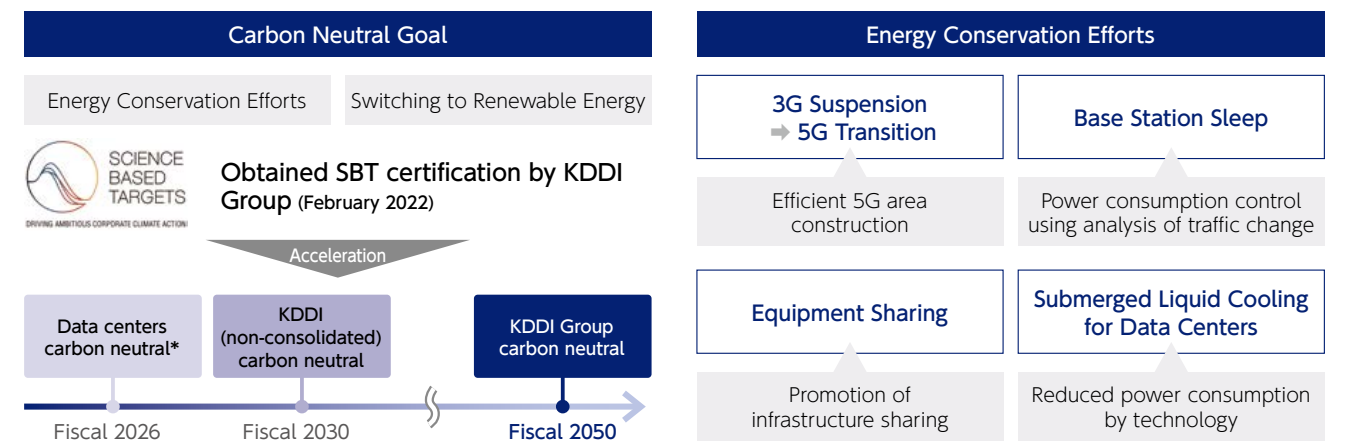
As interest in ESG rises, so do expectations for the visualization of capital expenditures and non-financial capital. Therefore, we will step up our efforts to disclose information closely related to our long-term strategy. Please also keep an eye on the initiatives for strengthening of management base needed to promote the Satellite Growth Strategy as well as our mid-term sustainability targets.

Toward the Achievement of Carbon Neutrality → P71

We aim to make our business activities carbon neutral by fiscal 2030. In addition, we will endeavor to achieve net-zero CO₂ emissions for all TELEHOUSE brand data centers around the world by fiscal 2026, and for the entire KDDI Group by fiscal 2050.

We will also respond to the growth of 5G traffic by developing technologies for conserving energy. In addition to our 3G suspension at the end of March 2022, we will also work on sharing infrastructure with competitors, adopting various energy-saving technologies to reduce power consumption, and switching to renewable energy.

In addition, we started jointly operating sustainable base stations—which ensure independent power sources using solar power generation and can supply all the electricity necessary for the operation of a single base station during the day on sunny days—with au Energy & Life Inc. in May 2023. Furthermore, we will further accelerate our renewable energy generation business through au Renewable Energy, Inc.—which started business in April 2023—to contribute toward society’s carbon neutrality through business.



* The term “data center” refers to data centers owned by the KDDI Group, excluding facilities or parts of facilities rented from other companies to provide services.

Enhancement of Group Governance Necessary for Promoting the Satellite Growth Strategy → P85

As we welcome more group companies and diversify our businesses through the promotion of the Satellite Growth Strategy, we are also strengthening the KDDI Group’s risk management and information security systems. Specifically, to achieve synergy and growth for the entire group, by expanding the common infrastructure through shared services and establishing a system for training and supporting CFO human resources, we will strengthen our risk management system. Additionally, we will further enhance information security to support business growth by upgrading a privacy governance system for inter-group data connections.

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

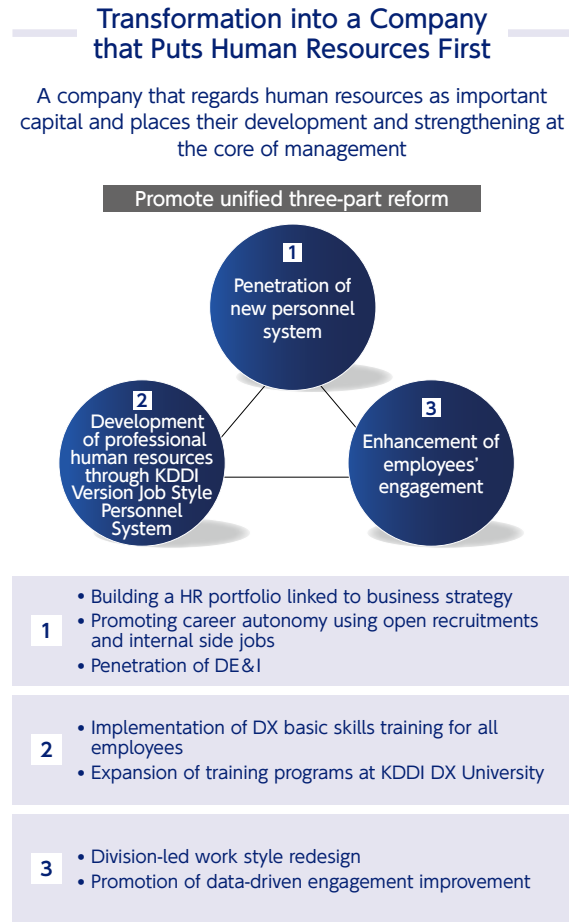


Accelerating Growth in Focus Areas alongside Human Resources First

→ P97

The KDDI Group emphasizes human resources, and it is stated in the KDDI Group Mission Statement that the Group “values and cares about the material and emotional well-being of all its employees.” In the future, the specialty of each person will become important, and the development of human resources who can play active roles both within and outside the company is also an important initiative for our sustainable growth.

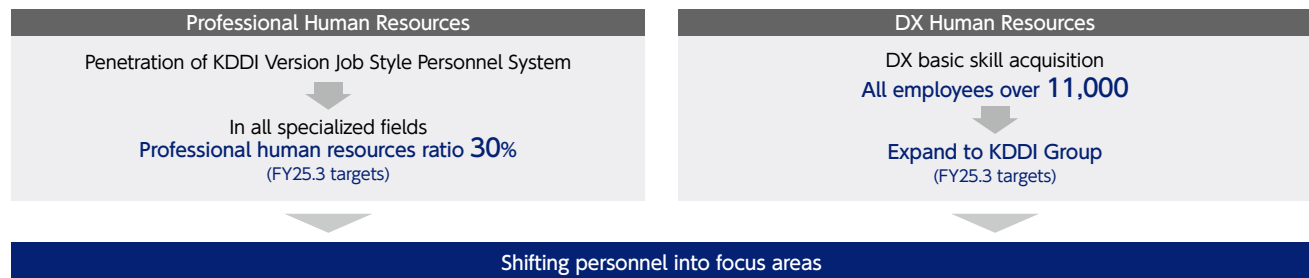
We consider human resources to be our greatest resource. With the aim of transforming KDDI into a “Human Resources First Company” that places the development and enhancement of human resources at the core of its management, KDDI is promoting the unified three-part reform initiatives of “Penetration of new personnel system”, “Development of professional human resources through KDDI Version Job Style Personnel System”, and “Enhancement of employees’ engagement”. Moreover, we have defined our transformation into a company that puts human resources first as a 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 in society. As a specific target, we will work to raise the professional human resources ratio in all specialized fields to at least 30% by FY25.3. Also, by enhancement of all employees’ DX skills and training of DX professionals through the use of KDDI DX University, and expansion of DX basic skills acquisition to KDDI Group, we will shift DX professionals to the focus areas.



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

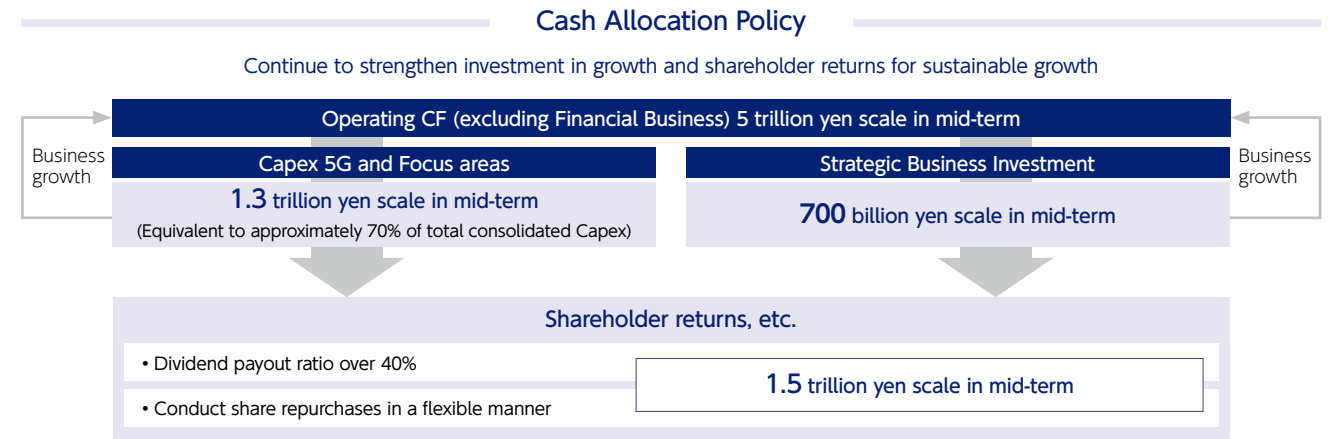
Cash Allocation and Shareholder Returns

We will continue strengthening our investment in growth and shareholder returns to support our sustainable growth. We will also work to attain operating cash flow (excluding financial business) of 5 trillion yen scale over the mid-term. The operating cash generated 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. In particular, for the strategic business investment of 700 billion yen, we will focus on projects that will lead to business growth in the future. At the same time, we will undertake investment in growth keeping in mind the improvement of capital efficiency for the KDDI Group as a whole.

Regarding the EPS growth target stated in the Mid-Term Management Strategy, there are issues such as the reduction of telecommunications fees and the impact of high fuel prices. However, we will continue with the pursuit of EPS growth as it is an important vector for both business growth and enhancement of shareholder returns. In May 2023, to show our management’s direction, we also enhanced shareholder returns through increasing dividends by five yen as well as establishing an upper limit of 300 billion yen for further repurchase of our own shares.

Furthermore, in October 2022, we issued KDDI Tsunagu Chikara Bonds (unsecured straight bonds), KDDI’s first sustainability bonds to deploy funds for projects that address social issues and protect the environment. Going forward, we will continue to promote projects that address social issues and protect the environment, and effectively raise funds in line with Sustainability Management.



Cost Structure Reform

The optimization of expenditure related to telecommunications facilities from the 3G suspension in March 2022 achieved a cost structure reform of approximately 50 billion yen. We will continue to undertake technological cost structure reforms through the promotion of infrastructure sharing, use of advanced technologies, and such, as well as revenue structure reforms for selling costs. Through these efforts, we will promote cost structure reforms in the scale of 100 billion yen in the mid-term (FY23.3 to FY25.3). Going forward, based on the KDDI Group Philosophy, we will continue to practice “Maximizing revenues, minimizing expenses” as well as adhere to lean and mean management.

Today’s corporate management is exposed to a variety of risks that are difficult to predict, such as the unstable situation overseas, high fuel prices, and sudden fluctuations of exchange rates. Even in such an environment, KDDI will promote various types of initiatives seeking financial growth in both aspects of revenue and profit. We will therefore undertake the strengthening of management base that balances agile forecasts and resilient preparations. Through the practice of Sustainability Management based on the KDDI Group Philosophy, we will also improve our non-financial value and contribute toward the enhancement of corporate value and sustainable growth in society.

As we carry out the Mid-Term Management Strategy, we will guide our decisions and actions with the valuable insights we gain from dialogue with our shareholders and investors.



Human Capital Supporting “Connecting”

In a society where telecommunication is becoming integrated into every scene, for KDDI to create new value by combining telecommunications with various industries, it is important to evolve the organizations and people both within and outside the KDDI Group, as well as the diversity that emerges from them, by enhancing the “power to connect.” We asked Mr. Hishida, the General Manager of Human Resources Division, about the concept of becoming a “Human Resources First Company” for the KDDI VISION 2030.



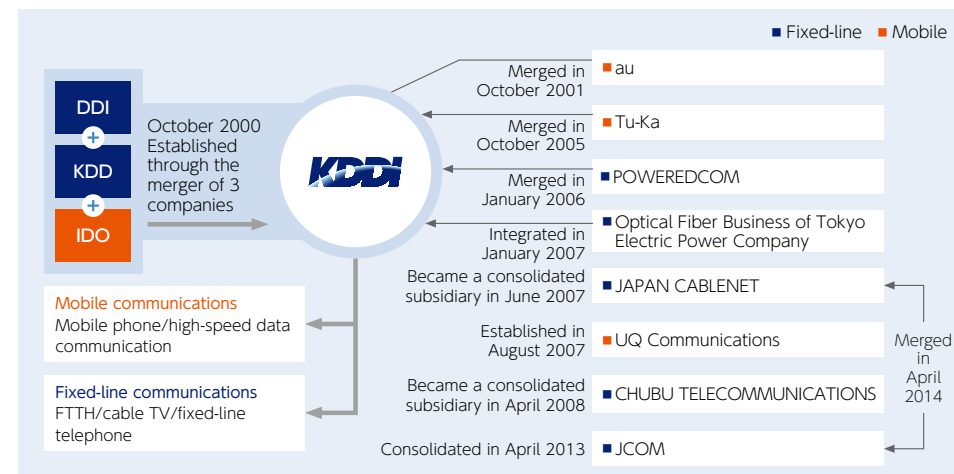
Executive Officer
General Manager,
Human Resources Division
Corporate Sector
Naoto Hishida

History with Diversity

At the core of KDDI, which has continuously created services that deliver not just surprise but also inspiration to its customers, diversity has always been present. In the year 2000, prior to the launch of next-generation mobile phone services, DDI, KDD, and IDO came together to establish KDDI. Under the banner of “Becoming a comprehensive communication carrier to rival NTT,” these three companies, each with distinct organizational cultures, brought together a diverse array of talents from various backgrounds, values, and individualities. Through subsequent integrations with companies possessing various organizational cultures, we come a long way.

In a diverse environment, our company has consistently transformed diversity into the “Power of the Organization.” The introduction of groundbreaking web services like “Chaku-uta” and “LISMO,” along with the development of design-oriented mobile phones such as “INFOBAR,” were made possible by the exchange of differing opinions and outstanding skills among individuals with various specialties.

Currently, through investments in startup companies and collaborations with partner companies, KDDI is accelerating open innovation and evolving diversity, while incorporating the individuality and expertise of the human capital involved in KDDI. These success factors can be attributed to the KDDI Group Philosophy, which has helped align the vectors of the objectives and actions of diverse human resources and enhance their centripetal force.

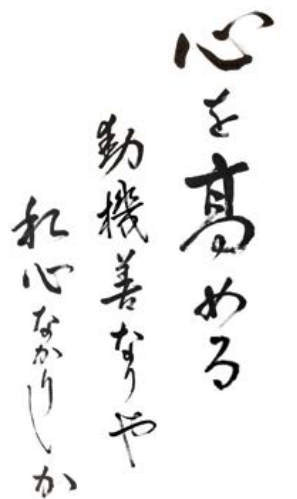


KDDI Labo
Business co-creation platform to support startups, KDDI ∞ Labo

KDDI Group Philosophy Connecting Hearts and Minds of Employees → P10

The KDDI Group Mission Statement is “to care about the material and emotional well-being of all its employees.” While management resources are said to be people, goods, and money, “people” and moreover “the hearts and minds of people” are important. The KDDI Group Philosophy clearly states what the company exists for, what its employees aim for, and what the standards are for their actions. I believe that this is what it means to be a Human Resources First Company. Through the KDDI Group Philosophy, we have encouraged heart-to-heart communication among diverse human resources and built deep relationships of trust. By thoroughly thinking what is useful for the world and for people, and by elevating our minds, we have aligned our direction and enhanced our centripetal force.

I believe that we should continue to keep the KDDI Group Philosophy at the core of our operations and further pursue becoming a “Human Resources First Company”.



Corporate Credo “Elevate Our Minds” “Asking ourselves if our motives are righteous or selfish”

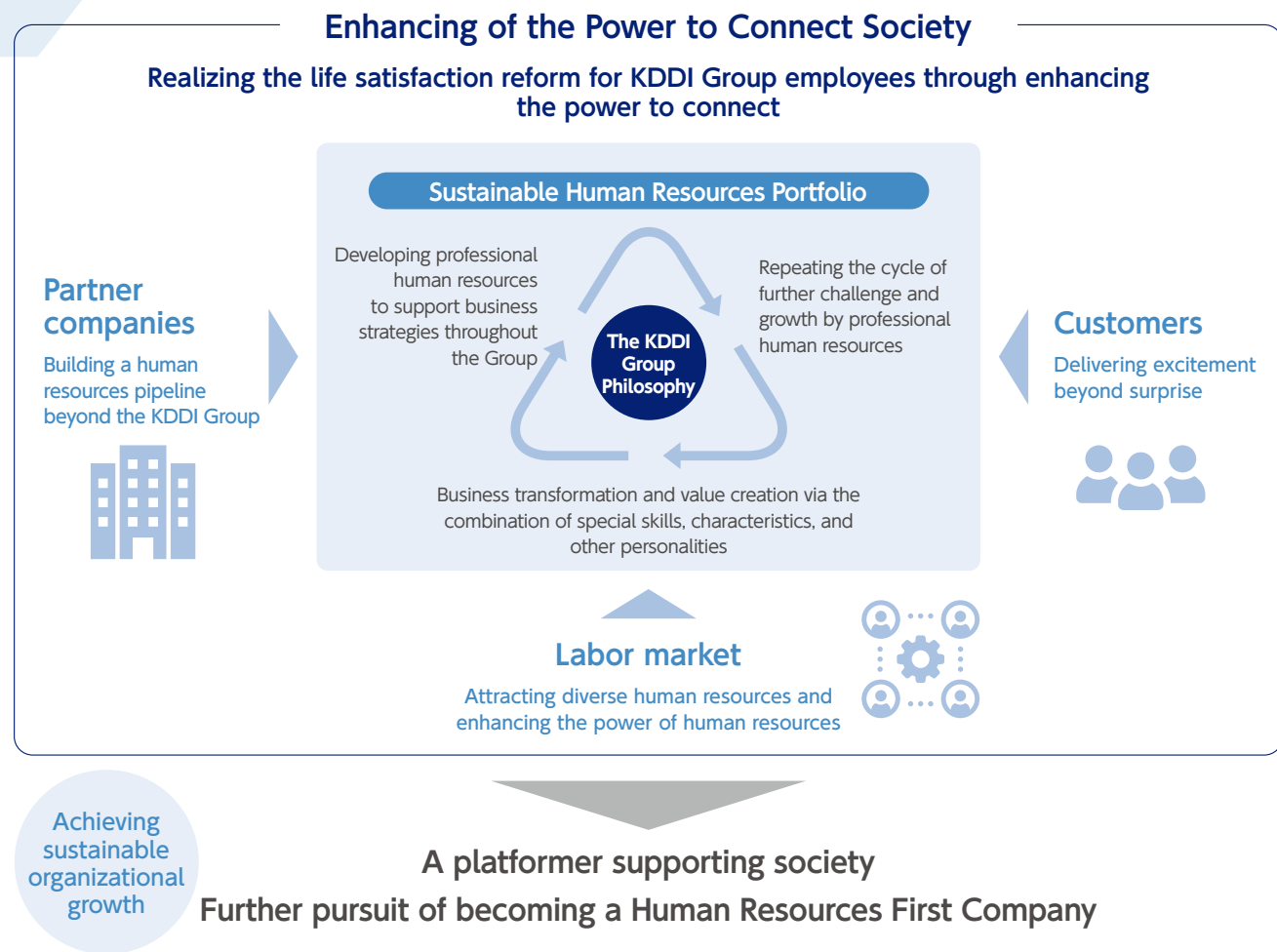
Further Pursuit of Becoming a Human Resources First Company for the KDDI VISION 2030

As the business environment changes drastically and the Satellite Growth Strategy to expand business areas such as DX, finance, and energy is promoted, it is necessary to acquire human resources with more diverse expertise than ever before, and create innovations leading to the advancement of business and organizational functions through the mixing of these human resources.

However, it is also true that as a result of achieving stable growth, KDDI has diminished the spirit of challenge that it possessed when it was first established and during its period of rapid growth. In a rapidly changing business environment, every employee must continue to take on challenges and grow while considering the promotion of the Satellite Growth Strategy as their own job, and accelerate innovation, and pursuing new areas. This is why we are committed to further pursuing our goal of becoming a Human Resources First Company for the KDDI VISION 2030.

Realization of a Sustainable Human Resources Portfolio

To realize the further pursuit of becoming a Human Resources First Company, it is important for independent professional human resources with expertise to continue to take on challenges and grow. In the KDDI Group, which covers a wide variety of business domains, they find places where they can demonstrate their individuality and abilities, and take on challenges while developing their skills and taking on higher-level challenges. Such higher-level challenges require the collective knowledge of human resources from several different fields of expertise. As a result of the mutual recognition and enhancement of professional human resources in each area, we will achieve a sustainable human resources portfolio that will continue to produce professional human resources throughout the Group.



Human Capital, the Driving Force behind the Power to Connect Society

Maintaining and improving the physical and mental health of employees is important. In the age of work-as-life where the boundary between work and life is disappearing, "improving wellbeing through life satisfaction reform" together with work style and job satisfaction are important elements that we will pursue as a Human Resources First Company. When considering the pursuit of happiness for all employees, it is important to emphasize not only job satisfaction but also life satisfaction. When discussing with employees "When do you feel happiness?" they shared that they feel happiness when they receive gratitude from others, when they positively influence people or society, and when they experience a sense of personal growth. KDDI employees have a very strong desire to do something useful for society. I believe that such a desire is the driving force behind the "power to connect" lives, day-to-day lives, and hearts and minds. By pursuing life satisfaction for its employees, KDDI will become an even more attractive company that increases engagement with its customers, partners, and the labor market, continuing to be loved and trusted by them.

Future Prospects for Further Pursuit of Becoming a Human Resources First Company

The KDDI Version Job Style Personnel System, which was introduced to develop professional human resources who continue to take on challenges and grow, has a significant transformation for employees, and we recognize that there are issues in penetrating the system. For example, in order to become a professional human resource, employees must voluntarily find their own area of expertise and hone their skills, yet we believe that career autonomy is not easily promoted simply by changing the system. One of the solutions to the issues is to actively use and experience the system. To solve the issues, we will work to foster a culture that encourages each employee to take on challenges and grow through career training and in-house counseling.

While there is uncertainty about major system changes, here are some examples of employees who have taken steps to enhance their expertise and skills and develop their careers through voluntary in-house side jobs, open recruitment, and the KDDI DX University (KDU). → P97

KDU encourages challenges in new areas and career development

I had previously focused on developing my skills specializing in IoT, but a recommendation from the head of the division I was in at the time inspired me to embark on a new career, learning business skills and general DX skills at KDU.

Before attending KDU, I had no experience in learning business skills, so every single lecture taught me something new, from basic knowledge such as how to think about things and reporting to applied knowledge such as business strategy. I am now engaged in planning and customer proposals to expand sales of IoT service platforms, and actively involved in tasks ranging from market and environmental trend research to target selection and promotion of proposals. I feel that I have grown through learning at KDU.

As Japan faces an aging society with a declining birthrate, our next step is to grow on a global scale. I hope to work in such a way that I can think about what kind of businesses exist as global DX, what issues each country faces, and what KDDI can do to address these issues, using the knowledge I learned at KDU combined with the knowledge I will learn on my own in the future.



Turn my desire into my job by finding aptitudes through a side job and open recruitment

I learned about gender as a student, and when I was looking for a job, came across KDDI's advanced LGBTQ+ support efforts and became interested in KDDI's human resources work before I joined the Company. I gained five years of work experience in the Customer Service Division to which I was assigned, where I was exposed to the work styles and career perspectives of women of all ages. This experience further strengthened my desire to promote the free and autonomous career development of women working at KDDI, so I took a side job in the Human Resources Division then was transferred to the Human Resources Planning Department through open recruitment.

Before participating in the side job program, I was worried about changing jobs, but the experience of having a side job gave me confidence in the strength of my desire and allowed me to boldly take on the challenge of open recruitment. At the time of application, I believe I was able to clearly explain my desire to work in the human resources field, for which I have deepened my understanding through my side job.

The in-house side job program is a system that allows individual employees to take on challenges without hesitation, and I hope that more employees will take advantage of this system. After transferring to the Human Resources Planning Department, I broadened my perspective on the system and learned that it is a mechanism for passing on the skills of personnel with expertise and for improving organizational operational efficiency. I think we need to promote this system so that more people will want to utilize it, not only from the perspective of individual employees, but also from the perspective of the organization itself.



Materiality

We will contribute to solving environmental and social issues with the “power to connect” and actively promote communication with stakeholders.

General Manager,
Sustainability Management Division
Corporate Sector
Kazuyasu Yamashita

Message from the General Manager of the Sustainability Management Division

Promotion of Sustainability Management

Creating business opportunities based on social issues and further promoting communication with stakeholders

In the pursuit of sustainability management, we have set forth two vital roles for the Company.

The first role entails committing to perpetuating a cycle that identifies business opportunities based on environmental and social issues, and then seeking to resolve these issues through these opportunities. We will solve environmental and social issues through our business, such as addressing climate change, preserving ecosystems, transitioning to a recycling-oriented society, bridging the regional divide, and realizing a sustainable infrastructure environment. Leveraging our inherent “power to connect,” we aim to become a leading sustainability management company that contributes to sustainable growth in society and corporate value improvement together with our partners by utilizing various assets such as DX and IoT.

The second is to promote communication with stakeholders. Initially, we will ensure comprehensive information dissemination to facilitate their comprehension of our financial and non-financial initiatives. Additionally, by engaging in thoughtful dialogue with our multistakeholders, we will correctly understand the issues we need to address and the expectations they have of us, which will lead to stronger sustainability management initiatives.

Creating Business Opportunities Based on Social Issues

Contributing to solving social issues through our business by enhancing the “power to connect”

As the global shift towards a decarbonized society, the KDDI Group is also aiming to achieve net-zero CO₂ emissions in its business activities. Furthermore, we are actively promoting initiatives that will lead to carbon neutrality throughout society. au Energy Holdings, a member of the KDDI Group, established au Renewable Energy and launched a renewable energy generation business centered on solar power generation. The company will contribute to the shift to a renewable energy-centered society that realizes a stable energy supply. KDDI has also launched “Green Mobile” for corporate customers. This service uses renewable energy sources to generate electricity for the telecommunication services provided to customers. [→ P75](#)

We also believe that KDDI's strength, the “power to connect,” is the key to shaping a better future as an enabler, supporting society's information infrastructure and helping to solve the social issues facing us. Our telecommunications-based innovations will contribute to solving all kinds of environmental and social issues. [→ P4](#)

For example, the marine environment is changing drastically due to climate change, etc. In the fishery industry, the catch continues to decline along with the decrease in fishery resources and seaweed beds. We therefore conducted a survey using a waterborne drone, considering the importance of restoring the seaweed beds, which are the marine forests below the sea surface, from the viewpoint of preserving and restoring the fishing environment. [→ P55](#)

In addition to the above, we are actively working to solve issues in the fishing and agriculture industries through the use of IoT technology throughout Japan. To address the issue of the heavy workload on fishery and agricultural workers, our assets are used to improve work efficiency, reduce costs, stabilize yields, and improve quality. Visualizing the quality of work that has been covered by the experience and intuition of workers as data, reproducing it in a digital space, and presenting solutions can lead to greater employment opportunities for inexperienced workers and young people.

As a telecommunications carrier, KDDI's mission is to connect people. This means connecting people's lives, day-to-day lives, and hearts and minds. We will strive for a world where new value is created and social issues are solved by enhancing the power to connect and integrating communications into every aspect of our lives.

KDDI Green Partners Fund

We will contribute to enhance the sustainability of society by aiming to achieve the following three goals with respect to the global environment: carbon neutrality for society as a whole, preservation of biodiversity, and realization of a recycling-oriented society.

One of the major driving forces for achieving these goals is innovation through co-creation that transcends corporate and organizational frameworks. Through partnering with startup companies that are actively working to solve environmental issues, we will further expand our impact on society by integrating the technologies of KDDI and its partners and creating synergies.

In 2021, KDDI, together with SBI Investment Co., Ltd. established the KDDI Green Partners Fund to invest in startup companies that address environmental issues. The fund has provided funding to six companies (as of September 2023), as well as business support and joint demonstrations utilizing various assets of KDDI. To further accelerate our contribution to solving environmental issues, we will continue to invest in and support startup companies with superior technologies and services. [→ P76](#)



Issuing sustainability bonds → P110

We also need a mechanism to financially support the promotion of sustainability activities. KDDI created its Sustainability Finance Framework that limits the use of funds to projects that help solve social issues and preserve the global environment, and issued KDDI Tsunagu Chikara Bonds, KDDI's first sustainability bonds. They correspond to SDGs bonds, in which procured funds are allocated to projects that contribute to solving environmental and social issues.

As a specific use of KDDI Tsunagu Chikara Bonds totaling 100 billion yen, KDDI will contribute to the government's "Vision for a Digital Garden City Nation" initiative by constructing 5G areas. Moreover, we will continue to implement various projects to promote power saving and the use of renewable energy in mobile phone base stations and telecommunication facilities.



Outline of the bonds

Name	KDDI Corporation 30th Unsecured Bond (with inter-bond pari passu clause special clause) (Sustainability Bond)	KDDI Corporation 31st Unsecured Bond (with inter-bond pari passu clause special clause) (Sustainability Bond)
Term of issue	3 years	5 years
Total amount of issue	100 billion yen in total	
Issue date	October 27, 2022	
Structuring agent	Daiwa Securities Co., Ltd.	
Lead managing underwriters	Daiwa Securities Co., Ltd.; Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.; Mizuho Securities Co., Ltd.; Nomura Securities Co., Ltd.	

Providing employees with the opportunity for business development through the internal penetration of sustainability

To implement sustainability management and have a positive impact on society, it is important for each employee to deepen his or her understanding of sustainability and to think autonomously about how to create businesses that address social issues.

For example, within the assessment criteria for the President's Award, an internal award system, a sustainability element is considered mandatory.

Additionally, we conduct workshops focused on sustainability management to provide employees with simulation study opportunities for business development based on solutions to social and environmental issues. Other efforts to create such opportunities include planning sustainability workshops for employees from a wide variety of divisions and launching an internal community focused on discussing sustainability. → P46

Actively Driving Information Disclosure and Communication with Stakeholders

Promoting communication with stakeholders and information disclosure

We focus on proactive information disclosure to communicate our sustainability efforts to our stakeholders. We would also like to contribute to solving social issues not only by our own company but also together with our stakeholders. In addition to the statutory disclosure of sustainability information in our Annual Securities Report, we are actively communicating our current status and perspectives on all aspects of ESG through the KDDI Integrated Sustainability and Financial Report, our website (including Sustainability News), and via various media outlets.

We are also actively engaged in dialogue with our stakeholders, and in particular, continuously focus on discussions with experts on the themes of the environment and human rights. Through such information disclosure and communication, we will strive to improve our activities and create opportunities to address our issues and expectations from outside the Company, and to be a company trusted and chosen by our stakeholders.

Enhancing IR activities and taking on the challenge of new initiatives

Recognizing the significance of investor communication, we have established an Investor Relations Department within the Sustainability Management Division. We ensure the meticulous conveyance of our integrated financial and non-financial information to investors and receive valuable feedback from them.

We have also taken on the challenge of analyzing and visualizing the relationship between our non-financial activities and corporate value. This has allowed us to deepen our understanding of important activities that could not be read solely from financial or non-financial information. This is reflected in the improvement of business activities, information disclosure, etc., and leads to enhanced communication with investors. In FY22.3, we conducted a trial correlation analysis of non-financial data and PBR (Price to Book Ratio), mainly for the purpose of enhancing ESG information disclosure, by utilizing Digital ESG Analytics provided by ABeam Consulting Ltd. In FY23.3, we conducted a more in-depth quantitative analysis, including cause-and-effect relationships, by utilizing a model of "AI Powered Enterprise Value Cockpit" by Accenture Japan Ltd. By including the effects of latent variables such as shareholder evaluation and company size, we visualized the relation between non-financial data and market capitalization, including causal relations. → P110

The CDP, an international environmental non-governmental organization (NGO), has evaluated our efforts to address climate change, and we were recognized for the first time as a "Climate Change A-List" company, the highest rating for an environmentally advanced company.

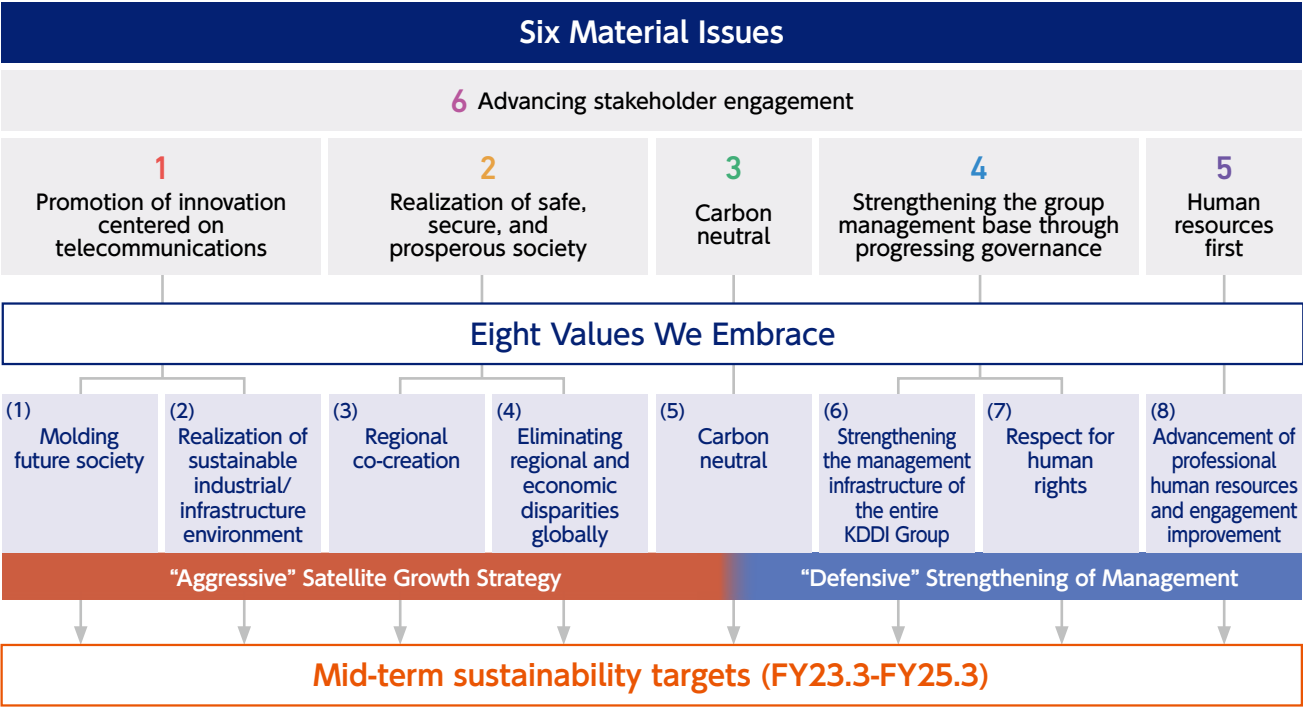
→ P78 We are also a member of RE100, an international initiative that aims to use 100% renewable energy. In addition, KDDI's efforts to become a Human Resources First Company, including the introduction of KDDI Version Job Style Personnel System, received the top award for HR Transformation (HRX) of The Year 2022. → P35

We will continue to work even harder to solve social issues through our business and ensure thorough information disclosure and communication.



Six Material Issues

We have mapped and summarized the issues to be addressed in the Mid-Term Management Strategy based on the concerns of long-term investors and other multi-stakeholder groups and their impact on our business. We are 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.



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

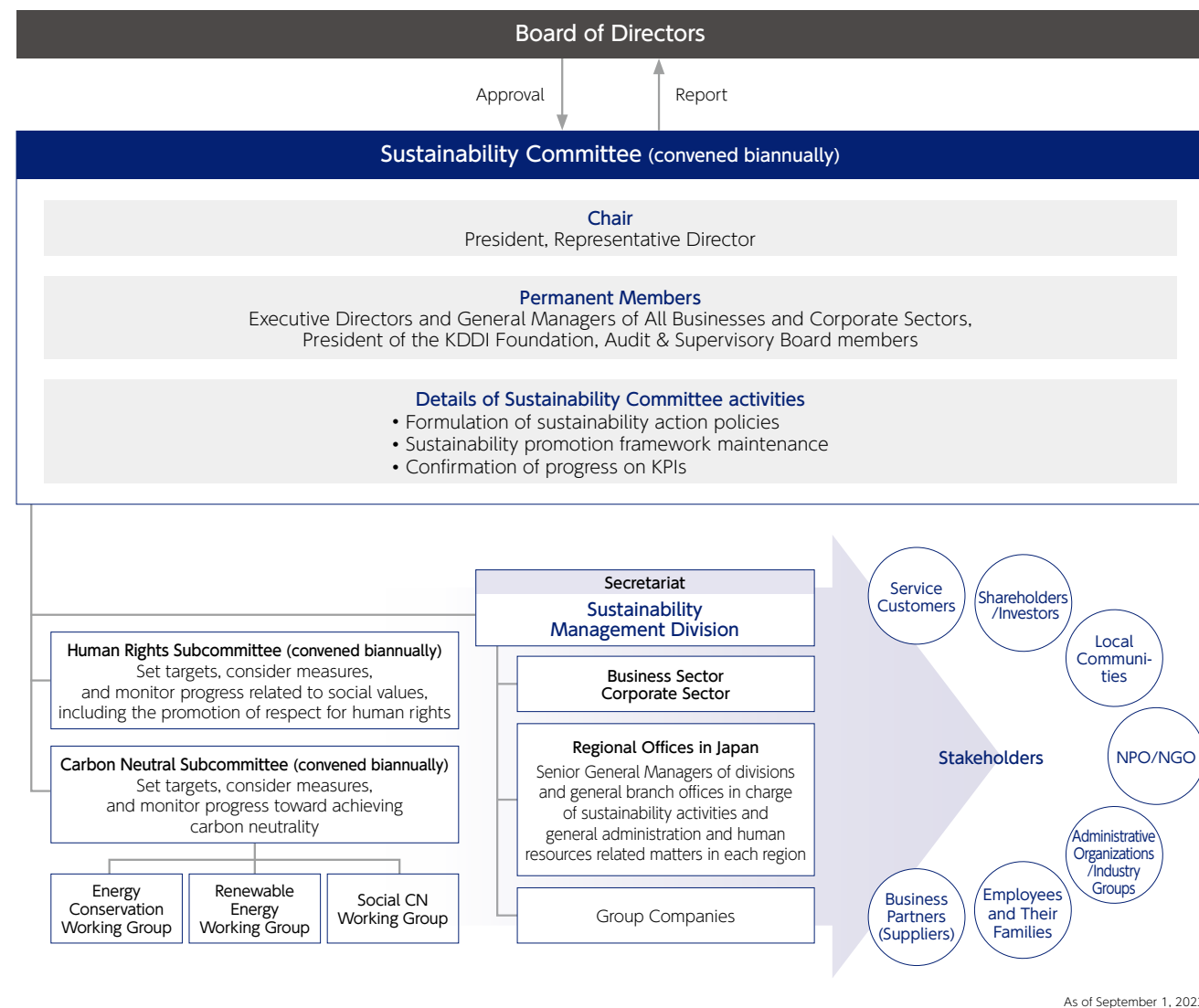
Some changes have been made to the Mid-Term Sustainability Targets (FY23.3-FY25.3). The results for the FY23.3 are based on the indicators before the change.

*1 Reference data for outside the Mid-Term Sustainability Targets period.
*2 Revised in line with changes in the business environment, social trends, business expansion, etc.
*3 Number since the start of the service.
*4 Expanded the scope to include more than just telecommunications equipment, and reorganized definitions.
*5 Cases that require reporting or notification to the competent authorities and cause severe reputational damage.
*6 Number of news releases and topics by KDDI (non-consolidated) and KDDI Research, Inc.
*7 Clarified specific initiatives as indicators to ensure respect for human rights.
*8 Top 90% of KDDI Group procurement businesses and suppliers with known human rights risks are covered.
*9 This number does not include employees who have temporarily transferred to KDDI and other companies. Personnel in managerial positions: leaders who have personnel evaluation authority and experts in specialized areas. The percentage is as of April 1st, 2023.

Materiality	Values We Embrace	Mid-Term Sustainability Targets (FY23.3-FY25.3)				
		Details of implementation	Index	FY22.3 results*1	FY23.3 results	FY25.3 targets
Materiality 1 Promotion of Innovation Centered on Telecommunications	(1) Molding future society → P48	Promoting business creations and R&D projects based on Satellite Growth Strategy	Number of projects (Mid-Term cumulative total)	21	20	60
		Providing LX Services in collaboration with local governments*2	Expansion of LX Service provision areas and number of facilities*2			
		Promoting innovation to strengthen intellectual capital	Number of patents held in 5G/Beyond 5G + Satellite Growth-related areas	—	Year on year grew 28%	Year on year grew 20%
	(2) Realization of sustainable industrial/infrastructure environment → P52	Contribution to industry/infrastructure DX	IoT connections*3	24.5 million connections	32.4 million connections	44 million connections
		Promoting customer workstyle reform	Percentage of KDDI customers (corporate customers) deploying zero-trust solutions	—	7%	35%
		Expand 5G coverage	5G population coverage governmental target 95% by FY24.3			
		Eradication of major incident	Number of serious incidents (equipment failures)*4 * Based on the Ministry of Internal Affairs and Communications' incident reporting guidelines etc.	0	2	0
Materiality 2 Realization of Safe, Secure, and Prosperous Society	(3) Regional co-creation → P61	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, supporting regional education (lectures and seminars,) Simple TV Phone service, and disparity elimination for local governments, medium-sized and SMBs.	5.7 million	5.67 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	14.3 trillion yen	16.3 trillion yen
	(4) Eliminating regional and economic disparities globally → P67	Expand global business in emerging countries*2	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.*2			
		Education and training of the next generation in Mongolia using telecommunications	Number of subscribers to Stars, a telecommunications service for children aged 13 and under (cumulative total)	—	0.13 million	0.18 million
Materiality 3 Carbon Neutral	(5) Carbon neutral → P71	KDDI's carbon neutrality including telecommunication facilities	KDDI's carbon neutrality including telecommunication facilities (Scope 1+2)(KDDI non-consolidated)	CO2 emissions: 1.1 million tCO2	CO2 emissions: 0.95 million tCO2	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	CO2 emissions: 0.3 million tCO2	CO2 emissions: 0.3 million tCO2	Achievement of FY2026 carbon neutrality
		Providing renewable energy to customers	Percentage of corporate contracts supplied with renewable energy	—	22%	Over 60%
		Providing next-generation renewable energy solutions	Expand provision of carbon neutral support solutions to corporate customers *Green ICT/telecommunications, power SL, DX-SL, consulting, etc.*2			
Materiality 4 Strengthening the Group Management Base Through Progressing Governance	(6) Strengthening the management infrastructure of the entire KDDI Group → P85	Strengthen the governance and information security of the Group as a whole	Number of serious incidents*5 • Cybersecurity-induced divulgence of personal data and significant service outages • Inappropriate use of personal data • Serious incidents other than the above	0	0	0
			Number of initiatives of advanced security technology*6 (Mid-Term cumulative total)	4	7	15
	(7) Respect for human rights → P91	Conduct business activities with respect for human rights	Conduct human rights risk assessments in business activities, including those of Group companies, and make improvements based on the results*7			
		Human rights due diligence*8	Improvement rate in the activities of high-risk suppliers that may be violating human rights	Check the status of respect for human rights with approximately 90% of top suppliers in terms of the purchase value (response rate: 98%)	Select potential risk suppliers and initiate individual dialogues and improvement proposals	Improvement rate: 100%
Materiality 5 Human Resources First	(8) Advancement of professional human resources and engagement improvement → P97	Career development for professional human resources	Percentage of professional human resources in specialized fields (KDDI non-consolidated)	—	35% *Strategic areas	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 companies	—	6,222 employees	All employees
		Conduct the Employee Engagement Survey	Maintain and improve employee engagement score (KDDI non-consolidated)	72 * Average of quarterly survey results (4 times/year)	73 * Average of quarterly survey results (4 times/year)	Maintain 72 or over
		Promotion of diversity-oriented human resources (DE&I)	Ratio of female directors (KDDI non-consolidated)	7.1%	16.6%	20% or over
			Percentage of females in managerial positions*9 (KDDI non-consolidated)	9.4%	10.6%	15% or over

Sustainability Promotion Framework

The President, Representative Director of KDDI serves as the chair with the remaining committee members made up of the Executive Directors and General Managers of All Businesses and Corporate Sectors, the Audit & Supervisory Board members of KDDI, and 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.



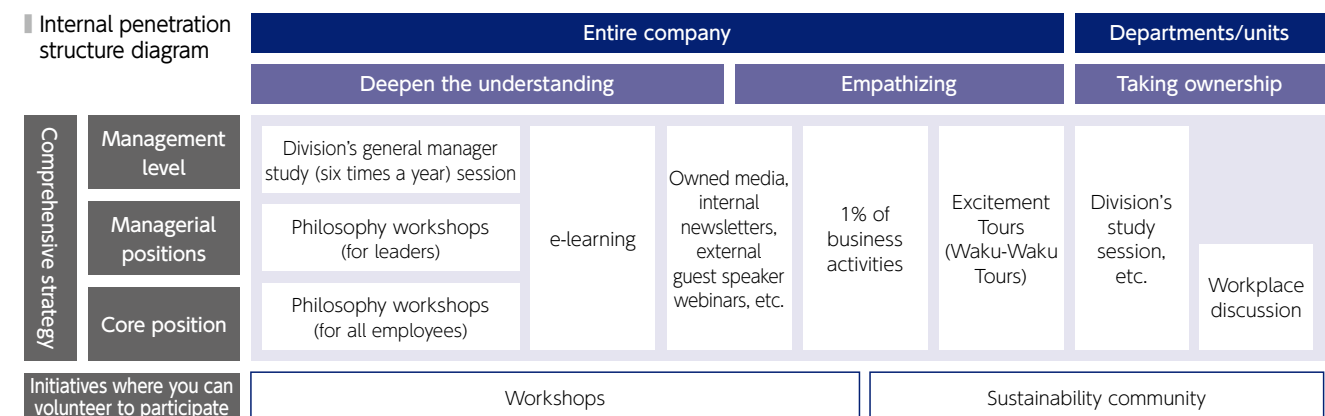
ESG initiatives reflected in bonuses for executives and employees

In order to raise the awareness of all employees and encourage them to take action, we have included sustainability (ESG) evaluation indicators in the calculation of executive compensation and employee bonuses since FY21.3.

Starting from FY23.3, in order to promote and evaluate a wider range of non-financial initiatives as part of our Mid-Term Management Strategy and commitment to sustainability management, we have revised the evaluation items and allocation of points. We believe it is important to give a certain weight to sustainability items so that our employees and general public can understand the importance we place on ESG initiatives, and we have increased the weight of points allocated to these items.

Internal Penetration Activities for Sustainability Management Practices

We have formulated a series of internal penetration steps, outlined in the diagram, to align the awareness, understanding, and action of sustainability management. From the management team to all employees, we continuously promote understanding, aiming to foster new learning and awareness.



Avenue for dialogue between the management team and employees, Excitement Tours (Waku-Waku Tours)

With the aim of encouraging all employees to understand the Company Vision and take actions towards achieving the Company Vision, we have established opportunities for interactive communication between the management team and employees. The "Excitement Tours" (Waku-Waku Tours), where the management team interacts with employees from various divisions to foster mutual understanding, has been held annually since FY19.3 when President Takahashi assumed office. This initiative has also contributed to improving employee engagement.

In FY23.3, under the themes of "Mid-Term Management Strategy" and "KDDI VISION 2030," our President directly addressed employees from various divisions regarding our pursuit of sustainability management and engaged in discussions. We will continue to maintain communication between the management team and employees to encourage each individual employee to take proactive actions toward practicing sustainability management.



Engaging in "1% of business activities" to experience customer feedback and social issues

Since FY23.3, employees have taken the initiative to get closer to customers and experience social issues firsthand. This is the starting point of one of our Company Vision, "the company the customers can feel closest to." Understanding scenes where we personally experience what kind of value our work can provide to customers and society, as well as what might be lacking, we encourage all employees to allocate about 1% of their working time (approximately 2 days per year) to activities such as "interacting with customers" and "engaging in work experiences that help understand the customer perspective." For example, there are activities to participate as assistants in senior-oriented Smartphone classes requested by local governments, or to assist local farmers, NGOs, and other organizations in the community. Through this initiative, we believe that each employee sincerely engages with customers and society, incorporates insights into their own tasks, and delivers high-value services to customers. We consider this to contribute to improving corporate value and achieving concurrent sustainable growth in society.



Materiality 1

Promotion of Innovation Centered on Telecommunications

Values We Embrace (1) Molding Future Society

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

“Another World” Continuing to Expand Diverse Values

KDDI aims to drive forward innovation that resonates tangibly with customers in their daily lives, thereby contributing to the creation of an exhilarating future society through our “power to connect.” This aspiration, coined as “Life Transformation” (LX)* within our Mid-Term Management Strategy. In the realm of LX, our focus centers on pioneering novel businesses, such as the “metaverse,” “outer space” and “drone.”

In March 2023, KDDI launched αU, a metaverse and Web3 service, aiming to realize a world where anyone can become a creator and to support the new generation of users who seamlessly move between the real and virtual worlds.

αU encompasses five services: “αU market,” “αU wallet,” “αU place,” and “αU live,” with “αU metaverse” at the center. It also provides services for the Web3 era, including the metaverse, Non-Fungible Token (NFT), and virtual shopping. This service eliminates the boundaries between the real and virtual worlds, allowing users to enjoy everyday experiences such as attending live music events, appreciating art, having conversations with friends, and enjoying shopping regardless of time or place.

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

“αU metaverse” —The new form of communication is here

The “αU metaverse” constitutes a service wherein your avatar ventures into a virtual realm accessible via your smartphone, providing the means to engage in avatar-to-avatar conversations, relish live musical performances, partake in discussions by notable figures, and explore exhibitions by creators. These virtual spaces faithfully replicate locales like the bustling streets of Shibuya and Osaka. Commencing with the transformation of one’s designated abode (My Room), a separate space from the town, creative journeys commence through personalized embellishments using furniture, thereby expressing one’s individuality. Our aspiration revolves around the creation of a realm where anyone can seamlessly transform into a creator of their own volition, a vision actualized through endeavors such as hosting talk shows as an extension of engaging conversations within My Room and the innovation and sale of avatars and My Room furnishings.

Furthermore, KDDI will collaborate with domestic and international partners to support the global expansion of



Metaverse and Web3 service “αU suite”

Japanese creators and content. By establishing a creator economy where creators can generate value and receive compensation, αU will evolve from a “venue for experience” into a “platform for self-expression,” advancing its development and transformation for participants.

Moreover, we consider the αU universe to be a vehicle through which to manifest a society that empowers individuals regardless of gender, age, disabilities, and other differentiating factors. Our aim rests in ushering in an era where diverse values and personal strengths intermingle, synergizing to cultivate a novel future.

[KDDI Launches the Metaverse and Web3 Service αU](#)



αU metaverse service screen

Achieving a Comfortable Lifestyle with Drones Connected to the Space

KDDI actively engages in area development along the life lines of customers’ daily lives, surpassing a population coverage rate of 99.9% for 4G LTE. Additionally, in areas where it is difficult to lay optical fiber lines for establishing communication areas that connect customers’ non-daily lives, KDDI is gradually deploying au base stations utilizing Space Exploration Technologies Corp. (hereafter referred to as SpaceX)’s satellite communication service “Starlink” as backhaul lines. However, Japan’s territory is comprised of over 16,000 mountains and more than 14,000 islands, and due to geographical constraints, there exist locations where installing base stations is challenging.

Consequently, the 4G LTE coverage rate across the nation’s territory remains at approximately 60%. Therefore, KDDI has entered into a new business partnership with SpaceX and plans to provide direct communication services between the latest cutting-edge Starlink satellites and au smartphones within FY25.3. This will enable connectivity “wherever the sky is visible” even in areas without coverage, expanding au’s coverage across Japan, including mountainous and island areas, and working towards realizing “eliminating areas without connectivity wherever you are in Japan.”



Continuing to stay connected even during disasters, implementing scheduled drone deliveries utilizing Starlink in Chichibu City

Leveraging Starlink, it becomes possible to achieve long-distance and remote drone flights for au’s mobile communication even in areas with weak signal coverage, such as mountainous and island areas. In collaboration with eight entities including KDDI, KDDI SmartDrone Inc., Chichibu City in Saitama Prefecture, ZENRIN CO., LTD. Aeronext Inc., CO-OP MIRAI, Chichibu Tourism Organization, and WELCIA YAKKYOKU CO.,LTD., scheduled drone deliveries of essential supplies were conducted in response to the landslide that struck the Chichibu Nakatsugawa area on September 13, 2022. This incident disrupted transportation and logistics during the winter season. The deliveries aimed to extend aid to the affected communities in need.

Access to the intended delivery destination, the Nakatsugawa area, entails traversing the Kinzan-Shigasaka Path—a forest management road restricted to specific vehicles like emergency units. However, this passage becomes exceedingly treacherous in winter due to snowfall and icy conditions. Compounded by the region’s unique topography, characterized by unstable mobile communication, the deployment of Starlink ensured a stable mobile communication environment for au. Consequently, autonomous drone flights were executed to deliver supplies to the area. In total, 28 drone flights were conducted, ferrying supplies of up to 4kg each, comprising food and daily necessities. This effort provided the residents of the Nakatsugawa area with a safe and convenient lifestyle. This initiative marks the first case in the country (as of April 2023) of scheduled drone deliveries of supplies during emergencies, such as disasters.

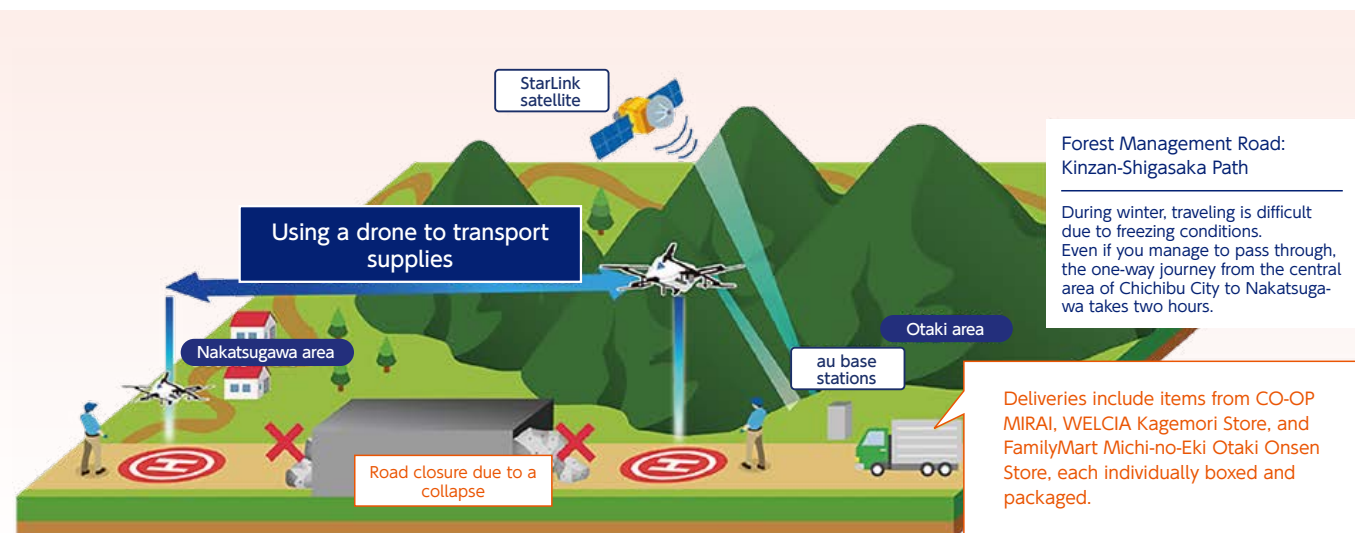
We will continue to work on expanding and implementing the use of drones, with the aim of solving social issues and achieving a comfortable society through the utilization of drone.



Application of the Japanese-developed mass-produced logistics-specific drone called “AirTruck”

Materiality1 Promotion of Innovation Centered on Telecommunications

▶ Values We Embrace (1) Molding Future Society



📄 The scheduled drone deliveries conducted within the Nakatsugawa area of Chichibu City have been successfully completed. (Japanese only)



A landslide occurred in Chichibu City, prompting the city to consider drone-based supply deliveries. However, the area presented challenges due to inconsistent mobile communication and unfavorable flying conditions for drones. Furthermore, beyond the communication hurdles, the collapse site's location was nestled between mountains on both sides, rendering it impervious to GPS signals. This geographical complexity posed difficulties in maintaining stable drone flights. After several site visits and experimentation with various flight routes, a stable path was eventually devised, making drone flights feasible. Drones are expected to contribute to creating a prosperous future society across diverse applications, including disaster response, daily supply deliveries, high-altitude inspections, surveillance, and surveys, besides their utilization in times of disaster. A continual process of trial and refinement characterizes our business journey. Despite the inherent challenges, we remain dedicated to advancing our contributions towards the society of tomorrow.

KDDI SmartDrone Inc. Toshihiro Morishima



In Japan, communication infrastructure such as fiber optics and mobile phone networks has been established not only in urban areas but also in rural regions, encompassing nearly all residential areas. However, upon closer examination, there are still numerous areas, such as mountainous and remote island regions, where the communication infrastructure remains inadequate. Our role is to provide support to those who operate in such challenging conditions through Starlink. Upon receiving the proposal for area development in Chichibu City, the local site was on the brink of the snow season. There was an urgent need to proceed with verification of Starlink connectivity and the design of the communication infrastructure. The shared commitment "to assist residents in need" united members from the Engineering, Construction, and Operation Divisions. As KDDI, we came together with unwavering dedication to implement requisite. Starlink provides an exceptional service, offering high-speed communication wherever the sky is visible. In regions with limited communication coverage, such as mountainous and remote island areas, and by managing traffic congestion during outdoor music events, we persistently confront communication challenges on behalf of our customers, embodying the essence of "Here, there, everywhere."

LX Platform Development Department,
Business Exploration & Development Division
Motonori Imamura

Innovation Strategy and Intellectual Property in the Field of LX

In recent times, there has been a surge of interest in inhabiting and conducting business within virtual spaces constructed on the internet, commonly referred to as the metaverse. KDDI is actively involved in developing urban-linked metaverses, such as "Virtual Shibuya," "Virtual Osaka," and the "αU metaverse," through collaborative efforts with established cities. However, given that the metaverse market is still in its nascent stages, the imperative to establish rights protection encompassing copyright, portrait rights, ownership, and similar entitlements has intensified. Moreover, there is a need to organize various rights, create compliance protocols, and ensure the faithful recreation of connectivity with real-world cities and the accuracy of landscapes.

In partnership with our partners to propel the metaverse and urban-linked metaverse sector, KDDI inaugurated the "Virtualcity Consortium*" in November 2021. The goal is to create a secure and safe space wherein users, stakeholders, and platform providers can confidently engage.

This consortium engages in collaborative discussions with pertinent government bodies and experts geared towards formalizing the "Virtual City Guidelines," as a referential framework for municipalities and metaverse-related enterprises.

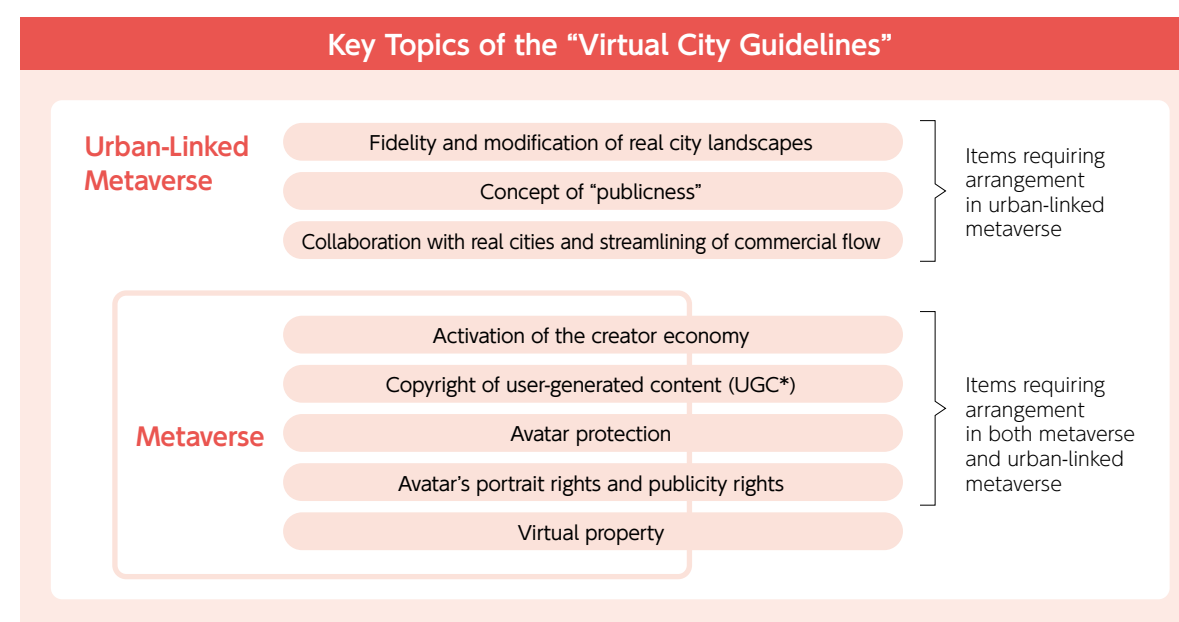
The initial release of version 1.0 in April 2022 addressed aspects such as interactivity, faithful representation of real cities and metaverses, and safeguarding avatar rights. Subsequently, version 1.5, introduced in November 2022, incorporated the utilization of NFTs (Non-Fungible Tokens) to facilitate the realization of a creator economy.

Furthermore, version 2.0 established in July 2023 mainly centered sorting out of legal issues in economic transactions and updating items regarding precautions to be taken when using AR/MR content in public spaces.

Our commitment will remain steadfast in formulating guidelines, disseminating information, and actively participating in discussions regarding rule formulation.

Additionally, as a distinctive initiative of KDDI, we systematically formulate policies for acquiring and utilizing intellectual property for respective business and technological domains. We are also committed to maximizing business opportunities while minimizing business risks associated with intellectual property. In FY23.3, we submitted patent applications related to Web3 technologies (NFTs, digital currency), avatar-related advancements, user management features, AR integration, and correlation analysis between real and virtual spaces. The number of patent applications related to the metaverse expanded significantly, reaching 25 applications in FY23.3—fivefold greater than the preceding year. Moving forward, we will continue to implement valuable intellectual property as crucial managerial resources. This will contribute to creating a metaverse environment where customers can utilize services securely and safely, while also supporting the sustainable development of our business.

* 📄 Establishment of the "Virtualcity Consortium" to formulate guidelines for urban-linked metaverses. (Japanese only)



* User-generated content that users bring to the platform or distribute on the platform

📄 Development of operational and utilization guidelines for the metaverse (Japanese only)

Materiality 1

Promotion of Innovation Centered on Telecommunications

Values We Embrace (2)

Realization of Sustainable Industrial/Infrastructure Environment

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

Expanding the 5G Area

Our mission is to provide a stable communication and call network 24 hours a day, 365 days a year, with the aim of “connecting lives, day-to-day lives, and hearts and minds” of people. In addition to au’s 4G LTE communication network (encompassing the 800MHz platinum band and other frequencies), we have begun construction of a nationwide 5G communication network to provide an even more comfortable communication environment.

Our 5G expansion strategy prioritizes areas where our customers life line. (As of April 30, 2023, this initiative is being executed across 47 railway zones and 323 commercial districts).*¹

The national coverage ratio has exceeded 90% concerning the population, and we have scheduled the increase of 5G base stations to reach up to 90,000 by the conclusion of FY24.3.

We will continue to provide safe and secure telecommunication services by promoting the construction of next-generation networks through continuous quality control and improvement in order to ensure that our customers can safely use telecommunication services-an indispensable infrastructure for their daily lives.

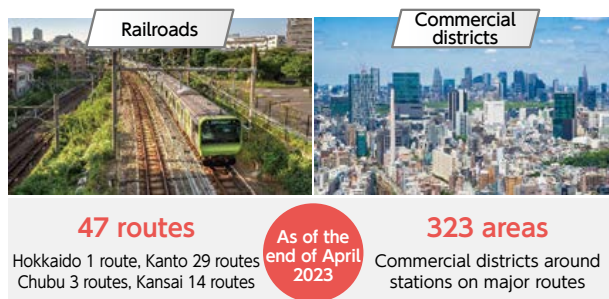
*¹ Source: Internal research

5G Area Construction

Strengthening along customer's life line, expanding nationwide coverage

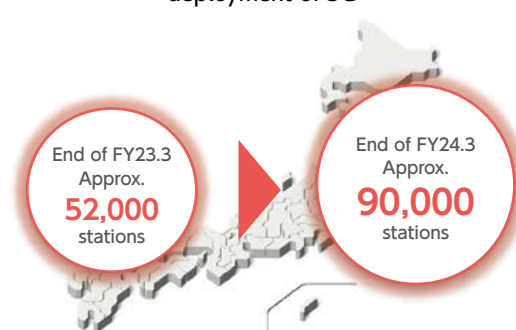
Areas along the customer's life line

Connected areas expanded along railroads, commercial districts etc.



Nationwide coverage

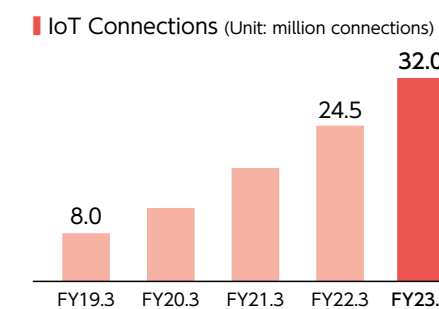
Further accelerating nationwide deployment of 5G



* Depending on area conditions, 5G communication may not be available.

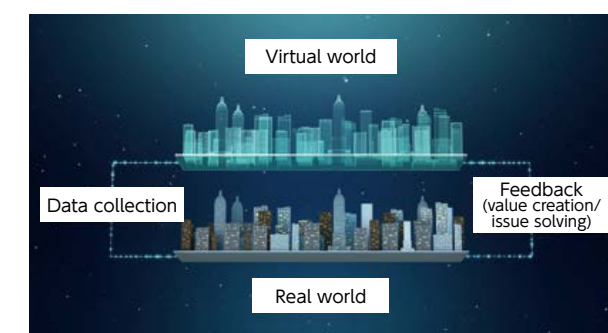
IoT Platform Spreading Globally

KDDI aims to contribute to industrial and infrastructure digital transformation (DX). In FY23.3, its cumulative total of IoT connections surpassed 32 million. By combining IoT with 5G and AI, the potential for various data collection and analysis expands, and we consider the IoT to be a new foundation for co-creating value. We will leverage staff well-versed in local conditions at over 100 sites worldwide, both in the domestic infrastructure and the global arena, to promote DX in society and across various industries, and contribute to the sustainable growth in society.



Concept of Digital Twin

To achieve a prosperous future society around 2030, it is essential to address various social issues. We believe that the concept of “Digital Twin,” which uses digital technology to link the real world and cyberspace to analyze current conditions and predict the future, will become an important social mechanism that will institute major changes in urban design and individual lifestyles. KDDI envisions utilizing Digital Twin to solve various social issues. → P24



Contribution to Urban Development through a Human Flow Analysis and Forecasting Platform

In collaboration with Mitsui & Co., Ltd., KDDI established GEOTRA Co., Ltd in April 2022 to support urban Digital Transformation (DX) by harnessing the power of data. We believe that there are social issues that can be solved by “the ability to accurately monitor people’s activities” and we have initiated 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.

The company’s products not only include an analytical platform but also have the capability to digitally recreate real-world human movement in geographic space. This capability facilitates the simulation of diverse scenarios within the digital realm. As a result, these products can be utilized for a wide range of purposes, including Smart City planning, disaster preparedness planning for urban areas, and the development and maintenance planning for buildings and social infrastructure.

In utilizing au location data, KDDI places paramount importance on employing solely the information for which users have provided consent while anonymizing it to avert individual identification. KDDI’s mobile communication network and smartphones are part of social infrastructure, and the data acquired through them is not only a valuable asset but also a societal resource. KDDI is actively promoting data utilization that brings benefits to all municipalities, organizations, and individuals. The business of GEOTRA is positioned as part of this effort.

We have developed a technology grounded in the Activity Based Modeling simulation methodology based on anonymized GPS big data from au, along with map and traffic data, public data (such as census data), and Point of Interest (POI) data signifying specific map locations.

This technology crafts a “virtual persona” through AI-powered predictive analysis and machine learning based on various data sources.

Since these “virtual personas” can be replicated/simulated within the digital realm (web), KDDI positions this technology as an element of “Digital Twins” techniques, particularly as the “Digital Twin of Urban Human Flow.”

But why is this “Digital Twin of Urban Human Flow” vital for urban DX?

Urban DX generally refers to creating an environment where electronic money can be freely used and where digital services and devices like Mobility as a Service (MaaS) and drones can be effectively utilized.

However, when evaluating the effectiveness of urban DX and conducting pre-validation, traditional measurements, such as traffic volume surveys utilizing traffic counters, were necessitated to ascertain aspects like the effective utilization

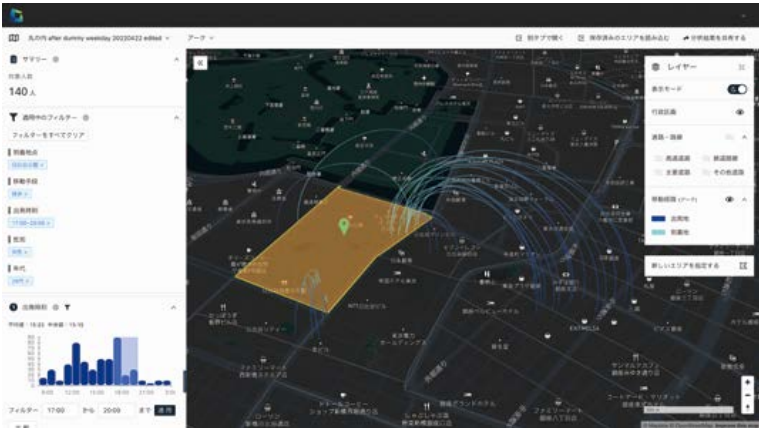
Materiality1 Promotion of Innovation Centered on Telecommunications

▶ Values We Embrace (2) Realization of Sustainable Industrial/Infrastructure Environment

of MaaS by residents.

Recently, GPS big data provided by various telecommunications carriers has been utilized for urban DX. However, GPS big data is “statistically processed” data to protect personal information, and as such, “individual person movements” cannot be known.

GEOTRA can replicate the movements of each individual from GPS big data with its unique digital twin technology. This empowers us to comprehend the current situation and predict the situation at the time of implementation of measures, allowing for effectiveness verification before execution.



Results of filtering people heading to Hibiya Park from its vicinity by “time (around 6:00 p.m.)”, “gender (female),” and “age (in their 20s)”. It is evident that there is a flow of people moving on foot and taking a break on the park benches before returning home at around 6:00 p.m.



GEOTRA was established in April 2022 as a joint venture between Mitsui & Co., Ltd. and KDDI. In the two years leading up to its inception, study teams from both companies had been engaged in service development, customer needs hearings, and pre-sales activities. We visited various customers and asked them what solutions they really need in terms of human flow analysis, and we were impressed by the fact that many of them said, “Big data on human flow is not underutilized for addressing urban issues.” The available human flow big data lacked granularity, preventing us from observing individual movements in detail. This lack of detail hindered analysis and its use as evidence-based support for implementing measures. We embarked on our service development under the guiding principle that “if we can replicate detailed data on people’s movement within a city, we can assist urban development.” In our fiscal inaugural year, we had many customers including major developers, general contractors, municipalities, manufacturers, and electric power companies. The societal value derived from their service utilization exceeded our initial expectations. One particularly impactful case was local city with a sizable river traversing it. This city grappled with numerous aging bridges and the challenge of prioritizing repairs. GEOTRA simulated “the potential road congestion in the vicinity following the loss of a bridge” for each bridge. This simulation ultimately identified bridges of high importance and allowed the city to set priorities for each bridge maintenance. In this second fiscal year, we have received inquiries from even more customers. In particular, we have received many inquiries from overseas, and comments such as, “We want to use the data to analyze the causes of traffic congestion in cities,” and “We want to understand tourist traffic and make the best use of the data for implementation of our measures.” We intend to use GEOTRA’s technology to seriously address issues in cities overseas as well. Furthermore, we have been able to cultivate a variety of knowledge in data anonymization, AI, software development, and other areas while handling human flow data. We would like to utilize the knowledge and expand it to promote the data utilization of our customers. We consider human flow data service as the core of our business, and will apply our knowledge to various fields in the future. We will continue to take on such challenges.

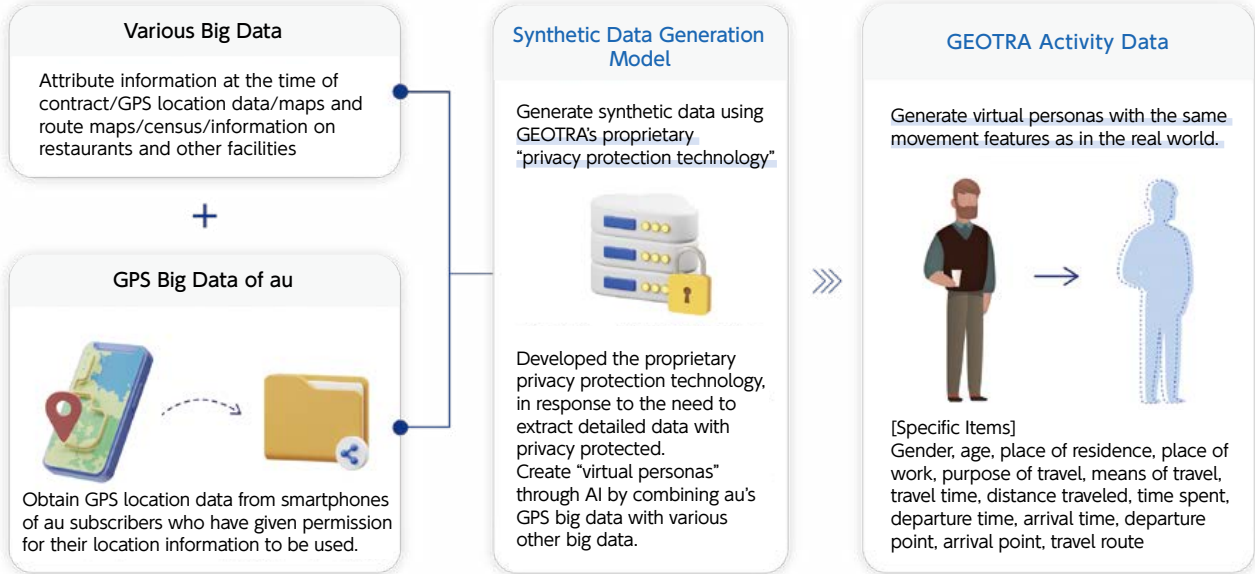
Representative Director, Vice President COO, GEOTRA Co., Ltd Hiroaki Suzuki

Simulating the city of the future with the Digital Twin of Urban Human Flow

GEOTRA makes it possible to predict future urban human flow. For instance, it can simulate traffic congestion predictions, forecast facility crowds, and anticipate human flows in the event of a disaster.

Japan’s social and transportation infrastructure such as roads and bridges are aging and need to be repaired or rebuilt. However, due to a shortage of labor in the construction industry and soaring material prices, it is practically impossible to proceed with all of these projects at once. Therefore, we aim to contribute to society by using GEOTRA Activity Data* to analyze and visualize the impact of each piece of social and transportation infrastructure on the surrounding community in the event of its breakdown. This analysis will help prioritize repairs and rebuilding, and optimize planning, benefiting society as a whole. Moreover, in the future, this tool can also be used as a tool to scientifically assess the societal value of new social and transportation infrastructure during its construction.

* GEOTRA Activity Data



🔗 Solving city issues with the “Digital Twin of Urban Human Flow” to realize a smart city (Japanese only)

Contributing to the Efficiency of Blue Carbon*¹ Calculation through the Use of Waterborne Drones

In recent years, the marine environment has changed dramatically due to climate change and other factors. In the fisheries industry, the catch continues to decline due to the decrease in marine resources and seaweed beds.

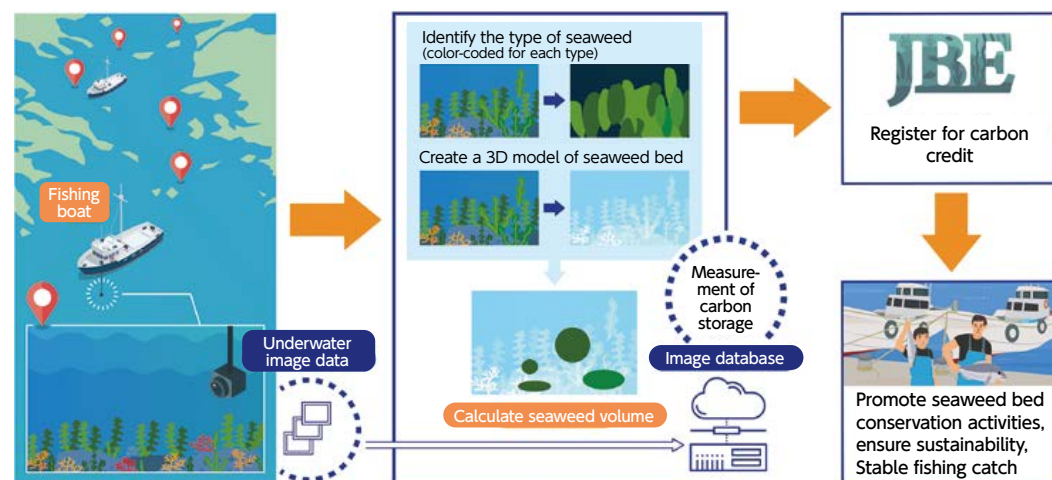
There is an urgent need to conserve and restore fishing grounds to build a sustainable and profitable fisheries industry. In particular, it is a key to restore seaweed beds, which are the foundation for the growth of marine life, including fishery resources. Since the widespread use of “J Blue Credit”^{®*2}, which enables quantification and trading of blue carbon, will lead to the recovery of seaweed beds, KDDI Research, Inc., KDDI, and Toba City in Mie Prefecture conducted a seaweed bed survey in June 2022 using waterborne drones in order to realize more efficient seaweed bed surveys. The use of waterborne drones enables efficient surveys over wide areas by incorporating the advantages of both wide-area surveys using aerial photography and detailed underwater surveys using submersible dives. Recognizing this effort, the initiative received the “Minister of Internal Affairs and Communications Award at the 31st Global Environment Awards” in March 2023.

In addition, the National Institute of Technology, Toba College, the Graduate School of Bioresources of Mie University, and the Mie Prefectural Fisheries Research Institute joined the above three organizations and launched an initiative to establish an automated blue carbon measurement system using machine learning. Images and location data captured by underwater camera sensor devices attached to fishing boats are integrated into an automatic blue carbon measurement system. Through machine learning, the system identifies seaweed types, calculates the location and volume of seaweed, thereby automatically measuring the amount of blue carbon stored in the area. This initiative aims to forge partnerships with urban businesses to revitalize fishing villages. This initiative is scheduled to be implemented from November 30, 2022 to the end of March 2025 at the maximum, aiming to start operation of an automatic blue carbon measurement system during this period.

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We will continue contributing to environmental problem-solving through our business by leveraging diverse technologies such as telecommunications and IoT solutions.



Overview of the initiative

Characteristics of waterborne drones used for the seaweed bed survey

In November 2020, KDDI Research, Inc. developed a waterborne drone that can be remotely controlled with a smartphone. This drone was specifically designed for surveying seaweed beds and was newly equipped with an underwater camera and a lifting mechanism for lowering and raising the camera in and out of the water. It is also equipped with a GPS system for autonomous navigation. When the drone arrives at the point where a seaweed bed is located, it maintains a fixed point while the camera is lowered into the water at a specified depth by the lifting device remotely controlled with a smartphone. The captured underwater images are transmitted to a smartphone through a mobile network, enabling real-time monitoring of underwater activities by the operator.

Surveys taken from the air with aerial drones, etc., can determine the boundaries of seaweed beds, but it is difficult to determine the underwater conditions, such as the type of seaweed beds and their degree of coverage. Also, underwater drones cannot acquire highly accurate location data because GPS is not available for them.

Therefore, waterborne drones were utilized in this survey.

Development of Japan's first waterborne drone that can be remotely controlled by a smartphone connected to a mobile connection (Japanese only)

Successful survey of seaweed beds using waterborne drone (Japanese only)

Initiatives to establish an automated blue carbon measurement system to decarbonize fishing communities and increase their profits (Japanese only)

*1 Blue carbon is carbon that is taken up into the ocean by the action of marine organisms such as seaweed, seagrasses, and phytoplankton. For more information, see the website of the Ministry of Land, Infrastructure, Transport and Tourism.

The Ministry of Land, Infrastructure, Transport and Tourism (Japanese only)

*2 A unique credit issued and administered by the Japan Blue Economy Association (JBE) based on review and certification opinion by an independent third-party committee. JBE is conducting research and development on the design of a system for reviewing, certifying, and issuing "J Blue Credits" as a new credit to promote the role of blue carbon ecosystems as CO₂ sinks and accelerate the efforts for climate change mitigation and climate change adaptation in coastal and marine areas. J Blue Credit is a registered trademark of JBE.

J Blue Credit (Japanese only)

Transforming Japan's Fishing Industry with IoT: Smartphone App Improves the Efficiency of Aquaculture Fisheries

KDDI is actively working to solve issues in the fishing and agriculture industries through the use of the IoT throughout Japan. Fishery and agricultural operations heavily rely on the experience and intuition of workers. In addition, the workers have to check changes in the condition of the sea and rice paddies by themselves, which places a heavy workload on them. 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 the experience and intuition of workers with data, it is expected to expand employment opportunities for inexperienced workers and young people in the fishing and farming industries.

Kaiyo-cho, Kaifu-gun, Tokushima Prefecture, Shishikui Fishery Cooperative, Re:Blue inc., and KDDI signed a collaboration agreement in December 2018 for the purpose of regional revitalization, and have been discussing issues in Amabe oyster farming and solutions using ICT.

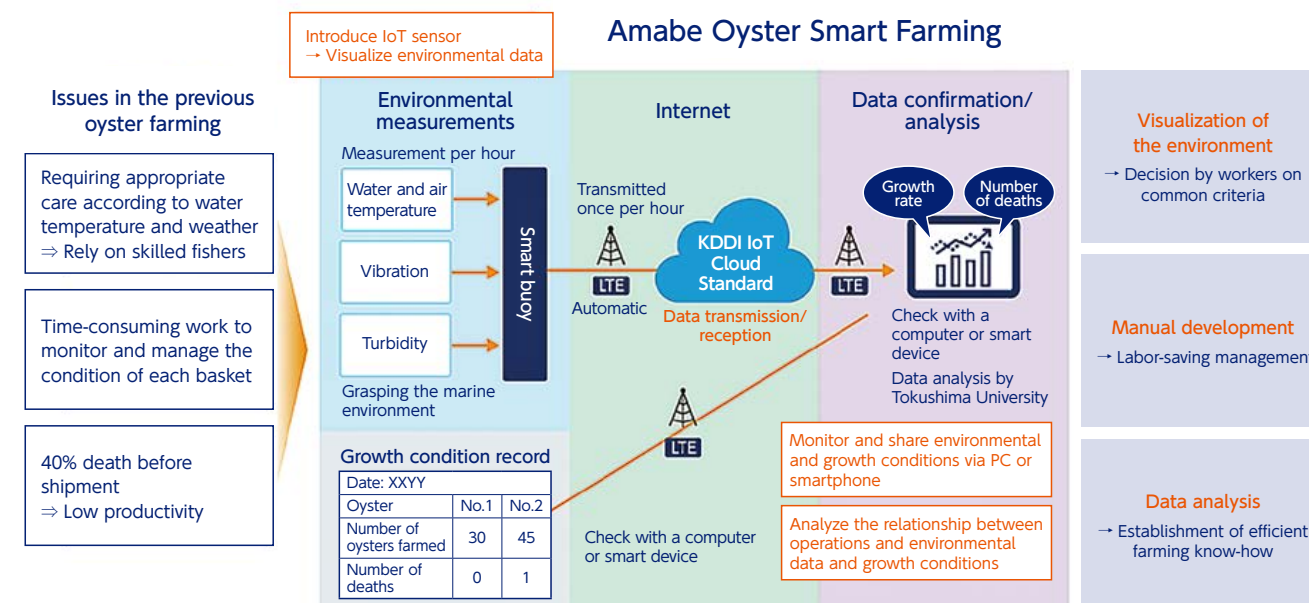
Starting in 2020, IoT sensor devices gather environmental data, such as "water temperature," "turbidity," and "chlorophyll," which is stored in the cloud and analyzed in partnership with Tokushima University to establish efficient oyster cultivation know-how.

Furthermore, in March 2022, the "Oyster Farming Management App" (hereinafter referred to as "the App") was developed to address the issue of the complicated management of oyster baskets in the "single-seed production method*" of oyster farming in Nasa Bay. This app enables easy monitoring of the farm's oyster numbers, sizes, and basket locations.

In the future, we aim to link the App with efficient oyster farming know-how, which we have been analyzing since 2020, to improve the efficiency of shipping planning, work instructions from aquaculture managers to workers, and work reports from workers, and to stabilize and streamline oyster farming.

We will continue to utilize communication technology and IoT solutions to promote the development of the local fishing industry and biodiversity conservation efforts.

*A method of cultivating oysters in baskets, which produces high quality and well-fleshed oysters



Visualizing and analyzing oyster farming environment with IoT sensors to establish efficient production know-how

IoT Application Case Study: Smart Oyster Farming Project for the World's Most Interesting Fisheries Industry (Japanese only)

DX Solves Time-consuming School Duties for Teachers

Under the GIGA School Concept, various ICT devices and software have been introduced to the educational field, and KDDI has also provided communication environments and tablet terminals for schools to promote ICT-enabled and efficient learning for students. On the other hand, workstyle reforms of teachers have not progressed well, and they are often overwhelmed by the enormous and complicated "school duties" (school operations) and have to work overtime to

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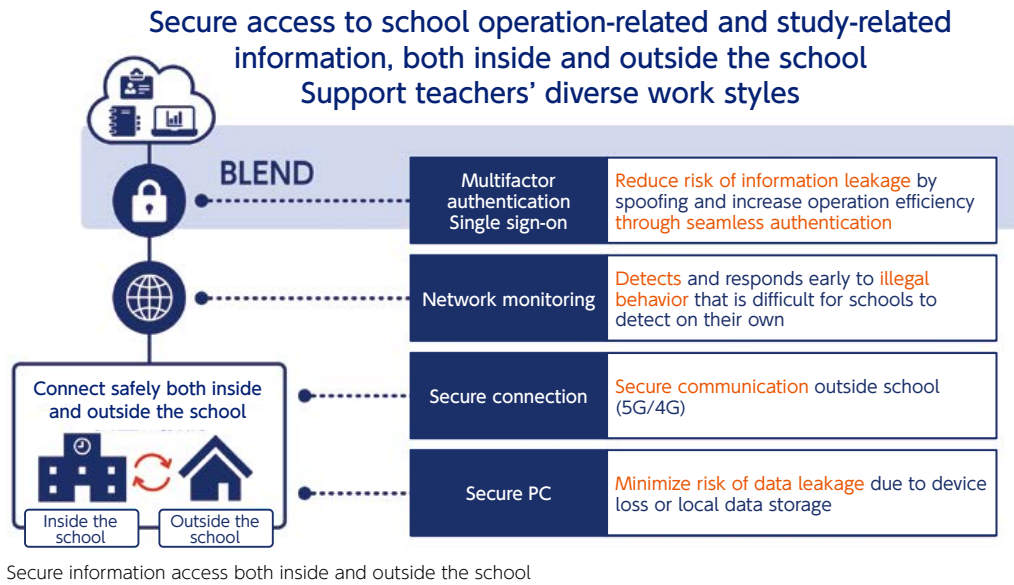
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make up for it.

A survey revealed that, in 2021, public school teachers' average daily work hours exceeded 10 hours, emphasizing the pressing need to address the issue of prolonged working hours.

School operations involve considerable tasks, and the integration of IT to streamline these processes remains incomplete. Against such issues, BLEND, a full-cloud integrated school operation support system provided by MOTIVATION WORKS Co., Ltd. and Managed Zero Trust provided by KDDI, are combined to promote cloud computing for school operations while ensuring security, thereby workstyle reforms at schools. BLEND is equipped with all the functions necessary for school duties, including attendance and grade registration, and the generation of instructional records and forms. With IP address restrictions and two-step authentication, BLEND ensures security while facilitating work from various locations.

Data such as student grades, school registers, and health information is considered "sensitive information." It's essential to separate the school operation network from the classroom learning network to safeguard such information. For this reason, teachers need to use different terminals for school duties and classroom work, and perform school duties only with a specific terminal installed in the staff room. For example, teachers record student attendance confirmed in the classroom on a piece of paper and enter it into the school operation support system after returning to the staff room. This approach generally led to inefficiencies in school operations. The combination of BLEND and Managed Zero Trust enabled the consolidation of terminals into a single device, creating an environment where school duties can be performed securely not only in the staff room, but also from anywhere inside and outside the school. This integration reduces the time and effort required to perform school duties and establishes an environment where teachers' work and students' learning remain uninterrupted, even during emergencies or disasters.



☑ Achieving both efficiency and security in school operations, a challenge for the DX of Education (Japanese only)



To address the persistent issue of teachers' long working hours and improve overall operational efficiency, promoting school digital transformation (DX) is crucial. KDDI offers "BLEND," a full-cloud school operation support system, and "Zero Trust Security" to streamline school operations. We are working to workstyle reforms at schools by creating an environment that allows school duties to be performed in real time in classrooms and staff rooms, at home, on school trips, and any other location, which previously could only be performed from a specific location within the school or from a specific PC. The main actor in the educational DX is schools. KDDI is committed to working with schools to create necessary solutions and to work together with teachers on the education DX. Beyond that, we believe that we can realize a learning model that will lead to "personalized and optimal learning," a long standing theme for educators, and to the development of entrepreneurial and innovation-creating human resources envisioned by the government.

Solution Business Planning Department, Solution Business Planning Division
Kento Yamada

Measures Taken in Response to the Serious Accident in fiscal 2022

Reaffirming our role and responsibility as a telecommunications carrier

Our large-scale communication failure that occurred in July 2022 caused great inconvenience and trouble to many of our customers. To regain the trust of customers and stabilize the telecommunications network, we ensure that measures are taken to prevent a recurrence.

Up until 10 years ago, many households had one landline phone per family. During the major telecommunications failure in July, we received many comments about the inability to contact each other, including reaching emergency agencies, when smartphones were out of service. Furthermore, smartphones have become an integral part of daily life and an irreplaceable item in various situations, such as electronic payment with QR codes, various purchasing activities including ticket purchases, and teleworking at work.

The rapidly evolving business landscape has elevated communication services to a critical component of social infrastructure. This extends beyond personal communication to include logistics, transportation, government operations, finance, and more. Telecommunications is now essential to maintaining the stability of broader societal infrastructure.

In order to fulfill our mission of "connecting" for telecommunications, which has become such an essential part of our daily life and social infrastructure, we will steadily implement initiatives to strengthen our telecommunications infrastructure. Our efforts are never finished and must be constantly improved in response to changes in the social environment, technology, and other factors.

Since telecommunications has become such an important infrastructure, it is important to imagine customers' situation and provide them with clear and accurate information in case of service interruptions or other problems.

In addition to taking thorough measures to prevent recurrence of failures and ensuring stable service operation, we will work to provide a communications network that can be used safely and comfortably, as a telecommunications carrier supporting social infrastructure, by identifying new usage scenarios and service impacts, and establishing methods to deliver appropriate information in a timely manner.

Measures to support social infrastructure and continue to provide stable services

As a company-wide effort in response to the large-scale telecommunication failure, we have established the "Council for improvement of infrastructure and customer relations" to formulate and promote measures to prevent recurrence of the failure and to restore customer confidence. All preventive measures planned for FY23.3 have been completed. Specifically, the measures are as follows.

Series of initiatives to prevent recurrence

Measures implemented in FY22.3	Detection tool development	A detection tool has been developed and implemented to provide early detection of congestion. This allows its impact on service to be visualized on a dashboard. After detection, monitors can take one-touch restoration measures for multiple exchanges to minimize and resolve the impact at an early stage.
	Implementation of measures to prevent human error	Last year's failure was caused by an issue with the rules for managing work procedures, resulting in a human error of following incorrect procedures. To address this, we have developed a "procedure manual management system" to rigorously enforce the rules for managing procedure manuals and prevent such mistakes from occurring. The "Hiyari-Hatto System" system has been developed to accumulate and analyze near-miss cases to further prevent human errors.
	Improvement of public relations and communication system	Concerning the review of content, expression, means, and timing of information dissemination, as well as the expansion of methods to actively provide information, we discussed with our members and other carriers, etc. through the "Public Awareness and Communication System WG" organized by the Ministry of Internal Affairs and Communications, and developed industry rules. In accordance with the "Guidelines for Dissemination and Publicity in the Event of Failures" published by the Ministry of Internal Affairs and Communications, we will promptly disseminate appropriate and easy-to-understand information to customers.
Measures to further strengthen the infrastructure	Early transition to virtual infrastructure	We aim to achieve early transition to virtual infrastructure for facilities, simplification of network configurations, and automation of operations (such as automated service recovery and congestion control). Specifically, we target the completion of the transition for voice exchanges by the end of FY25.3 and for the entire core network by the end of FY26.3.
	Failure detection and recovery by AI	We will enhance operations through data-driven approaches and leverage AI to achieve early failure detection and recovery. Specifically, we plan to implement it for mobile network monitoring by the end of FY24.3 and extend it to all network monitoring by the end of FY25.3.
	Strengthening the organizational structure to improve network quality	To enhance the examination conducted by the "Council for improvement of infrastructure and customer relations" established in response to the significant incident, and to improve network quality across the organization and systems, a Quality Management Office has been established as a directly supervised unit within the Technology Sector. Its primary mission is to promote the prevention of significant incidents and continuous quality improvement, as well as to optimize network design by comprehensively addressing both the mobile and core IP networks.

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What challenges do you see and how do you plan to address them as the role of telecommunications becomes more and more important with the advancement of technology in the future?

Promotion of research and development of new technologies and challenges toward a society where everyone can realize their aspirations

The future society envisioned in KDDI VISION 2030 will be realized through the Digital Twin. In the Digital Twin, an enormous amount of data is exchanged instantaneously between physical and cyberspace. In order to process this data, telecommunications must advance to a level where the user is unaware of its existence, and we will continue to develop and implement technologies such as All-Photonics Network and user-centric RANs to achieve this goal. However, most importantly, we must continue to provide the telecommunications in a safe and secure manner. Threats to the stable provision of such services include cyber attacks and natural disasters in addition to the “communication failure” that occurred in July 2022.

Manual responses to “communication failures” will no longer be feasible in increasingly sophisticated and complex networks, so AI-based design and automation of failure recovery, etc. must be promoted. We provide communication services to our customers with the intention of never causing accidents, and we have taken various measures to prevent such accidents. However, even with perfect measures in place, it would be difficult to continue to produce equipment that never malfunctions or software that is absolutely bug-free. While we are working to minimize accidents by removing bugs from the verification facility, we believe it is important to consider in advance what we will do if a failure occurs.

With the growing tension in the world, cyber attacks by hacker organizations are becoming more active and their methods are becoming more sophisticated every day. The impact of cyber attacks on critical infrastructure has also become a major threat to society. In order to counter cyber-attacks, we are developing technologies to automate cyber-attack analysis and monitoring operations using AI. We’re also intensifying our security measures by collaborating with related organizations, such as CSIRTs in Japan and overseas, to collect and analyze vulnerability information and attack trends.

Other major threats include climate change due to global warming, and natural disasters such as torrential rains, large-scale typhoons, and earthquakes directly under the Tokyo metropolitan area and off the Nankai Trough, the probability of which is increasing as this year marks the 100th year since the Great Kanto Earthquake. We will work to strengthen the networks through measures such as the three-route configuration of the core network and a dual monitoring system with communication centers in Tama and Osaka. Additionally, to expedite recovery from disasters, we will enhance portable, vehicle-mounted, and shipboard base stations, etc., and promote the use of Starlink and advance the DX of recovery work, etc.

We will continue to provide services that everyone can use with peace of mind by continuing to evolve our response to new threats that are becoming increasingly complex and sophisticated, as telecommunications become more and more important as a social infrastructure due to future social changes and technological advancements.



Senior Managing Executive Officer, Director
CTO, Executive Director, Technology Sector
Kazuyuki Yoshimura

Materiality 2

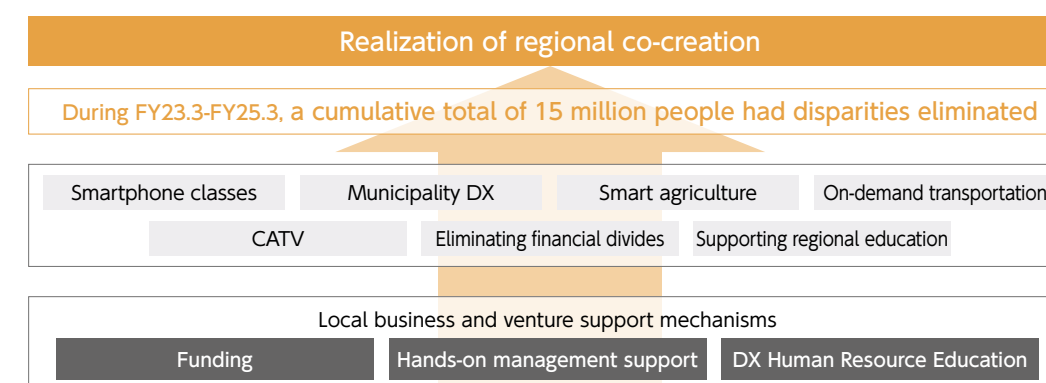
Realization of Safe, Secure, and Prosperous Society

Values We Embrace (3) Regional Co-Creation

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

The Overall Picture of KDDI's Pursuit of Regional Co-Creation

By tackling the issues that plague local communities, we achieve regional co-creation



Mitigate the Digital Divide Among Local Residents Through “Smartphone Supporters” Training

We aim to achieve “regional co-creation” by bridging the gap for a total of 15 million people during the cumulative period from FY23.3 to FY25.3. Eliminating the digital divide is also an important issue to address.

As one of the solutions, KDDI has primarily collaborated with local government entities to provide guidance on smartphone usage and to facilitate the training of “Smartphone Supporters,” who work towards eliminating the digital divide in the community.

From this term, we have partnered with SAGOJO, Inc., an operator of a matching platform that connects local businesses from across the country with users who have a keen interest in travel and community contributions. We have actively recruited potential Smartphone Supporters from a diverse group of users known as “travelers” who are enthusiastic about traveling across the country and making community contributions. We have also conducted training for these Smart Supporters. Through this initiative, these “travelers” work towards eliminating the digital divide in local communities while traveling, contributing to the realization of a more sustainable approach.

Materiality2 Realization of Safe, Secure, and Prosperous Society

► Values We Embrace (3) Regional Co-Creation

Through the activities of Smartphone Supporters, “travelers” become the contributors to regional revitalization

In June 2023, “travelers” who had attended three pre-session courses participated in a smartphone experience event for the residents in the vicinity of Okuma Town, Fukushima Prefecture. Okuma Town is one of the municipalities that has experienced community division due to the effects of the nuclear accident. The revitalization of the community and activation of the region are anticipated through the utilization of digital resources.

During the experience event, after delivering a comprehensive lecture on how to use smartphones, the “travelers” answered questions from each participant. The participants showed their enthusiasm for the event, sharing comments such as “I still have many things I want to ask, so I hope you’ll hold the event again next time.” It turned out to be a remarkably successful gathering.

The “travelers” who participated this time were officially certified as “Smartphone Supporters” and will expand their activities. Moving forward, we hope that they will not only serve as agents in eliminating the digital divide in local areas but also play an active role as “connected minds,” creating new changes by engaging with various aspects of the community and the region as external community members.



“Travelers” to show people how to use their smartphones



“Smartphone experience event” in Okuma town

📄 On June 2, 2023, the first “smartphone experience event” was conducted in Okuma Town, Fukushima Prefecture. (Japanese only)

Achieving Improved Work Efficiency and Enhanced Convenience for Residents Through the Digitization of Administration

KDDI leverages its past experiences and co-creation know-how with other companies, supporting municipal digitalization efforts towards the digitalization of administrative procedures. In the “Administrative Digitalization Promotion Project Support Services in the Tama Region” by the Tokyo Association of Mayors, we support initiatives that enhance the convenience of citizens, workshops aimed at resolving issues faced by staff, and assistance with tool implementation. We work hand in hand with local communities to realize the digitalization of municipalities.

Support for staff efficiency improvement through Business Process Reengineering (BPR)

To streamline administrative procedures, specific issues were discussed in face-to-face workshops. Ideas for solutions were considered, and the gap between the current and desired visions was visualized. To achieve the desired vision, support was provided for realizing administrative digitalization through the use of DX tools based on BPR.

BPR to contribute to residents' procedures

We supported BPR for “application for admission to after-school programs” and “notification of pregnancy and pregnancy consultation procedures” in this project. Residents who used the online system commented positively; for instance, one resident commented: “Online applications from home are very convenient.”

To enrich local communities and the lives of the people who live there, KDDI will walk alongside municipalities committed to bringing new energy to the region through DX.



Online registration of pregnancy and pregnancy consultations reduces the burden on expectant mothers



Online enrollment applications for after-school programs reduce the burden on households with children

📄 Digitizing municipal tasks such as applications for after-school programs has reduced working hours by up to 56%. (Japanese only)

Efforts Related to the Tsukuba Super Science City Concept

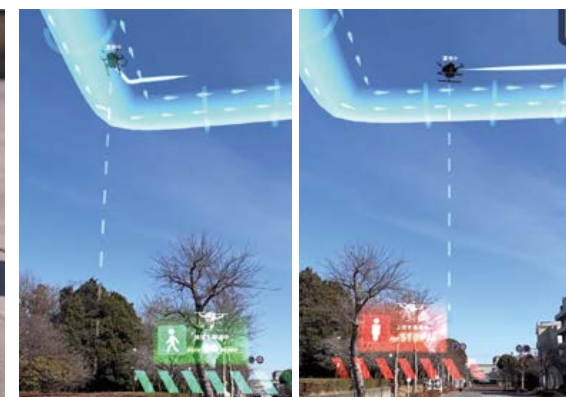
In April 2022, Tsukuba City in Ibaraki Prefecture was designated as a “Super City-Type National Strategic Special Zones” that aims to realize data linkage and advanced services, accompanied by bold regulatory reforms. This designation addresses various regional issues in fields such as transportation & logistics, healthcare & elderly care, and childcare. The super city is expected to lead the “Vision for a Digital Garden City Nation” aimed at realizing a sustainable economic society.

In collaboration with the city of Tsukuba and as part of the Cabinet Office’s Super City realization project, KDDI, along with KDDI SmartDrone Inc., TIER IV, Inc., and Psychic VR Lab LTD., conducted a demonstration experiment. This

experiment involved using drones and robots to deliver supplies that mimic PCR samples and to deliver food products, as well as utilizing cross reality (XR) technology to visualize a drone skyway called “sky road” for residents in the form of a demonstration experiment.



A smart drone (the device used in the demonstration) connected through mobile communication networks



The drone skyway “sky road” visualized with XR and pedestrian traffic signals

Sample transportation that requires promptness

With the amendment to the Aviation Act enacted on December 5, 2022, unassisted visual line of sight flight (Level 4 flight) became possible in populated areas, raising expectations for the utilization of drones in urban areas. In this sample transportation demonstration, we envisioned Level 4 flights in future city centers and conducted drone transportation of materials resembling PCR samples from Tsukuba Medical Center Hospital, located approximately 300 meters away in Tsukuba City, to Tsukuba i-Laboratory, which handles sample testing functions, over about one month. In facilities, including small clinics, that do not possess advanced testing equipment, residents who visit for medical examinations cannot undergo tests on the spot. Instead, the samples must be transported to testing facilities with advanced equipment. As a result, inconveniences, such as delays in receiving test results, can occur. Additionally, with the aging population, there is an expected increase in online remote medical consultations and remote medication guidance for residents who face mobility difficulties. This is likely to lead to growing demands for services like prescription medication delivery. To address these regional issues, various efforts have been made to promote the realization of drone transportation.

Summary of this demonstration:

Implementation period: January 19, 2023, to February 27, 2023

Location: From “Tsukuba Medical Center Hospital” to “Tsukuba i-Laboratory” (approximately 300 meters one way)

Aircraft used: “PF2-LTE” (manufactured by ACSL)

Operational management: KDDI SmartDrone tools operational management system

A domestic first: Visualization of the “sky road” using XR

The realization of the social implementation of drone logistics involves a critical aspect of how well the acceptance of local residents can be fostered and understood, especially when flying over inhabited areas. Therefore, in this demonstration, in collaboration with Psychic VR Lab, we worked on visualizing the drone skyway called “sky road” using XR technology in the area where flights were conducted as part of the drone transportation demonstration mimicking PCR samples.

The initiative to visualize drone flight routes with XR content is the first of its kind in Japan (as of February 2023).

Summary of this demonstration:

Implementation period: January 19, 2023, to February 27, 2023

Location: Used between “Tsukuba Medical Center Hospital” and “Tsukuba i-Laboratory” sections

Signage: Installed in front of “Tsukuba Medical Center Hospital”

App used: “5G XR VIEWER SATCH X powered by STYL”

📄 Implementation of Drone and Robot Deliveries
Simulating Level 4 Flight in Tsukuba City – A Domestic First, Visualizing the “Sky Road” Using XR (Japanese only)

Materiality2 Realization of Safe, Secure, and Prosperous Society

▶ Values We Embrace (3) Regional Co-Creation



Tsukuba City
Policy Innovation Department
Science and Technology
Strategy Division

Mr. Hirofumi Oogaki



LX Strategy Department,
Business Exploration &
Development Division

Noriaki Sugimoto



The current issues that plague the region

Mr. Oogaki from Tsukuba City (hereinafter referred to as "Tsukuba Oogaki"): Three challenges have been identified as part of the "Tsukuba Super Science City Concept": "disparities in the convenience of urban and suburban living," "insufficient response to diverse citizens due to shortcomings in multicultural coexistence," and "reduced urban vitality leading to decreased societal sustainability." The disparity in the convenience of urban and suburban living represents an urgent issue. While urbanization along the Tsukuba Express line is progressing, residents in suburban areas face inconveniences, such as the need to travel by car for shopping and medical services. Additionally, with the aging population, there is a growing concern that more individuals will encounter challenges in shopping as they voluntarily surrender their driver's licenses in the future.

KDDI Sugimoto: KDDI is addressing various challenges that vary by region and working with local governments to promote initiatives to address issues, such as regional disparities, an aging population, and a decreasing workforce. In these initiatives, we have combined advanced technologies from multiple fields, with mobility as a central focus, to tackle regional issues.

Towards the realization of the Tsukuba Super Science City concept

KDDI Sugimoto: We recognize that the KDDI Group possesses advanced technology in various fields based on communication. We made an effort not to be solely technology-oriented but to use our technology in a comprehensive manner, including our partners, to align with the Tsukuba Super Science City concept, which "places the residents at its core." In this demonstration experiment, which was performed with the cooperation of Tsukuba City, our goal was to understand the fundamental issues faced by local residents, face and help them comprehend and accept advanced services. We aimed to create opportunities for dialogue with the local community, and we feel that through this process, we were able to work "together" to address various opinions and understandings related to regional issues. Through this initiative, we have realized that while advanced technology is important, engaging in dialogues with local residents is even more crucial. It strongly reinforces the importance of implementing solutions within the community.

Tsukuba Oogaki: In this demonstration experiment, we successfully showcased a potential solution to address the disparities in convenience between urban and suburban living. Regarding drone-based delivery services, we will persist in our efforts towards implementation and aspire to contribute to realizing the Tsukuba Super Science City concept in the future.

Expectations and prospects for smart drones in the future

Tsukuba Oogaki: Through collaboration with KDDI SmartDrone, we believe that it not only addresses regional disparities but also expands the potential as a new means of transportation and logistics.

KDDI Sugimoto: We recognize that initiatives like this demonstration experiment and research project with Tsukuba City should not be limited to one-off efforts but should be connected to societal implementation, aiming to establish them as sustainable models within the region. This aligns with KDDI's vision of regional co-creation. In the future, we also hope to be involved in the implementation of cutting-edge services that, through collaboration between government, academia, and the public, contribute to the realization of a society where local residents can live rich and secure lives.

A Locally-Initiated Tourism Web Service

KDDI, with au brand message "Explore the extraordinary," is dedicated to working on regional co-creation alongside local partners to showcase, nurture, and uplift the unique attractions specific to each region.

We have collaborated with Gotemba City and Shizuoka Prefectural Gotemba High School to develop and launch the tourism web service "COLO" to address tourism challenges such as increasing the length of stays and revitalizing city-wide exploration.

With the theme of "Enjoy the soulful locals," we deliver region-specific information that you won't find on typical tourist websites. We label significant places for the local community as "Soul spots" and introduce them from the perspective of "the locals" who live in that area.

Service Areas:

- Gotemba • Atami & Hatsushima • Hakuba Village • Setouchi • Agatsuma • HigashiShirakawa
- Isumi & Ichihara • Awaji

Voice from the students involved in planning and development

- I'm very happy that the spot I came up with is featured, and I hope people from all over the country can see it.
- Through the development of content, I was able to rediscover the new charm of places I usually pass by without much thought.
- I want people to discover a new Gotemba that hasn't been featured in previous tourist information.
- Along with rediscovering the goodness of Gotemba, I also felt like exploring the goodness of my hometown, Oyamamachi, where I come from.



Eliminating Financial Divides

au Financial Group, responsible for KDDI's financial business, encompasses various functions, such as banking, payments, securities, life insurance, and property insurance. Starting from smartphones, they aim to transform the landscape of finance from the palm of your hand, striving for "Connected Finance" that makes finance more accessible to everyone. They provide highly convenient financial services that cater to the diverse needs of their customers.

au Financial Group has established five materialities based on the concept of "providing the benefits of digital finance to all," aiming to contribute to sustainable economic growth and stable asset building in the era of 100-year lifespans through our business. These materialities are rooted in the idea of "financial inclusion," which realizes a world where everyone can access financial services without being left behind due to poverty or discrimination.

1) Creation of economic value, social value, and environmental value through digital finance.

2) Providing accessible financial services for everyone truly reflects this idea.

The above two materialities, indeed, reflect that idea.

Furthermore, in order to establish a presence in the individual consumer financial market, it is crucial to earn "trust" from customers. Therefore, we promote the following aspect,

3) Establishment of a resilient corporate structure and management base

In addition to those, we are also highlighting the following.

4) Pursuit of the happiness of all employees.

5) Commitment to environmental preservation and addressing climate change.

Materiality2 Realization of Safe, Secure, and Prosperous Society

▶ Values We Embrace (3) Regional Co-Creation

Financial education to create the future of the younger generation

In 2022, the mandatory introduction of financial education in high schools and the renewal of the NISA system in 2024 are accelerating the shift in Japan from “savings to investments.”

In line with this trend, au Financial Holdings’ subsidiary, au Jibun Bank, is actively involved in financial education with the goal of dispelling the notion that “finance equals complexity.”

- 1) “au Jibun Bank Theater: Financial Folktales” is an original story created to provide financial education for children by incorporating financial elements into familiar folktales. With unique characters, this platform offers an enjoyable way to learn the basics of finance. The content is accessible for free on the au Jibun Bank YouTube channel, allowing anyone to watch it.
- 2) We have collaboratively established a “Bank” pavilion at KidZania Fukuoka in partnership with the Bank of Fukuoka. Visitors can immerse themselves in the roles of “bankers,” performing tasks such as account openings and inquiries. They can also take on the role of “customers” and open accounts for depositing and withdrawing KidZania’s exclusive currency, “Kizzo,” and even create mock cash cards. Through these two experiential settings, visitors gain insights into the significance and proximity of money and banks, fostering an understanding of the role banks play in society.
- 3) Collaborating with various companies and nonprofit organizations, we conduct “Financial education classes” in elementary schools. These classes leverage the theme of “The Three Little Pigs” from “au Jibun Bank Theater: Financial Folktales” to convey the importance of “saving ahead” and “the value of saving money strategically.” As a culminating activity, students engage in a workshop where they design and construct their own houses, enabling them to grasp the concept of “preparing for the future” in a fun and engaging manner, inspired by the story of the three little pigs.

We are continuing our efforts to make finance feel more accessible, aiming to address and eliminate financial divides.



Financial education classes held in elementary schools



Work experience at au Jibun Bank in KidZania



Financial folktales

[au Jibun Bank Theater: Financial Folktales \(Japanese only\)](#)

[au Jibun Bank YouTube channel \(Japanese only\)](#)



Since introducing the “au Jibun Bank’s SDGs Declaration” in 2020, au Jibun Bank has been actively involved in activities centered around the theme of “Creating the Future.” As part of our commitment to “create the future of children,” we place a significant focus on providing financial education.

My primary responsibility involves planning and conducting financial lessons as educational content tailored for children. During the content planning phase, I consciously envision the expressions and emotions of the children who will be receiving the lessons. Throughout the lessons, I establish connections between the content and real-life scenarios, present concrete examples, and prioritize enabling students to develop a sense of familiarity and interest in the concept of money.

In FY23.3, we conducted financial lessons in elementary schools using our original content titled “au Jibun Bank Theater: Financial Folktales” as the teaching material. With the central theme revolving around the concept of saving money, we also emphasized the significance of preparing for the future and shared intriguing insights about money. Following the lessons, post-lesson surveys, indicated feedback such as “I now understand the importance of money” and “I want to save money for my desires and future,” highlighting the effectiveness of these lessons in prompting children to contemplate the concept of money.

Recently, I’ve recognized the growing importance of instilling financial literacy from a young age, particularly considering factors, such as lowering the legal age of adulthood and the inclusion of mandatory financial education in high schools.

In addition to our previous efforts aimed at elementary school students, we also plan to expand our initiatives to target middle and high school students in the future. In this era known as the 100-year life, we aspire to provide support and financial education from early childhood into adulthood.

au Jibun Bank PR Department Yusuke Mita

Materiality 2

Realization of Safe, Secure, and Prosperous Society

Values We Embrace (4)

Eliminating Regional and Economic Disparities Globally

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

Initiatives to Solve Social Issues in Emerging Countries

KDDI contributes to the elimination of regional and economic disparities in emerging countries by developing and expanding telecommunications services and peripheral services, which are social infrastructure. In Mongolia, we established MobiCom Corporation LLC (MobiCom) in 1995 and launched the country’s first mobile phone service in 1996. Since then, MobiCom has led the telecommunications and IT industry as the country’s largest integrated telecommunications operator for 27 years. As a result, the mobile phone penetration rate, which was only 0.4% when the service was launched, has now grown to 142%*. In Myanmar, in 2014, we started supporting Myanma Posts & Telecommunications (MPT)– a state-run operator with a communication license– through KDDI Summit Global Myanmar Co. Ltd. (KSGM), which is a joint venture with the Sumitomo Corporation. The country’s mobile phone penetration rose from 13% in 2013 to 115%* in 2022.

We will continue to contribute to solving social issues in these emerging countries through the development of telecommunications and peripheral services and various projects.

* Source: GSMA Intelligence

Procedures via the app helping to eliminate regional disparities

In February 2023, MobiCom launched Mongolia’s first postpaid plan “hyper” (hereinafter “the plan”), which enables customers to sign up for the Plan via the official MobiCom application (Internet). In Mongolia, customers had to sign a written contract at a store in order to start using postpaid services, which was inconvenient for those living in rural areas where there are few stores. The plan utilizes the identity verification function of E-Mongolia, an online platform provided by the Mongolian government, enabling customers to complete the procedures via the application wherever they are. Offering the plan will contribute to eliminate the regional disparities in accessibility to telecommunication services, which shows a major gap between urban and rural areas.

Materiality2 Realization of Safe, Secure, and Prosperous Society

▶ Values We Embrace (4) Eliminating Regional and Economic Disparities Globally

Startup Support Program in Mongolia

In 2020, in collaboration with JICA and its Mongolia-Japan Center for Human Resources Development, we began providing support to startup companies working on innovative business models and technologies to address the socio-economic transformation under the COVID-19 pandemic. In FY23.3, we provided support programs- including mentoring, lectures, and networking with investors- to three companies offering apps to childcare support, health promotion, and education. MobiCom supports local startups through programs to solve the social issues caused by the COVID-19 pandemic, contributing to the development of sustainable industries in Mongolia by promoting Mongolian innovations globally.

“Smart Education” Project to Support Children’s Learning

MobiCom 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.

This project was launched in 2021 with the aim of providing equal educational opportunities to children who, due to lack of Internet access or smartphones, may not be able to access educational services and delay their learning. In FY23.3, 2,000 children aged 12-15, who won an essay contest were provided with a data package that included a smartphone, a new MobiCom number, and access to online classroom apps (such as Teams and Zoom) without data usage restrictions to support their online learning. In addition, 40 GB of data that can be used in MobiCom’s video viewing application, “VOO,” is provided free of charge to further support children’s learning.

Smart Education Initiatives



MobiCom incorporates the Sustainable Development Goals into its daily operations and CSR activities in order to create a fair and sustainable future. Smart Education aims to play an important role in creating common values for society based on our SDG policy of “providing quality education and healthy and safe learning environments for the children and youth of the next generation.” Smart Education is a large-scale project implemented throughout Mongolia, involving more than 100 people, including partner companies and volunteers, as well as MobiCom staff. We work with team members on project development, monitoring, measuring effectiveness, and improving concepts for the next project.

Surveys and questionnaires conducted among students who participated in Smart Education showed that the program prevented children who were unable to attend online classes during the COVID-19 lockdown from falling behind in their studies. Overall, their grades for language and math classes improved by approximately 3 to 5%.

We believe that Smart Education goes beyond the donation of Internet access and mobile phones to help children develop a passion for independent learning and provide equitable learning opportunities. Now that lockdown due to COVID-19 has been lifted, our lifestyles have changed, and an educational system based on information technology continues to play a large role. Meanwhile, it remains difficult for children living in rural cities and poor families to benefit from these education system developments. We will continue our Smart Education project to ensure equitable educational opportunities and to further develop the educational system through information technology. In FY24.3, we hope to increase the number of children benefiting from the project by supporting more school-based digital learning, rather than individual students.

MobiCom Marketing Communications & Public Relation Division Ashina Bolorkhuu

Providing e-learning programs for young people in Myanmar

MPT, which KDDI supports in the telecommunications business through KSGM, launched a free education program through e-learning in May 2023 based on its commitment to “MPT-Holding Hands Together with the Myanmar People.”

This program offers a total of three courses (IT, vocational training, and language acquisition), with learning contents including programming, graphic design, electrician, welding skills, and Japanese language courses. Approximately 1,000 MPT users and young adults (8 to 35 years old) with limited learning opportunities are selected from among the applicants and offered the program free of charge, including mobile data communication during course participation.

This program creates equal learning opportunities for young people in Myanmar.

Human Rights Initiatives in Myanmar

The KDDI Group recognizes that all business activities are based on respect for human rights, and has established the “KDDI Group Human Rights Policy,” which is also followed in Myanmar.

As part of our human rights due diligence efforts in Myanmar, in 2022, we commissioned a globally renowned and trusted human rights consultant to conduct a human rights impact assessment. The consultant recommended for us to “ensure the safety of all employees,” “conduct ongoing human rights due diligence,” and “engage in dialogue with and support trusted stakeholders.” We are continuing our human rights efforts in line with these recommendations.

Recognizing that all businesses in Myanmar have been placed in a difficult situation since the political upheaval, we will continue to pursue ways to respect human rights in accordance with international human rights norms. Doing so will include adherence to the UN Guiding Principles on Business and Human Rights, while taking care to ensure the safety of local employees, their families, and other related parties.

Materiality2

Realization of Safe, Secure, and Prosperous Society

► Values We Embrace (4)

Eliminating Regional and Economic Disparities Globally

KDDI Foundation International Cooperation Projects

The KDDI Foundation promotes social contribution activities for the development of the international community development and the achievement of the SDGs through ICT utilization.

ICT Education Support in Nepal

In Nepal, the government has taken the lead in addressing education issues in recent years. However, educational disparities between schools have become apparent and the government is providing educational support using ICT to ensure that children can receive a high-quality education.

2019	Started e-learning and robot programming education in Lalitpur in cooperation with OLE Nepal* and others
2020	Installed digital learning materials on tablets and loaned them to students so that education would not be suspended due to the COVID-19 pandemic. Also, provided home study support to allow students to continue learning during the school closure period
2021 to 2022	Provided learning opportunities for children with audiovisual disabilities by producing digital educational materials equipped with sign language videos and speech reading functions
2023	Held a robot programming competition for elementary and junior high school students, facilitating an ICT education project to utilize tablets used for home study support in regular classes

* OLE Nepal: Local NGO working on education issues in Nepal



Audiovisual content video with sign language
Digital educational materials for those with audiovisual disabilities are already in use at three special-needs schools, and its introduction to five additional schools is underway.



Children working with tablets for home study support

By using ICT to provide quality education to many children and contribute to the development of human resources who will lead the future, we will contribute to the sustainable development of the international community.

Materiality 3

Carbon Neutral

Values We Embrace (5)

Carbon Neutral

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

* Scope 1+2

KDDI's environmental policy

KDDI is committed to environmental conservation through the “KDDI Environmental Charter framework,” which outlines our dedication to safeguarding the Earth’s precious environment for the well-being of future generations. Recognizing our responsibility as a conscientious global corporate citizen, we are actively engaged in initiatives to achieve a carbon-free society, preserve biodiversity, and establish a circular economy.

Furthermore, in our sustainability management, we integrate the principles of “long-term focus” and “social value” into our business strategy. Our goal is to attain sustainable growth in partnership with society. We firmly believe that KDDI’s provision of a dependable and secure communication infrastructure can seamlessly integrate communication across all industries, leading to reduced environmental impact and contributing to the realization of a resilient and sustainable economy.

Continuing forward, we are committed to developing business ventures that align with the ever-evolving needs of our times and actively contribute to achieving a truly connected society.

Focus areas

1. Realization of a carbon-free society
2. Biodiversity
3. Recycling-oriented society

1. Initiatives Towards Achieving Carbon Neutrality

KDDI's approach to carbon neutrality

The Japanese government has established the objective of reducing GHG emissions by 46% by 2030 (compared to fiscal 2013 levels) and aims to achieve carbon neutrality by 2050. As a telecommunications carrier of social infrastructure, KDDI is dedicated to enhancing the global environment. To attain carbon neutrality, we will pursue the following three approaches:

1. Promotion of carbon neutrality measures for KDDI's business activities

Annually, KDDI emits approximately 1 million tons of CO₂ through electricity and other from energy consumption, mainly in mobile phone base stations, telecommunications facilities, and data centers, contributing to around 98% of our CO₂

Materiality3 Carbon Neutral

► Values We Embrace (5) Carbon Neutral

emissions. With the anticipated growth in 5G adoption and communication demands, efforts to curtail CO₂ emissions are increasingly vital. KDDI is advancing the carbon neutrality in our business operations by incorporating renewable energy sources and reducing energy consumption.

2. Promotion of carbon neutrality support initiatives for customers and society

Reducing corporate CO₂ emissions entails a comprehensive approach across the entire business activity supply chain. Moreover, to accomplish societal carbon neutrality, it is crucial to encourage energy-conscious behaviors among consumers.

KDDI will persist in delivering diverse services to aid corporate customers in achieving carbon neutrality. Furthermore, we will initiate efforts that stimulate actions towards carbon neutrality for individual consumers, such as rewarding environmentally friendly behavior with point incentives.

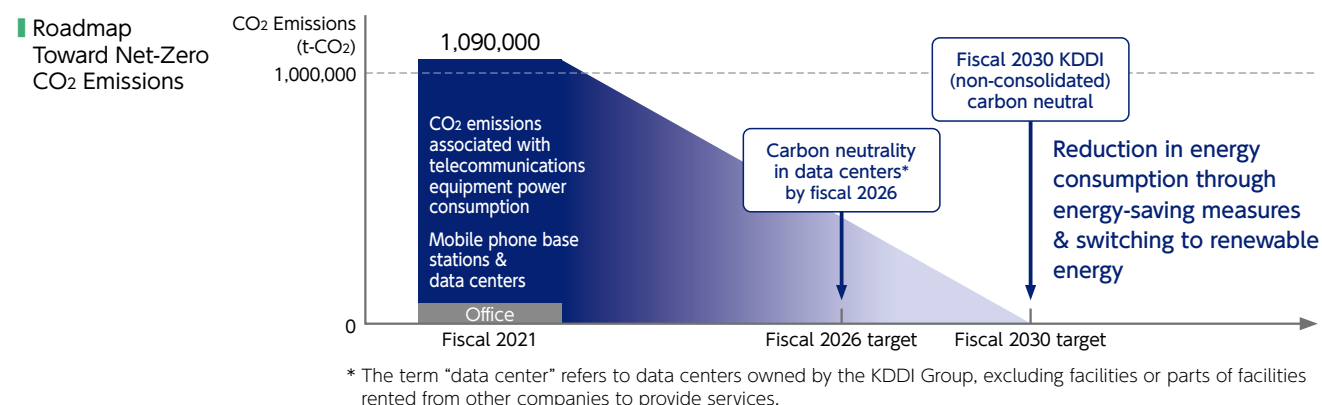
3. Promotion of startup support initiatives

To achieve the ambitious target of attaining carbon neutrality by 2050, as set by the Japanese government, innovative solutions through collaborative creation that transcend existing technological boundaries and involve various companies and organizations are indispensable.

KDDI is firmly committed to collaborating for the advancement and broad acceptance of innovative environmental technologies and novel approaches to environmental preservation. This is facilitated by supporting startups concentrating on decarbonization technologies and circular services through the KDDI Green Partners Fund. Moreover, we will persist in implementing initiatives that encourage each consumer's actions towards achieving carbon neutrality, such as including rewarding Ponta points for environmentally responsible behavior.

KDDI's carbon neutrality achievement goals

Through energy-saving measures and technological innovations in renewable energy, KDDI aims to reduce the environmental impact of its power consumption by achieving carbon neutrality for its globally deployed data centers under the brand name "TELEHOUSE" by fiscal 2026. KDDI aims to achieve net-zero CO₂ emissions from its business activities by fiscal 2030. The target of the entire KDDI Group is to achieve net-zero CO₂ emissions by fiscal 2050.



The operation of "sustainable base stations" has commenced

"Sustainable base stations," which are base stations equipped with facilities that contribute to carbon neutrality, have been operational since June 2023.

Base stations are installed with solar panels that enable them to autonomously generate power on sunny days, ensuring mobile communication even in the event of a disruption in commercial power supply during disasters. Furthermore, during the nighttime, the base stations operate using the KDDI Group's au Energy & Life carbon-free plan, ensuring they operate purely on renewable energy throughout the year, 24/7. We plan to increase the use of sustainable base stations in the future.



Solar panels installed at base stations



Energy-saving endeavors rely on the collective impact of incremental reductions, which can be challenging to execute. However, by capitalizing on KDDI's strengths through partnerships, we are actively embracing the integration of novel technologies. In fact, reductions have been consistently advancing each year, prompting us to request your ongoing attention to future developments. Most of the transition towards renewable energy is achieved by switching to renewable energy plans. However, we aspire to amplify the portion of renewable energy with additional measures. This objective is not confined to the KDDI Group but extends to collaboration with diverse partners. KDDI's commitment to renewable energy aims to benefit our operations and contribute to the overall augmentation of renewable energy in society. We consider this crucial and resolutely prioritize utilizing renewable energy with added value.

The attainment of carbon neutrality is undoubtedly an ambitious aspiration, yet we remain steadfast in our determination to achieve it. Moreover, fiscal 2030 serves as both our target and starting point, and ensuring the enduring nature of carbon neutrality presents an even greater challenge. We are diligently preparing alongside our partners and devoting our utmost efforts to meet this challenge.

General Manager, Carbon-Neutral Achievement Office, Technology Strategy & Planning Division
Go Ichimura

Initiated the introduction of base station sleep function

At KDDI, we have implemented a new feature to enhance energy efficiency in our base stations starting from March 2023. Through demonstrations experiments, we have ascertained that power consumption can be reduced by up to 30%. We will analyze fluctuations in traffic for each base station and curtail power consumption by introducing sleep mode (pause) for specific radio waves during designated time frames, such as late at night, without impacting customer communication.



Enabling Sleep Mode for Radio Waves During Low-Traffic Hours

Adoption of an Internal Carbon Pricing System

In February 2023, we initiated the "Internal Carbon Pricing System (ICP)," wherein we independently determine the price of CO₂ internally and employ it as a criterion for making investment decisions. The introduction of the ICP is designed to foster a shift in employee awareness and expedite investments in energy efficiency and renewable energy endeavors that lead toward carbon neutrality.

Examples of applicable cases

- Installation of solar panels for mobile phone base stations and introduction of renewable energy generation facilities.
- Adaptation of energy-efficient technologies such as improved air conditioning efficiency.
- Facility upgrades to enhance energy efficiency.
- Long-term renewable energy procurement through power purchase agreements (PPA) and other means.

Internal carbon pricing

- Internal carbon pricing at 14,000 yen per ton of CO₂ (t-CO₂).

Switching the domestic communication bureau's electricity usage to primarily come from renewable energy sources

We are gradually switching the power usage of our domestic telecommunication facilities, including the domestic data center (TELEHOUSE), to a carbon-free plan featuring with virtually zero CO₂ emissions. In FY23.3, we switched the purchased power of six telecommunication facilities (KDDI Shinjuku Building, KDDI Otemachi Building, Shibuya Data Center, Oyama Network Center, Nagoya-chuo Network Center, Osaka-chuo Network Center) to a carbon-free plan. This switch is expected to reduce annual CO₂ emissions by over 100,000 tons, which is approximately 10% of KDDI's annual CO₂ emissions of around 1 million tons.



KDDI Shinjuku Building

KDDI Otemachi Building

Materiality3 Carbon Neutral

▶ Values We Embrace (5) Carbon Neutral

To further our contributions to a decarbonized society, we have established “au Renewable Energy, Inc.” to undertake renewable energy generation projects.

au Energy Holdings Corporation has established “au Renewable Energy, Inc.” with a focus on enhancing efforts to increase renewable energy capacity via the construction of innovative renewable energy generation facilities – gaining corporate sector attention as a suitable power procurement method. To contribute to the achievement of carbon neutrality within the KDDI Group, the generated electricity will be supplied to our own facilities, for example, base stations, telecommunication buildings, and data centers.



au Renewable Energy has launched a solar power generation business and will produce additional renewable energy to meet future demands, supplying it to KDDI and also to wider society. Moving forward, we aim to leverage the KDDI Group capabilities, including telecommunications and digital technology, to control decentralized power sources, such as solar power generation, energy storage, and electric vehicles. Ultimately, this will support the transition to a renewable energy-centered society bolstered by a stable supply. Our aspiration is to contribute to the realization of KDDI Group's carbon neutrality and a future decarbonized society, working towards sustainable environmental development and local communities for the next generation.

au Renewable Energy Inc. President, Representative Director
Goro Suzuki

Collaboration agreement between Gunma Prefecture, KDDI, and au Renewable Energy, Inc. to realize an independent distributed society through GX

On June 29, 2023, Gunma Prefecture signed a collaboration agreement titled “Cooperation Agreement for the Realization of an Independent Distributed Society through GX.” By signing this agreement, KDDI and au Renewable Energy will assist Gunma Prefecture in realizing its objectives of strategically expanding renewable energy, alongside achieving self-reliance and the decentralization of power sources. Gunma Prefecture, with a location boasting one of the highest sunshine durations in the country, is striving for the planned proliferation of renewable energy in accordance with the Gunma Prefecture Renewable Energy Promotion Plan. Low-carbon and sustainable energy – as domestically produced energy that leverages local resources – is required not only for environmental reasons but also to support regional development. Plus, there is a need to further establish an environment that enables its widespread adoption and expansion. Furthermore, while expanding the application of this agreement to other municipalities, au Renewable Energy aims to achieve its purpose of “connecting ‘nature’ and ‘local communities’ with renewable energy, toward a future where the Earth and its people can live prosperously together.”



Signing Ceremony for the Collaboration Agreement with Gunma Prefecture

Support for customers' and society's carbon neutrality

First among telecommunication providers to disclose actual measurements of CO₂ emissions generated by communication service provision

Starting from April 2023, as the first

telecommunication provider in Japan, we have introduced “Green Mobile,” which discloses the actual measurements (primary data) of CO₂ emissions generated until the provision of communication services, targeting corporate customers. We are also committed to visualizing the CO₂ emissions associated with corporate customers' smartphone usage, which has been difficult to calculate accurately up to now. This visualization will contribute to setting reduction targets for Scope 3 emissions that encompass the entire supply chain, as well as monitoring progress toward reduction and information disclosure.

“Green Mobile” covers all tariff plans for corporate customers' smartphones. The electricity consumed by KDDI to provide communication services to corporate customers will be sourced from renewable energy before reaching them. As a result, this will also contribute to reducing the CO₂ emissions associated with corporate customers' smartphone usage.



The task of reducing Scope 3 emissions is a challenging area, even for large corporations. Indeed, demanding carbon neutrality from business partners is quite difficult, which is a significant factor hindering Scope 3 initiative progress. Hence, KDDI has been supporting corporate customers in digitizing their businesses through ICT services. By incorporating the additional value of carbon neutrality into these traditional ICT services and advancing digitization, we aim to contribute to the sustainable growth in society and support both the realization of our customers' carbon neutrality and their corporate activities. In the future, we will expand the scope of Green Mobilization beyond smartphones to ICT solutions covering both the Intranet and the Internet. Additionally, we will drive contributions to our customers' CO₂ emissions reduction through DX solutions such as CO₂ emissions visualization and factory operation optimization, together with renewable energy solutions like solar power generation. We hope that by supporting corporate customers in accelerating their carbon-neutral initiatives, this will lead to the overall reduction of CO₂ emissions throughout society.

General Manager,
Service Planning Department
Solution Engineering Division
Masahiro Kajikawa

Participation in the Ministry of the Environment's “Green Life Point” program

As of January 10, 2023, we have joined the “Green Life Point” project promoted by the Ministry of the Environment. We aim to cultivate an environmentally friendly lifestyle together with our customers via point rewards for shopping at au PAY affiliated stores that engage in environmentally conscious initiatives and focus on reducing food waste at au PAY Market. With this initiative, we will introduce environmentally conscious efforts via participating stores, for example, with the adoption of biomass plastic bags and the sale of food waste reduction products through the “au Ponta Portal.” Moving forward, we will continue to enhance the convenience of Ponta points within au services, while also increasing the number of affiliated stores committed to environmental considerations. By encouraging customers who share our values to shop at these affiliated stores, we aim to build a system that contributes to the realization of a sustainable society.



Green Life Point

Materiality3 Carbon Neutral

▶ Values We Embrace (5) Carbon Neutral



Participation in the Ministry of the Environment's Green Life Point project is intended to not only provide traditional cost-saving benefits but also to encourage the use of Ponta points and au PAY from a perspective of social contribution. Since its launch in January 2023, we have received entries from a total of 1.65 million customers – as of the end of May. This initiative was made possible by undertaking challenges such as coordination with the Ministry of the Environment and negotiations with au PAY affiliated stores, bringing together internal stakeholders into one cohesive effort. Through this initiative, as well as by working with partner companies like Kuradashi Co., Ltd. (which works on reducing food waste) and Green Lawson (Lawson's first environmentally conscious store), we hope to serve as a catalyst for encouraging environmentally conscious actions among customers. Additionally, we hope that customers will come to appreciate Ponta points and au PAY even more. Moving forward, taking into account the feedback from our customers, we will continue to strive for improvements to this initiative, as well as enhancing the appeal of Ponta points and au PAY.

Marketing Planning Department, Marketing Division **Naoko Noyori**

KDDI Green Partners Fund

The KDDI Green Partners Fund is a corporate venture capital that supports startup companies that are looking to address environmental challenges. Since its establishment in November 2021, the fund has provided funding to six companies and also engaged in business support and joint demonstrations of how various assets held by KDDI can be utilized. As of September 2023, investments have been made in six companies.

- 1) March 2022: EneCoat Technologies Co., Ltd., a company specializing in the development of next-generation solar cells.
- 2) September 2022: Emulsion Flow Technologies Ltd., contributing to the recycling of rare metals.
- 3) October 2022: Amica Terra Co., Ltd., developing plastic alternative materials that return to the soil.
- 4) October 2022: Helical Fusion Co., Ltd., working on nuclear fusion power generation.
- 5) February 2023: LEBO ROBOTICS Co., Ltd., developing inspection and repair robots for wind turbines.
- 6) April 2023: Biome Inc., working on visualizing biodiversity.



To further accelerate KDDI's efforts towards decarbonization, biodiversity, and resource recycling, the KDDI Green Partners Fund aims to foster business co-creation with the KDDI Group by investing in and supporting startup companies as they develop advanced technologies and services to address these environmental challenges – as defined in KDDI's environmental policy. At the same time, we also focus on the social and environmental impact generated by startup companies. Through our funding and technical assistance, we aim to contribute to the early societal implementation of impactful technologies, thus, promoting their widespread adoption.

Investment area

Achieving a decarbonized society

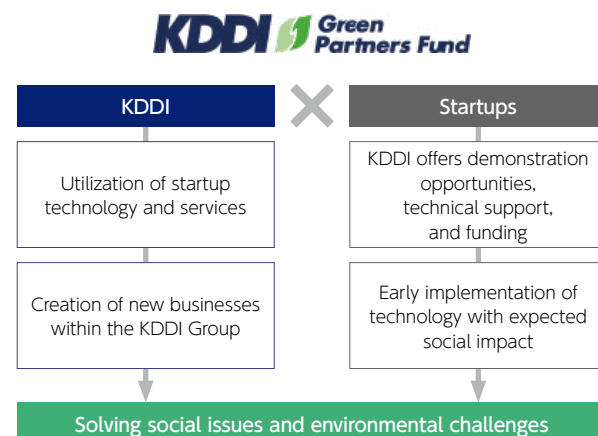
Renewable energy generation, energy storage technology, energy management, carbon credits, and more

Conservation of biodiversity

Biological data collection, ecosystem conservation, water resource management and more

Biodiversity conservation

Recycling-related technology, plastic-free, traceability, and more



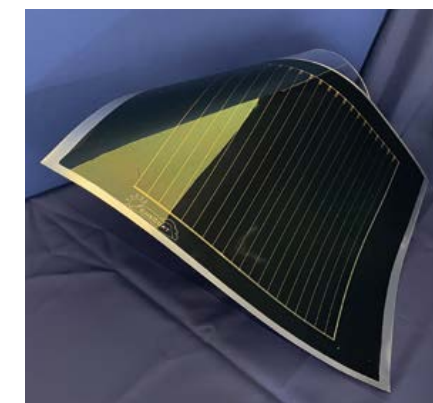
Initiatives towards the adoption of perovskite solar cells:

Joint demonstration with EneCoat Technologies

Perovskite solar cells are highly anticipated for their unique features, such as their lightweight, flexibility, and high power generation indoors, which are not present in traditional solar cells. This technology is expected to have a significant impact on renewable energy expansion.

In collaboration with EneCoat Technologies Co., Ltd., in which KDDI invested in March 2022, KDDI has initiated joint demonstrations starting from FY23.3 with the aim of installing perovskite solar cells at KDDI telecommunication base stations and facilities. In FY24.3, we are planning outdoor demonstrations for communication base stations.

In the near future, we will continue our collaborations to leverage the advantages of perovskite solar cells, aiming to realize a society where electricity can be generated without the need for specific installation locations – including low-illumination environments like small IoT devices and offices.



Perovskite solar cells

Achieving secure and safe wind power generation:

Investment in LEBO ROBOTICS, which is developing maintenance robots

Wind power generation is expected to be one of the main sources of renewable energy moving forward, currently showing an acceleration in its worldwide adoption. The blades of wind power generation facilities can experience reduced efficiency, however, due to factors that include airborne particles like sand, degradation and damage from wind and rain, and the impact of lightning, all of which necessitate regular inspections and maintenance.

Typically, such maintenance involves hazardous high-altitude work using ropes or cranes. However, as wind turbines continue to grow in size and their numbers increase, concerns arise regarding skilled labor shortages and rising costs.

In December 2022, through the KDDI Green Partners Fund, we invested in LEBO ROBOTICS Co., a company that provides maintenance services for wind turbines using robots. Robot maintenance not only automates tasks that were traditionally carried out by humans, as well as standardizing repair techniques, but also contributes to reducing work hours and achieving preventive maintenance. This, in turn, contributes to ensuring the safety and security of wind 1. power generation maintenance and improving power generation efficiency. Plus, in collaboration with LEBO ROBOTICS, KDDI will support the further advancement of robot inspection services using communication, IoT technology, and drones to automate and streamline wind power generation facility inspections and maintenance operations.



Investment in Next-Generation Energy:

Investment in Helical Fusion, which is working on nuclear fusion power generation

Nuclear fusion is the source of energy generated by celestial bodies like the sun. It refers to the reaction where light atomic nuclei, such as hydrogen, fuse together and transform into heavier atomic nuclei like helium. It is expected to be the next-generation energy source that simultaneously addresses energy and environmental issues, as it does not emit greenhouse gases or high-level radioactive waste. Helical Fusion is a startup company launched with the mission of "realizing a sustainable world with implemented nuclear fusion energy." By leveraging world-class expertise accumulated over decades of nuclear fusion research in Japan, they aim to develop the world's first steady-state nuclear fusion reactor.

In November 2022, via the KDDI Green Partners Fund, KDDI invested in Helical Fusion Co., Ltd. KDDI is supporting Helical Fusion's business by helping to raise awareness of nuclear fusion energy and improve its societal acceptance. This support will contribute to achieving society's carbon neutrality goals.



The image of the superconducting coil and plasma in a helical-type nuclear fusion reactor.

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Collaborative efforts with suppliers

KDDI is advancing carbon-neutral initiatives in collaboration with our supply chain and business partners. To implement energy-saving measures through the adoption of energy-efficient equipment, we have established the KDDI Green Procurement Guidelines outlining specific procurement criteria for energy-efficient equipment. Our efforts include procuring energy-efficient business facilities, including telecommunication equipment, HVAC systems, and power equipment. These guidelines target the equipment specified in the latest “Ecology Guideline for the ICT Industry” set out by the ICT Ecology Guideline Council, for which we are also promoting procurement activities accordingly. Furthermore, in collaboration with our business partners, we have implemented the “KDDI Sustainable and Responsible Procurement Guidelines” at the same time as assessing key factors like environmental management through a “Sustainability Procurement Survey.” By implementing procurement activities based on these guidelines, we will further promote efforts to reduce CO2 emissions.

 [KDDI Green Procurement Guidelines \(Japanese only\)](#)

 [KDDI Group Sustainable and Responsible Procurement Guidelines](#)

External evaluation and collaboration with external organizations

Recognized as CDP’s Highest Climate Change Response Score “A List”

KDDI received its first climate change “A List” certification, the highest score possible for advanced environment companies, from international environmental not-for-profit charity CDP (December 2022).

KDDI was recognized as a global leader for environmental activities, with its initiatives such as target setting, action and transparency in climate change operations being rated.



Joined the RE100

KDDI has joined RE100, a worldwide program for corporations that are dedicated to 100% renewable energy. (July 2023)

KDDI will promote the introduction of renewable energy with high additionality for our data centers and base stations, by procuring renewable energy power from electricity suppliers and directly sourcing renewable energy generated by the group company.



Joined the Japan Climate Leaders’ Partnership (JCLP)

KDDI has joined the Japan Climate Leaders Partnership (JCLP), a coalition of businesses in Japan that aim to create a carbon-neutral society, built on the idea that decarbonization is essential to economic development. (April 2023)

KDDI endorses the principles of the JCLP and accelerates the transition to a decarbonized society.



2. Initiatives Towards the Conservation of Biodiversity

KDDI’s approach to natural capital

While the environmental issue of losing natural capital, including biodiversity, could increase risks in our value chains, KDDI can continue to grow by playing our part in resolving environmental issues through our businesses standing on various technologies, such as our communication and IoT technologies. This is why KDDI supports the vision of the Taskforce on Nature-related Financial Disclosures (“TNFD”) and joined the TNFD Forum in April 2023. KDDI will strive to proactively disclose information based on TNFD’s information disclosure framework.

Furthermore, we will work on issues that are getting ever more serious—such as climate change including global warming, environmental issues such as destruction of biodiversity, human rights issues and widening economic divide. We will collaborate with global institutions, assessment institutions, taskforces creating disclosure frameworks, as well as stakeholders including investors, customers, suppliers, and employees, who are all becoming more active. KDDI, together with our partners, aims to contribute to the sustainable growth in society and corporate value improvement.

Risk reduction measures in the telecommunications business

To understand KDDI’s dependency and impact on its telecommunications business, the TNFD’s LEAP approach*1 was adopted. An evaluation was conducted to consider the severity level of pressure on nature, with reference to IUCN*2 guidelines. In accordance with the TNFD framework, scoring was conducted based on factors that included the seriousness of dependency and impact, geographical importance, and the state of biodiversity-related laws and regulations in the given country. This analysis utilized a number of tools: including “ENCORE,” recommended for assessing the presence and magnitude of a company’s impact on ecosystems; aggregated data like the National Biodiversity Index (NBI), which evaluates the ecological importance of the host country; and the Environmental Performance Index (EPI), which summarizes the legal framework related to ecosystem conservation in the host country. We have also identified key dependency and impact items from the results mentioned earlier, as well as having drawn upon our own business perspectives.

- Impact of terrestrial ecosystem use and water resources from mining to obtain raw materials (especially metals) for mobile devices
- Soil pollutants from the use of toxic substances arising from mobile device production
- Impact on terrestrial ecosystems, especially on land from building stations and installing communication cables
- Dependency on the stabilizing features of water resources, climate and land to procure raw materials for stations and communication cables

Within its mobile device procurement process, KDDI promotes the Act on Promoting Green Procurement, together with the establishment and implementation of KDDI Group Sustainable and Responsible Procurement Guidelines, engagement activities with suppliers, and the recycling of used mobile phones. Furthermore, in the case of communication cables and base stations, various initiatives are being carried out in collaboration with relevant agencies. These include route designs for communication cables that take into account environmental conservation areas, establishing disaster preparedness measures, and conducting swift support activities in disaster-affected areas. Additionally, efforts are made to construct base stations with consideration for the landscape, as well as promoting the reuse and recycling of facilities when they are decommissioned.

*1 The process of systematically assessing natural-related risks and opportunities. It consists of four phases: Discovering points of contact with nature (Locate), diagnosing dependencies and impacts (Evaluate), assessing risks and opportunities (Assess), and preparing to address natural-related risks and opportunities while reporting to investors (Prepare)

*2 International Union for Conservation of Nature and Natural Resources.

Initiatives of Biome and KDDI to visualize biodiversity

Initiatives in biodiversity conservation require the visualization of biodiversity. However, because ecosystems vary by region, the collecting and visualizing of biological information has been considered challenging.

Biome Inc., in which the KDDI Green Partners Fund invested in April 2023, is a startup company that offers a biological information visualization platform. Biome provides a system through its creature collection app “Biome,” which features biological identification AI, enabling anyone to collect biological information.

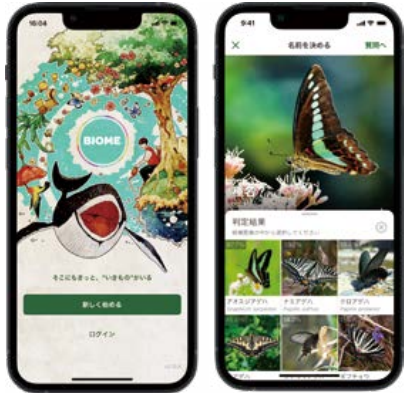
Biome has started offering a “Task Force on Nature-related Financial Disclosures (TNFD) Compliance Support Package,” which utilizes the largest domestically accumulated biological database and biological information collection, analysis, and visualization technologies. With this package, companies are able to analyze the relationship between their businesses and biodiversity using tools such as biodiversity risk maps and an enterprise-level biological survey.

With this investment, KDDI will accelerate its biodiversity conservation efforts, both in risk assessment and

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opportunity creation. Specifically, KDDI will utilize this package to advance the analysis of the relationship between its business operations and biodiversity. Additionally, KDDI will leverage its communication and IoT technologies to support Biome in collecting biological information for biodiversity visualization.



The creature collection app "Biome"



The process of information collection



At Biome, we are engaged in a business that is aimed at conserving biodiversity by transforming biological and environmental data from around the world into big data. Specifically, we develop and operate smartphone applications for consumers, such as "Biome," which allows users to record living organisms in a fun, gamified manner. In addition, 'BiomeSurvey,' is a comprehensive app for conducting in-depth biological surveys. Through these applications, we collect, analyze, and interpret data on the distribution of organisms, which serves as foundational information for biodiversity conservation. Both apps are equipped with AI that is capable of identifying the names of animals and plants from photos taken, allowing even non-expert people to conduct wildlife surveys. As of July 2023, Biome possesses real-time biological distribution information exceeding five million records, which can be utilized for various purposes, including the monitoring of invasive and rare species, investigating the impact of climate change, quantifying ecosystem services, and promoting natural tourism resources. Additionally, we also offer services such as "BiomeViewer," aimed at visualizing biodiversity. All of which is part of our aspiration to provide an essential service platform for companies, administrations, organizations, and research institutions when working toward the conservation of natural environments. We hope that our collaboration with KDDI, which has a rich customer base, will serve as a significant catalyst for expanding our business. In the deployment of services used 24 hours a day, 365 days a year, in various regions, real-time stable communication technology and IoT technology are indispensable. If we are successful in incorporating biodiversity conservation perspectives into such a social infrastructure, the possibilities expand significantly. We look forward to working with KDDI to envision a new approach to biodiversity conservation that has not before existed in the world.

Biome Inc.
CEO
Shogoro Fujiki



We recognize that KDDI's telecommunication technology and sensing technologies, such as drones and IoT, are important assets for visualizing and conserving biodiversity. On the other hand, Biome has accumulated knowledge and know-how through numerous initiatives, establishing itself as a leading company in the biodiversity business. We aim to leverage the strengths of both companies and collaborate with various partner businesses and local government entities to advance efforts in biodiversity visualization and conservation. Ultimately, we aspire to contribute to achieving nature positivity by 2030.

Sustainability Planning Department,
Sustainability Management Division
Mayuko Kashiwagi

Kyoto University Ashiu Forest Research Station and KDDI sign a comprehensive collaboration agreement for biodiversity conservation

The Ashiu Forest Research Station, Field Science Education and Research Center, Kyoto University, and KDDI have combined to sign a comprehensive collaboration agreement with the aim of contributing to the conservation, education, and research of biodiversity and ecosystems at the Ashiu Research Forest.

Since the late 1990s, the valuable vegetation of the Ashiu Research Forest has significantly declined due to extensive grazing by an increasing population of Japanese deer. This has not only affected plants but various other organisms too, such as insects and fish, as well as impacting the soil and rivers, resulting in ecosystem alterations and a critical situation.

Through this agreement, both parties will work on the conservation of the Ashiu Research Forest's ecosystem and biodiversity, educational and research activities related to the Ashiu Research Forest, and also the promotion of activities using DX and telecommunication technology to advance and enhance efforts focused on environmental protection.

Participation in external initiatives

Joined the Task Force on Nature-related Financial Disclosures (TNFD) Forum

In April 2023, KDDI has joined the Taskforce on Nature-related Financial Disclosures (TNFD) Forum, which supports the activities of the Taskforce on Nature-related Financial Disclosures. Based on the TNFD's disclosure framework, KDDI will organize the relationship between its business and natural capital (dependence and impact) as well as risks and opportunities, and promote proactive disclosure from the four perspectives recommended by the TNFD: Governance, Strategy, Risk management, and Metrics and Targets.

In June 2023, KDDI published its first TNFD report, summarizing information in accordance with the TNFD framework about the Company's dependence on and impacts on natural capital, as well as associated business risks and opportunities, along with response measures.



[The TNFD Forum](#)

Joined the 30 by 30 Alliance for Biodiversity

In April 2023, KDDI has joined the "30 by 30 Alliance for Biodiversity" led by the Ministry of the Environment, which aims to establish a system to achieve the goal of conserving and protecting at least 30% of the land and sea as healthy ecosystems. KDDI collaborates with various stakeholders to contribute to the conservation of terrestrial and marine areas. We will contribute to the conservation and management of areas with high biodiversity by leveraging its experience in biodiversity conservation activities and IoT technology through its membership in the Alliance.



[30by30 \(Japanese only\)](#)

3. Initiatives Towards the Realization of a Recycling-Oriented Society

KDDI's approach to a recycling-oriented society

The importance of efforts to circulate and utilize limited resources in response to the expanding resource demand driven by global population growth and economic development is now being recognized. Additionally, resource circulation can lead to the resolution of a wide range of environmental issues, such as decarbonization and biodiversity conservation, which helps to restrain activities like deforestation.

KDDI has been engaged in recycling initiatives since 2005. These have included the recycling of used mobile phones collected from customers, as well as efforts to promote the recycling of telecommunication equipment, conserve paper and water resources, and reduce plastics. In July 2023, KDDI became the sole domestic telecommunications provider to participate in an initiative aimed at increasing the volume of collected devices. This initiative involved collaboration with 11 worldwide telecommunications providers and was part of a program established by the Global System for Mobile Communications (GSMA) – an industry organization.

By actively utilizing resources and reducing environmental impacts such as waste generated during its business activities, KDDI will contribute to the creation of a recycling-oriented society.

Promoting the recycling of waste, including mobile phone recycling (reuse of customer's used mobile phones and smartphones) and the recycling of discarded communication equipment

Used (post-consumer) mobile phones collected from customers at au Shops are manually disassembled in secured rooms, with circuit boards, displays, cameras, plastics, screws, antennas, motors, speakers and other parts being separated. Gold, silver, copper and palladium are extracted from the circuit boards, while screws and antennas are

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recycled into steel products, and plastics are recycled, to the extent possible, into plastic products. When a machine is used to disassemble a mobile phone, plastics are burned up in the incineration process and so cannot be recycled.

Recycling eliminates any need for new mining and refining of mineral resources such as oil, iron, gold, silver and copper, while also reducing the amount of CO₂ that is generated by materials processing. At KDDI, therefore, we perform all disassembly manually to prevent the wastage of recyclable resources, contributing to resource circulation and the realization of a decarbonized society.

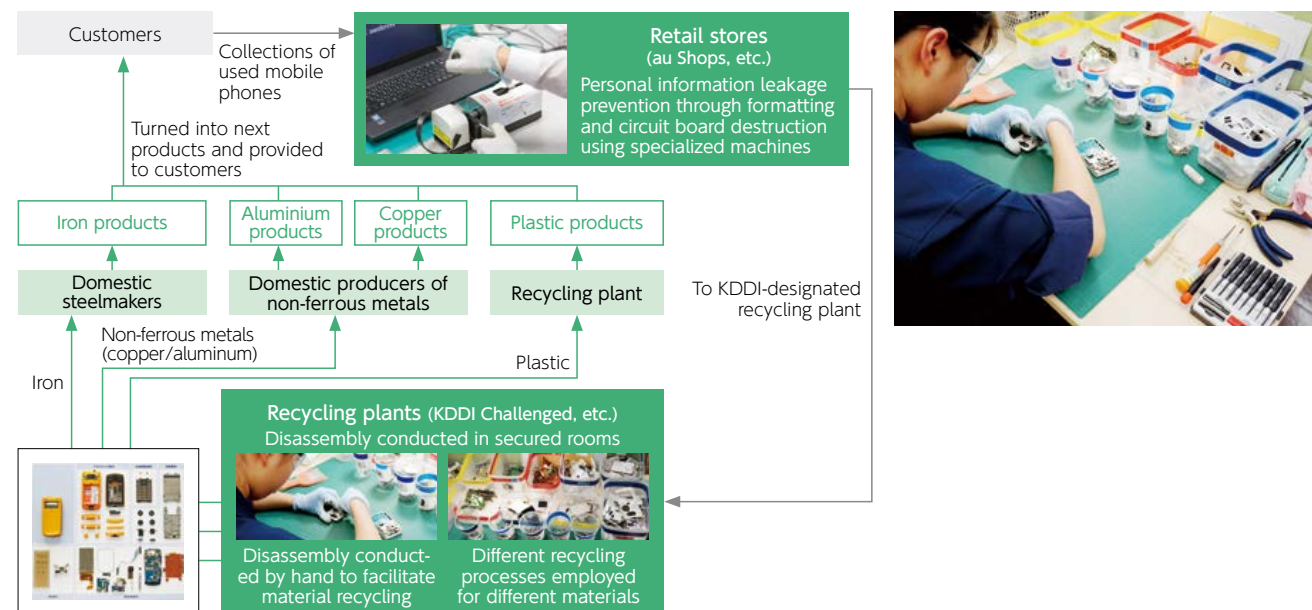
Furthermore, KDDI conducts reuse, effectively utilizing decommissioned telecommunications equipment through regeneration and material recycling, turning equipment and components that have become unnecessary into valuable resources. In the future, we will actively strive for reuse and recycling during the regular decommissioning of telecommunication facilities such as base stations.

Mobile phone recycling(FY23.3)

- Collection performance: 1,673,000 units *Includes main body, batteries and chargers
- Material recycling rate: 99.8%

Removed telecommunication equipment(FY23.3)

- Material recycling quantity: 298.7t
- Material recycling rate: 99.8%



povo supports the collection of customers' used devices through "Smartphone Giga Trade"

Starting from March 2023, povo2.0 has introduced a buyback service called "Smartphone Giga Trade," which allows customers to exchange smartphones and other devices for data capacity (gigabytes). This buyback service, which enables the exchange of smartphones and data capacity, is the first of its kind in Japan (according to our own research).

The service allows for the exchange of data capacity up to a maximum of 640GB, depending on the buyback amount of your smartphone or tablet. For example, by exchanging a smartphone that's lying around your home for data capacity, you can use povo2.0 with that specific data capacity.



Smartphone Giga Trade

Collaborating with startup companies to realize a recycling-oriented society

Emulsion Flow Technologies Ltd. × Recycling

Through the KDDI Green Partners Fund, in September 2022, we made an investment in Emulsion Flow Technologies Ltd. (EFT), which contributes to the recycling of rare metals.

Rare metals are essential materials that support future society. However, due to their increasing usage, there is a possibility that their supply may not meet demand in the near future. Indeed, it is said that rare metals like cobalt, nickel, and lithium, which are found in lithium-ion batteries, may experience a supply shortage by 2025.

EFT aims to achieve resource recycling by bringing innovation to the essential solvent extraction process for rare metal production, recovering high-purity rare metals through a low-cost, low-carbon, and straightforward method, and reusing them as raw materials for the production of high-tech equipment and other goods.

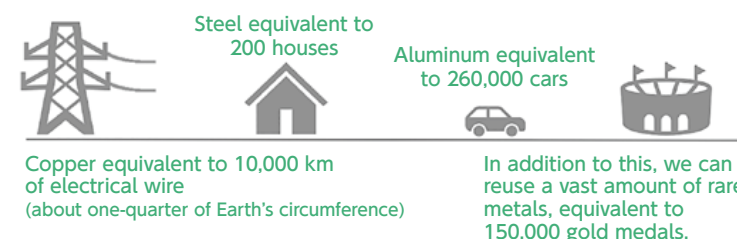
KDDI will collaborate with EFT to conduct demonstrations on the recycling of lithium-ion batteries from used mobile phones and smartphones. The goal is to build a recycling ecosystem and encourage changes in consumer behavior to ensure the collection of mobile phones and other devices.



Emulsion Flow, an extraction technology

By recycling all 167 million mobile phones found in households across the country, we can put them to various uses in our lives

Considering the number of mobile phones left unused in households, we can recover so many resources in this way!



* Source: Emulsion Flow Technologies "Your First Smartphone Recycling"

[Your First Smartphone Recycling \(Japanese only\)](#)



Mobile phones and smartphones brought to our store are accepted regardless of carrier or manufacturer. We then perform reset operations and drilling to ensure that information cannot be extracted from the devices. Each device is carefully disassembled by our partner companies' excellent technology, then reused in their original material state – a process known as "material recycling." Through the three brands provided by KDDI – namely, au, UQ mobile, and povo – we will provide opportunities and occasions for our customers to recognize "material recycling" as a familiar and important initiative and also to participate in the realization of a recycling-oriented society. On the other hand, because KDDI has announced many unique products, it is also true that we often receive feedback indicating that it is "difficult to let go" of used devices in one's possession. We understand that many of you have cherished memories stored on these devices and have developed an attachment to them. As a solution, therefore, we want to create a system that encourages customers who no longer need their devices to bring and recycle them to KDDI.

Sustainability Planning Department,
Sustainability Management Division
Yuta Kamioka



Emulsion Flow Technologies Ltd. (EFT) is a startup company from the Japan Atomic Energy Agency (JAEA) established in April 2021 based on the philosophy of "Lead Our Limited RARE METAL to the FUTURE." By utilizing the unique solvent extraction technology "Emulsion Flow" developed at JAEA, we aim to achieve a fully circular economy by recycling previously mined terrestrial resources and using them as raw materials for continued product production. Recycling is made possible through collaboration and cooperation with various stakeholders. It is essential to work together with trading companies, together with the manufacturers responsible for processes like collection, disassembly, and processing. Above all, however, we need to work with consumers to advance recycling initiatives. For this purpose, it is crucial for each individual living in society to be aware of the value and impact of recycling. We believe that through collaboration and cooperation with KDDI, which has various consumer touchpoints, we can encourage behavioral changes. Together with KDDI, we aim to create a society where rare metal recycling, just like PET bottle recycling, becomes a common practice.

Emulsion Flow Technologies Ltd.
President/CEO
Hiroshi Suzuki

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Amica Terra × Bioplastic

In recent years, plastic pollution in oceans and soil, as well as CO₂ emissions during plastic production, have become pressing issues, leading to a global shift from petroleum-based plastics to alternative materials. While this demand is increasing, some bioplastics have hurdles to overcome. The challenge of competing with raw materials used for food or biomass fuel is one such example, as well as issues caused by slow biodegradation in marine and soil environments.

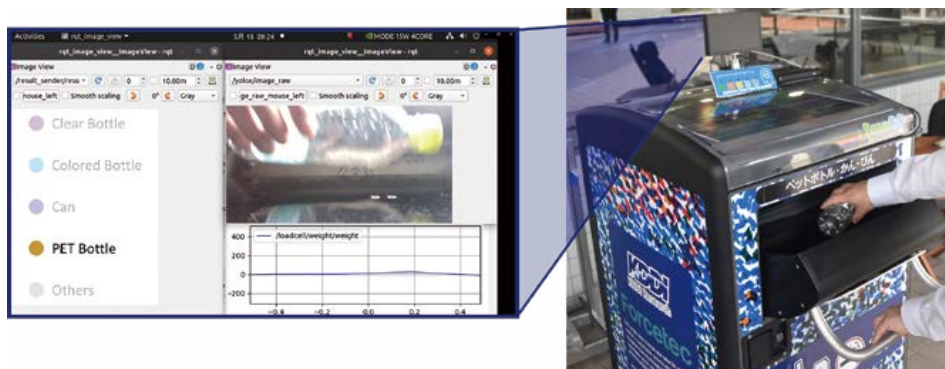
Amica Terra Co., Ltd., in which the KDDI Green Partners Fund invested in September 2022, is a startup that develops and manufactures a plant-based, microbe-degradable plastic alternative material called “modo-cell®.” modo-cell® is an environmentally friendly material that can be produced from plant residues and abandoned bamboo forests generated during the food manufacturing process. Crucially, the material is biodegradable due to the microorganisms that occur in natural environments.

In KDDI, we have adopted modo-cell® straws at the “BLUE LEAF CAFÉ,” which is located within our directly managed store “au Style.” We have also incorporated them into the production of our original merchandise. Moving forward, we will explore the possibility of replacing plastic products used in our shops and offices, with the goal of promoting plastic reduction and achieving carbon neutrality within our supply chain.

An IoT smart trash can called “SmaGO” that promotes the reduction of littering and resource recycling

Forcetec, Inc., KDDI Research, Inc., and HERALBONY Co., Ltd. installed the IoT smart trash can “SmaGO” at the International Media Center of the G7 Hiroshima Summit 2023 in May 2023, introducing initiatives focused on achieving a sustainable society through the fusion of digital technology and art.

To reduce littering and trash overflow from trash cans, Forcetec, Inc., and KDDI Research, Inc. are installing “SmaGO” in Hiroshima Prefecture. Additionally, they are assessing the effectiveness of SmaGO installations by analyzing the pedestrian flow data and garbage accumulation data collected by SmaGO, using a simulator developed by KDDI Research, Inc. At the G7 Hiroshima Summit International Media Center, they introduced their initiatives and also conducted a demonstration by installing a prototype of “SmaGO with an automatic resource recognition device” as trash bins at the venue. This device, developed by KDDI Research, Inc., automatically identifies the types of waste (bottles, cans, PET bottles) deposited into SmaGO.



The image of the “SmaGO” installation demonstration

Materiality 4

Strengthening the Group Management Base Through Progressing Governance

Values We Embrace (6)

Strengthening the Management Infrastructure of the Entire KDDI Group

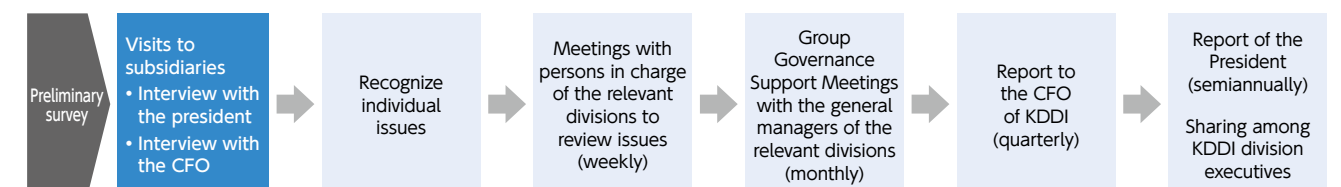
Create social and environmental value by establishing a strong management infrastructure through the strengthening of governance in the entire KDDI Group.

Strengthening the Corporate Support System for Group Companies

In April 2022, KDDI established the Group Business Base Support Department within the Corporate Management Division. Additionally, a system has been built to strengthen group governance through the CFO by assigning the CFOs of domestic and overseas group companies (with exceptions) to concurrently serve in the Group Business Base Support Department and subsidiaries.

In FY23.3, the CFO visited a total of about 50 subsidiaries, including those not belonging to the Group Business Base Support Department, to confirm the individual issues faced by each company. Issues reported from Group companies are discussed at weekly review meetings with the persons in charge of the relevant divisions, as well as at monthly group governance support meetings among the general managers of the relevant divisions, then reported to directors and other executives on a regular basis.

Visit subsidiaries for issue hearings
→ Continue to provide support for issue resolution by the Corporate Management Division beyond FY24.3



Major Issues and Actions

Areas of issues	Actions taken for FY23.3	Direction of actions taken for FY24.3
Procurement governance	<ul style="list-style-type: none"> Present the compliance guidelines 	<ul style="list-style-type: none"> Promote the establishment of procurement governance at each company based on the guidelines
Information security	<ul style="list-style-type: none"> Conduct information security assessments for 25 Group companies in Japan (on-site interviews to analyze the current status and propose necessary measures) 	<ul style="list-style-type: none"> Review the security rules and develop a shared scheme for dispatching support personnel
Human resources	<ul style="list-style-type: none"> Prepare to dispatch corporate personnel to Group companies Provide support services for full-time employee recruitment Share know-how on the employment of persons with disabilities with Group companies 	<ul style="list-style-type: none"> Conduct internal recruitment to address corporate operation staff shortages at Group companies Examine measures to increase the employment rate of persons with disabilities at Group companies

Materiality4 Strengthening the Group Management Base Through Progressing Governance

▶ Values We Embrace (6) Strengthening the Management Infrastructure of the Entire KDDI Group



I recognize that my duty as CFO is to ensure effective governance while achieving agile company management in providing new services that cannot be offered by KDDI alone, utilizing the knowledge and resources of our partners.

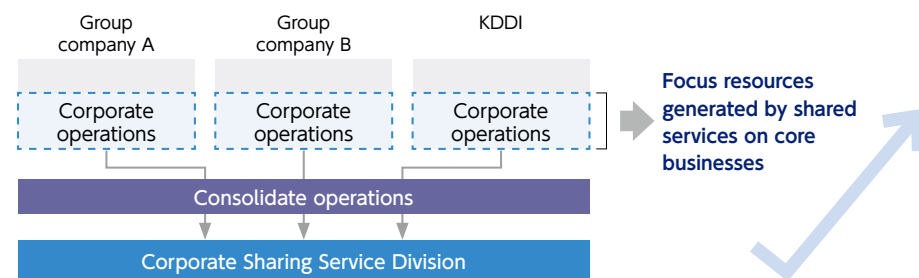
Securing personnel and resources is critical to strengthening the governance of subsidiaries. Recently, KDDI has expanded its shared service division, which undertakes corporate operations for subsidiaries. Also, its focus has shifted to support from the subsidiary's perspective, allowing us to direct our resources toward strengthening governance.

Currently, we are hiring full-time employees by utilizing the recruitment support by the shared service division. As strengthening governance is an area where experience can be used in individual companies as well, we expect that personnel can be trained and secured throughout the Group and flexibly dispatched to each Group company.

KDDI Digital Life CFO Tokuhisa Saragai

Strengthening Governance by Utilizing Shared Services

In April 2022, KDDI established the Corporate Sharing Service Division within the Corporate Sector. The Division's mission is to help Group companies focus on their core business by undertaking their corporate operations, which should that continue to increase with the



business growth and expansion of the entire KDDI Group, as well as provide full-cloud-shared services for them.

Specifically, in the areas of accounting, purchasing, human resources, and company management infrastructure, the Division provides operational support based on the unified system, together with support for reducing workloads and costs, and improving governance. In FY23.3, it provided support for the establishment of au Renewable Energy in April 2023 (including assistance in reviewing various related regulations and necessary procedures), in addition to support for five subsidiaries focused on the Satellite Growth Strategy. The Division has also expanded its shared services for corporate operations (accounting, payroll, purchasing, and mid-career recruiting) to existing subsidiaries. As of April 1, 2023, the services have been provided to a total of 42 companies.

Through the provision of shared services, we aim to achieve sustainable growth for the entire Group. This initiative includes not only “improving operational efficiency” but also “strengthening governance” by designing the Group’s systems, rules, and programs, and promoting KDDI’s unified three-part reform for “strengthening human resources” which includes personnel transfers among Group companies.



Sharing Service Planning Department,
Corporate Sharing Service Division
Chisato Harada, Miho Fujii

As mid-career recruiters, we work to secure diverse and talented human resources for Group companies to achieve effective human capital management.

Our division provides shared services in a wide range of areas besides recruitment support. While we have received positive feedback from Group companies on our support for their corporate operations, we have also received comments on the difficulty of balancing the need for stronger governance and speedy business development. We feel that our future challenge is to create a system that allows each company to engage in business in a speedy manner, while focusing on our original goal of “strengthening governance.”

We believe that the Division’s activities will lead to the growth of the entire KDDI Group. Hence, we will continue to work together to support Group companies and strengthen our services.

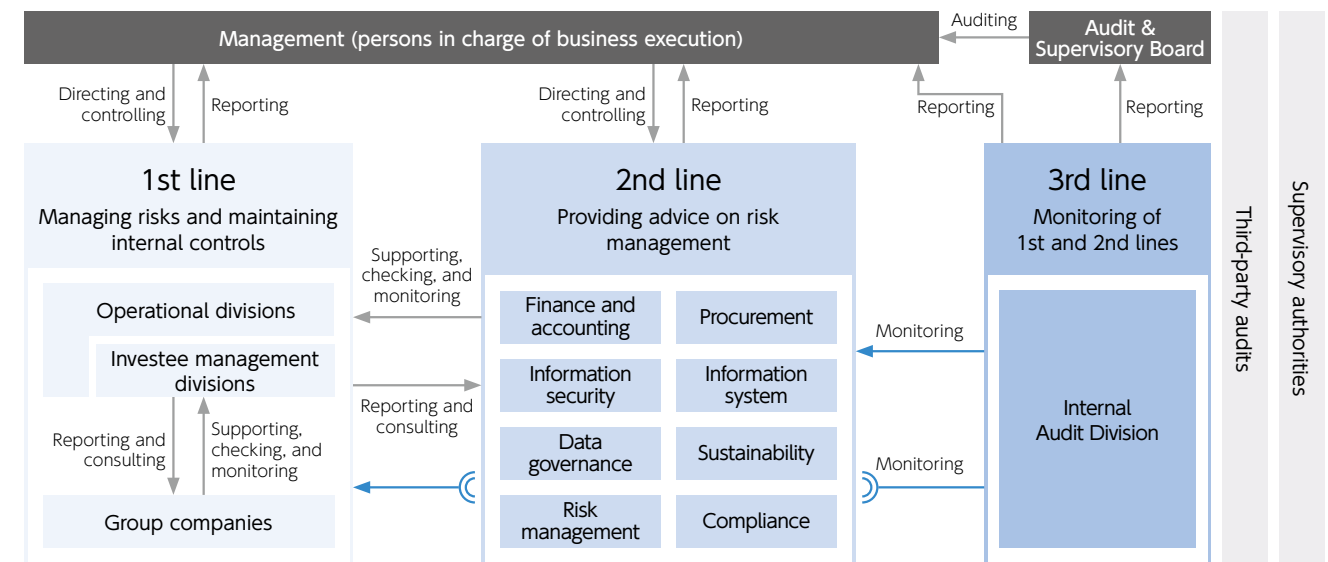
Establish and Upgrade Risk Control Systems

KDDI Group Risk Management

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 group-wide risk management system to further strengthen Group governance.

Three Lines Structure to Strengthen Group Governance

On the first line, Group companies work together with KDDI’s core divisions to strengthen governance in an autonomous manner. On the second line, corporate and other divisions provide support for them. For the third line, the Audit Division conducts audits to identify issues and provide appropriate support to Group companies to enhance their effectiveness. Through these efforts to strengthen group governance, we aim to grow together with Group companies.



Initiatives and Achievements in FY23.3

Circumstances surrounding the KDDI Group	Change in circumstances				Internal situation	
	Politics	Economy	Society	Technology	Mid-Term Management Strategy	Immediate tasks
Activity policies	Strengthening of Management					
	Identify key risks		Strengthen Group governance		Promote and support autonomous risk management	
Details of activity policies	Strengthening risk management and monitoring				Information security measures	Strengthening data governance
	Strengthening risk management		Strengthening accident prevention and control			
	Internal audit		Business quality improvement activities			

Materiality4 Strengthening the Group Management Base Through Progressing Governance

▶ Values We Embrace (6) Strengthening the Management Infrastructure of the Entire KDDI Group

1. Strengthening risk management and monitoring	Strengthening risk management	<ul style="list-style-type: none"> Confirmed the details of controls in the 1st- and 2nd-line division and the role of each division in strengthening governance, and promoted company-wide understanding of the importance of strengthening Group governance. Prepared a group-wide risk management platform to strengthen governance.
	Strengthening accident prevention and control	<ul style="list-style-type: none"> Conducted group-wide awareness-raising activities to restore customer trust lost due to the communication failure in July 2022. Collected information on incidents and accidents that occurred outside the Company and provided it as information to be practically reflected in the risk management activities of the 1st-line division.
	Internal audit	<ul style="list-style-type: none"> Reconfirmed the role of the 2nd-line division and clarified the scope of work in the Three Line Model. Identified issues at subsidiaries and made effective use of internal audit results by the 2nd- and 3rd-line division.
	Business quality improvement	<ul style="list-style-type: none"> Raised awareness through framework recognition and increased support by supervisors. Improved the RPA development skills of users through training, etc.
2. Information security measures		<ul style="list-style-type: none"> Enhanced security monitoring of business facilities. Promoted information disclosure by issuing the cybersecurity annual report and press releases on advanced security technology initiatives. Cybersecurity Annual Report
3. Strengthening data governance		<ul style="list-style-type: none"> Clarified the rules for sharing personal data among Group companies. Started AI Impact Assessment (advance risk assessment) for AI development and utilization.

Initiative Policy for FY24.3

In FY24.3, we will address issues that have emerged from FY23.3 activities, and promote effective development of risk management activities. Thereby, we will facilitate the completion of the Mid-Term Management Strategy, contribute to the sustainable growth in society, and corporate value improvement.

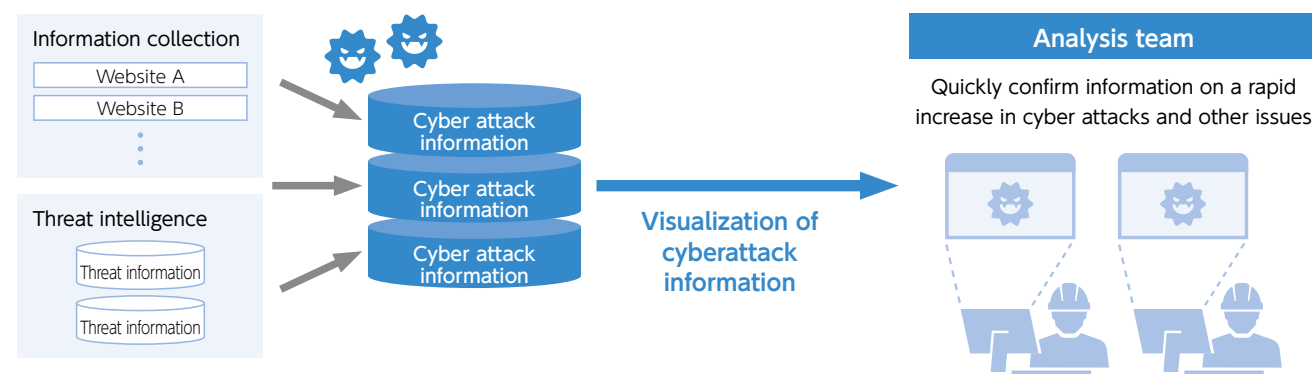
Robust KDDI Group Information Security to Support Governance

Enhancement of Security Monitoring

To protect the information entrusted to us by our customers and handled in our services, we are constantly monitoring against cyber-attacks. In March 2023, we completed the construction of a platform that collects information on cyber attackers and their methods and tactics disclosed on the Internet, and automatically generates profiles based on this information. Cyber-attack information can be visualized by matching the automatically generated profiles with a wide variety of logs accessing the KDDI network.

Going forward, our monitoring system will be equipped with functions to predict attacks by analyzing various logs and to detect suspicious accesses at an early stage. In this way, we will further enhance our security monitoring using DX and AI in order to respond immediately when signs of any attack are detected.

Visualization of cyber attack information



Research and Development of Security Technologies by Digital Twin

The KDDI Group is engaged in various research and development efforts to realize a safe and secure digital society. Particularly, KDDI Research, Inc. will contribute to ensuring safety and reliability in a society where cyberspace and physical space are integrated as a feature of the Beyond 5G era.

As the integration of cyberspace and physical space progresses in the Beyond 5G era, there is a risk that the actual damage to physical space will be enormous as the impact range of cyberattacks expands. Especially, in a world where IoT is integrated into society as part of critical infrastructure, a cyber attack on the IoT could have a significant impact on our lives.

To accurately grasp the scope of impact in both cyberspace and physical space, it is important to manage information in cyberspace, such as the IP address of the target of a cyber attack, and information in physical space in a form that links them together. Furthermore, it is necessary to understand and analyze the management units in a cross-sectional and extensive manner.

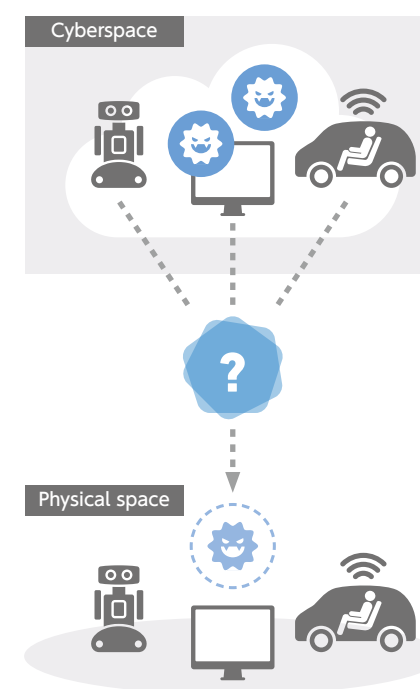
After collecting and analyzing threat information, which can have a significant impact on the physical space too, we will extensively provide threat information for the Digital Twin. In this way, we will build a platform for various Digital Twins to effectively implement security measures, at the same time as conducting demonstration experiments on actual cyber-physical systems in the future.

Research and development items

1. Widely coordinated security technology by the Digital Twin
2. Cyber attack impact analysis technology by the Digital Twin
3. Security technology considering the impact on physical space

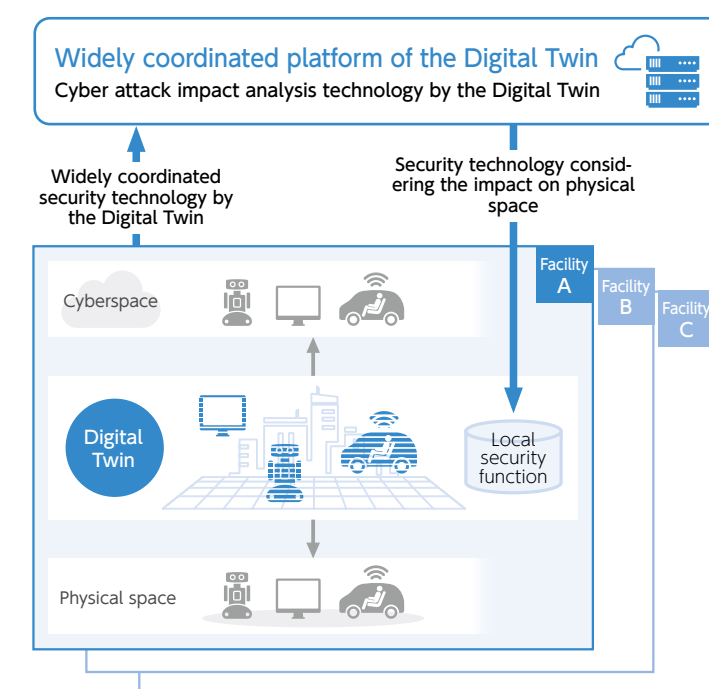
Coordinated security platform between cyberspace and physical space by Digital Twin

AS-IS (before Digital Twin)



It is difficult to identify which part of the physical space is affected by a cyber attack, while there is also a risk that the impact on the physical space may be extended.

TO-BE (after Digital Twin: widely coordinated security)



Utilizing the Digital Twin and its widely coordinated platform enables the mapping of cyber attacks on physical space, while the impact on physical space can be minimized.

Launched the research and development of coordinated security platform between cyberspace and physical space by Digital Twin: Countermeasures against new IoT security threats emerging in the Beyond 5G era (Japanese only)

Materiality4 Strengthening the Group Management Base Through Progressing Governance

▶ Values We Embrace (6) Strengthening the Management Infrastructure of the Entire KDDI Group

Promotion of Joint Supply Chain Sustainability Activities by Three Telecommunications Carriers

In July 2023, KDDI, Nippon Telegraph and Telephone Corporation (NTT), and SoftBank Corp. (SoftBank) agreed to promote joint activities to realize a sustainable supply chain in the telecommunications industry.

The three companies have been in discussions to standardize supplier engagement activities and jointly implement various initiatives in the telecommunications industry for the future. As one of the results of this initiative, a sustainability questionnaire was standardized and will be used as a common self-assessment questionnaire (SAQ) for the three companies in their supplier engagement activities, starting in FY24.3. We believe that the use of this common SAQ will help to reduce the burden on our suppliers.

The SAQ checks suppliers' efforts in the areas of environment, human rights and labor, health and safety, fair trade and ethics, quality and safety, and information security. We will continue to work with our suppliers for further improvement by providing them with feedback on the SAQ results.

KDDI, NTT, and SOFTBANK will continue to jointly engage in supply chain sustainability activities in the telecommunications industry with the understanding and cooperation of suppliers, all focused on realizing a sustainable supply chain. We will also promote sustainability activities in cooperation with various industries and companies to help solve social issues and support a sustainable society.

Please see pages 94 to 96 for the results of the Sustainable Procurement Survey conducted by KDDI in FY23.3. [→ P94](#)

[📄](#) Promotion of Joint Supply Chain Sustainability Activities by NTT, KDDI, and SoftBank (Japanese only)

Materiality 4

Strengthening the Group Management Base Through Progressing Governance

Values We Embrace (7)

Respect for Human Rights

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

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.

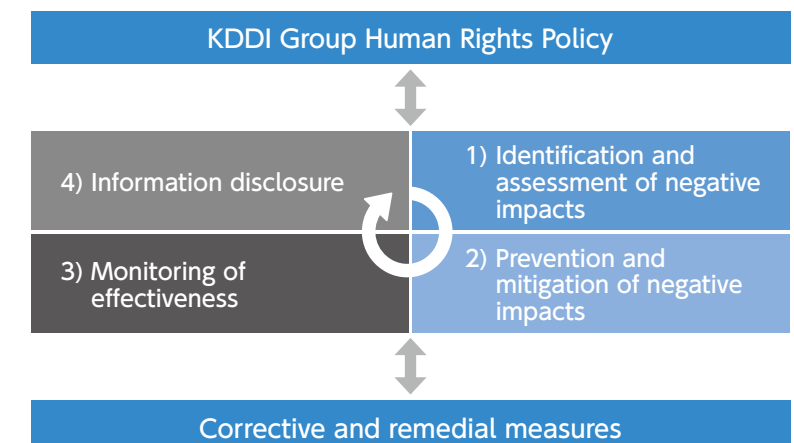
In July 2022, KDDI joined the United Nations Global Compact. Under the top management commitment, we will work on respecting for human rights in our business activities.

Overview of the initiatives in FY23.3

KDDI promoted initiatives to expand human rights-respecting activities throughout the entire Group in FY23.3.

In the KDDI Group Human Rights Policy revision conducted in October 2022, a human rights impact assessment was carried out to identify high-risk areas in business and corporate activities. Based on the assessment results, specific human rights priorities for the KDDI Group were incorporated into the policy. Progress is being made in addressing these critical human rights issues through initiatives such as strengthening sustainable procurement, thus advancing the cycle of human rights-respecting activities.

■ The cycle of human rights-respecting activities



[📄](#) KDDI Group Human Rights Policy

Materiality4 Strengthening the Group Management Base Through Progressing Governance

▶ Values We Embrace (7) Respect for Human Rights

Establishing the Structure for Human Rights-Respecting Activities

At the Sustainability Committee (which convenes once every half-year) chaired by the President, Representative Director, KDDI determines the policy on activities related to human rights, develops and reviews the promotion structure as well as monitors checks the activities' progress against targets. We will work on respecting for human rights under the top management commitment.

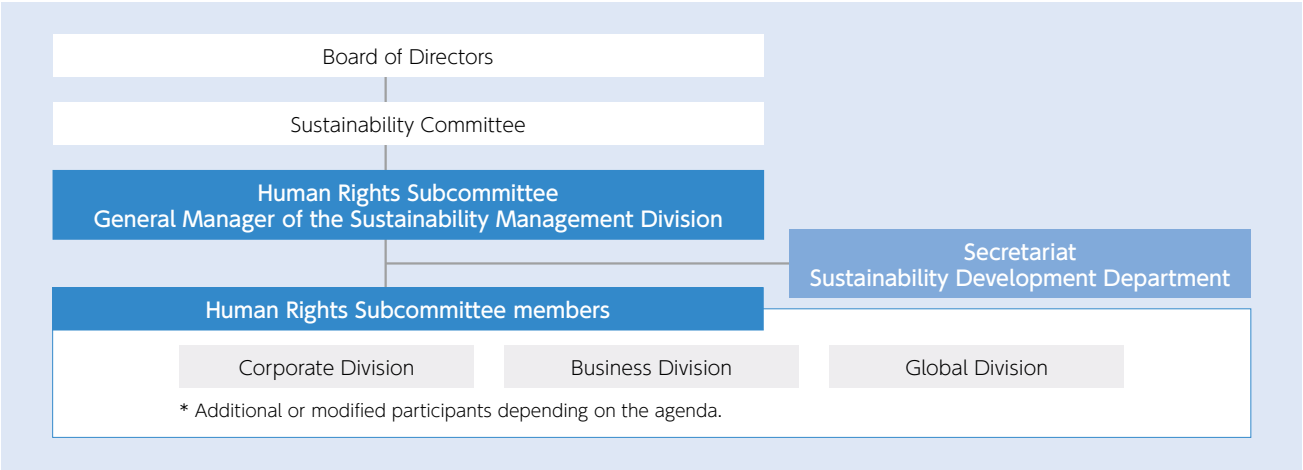
We have also set up the Human Rights Subcommittee (which convenes once every half-year) under the Sustainability Committee. This subcommittee, as an organization to propose and discuss the human rights issues of the entire KDDI Group, is headed by the General Manager of the Sustainability Management Division.

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 for human rights. In FY23.3, a total of three Human Rights Subcommittee were held, including ad-hoc sessions.

Human Rights Subcommittee Key themes (FY23.3)

- Revision of the KDDI Group Human Rights Policy
- Reports on human rights-respecting activities in each KDDI division
- Human rights compliance in the supply chain
- Consideration of the human rights-respecting activities policy for FY24.3

Human Rights Subcommittee Framework



With the revision of KDDI Group Human Rights Policy and the strengthening of the Human Rights Subcommittee's structure, the foundation for human rights-respecting activities has solidified. We hope that this will lead to a reduction in human rights risks concerning the supply chain and employees, which are also socially significant. KDDI places a commitment to respecting human rights in its interactions with customers when providing products and services, considering it a significant human rights issue. Achieving this requires cooperation from various business divisions. Moreover, we aim to engage in human rights-respecting activities to help employees who may not regularly confront human rights issues in their daily tasks to visualize the connection between their work and human rights. Using the latest technologies and new business ventures expected in the future may carry hidden human rights risks due to these new challenges. To realize our corporate strategy, we also aim to reduce such potential human rights risks and contribute to both society and KDDI's growth.

Sustainability Development Department,
Sustainability Management Division
Takayuki Maejima

Response to Significant Human Rights Issues within the KDDI Group

Significant human rights issues	Initiatives in FY23.3
Prevention of discrimination and harassment Establishment of a safe and comfortable working environment	<ul style="list-style-type: none">• Improvement in the effectiveness and awareness of the whistleblowing system/hotline• Individual interviews with all employees aimed at early detection of mental illness and correction of long working hours
Avoidance of human rights issues arising from technological advancements	<ul style="list-style-type: none">• Creating "AI Development Guidelines" and initiating the operation of AI development impact assessment
Realization of user-friendly services and products for everyone	<ul style="list-style-type: none">• Launch of the kids' mobile phone "mamorino6"
Harmony with the local community and elimination of human rights violations in the supply chain	<ul style="list-style-type: none">• Promoting sustainable procurement• Establishment of a helpline for business partners

Penetration of the KDDI Group Human Rights Policy within Internal and Group Companies

The activities for the integration of the KDDI Group Human Rights Policy within Internal and Group Companies are as follows:

- Internal penetration : Following the revision of the KDDI Group Human Rights Policy, we conducted explanatory articles in our internal magazines and e-learning training with the theme of "Business and Human Rights" (Content comprehension based on e-learning participant surveys: 98%).
- Penetration into Group companies: We shared information on human rights trends and initiatives with the CFOs of domestic and overseas subsidiaries responsible for enhancing Group governance. We requested the assured implementation of human rights-respect responses based on the KDDI Group Human Rights Policy, as well as internal penetration through training and awareness activities.

Engaging in Dialogue with Experts in the Field of Human Rights

In FY23.3, we conducted two stakeholder dialogues with experts in the human rights field.

We inquired about KDDI's initiatives concerning human rights, telecommunications industry-specific human rights issues, and supply chain-related human rights issues. Our focus was on evaluating KDDI's business in terms of risks and opportunities, as well as expressing our expectations for the future. Considering the feedback we received, we will continue identifying and analyzing human rights risks within each business area and collaborating with suppliers to implement human rights measures. [→ P108](#)

[Stakeholder Dialogue](#)

Materiality4 Strengthening the Group Management Base Through Progressing Governance

▶ Values We Embrace (7) Respect for Human Rights

Respect for Human Rights in the Supply Chain

The KDDI Group believes that driving sustainability initiatives not only within the company but also throughout our supply chain will make our business more sustainable. We aim to establish a partnership system that does not cause labor problems among suppliers related to human rights and health and safety, aiming to further improve the level of sustainable procurement centered on human rights and the environment in collaboration and cooperation.

Conducting a Sustainable Procurement Survey

We have conducted a survey targeting our leading business partners (key suppliers*1) using a Sustainable Procurement Survey since FY15.3.

In the survey, we refer to the Responsible Business Alliance (RBA) code of conduct and Responsible Business Conduct Guidelines published by the Japan Electronics and Information Technology Industries Association (JEITA). We aim to share KDDI Sustainable and Responsible Procurement Policy and other necessary information with our business partners through survey questions defined in the KDDI Group Sustainable and Responsible Procurement Guidelines, covering areas such as human rights, labor, health and safety, the environment, fair and ethical trade, quality and safety, information security, and social contributions. In FY22.3, we asked our primary suppliers of the KDDI Group representing the top approximately 90% of the total value of orders to answer the survey (150 companies)*2 and received responses from over 97% of them. We use these responses to understand the supply chain situation and analyze risks.

Furthermore, starting from FY24.3, we will be introducing the third-party evaluation platform EcoVadis*3.

*1: Key suppliers: Suppliers with high transaction volume, suppliers of critical parts, and non-substitutable suppliers and have agreed to policies and guidelines, including sustainability requirements (environment, social, governance, etc.).
*2: Including 16 overseas subsidiaries. KDDI-related companies are not subject to the investigation.
*3: A sustainability assessment service consisting of four parts: "environment," "labor practices and human rights," "ethics," and "sustainable materials procurement."

Item	FY23.3 KPI	FY23.3 results	(reference) FY22.3 results
Questionnaire response rate	over 90%	97%	98%
Number of hearing companies	over 30	32	5
Completion rate of improvement proposals	100%	100%	—

Industry	Business	Number of companies	Ratio
Service Industry	Temporary staffing, consulting, advertising, etc.	69	46%
Information and Communication	Software, SI, etc.	34	22%
Manufacturing	Terminals, base stations, electronic equipment, etc.	25	17%
Construction	Base station construction, telecommunications construction, etc.	22	15%

Survey Items

From FY23.3, the Sustainable Procurement Survey has been expanded to include high-risk items such as human rights, environment, and information security to strengthen risk assessment in the supply chain. The questionnaire is divided into a section on human rights, including conflict minerals and the technical intern trainees system, an environmental section including CO2 emissions based on Scope 1, 2, and 3, and a Code of Conduct section related to CSR (Corporate Social Responsibility). For those suppliers that are determined to be high-risk, we take corrective actions such as detailed confirmation through hearings and support through improvement proposals.

Theme	Number of questions	Sample questions
Questions for High-risk Management (Human Rights and Environment)	20	Use of conflict minerals, appropriate information and employment of foreign workers, reduction of energy consumption, etc.
Compliance with Laws and Regulations and Respect for International Norms	4	Compliance with laws and regulations, respect for international norms (clear statement of policy, clarification of responsible persons, etc.)
Human Rights and Labor	12	Respect for human rights/securing workers' rights, consideration for working hours, appropriate wages and benefits, etc.
Health and Safety	5	Health and safety (compliance with laws, regulations, guidelines, etc.)
Environment	13	Environmental permitting and reporting, reduction of environmental impact, air emissions, water management, effective use of resources and waste management, etc.
Fair Trade/Ethics	15	Anti-corruption, proper disclosure, fair business practices, protection of informants, responsible mineral sourcing, etc.
Quality/Safety	2	Existence or non-existence of violations, establishment or non-existence of a management system, etc.
Information Security	8	Compliance with laws and regulations, protection of personal information, leakage of confidential information, response to security incidents, etc.
Business Continuity Planning	1	Formulation and preparation, etc.
Social Contribution	1	Existence or non-existence of contribution activities
Establishment of Management System	7	Establishment, management, and supervision of management systems, appropriate import/export control, development of complaint handling mechanisms, etc.
Total	88	

Report on Survey Results

The average score of companies responding to the 12 themes of the survey was 83%. The highest scoring items were "Questions for high-risk management (human rights)," "Compliance with laws and regulations and respect for international norms," and "Information security," while the lowest scoring items were "Questions for high-risk management (environment)," "Social contribution," and "Establishment of management system."

Risk Analysis and Risk Improvement Proposals

The following table shows the results of the evaluation of suppliers' initiatives based on the "scoring rate" into which we grouped the suppliers' responses to the survey.

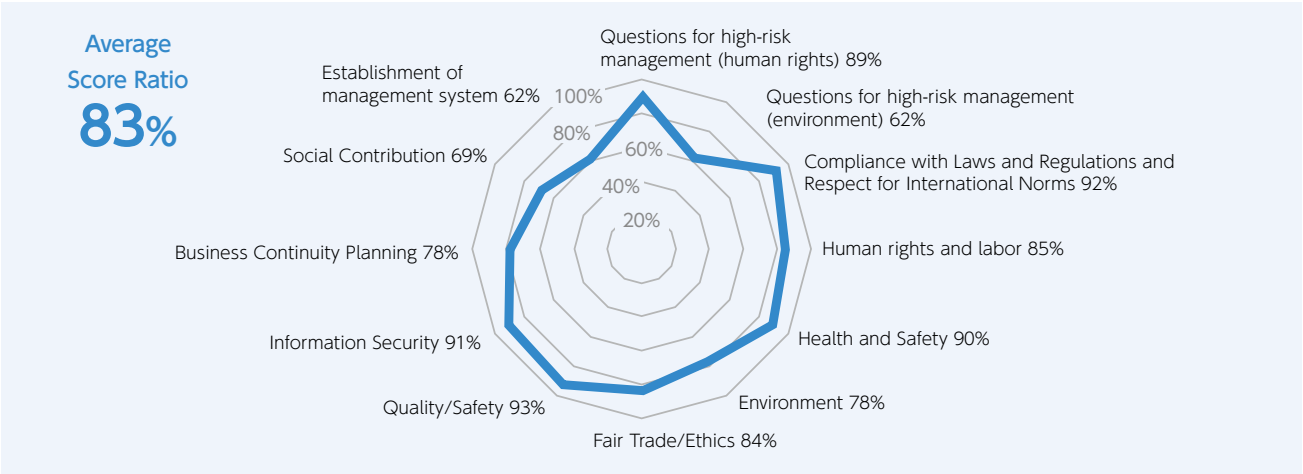
For those suppliers whose efforts are judged to be insufficient and whose risk is considered high, we will provide feedback on the survey results and exchange opinions with them, and if we are able to identify issues, we will request improvements. In FY23.3, we conducted on-site investigations of concerns through third-party audits and provided improvement recommendations.

Furthermore, if improvements and corrections are not made within a certain period, we will consider suspending transactions.

Materiality4 Strengthening the Group Management Base Through Progressing Governance

▶ Values We Embrace (7) Respect for Human Rights

Score Ratio by Theme



Rank	Total score	Ratio	Definition
Group A	over 80%	65%	Excellent efforts are being made.
Group B	60% to less than 80%	34%	General efforts are being made.
Group C	under 60%	1%	Insufficient efforts

Theme	Opinion exchange items	Number of companies requiring improvement	Improvement Proposal Completion Rate
Human Rights	Management regulations to prevent discrimination and harassment	2	100%
	Grasping the status of management and actual conditions of products containing conflict minerals	5	100%
	Grasping the actual status of transactions with risk areas	5	100%
	Initiatives for grievance mechanisms involving workers and suppliers	5	100%
Environment	Management of greenhouse gas emissions and CO2 emissions	10	100%
	Selection of suppliers in consideration of their environmental initiatives (e.g., CO2 emissions)	6	100%

Helpline for Suppliers: Grievance Mechanism

We have established a helpline (Japanese and English support) for employees of KDDI Group suppliers to consult or report violations of corporate ethics and legal compliance, including human rights issues, that deviate from the “KDDI Group Human Rights Policy” and the “KDDI Group Sustainable and Responsible Procurement Guidelines.” We always accept consultation and reports by e-mail, etc., through the internal or external contact point established in collaboration with external experts.

We accept anonymous reports, giving due consideration to the privacy of the consultants and the protection of the informants. In accordance with the Whistleblower Protection Act, we ensure the confidentiality of those who consult with us and report to us and make every effort to protect them so that they will not be treated unfairly because they have consulted with us or have reported something to us .KDDI concludes nondisclosure agreements with external contacts with whom we work together to resolve issues.

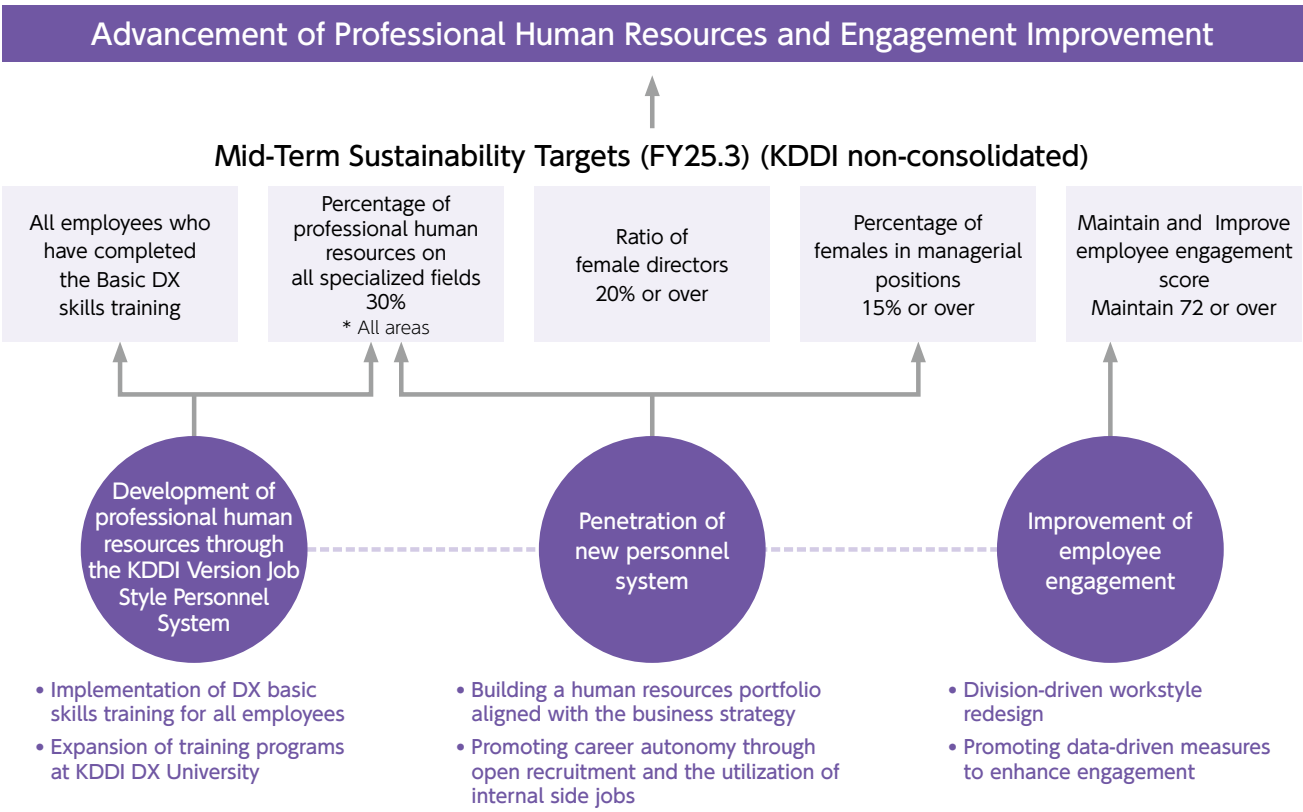
If it is identified that its business activities have caused, or had any adverse impact on human rights, KDDI ensures that it will provide relief for those affected.

Materiality 5

Human Resources First

Values We Embrace (8)
Advancement of Professional Human Resources and Engagement Improvement

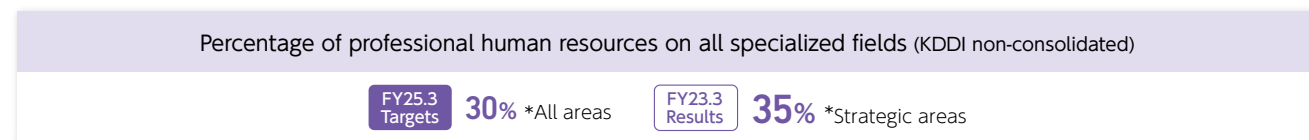
Create innovation and contribute to the sustainable growth in society by fostering a corporate culture that encourages the active participation of diverse and professional talent while also providing a challenge.



At KDDI, we have been advancing the “unified three-part reform (1) penetration of new personnel system, (2) development of professional human resources through the KDDI Version Job Style Personnel System, (3) improvement of employee engagement” towards the transformation into a Human Resources First Company since FY21.3. At the core of this, the “KDDI Version Job Style Personnel System,” 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.

Materiality5 Human Resources First

▶ Values We Embrace (8) Advancement of Professional Human Resources and Engagement Improvement



Penetration of New Personnel System

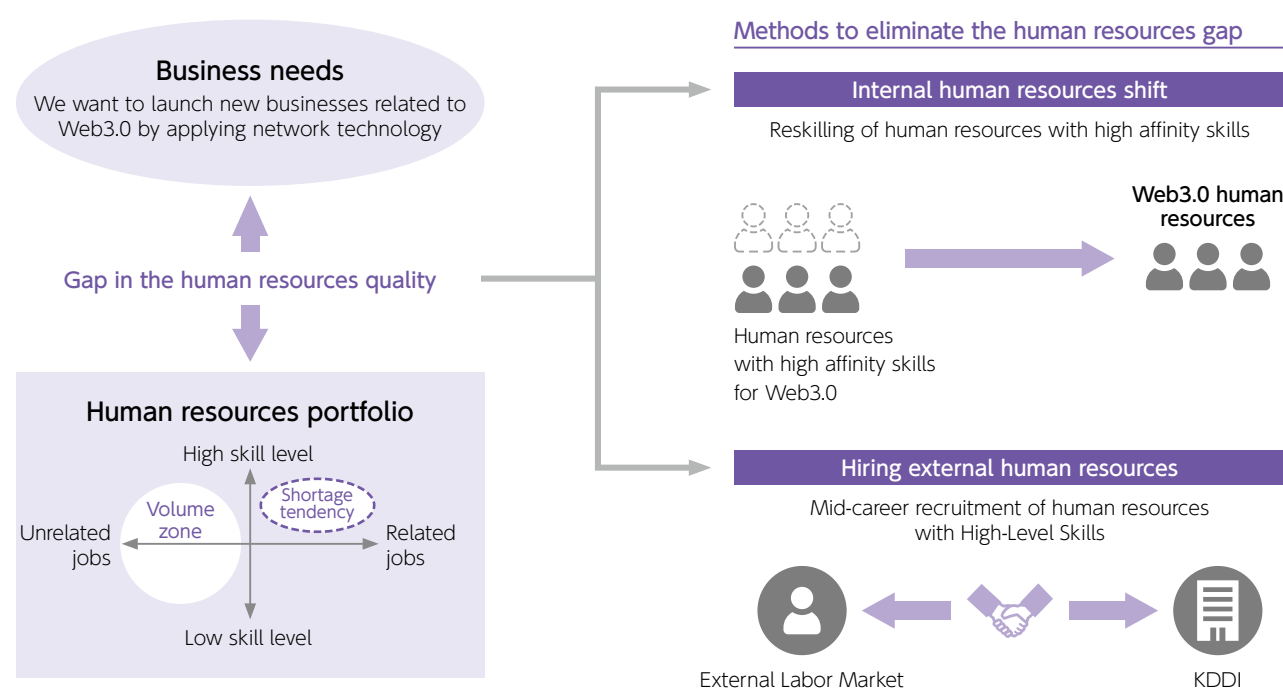
A human resources portfolio that contributes to the execution of business strategies

In response to the deployment of the Satellite Growth Strategy, there is a need for rapid and flexible adjustments in the organizational and personnel aspects. In order to ensure the qualitative and quantitative sufficiency of human resources required for the business strategy execution, it will be necessary to reallocate personnel internally and secure them externally. To achieve this, we plan to build a human resources portfolio that identifies the desired profile of our workforce and the existing gaps.

Within the human resources portfolio, the skills and performance of all KDDI employees can be quantified. We have defined “jobs” for 30 specialized areas within KDDI, further segmented by job roles and responsibilities, and have also defined the skills required for each job. Assessments have been created for each of these skills, and we intend to implement these assessments for all employees starting from FY24.3. By utilizing the results of these assessments, organizations will be able to understand the gap (in terms of quality and quantity) between the current skill levels and the desired state for achieving their respective goals.

Additionally, by centrally managing information such as gender, age, and career history in the human resources portfolio, we will be able to use data to determine the optimal combinations of organizational structures and individuals. Through these initiatives, we aim to activate workforce reallocation and strengthen the alignment between business strategy and HR strategy.

■ Utilization of human resources portfolio image



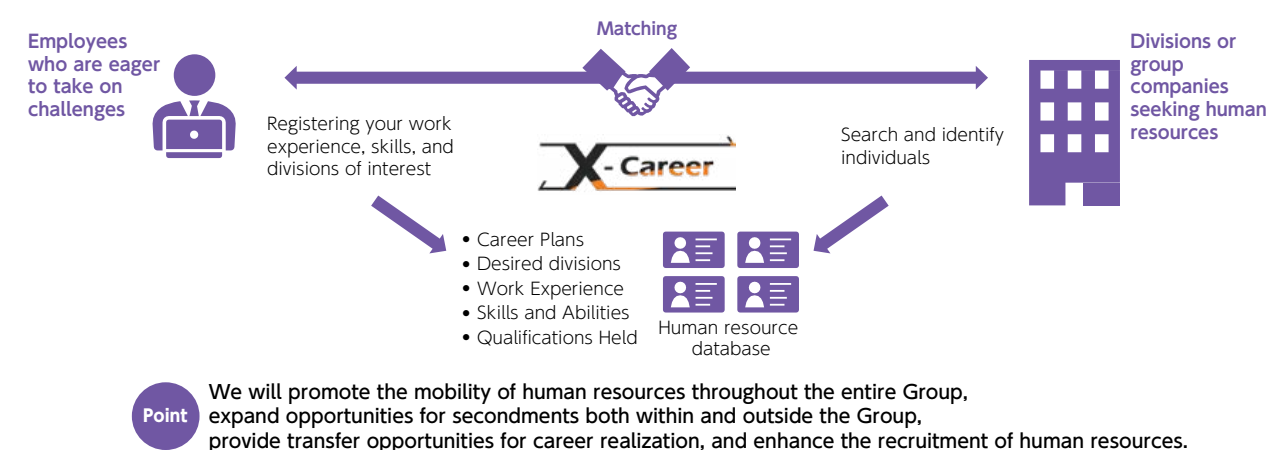
Promotion of career autonomy

We are actively working on individual capacity development and growth support so that employees can remain proactive in pursuing their career aspirations. This includes the implementation of regular 1-on-1 meetings between supervisors and team members. We have found correlations between the frequency and content of 1-on-1 meetings and engagement scores. In FY24.3, we will conduct career management training for all line managers to enhance their career support capabilities.

Furthermore, we provide employees with opportunities to think about their career development. We organize age-specific career seminars to address changing career perspectives as employees gain experience. We also hold casual events like “Career Café” to address more specific career-related concerns and questions. The annual “Career Plan Declaration” allows employees to reflect on their future careers, engage in specific discussions with their supervisors during 1-on-1 meetings, and explore the direction of their career development, job assignments, internal side jobs, and referrals for talent recruitment.

To accumulate and visualize employee career information, we have introduced the Talent Management System “X-Career.” This system actively supports employees’ diverse growth and challenges by utilizing a wide range of business areas. It aims to enable each employee to expand and deepen their careers, fostering innovation through the integration of individual careers. We promote workforce mobility across the entire Group, expanding opportunities for internal and external assignments, career advancement, and human resources recruitment, all aimed at encouraging employees to autonomously shape their careers.

■ Initiatives for Career Autonomy Promotion



Materiality5 Human Resources First

► Values We Embrace (8) Advancement of Professional Human Resources and Engagement Improvement

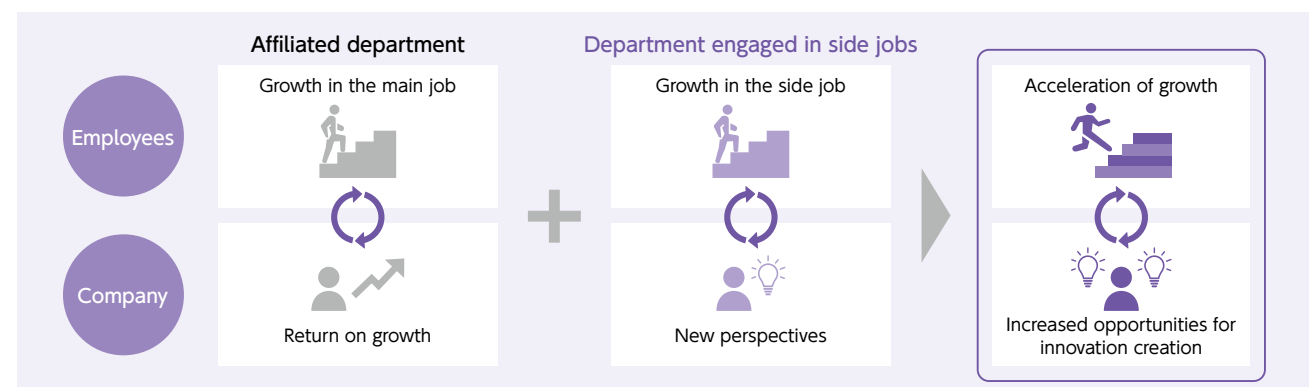


Penetration of New Personnel System

In-house side job system

Starting from FY21.3, we have introduced an in-house side job system with the aim of promoting employees' autonomous career development, at the same time as focusing on getting the right person in the right place. We received feedback from employees "expressing the desire for a platform to hone their expertise or gain experience in other departments." However, the traditional approach of periodic reassignments or concurrent roles mandated by the company posed challenges in accommodating these preferences flexibly. The introduction of the "in-house side job system" allows employees to voluntarily apply for open positions within KDDI and the KDDI Group based on their interests and aspirations. This enables employees to embark on new challenges more swiftly and flexibly when compared to periodic reassignments. The tasks of side job encompass various areas, such as "improving the au PAY app" and "solving regional issues using ICT/IoT." The in-house side job system accelerates the exploration of employees' expertise and the acquisition of new skills while increasing opportunities for innovation through the synergy of talents across organizational boundaries.

■ Purpose of the in-house side job system



Expansion of recruitment channels

Starting from March 2023, we have established and initiated the operation of the "KDDI Alumni Network," which allows former employees who have left the company to interact with the organization. We view alumni (former KDDI employees) as professional human resources who have gained new experiences externally and will actively build and maintain ongoing relationships with them. For those alumni who have registered with the "KDDI Alumni Network," we will regularly share KDDI's recruitment and event information and actively explore opportunities for re-employment. We will also enhance referral-based recruitment by encouraging alumni to refer potential candidates and leverage interactions with current employees to address the intensifying competition for digital talent acquisition.

Furthermore, in our new graduate recruitment efforts, we will expand the proportion of new hires in the "WILL Course," a job-oriented recruitment track that guarantees initial placement areas, from the previous 50% to 60% starting from the FY25.3 period. Additionally, starting from the FY26.3 period for new graduate recruitment, we will implement a selection-integrated internship program that takes into account internship experiences when evaluating candidates. By allowing candidates to experience real tasks, we aim to ensure a better match between candidates and the company during the recruitment process. Given the increasing number of job seekers who aspire to build their careers autonomously while developing expertise, we will support their growth into competitive professional human resources by providing them with internship experiences during their student years. Through initiatives such as the "KDDI Alumni Network" and selection-integrated internships, we will strengthen our efforts in recruiting professional human resources.

Promotion of DE&I (Diversity, Equity, and Inclusion)

At KDDI, we have long believed that embracing diverse experiences and perspectives leads to the creation of new value and allows us to meet the needs of a diverse customer base, contributing to business expansion and sustained growth.

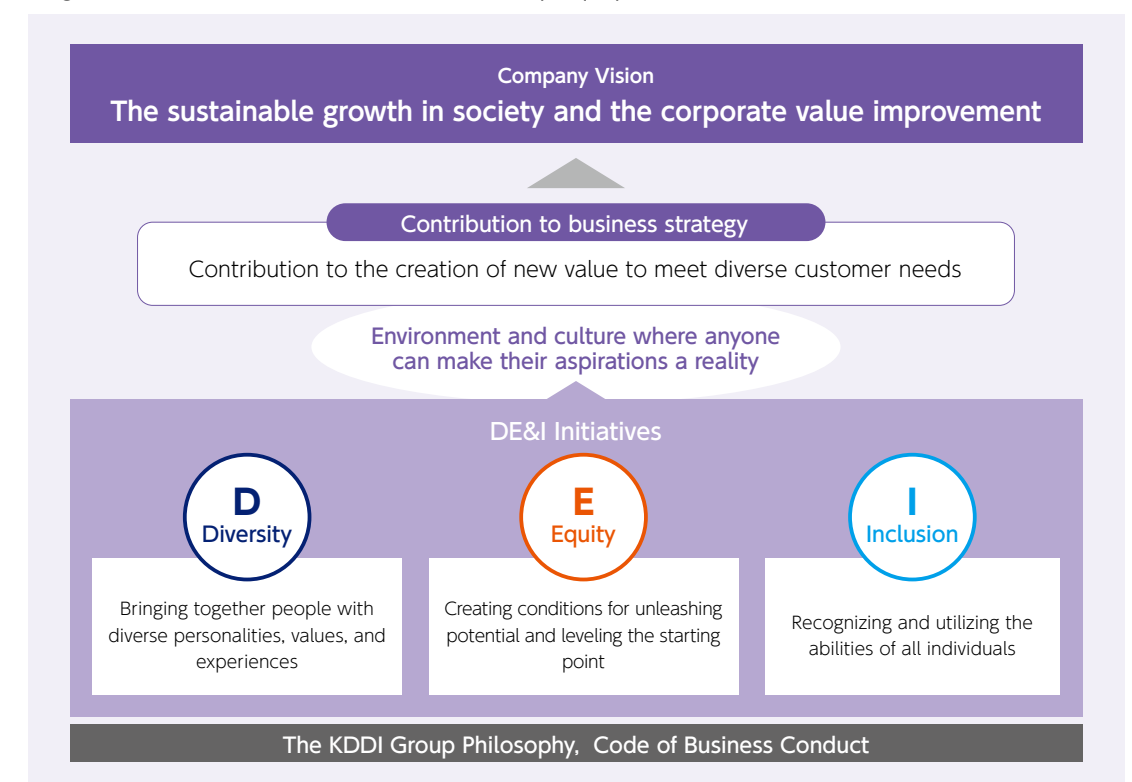
Since 2005, therefore, we have been committed to respecting, promoting, and leveraging diversity, enhancing diversity in gender, age, and backgrounds. Subsequently, we have continued to promote D&I (Diversity & Inclusion) to integrate an increased diversity of talents.

In recent years, with the expansion of our business domains, customer needs have become more diverse, complex, and rapidly evolving. As a result, we must now recognize and maximize each employee's unique characteristics and abilities more than ever before, and continue to meet our customers' needs.

To address this, we have transitioned to DE&I, adding "Equity" to the equation. We are focused on creating an environment and culture where everyone can realize their aspirations. We have explicitly stated our commitment to "providing support tailored to individual employees to create an equitable foundation," which is a declaration made by our President to all employees.

By aligning the starting points of employees with various attributes and fostering awareness of DE&I, we will strengthen various forms of support to promote the active participation of a diverse workforce.

■ Significance and effects of KDDI's DE&I (Diversity, Equity, and Inclusion) efforts



Materiality5 Human Resources First

▶ Values We Embrace (8) Advancement of Professional Human Resources and Engagement Improvement

Penetration of New Personnel System

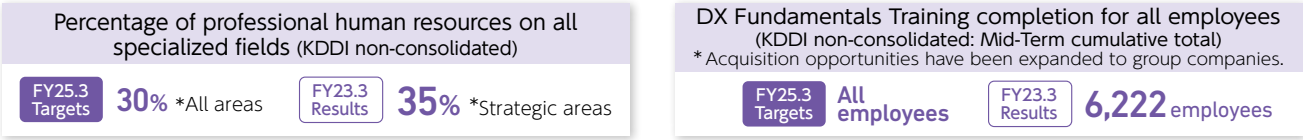
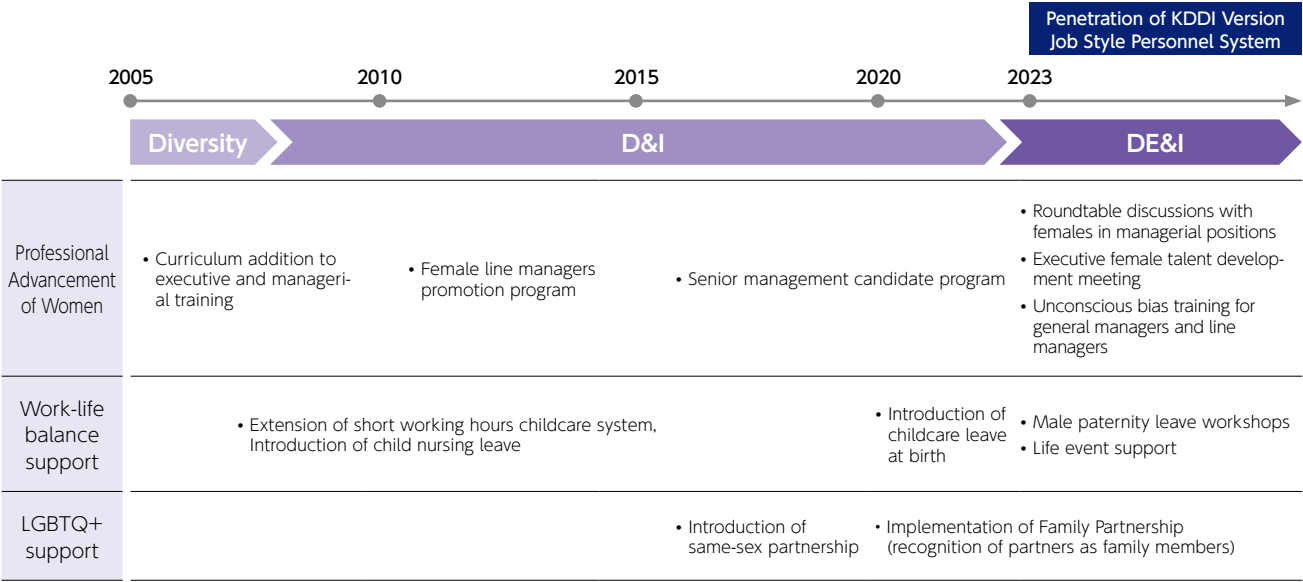
Elimination of Gender Gaps

As the first step towards achieving DE&I (Diversity, Equity, and Inclusion), we are committed to eliminating gender gaps. The results of our employee engagement survey have shown a slight overall lower score among women. Recognizing that formal equality alone is insufficient to bridge this gap, we are enhancing our support to remove gender-related unfair barriers and level the starting point.

In pursuit of achieving our numerical targets for the representation of females in managerial positions, we have undertaken initiatives such as “Unconscious Bias Training” aimed at changing the mindset of our executive leadership, “Roundtable discussions with females in managerial positions” to learn from the experiences of female leaders, and company-wide e-learning programs to raise awareness of DE&I and the importance of women’s advancement. These efforts are part of our commitment to fostering an organizational culture and environment that allows diverse talents to thrive and deliver high performance.

Furthermore, we aim to increase the representation of women from the recruitment stage by conducting seminars and internships targeting female students. Additionally, we are actively promoting paternity leave uptake among male employees and aim for a 100% uptake rate. To achieve this goal, we continue to conduct workshops targeting male employees and their families.

Trends in KDDI's DE&I Initiatives



Professional Human Resources Development through the KDDI Version Job Style Personnel System

Reskilling through KDDI DX University


To foster professional talents as a source of innovation and promote the improvement of employees' DX (Digital Transformation) skills, KDDI established the internal human resource development institution “KDDI DX University (KDU)” in FY21.3. In addition to the “DX Fundamentals Training,” which is mandatory for all executives and employees until FY25.3, we conduct specialized training in each of the five DX-related areas*, including “DX Core Skills Intensive Training” and “DX Specialized Skills Training.” In FY23.3, 6,222 employees completed the DX Fundamentals Training, with the ratio of professional talents in strategic areas reaching 35%.

In FY24.3, we will expand specialized courses in AI and Web3.0, and commence AI fundamentals training for all employees.

* Focuses on 5 specialized areas: Business Development, Consultant & Product Manager, Technologist, Data Scientist, and Experience Architect.

Expansion of Training Programs at KDDI DX University

Starting from FY23.3, we have initiated efforts to expand the development framework provided by KDU to include specialized areas beyond DX-related domains. We have already begun offering specialized skills training in the Marketing and Business Strategy & Management domains, and by FY25.3, we will establish training programs covering all 30 specialized areas, including the five DX-related domains. Each training content is created by pooling the knowledge of members across divisional boundaries.



As someone responsible for human resource development, I have been promoting participation in the DX training programs and contributing to the development of training content in specialized fields beyond DX. The KDDI Version Job Style Personnel System aims to help employees cultivate even greater expertise and become professional talents. Therefore, I believe it's essential to create an environment where the skills acquired through training can be applied in our work, and where continuous learning is encouraged.

For example, we plan to provide assistance that supports each member's skill development for supervisors, enabling their growth. Furthermore, we aim to continue fostering a culture of ongoing learning within the company, and we want to support employees in choosing and continuing to learn the programs they find necessary for themselves.

Human Resources Development Department, Human Resources Division
Misao Kagawa

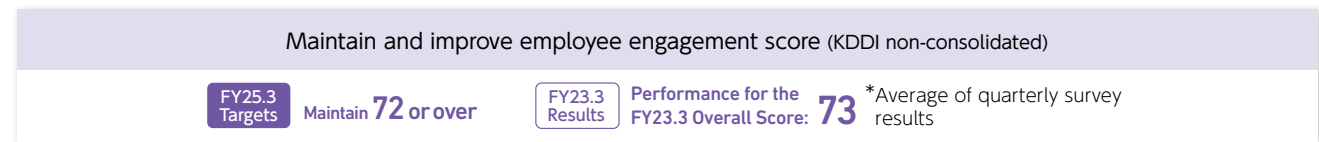
Fostering a Culture of Development

To achieve growth towards becoming professional talents, it's essential to develop competencies through practical work within each workplace. To accomplish this, supervisors should effectively utilize one-on-one interactions and provide mentorship-style support to their subordinates, fostering a culture of development.

Starting from FY24.3, we plan to implement training programs that enable supervisors to properly assess each team member's abilities, offer feedback to overcome growth challenges, and create opportunities for skill utilization. All line managers will participate in this training, acquiring specific know-how related to mentorship-style support to enhance their skills in nurturing individual team members based on their unique situations.

Materiality5 Human Resources First

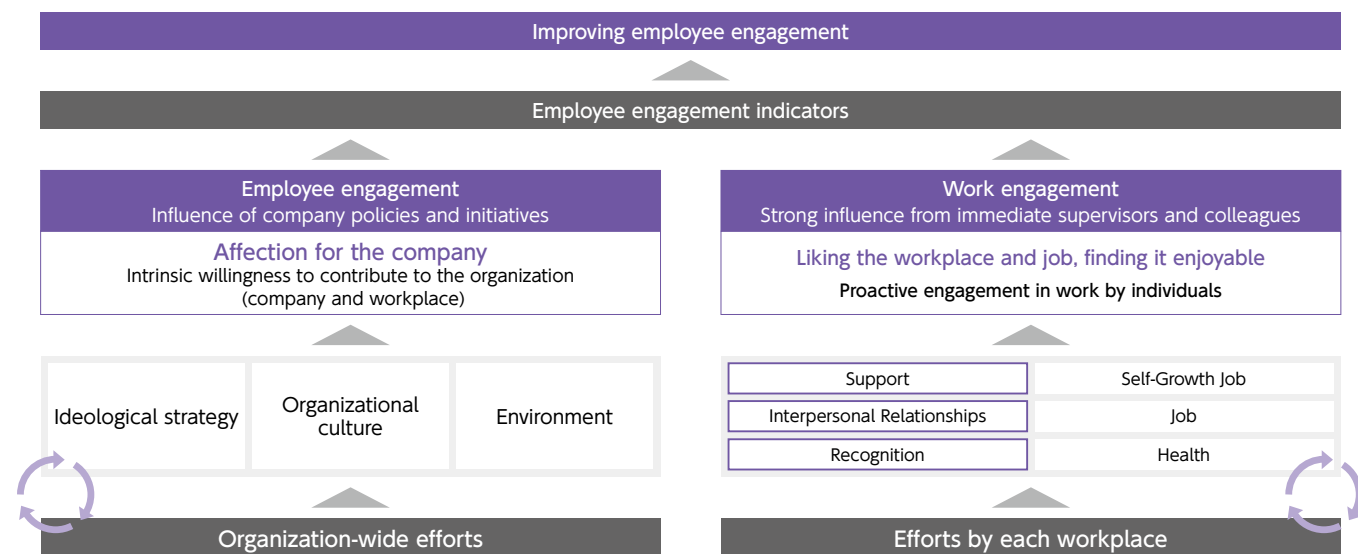
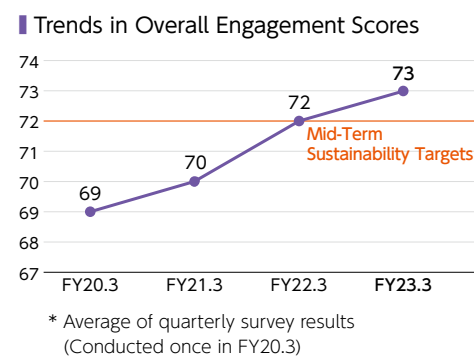
▶ Values We Embrace (8) Advancement of Professional Human Resources and Engagement Improvement



Enhancement of Employee Engagement

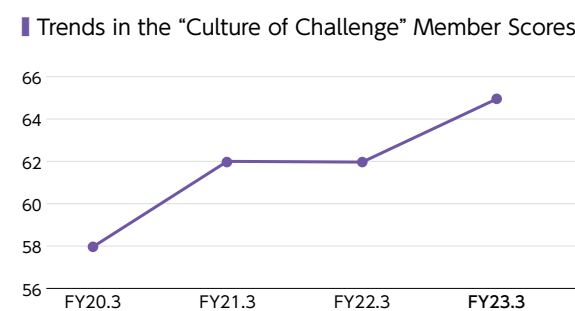
Promotion of Utilizing Engagement Survey Results

We conduct employee engagement surveys quarterly, and in the February 2023 survey, 97.3% of the target employees participated. The overall engagement score has continued to rise since the start of the current survey in FY20.3 and has maintained the Mid-Term Sustainability Targets of “72 or higher” since FY22.3. Particularly, key drivers such as “relationships,” “support,” and “recognition” have shown improvement, which we attribute to the establishment of trust through regular one-on-one meetings between supervisors and team members and support for work and career development. Furthermore, we are enhancing our capacity to analyze engagement data to further utilize survey results in the consideration of HR and workstyle policies. Going forward, we aim to enhance engagement further by strengthening demographic-specific analysis, offering training for leaders, and improving the analysis environment at each workplace. We will continue to drive these initiatives across the entire organization and within individual workplaces.



Improvement in the Score of the Challenging Culture, a Key Indicator

The “Challenging Culture,” which has been a challenge since the beginning of the survey, has shown signs of improvement. This improvement is attributed to the establishment of a foundation for psychological safety within the team through one-on-one interactions, dialogues that encourage personal challenges, and the transition to an evaluation system that rewards individual challenges, thanks to the introduction of a new personnel system.



Employee Interviews by In-house Counselor

To address the challenge of understanding employees’ mental and physical well-being without relying solely on voluntary reports from employees, we have implemented biannual interviews for all employees conducted by in-house counselors, who are third parties other than supervisors, starting from FY20.3. Instead of passively waiting for employees to come to traditional counseling channels, this approach actively engages with all employees from the company’s side. The objectives of these interviews are: 1) early detection of mental health issues, 2) rigorous management of work assignments, and 3) creating a healthy workplace environment. As of the end of FY23.3, we have 44 internal counselors, most of whom were recruited through open applications and bring extensive knowledge and experience, including former line managers and certified professionals. The decision to have internal counselors conduct the interviews, rather than external counselors, is based on the belief that employees who understand KDDI’s management policies, philosophy, organizational culture, employment regulations, and internal rules are better listeners.

Experienced veteran employees, serving as internal counselors, provide reassurance by empathetically listening to each employee’s concerns, resulting in not only the early detection of mental health issues but also positive effects on career development support. Internal counselors themselves find fulfillment in supporting employees to take a positive approach, contributing steadily to the activation of various employees and the realization of a workplace where everyone can work energetically.

Support System for Employees with In-house Counselors as Hubs



* The Workstyle Reform Promotion Committee is a meeting body that discusses workstyle-related matters. It is chaired by an executive responsible for the HR division and includes division heads as members. Meetings are held monthly.



Over the course of four years, the employee interview initiative has led to a significant reduction in the number of responses to mental health precursors, interventions for organizational improvement, and corrections for inappropriate work management. This indicates that counselors have improved their interviewing skills and that employees have become more willing to proactively seek advice about their mental health due to the regularity of these interviews. In the future, to address changes in the content of consultations resulting from employees’ career autonomy, we aim to equip counselors with career counseling knowledge so they can provide appropriate advice. We also plan to expand effective initiatives to promote employee health management throughout the KDDI Group, as well as analyze and utilize data from employee feedback obtained during interviews to solve company-wide issues and propose new initiatives.

To transform into a company that puts human resources first, it is essential to support employees’ mental and physical health employees, which will lead to increased productivity and enhanced competitiveness. By actively listening to the opinions of each employee, understanding their specific needs and challenges, we aim to think about what we can do individually for the sustainable growth of KDDI, and we are committed to addressing these issues earnestly.

Work Style Reform & Health Management Department, Human Resources Division **Yoko Ogawa**

Materiality 6

Advancing Stakeholder Engagement

Building strong relationships with all stakeholders, including employees, customers, distributors, suppliers, and shareholders

Stakeholder Engagement

KDDI's business is related to our stakeholders, including customers, shareholders, business partners, employees and their families, and local communities, etc.

From the perspective of achieving sustainable growth for both the company and society by enhancing social and environmental value in addition to economic value through our diverse business with telecommunications at the core, we have identified seven main stakeholders: service customers, shareholders/investors, local communities, NPO/NGO, administrative organizations/industry groups, business partners (suppliers), and employees and their families.

KDDI values the dialogue with all our stakeholders who support us. We will continue to build up collaboration with our stakeholders and tackle societal issues to contribute to the development of a truly connected society.

Stakeholder Correlation Diagram



Content of Engagement and Reflection on Management and Business Activities

Service Customers

We strive for the satisfaction of our service customers (customer experience) by living up to their trust and offering safe and valuable products and services.

Content of Engagement	Influence on the management and business activities
<ul style="list-style-type: none"> Provide information through various media, websites, SNS, etc. Respond to inquiries at the Customer Center (by phone and on the website) Receive feedback to improve our products and services 	<ul style="list-style-type: none"> Spread information appropriately Improve customer experience Share feedback across the company, Improve convenience of products and services and guarantee safety by the divisions in charge

Shareholders/Investors

We work to build a relationship of trust through honest and fair disclosure of information and active communications.

Content of Engagement	Influence on the management and business activities
<ul style="list-style-type: none"> Report at General Meeting of Stakeholders, financial results briefings, and shareholder newsletters Meet with domestic and foreign institutional investors, explain and exchange opinions at briefings for individual investors Provide information via websites 	<ul style="list-style-type: none"> Strengthen governance Deliver information using websites and other information tools with a sincere attitude

Local Communities

We collaborate and work in partnership with local communities and fulfill our duties as a corporate citizen.

Content of Engagement	Influence on the management and business activities
<ul style="list-style-type: none"> Carry out social contribution activities in each community Exchange opinions through local administrative organizations, etc. Open information morality courses (KDDI smartphone and mobile phone safety classes, Raise DRR Literacy with Your Smartphone), interact with local residents through environmental education. 	<ul style="list-style-type: none"> Reflect opinions on the environment conservation activities Solve social issues in partnership with administrative organizations and local communities Contribute to community safety and development

NPO/NGO

We contribute to a better society through dialogue and cooperation.

Content of Engagement	Influence on the management and business activities
<ul style="list-style-type: none"> Practice activities through the KDDI Foundation, social contribution activities across the world in collaboration with NPOs and other organizations, and participate in progressive initiatives 	<ul style="list-style-type: none"> Understand the social issues and needs in each community

Administrative Organizations/Industry Groups

We comply with the law and maintain sound relations.

Content of Engagement	Influence on the management and business activities
<ul style="list-style-type: none"> Participation in study groups and councils, information gathering and exchange of opinions through administrative agencies, industry associations, and economic organizations 	<ul style="list-style-type: none"> Make proposals on various laws, guidelines and deregulation

Business Partners (Suppliers)

We build partnerships based on mutual trust and carry out appropriate business activities with fair and open transactions.

Content of Engagement	Influence on the management and business activities
<ul style="list-style-type: none"> Conduct a sustainable procurement survey and conduct a hearing based on the results Briefing for business partners Exchange of opinions with business partners and external experts 	<ul style="list-style-type: none"> Promotion of sustainable procurement through supply chain

Materiality6 Advancing Stakeholder Engagement

Employees and Their Families

We continue to be a dynamic company that provides job satisfaction to all employees.

Content of Engagement	Influence on the management and business activities
<ul style="list-style-type: none">Conduct Employee Engagement SurveyCommunicate directly between the President, executives and employees (Excitement Tours (Waku-Waku Tours))Exchange opinions with the labor unionKDDI Sports Festival (Co-hosted with the labor union)	<ul style="list-style-type: none">Analyze the state of companywide organizational culture and identify issues to be tackled in each departmentRespect human rights of employeesCreate a sense of unity throughout the company

 Stakeholder Engagement

Promoting Stakeholder Dialogue

We actively conduct activities to incorporate the opinions and requests of stakeholders in our corporate management for further improvements.

In FY23.3, we held stakeholder dialogues on the environment and human rights, asking stakeholders to assess the company’s business and their expectations for the future in terms of risks and opportunities.

 Stakeholder Dialogue

Dialogue on the environment

Experts	Feedback received
Biome Inc. CEO Shogoro Fujiki	<ul style="list-style-type: none">The market for biodiversity conservation is expected to be worth about \$10 trillion per year in the future, but it is still in its infancy. Also, unlike climate change, it is important and challenging to link it to countries and regions for quantification and analysis.The power of smartphones is needed to quantify biodiversity: more than 4 billion are in use worldwide and can record location data. If the telecommunications industry recognizes this as a business opportunity and takes action, the scope of solutions to social problems will expand.I expect KDDI to create a platform for data collected from camera traps, IoT, smartphones, sensors, etc.
General Incorporated Associations Sustainable Management Promotion Organization Representative Director Takehisa Kabeya Chief Researcher Sonoe Hotta	<ul style="list-style-type: none">Resource depletion is an important global issue, and because CO2 emissions occur throughout the life cycle of a resource, resource recycling and carbon neutrality should be considered as a set.It is important to view waste as a resource that never loses its economic value and to strive to reduce the amount of resources procured through reuse, recycling, and other means.As a measure against climate change, it is important not only to make efforts to reduce CO2 emissions by the company itself, but also to work with suppliers and other parties from whom products are sourced to understand their carbon footprint and reduce environmental impact throughout the supply chain. KDDI has a particularly large number of suppliers, so we believe its impact on society will be significant.

Dialogue on human rights

Experts	Feedback received
General Incorporated Association Institute for Sustainability Management Representative Director Hidemi Tomita	<ul style="list-style-type: none">In particular, the energy business presents different human rights risks than the telecommunications business. For the five focus areas of the satellite growth strategy, risks should be considered on a business by business basis.It would be good to show the pros and cons so that consumers have a concrete picture of the risks involved in agreeing to privacy and data use agreements.As European companies take more initiatives from a legal and regulatory perspective, it is necessary to use advanced European telecommunications and IT companies as benchmarks.
General Incorporated Association CSO Network Japan Board Chair Yukiko Furuya	<ul style="list-style-type: none">Human rights issues should be considered together, without distinguishing between global and domestic issues. Distinguishing between global and domestic human rights issues creates problems. It is also important to promote initiatives and show that we are not complicit in human rights issues.It is important to disclose progress and responses to important human rights issues from the perspective of rights holders. There is nothing wrong with disclosing information, and it will lead to increased confidence among rights holders.When formulating procurement policies and establishing a complaint-handling office, we should work with suppliers to formulate and establish such policies.

Customer Relationship Management

We will continue aiming to achieve sustainable business growth by enhancing customer engagement and actively breaking ground in new life design fields, especially those related to telecommunications. To better understand the needs of our customers and provide more fulfilling and convenient lifestyles, we aim to further improve customer experience (CX) and provide customers with exciting experiences by expanding business in focus areas such as DX, Finance, Energy, Life Transformation (LX), and Regional Co-Creation, focusing on our existing communication services.

Toward that aim, we at all divisions strive to refine and connect all points of customer contact, working on cross-departmental improvements across au Shops, CS, various apps, communication and sound quality, products, website, rates and services. We share the progress at the CX Promotion Meeting, attended by top executives, to speed up the process.

Many evaluations, criticisms and comments we receive from customers form the guidelines for our behavior. Reflecting these opinions sincerely in our business completes the cycle of offering further value to our customers.

 Customer Relationship Management

Community Involvement and Development

We at KDDI Group are driving various initiatives to solve societal and environmental issues of the countries and regions where we operate to contribute to the development of a truly connected society. Each regional office leads community development activities, placing importance on dialogue and cooperation with a variety of stakeholders, including local communities, administrations, universities and NPO/NGO.

 Social Contribution Activities

Participation in external initiatives


KDDI strives to take a leadership role by participating in domestic and international initiatives and organizations to contribute to the development of a truly connected society.

Participation in ESG-related initiatives




WE SUPPORT
UN GLOBAL COMPACT

United Nations
Global Compact




CLIMATE GROUP
RE100

RE100




JCLP

Japan Climate Leaders' Partnership
(JCLP)



TNFD
Forum
Member

Task Force on Nature-related
Disclosures (TNFD) Forum



30 by 30

30 by 30 Alliance for Biodiversity

Issuing Sustainability Bonds

Background and Purpose of the Bond Issue and the Development of the Framework

In September 2022, KDDI formulated the Sustainability Finance Framework, which limits the use of funds to projects that solve social issues and protect the global environment, in order to promote its “Sustainability Management,” “Satellite Growth Strategy,” and “Strengthening of Management Base” from a fund-raising perspective. We also issued KDDI Tsunagu Chikara Bonds, KDDI’s first sustainability bonds totaling 100 billion yen. We will continuously aim for sustainable growth in society and corporate value improvement by using the funds for a wide range of initiatives to solve social issues and preserve the global environment, with a focus on 5G-related investments.

Specifically, we will contribute to the government’s “Vision for a Digital Garden City Nation” initiative by constructing 5G areas. The funds will also be used for various qualified projects, such as promoting power saving and the use of renewable energy in mobile phone base stations and telecommunications facilities, with the aim of achieving net-zero CO₂ emissions.

Use of funds raised under this framework

The funds raised through Sustainability Finance and other means will be used for the following qualified projects that are consistent with the “Satellite Growth Strategy” and “Strengthening of Management Base” as part of efforts to promote sustainability management in our Mid-Term Management Strategy. Specifically, the funds will be used for new expenditures or refinancing of existing expenditures for qualified projects related to “5G Communications,” which is the core of our “Satellite Growth Strategy,” and our focus areas of “Digital Transformation (DX),” “Energy Business,” “Life Transformation (LX),” and “Regional co-creation (CATV and other services),” as well as “Carbon Neutral.” Through these projects, we aim to achieve our material issues, such as “promotion of innovation centered on telecommunications,” “realization of a safe, secure, and prosperous society,” and “carbon neutral,” and to work together with our partners to achieve sustainable growth in society and improve corporate value.



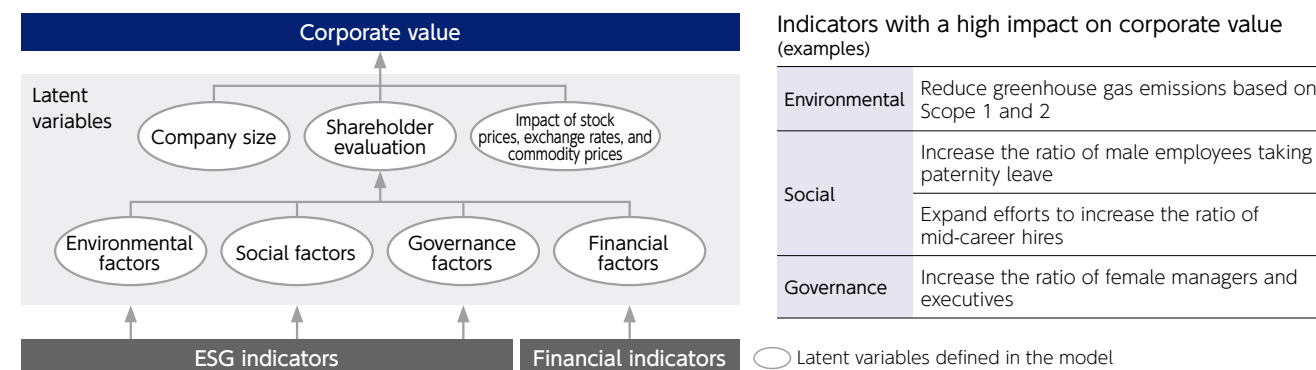
Visualization of Non-Financial Activities to Improve Activities

We conduct activities to analyze and visualize the relationship between non-financial activities and corporate value, which is one of the elements to promote sustainability management.

In FY22.3, we conducted a trial correlation analysis of non-financial data and PBR (Price to Book Ratio), mainly for enhancing ESG information disclosure, by utilizing Digital ESG Analytics, which utilizes a willow model, provided by ABeam Consulting Ltd.

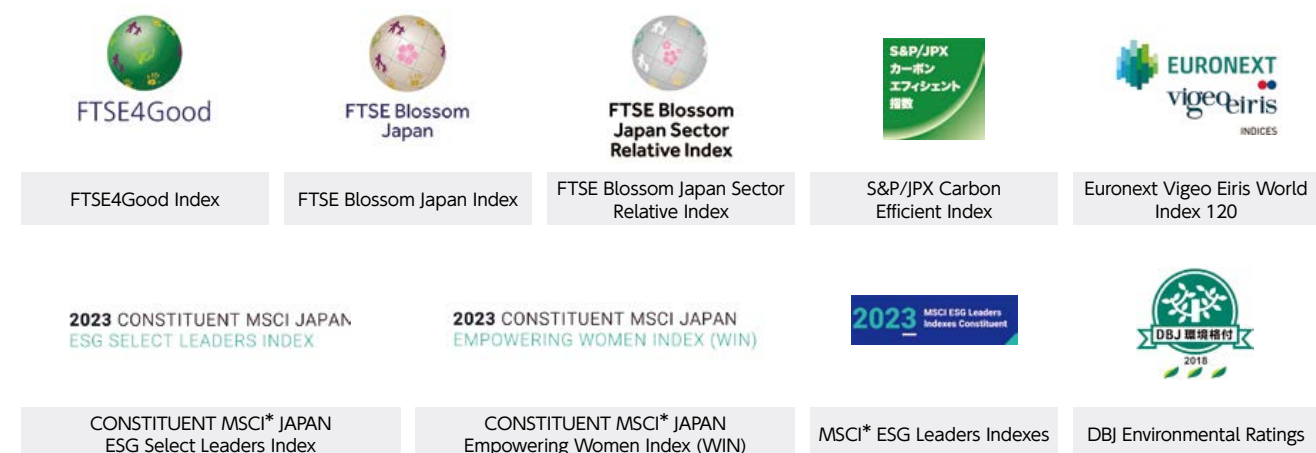
In FY23.3, we conducted a more in-depth quantitative analysis, including cause-and-effect relationships, by utilizing a model of “AI Powered Enterprise Value Cockpit” by Accenture Japan Ltd. The analysis was conducted jointly with ARISE analytics Inc., which is a joint venture between KDDI and Accenture, Inc. By including the effects of latent variables such as shareholder evaluation and company size, we analyzed the relations between non-financial data and market capitalization, including causal relations. Indicators with a high impact on corporate value were identified as follows: greenhouse gas emissions based on Scope 1 and 2 as an environmental indicator, efforts to increase the ratio of male employees taking paternity leave and the ratio of mid-career hires as social indicators, and the ratio of female managers and executives as a governance indicator. The results of these analyses are being reflected in our own initiatives and information disclosure.

Analysis by “AI Powered Enterprise Value Cockpit”



Third-Party Evaluation

ESG Indexes and Ratings



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Evaluations and Awards



Disclosure based on TCFD Recommendations

KDDI announced our support for the Task Force on Climate-related Financial Disclosure (TCFD) in April 2021. We will strive to proactively disclose information based on the disclosure framework of governance, strategy, risk management and metrics and targets in accordance with the TCFD recommendations. We will also take concrete measures to address climate change and put them into actions.



1. Governance

KDDI has the Sustainability Committee, chaired by the President, Representative Director/the Chief ESG Promotion Officer, and consisting of key members of the Board of Directors etc., to deliberate on issues related to sustainability such as the resolution of social issues through businesses (SDGs), social contributions, and measures against climate change. The Sustainability Committee, chaired by the President, is responsible for monitoring and overseeing the risks and opportunities related to climate change, as well as approving reporting and other matters, and has final authority for monitoring, oversight, reporting, and approval.

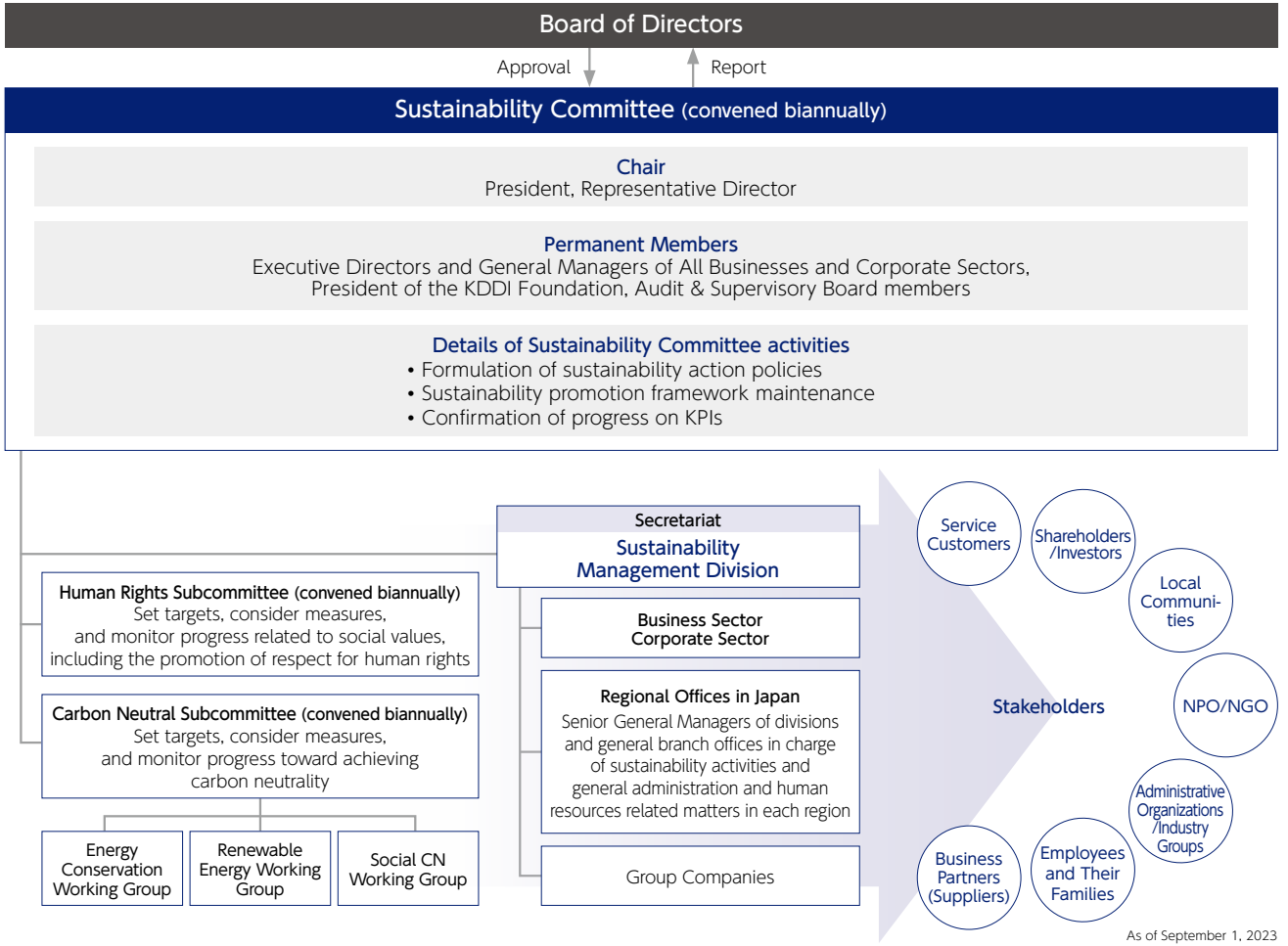
We recognize that addressing climate-related issues is an important part of our business strategy. To promote the resolution of climate-related issues, the Sustainability Committee has approved a target of net-zero CO₂ emissions in fiscal 2030 for KDDI (non-consolidated), 20 years ahead of the previous target of fiscal 2050, and carbon neutrality in fiscal 2026 for KDDI data centers around the world.

The Sustainability Committee assesses environmental risks and opportunities and monitors progress toward each goal.

Monitoring process for climate-related issues

The Sustainability Committee, chaired by the President, monitors the achievement of carbon neutral goal.

Specifically, the Carbon Neutral Subcommittee of the Sustainability Committee monitors the risk factors for not achieving the annual target and the opportunity factors for achieving the annual target on a semi-annual basis. The Carbon Neutral Subcommittee's monitoring results are reported to the Sustainability Committee as climate-related risks and opportunities, and their significance is assessed. In addition, the results of the monitoring and evaluation of targets and measures related to climate-related issues are reported. The Sustainability Committee meets twice a year. At the Sustainability Committee meeting held in the first half of the fiscal year, a report is made on the results of the previous fiscal year's target achievement status and an analysis of the factors if the target was not achieved. At the Sustainability Committee meeting held in the second half of the fiscal year, a report is made on the estimated status of goal achievement for the current fiscal year and an analysis is made of the factors if the goal is not achieved.



2. Strategy

In May 2020, KDDI announced the KDDI Sustainable Action, KDDI's SDGs with an eye on 2030, and declared that we would aim to improve energy efficiency and achieve net-zero CO₂ emissions by 2050, regarding conservation of the environment as one of the social issues. Specifically, we carried out two types of analyses: the 2°C scenario in which a carbonfree society will be rapidly realized (the increase in the global average temperature is held below 2°C above pre-industrial levels) in response to the Paris Agreement adopted at COP21, and the 4°C scenario in which physical impact will become apparent due to lack of measures against climate change (the increase in the global average temperature is held at 4°C above pre-industrial levels). As a result, under the "KDDI Environmental Charter," we announced that we would promote "measures to combat climate change," "development of a recycling-oriented society," and "conservation of biodiversity," and make further contributions to the preservation of the global environment. In addition, in April 2022, as a result of more proactive consideration of carbon neutrality, we will advance the previous target by 20 years and aim to achieve net-zero CO₂ emissions from our business activities in fiscal 2030. We also decided that KDDI data centers around the world will aim to achieve carbon neutrality in fiscal 2026.

In 2016, in response to the liberalization of the electricity market, we entered the retail electricity market as a retail electricity supplier in the same year as part of our short-term strategy. In 2019, as part of our mid-term strategy, we began offering the "Non-Carbon Menu" and "RE100 Menu" electricity services that reduce CO₂ emissions to corporate and individual customers. As a long-term strategy, we established au Renewable Energy in April 2023 to operate the renewable energy generation business.

KDDI believes that innovation through co-creation that transcends the boundaries of companies and organizations will be a major driving force in achieving carbon neutrality.

In November 2021, we established the KDDI Green Partners Fund to support start-up companies working on climate change issues. The slogan of the KDDI Green Partners Fund is "leaving a prosperous planet for the future." Through the activities of this fund, we will provide funding to start-up companies working on climate change issues, and we will work together with them to promote technological innovation and the dissemination of new technologies in the environmental field by using KDDI's various assets as growth opportunities for investee companies.

Scenario Analysis Results

The 1.5°C scenario in which a carbon-free society will be rapidly realized
(a future in which the goal to hold the increase in the global average temperature 1.5°C above pre-industrial levels is achieved)
Reference: IEA(International Energy Agency)[World Energy Outlook 2021] Net Zero Emissions by 2050 Scenario (NZE Scenario)

Analysis of Transition Risks		KDDI's Risks	KDDI's Responses
Policy and Legal (short- and mid-term strategies)	Carbon Tax	Carbon taxation risk*1	Promoting the switch from fossil fuel power to renewable energy power
	Tokyo Metropolitan Ordinance/ Emission Regulations	Risk of increased costs of buying credits (allowances) for un-achieved CO2 emission reduction	Purchase of emission credits equivalent to 190,000 t-CO2 of un-achieved CO2 emissions expected to occur during the Third Plan period from FY21.3 to FY25.3 (CO2 emission credits generated during the Second Plan period), 40,000 t-CO2 in FY21.3 period and 150,000 t-CO2 in January 2023. These emission credits are scheduled to be allocated in the period from FY26.3 to FY27.3, depending on the results of the third plan period from FY21.3 to FY25.3.
Introduction of New Technologies to Reduce Power Consumption and CO2 Emissions (mid-term strategy)		Risk of increased power consumption of telecommunications equipment due to increased communications volume	Aiming for a sustainable data center that contributes to decarbonization, a 94% reduction in power consumption for server cooling is being researched and developed with Mitsubishi Heavy Industries, Ltd. and NEC Networks & System Integration Corporation using immersion cooling, which uses liquid to cool IT equipment. In addition, a base station sleep function (sleeping during the night when traffic is low) has been introduced to promote the reduction of power consumption. We have developed a function for a millimeter-wave radio model in-house and are accumulating know-how and identifying problems. It is expected to reduce power consumption by approximately 100 kWh per year per radio.
Market and Reputation (long-term strategy)		Risk of declining of business reputation and consumers decrease due to failure to meet carbon neutral goal and delays in renewable energy initiatives	Promoting the switch from fossil fuel power to renewable energy power. Plans to switch 2.7 billion kWh of electricity consumed in our business operations to a renewable energy-derived menu. In addition, we established au Renewable Energy as a group company and launched a renewable energy generation business with additional potential, such as solar power generation.

*1 Since the estimated CO2 emissions in fiscal 2030 are approximately 675,000 tons-CO2, in the case of carbon tax of 14,820 yen/t-CO2, it is assumed that an annual tax of about 10.0 billion yen will be levied.

The 4°C scenario in which physical impact will become apparent due to lack of measures against climate change
(the increase in the global average temperature is held at 4°C above pre-industrial levels)
Reference: IPCC (Intergovernmental Panel on Climate Change) Fifth Assessment Report

Analysis of Physical Risks (Analyzed using the physical scenario "RCP8.5")		KDDI's Risks	KDDI's Responses
Acute Risk	Increase in severity and frequency of disasters caused by extreme weather (typhoons, floods, etc.)	Risk of increased costs such as personnel expenses for emergency recovery in order to respond quickly to the restoration of the communication network	Preparation for efficient recovery operations by reviewing the BCP*2 and conducting disaster recovery drills
Chronic Risk	Increase in average temperature	Risk of increased air-conditioning power usage in data centers to cool servers entrusted to us by our customers	Installation of highefficiency air conditioning systems and replacement with renewable energy

*2 Business Continuity Plan

Water Risk Assessment and Countermeasures

There is growing concern that climate change events such as flooding may cause business risks. As a proactive response to these threats, a water risk assessment and countermeasures have been implemented to enable facilities to efficiently restore business activities in the event of a disaster.

KDDI systematically implements countermeasures in locations that are likely to be significantly affected by flooding based on the expected height of the inundation in the high-risk areas (the assumed frequency of flooding is once in 1,000 years) as identified by the Ministry of Land, Infrastructure, Transport and Tourism and/or prefectural governments.

Examples of Countermeasures

Example (1)

Target facility: Chugoku Area Telecommunications Facility A

Countermeasures: Installation of watertight doors, concrete blocking of north-side glass window (cut-off wall), raising of generator supply and exhaust ducts, installation of non-return valves on toilets, etc.

Date of completion: July 2022

Example (2)

Target facility: Kyushu Area Telecommunications Facility B

Countermeasures: Installation of watertight doors and waterproof shutters, concrete blocking of windows and other openings, waterproofing of generator supply and exhaust ports, etc.

Date of completion: Construction due for completion in FY25.3

Main Countermeasures



Watertight door



Raising of generator supply and exhaust ducts



Cut-off wall

3. Risk Management

The KDDI Group recognizes that the risks and opportunities of responding to climate change in our business operations are important issues for our business strategy, and manages them through a company-wide risk management process. Specifically, each business unit conducts an annual assessment of all KDDI Group business activities, including upstream and downstream supply chain activities, from both the perspective of what management and the Sustainability Management Promotion Division recognize as important issues and from the perspective of what each business unit recognizes as important issues, regarding the risks and opportunities of climate change that could have a significant impact on the KDDI Group's financial and business strategies.

With regard to climate change risks and opportunities that may have a significant financial and strategic impact on the KDDI Group, management and the Sustainability Management Promotion Division conduct risk identification for all business division on a semi-annual basis. Of the risks identified, those related to climate change are managed using an environmental management system (EMS) approach, utilizing the ISO environmental management system. With regard to the risks to be managed, each relevant division sets quantitative annual targets for risk reduction and evaluates the progress on a quarterly basis. Issues pointed out in the progress evaluation are reported to the Carbon Neutral Subcommittee, a subcommittee of the Sustainability Committee, and risks and opportunities related to the entire company and all divisions are discussed and approved by the Sustainability Committee.

4. Metrics and targets

Since FY13.3, KDDI has been calculating the greenhouse gas emissions (Scopes 1, 2, and 3) on a non-consolidated basis and since FY22.3 on an entire group basis of our supply chain to quantitatively understand its environmental impact and manage the risks and opportunities that climate change poses to the company. We will continue to promote activities to reduce greenhouse gas emissions based on the following indicators and targets.

		FY23.3 (Estimated) Targets (KDDI Group)	Targets (KDDI Group)
Scope 1	Direct GHG emissions that occur from sources that are controlled or owned by the organization	88,165 t-CO2 (consolidated)	Achieve carbon neutrality in fiscal 2030 on a non-consolidated basis and in fiscal 2050 on a consolidated basis
Scope 2	Indirect GHG emissions associated with the usage of electricity, heat and steam provided by external actors	1,308,085 t-CO2 (consolidated)	
Scope 3	Indirect GHG emissions other than Scope 2 (emissions by external actors related to the organization's activities)	5,252,273 t-CO2 (non-consolidated)	by fiscal 2030 14% reduction compared to fiscal 2019

Disclosure based on TNFD Recommendations

KDDI endorses the principles of the Taskforce on Nature-related Financial Disclosure (TNFD) and joined the TNFD Forum in April 2023. KDDI proactively disclose information based on the TNFD disclosure framework. We analyzed our dependency and impact on nature, business risks and opportunities, and take specific measures and actions to address them. For more information, please refer to the KDDI TNFD Report*.



* [KDDI Corporation TNFD Report 2023](#)

1. Governance

KDDI's sustainability, including for natural-capital related issues, is driven mainly by the Board of Directors and the Sustainability Committee. [→ P46](#)

The Board of Directors receive reports from the Sustainability Committee every quarter on the progress of initiatives such as climate change, natural capital, monitoring and giving instructions on how measures are taken for key issues and initiatives. The Mid-Term Management Strategy places sustainability management at the center and aims for sustainably growing society and improving corporate value together with our partners, by driving the Satellite Growth Strategy and by enhancing its underpinning management foundation. In establishing the strategies and targets to promote these efforts, the Board of Directors and the Sustainability Committee take dependency, impact, risks and opportunities associated with nature (nature-related risks etc.) into consideration for deliberations and approvals.

The Sustainability Committee is headed by the President, and its members are all Directors of Divisions, President of KDDI Foundation, and auditors, operating with sustainability as the pillar of a company-wide management strategy. The Sustainability Committee is responsible for checking and discussing KDDI's key issues and initiatives, such as climate change and natural capital, also monitoring and supervising company risks, opportunities, and its positive and negative impact on society and the environment, and approving reported matters. In the first half of the fiscal year the Committee checks the progress of the year's targets, and if the targets are not met, analyzes the causes and checks countermeasures. In the second half of the fiscal year, the Committee checks the progress of the year's progress and sets targets for the following fiscal year.

We also established the Sustainability Management Division in April 2022 to further strengthen and accelerate the promotion of sustainability management, centrally managing the promotion of sustainability management, executing sustainability policies and executing and supporting the execution of measures throughout the Group, and releasing relevant information as the administrative division of the Sustainability Committee. The Sustainability Management Division has a structure for communicating to the management team the performance and progress of areas in KDDI businesses that are high-priority from the perspective of nature-related risks etc., so that the management team can instantly recognize and address the issues. A Managing Executive Officer and CFO is responsible for the management team's highest-level responsibility and accountability for policies, commitments and targets of nature-related risks etc., and for assessments and management of nature-related risks etc.

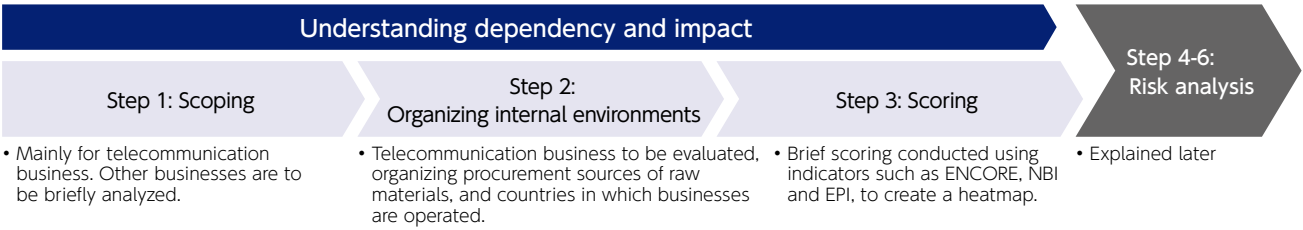
2. Strategy

(1) Risks

We identify and assess nature-related risks etc., in our value chains. From the relationships between business scales and natural capital, we qualitatively assess and interpret the risks' priority, analyze nature-related risks etc., and evaluate and promote measures.

(1-1) Understanding dependency and the impact on natural capital

How to understand the level of dependency and impact



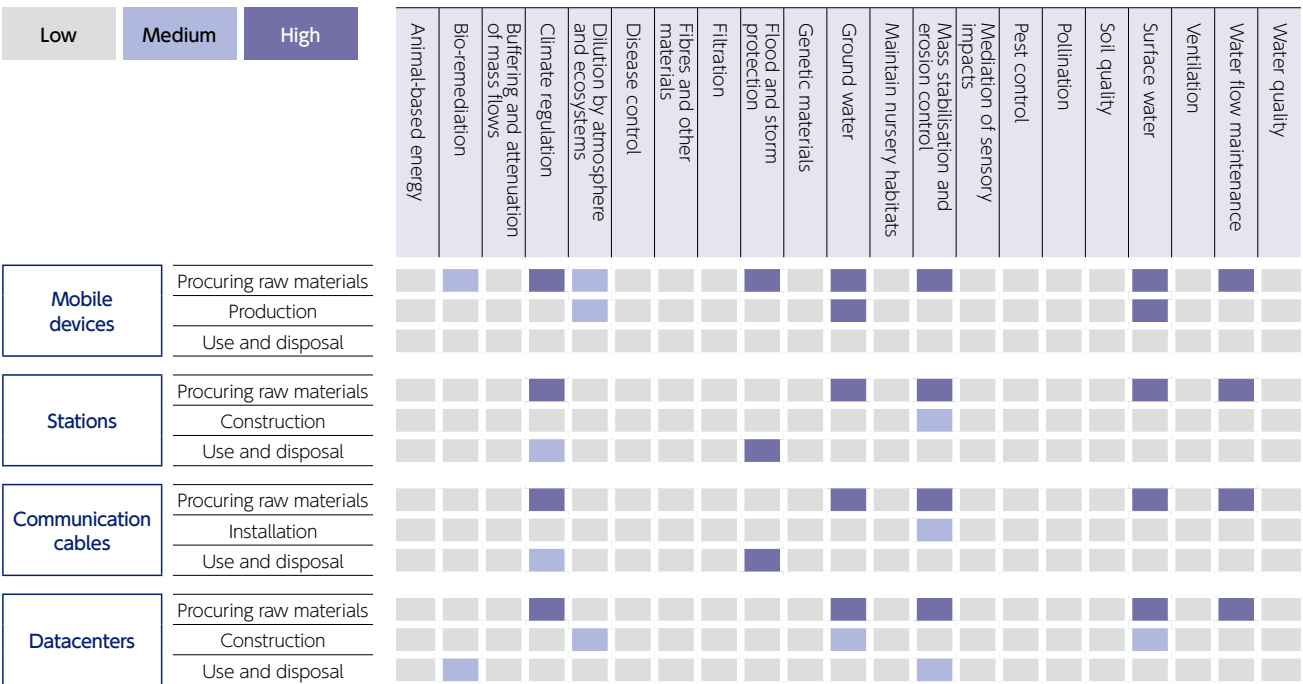
For "Step 1: Scoping," we looked at business domains presented in the Mid-Term Management Strategy and decided to target our telecommunications business after considering various domains' business scales, impact on natural capital, and assessment possibilities. Dependency and impact on other businesses that could be relevant to key items from natural-capital perspectives was briefly analyzed and will be analyzed in more detail later. For "Step 2: Organizing internal environments," we organized internal information, and also based on publicly released information, we listed up where raw materials for our telecommunications business are procured from, and in which countries the business operates. As communications facilities are installed and built in wide areas due to the nature of the business, we performed analyses by not just specific regions but also by country, including adjacent regions. For "Step 3: Scoring," we scored risks, and created a heatmap to identify the countries operated in, details of activities, and the state of dependency and impact. To do this, indicators were used including ENCORE*¹, the tool the TNFD framework recommends, to analyze whether corporate activities impact ecosystems and if they do, as well as indexes such as NBI*² that aggregates data to assess the ecological importance of countries engaged in the corporate activities, and EPI*³, which summarizes the availability and levels of laws concerning the conservation of ecosystems in the countries engaged in the corporate activities.

Also, using TNFD's LEAP approach*⁴, and referencing IUCN*⁵ guidelines, we performed an evaluation with views to the severity level of pressure to nature. Using the tools and data mentioned earlier, we scored the indicators by the seriousness of dependency and impact, geographical importance, and state of biodiversity-related laws and regulations in the given country.

Shown below is the heatmap that visualizes the results of evaluating the dependency and impact on natural capital.

*1 Exploring Natural Capital Opportunities, Risks and Exposure
*2 National Biodiversity Index
*3 Environmental Performance Index
*4 A process for systematically assessing nature-related risks and opportunities. It consists of four phases, which are to: Locate (touchpoints with nature), Evaluate (dependency and impact on nature), Assess risks and opportunities, and Prepare to respond to nature-related risks and opportunities and report to investors.
*5 The International Union for Conservation of Nature

Heatmap of dependency



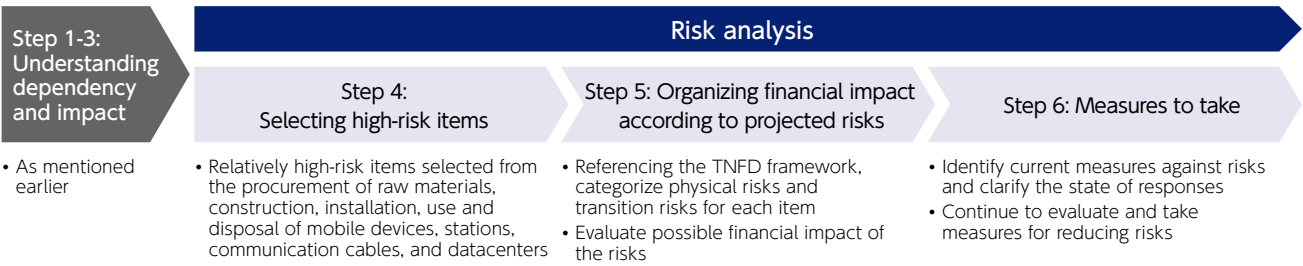
Heatmap of impact

Low		Medium	High				Ecosystem use		Direct use		Climate change	Pollutants Non-GHG				Other	
					Terrestrial	Freshwater	Marine	Water	Other resources	GHG	Atmosphere	Water	Soil	Waste			
Mobile devices	Procuring raw materials																
	Production																
	Use and disposal																
Stations	Procuring raw materials																
	Construction																
	Use and disposal																
Communication cables	Procuring raw materials																
	Installation																
	Use and disposal																
Datacenters	Procuring raw materials																
	Construction																
	Use and disposal																

- We have identified key dependency and impact items from the results mentioned earlier and our own business perspectives.
- Impact of terrestrial ecosystem use and to water resources from mining to obtain raw materials (especially metals) for mobile devices
 - Soil pollutants from the use of toxic substances arising from mobile device production
 - Impact on terrestrial ecosystem especially on land from building stations and installing communication cables
 - Dependency on stabilizing features of water resources, climate and land to procure raw materials for stations and communication cables

(1-2) Risk analysis of natural capital

Approach for the risk analysis



To perform the risk analysis, for “Step 4: Selecting high-risk items,” we identified high-risk items, or items that scored high, in the dependency and impact assessment, and high-risk items from business perspectives. Next, for “Step 5: Organizing financial impact according to projected risks,” we listed up specific risk factors (from the perspective of physical risks and transition risks) and assessed the financial impact projected by such risks. For “Step 6: Measures to take,” we identified the state of response to risks arising from land modifications, the procurement of raw materials and parts, building stations and installing communication cables, or others. We will continue to evaluate and take measures for reducing such risks by taking action such as designing communication cable routes that are suited to environmental conservation areas and building stations with consideration to landscape protection.

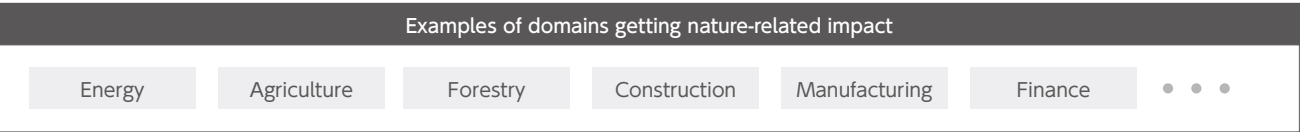
Risk analysis results

Target domains	Key items of dependency and impact	Category		Risk factors	Impact to finance	Risk-reducing measures
Mobile devices	• Impact of terrestrial ecosystem use and to water resources from mining to obtain raw materials (especially metals) for mobile devices • Soil pollutants from the use of toxic substances arising from mobile device production	Physical risks	Acute	• Disaster-prevention features declining due to deforestation from mining • Increased risks of floods and landslides	Costs increasing: Supplies of raw materials getting destabilized as suppliers get damage, which will also cause prices to soar	• Procurement of products according to the Act on Promoting Green Procurement • Establishing and running sustainable and responsible procurement guidelines • Engaging key suppliers, including conducting surveys on initiatives such as reducing environmental impact and conserving biodiversity • Promoting recycling of used mobile phones
			Chronic	• Decline of water resources from excessive use of water	Cost increasing: Destabilizing raw material supplies, which also causes prices to soar	
		Transition risks	Laws and regulations	• Enhancement of laws and regulations concerning mining and land pollution	Cost increasing: Laws and regulations getting enhanced causes prices to decline	
			Reputation	• Criticism, and reputation worsens from deforestation, water use, water contamination, etc.	Sales decreasing: Sales decreasing as reputation from stakeholders including customers worsens	
Stations, Communication cables	• Impact on terrestrial ecosystem especially on land from building stations and installing communication cables • Dependency on stabilizing features of water resources, climate and land to procure raw materials for stations and communication cables	Physical risks	Acute	• Cutting down trees and invading living creatures' habitats for installation, decline of disaster-prevention features from ecosystem use • Increase of flood and landslide risks	Cost increasing: Additional costs incurred to maintain ecosystemsFees arising to recover damaged stations and communication cables	• Designing communication cable routes that are suited to environment-conservation areas • Collaborating with relevant organizations for various initiatives such as implementation of disaster-proof structures and quick support activities for victimized areas • Building stations with considerations to landscape • Promotion of reuse and recycling when facilities are discarded
		Transition risks	Reputation	• Criticism about views getting lost, and reputation worsening	Sales decreasing: Sales decreasing due to reputation worsening	

(2) Opportunities

Meanwhile, opportunities with natural capital including biodiversity, are areas in which KDDI can demonstrate its unique strengths. KDDI owns many solution technologies that can contribute to region co-creation and solutions to environmental issues, such as Starlink, which can organize communication environments in mountainous areas and islands where such facilities could not be built before, as well as IoT technologies that can be utilized for data collection. We believe that we will be able to establish ourselves as an advanced sustainability brand by incorporating into these initiatives the perspective of natural capital, including that of biodiversity, and by exercising leadership early on. We are currently evaluating various ideas referencing the World Economic Forum’s report “New Nature Economy Report II The Future Of Nature And Business” etc., looking at the potential nature-related market size and KDDI’s strengths. Going forward, we will hold further discussions with relevant divisions and external experts to materialize these ideas.

Concept diagram of the opportunities



Business domains in which KDDI's strengths can be utilized will be evaluated, with consideration given to potential market size

KDDI's strengths					
5G mobile network	Satellites (Starlink)	IoT	Drones	Digital twin	Web3
High-speed, large, low-latency, multi-connection communication technologies	Telecommunication technologies that will achieve connection from anywhere on earth	Technologies that achieve data analysis, monitoring, etc.	Advances transportation and expands spaces that can be filmed	Simulations based on collected data	Creating autonomic and dispersed communities

3. Risk and Impact Management

(1) Processes for identifying and evaluating nature-related risks etc.

KDDI identifies and assesses nature-related risks etc., in its value chains. For FY23.3, we qualitatively assessed risks mainly in the business domains presented in the Mid-Term Management Strategy, considering the relationships between business sizes and nature, and evaluating nature-related risks etc. mainly for our telecommunications business. First, we categorized the communications businesses to be assessed into mobile devices, stations, communication cables, and datacenters. We have considered upstream (procurement of raw materials), midstream (production, construction, installation) and downstream (use and disposal) areas of each item's value chain and identified key raw materials, where they come from, where production/construction/installation takes place, and where they are used and disposed of. We then conducted a qualitative assessment of dependency and impact by value-chain country. The assessment items were scored by the level of dependency and impact, geographical significance, and by the state of ecosystem-related laws and regulations in the given country. Furthermore, we created a heatmap to reflect the scored results and assessed key projected risks for high-scoring countries and impacted items.

(2) Management processes of nature-related risks etc. and integrating the processes into risk management throughout the organization

Being responsible for KDDI Group's risk management, the Sustainability Management Promotion Division has been identifying all business divisions' risks every half-term-twice a year- which could impart significant impact on finance and management strategy including risks related to climate change and natural-capital related risks. Furthermore, the natural capital risks identified through the environmental ISO framework such as climate change and biodiversity risks are managed with an EMS (environmental management system) approach, also utilizing the environmental ISO framework. For the managed risks, qualitative annual targets are set by the divisions in charge and their progress is assessed every quarter. The improvement details, and risks and opportunities concerning all divisions, are reported, discussed and approved by the Sustainability Committee.

(3) Engagement with stakeholders impacted by evaluations of and response to nature-related risks etc.

If building stations, installing communication cables, and building datacenters are likely to inconvenience residents, i.e., by causing noise, we explain to the residents the outline of the planned facilities and the details of the construction in an effort to gain the residents' understanding and support for the construction. We also pay attention to natural capital, including biodiversity, by strictly adhering to relevant laws, regulations, municipal rules and guidelines. For disaster response, we have been organizing structures to respond to various disasters, quickly supporting victimized areas, and taking other such initiatives together with relevant organizations.

We also engage stakeholders who could negatively impact human rights by compromising natural capital, based on KDDI Group Human Rights Policy. We established the policy with the understanding that all our business activities are based on respect for human rights. To further accelerate our initiatives to fulfill our responsibility to respect human rights, we updated the KDDI Group Human Rights Policy in October 2022. For our materiality, we have raised respect for human rights as one of the values provided, to adhere to the KDDI Group Human Rights Policy. We will clarify human rights issues expected of us as a global corporation and reflect findings in the measures we take, by respecting human rights in every business activity and ensuring painstaking human rights due diligence initiatives according to the UN's "Guiding Principles on Business and Human Rights."

KDDI has established the "KDDI Action Guidelines on the Preservation of Biodiversity" to multilaterally assess our contributions to the conservation of biodiversity. In the guidelines, we define three principles of Preserving Diversity in Business Activities, Collaboration and Cooperation with Related Organizations and Promoting Recycling of Resources. We have been promoting biodiversity activities with multiple opportunities as touchpoints with other parties, including collaborations with external partners.

4. Metrics and targets

In promoting the conservation of biodiversity, which is one of the key issues presented in "KDDI GREEN PLAN 2030," we have been using qualitative indicators used for ENCORE etc., to analyze natural-capital-related dependency and impact. We also qualitatively assess the financial impact of risks, such as to sales and costs. In addition to the above, we quantitatively monitor our greenhouse gas emissions (Scope 1, 2 and 3), water resource consumption, the level of industrial waste, etc. as nature-related indicators, and also monitor the number of used mobile phones collected as an indicator to gauge the progress of waste-reduction initiatives.

We have also been promoting activity, using various opportunities as touchpoints to collaborate with external partners etc. In projects such as surveying of seaweed beds with aquatic drones*1, development of an automated blue carbon measuring system*2, conservation of biodiversity in collaboration with Ashiu research forest of Kyoto University*3, and investment in a Biome Inc. that provides a platform to visualize biological information*4, we have been collaborating with various stakeholders to proactively work on regional environmental conservation.

Going forward, we will proactively communicate with external partners through our participation in the TNFD Forum and the 30 by 30 Alliance for Biodiversity and through dialogues with stakeholders etc., and establish natural capital strategies and targets including those for biodiversity more than ever to contribute to resolving social issues, evaluating the indicators needed to meet such targets.

ESG Data

- *1

Surveying of seaweed beds with aquatic drones (Japanese only)
- *3

Conservation of biodiversity in collaboration with Ashiu research forest of Kyoto University (Japanese only)

- *2

Development of an automated blue carbon measuring system (Japanese only)
- *4

Investment in a biome that provides a platform to visualize biological information (Japanese only)

Board Members

(As of June 30, 2023) * Number of the Company's shares held as of March 31, 2023

Directors



Takashi Tanaka
Chairman,
Representative Director

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)

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



Makoto Takahashi
President,
Representative Director
CEO

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)
Apr. 2023 CEO (Current position)

Number of the Company's shares held: 37,900



Junko Okawa
Outside Director, Independent Director

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)
Jun. 2023 Outside Director of Tokyo Electric Power Company Holdings, Inc. (Current position)

Number of the Company's shares held: 0



Kyoko Okumiya
Outside Director, Independent Director

Jun. 2, 1956 Born
Apr. 1984 Registered as attorney at law
Sep. 2000 Partner, Tanabe & Partners (Current position)
Aug. 2003 Member of Audit Committee of Kawasaki City
Jun. 2014 Outside Audit & Supervisory Board Member of NEC Corporation
Outside Director of MORINAGA MILK INDUSTRY CO., LTD.
Jun. 2017 Chairperson of The Labour Policy Council
Equal Employment Opportunity Subcommittee (Current position)
Apr. 2018 Member of Administrative Advisory Council, School of Legal and Political Studies of The University of Tokyo (Current position)
Jun. 2018 Outside Director of The Bank of Yokohama, Ltd.
Jun. 2023 Outside Director of KDDI (Current position)
Outside Director of ASAHI KOGYOSHA CO., LTD. (Current position)

Number of the Company's shares held: 0



Toshitake Amamiya
Representative Director,
Executive Vice President

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
Jun. 2023 Executive Vice President, Representative Director (Current position)

Number of the Company's shares held: 42,700



Kazuyuki Yoshimura
Director,
Senior Managing Executive Officer
CTO

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)
Apr. 2023 CTO (Current position)

Number of the Company's shares held: 8,200

Audit & Supervisory Board Members



Kenichiro Takagi
Full-time Audit & Supervisory Board Member

Number of the Company's shares held: 41,800



Noboru Edagawa
Full-time Audit & Supervisory Board Member

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



Yukihiro Asahina
Full-time Outside Audit & Supervisory Board Member, Independent Director

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



Yasuaki Kuwahara
Director,
Senior Managing Executive Officer

Oct. 25, 1962 Born
Apr. 2018 Executive Officer
Apr. 2022 Managing Executive Officer
Apr. 2023 Executive Director, Solution Business Sector, and General Manager, KDDI Group Strategy Division (Current position)
Jun. 2023 Senior Managing Executive Officer, Director (Current position)

Number of the Company's shares held: 7,200



Hiromichi Matsuda
Director,
Executive Officer

Nov. 30, 1971 Born
Apr. 2020 Executive Officer
Apr. 2021 Executive Director, Business Exploration & Development Division (Current position)
Apr. 2023 Deputy Executive Director, Personal Business Sector (Current position)
Jun. 2023 Executive Officer, Director (Current position)

Number of the Company's shares held: 7,900



Toshihiko Matsumiya
Outside Audit & Supervisory Board Member, Independent Director

Number of the Company's shares held: 0



Jun Karube
Outside Audit & Supervisory Board Member, Independent Director

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



Goro Yamaguchi
Outside Director

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)

Number of the Company's shares held: 13,800



Keiji Yamamoto
Outside Director

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)
Jan. 2021 Operating Officer of TOYOTA MOTOR CORPORATION
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)
Apr. 2023 Senior Fellow of TOYOTA MOTOR CORPORATION (Current position)

Number of the Company's shares held: 1,200



Shigeki Goto
Outside Director, Independent Director

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 Chairperson, Research and Development Strategy Special Committee, Cybersecurity Strategic Headquarters of Cabinet Secretariat
Apr. 2019 Professor Emeritus of Waseda University (Current position)
Jun. 2020 Outside Director of KDDI (Current position)

Number of the Company's shares held: 3,100



Tsutomu Tannowa
Outside Director, Independent Director

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.
Apr. 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.
Jun. 2022 Outside Director of KDDI (Current position)
Apr. 2023 Director, Chairperson of the Board of Mitsui Chemicals, Inc. (Current position)
Jun. 2023 Outside Director of TOKYO GAS CO., LTD. (Current position)

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

Composition of Directors and Advisory Committees

Name	Representative rights	Outside	Independent	Execution of Business	Nomination Advisory Committee	Remuneration Advisory Committee	Other
Takashi Tanaka	●			●	●	●	Chairman of Board of Directors
Makoto Takahashi	●			●	●	●	
Toshitake Amamiya	●			●			
Kazuyuki Yoshimura				●			
Yasuaki Kuwahara				●			
Hiromichi Matsuda				●			
Goro Yamaguchi		●					
Keiji Yamamoto		●					
Shigeki Goto		●	●		●	●	Chairman of Board of Nomination Advisory Committee
Tsutomu Tannowa		●	●		●	●	Chairman of Board of Remuneration Advisory Committee
Junko Okawa		●	●		●	●	
Kyoko Okumiya		●	●		●	●	

* During the FY23.3, the Nomination Advisory Committee met on four occasions and the Remuneration Advisory Committee met on one occasion.

Messages from Outside Directors



Outside Director,
Independent Director

Shigeki Goto

Outside Director,
Independent Director

Kyoko Okumiya

Outside Director,
Independent Director

Tsutomu Tannowa

Outside Director,
Independent Director

Junko Okawa



Outside Director,
Independent Director

Shigeki Goto

As a researcher in the field of information and communication, I worked on artificial intelligence (AI) research in the first half and research on the internet and cyber security in the second half. In the 1980s, when I was undertaking research in AI, the focus of my research was to find a format for the optimal representation of knowledge.

The large language models (LLM) used in today's generative AI achieve skillful conversations by AI through deep learning based on big data expressed in the natural languages (such as English, Japanese, Spanish, and Chinese) that we usually use. AI does not exist alone, and the data used in machine learning is prepared by humans. Furthermore, evaluations and minor adjustments are carried out by many humans before the completion of a system so that LLM can generate appropriate answers in conversations. As per its name, AI is artificial. It is a convenient and powerful tool that connects people when seen from the big picture.

When you think in this way, it is necessary to expand and further evolve opportunities for KDDI to apply the power to connect. Through the development of technology, work that can be done by AI will be delegated to AI, and at the same time, the creativity of humans will become clear. The roles of humans in society will be reviewed, human capital will become more valuable in companies, and KDDI's approach of human resources first should show its true value.

The words of outside directors are respected at the meetings of KDDI's Board of Directors. As an outside director myself, I strive to be capable of putting forth questions and opinions from diverse perspectives.



Outside Director,
Independent Director

Tsutomu Tannowa

KDDI plays a role in telecommunications infrastructure, which is essential for life in modern society and growing even more important with time. Amid greater increases in communication speed and capacity, such as the transition to 5G from now on, there is strong demand for KDDI to provide a telecommunication environment that is safe to use. The basis for achieving such an environment is the securing and development of human resources with a view of the future and continuous investment.

KDDI's Board of Directors has developed an atmosphere where vibrant discussions are exchanged. There are also sufficient opportunities in place for the provision of information outside the Board of Directors, ensuring the foundation for detailed discussions. To achieve the sustainable growth that is required of KDDI, it is necessary to conduct activities that contribute toward further strengthening of the Board's monitoring functions.

With the telecommunications business as the base, KDDI is expanding into a wide range of business fields, and management has become more complicated. Using my past management experience in the manufacturing industry, I will undertake activities as an outside director from the perspective of supporting KDDI's growth, in addition to risk management.



Outside Director,
Independent Director
Junko Okawa

Telecommunications—which had rapidly enhanced its presence as a social infrastructure—has gone further to become essential for sustaining and evolving life. With telecommunications found everywhere, the power to connect keeps giving birth to new worlds that we have never imagined. The progress of society comes from the minds of humans.

With rich imagination and strong technological capabilities, KDDI's human resources are the source of our competitiveness. We are transforming into a company that puts human resources first to draw out their maximum potential toward the sustainable growth in society and corporate value improvement. I may be from a different industry, but in my many years of work, I felt the infinite potential of undertaking professional work while being highly motivated. At KDDI, system reforms, human resource development, and other efforts are being taken based on the KDDI Group Philosophy. I am filled with excitement to see what value will be created when they succeed and human resource engagement further increases.

With experiences in both customer perspective and frontline operations, I will actively offer advice from these aspects and do my best together with people having diverse knowledge so that KDDI—as a company that plays a role in the important social infrastructure of telecommunications—will be trusted in both such brave challenges and risk management.



Outside Director,
Independent Director
Kyoko Okumiya

Telecommunications and digitalization are indispensable for solving social issues such as carbon neutrality, disaster response, and regional co-creation. Besides the provision of a stable telecommunications infrastructure, I look forward to KDDI responding promptly to changes in society and organically combining knowledge, technologies, and wisdom from both inside and outside the company to bravely take on challenges in new areas and enhance the value of KDDI's existence in society.

Human resources are vital for sustainable growth. The economic stability and emotional richness of every employee is encapsulated in the KDDI Group Mission Statement. It is necessary to try various ideas and verify their effects so that we can put the KDDI Group Mission Statement into practice and allow employees to apply their capabilities.

Besides working with a sense of unity with KDDI's executives and employees, outside directors need to have an impassive perspective as a third party. I think it is important to strike a balance between these two aspects.

Using my experience as a lawyer, in the Board of Directors, I hope to focus on areas such as whether the necessary information is being collected and provided and vibrant discussions are being carried out for management decisions, and whether the supervision of governance—including that of related companies—is being undertaken. In addition, having been involved in issues such as diversity and the environment as a member of government committees at both the national and local level, I hope to use such experience to offer opinions that take in social trends and needs.

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 telecommunications 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 business. 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 the KDDI Group 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 as two basic pillars 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](#)

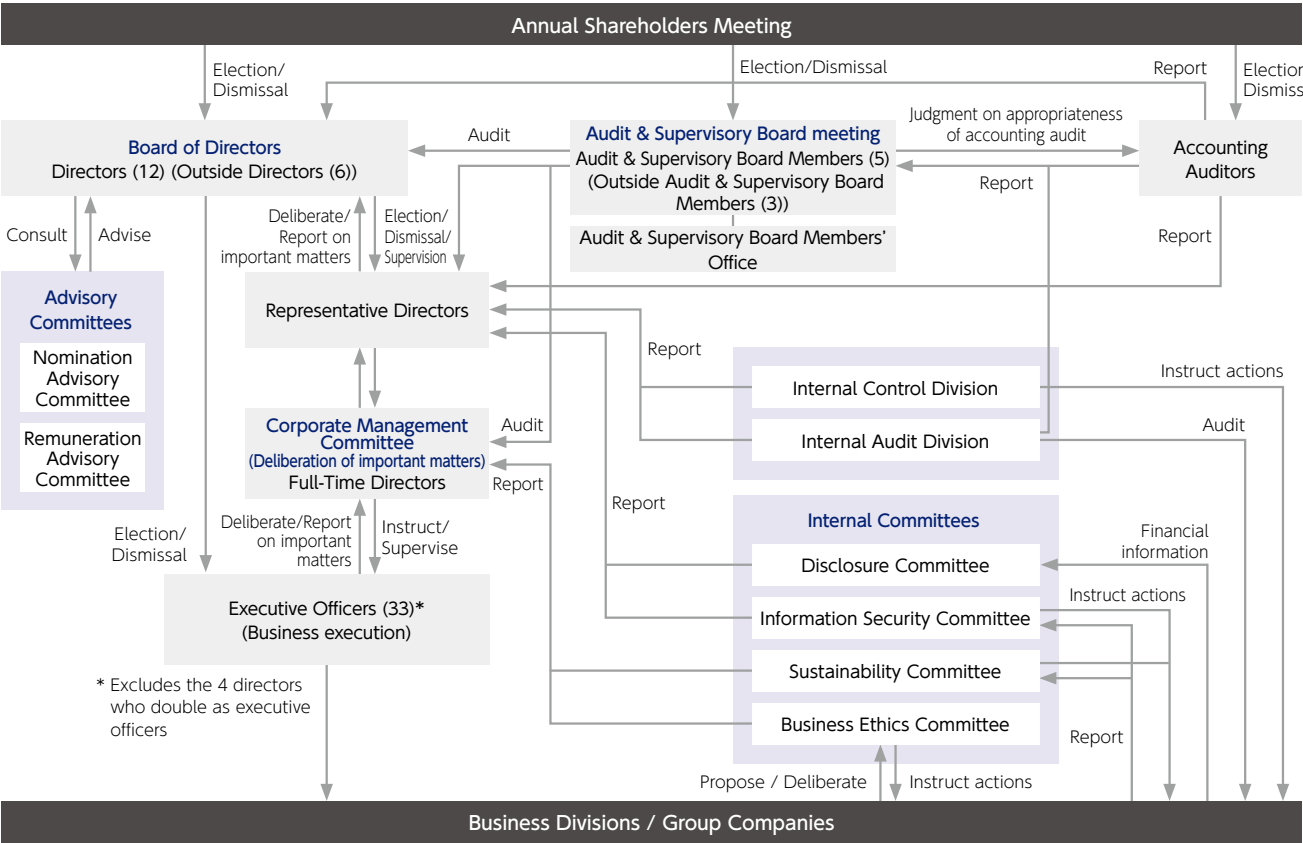
Changes in the Corporate Governance Framework

		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	Number of Audit & Supervisory Board members	5			→	4				→	5													→	4	5		
Ensure independence	Number of independent directors/auditors*3											2	1	3			→	4	5	6							→	7
	Advisory Committee															Nomination Advisory Committee established in 2015												
Transparency in executive remuneration		Introduction of a stock option system in 2002																										
															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/auditors pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

Corporate Governance Framework

(As of Sep. 1, 2023)



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 Audit & Supervisory Board, 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 consist of 5 members (all male), including 3 Outside Audit & Supervisory Board members, who are designated as independent auditors. Regarding independent directors, the Company has a total of 7 independent directors and auditors, ensuring a high degree of independence.

For the outside directors/auditors, we provide opportunities for each area's supervisor to explain industry trends, together with our organization, businesses, technologies, and future strategies in a manner that deepens their understanding of the Company and stimulates discussion at Board of Directors meetings. Additionally, the Company provides individual training sessions when requested by outside directors/auditors, ensuring there are sufficient opportunities to receive training and improve knowledge where necessary. Plus, we also provide access to in-house exhibitions of R&D achievements, alongside site visits to telecommunications facilities, monitoring and maintenance centers, and other key faculties.

We report twice a year on corporate ethics, risk management activities, and internal audit processes. Moreover, in order for 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. 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 by 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

At the Board of Directors, to balance the fairness of management decisions and the steady promotion of growth strategies, internal directors who are responsible for each area fulfill their accountability in the decision-making of important matters and management plans stipulated in laws and regulations. The directors are making decisions that ensure effectiveness and fairness through active discussions that utilize the insights of external officers with various backgrounds.

In addition, the Board of Directors regularly reports on the progress and achievement of the Mid-Term Management Strategy and annual plan that underpin company operations. Deliberations are conducted with a focus on strategies to achieve key goals and measures, as well as to addressing management issues arising from business environment changes and other factors, with the aim of achieving sustainable growth and increasing corporate value over the medium to long term.

Specific matters discussed by the Board of Directors are as follows.

1	Medium- to long- term strategy	The Mid-Term Management Strategy, the business environment analysis, etc.
2	Company-wide plan and progress report	Various company-wide plans for each fiscal year, quarterly financial results, business execution reports, etc.
3	Individual business division cases	Investments, asset acquisitions, alliances with other companies, etc.
4	Requests by Laws, Regulations, and Articles of Incorporation	Capital policy (dividends, treasury stock-related matters), executive appointments and remuneration, convocation of General Meeting of Shareholders, etc.

Board of Directors Meetings (FY23.3)

Number of meetings held	Internal directors' attendance rate	Outside directors' attendance rate	Internal auditor's attendance rate	Outside Audit & Supervisory Board members' attendance rate
11	100%	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 is conducted annually and covers the most recent one-year period. The results of the evaluation are reported back to the Board of Directors and future measures are discussed. The main evaluation items are as follows.

1	Operation of the Board of Directors	Composition of members, documents and explanations, provision of information, etc.
2	Supervision of Executives	Conflict of interest, risk management, management of subsidiaries, etc.
3	Medium- to long-term discussions	Participation in Mid-Term Management Strategy, 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:

- **The management of Board of Directors meetings are effectively utilizing the knowledge of outside directors/auditors from various backgrounds**

Discussions at Board of Directors meetings are active, and the Board of Directors operates in an open atmosphere that allows outside directors/auditors to actively speak out. Additionally, the executive side provides appropriate explanations for and responses to the comments and suggestions that leverage the insights of various outside directors/auditors.

- **Initiatives to enhance discussions at Board of Directors meetings**

The material contents necessary for deliberation are presented concisely, with all points at issue clarified. In addition, information and opinions on important issues, such as M&A, are provided and exchanged in advance via off-site meetings, etc., helping the Board of Directors to improve the effectiveness of management oversight.

Moving Forward

- **Further advancement of our group governance**

Based on previous issues, we have been working on the establishment of a new support division and a monitoring system. By regularly reporting and sharing progress and issues, we will further strengthen group governance at the Board of Director's supervision meetings.

- **Enhancement of discussions on important themes from the perspective of improving corporate value over the medium to long term**

We've received proposals from each director and Audit & Supervisory Board member on various themes that should be discussed, such as medium- to long-term growth strategies and important non-financial agendas. Moving forward, these themes will be taken up regularly at the Board of Directors meetings and off-site meetings. Furthermore, we will work to further improve the Board of Director's effectiveness by holding extensive discussions with outside directors/auditors.

[🔗 NOTICE OF THE 39TH ANNUAL SHAREHOLDERS MEETING](#)

Audit & Supervisory Board and Audit & Supervisory Board members

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 auditors.

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 Audit & Supervisory Board 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 division 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 Meetings (FY23.3)

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 have established the Internal Audit Department under the Internal Audit Division to clarify the roles and responsibilities within the "Three-Lines Model" across business, administrative, and audit divisions to improve the model's effectiveness and to ensure the independence of the three-line function. The Department conducts internal audits of KDDI Group operations on the key risks identified through risk management activities.

The results of internal audits are reported to the Company President, Representative Director 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 FY23.3, a total of 37 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 deliberate and provide 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: Tsutomu Tannowa (Independent Outside Director)

Vice Chair: Shigeki Goto (Independent Outside Director)

Members of Committee: Junko Okawa (Independent Outside Director), Kyoko Okumiya (Independent Outside Director), Takashi Tanaka, Makoto Takahashi

Remuneration Advisory Committee Composition

Chair: Shigeki Goto (Independent Outside Director)

Vice Chair: Tsutomu Tannowa (Independent Outside Director)

Members of Committee: Junko Okawa (Independent Outside Director), Kyoko Okumiya (Independent Outside Director), Takashi Tanaka, Makoto Takahashi

Meetings Held FY23.3

The Nomination Advisory Committee met four times, and all members attended each time, where the committee provided advice on proposals submitted to the Board of Directors concerning the appointment of directors and executive officers, etc.. The Remuneration Advisory Committee met once, and all members attended. The committee discussed the advice concerning proposals submitted to the Board of Directors for the determination of performance-linked remunerations and stock price-linked remunerations.

Other Committees

We have established the KDDI Group 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 Committee, 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 Audit & Supervisory Board
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)
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 auditors	3 (all male)

Others

Number of executive officers	33 (31 male, 2 female) * Excludes the 4 directors who double as executive officers
Implementation of anti-takeover measure	Not implemented
President, Representative Director remuneration/average KDDI employee annual salary	23 times

Changes in the Corporate Governance Framework → P127 Corporate Governance Framework → P128

Approach to Composition of Board of Directors

KDDI appoints people who meet the following criteria in consideration 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.

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 Meeting
- (4) Elect them at the General Meeting of Shareholder

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 General Meeting of Shareholder

Consideration Criteria for Termination

- When the performance of a business that a director is responsible for or the achievements of a division 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 defines 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/auditor	Corporate management	Sales and marketing	Global	Digital technology	Finance and accounting	Legal affairs and risk management
Internal Directors	Takashi Tanaka	●	●	●	●	●	●
	Makoto Takahashi	●	●	●	●	●	●
	Toshitake Amamiya	●	●	●			
	Kazuyuki Yoshimura				●		
	Yasuaki Kuwahara	●	●		●		
	Hiromichi Matsuda		●	●	●		
Outside Directors	Goro Yamaguchi	●	●	●			●
	Keiji Yamamoto	●		●	●		
	Shigeki Goto			●	●		
	Tsutomu Tannowa	●	●	●			●
	Junko Okawa	●	●				
	Kyoko Okumiya						●
Audit & Supervisory Board Members	Kenichiro Takagi	●				●	
	Noboru Edagawa	●		●	●		
	Yukihiro Asahina						●
	Toshihiko Matsumiya					●	●
	Jun Karube	●	●	●			●

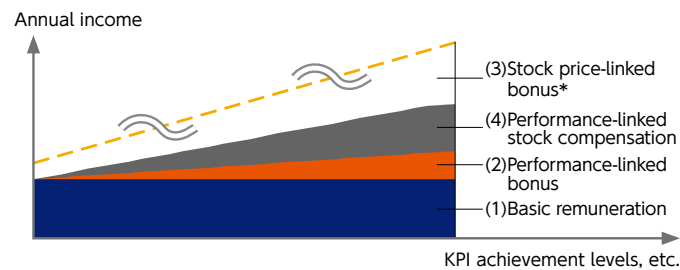
Remuneration for Directors and Audit & Supervisory Board Members

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's chair, vice-chair, and more than 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.

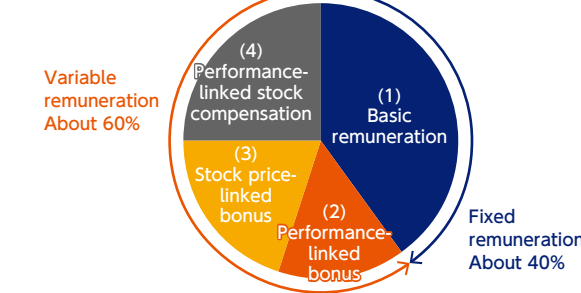
2. Policy on the Content of Director Remuneration

■ Example of Compensation for Directors



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

■ Breakdown of Executive Remuneration



Note: The graph was created based on the actual remuneration of the President, Representative Director in FY23.3.

(1)Basic remuneration

This is monetary remuneration for which a fixed amount for each position is paid on a monthly basis.

(2)Performance-linked bonus

The amount of payment for each individual is calculated by the following formula, and money is paid in the first June after the end of each fiscal year.

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

(3)Stock price-linked bonus

The amount of payment for each individual is calculated by the following formula, and money is paid in the first June after the end of each fiscal 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 the 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

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 150-151. [→ P150](#)

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 KDDI business growth and performance improvement.

Result

ESG-related items are also set as indicators along with indicators in each business strategy.

Since FY23.3, we have increased the percentage of ESG-related items 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

1.03

Stock price fluctuation rate

Reasons for selection

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

Result

0.99

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 (FY23.3)

Executive classification	Total remuneration	Total remuneration by type			Number of eligible members
		Basic remuneration	Bonus	Stock compensation	
Directors (excluding outside directors)	824	338	307	180	9
Outside directors	106	106	—	—	7
Audit & Supervisory Board members (excluding outside members)	69	69	—	—	3
Outside Audit & Supervisory Board members	65	65	—	—	3

Unit: million yen

- Notes: 1. The number of directors and the amount paid above include 3 directors and 1 outside director who retired at the conclusion of the 38th General Meeting of Shareholder held on June 22, 2022. In addition, the number of bonus recipients is 6 excluding the retirees.
 2. The number and amount of Audit & Supervisory Board members paid above include 1 Audit & Supervisory Board member who retired at the conclusion of the 38th General Meeting of Shareholder held on June 22, 2022.
 3. In addition to the above, adjustment payments to directors in lieu of retirement allowance were resolved at the 20th General Meeting of Shareholder held on June 24, 2004 in connection with the cancellation of the executive retirement bonus system.
 4. The basic remuneration and bonuses above are monetary remunerations, while stock compensation is non-monetary remuneration.

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

Name	Executive classification	Total remuneration	Total remuneration by type		
			Basic remuneration	Bonus	Stock compensation
Takashi Tanaka	Director	164	64	64	36
Makoto Takahashi	Director	223	76	93	54
Shinichi Muramoto	Director	116	48	43	25
Keiichi Mori	Director	105	44	38	23
Toshitake Amamiya	Director	103	42	38	23

Note: 1. The basic remuneration and bonuses above are monetary remunerations, while stock compensation is non-monetary remuneration.

Outside Director/Audit & Supervisory Board member Support System

To ensure active discussions in the Board of Directors meetings, we inform outside directors and part-time outside 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 established the Audit & Supervisory Board Member’s Office, which supports Audit & Supervisory Board members, including part-time outside members. [→ P128](#)

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 returns 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 returns 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. To appropriately control conflicts of interest, directors who concurrently serve on the Boards of KDDI and Okinawa Cellular do not participate in any resolutions or deliberations on matters related to either company, thereby ensuring their independence.

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 shareholder returns.

KDDI will continue to respect independence and autonomy while mutually cooperating with Okinawa Cellular in business operations and development as a group.

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 business year, the Board of Directors reviews all the pros and cons of continuing the possession and the number of shares to be held 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 or reduce 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 sessions, 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.

■ Vitalizing the General Meeting of Shareholder and Facilitating the Exercise of Voting Rights

Measures	Content
Early disclosure of the General Meeting of Shareholder Notice	We disclose and send a notice both electronically (by posting on our website) and by mail around one week before the stipulated deadline.
Scheduling to avoid days when many other companies hold the General Meeting of Shareholder	We schedule the General Meeting of Shareholders 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. We have also 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 Corporate Governance Report	<ul style="list-style-type: none">• In order to encourage the participation of more diverse shareholders in the General Meeting of Shareholders, we offer a hearing loop support (magnetic loop) and wheelchair seating.• We are conducting “live streaming” of the meetings 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.• On our website, we provide on-demand distribution of the General Meeting of Shareholders for those who are unable to attend in person. The on-demand streaming includes subtitles so that anyone can follow proceedings without difficulty.

Principal Activities of Outside Directors and Outside Audit & Supervisory Board Members

* For independent directors/auditors, we appointed them based on the judgment 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 FY23.3
Goro Yamaguchi <div>Male</div>	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 11 of 11 meetings)
Keiji Yamamoto <div>Male</div>	Mr. Yamamoto has excellent knowledge cultivated in IT development and electronics engineering divisions and a wealth of corporate management experience as a management at 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 11 of 11 meetings)
Shigeki Goto (Independent director) <div>Male</div>	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, although he has no direct experience in company management, 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 KDDI's 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 11 of 11 meetings)
Tsutomu Tannowa (Independent director) <div>Male</div>	Mr. Tannowa has a wealth of corporate management experience cultivated as the President and Representative Director of a major chemical manufacturer, while also offering excellent insight from a global perspective. On the Board of Directors, he contributes to enhancing KDDI's corporate value by providing advice from a medium- to long-term perspective, independent of the KDDI's management team based on his management experience at the other company and by helping to strengthen the supervisory function of business execution. He has again been appointed as an outside director because the Company expects him to contribute to strengthening the supervisory function of business execution and provide advice from a broad managerial perspective.	Board of Directors (Attended 9 of 9 meetings)
Junko Okawa (Independent director) <div>Female</div>	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. On the Board of Directors, she contributes to enhancing KDDI's corporate value by providing advice from a medium- to long-term perspective, independent of our management team based on her management experience at other companies and by helping to strengthen the supervisory function of business execution. She has again been appointed as an outside director because the Company expects her to contribute to strengthening the supervisory function of business execution and provide advice from a broad managerial perspective.	Board of Directors (Attended 9 of 9 meetings)
Kyoko Okumiya (Independent director) <div>Female</div>	Ms. Okumiya has a wealth of experience and excellent expertise developed as a partner of a law firm and a member of various committees. Although Ms. Okumiya has no direct experience in corporate management, she has been appointed as an outside director because we believe that she can contribute to the enhancement of our corporate value by providing expert opinions on legal risk management from a medium- to long-term perspective, independent of our management team.	—

* Attendance of Mr. Tsutomu Tannowa and Ms. Junko Okawa is after their appointment as directors at the 38th Annual Shareholders Meeting held on June 22, 2022.
* Ms. Kyoko Okumiya is a new director who was appointed at the 39th Annual Shareholders Meeting held on June 21, 2023.

Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside auditor of the Company (if designated as an independent auditor includes reason for this designation)	Principal activities in FY23.3
Yukihiro Asahina (Independent auditor) <div>Male</div>	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 11 of 11 meetings) Audit & Supervisory Board (Attended 12 of 12 meetings)
Toshihiko Matsumiya (Independent auditor) <div>Male</div>	Mr. Matsumiya has an abundance of experience and knowledge as a Certified Public Accountant, as an employee of an auditing company, as the representative of an accountancy firm, as an auditor for other companies as well as experience and insight cultivated through the execution of duties at various organizations. 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 11 of 11 meetings) Audit & Supervisory Board (Attended 12 of 12 meetings)
Jun Karube (Independent auditor) <div>Male</div>	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 11 of 11 meetings) Audit & Supervisory Board (Attended 12 of 12 meetings)

Intellectual Property Management

KDDI regards our intellectual property (IP) as an important resource for sustainability management and promotes IP activities that are integrated into our business strategies.

1. Promotion of Innovation Centered on Telecommunications

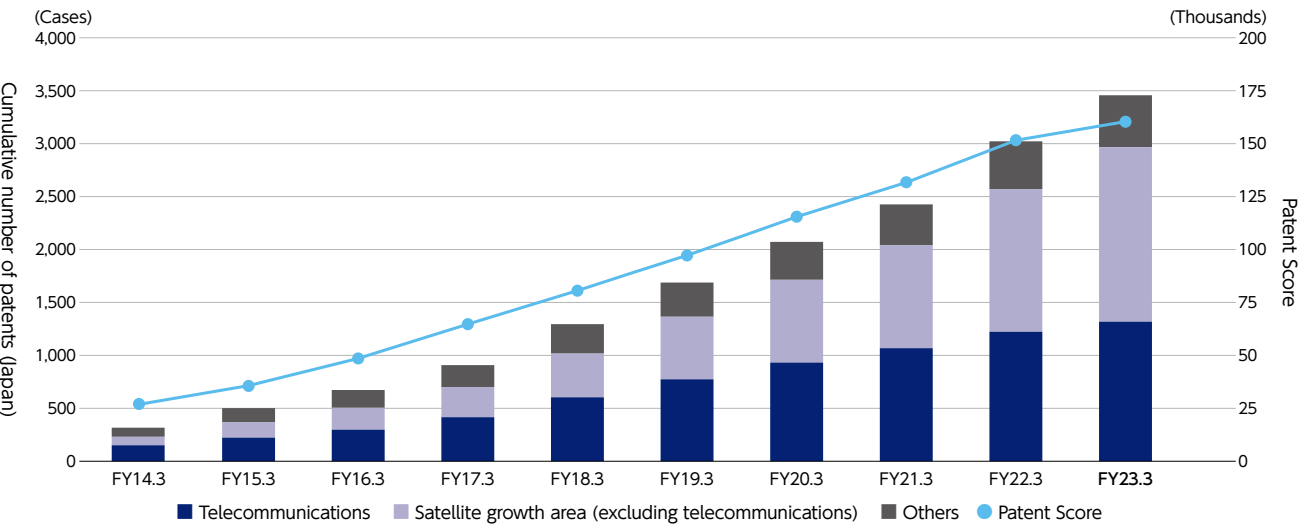
We position telecommunication technologies requiring interoperability as a collaborative area that promotes standardization. Meanwhile, in the service areas of our Satellite Growth Strategy (5G communication, DX, finance, energy, LX, regional co-creation such as CATV, etc.), we differentiate ourselves in competitive domains through the “Open & Close Strategy.”

Regarding standardization, we are advancing the standardization of research results for 5G/beyond 5G, based on the telecommunication technologies and experience cultivated. We are also strengthening our intellectual property acquisition efforts.

For our Satellite Growth Strategy, we envision short-term and medium- to long-term business models and strategically acquire intellectual property that enhances competitiveness and differentiation in each business model.

Furthermore, our cumulative IoT connections have significantly grown in the fields of societal infrastructure (connected cars, smart meters for electricity and gas, etc.) and globally. In December 2022, our company surpassed 30 million connections independently, becoming the top share in Japan. This achievement is largely attributed to the know-how we have developed over approximately 20 years in areas such as product development and maintenance management. We will continue to drive innovation to realize our Satellite Growth Strategy.

Cumulative Number of Patents and the Patent Score Trend



* The patent score is calculated using Patent Result Co., Ltd.'s Biz Cruncher, created by KDDI.
This is calculated on an annual basis, not on a fiscal year basis.

Patent Cases in Satellite Growth Strategy



Our patented technology enables the provision of smartphone plans where data and calls can be added as toppings. (Patent No. 7076934)



Our patented technology generates the optimal drone control interface for each drone with varying specifications. (Patent No. 7116235)

2. Enhancing Brand Value

At KDDI, we define “Tomorrow, Together” as our brand message to answer the question of what kind of presence we want to be for our customers and society. Through the evolution of the power to connect, we express our commitment to sustainably develop and grow together with our customers, partners, and society toward the future. As part of our corporate brand activities that embody our brand message, we strengthen empathy and expectations towards KDDI through various customer contacts such as owned media “KDDI Tobira” which communicates efforts towards realizing “KDDI VISION 2030,” brand experience facilities “KDDI MUSEUM,” and “GINZA 456 Created by KDDI.”

Furthermore, our business brand, au, effectively communicates the attractiveness of our services through various touchpoints, achieving an enhancement in brand recall and image. In au’s “SanTaro” series of commercials, we convey the brand’s value in a friendly manner. It was selected as “BRAND OF THE YEAR 2022” in the “2022 Annual Brand-Specific CM Favorability Ranking” by CM Soken Consulting, winning the CM favorability No.1 brand award for the eighth consecutive year. We will continue to work towards further enhancing the corporate brand’s value in the future.

KDDI Tobira



KDDI MUSEUM



au TV commercial “SanTaro” Series

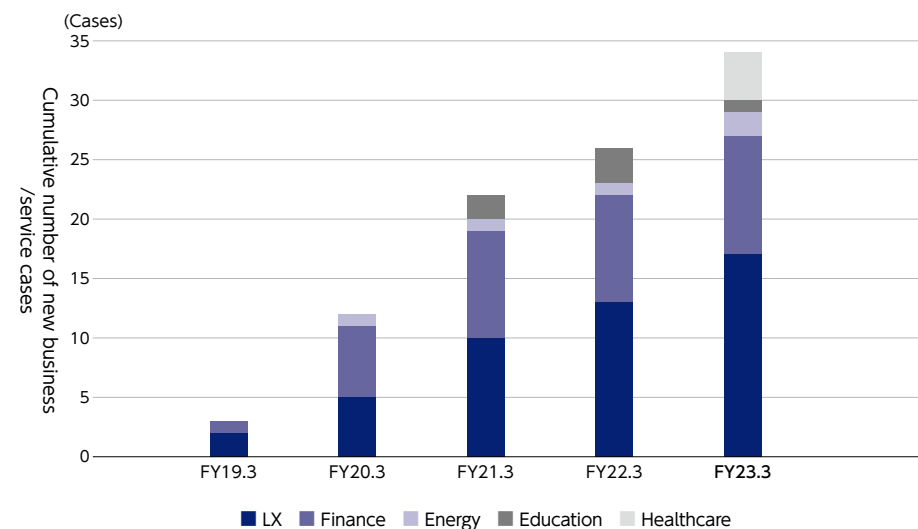


3. Deepening the Partnership for Business Co-Creation

In our “Satellite Growth Strategy,” we are advancing the expansion of services that synergize with our strengths, such as 5G. Given that expanding our services requires collaboration with a diverse range of partners, we are actively deepening our partnerships.

For instance, in the past five years, we have achieved over 30 commercialization imperatives of new businesses and services for B to C markets, excluding communication. Many of these successes are the results of business co-creation with partners, including large enterprises and startups.

B to C Market New Business/Service (Cumulative)

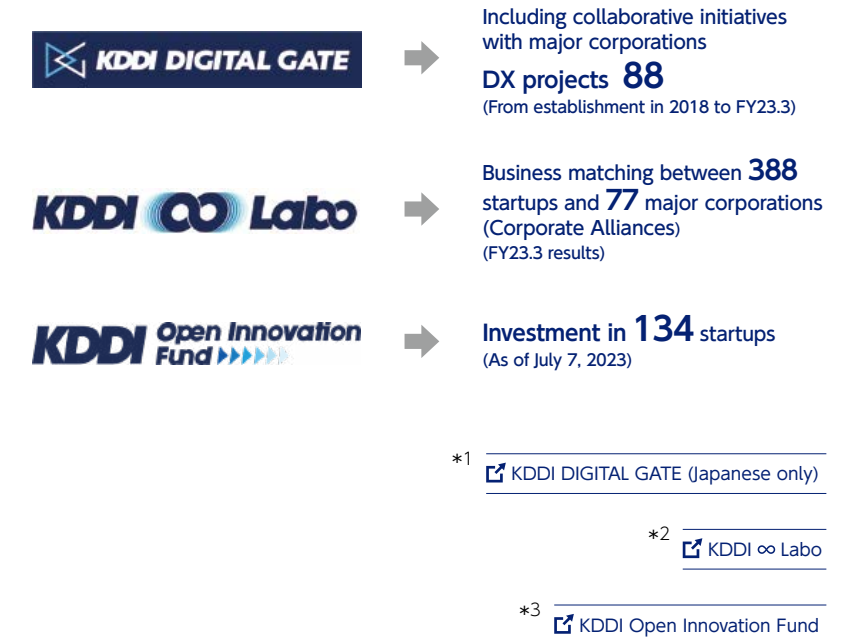


* The breakdown of the graph represents the domains of the Satellite Growth Strategies to which each business/service belongs.

To create such collaborative businesses, we have platforms such as “KDDI DIGITAL GATE”^{*1}, which collaborates with corporate customers to create new businesses, “KDDI∞ Labo”^{*2}, a business co-creation platform that collaborates with large corporate alliances to support startup growth, and the “KDDI Open Innovation Fund”^{*3}, a corporate venture capital initiative aimed at supporting startup growth within the KDDI Group. These platforms are also considered important intangible assets for generating new businesses.

We will continue to work on strengthening partnerships for business co-creation in the future.

The progress status of each business co-creation platform



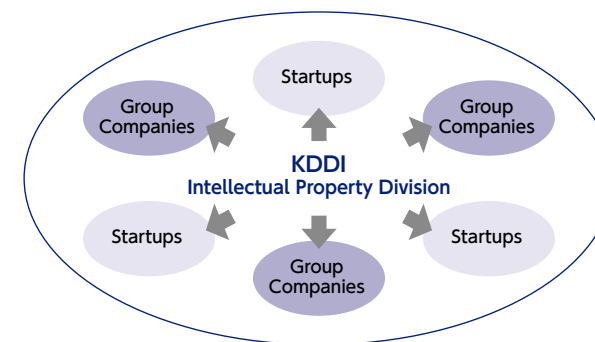
4. Strengthening Intellectual Property Initiatives within the KDDI Group

To foster the creation of new businesses and strengthen our business competitiveness, we recognize the essential role of nurturing the growth of our group companies and the startups we collaborate with. Consequently, we are actively promoting support for the intellectual property activities of our group companies and invested startups, which include activities such as invention discovery, patent infringement investigations, and IP landscape analysis.

In recognition of this support, we received the Economy, Trade and Industry Minister’s Prize for companies that use IP (for the first time in “open innovation promotion company” category) at the 2018 Intellectual Property Achievement Awards held by Ministry of Economy, Trade and Industry.

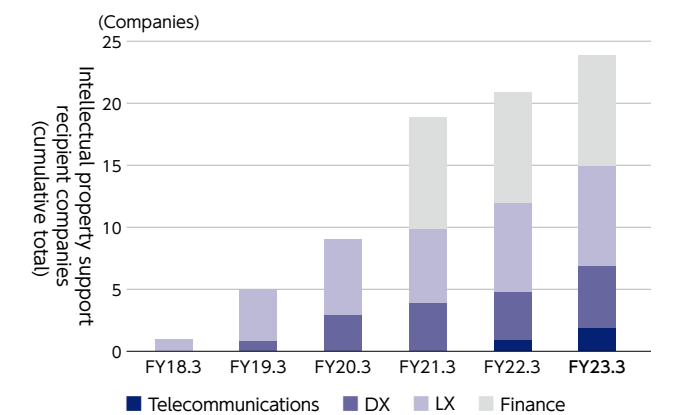
In the future, to continue generating new businesses and enhancing our business competitiveness, we will continue to strengthen our group’s intellectual property activities.

Support for Intellectual Property Activities for Group Companies and Invested Startups



[Approach to the handling of intellectual property and intangible assets to support start-ups \(Japanese only\)](#)

Change in the Number of Intellectual Property Support Recipient Companies (Group Companies and Invested Startups)



* The breakdown of the graph represents the domains of the Satellite Growth Strategies to which each business or service belongs.

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.

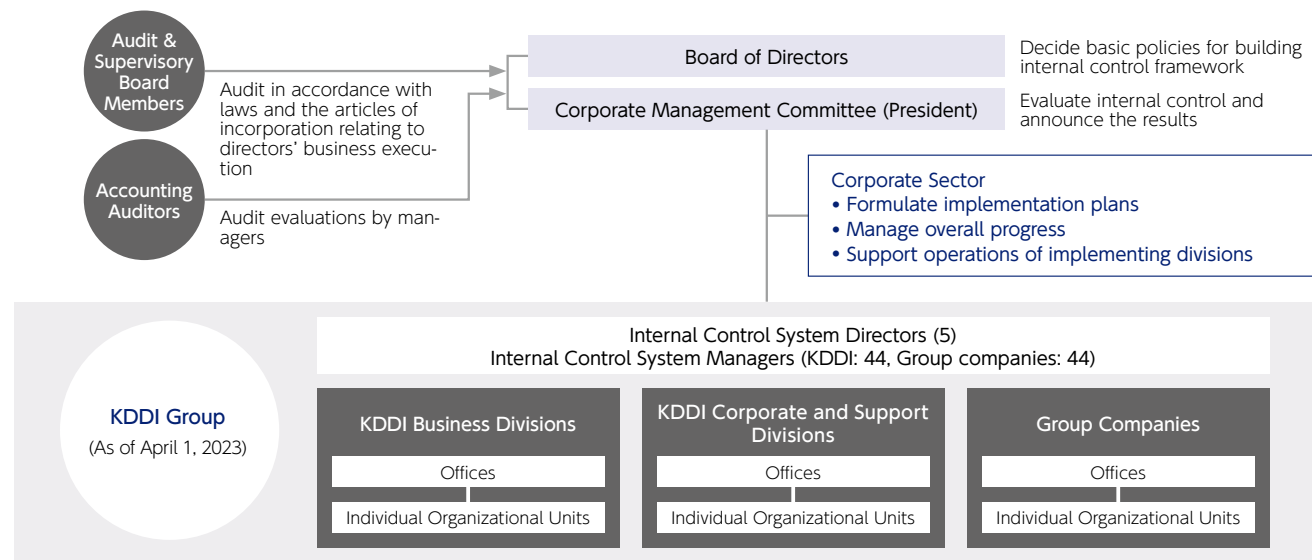
We define factors and events that negatively influence the achievement of our business goals as risks and consider enforcing risk management as material business challenge. In order to be sustainable and responsible to society, we promote risk management initiatives throughout the KDDI Group.

KDDI's Risk Management and Internal Control

We have established a system to centralize the management of risks with the Corporate Sector at the core.

Furthermore, we are promoting risk management throughout the KDDI Group, in order to realize the continuous growth of the entire group. We have appointed 44 Internal Control System Managers within KDDI and 44 at group companies, as well as 5 Internal Control System Directors to oversee their activities. Under their leadership, we introduce and run internal control systems, carrying out risk management activities and run operational quality improvement activities to foster a company culture in which risks are less likely to arise.

Personnel in Charge of Internal Control



Risk Management Activity Cycle

In order to prevent critical events for the company, we at KDDI consider that it is important to recognize signs of danger and implement preventive measures before the situation worsens. Based on this idea, we follow the PDCA cycle for risk management. We also have an organizational framework for risk management in place to ensure any risks we find will be addressed promptly and appropriately.



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 FY23.3, we selected 29 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. 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.

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.

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 11 major group subsidiaries (totaling 12 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 2023, 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 Manager in each division facilitates 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 division.

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)

■ (Reference) Main Operational Risks

Risk	Risk background	Potential impact on KDDI	KDDI's response
Competitors, rival technologies and rapid market shifts	<ul style="list-style-type: none">• The need to provide user support for product defects attributable to the rapid expansion of the commerce business• Inability to acquire the required bandwidth• Increase in competition due to new high-speed services provided by other telecommunications operators• Possible rise in connection fees with other telecommunications operators• Intensifying competition caused by 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 scope	Possible impact on the earnings performance etc. of the KDDI Group	Supporting new consumer lifestyles and promoting initiatives to create a resilient society that achieves both economic development and solutions to social issues
Inappropriate handling or leakage of confidential communications, violations of customer privacy, and improper use of the products and services provided by the company etc.	<ul style="list-style-type: none">• Internal privacy breaches• Unauthorized access from external networks	<ul style="list-style-type: none">• Could seriously damage the brand image of the KDDI Group, lead to a possible loss of customer trust, and make us liable to pay compensation or surcharges• In the future, we may face higher costs to develop the framework necessary to protect the confidentiality of communications and customer privacy and protect against cyberattacks• Could have a negative impact on the earnings performance of the KDDI Group	<ul style="list-style-type: none">• Establishment of the Information Security Committee• Establishment of the KDDI Code of Business Conduct, KDDI Security Policy, and KDDI Privacy Policy• Establishment of the Business Ethics Committee• Reinforcement of various technical, organizational and human safety management measures• Educating all employees on how to protect the confidentiality of communications and customer privacy• Working with our external partners, particularly with our retail network of au Shops, to strengthen management through the improvement of shop operations, regular audits, and training• Establishment of standards for the security regulation measures to be taken by business systems and the review of compliance with the regulations.• Establishment of the KDDI Service Security Incident Readiness & Response Team (KDDI-SSIRT), which specializes in service security to prevent harm before it occurs.
Communications failure, natural disasters, and other unforeseen events	<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 disasters• Worldwide spread of an infectious disease (pandemic)• War, terrorism, accidents, or other unforeseen events• Power brownouts or blackouts• Computer viruses or other forms of cyber-attack and hacking• Operation system hardware or software failures• Flaws in communication equipment and services	<ul style="list-style-type: none">• Risk of service outages or interruptions, etc. due to communications failures, natural disasters or accidents, etc.• Loss of opportunities to offer products and services due to service outages as a result of failures in network systems or communications equipment, substantial billing errors, the closing of distributors, the 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 an impact on earnings performance	<ul style="list-style-type: none">• Initiatives to improve the reliability of our network and prevent service outages• Establishment of a policy for implementing disaster prevention operations in the event of a disaster, taking measures to prepare for disasters, and maintaining close communication and coordination with related organizations in Japan and overseas.
Laws, regulations, and government policies relating to the telecommunications business	<ul style="list-style-type: none">• Revisions to the calculation formula for inter-operator connection fees and/or accounting methods• Revisions to designated telecommunications facilities system and/or the regulations on prohibited activities• Revisions to universal service systems• The emergence of MNOs and MVNOs etc. in the mobile communications business• Revisions to the frequency allocation system• Revisions to the spectrum user fee system	<ul style="list-style-type: none">• The KDDI Group's earnings performance, etc. could be negatively impacted by the revision or abolition of laws and regulations or the formulation of government policies relating to telecommunications, electricity and finance business• The KDDI Group's earnings performance, etc. could be negatively impacted as well if the company's competitive advantage is relatively diminished as a result of competition	<ul style="list-style-type: none">• Taking appropriate actions against laws, regulations, and government policies• Advocating measures for fair competition with other telecommunications operators, etc. through various deliberation councils and study sessions as well as the public comment system of the Ministry of Internal Affairs and Communications
Acquisition of human resources, training and personnel management	Future rise in human resources investment costs	If we are unable to handle human resource matters appropriately in the future, the Group's brand image could be damaged, leading to the loss of customer trust and impacting our earnings performance	<ul style="list-style-type: none">• Working together across the entire company to support human resource development and career development to keep up with technological innovations• Appropriate personnel management and the promotion of workstyle reforms based on the laws

Compliance

Compliance Policy In addition to complying with laws and regulations, 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.

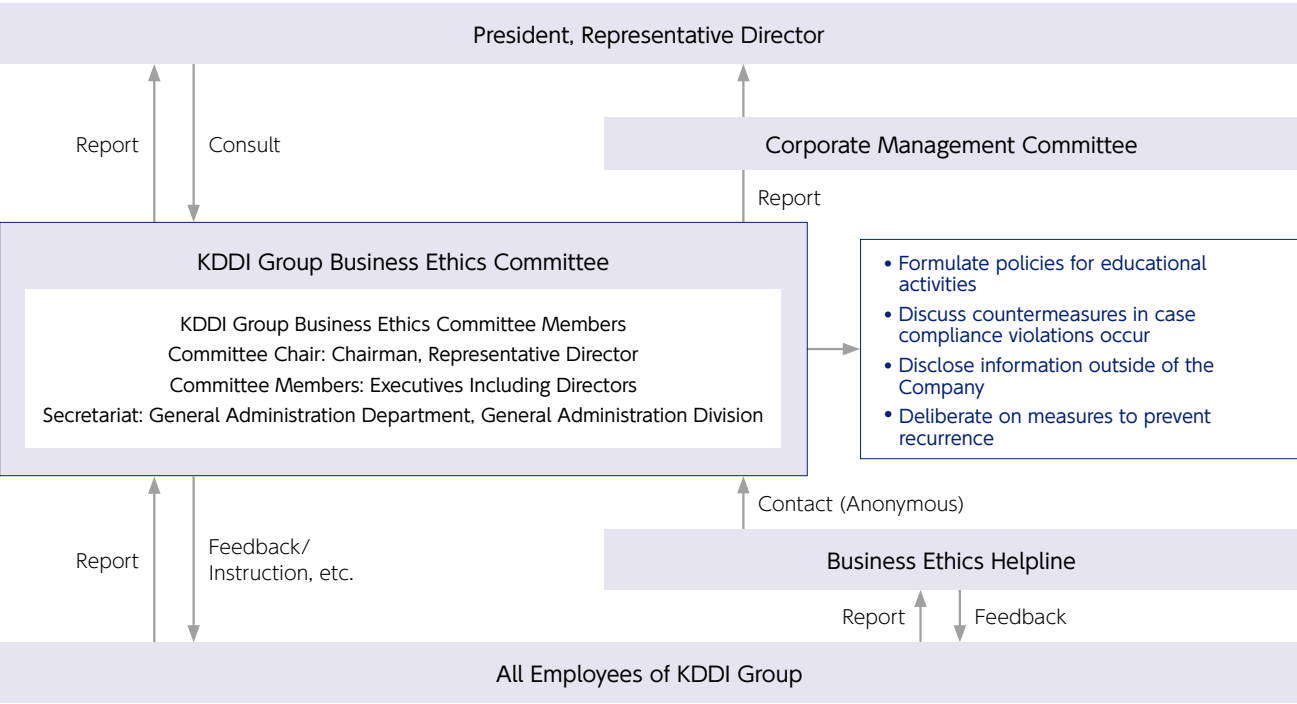
KDDI Group Compliance and Enforcement Framework

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 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.

■ KDDI Group Compliance and Enforcement Framework



Compliance Education, Training and Awareness Raising

Examples of Initiatives in FY23.3

Target	Examples of Initiatives
All KDDI employees	Promotion of the KDDI Group Philosophy
	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
KDDI Group employees	Implementation of e-learning for KDDI employees to introduce the "KDDI Code of Business Conduct" and whistle-blowing case studies. The learning content will be deployed to KDDI Group companies.

Initiatives to Prevent Harassment

Examples of Initiatives in FY23.3

Examples of Initiatives
Dissemination of the KDDI Code of Business Conduct and thorough implementation of actions
Training on harassment prevention for line managers
Accepting reports on the work environment, including instances of harassment, through the company's internal system
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

We established the Business Ethics Helpline in 2006 to serve as a contact point for all employees of KDDI and KDDI Group companies who have questions or concerns about business ethics including violations of regulations or laws. 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, or letter in multiple languages). We also accept anonymous consultations and declarations. We operate the Business Ethics Helpline in accordance with the Whistleblower Protection Act, which 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 FY23.3, none of the consultations or reports received from entire KDDI Group companies concerned serious issues that required external declaration.

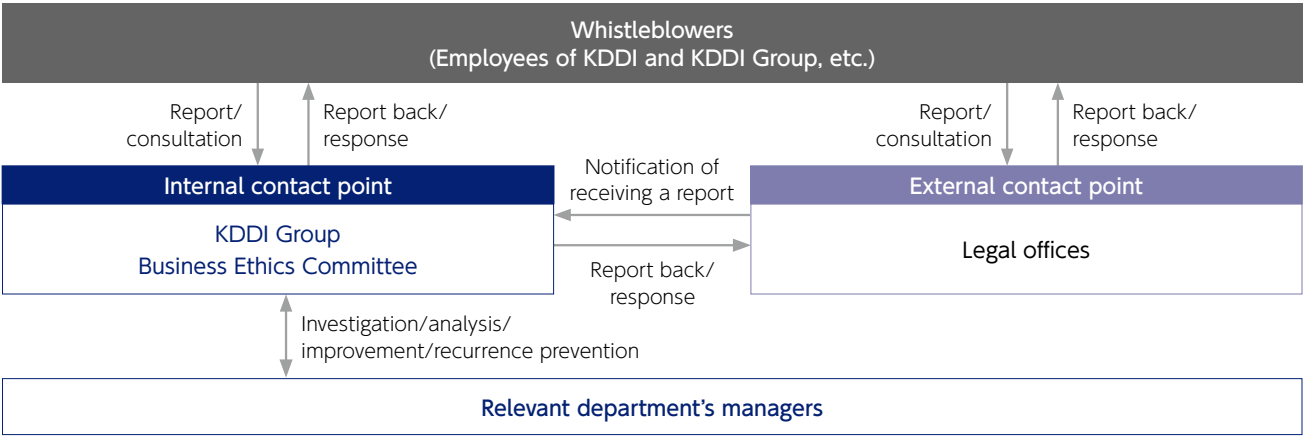
The KDDI Group Business Ethics Committee investigates the issues consulted on and reported as required while protecting privacy, and when the problems are detected, the committee members as well as the management team and the Audit & Supervisory Board members promptly review the report and take corrective actions along with measures to prevent recurrence.

In the event that human rights issues or compliance violations against KDDI or KDDI Group company employees etc. are found, KDDI is committed to taking appropriate measures.

Compliance Consultations Received in the Last Two Years (KDDI Group)

Consultations	Unit: case	
	FY22.3	FY23.3
Compliance consultations	556	661
Breakdown: Harassment consultations	130	259
Breakdown: Other compliance violations	426	402

Business Ethics Helpline



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 FY23.3, 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 Group 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 Group Sustainable and Responsible Procurement Guidelines.

In FY23.3, 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 Group Sustainable and Responsible Procurement Guidelines, we demand our business partners to not engage in any activities that inhibit fairness, transparency or freedom of competition.

We respond promptly to requests and guidance received from the Ministry of Internal Affairs and Communications and other government agencies, ensure compliance with relevant laws and regulations, and maintain proper business operations.

For details on our response to the large-scale communication failure that occurred in July 2022, please refer to “Measures Taken in Response to the Serious Accident in 2022”. [→ P59](#) in this report.

Responsible Tax Practice

Basic Tax Policy

We at KDDI Group pursue the satisfaction of our customers and profit 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 FY23.3, we paid 339,484 million yen of corporate income tax, which accounts for 31.4% of gross income. KDDI Group submits the Securities Report after undergoing accounting audits by external independent accounting auditors and obtaining approval of the CFO (Managing Executive Officer/ Executive Director, Corporate Sector) and the representative (President, Representative Director, CEO).

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 upon the approval of the representative and are overseen by the Chief Financial Officer.

Practical operations are transferred to KDDI's Finance and Tax Department, 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 representative, 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, as follows.

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 in accordance with the arm's length principle. 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

	FY22.3	
Japan	3,579	98.38%
UK	20	0.55%
Mongolia	11	0.30%
France	8	0.22%
China	5	0.14%
Others	15	0.41%
Total	3,638	100.00%

Financial and Non-Financial Data

Consolidated Financial Highlights (Years ended March 31)

	Japanese GAAP ◀			➡ IFRS
Consolidated	FY13.3	FY14.3	FY15.3	FY15.3
Operating Revenues/Net Sales ◀P152	3,662,289	4,333,628	4,573,142	4,270,094
Operating Income ◀P152	512,669	663,245	741,299	665,719
Operating Margin	14.0%	15.3%	16.2%	15.6%
EBITDA*1	959,571	1,186,069	1,292,597	1,284,553
EBITDA Margin	26.2%	27.4%	28.3%	30.1%
Net Income/Profit for the Year Attributable to Owners of the Parent ◀P152	241,470	322,038	427,931	395,805
Capital Expenditures ◀P155	467,020	571,799	576,197	667,714
Depreciation and Amortization	406,726	470,098	494,570	518,708
Interest-Bearing Debt ◀P153	977,563	1,084,966	1,002,214	1,154,116
Equity Ratio/Ratio of Equity Attributable to Owners of the Parent	55.1%	55.1%	57.3%	54.5%
Return on Equity/Ratio of Return on Equity Attributable to Owners of the Parent (ROE)	11.2%	13.0%	14.9%	13.5%
Return on Assets/Ratio of Return on Total Assets (ROA)	12.7%	14.7%	14.5%	12.1%
Earnings per Share/Basic Earnings per Share (EPS)*2 (yen)	105.30	132.87	170.84	158.01
DPS*2 (yen) ◀P153	30.00	43.33	56.67	56.67
Dividend Payout Ratio	28.5%	32.6%	33.2%	35.9%
Total Dividend Amount	68,795	108,033	141,946	141,946
Treasury Stock Purchase Amount	—	—	—	—
Total Return Amount	68,795	108,033	141,946	141,946
Total Return Rate	28.5%	32.6%	33.2%	35.9%
Net Cash Provided by (Used in) Operating Activities	523,908	772,207	962,249	968,752
Net Cash Provided by (Used in) Investing Activities*3	(472,992)	(546,257)	(674,520)	(635,745)
Free Cash Flows*4 ◀P155	50,916	225,950	287,729	333,006
Net Cash Provided by (Used in) Financing Activities*3	(140,249)	(105,643)	(224,862)	(310,528)

Note: Terminology differences between Japanese GAAP and IFRS (adopted from FY16.3) will be presented as "Japanese GAAP/IFRS."

*1 In FY15.3, the EBITDA calculation formula has been changed.

Until FY15.3 (Japanese GAAP): 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

Millions of yen							
FY16.3	FY17.3	FY18.3	FY19.3	FY20.3	FY21.3	FY22.3	FY23.3
4,466,135	4,748,259	5,041,978	5,080,353	5,237,221	5,312,599	5,446,708	5,671,762
832,583	912,976	962,793	1,013,729	1,025,237	1,037,395	1,060,592	1,075,749
18.6%	19.2%	19.1%	20.0%	19.6%	19.5%	19.5%	19.0%
1,410,971	1,524,207	1,560,061	1,598,670	1,750,861	1,786,170	1,813,436	1,790,063
31.6%	32.1%	30.9%	31.5%	33.4%	33.6%	33.3%	31.6%
494,878	546,658	572,528	617,669	639,767	651,496	672,486	677,469
531,434	519,365	560,831	601,757	615,054	627,907	676,461	627,544
532,442	545,177	546,609	562,282	689,473	727,438	727,779	696,591
1,235,287	1,151,650	1,118,616	1,275,711	1,680,367	1,645,481	1,600,104	1,651,437
56.3%	56.7%	57.4%	57.1%	45.8%	45.2%	45.0%	43.0%
15.5%	15.9%	15.6%	15.5%	14.9%	14.2%	13.8%	13.4%
14.5%	15.0%	15.0%	14.6%	12.1%	10.3%	9.8%	9.4%
197.73	221.65	235.54	259.1	275.69	284.16	300.03	310.25
70.00	85.00	90.00	105.00	115.00	120.00	125.00	135.00
35.4%	38.3%	38.2%	40.5%	41.7%	42.2%	41.7%	43.5%
174,843	208,917	217,339	248,932	265,727	274,528	278,811	293,495
50,000	100,000	149,999	150,000	150,000	200,000	200,000	200,000
224,843	308,917	367,338	398,932	415,727	474,528	478,811	493,495
45.4%	56.5%	64.2%	64.6%	65.0%	72.8%	71.2%	72.8%
884,538	1,161,074	1,061,405	1,029,607	1,323,356	1,682,166	1,468,648	1,078,869
(667,917)	(637,225)	(633,847)	(714,578)	(610,950)	(658,925)	(761,593)	(732,480)
216,621	523,849	427,558	315,028	712,406	1,023,241	707,056	346,389
(299,003)	(485,784)	(453,168)	(310,951)	(546,381)	(585,571)	(727,257)	(669,837)

*2 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.

*3 The notation () in the figures represents a negative value.

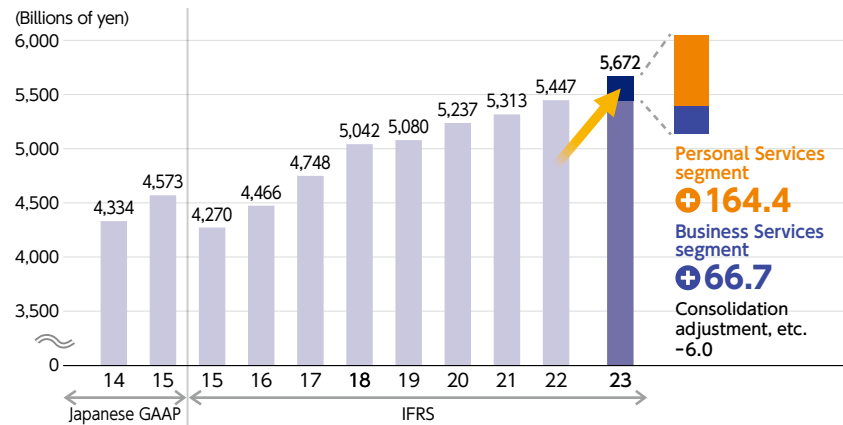
*4 Free cash flows = Net cash provided by (used in) operating activities + net cash provided by (used in) investing activities

Financial and Non-Financial Highlights

(Years ended March 31)

Financial

Operating Revenues/Net Sales

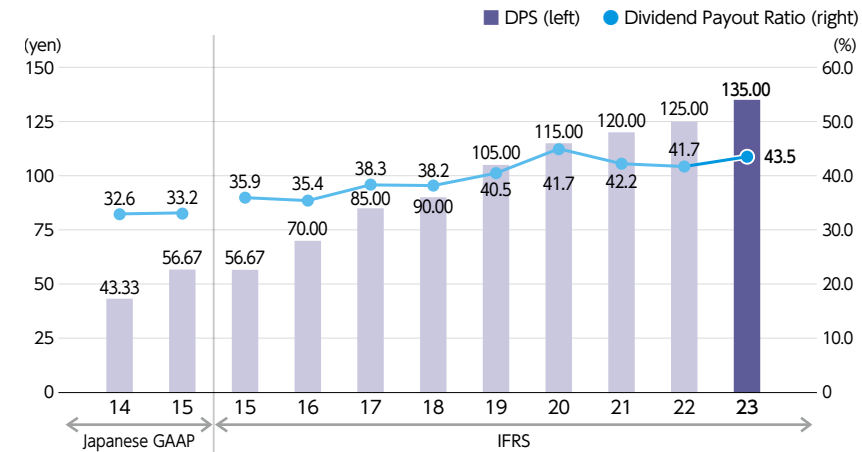


YOY +4.1%

¥5,671.8billion

Increase in Energy business revenue and revenue in focus areas of Business Services segment and financial business resulted in net sales increase by 4.1% year-on-year to ¥5,671.8 billion.

DPS

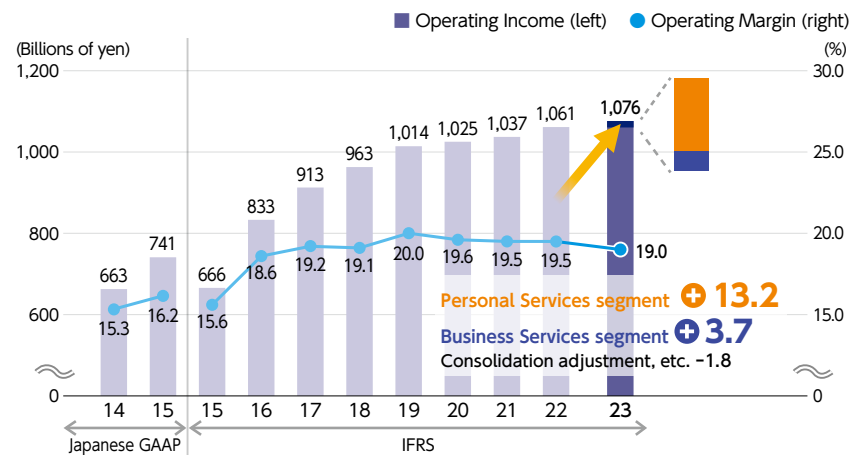


YOY + ¥10.00

¥135.00

The annual dividend was ¥135, an increase of ¥10 year-on-year, and the consolidated dividend payout ratio was 43.5%. For FY24.3 we plan to increase the dividend per share (DPS) by ¥5 to ¥140 and aim for 22 consecutive periods of DPS growth.

Operating Income



YOY +1.4%

¥1,075.7billion

Operating income increased by 1.4% year-on-year to ¥1,075.7 billion mainly due to increased operating revenue and cost efficiencies, despite the effects of fuel price hikes and telecommunication failures.

Interest-Bearing Debt

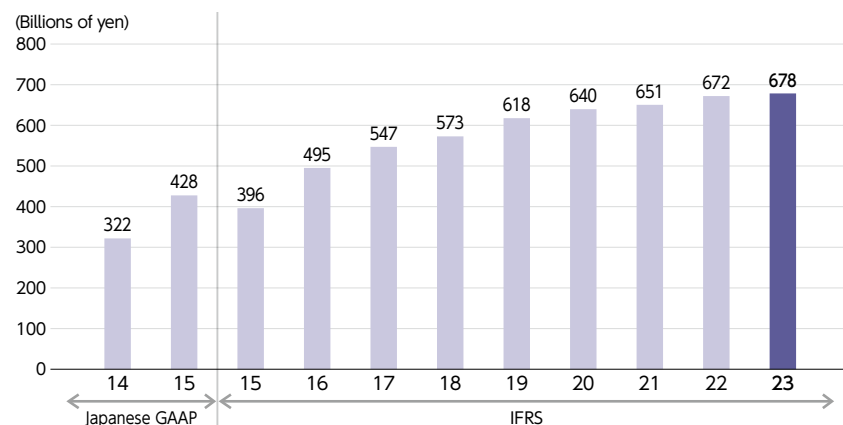


YOY +51.3billion

¥1,651.4billion

Interest-bearing debt increased by ¥51.3 billion year-on-year to ¥1,651.4 billion, mainly due to an increase in corporate bonds and lease obligations.

Net Income/Profit for the Year Attributable to Owners of the Parent

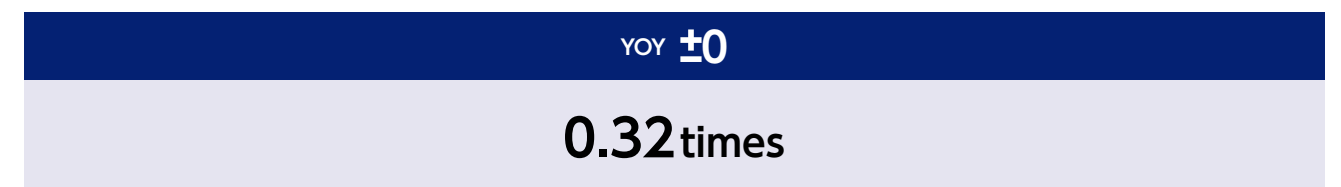


YOY +0.7%

¥677.5billion

Due to the increase in operating income, profit for the year attributable to owners of the parent increased by 0.7% year-on-year to ¥677.5 billion.

D/E Ratio



YOY ±0

0.32times

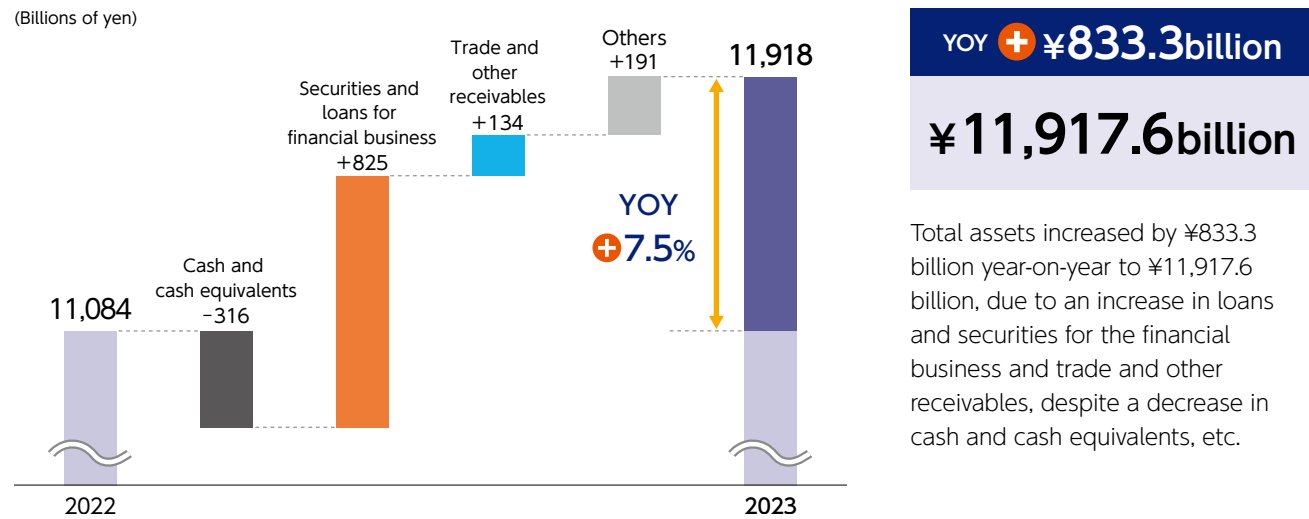
Although interest-bearing debt increased, equity attributable to the owners of the parent also increased. As a result, the D/E ratio was 0.32, the same as at the end of the previous fiscal year.

Financial and Non-Financial Highlights

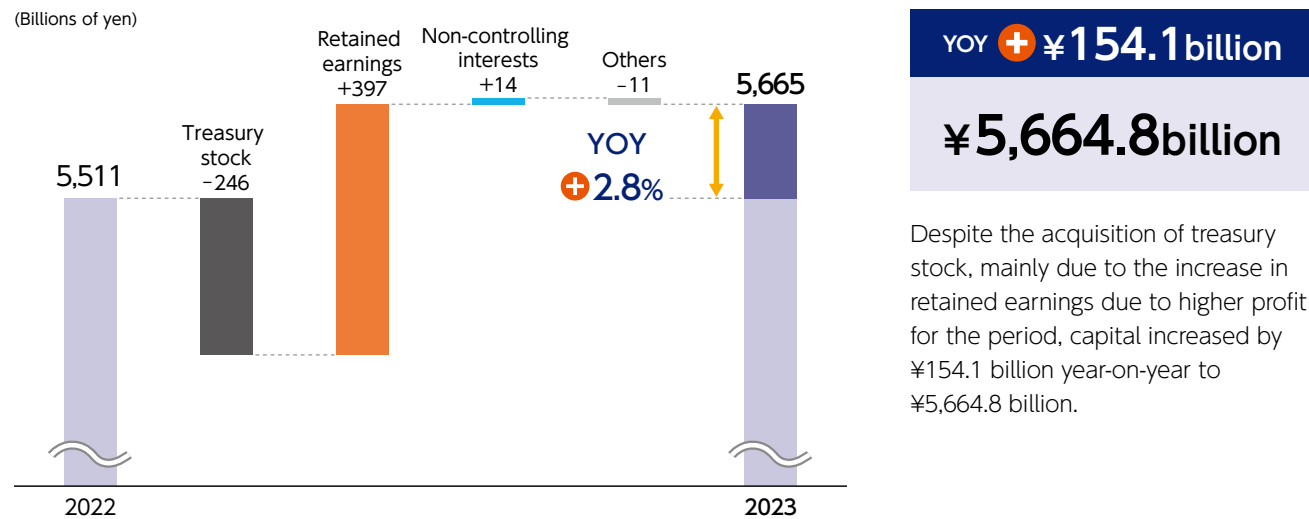
(Years ended March 31)

Financial

Total Assets

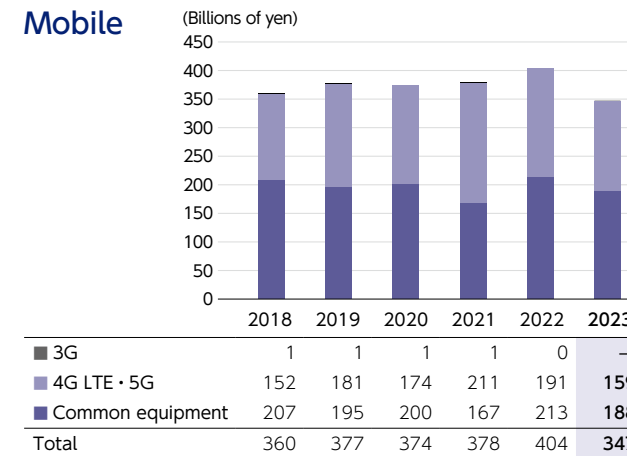


Capital



Capital Expenditures (Payment Basis)

Mobile

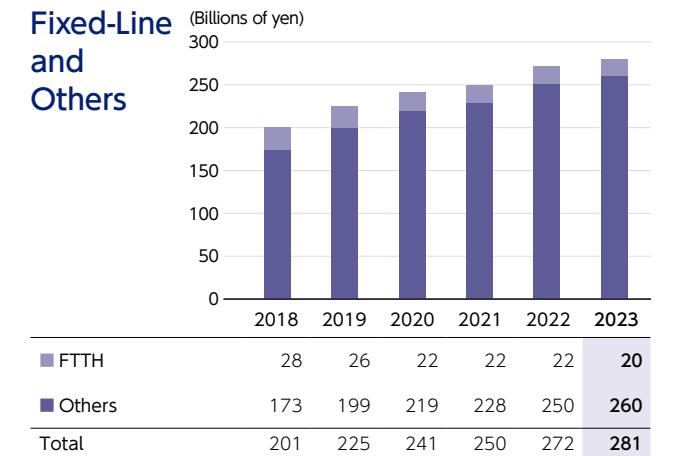


YOY - ¥57.2billion

¥347.1billion

In the mobile business, mainly due to a decrease in 4G investment, capital expenditures decreased by ¥57.2 billion year-on-year to ¥347.1 billion.

Fixed-Line and Others

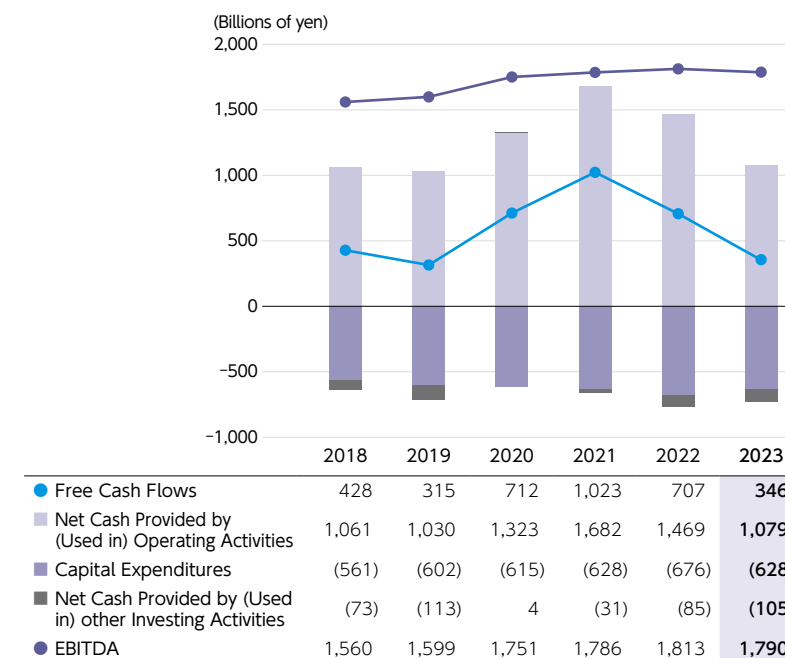


YOY + ¥8.2billion

¥280.5billion

In the fixed-line and others, mainly due to increased data center-related investments at overseas subsidiaries, capital expenditures increased by ¥8.2 billion year-on-year to ¥280.5 billion.

Free Cash Flows



YOY - ¥360.7billion

¥346.4billion

Net cash provided by operating activities (revenue) amounted to ¥1,078.9 billion, a decrease of ¥389.8 billion year-on-year due to an increase in loans for financial business. On the other hand, cash flow used in investing activities (expenditure) decreased by ¥29.1 billion year-on-year to ¥732.5 billion mainly due to a decrease in 4G investment.

Financial and Non-Financial Highlights (Years ended March 31)

Financial

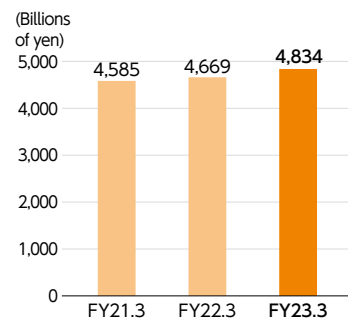
Performance Highlights by Segments

Personal Services Segment

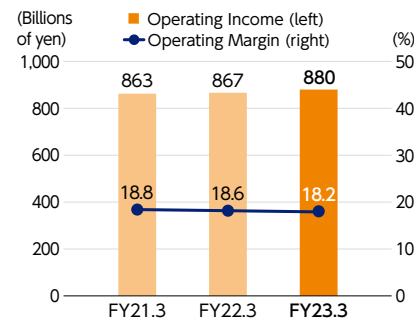
The Personal Services segment provides services to individual customers. In Japan, our primary focus is on offering 5G communication services through multi-brands such as “au,” “UQ mobile,” and “povo.” We collaborate with various services including finance, energy, and LX, which enables us to expand and enrich our service offerings, aiming to provide new added value and customer experience. Additionally, we are committed to addressing challenges faced by local communities due to depopulation and aging. We also work alongside local partners to achieve bridging digital divide and realize sustainable regional co-creation. Internationally, we leverage the business know-how cultivated domestically to actively provide communication services, financial services, and entertainment services like video content to individual customers in Myanmar and Mongolia.

For FY23.3, our revenue increased by 3.5% compared to the previous year, reaching ¥4,833.6 billion. This growth was driven by increased income in our energy business and the financial business. Despite challenges such as rising fuel costs and communication failure, cost efficiency measures and increased revenue contributed to a 1.5% growth in operating income, which reached ¥880.3 billion.

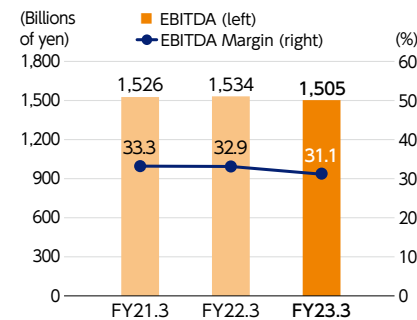
Operating Revenue



Operating Income/Operating Margin



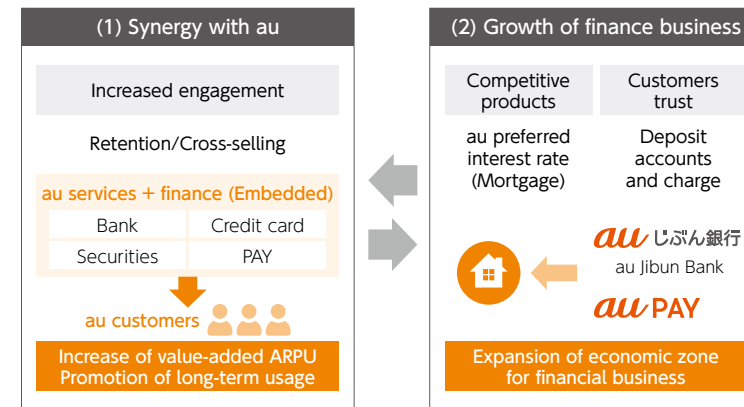
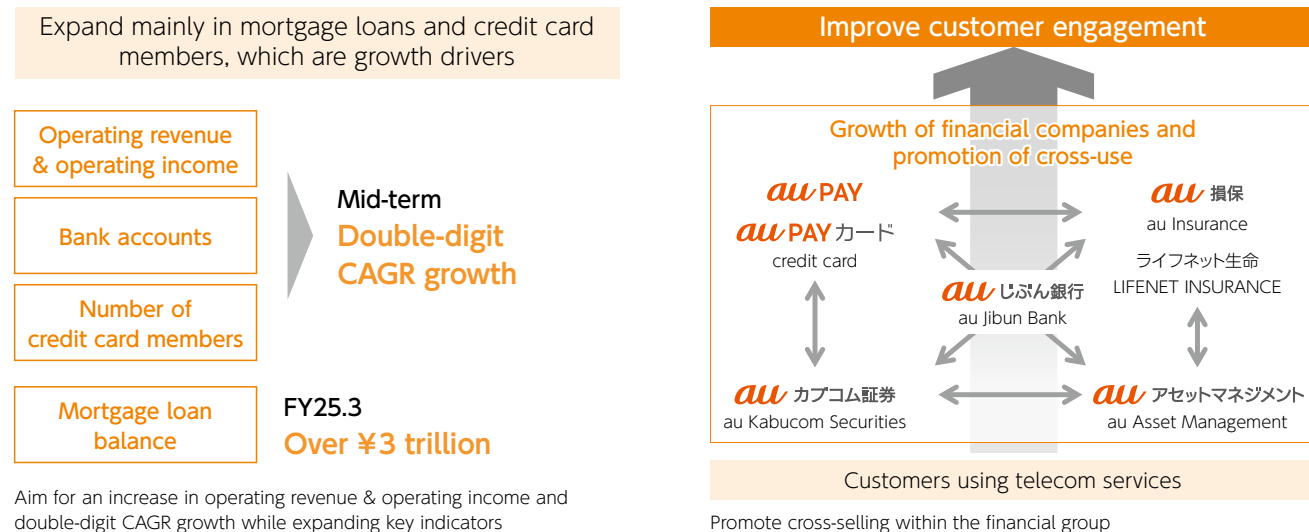
EBITDA/EBITDA Margin



Focus Area Finance

In our Mid-Term Management Strategy, known as the “Satellite Growth Strategy,” we define the financial business as one of our focus areas. We aim to accelerate growth in new domains by utilizing the synergies of these areas centered on telecommunications.

The Mid-Term Management Strategy for the financial business (FY23.3-FY25.3)



Corporate Growth Through Two-Way Synergies Between Telecommunications Business and Finance Business

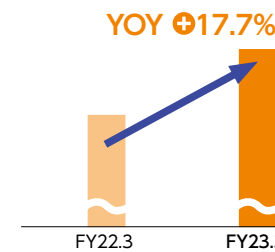
We aim to expand the KDDI Group's business through (1) synergy with au and (2) growth of financial business.

(1) Synergy with au
Enhancing engagement through the integration of au services and finance

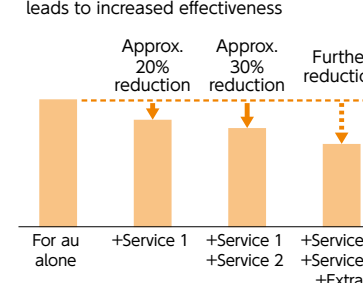
(2) Growth of financial business
Expanding our financial business by leveraging the au customer base and offering competitive products

(1) Synergy with au

Finance-related value-added ARPU revenues



au Churn Rate*



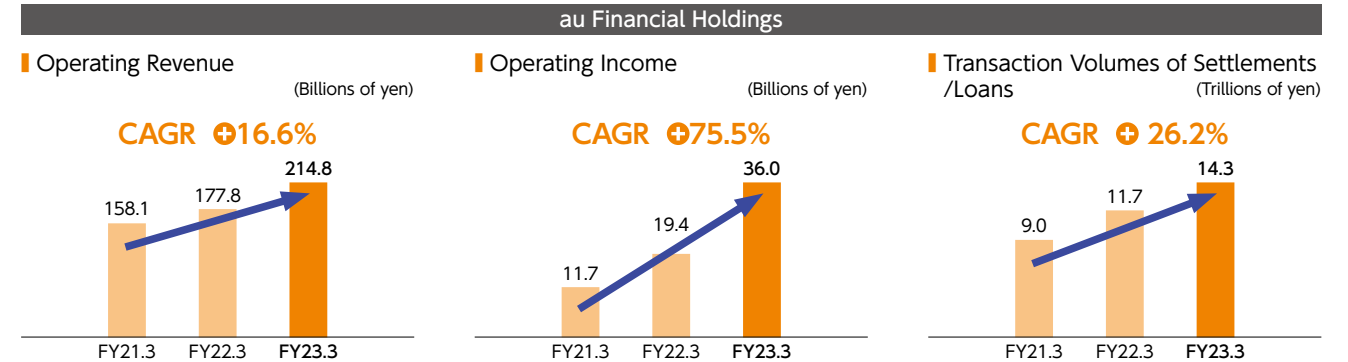
In synergy with au, we can observe an increase in value-added ARPU revenue and a decrease in the churn rate.

- Finance-related value-added ARPU revenue for FY23.3 has been steadily growing, with a year-on-year increase of +17.7%.
- au customers who also utilize multiple financial services demonstrate a track record of reduced churn rates.

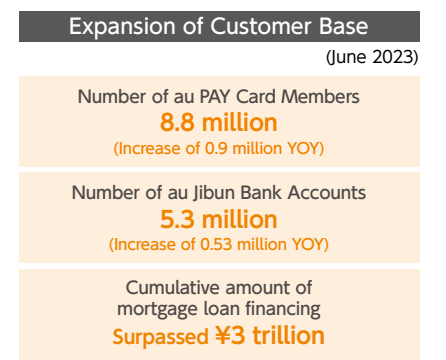
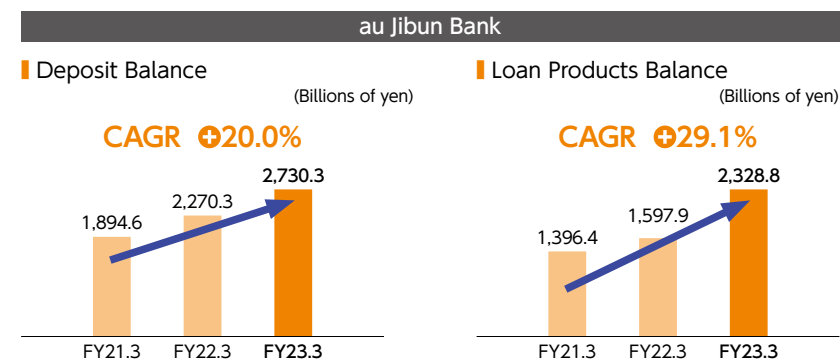
We will continue to promote cross-use with financial services, aiming for overall growth across the group.

*Churn rate results for au smartphones from January to March 2023. Short-term cancellations, intra-group transfers, and corporate contracts are not included.

(2) Growth of Financial Business



au Financial Holdings is steadily expanding its business. The CAGR for FY23.3, compared to FY21.3, shows impressive growth in various aspects: operating revenue increased by +16.6%, operating income by +75.5%, and transaction volumes of settlements/loans by +26.2%.



The main assets of the financial business are growing steadily through cooperation with au, with CAGRs of +20.0% for deposit balance and +29.1% for loan products balance in FY23.3 compared to FY21.3, respectively. Also, the number of au PAY card members is 8.8 million, the number of au Jibun Bank accounts is 5.3 million, and the cumulative total of executed mortgage loans exceeds ¥3 trillion, expanding the customer base.

Financial and Non-Financial Highlights (Years ended March 31)

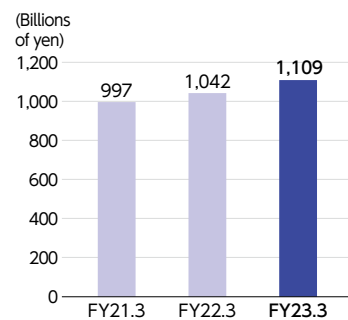
Financial

Business Services Segment

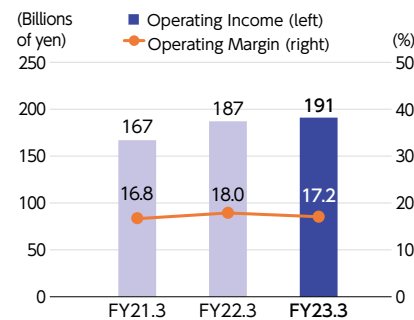
In the Business Services segment, both domestically in Japan and internationally, we provide a wide range of solutions including devices like smartphones, networks, clouds, and data center services under the “TELEHOUSE” brand to a diverse set of corporate customers. Within the framework of “Satellite Growth Strategy,” which aims the evolution of telecommunications business through 5G and the expansion of businesses in focus areas with communications at the core, the Business Services segment is dedicated to offering solutions that contribute to the growth and expansion of our customers’ businesses, such as IoT and DX, with 5G communication at the core. These solutions are provided globally by one-stop offer through collaboration with partner companies. Additionally, for our small and medium-sized enterprise (SME) customers in Japan, we have established a nationwide support system through the KDDI MATOMETE OFFICE Group, a consolidated subsidiary, to provide localized support.

For FY23.3, we achieved a 6.4% increase in revenue, totaling ¥1,108.8 billion. Solution revenue etc. increased driven by the growth of the NEXT Core business. Despite challenges such as rising fuel costs and communication failure, we recorded a 2.0% increase in operating income, reaching ¥190.8 billion, due to increased revenue etc.

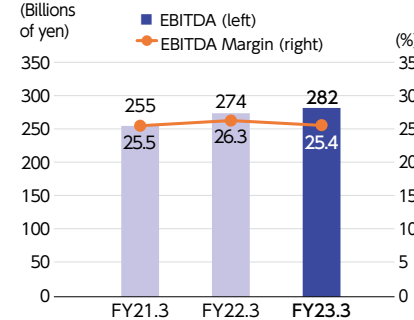
Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin



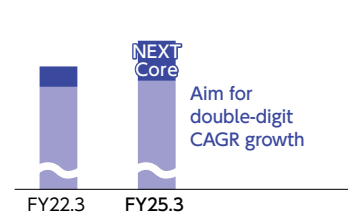
Focus Area

Digital Transformation (DX) (NEXT Core)

In our Mid-Term Management Strategy, known as the “Satellite Growth Strategy,” we define DX as one of the focus areas, with NEXT Core business in the Business Services segment at the forefront of our growth efforts.

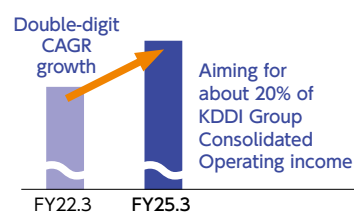
The Mid-Term Management Strategy for the Business Services Segment (FY23.3-FY25.3)

Operating Revenue



NEXT Core business drives business growth by DX promotion

Operating Income

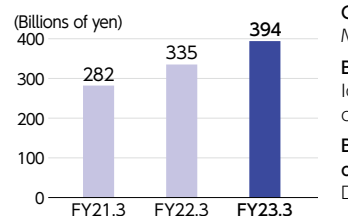


Overall Business Services Segment Double-digit CAGR growth

- NEXT Core business aims for a double-digit CAGR growth in revenue.
- Business segment as the second pillar, we will increase the operating income aiming for about 20% scale of the Group consolidated operating income, while achieving double-digit CAGR growth in operating income.

Growth of NEXT Core

Operating Revenue of NEXT Core



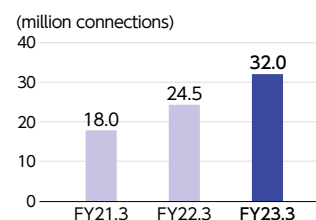
In each area, double-digit growth compared to the previous year was achieved in FY23.3

Corporate DX: Achieved a scale of ¥100 billion
Managed, security, cloud, overseas SI & NW, etc

Business DX: Achieved a scale of ¥150 billion
IoT, DX, and construction/development

Business Infrastructure Services: Achieved a scale of ¥150 billion
Data centers (DC), contact centers, etc

IoT connections



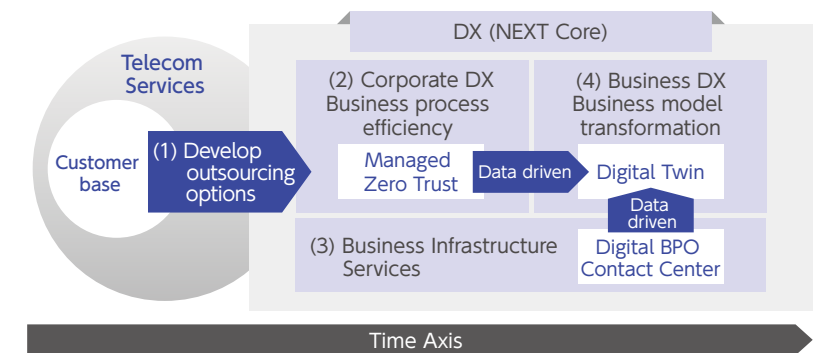
Driven by connected cars, IoT connections are steadily increasing

Growth Strategy for the Business Services Segment

Customer needs in the Business Services segment vary over time axis.

- Firstly, we will propose DX solutions based on the needs of existing telecommunication services customers.
- For short-term challenges such as streamlining business processes, we provide support through Corporate DX solutions such as managed services.
- Additionally, for outsourcing needs like contact centers, we offer support through Business Infrastructure Services.
- In Business DX, by leveraging the data obtained through above services, we contribute to the transformation of customer business models through technologies like digital twins.

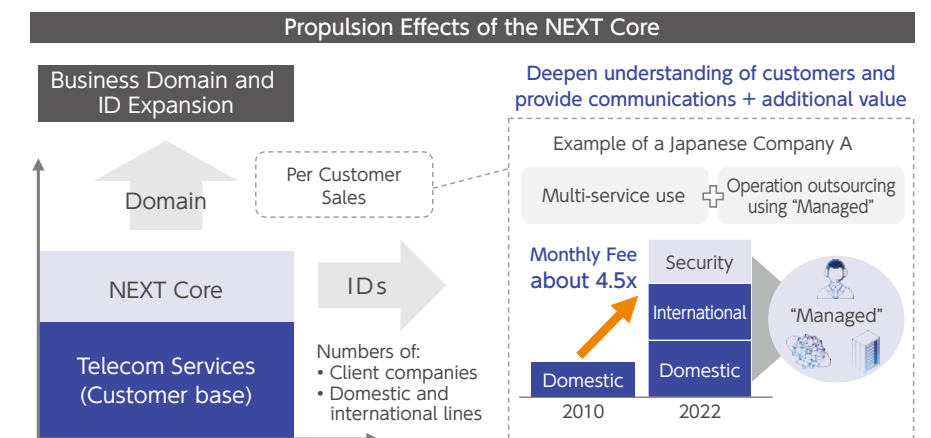
In this way, we promote NEXT Core and contribute to solving customer challenges.



Propulsion Effects of the NEXT Core

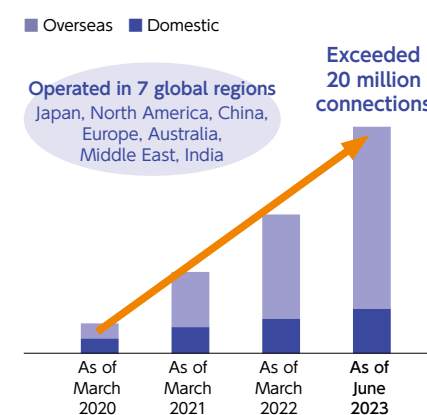
By advancing NEXT Core, we will expand our business domain and IDs, building upon our customer base of telecommunications business. As an example, in the case of Japanese manufacturer Company A, through various value propositions based on telecommunications, along with the utilization of multiple services and outsourcing of operations through managed services, their monthly usage fees increased approximately 4.5 times from 2010 to 2022.

Moving forward, we will continue to deepen our understanding of our customers’ needs and provide value beyond telecommunications.



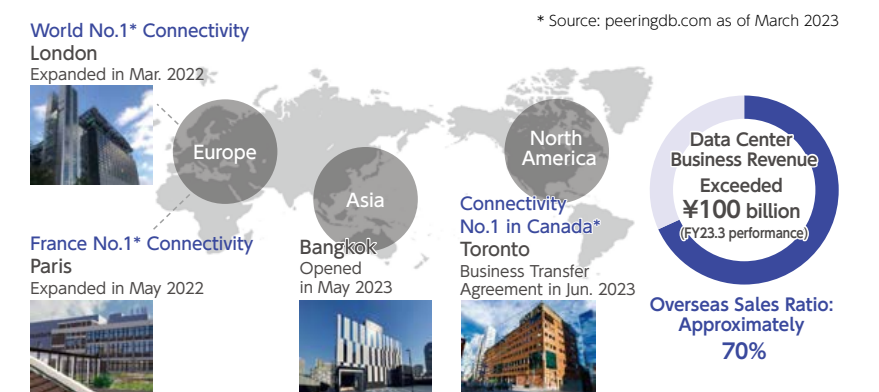
Global Expansion

Expansion of Connected



Operated in 7 global regions
Japan, North America, China, Europe, Australia, Middle East, India

Expansion of Data Center (DC) Business



* Source: peeringdb.com as of March 2023

The number of IoT connections installed in connected cars exceeded 20 million as of June 2023. We have expanded our offerings to major domestic automobile manufacturers and expanded our business operations in seven global regions.

Telehouse actively expands its data center business leveraging its strength in connectivity. Connectivity data centers are characterized by not requiring significant investment while maintaining high profitability. Telehouse is dedicated to this field, capturing market growth and aiming for further business growth. In addition to Europe, including London, which has World No.1 connectivity, Telehouse has expanded its presence in Asia with the opening of a facility in Bangkok in May 2023 and entered the Canadian market in North America, establishing a three-pole global presence. In FY23.3, the data center business achieved revenue exceeding ¥100 billion, with approximately 70% of it coming from overseas.

Financial and Non-Financial Highlights

(Years ended March 31)

Non-Financial

✔ Indicates the latest data with third-party guarantees

			Boundary	Unit	FY19.3		FY20.3		FY21.3		FY22.3		FY23.3		Notes
					t	%	t	%	t	%	t	%	t	%	
CO ₂ emissions	Scope 1*1	Direct GHG emissions	Non-consolidated	t, %	6,539	0.12	6,581	0.10	5,746	0.09	7,976✔	0.13	5,747	0.09	*1 Heavy oil (crude oil), diesel, kerosene, city gas
													944,876	15.23	
	Scope 2*2	Indirect GHG emissions from consumption of purchased electricity, heat or steam	Non-consolidated	t, %	1,058,143	18.98	1,041,559	16.13	1,049,105	16.28	1,090,954✔	17.71	1,464,526✔	23.61	*2 Regarding the calculation of CO ₂ emissions, the emissions from electricity consumption are calculated using emission coefficients by electric utility companies.
													153,839✔	2.48	
	Scope 3*3	Purchased goods and services	Non-consolidated	t, %	3,347,946	60.05	3,529,472	54.65	3,581,713	55.57	3,373,587	54.77	3,388,959✔	54.64	*3 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.
		Capital goods	Non-consolidated	t, %	875,318	15.70	1,584,908	24.54	1,486,988	23.07	1,367,518	22.20	1,464,526✔	23.61	
		Fuel- and energy-related activities not included in Scopes 1 and 2	Non-consolidated	t, %	37,104	0.67	40,188	0.62	41,729	0.65	43,950	0.71	153,839✔	2.48	
		Upstream transportation and distribution	Non-consolidated	t, %	8,777	0.16	7,408	0.11	7,183	0.11	12,035	0.20	6,292✔	0.10	
		Waste generated in operations	Non-consolidated	t, %	710	0.01	413	0.01	464	0.01	485	0.01	464✔	0.01	
		Business travel	Non-consolidated	t, %	5,012	0.09	4,955	0.08	662	0.01	908	0.01	6,114✔	0.10	
		Employee commuting	Non-consolidated	t, %	4,034	0.07	5,043	0.08	1,897	0.03	2,430	0.04	2,088✔	0.03	
		Upstream leased assets	Non-consolidated	t, %	1,133	0.02	784	0.01	514	0.01	527	0.01	527✔	0.01	
		Downstream transportation and distribution	Non-consolidated	t, %	0	0.00	0	0.00	0	0.00	0	0.00	0✔	0.00	
		Processing of sold products	Non-consolidated	t, %	0	0.00	0	0.00	0	0.00	0	0.00	0✔	0.00	
		Use of sold products	Non-consolidated	t, %	229,913	4.12	237,008	3.67	268,754	4.17	259,227	4.21	228,485✔	3.68	
		End-of-life treatment of sold products	Non-consolidated	t, %	344	0.01	205	0.00	150	0.00	127	0.00	979✔	0.02	
		Downstream leased assets	Non-consolidated	t, %	0	0.00	0	0.00	0	0.00	0	0.00	0✔	0.00	
		Franchises	Non-consolidated	t, %	0	0.00	0	0.00	0	0.00	0	0.00	0✔	0.00	
		Investment	Non-consolidated	t, %	0	0.00	0	0.00	0	0.00	0	0.00	0✔	0.00	
	Scope 3 Total		Non-consolidated	t, %	4,510,291	80.90	5,410,384	83.77	5,390,054	83.63	5,060,794	82.16	5,252,273✔	84.67	*4 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.
	Total of Scope 1 + 2 emissions		Non-consolidated	t	1,064,683		1,048,140		1,054,850		1,098,929✔		950,622		
	Total of Scope 1 + 2 + 3 emissions		Non-consolidated	t	5,574,974		6,458,524		6,444,904		6,159,723✔		6,202,895		
	Consolidated	Scope 1 emissions	Fuel	Consolidated	t	25,511	25,169	25,420	27,687✔	88,383					
		Scope 2 emissions*2 (market-based)	Electricity, steam and hot and cold water	Consolidated	t	1,369,942	1,352,131	1,296,381	1,492,048✔	1,318,013					
		Total of Scope 1 + 2 emissions (market-based)	Consolidated	t	1,395,453	1,377,300	1,321,801	1,519,735✔	1,406,396						*5 Calculated for KDDI (non-consolidated) and for employees with disabilities employed by KDDI Challenged and KDDI Engineering. The figures reflect the actual data as of June of the following fiscal year.
	Consolidated	Scope 2 emissions (location-based)	Electricity, steam and hot and cold water	Consolidated	t	1,486,429	1,486,924	1,475,724	1,614,118✔	1,475,170					
		Power consumption	Non-consolidated	1000 kWh	2,151,456	2,262,524	2,357,458	2,468,974✔	2,216,734						
		Power consumption	Consolidated	1000 kWh	2,930,568	3,079,800	3,198,506	3,634,732✔	3,387,049						
		Electricity consumption derived from renewable energy sources	Consolidated	1000 kWh	158,338	169,349	338,319	379,173✔	488,544						
Fuel consumption		Fuel consumption*4	Non-consolidated	kL	330	544	345	364✔	546						*6 Starting from FY22.3, calculations include "Managerial Positions" as per the revised personnel system. The ratio for FY23.3 is based on data as of April 1, 2023. Excludes secondees on-site and includes secondees sent out.
Energy usage		Energy usage at equipment-related facilities	Non-consolidated	1000 kWh	863,416	903,111	947,613	1,009,802✔	1,039,214						
Renewable energy (business)		Renewable Energy Generation Volume	Non-consolidated	1000 kWh	17,998	17,406	17,566	17,664	16,649						
Water usage		Water usage (Water supply, recycled water, well water, excluding waste water)	Consolidated	m ³	730,259	674,869	1,156,206	1,630,890✔	2,050,273						
Waste products		Industrial waste (Nonhazardous industrial waste (telecommunications equipment, normal daily waste from KDDI buildings))	Consolidated	t	3,303	3,753	3,319	4,822✔	4,216						
		Material recycling volume	Consolidated*8	t	—	—	—	—	1,571						*7 All employees
Paper resources		Paper usage	Non-consolidated	t	10,853	9,512	8,798	5,313	6,809						
		Reduction of paper by putting bills on the web	Non-consolidated	t	4,041	4,207	4,962	5,180	5,358						
Promotion of mobile phone recycling		Number of mobile phones and other devices collected (mobile phone main body, batteries, chargers)	Non-consolidated	10,000 devices	288	279	258	260	217						
		Material Recycling rate	Non-consolidated	%	99.8	99.8	99.8	99.8	99.8						
Number of employees		Number of consolidated employees	Consolidated	people	41,996	44,952	47,320	48,829	49,659						*8 Main Subsidiaries
		Number of consolidated foreign employees	Consolidated	people	4,208	4,393	4,581	5,111	5,833						
Working years		Average working years (Male)	Non-consolidated	year	18.2	18.4	18.3	17.7	18.0						
		Average working years (Female)	Non-consolidated	year	15.7	15.9	15.5	15.6	15.6						
Turnover rate		Turnover rate (Male)	Non-consolidated	%	1.30	1.30	1.09	2.13	2.45						
		Turnover rate (Female)	Non-consolidated	%	1.96	2.03	1.47	2.44	2.97						
Hiring		Percentage of newly hired female graduates	Non-consolidated	%	36.9	31.1	32.4	33.6	33.9						
		Ratio of mid-career hires	Non-consolidated	%	27.5	32.7	38.1	39.7	45.0						
Promoting employment of persons with disabilities		Employment rate of persons with disabilities*5	Non-consolidated	%	2.54	2.53	2.50	2.58	2.54						
Promotion of women's participation in the workplace		The percentage of female employees in management positions*6	Non-consolidated	%	—	—	—	—	8.6✔						
		Percentage of male employees taking childcare leave	Non-consolidated	%	—	—	—	—	71.8✔						
		Gender pay gap*7	Non-consolidated	%	—	—	—	—	77.0✔						

Financial and Non-Financial Highlights

(Years ended March 31)

Non-Financial

Percentage of Female Employees in Managerial Positions

Company name	Percentage of female employees in managerial positions (%)*1	Notes*2
KDDI CORPORATION	8.6	<div><div>• Reference date: As of April 1, 2023</div><div>• Exclude secondees on-site and include secondees sent out</div></div>
JCOM Co., Ltd.	17.9	<div><div>• Reference date: As of March 31, 2023</div><div>• Exclude secondees on-site and include secondees sent out</div></div>
Chubu Telecommunications Co., Inc.	2.8	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
BIGLOBE Inc.	7.1	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
ENERES Co., Ltd.	20.8	<div><div>• Reference date: As of April 1, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
OKINAWA CELLULAR TELEPHONE COMPANY (OCT)	9.5	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
KDDI Evolva, Inc.	17.3	<div><div>• Reference date: As of March 31, 2023</div><div>• Exclude secondees on-site and include secondees sent out</div></div>
KDDI MATOMETE OFFICE CORPORATION	7.6	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
KDDI Engineering Corporation	2.1	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
KDDI Sonic-Falcon CORPORATION	8.8	<div><div>• Reference date: As of April 1, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
KDDI PRECEDE CORPORATION	50.0	<div><div>• Reference date: As of March 31, 2023</div><div>• Exclude both secondees on-site and secondees sent out</div></div>
Supership Inc.	16.7	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
AEON Holdings Corporation	48.0	<div><div>• Reference date: As of October 1, 2022</div><div>• Exclude secondees on-site and include secondees sent out</div></div>
au Commerce & Life, Inc	16.4	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
au Jibun Bank Corporation	7.6	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
KCJ GROUP INC.	47.5	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
Okinawa Telecommunication Network Co., Inc.	3.7	<div><div>• Reference date: As of March 31, 2023</div><div>• Include secondees on-site and exclude secondees sent out</div></div>
KDDI Technology Corporation (KTEC)	6.9	<div><div>• Reference date: As of March 31, 2023</div><div>• Exclude both secondees on-site and secondees sent out</div></div>

*1 Calculated based on the "Act on Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64 of 2015).

*2 The reference date and whether or not the number of secondees on-site and secondees sent out are counted are indicated in the note column.

Childcare Leave Uptake Rate for Male Workers

Company name	Childcare leave uptake rate (male)(%)*1.2	Notes
KDDI CORPORATION	71.8	Calculate the uptake rate for childcare leave and childcare-related time off*4
JCOM Co., Ltd.	59.8	Calculate the uptake rate for childcare leave*3
Chubu Telecommunications Co., Inc.	39.1	Calculate the uptake rate for childcare leave*3
BIGLOBE Inc.	41.7	Calculate the uptake rate for childcare leave*3
ENERES Co., Ltd.	66.7	Calculate the uptake rate for childcare leave*3
KDDI Evolva, Inc.	56.0	Calculate the uptake rate for childcare leave*3
OKINAWA CELLULAR TELEPHONE COMPANY (OCT)	100.0	Calculate the uptake rate for childcare leave and childcare-related time off*4
KDDI Engineering Corporation	29.4	Calculate the uptake rate for childcare leave*3
KDDI Sonic-Falcon CORPORATION	65.0	Calculate the uptake rate for childcare leave*3
KDDI PRECEDE CORPORATION	122.2	Calculate the uptake rate for childcare leave*3
Supership Inc.	66.7	Calculate the uptake rate for childcare leave*3
AEON Holdings Corporation	57.1	Calculate the uptake rate for childcare leave*3
au Commerce & Life, Inc	76.9	Calculate the uptake rate for childcare leave and childcare-related time off*4
au Jibun Bank Corporation	40.0	Calculate the uptake rate for childcare leave*3
mediba Inc.	90.9	Calculate the uptake rate for childcare leave and childcare-related time off*4
KCJ GROUP INC.	12.5	Calculate the uptake rate for childcare leave*3
Okinawa Telecommunication Network Co., Inc.	71.4	Calculate the uptake rate for childcare leave*3
iret Inc.	35.3	Calculate the uptake rate for childcare leave*3

*1 All figures are calculated based on the period from April 1, 2022, to March 31, 2023.

*2 The calculation method includes secondees sent out and excludes secondees on-site.

*3 Calculated based on the "Act on Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76 of 1991) and the "Ordinance for Enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Ordinance of the Ministry of Labor No. 25 of 1991), Article 71-4, Paragraph 1, on the acquisition rate of child care leave purposes.

*4 Calculated based on the "Act on Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76 of 1991) and the "Ordinance for Enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Ordinance of the Ministry of Labor No. 25 of 1991), Article 71-4, Paragraph 2, on the acquisition rate of child care leave and leave for child care purposes.

Gender Pay Gap among Workers

Company name	Gender pay gap among workers (%)*1.2		
	All employees	Full-time workers	Part-time and fixed-term employees
KDDI CORPORATION	77.0	78.0	84.2
JCOM Co., Ltd.	72.3	73.6	73.6
Chubu Telecommunications Co., Inc.	73.2	73.4	76.3
BIGLOBE Inc.	75.9	75.8	67.6
ENERES Co., Ltd.	71.4	73.4	44.1
OKINAWA CELLULAR TELEPHONE COMPANY (OCT)	74.4	73.1	*3
KDDI Evolva, Inc.	65.7	73.9	78.6
KDDI MATOMETE OFFICE CORPORATION	88.6	88.4	93.7
KDDI Engineering Corporation	75.3	74.1	125.1
KDDI Sonic-Falcon CORPORATION	88.7	85.1	89.4
KDDI PRECEDE CORPORATION	91.2	90.1	97.5
Supership Inc.	106.4	77.4	206.5
AEON Holdings Corporation	91.3	80.2	93.7
au Commerce & Life, Inc	81.9	85.7	94.8
au Jibun Bank Corporation	73.1	73.7	56.8
mediba Inc.	75.3	77.2	98.9
KCJ GROUP INC.	64.7	68.8	92.7
Okinawa Telecommunication Network Co., Inc.	72.9	73.3	63.7
iret Inc.	74.4	74.8	83.9

*1 These figures indicate the ratio of female wages to male wages in the most recent fiscal year.

*2 Calculated based on the "Act on Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64 of 2015).

*3 Not calculated as all employees are male.

Consolidated Financial Statements

i. Consolidated Statement of Financial Position

Millions of yen			
As of March 31	Notes	2022	2023
Assets			
Non-current assets:			
Property, plant and equipment	5, 7	2,585,481	2,595,721
Right-of-use assets	7, 35	387,669	393,935
Goodwill	6, 7	540,962	541,058
Intangible assets	6, 7	1,025,223	1,048,396
Investments accounted for using the equity method	8	244,515	255,290
Long-term loans for financial business	31, 32	1,335,111	2,038,403
Securities for financial business	31, 32	338,285	411,063
Other long-term financial assets	11, 31, 32	329,268	304,106
Retirement benefit assets	16	44,720	62,911
Deferred tax assets	15	12,330	12,203
Contract costs	24	548,704	637,534
Other non-current assets	12	25,083	29,924
Total non-current assets		7,417,350	8,330,544
Current assets:			
Inventories	9	74,511	99,038
Trade and other receivables	10, 24, 31	2,311,694	2,445,250
Short-term loans for financial business	31, 32	255,266	304,557
Call loans	31	45,064	53,944
Other short-term financial assets	11, 31, 32	67,154	60,158
Income tax receivables		2,904	2,663
Other current assets	12	113,822	141,236
Cash and cash equivalents	13	796,613	480,252
Total current assets		3,667,028	3,587,098
Total assets		11,084,379	11,917,643

Millions of yen			
As of March 31	Notes	2022	2023
Liabilities and Equity			
Liabilities			
Non-current liabilities:			
Borrowings and bonds payable	14, 31, 32	921,616	914,233
Long-term deposits for financial business	31, 32	33,240	64,829
Lease liabilities	31, 35	279,265	286,437
Other long-term financial liabilities	18, 31, 32	14,198	10,309
Retirement benefit liabilities	16	12,496	11,739
Deferred tax liabilities	15	144,776	188,101
Provisions	19	70,073	52,414
Contract liabilities	24	71,083	76,258
Other non-current liabilities	20	11,015	12,366
Total non-current liabilities		1,557,762	1,616,687
Current liabilities:			
Borrowings and bonds payable	14, 31, 32	286,505	337,961
Trade and other payables	17, 31	834,496	801,927
Short-term deposits for financial business	31, 32	2,184,264	2,652,723
Call money	31	141,348	—
Cash collateral received for securities lent	14, 31	—	244,111
Lease liabilities	31, 35	112,719	112,805
Other short-term financial liabilities	18, 31, 32	2,620	6,894
Income taxes payables		126,874	129,404
Provisions	19	25,641	25,398
Contract liabilities	24	86,091	82,242
Other current liabilities	20	215,397	242,712
Total current liabilities		4,015,953	4,636,176
Total liabilities		5,573,715	6,252,863
Equity			
Equity attributable to owners of the parent			
Common stock	22	141,852	141,852
Capital surplus	22	279,371	279,371
Treasury stock	22	(299,827)	(545,833)
Retained earnings	22	4,818,117	5,215,177
Accumulated other comprehensive income	22	43,074	31,841
Total equity attributable to owners of the parent		4,982,586	5,122,409
Non-controlling interests	37	528,077	542,370
Total equity		5,510,663	5,664,780
Total liabilities and equity		11,084,379	11,917,643

ii. Consolidated Statement of Income

Millions of yen			
For the years ended March 31	Notes	2022	2023
Operating revenue	24	5,446,708	5,671,762
Cost of sales	25	2,984,589	3,260,030
Gross profit		2,462,119	2,411,731
Selling, general and administrative expenses	25	1,422,539	1,408,391
Other income	26	21,001	71,629
Other expense	26	5,781	3,790
Share of profit of investments accounted for using the equity method	8	5,791	4,569
Operating income		1,060,592	1,075,749
Finance income	27	10,202	10,175
Finance cost	27	7,746	8,658
Other non-operating profit and loss	28	1,448	612
Profit for the year before income tax		1,064,497	1,077,878
Income tax	15	331,957	339,484
Profit for the year		732,540	738,394
Profit for the year attributable to:			
Owners of the parent		672,486	677,469
Non-controlling interests		60,054	60,926
Profit for the year		732,540	738,394
Earnings per share attributable to owners of the parent	34		
Basic earnings per share (yen)		300.03	310.25
Diluted earnings per share (yen)		299.73	310.12

iii. Consolidated Statement of Comprehensive Income

Millions of yen			
For the years ended March 31	Notes	2022	2023
Profit for the year		732,540	738,394
Other comprehensive income			
Items that will not be transferred subsequently to profit or loss			
Remeasurements of defined benefit pension plans	16, 29	5,201	12,526
Changes measured in fair value of financial assets through other comprehensive income	29, 31	9,001	(24,837)
Share of other comprehensive income of investments accounted for using the equity method	8, 29	(6)	(555)
Total		14,195	(12,865)
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of cash flow hedge	29, 31	2,422	(1,042)
Translation differences on foreign operations	29	23,891	19,935
Share of other comprehensive income of investments accounted for using the equity method	8, 29	981	1,467
Total		27,294	20,360
Total other comprehensive income		41,490	7,495
Total comprehensive income for the year		774,029	745,890
Total comprehensive income for the year attributable to:			
Owners of the parent		706,668	678,235
Non-controlling interests		67,362	67,655
Total		774,029	745,890

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, 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

Millions of yen									
For the year ended March 31, 2023									
	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, 2022		141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663
Comprehensive income									
Profit for the year		—	—	—	677,469	—	677,469	60,926	738,394
Other comprehensive income		—	—	—	—	766	766	6,729	7,495
Total comprehensive income		—	—	—	677,469	766	678,235	67,655	745,890
Transactions with owners and other transactions									
Cash dividends	23	—	—	—	(288,394)	—	(288,394)	(46,225)	(334,618)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	11,999	(11,999)	—	—	—
Purchase and disposal of treasury stock	22	—	(41)	(250,152)	—	—	(250,192)	—	(250,192)
Retirement of treasury stock	22	—	(5,313)	5,313	—	—	—	—	—
Transfer from retained earnings to capital surplus		—	4,014	—	(4,014)	—	—	—	—
Changes in interests in subsidiaries		—	(445)	—	—	—	(445)	(7,137)	(7,582)
Other		—	1,786	(1,167)	—	—	619	—	619
Total transactions with owners and other transactions		—	1	(246,005)	(280,408)	(11,999)	(538,412)	(53,361)	(591,773)
As of March 31, 2023		141,852	279,371	(545,833)	5,215,177	31,841	5,122,409	542,370	5,664,780

v. Consolidated Statement of Cash Flows

Millions of yen			
For the years ended March 31			
	Notes	2022	2023
Cash flows from operating activities			
Profit for the year before income tax		1,064,497	1,077,878
Depreciation and amortization	5, 6	728,101	697,152
Impairment loss	7	2,689	2,354
Share of (profit) loss of investments accounted for using the equity method	8	(5,791)	(4,569)
Loss (gain) on sales of non-current assets		(1,393)	(1,581)
Interest and dividends income	27	(7,022)	(9,914)
Interest expenses	27	6,681	7,142
(Increase) decrease in trade and other receivables		(51,616)	(104,796)
Increase (decrease) in trade and other payables		16,403	5,396
(Increase) decrease in loans for financial business		(207,966)	(752,583)
Increase (decrease) in deposits for financial business		367,415	500,047
(Increase) decrease in Call loans		(11,218)	(8,881)
Increase (decrease) in Call money		25,532	(141,348)
Increase (decrease) in cash collateral received for securities lent		—	244,111
(Increase) decrease in inventories		(4,577)	(24,421)
(Increase) decrease in retirement benefit assets		(6,357)	(18,190)
Increase (decrease) in retirement benefit liabilities		387	(757)
Other		(84,111)	(105,347)
Cash generated from operations		1,831,655	1,361,693
Interest and dividends received		10,620	13,468
Interest paid		(6,499)	(6,768)
Income tax paid		(374,768)	(292,659)
Income tax refund		7,641	3,134
Net cash provided by (used in) operating activities		1,468,648	1,078,869
Cash flows from investing activities			
Purchases of property, plant and equipment		(425,800)	(394,652)
Proceeds from sales of property, plant and equipment		2,118	3,754
Purchases of intangible assets		(249,767)	(239,473)
Purchases of securities for financial business		(339,393)	(385,468)
Proceeds from sales and redemption of securities for financial business		277,300	311,511
Purchases of other financial assets		(12,822)	(8,900)
Proceeds from sales and redemption of other financial assets		7,165	1,892
Purchases of stocks of associates		(9,974)	(9,847)
Proceeds from sales of stocks of subsidiaries and associates		1,595	—
Other		(12,015)	(11,297)
Net cash provided by (used in) investing activities		(761,593)	(732,480)
Cash flows from financing activities			
Net increase (decrease) of short-term borrowings	30	17	49,983
Proceeds from issuance of bonds and long-term borrowings	30	—	200,000
Payments from redemption of bonds and repayments of long-term borrowings	30	(73,375)	(200,500)
Repayments of lease liabilities	30	(130,848)	(128,288)
Payments from purchase of subsidiaries' equity from non-controlling interests		(12,619)	(7,002)
Proceeds from the partial sales of shares of subsidiaries to non-controlling interests		6,750	—
Proceeds from stock issuance to non-controlling interests		108	49
Payments from purchase of treasury stock	22	(213,763)	(250,152)
Cash dividends paid		(271,362)	(287,117)
Cash dividends paid to non-controlling interests		(32,164)	(46,810)
Other		(1)	(0)
Net cash provided by (used in) financing activities		(727,257)	(669,837)
Effect of exchange rate changes on cash and cash equivalents	30	7,012	7,087
Net increase (decrease) in cash and cash equivalents	30	(13,189)	(316,361)
Cash and cash equivalents at the beginning of the year	13, 30	809,802	796,613
Cash and cash equivalents at the end of the year	13, 30	796,613	480,252

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, 2023 comprise the Company and its consolidated subsidiaries (“the Group”) and the Group's interests in associates and joint ven-

tures. The Company is the ultimate parent company of the Group. The Group's major business and activities are “Personal Services” and “Business Services”. For the details, please refer to “(1) Outline of reportable segments” of “4. Segment information.”

2 | Basis of Preparation

(1) Compliance of consolidated financial statements with IFRSs

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

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgement

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on the management's best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of the estimates or assumptions, however, actual results may differ from those estimates and assumptions. The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years. Estimates that may have a risk of significant adjustment of carrying amounts of assets and/or liabilities in the subsequent fiscal years and the underlying assumptions are as follows: In the fiscal year ended March 31, 2022, the Company had previously assumed that the impact of COVID-19 would last at least throughout the entire fiscal year ended March 31, 2023. The Company made an accounting estimate used for the preparation of

its consolidated financial statements for the fiscal year ended March 31, 2023, assuming that the impact of COVID-19 on the following fiscal year and beyond will be 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 and 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 accounting policies (16) Employee benefits” and “16. Employee benefits”.

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the consolidated financial statements are not mandatory as of March 31, 2023. 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 adoption will not have significant impacts on the Company's consolidated financial statements.

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, 2023.

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 an expense when it is incurred.

ii. Depreciation and useful lives

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

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

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

(8) Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

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

(b) Classification of non-derivative financial assets

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

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

Dividends are recognized in profit or loss.

(iii) 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 assesses whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:

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

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

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

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

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

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

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

(14) Cash and cash equivalents

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

(15) Inventories

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

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

(16) Employee benefits

i. Post-employment benefits

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

(a) Defined benefit plans

The asset or liability recognized on the consolidated statement of financial position in relation to the defined benefit pension plans (defined benefit asset or liability) is the present value of the defined benefit obligation less fair value of the plan assets 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 Group at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Group granted is determined by adjusting the market value, taking into account the expected dividend yield of the shares.

(19) Equity

i. Common stock

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

ii. Treasury stock

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

(20) Revenue

i. Mobile telecommunications services

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

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

Discounts of communication charges are deducted from the mobile telecommunications service fees on a monthly basis.

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

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

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

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

(a) Indirect sales

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

(b) Direct sales

In direct sales transactions, revenue from the sale of mobile handsets and revenue from service fees, including mobile telecommunications service fees, are considered to be bundled. Therefore, contracts that are concluded for a bundled transaction are treated as a single contract for accounting purposes. The total amount of the transaction allocated to revenue from the sale of mobile handsets and mobile telecommunications service fees is based on the proportion of each component's 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, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands “au,” “UQ mobile,” and “povo.”

In addition, we are addressing challenges in local communities due to depopulation and aging, and are working with local partners to eliminate the digital divide and achieve regional co-creation.

Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and TELEHOUSE brand data center services.

Furthermore, in our mid-term management strategy (FY2022–2024), we announced the “Satellite Growth Strategy,” which strives to evolve the telecommunications business through 5G and expand business in focus fields, centering on telecommunications. We provide global one-stop solutions that contribute to the development and expansion of our customers’ businesses through IoT and DX centered on 5G communications in collaboration with our partners.

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

(25) Dividends

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

(26) Earnings per share

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

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

The reportable segments for some businesses were changed due to organization change in the fiscal year ended March 31, 2023.

Accordingly, the segment information for the fiscal year ended March 31, 2022 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:

							Millions of yen
For the year ended March 31, 2022	Reportable segment					Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total	Other (Note 1)	Total		
Revenue							
Revenue from external customers	4,596,528	827,545	5,424,074	22,634	5,446,708	—	5,446,708
Inter-segment revenue or transfers	72,679	214,575	287,254	62,838	350,091	(350,091)	—
Total	4,669,208	1,042,120	5,711,327	85,472	5,796,799	(350,091)	5,446,708
Segment income (loss)	867,092	187,072	1,054,164	7,590	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	644,236	85,023	729,260	2,357	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

							Millions of yen
For the year ended March 31, 2023	Reportable segment					Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total	Other (Note 1)	Total		
Revenue							
Revenue from external customers	4,754,821	892,781	5,647,602	24,160	5,671,762	—	5,671,762
Inter-segment revenue or transfers	78,747	216,025	294,772	65,305	360,077	(360,077)	—
Total	4,833,567	1,108,807	5,942,374	89,465	6,031,838	(360,077)	5,671,762
Segment income (loss)	880,308	190,808	1,071,116	4,181	1,075,297	452	1,075,749
Finance income and finance cost (Net)							1,517
Other non-operating profit and loss							612
Profit for the year before income tax							1,077,878
Other items							
Depreciation and amortization	608,820	89,446	698,265	2,378	700,644	(4,053)	696,591
Impairment loss	2,289	48	2,337	17	2,354	—	2,354
Share of profit of investment accounted for using the equity method	2,652	(244)	2,408	2,161	4,569	—	4,569

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, 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	—	
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	
Acquisition	4,209	236	11	359,960	619	365,035	
Transfer from construction in progress	296,388	16,646	760	(357,379)	43,584	—	
Disposal	(89,941)	(7,968)	(1,014)	(446)	(22,808)	(122,179)	
Exchange differences	(1,457)	3,161	637	665	6,318	9,323	
Other	4,018	1,108	(682)	(4,960)	(2,387)	(2,904)	
As of March 31, 2023	6,075,279	749,004	293,423	329,488	575,002	8,022,195	

Accumulated depreciation and accumulated impairment loss

Millions of yen

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 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)
Depreciation	(286,778)	(21,955)	—	—	(40,250)	(348,984)
Disposal	86,465	6,185	265	—	22,198	115,113
Impairment loss	(1,459)	(177)	—	(11)	(243)	(1,889)
Exchange differences	407	(602)	(1)	(160)	(2,918)	(3,275)
As of March 31, 2023	(4,575,849)	(458,433)	(3,819)	(3,885)	(384,488)	(5,426,474)

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, 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
As of March 31, 2023	1,499,429	290,571	289,604	325,603	190,515	2,595,721

(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, 2022 and 2023.

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						
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	Total
As of April 1, 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
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
Individual acquisition	—	138,020	—	—	10,760	108,256	257,036
Disposal	—	(91,971)	—	—	—	(50,814)	(142,785)
Exchange differences	96	(660)	—	—	—	582	17
Other	—	3,253	—	—	(76)	(11,292)	(8,115)
As of March 31, 2023	555,829	1,008,274	328,972	36,363	141,391	698,947	2,769,776

Accumulated amortization and impairment

Millions of yen

	Intangible assets						
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	Total
As of April 1, 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)
Amortization	—	(136,682)	(19,562)	(1,653)	(15,005)	(49,644)	(222,546)
Impairment loss	—	(449)	—	—	—	(3)	(452)
Disposal	—	90,094	—	—	—	50,344	140,438
Exchange differences	—	307	—	—	—	(632)	(324)
Other	—	—	—	—	—	—	—
As of March 31, 2023	(14,771)	(588,693)	(169,936)	(16,529)	(61,491)	(328,902)	(1,180,322)

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

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

Carrying amount	Intangible assets						Total
	Goodwill	Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 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
As of March 31, 2023	541,058	419,581	159,035	19,834	79,900	370,046	1,589,454

(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, 2022 and 2023 are ¥25,081 million and ¥26,373 million, respectively.

(3) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives described above as of March 31, 2022 and 2023 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 CGUs including goodwill and intangible assets with indefinite useful lives
The Group tests for impairment of goodwill and intangible assets with indefinite useful lives at least annually, and whenever there is an indication of impairment.
The total carrying amounts of the goodwill and intangible assets with indefinite useful lives allocated to CGUs or groups of CGUs are as follows:

Goodwill		
CGUs or groups of CGUs		
As of March 31	2022	2023
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	107,784	107,880
Total	540,962	541,058

Intangible assets with indefinite useful lives

CGUs or groups of CGUs		
As of March 31	2022	2023
BIGLOBE Inc.	26,374	26,374
Jupiter Shop Channel Co., Ltd.	19,859	19,859
AEON HD	17,146	17,146
Total	63,379	63,379

The recoverable amount of goodwill and intangible assets with indefinite useful lives allocated to CGUs or groups of CGUs is calculated using value

in use.

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

CGUs or groups of CGUs		
As of March 31	2022	2023
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%-6.0%	0.0%-6.5%

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

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

CGUs or groups of CGUs		
As of March 31	2022	2023
JCOM Co., Ltd. CATV business	5.8%	5.7%
Jupiter Shop Channel Co., Ltd.	7.3%	5.6%
AEON HD	5.2%	5.6%
ENERES Co., Ltd.	6.5%	6.3%
BIGLOBE Inc.	8.1%	8.5%
Other	5.2%-15.2%	5.7%-19.3%

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

8Investments Accounted for Using the Equity Method

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

Millions of yen		
For the year ended March 31	2022	2023
Interests in associates	244,515	255,290
Total	244,515	255,290

(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, 2022 and 2023, there is no individually significant associate accounted for using the equity method.

Millions of yen		
For the year ended March 31	2022	2023
Profit for the year	5,791	4,569
Other comprehensive income, net of tax	975	913
Total comprehensive income for the year	6,766	5,481

9Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

Millions of yen		
As of March 31	2022	2023
Finished goods and manufactured goods	71,262	96,169
Work in progress	2,684	2,570
Other	565	299
Total	74,511	99,038

There is no inventory to be sold after more than 12 months from March 31, 2022 and 2023.

(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	2022	2023
Write down of the inventories expensed (Note)	7,599	2,308

Note: Write down is recognized as costs of sales.

(3) Inventories pledged as collateral

There are no inventories pledged as collateral.

10Trade and Other Receivables

The analysis of trade and other receivables is as follows:

Millions of yen		
As of March 31	2022	2023
Current:		
Trade receivables		
Accounts receivable-trade and notes receivable	2,182,975	2,281,671
Accounts receivable-other (Note)	146,991	182,747
Loss allowance	(18,272)	(19,168)
Total	2,311,694	2,445,250

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, 2022 and 2023 are ¥340,336 million and ¥418,636 million, respectively.

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

11Other Financial Assets

The analysis of other financial assets is as follows:

Millions of yen		
As of March 31	2022	2023
Non-current assets (Other long-term financial assets):		
Financial assets at fair value through profit or loss		
Derivatives	85	80
Financial assets at fair value through other comprehensive income		
Equity instruments		
Equities	199,608	178,090
Financial assets at amortized cost		
Debt instruments		
Security deposits	56,700	64,627
Long-term accounts receivables	13,081	15,760
Lease receivables	55,040	40,205
Other	17,761	21,225
Loss allowance	(13,008)	(15,879)
Sub total	329,268	304,106
Current assets (Other short-term financial assets):		
Financial assets at fair value through profit or loss		
Derivatives	9,596	6,961
Financial assets at amortized cost		
Debt instruments		
Lease receivables	35,122	28,832
Short-term investment	8,500	10,456
Other	13,937	13,909
Sub total	67,154	60,158
Total	396,422	364,265

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Other Assets

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

Millions of yen		
As of March 31	2022	2023
Non-current assets		
Long-term prepaid expenses	20,635	26,909
Other	4,447	3,016
Sub total	25,083	29,924
Current assets		
Prepaid expenses	71,283	86,518
Advance payments	18,355	21,058
Other	24,184	33,660
Sub total	113,822	141,236
Total	138,905	171,160

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Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

Millions of yen		
As of March 31	2022	2023
Cash in hand and deposits held at call with banks	794,375	480,052
Term deposits with original maturities of three months or less	2,238	199
Total	796,613	480,252
Cash and cash equivalents in consolidated statement of cash flow	796,613	480,252

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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	2022	2023			
Non-current					
Bonds payable (excluding current portion)	279,564	309,503	0.33	2024-2029	
Long-term borrowings (excluding current portion)	642,052	604,730	0.42	2024-2029	
Sub total	921,616	914,233	—	—	
Current					
Current portion of bonds payable	49,979	69,979	0.41	—	
Current portion of long-term borrowings	180,491	198,465	0.34	—	
Short-term borrowings	56,034	69,517	0.07	—	
Sub total	286,505	337,961	—	—	
Total	1,208,121	1,252,194	—	—	

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:

		Millions of yen		Interest rate (%)	Collateral	Due
As of March 31		2022	2023			
Entity	Description	Issuance date				
KDDI Corp.	20th series of unsecured notes	December 13, 2013	29,978	29,991 (29,991)	0.80 per year	Unsecured December 20, 2023
KDDI Corp.	21st series of unsecured notes	September 10, 2014	29,969	29,982	0.67 per year	Unsecured September 20, 2024
KDDI Corp.	22nd series of unsecured notes	July 12, 2018	29,933	29,944	0.31 per year	Unsecured July 12, 2028
KDDI Corp.	23rd series of unsecured notes	November 22, 2018	39,966	39,987 (39,987)	0.11 per year	Unsecured November 22, 2023
KDDI Corp.	24th series of unsecured notes	November 22, 2018	29,951	29,965	0.25 per year	Unsecured November 21, 2025
KDDI Corp.	25th series of unsecured notes	November 22, 2018	19,952	19,959	0.40 per year	Unsecured November 22, 2028
KDDI Corp.	26th series of unsecured notes	April 26, 2019	29,967	29,984	0.13 per year	Unsecured April 26, 2024
KDDI Corp.	27th series of unsecured notes	April 26, 2019	29,945	29,958	0.23 per year	Unsecured April 24, 2026
KDDI Corp.	28th series of unsecured notes	April 26, 2019	39,903	39,917	0.36 per year	Unsecured April 26, 2029
KDDI Corp.	29th series of unsecured notes	November 29, 2019	49,979 (49,979)	—	0.02 per year	Unsecured November 29, 2022
KDDI Corp.	30th series of unsecured notes	October 27, 2022	—	49,912	0.21 per year	Unsecured October 27, 2025
KDDI Corp.	31st series of unsecured notes	October 27, 2022	—	49,882	0.43 per year	Unsecured October 27, 2027

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

(3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

Millions of yen		
As of March 31	2022	2023
Property, plant and equipment	519	519
Stocks of subsidiaries and associates (Note)	768	768
Securities for financial business	281,608	356,266
Loans for financial business	—	163,456
Other long-term financial assets	6,000	13,248
Other non-current assets	—	3,787
Total	288,895	538,043

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

Millions of yen		
As of March 31	2022	2023
Long-term borrowings (Note)	50,000	61,100
Current portion of long-term borrowings	30,000	50,000
Short-term borrowings	36,500	—
Call money	134,300	—
Accounts payable	132	66
Cash collateral received for securities lent	—	244,111
Total	250,932	355,277

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, 2022 and 2023 are ¥11,192 million and ¥9,725 million, respectively. These amounts are not included in long-term borrowings in the above table.

Certain subsidiaries of the Group have financed from financial institutions due to acquisitions and others. Except for certain loan agreements on insignificant amount of borrowings, these borrowings are subject to financial covenants such as maintenance of shareholder's equity, net asset and surplus of profit as prescribed in the terms of each agreement. The amounts of borrowings as of March 31, 2022 and 2023 are ¥433,863 million and ¥399,013 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, 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 and 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 instru- ments	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

For the year ended March 31, 2023

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

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	2022	2023
Deferred tax assets	12,330	12,203
Deferred tax liabilities	144,776	188,101
Deferred tax assets, net	(132,446)	(175,898)

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, 2022 and 2023 are ¥5,821 million and ¥4,847 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	2022	2023
Deductible temporary differences	33,235	8,678
Tax loss carryforwards	48,903	56,972
Total	82,139	65,649

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

Millions of yen		
As of March 31	2022	2023
1st year	104	1,404
2nd year	188	173
3rd year	278	75
4th year	309	126
5th year and thereafter	48,025	55,194
Total	48,903	56,972

(4) Income taxes

The analysis of income taxes is as follows:

Millions of yen		
For the year ended March 31	2022	2023
Current tax expenses		
Current tax expenses on the profit for the year	301,111	289,339
Adjustments in respect of prior years ((): refund)	(1,393)	6,042
Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses	(3,576)	(107)
Sub total	296,142	295,274
Deferred tax expenses		
Origination and reversal of temporary differences	35,997	44,278
Impact of change of tax rates	1	(8)
Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses	445	(5)
Review of the collectability of deferred tax assets	(628)	(55)
Sub total	35,815	44,210
Total	331,957	339,484

(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, 2022 and 2023 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	2022	2023
Statutory income tax rate	31.4%	31.4%
Non-taxable dividends received	(2.0%)	(1.8%)
Impact of tax differences of foreign subsidiaries	1.1%	1.5%
Tax credit	(0.1%)	(0.1%)
Valuation allowance	1.9%	(0.3%)
Other	(1.0%)	0.7%
Average actual tax rate to incur	31.2%	31.4%

16 Employee Benefits

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

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

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

In accordance with Defined Benefit Corporate Pension Act and other laws, the Group is obliged to pay contributions to the Fund, which pays pension benefits. The trustee of the Fund is obliged to comply with laws, appointments by the Minister of Ministry of Health, Labour and Welfare or the Head of the Regional Bureau of Health and Welfare, by law of the Fund and resolutions of the board of representatives, as well as to 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	2022	2023
Present value of the defined benefit obligations (funded)	401,194	353,214
Present value of the defined benefit obligations (unfunded)	11,127	11,623
Fair value of plan assets	(444,546)	(416,009)
Status of the funding	(32,224)	(51,172)
Retirement benefit liabilities	12,496	11,739
Retirement benefit assets	(44,720)	(62,911)
Net retirement benefit liabilities	(32,224)	(51,172)

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	2022	2023
The movement in the present value of the defined benefit obligations		
Opening balance	413,130	412,321
Current service cost	11,163	4,554
Interest expense	2,176	2,145
Sub total	426,469	419,020
Remeasurements		
Amount from change in financial assumptions	216	(38,053)
Amount from change in demographic assumptions	91	(30)
Benefit payments	(14,706)	(16,360)
Exchange differences	17	10
New consolidation	—	4
Other	235	246
Ending balance	412,321	364,838

The movement in the plan assets is as follows:

Millions of yen		
For the year ended March 31	2022	2023
Changes in fair value of the plan assets		
Opening balance	(439,384)	(444,546)
Interest income	(2,886)	(2,880)
Remeasurements		
Return on plan assets	(8,092)	19,635
Benefit payments	13,544	14,827
Contribution to the plans		
Contribution from employers	(7,801)	(3,045)
New consolidation	—	—
Other	74	—
Ending balance	(444,546)	(416,009)

The weighted average duration of the defined benefit obligations for the years ended March 31, 2022 and 2023 are 15.4 years and 14.6 years, respectively.

iii. Components of plan assets

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

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

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

The fair value of the plan assets as of March 31, 2022 and 2023 consists of the components below:

Millions of yen						
As of March 31	2022			2023		
	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	61,911	—	61,911	53,153	—	53,153
Debt securities	185,353	—	185,353	165,499	—	165,499
Other (Note)	47,103	150,178	197,281	45,403	151,955	197,357
Total	294,368	150,178	444,546	264,054	151,955	416,009

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	2022	2023
Current service cost	11,163	4,554
Interest expense	2,176	2,145
Interest income	(2,886)	(2,880)
Total	10,453	3,819

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	2022	2023
Discount rate	0.6%	1.4%

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

vi. Sensitivity analysis of actuarial assumptions

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

Discount rates

Millions of yen		
As of March 31	2022	2023
0.5% increase	(25,365)	(19,881)
0.5% decrease	25,951	21,808

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, 2024 to be ¥1,540 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	2022	2023
Expenses related to defined contribution pension plans	5,064	8,057

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, 2022 and 2023 are ¥1,835 million and ¥1,819 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	2022	2023
Pension assets	(52,533)	(55,035)
Benefit obligations for the purpose of calculating pension financials	43,578	46,368
Difference	(8,955)	(8,667)
Ratio of the funded pension assets	120.5%	118.7%
Difference consists of		
Surplus	(8,955)	(8,667)

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

Millions of yen		
For the year ended March 31	2022	2023
Contributions by the Group	(1,706)	(1,743)
All contributions to the fund	(2,757)	(2,812)
Ratio to all contributions to the fund	61.9%	62.0%

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, 2024 to be ¥1,819 million.

17 Trade and Other Payables

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

Millions of yen		
As of March 31	2022	2023
Current liabilities		
Accounts payable (Note)	620,656	586,110
Accounts payable-trade	176,842	172,402
Accrued expenses	36,557	43,040
Other obligations	440	375
Total	834,496	801,927

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

The amounts of trade and other payables expected to be settled after more than twelve months from March 31, 2022 and 2023 are ¥3,218 million and ¥1,019 million, respectively.

18 Other Financial Liabilities

The analysis of other financial liabilities is as follows:

Millions of yen		
As of March 31	2022	2023
Non-current liabilities (Other long-term financial liabilities):		
Financial liabilities at fair value through profit or loss		
Derivatives	2,197	806
Financial liabilities at amortized cost		
Long-term account payables	2,112	1,967
Other	9,889	7,535
Sub total	14,198	10,309
Current liabilities (Other short-term financial liabilities):		
Financial liabilities at fair value through profit or loss		
Derivatives	2,620	6,894
Sub total	2,620	6,894
Total	16,818	17,202

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, 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
Increase during the year	995	22,448	6,485	29,927
Decrease during the year (intended use)	(17,798)	(28,620)	(1,410)	(47,828)
Decrease during the year (reversal)	—	—	—	—
As of March 31, 2023	47,781	17,816	12,215	77,812
Non-current liabilities	47,269	—	5,145	52,414
Current liabilities	512	17,816	7,070	25,398

(2) Components of provisions

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

i. Asset retirement obligation

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

ii. Provision for customer points

The Group operates some points programs, including the au Ponta point program, and grants points to customers of the Group, for the purpose of sales promotions. In anticipation of the future use of such points by customers, the Group has recorded these points, which are mainly granted by using au Pay and au Pay card, apps and product sales services provided by other companies to debt as a provision for

customer points. The Group has measured the amounts of provision for customer point at an estimated amount to be used in the future based on historical experience.

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

iii. Other provisions

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

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Other Liabilities

The analysis of other liabilities is as follows:

Millions of yen		
As of March 31	2022	2023
Non-current liabilities:		
Long-term deposits payable	1,865	1,902
Other	9,150	10,465
Sub total	11,015	12,366
Current liabilities:		
Deposits payable	129,059	136,314
Accrued bonuses	34,416	36,498
Consumption tax payable	17,664	28,715
Other	34,258	41,185
Sub total	215,397	242,712
Total	226,412	255,078

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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 off of Key Performance Indicators (KPIs) annually.

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2022 and 2023 are ¥1,599 million and ¥1,856 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, 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.

For the year ended March 31, 2023

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

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, 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.

For the year ended March 31, 2023

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

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.

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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, 2021	4,200,000,000	2,304,179,550	141,852	278,675
Increase and decrease during the period (Note 3)	—	—	—	696
Balance as of March 31, 2022	4,200,000,000	2,304,179,550	141,852	279,371
Increase and decrease during the period	—	(1,467,242)	—	1
Balance as of March 31, 2023	4,200,000,000	2,302,712,308	141,852	279,371

Notes: 1. Common stock 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, 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)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	59,823,205	(254,933)
Cancellation of treasury stock	(1,467,242)	5,313
Disposal of treasury stock (Note 2)	(1,743,966)	3,614
Balance as of March 31, 2023 (Note 3)	145,590,929	(545,833)

Notes: 1. The increase in the number of treasury shares in the fiscal year ended March 31, 2022 and 2023, are mainly due to the purchase from the market, 60,390,800 shares, and 59,823,200 shares, respectively.
2. The decrease in the number of treasury stock is 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 April 1, 2021, March 31, 2022 and March 31, 2023 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, 2022:

	Translation differences on foreign operations	Changes mea- sured in fair value of financial assets at fair value through other comprehen- sive 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".

For the year ended March 31, 2023:

	Translation differences on foreign operations	Changes mea- sured in fair value of financial assets at fair value through other comprehen- sive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2022	6,297	36,403	375	—	43,074
Amount incurred during the year	12,980	(24,156)	(852)	12,429	401
Reclassified to consolidated statement of income	—	—	366	—	366
Transferred to retained earnings	—	430	—	(12,429)	(11,999)
Balance as of March 31, 2023	19,277	12,677	(112)	—	31,841

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, 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)	Common stock	136,524	60	March 31, 2021	June 24, 2021
October 29, 2021 Board of directors (Note 1)	Common stock	134,823	60	September 30, 2021	December 1, 2021

For the year ended March 31, 2023

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

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

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

For the year ended March 31, 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)	Common stock	143,988	Retained earnings	65	March 31, 2022	June 23, 2022

For the year ended March 31, 2023

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 21, 2023 General meeting of shareholders (Note 2)	Common stock	150,998	Retained earnings	70	March 31, 2023	June 22, 2023

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

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.

For the year ended March 31, 2022

Segment	Product / Service	Millions of yen
Personal Services		4,596,528
	Mobile communications revenues	1,710,466
	Multi-Brand value-added revenues	647,961
	Fixed-line telecommunications	818,371
	Others	1,419,730
Business Services		827,545
Others		22,634
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.

For the year ended March 31, 2023

Segment	Product / Service	Millions of yen
Personal Services		4,754,821
	Mobile communications revenues	1,591,413
	Multi-Brand value-added revenues	766,584
	Fixed-line telecommunications	819,678
	Others	1,577,145
Business Services		892,781
Others		24,160
Total		5,671,762
Profit from contracts with customers		5,518,184
Profit from other sources		153,578

Note: The amounts presented exclude inter-segment transactions.

(2) Outstanding contract balances

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

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

For the year ended March 31, 2023:

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

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, 2022 and 2023, ¥83,842 million and ¥76,680 million were included in outstanding contract liabilities at the beginning of the fiscal year, respectively.

In the fiscal year ended March 31, 2022 and 2023, 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, 2022 and 2023 are ¥132,985 million and ¥144,662 million, respectively. The performance obligations mainly comprise the revenues from activation fees related to mobile communications services and “au HIKARI” brand services and assumes to be fulfilled when the service is provided. The revenues are expected to be recognized within approximately six years, from March 31, 2022 and 2023. Approximately 50% of the transaction value allocated to the performance obligation is expected to be recognized as revenue within one year. In addition, the Group adopts the simplified method from paragraph 121 of IFRS 15 as a practical expedient and has not included information related to remaining performance obligations that have an original expected duration of one year or less.

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

The Group’s assets recognized from contract costs are as follows.

	Millions of yen March 31, 2022	Millions of yen March 31, 2023
Costs to obtain contracts	490,031	582,382
Costs to fulfill contracts	58,672	55,153

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.

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

These assets are amortized on a straight-line basis based on three to four years of estimated contract period in the fiscal year ended March 31, 2022 and 2023.

The Group determines the recoverability of capitalized contract costs when they are capitalized and re-evaluates this each quarter. Specifically, the Group determines whether or not the book value of the assets exceeds the remaining amount of consideration the company expects to receive based on the telecommunications contract over the estimated contract period less the costs directly related to providing the service that have not yet been recognized as expenses.

In determining the recoverability, we make significant assumptions regarding the business plan based on revenue projections and cost fluctuation projections for cost of sales, sales and general administrative expenses, and other costs.

If the scenario used in estimates and assumptions changes, an impairment loss related to the asset is recognized in net profit or loss. This could therefore have a material impact on the value of assets capitalized from contract costs. Accordingly, the Group regards these estimates as material.

The amortization costs incurred from these assets in the years ended March 31, 2022 and 2023 amounted to ¥211,812 million and ¥233,952 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	2022	2023
Handset sales cost, repair cost	702,641	657,987
Depreciation and amortization	727,779	696,591
Communication equipment usage fee and rentals	332,953	352,031
Staff cost	461,176	468,597
Operations outsourcing	332,509	340,776
Sales commission	360,590	357,675
Power retail sales cost	410,175	630,628
Advertising expense	113,728	104,135
Sales promotion expense	68,034	105,390
Other (Note)	897,544	954,611
Total	4,407,127	4,668,421

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	2022	2023
Subsidy income, etc.	2,902	55,392
Gain on sale of fixed assets	1,658	1,747
Compensation income, etc.	797	2,366
Income from recovery of bad debts	786	717
Other	14,859	11,408
Total	21,001	71,629

(2) The analysis of other expense

The analysis of other expense is as follows:

	Millions of yen	
For the year ended March 31	2022	2023
Reduction entry of land contribution for construction	10	—
Loss on sale of fixed assets	265	165
Other	5,506	3,624
Total	5,781	3,790

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	2022	2023
Interest income:		
Financial assets at amortized cost	537	1,998
Dividend income:		
Financial assets at fair value through other comprehensive income	5,989	7,910
Gain on foreign currency exchange	3,037	—
Other	639	267
Total	10,202	10,175

(2) The analysis of finance cost

The analysis of finance cost is as follows:

	Millions of yen	
For the year ended March 31	2022	2023
Interest expense:		
Financial liabilities at amortized cost	6,067	6,528
Financial liabilities at fair value through profit or loss		
Derivatives	615	615
Foreign exchange loss	—	14
Other	1,065	1,501
Total	7,746	8,658

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Other Non-Operating Profit

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

Millions of yen		
For the year ended March 31	2022	2023
Gain or loss on change in equity	1,309	35
Gain on bargain purchase	—	584
Gain or loss on sales of stocks of subsidiaries and affiliates	139	(7)
Total	1,448	612

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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	2022	2023
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	7,566	18,241
Tax effect	(2,365)	(5,715)
After tax effect	5,201	12,526
Net change in financial assets at fair value through other comprehensive income		
Gain (loss) arising during the year	13,560	(32,881)
Tax effect	(4,559)	8,044
After tax effect	9,001	(24,837)
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	(6)	(555)
After tax effect	(6)	(555)
Total	14,195	(12,865)
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedge		
Gain (loss) arising during the year	2,870	(1,869)
Transferred to profit for the year	621	366
Before tax effect	3,491	(1,503)
Tax effect	(1,068)	461
After tax effect	2,422	(1,042)
Exchange differences on translating foreign operations		
Gain (loss) arising during the year	23,892	19,935
Transferred to profit for the year	(1)	—
Before tax effect	23,891	19,935
After tax effect	23,891	19,935
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	1,003	1,485
Transferred to profit for the year	(22)	(17)
After tax effect	981	1,467
Total	27,294	20,360
Total other comprehensive income	41,490	7,495

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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, 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)
Cash flows	(323,448)	(128,288)	13,483	(19,400)	50,000	—
Acquisitions	—	132,917	—	—	—	(1,100)
Foreign exchange adjustments	7,087	58	—	—	—	—
Fair value movements	—	—	—	—	—	1,030
Other non-cash movements	—	2,572	—	52	(61)	361
Net debt as of March 31, 2023	480,252	399,242	69,517	803,196	379,482	(1,906)

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

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

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

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

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

Measurement of expected credit losses on trade receivables

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

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

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

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

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

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

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

(c) Quantitative and qualitative information on the amounts arising from expected credit losses

Loss allowance for trade receivables

	Millions of yen
	Measured at the amount equal to the lifetime expected credit losses
Balance as of April 1, 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
Increase during the year	34,159
Decrease during the year (reversal)	(18,305)
Decrease during the year (intended use)	(11,355)
Other	(766)
Balance as of March 31, 2023	34,788

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, 2022 and 2023 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, 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

For the year ended March 31, 2023

	Millions of yen			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	2,232,238	151,129	96,811	2,480,178
Expected loss rate	0.3%	1.4%	27.1%	—
Loss allowance	6,509	2,091	26,188	34,788

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, 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)								
Currency-related transactions	1,275	1,275	1,275	—	—	—	—	—
Interest rate-related transactions	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.

As of March 31, 2023

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

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

iii Market risk management

Market risk management consists of (a) Exchange risk management, (b) Interest rate risk management and (c) Price risk management of equity instruments.

(a) Exchange risk

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

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

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

(i) Sensitivity analysis of exchange rate (except for au Jibun Bank)

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

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

Millions of yen		
For the year ended March 31	2022	2023
Profit before tax		
U.S. dollar	(2,255)	(3,143)
Pound	(1,789)	(2,050)
Euro	(1,154)	(1,163)
Total	(5,197)	(6,356)

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

(ii) Derivatives (currency-related transactions)

Details of major exchange contracts existed at March 31, 2022 and 2023 are as follows:

Derivatives designated as hedges
Certain subsidiaries of the Group is to apply hedge accounting to foreign exchange risk

Millions of yen							
As of March 31	2022		2023				
	Contractual amount		Fair value		Contractual amount		
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets
Currency-related transactions	47,007	9,568	3,130	10	43,117	9,541	1,198

Millions of yen		
As of March 31	2022	2023
Carrying amount	3,120	511
Contractual amount	47,007	43,117
Maturity date	April 2022-December 2027	May 2023-December 2027
Hedge ratio (Note 1)	1	1
Change in intrinsic value of outstanding hedging instrument (Note 2)	2,097	(2,609)

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

Derivatives not designated as hedges

Millions of yen								
As of March 31	2022				2023			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Currency-related transactions	127,095	—	(354)	4,285	147,511	—	2,340	2,410

(b) Interest rate risk

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

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

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

(i) Sensitivity analysis of interest rate (except for au Jibun Bank)

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

(ii) Derivatives (Interest rate-related transactions)

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

Derivatives designated as hedges

Millions of yen								
As of March 31	2022				2023			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate-related transactions	130,000	130,000	—	2,197	131,100	51,100	8	1,101

Millions of yen			
As of March 31	2022	2023	
Carrying amount	(2,197)	(1,093)	
Contractual amount	130,000	131,100	
Maturity date	December 2023-December 2025	December 2023-March 2028	
Hedge ratio (Note 1)	1	1	
Change in intrinsic value of outstanding hedging instrument (Note 2)	1,387	1,104	

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

Derivatives not designated as hedges

Millions of yen								
As of March 31	2022				2023			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate-related transactions	76,986	76,986	(1,269)	1,278	145,631	145,631	4,123	4,123

(c) Price risk management of equity instruments

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

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

(i) Sensitivity analysis of price of equity instruments (except for au Jibun Bank)

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

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

Millions of yen		
For the year ended March 31	2022	2023
Accumulated other comprehensive income (before tax effect)	(13,789)	(12,216)

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

Our consolidated subsidiary, au Jibun Bank, monitors and manages the amount of market risk on a daily basis using Value at Risk (VaR). VaR is calculated using the historical simulation method (holding period of 21 business days, confidence level of 99%, observation period of 250 business days). Market risk amount is ¥3,177 million in total, as of the end of the fiscal year ended March 31, 2022. Similarly, the total market risk amount is ¥4,090 million, as of the end of the fiscal year ended March 31, 2023. Note that VaR measures the amount of market risk at a certain probability of occurrence statistically calculated based on past market fluctuations, and may not be able to capture risks under circumstances where the market environment changes dramatically beyond what is normally possible.

(2) Capital management

The Group seeks to realize sustainable medium- and long-term growth and maximize its corporate value. To achieve those objectives, the Group's basic policy for equity risk management is to maintain adequate equity structure while monitoring capital cost, along with maintaining current fund-raising capability and ensuring financial soundness. Major performance benchmarks used by the Group to manage its equity are Ratio of equity attributable to owners of the parent and debt / equity ratio ("D/E ratio").

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

As of March 31	Unit	2022	2023
Ratio of equity attributable to owners of the parent (Note 1)	%	45.0	43.0
D/E ratio (debt / equity ratio) (Note 2)	ratio	0.32	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, 2022 and 2023, 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, 2022

Millions of yen				
Carrying amount				
	Financial assets at amortized cost	Financial assets at fair value through other comprehen- sive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Long-term loans for financial business	1,328,363	—	6,747	1,335,111
Securities for financial businesses	—	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				
	Financial liabilities at amortized cost	Financial liabilities at fair value through other comprehen- sive income	Financial liabilities at fair value through profit or loss	Total
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

As of March 31, 2023

Millions of yen				
Carrying amount				
	Financial assets at amortized cost	Financial assets at fair value through other comprehen- sive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Long-term loans for financial business	—	—	2,038,403	2,038,403
Securities for financial business	55,152	355,911	—	411,063
Other long-term financial assets	125,937	178,090	80	304,106
Current assets:				
Trade and other receivables	2,445,250	—	—	2,445,250
Short-term loans for financial business	247,054	—	57,503	304,557
Call loans	53,944	—	—	53,944
Other short-term financial assets	50,032	—	10,127	60,158
Cash and cash equivalents	480,252	—	—	480,252
Total	3,457,621	534,000	2,106,112	6,097,733

Millions of yen				
Carrying amount				
	Financial liabilities at amortized cost	Financial liabilities at fair value through other comprehen- sive income	Financial liabilities at fair value through profit or loss	Total
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	914,233	—	—	914,233
Long-term deposits for financial business	64,829	—	—	64,829
Lease liabilities	286,437	—	—	286,437
Other long-term financial liabilities	9,503	—	806	10,309
Current liabilities:				
Borrowings and bonds payable	337,961	—	—	337,961
Trade and other payables	801,927	—	—	801,927
Short-term deposits for financial business	2,652,723	—	—	2,652,723
Call money	244,111	—	—	244,111
Lease liabilities	112,805	—	—	112,805
Other short-term financial liabilities	—	—	6,894	6,894
Total	5,424,529	—	7,700	5,432,229

Note: Effective from the fourth quarter of the fiscal year ended March 31, 2022, au Jibun Bank Corporation has changed its management for housing loan receivables from a management aimed at collecting receivables to a management aimed at sustainable business development and securing a stable revenue base through the collection of receivables, resulting in a change in business model.

In accordance with the change in business model, effective April 1, 2022, the measurement category of loans for financial business, which is categorized in financial assets at amortized cost, will be changed to financial assets at fair value through profit or loss. For details of the measurement method for each category, please refer to “3. 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	2022	2023
Fair value		
Listed equities	137,893	122,161
Unlisted equities	61,714	55,929
Total	199,607	178,090
Millions of yen		
For the year ended March 31	2022	2023
Dividends received		
Listed equities	2,597	2,704
Unlisted equities	3,390	5,206
Total	5,987	7,910

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

Millions of yen		
As of March 31	2022	2023
Listed equities		
TOYOTA MOTOR CORPORATION	88,839	75,148
LAWSON, Inc.	9,864	11,837
GREE, Inc.	8,696	5,520
PIA Corporation	5,184	5,035
Internet Initiative Japan Inc.	3,448	4,617
gremz, Inc.	3,829	4,067
Japan Airport Terminal Co., Ltd.	3,404	4,019
JTOWER Inc.	4,007	2,712
East Japan Railway Company	2,124	2,191
Finatext Holdings Ltd.	2,306	2,057
Other	6,191	4,958
Sub total	137,893	122,161
Unlisted equities		
COMMUNITY NETWORK CENTER INCORPORATED	6,316	5,050
Japan Platform of Industrial Transformation, Inc.	5,000	5,000
WiL Fund II, L.P.	4,221	4,205
WILLER Co., Ltd.	—	2,053
every, Inc.	2,212	1,868
Other	43,964	37,753
Sub total	61,714	55,929
Total	199,607	178,090

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	2022	2023
Fair value at the disposal date	7,320	1,897
Accumulated gains / losses arising from sale	2,863	(514)
Dividends received	2	0

iii. Reclassification to retained earnings

The Group reclassifies accumulated gains or losses arising from changes in the fair value of financial assets at fair value through other comprehensive income into retained earnings, when it disposes the investments, etc. Accumulated gains or losses, net of tax, reclassified from accumulated other comprehensive income into retained earnings are ¥2,813 million and ¥(430) million, respectively, for the years ended March 31, 2022 and 2023.

(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	2022	2023
Loans for financial business	11,647	—

In the fiscal year ended March 31, 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	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				
Currency-related transactions	—	8,326	—	8,326
Interest rate-related transactions	—	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				
Currency-related transactions	—	1,275	—	1,275
Interest rate-related transactions	—	3,542	—	3,542

As of March 31, 2023

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

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, 2022 and 2023.

Effective from the fourth quarter of the fiscal year ended March 31, 2022, au Jibun Bank Corporation has changed its management for housing loan receivables from a management aimed at collecting receivables to a management aimed at sustainable business development and securing a stable revenue base through the collection of receivables, resulting in a change in business model.

In accordance with the change in business model, effective from April 1, 2022, the measurement category of loans for financial business, which is categorized in financial assets at amortized cost, will be changed to financial assets at fair value through profit or loss. For details of the measurement method for each category, please refer to “3. Significant Accounting Policies (11) Financial Instruments”. The carrying amount to be reclassified and its fair value as of April 1, 2022 are ¥1,362,678 million and ¥1,381,184 million.

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

(a) Securities for financial business

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

(b) Other financial assets and liabilities

(i) 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

Currency-related transactions

Currency-related transactions are calculated using forward exchange

rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to currency-related transactions are classified as level 2 of the fair value hierarchy.

Interest rate-related transactions

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

(iii) 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 level 2 of the fair value hierarchy.

iii. Reconciliation of level 3

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

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2023.

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

iv. Evaluation process of level 3

Fair value measurements of unlisted equities are performed by finance and accounting departments independent from equity management departments in accordance with the prescribed rules. Fair value measurements including fair value models are examined for the adequacy by periodically evaluating the business descriptions and the availability of business plans of the companies issuing the 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:

	Fair value		Unobservable inputs	Range
	Millions of yen	Valuation technique		
Equities	61,714	Income approach	Discount rate	3.0%–16.6%

As of March 31, 2023

	Fair value		Unobservable inputs	Range
	Millions of yen	Valuation technique		
Equities	55,929	Income approach	Discount rate	2.9%–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, 2022

Millions of yen					
	Carrying amount	Level 1	Level 2	Level 3	Fair value Total
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.

As of March 31, 2023

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

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) Government bonds

The fair value of government bonds is estimated based on quoted price, therefore government bonds are classified as level 1 of the fair value hierarchy.

(c) Monetary claims bought

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

(d) Borrowings

For borrowings with variable interest rates, the carrying amount is used as fair value, as the rates reflect the market interest rate within a short term and there is no significant change expected in the Group

entities' credit conditions after financing. For borrowings with fixed interest rates, fair value is estimated by discounting the total of principal and interest using the current interest rate adjusted for the remaining maturity period of the borrowings and credit risk. Borrowings are classified as level 2 of the fair value hierarchy.

(e) Bonds payables

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

(f) Deposits for financial business

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

33 Commitments

Purchase commitments

Millions of yen		
For the year ended March 31	2022	2023
Property, plant and equipment	253,953	207,544
Intangible assets	14,906	14,959
Total	268,859	222,503

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	2022	2023
Profit for the year attributable to owners of the parent	672,486	677,469
Weighted average number of common shares outstanding (Thousands of shares)	2,241,430	2,183,607
Basic earnings per share	300.03	310.25

(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	2022	2023
Profit for the year attributable to owners of the parent	672,486	677,469
Adjustment of profit	—	—
Profit used in calculation of diluted earnings per share	672,486	677,469

Thousands of shares		
For the year ended March 31	2022	2023
Weighted average number of common shares outstanding	2,241,430	2,183,607
Effect of dilutive potential common shares		
BIP trust and ESOP trust	2,214	909
Weighted average number of common shares during the year	2,243,645	2,184,516

Yen		
For the year ended March 31	2022	2023
Diluted earnings per share	299.73	310.12

Notes: 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	2022	2023
Right-of-use assets		
Real estate for base stations as the underlying asset	146,818	149,693
Transmission lines as the underlying asset	30,949	27,735
Real estate for office and telecommunication business as the underlying asset	117,502	114,357
Telecommunication equipment as the underlying asset	13,850	15,721
Other underlying assets	78,550	86,429
Total right-of-use assets	387,669	393,935

Millions of yen		
As of March 31	2022	2023
Increase of right-of-use assets	117,985	132,917

ii. Amounts recognized in the consolidated statements of income

Millions of yen		
For the year ended March 31	2022	2023
Depreciation associated with right-of-use assets		
Real estate for base stations as the underlying asset	54,122	55,289
Transmission line as the underlying asset	6,186	5,381
Real estate for office and telecommunication business as the underlying asset	36,069	34,794
Telecommunication equipment as the underlying asset	6,986	6,458
Other underlying assets	24,201	22,136
Total depreciation associated with right-of-use assets	127,564	124,058
Interest expense associated with lease liabilities	1,968	2,206

iii. Cash flows associated with leases

Millions of yen		
For the year ended March 31	2022	2023
Total cash outflows associated with leases	132,817	130,494

(2) Lease as a lessor

i. Finance lease

KDDI Summit Global Myanmar Co., Ltd. (KSGM), a consolidated subsidiary, supports the telecommunications business operations of 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	2022	2023
Within one year	40,195	43,894
Over one year to two years	27,978	30,545
Over two year to three years	17,597	19,198
Over three year to four years	10,102	11,022
Over four years to five years	4,148	4,525
Over five years	1,098	1,198
Total	101,118	110,383
Unearned finance income	(10,956)	(41,346)
Net investment in the lease	90,162	69,037

36 Non-Cash Transactions

For the fiscal years ended March 31, 2022 and 2023, 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 ¥117,985 million and ¥132,917 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	2022	2023
Okinawa Cellular Telephone Company	Personal Services	Naha-shi, Okinawa	Telecommunications services (au mobile phone services)	52.5	53.9
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)	93.1 (93.1)	93.1 (93.1)
UQ Communications Inc. (Note 2)	Personal Services	Chiyoda-ku, Tokyo	Wireless broadband services	32.3	32.3
BIGLOBE Inc.	Personal Services	Shinagawa-ku, Tokyo	Telecommunications services under Telecommunications Business Act	100.0	100.0
AEON Holdings Corporation of Japan	Personal Services	Shinjuku-ku, Tokyo	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

As of March 31				The proportion of voting rights (%)	
Company name	Segment	Location	Key business	2022	2023
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)
au Energy Holdings Corporation	Personal Services Business Services	Chiyoda-ku, Tokyo	Business administration of subsidiary companies involved in energy	—	100.0
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
KDDI Digital Divergence Holdings Corporation	Business Services	Minato-ku, Tokyo	Functions for the planning, formulation, and advancement of the business strategies of group companies in DX business, and management business of group companies	—	100.0
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-ku, Kawasaki-shi, Kanagawa	Construction and maintenance of submarine cable	100.0	100.0
Japan Telecommunication Engineering Service Co., Ltd.	Other	Shinjuku-ku, Tokyo	Design, construction, operation support and maintenance for communication equipment	83.2	83.8
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	Support for telecommunications business operations of Myanma Posts & Telecommunications (MPT)	100.0 (100.0)	100.0 (100.0)
MobiCom Corporation LLC	Personal Services	Ulaanbaatar, Mongolia	Diversified telecommunications services in Mongolia	98.8 (98.8)	98.8 (98.8)

Numbers in parentheses represent indirect voting rights.

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	2022	2023
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	2022	2023
Current assets	177,096	162,135
Non-current assets	1,133,837	1,142,944
Current liabilities	212,303	280,254
Non-current liabilities	637,641	539,176
Total equity	460,989	485,649

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	2022	2023
Interests attributable to owners of the parent	213,466	231,210
Non-controlling interests	247,523	254,438
Total	460,989	485,649

(b) Consolidated statements of income and comprehensive income

Millions of yen		
For the year ended March 31	2022	2023
Revenue	842,375	873,965
Profit for the year before income tax	115,798	116,906
Income taxes	34,068	37,739
Profit, net of tax	81,730	79,167
Other comprehensive income	1,847	(1,363)
Total comprehensive income	83,577	77,804

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	2022	2023
Profit for the year attributable to owners of the parent	41,746	40,705
Profit for the year attributable to non-controlling interests	39,984	38,462
Sub total	81,730	79,167
Other comprehensive income attributable to owners of the parent	915	(639)
Other comprehensive income attributable to non-controlling interests	931	(724)
Sub total	1,847	(1,363)
Total comprehensive income attributable to owners of the parent	42,662	40,066
Total comprehensive income attributable to non-controlling interests	40,915	37,738
Total	83,577	77,804

For the years ended March 31, 2022 and 2023, dividends paid by JCOM to non-controlling interests were ¥27,113 million and ¥30,724 million, respectively.

(c) Consolidated statement of cash flows

Millions of yen		
For the year ended March 31	2022	2023
Cash flows from operating activities (net)	184,369	194,877
Cash flows from investing activities (net)	(92,861)	(89,808)
Cash flows from financing activities (net)	(80,893)	(122,475)
Increase (decrease) of cash and cash equivalents	10,615	(17,407)

38 Related Party Transactions

(1) Related party transactions

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.

For the year ended March 31, 2023:
There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

(2) Remuneration of key management

Remuneration of key management is as follows:

Millions of yen		
For the year ended March 31	2022	2023
Short-term employee benefits	953	884
Share-based payment	186	180
Total	1,139	1,064

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	2022	2023
Total commitment line borrowings	704,483	751,327
Amounts lent	220,951	247,054
Unused balance of lending	483,532	504,272

40 Subsequent Events

Repurchase of treasury stocks

At the board meeting held on May 11, 2023, the Company's Board of Directors resolved that the Company 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 the Company'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 the Company's own shares

(a) Type of shares to be repurchased: Shares of common stock

(b) Total number of shares to be repurchased: Up to 92,000,000 shares

(c) Repurchase period: From June 1, 2023 to May 31, 2024

(d) Total amount of repurchase price: Up to ¥300 billion

Data center in Canada

At the board meeting held on June 21, 2023, the Company's Board of Directors resolved to acquire assets, including land, buildings and facilities in Canada from Allied Properties REIT (Headquarters: Toronto, Canada, CEO: CECILIA WILLIAMS) for CAD 1.35 billion (converted to 144,612 million yen using the TTM on June 21, 2023, at an exchange rate of 1CAD = ¥107.12), with the contract being signed on the same day. Additionally, in response to this agreement, we plan to establish a new subsidiary, "KDDI Canada, Inc." on June 26, 2023, with the purpose of operating data center business in Canada.

The Company has been promoting "Sustainability Management" by implementing its "Satellite Growth Strategy" to increase corporate value and a cycle of sustainable growth in society. As one of the focused areas of the growth strategy, the Company has been expanding its DX domain. With the data center business being one of the core parts of DX, the Company aims to expand interconnection data centers (hereinafter referred to as "interconnection DC") as places where customers such as content providers, cloud service providers, and telecommunication carriers connect with each other and create new value.

In addition to "TELEHOUSE London," which has the world's largest number of connections (Note), and "TELEHOUSE Paris, which has the largest number in France (Note), the Company also established a new data center in Bangkok, Thailand in May 2023, expanding not only in Europe, but also in Southeast Asia. Through this agreement, the company will acquire Canada's top (Note) interconnection DC and strengthen its data center business in North America to promote its business on a global scale.

Note: The number of customer interconnections in a data center. As of June 21, 2023.

(1) Background and Aims

The global data business is accelerating and the need for data centers is increasing. With the spread of IoT and 5G, traffic by users who use apps and view content on mobile devices is increasing. As a result, interconnection DCs, which enable content providers, Internet operators, hyperscalers, etc. to interconnect within the data centers and create value, are becoming increasingly important for realizing a digital society.

As a platform for society, the Company will accelerate its business centered on high-quality interconnection DCs, which are the easiest to interconnect, and contribute to the expansion of global business for corporate customers and the prosperity of the digital world.

(2) Overview of KDDI Canada, Inc.

Name	KDDI Canada, Inc.
Location	Toronto, Canada
Business Description	Data Center Business
Capital	CAD 1,100 million
Date of Establishment	June 26, 2023 (Scheduled Date)
Major Shareholders and their Shareholding Ratio	KDDI 100%

41 Approval of the Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2023 were approved by Makoto Takahashi, president and CEO, on June 22, 2023.



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, 2023, 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, 2023, 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, 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 541,058 million yen (4.54% of total assets on a consolidated basis). The company disclose the breakdown of goodwill allocated to each cash-generating unit ("CGU") in Note 7. Impairment of property, plant and equipment, goodwill, intangible assets, and right-of-use assets in the Notes to the Consolidated Financial Statements. The breakdown is as follows: JCOM Co., Ltd. CATV business 280,709 million yen, Jupiter Shop Channel Co., Ltd. 92,577 million yen, AEON HD 31,621 million yen, ENERES Co., Ltd. 14,199 million yen, BIGLOBE Inc. 14,072 million yen, and Other 107,880 million yen.</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.</p> <p>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 involve estimation uncertainty and 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 for major CGU · 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 major 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 Matched the business plan used for impairment testing with the most recent business plan approved by management iv. Compared the business plans with market forecasts published by external agencies



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 637,534 millions of yen (5.35% 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 582,382 million yen. In addition, costs to fulfill contracts were 55,153 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.</p> <p>Significant assumptions are made in the estimated contract period for the telecommunications contracts underlying amortization related to factors such as the expected period until cancellation or model change based on past performance data and other relevant elements. In determining the recoverability, significant assumptions are made regarding the sales, cost of sales and selling, general and administrative expenses in the business plans.</p> <p>Significant assumptions involve estimation uncertainty and management's judgement. 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

Designated Engagement Partner
Certified Public Accountant

Takahiro Nomura

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Kyoto

June 22, 2023

Disclosure and IR

KDDI's Approach

KDDI is continuously committed to disclose corporate information that could have a material bearing on the investment decisions of investors, in a timely and easily understandable manner for shareholders and investors, in accordance with the Financial Instruments and Exchange Act and the Securities Listing Regulations of Tokyo Stock Exchange, Inc. 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, regarding financial information to be disclosed at the end of fiscal period, KDDI set up a Disclosure Committee which deliberates intensively 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.

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graph TD; A[Value-Oriented Corporate Management] --> B[Maximizing corporate value]; A --> C[Trusting relationship with shareholders and investors]; B <--> C; B --> D[Active Information Disclosure]; C --> E[Enhanced Communication];
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Three IR Activity Guidelines

Through IR based on the activity guidelines outlined below, KDDI strives to build long-term, trusting relationship with shareholders and investors, as well as maximize its corporate value.

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graph TD; A[Open IR Activities] --> B[Proactive IR Activities]; B --> C[Organized IR Activities];
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IR Activities in FY23.3

Enhancing Communication

Financial results briefings for analysts and institutional investors are held along with quarterly financial results disclosures to explain the company's business performances directly from our management. In addition, our directors and the IR department hold individual meetings with institutional investors in Europe, North America, Asia and other regions on each financial disclosure to explain KDDI's financial status and future strategies. In FY23.3, a total of 650 meetings are held face-to-face, visiting and online as appropriate (including participation in 13 conferences hosted by securities companies in Japan and overseas.) We will continue to work hard to improve communication.

KDDI takes the opinions expressed by shareholders and investors seriously, communicating them not only to our management but also to our employees in general, as valuable reference information for business strategies and management strategies.

Active Information Disclosure

KDDI provides webcasts of its financial results briefings on its website, and also posts an English-language version.

We are working to improve the information by posting such information as various financial documents including, financial statements, financial/performance data, information related to corporate governance, etc. The data can also be viewed on our IR app and website, which are compatible with multiple devices.

Regarding our small meetings, we provide on-demand streaming of certain briefings on our website.

As a result of our IR activities, we received excellent evaluations in FY23.3. In particular, KDDI won "Internet IR 2022 Excellence Award" of the Daiwa Investor Relations. Additionally, we were commended for operating an outstanding website in "All Japanese Listed Companies' Website Fulfillment Ranking Fiscal 2022" of the Nikko IR.

Corporate Overview (As of March 31, 2023)

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
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, Representative Director CEO
Makoto Takahashi

Capital
¥141,852 million

Number of Employees
49,659 (consolidated)

Stock Information (As of March 31, 2023)

SE Code	9433
Number of Shares Authorized	4,200,000,000 shares
Number of Shares Issued and Outstanding	2,302,712,308 shares
Number of Shareholders	420,608 shareholders

Breakdown of Shareholding by Investor Type

Investor Type	Percentage
Financial Institutions	25.43%
Foreign Companies, etc	26.36%
Individuals and Others (including treasury stock)	11.65%
Other Companies	31.93%
Securities Firms	4.63%

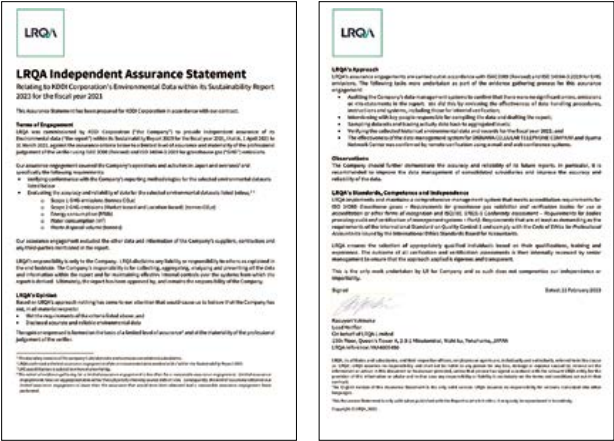
Major Shareholders		
Name of Corporate Entity	Number of Shares Held	Shareholding Ratio (Ratio of Voting)* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	346,662,400	16.06
KYOCERA Corporation	335,096,000	15.52
Toyota Motor Corporation	316,794,400	14.67
Custody Bank of Japan, Ltd. (Trust Account)	146,907,800	6.80
STATE STREET BANK WEST CLIENT - TREATY 505234	32,864,175	1.52
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd	21,656,856	1.00
JP MORGAN CHASE BANK 385781	21,410,133	0.99
SSBTC CLIENT OMNIBUS ACCOUNT	21,275,738	0.98
STATE STREET BANK AND TRUST COMPANY 505103	20,267,366	0.93
JPMorgan Securities Japan Co., Ltd.	19,468,688	0.90

* The shareholding ratio (the ratio of voting) is calculated excluding treasury stock (144,271,545 shares as of March 31, 2023). In addition, the Company's shares held by the Executive Remuneration BIP Trust (1,319,384 shares as of March 31, 2023) are included in the number of shares with voting rights, but the Company does not exercise its voting rights on these shares. The shareholding ratio (the ratio of voting) is calculated by rounding off to the second decimal place.

External Assurance

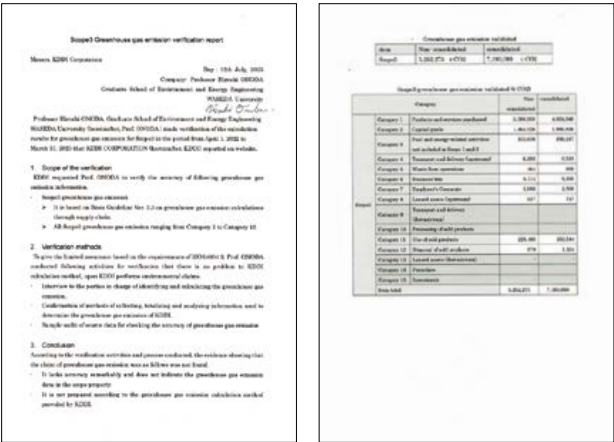
Environmental Data Guarantee Statement

■ Third-party Assurance by LRQA (Limited Assurance)



- Data subject**
- Scope 1 GHG emissions
 - Scope 2 GHG emissions (market-based and location-based)
 - Energy usage
 - Water usage
 - Industrial waste

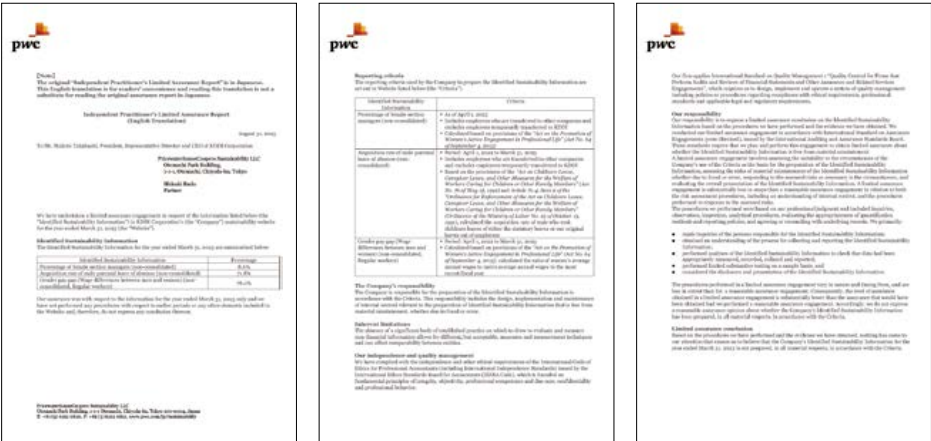
■ Third-party Verification by Waseda University (Limited Assurance)



- Data subject**
- Scope 3 GHG Emissions

Social Data

■ Third-party Assurance by PricewaterhouseCoopers Sustainability LLC (Limited Assurance)



- Data subject**
- Proportion of Female Managers
 - Rate of Paternity Leave Taken by Males
 - Gender Pay Gap