NOTICE OF THE 37TH ANNUAL SHAREHOLDERS MEETING

KDDI Corporation

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“An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status,” the “Notes to Consolidated Financial Statements” and the “Notes to Non-Consolidated Financial Statements” are provided to shareholders on the Company’s Web site, pursuant to the provisions of laws and regulations as well as Article 17 of the Company’s Articles of Incorporation.

https://www.kddi.com/english/corporate/ir/stock-rating/meeting/20210623/

“An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status,” is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. The “Notes to Consolidated Financial Statements” and the “Notes to Non-Consolidated Financial Statements” are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by Audit & Supervisory Board Members and Accounting Auditors in preparing the Reports of Audit.

MESSAGE FROM THE PRESIDENT

Tomorrow, Together
Offering new lifestyles centered on 5G technologies, we are striving toward the realization of a resilient future society through co-creation

Makoto Takahashi
President, Representative Director

To our shareholders,

Firstly, we would like to thank our shareholders for the continued interest and support for our company.
We enclose a copy of the KDDI Group's notice of the 37th Annual Shareholders Meeting.

We would also like to offer our deepest condolences to the families of those who have lost their lives due to the novel coronavirus disease (COVID-19), and our sympathy to those who are ill as well as those who are having difficult times due to all of the uncertainties. In addition, we would like to offer our deepest thanks to everyone who is working to prevent the spread of infection.

The Company's 37th fiscal year (fiscal 2020) was the second year of the medium-term management plan. Accordingly, we have been working to further advance the core business strategy, "the integration of telecommunications and life design," by further expanding our growth businesses, centered on telecommunication services.
In our earnings for the 37th fiscal year, the operating income achieved the initial forecast of ¥1,030 billion, while the dividend payout ratio surpassed 40%.
The constant support of all our shareholders made this possible, and I would like to express my deep appreciation for this.

Since its establishment, we have made realizing a truly connected society part of the KDDI Group Mission Statement. Our business is strongly intertwined with society and directly connected to customers' lives. Under the slogan Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au), we aim to provide telecommunications services that are always reliable, no matter what with the intention of delivering a thrilling customer experience by always going further than expected.

Due to the COVID-19 pandemic, the structure of day-to-day life as we know it has been completely upended and, amid an ongoing rapid digital shift affecting every aspect of society, telecommunications have taken on an increasingly important role. In addition, with new telecommunications providers entering the market and competition heating up, services and pricing plans are diversifying and the telecommunications industry itself is undergoing major changes. Amid this situation, the Company is returning to its customer-oriented roots and continuing to meet customers' constantly changing expectations to realize its Company Vision of being the company the customer can feel closest to.

Once again, we would like to thank all our shareholders for the continuous support and confidence in our company.

TSE Code: 9433
June 1, 2021

To our shareholders:

KDDI Corporation
10-10, Iidabashi 3-chome, Chiyoda-ku, Tokyo
(Headquarters: 3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo)
Makoto Takahashi, President, Representative Director

NOTICE OF THE 37TH ANNUAL SHAREHOLDERS MEETING

You are cordially notified of the 37th Annual Shareholders Meeting of KDDI Corporation ("the Company") to be held as stated below.

The Company is asking shareholders to exercise their voting rights by mail or via the Internet to the extent possible and refrain from attending on the day of the Shareholders Meeting in order to prevent the spread of the novel coronavirus disease (COVID-19). Please exercise your voting rights **no later than 5:30 p.m. on Tuesday, June 22, 2021 (JST),** after reviewing the attached Reference Documents for the Shareholders Meeting.

By submitting Exercise of Voting Rights form by mail

Please indicate your approval or disapproval for each proposal on the enclosed Exercise of Voting Rights form and return the form to us to arrive no later than 5:30 p.m. on Tuesday, June 22, 2021.

By exercising voting rights via the Internet

Please read the detailed instructions on page 6 and input your approval or disapproval for each proposal by 5:30 p.m. on Tuesday, June 22, 2021.

This Annual Shareholders Meeting will be streamed live on the Internet. We will accept questions in advance via the Internet. For more details, please see the attached "Responses to Prevent the Spread of COVID-19 at the 37th Annual Shareholders Meeting, Live Streaming, and Questions in Advance."

1. Date and Time: Wednesday, June 23, 2021, at 10:00 a.m. Reception for attendees begins at 9:00 a.m.

2. Place: Shinagawa Prince Hotel, Annex Tower, 5F, "Prince Hall"
10-30, Takanawa 4-chome, Minato-ku, Tokyo

3. Agenda:

Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 37th fiscal year from April 1, 2020 to March 31, 2021 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditors and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 37th fiscal year from April 1, 2020 to March 31, 2021

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Election of Fourteen (14) Directors
Proposal 3: Election of One (1) Audit & Supervisory Board Member

4. Other matters concerning the Meeting:

Please refer to the Guide to the Exercise of Voting Rights in Case of Absence on the following pages.

- There will be very limited seating available for the meeting due to greater distancing between seats to help prevent the spread of the novel coronavirus disease (COVID-19). As a result, some shareholders may be denied entry upon arriving at the meeting venue on the specified date. We appreciate your understanding in this regard.
- Attendees are kindly requested to submit their Exercise of Voting Rights form to the receptionist on the day of the meeting.

Disclosure via the Internet

The following documents attached to the Notice of the 37th Annual Shareholders Meeting, are provided to shareholders on the Company’s Web site pursuant to the provisions of laws and regulations as well as Article 17 of the Company’s Articles of Incorporation.

1) An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status
2) Notes to Consolidated Financial Statements
3) Notes to Non-Consolidated Financial Statements

(https://www.kddi.com/english/corporate/ir/stock-rating/meeting/20210623/)

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- Any amendments to the Reference Documents for the Shareholders Meeting, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements will be disclosed on the Company’s Web site (https://www.kddi.com/english/index.html).

Guide to the Exercise of Voting Rights in Case of Absence

Voting rights at the shareholders meetings are principal rights of shareholders. Please exercise your voting rights after reviewing the Reference Documents for the Shareholders Meeting on pages 7 through 17.

Exercising voting rights by mail

Please indicate your approval or disapproval to each of the proposals and post it to the Company without postage stamp.
Exercise due date: To be received no later than 5:30 p.m. on Tuesday, June 22, 2021

< Guide to filling in the voting form >

Please indicate your approval or disapproval to each proposal.

Proposals 1 and 3

If you approve:	Mark a ○ in the box marked “賛”
If you disapprove:	Mark a ○ in the box marked “否”

Proposal 2

If you approve all candidates:	Mark a ○ in the box marked “賛”
If you disapprove all candidates:	Mark a ○ in the box marked “否”
If you selectively veto certain candidates:	Mark a ○ in the box marked “賛” and write the number of each candidate you choose to veto.

[Handling of voting rights]
If you indicate neither your approval or disapproval to each proposal on the Exercise of Voting Rights form, your answer will be deemed to be “approval.”

* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

By exercising voting rights via the Internet

Please read the detailed instructions under “How to exercise voting rights via the Internet” on the following page.
Exercise due date: To be received no later than 5:30 p.m. on Tuesday, June 22, 2021

For institutional investors

Provided that an application to use the platform has been submitted beforehand, institutional investors may use the electronic platform for exercising voting rights operated by ICJ, Inc.

How to exercise voting rights via the Internet

Exercise due date: No later than 5:30 p.m. on Tuesday, June 22, 2021 (JST)

Scanning QR code

You can simply login to the Exercise of Voting Rights Web site without entering your log-in ID and temporary password printed on the Voting Instructions form.

1. Scan the QR code printed on the Voting Instructions form on the right side.
2. Indicate your approval or disapproval by following the instructions on the screen.

Note that you can login to the website only once by using QR code.

If you wish to redo your vote or exercise your voting rights without using QR code, please refer to the "Entering login-ID and temporary password" on the right.

Entering login-ID and temporary password

Exercise of Voting Rights Web site
https://evote.tr.mufg.jp/

1. Access the Exercise of Voting Rights Web site.
2. Enter your log-in ID and temporary password printed on the Voting Instructions form and click "Log-in."
3. Register a new password. Enter your new password and click "Send."
4. Indicate your approval or disapproval by following the instructions on the screen.

* The Exercise of Voting Rights Web site will be unavailable during the hours of 2:00 to 5:00 a.m. due to maintenance and inspection.
* If you have exercised your voting rights both by submitting the Exercise of Voting Rights form by mail and via the Internet, those exercised via the Internet will be taken as valid.
* If you have exercised your voting rights multiple times on the Internet, only the final vote will be taken as valid.
* The Exercise of Voting Rights Web site may be disabled by certain Internet settings, or by the service to which you subscribe or the model of the device you use to access the Web site.
* The costs incurred when accessing the Exercise of Voting Rights Web site, including Internet access fees and communication expenses, will be the responsibility of the shareholder.
* If you wish to receive the Notice of the Shareholders Meeting by e-mail, beginning with the next meeting, please visit the Exercise of Voting Rights Web site using either a personal computer or a smartphone and following the instructions that the Web site provides. (Mobile phone address for text messages cannot be designated as the e-mail address for receiving the notice.)

Reference Documents for the Shareholders Meeting

Proposals and References

Proposal 1: Appropriation of Surplus

Details pertaining to the appropriation of surplus are as follows.

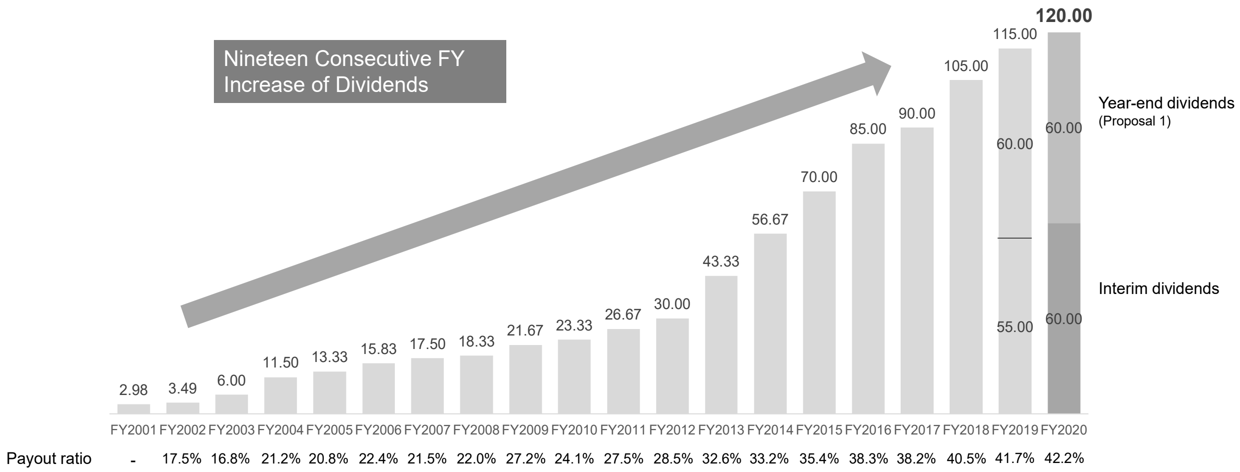
Matters relating to year-end dividends

The Company recognizes that the distribution of profits to shareholders is a major managerial issue and makes it a basic policy to maintain a sound financial position and the stable payment of dividends. As the medium-term management plan targets (fiscal 2019 - 2021), while considering investment for sustainable growth, the Company has intended to maintain a consolidated payout ratio of more than 40%.
We have given comprehensive consideration to the need to expand our businesses to enhance business performance in the future, and propose to pay year-end dividends for the fiscal year under review as follows.

(1) Type of dividends
Cash
(2) Dividend amount to be allocated
Per share of common stock ····· ¥60.00
Total dividends ··················· ¥136,770,735,660
(3) Effective date of dividends of surplus
June 24, 2021

(Reference) Development of Dividends per Share

(Unit: Yen)



Notes: 1. For convenience of viewing, annual dividends for the 18th to 31st fiscal years have been adjusted to reflect stock splits.
- Ratio of 100 shares for every one share of common stock, as of October 1, 2012
- Ratio of two shares for every one share of common stock, as of April 1, 2013
- Ratio of three shares for every one share of common stock, as of April 1, 2015

2. Values for the 18th to 31st fiscal years are based on the Japanese GAAP standards. Values for the 32nd fiscal year onward are based on International Financial Reporting Standards (IFRS).
3. A dividend payout ratio is not noted for the 18th fiscal year, as a net loss was recorded.
4. The values for the dividend payout ratio are on a non-consolidated basis for the 19th to 22nd fiscal years, and on a consolidated basis from the 23rd fiscal year onward.
5. Values for dividend per share and dividend payout ratio for the 37th fiscal year are based on the assumption that Proposal 1 will be approved as proposed.

Proposal 2: Election of Fourteen (14) Directors

The terms of office of all Fourteen (14) Directors will expire at the conclusion of this Annual Shareholders Meeting and we therefore propose that Fourteen (14) Directors be elected.
The candidates for Directors are as follows.

Candidate No.	Name		Attribute	Nomination Advisory Committee	Remuneration Advisory Committee	Attendance of Board of Directors' meetings	Gender	Main duties
1	Takashi Tanaka	Reappointment	Internal Executive	●	●	11/11 (100%)	Male	Chairman of Board of Directors
2	Makoto Takahashi	Reappointment	Internal Executive	●	●	11/11 (100%)	Male	President, Representative Director
3	Takashi Shoji	Reappointment	Internal Executive			11/11 (100%)	Male	Executive Vice President, Representative Director, Personal Business Sector
4	Shinichi Muramoto	Reappointment	Internal Executive			11/11 (100%)	Male	Executive Vice President, Representative Director, Corporate Sector
5	Keiichi Mori	Reappointment	Internal Executive			11/11 (100%)	Male	Executive Director, Solution Business Sector
6	Kei Morita	Reappointment	Internal Executive			11/11 (100%)	Male	General Manager, Business & Services Development Division
7	Toshitake Amamiya	Reappointment	Internal Executive			11/11 (100%)	Male	General Manager, Personal Business Planning Division
8	Hirokuni Takeyama	Reappointment	Internal Executive			10/10 (100%)	Male	General Manager, Consumer Sales Division
9	Kazuyuki Yoshimura	Reappointment	Internal Executive			10/10 (100%)	Male	Executive Director, Technology Sector
Candidates for Outside Director				Nomination Advisory Committee	Remuneration Advisory Committee	Attendance of Board of Directors' meetings	Gender	Term of office as Director (at the conclusion of this Annual Shareholders Meeting)
10	Goro Yamaguchi	Reappointment	Outside	●	● (Chairman)	11/11 (100%)	Male	4 years
11	Keiji Yamamoto	Reappointment	Outside	● (Chairman)	●	11/11 (100%)	Male	2 year
12	Shigeo Ohyagi	Reappointment	Outside Independent	●	●	11/11 (100%)	Male	3 years
13	Riyo Kano	Reappointment	Outside Independent	●	●	11/11 (100%)	Female	2 years
14	Shigeki Goto	Reappointment	Outside Independent	●	●	10/10 (100%)	Male	1 year

Note: The above table shows the status as of the date of posting.

(Reference)

Policy regarding the diversity and expertise of the Board of Directors

Accepting the diversity of human resources and utilizing the diverse knowledge, experiences, and skills of each employee are important drivers of growth for the Company that aims for the "Integration of Telecommunications and Life Design," and we believe that ensuring diversity in the Board of Directors will also lead to good management decisions.
From the perspective of achieving sustainable growth for the KDDI Group, the Nomination Advisory Committee has determined the specializations and backgrounds for outside directors, which are important for the Company's Board of Directors, to be "presidential experience in a listed company (management know-how, etc.)," "expertise in the field of information and communications (core business support)," and "expertise in law, accounting, and administration (compliance, etc.)." Having Directors and Audit & Supervisory Board Members who possess these attributes, will promote well-balanced supervation and advice for management.

If proposals 2 and 3 of this Annual Shareholders Meeting are approved as proposed, the expertise of the Company's Outside Directors will be as follows.

Name (Major background)	Position in the Company	Experience as president of a listed company	Expertise in the information and communications field	Expertise in law, accounting, and administration
Goro Yamaguchi (KYOCERA Corporation)	Outside Director	●		
Keiji Yamamoto (TOYOTA MOTOR CORPORATION)	Outside Director		●	
Shigeo Ohyagi (TEIJIN LIMITED)	Outside Director	●		
Riyo Kano (Attorney at law)	Outside Director			●
Shigeki Goto (Waseda University)	Outside Director		●	
Yukihiro Asahina (Ministry of Land, Infrastructure, Transport and Tourism)	Outside Audit & Supervisory Board Member			●
Toshihiko Matsumiya (Certified Public Accountant)	Outside Audit & Supervisory Board Member			●
Jun Karube (Toyota Tsusho Corporation)	Outside Audit & Supervisory Board Member	●		
Total	Outside Director / Outside Audit & Supervisory Board Member			

Candidate No. 1	Takashi Tanaka	Date of birth February 26, 1957	Number of the Company's shares held (Number of potential shares) 62,500 (36,740)

Reappointment

Reason for nominating the candidate for Director

Since assuming the role of President and Representative Director of the Company in 2010, Takashi Tanaka has carried out the mandate of shareholders and taken responsibility for steering the Company's management, as well as worked to enhance corporate value of the KDDI Group. Since 2018, he has primarily engaged in outward-facing activities involving political and business circles, industry, academia, and government as Chairman and Representative Director of the Company, and has served as Chairman of the Board of Directors. He has extensive experience as the management, and accordingly he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2003:	Executive Officer
June 2007:	Managing Executive Officer, Director
June 2010:	Senior Managing Executive Officer, Representative Director
December 2010:	President, Representative Director
April 2018:	Chairman, Representative Director (Current position)
June 2021:	Scheduled to assume the position as Outside Director of Astellas Pharma Inc.

Special Interests

There are no special interests between Takashi Tanaka and the Company.

Candidate No. 2	Makoto Takahashi	Date of birth October 24, 1961	Number of the Company's shares held (Number of potential shares) 33,100 (43,276)

Reappointment

Reason for nominating the candidate for Director

Makoto Takahashi has abundant experience in leading the development of new businesses and services linked to the Company's present business operations through cooperation with various industries and M&A. Since April 2018 he has served as President and Representative Director, formulated the medium-term management plan (FY2019-FY2021), and demonstrated strong leadership as a driving force for sustainable growth of the Group. For these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2003:	Executive Officer
June 2007:	Managing Executive Officer, Director
June 2010:	Senior Managing Executive Officer, Representative Director
June 2016:	Executive Vice President, Representative Director
April 2018:	President, Representative Director (Current position)

Special Interests

There are no special interests between Makoto Takahashi and the Company.

Candidate No. 3	Takashi Shoji	Date of birth September 26, 1958	Number of the Company's shares held (Number of potential shares) 13,400 (19,133)

Reappointment

Reason for nominating the candidate for Director

Takashi Shoji has undertaken important responsibilities of integrating telecommunications with the life design domain and promoting the sustainable growth of the Group as the senior executive in charge of domestic and global telecommunications business for individual customers, and he possesses the superior knowledge those responsibilities require. For these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2010:	Executive Officer
April 2014:	Managing Executive Officer
June 2016:	Managing Executive Officer, Director
June 2018:	Senior Managing Executive Officer, Director
October 2019:	Executive Director, Personal Business and Global Consumer Business Sector (Current position)
June 2020:	Executive Vice President, Representative Director (Current position)

Special Interests

There are no special interests between Takashi Shoji and the Company.

Candidate No.		Date of birth	Number of the Company's shares held (Number of potential shares)
4	Shinichi Muramoto	March 2, 1960	11,800 (18,738)

Reappointment

Reason for nominating the candidate for Director

Shinichi Muramoto has abundant experience in the corporate divisions. He has achieved results in pursuing the KDDI Group Mission Statement, promoting sustainability and SDGs, and enhancing the corporate governance system. He has the outstanding knowledge of promoting strategies for finance and human resources, etc. which form the basis of sustainable growth of the Company, and for these reasons he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2010:	Executive Officer
April 2016:	Managing Executive Officer
June 2016:	Managing Executive Officer, Director
April 2018:	Executive Director, Corporate Sector (Current position)
June 2018:	Senior Managing Executive Officer, Director
June 2020:	Executive Vice President, Representative Director (Current position)

Special Interests

There are no special interests between Shinichi Muramoto and the Company.

Candidate No.		Date of birth	Number of the Company's shares held (Number of potential shares)
5	Keiichi Mori	February 2, 1960	14,800 (14,873)

Reappointment

Reason for nominating the candidate for Director

Keiichi Mori has abundant experience in solution services for corporate customers, such as promoting DX. He is the officer in charge of the Business Services segment identified in the medium-term management plan as a growth field, and has the superior knowledge in operation of the overall business for domestic and global corporate customers. For these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2014:	Executive Officer
April 2017:	Managing Executive Officer
June 2017:	Managing Executive Officer, Director
April 2019:	Executive Director, Solution Business Sector (Current position)
June 2019:	Senior Managing Executive Officer, Director (Current position)

Special Interests

There are no special interests between Keiichi Mori and the Company.

Candidate No.		Date of birth	Number of the Company's shares held (Number of potential shares)
6	Kei Morita	November 15, 1961	13,500 (14,386)

Reappointment

Reason for nominating the candidate for Director

Kei Morita has abundant experience in operating divisions and corporate strategy planning divisions. He is the officer in charge of the life design domain identified in the medium-term management plan as a growth field, and has the superior knowledge required for the promotion of business expansion. For these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2015:	Executive Officer
April 2018:	Managing Executive Officer
June 2018:	Managing Executive Officer, Director (Current position)
April 2020:	General Manager, Business & Services Development Division (Current position)

Special Interests

There are no special interests between Kei Morita and the Company.

Candidate No. 7

Toshitake Amamiya

Date of birth
June 26, 1960

Number of the Company's shares held
(Number of potential shares)
39,600 (4,876)

Reappointment

Reason for nominating the candidate for Director

Toshitake Amamiya has abundant experience in promoting the development of new businesses connected to the current life design domain and in the Global Business. Serving as General Manager of the Personal Business Planning Division, he has promoted sustainable growth in the Company's telecommunications business for individual customers. For these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2012:	Executive Officer
April 2019:	Managing Executive Officer
June 2019:	Managing Executive Officer, Director (Current position)
April 2020:	General Manager, Personal Business Planning Division (Current position)

Special Interests

There are no special interests between Toshitake Amamiya and the Company.

Candidate No. 8

Hirokuni Takeyama

Date of birth
November 1, 1961

Number of the Company's shares held
(Number of potential shares)
9,700 (11,551)

Reappointment

Reason for nominating the candidate for Director

Hirokuni Takeyama has abundant experience in the Company's domestic telecommunications business for individual customers. Serving as General Manager of the Consumer Sales Division, he has the knowledge required to promote a variety of sales strategies for the sustainable growth of the domestic telecommunications business, which is the Company's core business. For these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2016:	Executive Officer
April 2018:	Managing Executive Officer
April 2020:	General Manager, Consumer Sales Division (Current position)
June 2020:	Managing Executive Officer, Director (Current position)

Special Interests

There are no special interests between Hirokuni Takeyama and the Company.

Candidate No. 9

Kazuyuki Yoshimura

Date of birth
April 19, 1965

Number of the Company's shares held
(Number of potential shares)
4,300 (1,950)

Reappointment

Reason for nominating the candidate for Director

Kazuyuki Yoshimura has abundant experience in all areas of technology. Serving as Executive Director of the Technology Sector, he has the knowledge required for stable operation of the telecommunications business and sophistication of networks, such as through the experience in construction and operation of networks, which are the foundation of the telecommunications business, as well as in steady implementation of various other operations related to technology. For these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2020:	Executive Officer, Executive Director, Technology Sector (Current position)
June 2020:	Executive Officer, Director
April 2021:	Managing Executive Officer, Director (Current position)

Special Interests

There are no special interests between Kazuyuki Yoshimura and the Company.

Candidate No.	Name	Date of birth	Number of the Company's shares held (Number of potential shares)	Years served as Director	Board of Directors' meetings attended
10	Goro Yamaguchi	January 21, 1956	9,700 (–)	4	11 of 11 meetings (100%)

Reappointment

Outside Director

Reason for nominating the candidate & overview of roles expected to fulfil if elected as Outside Director

Goro 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 components and equipment manufacturers. On the Board of Directors, the Company has received a large number of broad opinions related to business administration and operations from a medium- to long-term perspective, and he has contributed to improving the corporate value of the Company. Going forward, the Company expects that he will contribute to the strengthening of the supervisory function for the execution of business and provide advice from a wide-ranging managerial perspective based on his management experience at other companies. Therefore, he has again been selected as a candidate for Outside Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2009:	Director and Managing Executive Officer of KYOCERA Corporation
April 2013:	President and Representative Director, President and Executive Officer of KYOCERA Corporation
April 2017:	Chairman of the Board and Representative Director of KYOCERA Corporation (Current position)
June 2017:	Outside Director (Current position)

Special Interests

Goro Yamaguchi is Chairman of the Board and Representative Director of KYOCERA Corporation, which has business transactions with the Company, but these transactions account for less than 5% of operating revenues for both parties.

Candidate No.	Name	Date of birth	Number of the Company's shares held (Number of potential shares)	Years served as Director	Board of Directors' meetings attended
11	Keiji Yamamoto	March 28, 1961	600 (–)	2	11 of 11 meetings (100%)

Reappointment

Outside Director

Reason for nominating the candidate & overview of roles expected to fulfil if elected as Outside Director

Keiji Yamamoto has excellent knowledge cultivated in IT development and electronics engineering divisions and abundant corporate management experience as a corporate manager at the one of the world's leading automobile manufacturers. On the Board of Directors, the Company has received a large number of broad opinions on promoting 5G/IoT strategy, etc. from a medium- to long-term perspective, and he has contributed to improving the corporate value of the Company. Going forward, the Company expects that he will contribute to the strengthening of the supervisory function for the execution of business and provide advice from a technical perspective in the field of information and communications, etc. Therefore, he has again been selected as a candidate for Outside Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2016:	Executive General Manager of TOYOTA MOTOR CORPORATION
April 2017:	Managing Officer of TOYOTA MOTOR CORPORATION
June 2019:	Outside Director (Current position)
July 2019:	Operating Officer, President, Connected Company of TOYOTA MOTOR CORPORATION (Current position)
January 2021:	Operating Officer, Chief Information & Security Officer and Chief Software Officer of TOYOTA MOTOR CORPORATION (Current position)

Special Interests

Keiji Yamamoto is an Operating Officer of TOYOTA MOTOR CORPORATION, which has business transactions with the Company, but these transactions account for less than 5% of operating revenues for both parties.

Candidate No. 12	Shigeo Ohyagi	Date of birth May 17, 1947	Number of the Company's shares held (Number of potential shares) 3,100 (–)	Years served as Director 3	Board of Directors' meetings attended 11 of 11 meetings (100%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate & overview of roles expected to fulfil if elected as Outside Director

Shigeo Ohyagi has a wealth of corporate management experience and excellent knowledge cultivated as the President and CEO of one of the world's leading companies in the fields of synthetic fibers, chemical products, medicines and medical treatment, and distribution and retail. On the Board of Directors, the Company has received a large number of broad opinions from a medium- to long-term perspective especially focusing on the life design domain that the Company is promoting, global strategy and M&A from a perspective independent of the management team, and he has contributed to improving the corporate value of the Company. Going forward, the Company expects that he will contribute to the strengthening of the supervisory function for the execution of business and provide advice from a wide-ranging managerial perspective based on his management experience at other companies. Therefore, he has again been selected as a candidate for Outside Director.
Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has again been nominated as Independent Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2005:	Executive Officer, Member of the Board of TEIJIN LIMITED
June 2006:	Senior Executive Officer, Member of the Board of TEIJIN LIMITED
June 2008:	President and CEO, Representative Director of the Board of TEIJIN LIMITED
April 2014:	Chairman, Member of the Board of TEIJIN LIMITED
June 2014:	Outside Audit & Supervisory Board Member of JFE Holdings, Inc. (Current position)
April 2018:	Senior Advisor, Member of the Board of TEIJIN LIMITED
June 2018:	Senior Advisor of TEIJIN LIMITED (Current position) Outside Director (Current position) Member of the Board of Directors (Outside), Member of the Audit & Supervisory Committee of MUFG Bank, Ltd. (Current position)
June 2020:	Member of the Board of Directors (Outside), Tokyo Electric Power Company Holdings, Inc. (Current position)

Special Interests

Shigeo Ohyagi is a Senior Advisor of TEIJIN LIMITED, which has business transactions with the Company, but these transactions account for less than 1% of operating revenues for both parties. Therefore, these transactions would not affect his independence as an Outside Director.

Candidate No. 13	Riyo Kano	Date of birth May 11, 1966	Number of the Company's shares held (Number of potential shares) 600 (–)	Years served as Director 2	Board of Directors' meetings attended 11 of 11 meetings (100%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate & overview of roles expected to fulfil if elected as Outside Director

Riyo Kano has abundant experience and superior knowledge, cultivated as the partner at a law firm and a committee member of government committees. On the Board of Directors, the Company has received a large number of expert opinions regarding legal risk management based on a medium- to long-term perspective and from a perspective independent of the management team, and she has contributed to improving the corporate value of the Company. Going forward, the Company expects that she will contribute to the strengthening of the supervisory function for the execution of business and provide advice from her expert perspective as an attorney at law. Therefore, she has again been selected as a candidate for Outside Director.
Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has again been nominated as Independent Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 1993:	Registered as attorney at law
January 2005:	Partner, Tanabe & Partners (Current position)
August 2014:	Member of Commission on Policy for Persons with Disabilities of Cabinet Office (Current position)
June 2015:	Outside Director of The Yamanashi Chuo Bank, Ltd. (Current position)
February 2017:	Member of Examination Committee for Relief Assistance of Ministry of Health, Labour and Welfare (Current position)
June 2019:	Outside Director (Current position)

Special Interests

Riyo Kano is a Partner of Tanabe & Partners, which has business transactions with the Company (it provides the Company with a whistleblower contact service), but these transactions account for less than 1% (less than ¥100 million) of operating revenues for both parties. Therefore, these transactions would not affect her independence as an Outside Director.

Candidate No. 14	Shigeki Goto	Date of birth December 20, 1948	Number of the Company's shares held (Number of potential shares) 2,000 (–)	Years served as Director 1	Board of Directors' meetings attended 10 of 10 meetings (100%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate & overview of roles expected to fulfil if elected as Outside Director

Shigeki Goto has superior knowledge in telecommunications and network engineering, and information processing, which are directly relevant to the business of the Company, as well as in the field of cybersecurity that is crucial for its business operation. On the Board of Directors, by providing his expert opinions related to the management policy as a telecommunications operator that provides social infrastructure, from a medium- to long-term perspective independent of the management team, he has contributed to improving the corporate value of the Company. Going forward, the Company expects that he will contribute to the strengthening of the supervisory function for the execution of business and provide advice from his expert perspective in the information and communications field, etc. Therefore, he has again been selected as a candidate for Outside Director.

Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has again been nominated as Independent Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 1996:	Professor, Department of Computer Science and Engineering, School of Science and Engineering of Waseda University
March 1997:	Trustee of JNIC (Currently Japan Network Information Center (JPNIC)) (Current position)
April 2015:	Chairman, Research and Development Strategy Special Committee, Cybersecurity Strategic Headquarters of Cabinet Secretariat
April 2019:	Professor Emeritus of Waseda University (Current position)
June 2020:	Outside Director (Current position)

Special Interests

There are no special interests between Shigeki Goto and the Company.

Notes:

1. The number of the Company's shares held by each candidate is the number as of March 31, 2021.
   Furthermore, with regard to potential shares, the number indicated is equivalent to the number of vested points in the stock compensation plan utilizing the trust as of March 31, 2021.
2. Candidates with Independent Director status fall under the definition of independent director as specified in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
3. Candidates with Outside Director status fall under the definition of outside director as specified in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.
4. In January 2021, KYOCERA Corporation, where Goro Yamaguchi serves as Chairman of the Board and Representative Director, announced that certain chemical products manufactured and sold by KYOCERA Corporation were improperly identified as receiving certification from Underwriters Laboratories, a third-party safety science organization in the US.
5. The Company has entered into agreements for Limitation of Liability with Goro Yamaguchi, Keiji Yamamoto, Shigeo Ohyagi, Riyo Kano and Shigeki Goto to the effect that the extent of liability for damage as provided for in Article 423, paragraph (1) of the Companies Act shall be limited to the amount prescribed in laws and regulations pursuant to Article 427, paragraph (1) of the Act. In the event that their reelections are approved, the Company plans to continue these agreements.
6. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy covers losses incurred by an insured that may arise from the insured's assumption of liability incurred in the course of the performance of duties or receipt of claims pertaining to the pursuit of such liability. Each candidate is included as an insured in the policy, and in the event that their reelection is approved, they will continue to be included in the policy as an insured.

Proposal 3: Election of One (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Shin Honto passed away on April 28, 2021, and thus retired from office. We therefore propose that One (1) Audit & Supervisory Board Member be elected.

Moreover, when selecting a candidate for Audit & Supervisory Board Member, our benchmark is a person who has the ability and the knowledge to conduct audits appropriately and independently of Director. The approval of the Audit & Supervisory Board for this proposal has already been obtained.

The candidate for Audit & Supervisory Board Member is as follows.

	Yukihiro Asahina	Date of birth September 19, 1960	Number of the Company's shares held (Number of potential shares) 0 (–)

New appointment

Outside Audit & Supervisory Board Member

Independent Auditor

Reason for nominating the candidate for Audit & Supervisory Board Member

Yukihiro Asahina has abundant experience and knowledge cultivated 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 experience and knowledge to monitor general management and to engage in appropriate audit activities, he has been selected as a candidate for Audit & Supervisory Board Member. Moreover, Yukihiro Asahina is scheduled to be nominated as a full-time Audit & Supervisory Board Member. Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he is scheduled to be nominated as Independent Auditor.

Summary of Career, Position in the Company and Important Concurrent Positions

April 2016:	Deputy Director-General, Kinki Regional Development Bureau of Ministry of Land, Infrastructure, Transport and Tourism
April 2019:	Standing Director of Japan Federation of Construction Contractors

Notes: 1. Yukihiro Asahina is a candidate for Outside Audit & Supervisory Board Member. In addition, he is a candidate for independent director/auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

2. Yukihiro Asahina has been nominated to replace Shin Honto, who passed away on April 28, 2021, and thus retired from office. As provided for in the Company's Articles of Incorporation, his term of office will be until the expiration date of the retiring Audit & Supervisory Board Member's term of office (until the conclusion of the Annual Shareholders Meeting in 2024).

3. The Company plans to enter into an agreement for Limitation of Liability with Yukihiro Asahina to the effect that the extent of liability for damage as provided for in Article 423, paragraph (1) of the Companies Act shall be limited to the amount prescribed in laws and regulations pursuant to Article 427, paragraph (1) of the Act.

4. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy covers losses incurred by an insured that may arise from the insured's assumption of liability incurred in the course of the performance of duties or receipt of claims pertaining to the pursuit of such liability. In the event that the election of Yukihiro Asahina is approved, the Company plans to include him in the policy as an insured.

5. The number of the Company's shares held by Yukihiro Asahina is the number as of March 31, 2021.

(Reference) Message from an Outside Director

Changes in the business environment amid COVID-19 and KDDI's efforts
Shigeo Ohyagi, Independent Outside Director Fiscal 2020 started with the declaration of state of emergency due to the spread of COVID-19. The expression of "the VUCA* era" seems to have already become common. As the term exactly represents, the environment surrounding all sorts of things has become more complex, making it difficult to foresee the future. Under such circumstances, in response to social demand, KDDI has made more efforts to maintain telecommunications infrastructure, which is a lifeline to the society. After assuming my post as outside director of KDDI, I had an opportunity to inspect telecommunications facilities and the operations management department and observe on-site efforts to protect telecommunications infrastructure. I believe that the reason why telecommunications are ensured under any emergencies is all because of the outcome of day-to-day steady efforts on site. I greatly value on-site persistent efforts. COVID-19 has also greatly affected management. However, KDDI's executives timely compiled information about the impact of COVID-19 on global businesses and shared such information and policies for dealing with situations at the Board of Directors meetings as necessary. Such responses made me feel KDDI's capability to manage itself. Further, the executives considered the COVID-19 crisis an opportunity to transform, reviewed systems for human resources and workstyles, and created an environment that employees can work without being tied to specific times or places. Such initiatives made me feel the management's and employees' enthusiasm for challenging the transformation as one. In the era of advanced information and communications society becoming full-scale, KDDI, consisting of the management with an aggressive stance and frontline departments making steady efforts persistently, will be required to challenge for resolving larger social issues. I believe that the post-COVID-19 new normal era involving drastic changes in people's values and lifestyles is a good opportunity for KDDI to demonstrate its technological and proposal capabilities. I expect KDDI to play the role of leading social transformation with the 5G technology by identifying in advance rapidly growing needs of digital transformation in the new era. * VUCA is an acronym that stands for volatility, uncertainty, complexity, and ambiguity, referring to uncertain and unpredictable conditions.

(Reference) Information on the Guiding Principles of the Corporate Governance Code

Basic Views and Guidelines on Corporate Governance

As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operator our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.
Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders, including customers, shareholders, business partners, employees, and local communities and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and bountiful communications-oriented society.
We recognize reinforcing corporate governance as important to achieving sustainable growth and increased 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 exchange. 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 KDDI Group Mission Statement, we have formulated the "KDDI Group Philosophy," which defines perspectives and values that officers 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," which we consider foundation of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increased corporate value over the medium to long term.

The KDDI Group Mission Statement and KDDI Group Philosophy can be viewed from the following address (the Company's website).	
https://www.kddi.com/english/corporate/kddi/philosophy/	

Policy and Procedure for the nomination of Director and Audit & Supervisory Board member candidates by the Board of Directors

Standards of Nomination and Election

All Candidates:	People who have no selfish and highly ethical view and personality appropriate to an executive member
Director Candidates:	Meeting one or more of the following standards

・People with specialized knowledge and experience in various fields of business
・People who have management knowledge appropriate to a supervisor or possess specialized knowledge
・People who are highly independent

Audit & Supervisory Candidates:	People who are able to supervise overall management from a perspective independent from directors and who have the extensive experience and broad ranging insight to enhance audit appropriateness.

Procedure for the nomination and the election of Director

1. Selection of candidates based on the above standards
2. Deliberation by the Nomination Advisory Committee
3. Approval by the Board of Directors
4. Election by the Shareholders Meeting

Procedure for the nomination and the election of Audit & Supervisory Board Member

1. Selection of candidates based on the above standards
2. Deliberation by the Nomination Advisory Committee
3. Deliberation and approval by the Audit & Supervisory Board
4. Approval by the Board of Directors
5. Election by the Shareholders Meeting

Nomination Advisory Committee composition

Chairman:	Keiji Yamamoto (Outside Director)
Vice Chairman:	Goro Yamaguchi (Outside Director)
Members of the Committee:	Shigeo Ohyagi (Outside Director), Riyo Kano (Outside Director), Shigeki Goto (Outside Director), Takashi Tanaka, Makoto Takahashi

Criteria for Independence of Outside Directors/Audit & Supervisory Board Members

In addition to the outside directors/audit & supervisory board members requirements in the Companies Act and the independence standards provided by the financial instruments exchange, these standards state that people belong to business partners making up 1% or more of the Company's consolidated net sales or orders placed are not independent.

Policy on transactions between related parties

In accordance with the Companies Act, the Company requires competitive or conflict-of-interest transactions by directors to be approved by and reported to the Board of Directors.
Individual transactions with major shareholders are conducted in accordance with one of the basic principles of the "KDDI Code of Business Conduct," specifically, "IX. Appropriate Accounting and Adherence to Agreements." In line with this principle, such transactions are decided upon in the same manner as other standard transactions, through internal requests for decision, rather than by setting special standards. In addition, internal requests for decision are checked by Audit & Supervisory Board members.
Director of KYOCERA Corporation, which is a major shareholder of the Company, serve as outside directors of the Company. Accordingly, we strike a balance between comprehensive approval by and report to the Board of Directors, and internal requests for decisions on individual transactions.

Analysis and Evaluation of the Board of Directors' Effectiveness

■ **Purpose of conducting**
The Company conducts a self-evaluation of the Board of Directors regularly every year in order to correctly understand the situation of the Board of Directors and promote its consecutive improvement.

■ **Process of evaluation**
The Company confirms the effectiveness of the Board of Directors based on evaluation by all of the directors and Audit & Supervisory Board members. The evaluation takes the form of a questionnaire and aims to verify the effectiveness of the board's initiatives and discover where improvements can be made from two perspectives, quantitative evaluation and qualitative evaluation, through a combination of four-grade evaluation and free writing.
The evaluation covers the most recent one-year period and is conducted annually. The results of the evaluation are reported to the Board of Directors and future measures are considered.
The main evaluation items are as follows.

- Operation of the Board of Directors
  (composition of members, documents and explanations, provision of information, etc.)
- Supervision of Executives
  (conflict of interest, risk management, management of subsidiaries, etc.)
- Medium- and long-term discussions
  (review of medium-term business planning, monitoring of plan enforcement, etc.)

■ **Evaluation results**
[Summary]
The evaluation confirmed that the Company's Board is operating effectively.
The evaluation confirmed that the Board's decision-making and supervising functions are fully working by having online meetings as scheduled even under the impact of COVID-19.
The following two matters were rated highly in particular.

- Ensuring transparency of decision-making
  People with different areas of expertise serve as outside directors/Audit & Supervisory Board members and make a wide array of remarks at Board of Directors meetings. Executives proactively respond to their remarks. Such open discussions enable the Board of Directors to ensure transparency of decision-making.
- Providing sufficient information with outside directors/Audit & Supervisory Board members
  Outside directors/Audit & Supervisory Board members are provided with many opportunities to deepen their understanding of the Company's businesses. Such opportunities include having discussions with a responsible person of each business, having facility tours, and visiting sites.

[Improvements since previous evaluation]
Based on our understanding that monitoring subsidiaries, etc. is particularly important in 2020, we re-organized the process of supervising the management of the entities in which the Company has invested, evaluated these entities, taking into account not only their financial conditions but also if they have created synergies and how much the synergies have contributed to our businesses, and decided to have discussions toward better business operations for the entities.
We have clarified reporting criteria so as to understand the KDDI Group's risk information more promptly and surely.
As a result, it was confirmed that improvements have been made toward resolving the issue raised in the previous evaluation, "timely and appropriate monitoring and better supervision as a group."

[Future issues]
In this evaluation, from a big-picture perspective, directors and Audit & Supervisory Board members suggested various topics that should be discussed to achieve the Company’s sustainable growth even amid the radically changing operating environment.
Incorporating such topics in the process of formulating the next medium-term management plan and having active discussions drawing on diverse experiences and knowledge of directors and Audit & Supervisory Board members, we will further enhance the effectiveness of the Board of Directors.

System for Supporting/Linking Outside Directors and Outside Audit & Supervisory Board Members

Board of Directors meeting dates and agenda items are provided in advance to outside directors and outside Audit & Supervisory Board members. In addition, agenda materials are distributed ahead of time to foster understanding of the items in question and invigorate deliberations at Board of Directors meetings.
In addition, the Company is working to make deliberations more substantial by accepting questions in advance and providing more extensive explanations at Board of Directors meetings based on such questions.
Furthermore, the Company is working to invigorate deliberations in Board of Directors meetings by providing opportunities for outside directors and outside Audit & Supervisory Board members to undergo training by responsible persons in each field concerning industry trends, an overview of the Company’s organization and its various businesses and technologies and future strategies, and improve their understanding of the Company.
Moreover, the Company holds meetings in a timely manner focused on outside directors/Audit & Supervisory Board members, such as outside director-only meetings and outside director and outside Audit & Supervisory Board member meetings, to promote the sharing of information and smooth linking of management, Audit & Supervisory Board members, and outside directors.
The Company also shares the settlement of accounts review of the accounting auditor with outside directors and Audit & Supervisory Board members and provides an opportunity for the exchange of opinions. This promotes links between the outside directors, Audit & Supervisory Board members, and accounting auditor, parties that are independent from company management, which we believe greatly contributes to the collective capabilities of governance.
On April 1, 2006, the Company established the Audit & Supervisory Board Members’ Office to support Audit & Supervisory Board members, including outside members.

Basic Policy of IR Activities

The Company considers our shareholders and investors to be particularly important stakeholders who fully understand and strongly support our ongoing business. Accordingly, we promise to make the building of trust-based relationships with shareholders and investors a top management priority and strive for value-oriented corporate management, active information disclosure, and enhanced communication.
For example, the company convenes earnings presentation meetings for analysts and institutional investors quarterly, coinciding with its disclosure of financial statements. These meetings can be observed via live and on-demand video distribution.
Each quarter, the Company’s directors and other personnel visit our institutional investors in Europe, the US, and Asia to provide explanations of the Company’s financial condition and future strategies. In fiscal 2020, however, due to the impact of COVID-19, we had conference calls and video meetings on an individual basis.
In fiscal 2020, the Company held Six hundred and sixty (660) conference calls and video meetings including participation in Fourteen (14) conferences hosted by securities companies in Japan and abroad.

Information for individual investors can be viewed from the following address (the Company’s website).	
https://www.kddi.com/english/corporate/ir/	

(Documents Appended to the Notice of the 37th Annual Shareholders Meeting)
BUSINESS REPORT
(April 1, 2020 to March 31, 2021)

(Reference)

Financial Highlights

Operating Revenues	¥5,312,599 million
(increased 1.4% year on year)	
Operating revenues rose mainly because of increases in mobile communications revenues (including roaming fee etc.) and solutions revenue. The increase was achieved despite a decline in handset sale revenues.	
Operating Income	¥1,037,395 million
(increased 1.2% year on year)	
Operating income increased mainly due to an increase in operating revenues.	
Profit for the year attributable to owners of the parent	¥651,496 million
(increased 1.8% year on year)	
Profit for the year attributable to owners of the parent increased mainly due to increased operating income.	

1. Current Status of the Corporate Group

(1) Business Developments and Results

1) Overall Conditions

[Industry Trends and Position of the Company]

Due to recent advances in 5G, IoT, AI, big data, and other technologies that are driving full-fledged digitization, we are transforming into a data-driven society, one that places a higher value on data than ever before. With the wider acceptance of these technologies, all industries are accelerating toward a digital transformation (DX), and expectations are that this will realize Society 5.0[*1] for SDGs[*2], a development that will simultaneously spur economic development and solve social issues. In addition, due to the impact of the recent COVID-19 pandemic, all facets of life and industry have settled into a new normal, and people are clamoring for an accelerated DX that will facilitate the building of a resilient social foundation that can help prevent the spread of the virus while supporting economic growth.

Amid these circumstances, in March 2020, we began offering fifth-generation wireless service under the name “au 5G.”[*3]

For individual customers, under the concept of “5G for Everyone,” we joined with corporate partners in various industries to enable as many individual customers as possible to use 5G, to thereby offer new ways to experience entertainment, sports, art, and more in the age of the new normal. In addition, we began rolling out affordable price plans that are easy to understand, simple, and a good choice for a diverse range of needs and lifestyles, whether the users are families or individuals in February 2021. These new plans comprise unlimited data[*4] plans for “au” smart phones (“Unlimited Data MAX 5G” and “Unlimited Data MAX 4G”), a simple good-value price plan for UQ mobile (“Rollover Plan”) and a new price brand with free choice of toppings for “au” (“povo”).

For corporate customers, corporate DX is accelerating in various industries and business arenas, greatly changing business models. In KDDI DIGITAL GATE, which is a business development base for the 5G/IoT era that supports customers’ DX, and “KDDI research atelier,” which is a survey and applied research base aiming to offer new lifestyles for 2030, we are working with various partner companies to promote the creation of new experience value and businesses that are only possible in the 5G era as well as to help create strong corporate foundations resilient to environmental changes.

In August 2020, KDDI and KDDI Research formulated “KDDI Accelerate 5.0” with the aim of creating a resilient future society suited to the new normal. In line with this concept, we will evolve our network layer (including our 5G network), platform layer, and business layer as well as utilize technologies[*5] in the seven fields supporting those layers and orchestration technologies[*6] to accelerate the realization of

Society 5.0, an initiative being promoted by Japan's government.
The entire Company is promoting sustainability activities aimed at achieving the SDGs. In line with our commitment to continue working to solve various social issues through business going forward, in May 2020 we established the new "KDDI Sustainable Action," which focuses on 2030. We will continue contributing to the sustainable growth of society by connecting lives, connecting homes, and connecting hearts while using 5G, IoT, and other technologies.
Based on the policy of "KDDI Sustainable Action," we announced KDDI's five basic policies related to COVID-19. Meanwhile, we will maintain telecommunications services, which serve as the foundation and lifeline for society, and proactively cooperate on initiatives spearheaded by governments, municipalities, public organizations, and other groups. In these ways, we will continue unifying the capabilities of the Group and fulfilling our social responsibility to stably support industry and everyone's lives going forward.

*1. One of the medium- to long-term growth strategies of Japan, which refers to an ideal human-centric society achieved by using systems that highly integrate cyberspace with physical space.
*2. Sustainable Development Goals: international goals that were adopted at the United Nations summit in September 2015
*3 5G is offered in limited areas.
*4 When using for tethering, data sharing, and international roaming (World Data Flat), the maximum limit is 30GB/month for Unlimited Data MAX 5G and Unlimited Data MAX 4G. If you use a significant amount of data, the data speed may be restricted during peak times. When watching videos or listening to audio, the data speed may be restricted.
*5 Particularly networks, security, IoT, platforms, AI, XR, and robotics
*6 Technologies that enable information and data to automatically flow between and to be employed by multiple systems

2) Business Conditions by Segment

Personal Services

Providing communications services (mobile, fixed-line communication, etc.) and life design services (commerce, finance, energy, entertainment and education services, etc.) for individuals in Japan and overseas.

Operating Revenues	¥4,585,116 million
(increased 0.8% year on year)	

Operating revenues rose mainly due to an increase in mobile communications revenues (including roaming fee, etc.), despite a decline in handset sale revenues.

Operating Income	¥862,858 million
(decreased 1.0% year on year)	

Operating income declined mainly due to an increase in depreciation and a decrease in gross profit from the energy business, despite a rise in operating revenues.

* As a result of changes to the reportable segments for some subsidiary companies, figures for the previous fiscal year have been restated.

TOPICS

Offering services under multiple brands that match the usage styles of customers

In addition to "au," which offers peace of mind and unlimited usage, and "UQ mobile", which is simple and affordable, we began offering a new price brand, "povo," in March 2021. In addition to 20GB of data for ¥2,480 per month (¥2,728 with tax), "povo" offers a variety of toppings such as unlimited calls of no longer than five minutes*1 and 24-hour unlimited data*2 (additional fee), which can be freely selected by customers according to their needs. In October 2020, we took over the business of "UQ mobile" and launched the "Rollover Plan." In this way, we are providing mobile communication services under multiple brands to precisely meet the diverse needs and lifestyles of our customers.

At the same time, as 5G becomes more widespread, we are actively working to encourage its everyday use for everything from handsets to services under the slogan "5G for Everyone." The cumulative sales volume of 5G handsets in use has surpassed 2.4 million units as of the end of March 2021.

*1. Some calls are not covered by this plan. Furthermore, domestic calls within five minutes per call are covered by this plan. A separate telephone fee of ¥22 per 30 seconds applies for calls longer than five minutes.
*2. During peak times when the network is busy or when customers are watching videos or using a cloud gaming service, etc., the data speed may be restricted.

Efforts to expand the au Economic Zone

In May 2020, we integrated au WALLET points and Ponta points to build one of the largest membership bases in Japan. In addition, we have strengthened measures to enable customers to get good value out of au PAY, such as conducting Ponta point reward campaigns with companies such as Lawson and UNIQLO, and sectors such as drugstores and supermarkets. Furthermore, we began offering a "Valuable Point Exchange Site" where customers can increase the amount of Ponta points they have earned and use them in the au PAY Market, so as to further increase the attractiveness and to expand the au Economic Zone.

Since February 2021, the Group has worked together to expand the financial business mainly by enhancing the rewards for using the au PAY Gold Card to pay "au" telecommunication fees and introducing preferential interest rates for housing loans at "au Jibun Bank." As a result, the value of settlement and financial transactions was significantly higher than initially targeted, growing from ¥6.5 trillion in the fiscal year ended March 31, 2020 to ¥9.0 trillion in the fiscal year ended March 31, 2021.

In addition, au Pay was awarded first place in overall customer satisfaction in J.D. Power Japan's 2021 QR & Bar Code Mobile Payment Service Satisfaction Study℠* announced in March 2021.

Source: J.D. Power Japan's 2021 QR & Bar Code Mobile Payment Service Satisfaction Study^{SM} (Based on responses from 3,000 customers.jdpower-japan.com).

* QR Code is a registered trademark of Denso Wave Inc.

Providing new experience value in the 5G era

To enhance video-related services in conjunction with the full-scale rollout of 5G, we launched video streaming platform "TELASA" through a joint venture with TV Asahi Corporation in April 2020, professional vertical video service "smash." in cooperation with SHOWROOM Inc. in October 2020, "TV Pack," a collection of VOD services from four key broadcast stations, and multi-angle video and 360-degree VR video streaming through au Smart Pass Premium. In addition, we introduced initiatives aimed at quickly delivering new experience value to customers using 5G, IoT, and other technologies. Such initiatives include the establishment of "Virtual Shibuya" in collaboration with Shibuya Ward and creating a more advanced sports viewing experience in cooperation with the Yokohama DeNA BayStars and Nagoya Grampus.

Expansion of global business

In the Myanmar telecommunications business conducted jointly by KDDI Summit Global Myanmar Co., Ltd. and Myanmar Posts and Telecommunications (MPT), we are working to popularize the "MPT Club" point service and the "MPT Pay" mobile electronic payment service. Since the political change in February 2021, we have been striving to maintain our telecommunications services while prioritizing the safety of our associated personnel and carefully monitoring the situation on the ground. In addition, Mongolian comprehensive telecommunications operator MobiCom Corporation LLC changed the name of its "Candy" electronic payment service to "monpay," and is working to achieve further penetration for the service.

Business Services	
Providing communications services (mobile, fixed-line communication, etc.) and ICT solution, data center services, etc. for companies in Japan and overseas.	
Operating Revenues	¥991,634 million
(increased 5.3% year on year)	
Operating revenues increased mainly due to higher revenues from mobile communications and solution, despite a decline in handset sale revenues.	
Operating Income	¥166,675 million
(increased 11.9% year on year)	
Operating income rose year on year mainly due to an increase of operating revenues and a decrease in telecommunication equipment usage fees.	

* As a result of changes to the reportable segments for some subsidiary companies, figures for the previous fiscal year have been restated.

TOPICS

Accelerating customers' DX

In April 2020, we formed a business alliance with Mitsui Fudosan Co., Ltd. to promote DX in office buildings using 5G, and this is an example of how we have been endeavoring to support new ways of working for companies that have been transformed by COVID-19. In July 2020, we announced the "Managed Zero Trust Solution," which offers an Internet-based secure and pleasant IT environment based on the Internet.

Furthermore, in December 2020, we formed a business alliance with East Japan Railway Company for the realization of the Free Space Project, a new decentralized urban development project that will create diverse work styles and lives not bound by place or time through the convergence of transportation and telecommunications. As such, we are actively working to create new value for a new era.

In December 2020, we began working with Amazon Web Services, Inc. (AWS) to offer AWS Wavelength to offer ultra-low latency at the 5G network edge. By combining 5G technology with AWS Wavelength, we will provide a platform where AWS users can develop low-latency applications. Notably, we are the only domestic 5G carrier to provide this service (as of March 2021). AWS Wavelength is one of the initiatives of the KDDI Accelerate 5.0 concept for next-generation society, which accelerates the realization of "Society 5.0," a sustainable consumer-centric society where economic development is spurred and social issues are solved simultaneously with 5G.

Initiatives to increase customer satisfaction

J.D. Power Japan's 2020 Business Mobile Phone Service Satisfaction Study, KDDI was awarded first place in overall customer satisfaction in the Large Corporations/Medium-Sized Enterprises Market Segment for the fifth consecutive year as well as first place in the Small/Medium Corporations Market Segment for the first time. Moreover, KDDI was awarded first place in overall customer satisfaction by J.D. Power Japan in its 2020 Business Network Service Satisfaction Study in the Large Corporations Market Segment for the second consecutive year and first place in overall customer satisfaction in the Business IP Phone & Direct Line Phone Service Satisfaction Study for the eighth consecutive year.

Going forward, we will work to provide even higher-quality products and services to further satisfy our customers.

Source: J.D. Power

J.D. Power 2016-2020 Business Mobile Phone Service Satisfaction Study. (The 2020 study saw answers received from 2,634 companies with 100 or more employees. jdpower-japan.com)

J.D. Power 2020 Business Mobile Phone Service Satisfaction Study. (Answers were received from 1,408 companies with at least 50 but less than 100 employees. jdpower-japan.com)

J.D. Power 2019-2020 Business Network Service Satisfaction Study. (The 2020 study saw answers received from 416 companies with 1,000 or more employees. jdpower-japan.com)

J.D. Power 2013-2020 Business IP Phone & Direct Line Phone Service Satisfaction Study. (The 2020 study saw answers received from 1,323 companies with 100 or more employees. jdpower-japan.com)

Expansion of global business

In the TELEHOUSE data center business, we opened a new branch in Frankfurt, Germany in June 2020 and in Paris (Léon Frot), France in February 2021. In London, England, we acquired a building near an existing data center in July 2020, and plan to open a new data center there in early 2022.

In addition, our onboard telecommunications devices adapted for the Global Communications Platform of IoT World Architecture that enable high-quality, stable telecommunications around the world have been installed in the cars of Toyota Motor Corporation and Mazda Motor Corporation. We will continue to support the global development of connected services that expand the connection between people and cars.

3) Efforts for Sustainability toward Continued Enhancement of Corporate Value

Action to achieve SDGs

With the aim of achieving the SDGs, we are engaged in sustainability activities on a company-wide basis, and going forward, we are determined to continue tackling various social issues through our business activities. As such, in May 2020, we formulated “KDDI Sustainable Action,” which focuses on 2030. Based on this initiative, we will be contributing to the sustainable growth of society by connecting lives, connecting homes, and connecting hearts, while utilizing 5G, IoT, etc.

In the 15th (2021) Toyo Keizai CSR Ranking* conducted in March of this year, KDDI received the highest rankings for all four evaluation items (HR Utilization, Environment, Corporate Governance + Social Performance, and Financial), taking the overall 1st place evaluation for the second successive year. We received high marks for “installing public wireless LANs and chargers for use following large-scale disasters” and “high recycling rates for used handsets collected at au shops and mechanisms for creating employment opportunities for persons with disabilities.” And in connection with internal controls, we earned a high score for our “excellent governance.”

*A ranking aimed at discovering companies that are trusted in terms of increasingly complicated CSR (corporate social responsibility) and finances, based on surveys conducted annually since 2005. The 2021 survey targeted 1,614 companies.

Initiatives for regional revitalization

We pursue regional revitalization as a way of tackling issues facing society through our business. We have already taken action such as performing various demonstration trials, and are focusing in particular on human resource development. To accomplish the tasks facing regional economies, such as rejuvenating existing industries and creating new businesses, it will be essential to promote development of human resources with broad perspectives who can utilize ICT-driven advanced technologies to grow regional industry.

In fiscal 2020, we signed partnership agreements with 15 regional educational institutions, local governments, etc. for the purpose of promoting human resource development. By building remote learning platforms that employ 5G or other technology, providing human-resource development content possessed by the KDDI Group, and co-creating business with local companies and start-up firms, we are working to construct business models that are sustainable for local communities and companies alike.

Launch of “Tsunagu X Kaeru” [Connect and Change] project

In September 2020, KDDI and Nippon Telegraph and Telephone Corporation (NTT) signed a social contribution partnership agreement to address social issues and launched the “Tsunagu X Kaeru” project. As the first phase of the project, we began cooperating with each other in using each other’s vessels for the transportation of supplies in the event of a large-scale disaster, as well as in disaster response drills and educational activities. And as the second phase of the project, in February 2021, we launched an initiative to provide employment and job support for the “employment ice-age generation”, and are providing them with training and job support relating to remote working and ICT skills. Going forward, we will continue to explore areas where we can move beyond competition to cooperate and contribute to solve various societal issues, and assist in the realization of a sustainable society.

Formulation of KDDI Accelerate 5.0

In August 2020, KDDI and KDDI Research, Inc. formulated “KDDI Accelerate 5.0”—a concept for next-generation society, which focuses on 2030. The concept is aimed at accelerating the realization of “Society 5.0,” a sustainable consumer-centric society where economic development is spurred and social issues are solved simultaneously with 5G. We will be pushing forward with R&D of advanced technology in seven fields that support the three layers of 5G as well as orchestration technologies to facilitate the close coordination of these technologies, with the aims of establishing new lifestyles for consumers and creating a resilient future society in which Japan’s economy can develop and societal issues can be resolved simultaneously.

Initiatives to resolve societal issues through new technologies

- Conclusion of partnership agreement for promoting smart cities

Five companies, namely KDDI, Tier IV, Inc., Mobility Technologies Co., Ltd., Sompo Japan Insurance Inc. and AISAN TECHNOLOGY Co., Ltd., have been looking ahead to the future commercialization of autonomous -driving cabs by equipping a taxi cab with an autonomous driving system that is based on people-friendly universal design specifications, and gearing up to conduct safe and secure demonstration trials on public roads. The five companies and the Shinjuku Subcenter Area Environmental Improvement Commission, a general incorporated association, concluded the “Partnership Agreement for the Promotion of Making Nishi-Shinjuku Area a Smart City,” and conducted a service demonstration trial in the Nishi-Shinjuku area in November 2020, in which a taxi cab equipped using 5G and equipped with an autonomous driving system was operated on public roads as part of a next-generation mobility demonstration trial project. In the future, autonomous driving cabs is expected to be used as a means of solving societal issues such as the shortage of public transportation workers and the need to assist people who have difficulty using transportation.

* Company names and product names are the trademarks or registered trademarks of their respective companies.

(2) Issues Facing the Corporate Group

1) Medium- to Long-Term Management Strategies

We are in a period of momentous transformation for the environment surrounding society. As the full-fledged digital evolution progresses with technologies such as 5G, IoT, AI, and big data, we are shifting to a data-driven society where new value is being discovered in data. Furthermore, the Japanese government is aiming to realize "Society 5.0," in which the dual challenges of economic growth and social problems are solved as these cutting-edge technologies are introduced into every industry and social life. Amid these circumstances, the telecommunications industry has been affected by the entry of new carriers and efforts to promote competition. As a result, services and price plans are diversifying, while the business environment is undergoing major changes that include the advance of digital transformation (DX), by which all industries will be transformed through the use of telecommunications and the Internet. In addition, the COVID-19 pandemic has brought about a rapid shift to digital in every realm, making the role played by telecommunications even more crucial.

In order to sustainably grow while swiftly responding to these environmental changes, and also to contribute to the development of a bountiful communications-oriented society as expressed in the KDDI Group Mission Statement, we formulated the medium-term management plan (FY2019 - FY2021) as follows.

<The Medium-Term Management Plan (FY2019 - FY2021)>

■ **Brand message**

Tomorrow, Together KDDI/Explore the extraordinary. au

■ **Our vision**

(1) Be a company that customers can feel closest to

(2) Be a company that continues to produce excitement

(3) Be a company that contributes to the sustainable growth of society

■ **Business strategy**

We will realize sustainable growth through seven business strategies (see below), expanding our peripheral businesses centered on telecommunications under the key theme of "Integration of Telecommunications and Life Design."

■ **Financial targets**

We will aim for sustainable growth in operating income while aiming to achieve a 1.5x increase in EPS[*1] (vs. FY2018) in FY2024.

Regarding shareholder returns, we will continue to pay stable dividends, boosting our consolidated dividend payout ratio from the previous over 35% to over 40%. We will also maintain a flexible position with regard to repurchase, utilize and retire of our treasury stock, keeping in mind the balance with growth investments.

* Earnings Per Share

2) Issues to Be Addressed (Business Strategies)

■ **Creating innovation toward the 5G era**

We will generate new experience value and also proactively use 5G in regional revitalization projects by actively building out 5G, the next-generation social infrastructure platform, developing business in co-creating with various partner companies, and engaging in open innovation that includes the novel ideas of start-up firms alongside cutting-edge technology.

- **Integration of telecommunications and life design**

  In our business for individual customers, along with boosting engagement with customers Group-wide and maximizing lifetime value (number of customers Group-wide (Group IDs) x engagement x total ARPU), we will work for sustainable business growth by actively dedicating effort to new life design domain, focusing on our core service of telecommunications. In our business for corporate customers, we will aim to grow sustainably with customers by supporting their DX and by achieving the "Integration of Telecommunications and Life Design" for corporate customers inside and outside Japan.

- **Further expansion of global business**

  In our business for individual customers, we will take the insight and expertise we have cultivated in the consumer business in Japan and apply it in the overseas consumer business, aiming to expand our market in Asia. Additionally, in corporate business, leveraging our global IoT platform and data center business, we will further expand our global ICT business by integrating global and domestic endeavors.

- **Utilizing big data**

  By utilizing data, we will endeavor to thoroughly understand our customers and maximize experience value through helpful proposals made with the customer's perspective in mind. Furthermore, as the digitalization and networking of things rapidly advances through on-going 5G/IoT developments, we will promote DX for corporate customers by utilizing big data in various industries.

- **Expanding the finance business**

  We will aim for stronger engagement and profit growth by making smartphone-centric financing proposals that bring payment and finance services closer to people's daily lives, thanks to the very central role that smartphones have taken.

- **Growing as the Group**

  We will make full use of the Company's assets to support the growth of Group companies, thereby aiming to maximize mutual synergies as we expand and strengthen a new foundation for the growth of the entire Group.

- **Sustainability**

  The Company is determined to continue tackling various social issues through its businesses, and has established "KDDI Sustainable Action" as a target for 2030. Harnessing the power of 5G and the IoT, we will contribute to resolving social issues with our partners and aim to achieve sustainable growth with society and further growth in corporate value by connecting lives, lifestyles and hearts.

(3) Changes in Assets and Profit and Loss

1) Changes in Assets and Profit and Loss of the Corporate Group

(millions of yen unless otherwise indicated)

	34th fiscal year (FY2018.3)	35th fiscal year (FY2019.3)	36th fiscal year (FY2020.3)	37th fiscal year (FY2021.3)
	IFRS			
Operating revenues	5,041,978	5,080,353	5,237,221	5,312,599
Operating income	962,793	1,013,729	1,025,237	1,037,395
Profit attributable to owners of the parent	572,528	617,669	639,767	651,496
Basic earnings per share (yen)	235.54	259.10	275.69	284.16
Total assets	6,574,555	7,330,416	9,580,149	10,535,326
Total liabilities	2,443,298	2,717,484	4,721,041	5,275,857
Total equity	4,131,257	4,612,932	4,859,108	5,259,469

Notes: 1. Figures were rounded up or down to the nearest million yen.

2. Concerning the calculation of basic earnings per share from the 34th fiscal year to the 37th fiscal year, the Company's stocks owned by the executive compensation BIP (Board Incentive Plan) and a stock-granting ESOP (Employee Stock Ownership Plan) trust are included in treasury stock. Therefore, the number of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

2) Changes in Assets and Profit and Loss of the Company

(millions of yen unless otherwise indicated)

	34th fiscal year (FY2018.3)	35th fiscal year (FY2019.3)	36th fiscal year (FY2020.3)	37th fiscal year (FY2021.3)
	Japan GAAP			
Operating revenues	4,028,524	4,061,712	4,070,873	4,062,750
Telecommunications business	2,627,982	2,604,826	2,640,235	2,664,575
Incidental business	1,400,542	1,456,887	1,430,638	1,398,175
Operating income	685,046	675,688	750,355	757,146
Ordinary income	740,023	723,323	800,209	814,445
Profit	525,389	505,146	567,962	578,634
Earnings per share (yen)	216.15	211.90	244.75	252.38
Total assets	5,031,392	5,427,230	5,681,462	5,956,659
Liabilities	1,450,968	1,720,350	1,861,707	1,895,892
Net assets	3,580,425	3,706,880	3,819,755	4,060,767

Notes: 1 Figures were rounded up or down to the nearest million yen.

2. Concerning the calculation of earnings per share from the 34th fiscal year to the 37th fiscal year, the Company's stocks owned by the Board Incentive Plan and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

(4) Financing Activities of the Corporate Group

During the fiscal year under review, we borrowed long-term loans and short-term loans from financial institutions totaling ¥77,500 million and ¥19,500 million, respectively, for the purpose of partially repaying borrowings.

(5) Capital Investments of the Corporate Group

During the fiscal year under review, the Group efficiently carried out capital investments for the purpose of providing services that satisfy customers and improving reliability.

The total amount of capital investments in telecommunications facilities completed and used for businesses of the Group during the fiscal year under review was ¥588,258 million.

Our principal capital investments are as follows:

1) Mobile-related facilities

The Group carried out capital investments in construction of new and additional wireless base stations and switching equipment due to the expansion of 4G/5G service areas and the increase in data traffic.

2) Fixed-line-related facilities

We expanded the fixed-line communication network in response to the increase in mobile communications data traffic and installed new facilities/expanded existing facilities related to FTTH and cable television.

(6) Principal Businesses of the Corporate Group (As of March 31, 2021)

The Group comprises the Company, 156 consolidated subsidiaries (100 companies in Japan and 56 companies overseas) and 39 equity-method affiliates (32 in Japan and 7 overseas).

The businesses of the Group are classified into segments in accordance with the type of service and the customer attributes. The principal services of each segment are presented below.

Business segment	Principal service
Personal Services	Providing communications services (mobile, fixed-line communication, etc.) and life design services (commerce, finance, energy, entertainment and education services, etc.) for individuals in Japan and overseas.
Business Services	Providing communications services (mobile, fixed-line communication, etc.) and ICT solution, data center services, etc. for companies in Japan and overseas.

(7) Offices of the Company (As of March 31, 2021)

(Head office)	Headquarters (Tokyo)
(Regional offices)	Hokkaido (Hokkaido), Tohoku (Miyagi), Kita-Kanto (Saitama), Minami-Kanto (Kanagawa), Chubu (Aichi), Hokuriku (Ishikawa), Kansai (Osaka), Chugoku (Hiroshima), Shikoku (Kagawa), Kyushu (Fukuoka)
(Branch offices, etc.)	17 branch offices, 66 branches, 6 customer service centers, etc.
(Technical centers, etc.)	9 technical/engineering support centers 3 technology maintenance centers, 1 transmitting station
(Overseas offices)	Geneva, Beijing, Shanghai

(8) Principal Subsidiaries (As of March 31, 2021)

1) Businesses in Principal Subsidiaries

Company name	Location	Capital	Ratio of capital contribution	Principal business
Okinawa Cellular Telephone Company	Okinawa	Millions of yen 1,415	% 52.4	au mobile communication services
Jupiter Telecommunications Co., Ltd.	Tokyo	37,550	50.0	Operation and management of cable TV companies and program distribution companies
UQ Communications Inc.	Tokyo	71,425	32.3	Wireless broadband services
BIGLOBE Inc.	Tokyo	2,630	100.0	Internet service business
AEON Holdings Corporation of Japan	Tokyo	100	100.0	Holding company of a language-related company specializing in English conversation
Chubu Telecommunications Co., Inc.	Aichi	38,816	80.5	Telecommunications services in Chubu region
au Financial Holdings Corporation	Tokyo	20,000	100.0	Financial holding company
Supership Holdings Co., Ltd.	Tokyo	4,057	83.6	Holding company of an Internet services company
Jupiter Shop Channel Co., Ltd.	Tokyo	4,400	(55.0)	Television shopping business
ENERES Co., Ltd.	Tokyo	2,893	59.0	Energy-related business
KDDI MATOMETE OFFICE CORPORATION	Tokyo	1,000	95.0	Supporting IT environment for small and medium-sized companies
KDDI Evolva Inc.	Tokyo	100	100.0	Business Process Outsourcing (BPO) centered on Contact Center Services
KDDI Engineering Corporation	Tokyo	1,500	100.0	Construction, maintenance and operation support for communications facilities
KDDI Research, Inc.	Saitama	2,283	91.7	Technological research and product development relating to information communications
KDDI America, Inc.	USA	Thousand US$ 84,400	100.0	Telecommunications services in the US
KDDI Europe Limited	UK	Thousand STG£ 42,512	(100.0)	Telecommunications services in Europe
TELEHOUSE International Corporation of America	USA	Thousand US$ 4.5	(70.8)	Data center services in the US
TELEHOUSE International Corporation of Europe Ltd	UK	Thousand STG£ 47,167	(92.8)	Data center services in Europe
KDDI China Corporation	China	Thousand RMB 13,446	85.1	Sales, maintenance and operation of telecommunications equipment in China
KDDI Summit Global Myanmar Co., Ltd.	Myanmar	Thousand US$ 405,600	(100.0)	Telecommunications services in partnership with a state-run postal and telecommunications business entity in Myanmar (MPT)

Company name	Location	Capital	Ratio of capital contribution	Principal business
KDDI Singapore Pte Ltd	Singapore	Thousand S$ 10,255	100.0	Telecommunications services in Singapore
MobiCom Corporation LLC	Mongolia	Thousand TG 6,134,199	(98.8)	Mobile communication services in Mongolia

Note: The figures in brackets indicate the ratios of capital contribution that include the ownership by subsidiaries.

2) Changes in Business Combinations

The Company took over the UQ mobile business of UQ Communications Inc. through a corporate split with the effective date of October 1, 2020.

(9) Employees (As of March 31, 2021)

1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	29,283
Business Services	15,942
Others	2,095
Total	47,320

2) Employees of the Company

No. of employees	Year-on-year increase	Average age	Average length of service
11,353	461	42.8	17.6 years

Note: No. of employees does not include 2,512 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2021)

Creditor	Loans outstanding
	Millions of yen
MUFG Bank, Ltd.	164,000
Sumitomo Mitsui Banking Corporation	84,500
Development Bank of Japan, Inc.	59,000
Mizuho Bank, Ltd.	55,000
Sumitomo Mitsui Trust Bank, Limited	27,500

2. **Shares** (As of March 31, 2021)

(1) Total Number of Authorized Shares 4,200,000,000 shares

(2) Total Number of Issued Shares 2,304,179,550 shares

(including 24,667,289 shares of treasury stock)

Note: The total number of issued shares has declined by 51,194,050 in accordance with the retirement of treasury stocks dated May 22, 2020.

(3) Number of Shareholders 313,773

(increase of 84,898 from the previous year-end)

(4) Shareholder Composition

Financial institutions	655,221,014 shares	28.44%
Other institutions	757,047,749 shares	32.86%
Financial instrument firms	129,124,995 shares	5.60%
Individuals and others	137,320,447 shares (including treasury stock)	5.96%
Foreign institutions and others	625,465,345 shares	27.14%

(5) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
KYOCERA Corporation	335,096,000	14.70
Toyota Motor Corporation	316,794,400	13.90
The Master Trust Bank of Japan, Ltd. (Trust Account)	245,945,100	10.79
Custody Bank of Japan, Ltd. (Trust Account)	137,220,200	6.02
Custody Bank of Japan, Ltd. (Trust Account 7)	42,584,800	1.87
Barclays Securities Japan Limited	29,171,900	1.28
JPMorgan Securities Japan Co., Ltd.	29,041,509	1.27
State Street Bank West Client-Treaty 505234	27,557,575	1.21
Custody Bank of Japan, Ltd. (Trust Account 4)	26,835,300	1.18
State Street Bank and Trust Company 505103	25,486,233	1.12

Note: The shareholding ratio is calculated after deducting the shares of treasury stock.
The shares of treasury stock does not include the Company's shares owned in the Board Incentive Plan trust account and the stock-granting ESOP trust account (4,114,964 shares).

(6) Status of Shares Delivered to Executives of the Company as Consideration for Execution of Duties During the Fiscal Year Under Review

Name	Number of shares	Number of recipients
Directors (excluding Outside Directors)	48,300 shares	2

3. Directors and Audit & Supervisory Board Members

(1) Names and Other Details of Directors and Audit & Supervisory Board Members

(As of March 31, 2021)

Position	Name	Responsibilities in the Company and important concurrent positions
Chairman, Representative Director	Takashi Tanaka	
President, Representative Director	Makoto Takahashi	Executive Director, Corporate and Marketing Communications Sector
Executive Vice President, Representative Director	Takashi Shoji	Executive Director, Personal Business Sector and Global Consumer Business Sector
Executive Vice President, Representative Director	Shinichi Muramoto	Executive Director, Corporate Sector
Senior Managing Executive Officer, Director	Keiichi Mori	Executive Director, Solution Business Sector
Managing Executive Officer, Director	Kei Morita	General Manager, Business & Services Development Division
Managing Executive Officer, Director	Toshitake Amamiya	General Manager, Personal Business Planning Division
* Managing Executive Officer, Director	Hirokuni Takeyama	General Manager, Consumer Sales Division
* Executive Officer, Director	Kazuyuki Yoshimura	Executive Director, Technology Sector
Director	Goro Yamaguchi	Chairman of the Board and Representative Director of KYOCERA Corporation
Director	Keiji Yamamoto	Operating Officer of TOYOTA MOTOR CORPORATION
Director	Shigeo Ohyagi	Senior Advisor of TEIJIN LIMITED Outside Audit & Supervisory Board Member of JFE Holdings, Inc. Member of the Board of Directors (Outside), Member of the Audit & Supervisory Committee of MUFG Bank, Ltd. Member of the Board of Directors (Outside) of Tokyo Electric Power Company Holdings, Inc.
Director	Riyo Kano	Partner of Tanabe & Partners Outside Director of The Yamanashi Chuo Bank, Ltd.
* Director	Shigeki Goto	Professor Emeritus of Waseda University Trustee of JNIC (Currently Japan Network Information Center (JPNIC))
Full-time Audit & Supervisory Board Member	Yasuhide Yamamoto	
* Full-time Audit & Supervisory Board Member	Kenichiro Takagi	
* Audit & Supervisory Board Member	Toshihiko Matsumiya	Representative of Toshihiko Matsumiya Certified Public Accountancy Office Outside Audit & Supervisory Board Member of DAIICHI JITSUGYO CO., LTD.
* Audit & Supervisory Board Member	Jun Karube	Chairman of the Board of Toyota Tsusho Corporation Outside Audit & Supervisory Board Member of Sanyo Chemical Industries, Ltd. Outside Director of Meiko Trans Co., Ltd

Position	Name	Responsibilities in the Company and important concurrent positions
* Audit & Supervisory Board Member	Shin Honto	

Notes: 1. Directors and Audit & Supervisory Board Members with * are new Directors and Audit & Supervisory Board Members who were elected at the 36th Annual Shareholders Meeting held on June 17, 2020.

2. In regard to Directors Hirofumi Morozumi, Yoshiaki Uchida, and Yoshiaki Nemoto, and Audit & Supervisory Board Members Koichi Ishizu, Akira Yamashita, Kakuji Takano and Nobuaki Katoh, each of their terms of office expired as of the conclusion of the 36th Annual Shareholders Meeting held on June 17, 2020.

3. Each of Directors Goro Yamaguchi, Keiji Yamamoto, Shigeo Ohyagi, Riyo Kano and Shigeki Goto is an Outside Director.

4. Each of Audit & Supervisory Board Members Toshihiko Matsumiya, Jun Karube and Shin Honto is an Outside Audit & Supervisory Board Member.

5. Audit & Supervisory Board Member Toshihiko Matsumiya has a wealth of experience as a Certified Public Accountant and the Representative of an accounting firm, and has extensive knowledge and insight into finance and accounting.

6. Each of Directors Shigeo Ohyagi, Riyo Kano and Shigeki Goto, Audit & Supervisory Board Members Toshihiko Matsumiya, Jun Karube and Shin Honto is an Independent Director/Auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

7. Audit & Supervisory Board Member Shin Honto passed away on April 28, 2021 and thus retired from office.

(2) Remunerations to Directors and Audit & Supervisory Board Members

1) Policy for Determining Content of Remuneration for Individual Directors

a. Method for deciding on the policy for such determination

At the meeting of the Board of Directors held on January 14, 2021, it was resolved to adopt a policy for determining the content of remuneration, etc. for individual Directors (hereinafter the “Determination Policy”), considering what remuneration system would best work to achieve the sustainable enhancement of corporate value over the medium to long term.

b. Outline of content of Determination Policy

- The remuneration of Directors engaged in business execution is based on the Group’s business performance for each fiscal year, progress toward the targets of the medium-term management plan, and a remuneration system linked to shareholder value in order to increase the motivation to contribute to the improvement of corporate value over the medium to long term. Specifically, it consists of four types: (1) basic remuneration, (2) performance-linked bonus, (3) performance-linked stock compensation, and (4) stock price-linked bonus.
  Outside Directors who perform management supervising functions receive only fixed-amount remuneration that does not vary with the Company’s business performance.

- According to the responsibilities expected of each position, the remuneration composition of directors engaged in business execution has been set the remuneration portion linked to business performance (above (2) to (4)) in the range of 45% to 65%. For the president, the same portion will be 60% or more based on the standard amount.

- The Company has established a Remuneration Advisory Committee to ensure transparency and objectivity in the process for determining systems and levels for executive remuneration, along with the remuneration amounts based on these. The Chairman, Vice Chairman, and a majority of the members of this committee are Outside Directors.
  - Chairman: Goro Yamaguchi (Outside Director)
  - Vice Chairman: Keiji Yamamoto (Outside Director)
  - Members of the Committee: Shigeo Ohyagi (Outside Director), Riyo Kano (Outside Director), Shigeki Goto (Outside Director), Takashi Tanaka, Makoto Takahashi

- The amount of basic remuneration, performance-linked bonus, performance-linked stock compensation, and stock price-linked bonus are not entrusted to the Representative Director, but rather are decided by resolution of the Board of Directors based on the advice of this committee.

- The Company’s executive remuneration levels are decided through comparison with sector peer companies, or with other companies of the same scale, in Japan, and by taking into account factors that include the business environment of the Company. 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.

2) Matters concerning Resolutions of Shareholders Meetings Regarding Remuneration of Directors and Audit & Supervisory Board Members

Details are as follows.

(Dates and details of the resolutions of the Shareholders Meetings regarding executive remuneration)

	Type of remuneration	Method of determination	Remuneration limit	Shareholders Meetings when resolutions were made	Number of executives at the time of resolution
Director	Basic remuneration	・Determine remuneration according to the position of each director, taking into consideration the business environment and other factors. ・Determine basic amounts after validating appropriateness of the remuneration levels utilizing an external specialized organization	Up to ¥50 million per month	The 30th Annual Shareholders Meeting held on June 18, 2014	13 Directors (including 3 Outside Directors)
	Stock price-linked bonus	Set the levels to link to "EPS growth rate" and "stock price fluctuation rate" for each fiscal year	Within 0.1% of consolidated profit (under IFRS, profit attributable to owners of the parent) for each fiscal year	The 27th Annual Shareholders Meeting held on June 16, 2011	10 Directors (excluding Outside Directors)
	Performance-linked bonus	Determine the levels based on the degree of achievement of the Group's consolidated operating revenue, operating income, and profit during each fiscal year, along with the KPI achievement rate linked to performance targets for each fiscal year.			
	Performance-linked stock compensation		(Applicable to Directors, Executive Officers and Administrative Officers) The number of points to be granted to each eligible person per fiscal year shall not exceed 357,000 points in total. (Converted at ratio of one share = one point.)	(Introduction) The 31st Annual Shareholders Meeting held on June 17, 2015 (Revision) The 34th Annual Shareholders Meeting held on June 20, 2018	9 Directors, 21 Executive Officers and 50 Administrative Officers (excluding those living overseas, Outside Directors and part-time Directors)
Audit & Supervisory Board Member	Fixed remuneration only	Pay only fixed-amount remuneration that does not vary with the Company's business performance.	Up to ¥130 million per fiscal year	The 32nd Annual Shareholders Meeting held on June 22, 2016	5 Audit & Supervisory Board Members

3) Total Amount of Executive Salaries for the Fiscal Year Under Review

Category		Total amount of Executive Salaries (Millions of yen)	Number to be paid	Total amount of Executive Salaries by type (Millions of yen)		
				Executive Salaries	Executive Bonuses	Stock Remuneration
Directors	Outside Directors	79	6	79	–	–
	Others	883	11	379	322	182
	Total	961	17	458	322	182
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	42	6	42	–	–
	Others	57	3	57	–	–
	Total	99	9	99	–	–

Notes:
1. The above-stated number of Directors to be paid remuneration and the amount thereof include those for two Directors and one Outside Director who retired at the conclusion of the 36th Annual Shareholders Meeting held on June 17, 2020. The number of Directors to be paid executive bonuses is nine, excluding said retired Directors.
2. The above-stated number of Audit & Supervisory Board Members to be paid remuneration and the amount thereof include those for one Audit & Supervisory Board Member and three Outside Audit & Supervisory Board Members who retired at the conclusion of the 36th Annual Shareholders Meeting held on June 17, 2020.
3. In addition to the above, the settlement payment of retirement allowance to Directors in connection with the abolishment of the executive retirement bonus system was determined at the 20th Annual Shareholders Meeting held on June 24, 2004. Based on this, the Company paid executive retirement bonus of ¥10 million to Hirofumi Morozumi, who retired at the conclusion of the 36th Annual Shareholders Meeting held on June 17, 2020.

4) Matters Concerning Performance-Linked Remuneration

a. Performance-linked bonuses and the performance-linked stock compensation use operating revenue, operating income, profit, and other measures of "company performance" for the Group during each fiscal year, along with the "KPI achievement ratio" of individual businesses, which is linked to medium-term management plan targets, as evaluation metrics, and are calculated from the formulas below.

Performance-linked bonus:	Basic amount by position multiplied by the Group's operating performance and KPI achievement ratio
Performance-linked stock compensation:	Basic points by position multiplied by the Group's operating performance and KPI achievement ratio

The reasons for selecting each indicator and the actual figures are as follows.

・ Company performance:
  Reason for selection: Since these are basic figures that clearly show the performance of a company
  Actual figures: As described on page 33 of this Notice of Annual Shareholders Meeting

・ KPI achievement rate:
  Reason for selection: Since this indicator measures the degree of achievement of each business strategy in the medium-term management plan, and is linked to the Company's business expansion and performance improvement.
  Actual figures: Not disclosed for business reasons

b. Stock price-linked bonuses use "EPS growth rate" and "stock price fluctuation rate" as evaluation metrics, and are calculated from the formulas below.

・ Stock price-linked bonus: Basic amount by position multiplied by coefficient
  Coefficient: (EPS growth rate x 50%) + (Stock price fluctuation rate x 50%)
  EPS growth rate: EPS as of the end of the current fiscal year divided by EPS as of the end of the previous fiscal year

Stock price fluctuation rate (vs. TOPIX growth rate):
(Fiscal year-end stock price of the Company / Previous fiscal year-end stock price of the Company) / (fiscal year-end TOPIX / previous fiscal year-end TOPIX)

The reasons for selecting each indicator and the actual figures are as follows.

- EPS growth rate:
  Reason for selection: Since this is an indicator set as a target figure for the medium-term management plan, and is used to provide a strong incentive to achieve medium-term management plan targets.
  Actual figures: 1.03
- Stock price fluctuation rate:
  Reason for selection: This indicator is directly linked to changes in shareholder value, and is adopted to enhance the linkage between executive remuneration and shareholder value
  Actual figures: 0.76

5) Matters Concerning Non-monetary Remuneration

With regard to remuneration for Directors involved in the execution of business, the Company introduced the performance-linked stock compensation (Board Incentive Plan) (“BIP Trust”) in fiscal 2015, with the aim of motivating them to contribute to the improvement of medium- to long-term business performance and the enhancement of corporate value.

The BIP Trust is an incentive plan for officers with reference to the Performance Share System and Restricted Stock System in the U.S. Under the BIP Trust, the Company’s shares acquired through the BIP Trust are delivered to directors and other officers as officer remuneration upon their retirement in accordance with their position and the degree of achievement of performance targets.

6) Reason Why the Board of Directors Has Determined That Content of Remuneration for Individual Directors for the Fiscal Year Under Review Complies With Determination Policy

In determining the content of remuneration for individual Directors, the Remuneration Advisory Committee comprehensively reviewed the draft proposal, including its consistency with the determination policy. With emphasis on the report from the Committee, the Board of Director has determined that the content is in line with the determination policy.

(3) Outline of Contracts for Limitation of Liability

Under the provisions of Article 427, Paragraph (1) of the Companies Act, the Company has concluded contracts for Limitation of Liability between ten persons including each of the Outside Directors and Outside Audit & Supervisory Board Members as provided for in Article 423, Paragraph (1) of the Companies Act. The maximum amount of the liability for damage based on said contracts is the amount prescribed in applicable laws and regulations.

(4) Outside Directors and Outside Audit & Supervisory Board Members

1) Important Concurrent Positions at Other Entities and the Relationship between the Company and Those Entities

- Director Goro Yamaguchi is the Chairman of the Board and Representative Director of KYOCERA Corporation. KYOCERA Corporation has business transactions with the Company. These transactions account for less than 5% of operating revenue for both parties.
- Director Keiji Yamamoto is Operating Officer of TOYOTA MOTOR CORPORATION, which has business transactions with the Company. These transactions account for less than 5% of operating revenue for both parties.
- Director Shigeo Ohyagi is Senior Advisor of Teijin Limited, Outside Audit & Supervisory Board Member of JFE Holdings, Inc. Member of the Board of Directors (Outside), Member of the Audit & Supervisory Committee of MUFG Bank, Ltd., and Member of the Board of Directors (Outside) of Tokyo Electric Power Company Holdings, Inc. Each of the aforementioned companies has business transactions with the Company, but in each case, the respective transactions account for less than 1% of operating revenue for both parties. Note that MUFG Bank, Ltd. is one of the Company’s principal lenders.
- Director Riyo Kano is Partner of Tanabe & Partners and Outside Director of The Yamanashi Chuo Bank, Ltd., which have business transactions with the Company, but these transactions account for less than 1% of operating revenue for both parties.
- Director Shigeki Goto is Professor Emeritus of Waseda University and Trustee of Japan Network Information Center, which have business transactions with the Company, but these transactions account for less than 1% of operating revenue for both parties.

- Audit & Supervisory Board Member Toshihiko Matsumiya is the Representative of Toshihiko Matsumiya Certified Public Accountancy Office and Outside Audit & Supervisory Board Member of DAIICHI JITSUGYO CO., LTD., which have business transactions with the Company, but these transactions account for less than 1% of operating revenue for both parties.
- Audit & Supervisory Board Member Jun Karube is the Chairman of the Board of Toyota Tsusho Corporation, Outside Audit & Supervisory Board Member of Sanyo Chemical Industries, Ltd., and Outside Director of Meiko Trans Co., Ltd. Each of the aforementioned companies has business transactions with the Company, but in each case, the respective transactions account for less than 1% of operating revenue for both parties.

2) Principal Activities during the Fiscal Year Under Review

(Directors)

- Director Goro Yamaguchi attended eleven of the eleven meetings of the Board of Directors. He has provided many broad opinions related to business administration and operations from a medium- to long-term perspective.
- Director Keiji Yamamoto attended eleven of the eleven meetings of the Board of Directors. He has provided many broad opinions on promoting 5G/IoT strategy, etc. in the Company from a medium- to long-term perspective.
- Director Shigeo Ohyagi attended eleven of the eleven meetings of the Board of Directors. From a standpoint independent of the Company's management, he has provided many broad opinions from a medium- to long-term perspective, especially focusing on the life design domain that the Company is promoting, global strategy and M&A.
- Director Riyo Kano attended eleven of the eleven meeting of the Board of Directors. From a standpoint independent of the Company's management, she has provided many technical opinions related to legal risk management from a medium- to long-term perspective.
- Director Shigeki Goto attended ten of the ten meetings of the Board of Directors. From a standpoint independent of the Company's management, he has provided many technical opinions related to the management policy as a telecommunications operator that provides social infrastructure, from a medium- to long-term perspective.

* The attendance record of Director Shigeki Goto began after his appointment as new Director at the 36th Annual Shareholders Meeting held on June 17, 2020.

(Audit & Supervisory Board Members)

- Audit & Supervisory Board Member Toshihiko Matsumiya attended ten of the ten meetings of the Board of Directors and ten of the ten meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Jun Karube attended ten of the ten meetings of the Board of Directors and ten of the ten meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Shin Honto attended seven of the ten meetings of the Board of Directors and seven of the ten meetings of the Audit & Supervisory Board.
- The Outside Audit & Supervisory Board Members attended meetings of the Board of Directors and the Audit & Supervisory Board as indicated above. At these meetings, they provided their viewpoints by voicing opinions based on their expertise and experience, asking questions to clarify points, etc.

* The attendance record of Audit & Supervisory Board Members Toshihiko Matsumiya, Jun Karube and Shin Honto began after their appointment as new Audit & Supervisory Board Members at the 36th Annual Shareholders Meeting held on June 17, 2020.

4. Accounting Auditor

(1) Name of Accounting Auditor

Category	Name	Remarks
Accounting auditor	PricewaterhouseCoopers Kyoto	Appointed on June 20, 2007

(2) Remunerations Paid to Accounting Auditor

Name	1) Amount of remunerations to be paid to accounting auditor for the fiscal year under review	2) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries
	Millions of yen	Millions of yen
PricewaterhouseCoopers Kyoto	425	969

Notes: 1. In the audit agreement between the Company and accounting auditor, the amount of remunerations for audit under the Companies Act is not clearly distinguished from remunerations under the Financial Instruments and Exchange Act. Therefore, the amount described in 1) above is the total of these two kinds of amounts.

2. The Audit & Supervisory Board has checked the audit plan, audit details, the number of man-hours required to conduct the audit and the price per man-hour as well as having compared previous historical figures to planned figures in order to consider the reasonableness of the remuneration. As a result, it has determined that the decision of Representative Directors with regard to the remuneration of the accounting auditor was reasonable and approves the same.

(3) Non-audit Services

The Company commissions and pays compensation for financial surveys, etc. to PricewaterhouseCoopers Kyoto.

(4) Policy on Decision to Dismiss or not Reappoint Accounting Auditor

When the Audit & Supervisory Board of the Company has judged that there are reasons for dismissal as provided for in Article 340, Paragraph (1) of the Companies Act, and recognized that the conduct of proper audits is difficult because of the occurrence of events, etc. that damage the eligibility and independence of accounting auditor, the Audit & Supervisory Board, based on the Audit & Supervisory Board's Rules, shall submit a supplementary proposal for the "Dismissal of Accounting Auditor" or "Non-reappointment of Accounting Auditor" to a shareholders meeting.

(5) Outline of Contracts for Limitation of Liability

The Company has not concluded the contract between the accounting auditor under the provisions of Article 427, Paragraph (1) of the Companies Act.

(6) Audits of Financial Statements of the Company's Subsidiaries by Certified Public Accountants or Audit Corporations Other than the Accounting Auditor of the Company

Some of the Company's principal subsidiaries are audited by audit corporations or certified public accountants other than the accounting auditor of the Company.

Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial Position

(Unit: Millions of yen)

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

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

(Note) Amounts of items are rounded to the nearest million yen.

Consolidated Statement of Income

(Unit: Millions of yen)

Account item	For the fiscal year ended March 31, 2021	(Reference) For the fiscal year ended March 31, 2020
Operating revenue	5,312,599	5,237,221
Cost of sales	2,928,175	2,925,000
Gross profit	2,384,424	2,312,221
Selling, general and administrative expenses	1,364,234	1,299,504
Other income	17,136	12,492
Other expense	4,815	3,228
Share of profit of investments accounted for using the equity method	4,884	3,256
Operating income	1,037,395	1,025,237
Finance income	6,539	5,330
Finance cost	8,311	11,380
Other non-operating profit and loss	2,433	1,512
Profit for the year before income tax	1,038,056	1,020,699
Income tax	331,451	325,298
Profit for the year	706,605	695,401
Profit for the year attributable to:		
Owners of the parent	651,496	639,767
Non-controlling interests	55,109	55,634
Profit for the year	706,605	695,401

(Note) Amounts of items are rounded to the nearest million yen.

Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2021

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total		
As of April 1, 2020	141,852	280,591	(156,550)	4,138,195	(19,665)	4,384,424	474,684	4,859,108
Comprehensive income								
Profit for the year	–	–	–	651,496	–	651,496	55,109	706,605
Other comprehensive income	–	–	–	–	85,213	85,213	3,520	88,733
Total comprehensive income	–	–	–	651,496	85,213	736,709	58,630	795,339
Transactions with owners and other transactions								
Cash dividends	–	–	–	(276,085)	–	(276,085)	(31,336)	(307,421)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	48,636	(48,636)	–	–	–
Purchase and disposal of treasury stock	–	(3,298)	(80,153)	–	–	(83,451)	–	(83,451)
Retirement of treasury stock	–	(150,000)	150,000	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	153,242	–	(153,242)	–	–	–	–
Changes in interests in subsidiaries	–	(2,851)	–	–	–	(2,851)	(2,229)	(5,080)
Other	–	991	(17)	–	–	974	–	974
Total transactions with owners and other transactions	–	(1,916)	69,830	(380,691)	(48,636)	(361,413)	(33,564)	(394,977)
As of March 31, 2021	141,852	278,675	(86,719)	4,409,000	16,912	4,759,720	499,749	5,259,469

(Reference) For the fiscal year ended March 31, 2020

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total		
As of April 1, 2019	141,852	284,409	(383,728)	4,144,133	(3,174)	4,183,492	429,440	4,612,932
Cumulative effects of changes in accounting policies	–	–	–	(181)	–	(181)	(149)	(329)
Restated balance	141,852	284,409	(383,728)	4,143,952	(3,174)	4,183,311	429,291	4,612,603
Comprehensive income								
Profit for the year	–	–	–	639,767	–	639,767	55,634	695,401
Other comprehensive income	–	–	–	–	(27,365)	(27,365)	(1,875)	(29,240)
Total comprehensive income	–	–	–	639,767	(27,365)	612,402	53,759	666,161
Transactions with owners and other transactions								
Cash dividends	–	–	–	(257,616)	–	(257,616)	(33,070)	(290,686)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(10,875)	10,875	–	–	–
Purchase and disposal of treasury stock	–	(75)	(150,000)	–	–	(150,075)	–	(150,075)
Retirement of treasury stock	–	(377,034)	377,034	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	377,034	–	(377,034)	–	–	–	–
Changes due to business combination	–	–	–	–	–	–	26,574	26,574
Changes in interests in subsidiaries	–	(6,515)	–	–	–	(6,515)	(1,870)	(8,385)
Other	–	2,772	144	–	–	2,916	–	2,916
Total transactions with owners and other transactions	–	(3,818)	227,178	(645,524)	10,875	(411,290)	(8,366)	(419,656)
As of March 31, 2020	141,852	280,591	(156,550)	4,138,195	(19,665)	4,384,424	474,684	4,859,108

(Note) Amounts of items are rounded to the nearest million yen.

(Reference)

Consolidated Statement of Cash Flows (Summary)

(Unit: Millions of yen)

Item	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2020
Net cash provided by (used in) operating activities	1,682,166	1,323,356
Net cash provided by (used in) investing activities	(658,925)	(610,950)
Free cash flows *	1,023,241	712,406
Net cash provided by (used in) financing activities	(585,571)	(546,381)
Effect of exchange rate changes on cash and cash equivalents	2,930	(1,419)
Net increase (decrease) in cash and cash equivalents	440,600	164,605
Cash and cash equivalents at the beginning of the year	369,202	204,597
Cash and cash equivalents at the end of the year	809,802	369,202

* Free cash flows are calculated as the sum of "net cash provided by (used in) operating activities" and "net cash provided by (used in) investing activities."

(Note) Amounts of items are rounded to the nearest million yen.

Net cash provided by operating activities increased ¥358,810 million year on year to ¥1,682,166 million mainly attributable to smaller increases in loans for financial business and in trade and other receivables.
Net cash used in investing activities increased ¥47,975 million year on year to ¥658,925 million mainly due to an increase in purchases of securities for financial business and a decrease in proceeds from acquisition of subsidiaries.
Net cash used in financing activities increased ¥39,190 million year on year to ¥585,571 million mainly due to a decrease in proceeds from issuance of bonds and long-term borrowings.
Reflecting these factors and an increase of ¥2,930 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of March 31, 2021 increased ¥440,600 million from March 31, 2020 to ¥809,802 million.

Non-Consolidated Financial Statements (Japan GAAP)

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2021		(Reference) As of March 31, 2020		Account item	As of March 31, 2021		(Reference) As of March 31, 2020	
(Assets)					(Liabilities)				
I Noncurrent assets		3,606,417		3,500,112					
A Noncurrent assets-									
telecommunications business		1,787,227		1,725,527					
(1) Property, plant and equipment*		1,482,622		1,437,940	I Noncurrent liabilities		783,560		833,995
1 Machinery	2,676,204		2,517,745		1 Bonds payable		330,000		330,000
Accumulated depreciation	2,164,013	512,191	1,997,088	520,657	2 Long-term loans payable		309,000		382,000
2 Antenna facilities	872,738		834,352		3 Lease obligations		103		165
Accumulated depreciation	571,560	301,177	527,208	307,145	4 Provision for retirement				
3 Terminal facilities	8,356		8,250		benefits		6,861		7,625
Accumulated depreciation	6,927	1,429	6,747	1,503	5 Provision for point service				
4 Local line facilities	217,442		211,997		program		51,361		64,292
Accumulated depreciation	186,135	31,307	180,859	31,138	6 Provision for warranties for				
5 Long-distance line facilities	95,186		95,464		completed construction		5,657		5,098
Accumulated depreciation	90,925	4,261	91,226	4,238	7 Asset retirement obligations		63,932		27,059
6 Engineering facilities	61,595		60,743		8 Provision for officers' stock				
Accumulated depreciation	49,937	11,659	48,613	12,130	compensation		2,288		2,018
7 Submarine line facilities	47,191		47,191		9 Provision for employees'				
Accumulated depreciation	44,282	2,909	43,716	3,475	stock compensation		4,269		3,520
8 Buildings	407,987		377,186		10 Other noncurrent liabilities		10,088		12,219
Accumulated depreciation	261,566	146,421	246,019	131,166					
9 Structures	89,602		86,668						
Accumulated depreciation	69,224	20,378	67,113	19,555	II Current liabilities		1,112,332		1,027,712
10 Machinery and equipment	4,558		4,548		1 Current portion of noncurrent				
Accumulated depreciation	4,290	268	4,198	351	liabilities		73,000		53,000
11 Vehicles	3,047		2,172		2 Accounts payable-trade		89,698		105,253
Accumulated depreciation	1,628	1,419	1,368	805	3 Short-term loans payable		265,230		210,000
12 Tools, furniture and fixtures	99,095		95,264		4 Lease obligations		96		71
Accumulated depreciation	79,094	20,001	74,815	20,449	5 Accounts payable-other		416,250		381,534
13 Land		259,754		260,480	6 Accrued expenses		5,129		4,985
14 Construction in progress		169,447		124,848	7 Income taxes payable		143,841		140,511
(2) Intangible assets		304,605		287,588	8 Advances received		14,708		16,805
1 Right of using submarine					9 Deposits received		75,090		86,610
line facilities		1,561		2,008	10 Provision for bonuses		17,021		17,603
2 Right of using facilities		14,164		14,028	11 Provision for directors'				
3 Software		272,512		269,987	bonuses		345		300
4 Patent right		–		0	12 Asset retirement obligations		45		45
5 Leasehold right		1,429		1,427	13 Provision for loss on contract		10,959		9,365
6 Goodwill		14,786		–	14 Provision for loss on disaster		742		1,442
					15 Other current liabilities		179		189
					Total liabilities		1,895,892		1,861,707

(Unit: Millions of yen)

Account item	As of March 31, 2021		(Reference) As of March 31, 2020		Account item	As of March 31, 2021		(Reference) As of March 31, 2020	
7 Other intangible assets		153		138	(Net assets)				
B Incidental business facilities		42,859		46,147					
(1) Property, plant and equipment*	49,848		58,291						
Accumulated depreciation	36,526	13,322	41,204	17,088					
(2) Intangible assets		29,538		29,060	I Shareholders' equity		4,024,559		3,805,822
C Investments and other assets		1,776,330		1,728,438	1 Capital stock		141,852		141,852
1 Investment securities		163,113		113,595	2 Capital surplus		305,676		305,676
2 Stocks of subsidiaries and					Legal capital surplus	305,676		305,676	
affiliates		1,172,273		1,172,113	3 Retained earnings		3,670,267		3,521,377
3 Investments in capital		63		63	(1) Legal retained earnings	11,752		11,752	
4 Investments in capital of					(2) Other retained earnings				
subsidiaries and affiliates		5,742		5,742	Reserve for advanced				
5 Long-term loans receivable		3		3	depreciation of noncurrent				
6 Long-term loans receivable					assets	677		677	
from subsidiaries and					Reserve for special				
affiliates		28,079		53,228	depreciation	3		301	
7 Long-term prepaid expenses		251,052		234,313	Reserve for special				
8 Deferred tax assets		126,471		120,085	investments in capital	447		–	
9 Other investment and other					General reserve	2,995,634		2,995,634	
assets		41,143		40,056	Retained earnings brought				
Allowance for doubtful accounts		(11,608)		(10,758)	forward	661,754		513,013	
II Current assets		2,350,241		2,181,350	4 Treasury stock		(93,236)		(163,083)
1 Cash and deposits		275,195		52,368					
2 Notes receivable - trade		2		–					
3 Accounts receivable-trade		1,652,588		1,672,108					
4 Accounts receivable-other		150,248		108,890					
5 Supplies		50,340		56,275	II Valuation and translation				
6 Advance payments - trade		3		6	adjustments		36,208		13,934
7 Prepaid expenses		42,087		38,174	1 Valuation difference on				
8 Short-term loans receivable					available-for-sale securities		36,208		13,934
from subsidiaries and									
affiliates		148,050		230,603					
9 Other current assets		44,698		37,317					
Allowance for doubtful accounts		(12,968)		(14,392)					
					Total net assets		4,060,767		3,819,755
Total assets		5,956,659		5,681,462	**Total liabilities and net assets**		5,956,659		5,681,462

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

(Note) Amounts of items are rounded to the nearest million yen.

Non-Consolidated Statements of Income

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2021	(Reference) The fiscal year ended March 31, 2020
I Operating income and loss from telecommunications		
(1) Operating revenue	2,664,575	2,640,235
(2) Operating expenses	1,889,013	1,883,682
1 Business expenses	575,645	592,806
2 Operating expenses	8	15
3 Facilities maintenance expenses	274,719	280,915
4 Common expenses	3,007	2,681
5 Administrative expenses	120,657	105,365
6 Experiment and research expenses	8,140	7,331
7 Depreciation	401,569	370,122
8 Noncurrent assets retirement cost	12,233	19,336
9 Communication facility fee	449,016	460,840
10 Taxes and dues	44,017	44,272
Net operating income from telecommunications	775,563	756,553
II Operating income and loss from incidental business		
(1) Operating revenue	1,398,175	1,430,638
(2) Operating expenses	1,416,592	1,436,836
Net operating loss from incidental business	18,417	6,198
Operating profit	757,146	750,355
III Non-operating income	62,450	58,136
1 Interest income	1,285	1,850
2 Dividends income	44,896	45,600
3 Foreign exchange gains	2,873	–
4 Miscellaneous income	13,397	10,685
IV Non-operating expenses	5,151	8,281
1 Interest expenses	1,133	1,332
2 Interest on bonds	1,092	1,951
3 Foreign exchange losses	–	1,744
4 Miscellaneous expenses	2,926	3,254
Ordinary profit	814,445	800,209
V Extraordinary income	5,614	7,167
1 Gain on sales of noncurrent assets	945	–
2 Gain on sales of investment securities	2,939	4,201
3 Gain on valuation of investment securities	131	–
4 Gain on sale of stocks of related companies	1,594	2,960
5 Contribution for construction	4	6

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2021	(Reference) The fiscal year ended March 31, 2020
VI Extraordinary loss	5,126	9,991
1 Loss on sales of noncurrent assets	279	174
2 Impairment loss	2,157	1,764
3 Loss on valuation of investment securities	2,685	769
4 Loss on valuation of stocks of subsidiaries and affiliates	–	7,279
5 Reduction entry of contribution for construction	4	6
Profit before income taxes	814,932	797,385
Income taxes-current	246,071	243,141
Income taxes-deferred	(9,772)	(13,719)
Profit	578,634	567,962

(Note) Amounts of items are rounded to the nearest million yen.

Non-Consolidated Statements of Changes in Net Equity

The fiscal year ended March 31, 2021

(Unit: Millions of yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	Reserve for special investments in capital	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,852	305,676	–	11,752	677	301	–	2,995,634	513,013
Changes of items during the fiscal year									
Dividends from surplus	–	–	–	–	–	–	–	–	(276,502)
Reversal of reserve for special depreciation	–	–	–	–	–	(298)	–	–	298
Provision of reserve for special investments in capital	–	–	–	–	–	–	447	–	(447)
Provision of general reserve	–	–	–	–	–	–	–	–	–
Profit	–	–	–	–	–	–	–	–	578,634
Purchase of treasury stock	–	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	(3,242)	–	–	–	–	–	–
Retirement of treasury stock	–	–	(150,000)	–	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	–	153,242	–	–	–	–	–	(153,242)
Decrease by corporate division - split-off type	–	–	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–	–
Total changes of items during the fiscal year	–	–	–	–	–	(298)	447	–	148,741
Balance at the end of current period	141,852	305,676	–	11,752	677	3	447	2,995,634	661,754

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(163,083)	3,805,822	13,934	3,819,755
Changes of items during the fiscal year				
Dividends from surplus	–	(276,502)	–	(276,502)
Reversal of reserve for special depreciation	–	–	–	–
Provision of reserve for special investments in capital	–	–	–	–
Provision of general reserve	–	–	–	–
Profit	–	578,634	–	578,634
Purchase of treasury stock	(136,087)	(136,087)	–	(136,087)
Disposal of treasury stock	55,934	52,692	–	52,692
Retirement of treasury stock	150,000	–	–	–
Transfer from retained earnings to capital surplus	–	–	–	–
Decrease by corporate division - split-off type	–	–	–	–
Net changes of items other than shareholders' equity	–	–	22,274	22,274
Total changes of items during the fiscal year	69,847	218,737	22,274	241,011
Balance at the end of current period	(93,236)	4,024,559	36,208	4,060,767

(Reference) The fiscal year ended March 31, 2020

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,852	305,676	–	11,752	677	605	2,995,634	626,285
Changes of items during the fiscal year								
Dividends from surplus	–	–	–	–	–	–	–	(257,513)
Reversal of reserve for special depreciation	–	–	–	–	–	(304)	–	304
Provision of general reserve	–	–	–	–	–	–	–	–
Profit	–	–	–	–	–	–	–	567,962
Purchase of treasury stock	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	–	–	–	–	–	–
Retirement of treasury stock	–	–	(377,034)	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	–	377,034	–	–	–	–	(377,034)
Decrease by corporate division - split-off type	–	–	–	–	–	–	–	(46,991)
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–
Total changes of items during the fiscal year	–	–	–	–	–	(304)	–	(113,272)
Balance at the end of current period	141,852	305,676	–	11,752	677	301	2,995,634	513,013

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(390,276)	3,692,204	14,676	3,706,880
Changes of items during the fiscal year				
Dividends from surplus	–	(257,513)	–	(257,513)
Reversal of reserve for special depreciation	–	–	–	–
Provision of general reserve	–	–	–	–
Profit	–	567,962	–	567,962
Purchase of treasury stock	(150,000)	(150,000)	–	(150,000)
Disposal of treasury stock	159	159	–	159
Retirement of treasury stock	377,034	–	–	–
Transfer from retained earnings to capital surplus	–	–	–	–
Decrease by corporate division - split-off type	–	(46,991)	–	(46,991)
Net changes of items other than shareholders' equity	–	–	(742)	(742)
Total changes of items during the fiscal year	227,193	113,617	(742)	112,875
Balance at the end of current period	(163,083)	3,805,822	13,934	3,819,755

(Note) Amounts of items are rounded to the nearest million yen.

Independent Auditor's Report (Consolidated)

(English Translation)
Independent Auditors' Report

May 11, 2021

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Tokyo Office
Toshimitsu Wakayama
Designated and Engagement Partner
Cetified Public Accountant
Ryoichi Iwasaki,
Designated and Engagement Partner
Cetified Public Accountant
Tetsuro Iwase
Designated and Engagement Partner
Cetified Public Accountant

Opinion

We have audited, pursuant to Article 444, Paragraph (4) of the Companies Act of Japan, the consolidated financial statements of KDDI CORPORATION and its subsidiaries which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statement of income and statement of changes in equity for the year then ended, and the notes to consolidated financial statements.
In our opinion, the consolidated financial statements referred to above, which were prepared under the designated IFRSs with omission of a part of disclosure items pursuant to the provisions of the latter part of Article 120, Paragraph (1) of the Regulation on Corporate Accounting, present fairly, in all material respects, the consolidated financial position of KDDI CORPORATION and its subsidiaries as of March 31, 2021, and their financial performance for the year then ended.

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 Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our 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.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements pursuant to the provisions of the latter part of Article 120, Paragraph (1) of the Regulation on Corporate Accounting, which permits companies to omit a part of disclosure items required under the designated IFRSs in preparing the consolidated financial statements. This responsibility includes implementing and maintaining internal control deemed necessary by management relevant to the preparation and fair presentation of the 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 whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so, and in accordance with the provisions of the latter part of Article 120, Paragraph (1) of the Regulation on Corporate Accounting, which permits companies to omit a part of disclosure items required under the designated IFRSs, for disclosing, as necessary, matters related to going concern.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

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

Our responsibilities 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 expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. 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 decisions of users of these consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessment, the auditor considers the Group's 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 statements audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, 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 notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. 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 of the consolidated financial statements and notes to the consolidated financial statements are in accordance with the provisions of the latter part of Article 120, Paragraph (1) of the Regulation on Corporate Accounting, which permits companies to omit a part of disclosure items required under the designated IFRSs, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board 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 process, and other matters required by auditing standards.
We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest

Our firm and the engagement partners have no interest in or relationship with KDDI CORPORATION and its subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notice to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Independent Auditor's Report (Non-Consolidated)

(English Translation)

Independent Auditors' Report

May 11, 2021

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Tokyo Office
Toshimitsu Wakayama
Designated and Engagement Partner
Cetified Public Accountant
Ryoichi Iwasaki
Designated and Engagement Partner
Cetified Public Accountant
Tetsuro Iwase
Designated and Engagement Partner
Cetified Public Accountant

Opinion

We have audited, pursuant to Article 436, Paragraph (2), Item 1 of the Companies Act of Japan, the financial statements of KDDI CORPORATION which comprise the balance sheet as at March 31, 2021, and the statement of income, statement of changes in equity for the year then ended, and the notes to non-consolidated financial statements and supplementary schedules (hereinafter the "financial statements").
In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of KDDI CORPORATION as of March 31, 2021, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

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 Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements. in Japan, and we have fulfilled our 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.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with accounting principles generally accepted in Japan. This responsibility includes implementing and maintaining internal control deemed necessary by management relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements., management is responsible for assessing whether it is appropriate to prepare the financial statements. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the financial statements based on our audit from an independent point of view. 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 decisions of users of these financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessment, the auditor considers the Company's internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant

doubt on the Company'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 notes to the financial statements or, if the notes to the financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the financial statements. 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 Company to cease to continue as a going concern.

- Evaluate whether the presentation of the financial statements. and notes to the financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the financial statements, including the related notes thereto, and whether the financial statements fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board 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 process, and other matters required by auditing standards.
We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest
Our firm and the engagement partners have no interest in or relationship with KDDI CORPORATION which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notice to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Audit & Supervisory Board's Report

Audit & Supervisory Board's Report
(English Translation)

The Audit & Supervisory Board of KDDI Corporation ("the Company") hereby submits its audit report regarding the performance of duties of the Directors during the 37th fiscal year from April 1, 2020 to March 31, 2021, which has been prepared through discussions based on the audit reports prepared by each of the Audit & Supervisory Board Members.

1. Audit Method and Details by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) The Audit & Supervisory Board has established audit policies, plans and other matters for the fiscal year under review, received reports from each Audit & Supervisory Board Member about the status of implementation and results of audits as well as reports from the Directors and Accounting Auditors about the status of execution of their duties, and requested them to provide explanation when needed.

(2) In accordance with the "Internal Auditing Rules" established by the Audit & Supervisory Board as well as the audit policies and plans for the fiscal year under review, each Audit & Supervisory Board Member has closely communicated with Directors, relevant personnel of the Internal Audit Department and other employees by utilizing online tools as appropriate in order to collect necessary information and improve the auditing environment, and performed audits in the following manner;

a. The Audit & Supervisory Board Members have attended the Board of Directors meetings and other important meetings, received reports from the Directors and employees about the status of execution of their duties, and requested them to provide explanation when needed. The Audit & Supervisory Board Members have reviewed important authorized documents and examined the status of business operations and financial position of the Company and its principle offices. Furthermore, the Audit & Supervisory Board has closely communicated and exchanged information with the Directors and Audit & Supervisory Board Members of the Company's subsidiaries by utilizing online tools as appropriate, and received reports from them about the status of their business operations.

b. With respect to the Company's internal control system established in accordance with Article 100, Paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act as a system to "ensure the compliance of execution of duties by Directors with laws and regulations and the Articles of Incorporation" and to "ensure appropriate business operations by the corporate group consisting of the Company and its subsidiaries" as described in the Business Report, the Audit & Supervisory Board has received reports on a regular basis about the resolutions of the Board of Directors regarding the improvement of the internal control system as well as its structure and implementation status, and requested explanation and provided advice when needed. Furthermore, the Audit & Supervisory Board has received reports from the Directors and the PricewaterhouseCoopers Kyoto about the evaluation and the status of audits of internal control over financial reporting, and requested them to provide explanation when needed.

c. The Audit & Supervisory Board has supervised and verified whether the Accounting Auditors maintain their independence and performed appropriate audits, by receiving reports from them on the status of execution of their duties and requesting them to provide explanation when needed. In addition, the Audit & Supervisory Board has received confirmation from the Accounting Auditors that the "systems necessary to ensure that duties are executed properly" (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting) had been developed in accordance with the "Quality Control Standards for Auditing" (Business Accounting Council) and other standards, and requested them to provide explanation when needed.

Based on the above method, the Audit & Supervisory Board has examined the Business Report and the supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net equity and the notes to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements) for the fiscal year under review.

2. Audit Results
   (1) Audit results regarding the Business Report and the supplementary schedules
      a. In our opinion, the Business Report and the supplementary schedules fairly represent the Company's conditions in accordance with applicable laws and regulations and the Articles of Incorporation.
      b. We found no evidence of wrongful action or material violation of laws and regulations or the Articles of Incorporation by any of Directors of the Company in executing their duties.
      c. In our opinion, the resolutions of the Board of Directors regarding the Company's internal control system are fair and reasonable. We found no issues or concerns regarding the reports on the internal control system described in the Business Report as well as the status of execution of duties by the Directors.
   (2) Audit results regarding the non-consolidated financial statements
      In our opinion, the audit method employed and the results reported by PricewaterhouseCoopers Kyoto are fair and reasonable.
   (3) Audit results regarding the consolidated financial statements
      In our opinion, the audit method employed and the results reported by PricewaterhouseCoopers Kyoto are fair and reasonable.

May 14, 2021

Full-time Audit & Supervisory Board Member,	Yasuhide Yamamoto
Full-time Audit & Supervisory Board Member,	Kenichiro Takagi
Outside Audit & Supervisory Board Member,	Toshihiko Matsumiya
Outside Audit & Supervisory Board Member,	Jun Karube

(Note) Outside Audit & Supervisory Board Member Shin Honto passed away on April 28, 2021, and thus retired from office. The number of Audit & Supervisory Board Members satisfies the provisions of laws and regulations and the Articles of Incorporation.

Notice to Readers:

The original financial statements, which consist of the balance sheet, the statement of income, the statement of changes in net equity, the notes to the financial statements and the supplementary schedules, and the original consolidated financial statements, which consist of the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements thereof are written in Japanese.

Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of shareholders residing outside Japan. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

To Shareholders

Internet Disclosure of the Notice of the 37th Annual Shareholders Meeting

An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status
Notes to Consolidated Financial Statements
Notes to Non-Consolidated Financial Statements
(from April 1, 2020 to March 31, 2021)

KDDI Corporation

"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," the "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are provided to shareholders on the Company's Web site (https://www.kddi.com/english/corporate/ir/stock-rating/meeting/20210623/), pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation.
"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. The "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by Audit & Supervisory Board Members and Accounting Auditors in preparing the Reports of Audit.

5. An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status

Systems for Ensuring the Appropriate Business Operations

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, the Board of Directors of KDDI has resolved and publicly announced a Basic Policy for Constructing an Internal Control System. The Company works to develop an effective internal control system with the aim of ensuring fairness, transparency, and efficiency in the execution of its corporate duties, as well as improving corporate quality.

1. Corporate Governance

(1) The Board of Directors
The Board of Directors is composed of both internal and outside Directors, who determine important legal matters and business plans, etc. as stipulated by laws and regulations based on the Board of Directors Rules and agenda standards. In addition, the Board of Directors oversees the competent execution of business duties by the Directors themselves.
Information pertaining to the execution of business duties by the Directors must be stored and managed appropriately in accordance with internal rules.

(2) System for executing business operations
1) The Executive Officers' System aims to clarify both the delegation of authority and responsibility system, as well as ensure that operations are executed effectively and efficiently.
2) The Corporate Management Committee, which is composed of Directors and Executive Officers, shall discuss and determine important matters pertaining to the execution of operations, as well as discussing and determining the Board of Directors agenda items, based on the Corporate Management Committee rules.

(3) System for ensuring the effective execution of business duties by Audit & Supervisory Board Members
1) Audit & Supervisory Board Members shall attend the meetings of the Board of Directors and key internal meetings of the Company. In addition, measures shall be taken to enable Audit & Supervisory Board Members to view meeting minutes of important meetings, circulated documents, contracts, etc.
2) Directors and employees, the Directors of subsidiaries, and the Internal Control Division shall perform timely and appropriate reporting to Audit & Supervisory Board Members to provide the information required by said Members for the execution of their business duties, and, when discovering facts that may cause considerable losses to the Company and its subsidiaries, shall promptly report these to Audit & Supervisory Board Members. In addition, Directors and employees, the Directors of subsidiaries, and the Internal Control Division shall carry out exchanges of ideas with, and collaborate with, Audit & Supervisory Board Members.
3) The Company shall establish an Audit & Supervisory Board Members' Office, staffed by full-time employees, to assist the duties of the Audit & Supervisory Board Members. The authority to direct these employees shall reside with the Audit & Supervisory Board Members. The Company shall obtain the prior consent of the Audit & Supervisory Board, or Full-time Audit & Supervisory Board Members specified by the Audit & Supervisory Board, with regard to personnel matters of the Audit & Supervisory Board Members' Office.
4) Measures shall be taken to ensure that persons making reports to Audit & Supervisory Board Members are not given disadvantageous treatment due to making such reports.
5) The Company shall comply with the payment of expenses necessary to enable the execution of duties by Audit & Supervisory Board Members, including prepayments.

2. Compliance

(1) All Directors and employees should continuously maintain high ethical standards in accordance with the basic principles set forth in the "KDDI Action Guideline," which should be complied with, and aim to execute their business duties properly.
(2) Firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.
(3) Each KDDI Group company shall make efforts to promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents, at KDDI Group company meetings pertaining to business ethics.

(4) The Company shall aim to appropriately operate a compliance-related internal reporting system established both internally and externally to the company.
(5) The Company shall strive to improve the understanding and awareness of compliance through both internal and external training and internal enhancement activities.

3. Risk Management for Achieving Business Objectives Fairly and Efficiently

(1) The Company shall stringently conduct business risk analyses and business activity prioritization and appropriately formulate business strategies and business plans at meetings pertaining to business strategy participated in by Directors, with the objective of continuous growth for the KDDI Group. To achieve this, business risk should be monitored monthly at meetings pertaining to performance management, and this performance should be managed thoroughly.
(2) In each Division a person shall be appointed as the person responsible for internal control, and this person shall autonomously promote the following initiatives so that business objectives may be achieved fairly and efficiently.
   1) All Divisions, their Directors and employees shall work in cooperation with the Risk Management Division, which regularly identifies and uniformly manages risk information. The KDDI Group's risks shall be managed appropriately and in accordance with internal regulations, and efforts shall be made to achieve business objectives fairly and efficiently.
   2) The Company shall examine and formulate measures for minimizing the risk to business as much as possible, in order to respond to events which could have serious and long-term effects on corporate business.
   3) In accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, the Company shall implement documentation, assessment and improvement of the state of company-wide internal control and of important business processes on a consolidated basis, with the aim of further improving the reliability of financial reporting.
   4) The Company shall aim to maintain and enhance the systems necessary to improve the quality of the business operations of the KDDI Group, including enhancement of the effectiveness and efficiency of business operations and appropriate acquisition, safekeeping and disposal of assets.
(3) As a telecommunications carrier, the Company shall implement the following initiatives:
   1) Protecting the privacy of communications
      Protecting the privacy of communications is at the very root of the KDDI Group's corporate management, and the Group will abide by this.
   2) Information security
      The Company aims to manage the company's total information assets, including preventing leaks of customer information and cyber-terrorism of networks for telecommunications services, by formulating measures at meetings pertaining to information security to ensure this security in cooperation with the Directors and employees.
   3) Recovering networks and services in times of disaster
      In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, the Company shall formulate a Business Continuity Plan (BCP) and implement measures to improve network reliability and prevent the halting of services.
      In order to facilitate a prompt recovery in times of emergency or disaster, a Disaster Response Headquarters shall be established as expeditiously as possible.

4. Initiatives relating to working together with stakeholders

(1) The whole company shall make efforts to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base.
   1) Through the prompt and appropriate response to customer needs and complaints, the Company shall undertake CX (Customer Experience) activities that aim to improve customers' experience value.
   2) In addition to providing customers with safe, secure, high-quality products and services in compliance with the pertinent laws and regulations, information about products and services should be provided in an easy-to-understand format and indicated appropriately, so that customers can select and use the most appropriate product and/or service.
(2) In order to gain the understanding and trust of all stakeholders, transparency of KDDI Group management shall be ensured, and efforts shall be made to further enhance the PR and IR activities of the KDDI Group.
(3) The KDDI Group's business risk shall be fairly identified and disclosed in a timely and appropriate

manner at meetings pertaining to information disclosure. In addition, sustainability reports shall be created and disclosed, centering on those departments promoting sustainability, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

5. Systems for Ensuring Appropriate Business Operations of the Corporate Group

(1) To ensure the appropriateness of work by subsidiaries, the Company has set forth rules concerning the management of subsidiaries, and has developed a system as follows.

1) The Company shall establish a department to supervise the management of each subsidiary, and will also establish a department with jurisdiction across all subsidiaries, to establish a management and support system for subsidiaries.

2) The Company shall set forth roles for the management of subsidiaries, involving Directors, Audit & Supervisory Board Members, and other employees dispatched to the subsidiaries, and shall ensure efficacy in the governance of subsidiaries.

3) With regard to important decision-making matters within subsidiaries, the Company shall set forth procedures and items for approval in Board of Directors meetings, Corporate Management Committee meetings, etc., and shall establish a management structure for subsidiaries.

4) The Company shall set forth items and procedures for reporting to subsidiaries, and shall establish a collaborative system with subsidiaries.

(2) In each subsidiary, the Company shall appoint a person responsible for internal control as the KDDI Group, shall secure the appropriateness of the work of subsidiaries and appropriately manage risks and engage in measures for risk reduction, and shall strive for the appropriateness and the effective achievement of management targets.

(3) Through a structure for corporate ethics meetings in each subsidiary, the Company shall strive for the early detection and handling of major legal infractions in subsidiaries and of problems and incidents related to compliance, and shall introduce and appropriately operate an internal reporting system for each subsidiary. In addition, the Directors and all employees of subsidiaries shall continuously maintain high ethical standards under the KDDI Code of Business Conduct, and shall ensure systems for the proper execution of duties.

6. Internal Audits

Internal audits are conducted for all aspects of business of the KDDI Group, and the adequacy and effectiveness of the internal control system is verified regularly. The results of internal audits are reported to the President, Representative Director with added suggestions for points that can be improved or revised, and a report is also made to the Audit & Supervisory Board Members.

An Overview of the Operating Status of Systems for Ensuring the Appropriate Business Operations

In accordance with the provisions of Article 362, Paragraph 5 of the Companies Act, the Company passed a resolution approving the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. Based on this, the Company strives to ensure fair, transparent and efficient execution of its corporate duties and to increase corporate quality.

1. Corporate Governance

(1) The Board of Directors

The Company holds meetings of the Board of Directors based on the Board of Directors Rules and agenda standards of the Board of Directors.

In fiscal 2020 the Board of Directors met 11 times to discuss important matters and business plans, etc. as set down by laws and regulations, in addition to which it worked to supervise and ensure the appropriate execution of duties by Directors.

Information pertaining to the execution of duties by the Directors is stored and managed appropriately in accordance with Board of Directors Rules.

(2) System for executing business operations

1) Regarding the execution of business operations, the Company has adopted an executive officer system with the aim of clarifying both the delegation of authority and responsibility system, based on Administrative Officer / Executive Officer Rules.
2) The Corporate Management Committee shall discuss and determine important matters pertaining to the execution of business operations, based on the Corporate Management Committee rules. In fiscal 2020, the Corporate Management Committee met 13 times to discuss and determine important matters for management.

(3) System for ensuring the effective execution of business duties by Audit & Supervisory Board Members

1) The Company has developed a system that allows Audit & Supervisory Board Members to attend the meetings of the Board of Directors and key internal meetings. In addition, the Company has taken measures to enable them to view minutes of important meetings, circulated documents, etc.
2) Important matters to be reported to management shall be reported to Audit & Supervisory Board Members in a timely and appropriate manner, and, when discovering facts that may cause considerable losses to the Company and its subsidiaries, these shall be promptly reported to Audit & Supervisory Board Members. Moreover, collaboration with Audit & Supervisory Board Members is ensured through the exchange of opinions between them and the Internal Control Division, the Directors of subsidiaries in Japan and abroad, etc., in addition to regular meetings between them and the representative directors, etc.
3) The Company has established an Audit & Supervisory Board Members' Office to assist the duties of the Audit & Supervisory Board Members, and obtains the consent of Audit & Supervisory Board Members with regard to personnel matters concerning the employees of the Audit & Supervisory Board Members' Office.
4) In the rules for processing internal reports, it is clearly stated that persons making a report, including reports to Audit & Supervisory Board Members, would not be penalized for doing so.
5) Expenses incurred by Audit & Supervisory Board Members in the execution of their duties for which expense claims are received are borne as appropriate.

2. Compliance

(1) KDDI Action Guideline formulation and awareness

The Company has formulated a KDDI Code of Business Conduct stating basic principles with which all Directors and employees should comply in the execution of duties, and works to communicate this widely through means including distribution of an e-mail newsletter, which introduces the basic principles of the Code, to all employees, and making the Code accessible for reading on employees' company-provided smartphones.

(2) Dealing with antisocial forces

With regard to initiatives to break off relations with antisocial forces, the Company has established a self-directed division and checks the operating status at investigation meetings held by the division.

(3) KDDI’s business ethics activities
In order that each KDDI Group company may promptly identify and resolve any serious violation of laws and regulations or misconduct, etc., KDDI Group companies hold regular Business Ethics Committee meetings.

(4) Internal Reporting System
For the appropriate operation of the internal reporting system, the Company conducts activities to raise awareness, such as by distributing whistle-blowing cards, and performing a survey on recognition of the system to employees using questionnaires.
In addition, the Company updates its registration in the Self-Adaptation Declaration Registration System, which is under the jurisdiction of Consumer Affairs Agency, and continues to endeavor to increase effectiveness of the system.
Moreover, the Company has established a reporting route to the Audit & Supervisory Board Members as an independent internal reporting route, and will respond in an appropriate and timely manner to internal reports that are made solely to the full-time Audit & Supervisory Board Members.

(5) Internal and external training and internal enhancement activities related to compliance
In order to raise the awareness of compliance amongst employees, various training programs are implemented for managers, administrators and general employees of the Company and its subsidiaries.

3. Risk Management for Achieving Business Objectives Fairly and Efficiently

(1) Monitoring for business risk and thoroughly managing results
In meetings, such as of the Corporate Management Committee, after clarifying the business risk, important matters pertaining to the execution of operations are deliberated and decided.
In fiscal 2020, we held a total of eight monthly profitability review meetings and a total of 13 management strategy meetings, and have been managing business results and monitoring business risk.

(2) Constructing and operating a “persons responsible for internal control” structure
The Company has nominated a person responsible for internal control in each division and each subsidiary, who autonomously promote risk management to allow the reasonable and efficient achievement of management targets.

1) Drawing up and implementing risk management activity policies
The risk management activity policies and operational status are regularly (twice a year) reported to the Corporate Management Committee.

2) Risk inspection
Under the supervision of the Corporate Risk Management Division, each division and subsidiaries implement risk inspections three times a year, at the beginning of the year, at the end of the first half and the end of the second half in order to monitor important risk issues and the status of responses to the same.

3) Securing the reliability of financial reporting
In order to ensure the reliability of financial reporting, internal control assessments are conducted on a consolidated basis in accordance with the internal control reporting system based on the Financial Instruments and Exchange Act with the aim of improved resolution of improprieties.

4) Activities to improve quality of business operations
In order to improve productivity of the KDDI Group, such as increasing the effectiveness and efficiency of business operations, each headquarters establishes themes and initiatives that are appropriate for the respective headquarters’ actual work based on the Group’s guidelines of “autonomy and responsibility” and the entire KDDI Group works together to improve business processes.

(3) Initiatives as a Telecommunications Carrier:

1) Protecting the privacy of communications
With regard to “privacy of communications,” which is the cornerstone of telecommunications business, the Company approaches the issue of protecting privacy from a variety of angles, such as structures, business processes and systems. In case of occurrence of problems, the Company appropriately deals with such problems in accordance with laws and regulations, and the Company is working on implementing measures to prevent a recurrence.

2) Information security
With regard to measures for the prevention of leaks of customer data and the protection of telecommunication service networks against cyber-attacks, as well as responding to laws and ordinances related to information security in Japan and overseas, the Information Security Committee meets regularly (six times a year) to plan and promote information security measures for the KDDI Group as a whole.

3) Recovering networks and services in times of disaster
In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, the Company has formulated a Business Continuity Plan (BCP). In fiscal 2020, as well as revising the BCP for the whole company, the Company also carried out various drills assuming emergency situations periodically to prepare for the occurrence of a disaster and others.

4. Initiatives relating to working together with stakeholders

(1) Initiatives to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base

1) CX activities
The Company has engaged in CX (Customer Experience) activities aimed at improving the value of customers' experiences by responding promptly and appropriately to customers' needs and complaints. The Company has established meeting systems for engaging in activities for improving customer experience value within the work of each division, and implements ongoing activities.

2) Provision of appropriate information to customers
In order to provide customers with the appropriate information for them to be able to appropriately choose and use products and services, in addition to having a Creative Administration Office within the Company to manage marketing and novelty goods for consumers, in cases where there is a risk that the Act against Unjustifiable Premiums and Misleading Representations has been infringed, the Company prepares and operates the internal structure and the flow of reports.
To raise internal awareness of the above Act, the Company conducts awareness enhancement initiatives through e-learning and other means.

(2) Enhancing the KDDI Group's PR and IR
The Company's "basic IR Policy," which provides the direction to the Company's IR activities, has been set out by the Board of Directors and is available on the corporate website.
We will strive to further improve the KDDI Group's PR and IR activities by providing investment meetings for individual investors, analysts and institutional investors in Japan and overseas and by providing various IR materials on the corporate website.
Moreover, we will work to ensure that everyone understands our business operations by familiarizing everyone with KDDI's corporate history and facilities, our social mission and our latest services through operating the KDDI MUSEUM, the KDDI Parabola Pavilion and other facilities.

(3) Disclosure of information related to the business risks and CSR initiatives of the KDDI Group
The Company holds regular meetings of its Disclosure Committee (four times a year), and deliberates on matters concerning information disclosure.
Moreover, the Company collected non-financial information related to the environment, society, and governance, and published this together with financial information in a comprehensive report (ESG detailed version) released in September 2020.
Other than those above, the Company works to improve recognition of the Company's ESG activities by holding events for investors such as the SDGs Presentation Meeting, which was held in December 2020, and through other means.

5. Systems for Ensuring Appropriate Business Operations of the Corporate Group

(1) Preparation of a system to secure the appropriateness of work by subsidiaries
To ensure the appropriateness of work by subsidiaries, the Company has set forth rules concerning the management of subsidiaries, and has developed a system as follows.

1) The Company has established a department to supervise the management of each subsidiary and a department with jurisdiction across all subsidiaries, to establish a management and support system for subsidiaries. The both departments work together to manage subsidiaries, and conduct activities to support development of the operating base mainly for new subsidiaries and others.
2) To ensure efficacy in the governance of subsidiaries, the Company dispatches Directors, Audit & Supervisory Board Members, and other employees to subsidiaries and has also established roles

for each of these in the management of subsidiaries, and provides education and training.

3) With regard to important decision-making matters within subsidiaries, the Company has set forth items and procedures within its internal rules, and has established a management structure for subsidiaries.
4) With regard to important reporting matters concerning subsidiaries, the Company has similarly set forth procedures and items within its internal rules, and communicates information on reporting standards and liaison desks for risk information.

(2) System to appropriately manage risks in subsidiaries and undertake the appropriate and effective achievement of management targets

The Company has developed a system of persons responsible for internal control, targeting domestic companies and key supervising locations overseas, and added new two subsidiaries to the system in fiscal 2020.

Persons responsible for internal control within each company identify issues and manage response status by carrying out inspections of key risks in each company, and share information with the Company. In turn, the Company performs confirmation of the issues in the companies and provides support for the investigation and implementation of countermeasures.

In addition, the Company holds Risk Management Liaison Meetings, which all Group companies attend, regularly (twice a year) to share risk information, policies and initiatives.

(3) KDDI Group Business Ethics Activities

The Company holds regular Business Ethics Committee meetings in each subsidiary twice a year as a rule, to share information on subsidiaries' problems involving compliance, the status of incident occurrence, its countermeasures and other matters. In cooperation with subsidiaries, the Company also strives to improve each subsidiary's business ethics.

The Company also conducts ongoing activities to broadly communicate information about the internal reporting system in domestic and overseas subsidiaries.

6. Internal Audits

The Corporate Management Committee decides the internal audit plan for the whole operations of the KDDI Group and internal audits are implemented based on this plan.

In fiscal 2020, a total of 19 internal audits were implemented, focusing around audits of new subsidiaries, and audits of the operating status of business processes concerning material risks at specified departments.

Note that internal audits of overseas subsidiaries were postponed until next fiscal year or later due to the difficulty of conducting an audit while impacted by the COVID-19 pandemic.

The results of internal audits are reported to the President, Representative Director and shared with Directors and Audit & Supervisory Board Members.

Notes to Consolidated Financial Statements

(Important Items That Form the Basis of Preparing Consolidated Financial Statements)

1. Standard for preparation of consolidated financial statements
   The consolidated financial statements are prepared in accordance with the designated international accounting standards (hereinafter "IFRS") pursuant to the provisions of Article 120, Paragraph 1 of the Rules of Corporate Accounting. These consolidated financial statements omit part of the disclosure items required under IFRS, in compliance with the latter sentence of the aforementioned paragraph.

2. Scope of consolidation
   - Number of consolidated subsidiaries: 156
   - Principal consolidated subsidiaries:
     Okinawa Cellular Telephone Company, Jupiter Telecommunications Co., Ltd., UQ Communications Inc. (Note), BIGLOBE Inc., AEON Holdings Corporation of Japan, Chubu Telecommunications Co., Inc., au Financial Holdings Corporation, Supership Holdings Inc., Jupiter Shop Channel Co., Ltd., ENERES Co., Ltd., KDDI MATOMETE OFFICE CORPORATION, KDDI Engineering Corporation, KDDI Evolva Inc., KDDI Research, Inc., KDDI America, Inc., KDDI Europe Limited, TELEHOUSE International Corporation of America, TELEHOUSE International Corporation of Europe Ltd, KDDI CHINA CORPORATION, KDDI Summit Global Myanmar Co., Ltd., KDDI Singapore Pte Ltd, MobiCom Corporation LLC

   Names of principal companies newly made consolidated subsidiaries and reasons for new consolidation
   - KDDI Digital Life CORPORATION: Due to its new establishment.

   Names of principal companies excluded from consolidated subsidiaries and reasons for exclusion
   - Eneres de Biogas Plant Co., Ltd.: Due to its liquidation.

   Note: UQ Communications Inc. is accounted for by the equity method under Japanese GAAP. Under IFRS, however, the Company is deemed to have substantial control over that company. As a result, that company is included as a consolidated subsidiary under IFRS.

3. Application of equity method
   - Number of affiliates accounted for by the equity method: 39
   - Principal affiliates:
     Kyocera Communication Systems Co., Ltd., KKBOX Inc., LAC Co., Ltd., Kakaku.com, Inc., au Kabucom Securities Co., Ltd.

4. Fiscal years of consolidated subsidiaries
   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.

5. Accounting policies
   (1) Valuation standards and methods for financial assets and financial liabilities
   1) 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, in the case of a financial asset not at fair value through profit or loss, calculating transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset at fair value through profit or loss is recognized as profit or loss.
   (b) Classification of non-derivative financial assets
   Classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets at initial recognition as financial assets at amortized cost, equity financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss.

   (i) Financial assets at amortized cost
   A financial asset that meets both the following condition is classified as a financial asset 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 at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, carrying amount of the financial asset at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Equity financial assets at fair value through other comprehensive income

The Group makes an irrevocable election to recognize changes in fair value of equity financial assets 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.

Equity financial assets at fair value through other comprehensive income are 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 assets at fair value through other comprehensive income" in other comprehensive income. Cumulative gains or losses recognized through other comprehensive income are directly transferred to retained earnings when equity financial assets are derecognized.

Also, dividends from equity financial assets at fair value through other comprehensive income are recognized as "finance income" in profit or loss.

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

A financial asset 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 at fair value through profit or loss is recognized in profit or loss, and presented in "finance income" or "finance cost" in the consolidated statement of income for the reporting period in which it arises.

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

(c) Derecognition of financial assets

The Group derecognizes a financial asset if the contractual rights to the cash flows from the investment expire, or assigning such investments, 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.

2) Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

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

(b) Classification of financial liabilities

Financial liabilities at amortized cost

A financial liability at amortized cost is initially measured by subtracting transaction cost directly attributable to the issuance of the financial liability from fair value. 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 or cancelled or expired.

3) 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 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.

4) Impairment of financial assets

When there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are recognized as a loss allowance. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as a loss allowance. 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, following factors are considered. However, expected credit losses of trade receivables not containing any material financial component are recognized over their remaining lives since inception.

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Deterioration of borrower's operating results, such as decrease in sales
- Reduced financial support from the parent company or associated companies
- Delinquencies (Date exceeding 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.

5) Derivatives and hedge accounting

Derivatives are initially recognized at fair value as of the date in which the derivative contracts are entered into. After initial recognition, derivatives are remeasured at fair value at the end of each fiscal year.

The Group utilizes derivatives consisting of exchange contracts, currency 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 assesses whether the derivative financial asset used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item. Specifically, the Group assesses that the hedge is effective in case where 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. It is the requirements for qualification under hedge accounting.

The hedge effectiveness is assessed by whether the hedge is expected to be effective for future designated hedging periods.

In changes in the fair value after initial recognition, the effective portion 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 gain 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 gain 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 (hereinafter "rebalancing").

After rebalancing, in cases where no longer meet 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 gain or loss on the cash flow hedges that has been recognized in other comprehensive income will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, the cumulative gains or losses on the cash flow hedges are recognized in 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.

(2) Valuation standards and methods for inventories

Inventories mainly consist of merchandise such as mobile handsets and 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 comprise 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.

(3) Valuation standards and methods for property, plant and equipment, intangible assets and right-of-use assets and methods of depreciation and amortization thereof

1) Property, plant and equipment

(a) Recognition and measurement

Property, plant, and equipment of the Group is recorded on a historical cost basis and is stated at acquisition 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 assets.

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 acquisition cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses when they are incurred.

(b) 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 acquisition cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

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

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

(c) Derecognition

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

2) Intangible assets

(a) Recognition and measurement

The intangible assets of the Group are recorded on a historical cost basis, excluding goodwill and is stated at acquisition cost less accumulated depreciation and impairment losses.

Intangible assets acquired separately are measured at acquisition cost at initial recognition.

Intangible assets acquired in a business combination are recognized separately from goodwill and are recognized at fair value at the acquisition date in case where 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 only in the case where the expenditure is able to be measured reliably, product or production process has technical and commercial feasibility, the expenditure probably generates future economic benefits, the Group has intention to complete the development and use or sell the asset, and has enough resources for their activities. In other cases, the expenditure is recognized as expense when it is incurred.

(b) Amortization 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 to 30 years
Assets related to program supply	22 years
Spectrum migration costs	9 to 17 years
Others	5 to 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.

3) Goodwill
Goodwill is the excess of the acquisition cost 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, or groups of units, that are 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 acquisition 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.

4) Leases
At the inception of the lease contract, the Group assesses whether an arrangement is a lease or contains a lease based on the substance of the agreement. Assets are subject to lease if the right to control the use of identified assets is conveyed for a certain period of time in exchange for consideration.
If the agreement is a lease agreement or contains a lease, a right-of-use asset is initially recognized at the amount after adding or deducting initial direct costs, etc. to or from the amount of an initially measured lease liability. A lease liability is initially recognized at current discounted price of the unpaid portion of the total lease amount on the start date of the lease.
Right-of-use assets are depreciated using straight-line method over the period beginning from the inception of the agreement to either the end of the useful lives of the right-of-use assets, or the end of the lease term, whichever is shorter.
Lease liabilities are subsequently measured at the amount that reflects interest on lease liabilities, amounts of lease payments made, and where applicable, the amount that reflects reassessment of lease liabilities or lease modifications.

5) 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, 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 or group of units to which the asset belongs is estimated. For goodwill and intangible assets with indefinite useful lives, the impairment test is undertaken when there is any indication of impairment, and at a certain timing within the fiscal year regardless of whether there is any indication of impairment. A cash-generating unit or group of units 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 to sell of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax 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 or group of units 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 each asset pro rata on the basis of the carrying amount of the other assets 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 property, plant and equipment, intangible assets and right-of-use assets recognizing an impairment loss 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 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, 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 asset or cash-generating unit at the time of a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

A reversal of an impairment loss is recognized as other income.

(4) Calculation of significant provisions

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

The provisions recognized by the Group are mainly asset retirement obligations and provisions for point service programs. Provisions for point service programs provide for the future cost generated from the utilization of points under some of the point services such as "au Point Program" that the Group offers. Specifically, points, etc. that are awarded at times of use of "au PAY" and "au PAY Card" or at times of use of apps or merchandise services provided by other companies are recorded under provision for point service program in liabilities. The measurement of the provision for point service program is based on the amount that can be expected to be used in the future in light of the results of point utilization in past fiscal years.

(5) Accounting for retirement benefits

1) Defined benefit plans

The Group primarily adopts defined benefit plans.

The asset or liability recognized on the consolidated statement of financial position in relation to the defined benefit pension plans (retirement 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 is corresponding to the discount period established based on the period to the date when the 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 net profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses, past service cost 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 instantly 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.

2) Defined contribution plans

The Company and certain subsidiaries of the Group adopt defined contribution plans. Contribution to the defined contribution plans is recognized as profit or loss 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.

(6) Revenue recognition

The Group's accounting policy for revenue recognition by major categories is as follows:

1) Mobile telecommunications services

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

Revenue from the mobile telecommunications services primarily consists of basic monthly charges and communication fees ("the mobile telecommunications service fees"), and commission fees such as activation fees. The mobile telecommunications service fees and commission fees such as activation fees are recognized on a flat rate basis and on a measured rate basis when the services are provided to the customers, whereupon 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 between the billing date and approximately one month thereafter.

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.

(i) 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.

(ii) Direct sales
In direct sales transactions, revenue from the sale of mobile handsets and revenue from service fees, including mobile telecommunications service fees, are considered to be bundled. Therefore, contracts that are concluded for a bundled transaction are treated as a single contract for accounting purposes. The total amount of the transaction allocated to revenue from the sale of mobile handsets and mobile telecommunications service fees is based on the proportion of each component's independent sales value. The amount allocated to mobile handset sales is recognized as revenue at the time of sale, which is when the performance obligation is determined to have been fulfilled. The amount allocated to mobile telecommunications service fees is recognized as revenue when the service is provided to the customer, which is when the performance obligation is determined to have been fulfilled.
In both direct and indirect sales, activation fees and handset model exchange fees are deferred as contract liabilities upon entering into the contract. They are not recognized as a separate performance obligation, but combined with mobile telecommunications services. They are recognized as revenue over the period when material renewal options exist.
The consideration of these transactions is received in advance, when the contract is signed.
Points granted to customers through the customer loyalty program are allocated to transaction prices based on the independent sales values of benefits to be exchanged based on the estimated point utilization rate, which reflects points that will expire due to future cancellation or other factors. The points are recognized as revenue when the customers utilize those points and take control of the goods or services, which is when the performance obligation is considered fulfilled.

2) 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 recorded when the service is provided, fulfilling the performance obligation. Installation fee revenue is recognized over the estimated average contract period based on the percentage remaining.
The consideration for these transactions is received between the billing date and approximately the following month.

3) Value-added services
Revenue from content services mainly comprises revenue from information fees, revenue arising from payment agency services, revenue through advertising businesses, agency fees on content services, and revenue from the energy business, etc. Revenue from information fees is 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. Revenue arising from payment agency services comprises the revenue from fees for collecting the receivables of content providers from customers as the agent of content providers together with the telecommunication fees. Electric power revenue is the revenue generated from electric power retail services. These revenues are recognized as the service is delivered based on the nature of each contract.
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 impact gross sales or profit for the year.
The Group considers itself to be an agent for payment agency services, advertisement services and

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

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

4) 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 basically billed before the performance obligation is fulfilled and is received approximately one month after 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.

5) Solution service

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 between the billing date and approximately one month later.

(7) Translation of major assets and liabilities denominated in foreign currencies into Japanese yen

1) 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.

2) 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 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 financial assets measured through other comprehensive income and cash flow hedges are recognized as other comprehensive income.

3) 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 there is significant change in the exchange rate 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 profit or loss as certain disposal profit or loss of foreign operations.

(8) Accounting method for consumption taxes and local consumption taxes

Consumption taxes and local consumption taxes are accounted for using the tax excluded method of reporting. Non-deductible consumption taxes relating to assets are accounted for as an expense in the fiscal year under review.

(Notes to Accounting Estimates)

1. Goodwill
   (1) The amount recorded on the consolidated financial statements for the fiscal year under review is ¥540,420 million.
   (2) Other information
   The Group undertakes an impairment test for goodwill at least once a year, and also whenever there is any indication of impairment. The recoverable amount of goodwill allocated to a cash-generating unit or group of units is assessed based on value in use.
   Value in use is calculated by discounting estimated future cash flows expected to be generated by the cash-generating unit or group of units to their present values. In assessing estimated future cash flows and their present values, the Group uses, as key indicators, business plans, growth rates, and pre-tax discount rates based on different types of revenue projection and projected changes in costs such as cost of sales and selling, general and administrative expenses.
   The cash flow projections used as the basis for estimating future cash flows are based on the most recent business plan approved by management, with a maximum projection period of five years; after the fifth year, a constant growth rate is used, taking into account the long-term average growth rate of the market.
   While there is a risk of an impairment loss in case the key assumptions used in the impairment test change, the Group considers that even if the business plans, growth rates, and discount rates used in the impairment test change within a reasonable range, it is unlikely that a significant impairment loss will occur.
2. Contract costs
   (1) The amount recorded on the consolidated financial statements for the fiscal year under review is ¥466,316 million.
   (2) Other information
   The Group recognizes as an asset the recoverable portion of the incremental costs of obtaining a contract with a customer and of costs to fulfill a contract that are related directly to a contract, and records such costs in "contract costs" on the consolidated financial statements. Incremental costs of obtaining a contract are those incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.
   The incremental costs of obtaining a contract capitalized by the Group relate mainly to sales commissions paid to au shops and other sales agents upon customer acquisition. The costs to fulfill a contract relate mainly to fees required during the period between the application for the contract and the start of the service, as well as construction fees. These capitalized costs are incremental costs that would not have been incurred if the telecommunications contract had not been obtained. When capitalizing such costs, the Group recognizes as an asset only the amount that is expected to be recovered, taking into account the estimated contract period of the telecommunications contract. Such assets are amortized on a straight-line basis over the average estimated contract period of three to four years for the users of each service.
   Assets recognized from contract costs are reviewed for recoverability at the time of recording and for each fiscal year. In reviewing an asset, an assessment is made as to whether the carrying amount of the asset exceeds the remaining consideration to be received under the related telecommunications contract over the estimated contract period, less any costs that are related directly to the provision of the service and have not yet been recognized as expenses. Since some changes in the assumed circumstances could have a significant impact on the amount of assets recognized from contract costs by recognizing impairment losses on those assets in profit or loss, the Group considers that these estimates to be important.

(Consolidated Statement of Financial Position)

1. Loss allowance directly deducted from assets

Other long-term financial assets	¥11,970 million
Trade and other receivables	¥17,336 million
Total	¥29,306 million

2. Accumulated depreciation of property, plant and equipment

¥4,746,554 million

3. Assets pledged as collateral and secured liabilities

Assets pledged as collateral:

Property, plant and equipment	¥519 million
Other short-term financial assets	¥6,030 million
Stocks of subsidiaries and affiliates (Note)	¥768 million
Securities for financial business	¥223,947 million
Total	¥231,264 million

Corresponding liabilities:	
Long-term borrowings (Note)	¥80,000 million
Accounts payable-other	¥200 million
Call money	¥107,900 million
Total	¥188,100 million

Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on bank borrowings. The balance of these borrowings as of March 31, 2021 was ¥12,628 million. These borrowings are not included in the above long-term borrowings.

Borrowings from various financial institutions are carried out accompanying acquisitions, etc. in some subsidiaries of the Group. Such borrowings are in compliance with the financial covenants of maintenance of shareholder investment, maintenance of net assets and maintenance of surplus stipulated in each contract excluding certain contracts of small amount of borrowings. The balance payable on borrowings with financial covenants as of March 31, 2021 was ¥434,087 million.
Apart from these, financial covenants that have significant effects on the financial activities of the Group are not attached to borrowings and bonds payable.

(Consolidated Statement of Changes in Equity)

1. Class and number of shares outstanding as of March 31, 2021
   Common stock 2,304,179,550 shares

2. Dividends
   (1) Cash dividends paid, etc.

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 17, 2020 Annual shareholders meeting (Note) 1, 2	Common stock	¥137,995 million	¥60	March 31, 2020	June 18, 2020
October 30, 2020 Meeting of the Board of Directors (Note) 1, 2	Common stock	¥138,004 million	¥60	September 30, 2020	December 2, 2020

Note 1: The total amount of dividends does not include the dividend for the Company’s shares owned by the executive compensation BIP trust account and a stock-granting ESOP trust account.
Note 2: Other than the dividends in the above table, there are also payments of dividends occurring in the fiscal year under review to the beneficiaries of the executive compensation BIP trust and a stock-granting ESOP trust.

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
June 23, 2021 Annual shareholders meeting (Note) 1,2	Common stock	¥136,524 million	Retained earnings	¥60	March 31, 2021	June 24, 2021

Note 1: This dividend is not recognized until it is approved at the annual shareholders meeting. It also does not have an effect on income taxes.
Note 2: The total amount of dividends does not include the dividend for the Company’s shares owned by the executive compensation BIP trust account and a stock-granting ESOP trust account.

(Financial Instruments)

1. Status of financial instruments
   The operating activities of the Group are subject to the effects of the business environment and the financial market environment. Financial instruments that are held or underwritten in the process of operating activities are exposed to unique risks. The risks include (1) credit risk, (2) liquidity risk, and (3) market risk. The Group constructs management systems inside the Group and conducts risk management to minimize the effects on the Group’s financial position and operating results by using financial instruments. Specifically, the Group

manages these risks using the following methods:

(1) Credit risk

Credit risks are the risk of financial losses arising in the Group when a counterparty of a financial asset held by the Group defaults on contractual obligations. Specifically, the Group is exposed to the following credit risks. Firstly, trade, lease and other receivables and loans for financial business are exposed to the credit risk of customers and trading partners. Secondly, the debt etc. that the Group holds mainly for surplus investment and the securities etc. that the Group holds for strategic purposes are exposed to the issuer's credit risk. Thirdly, derivative transactions that the Group conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

Concerning trade receivables, the Group has established a system that manages the due dates and balances of each customer and trading partner and conducts analysis of their credit status, based on the criteria of each of the Group's companies for managing credit exposure. Specifically, trade receivables that remain outstanding for a prescribed period from the time they were realized are considered to be in default and accordingly recognized as impairment losses.

Concerning lease and other receivables and loans for financial business, as a basic rule, the Group determines that there is a remarkably increased credit risk on financial instruments after the Group initially recognized, if the asset monetization (conversion into cash) of the financial asset is delayed beyond the contract date (including demand for late payment); provided, however, that the Group does not determine there is a remarkably increased credit risk in cases when, irrespective of whether there has been a payment delay or demand for late payment, the cause for such delay is due to an extraordinary demand for funds, the risk of nonfulfillment of obligations is low, and it is possible to judge based on objective data that the debtor has adequate capability of fulfilling the contractual cash flow obligations in the near future.

Concerning securities that are debt instruments, the Group determines that there is a remarkably increased credit risk on financial instruments after the Group initially recognized, when it determines that there is a high risk of non-fulfilment of obligations based on credit ratings information from a large ratings firm.

Concerning credit risk, the Group determines that there is small credit risk resulting from default of contracts by counterparties because the counterparties with which the Group conducts derivative transactions are financial institutions with high credit ratings. Moreover, with regard to cash-surplus investment and derivative transactions, to prevent the credit risk of counterparties from arising, the finance/accounting divisions conduct such transactions only with financial institutions with high credit ratings based on the internal rules and their supplemental provisions of each company of the Group, subject to obtaining approval for each transaction by authorized persons stipulated in the relevant authorization rules.

(2) Liquidity risk

The Group is exposed to the liquidity risk that it will have difficulty with fulfillment of the obligations of notes and accounts payable-trade.

The Group, primarily in accordance with its capital investment plan for carrying out telecommunications business, procures necessary funds through bank loans, issuance of corporate bonds and liquidation of receivables. When surplus funds are generated, the Group operates on short-term savings, etc.

With respect to trade and other payables, almost all of them have payment due dates within one year. Those trade payables and other current liabilities are exposed to liquidity risk at the time of settlement. However, the Group avoids that risk by having each company review monthly cash flow plans. In addition, as a way of controlling the Group's liquidity risks, the Group manages account activity schedules through such methods as monthly cash flow plans and works on managing a constantly stable financial position such as by ensuring a prescribed level of on-hand liquidity.

The finance/accounting divisions create annual funding plans, and after these have been approved at a Board of Directors meeting, long-term financing is carried out. In addition, the Group has concluded several unexecuted long-term and short-term commitment line agreements with major Japanese and global financial institutions, and it plans to utilize these in conjunction with borrowing limits not commitment based to reduce liquidity risks.

(3) Market risk

The following risks exist regarding market risk: (a) foreign exchange risk, (b) interest risk, and (c) price risk on equity instruments. For certain subsidiaries of the Group, the amount of market risk is identified and managed by using value at risk (VaR) on a daily basis.

When measuring VaR, the Group applies the historical simulation method (holding period: six months, confidence interval 99%) and the amount of market risk as of March 31, 2021 was measured at ¥3,105 million in total. Note, however, that VaR measures the amount of market risk by using a statistically calculated probability of a certain level of occurrence based on historical market fluctuations, and in some cases, this measurement may not be sufficient to take into account risks in situations when the market undergoes dramatic change.

(a) Foreign exchange risk

The Group is exposed to the fluctuation risk of foreign exchange markets (hereinafter "foreign exchange risk") when exchanging foreign-currency denominated trade receivables, etc. that arise from transactions conducted in currencies other than the functional currency into the functional currency using the exchange rate of the date of the end of the reporting period.

The Group also carries out operating activities overseas, and currently, it is carrying out international business development through such activities as making investments and establishing joint ventures in Asian countries such as Singapore and China, the United States, and Europe. As a result of carrying out these international business activities, the Group is exposed to various foreign exchange risks, mainly arising in relation to the U.S. dollar.

The Group conducts hedges by utilizing a forward exchange contracts for fluctuation risks on foreign exchange that are identified monthly for each currency. For derivative transactions, in the Company, execution plans are formulated on an individual transaction basis in accordance with internal company rules that have been approved at a Board of Directors meeting and then the derivative transactions are executed after approval is obtained for the derivative transaction by authorized persons stipulated in the relevant authorization rules. The Group makes sure there is a check function working as a system for execution and control by ensuring that within an organization, the place that executes the transaction is separate from the place that controls the transaction. In the consolidated subsidiaries, the execution of transactions will be subject to either decision at the Board of Directors meeting or decision by the president depending on the amount (maximum risk amount). The Group uses derivative transactions only for the purpose of avoiding risk and makes it a policy never to perform speculative transactions such as seeking to obtain a net gain on trading.

(b) Interest risk

Interest risk is defined as the risk of the fluctuation of either the fair value of financial instrument or future cash flows arising from the financial instrument due to the fluctuation of market interest rates. The Group's exposure to interest risk is mainly related to payables such as borrowings and bonds payable, or receivables such as interest bearing deposits. As the amounts of interest are subject to the effects of fluctuation in market interest rates, the Group is exposed to interest risk from the fluctuation of future cash flows.

The Group conducts financing by mainly issuing bonds at fixed interest rates to constrain the increase in the amount of future interest payable due to a rise in interest rates.

In addition some consolidated subsidiaries work to stabilize cash flows by using interest rate swap transactions to constrain the fluctuation risk of interest on borrowings payable.

(c) Price risk on equity instruments

Price risk on equity instruments is the risk of fluctuation of the fair price or future cash flows of financial instruments by fluctuation of market price (excluding fluctuation caused by interest risk or foreign exchange risk). The Group holds equity instruments and is therefore exposed to the risk of their price fluctuation.

The finance/accounting divisions of Head Office maintain manuals describing the policy on investments in equity instruments in order to control the price risk arising from these equity instruments and these manuals are complied with throughout the entire Group. It is mandatory that reports and approvals are conducted at Board of Directors meetings for important matters relating to investments in a timely manner. The Group continuously reviews the status of holdings by regularly ascertaining the market price and financial position of the issuer (trading-partner company) and considering the market conditions and the relationship with the trading-partner company.

2. Fair value of financial instruments

(1) Book values and fair values of financial instruments

Book values and fair values of financial instruments are as shown below.

1) Financial instruments at fair value

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Other financial assets			
Financial assets at fair value through other comprehensive income			
Stocks	177,224	177,224	–
Securities for financial business	276,065	276,065	–
Financial assets at fair value through profit or loss			
Loans for financial business	106	106	–
Derivatives			
Exchange contracts	1,027	1,027	–
Currency swaps	2,755	2,755	–
Interest swaps	467	467	–
Investment funds	1,202	1,202	–
Total	458,846	458,846	–
Financial liabilities:			
Other financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivatives			
Currency swaps	1,164	1,164	–
Interest swaps	4,075	4,075	–
Total	5,239	5,239	–

2) Financial instruments at amortized cost

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Loans for financial business	1,382,305	1,372,083	(10,222)
Other financial assets			
Monetary claims bought	16,881	16,574	(306)
Total	1,399,186	1,388,658	(10,528)
Financial liabilities:			
Borrowings and bonds payable			
Borrowings payable	815,655	821,554	5,899
Bonds payable	329,384	331,120	1,736
Deposits for financial business	1,850,090	1,851,319	1,229
Total	2,995,128	3,003,993	8,864

Note 1: Loans for financial business include the current portion.

Note 2: Borrowings payable and bonds payable include the current portion.

Note 3: Financial assets and financial liabilities with book values that approximate the respective fair values are not included in the above table.

(2) Methods of measuring fair value

1) Financial instruments at fair value

(i) Stocks

Fair value of listed stocks is based on the price on the securities exchange.

Fair value of unlisted stocks is calculated using valuation techniques based on a discounted value of future cash flows, valuation techniques based on the market price of a similar company, valuation techniques based on the value of net assets, or other valuation techniques. With the measurement of fair value of unlisted stocks, inputs that are unobservable, such as discount rates or valuation multiples, may be used, and when necessary, prescribed non-liquid discounts or non-controlling interests discounts may be taken into consideration.

(ii) Securities for financial business

Fair value of securities for financial business is based on the price on the securities exchange if such price at an active market is available. If price on the securities exchange of an active market is not available, then fair value is measured primarily by using transaction price based on available information, such as quoted prices provided by brokers, or through valuation techniques based on discounted future cash flows using inputs such as risk-free rates or credit-spread adjusted discount rates.

(iii) Loans for finance business

Fair value of loans for financial business is calculated at present value of future cash flows discounted by the rates that reflect the remaining period until maturity and credit risk.

(iv) Derivatives

(a) Exchange contracts

The fair value of foreign exchange forward contracts is calculated by discounting the value calculated using forward exchange rates current as of the end of the period to the present value.

(b) Currency swaps

The fair value of currency swaps is calculated by discounting the value calculated using forward exchange rates current as of the end of the period to the present value.

(c) Interest swaps

The fair value of interest swaps is calculated at the present value of future cash flows that has been discounted by an interest rate that takes into consideration the period until the maturity date and the credit risk.

(v) Investment funds

Fair value of investment funds is based on the market approach, using the market prices of identical assets in a market that is not active.

2) Financial instruments at amortized cost

(i) Loans for financial business

Fair value of loans for financial business is calculated at present value of future cash flows discounted by the rates that reflect the remaining period until maturity and credit risk.

(ii) Monetary claims bought

Fair value of monetary claims bought is calculated based on the market approach using the market prices of identical assets in a market that is not active, or at present value of future cash flows discounted by the rates that reflect the remaining period until maturity and credit risk.

(iii) Borrowings payable

For borrowings with floating interest rates, the book value is deemed to be the fair value since the interest rate takes into consideration the market interest rate over the short term and because there is deemed to be no significant fluctuation in the credit state of the group company after borrowing. For borrowings with fixed interest rates, the fair value is calculated using the method of discounting the sum of principal and interest by a rate that takes into consideration the remaining period and credit risk of those borrowings.

(iv) Bonds payable

The fair value of bonds is based on the market price for those having market prices, and bonds having no market prices are calculated using the method of discounting the sum of principal and interest by a rate that takes into consideration the remaining period and credit risk of those bonds.

(v) Deposits for financial business

For demand deposits, the amount to be paid assuming that the demand is made on the closing date (i.e. the book value) is considered as the current market value. For time deposits, current market value is calculated at present value of discounted future cash flows after grouping them based on their term. Interest rates applied to when accepting new deposits are used as the discount rate. Contractual principal and interest rate of time deposits subject to the separate accounting are those after the separate accounting.

(Per Share Information)

1. Equity attributable to owners of the parent per share	¥2,091.82
2. Basic earnings per share	¥284.16

Note: In the calculation of per share information, the Company's stocks owned by the executive compensation BIP trust account and a stock-granting ESOP trust account are included in treasury stock. Therefore, the numbers of those stocks are deducted from the number of common stocks outstanding at the end of the year and average number of common stocks outstanding during the year.

(Significant Subsequent Events)

Not applicable

(Other Notes)

Not applicable

Notes to Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for major assets

   (1) Securities

   Stocks of subsidiaries and affiliates

   Valued at cost determined by the moving-average method

   Available-for-sale securities

   Available-for-sale securities for which market quotations are available are stated at fair value prevailing at the balance sheet date. Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.

   Available-for-sale securities for which market quotations are not available are valued at cost determined by the moving-average method.

   (2) Inventories

   Supplies

   Stated at cost determined by the moving-average method (the method of write-downs based on the decrease in profitability is applied in order to calculate the inventory value on the balance sheet).

2. Depreciation and amortization of non-current assets

   Property, plant and equipment other than lease assets

   Machinery: mainly declining-balance method

   Property, plant and equipment other than machinery: straight-line method

   Useful lives of major assets are as follows:

   Machinery: 9 years

   Antenna facilities, buildings, local line facilities, tools, furniture and fixtures, structures and long-distance line facilities: 10 to 38 years

   Intangible assets: straight-line method

   Software for internal use is amortized under the straight-line method over the expected useful lives (5 to 10 years).

   Lease assets

   Lease assets under financial lease transactions that do not transfer ownership rights of the assets to the lessees are depreciated and amortized under the straight-line method based on the lease term as the useful life and residual value of zero.

   Long-term prepaid expenses: straight-line method

3. Principle for calculation of allowances

   Allowance for doubtful accounts

   To prepare for uncollectible credits, general allowance is recorded based on the actual bad debt ratio, and allowance for specific doubtful accounts is recorded based on the amount deemed to be uncollectible considering the individual collectability.

   Provision for retirement benefits

   To prepare for the payments of retirement benefits to employees, the Company records the amount to be accrued as of March 31, 2021 based on projected benefit obligations and estimated value of plan assets as of March 31, 2021.

   When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2021.

   Prior service cost is amortized on a straight-line basis over the average remaining service period of employees (within 14 years) in the year in which it arises and unrecognized actuarial differences are amortized on a straight-line basis over the average remaining service period of employees (within 14 years) from the year following that in which they arise.

   Provision for point service program

   In order to prepare for the future cost generated from the utilization of points that customers have earned under some of the point services such as “au Point Program,” the Company records based on its past experience the amount considered to be appropriate to cover future utilization of the points during or after the next fiscal year.

Provision for warranties for completed construction

To prepare for the cost of a guarantee against defects pertaining to construction work for a submarine cable system for which delivery has been completed, a provision is recorded based on an estimate of a warranty without charge during the term of the guarantee.

Provision for officers' stock compensation

To allow for payment of the Company's stock, etc., to Directors, Executive Officers, and Administrative Officers, the Company records the estimated amount of stock payment obligations at the end of the fiscal year under review.

Provision for employees' stock compensation

To allow for payment of the Company's stock, etc., to employees in management positions, the Company records the estimated amount of stock payment obligations at the end of the fiscal year under review.

Provision for bonuses

To allow for the payment of bonuses to employees, the Company records the estimated amounts of bonuses to be paid.

Provision for directors' bonuses

To allow for the payment of bonuses to board members, the Company records the estimated amounts of bonuses to be paid.

Provision for directors' bonuses

To prepare for possible loss that may occur in the future when the contract is fulfilled, the Company records the estimated amounts of loss.

Provision for loss on disaster

The Company records the estimated amounts to be required for restoration of assets damaged by disasters including Typhoons occurred in fiscal 2019 and 2020.

4. Other important matters for the basis of preparing non-consolidated financial statements
   (1) Accounting method for deferred assets
   Bond issuance expenses: recorded as expenses when incurred
   (2) Accounting method for consumption taxes
   Consumption tax and local consumption tax are accounted for using the net method of reporting. Non-deductible consumption taxes relating to assets are accounted for as an expense in the fiscal year under review.

(Notes to Changes in Presentation Method)

The Company has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) effective the fiscal year under review, and it discloses it in (Notes to Accounting Estimates).

(Notes to Accounting Estimates)

Stocks of subsidiaries and affiliates

(1) The amount recorded on the non-consolidated financial statements for the fiscal year under review was ¥1,172,273 million.

(2) Other information

For stocks of subsidiaries and affiliates for which it is extremely difficult to ascertain the fair value, the acquisition cost was compared against the actual price, and the actual price of the stocks has dropped more than approximately 50% due to a deterioration in the financial position of the issuing company of the stocks of subsidiaries and affiliates, the actual price is deemed to have significantly deteriorated, and unless there are suitable grounds supporting a possibility of recovery within approximately five years, a loss on valuation of stocks of subsidiaries and affiliates is recorded.

In cases where the Company considers there is earning power in excess of the actual price, the Company makes a best estimate within the range that can be rationally forecasted in the future business environment, and based on a business plan approved by management, a judgment is made as to whether the actual price has significantly dropped based on a reduction of excess earning power. The Company calculates the actual price by discounting future cash flows to the present values, and uses, as key indicators, business plans, growth rates, and pre-tax discount rates based on different types of revenue projection and projected changes in costs, such as cost of sales and selling, general and administrative expenses.

While there is a risk that a loss on valuation of stocks of subsidiaries and affiliates will occur if the key assumptions used in the calculation of the actual price change, the Company considers that even if the business plans, growth rates, and discount rates change within a reasonable range, it is unlikely that a significant loss on valuation of stocks of subsidiaries and affiliates will occur.

(Non-Consolidated Balance Sheet)

1. Assets pledged as collateral

   Assets pledged as collateral are as follows:

Stocks of subsidiaries and affiliates	¥768 million

   Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on the balance of bank borrowings of ¥12,628 million by that company as of March 31, 2021.

2. Contingent liabilities, etc.

Guarantor for office lease contract	¥3,347 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥28,079 million
Short-term monetary claims	¥326,362 million
Long-term monetary liabilities	¥130 million
Short-term monetary liabilities	¥365,633 million

4. Reduction entry amount of non-current assets

Reduction entry amount attributable to aid for construction cost (cumulative total)	¥14,974 million

5. Total committed lines of credit and loans receivables outstanding

   The Company provides financial assistance to and deposits surplus funds among its subsidiaries and affiliates in order to carry out efficient financing and management of funds within the Group. The total committed lines of credit and loans receivables outstanding in these activities are as follows.

Total committed lines of credit	¥276,235 million
Loans receivables outstanding	¥106,664 million
Remaining portion of credit line	¥169,570 million

   The above activities are implemented taking into consideration the financial positions and fund raising status of the subsidiaries and affiliates.

(Non-Consolidated Statement of Income)

1. Transactions with subsidiaries and affiliates

Operating income from subsidiaries and affiliates	¥343,816 million
Operating expenses to subsidiaries and affiliates	¥544,771 million
Non-operating transactions with subsidiaries and affiliates	¥89,102 million

2. Impairment loss ¥2,157 million

   In the year ended March 31, 2021, the Company mainly recognized impairment loss for the following assets and asset group.

   The Company calculates impairment losses by grouping assets based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Communication facilities, idle assets, etc. (Tokyo, etc.)	Mainly telecommunications business	Local line facilities, etc.	2,157

In the year ended March 31, 2021, for assets with declining utilization rates, including some communications facilities, and idle assets, the book value has been reduced to recoverable amount. The said reduction is recognized as an impairment loss of ¥2,157 million, as an extraordinary loss. This consists of ¥326 million for local line facilities, and ¥1,831 million for others.

Further, the recoverable amount of these assets is estimated based on the net selling price. The calculation of market value is based on reasonable estimate, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

(Non-Consolidated Statement of Changes in Net Assets)

1. Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2020	Increase during the fiscal year ended March 31, 2021	Decrease during the fiscal year ended March 31, 2021	As of March 31, 2021
Shares outstanding				
Common stock	2,355,373,600	–	51,194,050	2,304,179,550
Total	2,355,373,600	–	51,194,050	2,304,179,550
Treasury stock				
Common stock	55,464,960	42,968,889	69,651,596	28,782,253
Total	55,464,960	42,968,889	69,651,596	28,782,253

(The reason of the above changes)

1. The decrease of 51,194,050 shares in the number of common stocks outstanding is due to the retirement of treasury stock (retirement date: May 22, 2020).
2. The increase of 42,968,889 shares in the number of common stocks in treasury stock is due to a share buyback of 42,968,800 shares based on a resolution at the Board of Directors meeting dated October 30, 2020, and purchases of shares less than one unit of 89 shares.
3. The decrease of 69,651,596 shares in the number of common stocks in treasury stock is due to the retirement of 51,194,050 shares of treasury stock (retirement date: May 22, 2020), the disposal of 18,301,600 shares by third-party allocation (date of disposal: January 29, 2021), and the issuance, etc. of 155,946 shares to the executive compensation BIP trust and a stock-granting ESOP trust.
4. Included in the number of common stocks in treasury stock displayed above are 4,114,964 shares held by the executive compensation BIP trust account and a stock-granting ESOP trust account.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 17, 2020 Annual shareholders meeting	Common stock	¥138,251 million	¥60	March 31, 2020	June 18, 2020
October 30, 2020 Meeting of the Board of Directors	Common stock	¥138,251 million	¥60	September 30, 2020	December 2, 2020
Total		¥276,502 million			

Note 1: The total amount of dividends decided by the Annual shareholders meeting on June 17, 2020 includes a dividend of ¥256 million for the Company’s shares owned by the executive compensation BIP trust account and a stock-granting ESOP trust account.

Note 2: The total amount of dividends decided by the Board of Directors meeting on October 30, 2020 includes a dividend of ¥247 million for the Company’s shares owned by the executive compensation BIP trust account and a stock-granting ESOP trust account.

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

As a proposal of the annual shareholders meeting to be held on June 23, 2021, the Company plans to propose the following matters regarding dividends of common stock.

1) Total dividends	¥136,771 million
2) Dividends per share	¥60
3) Record date	March 31, 2021
4) Effective date	June 24, 2021

Note 1: The dividends shall be paid from retained earnings.

Note 2: The total amount of dividends includes a dividend of ¥247 million for the Company’s shares owned by the executive compensation BIP trust account and a stock-granting ESOP trust account.

(Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

(Unit: Millions of yen)

Deferred tax assets:	Provision for bonuses	5,903
	Excess amount of allowance for doubtful accounts	9,166
	Provision for point service program	15,717
	Denial of accrued expenses	2,661
	Excess amount of depreciation and amortization	38,563
	Asset retirement obligations	18,912
	Denial of loss on retirement of non-current assets	1,142
	Denial of loss on valuation of inventories	2,517
	Accrued enterprise taxes	8,531
	Denial of impairment loss	13,814
	Denial of advances received	2,119
	Loss on valuation of stocks of subsidiaries and affiliates	20,982
	Other	12,858
Total deferred tax assets		152,884
Deferred tax liabilities:	Provision for retirement benefits	(6,155)
	Reserve for special depreciation	–
	Valuation difference on available-for-sale securities	(16,050)
	Removal costs corresponding to asset retirement obligations	(2,453)
	Gain on exchange from business combination	(1,455)
	Other	(300)
Total deferred tax liabilities		(26,412)
Net deferred tax assets		126,471

(Financial Instruments)

1. Status of financial instruments
   (1) Policy relating to financial instruments
   In light of plans for capital investments primarily for conducting telecommunications business, the Company raises the funds it requires through bank loans and bonds issuance. The Company manages temporary fund surpluses through financial assets that have high levels of safety. Further, the Company raises short-term working capital through bank loans. Regarding derivatives policy, the Company adheres to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.
   (2) Details of financial instruments, associated risk, and risk management system
   Trade receivables such as accounts receivable-trade and accounts receivable-other are exposed to credit risk in relation to customers and trading partners. For such risk, the Company has established a system that manages the due dates and balances of each customer and trading partner as well as conducts analysis of their credit status, based on the Company's criteria for managing credit exposure.
   The Company is exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the shares of companies with which the Company has operational relationships, and periodic analysis of market values is reported to the Board of Directors.
   Almost all trade payables such as accounts payable-trade, accounts payable-other, accrued expenses and income taxes payable have payment due dates within one year. Current liabilities such as those trade payables are exposed to liquidity risk at the time of settlement. However, the Company reduces that risk by reviewing fund-raising plans every month.
   Among loans payable, short-term loans payable are primarily for fund raising related to sales transactions, and long-term loans payable are primarily for fund raising related to capital investments and other investments and financing. Moreover, except for fund raising related to sales transactions, the Group procures funds as long-term loans payable (with fixed interest rates) and manages this debt by preparing and updating financing plans on a timely basis.
   (3) Supplementary explanation of items relating to the market value of financial instruments
   The market values of financial instruments include prices based on market prices, or reasonably estimated prices if there are no market prices. Since the calculation of market values involves fluctuating factors, these values are subject to change when different assumptions are used.

2. Market value of financial instruments

Amounts recognized in the non-consolidated balance sheet, market values, and the differences between them as of March 31, 2021 are as shown below.

Items for which it is extremely difficult to determine market values are not included in the following table (see Note 2).

(Unit: Millions of yen)

	Book value	Market value	Difference
1) Cash and deposits	275,195	275,195	–
2) Accounts receivable-trade	1,652,588		
Allowance for doubtful accounts *1	(12,968)		
	1,639,620	1,639,620	–
3) Accounts receivable-other	150,248	150,248	–
4) Investment securities			
Available-for-sale securities	110,557	110,557	–
5) Short-term loans receivable from subsidiaries and affiliates *2	106,664	106,664	–
6) Stocks of subsidiaries and affiliates	84,596	183,780	99,184
7) Long-term loans receivable from subsidiaries and affiliates *3	69,465	69,368	(97)
Total assets	2,436,345	2,535,432	99,087
8) Accounts payable-trade	89,698	89,698	–
9) Short-term loans payable	265,230	265,230	–
10) Accounts payable-other	416,250	416,250	–
11) Income taxes payable	143,841	143,841	–
12) Deposits received	75,090	75,090	–
13) Bonds payable *4	330,000	331,120	1,120
14) Long-term loans payable *4	382,000	382,838	838
Total liabilities	1,702,109	1,704,066	1,958

*1. Allowance for doubtful accounts relating to 2) Accounts receivable-trade is deducted.

*2. This excludes the current portion of long-term loans receivable from subsidiaries and affiliates under non-current assets.

*3. This includes the current portion of long-term loans receivable from subsidiaries and affiliates under non-current assets.

*4. This includes the current portion of bonds payable and long-term loans payable under non-current liabilities.

Note 1: Method for calculation of the market value of financial instruments, and notes to securities

1) Cash and deposits, 2) Accounts receivable-trade, 3) Accounts receivable-other, and 5) Short-term loans receivable from subsidiaries and affiliates

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the book values are used. Further, because the credit risk is extremely difficult to determine on an individual basis for accounts receivable-trade, allowance for doubtful accounts is regarded as credit risk and the market value is calculated accordingly.

4) Investment securities and 6) Stocks of subsidiaries and affiliates

With respect to the market values, the market prices at the stock exchanges are used.

7) Long-term loans receivable from subsidiaries and affiliates

The market value of long-term loans receivable from subsidiaries and affiliates is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest.

8) Accounts payable-trade, 9) Short-term loans payable, 10) Accounts payable-other, 11) Income taxes payable, and 12) Deposits received

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the book values are used.

13) Bonds payable, and 14) Long-term loans payable

The market values of bonds payable are calculated based on a market price. The market value of long-term loans payable is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest.

However, long-term loans payable with variable interest rates are based on the condition that interest rates are revised periodically and their market values are almost the same as their book values; therefore, the book values are used.

Note 2: Financial instruments of which it is extremely difficult to determine market value

(Unit: Millions of yen)

	Book value
Investment securities Unlisted equity securities	52,555
Stocks of subsidiaries and affiliates Unlisted equity securities	1,087,676
Investments in capital of subsidiaries and affiliates	5,742

Because their market values are not available and extremely difficult to determine, they are not included in the above table.

(Equity in Net Income (Losses) of Affiliates and Others)

Amount of investments in affiliates	¥96,338 million
Amount of investments in affiliates based on the equity method	¥233,921 million
Amount of equity in net income of affiliates based on the equity method	¥4,884 million

Note: Amount of investments in affiliates based on the equity method and amount of equity in net income of affiliates based on the equity method have been prepared in accordance with IFRS pursuant to the provisions of Article 120 of the Rules of Corporate Accounting.

(Transactions with Related Parties)

Subsidiaries and affiliates, etc.

(Unit: Millions of yen)

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	Chubu Telecommunications Co., Inc.	Nagoya-shi, Aichi	38,816	Telecommunications (fixed-line telecommunications service) business in the Chubu region	Possession Direct 80.5 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2021
Financial support Sharing of concurrent positions by board members	Borrowing of funds (Note 1)	16,597	Long-term loans receivable from subsidiaries and associates	–
			Short-term loans receivable from subsidiaries and associates	73,970
	Payment of interests	82	Accounts payable-other	–

(Unit: Millions of yen)

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	au Financial Service Corporation	Minato-ku, Tokyo	22,370	Credit card business, settlement agency business	Possession Indirect 98.5 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2021
Financial support Sharing of concurrent positions by board members	Outsourcing settlement agency business	– (Note 2)	Accounts receivable-other	68,032

Terms and conditions of transactions, and policies on such terms and conditions

Note 1: Lending and borrowing periods are set to match the characteristics of the demand for funds, and interest rates are set in a rational manner taking into account market interest rates on lendings and borrowings for the corresponding period. As these transactions are performed in the interest of efficient funding within the group, no collateral is provided or received. The amount shown lending/borrowing of funds is the amount of change since April 1, 2020.

Note 2: The accounts receivable-other refers to sales to end users and since that is not something that is attributable to au Financial Service Corporation, the amount of transaction is not stated.

(Per Share Information)

1. Net assets per share ¥1,784.64
2. Net income per share ¥252.38

Note: In the calculation of per share information, the Company's stocks owned by the executive compensation BIP trust account and a stock-granting ESOP trust account are included in treasury stock. Therefore, the number of those stocks is deducted from the number of common stocks outstanding at the end of the year and average number of common stocks outstanding during the year.
For the fiscal year under review, the number of common stocks outstanding at the end of the year and average number of common stocks outstanding during the year owned by the trusts is 4,114,964 shares and 4,144,384 shares, respectively.

(Company to Which Consolidated Dividend Regulations Apply)

The Company is subject to "Company to Which Consolidated Dividend Regulations Apply."

(Other Notes)

Business combinations, etc.

At the Board of Directors meeting held on May 14, 2020, the Company resolved to succeed to the UQ mobile Business (the "Business") of UQ Communications Inc. ("UQ Communications") through an absorption-type company split with the Company as the succeeding company and UQ Communications as the splitting company, and the company split was conducted on October 1, 2020.

1. Overview of acquired business
   (1) Name of splitting company
   UQ Communications Inc.
   (2) Details of business taken over
   UQ mobile Business
   (3) Main reason for company split
   Aiming to enhance its sales system, service competitiveness and making its business structure more efficient, the Company conducted this business combination in order to offer flexible services that are suited to the market environment and customer needs.

(4) Date of company split
October 1, 2020

2. Acquisition cost and method of settlement
   (1) Acquisition cost
   ¥35,500 million
   (2) Method of settlement
   The full acquisition cost was paid for in cash.

3. Fair values of assets acquired and liabilities assumed, and goodwill at time of business combination

(Unit: Millions of yen)

Items	Amount
Consideration for acquisition	35,500
Non-current assets	6,800
Current assets	34,850
Total assets acquired	41,650
Non-current liabilities	–
Current liabilities	21,316
Total liabilities assumed	21,316
Goodwill	15,165

Note: Amounts are rounded to the nearest million yen.