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

Financial Statements Summary for the Year ended March 31, 2019 [IFRS]

May 15, 2019

Company name:	**KDDI CORPORATION** URL http://www.kddi.com
Stock listing:	Tokyo Stock Exchange - First Section
Code number:	9433
Representative:	Makoto Takahashi, President
Date of general shareholders' meeting (as planned):	Jun 19, 2019
Dividend payable date (as planned):	Jun 20, 2019
Annual securities report filing date (as planned):	Jun 20, 2019
Supplemental materials of annual results:	Yes
Convening briefing of annual results:	Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(1) Consolidated Operating Results

(Percentage represents comparison to previous fiscal year)

	Operating Revenue		Operating Income		Profit for the period before income tax		Profit for the period		Profit for the Period attributable to owners of the parent		Total comprehensive income for the period	
		%		%		%		%		%		%
Year ended March 31, 2019	5,080,353	0.8	1,013,729	5.3	1,010,275	5.8	701,126	6.0	617,669	7.9	686,375	1.5
Year ended March 31, 2018	5,041,978	6.2	962,793	5.5	955,147	6.6	661,196	2.9	572,528	4.7	675,961	8.6

	Basic earnings per share	Diluted earnings per share	Ratio of net income to equity attributable to owners of the parent	Ratio of income before income tax to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	259.10	259.01	15.5	14.5	20.0
Year ended March 31, 2018	235.54	235.45	15.6	14.9	19.1

Reference: Equity in net income (losses) of affiliates Year ended March 31, 2019 : 4,780 million yen Year ended March 31, 2018 : 4,592million yen

(2) Consolidated Financial Positions

	Total Assets	Total Equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
				%	Yen
As of March 31, 2019	7,330,416	4,612,932	4,183,492	57.1	1,779.41
As of March 31, 2018	6,574,555	4,131,257	3,773,703	57.4	1,568.84

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents
Year ended March 31, 2019	1,029,607	(714,578)	(310,951)	204,597
Year ended March 31, 2018	1,061,405	(633,847)	(453,168)	200,834

2. Dividends

	Dividends per Share					Total Dividends for the Year	Payout Ratio	Ratio of dividend to equity attributable to owners of the parent
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total			
	Yen	Yen	Yen	Yen	Yen		%	%
Year ended March 31, 2018	−	45.00	−	45.00	90.00	217,339	38.2	6.0
Year ended March 31, 2019	−	50.00	−	55.00	105.00	248,932	40.5	6.3
Year ending March 31, 2020 (forecast)	−	55.00	−	55.00	110.00		41.7	

3. Consolidated Financial Results Forecast for the Year ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(Percentage represents comparison to previous fiscal year)

	Operating Revenue		Operating Income		Profit for the Period attributable to owners of the parent		Basic earnings per share
		%		%		%	Yen
Entire Fiscal Year	5,200,000	2.4	1,020,000	0.6	620,000	0.4	263.71

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation): None

(2) Changes in accounting policies, accounting estimates

1) Changes in accounting policies required under IFRSs: Yes
2) Other changes in accounting policies: Yes
3) Changes in accounting estimates: None

(3) Numbers of Outstanding Shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of March 31, 2019	2,532,004,445
	As of March 31, 2018	2,587,213,525
2) Number of treasury stock	As of March 31, 2019	180,953,773
	As of March 31, 2018	181,809,302
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the year ended March 31, 2019	2,383,892,430
	For the year ended March 31, 2018	2,430,661,810

Note: The 4,322,928 shares of the Company's stock owned by the executive compensation BIP Trust account and the stock-granting ESOP Trust account are included in the total number of treasury stock as of March 31, 2019.

Explanation for appropriate use of forecasts and other notes

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.9 "1. Consolidated Business Results (4) Outlook for the Year ending March 31, 2020" under [the Attachment] for the assumptions used and other notes.

2. On May 15, 2019, KDDI will hold a financial result briefing for the institutional investors and analysts. Presentation materials will be webcasted on the same time as the release of this earnings report, and the live presentation and Q&A summary will be also posted on our website immediately after the commencement of the financial result briefing. In addition to the above, KDDI holds the briefing and the presentations on our business for the individual investors timely. For the schedule and details, please check our website.

[the Attachment]

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1. Overview of Consolidated Business Results

(1) Overview of Consolidated Operating Results

1) Results Overview

Industry Trends and KDDI's Position

In the Japanese telecommunications market, the competitive environment is becoming more intense, with the services mobile phone operators offer growing more similar, MVNO operators increasingly promoting inexpensive SIM services, and new telecommunications carriers deciding to enter the market. Meanwhile, telecommunications carriers are expanding their operations in domains other than telecommunications services to secure new sources of earnings. In addition, the development of technologies such as the Internet of Things (IoT) and artificial intelligence (AI) is ushering in major changes in the business environment in the telecommunications market.

In this environment, KDDI is promoting its transformation into a business that provides customer experience value. With a focus on telecommunications services, KDDI is actively advancing new value proposals through "integration of telecommunications and life design" by expanding and coordinating various life design services.

In Japan, KDDI is working in the telecommunications domain to promote smartphones and tablets and boost its response to IoT while aiming to create new customer experience value through the coordination of various devices. In addition, we have striven to realize sustainable growth in the domestic telecommunications business by maximizing "ID by ARPA" through the "au Pitatto Plan" and "au Flat Plan" payment plans, which are tailored to customers' data communications usage patterns, and expanding the "au Smart Value" set discount for customers who subscribe to au mobile phone/smartphone services as well as fixed-line communications services. Moreover, we are promoting "au" and the MVNO business through Group companies and working to expand the number of "mobile IDs."

In addition, we provide a wide range of corporate clients, from small and mid-sized companies to large corporations, with mobile handsets and a large variety of solutions, including network-, application-, and cloud-based services. We help our corporate customers develop and expand their businesses with the aim of being our customers' first choice of a true partner.

At the same time, we will actively utilize various types of technologies, including the 5G next-generation mobile communications system (5G), IoT, AI, and big data, which are to be fully implemented going forward, and concentrate on proposing new scenarios for using them. In particular, with regard to 5G, we will work with a wide range of partners to accelerate technology testing and to drive the creation of new services leveraging 5G as we gear up for the start of trial services in September 2019.

In the non-telecommunications domain, we are actively promoting initiatives aimed at providing new value to customers and expanding the transaction volume of the "au Economic Zone" by expanding our life design services, including commerce, finance, energy, entertainment and education. We plan to increase our transaction volume by growing our commerce business, including "Wowma!," and our settlement business, including "au WALLET cards." We are also expanding and strengthening the finance business, education business and energy business, including "au Denki." In the finance business, KDDI announced in February 2019 that it would introduce the "Smart Money Concept" which ensures customer satisfaction by providing comprehensive smartphone-centric settlements and financial transactions. au Financial Holdings Corporation, which was incorporated with the purpose of strengthening the settlement and finance business, commenced operations in April 2019.

Overseas, KDDI is aiming for further growth in its telecommunications business with the full rollout of LTE services by the Myanmar telecommunications business, which is jointly operated by consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. and Myanma Posts & Telecommunications (MPT), the country's nationally operated telecommunications partner. LTE services have also been rolled out by MobiCom Corporation LLC, a telecommunications subsidiary in Mongolia. In addition to these businesses, KDDI is continuing to reinforce its infrastructure with the aim of expanding its global business centered on data center and other ICT businesses for corporate customers, mainly in Europe.

Through these efforts, consolidated operating income exceeded ¥1 trillion for the first time since our founding and the gross merchandise value in the "au Economic Zone" grew to over ¥2 trillion.

Financial Results

For the year ended March 31, 2019

(Amount unit: Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)	Increase (Decrease)%
Operating revenue	5,041,978	5,080,353	38,375	0.8
Cost of sales	2,821,803	2,867,413	45,610	1.6
Gross profit	2,220,175	2,212,940	(7,235)	(0.3)
Selling, general and administrative expenses	1,271,215	1,210,470	(60,746)	(4.8)
Other income and expense (Net)	9,241	6,479	(2,762)	(29.9)
Share of profit (loss) of investments accounted for using the equity method	4,592	4,780	188	4.1
Operating income	962,793	1,013,729	50,937	5.3
Finance income and cost (Net)	(7,950)	(6,430)	1,520	−
Other non-operating profit and loss (Net)	305	2,975	2,670	876.8
Profit for the period before income tax	955,147	1,010,275	55,127	5.8
Income tax	293,951	309,149	15,197	5.2
Profit for the period	661,196	701,126	39,930	6.0
Attributable to owners of the parent	572,528	617,669	45,141	7.9
Attributable to non-controlling interests	88,668	83,457	(5,211)	(5.9)

During the fiscal year ended March 31, 2019, operating revenue rose by 0.8% to ¥5,080,353 million. This reflected increases in revenue due to the expansion of the energy business to maximize the "au Economic Zone," inclusion of AEON Holdings Corporation of Japan ("AEON HD") in the Group, expansion of "Wowma!" and "au WALLET Market" and expansion of the Life Design Business such as settlement business, as well as making ENERES Co., Ltd. a consolidated subsidiary and increased revenue in the Myanmar business. The increase was achieved despite a decline in mobile communications revenues and handset sale revenues.

Operating income increased by 5.3% to ¥1,013,729 million, mainly due to an increase in sales, despite increases in expenses for the energy business, "Wowma!", "au WALLET Market," and the settlement business.

Profit for the period attributable to owners of the parent rose by 7.9% to ¥617,669 million due to the increase in operating income.

2) Results by Business Segment

Personal Services

The Personal Services segment mainly provides mobile and fixed-line communications services for individual customers in Japan, chiefly under the "au" brand, and sells multi-devices such as various smartphones and tablets. In addition, we provide fixed-line services such as "au HIKARI" brand FTTH services, including in-home Internet, telephone, and TV services, and CATV services. We also provide life design services such as energy and education services. Moreover, the KDDI Group organically links Wi-Fi into its multi-network to efficiently create a high quality social infrastructure and provide a seamless communication environment.

In August 2018 of the fiscal year ended March 31, 2019, in the telecommunications domain we began offering the "au Flat Plan 25 Netflix Pack" payment plan, which combines content use fees and au smartphone telecommunication fees. This new plan joins our existing "au Flat Plan" and "au Pitatto Plan" payment plans, which are pegged to mobile data use methods. In addition, in an effort to expand our customer base, we are working to increase the number of IDs through the "au Smart Value" discount service for combined mobile and fixed line service as well as through alliances between Group companies and MVNO businesses.

In the non-telecommunications domain, we kicked off the AEON Digital Project AEON DX to promote EdTech,* which combines education and ICT, as an initiative for the "integration of telecommunications and life design."

Going forward, we will continue creating new experience value while maintaining efforts to expand life design services and maximize the "au Economic Zone."

Operating performance in the Personal Services segment for the fiscal year ended March 31, 2019 is described below.

* EdTech is a portmanteau of *education* and *technology* referring to the use of technology to spur innovation in education.

Results

For the year ended March 31, 2019

(Amount unit: Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	3,899,605	3,911,229	11,624	0.3
Operating Income	732,931	756,298	23,366	3.2

During the fiscal year ended March 31, 2019, operating revenue rose by 0.3% to ¥3,911,229 million, mainly due to increases in revenue from the energy business and the inclusion of AEON in the Group, despite a decline in revenue from mobile telecommunication fees and handset sales.

Operating income rose by 3.2% to ¥756,298 million due to an increase in gross profit from the energy business despite a decline in mobile telecommunication fee revenues and gross profit from handset sales.

Life Design Services

In the Life Design segment, KDDI will propose new value and promote “integration of telecommunications and life design,” seeking to expand its customer touchpoints and provide services in multiple forms optimized for use in all areas of customers’ daily lives and life stages. Our various services include commerce, finance, settlement, and entertainment.
In the finance business, KDDI announced in February 2019 that it would introduce the “Smart Money Concept” which ensures customer satisfaction by providing comprehensive smartphone-centric settlements and financial transactions. This will allow smartphones, which have become integral to customers’ daily lives, to act as a gateway to a wide range of services, from checking and payments to investments, loans, and insurance. We will continue to offer new experience value by offering a one -stop service that can handle all finance-related customer needs, namely, saving money, handling payments, accruing wealth, securing borrowings, and preparing for the future, centering on “au WALLET.” “au WALLET” has expanded to over 20 million customers to become a service with a combined total of over ¥100 billion in balances of “au WALLET” and “au WALLET points.” In April 2019, we launched the smartphone settlement service “au PAY” in our continued pursuit of facilitating the transition to a cashless society.
With the “au Smart Pass Premium,” we focused our efforts on bolstering benefits for seniors and students. As a result, as of March 31, 2019, the number of “au Smart Pass Premium” members exceeded 7 million, representing over one third of all “au Smart Pass” members. Going forward, we will continue boosting customer satisfaction with our services and expand the points of contact with customers.

In addition, we have been promoting initiatives for “edutainment”*[1] and “regional revitalization.” In March 2019, we held the “Kids Job Challenge 2019 in Hirado: Out of KidZania” in Hirado, Nagasaki Prefecture. The purpose of this event was to spur development in this community through the regional roll out and evolution of edutainment integrating 5G, IoT and other advanced technologies.

As for initiatives to create new experience value as we look ahead to the 5G era, KDDI used XR technology*[2] at the Kirin Challenge Cup 2019 sponsored by the Japan Football Association and the Japanet Cup: 71st All Japan High School Volleyball Championship. Our XR technology provides a new, more enjoyable, more comfortable viewing experience that makes viewers feel like they are right in the middle of the action. In addition, through the KDDI Open Innovation Fund 3, we continued to promote business cocreation initiatives with start ups and partner companies. Furthermore, in March 2019 at the “KDDI ∞ Labo,” we announced the start of the “5G Program,” which will create new value for the 5G era.
In the energy business, KDDI began household electric power and gas sales through a business alliance with Tokyo Electric Power Energy Partner Co., Ltd. in the Kanto area in February 2019.
Operating performance in the Life Design Services segment for the fiscal year ended March 31, 2019 is described below.

*1 Edutainment is a portmanteau of *education* and *entertainment* referring to learning through play.
*2 XR technology is catch-all phrase encompassing augmented reality (AR), mixed reality (MR), virtual reality (VR) and so on.

Results

For the year ended March 31, 2019

(Amount unit: Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	521,736	579,374	57,638	11.0
Operating Income	104,045	112,832	8,786	8.4

During the fiscal year ended March 31, 2019, operating revenue rose by 11.0% to ¥579,374 million, largely thanks to the inclusion of ENERES Co., Ltd. as a consolidated subsidiary. Also contributing were an increase in revenue from “au Smart Pass Premium,” “Wowma!,” “au WALLET Market” and the settlement business, including “au WALLET prepaid card” and “au WALLET credit card,” in addition to increased revenue from “au Smart Pass Premium.”
Due to the operating revenue increase, operating income grew by 8.4% to ¥112,832 million, although expenses increased in “Wowma!” and “au WALLET Market” as well as the settlement business.
* The name of segment of “Value” is changed to “Life Design” from fiscal year ended March 31, 2019.

Business Services

In the Business Services segment, we provide smartphones, tablets and other mobile devices as well as diverse solutions such as networks, applications and cloud services, to customers ranging from small and medium-sized to large companies. For small and medium-sized corporate customers, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.

In the fiscal year ended March 31, 2019, KDDI announced that from May 2019 it would begin accepting applications for commercial trials of KDDI IoT Worldwide Architecture, a comprehensive base that will provide support for everything from services related to IoT device telecommunication connections and data usage to processes related to laws and restrictions in different countries. By offering this IoT Worldwide Architecture, we will help resolve issues encountered in the global rollout of corporate IoT businesses while solidly supporting customers' business transformations and expansions.

In addition, we announced that from June 2019 we will begin offering solutions for various applications using a platform that serves as the base system for safely and reliably controlling the flight of smart drones.*1 Using this platform will help customers improve the efficiency of their operations and solve issues in structural inspections, wide-area surveillance, and other applications.

In January 2019, KDDI jointly established Scrum Inc. Japan with Scrum Inc. and ESM, Inc. with the purpose of realizing innovation for corporate customers by supporting the introduction of scrum,*2 a method for agile planning and development.

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

Operating performance in the Business Services segment for the fiscal year ended March 31, 2019 is described below.

*1 This refers to drones that can be safely controlled at long distances using KDDI's telecommunications network.

*2 Scrum is the brainchild of Jeff Sutherland, the founder of Scrum Inc. It is the most globally widespread innovative method for agile planning and development, wherein planning and development are carried out over a short time span and repeated, with each iteration incorporating customer feedback, allowing new functions to be released in quick succession.

Results

For the year ended March 31, 2019

(Amount unit: Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	749,971	796,863	46,892	6.3
Operating Income	84,467	103,992	19,524	23.1

During the fiscal year ended March 31, 2019, operating revenue increased by 6.3% to ¥796,863 million, mainly due to increases in solution sales revenues and energy business revenues.

Operating income rose by 23.1% year on year to ¥103,992 million, mainly due to an increase in operating revenues, despite increases in solution equipment costs and telecommunication equipment usage fees.

Global Services

The Global Services segment is working aggressively to expand the consumer businesses in Myanmar, Mongolia, and other overseas countries, and to provide ICT solutions to corporate customers, including data centers, network, cloud, and IoT, aiming to contribute to their business development and expansion.
In the Mongolian telecommunications business, KDDI began sales in February 2019 of chargeable prepaid cards with added mobile data. In addition, we added unlimited-use packages for social media, games, video, and music. Going forward, we will continue to roll out services to meet customer demand for data.
In the ICT solutions business, KDDI Singapore launched the "KDDI GX (Global Exchange) Platform" in January 2019. This platform provides centralized support across a range of solutions, such as IoT, robotic process automation (RPA), security and network, for corporate customers expanding their business in Southeast Asia. Through this platform, we will offer stronger backing for customers' business expansion in Southeast Asia.
In addition, KDDI Shanghai was the first Japanese company to be authorized as a Gold Partner in mainland China. The Gold Partner authentication awarded to KDDI Shanghai is the top-level UiPath partner authentication, awarded to solution providers with engineers who have sufficient knowledge about the "UiPath RPA Platform" to provide support for its implementation. KDDI Shanghai is helping many companies make their operations more efficient by offering the "UiPath RPA Platform."
Operating performance in the Global Services segment for the fiscal year ended March 31, 2019 is described below.

Results

For the year ended March 31, 2019

(Amount unit: Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	248,702	208,790	(39,912)	(16.0)
Operating Income	31,907	34,368	2,461	7.7

During the fiscal year ended March 31, 2019, operating revenue decreased by 16.0% to ¥208,790 million. This reflected the impact of decreased revenue resulting from restructured unprofitable businesses, meanwhile revenue in the Myanmar and "TELEHOUSE" data center businesses increased.
Operating income increased by 7.7% to ¥34,368 million, reflecting the solid increase in operating revenue in the Myanmar and "TELEHOUSE" data center businesses and decrease in the costs of restructured unprofitable businesses.
As for KDDI Summit Global Singapore Pte. Ltd., due to the environment encompassing local accounting in the areas where subsidiaries KDDI Summit Global Myanmar Co., Ltd. are located, preliminary results were not obtained by the Company's closing date for subsidiary reporting, and reporting periods were not unified. However, due to improvement for financial reporting in the fiscal year ended March 31, 2019, the reporting periods are unified.

* Company and product names mentioned in (1) Overview of Consolidated Operating Results are registered trademarks or trademarks of their respective companies.
* Beginning in the fiscal year ending March 31, 2020, the four reporting segments of Personal Services, Life Design Services, Business Services, and Global Services will be reorganized into the two reporting segments of Personal Services and Business Services based on their management approach, consolidating them based on the allocation of management resources and their performance evaluations.

(2) Overview of Consolidated Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019	Increase (Decrease)
Total assets	6,574,555	7,330,416	755,861
Total liabilities	2,443,298	2,717,484	274,186
Total equity	4,131,257	4,612,932	481,675
Equity attributable to owners of the parent	3,773,703	4,183,492	409,789
Ratio of equity attributable to owners of the parent to total assets	% 57.4	% 57.1	% (0.3)
Equity attributable to owners of the parent per share	Yen 1,568.84	Yen 1,779.41	Yen 210.57
Interest-bearing debt	1,118,616	1,275,711	157,095

(Assets)
Total assets increased by ¥755,861 million to ¥7,330,416 million as of March 31, 2019. Although deferred tax assets decreased, contract costs and trade and other receivables increased.

(Liabilities)
Total liabilities increased by ¥274,186 million to ¥2,717,484 million as of March 31, 2019. Although other non-current liabilities and other current liabilities decreased, borrowings and bonds payable and contract liabilities increased.

(Equity)
Total equity increased to ¥4,612,932 million, mainly due to increased retained earnings.
As a result, ratio of equity attributable to owners of the parent to total assets decreased from 57.4% to 57.1% as of March 31, 2019.

(3) Overview of Consolidated Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)
Net cash provided by (used in) operating activities	1,061,405	1,029,607	(31,799)
Net cash provided by (used in) investing activities	(633,847)	(714,578)	(80,731)
Free cash flows (Note)	427,558	315,028	(112,530)
Net cash provided by (used in) financing activities	(453,168)	(310,951)	142,217
Effect of exchange rate changes on cash and cash equivalents	(163)	(314)	(151)
Net increase (decrease) in cash and cash equivalents	(25,773)	3,763	29,536
Cash and cash equivalents at the beginning of the period	226,607	200,834	(25,773)
Cash and cash equivalents at the end of period	200,834	204,597	3,763

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

Operating activities provided net cash of ¥1,029,607 million. This includes ¥1,010,275 million of profit for the period before income tax, ¥562,402 million of depreciation and amortization, ¥290,689 million of income tax paid and ¥271,723 million of increase in trade and other receivables.
Investing activities used net cash of ¥714,578 million. This includes ¥399,531 million of purchases of property, plant and equipment, ¥202,607 million of purchases of intangible assets and ¥83,799 million of purchases of stocks of associates.
Financial activities used net cash of ¥310,951 million. This includes ¥456,000 million of proceeds from issuance of bonds and long-term borrowings, ¥302,151 million of payments from redemption of bonds and repayments of long-term borrowings, ¥227,700 million of cash dividends paid and ¥150,000 million of payments from purchase of treasury stock.
As a result, the total amount of cash and cash equivalents as of March 31, 2019, increased by ¥3,763 million from March 31, 2018 to ¥204,597 million.

(Reference) Cash Flows related indicators

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019
Ratio of equity attributable to owners of the parent to total assets (%)	54.5	56.3	56.7	57.4	57.1
Ratio of equity attributable to owners of the parent to total assets on a market capitalization basis (%)	121.1	127.3	114.7	99.4	76.5
Debt repayment period (year)	1.2	1.4	1.0	1.1	1.2
Interest coverage ratio (times)	86.3	56.7	124.5	62.3	113.1

Notes
・Ratio of equity attributable to owners of the parent to total assets: Equity attributable to owners of the parent / Total assets
・Ratio of equity attributable to owners of the parent to total assets on a market capitalization basis: Market capitalization / Total assets
・Debt repayment period: Interest bearing debt / Cash flows
・Interest coverage ratio: Cash flows / Interest payments

・Market capitalization is calculated by multiplying the closing stock price at fiscal year-end by the number of shares outstanding (not including treasury stock).
・Cash flows from operating activities in consolidated statement of cash flows are used for operating cash flows.
・Figures for interest-bearing debt cover the amounts of loans and bonds that are recognized in consolidated statement of financial position and liabilities upon which interest is paid.
Further, regarding interest payments, the amount of interest expenses paid in consolidated statement of cash flows is used.
・During the fiscal year ended March 31, 2017, the KDDI Group finalized the provisional accounting treatment for business combinations. As a result, figures as of March 31, 2016 reflect the revision of the initially allocated amounts of acquisition price.

(4) Outlook for the Year ending March 31, 2020

The KDDI Group is forecasting an increase in operating revenue to ¥5,200,000 million, mainly driven by an increase in total ARPA revenues* and MVNO revenues as well as the new consolidation of ENERES.
Operating income is forecast to increase to ¥1,020,000 million, mainly reflecting the increase in operating revenue. This comes despite the change of the Myanmar business' fiscal year end in the previous fiscal year and the expected intensification of competition in the mobile business. Profit for the year attributable to owners of the parent is forecast to increase to ¥620,000 million.

*au ARPA revenues + Value-added ARPA revenues + Handset Repair and Compensation revenues + au Denki revenues

(5) Profit Distribution

Regarding the return of profits to shareholders as one of the priorities of its business management, KDDI has a basic policy of continuing to pay stable dividends while maintaining financial soundness. Under the medium-term management plan ended March 31, 2019, KDDI's policy was to maintain a consolidated payout ratio of more than 35%, while taking into account investment for sustainable growth.

Regarding dividend payments for the year ended March 31, 2019, KDDI has already paid an interim cash dividend of ¥50.00 per share. In order to express gratitude to its shareholders for their constant support, and in light of an overall consideration of business development aimed at improving future business results, KDDI plans to increase the year-end cash dividend ¥10.00 from the previous fiscal year to ¥55.00 per share.

Further, KDDI's policy will be to maintain a consolidated payout ratio of more than 40% in the next 3 fiscal years. For the year ended March 31, 2019, KDDI plans to pay out ¥55.00 per share for both the interim and year-end cash dividend, making the full-year amount ¥110.00 per share.

(6) Business Risks

As the KDDI Group pursue its business, there are various risks involved. The KDDI Group take every effort to reduce these risks by preventing and hedging them.

However, there are various uncertainties which could have negative impacts on the KDDI Group's brand image, liability, financial position and/or earnings performance such as;

- subscription growth trends out of line with the KDDI Group expectations due to competition, rival technologies and rapid changes in markets and the operating environment
- breach of obligations regarding communications security and protection of customer privacy (customer's personal information)
- natural disasters accidents and power restrictions caused by earthquake, tsunami, typhoon, etc.
- revision or repeal of laws and ordinances governing telecommunications and so forth, together with related government policies
- general legal and regulatory, litigation and patents, personnel retention and training, labor management, retirement benefits, asset-impairment accounting, telecommunications sector consolidation and business restructuring in the KDDI Group

2. The Status of the Group

The KDDI Group comprises KDDI, 175 consolidated subsidiaries (Japan: 116 companies, Overseas: 59 companies), and 39 equity -method affiliates (Japan: 32 companies, Overseas: 7 companies). The KDDI Group's main business lines are "Personal," "Life Design," "Business," and "Global."

The status of KDDI, consolidated subsidiaries and equity-method affiliates within the Companies business and their relationships with segments are as shown below.

<Personal>

Principal services	For individuals and households communications services (au mobile phone, FTTH, CATV), energy, education and others.	
Major subsidiaries and affiliates	〔The parent〕	KDDI CORPORATION
	〔Consolidated subsidiaries〕	OKINAWA CELLULAR TELEPHONE COMPANY, Jupiter Telecommunications Co., Ltd, UQ Communications Inc. BIGLOBE Inc., AEON Holdings Corporation of Japan, Chubu Telecommunications Co., INC., Wire and Wireless Co.,Ltd.

<Life Design>

Principal services	For individuals financial ,settlement, entertainment services, and others	
Major subsidiaries and affiliates	〔The parent〕	KDDI CORPORATION
	〔Consolidated subsidiaries〕	KDDI FINANCIAL SERVICE CORPORATION, Supership Holdings Inc., WebMoney Corporation, Jupiter Shop Channel Co.,Ltd., Jupiter Entertainment Co., Ltd., ENERES Co.,Ltd.
	〔Equity-method affiliates〕	Jibun Bank Corporation, KKBOX Inc., Kakaku.com, Inc.

<Business>

Principal services	For companies communications services (ICT solution, data center and others)	
Major subsidiaries and affiliates	〔The parent〕	KDDI CORPORATION
	〔Consolidated subsidiaries〕	Chubu Telecommunications Co., INC., KDDI MATOMETE OFFICE CORPORATION, KDDI Evolva Inc., Japan Internet Exchange Co., Ltd.
	〔Equity-method affiliates〕	LAC Co., Ltd.

<Global>

Principal services	For companies and individuals overseas communications services (ICT solution, data center and others)	
Major subsidiaries and affiliates	〔The parent〕	KDDI CORPORATION
	〔Consolidated subsidiaries〕	KDDI America, Inc., KDDI Europe Limited., KDDI China Corporation, KDDI Singapore Pte Ltd, TELEHOUSE International Corporation of Europe Ltd., KDDI Summit Global Myanmar Co., Ltd., MobiCom Corporation LLC

<Others>

Principal services	Network facilities operation and maintenance, ICT research, development and others	
Major subsidiaries and affiliates	〔The parent〕	KDDI CORPORATION
	〔Consolidated subsidiaries〕	KDDI Engineering Corporation KDDI Research, Inc., KOKUSAI CABLE SHIP Co.,Ltd. Japan Telecommunication Engineering Service Co., Ltd.
	〔Equity-method affiliates〕	Kyocera Communication Systems Co., Ltd.

3. Basic Perspective on Selection of Accounting Standards

The KDDI Group has adopted IFRS from the year ending March 31, 2016 to facilitate international comparisons of its financial information and enhance disclosure, thereby making the information it supplies more useful to domestic and overseas investors, as well as its various other stakeholders.

4. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Non-current assets :		
Property, plant and equipment	2,437,196	2,546,181
Goodwill	526,601	539,694
Intangible assets	953,106	946,837
Investments accounted for using the equity method	98,192	174,000
Other long-term financial assets	236,684	253,025
Deferred tax assets	106,050	15,227
Contract costs	−	412,838
Other non-current assets	65,477	10,117
Total non-current assets	4,423,306	4,897,918
Current assets :		
Inventories	89,207	90,588
Trade and other receivables	1,695,403	1,965,554
Other short-term financial assets	30,173	41,963
Income tax receivables	2,101	4,633
Other current assets	133,531	125,162
Cash and cash equivalents	200,834	204,597
Total current assets	2,151,249	2,432,498
Total assets	6,574,555	7,330,416

(Unit: Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	704,278	1,040,978
Other long-term financial liabilities	68,478	66,493
Retirement benefit liabilities	12,010	13,356
Deferred tax liabilities	80,298	100,680
Provisions	10,754	33,996
Contract liabilities	−	77,435
Other non-current liabilities	129,679	6,746
Total non-current liabilities	1,005,498	1,339,683
Current liabilities :		
Borrowings and bonds payable	329,559	150,574
Trade and other payables	610,726	671,969
Other short-term financial liabilities	24,717	26,773
Income taxes payables	143,635	152,195
Provisions	31,231	34,403
Contract liabilities	−	116,076
Other current liabilities	297,932	225,810
Total current liabilities	1,437,800	1,377,801
Total liabilities	2,443,298	2,717,484
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	289,578	284,409
Treasury stock	(338,254)	(383,728)
Retained earnings	3,672,344	4,144,133
Accumulated other comprehensive income	8,183	(3,174)
Total equity attributable to owners of the parent	3,773,703	4,183,492
Non-controlling interests	357,554	429,440
Total equity	4,131,257	4,612,932
Total liabilities and equity	6,574,555	7,330,416

(2) Consolidated Statement of Income

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Operating revenue	5,041,978	5,080,353
Cost of sales	2,821,803	2,867,413
Gross profit	2,220,175	2,212,940
Selling, general and administrative expenses	1,271,215	1,210,470
Other income	12,041	10,140
Other expense	2,801	3,661
Share of profit of investments accounted for using the equity method	4,592	4,780
Operating income	962,793	1,013,729
Finance income	4,035	3,582
Finance cost	11,985	10,012
Other non-operating profit and loss	305	2,975
Profit for the year before income tax	955,147	1,010,275
Income tax	293,951	309,149
Profit for the year	661,196	701,126
Profit for the year attributable to:		
Owners of the parent	572,528	617,669
Non-controlling interests	88,668	83,457
Profit for the year	661,196	701,126
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	235.54	259.10
Diluted earnings per share (yen)	235.45	259.01

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Profit for the year	661,196	701,126
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Remeasurements of defined benefit pension plans	4,132	(3,451)
Changes measured in fair value of financial assets through other comprehensive income	8,359	(3,219)
Share of other comprehensive income of investments accounted for using the equity method	(149)	(1,267)
Total	12,342	(7,937)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	933	(106)
Translation differences on foreign operations	1,515	(6,620)
Share of other comprehensive income of investments accounted for using the equity method	(25)	(88)
Total	2,423	(6,814)
Total other comprehensive income	14,766	(14,751)
Total comprehensive income for the year	675,961	686,375
Total comprehensive income for the year attributable to:		
Owners of the parent	588,324	604,136
Non-controlling interests	87,638	82,238
Total	675,961	686,375

Items in the statement above are presented net of tax.

(4) Consolidated Statement of Changes in Equity

For the year ended March 31, 2018

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2017	141,852	298,046	(237,014)	3,354,140	(2,601)	3,554,423	294,710	3,849,133
Comprehensive income								
Profit for the year	–	–	–	572,528	–	572,528	88,668	661,196
Other comprehensive income	–	–	–	–	15,795	15,795	(1,030)	14,766
Total comprehensive income	–	–	–	572,528	15,795	588,324	87,638	675,961
Transactions with owners and other transactions								
Cash dividends	–	–	–	(219,701)	–	(219,701)	(47,590)	(267,291)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	5,012	(5,012)	–	–	–
Purchase and disposal of treasury stock	–	(50)	(150,000)	–	–	(150,050)	–	(150,050)
Retirement of treasury stock	–	(9,074)	48,709	(39,635)	–	–	–	–
Changes due to business combination	–	–	–	–	–	–	5,376	5,376
Changes in interests in subsidiaries	–	(635)	–	–	–	(635)	17,924	17,289
Other	–	1,291	51	–	–	1,343	(503)	839
Total transactions with owners and other transactions	–	(8,467)	(101,239)	(254,324)	(5,012)	(369,043)	(24,794)	(393,837)
As of March 31, 2018	141,852	289,578	(338,254)	3,672,344	8,183	3,773,703	357,554	4,131,257

For the year ended March 31, 2019

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2018	141,852	289,578	(338,254)	3,672,344	8,183	3,773,703	357,554	4,131,257
Cumulative effects of changes in accounting policies	−	−	−	187,468	−	187,468	29,302	216,770
Restated balance	141,852	289,578	(338,254)	3,859,812	8,183	3,961,171	386,856	4,348,027
Comprehensive income								
Profit for the year	−	−	−	617,669	−	617,669	83,457	701,126
Other comprehensive income	−	−	−	−	(13,533)	(13,533)	(1,219)	(14,751)
Total comprehensive income	−	−	−	617,669	(13,533)	604,136	82,238	686,375
Transactions with owners and other transactions								
Cash dividends	−	−	−	(227,937)	−	(227,937)	(34,277)	(262,214)
Transfer of accumulated other comprehensive income to retained earnings	−	−	−	(2,176)	2,176	−	−	−
Purchase and disposal of treasury stock	−	(94)	(150,000)	−	−	(150,094)	−	(150,094)
Retirement of treasury stock	−	−	103,235	(103,235)	−	−	−	−
Changes due to business combination	−	−	−	−	−	−	3,324	3,324
Changes in interests in subsidiaries	−	(4,802)	−	−	−	(4,802)	(8,701)	(13,503)
Other	−	(274)	1,291	−	−	1,017	−	1,017
Total transactions with owners and other transactions	−	(5,169)	(45,474)	(333,348)	2,176	(381,816)	(39,655)	(421,470)
As of March 31, 2019	141,852	284,409	(383,728)	4,144,133	(3,174)	4,183,492	429,440	4,612,932

(5) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Cash flows from operating activities		
Profit for the year before income tax	955,147	1,010,275
Depreciation and amortization	546,815	562,402
Impairment loss	13,069	2,737
Share of (profit) loss of investments accounted for using the equity method	(4,592)	(4,780)
Loss (gain) on sales of non-current assets	149	538
Interest and dividends income	(3,527)	(3,571)
Interest expenses	9,701	8,694
(Increase) decrease in trade and other receivables	(219,125)	(271,723)
Increase (decrease) in trade and other payables	44,914	23,008
(Increase) decrease in inventories	(12,185)	(1,544)
Increase (decrease) in retirement benefit liabilities	(9,790)	1,346
Other	43,064	(6,326)
Cash generated from operations	1,363,639	1,321,055
Interest and dividends received	6,149	6,375
Interest paid	(17,048)	(9,106)
Income tax paid	(302,783)	(290,689)
Income tax refund	11,447	1,971
Net cash provided by (used in) operating activities	1,061,405	1,029,607

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Cash flows from investing activities		
Purchases of property, plant and equipment	(361,102)	(399,531)
Proceeds from sales of property, plant and equipment	1,299	848
Purchases of intangible assets	(199,776)	(202,607)
Purchases of other financial assets	(7,002)	(13,191)
Proceeds from sales/redemption of other financial assets	2,565	1,767
Acquisitions of control over subsidiaries	(66,751)	(13,274)
Purchases of stocks of associates	(4,688)	(83,799)
Proceeds from sales of stocks of subsidiaries and associates	1,898	(1,507)
Other	(289)	(3,285)
Net cash provided by (used in) investing activities	(633,847)	(714,578)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	27,574	(10,274)
Proceeds from issuance of bonds and long-term borrowings	95,000	456,000
Payments from redemption of bonds and repayments of long-term borrowings	(56,101)	(302,151)
Repayments of lease obligations	(27,210)	(28,616)
Payments from purchase of subsidiaries’equity from non-controlling interests	(1,158)	(14,191)
Proceeds from stock issuance to non-controlling interests	22,164	159
Payments from purchase of treasury stock	(150,000)	(150,000)
Cash dividends paid	(219,885)	(227,700)
Cash dividends paid to non-controlling interests	(48,553)	(34,177)
Purchase of debt instruments (Note)	(95,000)	−
Other	(1)	(0)
Net cash provided by (used in) financing activities	(453,168)	(310,951)
Effect of exchange rate changes on cash and cash equivalents	(163)	(314)
Net increase (decrease) in cash and cash equivalents	(25,773)	3,763
Cash and cash equivalents at the beginning of the year	226,607	200,834
Cash and cash equivalents at the end of the year	200,834	204,597

(Note) During the fiscal year ended March 31, 2018, KDDI purchased the beneficiary right to preferred shares issued by a subsidiary of the KDDI Group (These shares are treated as financial liabilities because the issuer has an obligation to deliver cash to holders of preference shares).

(6) Going Concern Assumption

None

(7) Notes to Consolidated Financial Statements

1. Reporting entity

KDDI CORPORATION ("the Company") was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company's consolidated financial statements as of and for the year ended March 31, 2019 comprise the Company and its consolidated subsidiaries ("the Group") and the Group's interests in associates and joint ventures. The Company is the ultimate parent company of the Group.

The Group's major business and activities are "Personal Services", "Life Design Services", "Business Services" and "Global Services." For the details, please refer to "(1) Outline of reporting segments" of "5. Segment information."

2. Basis of preparation

(1) Compliance of consolidated financial statements with IFRSs

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

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgement

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on the management's best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of the estimates or assumptions, however, actual results may differ from those estimates and assumptions.

The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years. Estimates that may have a risk of significant adjustment of carrying amounts of assets and/or liabilities in the subsequent fiscal years and the underlying assumptions are as follows:

ⅰ. Estimates of useful lives and residual values of property, plant and equipment, intangible assets, finance lease assets

Property, plant and equipment is depreciated primarily using the straight-line method, based on the estimated useful life that reflects the period in which the asset's future economic benefits are expected to be consumed. The depreciation charge for the period could increase if an item of property, plant and equipment becomes obsolete or repurposed in the future and the estimated useful life becomes shorter.

Intangible asset with a finite useful life is amortized on a straight-line basis in principle to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Estimated useful life of the customer relationships acquired in a business combination is determined based on the cancellation rate. The intangible assets related to the customer relationships are amortized over the useful life. Should actual sales volumes fail to meet initial projected volumes due to changes in the business environment etc., or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses for the reporting period may increase.

The content related to estimates of useful lives and residual values of property, plant and equipment, intangible assets, finance lease assets are described in "3. Significant accounting policies (5) Property, plant & equipment, (7) Intangible asset and (8) Leases"

ⅱ. Impairment of property, plant and equipment and intangible assets including goodwill

The Group conducts impairment tests to property, plant and equipment and intangible assets including goodwill. Calculations of recoverable amounts used in impairment tests are based on assumptions set using such factors as an asset's useful life, future cash flows, pre-tax discount rates and long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The method for calculating recoverable amounts is described in "3. Significant accounting policies (9) Impairment of property, plant and equipment, goodwill and intangible assets" and "6. Impairment of property, plant and equipment, goodwill and intangible assets".

ⅲ. Evaluation of inventories

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

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

iv. Recoverability of deferred tax assets

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

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

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

v. Measurement of defined benefit obligations

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

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions are described in "3. Significant accounting policies (16) Employee benefits".

vi. Collectability of trade and other receivables

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

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

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

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

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

viii. Provisions

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

The nature and amount of recognized provisions are stated in "3. Significant accounting policies (17) Provisions".

(5) Application of new standards and interpretations

The Group applies the new standards and interpretations listed below from the fiscal year ended March 31, 2019.

• IFRS 15 "Revenue from Contracts with Customers"

• IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

In addition, in line with the transitional measures of IFRS 15, the Group retroactively applies these new rules and recognizes the cumulative impact at the start of application as a revision to retained earnings at the beginning of the fiscal year ended March 31, 2019. Details regarding the impact of this change in accounting policy are presented in " 4. Changes in accounting policies."

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the consolidated financial statements are not mandatory as of March 31, 2019. They have not been early adopted by the Group.

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and amendments
IFRS 16	Leases	January 1, 2019	fiscal year ending March 31, 2020	IFRS 16 describes that revision of current accounting standard for lease and disclosure. Specifically, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months as principal.
IFRS 17	Insurance contracts	January 1, 2021	fiscal year ending March 31, 2022	IFRS 17 will replace IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	fiscal year ending March 31, 2020	IFRIC 23 provides guidance how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over tax treatment.

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

IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 "Leases." The Group will apply IFRS 16 from the consolidated fiscal year ending March 31, 2020.

The main change this will have on the Group due to its business model is that IFRS 16 requires that the right to employ a lease asset and the payment obligations for lease-related fees are recognized as right-of-use assets and lease obligations in the consolidated statement of financial position. Currently, under IAS 17, payment obligations related to operating and financial leases must be recorded in consolidated financial statements.

The Group will not restate comparative information and plans to recognize the cumulative impact of applying these standards as an adjustment of the retained earnings balance at the beginning of the fiscal year on April 1, 2019.

With the application of these standards to operating and financial leases (mainly those for land and structures for office space and base stations) taken out by the Group, the amounts of assets and liabilities recorded in the consolidated statement of financial position are expected to increase. In addition, in the consolidated statement of cash flows, cash flows from operating activities are expected to rise and cash flows from financing activities are expected to decrease. Moreover, KDDI expects the impact on consolidated statement of income to be minor.

3. Significant accounting policies

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

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

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

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

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

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

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

(c) Disposal of a subsidiary

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

(d) Unification of reporting period

The consolidated financial statements include the financial statements of subsidiaries whose closing dates are different from that of the Company. For the preparation of the consolidated financial statements, such subsidiaries prepare financial statements based on the provisional accounts as of the Company's closing date. As for KDDI Summit Global Singapore Pte. LTD, due to the environment encompassing local accounting in the areas where subsidiaries KDDI Summit Global Myanmar Co., Ltd. are located, preliminary results were not obtained by the Company's closing date for subsidiary reporting, and reporting periods were not unified. However, due to improvement for financial reporting in the fiscal year ended March 31, 2019, the reporting periods are unified.

ii. Associates

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

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

The Group's investment in associates includes goodwill recognized on acquisition. Accordingly, goodwill is not recognized and not tested for impairment separately. Gross amount of investments in associates is tested for impairment as a single asset. Specifically, the Group evaluates whether there is objective evidence which indicates that the investment may be impaired or not on a quarterly basis. When objective evidence that the investments in associates are impaired exists, those investments are tested for impairment.

Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The accounting policies of associates have been changed to conform to the Group's accounting policies, when necessary.

iii. Joint arrangements

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

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

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

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

(2) Business combination

The Group accounts for business combinations by applying the acquisition method. Consideration transferred to acquire subsidiaries is the fair values of the assets transferred, the liabilities incurred by former owners of the acquiree and the equity interests issued by the Group. Consideration transferred also includes fair values of any assets or liabilities resulting from a contingent consideration arrangement. Each identifiable asset acquired, liability and contingent liability assumed in a business combination is generally measured at its acquisition-date fair value.

Non-controlling interests are identified separately from those of the Group and are measured as the non-controlling shareholders' proportionate share of the acquiree's identifiable net assets. For each acquisition, the Group recognizes the acquiree's non-controlling interests either at fair value or as the non-controlling interest's proportionate share of the amount recognized for acquiree's identifiable net assets.

Acquisition-related costs, including finder's fees, legal, due-diligence and other professional fees, are charged to expense when incurred.

Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets acquired, such excess is recorded as goodwill. Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquire is less than the fair value of acquired subsidiary's net assets, such difference is recognized directly in profit or loss as a bargain purchase.

If the initial accounting for a business combination is not complete by the end of the reporting period in which the business combination occurs, the Group recognizes in its financial statements provisional amounts for the items for which the accounting is incomplete. Subsequently, the Group retrospectively adjusts the provisional amounts recognized on the date when control is obtained as measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the date when control is obtained and, if known, would have affected the amounts recognized for the business combination. However, the measurement period shall not exceed one year from the date when control is obtained.

(3) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The board of directors that makes strategic decisions has been identified by the Group as the chief operating decision-maker.

(4) Foreign currency translation

i. Functional currency and presentation currency

Foreign currency transactions of each group company have been translated into their functional currencies at the exchange rate prevailing at the dates of transactions upon preparation of their financial statements. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

ii. Foreign currency transactions

Foreign currency transactions are translated at the spot exchange rate of the date of transaction or the rate that approximates such exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the fiscal year end date. Non-monetary items at fair value denominated in foreign currencies are translated at an exchange rate as of the date when their fair values are measured.

Exchange differences arising from the translation and settlement of monetary assets and liabilities denominated in foreign currencies are recognized as profit or loss. However, exchange differences arising from the translation of equity instruments measured through other comprehensive income and qualifying cash flow hedges are recognized as other comprehensive income.

iii. Foreign operations

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill, identified assets and liabilities, and their fair value adjustments resulting from the acquisition of the foreign operations, are translated into presentation currency at the exchange rate prevailing at the fiscal year end date. Income and expenses of foreign operations are translated into Japanese yen, the presentation currency, at the average exchange rate for the period, unless the exchange rates fluctuate significantly during the period.

Exchange differences arising from translation of foreign operations' financial statements are recognized as other comprehensive income. In cases of disposition of whole interests of foreign operations, and certain interests involving loss of control or significant influence, exchange differences are accounted for as profit or loss on disposal of foreign operations.

(5) Property, plant and equipment

i. Recognition and measurement

Property, plant, and equipment of the Group is measured on a historical cost basis and carried at its cost less accumulated depreciation and impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration, as well as borrowing costs eligible for capitalization.

In cases where components of property, plant, and equipment have different useful lives, each component is recorded as a separate property, plant, and equipment item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.

ii. Depreciation and useful lives

Property, plant and equipment is depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

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

Communication equipment	
Machinery	9 years
Antenna equipment	10－21 years
Toll and local line equipment	10－21 years
Other equipment	9－27 years
Buildings and structures	10－38 years
Others	5－22 years

The depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

iii. Derecognition

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

(6) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. Instead, it is tested for impairment annually and if events or changes in circumstances indicate a potential impairment. For the impairment, please refer to “ (9) Impairment of property, plant and equipment, goodwill and intangible assets.”

(7) Intangible assets

i. Recognition and measurement

The Group applies the cost method in measuring intangible assets, excluding goodwill. Those assets are carried at its cost less accumulated amortization and impairment losses.

Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill and are measured at fair value at the acquisition date when such assets meet the definition of intangible asset and are identifiable, and their fair values can be measured reliably.

Expenditure on research activities to obtain new science technology or technical knowledge and understanding is recognized as an expense when it is incurred.

Expenditure on development is recognized as intangible asset in the case where the expenditure is able to be measured reliably, product or production process has commercial and technical 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.

ii. Depreciation and useful lives

Intangible assets are amortized using the straight-line method over their estimated useful lives. Estimated useful lives of major components of intangible assets are as follows. Intangible assets with indefinite useful lives are not amortized.

Software	5 years
Customer relationships	4－29 years
Assets related to program supply	22 years
Others	5－20 years

The amortization methods, estimated useful lives are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(8) Lease

i. Assets subject to lease

At the inception of the lease contract, the assessment whether an arrangement is a lease or contains a lease is made based on the substance of the agreement. Assets are subject to lease if the implementation of an agreement depends on use of certain assets or groups of assets, and the right to use the assets is given under such agreement.

ii. Classification of lease

Lease transactions are classified as finance leases whenever all the risks and rewards of ownership of assets are substantially transferred to the Group (lessee). All other leases are classified as operating leases.

iii. Finance lease

In finance lease transactions, leased assets are recognized as an asset in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the aggregated minimum lease payments, each

determined at the inception of the lease, less accumulated depreciation and impairment losses. Lease obligations are recognized as “Other short-term financial liabilities” and “Other long-term financial liabilities” in the consolidated statement of financial position. Lease payments are apportioned between the financial cost and the reduction of the lease obligations based on the effective interest method. Finance cost is recognized in the consolidated statement of income. Assets held under finance leases are depreciated using straight-line method over their estimated useful lives if there is reasonable certainty that the ownership will be transferred by the end of the lease term; otherwise the assets are depreciated over the shorter of the lease term or their estimated useful lives.

iv. Operating lease

In operating lease transactions, lease payments are recognized as an expense using the straight-line method over the lease terms.

(9) Impairment of property, plant and equipment, goodwill and intangible assets

At the end of each reporting period, the Group determines whether there is any indication that carrying amounts of property, plant and equipment and identifiable intangible assets may be impaired. If any indication exists, the recoverable amount of the asset or the cash-generating unit to which the asset belongs is estimated. For goodwill and intangible assets with indefinite useful lives, the impairment test is undertaken annually or more frequently if events or circumstances indicate that they might be impaired. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of units, and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

For assets other than goodwill, the Group determines at the end of each reporting period whether there is any indication that an impairment loss recognized in prior years has decreased or 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 increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (net of depreciation and amortization) that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as other income.

(10) Non-current assets held for sale or disposal group

An asset or group of assets of which the carrying amount is expected to be recovered primarily through a sales transaction rather than through continuing use is classified into “Assets held for sale.” To qualify for classification as “non-current assets held for sale”, the sale of a non-current asset must be highly probable and it must be available for immediate sale in its present condition. Also, management must be committed to a plan to sell the asset in which the sale is to be completed within one year from the date of classification

When the Group is committed to a sale plan involving loss of control of a subsidiary, and the criteria set out above are met, all assets and liabilities of the subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale

Assets held for sale is measured at the lower of its “carrying amount” and “fair value less cost to sell.” Property, plant and equipment and intangible assets classified as “assets held for sale” are not depreciated or amortized.

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not measured at fair value through profit or

loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset measured at fair value through profit or loss is recognized as profit or loss.

(b) Classification of non-derivative financial assets

Classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets at initial recognition as financial assets measured at amortized cost, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

A financial asset that meets both the following condition is classified as a financial asset measured at amortized cost.

・ The financial asset is held within the Group’s business model whose objective is to hold assets in order to collect contractual cash flows.

・ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Equity instruments measured at fair value through other comprehensive income

The Group makes an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss.

An equity instrument measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as “financial asset at fair value through other comprehensive income” in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when equity instrument is derecognized or its fair value substantially decreased. Dividends are recognized as “finance income” in profit or loss.

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

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as “at fair value through profit or loss” and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss, and presented in “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 debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(c) Derecognition of financial assets

The Group derecognizes its financial asset if the contractual rights to the cash flows from the investment expire, or the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or continuously retained by the Group are recognized as a separate asset or liability.

ⅱ. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

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

(b) Classification of financial liabilities

Financial liabilities measured at amortized cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when the financial liability is distinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

iii. Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(12) Impairment of financial assets

The Group recognizes 12-month expected credit loss as provision for doubtful receivables (non-trade receivables) when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for such remaining life of the financial assets are recognized as provision for doubtful receivables. Whether credit risk is significantly increased or not is determined based on the changes in default risk. To determine if there is a change in default risk, following factors are considered. However, the Group always measures provision for trade receivables which do not include any material financial component at an amount equal to lifetime expected credit losses.

- ■ External credit rating of the financial asset
- ■ Downgrade of internal credit rating
- ■ Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
- ■ Reduced financial support from the parent company or associated companies
- ■ Delinquencies (Overdue information)

Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received.

(13) Derivatives and hedge accounting

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

The Group utilizes derivatives consisting of exchange contracts and interest swaps to reduce foreign currency risk and interest rate risk etc.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates derivatives as cash flow hedge (hedges to the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, along with their risk management objectives and strategies to conduct various hedge transactions.

At the inception of the hedge and on an ongoing basis, the Group assess whether the derivative used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item.

Specially, when the Group assess whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:

(i) There is an economic relationship between the hedged item and the hedging instrument

(ii) The effect of credit risk does not dominate the value changes that result from that economic relationship;

(iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedge effectiveness is assessed on an ongoing basis and about whether the hedging criteria described above are met.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss. Cumulative profit or loss

recognized through other comprehensive income is transferred to profit or loss on the same period that the cash flows of hedged items affects profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (rebalancing).

After rebalancing, 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 profit or loss on the hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs.When forecast transactions are no longer expected to arise, accumulated amount of profits or losses recorded in equity is transferred to profit or loss.

Aggregated fair values of hedging instrument derivatives whose maturities are over 12 months are classified as non-current assets or liabilities, and those whose maturities are less than 12 months are classified as current assets or liabilities.

(14) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within in current liabilities.

(15) Inventories

Inventories mainly consist of mobile handsets and materials / work in progress related to construction.

Inventories are measured at the lower of cost and net realizable value. The cost is generally calculated using the moving average method and 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.

(16) Employee benefits

i. 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 (defined benefit asset or liability) is the present value of the defined benefit obligation less fair value of the plan assets at the end of the reporting period. The defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. The discount rates are on the basis of the market yields of high-quality corporate bonds at the end of the reporting period, that are denominated in the currency in which the benefit will be paid, which is corresponding to estimated timing and amount of future benefits are to be paid.

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and remeasurements of the net defined benefit liability (asset). Service cost and net interest are recognized in profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest). Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, and past service costs are recognized as profit or loss.

The Group recognizes remeasurements of all the net defined benefit liability (asset) resulting from its defined benefit plans in other comprehensive income and reclassifies them immediately to retained earnings.

ii. Defined contribution plans

Certain subsidiaries of the Group adopt defined contribution plans. Contribution to the defined contribution plans are recognized as expenses for the period over which employees provide services.

In addition, certain subsidiaries of the Group participate in multi-employer pension plans, and recognize the payments made during the fiscal year as profit or loss and contribution payable as a liability.

iii. Short-term employee benefits

Short-term employee benefits are measured at the amounts expected to be paid when the liabilities are settled and recognized as an expense. Bonus and paid annual leave accruals are recognized as a liability in the amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.

(17) Provisions

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

(18) Share-based payment

i. Stock options

The Group has equity-settled stock option plans as incentive plans for its directors and employees. Stock options are measured at fair value at the grant date, which is calculated using the Black-Scholes or other models.

The fair value of stock options at the grant date is recognized as an expense over the vesting period, based on the estimated number of stock options that are expected to vest, with corresponding amount recognized as increase in equity.

ii. Executive compensation BIP trust and stock-granting ESOP trust

The Group has introduced the executive compensation BIP (Board Incentive Plan) trust and a stock-granting ESOP (Employee Stock Ownership Plan) trust. These plans are accounted for as equity-settled share based payment and the shares of the Company held by the trust are included in treasury stock. The fair value of the shares of the Company at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Company granted is determined by adjusting the market value, taking into account the expected dividend yield of the shares.

(19) Equity

i. Common stock

Common stocks are classified as equity. Proceeds from the Company's issuance of common stocks are included in common stock and capital surplus and its direct issue costs are deducted from capital surplus.

ii. Treasury stock

When the Group acquires treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Group sells treasury stocks, differences between the carrying amount and the consideration received upon sale are recognized as capital surplus.

(20) Revenue

i. Mobile telecommunications services

The Group generates revenue mainly from its mobile telecommunications services 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 telecommunication service fees"), and commission fees such as activation fees. The mobile telecommunication 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.

1) Indirect sales

As the distributor has the primary obligation and inventory risk for the mobile handsets, the Group sells to the distributors, the Group considers distributors as the principals in each transaction. Revenue from the sale of mobile handsets is recognized when mobile handsets are delivered to distributors, which is when control over the mobile handsets is transferred to the distributor and the performance obligation is fulfilled. Certain commission fees paid to distributors are deducted from revenue from the sale of mobile handsets.

2) Direct sales

In direct sales transactions, revenue from the sale of mobile handsets and revenue from service fees, including mobile telecommunications service fees, are considered to be bundled. Therefore, contracts that are concluded for a bundled transaction are treated as a single contract for accounting purposes. The total amount of the transaction allocated to revenue from the sale of mobile handsets and mobile telecommunications service fees is based on the proportion of each component's 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.

ii. Fixed-line telecommunications services (including the CATV business)

Revenue from fixed-line telecommunications services primarily consists of revenues from voice communications, data transmission, FTTH services, CATV services and related installation fees.

The above revenue, excluding installation fee revenue, is 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.

iii. 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 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.

iv. 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.

v. Solution services

Revenue from solution services primarily consists of revenues from equipment sales, engineering and management services (“the solution service income”). The solution service income is recognized based on the consideration received from the customers when the goods or the services are provided to the customers and the performance obligation is fulfilled.
Payment for any performance obligation is received between the billing date and approximately one month later.

(21) Finance income and costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment (shareholders’ right) is established.
Finance costs mainly comprise interest expense, exchange losses and changes in fair value of financial assets at fair value through profit or loss. Interest expense is recognized using the effective interest method.

(22) Other non-operating profit and loss

Other non-operating profit and loss includes gain and loss on investment activities. Specifically, gain and loss on step acquisitions, gain and loss on sales of stocks of subsidiaries and associates and gain and loss on deemed disposal are included.

(23) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset, which takes a substantial period of time before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period they incurred.

(24) Income taxes

Income taxes are composed of current and deferred taxes and recognized in profit or loss, except for taxes related to items that are recognized directly in equity or in other comprehensive income.
Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities on the current year’s taxable income, plus adjustments to the amount paid in prior years. To determine the current tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in the countries in which the Group operates and earns taxable income or losses.
Deferred tax assets and liabilities are, using asset and liability method, recognized on temporary differences between the carrying amounts of assets and liabilities on the consolidated financial statements and their tax basis, and tax loss carryforwards and tax credits. However, no deferred tax assets and liabilities are recognized on following temporary differences:

- ■ Taxable temporary differences arising from the initial recognition of goodwill;
- ■ Temporary differences arising from the initial recognition of assets and liabilities related to transactions other than business combination, that affects neither the accounting profit nor the taxable profit (loss); and
- ■ Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on all deductible temporary differences, unused tax loss carryforwards and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized on taxable temporary differences. Carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to realize all or part of the benefit of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(25) Dividends

For the purpose of the consolidated financial statements, dividends to owners of the parent company are recognized as a liability for the period over which the dividends are approved by the owners of the parent company.

(26) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to common stock.

Basic earnings per share is calculated by dividing profit for the year attributable to common stockholders of the parent by the weighted average number of common stocks outstanding during the reporting period, adjusted for the number of treasury stocks acquired.

For the purpose of calculating diluted earnings per share, net profit attributable to owners of the parent and the weighted average number of common stocks outstanding, adjusted for the number of treasury stocks, are further adjusted based on the assumption that all dilutive potential common stocks are fully converted. Potential common stocks of the Group are related to BIP trust and ESOP trust.

4. Changes in accounting policies

(1) Application of IFRS 15

Impact of applying new accounting standard

The Group has applied the following standard from the fiscal year ended March 31, 2019.

IFRS		Newly established contents
IFRS 15	Revenue from contracts with customers (Newly established in May 2014)	New standard for accounting procedure and presentation regarding revenue recognition.

The Group has applied IFRS 15 in accordance with the transition elections available, and therefore retrospectively recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings as of April 1, 2018.

In accordance with IFRS 15, excluding such as interest and dividend recognized in accordance with IFRS 9, insurance revenues recognized in accordance with IFRS 4 and lease revenues recognized in accordance with IAS 17, revenues are recognized upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group expect to be entitled in exchange for those goods or services based on the following five step approach:

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

We recognize the incremental costs for obtaining contracts with customers and the costs incurred in fulfilling a contract with a customer as an asset if those costs are expected to be recoverable. The incremental costs for obtaining contracts are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

Depending on the business model applied, the new standards affect the following issues in particular.

- In the case where the Group sells mobile handsets to customers and simultaneously enters into communications service contracts with the customers, accounting might change as a result of combination of contracts and allocating the transaction prices to performance obligations.
- Under IFRS 15, expenses for sales commissions are capitalized and recognized over the estimated customer retention period. On first-time application of the standard, both total assets and equity increase due to the capitalization of contract assets.
- Deferral, i.e., later recognition of revenue in cases where “material rights” are granted, such as offering additional discounts for future purchases of further products.

A reconciliation of the adjustments from the application of IFRS15 relative to IAS18 on relevant financial statement line items in the Consolidated Statement of Income and Consolidated Statement of Financial Position is as follows.

(Unit: Millions of yen)

	IAS 18 carrying amount 31 Mar 2018	Reclassification	Remeasurements	IFRS 15 carrying amount 1 Apr 2018	Retained earnings effect 1 Apr 2018
Goodwill	526,601	−	(5,633)	520,967	(5,633)
Deferred tax assets	106,050	−	(73,425)	32,625	(73,425)
Contract costs	−	84,868	275,984	360,851	275,984
Other non-current assets	65,477	(56,358)	−	9,119	−
Other current assets	133,531	(28,510)	−	105,021	−
Deferred tax liabilities	80,298	−	26,768	107,066	(26,768)
Contract liabilities	−	243,655	(46,612)	197,043	46,612
Other non-current liabilities	129,679	(123,275)	−	6,404	−
Other current liabilities	297,932	(120,379)	−	177,553	−
Non-controlling interests	357,554	−	29,302	386,856	(29,302)

The comparison of the application of IFRS 15 relative to IAS 18 on the impacted financial statement line items in Consolidated Statement of Income and Consolidated Statement of Financial Position are as follows.

(Unit: Millions of yen)

	IAS 18 carrying amount	IFRS 15 carrying amount
Consolidated Statement of Income		
Operating revenue	5,100,453	5,080,353
Cost of sales	2,884,870	2,867,413
Gross profit	2,215,583	2,212,940
Selling, general and administrative expenses	1,269,326	1,210,470
Operating income	957,515	1,013,729
Profit for the period	663,718	701,126
Owners of the parent	583,482	617,669
Non-controlling interests	80,236	83,457
Basic earnings per share (yen)	244.76	259.10
Diluted earnings per share (yen)	244.68	259.01
Consolidated Statement of Financial Position		
Goodwill	545,328	539,694
Deferred tax assets	105,834	15,227
Contract costs	−	412,838
Other non-current assets	62,367	10,117
Other current assets	152,292	125,162
Deferred tax liabilities	72,289	100,680
Contract liabilities	−	193,511
Other non-current liabilities	125,756	6,746
Other current liabilities	345,583	225,810
Retained earnings	3,922,478	4,144,133
Non-controlling interests	396,998	429,440

(2) Unification of reporting period

The consolidated financial statements include the financial statements of subsidiaries whose closing dates are different from that of the Company. For the preparation of the consolidated financial statements, such subsidiaries prepare financial statements based on the provisional accounts as of the Company's closing date. As for KDDI Summit Global Singapore Pte. LTD, due to the environment encompassing local accounting in the areas where subsidiaries KDDI Summit Global Myanmar Co., Ltd. are located, preliminary results were not obtained by the Company's closing date for subsidiary reporting, and reporting periods were not unified. However, due to improvement for financial reporting in the fiscal year ended March 31, 2019, the reporting periods are unified.

5. Segment information

(1) Outline of reporting segments

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

The Group has four reportable segments: Personal Services segment, Life Design Services segment, Business Services segment and Global Services segment. The Group's reportable segments are the same as its business segments. Also, the name of segment of "Value" was changed to "Life Design" from three-month period ended June 30, 2018 due to the changes in organization of the company as of April 1, 2018.

"Personal" provides services for individual customers in Japan. These include mobile communications services, device sales such as smartphones and tablets, FTTH services, and CATV services, as well as business such as non-telecommunications including product sales, energy and education.

"Life Design" includes the commerce business, financing business, settlement services, and contents services such as video, music, and information distribution.

"Business" provides services for corporate customers in Japan. These include mobile and fixed-line communications services and device sales, as well as the solutions business, such as network, application, and cloud services.

"Global" provides services for customers overseas. These include mobile communications services for individual customers and ICT solution services for corporate customers, such as data centers.

In the fiscal year ended March 31, 2019, the reporting segment for the business operations of the consolidated subsidiary ENERES Co., Ltd. * was transferred from "Others" to "Life Design" by the Group's organizational change. Accordingly, the segment information for the fiscal year ended March 31, 2018 has been presented based on the segment classification after this change.

In addition, beginning in the fiscal year ending March 31, 2020, the four reporting segments of Personal Services, Life Design Services, Business Services, and Global Services will be reorganized into the two reporting segments of Personal Services and Business Services based on their management approach, consolidating them based on the allocation of management resources and their performance evaluations.

* ENERES Co., Ltd. be made into consolidated subsidiary of the Company from the equity-method affiliate company in December 2018.

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

Accounting treatment of reported business segments is consistent with "3. Significant accounting policies".

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

Inter segment transaction price is determined by taking into consideration the price by arm's length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reporting segments.

(3) Information related to the amount of revenue, income or loss and other items by reporting segment

The Group's segment information is as follows:

For the year ended March 31, 2018

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Life Design	Business	Global	Sub-total				
Revenue									
Revenue from external customers	3,793,280	402,873	591,053	220,499	5,007,705	34,273	5,041,978	−	5,041,978
Inter-segment revenue or transfers	106,325	118,863	158,918	28,203	412,308	71,000	483,308	(483,308)	−
Total	3,899,605	521,736	749,971	248,702	5,420,013	105,273	5,525,286	(483,308)	5,041,978
Segment income	732,931	104,045	84,467	31,907	953,351	10,224	963,575	(782)	962,793
Finance income and finance cost (Net)									(7,950)
Other non-operating profit and loss									305
Profit for the year before income tax									955,147
Other items									
Depreciation and amortization	468,485	21,859	46,189	11,674	548,206	1,374	549,580	(2,971)	546,609
Impairment loss	11,075	988	963	40	13,066	3	13,069	−	13,069
Share of profit of investment accounted for using the equity method	1,227	553	601	90	2,471	2,121	4,592	−	4,592

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

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

For the year ended March 31, 2019

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Life Design	Business	Global (Note 3)	Sub-total				
Revenue									
Revenue from external customers	3,805,937	447,209	618,557	181,175	5,052,878	27,475	5,080,353	–	5,080,353
Inter-segment revenue or transfers	105,292	132,165	178,306	27,615	443,378	71,705	515,082	(515,082)	–
Total	3,911,229	579,374	796,863	208,790	5,496,255	99,180	5,595,435	(515,082)	5,080,353
Segment income (loss)	756,298	112,832	103,992	34,368	1,007,489	7,041	1,014,530	(801)	1,013,729
Finance income and finance cost (Net)									(6,430)
Other non-operating profit and loss									2,975
Profit for the year before income tax									1,010,275
Other items									
Depreciation and amortization	482,341	24,500	45,271	12,120	564,232	1,435	565,667	(3,385)	562,282
Impairment loss	305	1	291	2,141	2,737	–	2,737	–	2,737
Share of profit of investment accounted for using the equity method	135	1,908	608	68	2,718	2,061	4,780	–	4,780

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

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

(Note 3) As for KDDI Summit Global Singapore Pte. Ltd., due to the environment encompassing local accounting in the areas where subsidiaries KDDI Summit Global Myanmar Co., Ltd. are located, preliminary results were not obtained by the Company’s closing date for subsidiary reporting, and reporting periods were not unified. However, due to improvement for financial reporting in the fiscal year ended March 31, 2019, the reporting periods are unified.

6. Impairment of property, plant and equipment, goodwill and intangible assets

The Group recognized impairment loss of 13,069 million yen and 2,737 million yen for the years ended March 31, 2018 and 2019 respectively. The Group mainly recognized impairment loss for the assets and asset groups listed below. In addition, in the fiscal year ended March 31, 2019, the impact on the consolidated financial statements was insignificant and therefore omitted.

For the year ended March 31, 2018

(Unit :millions of yen)

Location	Use	Class	Impairment loss
Communication facilities (Tokyo other)	Mainly, telecommunications business	Machinery, Local line facilities and other	10,008

Due to declining revenue, the future recovery of investments in certain services was determined to be unlikely and the book value was reduced to the recoverable amount. This resulted in recognition of an impairment loss of ¥10,008 million. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded mainly in personal segment. The impairment loss consists of ¥9,641 million for machinery and ¥367 million for others.

The recoverable amount of these assets was estimated at their value in use, with future cash flows discounted at a rate of 6.20% and at the estimated period of 2 years.

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7. Per share information

(1) Basic earnings per share

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

	For the year ended March 31, 2018	For the year ended March 31, 2019
Profit for the year attributable to owners of the parent (Millions of yen)	572,528	617,669
Number of weighted average common stocks outstanding (Thousands of shares)	2,430,662	2,383,892
Basic earnings per share (Yen)	235.54	259.10

(2) Diluted earnings per share

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

(Unit: Millions of yen)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Profit for the year attributable to owners of the parent	572,528	617,669
Adjustment of profit	–	–
Profit used in calculation of diluted earnings per share	572,528	617,669

(Unit: Thousands of shares)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Number of weighted average common stocks outstanding	2,430,662	2,383,892
Effect of dilutive potential common stocks		
BIP trust and ESOP trust	971	796
Number of diluted weighted average common stocks during the year	2,431,632	2,384,689

	For the year ended March 31, 2018	For the year ended March 31, 2019
Diluted earnings per share (Yen)	235.45	259.01

(Note) In the calculation of basic earnings per share and diluted earnings per share, the Company's stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks is deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

8. Business Combination

ENERES Co., Ltd.

ⅰ. Overview of business combination

On December 27, 2018, the Company acquired additional shares in ENERES Co., Ltd. ("ENERES") through a public tender. As a result, ENERES and its consolidated subsidiaries became the Company's consolidated subsidiaries on the same date.

ⅱ. Main objectives of business combination

Through this business combination, KDDI aims to realize a three-way alliance centering on ENERES and including KDDI and Electric Power Development Co., Ltd., which possess a wealth of knowledge about the electric power business. We will swiftly respond to changes in the business environment leveraging each company's strengths. By spurring innovation to create business opportunities, we aim to enhance the corporate value of ENERES and expand the Group's electric power business.

ⅲ. Name and business description of the acquire (as of March 31, 2019)

Company Name	ENERES Co., Ltd.
Establishment Date	April, 2008
Head Office	2-5-1 Kanda Surugadai, Chiyoda-ku, Tokyo Prefecture
President and name	Representative Director and President, Masahiro Kobayashi
Description of Business	Corporate customer services (energy agent services) New energy supplier services (wholesale power trade and supply-and-demand management services for retail power suppliers)
Paid-in Capital	2,893 million yen

ⅳ. The proportion of acquired equity interest with voting rights

Share of voting rights held just before the acquisition: 29.73%
Share of additional voting rights acquired on the combination date: 20.40%
Share of voting rights after the acquisition: 50.13%

ⅴ. Acquisition date

December 27, 2018

ⅵ. Consideration transferred and its components

(Unit :millions of yen)

		As of acquisition date (December 27, 2018)
Fair value of equity held prior to acquisition		10,151
Cash payment		6,966
Total consideration transferred	A	17,117

¥254 million of acquisition-related costs for the business combination is recognized as selling, general and administrative expenses in the Consolidated Statement of Income.

vii. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

(Unit :millions of yen)

		As of acquisition date (December 27, 2018)
Non-current assets		
Property, plant and equipment (Note 1)		5,330
Intangible assets (Note 1)		3,948
Other long-term financial assets		1,377
Other non-current assets		468
Total non-current assets		11,123
Current assets		
Trade and other receivables (Note 2)		18,967
Cash and cash equivalents		3,073
Other current assets		1,877
Total non-current assets		23,918
Total assets		35,041
Non-current liabilities		
Borrowings and bonds payable		1,224
Other long-term financial liabilities		644
Other non-current liabilities		1,460
Total non-current liabilities		3,328
Current liabilities		
Borrowings and bonds payable		6,508
Trade and other payables		16,581
Other current liabilities		2,512
Total current liabilities		25,601
Total liabilities		28,929
Net assets	B	6,111
Non-controlling interests (Note 3)	C	3,194
Goodwill (Note 4)	A - (B-C)	14,199

Regarding this business combination, we conducted provisional treatment because the allocation of the acquisition cost was not determined in the consolidated third quarter of the fiscal year ended March 31, 2019. However, following the determination of the allocation in the fiscal year ended March 31, 2019, the amount of goodwill on the acquisition date decreased ¥1,094 million. This was due to increases in intangible assets, deferred tax liabilities and non-controlling interests of ¥3,146 million, ¥963 million and ¥1,089 million, respectively.

(Note 1) The analysis of property, plant and equipment and intangible assets

The main components of property, plant and equipment are equipment and property.

The main components of intangible assets are customer related assets, trademarks and software.

(Note 2) Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected

As for the fair value of ¥18,967 million of acquired receivables and other receivables, the total amount of contracts is ¥18,967 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is none.

(Note 3) Non-controlling interests

Non-controlling interests are measured by multiplying the net assets of the acquiree that can be indentified on the acquisition date by the ratio of non-controlling interests after the business combination.

(Note 4) Goodwill

Goodwill reflects excess earning power expected from the collective human resources related to the future business development and its synergy with the existing businesses. There is no item deductible from the taxable income related to the recognized goodwill.

ⅷ. Consideration for expenditures due to the acquisition of control over the subsidiary

(Unit :millions of yen)

	As of acquisition date (December 27, 2018)
Cash consideration transferred	(6,966)
Cash and cash equivalents held by the acquiree at the acquisition of control	3,073
Cash payment for the acquisition of control over the subsidiary	(3,893)

ix. Gain on step acquisitions

The equity in ENERES that KDDI held prior to the acquisition date was remeasured at the fair value on the acquisition date. As a result, we recognized a gain on step acquisitions of ¥2,999 million due to the business combination. This income is recorded as other non-operating profit and loss in the consolidated statement of income.

Ⅹ. Revenue and loss for the year of the acquiree

Revenue and loss for the year of the acquiree after the acquisition date, which are recorded on the consolidated statement of income for the year ended March 31, 2019 are ¥22,972 million and ¥206 million, respectively.

xi. Consolidated revenue and consolidated profit for the year assuming that the business combination was completed at the beginning of the fiscal year (Pro forma information)

Revenue and profit for the quarter in pro forma information (unaudited) related to the consolidated results, assuming that the acquisition of control by business combination was effective on April 1, 2018, are ¥5,131,610 million and ¥701,387 million, respectively.

9. Significant subsequent events

KDDI incorporated an intermediate financial holding company, au Financial Holdings Corporation, in order to strengthen its settlement and financial business and introduced the "Smart Money Concept" which ensures customer satisfaction by providing comprehensive smartphone-centric settlements and financial transactions.

In addition, KDDI transferred five companies (Jibun Bank Corporation, which became a consolidated subsidiary on April 1, 2019, and the consolidated subsidiaries of KDDI Financial Service Inc., WebMoney Corporation, KDDI Asset Management Co., Ltd., and au Reinsurance Corporation) to au Financial Holdings Corporation. By reorganizing these companies, we aim to maximize synergies and enhance product competitiveness by accelerating their decision making processes and enhancing governance.

(1) Making Jibun Bank Corporation a consolidated subsidiary

KDDI acquired the 608,614 shares issued via third party allocation by Jibun Bank Corporation ("Jibun Bank") on April 1, 2019. As a result, KDDI owns 1,408,614 shares (63.78%) in Jibun Bank, making Jibun Bank a consolidated subsidiary.

KDDI now provides Jibun Bank with access to the big data, digital marketing resources and customer base that it has cultivated to date. We also continually create points of contact with customers and help strengthen the service offerings for customers' different life stages with the aim of maximizing the corporate value of Jibun Bank.

The consideration for the acquisition is ¥25.0 billion. Due to the limited time between the acquisition date and the submission date of the earnings report for the fiscal year ended March 31, 2019, the accounting process regarding said acquisition of shares has not been completed and we have not disclosed detailed data regarding the accounting treatment of the business combination.

(2) Beginning the tender offer for shares of kabu.com Securities Co., Ltd. by the wholly owned KDDI subsidiary LDF LLC

On February 12, 2019, KDDI announced that its wholly owned subsidiary LDF LLC ("LDF") would make a public tender for shares of kabu.com Securities Co., Ltd. ("kabu.com Securities").

Because the preparations to begin this tender offer have been concluded, KDDI and LDF have decided to begin the tender offer for the ordinary shares of and subscription rights to kabu.com Securities on April 25, 2019.

After the completion of the tender offer and related procedures, the final shareholding ratios of kabu.com Securities are expected to be as below.

Shareholding ratios before change (As of April 25, 2019)	Mitsubishi UFJ Securities Holdings Co., Ltd.	52.96%
	LDF LLC	0.00%
Shareholding ratios after change	Mitsubishi UFJ Securities Holdings Co., Ltd.	51.00%
	LDF LLC	49.00%