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, 2020 [IFRS]

May 14, 2020

Company name:	**KDDI CORPORATION** URL https://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 17 2020
Dividend payable date (as planned):	Jun 18 2020
Annual securities report filing date (as planned):	Jun 18 2020
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, 2020 (April 1, 2019 - March 31, 2020)

(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, 2020	5,237,221	3.1	1,025,237	1.1	1,020,699	1.0	695,401	(0.8)	639,767	3.6	666,161	(2.9)
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

	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, 2020	275.69	275.49	14.9	12.1	19.6
Year ended March 31, 2019	259.10	259.01	15.5	14.5	20.0

Reference: Equity in net income (losses) of affiliates Year ended March 31, 2020 : 3,256 million yen Year ended March 31, 2019 : 4,780million 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, 2020	9,580,149	4,859,108	4,384,424	45.8	1,906.35
As of March 31, 2019	7,330,416	4,612,932	4,183,492	57.1	1,779.41

(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, 2020	1,323,356	(610,950)	(546,381)	369,202
Year ended March 31, 2019	1,029,607	(714,578)	(310,951)	204,597

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, 2019	－	50.00	－	55.00	105.00	248,932	40.5	6.3
Year ended March 31, 2020	－	55.00	－	60.00	115.00	265,727	41.7	6.2
Year ending March 31, 2021 (forecast)	－	60.00	－	60.00	120.00		43.1	

3. Consolidated Financial Forecast for the Year ending March 31, 2021 (April 1, 2020 - March 31, 2021)

(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	5,250,000	0.2	1,030,000	0.5	640,000	0.0	278.27

*The above forecasts reflects the impact of the novel coronavirus based on the information currently available. The update for forecast will be disclosed promptly if the situation is changed.

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation): Yes

Addition: 1 Company name: Jibun Bank Corporation (currently au Jibun Bank Corporation)

Exclusion: 1 Company name: J:COM East Co., Ltd.

(2) Changes in accounting policies, accounting estimates

1) Changes in accounting policies required under IFRSs: Yes

2) Other changes in accounting policies: None

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, 2020	2,355,373,600
	As of March 31, 2019	2,532,004,445
2) Number of treasury stock	As of March 31, 2020	55,464,960
	As of March 31, 2019	180,953,773
3) Number of weighted average common stock outstanding	For the year ended March 31, 2020	2,320,621,650
(cumulative for all quarters)	For the year ended March 31, 2019	2,383,892,430

Note: The 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 below.

As of March 31, 2020: 4,270,910 shares

As of March 31, 2019: 4,322,928 shares

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.10 “1. Consolidated Business Results (4) Outlook for the Year ending March 31, 2021” under [the Attachment] for the assumptions used and other notes.

2. On May 14 2020, 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]

Index of the Attachment

1. Overview of Consolidated Business Results

(1) Overview of Consolidated Operating Results

1) Results Overview

Industry Trends and KDDI's Position

We at KDDI send our heartfelt condolences to those who have lost loved ones to the novel coronavirus, and also to express our sympathy to all who were affected.In addition, we would also like to express our deep gratitude to all of you who are working to prevent the spread of infection.

A major transformation is taking place around the world due to the advance of fifth-generation wireless (5G), IoT, AI, big data and other technologies that are driving full-fledged digitization. We are transforming into a data-driven society, one that places a higher value on data than ever before. In addition, the government of Japan is aiming to realize Society 5.0,*1 where these technologies will be used in industry and daily life to spur economic development and solve social issues. Amid these circumstances, the telecommunications industry is seeing the competitive environment heating up with the entrance of new telecom providers into the market and an amendment of the Telecommunications Business Law. Right now, a digital transformation (DX) is under way that will see all industry transformed through the use of telecommunications and the internet. In these ways and more, the business environment is changing drastically. Moreover, full-scale 5G and IoT will create a wide range of services using various advanced technologies to accommodate the demands of a new world. We are doing our best to prepare for this new era.

KDDI has formulated a medium-term management plan covering the three years from fiscal 2019 through 2021 that aims to ensure sustainable growth while allowing for swift response to the changing business environment. As for individual customers, we are fostering closer engagement by encouraging them to use telecommunications and various life design services in tandem. We will then leverage this to maximize their life time value, which is the total of ID × Engagement × ARPA. In addition, in March 2020, we began offering fifth-generation wireless service under the name “au 5G.”As for corporate customers, we are helping them develop and expand their businesses, using our IoT- and ICT-related technologies and know-how to support their digital transformation. Looking to the future, we will create new businesses through open innovation with partner companies and promote a business model that enables partner companies to continue growing together. By expanding growth businesses, especially those related to telecommunications services, we will further promote the “integration of telecommunications and life design,” the core of our business strategy. We will continue realizing new value creation in the 5G/IoT era not only in Japan but globally.

In addition, we are promoting Company-wide activities that will help ensure the sustainable growth of society. We have revised KDDI's Target SDGs,*2 as outlined and pursued under the medium-term management plan (fiscal 2019–2021) from the perspective of “magnitude of social issues” and “business areas where we can contribute more as a telecommunications carrier” and established target “KDDI Sustainable Action” for 2030 in eight categories of social issues. We will contribute to the sustainable growth of society by utilizing 5G and IoT.
For more details about the medium-term management plan, see our webpage below.
https://www.kddi.com/corporate/kddi/ management-plan/

*1. One of the medium- to long-term growth strategies of Japan, which refers to an ideal human-centric society achieved by using systems that highly integrate cyberspace with physical space.
*2. Sustainable Development Goals: international goals that were adopted at the United Nations summit in September 2015

Financial Results

For the year ended March 31, 2020

(Amount unit: Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Increase (Decrease)	Increase (Decrease)%
Operating revenue	5,080,353	5,237,221	156,868	3.1
Cost of sales	2,867,413	2,925,000	57,587	2.0
Gross profit	2,212,940	2,312,221	99,280	4.5
Selling, general and administrative expenses	1,210,470	1,299,504	89,035	7.4
Other income and expense (Net)	6,479	9,264	2,785	43.0
Share of profit (loss) of investments accounted for using the equity method	4,780	3,256	(1,523)	(31.9)
Operating income	1,013,729	1,025,237	11,508	1.1
Finance income and cost (Net)	(6,430)	(6,049)	380	−
Other non-operating profit and loss (Net)	2,975	1,512	(1,463)	(49.2)
Profit for the period before income tax	1,010,275	1,020,699	10,424	1.0
Income tax	309,149	325,298	16,150	5.2
Profit for the period	701,126	695,401	(5,725)	(0.8)
Attributable to owners of the parent	617,669	639,767	22,098	3.6
Attributable to non-controlling interests	83,457	55,634	(27,823)	(33.3)

During the fiscal year ended March 31, 2020, operating revenue increased by 3.1% year on year to ¥5,237,221 million mainly attributable to an increase of revenue in Life design domain coming from an increase revenue of the energy business and expanding the finance business by making au Jibun Bank Corporation a consolidated subsidiary, despite a decrease of handset sale revenues.

Operating income increased by 1.1% year on year to ¥1,025,237 million mainly arributable to an increase of operating revenue.

Profit for the period attributable to owners of the parent increased by 3.6% year on year to ¥639,767 million.

2) Results by Business Segment

From this year, to promote the “integration of telecommunications and life design,” we have integrated our four original segments into two: the Personal Services segment focusing on individual customers and the Business Services segment focusing on corporate customers.

Personal Services

The Personal Services segment provides services to individual customers.
In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, energy, entertainment, and education, while focusing on conventional telecommunications services, chiefly under the "au" brand, such as those related to smartphones, cell phones, FTTH, and CATV.
Overseas, we use know-how cultivated in Japan to actively engage in business with individual customers, especially those in Myanmar, Mongolia, and other Asian regions.

Highlights

● In July, we launched the new payment plan for smartphone “au data MAX Plan*1”. This was Japan’s first*2 plan with unlimited data*3 in anticipation of the 5G era. In February 2020, in anticipation of the 5G era, we launched the Kaetoku Program. This smartphone purchase program setted residual value is the first of its kind among domestic communications carriers.*4 Designed to make the latest smartphones more affordable, it allows customers to deduct a buyback value of their choice from the phone purchase price used to calculate their monthly payments.

● In March 2020, we began providing au 5G commercial service in certain areas of 15 of Japan’s prefectures. Alongside the launch of this service, we introduced four new pricing plans for 5G-compatible smartphones and are in the process of releasing a seven-model lineup of au’s first ever 5G-compatible smartphones, ranging from high-spec models with 8K high-resolution cameras to mid-range models with carefully selected features.

● In September 2019, KDDI was awarded first place in overall customer satisfaction, for the fourth consecutive year, in J.D. Power Japan’s 2019 Mobile Phone Service Satisfaction Study.*5 We received the top score in each of the five survey categories: phones, services provided, cost, phone purchase experience, and after-sales support.

● To create new experience value for the 5G era, in January 2020 we launched the Shibuya 5G Entertainment Project,*6 including an XR*7 experience booth utilizing 5G. In addition, in March 2020, we announced the launch of the video streaming platform TELASA by our co-parent company with TV Asahi Corporation and the start of au 5G LIVE, a service that enhances the concert-viewing experience.

● In December 2019, KDDI formed a capital and business partnership agreement with Lawson, Inc. and Loyalty Marketing, Inc. Beginning in May 2020, the companies will integrate their point systems into the common Ponta point service and promote the linking of customer IDs between them.

● To expand our points of contact with customers, in February 2020 we integrated our settlement and commerce services under the au PAY brand. In February and March, we held a promotional campaign for all au PAY users*8, in which we gave away up to ¥1,000,000,000 yen per week.

● The Myanmar telecommunications business, operated jointly by KDDI Summit Global Myanmar Co., Ltd. and Myanma Posts & Telecommunications, launched the electronic payment service MPT Money in January 2020. MPT Money is promoting the use of cashless payments in Myanmar by offering an easy-to-use, highly trustworthy electronic payment service.

*1. The offering of this plan has ended on September 30. The “au data MAX Plan-Netfix Pack” and the “au data MAX Plan Pro” are launched on September 13 and November 1 respectively.
*2. The first payment program for 4G LTE smartphones implemented by a Japanese MNO. As of July 23, 2019; KDDI survey.
*3. The tethering is limitted data. The commnucation speed for video is controlled when the network is congested .
*4. The first smartphone purchase program setted residual value implemented by a Japanese MNO. As of February 17, 2020; KDDI survey.
*5. Source: J.D. Power Asia Pacific Inc.’s 2019 Low-Cost Smartphone Service and Low-Cost SIM Card Service Customer Satisfaction Survey.
*6. An initiative involving companies who support the banner of “making Shibuya a creative cultural city with au 5G” aimed at enhancing the entertainment and culture of the Shibuya area, including art, music, and fashion, by integrating the assets of each company with au 5G.
*7. The collective term for the tehcnology like augmented reality, mixed reality, virtual reality and so on.
*8. Including the users without au phones.

Operating performance in the Personal Services segment for the fiscal year ended March 31, 2020 is described below.

Results

For the year ended March 31, 2020

(Amount unit: Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	4,421,726	4,568,003	146,277	3.3
Operating Income	884,348	872,721	(11,627)	(1.3)

During the fiscal year ended March 31, 2020, operating revenue increased by 3.3% year on year to ¥4,568,003 million mainly attributable to an increase in revenue from the energy business and the finance business after making au Jibun Bank a consolidated subsidiary, despite decrease of handset sales revenue.

Operating income decreased by 1.3% year on year to ¥872,721 million, mainly due to a decrease in gross profit from handset sales and an increase in depreciation and sales promotion costs.

Business Services

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with TELEHOUSE brand data center services and a variety of solutions encompassing network and cloud services, smartphones and other devices, and the KDDI IoT Worldwide Architecture, which supports customers' IoT businesses.
In collaboration with partner companies and using 5G, IoT, and other technology, we support customers' digital transformation by providing one-stop services and solutions that help customers develop and expand their businesses on a global scale.
For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.

Highlights

- The number of IoT data transmission lines KDDI has provided to corporate customers since 2001 surpassed 10,000,000 in November 2019. Going forward, by providing services that combine 5G, AI, and other new technologies, we will expand usage in existing fields and, through the KDDI IoT World Architecture,*1 further expand IoT both in Japan and around the world.
- In September 2019, KDDI was awarded first place in overall customer satisfaction by J.D. Power Japan in its 2019 Business Network Service Satisfaction Study,*2 Business Mobile Phone Satisfaction Study Mobile Phone Service Satisfaction Study (Large Corporations/Medium-Sized Enterprises Market Segment),*3 and Business IP Phone & Direct Line Phone Satisfaction Study.*4 Going forward, we will continue working to provide even higher quality products and service to further enhance customer satisfaction.
- In March 2020, as part of the KDDI IoT World Architecture announced in June 2018, we launched our first service package, the Global IoT Package. Made possible through cooperation with Toshiba Digital Solutions and SORACOM, this service offers one-stop support for data collection, storage, visualization, and utilization to corporate customers who are seeking to deploy IoT solutions globally.
- In March 2020, KDDI and JFE Steel Corporation announced a project to utilize au 5G in JFE Steel's East Japan Works (Chiba) in April to promote stable factory operations and the adoption of smart factory technologies using 4K video.

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.

*1. A business platform that combines the assets of a wide range of partner companies, mainly in connected services, data services, and professional services, to promote customers' global business development.
*2. Source: J.D. Power 2019 Business Network Service Satisfaction Study
*3. Received for the fourth consecutive year. Source: J.D. Power 2016–2019 Business Mobile Phone Service Satisfaction Study.
*4. Received for the seventh consecutive year. Source: J.D. Power 2013–2019 Business IP Phone & Direct Line Phone Satisfaction Study.

Operating performance in the Business Services segment for the fiscal year ended March 31, 2020, is described below.

<u>Results</u>

For the year ended March 31, 2020

(Amount unit: Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	886,406	923,474	37,068	4.2
Operating Income	122,150	147,535	25,384	20.8

During the fiscal year ended March 31, 2020, operating revenue increased by 4.2% year on year to ¥923,474 million mainly attributable to an increase of revenue from solution business and energy business, despite decrease of revenue coming from the reorganization of low-profit businesses.
Operating income increased by 20.8% year on year to ¥147,535million mainly attributable to an increase of operating revenues and a decrease of telecommunication equipment usage fees, access charges and cost of sales for handsets.

(2) Overview of Consolidated Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2019	As of March 31, 2020	Increase (Decrease)
Total assets	7,330,416	9,580,149	2,249,733
Total liabilities	2,717,484	4,721,041	2,003,558
Total equity	4,612,932	4,859,108	246,176
Equity attributable to owners of the parent	4,183,492	4,384,424	200,932
Ratio of equity attributable to owners of the parent to total assets	% 57.1	% 45.8	% (11.3)
Equity attributable to owners of the parent per share	Yen 1,779.41	Yen 1,906.35	Yen 126.93
Interest-bearing debt *	1,275,711	1,680,367	404,656

* Interst-bearing debt as of March 31, 2020, is included the impact coming from applying IFRS16 of ¥297,393 millions.

(Assets)

Total assets increased by ¥2,249,733 million year on year to ¥9,580,149 million as of March 31, 2020 mainly attributable to an increase of loans and securities from finance busines despite a decrease of inventories.

(Liabilities)

Total liabilities increased by ¥2,003,558 million year on year to ¥4,721,041 million as of March 31, 2020 mainly attributable to an increase of deposits for finance business and borrowings and bonds payable despite a decrease of trade and other payable.

(Equity)

Total equity increased to ¥4,859,108 million mainly attributable to an increase in equity attributable to owners of the parent. As a result, ratio of equity attributable to owners of the parent to total assets decreased from 57.1% as of March 31, 2019 to 45.8% as of March 31, 2020.

(3) Overview of Consolidated Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Increase (Decrease)
Net cash provided by (used in) operating activities	1,029,607	1,323,356	293,749
Net cash provided by (used in) investing activities	(714,578)	(610,950)	103,628
Free cash flows (Note)	315,028	712,406	397,377
Net cash provided by (used in) financing activities	(310,951)	(546,381)	(235,430)
Effect of exchange rate changes on cash and cash equivalents	(314)	(1,419)	(1,105)
Net increase (decrease) in cash and cash equivalents	3,763	164,605	160,842
Cash and cash equivalents at the beginning of the period	200,834	204,597	3,763
Cash and cash equivalents at the end of period	204,597	369,202	164,605

(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.”

Net cash provided by operating activities increased ¥293,749 million year on year to ¥1,323,356 million mainly attributable to an increase in depreciation and amortization.

Net cash used in investing activities decreased ¥103,628 million year on year to ¥610,950 million mainly due to an increase in proceeds from acquisitions of subsidiaries.

Net cash used in financing activities increased ¥235,430 million year on year to ¥546,381 million mainly due to a decrease in income from the issuance of bonds and long-term borrowings.

Reflecting these factors and a decrease of ¥1,419 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of March 31, 2020, increased by ¥164,605 million from March 31, 2019 to ¥369,202 million.

(Reference) Cash Flows related indicators

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Ratio of equity attributable to owners of the parent to total assets (%)	56.3	56.7	57.4	57.1	45.8
Ratio of equity attributable to owners of the parent to total assets on a market capitalization basis (%)	127.3	114.7	99.4	76.5	76.6
Debt repayment period (year)	1.4	1.0	1.1	1.2	1.3
Interest coverage ratio (times)	56.7	124.5	62.3	113.1	161.3

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, 2021

The KDDI group will continue working toward social stability while validating the effect of novel coronavirus. The KDDI group is forecasting outlook for the year ending March 31, 2021 as follows;
Operating revenue: ¥5,250,000 million
Operating income: ¥1,030,000 million
Profit for the year attributable to owners of the parent: ¥640,000 million
Above figures are almost the same level as actual for the Year ending March 31, 2020. The KDDI group will work on implemention of business strategy and enhancement of management base to achive the outlook and the medium-term management plan (the compatibility of sustainable growth and enhancement of shareholder return). The update for forecast will be disclosed promptly if the situation is changed.

(5) Profit Distributio

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, 2022, KDDI's policy was to maintain a consolidated payout ratio of more than 40%, while taking into account investment for sustainable growth.
Regarding dividend payments for the year ended March 31, 2020, KDDI has already paid an interim cash dividend of ¥55.00 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 ¥5.00 from the previous fiscal year to ¥60.00 per share.
For the year ended March 31, 2021, KDDI plans to pay out ¥60.00 per share for both the interim and year-end cash dividend, making the full-year amount ¥120.00 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, novel coronavirus 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

Due to the pandemic of coronavirus, a state of emergencey has been declared in Japan and an uncertainty over the outlook of world economy is increasing. The KDDI Group is actively engaged in business activities in cooperation with the efforts of the governments, local governments and public organizations of each country. However, the impact which includes new customer acquisition due to shortened store hours of au shop, mobile data comunication due to voluntary restraint from going out, life design domain and solution service for corporates, are expected and it may affect the business activities and performance.

2. The Status of the Group

The KDDI Group comprises KDDI, 164 consolidated subsidiaries (Japan: 105 companies, Overseas: 59 companies), and 40 equity -method affiliates (Japan: 33 companies, Overseas: 7 companies). The KDDI Group's main business lines are "Personal" and "Business".

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 and MVNO mobile phone, FTTH, CATV), energy, education, commerce, finance, settlement, entertainment 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., au Financial Holdings Corporation, Supership Holdings Inc., Jupiter Shop Channel Co.,Ltd., Jupiter Entertainment Co., Ltd., ENERES Co.,Ltd. KDDI Summit Global Myanmar Co., Ltd., MobiCom Corporation LLC
	〔Equity-method affiliates〕	KKBOX Inc., Kakaku.com, Inc., au Kabucom Securities Co.,Ltd.

<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., KDDIMATOMETE OFFICE CORPORATION, KDDI Evolva Inc., Japan Internet Exchange Co., Ltd.,KDDI America, Inc., KDDI Europe Limited., KDDI China Corporation, KDDI Singapore Pte Ltd, TELEHOUSE International Corporation of Europe Ltd.,
	〔Equity-method affiliates〕	LAC Co., Ltd.

<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, 2019	As of March 31, 2020
Assets		
Non-current assets :		
Property, plant and equipment	2,546,181	2,406,231
Right-of-use assets	−	378,870
Goodwill	539,694	540,886
Intangible assets	946,837	1,035,399
Investments accounted for using the equity method	174,000	233,225
Long-term loans for financial business	−	952,070
Securities for financial business	−	248,025
Other long-term financial assets	253,025	285,879
Deferred tax assets	15,227	23,783
Contract costs	412,838	436,675
Other non-current assets	10,117	15,975
Total non-current assets	4,897,918	6,557,018
Current assets :		
Inventories	90,588	75,366
Trade and other receivables	1,965,554	2,168,355
Short-term loans for financial business	−	216,601
Call loans	−	50,937
Other short-term financial assets	41,963	53,358
Income tax receivables	4,633	4,712
Other current assets	125,162	84,600
Cash and cash equivalents	204,597	369,202
Total current assets	2,432,498	3,023,131
Total assets	7,330,416	9,580,149

(Unit: Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	1,040,978	1,147,551
Long-term deposits for financial business	－	25,728
Lease liabilities	－	268,648
Other long-term financial liabilities	66,493	13,342
Retirement benefit liabilities	13,356	37,230
Deferred tax liabilities	100,680	98,570
Provisions	33,996	36,770
Contract liabilities	77,435	72,053
Other non-current liabilities	6,746	7,411
Total non-current liabilities	1,339,683	1,707,303
Current liabilities :		
Borrowings and bonds payable	150,574	153,262
Trade and other payables	671,969	657,298
Short-term deposits for financial business	－	1,401,691
Call money	－	72,100
Lease liabilities	－	110,906
Other short-term financial liabilities	26,773	3,496
Income taxes payables	152,195	179,915
Provisions	34,403	44,966
Contract liabilities	116,076	107,897
Other current liabilities	225,810	282,209
Total current liabilities	1,377,801	3,013,738
Total liabilities	2,717,484	4,721,041
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	284,409	280,591
Treasury stock	(383,728)	(156,550)
Retained earnings	4,144,133	4,138,195
Accumulated other comprehensive income	(3,174)	(19,665)
Total equity attributable to owners of the parent	4,183,492	4,384,424
Non-controlling interests	429,440	474,684
Total equity	4,612,932	4,859,108
Total liabilities and equity	7,330,416	9,580,149

(2) Consolidated Statement of Income

(Unit: Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Operating revenue	5,080,353	5,237,221
Cost of sales	2,867,413	2,925,000
Gross profit	2,212,940	2,312,221
Selling, general and administrative expenses	1,210,470	1,299,504
Other income	10,140	12,492
Other expense	3,661	3,228
Share of profit of investments accounted for using the equity method	4,780	3,256
Operating income	1,013,729	1,025,237
Finance income	3,582	5,330
Finance cost	10,012	11,380
Other non-operating profit and loss	2,975	1,512
Profit for the year before income tax	1,010,275	1,020,699
Income tax	309,149	325,298
Profit for the year	701,126	695,401
Profit for the year attributable to:		
Owners of the parent	617,669	639,767
Non-controlling interests	83,457	55,634
Profit for the year	701,126	695,401
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	259.10	275.69
Diluted earnings per share (yen)	259.01	275.49

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Profit for the year	701,126	695,401
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Remeasurements of defined benefit pension plans	(3,451)	(13,835)
Changes measured in fair value of financial assets through other comprehensive income	(3,219)	(2,598)
Share of other comprehensive income of investments accounted for using the equity method	(1,267)	(3,694)
Total	(7,937)	(20,127)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(106)	802
Translation differences on foreign operations	(6,620)	(10,201)
Share of other comprehensive income of investments accounted for using the equity method	(88)	286
Total	(6,814)	(9,113)
Total other comprehensive income	(14,751)	(29,240)
Total comprehensive income for the year	686,375	666,161
Total comprehensive income for the year attributable to:		
Owners of the parent	604,136	612,402
Non-controlling interests	82,238	53,759
Total	686,375	666,161

Items in the statement above are presented net of tax.

(4) Consolidated Statement of Changes in Equity

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

For the year ended March 31, 2020

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

(5) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Cash flows from operating activities		
Profit for the year before income tax	1,010,275	1,020,699
Depreciation and amortization	562,402	689,925
Impairment loss	2,737	12,619
Share of (profit) loss of investments accounted for using the equity method	(4,780)	(3,256)
Loss (gain) on sales of non-current assets	538	76
Interest and dividends income	(3,571)	(5,027)
Interest expenses	8,694	8,133
(Increase) decrease in trade and other receivables	(271,723)	(205,412)
Increase (decrease) in trade and other payables	23,008	10,070
(Increase) decrease in loans for financial business	−	(435,251)
Increase (decrease) in deposits for financial business	−	388,199
(Increase) decrease in Call loans	−	9,278
Increase (decrease) in Call money	−	12,100
(Increase) decrease in inventories	(1,544)	15,060
Increase (decrease) in retirement benefit liabilities	1,346	23,874
Other	(6,326)	85,734
Cash generated from operations	1,321,055	1,626,821
Interest and dividends received	6,375	8,718
Interest paid	(9,106)	(8,204)
Income tax paid	(290,689)	(307,861)
Income tax refund	1,971	3,883
Net cash provided by (used in) operating activities	1,029,607	1,323,356

(Unit: Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Cash flows from investing activities		
Purchases of property, plant and equipment	(399,531)	(392,941)
Proceeds from sales of property, plant and equipment	848	2,557
Purchases of intangible assets	(202,607)	(226,363)
Payment-purchases of securities for financial business	−	(30,956)
Proceed-sales and proceed-redemption of securities for financial business	−	59,137
Purchases of other financial assets	(13,191)	(11,166)
Proceeds from sales/redemption of other financial assets	1,767	6,339
Acquisitions of control over subsidiaries	(13,274)	−
Proceeds from acquisiton of subsidiaries	−	84,171
Purchases of stocks of associates	(83,799)	(96,162)
Proceeds from sales of stocks of subsidiaries and associates	(1,507)	26
Other	(3,285)	(5,593)
Net cash provided by (used in) investing activities	(714,578)	(610,950)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	(10,274)	(32,000)
Proceeds from issuance of bonds and long-term borrowings	456,000	180,000
Payments from redemption of bonds and repayments of long-term borrowings	(302,151)	(118,662)
Repayments of finance lease obligations	(28,616)	−
Repayments of lease liabilities	−	(126,947)
Payments from purchase of subsidiaries'equity from non-controlling interests	(14,191)	(12,708)
Proceeds from stock issuance to non-controlling interests	159	4,226
Payments from purchase of treasury stock	(150,000)	(150,000)
Cash dividends paid	(227,700)	(257,009)
Cash dividends paid to non-controlling interests	(34,177)	(33,277)
Other	(0)	(4)
Net cash provided by (used in) financing activities	(310,951)	(546,381)
Effect of exchange rate changes on cash and cash equivalents	(314)	(1,419)
Net increase (decrease) in cash and cash equivalents	3,763	164,605
Cash and cash equivalents at the beginning of the year	200,834	204,597
Cash and cash equivalents at the end of the year	204,597	369,202

(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, 2020 comprise the Company and its consolidated subsidiaries (“the Group”) and the Group’s interests in associates and joint ventures. The Company is the ultimate parent company of the Group.

The Group’s major business and activities are “Personal Services” and “Business Services”. From the fiscal year ended March 31, 2020, the four reporting segments of Personal Services, Life Design Services, Business Services, and Global Services were 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. 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 and right-of-use assets

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

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

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

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

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

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

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, 2020.

• IFRS 16 “Lease”

In addition, in line with the transitional measures of IFRS 16, 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, 2020. 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, 2020. 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 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.

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.

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.

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	5－21 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, intangible assets and right-of-use assets.”

(7) Intangible assets

i. Recognition and measurement

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

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

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

Expenditure on development is recognized as intangible asset in the case where the expenditure 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	4－30 years
Assets related to program supply	22 years
Spectrum migration cost	9－17 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

For the year ended March, 2019

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.

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.

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.

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

For the year ended March, 2020

At the inception of the lease, our group determines whether the lease includes a lease or lease. Whether or not the contract includes a lease is determined based on whether or not the right to control the use of the identified asset is transferred to the consideration and exchange for a certain period of time.

When a lease or lease is included, the lease asset is initially recognized at the amount calculated by adding or subtracting the initial direct cost to the initial use of the lease liability. Lease liabilities are initially recognized at the present value of lease payments that are not paid at the inception of the lease.

Right-of-use assets are depreciated using the straight-line method over the period from the inception of the lease to the end of the useful life of the assets or the end of the lease term, whichever is earlier.

Lease liabilities are subsequently measured at an amount that reflects the interest rate on the lease liability, the lease payments made and, where applicable, the review of the lease liability or any change in the terms of the lease.

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

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

The recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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

Application of IFRS 16

Impact of applying new accounting standard

The Group has applied the following standard from the fiscal year ended March 31, 2020.

IFRS		Newly established contents
IFRS 16	Leases (Newly established in January 2016)	An amendment to the existing accounting standards and presentation methods related to leases

The Group has applied IFRS 16 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, 2019.

With the application of IFRS 16 from the first quarter of the fiscal year ended March 31, 2020, the accounting policies related to leases will be changed in the following ways.

As a Lessee

Lease liabilities in lease transactions are measured as the current discounted price of the unpaid portion of the total lease amount on the start date of the lease. Right-of-use assets are initially measured as the initially measured lease liability amount adjusted mainly for initial direct costs and prepaid lease fees. Right-of-use assets are consistently depreciated and amortized over the period of the lease.

Lease fees are allocated to finance costs and the repaid portion of remaining lease liabilities in order to ensure interest rate stays at a certain level of for the remaining lease liabilities. Finance costs are presented separately from depreciation costs related to right-of-use assets in the consolidated statement of income.

In determining whether or not a contract is a lease or whether or not a contract contains a lease, the actual content of the contract is the deciding factor, even if the contract does not take the legal form of a lease.

Furthermore, regarding leases that end in 12 months or less and leases that include a small amount of underlying assets, the related lease fees are recognized as an expense by either the straight line method over the period of the lease or another consistent basis.

As a Lessor

For leases that transfer the risk associated with owning an asset and most of the economic value, the Group categorizes these kinds of leases as finance leases. For finance leases transactions, we suspend the recognition of the underlying assets categorized as leases on the start date of the leases. Instead, in the consolidated statement of financial position, we recognize the assets whose ownership was acquired through finance leases as accounts receivable in an amount equal to the net unrecovered amount of the lease investment.

In addition, for leases that do not transfer the risk associated with owning an asset and most of the economic value, the Group categorizes these kinds of leases as operating leases. For operating leases transactions, the Group records the leased assets in the consolidated statement of financial position and recognize the received lease fees as revenue in the consolidated statement of income using the straight line method over the period of the lease.

Upon the application of IFRS16, leases that were previously classified as operating leases are recognized as right-of-use assets and lease liabilities. Right-of-use assets and lease liabilities also include finance leases that were previously recognized as property, plant and equipment and other financial liabilities. The change in the accounting policy mainly resulted in an increase of right-of-use assets by ¥393,170 million and lease liabilities by ¥391,844 million, while in a decrease of property, plant and equipment and intangible assets by ¥79,989 million, other financial liabilities by ¥84,158 million and retained earnings by ¥181 million, respectively as of April 1, 2019.

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 resources and evaluate the performance results.
In the fiscal year ended March 31, 2020, the Group reporting segments were 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.

The Personal Services segment provides services to individual customers.
In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, energy, entertainment, and education, while focusing on conventional telecommunications services, chiefly under the “au” brand, such as those related to smartphones, cell phones, FTTH, and CATV.
Overseas, we use know-how cultivated in Japan to actively engage in business with individual customers, especially those in Myanmar, Mongolia, and other Asian regions.

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with "TELEHOUSE" brand data center services and a variety of solutions encompassing network and cloud services, smartphones and other devices, and the KDDI "IoT Worldwide Architecture", which supports customers’ IoT businesses.
For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.
In collaboration with partner companies and using 5G, IoT, and other technology, we support customers’ digital transformation by providing one-stop services and solutions that help customers develop and expand their businesses on a global scale.

Accordingly, the segment information for the fiscal year ended March 31, 2019 have been presented based on the segment classification after this change.

(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, 2019

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	4,342,405	710,473	5,052,878	27,475	5,080,353	−	5,080,353
Inter-segment revenue or transfers	79,321	175,933	255,254	71,705	326,959	(326,959)	−
Total	4,421,726	886,406	5,308,132	99,180	5,407,312	(326,959)	5,080,353
Segment income (loss)	884,348	122,150	1,006,499	8,023	1,014,521	(792)	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	495,151	68,901	564,051	1,435	565,487	(3,204)	562,282
Impairment loss	2,329	408	2,737	−	2,737	−	2,737
Share of profit of investment accounted for using the equity method	2,076	642	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.

For the year ended March 31, 2020

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	4,482,792	729,331	5,212,123	25,097	5,237,221	−	5,237,221
Inter-segment revenue or transfers	85,212	194,142	279,354	59,553	338,907	(338,907)	−
Total	4,568,003	923,474	5,491,477	84,651	5,576,128	(338,907)	5,237,221
Segment income (loss)	872,721	147,535	1,020,256	4,272	1,024,528	709	1,025,237
Finance income and finance cost (Net)							(6,049)
Other non-operating profit and loss							1,512
Profit for the year before income tax							1,020,699
Other items							
Depreciation and amortization	612,816	78,433	691,249	1,737	692,985	(3,513)	689,473
Impairment loss	12,042	578	12,619	−	12,619	−	12,619
Share of profit of investment accounted for using the equity method	1,469	478	1,948	1,309	3,256	−	3,256

(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.

6. 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, 2019	For the year ended March 31, 2020
Profit for the year attributable to owners of the parent (Millions of yen)	617,669	639,767
Number of weighted average common stocks outstanding (Thousands of shares)	2,383,892	2,320,622
Basic earnings per share (Yen)	259.10	275.69

(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, 2019	For the year ended March 31, 2020
Profit for the year attributable to owners of the parent	617,669	639,767
Adjustment of profit	–	–
Profit used in calculation of diluted earnings per share	617,669	639,767

(Unit: Thousands of shares)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Number of weighted average common stocks outstanding	2,383,892	2,320,622
Effect of dilutive potential common stocks		
BIP trust and ESOP trust	796	1,665
Number of diluted weighted average common stocks during the year	2,384,689	2,322,287

	For the year ended March 31, 2019	For the year ended March 31, 2020
Diluted earnings per share (Yen)	259.01	275.49

(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.

7. Business Combination

Jibun Bank Corporation

ⅰ. Overview of business combination

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.

ⅱ. Main objectives of business combination

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.

ⅲ. Name and business description of the acquire (as of March 31, 2020)

Company Name	Jibun Bank Corporation * On February 9, 2020, the name was changed to: au Jibun Bank Corporation
Establishment Date	June, 2008
Head Office	Nihonbashi Daiya Bldg. 14F, 1-19-1 Nihonbashi, Chuo-ku, Tokyo
President and name	Representative Director and President, Tomoki Usui
Description of Business	Internet banking
Paid-in Capital	625 million yen

ⅳ. The proportion of acquired equity interest with voting rights

Share of voting rights held just before the acquisition:	50.00%
Share of additional voting rights acquired on the combination date:	13.78%
Share of voting rights after the acquisition:	63.78%

ⅴ. Acquisition date

April 1, 2019

ⅵ. Consideration transferred and its components

(Unit :millions of yen)

		As of acquisition date (April 1, 2019)
Fair value of equity held prior to acquisition		32,862
Cash payment		25,000
Total consideration transferred	A	57,862

¥26 million of acquisition-related costs for the business combination is recognized as selling, general and administrative expenses in the condensed interim 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 (April 1, 2019)
Non-current assets		
Property, plant and equipment (Note 1)		992
Intangible assets (Note 1)		20,938
Long-term loans for financial business (Note 2)		572,206
Securities for financial assets		270,145
Other long-term financial assets		29,939
Total non-current assets		894,220
Current assets		
Trade and other receivables (Note 2)		2,605
Short-term loans for financial business (Note 2)		155,545
Call loans		60,215
Other shorts-term financial assets		9,046
Other current assets		3,331
Cash and cash equivalents		131,356
Total non-current assets		362,098
Total assets		1,256,318
Non-current liabilities		
Other long-term financial liabilities		35,541
Retirement benefit liabilitities		39
Deferred tax liabilities		3,104
Provision		164
Other non-current liabilities		47
Total non-current liabilities		38,895
Current liabilities		
Trade and other payables		13,586
Short-term deposits for financial business		1,067,952
Call money		60,000
Other short-term finincail liabilities		3,075
Income taxes payables		694
Other current liabilities		933
Total current liabilities		1,146,239
Total liabilities		1,185,134
Net assets	B	71,184
Non-controlling interests (Note 3)	C	25,783
Goodwill (Note 4)	A - (B-C)	12,460

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

The main component of property, plant and equipment is equipment.

The main component of intangible assets is 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 ¥2,605 million of acquired trade and other receivables, included in assets, the total amount of contracts is ¥2,605 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is none. As for the fair value of ¥728,002 million of loans for financial business (short-term and long-term), the total amount of contracts is ¥750,990 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥251 million

(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.Non-controlling interests are measured by multiplying the net assets of the acquiree that can be identified 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 (April 1, 2019)
Cash consideration transferred	(25,000)
Cash and cash equivalents held by the acquiree at the acquisition of control*	104,824
Cash payment for the acquisition of control over the subsidiary	79,823

ix. Gain on step acquisitions

The equity in Jibun Bank 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 ¥1,347 million due to the business combination. This income is recorded as other non-operating profit and loss in the consolidated statement of income.

Ⅹ. Operating revenue and profit for the year of the acquiree*

Operating revenue and profit 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, 2020 are ¥40,769 million and ¥1,152 million, respectively.

* Eliminations have been made to these figures for intra-group trade.

8. Significant subsequent events

None