



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 nine-month period ended December 31, 2020 [IFRS]

January 29, 2021

Company name: **KDDI CORPORATION** URL <https://www.kddi.com>
 Stock listing: Tokyo Stock Exchange - First Section
 Code number: 9433
 Representative: Makoto Takahashi, President
 Scheduled date of quarterly report filing: February 3, 2021
 Scheduled date of dividend payment: –
 Supplemental materials of quarterly results: Yes
 Presentation for quarterly 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 nine-month period ended December 31, 2020 (April 1, 2020 - December 31, 2020)

(1) Consolidated Operating Results

(Percentage represents comparison change to the corresponding previous quarterly period)

	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	
	%		%		%		%		%		%	
Nine-month period ended December 31, 2020	3,923,775	0.5	871,042	3.2	870,766	3.6	599,039	3.8	548,726	3.4	617,066	5.6
Nine-month period ended December 31, 2019	3,902,576	3.5	843,869	2.6	840,544	2.3	577,000	1.6	530,876	5.0	584,185	5.8

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine-month period ended December 31, 2020	238.97		238.81	
Nine-month period ended December 31, 2019	228.09		228.02	

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
				%
As of December 31, 2020	10,160,505	5,104,142	4,615,142	45.4
As of March 31, 2020	9,580,149	4,859,108	4,384,424	45.8

2. Dividends

	Dividends per share				
	1 st Quarter End	2 nd Quarter End	3 rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	–	55.00	–	60.00	115.00
Year ending March 31, 2021	–	60.00	–		
Year ending March 31, 2021 (forecast)				60.00	120.00

Note: Changes in the latest forecasts released : No

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

(Percentage represents comparison to previous fiscal year)

	Operating revenue		Operating income		Profit for the year 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

Note: Changes in the latest forecasts released : No

*The above forecasts reflects the impact of COVID-19 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) during the nine-month period ended December 31, 2020 : None

Addition: None

Exclusion: None

(2) Changes in accounting policies and estimates

1) Changes in accounting policies required under IFRSs: None

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 December 31, 2020 2,304,179,550

As of March 31, 2020 2,355,373,600

2) Number of treasury stock As of December 31, 2020 24,927,463

As of March 31, 2020 55,464,960

3) Number of weighted average common stock outstanding For the nine-month period ended December 31, 2020 2,296,201,793

(cumulative for all quarters) For the nine-month period ended December 31, 2019 2,327,526,040

Note: The 4,115,862 shares as of December 31, 2020 and the 4,270,910 shares as of March 31, 2020 of KDDI'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.

This quarterly earnings report is not subject to quarterly review procedure.

Explanation for appropriate use of forecasts and other notes

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.9 "1. Qualitative Information / Consolidated Financial Statements, etc (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results" under [the Attachment] for the assumptions used and other notes.
2. On January 29, 2021, KDDI will hold a financial result briefing for the institutional investors and analysts. Presentation materials will be webcasted on the same time as the release of this earnings report, and the live presentation and Q&A summary will be also posted on our website immediately after the commencement of the financial result briefing. In addition to the above, KDDI holds the briefing and the presentations on our business for the individual investors timely. For the schedule and details, please check our website.

[the Attachment]

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1. Qualitative Information / Consolidated Financial Statements, etc.

(1) Explanation of Financial Results

1) Results Overview

Industry Trends and KDDI's Position

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

Amid these circumstances, in March 2020, we began offering fifth-generation wireless service under the name “au 5G.” For individual customers, we began offering the “Data MAX 5G ALL STAR Pack” and other au 5G pricing plans, which combine unlimited data*3 and popular entertainment options. We also began selling 5G smartphones optimized for entertainment. Users can now freely, easily, and instantaneously handle massive amounts of data. Under the concept of “UNLIMITED WORLD au 5G,” which frees customers from conventional restrictions, we joined with partners in various industries to offer new ways to experience entertainment, sports, art, and more in the new normal. In addition, KDDI will provide 5G to all customers and, from February 2021 on, we will begin rolling out affordable price plans that are easy to understand, simple, and a good choice for a diverse range of needs and lifestyles, whether the users are families or individuals. These new plans comprise unlimited data*4 plans for “au” smart phones (“Unlimited MAX G” and “Unlimited MAX 4G”), an online-only price brand for “au” (“povo”), and a simple good-value price plan for UQ mobile (“Rollover Plan”). For corporate customers, corporate DX is accelerating in various industries and business arenas, greatly changing business models. In KDDI DIGITAL GATE, which is a business development base for the 5G/IoT era that supports customers’ DX, and “KDDI research atelier,” which is a survey and applied research base aiming to offer new lifestyles for 2030, we are working with various partner companies to promote the creation of new experience value and businesses that are only possible in the 5G era as well as to help create strong corporate foundations resilient to environmental changes.

The entire Company is promoting sustainability activities aimed at achieving the SDGs. In line with our commitment to continue working to solve various social issues through business going forward, in May 2020 we established the new “KDDI Sustainable Action,” which focuses on 2030. We will continue contributing to the sustainable growth of society by connecting lives, connecting homes, and connecting hearts while using 5G, IoT, and other technologies.

Based on the policy of “KDDI Sustainable Action,” we announced KDDI’s five basic policies related to the novel coronavirus pandemic. Meanwhile, we will maintain telecommunications services, which serve as the foundation and lifeline for society, and proactively cooperate on initiatives spearheaded by governments, municipalities, public organizations, and other groups. In these ways, we will continue unifying the capabilities of the Group and fulfilling our social responsibility to stably support industry and everyone’s lives going forward.

In October 2020, KDDI and Toyota Motor Corporation agreed on a business and capital alliance with the purpose of further strengthening the relationship between the two companies. The companies are also accelerating new initiatives that go beyond the borders of their core business of mobility and telecommunications in anticipation of the coming future society in which towns, homes, people, and cars are all connected. Going forward, the companies will continue working to develop services that enrich people’s lives to solve social issues, mainly through the use of big data, and to promote R&D in the areas of telecommunications and connected car technologies.

*1. One of the medium- to long-term growth strategies of Japan, which refers to an ideal human-centric society achieved by using systems that highly integrate cyberspace with physical space.

*2. Sustainable Development Goals: international goals that were adopted at the United Nations summit in September 2015

*3. When using for tethering, data sharing, and international roaming (World Data Flat), the maximum limit is 30GB/month for Data MAX 5G, 60GB/month for the Data MAX 5G Netflix Pack, and 80GB/month for the Data MAX 5G ALL STAR Pack. If you use a significant amount of data, the data speed may be restricted during peak times. When watching videos or listening to audio, the data speed may be restricted.

*4. When using for tethering, data sharing, and international roaming (World Data Flat), the maximum limit is 30GB/month for Data MAX 5G and Data MAX 4G. If you use a significant amount of data, the data speed may be restricted during peak times. When watching videos or listening to audio, the data speed may be restricted.

Financial Results

For the nine-month period ended December 31, 2020

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020	Increase (Decrease)	Increase (Decrease)%
Operating revenue	3,902,576	3,923,775	21,199	0.5
Cost of sales	2,120,834	2,077,973	(42,861)	(2.0)
Gross profit	1,781,742	1,845,802	64,060	3.6
Selling, general and administrative expenses	947,124	988,173	41,049	4.3
Other income and expense (Net)	6,070	10,027	3,957	65.2
Share of profit(loss) of investments accounted for using the equity method	3,181	3,386	205	6.4
Operating income	843,869	871,042	27,173	3.2
Finance income and cost (Net)	(4,827)	(3,019)	1,807	—
Other non-operating profit and loss (Net)	1,502	2,743	1,241	82.6
Profit for the period before income tax	840,544	870,766	30,222	3.6
Income tax	263,544	271,727	8,183	3.1
Profit for the period	577,000	599,039	22,038	3.8
Attributable to owners of the parent	530,876	548,726	17,850	3.4
Attributable to non-controlling interests	46,124	50,313	4,189	9.1

During the nine-month period ended December 31, 2020, operating revenue increased by 0.5% year on year to ¥3,923,775 million mainly due to an increase of revenue in mobile telecommunication fee including roaming fee and in energy business despite of decrease of handset sales revenues.

Operating income increased by 3.2% year on year to ¥871,042 million mainly due to an increase of operating revenue and a decrease of expenses for handset sales.

Profit for the period attributable to owners of the parent increased by 3.4% year on year to ¥548,726 million.

The business environment surrounding the KDDI group is affected by COVID-19. However, the KDDI Group continues to work on implementing its business strategy and enhancing the management base and there will be no significant impact on consolidated financial results for the nine-month period ended December 31, 2020.

2) Results by Business Segment

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, 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. We will continue pushing ahead with the provision of dynamic services attuned to customer needs and market conditions through a multi-brand strategy that encompasses “au” and “UQ mobile,” which has simple plans at reasonable prices.

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.

Quarterly Highlights

- In October 2020, we completed the business transfer of UQ mobile. In addition, in November, we established KDDI Digital Life Co., Ltd. We agreed to build a comprehensive partnership with Circles Asia Pte. Ltd., which has extensive expertise and a long track record in the online mobile phone business, with the aim of supporting its business.
We will continue working to precisely meet a wide variety of customer needs and lifestyles through a multi-brand strategy that encompasses the new online-only price brand “povo” that launched in January 2021 in addition to the comfortably unlimited high-volume “au” and the simple, affordable low- to mid-volume “UQ mobile.”
- From November 2020, we rolled out “au Style,” a store concept that offers the realization of new experience value in line with customers’ lifestyles. Beginning with the reopening of KDDI’s directly operated “au Shibuya Scramble Square” store, KDDI’s directly operated stores across Japan and some “au” shops will be reborn. In addition, we are beginning to take over “UQ mobile” services at all “au Style” stores.
- In December 2020, to make choosing telecommunications services more convenient, we announced that we will revise the fees related to transferring between “au” and “UQ mobile” (applicable period is from February on) and simplify the process (applicable period is from summer 2021 on).
In addition, from December 2020, we began offering a new 5G smartphone price plan “Data MAX 5G with Amazon Prime,” which is an unlimited data*1 plan bundled with Amazon Prime*2 and TELASA.
- To promote the full-scale launch of “au 5G,” we launched a professional rich vertical video service called “smash.” in October 2020 in cooperation with SHOWROOM Inc.
We will continue the online distribution of original short-form content in a wide range of genres, including the first original music videos of pop idol groups of Johnny & Associates available online, exclusive original works, content from top artists and popular voice actors, live performances and music videos, dramas, documentaries, and anime.
- With the aim of further expanding the “au Economic Zone,” from December 2020 we began accepting applications for “Housing Loan au Preferred Interest Rate Discount,” housing loan services offering the incredibly low interest rates possible for online banks, to contract customers of “au” telecommunications lines through “au Jibun Bank.” The housing loan services will be applicable from March 2021. In November 2020, we announced a bonus for au PAY Gold Card members, in addition to cash-back offers set at a maximum 17% for shopping at the au PAY Market and 11% for using “au Denki,” from February 2021, the cash-back offers will be significantly expanded to include 11% cash-back for mobile and fixed-line telecommunications fees for families who have a family card*3 and customers who have a contract for “au” telecommunications lines.
- From December 2020, we have been taking measures to popularize the “Big Tanuki Repayment Campaign” aimed at encouraging use of au Pay and Ponta Points. Working to gain new users through advertising on TV and other media, the campaign is focused on boosting points at department stores, shopping centers, drug stores, and restaurants.
- In Myanmar,*4 we began offering integrated package services from September 2020 (data and voice services; unlimited popular games, Facebook, and more). In this way, we strengthened engagement and worked to expand our customer base.
In mobile electronic settlement services, we changed the name of these services in Myanmar in December 2020 from MPT Money to MPT Pay. We will continue to work to raise awareness of the new brand MPT Pay and enhance customer convenience by expanding the number of partner stores. In addition, in October 2020 in Mongolia,*5 the Mongolian government launched e-Mongolia, an electronic government service that accepts payments of fees and taxes through monpay, MobiCom’s mobile electronic settlement service. Going forward, we will continue helping promote the widespread use of cashless payments in both countries.

- *1. When using for tethering, data sharing and international roaming (World Data Flat), the maximum limit is 60GB/month. If you use a significant amount of data, the data speed may be restricted during peak times. When watching videos or listening to audio, the data speed may be restricted.
- *2. “Bundled with Amazon Prime” means that KDDI/Okinawa Cellular bears an amount equivalent to the membership fee for Amazon Prime. (For “Data MAX 5G with Amazon Prime,” an amount equivalent to the membership fee is included in the “au” usage fee related to the plan.
- *3. During the campaign period (February 1, 2021–March 31, 2022), if a customer signs up for a family card, within the first year of their signing up, we will provide 100 Ponta Points for each ¥1,000 (tax not included) of “au” telecommunications fee incurred by the family during the campaign period. If they sign up in the middle of a month, points will be awarded for the amount incurred in that month. If they already have a family card, points will be awarded for the amount incurred in February 2021 and will remain valid up to the amount incurred in January 2022. The campaign may be changed or suspended without notice.
- *4. The Myanmar telecommunications business is jointly operated by KDDI Summit Global Myanmar Co., Ltd., a consolidated subsidiary, and Myanma Posts & Telecommunications (MPT).
- *5. Our subsidiary MobiCom Corporation LLC runs the telecommunications business in Mongolia.

Operating performance in the Personal Services segment for the nine-month period ended December 31, 2020 is described below.

Results

For the nine-month period ended December 31, 2020

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	3,397,777	3,400,145	2,368	0.1
Operating Income	719,700	730,160	10,460	1.5

During the nine-month period ended December 31, 2020, operating revenue increased by 0.1% year on year to ¥3,400,145 million mainly due to an increase of revenue in mobile telecommunication fee including roaming fee and in energy business despite of decrease of handset sales revenues.

Operating income increased by 1.5% year on year to ¥730,160 million mainly due to an increase of operating revenue and a decrease expenses for handset sales.

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.

Quarterly Highlights

- In November 2020, KDDI was awarded first place in overall customer satisfaction in the Large Corporations Market Segment for the second consecutive year in J.D. Power Japan's 2020 Business Network Service Satisfaction StudySM. In addition, in October 2020, we were awarded first place in overall customer satisfaction for the eighth consecutive year in J.D. Power's 2020 Japan Business IP Phone & Direct Line Phone Service Satisfaction StudySM. With the September 2020 Business Mobile Phone Service Satisfaction StudySM, we came in first for customer satisfaction for three services.
- In December 2020, we announced that we will build a partnership with Subaru Corporation to create secure and safe cars using telecommunications. Beginning with the New Levorg, we will couple Subaru's latest safety technologies with KDDI's high-quality stable telecommunications services to roll out connected safety services, such as advanced automatic accident reports (helpnet) and SOS calls. Going forward, the two companies will deepen their partnership in connected areas to roll out services and promote the creation of cars that feel secure and safe for all riders.
- In December 2020, we concluded an agreement with East Japan Railway Company to help realize the Free Space Project, a decentralized urban development project to create diverse workstyles and lives not bound by place or time through the convergence of transportation and telecommunications. Going forward, both companies will jointly promote the development of Shinagawa, which will be the core city for the project, develop satellite cities in regions across Japan as decentralized bases, and consider developing mobility services in the core city and neighboring areas with the aim of joint commercialization.

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

Operating performance in the Business Services segment for the nine-month period ended December 31, 2020, is described below.

Results

For the nine-month period ended December 31, 2020

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	692,951	721,996	29,045	4.2
Operating Income	119,380	134,367	14,986	12.6

During the nine-month period ended December 31, 2020, operating revenue increased by 4.2% year on year to ¥721,996 million mainly due to an increase of revenues from mobile telecommunication fees and solution business despite of decrease of handset sales revenues.

Operating income increased by 12.6% year on year to ¥134,367 million mainly due to an increase of operating revenue.

(2) Explanation of Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2020	As of December 31, 2020	Increase (Decrease)
Total assets	9,580,149	10,160,505	580,356
Total liabilities	4,721,041	5,056,363	335,322
Total equity	4,859,108	5,104,142	245,034
Equity attributable to owners of the parent	4,384,424	4,615,142	230,718
Ratio of equity attributable to owners of the parent to total assets	% 45.8	% 45.4	% (0.3)

(Assets)

Total assets increased by ¥580,356 million year on year to ¥10,160,505 million as of December 31, 2020 mainly due to an increase of loans for financial business and cash and cash equivalents despite of decrease of intangible assets.

(Liabilities)

Total liabilities increased by ¥335,322 million year on year to ¥5,056,363 million as of December 31, 2020 mainly due to an increase of deposits for financial business and call money despite of decrease of income tax payables.

(Equity)

Total equity increased to ¥5,104,142 million mainly due 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 increased from 45.8% as of March 31, 2020, to 45.4% as of December 31, 2020.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020	Increase (Decrease)
Net cash provided by (used in) operating activities	855,443	1,050,227	194,784
Net cash provided by (used in) investing activities	(424,351)	(486,974)	(62,622)
Free cash flows (Note)	431,091	563,253	132,162
Net cash provided by (used in) financing activities	(285,499)	(504,355)	(218,855)
Effect of exchange rate changes on cash and cash equivalents	(352)	(888)	(536)
Net increase (decrease) in cash and cash equivalents	145,240	58,011	(87,229)
Cash and cash equivalents at the beginning of the period	204,597	369,202	164,605
Cash and cash equivalents at the end of period	349,837	427,213	77,376

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 ¥194,784 million year on year to ¥1,050,227 million mainly due to a smaller range of increase in trade and other receivables and a wider range of increase in deposits for financial business.

Net cash used in investing activities increased ¥62,622 million year on year to ¥486,974 million mainly due to a decrease in proceeds from acquisition of subsidiaries and an increase in purchases of securities for financial business despite of decrease in purchase of stocks of associates.

Net cash used in financing activities increased ¥218,855 million year on year to ¥504,355 million mainly due to a decrease in proceeds from the issuance of bonds and long-term borrowings and a decrease in net proceeds from short-term borrowings.

Reflecting these factors and a decrease of ¥888 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of December 31, 2020, increased by ¥58,011 million from March 31, 2020 to ¥427,213 million.

(3) Explanation Regarding Future Forecast Information of Consolidated Financial Results

KDDI disclosed the full-year consolidated financial estimation for the year ending March 31, 2021 in the Financial Statements Summary for the year ended March 31, 2020 (disclosed on May 14, 2020) 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.

There is no change from above estimation. The update for forecast will be disclosed promptly if the situation is changed.

(4) Management Policy, Management Strategy, etc.

At the Board of Directors meeting held on October 30, 2020, KDDI reviewed the intention of eliminating all treasury stock under the medium-term management plan (fiscal 2019–21) and resolved to dynamically utilize and eliminate treasury stock. Accordingly, there are items that should be revised in “(1) The Company’s Medium- to Long-Term Management Strategy” under “Section One, Corporate Data, Section Two, Business Status, 1. Management Policy, Management Environment, and Matters to Be Dealt with, etc.” in the 36th Securities Report released in the previous fiscal year. The relevant parts have been compiled below, and changes have been underlined.

Medium-Term Management Plan (FY2019–21)

■ Financial Targets

We aim to achieve sustainable growth in operating income and realize expansion of 1.5 times for EPS* by fiscal 2024 (compared with fiscal 2018).

Regarding returns to shareholders, we will continue to stably pay out dividends, raising the consolidated payout ratio from the current figure of over 35% to over 40%, and dynamically utilize and eliminate treasury stock by striking a balance with growth investments.

* Earnings Per Share

(5) Business Risks

In the third quarter of the fiscal year ending March 31, 2021, KDDI identified a new risk factor as discussed below. KDDI considers it a business risk that must be additionally included in business risks described in “Section One, Corporate Data, Section Two, Business Status, 2. Business Risks” of its 36th Securities Report, which was released in the previous fiscal year. In addition, forward-looking statements included in the following discussion are based on the KDDI Group’s judgments at the end of the third quarter of the fiscal year under review.

(Surges in Wholesale Market Prices of Electricity)

In terms of the use of electricity, the KDDI Group is partially dependent on electricity procured from the wholesale market. Therefore, the Group is prone to being financially impacted by electricity rate fluctuations attributable to such factors as changes in fuel prices and the electricity supply and demand balance. As a nationwide surge in electricity demand has been ongoing from the end of 2020, the KDDI Group’s financial position and/or business performance could be affected by the resulting steep rise in wholesale market prices of electricity.

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Non-current assets :		
Property, plant and equipment	2,406,231	2,455,544
Right-of-use assets	378,870	401,192
Goodwill	540,886	539,422
Intangible assets	1,035,399	1,010,317
Investments accounted for using the equity method	233,225	231,364
Long-term loans for financial business	952,070	1,297,466
Securities for financial business	248,025	281,232
Other long-term financial assets	285,879	314,780
Deferred tax assets	23,783	15,201
Contract costs	436,675	452,264
Other non-current assets	15,975	18,444
Total non-current assets	<u>6,557,018</u>	<u>7,017,226</u>
Current assets :		
Inventories	75,366	83,036
Trade and other receivables	2,168,355	2,180,584
Short-term loans for financial business	216,601	232,627
Call loans	50,937	34,535
Other short-term financial assets	53,358	68,529
Income tax receivables	4,712	6,512
Other current assets	84,600	110,243
Cash and cash equivalents	369,202	427,213
Total current assets	<u>3,023,131</u>	<u>3,143,279</u>
Total assets	<u><u>9,580,149</u></u>	<u><u>10,160,505</u></u>

(Unit: Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	1,147,551	1,183,226
Long-term deposits for financial business	25,728	30,152
Lease liabilities	268,648	289,690
Other long-term financial liabilities	13,342	15,264
Retirement benefit liabilities	37,230	40,762
Deferred tax liabilities	98,570	98,785
Provisions	36,770	73,892
Contract liabilities	72,053	72,784
Other non-current liabilities	7,411	8,112
Total non-current liabilities	<u>1,707,303</u>	<u>1,812,667</u>
Current liabilities :		
Borrowings and bonds payable	153,262	90,775
Trade and other payables	657,298	638,129
Short-term deposits for financial business	1,401,691	1,757,171
Call money	72,100	103,842
Lease liabilities	110,906	109,672
Other short-term financial liabilities	3,496	2,445
Income taxes payables	179,915	124,751
Provisions	44,966	45,617
Contract liabilities	107,897	100,348
Other current liabilities	282,209	270,946
Total current liabilities	<u>3,013,738</u>	<u>3,243,696</u>
Total liabilities	<u>4,721,041</u>	<u>5,056,363</u>
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	280,591	280,886
Treasury stock	(156,550)	(69,155)
Retained earnings	4,138,195	4,263,266
Accumulated other comprehensive income	(19,665)	(1,708)
Total equity attributable to owners of the parent	<u>4,384,424</u>	<u>4,615,142</u>
Non-controlling interests	474,684	489,000
Total equity	<u>4,859,108</u>	<u>5,104,142</u>
Total liabilities and equity	<u>9,580,149</u>	<u>10,160,505</u>

(2) Condensed Interim Consolidated Statement of Income

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2020
Operating revenue	3,902,576	3,923,775
Cost of sales	2,120,834	2,077,973
Gross profit	1,781,742	1,845,802
Selling, general and administrative expenses	947,124	988,173
Other income	7,940	12,303
Other expense	1,869	2,276
Share of profit of investments accounted for using the equity method	3,181	3,386
Operating income	843,869	871,042
Finance income	3,480	3,580
Finance cost	8,307	6,599
Other non-operating profit and loss	1,502	2,743
Profit for the period before income tax	840,544	870,766
Income tax	263,544	271,727
Profit for the period	577,000	599,039
Profit for the period attributable to:		
Owners of the parent	530,876	548,726
Non-controlling interests	46,124	50,313
Profit for the period	577,000	599,039
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	228.09	238.97
Diluted earnings per share (yen)	228.02	238.81

(Unit: Millions of yen)

	For the three-month period ended December 31, 2019	For the three-month period ended December 31, 2020
Operating revenue	1,338,118	1,386,579
Cost of sales	729,386	763,886
Gross profit	608,732	622,693
Selling, general and administrative expenses	321,779	345,176
Other income	3,258	3,793
Other expense	624	784
Share of profit of investments accounted for using the equity method	874	1,754
Operating income	290,462	282,279
Finance income	2,119	1,455
Finance cost	2,232	2,183
Other non-operating profit and loss	—	831
Profit for the period before income tax	290,349	282,381
Income tax	90,927	87,684
Profit for the period	199,422	194,696
Profit for the period attributable to:		
Owners of the parent	183,331	175,826
Non-controlling interests	16,090	18,870
Profit for the period	199,422	194,696
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	79.46	76.83
Diluted earnings per share (yen)	79.44	76.78

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2020
Profit for the period	577,000	599,039
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	13,513	21,255
Share of other comprehensive income of investments accounted for using the equity method	(3,157)	148
Total	10,356	21,403
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	804	212
Translation differences on foreign operations	(4,091)	(3,375)
Share of other comprehensive income of investments accounted for using the equity method	116	(213)
Total	(3,171)	(3,375)
Total other comprehensive income	7,185	18,027
Total comprehensive income for the period	584,185	617,066
Total comprehensive income for the period attributable to:		
Owners of the parent	538,625	569,067
Non-controlling interests	45,560	47,999
Total	584,185	617,066

(Note) Items in the statement above are presented net of tax.

(Unit: Millions of yen)

	For the three-month period ended December 31, 2019	For the three-month period ended December 31, 2020
Profit for the period	199,422	194,696
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	456	11,412
Share of other comprehensive income of investments accounted for using the equity method	(23)	27
Total	434	11,438
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	985	82
Translation differences on foreign operations	7,232	(1,250)
Share of other comprehensive income of investments accounted for using the equity method	36	(101)
Total	8,254	(1,269)
Total other comprehensive income	8,687	10,170
Total comprehensive income for the period	208,109	204,866
Total comprehensive income for the period attributable to:		
Owners of the parent	190,382	186,672
Non-controlling interests	17,727	18,194
Total	208,109	204,866

(Note) Items in the statement above are presented net of tax.

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the nine-month period ended December 31, 2019

(Unit: Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income			
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 period	—	—	—	530,876	—	530,876	46,124	577,000
Other comprehensive income	—	—	—	—	7,749	7,749	(564)	7,185
Total comprehensive income	—	—	—	530,876	7,749	538,625	45,560	584,185
Transactions with owners and other transactions								
Cash dividends	—	—	—	(256,876)	—	(256,876)	(33,066)	(289,941)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	3,206	(3,206)	—	—	—
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)	—	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—	26,574	26,574
Changes in interests in subsidiaries	—	(1,924)	—	—	—	(1,924)	240	(1,684)
Other	—	1,279	143	—	—	1,421	—	1,421
Total transactions with owners and other transactions	—	(721)	227,177	(630,703)	(3,206)	(407,453)	(6,251)	(413,704)
As of December 31, 2019	141,852	283,688	(156,551)	4,044,125	1,369	4,314,483	468,600	4,783,083

For the nine-month period ended December 31, 2020

(Unit: Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income			
As of April 1, 2020	141,852	280,591	(156,550)	4,138,195	(19,665)	4,384,424	474,684	4,859,108
Comprehensive income								
Profit for the period	—	—	—	548,726	—	548,726	50,313	599,039
Other comprehensive income	—	—	—	—	20,341	20,341	(2,314)	18,027
Total comprehensive income	—	—	—	548,726	20,341	569,067	47,999	617,066
Transactions with owners and other transactions								
Cash dividends	—	—	—	(276,040)	—	(276,040)	(31,299)	(307,339)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	2,384	(2,384)	—	—	—
Purchase and disposal of treasury stock	—	(4)	(63,063)	—	—	(63,067)	—	(63,067)
Retirement of treasury stock	—	(150,000)	150,000	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	150,000	—	(150,000)	—	—	—	—
Changes in interests in subsidiaries	—	(1,052)	—	—	—	(1,052)	(2,383)	(3,435)
Other	—	1,352	458	—	—	1,809	—	1,809
Total transactions with owners and other transactions	—	295	87,395	(423,655)	(2,384)	(338,349)	(33,683)	(372,032)
As of December 31, 2020	141,852	280,886	(69,155)	4,263,266	(1,708)	4,615,142	489,000	5,104,142

(5) Condensed Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2020
Cash flows from operating activities		
Profit for the period before income tax	840,544	870,766
Depreciation and amortization	514,893	533,978
Impairment losses	51	1,516
Share of (profit) loss of investments accounted for using the equity method	(3,181)	(3,386)
Loss (gain) on sales of non-current assets	13	(2,061)
Interest and dividends income	(3,444)	(3,352)
Interest expenses	6,254	5,311
(Increase) decrease in trade and other receivables	(146,074)	(6,423)
Increase (decrease) in trade and other payables	(44,172)	6,255
(Increase) decrease in loans for financial business	(282,568)	(361,422)
Increase (decrease) in deposits for financial business	283,366	359,904
(Increase) decrease in Call loans	(11,052)	16,402
Increase (decrease) in Call money	8,500	31,742
(Increase) decrease in inventories	4,340	(7,782)
Increase (decrease) in retirement benefit liabilities	3,105	3,533
Other	(14,565)	(68,687)
Cash generated from operations	1,156,012	1,376,295
Interest and dividends received	6,585	6,297
Interest paid	(6,600)	(5,816)
Income tax paid	(300,555)	(326,548)
Net cash provided by (used in) operating activities	855,443	1,050,227
Cash flows from investing activities		
Purchases of property, plant and equipment	(284,236)	(312,645)
Proceeds from sales of property, plant and equipment	581	4,083
Purchases of intangible assets	(163,619)	(140,127)
Purchases of securities for financial business	(22,801)	(102,251)
Proceed from sales and redemption of securities for financial business	54,462	72,585
Purchases of other financial assets	(5,981)	(13,817)
Proceed from sales and redemption of other financial assets	5,560	4,403
Proceeds from acquisition of subsidiaries	86,219	—
Purchases of stocks of associates	(92,228)	(1,148)
Proceeds from sales of stocks of subsidiaries and associates	16	3,958
Other	(2,323)	(2,014)
Net cash provided by (used in) investing activities	(424,351)	(486,974)

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2020
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	191,500	47,500
Proceeds from issuance of bonds and long-term borrowings	180,000	77,500
Payments from redemption of bonds and repayments of long-term borrowings	(116,954)	(151,733)
Repayments of lease liabilities	(98,835)	(104,171)
Payments from purchase of subsidiaries' equity from non-controlling interests	(3,097)	(3,161)
Proceeds from stock issuance to non-controlling interests	1,126	8
Payments from purchase of treasury stock	(150,000)	(63,063)
Cash dividends paid	(255,960)	(275,858)
Cash dividends paid to non-controlling interests	(33,275)	(31,374)
Other	(4)	(2)
Net cash provided by (used in) financing activities	(285,499)	(504,355)
Effect of exchange rate changes on cash and cash equivalents	(352)	(888)
Net increase (decrease) in cash and cash equivalents	145,240	58,011
Cash and cash equivalents at the beginning of the period	204,597	369,202
Cash and cash equivalents at the end of the period	349,837	427,213

(6) Going Concern Assumption

None

(7) Notes to Condensed Interim 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 condensed interim consolidated financial statements as of and for the nine-month period ended December 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”.

For the details, please refer to “(1) Outline of reporting segments” of “Note 4. Segment information.”

2. Basis of preparation

(1) Compliance of condensed interim consolidated financial statements with IFRSs

The Group’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34 of IFRSs as prescribed in Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), hereinafter referred to as “Ordinance on Quarterly Consolidated Financial Statements” as they satisfy the requirement of a “specific company” set forth in Article 1-2 of Ordinance on Quarterly Consolidated Financial Statements. The condensed interim consolidated financial statements, which do not contain all the information required in annual consolidated financial statements, should be read in conjunction with the annual consolidated financial statements for the previous fiscal year ended March 31, 2020.

(2) Basis of measurement

The Group’s condensed interim consolidated financial statements have been prepared under the historical cost basis except for the following significant items on the condensed interim 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 condensed interim consolidated financial statements are presented in Japanese yen, which is the currency of the primary economic environment of the Company’s business activities, and are rounded to the nearest million yen.

(4) Use of estimates and judgement

The preparation of condensed interim 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.

The judgments, estimates and assumptions that have significant impact on the amount in the condensed interim consolidated financial statements as of and for the nine-month period ended December 31, 2020 are consistent with those described in the annual consolidated financial statements for the previous fiscal year ended March 31, 2020 in principle, excluding the impact of COVID-19 described below.

Regarding the impact of COVID-19, although at the end of the previous fiscal year we put in place assumption that the impact would last into the first half of 2020, we switched to assumptions that the impact would last throughout 2020 at least based on currently available information and in light of current conditions. We made accounting estimates based on these assumptions. Furthermore, the impact of this change on the quarterly financial statements is minor.

(5) Application of new standards and interpretations

The Group doesn't have significant standards and interpretations applied from the three-month period ended June 30, 2020.

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the condensed interim consolidated financial statements are not mandatory as of December 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, 2023	fiscal year ending March 31, 2024	IFRS 17 will replace IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

All the standards and amendments above will be reflected to the condensed interim 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 significant accounting policies applied in this condensed interim consolidated financial statements for the nine-month period ended December 31, 2020, are consistent with those of the annual financial statements, as described in the consolidated financial statements for the previous fiscal year ended March 31, 2020. Also, income tax expenses on condensed interim consolidated statement of income are calculated based on the estimated average annual effective income tax rate.

4. Segment information

(1) Outline of reporting segments

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

The Group has the two reportable segments of Personal Services and Business Services as well as operating segments.

The Personal Services segment provides services to individual customers.

In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, energy, entertainment, 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.

Beginning in the three-month period ended June 30, 2020, the reportable segments for some subsidiary companies were changed due to organization change. Accordingly, the segment information for the nine-month period ended December 31, 2019 and the nine-month period ended December 31, 2020 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 “Note 3.

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

Inter segment transaction price is determined based on the price by arm's length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reportable segments.

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

The Group's segment information is as follows:

For the nine-month period ended December 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	3,337,366	549,209	3,886,575	16,001	3,902,576	—	3,902,576
Inter-segment revenue or transfers	60,411	143,742	204,153	40,300	244,453	(244,453)	—
Total	3,397,777	692,951	4,090,728	56,301	4,147,028	(244,453)	3,902,576
Segment income	719,700	119,380	839,081	4,149	843,230	639	843,869
Finance income and finance cost (Net)							(4,827)
Other non-operating profit and loss (Net)							1,502
Profit for the period before income tax							840,544

For the nine-month period ended December 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	3,342,101	563,659	3,905,760	18,015	3,923,775	—	3,923,775
Inter-segment revenue or transfers	58,045	158,337	216,382	37,318	253,699	(253,699)	—
Total	3,400,145	721,996	4,122,141	55,333	4,177,474	(253,699)	3,923,775
Segment income	730,160	134,367	864,527	6,675	871,201	(159)	871,042
Finance income and finance cost (Net)							(3,019)
Other non-operating profit and loss (Net)							2,743
Profit for the period before income tax							870,766

(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 three-month period ended December 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	1,147,471	184,723	1,332,194	5,925	1,338,118	—	1,338,118
Inter-segment revenue or transfers	20,869	48,954	69,823	14,775	84,598	(84,598)	—
Total	1,168,340	233,677	1,402,017	20,700	1,422,717	(84,598)	1,338,118
Segment income	251,482	36,267	287,749	2,576	290,325	137	290,462
Finance income and finance cost (Net)							(113)
Other non-operating profit and loss (Net)							—
Profit for the period before income tax							290,349

For the three-month period ended December 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	1,188,604	191,303	1,379,907	6,672	1,386,579	—	1,386,579
Inter-segment revenue or transfers	18,697	54,466	73,163	13,040	86,203	(86,203)	—
Total	1,207,301	245,769	1,453,070	19,712	1,472,782	(86,203)	1,386,579
Segment income	235,086	44,313	279,399	2,740	282,139	139	282,279
Finance income and finance cost (Net)							(729)
Other non-operating profit and loss (Net)							831
Profit for the period before income tax							282,381

(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.