



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, 2021 [IFRS]

May 14, 2021

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 23 2021  
 Dividend payable date (as planned): Jun 24 2021  
 Annual securities report filing date (as planned): Jun 24 2021  
 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, 2021 (April 1, 2020 - March 31, 2021)

#### (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, 2021	5,312,599	1.4	1,037,395	1.2	1,038,056	1.7	706,605	1.6	651,496	1.8	795,339	19.4
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)

	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, 2021	284.16	283.91	14.2	10.3	19.5
Year ended March 31, 2020	275.69	275.49	14.9	12.1	19.6

Reference: Equity in net income (losses) of affiliates Year ended March 31, 2021 : 4,884 million yen Year ended March 31, 2020 : 3,256 million 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, 2021	10,535,326	5,259,469	4,759,720	45.2	2,091.82
As of March 31, 2020	9,580,149	4,859,108	4,384,424	45.8	1,906.35

#### (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, 2021	1,682,166	(658,925)	(585,571)	809,802
Year ended March 31, 2020	1,323,356	(610,950)	(546,381)	369,202

### 2. Dividends

	Dividends per Share					Total Dividends for the Year	Payout Ratio	Ratio of dividend to equity attributable to owners of the parent
	1 <sup>st</sup> Quarter End	2 <sup>nd</sup> Quarter End	3 <sup>rd</sup> Quarter End	Fiscal Year End	Total			
	Yen	Yen	Yen	Yen	Yen		%	%
Year ended March 31, 2020	—	55.00	—	60.00	115.00	265,727	41.7	6.2
Year ended March 31, 2021	—	60.00	—	60.00	120.00	274,528	42.2	6.0
Year ending March 31, 2022 (forecast)	—	60.00	—	65.00	125.00		42.7	

### 3. Consolidated Financial Forecast for the Year ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(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
Entire Fiscal Year	5,350,000	1,050,000	655,000	292.68
	%	%	%	Yen
	0.7	1.2	0.5	

\*The above forecast 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): None

Addition: None

Exclusion: None

(2) Changes in accounting policies, accounting estimates

1) Changes in accounting policies required under IFRSs: None

2) Other changes in accounting policies: None

3) Changes in accounting estimates: Yes

(3) Numbers of Outstanding Shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock) As of March 31, 2021 2,304,179,550

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

2) Number of treasury stock As of March 31, 2021 28,782,253

As of March 31, 2020 55,464,960

3) Number of weighted average common stock outstanding For the year ended March 31, 2021 2,292,737,610

(cumulative for all quarters) For the year ended March 31, 2020 2,320,621,650

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, 2021: 4,114,964 shares

As of March 31, 2020: 4,270,910 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, 2022" under [the Attachment] for the assumptions used and other notes.

2. On May 14 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. Overview of Consolidated Business Results**

## **(1) Overview of Consolidated Operating 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, under the concept of “5G for Everyone,” we joined with corporate partners in various industries to offer new ways to experience entertainment, sports, art, and more in the age of the new normal. In addition, we began rolling out affordable price plans that are easy to understand, simple, and a good choice for a diverse range of needs and lifestyles, whether the users are families or individuals. These new plans comprise unlimited data\*3 plans for “au” smart phones (“Unlimited Data MAX 5G” and “Unlimited Data MAX 4G”), a simple good-value price plan for UQ mobile (“Rollover Plan”) and a new price brand with free choice of toppings for “au” (“povo”).

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

In August 2020, KDDI and KDDI Research formulated “KDDI Accelerate 5.0” with the aim of creating a resilient future society suited to the new normal. In line with this concept, we will evolve our network layer (including our 5G network), platform layer, and business layer as well as utilize technologies\*4 in the seven fields supporting those layers and orchestration technologies\*5 to accelerate the realization of Society 5.0, an initiative being promoted by Japan’s government.

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

Based on the policy of “KDDI Sustainable Action,” we announced KDDI’s five basic policies related to 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.

\*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

Unlimited Data MAX 5G and Unlimited Data MAX 4G. If you use a significant amount of data, the data speed may be restricted during peak times. When watching videos or listening to audio, the data speed may be restricted.

\*4. Particularly networks, security, IoT, platforms, AI, XR, and robotics

\*5. Technologies that enable data to automatically flow between and to be employed by multiple systems

## **Financial Results**

**For the year ended March 31, 2021**

(Amount unit: Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021	Increase (Decrease)	Increase (Decrease)%
Operating revenue	5,237,221	5,312,599	75,379	1.4
Cost of sales	2,925,000	2,928,175	3,175	0.1
Gross profit	2,312,221	2,384,424	72,204	3.1
Selling, general and administrative expenses	1,299,504	1,364,234	64,730	5.0
Other income and expense (Net)	9,264	12,322	3,058	33.0
Share of profit (loss) of investments accounted for using the equity method	3,256	4,884	1,627	50.0
Operating income	1,025,237	1,037,395	12,158	1.2
Finance income and cost (Net)	(6,049)	(1,772)	4,277	—
Other non-operating profit and loss (Net)	1,512	2,433	922	61.0
Profit for the period before income tax	1,020,699	1,038,056	17,357	1.7
Income tax	325,298	331,451	6,152	1.9
Profit for the period	695,401	706,605	11,205	1.6
Attributable to owners of the parent	639,767	651,496	11,729	1.8
Attributable to non-controlling interests	55,634	55,109	(524)	(0.9)

During the fiscal year ended March 31, 2021, operating revenue increased by 1.4% year on year to ¥5,312,599 million mainly due to an increase of revenue in mobile telecommunication fee including roaming fee and in solution business despite of decrease of handset sales revenues.

Operating income increased by 1.2% year on year to ¥1,037,395 million mainly due to an increase of operating revenue.

Profit for the period attributable to owners of the parent increased by 1.8% year on year to ¥651,496 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 fiscal year ended March 31, 2021. In addition, regarding effects of the political change that took place in February 2021 in Myanmar, although there was no significant impact on the results in the fiscal year under review, we will continue to monitor the situation for further developments.

## 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,” “UQ mobile,” which has simple plans at reasonable prices, and “povo,” which is a new pricing plan launched in March 2021.

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 addition to “au,” which offers peace of mind with unlimited usage, KDDI took over the “UQ mobile” business in October 2020 and launched the simple and affordable “Rollover Plan” in February 2021. In addition, from March 2021, we began offering the new price brand “povo.” Costing ¥2,480 per month (¥2,728 with tax) for 20GB of data, “povo” offers customers a variety of add-on services to meet their needs, such as 24-hour unlimited data and unlimited calls no longer than 5 minutes. These are examples of the multi-brand strategy through which we are offering mobile telecommunication services to precisely meet disparate customer needs and lifestyles. At the same time, as 5G becomes more widespread, we are actively working to encourage its everyday use for everything from handsets to services under the slogan “5G for Everyone.” The cumulative sales volume of 5G handsets in use has surpassed 2.4 million units as of the end of March 2021.
- To enhance video-related services in conjunction with the full-scale rollout of 5G, we launched the professional vertical video service “smash.” in October 2020 in cooperation with SHOWROOM Inc. and began offering multi-angle videos, 360-degree VR videos, and more via “au Smart Pass Premium.” In addition, we introduced initiatives aimed at quickly delivering new experience value to customers using 5G, IoT, and other technologies. Such initiatives include the establishment of “Virtual Shibuya” in collaboration with Shibuya Ward and creating a more advanced sports viewing experience in cooperation with the Yokohama DeNA BayStars and Nagoya Grampus.
- Since the integration of au WALLET Points and Ponta Points in May 2020, we have continuously conducted promotions to reward Ponta Points to new au PAY registrants and users. In addition, we have expanded and enhanced the appeal of the “au Economic Zone,” by increasing the number of Ponta Points users can attain and providing the “Valuable Point Exchange Site” that allows them to use those points on the au PAY Market. au Pay was awarded first place in overall customer satisfaction in J.D. Power Japan’s 2021 QR & Bar Code Mobile Payment Service Satisfaction Study<sup>SM</sup>.\*1
- Since February 2021, the Group has worked together to expand the financial business mainly by enhancing the rewards for using the au PAY Gold Card to pay “au” telecommunication fees and introducing preferential interest rates for housing loans at “au Jibun Bank.” As a result, the value of settlement and financial transactions was significantly higher than initially targeted, growing from ¥6.5 trillion in the fiscal year ended March 31, 2020 to ¥9.0 trillion in the fiscal year ended March 31, 2021.
- In August 2020, we introduced a shop that provides new experiences with the security of a brick-and-mortar storefront and the convenience of an online store. In December 2020, we introduced eKYC (electronic Know Your Customer), a service that enables identity verification for online users of our au shop services. In March 2021, we introduced eSIM (electronic Subscriber Identity Module) in addition to eKYC for customers concluding new “povo” contracts for. In this and other ways, we are working hard to enhance customer convenience and experience value.
- In July 2020, our Cable Plus STB-2 service, which offers cable TV stations, was made compatible with Netflix and Amazon Prime Video VOD services. In March 2021, it was also adapted for TVer, and we are working to further increase the number of users.
- As for Myanmar\*2, since the political change on February, 2021, we have been striving to maintain our telecommunications services while prioritizing the safety of our associated personnel and carefully monitoring the situation on the ground.

In Mongolia\*3, the Water Purifier Distribution Project, in which water purifiers were installed in 110 elementary schools with part of the profits, was highly evaluated and received the Golden Rose Award for social impact from the Mongolian Youth Association.

\*1. Source: J.D. Power Japan's 2021 QR & Bar Code Mobile Payment Service Satisfaction Study<sup>SM</sup> (Based on responses from 3,000 customers. [jdpower-japan.com](http://jdpower-japan.com)). QR Code is a registered trademark of DENSO WAVE Inc..

\*2. The Myanmar telecommunications business is jointly operated by KDDI Summit Global Myanmar Co., Ltd., a consolidated subsidiary, and Myanma Posts & Telecommunications (MPT).

\*3. Our subsidiary MobiCom Corporation LLC runs the telecommunications business in Mongolia.

Operating performance in the Personal Services segment for the fiscal year ended March 31, 2021 is described below.

## **Results**

### **For the year ended March 31, 2021**

(Amount unit: Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	4,547,908	4,585,116	37,208	0.8
Operating Income	871,606	862,858	(8,748)	(1.0)

During the fiscal year ended March 31, 2021, operating revenue increased by 0.8% year on year to ¥4,585,116 million mainly due to an increase of revenue in mobile telecommunication fee including roaming fee despite of decrease of handset sales revenues.

Operating income decreased by 1.0% year on year to ¥862,858 million, mainly due to an increase of depreciation and a decrease of gross profit in energy business despite of an increase of operating revenues.

## **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**

- J.D. Power Japan's 2020 Business Mobile Phone Service Satisfaction Study<sup>SM</sup>, KDDI was awarded first place in overall customer satisfaction in the Large Corporations/Medium-Sized Enterprises Market Segment for the fifth consecutive year as well as first place in the Small/Medium Corporations Market Segment for the first time. Moreover, KDDI was awarded first place in overall customer satisfaction by J.D. Power Japan in its 2020 Business Network Service Satisfaction Study<sup>SM</sup> in the Large Corporations Market Segment for the second consecutive year and first place in overall customer satisfaction in the Business IP Phone & Direct Line Phone Satisfaction Study<sup>SM</sup> for the eighth consecutive year.
- Building on our alliance with Toyota Motor Corporation related to connected cars, since fall 2020, our onboard telecommunications devices adapted for the IoT World Architecture global communications platform that enable high-quality, stable telecommunications have been installed in Mazda Motor Corporation cars, which have been launched sequentially around the world. In addition, we built a partnership in the area of connected safety with Subaru Corporation. The cumulative number of IoT connections for businesses, which we have been offering since 2001, exceeded 18 million for both domestic and overseas connections as of March 31, 2021, in line with the steady growth for gas smart meters following the success of power smart meters.
- In December 2020, we began working with Amazon Web Services, Inc. (AWS) to offer AWS Wavelength in Tokyo and expanded to Osaka in February 2021. By setting up AWS's edge computing environment within the au 5G network to process data, we achieved ultra-low latency. This characteristic of 5G is optimal for customers searching for new business opportunities. As of March 2021, KDDI is the only 5G carrier in Japan to offer this service. In addition, in March 2021, we began joint technical verification with DENSO Corporation related to 5G for self-driving vehicles that use high-resolution cameras and lane sensors to realize a safe and secure mobile society without any traffic accidents or congestion. We plan to continue conducting technological verification efforts using AWS Wavelength.
- 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. This is also one of the KDDI Accelerate 5.0 initiatives. KDDI and East Japan Railway Company will continue working to create diverse workstyles and rich lives not bound to any particular place or time by making use of their respective infrastructures.

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



Operating performance in the Business Services segment for the fiscal year ended March 31, 2021, is described below.

## **Results**

### **For the year ended March 31, 2021**

(Amount unit: Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	941,576	991,634	50,058	5.3
Operating Income	149,012	166,675	17,663	11.9

During the fiscal year ended March 31, 2021, operating revenue increased by 5.3% year on year to ¥991,634 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 11.9% year on year to ¥166,675million mainly due to an increase of operating revenues and a decrease of telecommunication equipment usage fees.

## (2) Overview of Consolidated Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2020	As of March 31, 2021	Increase (Decrease)
Total assets	9,580,149	10,535,326	955,177
Total liabilities	4,721,041	5,275,857	554,816
Total equity	4,859,108	5,259,469	400,362
Equity attributable to owners of the parent	4,384,424	4,759,720	375,296
Ratio of equity attributable to owners of the parent to total assets	% 45.8	% 45.2	% (0.6)
Equity attributable to owners of the parent per share	Yen 1,906.35	Yen 2,091.82	Yen 185.47
Interest-bearing debt	1,680,367	1,645,481	(34,886)

### (Assets)

Total assets increased by ¥955,177 million year on year to ¥10,535,326 million as of March 31, 2021 mainly due to an increase of cash and cash equivalents and loans for financial business despite of decrease of call loans.

### (Liabilities)

Total liabilities increased by ¥554,816 million year on year to ¥5,275,857 million as of March 31, 2021 mainly due to an increase of deposits for financial business and trade and other payables despite of decrease of borrowings and bonds payable.

### (Equity)

Total equity increased to ¥5,259,469 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 45.8% as of March 31, 2020 to 45.2% as of March 31, 2021.

### (3) Overview of Consolidated Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021	Increase (Decrease)
Net cash provided by (used in) operating activities	1,323,356	1,682,166	358,810
Net cash provided by (used in) investing activities	(610,950)	(658,925)	(47,975)
Free cash flows (Note)	712,406	1,023,241	310,835
Net cash provided by (used in) financing activities	(546,381)	(585,571)	(39,190)
Effect of exchange rate changes on cash and cash equivalents	(1,419)	2,930	4,349
Net increase (decrease) in cash and cash equivalents	164,605	440,600	275,995
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	369,202	809,802	440,600

(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 by ¥358,810 million year on year to ¥1,682,166 million mainly due to a smaller range of increase in loans for financial business and increase in trade and other receivables.

Net cash used in investing activities increased by ¥47,975 million year on year to ¥658,925 million mainly due to an increase in purchases of securities for financial business and a decrease in proceeds from acquisition of subsidiaries.

Net cash used in financing activities increased by ¥39,190 million year on year to ¥585,571 million mainly due to a decrease in proceeds from the issuance of bonds and long-term borrowings.

Reflecting these factors and an increase of ¥2,930 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of March 31, 2021, increased by ¥440,600 million from March 31, 2020 to ¥809,802 million.

## (Reference) Cash Flows related indicators

	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021
Ratio of equity attributable to owners of the parent to total assets (%)	56.7	57.4	57.1	45.8	45.2
Ratio of equity attributable to owners of the parent to total assets on a market capitalization basis (%)	114.7	99.4	76.5	76.6	73.3
Debt repayment period (year)	1.0	1.1	1.2	1.3	1.0
Interest coverage ratio (times)	124.5	62.3	113.1	161.3	230.4

## 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.

**(4) Outlook for the Year ending March 31, 2022**

The KDDI group considers the changes in the business, such as lowering of telecommunication fees, major changes in lifestyles, and intensification of the competitive environment, as business opportunities, and aim to achieve sustainable growth by further expanding growth areas and promoting cost reductions while validating the effect of COVID-19 pandemic.

The KDDI group is forecasting operating revenue of ¥5,350,000 million, operating income of ¥1,050,000 million and profit for the year attributable to owners of the parent of ¥655,000 million increased year on year.

The KDDI group will work on implementation of business strategy and enhancement of management base to achieve the outlook and the medium-term management plan (the compatibility of sustainable growth and enhancement of shareholder return). The update for outlook will be disclosed promptly if the situation is changed.

**(5) Profit Distribution**

Regarding the return of profits to shareholders as one of the priorities of its business management, the KDDI group has a basic policy of continuing to pay stable dividends while maintaining financial soundness. Under the medium-term management plan ended March 31, 2022, the KDDI group'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, 2021, the KDDI group has already paid an interim cash dividend of ¥60.00 per share and plans to pay a year-end cash dividend of ¥60.00 per share. As a result, total dividends for the year of ¥120.00 per share and consolidated payout ratio of 42.2% are planned.

Regarding dividend payments for the year ended March 31, 2022, the KDDI group plans to pay an interim cash dividend of ¥60.00 per share and a year-end cash dividend of ¥65.00 per share increased by ¥5.00 per share. As a result, total dividends for the year of ¥125.00 per share and consolidated payout ratio of 42.7% are planned.

## **(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

To address the impact of the COVID-19 pandemic, which is likely to be felt for a long time, the KDDI Group has established the Basic COVID-19 Response Policy. In line with this policy, we are actively collaborating on initiatives with national governments of various countries, municipalities, and public organizations as we promote business activities. There are concerns regarding our ability to acquire new customers due to shorter business hours at "au" shops and au Style, a drop in mobile data use due to increased Wi-Fi use at home, the life design business and corporate solution services. It is possible that these factors could impact our business activities and results going forward.

Furthermore, there was a political change in Myanmar, in February 2021. Our consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. provides electric telecommunication services jointly with the Myanmar Posts & Telecommunications, an organization under the Ministry of Transport and Communications, Myanmar. In light of recent events, it is possible that our business activities will be restricted, and this could have an impact on the Group's business results.

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. Due to a nationwide surge in electricity demand, 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. The Status of the Group

The KDDI Group comprises KDDI, 156 consolidated subsidiaries (Japan: 100 companies, Overseas: 56 companies), and 39 equity-method affiliates (Japan: 32 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	Provision of communications services (mobile and fixed communications) and life design services (commerce, finance, energy, entertainment, education) for individual customers in Japan and overseas.	
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	Provision of communications services (mobile and fixed communications) and ICT solution and data center services for corporate customers in Japan and overseas.	
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 America, 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, 2020	As of March 31, 2021
Assets		
Non-current assets :		
Property, plant and equipment	2,406,231	2,492,985
Right-of-use assets	378,870	396,772
Goodwill	540,886	540,420
Intangible assets	1,035,399	1,024,831
Investments accounted for using the equity method	233,225	233,921
Long-term loans for financial business	952,070	1,148,805
Securities for financial business	248,025	276,065
Other long-term financial assets	285,879	325,201
Retirement benefit assets	—	38,364
Deferred tax assets	23,783	11,396
Contract costs	436,675	466,316
Other non-current assets	15,975	21,321
Total non-current assets	<u>6,557,018</u>	<u>6,976,398</u>
Current assets :		
Inventories	75,366	69,821
Trade and other receivables	2,168,355	2,229,435
Short-term loans for financial business	216,601	233,605
Call loans	50,937	33,846
Other short-term financial assets	53,358	69,955
Income tax receivables	4,712	7,969
Other current assets	84,600	104,496
Cash and cash equivalents	369,202	809,802
Total current assets	<u>3,023,131</u>	<u>3,558,928</u>
Total assets	<u><u>9,580,149</u></u>	<u><u>10,535,326</u></u>



(Unit: Millions of yen)

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

## (2) Consolidated Statement of Income

(Unit: Millions of yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Operating revenue	5,237,221	5,312,599
Cost of sales	2,925,000	2,928,175
Gross profit	2,312,221	2,384,424
Selling, general and administrative expenses	1,299,504	1,364,234
Other income	12,492	17,136
Other expense	3,228	4,815
Share of profit of investments accounted for using the equity method	3,256	4,884
Operating income	1,025,237	1,037,395
Finance income	5,330	6,539
Finance cost	11,380	8,311
Other non-operating profit and loss	1,512	2,433
Profit for the year before income tax	1,020,699	1,038,056
Income tax	325,298	331,451
Profit for the year	695,401	706,605
Profit for the year attributable to:		
Owners of the parent	639,767	651,496
Non-controlling interests	55,634	55,109
Profit for the year	695,401	706,605
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	275.69	284.16
Diluted earnings per share (yen)	275.49	283.91

### (3) Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Profit for the year	695,401	706,605
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Remeasurements of defined benefit pension plans	(13,835)	46,106
Changes measured in fair value of financial assets through other comprehensive income	(2,598)	26,086
Share of other comprehensive income of investments accounted for using the equity method	(3,694)	254
Total	(20,127)	72,445
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	802	1,436
Translation differences on foreign operations	(10,201)	15,174
Share of other comprehensive income of investments accounted for using the equity method	286	(322)
Total	(9,113)	16,288
Total other comprehensive income	(29,240)	88,733
Total comprehensive income for the year	666,161	795,339
Total comprehensive income for the year attributable to:		
Owners of the parent	612,402	736,709
Non-controlling interests	53,759	58,630
Total	666,161	795,339

Items in the statement above are presented net of tax.

#### (4) Consolidated Statement of Changes in Equity

For the year ended March 31, 2020

(Unit: Millions of yen)

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

For the year ended March 31, 2021

(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 year	—	—	—	651,496	—	651,496	55,109	706,605
Other comprehensive income	—	—	—	—	85,213	85,213	3,520	88,733
Total comprehensive income	—	—	—	651,496	85,213	736,709	58,630	795,339
Transactions with owners and other transactions								
Cash dividends	—	—	—	(276,085)	—	(276,085)	(31,336)	(307,421)
Transfer of accumulated other comprehensive income to retained earnings	—	—	—	48,636	(48,636)	—	—	—
Purchase and disposal of treasury stock	—	(3,298)	(80,153)	—	—	(83,451)	—	(83,451)
Retirement of treasury stock	—	(150,000)	150,000	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	153,242	—	(153,242)	—	—	—	—
Changes in interests in subsidiaries	—	(2,851)	—	—	—	(2,851)	(2,229)	(5,080)
Other	—	991	(17)	—	—	974	—	974
Total transactions with owners and other transactions	—	(1,916)	69,830	(380,691)	(48,636)	(361,413)	(33,564)	(394,977)
As of March 31, 2021	141,852	278,675	(86,719)	4,409,000	16,912	4,759,720	499,749	5,259,469

**(5) Consolidated Statement of Cash Flows**

(Unit: Millions of yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Cash flows from operating activities		
Profit for the year before income tax	1,020,699	1,038,056
Depreciation and amortization	689,925	727,745
Impairment loss	12,619	7,395
Share of (profit) loss of investments accounted for using the equity method	(3,256)	(4,884)
Loss (gain) on sales of non-current assets	76	(2,252)
Interest and dividends income	(5,027)	(3,710)
Interest expenses	8,133	6,929
(Increase) decrease in trade and other receivables	(205,412)	(51,014)
Increase (decrease) in trade and other payables	10,070	75,449
(Increase) decrease in loans for financial business	(435,251)	(213,740)
Increase (decrease) in deposits for financial business	388,199	422,671
(Increase) decrease in Call loans	9,278	17,091
Increase (decrease) in Call money	12,100	43,715
(Increase) decrease in inventories	15,060	5,495
Increase (decrease) in retirement benefit assets	—	(38,364)
Increase (decrease) in retirement benefit liabilities	23,874	(25,120)
Other	85,734	8,425
Cash generated from operations	1,626,821	2,013,889
Interest and dividends received	8,718	6,959
Interest paid	(8,204)	(7,300)
Income tax paid	(307,861)	(335,679)
Income tax refund	3,883	4,297
Net cash provided by (used in) operating activities	1,323,356	1,682,166

(Unit: Millions of yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Cash flows from investing activities		
Purchases of property, plant and equipment	(392,941)	(414,722)
Proceeds from sales of property, plant and equipment	2,557	4,468
Purchases of intangible assets	(226,363)	(209,914)
Purchases of securities for financial business	(30,956)	(146,519)
Proceeds from sales and redemption of securities for financial business	59,137	122,038
Purchases of other financial assets	(11,166)	(18,774)
Proceeds from sales and redemption of other financial assets	6,339	4,848
Acquisitions of control over subsidiaries	—	(428)
Proceeds from acquisition of subsidiaries	84,171	—
Purchases of stocks of associates	(96,162)	(2,499)
Proceeds from sales of stocks of subsidiaries and associates	26	3,650
Other	(5,593)	(1,073)
Net cash provided by (used in) investing activities	(610,950)	(658,925)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	(32,000)	19,517
Proceeds from issuance of bonds and long-term borrowings	180,000	77,500
Payments from redemption of bonds and repayments of long-term borrowings	(118,662)	(153,301)
Repayments of lease liabilities	(126,947)	(133,226)
Payments from purchase of subsidiaries' equity from non-controlling interests	(12,708)	(4,823)
Proceeds from stock issuance to non-controlling interests	4,226	9
Payments from purchase of treasury stock	(150,000)	(136,087)
Proceeds from sale of treasury stock	—	52,214
Cash dividends paid	(257,009)	(275,993)
Cash dividends paid to non-controlling interests	(33,277)	(31,379)
Other	(4)	(3)
Net cash provided by (used in) financing activities	(546,381)	(585,571)
Effect of exchange rate changes on cash and cash equivalents	(1,419)	2,930
Net increase (decrease) in cash and cash equivalents	164,605	440,600
Cash and cash equivalents at the beginning of the year	204,597	369,202
Cash and cash equivalents at the end of the year	369,202	809,802

## **(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, 2021 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 “4. Segment information.”

### **2. Basis of preparation**

#### **(1) Compliance of consolidated financial statements with IFRSs**

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

#### **(2) Basis of measurement**

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

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

#### **(3) Presentation currency and unit of currency**

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



#### (4) Use of estimates and judgement

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

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

In the first half of the fiscal year ended March 31, 2021, the Company had previously assumed that the impact of COVID-19 would last at least throughout the entire fiscal year. However, the business environment surrounding the Company continues to be unpredictable. Based on currently available information and in light of current conditions, the Company has revised its assumptions used for the preparation of its consolidated financial statements for the fiscal year ended March 31, 2021, making accounting estimates that the impact of COVID-19 will continue at least throughout the fiscal year ending March 31, 2022. This change on the consolidated financial statements for the fiscal year under review was immaterial. However, if future circumstances change and it becomes necessary to revise these judgments, it is possible that there could be a significant impact on the consolidated financial results for subsequent fiscal years.

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

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

The content related to estimates of useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets are described in "3. Significant accounting policies (5) Property, plant & 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 doesn’t have significant standards and interpretations applied from the fiscal year ended March 31, 2021.

(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, 2021. 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. Under the IFRS 17 model, entities are required to estimate total fulfillment cash flows for insurance contracts and contractual service margin at initial recognition. Fulfillment cash flows comprise estimates of future cash flows, adjustments reflecting the time value of money, and risk adjustments for non-financial risk. At the time of reporting, fulfillment cash flows are remeasured using the latest basis for measurement. Unearned income (contractual service margin) is recognized over the coverage period.

All the standards and amendments above will be reflected 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 acquiree 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	5–27 years
Other equipment	9–27 years
Buildings and structures	10–38 years
Others	5–22 years

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

### iii. Derecognition

Property, plant, and equipment is derecognized 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

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, foreign exchange swaps and interest swaps to reduce foreign currency risk and interest rate risk etc.

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

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

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

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

Specially, when the Group 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

The company and 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. 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.

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.

The reportable segments for some subsidiary companies were changed due to organization change in the fiscal year ended March 31, 2021. Accordingly, the segment information for the fiscal year ended March 31, 2020 is 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, 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	4,466,008	746,620	5,212,628	24,593	5,237,221	—	5,237,221
Inter-segment revenue or transfers	81,901	194,956	276,857	55,926	332,783	(332,783)	—
Total	4,547,908	941,576	5,489,485	80,519	5,570,004	(332,783)	5,237,221
Segment income (loss)	871,606	149,012	1,020,618	3,783	1,024,401	836	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	612,379	78,748	691,128	1,694	692,821	(3,349)	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

For the year ended March 31, 2021

(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	4,506,412	779,852	5,286,264	26,336	5,312,599	—	5,312,599
Inter-segment revenue or transfers	78,704	211,782	290,486	51,993	342,479	(342,479)	—
Total	4,585,116	991,634	5,576,750	78,329	5,655,079	(342,479)	5,312,599
Segment income (loss)	862,858	166,675	1,029,533	7,355	1,036,888	507	1,037,395
Finance income and finance cost (Net)							(1,772)
Other non-operating profit and loss							2,433
Profit for the year before income tax							1,038,056
Other items							
Depreciation and amortization	643,732	85,276	729,008	2,030	731,038	(3,600)	727,438
Impairment loss	6,730	659	7,389	6	7,395	—	7,395
Share of profit of investment accounted for using the equity method	2,593	62	2,655	2,229	4,884	—	4,884

(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.

## 5. 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, 2020	For the year ended March 31, 2021
Profit for the year attributable to owners of the parent (Millions of yen)	639,767	651,496
Number of weighted average common stocks outstanding (Thousands of shares)	2,320,622	2,292,738
Basic earnings per share (Yen)	275.69	284.16

### (2) Diluted earnings per share

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

	For the year ended March 31, 2020	For the year ended March 31, 2021
Profit for the year attributable to owners of the parent	639,767	651,496
Adjustment of profit	—	—
Profit used in calculation of diluted earnings per share	639,767	651,496

(Unit: Millions of yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Number of weighted average common stocks outstanding	2,320,622	2,292,738
Effect of dilutive potential common stocks		
BIP trust and ESOP trust	1,665	1,967
Number of diluted weighted average common stocks during the year	2,322,287	2,294,705
Diluted earnings per share (Yen)	275.49	283.91

(Unit: Thousands of shares)

(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.

## **6. Significant subsequent events**

None