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, 2023 [IFRS]

May 11, 2023

Company name: **KDDI CORPORATION** URL https://www.kddi.com
Stock listing: Tokyo Stock Exchange - Prime Market
Code number: 9433
Representative: Makoto Takahashi, President and Chief Executive Officer
Date of general shareholders' meeting (as planned): Jun 21 2023
Dividend payable date (as planned): Jun 22 2023
Annual securities report filing date (as planned): Jun 22 2023
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, 2023 (April 1, 2022 - March 31, 2023)

(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, 2023	5,671,762	4.1	1,075,749	1.4	1,077,878	1.3	738,394	0.8	677,469	0.7	745,890	(3.6)
Year ended March 31, 2022	5,446,708	2.5	1,060,592	2.2	1,064,497	2.5	732,540	3.7	672,486	3.2	774,029	(2.7)

	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, 2023	310.25	310.12	13.4	9.4	19.0
Year ended March 31, 2022	300.03	299.73	13.8	9.8	19.5

Reference: Equity in net income (losses) of affiliates Year ended March 31, 2023 : 4,569 million yen Year ended March 31, 2022 : 5,791 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, 2023	11,917,643	5,664,780	5,122,409	43.0	2,374.65
As of March 31, 2022	11,084,379	5,510,663	4,982,586	45.0	2,249.27

(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, 2023	1,078,869	(732,480)	(669,837)	480,252
Year ended March 31, 2022	1,468,648	(761,593)	(727,257)	796,613

2. Dividends

	Dividends per Share					Total Dividends for the Year	Payout Ratio	Ratio of dividend to equity attributable to owners of the parent
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total			
	Yen	Yen	Yen	Yen	Yen		%	%
Year ended March 31, 2022	—	60.00	—	65.00	125.00	278,811	41.7	5.8
Year ended March 31, 2023	—	65.00	—	70.00	135.00	293,495	43.5	5.8
Year ending March 31, 2024 (forecast)	—	70.00	—	70.00	140.00		43.7	

3. Consolidated Financial Forecast for the Year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(Percentage represents comparison to previous fiscal year)

	Operating Revenue		Operating Income		Profit for the Period attributable to owners of the parent		Basic earnings per share
		%		%		%	Yen
Entire Fiscal Year	5,800,000	2.3	1,080,000	0.4	680,000	0.4	320.35

*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 (Refer to P.25 4. Consolidated Financial Statements and Notes, and (7) Notes to Consolidated Financial Statements 2. Basis of preparation (4) Use of estimates and judgements)

(3) Numbers of Outstanding Shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of March 31, 2023	2,302,712,308
	As of March 31, 2022	2,304,179,550
2) Number of treasury stock	As of March 31, 2023	145,590,929
	As of March 31, 2022	88,978,932
3) Number of weighted average common stock outstanding	For the year ended March 31, 2023	2,183,606,955
(cumulative for all quarters)	For the year ended March 31, 2022	2,241,430,392

Note: The number of treasury stock includes 1,319,384 shares of the Company's stock owned by the executive compensation BIP Trust account as of FY2023, as well as 3,920,592 shares of Company's stock owned by the executive compensation BIP Trust account and the stock-granting ESOP Trust account as of FY2022.

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.12 “1. Consolidated Business Results (4) Outlook for the Year ending March 31, 2024” under [the Attachment] for the assumptions used and other notes.

2. On May 11 2023, KDDI will hold a financial result briefing for the institutional investors and analysts. Presentation materials will be webcasted on the same time as the release of this earnings report, and the live presentation and Q&A summary will be also posted on our website immediately after the commencement of the financial result briefing. In addition to the above, KDDI holds the briefing and the presentations on our business for the individual investors timely. For the schedule and details, please check our website.

[the Attachment]

Index of the Attachment

1. Overview of Consolidated Business Results …… 2
(1) Overview of Consolidated Operating Results …… 2
(2) Overview of Consolidated Financial Position …… 10
(3) Overview of Consolidated Cash Flows …… 11
(4) Outlook for the Year ending March 31, 2024 …… 12
(5) Profit Distribution …… 12

2. The Status of the Group …… 13

3. Basic Perspective on Selection of Accounting Standards …… 15

4. Consolidated Financial Statements and Notes …… 16
(1) Consolidated Statement of Financial Position …… 16
(2) Consolidated Statement of Income …… 18
(3) Consolidated Statement of Comprehensive Income …… 19
(4) Consolidated Statement of Changes in Equity …… 20
(5) Consolidated Statement of Cash Flows …… 22
(6) Going Concern Assumption …… 24
(7) Notes to Consolidated Financial Statements …… 24
1. Reporting Entity …… 24
2. Basis of Preparation …… 24
3. Significant Accounting Policies …… 28
4. Segment Information …… 40
5. Per Share Information …… 43
6. Significant Subsequent Events …… 44

1. Overview of Consolidated Business Results

(1) Overview of Consolidated Operating Results

1) Results Overview

Industry Trends and KDDI's Position

Since the service disruption in July 2022, the company has worked hard to prevent a recurrence and improve quality in part by conducting company-wide preventive training and setting up a promotion system to enhance quality and service in addition to thoroughly assessing how to strengthen its telecommunications foundation. Going forward, as a telecommunications operator that supports social infrastructure, the entire company will continue working as one to provide a communication network that customers can use with even greater peace of mind and comfort.

Due to the COVID-19 pandemic, amid an ongoing rapid digital shift affecting every aspect of society, telecommunications have taken on an increasingly important role. The Japanese government has outlined its Vision for a Digital Garden City Nation that promotes regional revitalization through the practical application of digital society, and every day the pace of digitalization in people's lives and businesses is accelerating.

In order to achieve sustainable growth while responding swiftly to changes in the business environment, in May 2022, KDDI newly established "KDDI VISION 2030: Creating a society where everyone can realize their dreams by evolving the 'power to connect'" and formulated new materiality that comprehensively cover social issues and the importance of the KDDI Group's management from a long-term perspective.

Announced at the same time, our medium-term management strategy (FY2022-2024) was formulated with sustainability management as its cornerstone with the aim of achieving the sustainable growth of society and enhancing corporate value together with our partners. We aim to create an era that creates new value by leveraging the unique characteristics of 5G to evolve the power of connection and integrate telecommunications into every facet of life. In addition, we will promote the evolution of the telecommunications business through 5G, expand focus areas centered on telecommunications, and reinforce the management foundation that supports these efforts.

Specifically, we will continue promoting satellite growth strategies centered on the five focus areas of digital transformation (DX), finance, energy, life transformation (LX), and regional co-creation (CATV, etc.). In particular, in the DX field, telecommunications are becoming seamlessly integrated with all classes of physical things (cars, industrial equipment, various meters, etc.) in the form of IoT, and we will establish environments where customers can utilize 5G naturally, provide a business platform adapted to the individual needs of many different industries, and support the business creation of our customers. With the added value newly created by these efforts, we aim to perpetuate a virtuous DX cycle that transforms people's lives.

In addition, KDDI is proactively addressing sustainability issues, starting with the major global issue of carbon neutrality. We aim to achieve net zero CO2 emissions by FY2030 for KDDI (non-consolidated) and by FY2050 for the entire group and we will continue to actively promote a shift toward renewable energy and greater power efficiency for our mobile phone base stations and telecommunications equipment. In April 2021, we announced our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). In February 2022, the KDDI Group obtained SBT certification through the international climate change initiative SBTi (Science Based Targets initiative).
In October 2022, we published the Integrated Sustainability and Financial Report 2022, combining the Integrated Report, which previously included financial and non-financial areas, and the Sustainability Report, which mainly included information on sustainability.

Furthermore, to continue sustainably growing amid a rapidly changing business environment, we need to promote innovation and transform into a company that puts human resources first, encouraging advanced autonomy and growth among employees and organizations. In promoting innovation, we will continue enhancing capital investment and R&D for 5G and Beyond 5G. We will accelerate initiatives based on these satellite growth strategies for business creation, research and development, AI, and advanced security technologies and further deepen our partnerships, including collaborations with start-ups. Regarding our transformation into a company that puts human resources first, we will promote this across three pillars, namely: introducing the KDDI Version Job Style Personnel System, promoting Internal DX, and realizing the Declaration of KDDI New Work

Styles. We will also shift crucial members to focus areas by training professional human resources and enhance the DX skills of all employees by utilizing KDDI DX University.

Since its founding, KDDI has worked hard to instill and practice the KDDI Group Philosophy as a shared policy and code of conduct for managers and employees. We will continue promoting unified Group management and enhancing our risk management and data security systems through synergy with corporate governance systems that respect this kind of corporate attitude and human rights and that ensure transparency and fairness.

Financial Results

For the year ended March 31, 2023

(Amount unit: Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Increase (Decrease)	Increase (Decrease)%
Operating revenue	5,446,708	5,671,762	225,054	4.1
Cost of sales	2,984,589	3,260,030	275,442	9.2
Gross profit	2,462,119	2,411,731	(50,388)	(2.0)
Selling, general and administrative expenses	1,422,539	1,408,391	(14,148)	(1.0)
Other income and expense (Net)	15,221	67,840	52,619	345.7
Share of profit (loss) of investments accounted for using the equity method	5,791	4,569	(1,223)	(21.1)
Operating income	1,060,592	1,075,749	15,157	1.4
Finance income and cost (Net)	2,457	1,517	(940)	(38.3)
Other non-operating profit and loss (Net)	1,448	612	(836)	(57.7)
Profit for the period before income tax	1,064,497	1,077,878	13,381	1.3
Income tax	331,957	339,484	7,527	2.3
Profit for the period	732,540	738,394	5,855	0.8
Attributable to owners of the parent	672,486	677,469	4,983	0.7
Attributable to non-controlling interests	60,054	60,926	872	1.5

During the fiscal year ended March 31, 2023, operating revenue increased by 4.1% year on year to ¥5,671,762 million mainly due to an increase in revenue in energy business and financial business.
Operating income increased by 1.4% year on year to ¥1,075,749 million mainly due to an increase in operating revenue despite impacts of fuel price hike and service disruption.
Profit for the period attributable to owners of the parent increased by 0.7% year on year to ¥677,469 million.

The business environment surrounding the KDDI group is affected by COVID-19. However, the KDDI group continues working on implementation of business strategy and enhancement of management base and there are no significant impacts on consolidated financial results for the fiscal year ended March 31, 2023.

2) Results by Business Segment

Personal Services

The Personal Services segment provides services to individual customers.
In Japan, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands "au," "UQ mobile," and "povo."
In addition, we are addressing challenges in local communities due to depopulation and aging, and are working with local partners to eliminate the digital divide and achieve regional co-creation.
Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.

Highlights

● We provide pricing plans that are 5G-ready and meet the needs of every customer through three brands that are based on distinct brand slogans. We are promoting measures that leverage the unique characteristics of each brand in our multi-brand strategy that encompasses "au" with "toward an interesting future," "UQ mobile" with "simple for everyone," and "povo" with "to the freedom that's right for you together." Through au, we offer unique 5G services utilizing the high-speed, high-volume telecommunications enabled by 5G, such as the unlimited-use*1 pricing plan "Unlimited Data Max Plan 5G Netflix Pack(P)," which includes access to popular video streaming services. In addition, from February 2023, customers who do not use much of their data allotment can choose the "Smartphone Mini Plan," which automatically adjusts the monthly fee based on the amount of data used. We also enable each customer to choose pricing plans that align with their individual lifestyle needs, for example, we are newly offering the "Smartphone Start Plan" with 20GB of monthly data and the "Smartphone Start Plan Lite" with 4GB of data for customers with their first smartphone. Through UQ mobile, we offer pricing plans that are of good value for both individuals and families, such as a plan starting from just ¥990 per month (tax included) that rolls over unused data. To make using smartphones safer and more secure, we also began offering the optional "Safety Security Set" service from February 2023. Under the online-only povo brand, we offer our usual lineup of toppings that customers can choose from to fit their usage style along with time-limited toppings that can be used in a variety of ways and "#GigaKatsu," which enables customers to gain gigabytes of data service when they use participating stores or services. In addition, we offer a variety of usage styles, such as the "Smart Giga Trade," a trade-in service launched in March 2023 that allows customers to exchange their long-unused personal smartphones for more data service.

● The core of our satellite growth strategies is the construction of the service areas that form the foundation of telecommunications. Accordingly, under the slogan Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au), we are concentrating on the construction of a 5G communications network in commercial districts and along train lines—locations where customers spend a lot of their time—ensuring that many more customers are able to comfortably use 5G. By using Starlink's satellite broadband internet as the backhaul line for au's telecommunication network, we are expanding service to cover around 1,200 locations across Japan, including mountainous and remote island regions where it has been difficult to offer services. Furthermore, we are steadily installing portable and vehicle-mounted base stations that use Starlink at locations throughout Japan. By rolling out these base stations for use in areas not covered by regular services when an earthquake, typhoon, or other natural disaster strikes, we aim to realize the swift restoration of telecommunications. In addition, from March 2023, we began offering a dual phone line service in collaboration with SoftBank Corp that allows our customers to use the latter's telecommunications services when they experience difficulty in connecting to au or UQ mobile lines. Customers do not need to apply for a separate phone line with another company to access the dual phone line service, they can just use a simple one-stop application process.

● As for points and payment, we offer a prize awarding a maximum of 5%*2 in au PAY Points at participating stores for au and UQ mobile customers every month on days ending in 5 (5th, 15th, 25th) and on the 8th of the month as Lucky Tanuki Days. For au Smart Pass Premium customers, we began offering coupons on a monthly and weekly basis that can be used with au Pay. Going forward, we will continue to enhance customer relations by offering great deals on services that make every day more enjoyable.
In addition, from January 2023, we began participating in the Green Life Point Project promoted by Japan's Ministry of the Environment. We aim to work with customers to achieve environmentally friendly lifestyles by awarding points when they, for example, shop at au PAY-participating stores that take eco-friendly measures or at the au PAY Market, which helps reduce food loss.

● In the financial business, the number of au PAY Card members reached 8 million in August 2022, and the number of checking

accounts at au Jibun Bank reached 5 million in December 2022. In February 2023, we further enhanced the attractiveness of our financial services with the launch of au Life Insurance, which provides Ponta Points equivalent to 1% of the monthly insurance premium. In the energy business, in line with our efforts to commercialize the generation of renewable energy to help realize carbon neutrality, we established au Renewable Energy Planning Inc. in January 2023. Furthermore, in that same month, au Energy & Life, Inc. began offering the au electricity solar power purchase service for households that own solar panels as part of measures to promote the widespread use of renewable energy.

● Regarding legacy transformation (LX), from March 2023, we began offering αU (alpha U) metaverse and Web3 services designed to realize a world where anyone can become a creator and tailored to a new generation of users who casually switch between the virtual and real worlds. In line with the concept of "another world," with αU as the prefix, we are expanding customer experiences in the metaverse and Web3. For example, we are providing the commercial services αU metaverse, in which people can enjoy entertainment and conversations with friends in the metaverse; αU market, which enables the purchase of NFTs and other digital artwork; and αU wallet, which enables the management of NFTs and encrypted assets. We are also providing such services as αU live, which enables users to enjoy high-definition live music performances with a 360-degree range of view, and αU place, which offers the experience of shopping in virtual stores that are linked with physical stores.

● In Myanmar,*3 since the political change in February 2021, we have been striving to maintain our telecommunications services, which are indispensable to people's lives, while prioritizing the safety of our associated personnel as we continue to carefully monitor the local situation.
In addition, in Mongolia, our consolidated subsidiary MobiCom Corporation LLC got ahead of its competitors with the launch of the "hyper" postpaid plan in February 2023, contracts for which can be concluded online. Going forward, this plan will help eliminate regional differences by enabling people in areas without stores to submit applications through MobiCom's official app. MobiCom will continue helping to enhance the nation's economic development and people's lives as the country's No. 1 telecommunications operator.

*1. For tethering, data sharing, and international roaming (fixed global data price), there is a limit to data per month. When using large volumes of data, transmission speed could be restricted during peak hours. When watching videos, the transmission speed is restricted.
*2. In combination with a base point return of 0.5%, au customers get a maximum of 5% return and UQ mobile customers get a maximum of 3% return. The prize is for customers who enter every month.
*3. KDDI Summit Global Myanmar Co., Ltd., a consolidated subsidiary, supports the telecommunications business operations of Myanma Posts & Telecommunications (MPT).

Operating performance in the Personal Services segment for the fiscal year ended March 31, 2023 is described below.

Results

For the year ended March 31, 2023

(Amount unit: Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	4,669,208	4,833,567	164,360	3.5
Operating Income	867,092	880,308	13,216	1.5

During the fiscal year ended March 31, 2023, operating revenue increased by 3.5% year on year to ¥4,833,567 million mainly due to an increase in revenue in energy business and financial business.
Operating income increased by 1.5% year on year to ¥880,308 million mainly due to an increase in operating revenue.

Business Services

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and TELEHOUSE brand data center services.
Furthermore, in our mid-term management strategy (FY2022–2024), we announced the "Satellite Growth Strategy," which strives to evolve the telecommunications business through 5G and expand business in focus fields, centering on telecommunications. We provide global one-stop solutions that contribute to the development and expansion of our customers' businesses through IoT and DX centered on 5G communications in collaboration with our partners.
For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.

Highlights

● The number of KDDI's IoT connections has steadily grown, reaching a cumulative total of over 30 million on a non-consolidated basis as of December 2022, giving the company the top market share in Japan. Specifically, our share has expanded significantly in the realms of social infrastructure (including connected cars, electricity, gas, and smart meters) and the global market. Regarding this kind of utilization of IoT in crucial infrastructure, our strength lies in having a security and maintenance system and a solid operational track record spanning roughly 20 years. Over the medium term, we aim to reach 44 million connections in FY2025 and will continue contributing to the realization of sustainable industries and infrastructure environments by providing revolutionary solutions for connected cars, telecommunications, and other social infrastructure. Overseas, by optimally combining localization with global standards, our scope of support extends far beyond connected cars to include the DX of customers' overseas bases and the provision of platforms to a wide range of industries. Going forward, to further create new added value, we will provide individual platforms for a variety of industries and accelerate the DX of customer companies.

● To strengthen our DX support for companies, we founded KDDI Digital Divergence Holdings Corporation (KDH), which is a holding company, in May 2022. The KDH group includes businesses with the capabilities needed for promoting DX and it will continue strengthening customer support systems by considering further M&A and operational alliances going forward. In addition, in partnership with Mitsui & Co., Ltd. in June 2022, we founded GEOTRA Co., Ltd. to promote urban DX using AI and population flow analysis. GEOTRA has launched the platform and analysis service GEOTRA Activity Data, which utilizes AI and au location data to assess and forecast the movement of people in terms of means, times, purposes, and more. The company aims to contribute to more sophisticated decision making related to the planning and policy making of various operators, such as municipalities and companies, in the area of smart city development.

● KDDI SmartDrone Inc. partnered with Infrastructure Renewal Engineering Co., Ltd. to launch a service in June 2022 that uses drones to inspect bridges. Currently, around 42% (roughly 300,000) of Japan's approximately 730,000 bridges with spans of two or more meters will be at least 50 years old in 2025. Recently, with addressing the effects of aging on bridges becoming ever more urgent, operators have faced a worker shortage issue. In addition, it is mandated that close visual inspections of road bridges with spans of two or more meters be conducted once every five years. From March 2019, inspections using drone footage have been allowed. This service brings together the drone operation know-how cultivated by KDDI SmartDrone with the survey, repair, and design technology know-how of Infrastructure Renewal Engineering as well as the latter's many years of experience in construction support related to the repair and reinforcement field of basic infrastructure components (such as bridges, tunnels, and sewers). Using remotely operated drones, the service enables inspection operations to be conducted with one flight, and AI is used to immediately identify areas of aging infrastructure that need repair through the 3D modeling of bridge images, which reveals the damaged areas in detail. Through this service, the company will continue to help ensure the safety of Japan's bridges while improving operators' work efficiency.

● KDDI's European subsidiary Telehouse International Europe opened the net zero CO2 emission data center TELEHOUSE South, its fifth TELEHOUSE location in London, UK, in March 2022. This data center has become one of the world's top interconnection data centers, serving a total of over 900 companies, including the United Kingdom's largest telecommunications operator and ISP because the center meets the needs of customers seeking connectivity, expandability, and security. In addition, this data center operates using 100% renewable energy procured from wind, solar, biomass, and hydropower. In April of last year, we announced our commitment to achieving the net zero CO2 emission by FY2026 for all worldwide data centers operating under the TELEHOUSE brand, including TELEHOUSE South. In over 10 countries around the world for over 30 years, KDDI has operated the data center business under the TELEHOUSE brand and positions it as a

growth field in the Business Services Segment.
In FY2023, we plan to open new facilities in Bangkok, Paris, and Frankfurt, bringing its total number of locations to 47. Going forward, in the data center business leveraging the latest equipment and connectivity, we will continue to support customers' business growth and further expand the data center business by leveraging the experience of TELEHOUSE, which operates high-quality data centers around the globe. In April of last year, we announced our commitment to achieving the net zero CO2 emission by FY2026 for all worldwide data centers operating under the TELEHOUSE brand, including TELEHOUSE South.

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, 2023, is described below.

Results

For the year ended March 31, 2023

(Amount unit: Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	1,042,120	1,108,807	66,687	6.4
Operating Income	187,072	190,808	3,736	2.0

During the fiscal year ended March 31, 2023, operating revenue increased by 6.4% year on year to ¥1,108,807 million mainly due to an increase in revenue in solution business from growth in the NEXT Core Business which comprises corporate DX, business DX, and business base services.

Operating income increased by 2.0% year on year to ¥190,808 million mainly due to an increase in operating revenue despite impacts of fuel price hike and service disruption.

(2) Overview of Consolidated Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2022	As of March 31, 2023	Increase (Decrease)
Total assets	11,084,379	11,917,643	833,264
Total liabilities	5,573,715	6,252,863	679,148
Total equity	5,510,663	5,664,780	154,116
Equity attributable to owners of the parent	4,982,586	5,122,409	139,823
Ratio of equity attributable to owners of the parent to total assets	% 45.0	% 43.0	% (2.0)
Equity attributable to owners of the parent per share	Yen 2,249.27	Yen 2,374.65	Yen 125.38
Interest-bearing debt	1,600,104	1,651,437	51,332

(Assets)
Total assets increased by ¥833,264 million year on year to ¥11,917,643 million as of March 31, 2023 mainly due to an increase in loans for financial business and securities for financial business despite of a decrease in cash and cash equivalents.

(Liabilities)
Total liabilities increased by ¥679,148 million year on year to ¥6,252,863 million as of March 31, 2023 mainly due to an increase in deposits for financial business and cash collateral provided for securities lent despite of a decrease in call money.

(Equity)
Total equity amounted to ¥5,664,780 million mainly due to an increase in equity attributable to owners of the parent from the previous fiscal year-end. As a result, ratio of equity attributable to owners of the parent to total assets decreased from 45.0% as of March 31, 2022 to 43.0% as of March 31, 2023.

(3) Overview of Consolidated Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Increase (Decrease)
Net cash provided by (used in) operating activities	1,468,648	1,078,869	(389,780)
Net cash provided by (used in) investing activities	(761,593)	(732,480)	29,112
Free cash flows (Note)	707,056	346,389	(360,667)
Net cash provided by (used in) financing activities	(727,257)	(669,837)	57,420
Effect of exchange rate changes on cash and cash equivalents	7,012	7,087	74
Net increase (decrease) in cash and cash equivalents	(13,189)	(316,361)	(303,172)
Cash and cash equivalents at the beginning of the period	809,802	796,613	(13,189)
Cash and cash equivalents at the end of the period	796,613	480,252	(316,361)

(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 decreased by ¥389,780 million year on year to ¥1,078,869 million mainly due to an increase in loans for financial business.

Net cash used in investing activities decreased by ¥29,112 million year on year to ¥732,480 million mainly due to an increase in proceeds from sales and redemption of securities for financial business.

Net cash used in financing activities decreased by ¥57,420 million year on year to ¥669,837 million mainly due to an increase in proceeds from issuance of bonds and long-term borrowings.

Reflecting these factors and an increase of ¥7,087 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, 2023, decreased by ¥316,361 million from March 31, 2022 to ¥480,252 million.

(Reference) Cash Flows related indicators

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Ratio of equity attributable to owners of the parent to total assets (%)	57.1	45.8	45.2	45.0	43.0
Interest coverage ratio (times)	113.1	161.3	230.4	226.0	159.4
Net interest-bearing liabilities/EBITDA ratio (times)	0.7	0.7	0.5	0.4	0.7

Notes

- Ratio of equity attributable to owners of the parent to total assets: Equity attributable to owners of the parent / Total assets
- Interest coverage ratio: Cash flows / Interest payments
- Net interest-bearing liabilities/EBITDA ratio: Net interest-bearing liabilities / EBITDA

* Cash flows from operating activities in consolidated statement of cash flows are used for operating cash flows.
* Amount of interest expenses paid in consolidated statement of cash flows is used for interest payments.
* Figures for net interest-bearing debt are interest-bearing debt less cash and cash equivalents that are recognized in the consolidated statement of financial position.

(4) Outlook for the Year ending March 31, 2024

Amidst a rapidly changing business environment, including unstable global conditions and financial markets, soaring resource prices, and diversifying customer needs, the KDDI group will promote 5G, growth in focused areas such as DX, finance and turn around in telecommunication revenue as well as cost efficiency.
Net sales are expected to increase year-on-year to ¥5,800,000 million. Operating income and net income attributable to owners of the parent are expected to increase to ¥1,080,000 million and ¥680,000 million, respectively.
The KDDI group aims to achieve our financial forecast for the fiscal year ending March 31, 2024, through steady implementation of our medium-term management strategy (promotion of the satellite growth strategy and strengthening of our management base).
If changes in circumstances necessitate a revision of the earnings forecast, we will promptly disclose the revised forecast.

(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, 2025, the KDDI group’s policy is 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, 2023, the KDDI group has already paid an interim cash dividend of ¥65.00 per share. In order to express gratitude to its shareholders for their constant support, and in light of an overall consideration of business development aimed at improving future business results, KDDI plans to increase the year-end cash dividend ¥5.00 from the previous fiscal year to ¥70.00 per share. As a result, total dividends for the year of ¥135.00 per share and consolidated payout ratio of 43.5% are planned.
For the year ending March 31, 2024, KDDI group plans to pay out ¥70.00 per share for both the interim and year end cash dividend, making the full-year amount ¥140.00 per share.

2. The Status of the Group

The KDDI Group comprises KDDI, 169 consolidated subsidiaries (Japan: 113 companies, Overseas: 56 companies), and 41 equity-method affiliates (Japan: 34 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	The Personal Services provides services to individual customers. In Japan, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands "au," "UQ mobile," and povo." In addition, we are addressing challenges in local communities due to depopulation and aging, and are working with local partners to eliminate the digital divide and achieve regional co-creation. Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.
Major subsidiaries and affiliates	〔The parent〕 KDDI CORPORATION 〔Consolidated subsidiaries〕 OKINAWA CELLULAR TELEPHONE COMPANY, JCOM., 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., au Energy Holdings Corporation, KDDI Summit Global Myanmar Co., Ltd., MobiCom Corporation LLC 〔Equity-method affiliates〕 KKCompany Inc., Kakaku.com, Inc., au Kabucom Securities Co.,Ltd.

<Business>

Principal services	The Business Services mainly provides a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and TELEHOUSE brand data center services. Furthermore, in our mid-term management strategy (FY2022–2024), we announced the "Satellite Growth Strategy," which strives to evolve the telecommunications business through 5G and expand business in focus fields, centering on telecommunications. We provide global one-stop solutions that contribute to the development and expansion of our customers' businesses through IoT and DX centered on 5G communications in collaboration with our partners. 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.
Major subsidiaries and affiliates	〔The parent〕 KDDI CORPORATION 〔Consolidated subsidiaries〕 Chubu Telecommunications Co., INC., KDDI MATOMETE OFFICE CORPORATION, KDDI Evolva Inc., au Energy Holdings Corporation, KDDI Digital Divergence Holdings Corporation, KDDI America, Inc., KDDI Europe Limited., KDDI China Corporation, KDDI Asia Pacific Pte Ltd, TELEHOUSE International Corporation of America, TELEHOUSE International Corporation of Europe Ltd., 〔Equity-method affiliates〕 LAC Co., Ltd.

<Others>

Principal services	The Other Services mainly provides 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, 2022	As of March 31, 2023
Assets		
Non-current assets :		
Property, plant and equipment	2,585,481	2,595,721
Right-of-use assets	387,669	393,935
Goodwill	540,962	541,058
Intangible assets	1,025,223	1,048,396
Investments accounted for using the equity method	244,515	255,290
Long-term loans for financial business	1,335,111	2,038,403
Securities for financial business	338,285	411,063
Other long-term financial assets	329,268	304,106
Retirement benefit assets	44,720	62,911
Deferred tax assets	12,330	12,203
Contract costs	548,704	637,534
Other non-current assets	25,083	29,924
Total non-current assets	7,417,350	8,330,544
Current assets :		
Inventories	74,511	99,038
Trade and other receivables	2,311,694	2,445,250
Short-term loans for financial business	255,266	304,557
Call loans	45,064	53,944
Other short-term financial assets	67,154	60,158
Income tax receivables	2,904	2,663
Other current assets	113,822	141,236
Cash and cash equivalents	796,613	480,252
Total current assets	3,667,028	3,587,098
Total assets	11,084,379	11,917,643

(Unit: Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	921,616	914,233
Long-term deposits for financial business	33,240	64,829
Lease liabilities	279,265	286,437
Other long-term financial liabilities	14,198	10,309
Retirement benefit liabilities	12,496	11,739
Deferred tax liabilities	144,776	188,101
Provisions	70,073	52,414
Contract liabilities	71,083	76,258
Other non-current liabilities	11,015	12,366
Total non-current liabilities	1,557,762	1,616,687
Current liabilities :		
Borrowings and bonds payable	286,505	337,961
Trade and other payables	834,496	801,927
Short-term deposits for financial business	2,184,264	2,652,723
Call money	141,348	—
Cash collateral received for securities lent	—	244,111
Lease liabilities	112,719	112,805
Other short-term financial liabilities	2,620	6,894
Income taxes payables	126,874	129,404
Provisions	25,641	25,398
Contract liabilities	86,091	82,242
Other current liabilities	215,397	242,712
Total current liabilities	4,015,953	4,636,176
Total liabilities	5,573,715	6,252,863
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	279,371	279,371
Treasury stock	(299,827)	(545,833)
Retained earnings	4,818,117	5,215,177
Accumulated other comprehensive income	43,074	31,841
Total equity attributable to owners of the parent	4,982,586	5,122,409
Non-controlling interests	528,077	542,370
Total equity	5,510,663	5,664,780
Total liabilities and equity	11,084,379	11,917,643

(2) Consolidated Statement of Income

(Unit: Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Operating revenue	5,446,708	5,671,762
Cost of sales	2,984,589	3,260,030
Gross profit	2,462,119	2,411,731
Selling, general and administrative expenses	1,422,539	1,408,391
Other income	21,001	71,629
Other expense	5,781	3,790
Share of profit of investments accounted for using the equity method	5,791	4,569
Operating income	1,060,592	1,075,749
Finance income	10,202	10,175
Finance cost	7,746	8,658
Other non-operating profit and loss	1,448	612
Profit for the year before income tax	1,064,497	1,077,878
Income tax	331,957	339,484
Profit for the year	732,540	738,394
Profit for the year attributable to:		
Owners of the parent	672,486	677,469
Non-controlling interests	60,054	60,926
Profit for the year	732,540	738,394
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	300.03	310.25
Diluted earnings per share (yen)	299.73	310.12

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Profit for the year	732,540	738,394
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Remeasurements of defined benefit pension plans	5,201	12,526
Changes measured in fair value of financial assets through other comprehensive income	9,001	(24,837)
Share of other comprehensive income of investments accounted for using the equity method	(6)	(555)
Total	14,195	(12,865)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	2,422	(1,042)
Translation differences on foreign operations	23,891	19,935
Share of other comprehensive income of investments accounted for using the equity method	981	1,467
Total	27,294	20,360
Total other comprehensive income	41,490	7,495
Total comprehensive income for the year	774,029	745,890
Total comprehensive income for the year attributable to:		
Owners of the parent	706,668	678,235
Non-controlling interests	67,362	67,655
Total	774,029	745,890

Items in the statement above are presented net of tax.

(4) Consolidated Statement of Changes in Equity

For the year ended March 31, 2022

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2021	141,852	278,675	(86,719)	4,409,000	16,912	4,759,720	499,749	5,259,469
Comprehensive income								
Profit for the year	–	–	–	672,486	–	672,486	60,054	732,540
Other comprehensive income	–	–	–	–	34,182	34,182	7,308	41,490
Total comprehensive income	–	–	–	672,486	34,182	706,668	67,362	774,029
Transactions with owners and other transactions								
Cash dividends	–	–	–	(271,389)	–	(271,389)	(31,864)	(303,253)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	8,020	(8,020)	–	–	–
Purchase and disposal of treasury stock	–	(60)	(213,763)	–	–	(213,822)	–	(213,822)
Changes in interests in subsidiaries	–	(229)	–	–	–	(229)	(7,170)	(7,399)
Other	–	984	655	–	–	1,639	–	1,639
Total transactions with owners and other transactions	–	696	(213,108)	(263,369)	(8,020)	(483,801)	(39,034)	(522,835)
As of March 31, 2022	141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663

For the year ended March 31, 2023

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2022	141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663
Comprehensive income								
Profit for the year	―	―	―	677,469	―	677,469	60,926	738,394
Other comprehensive income	―	―	―	―	766	766	6,729	7,495
Total comprehensive income	―	―	―	677,469	766	678,235	67,655	745,890
Transactions with owners and other transactions								
Cash dividends	―	―	―	(288,394)	―	(288,394)	(46,225)	(334,618)
Transfer of accumulated other comprehensive income to retained earnings	―	―	―	11,999	(11,999)	―	―	―
Purchase and disposal of treasury stock	―	(41)	(250,152)	―	―	(250,192)	―	(250,192)
Retirement of treasury stock	―	(5,313)	5,313	―	―	―	―	―
Transfer from retained earnings to capital surplus	―	4,014	―	(4,014)	―	―	―	―
Changes in interests in subsidiaries	―	(445)	―	―	―	(445)	(7,137)	(7,582)
Other	―	1,786	(1,167)	―	―	619	―	619
Total transactions with owners and other transactions	―	1	(246,005)	(280,408)	(11,999)	(538,412)	(53,361)	(591,773)
As of March 31, 2023	141,852	279,371	(545,833)	5,215,177	31,841	5,122,409	542,370	5,664,780

(5) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Cash flows from operating activities		
Profit for the year before income tax	1,064,497	1,077,878
Depreciation and amortization	728,101	697,152
Impairment loss	2,689	2,354
Share of (profit) loss of investments accounted for using the equity method	(5,791)	(4,569)
Loss (gain) on sales of non-current assets	(1,393)	(1,581)
Interest and dividends income	(7,022)	(9,914)
Interest expenses	6,681	7,142
(Increase) decrease in trade and other receivables	(51,616)	(104,796)
Increase (decrease) in trade and other payables	16,403	5,396
(Increase) decrease in loans for financial business	(207,966)	(752,583)
Increase (decrease) in deposits for financial business	367,415	500,047
(Increase) decrease in Call loans	(11,218)	(8,881)
Increase (decrease) in Call money	25,532	(141,348)
Increase (decrease) in cash collateral received for securities lent	—	244,111
(Increase) decrease in inventories	(4,577)	(24,421)
(Increase) decrease in retirement benefit assets	(6,357)	(18,190)
Increase (decrease) in retirement benefit liabilities	387	(757)
Other	(84,111)	(105,347)
Cash generated from operations	1,831,655	1,361,693
Interest and dividends received	10,620	13,468
Interest paid	(6,499)	(6,768)
Income tax paid	(374,768)	(292,659)
Income tax refund	7,641	3,134
Net cash provided by (used in) operating activities	1,468,648	1,078,869

(Unit: Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Cash flows from investing activities		
Purchases of property, plant and equipment	(425,800)	(394,652)
Proceeds from sales of property, plant and equipment	2,118	3,754
Purchases of intangible assets	(249,767)	(239,473)
Purchases of securities for financial business	(339,393)	(385,468)
Proceeds from sales and redemption of securities for financial business	277,300	311,511
Purchases of other financial assets	(12,822)	(8,900)
Proceeds from sales and redemption of other financial assets	7,165	1,892
Purchases of stocks of associates	(9,974)	(9,847)
Proceeds from sales of stocks of subsidiaries and associates	1,595	―
Other	(12,015)	(11,297)
Net cash provided by (used in) investing activities	(761,593)	(732,480)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	17	49,983
Proceeds from issuance of bonds and long-term borrowings	―	200,000
Payments from redemption of bonds and repayments of long-term borrowings	(73,375)	(200,500)
Repayments of lease liabilities	(130,848)	(128,288)
Payments from purchase of subsidiaries'equity from non-controlling interests	(12,619)	(7,002)
Proceeds from the partial sales of shares of subsidiaries to non-conntolling interests	6,750	―
Proceeds from stock issuance to non-controlling interests	108	49
Payments from purchase of treasury stock	(213,763)	(250,152)
Cash dividends paid	(271,362)	(287,117)
Cash dividends paid to non-controlling interests	(32,164)	(46,810)
Other	(1)	(0)
Net cash provided by (used in) financing activities	(727,257)	(669,837)
Effect of exchange rate changes on cash and cash equivalents	7,012	7,087
Net increase (decrease) in cash and cash equivalents	(13,189)	(316,361)
Cash and cash equivalents at the beginning of the year	809,802	796,613
Cash and cash equivalents at the end of the year	796,613	480,252

(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, 2023 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 judgements

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 fiscal year ended March 31, 2022, the Company had previously assumed that the impact of COVID-19 would last at least throughout the entire fiscal year ended March, 2023. The Company made an accounting estimate used for the preparation of its consolidated financial statements for the fiscal year ended March 31, 2023, assuming that the impact of COVID-19 on the following fiscal year and beyond will be 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, 2023.

(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, 2023. 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 in the consolidated financial statements for the relevant fiscal year described above. The adoption will not have significant impacts on The Company’s consolidated financial statements.

3. Significant Accounting Policies

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

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

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

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

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

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

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

(c) Disposal of a subsidiary

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

(d) Unification of reporting period

The consolidated financial statements include the financial statements of subsidiaries whose closing dates are different from that of the Company.For the preparation of the consolidated financial statements,such subsidiaries prepare financial statements based on the provisional accounts as of the Company's closing date.

ii. Associates

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

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

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

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

iii. Joint arrangements

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

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

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

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

(2) Business combination

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

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

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

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

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

(3) Segment information

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

(4) Foreign currency translation

i. Functional currency and presentation currency

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

ii. Foreign currency transactions

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

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

iii. Foreign operations

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

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

(5) Property, plant and equipment

i. Recognition and measurement

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

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

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

ii. Depreciation and useful lives

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

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

Communication equipment	
Machinery	9－15 years
Antenna equipment	10－42 years
Toll and local line equipment	6－27 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 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.

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 assesses 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. Post-employment benefits

The Group has adopted a defined benefit plan and a defined contribution plan as post-employment benefit plans for its employees.

(a) 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.

(b) 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.

ii. 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 Group 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 Group 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 (including UQ mobile and MVNO services) and sale of mobile handsets. The Group enters into mobile telecommunications service agreements directly with customers or indirectly through distributors, and 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. Revenue from the mobile telecommunication service fees and commission fees are recognized on a flat-rate basis and on a measured-rate basis when the services are provided to the customers, which is when the service is provided to the customer in accordance with contract and 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 within approximately one month of the billing date.
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 recognized when the service is provided, which is when the service is provided to the customer in accordance with contact and the performance obligation is fulfilled. Installation fee revenue is recognized over the estimated average contract period based on the percentage remaining.

The consideration for these transactions is received within approximately one month of the billing date.

iii. Value-added services

Revenue from content services mainly comprises revenue from information fees, revenue from commission on transfer of receivables, revenue through advertising businesses, agency fees on content services, and revenue from the energy business, etc.

Revenue from information fees comprises 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 and the performance obligation is fulfilled over the period in which the service is provided. Revenue from commission on transfer of receivables comprises the revenue from fees for transferring the receivables of content providers from customers as the agent of content providers together with the telecommunication fees and the performance obligation is fulfilled when the receivables was transferred from content providers to the Group. Electric power revenue comprises the revenue generated from electric power retail services and the performance obligation is fulfilled when the Group provides the services.

These revenues are recognized over the period in which the service is provided based on the nature of each contract since the performance obligations identified based on the contract with customer are fulfilled over time or when the Group provides the service.

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 affect profit for the year. The Group considers itself an agent for commission on transfer of receivables, 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. 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 within approximately one month of the billing date.

v. 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 billed before the performance obligation is fulfilled and is received within approximately one month of 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.

(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 Company 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, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands "au," "UQ mobile," and povo."

In addition, we are addressing challenges in local communities due to depopulation and aging, and are working with local partners to eliminate the digital divide and achieve regional co-creation.

Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and TELEHOUSE brand data center services.

Furthermore, in our mid-term management strategy (FY2022–2024), we announced the "Satellite Growth Strategy," which strives to evolve the telecommunications business through 5G and expand business in focus fields, centering on telecommunications. We provide global one-stop solutions that contribute to the development and expansion of our customers' businesses through IoT and DX centered on 5G communications in collaboration with our partners.

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.

The reportable segments for some businesses were changed due to organization change in the fiscal year ended March 31, 2023. Accordingly, the segment information for the fiscal year ended March 31, 2022 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, 2022

(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	4,596,528	827,545	5,424,074	22,634	5,446,708	—	5,446,708
Inter-segment revenue or transfers	72,679	214,575	287,254	62,838	350,091	(350,091)	—
Total	4,669,208	1,042,120	5,711,327	85,472	5,796,799	(350,091)	5,446,708
Segment income (loss)	867,092	187,072	1,054,164	7,590	1,061,754	(1,162)	1,060,592
Finance income and finance cost (Net)							2,457
Other non-operating profit and loss							1,448
Profit for the year before income tax							1,064,497
Other items							
Depreciation and amortization	644,236	85,023	729,260	2,357	731,617	(3,838)	727,779
Impairment loss	1,998	676	2,674	15	2,689	—	2,689
Share of profit of investment accounted for using the equity method	3,600	464	4,063	1,728	5,791	—	5,791

For the year ended March 31, 2023

(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	4,754,821	892,781	5,647,602	24,160	5,671,762	—	5,671,762
Inter-segment revenue or transfers	78,747	216,025	294,772	65,305	360,077	(360,077)	—
Total	4,833,567	1,108,807	5,942,374	89,465	6,031,838	(360,077)	5,671,762
Segment income (loss)	880,308	190,808	1,071,116	4,181	1,075,297	452	1,075,749
Finance income and finance cost (Net)							1,517
Other non-operating profit and loss							612
Profit for the year before income tax							1,077,878
Other items							
Depreciation and amortization	608,820	89,446	698,265	2,378	700,644	(4,053)	696,591
Impairment loss	2,289	48	2,337	17	2,354	—	2,354
Share of profit of investment accounted for using the equity method	2,652	(244)	2,408	2,161	4,569	—	4,569

(Note 1) “Other” is a segment not included in 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, 2022	For the year ended March 31, 2023
Profit for the year attributable to owners of the parent (Millions of yen)	672,486	677,469
Number of weighted average common stocks outstanding (Thousands of shares)	2,241,430	2,183,607
Basic earnings per share (Yen)	300.03	310.25

(2) Diluted earnings per share

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

(Unit: Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Profit for the year attributable to owners of the parent	672,486	677,469
Adjustment of profit	—	—
Profit used in calculation of diluted earnings per share	672,486	677,469

(Unit: Thousands of shares)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Number of weighted average common stocks outstanding	2,241,430	2,183,607
Effect of dilutive potential common stocks		
BIP trust and ESOP trust	2,214	909
Number of diluted weighted average common stocks during the year	2,243,645	2,184,516

	For the year ended March 31, 2022	For the year ended March 31, 2023
Diluted earnings per share (Yen)	299.73	310.12

(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