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

Financial Statements Summary for the nine-month period ended December 31, 2023 [IFRS]

February 2, 2024

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
Scheduled date of quarterly report filing:	February 7, 2024
Scheduled date of dividend payment:	—
Supplemental materials of quarterly results:	Yes
Presentation for quarterly results:	Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the nine-month period ended December 31, 2023 (April 1, 2023 - December 31, 2023)

(1) Consolidated Operating Results

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

	Operating revenue		Operating income		Profit for the period before income tax		Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
		%		%		%		%		%		%
Nine-month period ended December 31, 2023	4,265,531	2.0	847,877	0.4	869,496	3.1	601,964	4.2	545,593	2.3	639,972	13.8
Nine-month period ended December 31, 2022	4,182,893	—	844,628	—	843,205	—	577,890	—	533,576	—	562,599	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine-month period ended December 31, 2023	256.37	256.32
Nine-month period ended December 31, 2022	243.46	243.37

Note: IFRS 17 "Insurance Contracts" has been adopted from the beginning of the three-month period ended June 30, 2023, and the figures have been calculated retroactively to apply the accounting standard for the nine-month period ended December 31, 2022. Therefore, the year-on-year change for the nine-month period ended December 31, 2022 has not shown.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
				%
As of December 31, 2023	13,456,032	5,772,897	5,170,227	38.4
As of March 31, 2023	11,923,522	5,670,659	5,128,288	43.0

Note: IFRS 17 "Insurance contracts" has been adopted from the beginning of the three-month period ended June 30, 2023, and the figures as of March 31, 2023 are calculated retroactively to apply the accounting standard.

2. Dividends

	Dividends per share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	—	65.00	—	70.00	135.00
Year ending March 31, 2024	—	70.00	—		
Year ending March 31, 2024 (forecast)				70.00	140.00

Note: Changes in the latest forecasts released : No

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

(Percentage represents comparison to previous fiscal year)

	Operating revenue		Operating income		Profit for the year attributable to owners of the parent		Basic earnings per share
		%		%		%	Yen
Entire fiscal year	5,800,000	2.3	1,080,000	0.2	680,000	0.1	320.35

Note: Changes in the latest forecasts released : No

IFRS 17 "Insurance contracts" has been adopted from the beginning of the three-month period ended June 30, 2023, and the year-on-year change is presented by comparing the figures after retrospectively applying the accounting standard to the previous fiscal year.

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation) during the nine-month period ended December 31, 2023 : Yes

Addition: 1 Company name: KDDI Canada, Inc.

Exclusion: None

(2) Changes in accounting policies and estimates

1) Changes in accounting policies required under IFRSs: Yes

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

For the details, please refer to P.24 “2. Condensed Interim Consolidated Financial Statements” and “(7) Notes to Condensed Interim Consolidated Financial Statements 3. Material Accounting Policies.”

(3) Numbers of outstanding shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of December 31, 2023	2,302,712,308
	As of March 31, 2023	2,302,712,308
2) Number of treasury stock	As of December 31, 2023	213,579,544
	As of March 31, 2023	145,590,929
3) Number of weighted average common stock outstanding	For the nine-month period ended December 31, 2023	2,128,120,578
(cumulative for all quarters)	For the nine-month period ended December 31, 2022	2,191,648,703

Note: The 1,074,019 shares as of December 31, 2023 and the 1,319,384 shares as of March 31, 2023 of KDDI’s stock owned by the executive compensation BIP Trust account are included in the total number of treasury stock.

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

Explanation for appropriate use of forecasts and other notes

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.11 “1. Qualitative Information / Consolidated Financial Statements, etc (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results” under [the Attachment] for the assumptions used and other notes.

2. On February 2, 2024, 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. Qualitative Information / Consolidated Financial Statements, etc.

(1) Explanation of Financial Results

1) Results Overview

Industry Trends and KDDI's Position

We would like to extend our sincere condolences to all those impacted by the Noto Peninsula Earthquake of 2024 and their families. In the wake of the earthquakes, we have been working diligently to promptly restore our telecommunications network, while concurrently offering support to evacuation centers, facilitating data communications, and contributing relief funds. We will persist in our efforts to aid in the recovery of the affected areas.

In recent years, telecommunications functions have seeped into nearly every facet of society and become essential to everyone's way of life. The Japanese government has outlined its Vision for a Digital Garden City Nation, which promotes the application of digital technologies, especially in less populated regions, as DX becomes increasingly important to the solution of social issues and regional revitalization.

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'". The Company's mission is to connect and protect lives, connect day-to-day lives, and connect hearts and minds. To realize "KDDI VISION 2030," we will further refine our core business of telecommunications and further develop the "power to connect." We announced "KDDI Digital Twin for All," which will help create new added value through the integration of physical and cyber spaces while securing the sustainable growth of society through business.

At the same time, we are promoting a "Mid-term Business Strategy (FY2022-2024)" that looks ahead to 2030. In the Mid-term Management Strategy, we aim to achieve the enhancement of corporate value and the sustainable growth of society together with our partners through the Satellite Growth Strategy as our business strategy, and Strengthening of Management which supports the strategy.

Under our satellite growth strategy, we work to enhance experience quality and build 5G areas closely aligned with locations where customers spend a lot of their time, namely in the vicinity of rail hubs and commercial districts. We are also evolving the telecommunications business and expanding our focus fields, centering on telecommunications.
Specifically, the five focus areas are (1) digital transformation (DX), (2) finance, (3) energy, (4) life transformation (LX), and (5) Regional Co-Creation (such as CATV). In particular, DX integrates communication into everything in the form of IoT, and creates an environment where customers can utilize 5G without being aware of it.
To that end, we will provide business platforms that meet the individual needs of various industries and accelerate our customers' DX. We are aiming for a virtuous cycle of DX, where people's lives are transformed by the newly created added value. In addition, we are developing various finance businesses with the aim of maximizing synergy with telecommunications. Businesses that connect mobile telecommunication services with various financial services, include the internet-only au Jibun Bank, cashless settlement service au PAY, and the credit card au PAY Card. We are also expanding services that ensure customers can easily access many financial services using only their smartphone. Moreover, regarding LX, in March 2023, we launched the metaverse Web3 service αU (alpha U). We will create an abundant future society connecting real and virtual spaces where people can enjoy music events, art exhibits, conversations with friends, shopping, and more at any time and in any place.

In addition, KDDI is encouraging the use of generative AI to fortify its basis for DX and LX growth. In May 2023, we launched KDDI AI-Chat, a service that makes use of generative AI established with the aim of helping 10,000 KDDI employees enhance their AI skills and improve their efficiency. In September of the same year, we announced we had begun collaborating with Amazon Web Services (AWS) and Azure OpenAI Service to develop businesses utilizing AI. To accelerate the application of generative AI throughout society, we will proactively promote its use and carry on enhancing the user experience based on the use cases of our 10,000 employees.

KDDI is proactively addressing sustainability issues, starting with the major global issue of carbon neutrality. From April 2023, au Renewable Energy Co., Ltd. launched operations supplying renewable energy, especially solar power, to less populated regions, municipalities, and partner companies. We aim to achieve net zero CO2 emissions by FY2030 for KDDI (non-consolidated), by FY2026 for all data centers worldwide operated under the TELEHOUSE brand, 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.

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, Web3/AI, and advanced security technologies and further deepen our partnerships, including collaborations with start-ups. Moreover, we will keep collaborating with competitors, for example, sharing 5G equipment with SoftBank Corp. and promoting a global standard for optic network technologies alongside Nippon Telegraph and Telephone Corporation. Regarding our transformation into a company that puts human resources first, we will promote this across three pillars, namely: engraining the new personnel system, developing professional human resources through the KDDI Version Job Style Personnel System, and enhancing employee engagement. 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.

We will work to strengthen our risk management and information security systems and promote unified group management through the synergistic effect of the KDDI Philosophy, which serves as a common policy and code of conduct for both management and employees, and a corporate governance system that respects human rights and ensures transparency and fairness.

Financial Results

For the nine-month period ended December 31, 2023

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2022	Nine-month period ended December 31, 2023	Increase (Decrease)	Increase (Decrease)%
Operating revenue	4,182,893	4,265,531	82,639	2.0
Cost of sales	2,351,364	2,414,925	63,561	2.7
Gross profit	1,831,528	1,850,606	19,078	1.0
Selling, general and administrative expenses	1,037,312	1,029,857	(7,456)	(0.7)
Other income and expense (Net)	45,797	21,525	(24,272)	(53.0)
Share of profit(loss) of investments accounted for using the equity method	4,616	5,603	987	21.4
Operating income	844,628	847,877	3,249	0.4
Finance income and cost (Net)	(1,451)	8,978	10,429	—
Other non-operating profit and loss (Net)	28	12,640	12,612	—
Profit for the period before income tax	843,205	869,496	26,290	3.1
Income tax	265,315	267,531	2,216	0.8
Profit for the period	577,890	601,964	24,074	4.2
Attributable to owners of the parent	533,576	545,593	12,017	2.3
Attributable to non-controlling interests	44,314	56,371	12,057	27.2

(Note) As the fluctuations in other non-operating profit and loss are over 1000%, they are indicated as " - ".

Since the three-month period ended June 30, 2023, we have reassessed certain operating segments of our company, consolidated subsidiaries, and associated companies based on organizational changes. Accordingly, we have disclosed segment information for the nine-month period ended December 31, 2022 based on the revised segment classification.
In addition, we have applied IFRS 17 "Insurance Contracts" from the three-month period ended June 30, 2023. As a result, for the nine-month period ended December 31, 2022 and as of March 31, 2023, we disclose the figures after applying the accounting standard retrospectively.

During the nine-month period ended December 31, 2023, operating revenue increased by 2.0% year on year to ¥4,265,531 million mainly due to an increase in revenue in energy business and in solution business from growth in the NEXT Core Business which comprises corporate DX, business DX, and business base services although a decrease in revenue in mobile telecommunication fee including roaming fee in the nine-month period ended December 31, 2022.
Operating income increased by 0.4% year on year to ¥847,877 million mainly due to an increase in operating revenue.
Profit for the period attributable to owners of the parent increased by 2.3% year on year to ¥545,593 million.

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.

Quarterly 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.”
The “au Money Activity Plan“ launched by au in September of last year has gained a lot of support, with one in three customers who choose Unlimited Data MAX subscribing to the plan.*1 In addition, since December of last year, au Money Seminars, securities support seminars that make it easy for customers to learn about investments, have been held nationwide at au Style and online in conjunction with the new NISA system that went into effect this year. These seminars support money management activities in which customers accumulate monetary and other assets such as points through savings and investments. Furthermore, we launched the Smartphone Support Discount in November of last year, which offers a one-year discount on the “Smartphone Start Plan” to first-time purchasers of smartphones.
Through UQ mobile, from June 2023, we began providing three new plans: the “Komi Komi Plan,” the “Toku Toku Plan,” and the “Mini Mini Plan,” and the “Komi Komi Plan” and “Toku Toku Plan” in particular have received praise from many customers since the start of service, with the number of customers under contract surpassing expectations. We also launched the “UQ Parent Support Discount“ in December of last year. This program grants an increase in monthly data capacity to customers who are up to 18 years of age alongside a one-year discount on the monthly charge of the “Komi-Komi Plan” for customers who are up to 18 years of age and their family members.*2
Through povo, we offer our usual lineup of toppings that customers can choose from to fit their usage style, in December of last year, povo presented a limited-time deal that included a short-term call and data package to make it easier for clients to try povo out for themselves for a limited time. Furthermore, the “+α (plus alpha) topping” program, which combines various services and products, is expanding its partnership regions for future development through the inclusion of various topping items, such as doughnuts and taxi vouchers. It was also announced in November of last year that povo’s data had been selected for inclusion among the partner benefit privileges provided by the JAL Life Status Program, Japan Airlines Co.’s lifetime achievement program.

●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.
Furthermore, to support a wide range of extraordinary experiences, in collaboration with Space Exploration Technologies Corp. (Space X), we are creating a communications environment in areas where providing our services has been challenging by leveraging the satellite broadband Internet “Starlink.”
We installed vehicle-mounted/portable base stations and used them as backhaul lines for the au communication network in order to provide communication services to remote locations, such as building sites, islands, and mountainous areas that radio waves have difficulty reaching, as well as to ensure prompt communication in the event of a disaster. We are also expanding the use cases of “Starlink” to enable safe and comfortable mountain climbing activities by improving the communication atmosphere in mountain lodges, lowering communication congestion during events, and facilitating cashless payment.
We aim to start offering direct communication services between smartphones and satellites this year,*3 as SpaceX has launched the first cutting-edge satellite that will enable this service in January of this year. In order to bring the experience of “being connected wherever you can see the sky” to fruition, SpaceX will continue to promote technological verification and introduce more satellites into the system, extending the communication area to include all of Japan.

●With regard to the au Ponta Point program, Ponta Point entered a partnership with Kakaku.com, Inc., which operates the online reservation service “Tabelog,” in November last year. The partnership allows customers who meet certain conditions*4 to accumulate Ponta Points when using “Tabelog.” In addition, for au Smart Pass Premium customers, we began offering coupons on a monthly basis that can be used with au Pay. From August 2023, we replaced the awards offered on Santaro Day (the 3rd, 13th, and 23rd of each month) with even better deals. Going forward, we will continue to enhance customer relations by offering great deals on services that make every day more enjoyable.

●The financial business remained steady as the number of au PAY card members exceeded 9.2 million in December 2023. JCOM Co., Ltd. (J:COM), from September 2023, and Chubu Telecommunications Co., Inc. (ctc), from November 2023, began offering a preferential interest rate service that lowers the interest rate of home loans when customers use the services of J:COM and ctc as a set. In November last year, au Jibun Bank originated mortgage loans in excess of 3.5 trillion yen, recording the fastest rate of expansion among Internet-specialized banks.*5 In December last year, au Kabucom Securities began a campaign,*6 giving customers who created a new NISA account the opportunity to receive up to 16,000 Ponta points, subject to certain conditions. In addition, both the au PAY app and the au Kabucom Securities app received 2023 Good Design Awards (sponsored by the Japan Institute of Design Promotion) in October of last year. We continue striving to enhance UI/UX and offer ever more attractive services.

●In the energy business, au Renewable Energy Corporation, which promotes the renewable energy generation business, began the commercial operation of a solar power plant in Kumagaya City, Saitama Prefecture in December of last year. Base stations for au serving the Kanto region are powered by the energy produced at this power plant. We will keep building solar power plants to power our facilities, such as data centers, communications stations, and au base stations, in order to expedite our efforts toward carbon neutrality.

●In Myanmar,*7 we are continuing our activities that resonate with the people, for instance, the company provided free phone calls and data bonuses to victims of the massive flood that hit the country’s central Bago region last October. 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 will continue helping to enhance the nation’s economic development and people’s lives as the country’s No. 1 telecommunications operator.

*1.Tethering, data sharing, and international roaming communications (flat-rate worldwide data) have a data capacity limit, even with smartphone plans that offer unlimited internet usage. Using large amounts of data and during peak hours can limit the speed of communication. Watching videos, for example, can also slow down communication.

*2. Customers under the age of eighteen (18) and their family members who are members of the same “Home Set Discount” group or “Family Set Discount” group are eligible for this service. Details, including criteria for subscription, are provided on each service page.
Home Set Discount: https://www.uqwimax.jp/mobile/newplan/setwari/jitaku/ (Japanese only)
Family Set Discount: https://www.uqwimax.jp/mobile/newplan/kazoku/ (Japanese only)

*3. We plan to provide the service based on the establishment of laws and regulations related to frequency band allocation and use.

*4. In order to make an online reservation at a participating retailer, you must link your Ponta member ID.

*5. As of October 26, 2023, according to au Jibun Bank. Net banks include SBI Sumishin Net Bank, Sony Bank, PayPay Bank, Daiwa Next Bank, Rakuten Bank, GMO Aozora Net Bank, and Minna-no Ginko.

*6. New NISA Debut Support Campaign at au Kabucom Securities Co., Ltd. Ponta Points will be awarded to clients who meet the requirements and create a new NISA account with au Kabucom Securities Co., Ltd. during the designated period. For more details, visit
https://www.au.com/information/topic/auwallet/2023-057/ (Japanese only)

*7. 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 nine-month period ended December 31, 2023 is described below.

<u>Results</u>

For the nine-month period ended December 31, 2023

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2022	Nine-month period ended December 31, 2023	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	3,575,708	3,551,358	(24,351)	(0.7)
Operating Income	692,957	684,505	(8,451)	(1.2)

During the nine-month period ended December 31, 2023, operating revenue decreased by 0.7% year on year to ¥3,551,358 million mainly due to a decrease in revenue in energy business and in mobile telecommunication fee including roaming fee in the nine-month period ended December 31, 2022.

Operating income decreased by 1.2% year on year to ¥684,505 million mainly due to a decrease 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.
We continue to 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.

Quarterly Highlights

● In September 2023, we established business alliances with three partners: Asuene Inc., a cloud service provider that assists businesses in visualizing and reducing their CO2 emissions and reporting them to evaluation organizations, KPMG Consulting K.K., a consulting firm that facilitates the shift and transformation to sustainability management, and Globe-ing Inc., a company capable of offering cross-strategy and digital consulting services that yield measurable outcomes. Furthermore, we started providing corporate clients with KDDI Green Digital Solution, a one-stop assistance program, in October of the same year in order to help them become carbon neutral.
In accordance with customer issues and circumstances, this solution will support CO2 emissions reduction options such as DX solutions, au Denki's renewable energy options, and onsite PPA (power purchase agreements) that contribute to carbon neutrality. It will also enable information disclosure reporting, visualization of CO2 emissions, and strategy development for achieving carbon neutrality.

● In the data center business, which is being developed under the TELEHOUSE brand, to meet the strong demand for connectivity data centers in Europe, the forth expansion building was opened at the TELEHOUSE Paris Magny Campus in France in October of last year, and the fifth building, Building M, was opened at the TELEHOUSE Frankfurt Campus in Germany in October of last year. Strong sales have led the company to begin preparing for additional growth as a foundation for its data center business in Germany and France. Our data centers in Europe are powered entirely by renewable energy in an effort to reduce our environmental impact.
TELEHOUSE intends to be "the most interconnected and high-quality connectivity data center" for a range of customers, including content providers, cloud providers, and telecommunications carriers in Japan and abroad, while taking into consideration the environment in each region. TELEHOUSE will continue to support the global business of corporate customers.

● Our IoT business, including our group company SORACOM, has surpassed 45.5 million lines and continues to expand. The Connected Car, the driver of our IoT business expansion, serves over 24 million lines globally. In preparation for our June 2023 decision to expand the supply of communication services for connected cars to foreign automakers and the full-scale development of the connected car business for various products other than cars, we founded a new company in North America in November of last year. The company plans to begin operations in April of this year and, in collaboration with international development partners, aims to develop and offer quick and varied services by recruiting skilled workers from around the globe to work in the United States, which holds the world's second-largest market share for new car sales and is a hub for cutting-edge technology.

● We entered an Agreement on Comprehensive Collaboration with Sanjo City, Niigata Prefecture, in October of last year. Sanjo City has developed the "Sanjo City Digital Rural City Concept Comprehensive Strategy,"*1 and with this agreement, both parties hope to fortify their mutual support of the enhancement of citizen services, filling in information gaps, and using digital technology to revitalize their local communities. Along with this agreement, KDDI has been sending specialist personnel with digital technology experience to the city since October of last year. These personnel will collaborate with municipal government representatives to put solutions to the city's problems into action, for example, digitizing administrative processes and changing the work styles of teachers and local government representatives, which will expedite the city's DX promotion. In addition, we will continue to promote "Municipal DX" to support DX of the municipal governments around the country and use this program as an example.

● In November last year, we formed a business alliance with Dr. JOY and KDDI MATOMETE OFFICE CORPORATION to promote DX in the medical industry. Given that approximately 40% of practicing physicians put in more than 960 hours of overtime annually, it is imperative that changes affecting medical personnel related to the “Work Style Reform Bill”*2 that are set to go into effect in April of this year, be accommodated. By combining the DX infrastructure for medical institutions that the KDDI Group has developed through the provision of smartphone network security services for corporate customers with the services for medical institutions that Dr. JOY provides to support reforms in the way doctors work, we will promote DX in the medical industry in a comprehensive manner and contribute to solving the “2024 problem” in medicine and improving the overall efficiency of hospital operations.

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

*1. Sanjo City Digital Rural City Concept Comprehensive Strategy (Japanese only)
https://www.city.sanjo.niigata.jp/material/files/group/2/dejidensougousenryakurev.pdf
*2. Ministry of Health, Labour and Welfare website “Reform of physician work styles” (Japanese only)
https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryou/iryou/ishi-hatarakikata_34355.html

Operating performance in the Business Services segment for the nine-month period ended December 31, 2023 is described below.

Results

For the nine-month period ended December 31, 2023

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2022	Nine-month period ended December 31, 2023	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	824,656	912,120	87,464	10.6
Operating Income	147,793	159,106	11,312	7.7

During the nine-month period ended December 31, 2023, operating revenue increased by 10.6% year on year to ¥912,120 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 7.7% year on year to ¥159,106 million mainly due to an increase in operating revenue.

(2) Explanation of Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2023	As of December 31, 2023	Increase (Decrease)
Total assets	11,923,522	13,456,032	1,532,510
Total liabilities	6,252,863	7,683,135	1,430,272
Total equity	5,670,659	5,772,897	102,238
Equity attributable to owners of the parent	5,128,288	5,170,227	41,938
Ratio of equity attributable to owners of the parent to total assets	% 43.0	% 38.4	% (4.6)

(Assets)

Total assets increased by ¥1,532,510 million from the previous fiscal year-end to ¥13,456,032 million as of December 31, 2023 mainly due to an increase in loans for financial business and property, plant and equipment despite of a decrease in other short-term financial assets.

(Liabilities)

Total liabilities increased by ¥1,430,272 million from the previous fiscal year-end to ¥7,683,135 million as of December 31, 2023 mainly due to an increase in borrowings and bonds payable and deposits for financial business despite of a decrease in income taxes payables.

(Equity)

Total equity amounted to ¥5,772,897 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 43.0% as of March 31, 2023, to 38.4% as of December 31, 2023.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2022	Nine-month period ended December 31, 2023	Increase (Decrease)
Net cash provided by (used in) operating activities	842,440	1,064,629	222,189
Net cash provided by (used in) investing activities	(567,964)	(681,708)	(113,744)
Free cash flows (Note)	274,475	382,921	108,445
Net cash provided by (used in) financing activities	(524,954)	(244,300)	280,654
Effect of exchange rate changes on cash and cash equivalents	6,227	4,641	(1,586)
Net increase (decrease) in cash and cash equivalents	(244,252)	143,262	387,513
Cash and cash equivalents at the beginning of the period	796,613	480,252	(316,361)
Cash and cash equivalents at the end of the period	552,361	623,513	71,152

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

Net cash provided by operating activities increased by ¥222,189 million year on year to ¥1,064,629 million mainly due to the turnaround from a decrease to an increase in borrowings for financial business.

Net cash used in investing activities increased by ¥113,744 million year on year to ¥681,708 million mainly due to an increase in used in the purchases of property, plant and equipment.

Net cash used in financing activities decreased by ¥280,654 million year on year to ¥244,300 million mainly due to an increase in proceeds from issuance of bonds and long-term borrowings.

Reflecting these factors and an increase of ¥4,641 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of December 31, 2023, increased by ¥143,262 million from March 31, 2023 to ¥623,513 million.

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

For the fiscal year ending March 31, 2024, the Group forecasts operating revenue of ¥5,800,000 million, operating income of ¥1,080,000 million, and profit for the year attributable to owners of the parent of ¥680,000 million. No changes have been made from the details stated in the Summary of Financial Results for the fiscal year ended March 31, 2023 (disclosed on May 11, 2023).

If it becomes necessary to revise the forecast due to future changes in circumstances, we will disclose the revision as soon as possible.

(4) Business Risks

For the nine-month period ended December 31, 2023 and as of the submission date of the summary of financial statements for the nine-month period ended December 31, 2023, KDDI considers it a following business risk that must be changed in business risks described in its Annual Securities Report, which was released in the previous fiscal year. In addition, forward-looking statements included in the following discussion are based on the KDDI Group's judgments at the date of submission of the consolidated financial statements for the nine-month period ended December 31, 2023.
The item numbers under the following headings correspond to those in "Section One, Corporate Data, Section Two, Business Status, 3. Business Risks" in the previous fiscal year's Annual Securities Report. We have omitted some parts where there were no changes in the relevant matter.

(3) Communication failure, natural disasters, accidents, etc.
KDDI Summit Global Myanmar Co., Ltd. (KSGM), a consolidated subsidiary of KDDI Corporation, provides support for the telecommunications business operations of Myanma Posts & Telecommunications (MPT), an organization under Myanmar's Ministry of Transport and Communication. However, if the political upheaval that occurred in February 2021 restricts the business activities of MPT, it may affect the business results of our group.
Due to foreign exchange control regulations enacted by the Central Bank of Myanmar and the Foreign Exchange Supervisory Committee that went into effect in April 2022, KSGM is subject to restrictions on the collection of lease receivables denominated in U.S. dollars. As a result, the Group's operating results may be impacted by the future status of its collection operations.

(4) Regulations and policy decisions related to telecommunications businesses, etc.
Since August 2023, discussions have taken place within the LDP's Project Team and at the Ministry of Internal Affairs and Communications' Special Committee on Telecommunications Policy ("Special Committee"), under the Information and Communications Council, regarding the possibility of completely privatizing NTT, including the abolition of the NTT Law.

Ensuring a fair and competitive environment in Japan's telecommunications industry requires a combination of the Telecommunications Business Act, which sets out fair competition rules, and the NTT Law, which imposes responsibilities for the public good on NTT, as well as its group companies Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation, as the inheritors of assets and facilities from the former Nippon Telegraph and Telephone Public Corporation. While it is necessary to consider reviewing telecommunications policy, including the NTT Law, we believe that careful consideration is necessary for the outright abolition of the NTT Law. If the NTT Law is abolished, which could jeopardize the public interest, there are the following concerns, which could potentially affect the business performance of our group.

・Concerns that further integration of the NTT Group may hinder fair competition environment in Japan, cause higher user fees and stagnant innovation.
・Concerns that if NTT no longer assumes the last-resort public duty, it may become difficult to achieve a secure, safe, resilient, high-speed, and high-capacity telecommunications environment regardless of location.
・Concerns that the overwhelming market dominance of the NTT Group may lead to the exclusion of regional operators and the decline of regional services.

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Non-current assets :		
Property, plant and equipment	2,595,721	2,740,459
Right-of-use assets	393,935	419,229
Goodwill	541,058	582,776
Intangible assets	1,048,396	1,050,115
Investments accounted for using the equity method	261,169	281,313
Long-term loans for financial business	2,038,403	2,777,629
Securities for financial business	411,063	473,598
Other long-term financial assets	304,106	371,716
Retirement benefit assets	62,911	65,074
Deferred tax assets	12,203	11,937
Contract costs	637,534	671,421
Other non-current assets	29,924	31,461
Total non-current assets	8,336,424	9,476,726
Current assets :		
Inventories	99,038	124,650
Trade and other receivables	2,445,250	2,575,121
Short-term loans for financial business	304,557	344,876
Call loans	53,944	68,883
Other short-term financial assets	60,158	54,609
Income tax receivables	2,663	5,296
Other current assets	141,236	182,357
Cash and cash equivalents	480,252	623,513
Total current assets	3,587,098	3,979,306
Total assets	11,923,522	13,456,032

(Unit: Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	914,233	1,673,998
Long-term deposits for financial business	64,829	110,542
Lease liabilities	286,437	287,714
Other long-term financial liabilities	10,309	10,265
Retirement benefit liabilities	11,739	13,330
Deferred tax liabilities	188,101	241,876
Provisions	52,414	45,468
Contract liabilities	76,258	80,053
Other non-current liabilities	12,366	12,710
Total non-current liabilities	1,616,687	2,475,955
Current liabilities :		
Borrowings and bonds payable	337,961	458,979
Trade and other payables	801,927	805,971
Short-term deposits for financial business	2,652,723	3,118,786
Cash collateral received for securities lent	244,111	285,966
Lease liabilities	112,805	111,858
Other short-term financial liabilities	6,894	8,464
Income taxes payables	129,404	85,519
Provisions	25,398	27,256
Contract liabilities	82,242	86,564
Other current liabilities	242,712	217,817
Total current liabilities	4,636,176	5,207,180
Total liabilities	6,252,863	7,683,135
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	279,371	308,640
Treasury stock	(545,833)	(813,625)
Retained earnings	5,220,504	5,468,833
Accumulated other comprehensive income	32,394	64,528
Total equity attributable to owners of the parent	5,128,288	5,170,227
Non-controlling interests	542,370	602,670
Total equity	5,670,659	5,772,897
Total liabilities and equity	11,923,522	13,456,032

(2) Condensed Interim Consolidated Statement of Income

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2022	For the nine-month period ended December 31, 2023
Operating revenue	4,182,893	4,265,531
Cost of sales	2,351,364	2,414,925
Gross profit	1,831,528	1,850,606
Selling, general and administrative expenses	1,037,312	1,029,857
Other income	47,396	28,233
Other expense	1,599	6,708
Share of profit of investments accounted for using the equity method	4,616	5,603
Operating income	844,628	847,877
Finance income	5,602	16,310
Finance cost	7,053	7,332
Other non-operating profit and loss	28	12,640
Profit for the period before income tax	843,205	869,496
Income tax	265,315	267,531
Profit for the period	577,890	601,964
Profit for the period attributable to:		
Owners of the parent	533,576	545,593
Non-controlling interests	44,314	56,371
Profit for the period	577,890	601,964
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	243.46	256.37
Diluted earnings per share (yen)	243.37	256.32

(Unit: Millions of yen)

	For the three-month period ended December 31, 2022	For the three-month period ended December 31, 2023
Operating revenue	1,442,057	1,486,564
Cost of sales	834,548	858,363
Gross profit	607,509	628,202
Selling, general and administrative expenses	343,430	344,709
Other income	20,134	2,482
Other expense	435	731
Share of profit of investments accounted for using the equity method	1,566	2,315
Operating income	285,344	287,558
Finance income	2,774	2,953
Finance cost	5,623	5,694
Other non-operating profit and loss	(5)	1,421
Profit for the period before income tax	282,490	286,238
Income tax	90,964	91,366
Profit for the period	191,526	194,872
Profit for the period attributable to:		
Owners of the parent	178,440	176,898
Non-controlling interests	13,086	17,974
Profit for the period	191,526	194,872
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	82.01	84.59
Diluted earnings per share (yen)	81.99	84.58

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2022	For the nine-month period ended December 31, 2023
Profit for the period	577,890	601,964
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	(31,435)	18,764
Share of other comprehensive income of investments accounted for using the equity method	(906)	(341)
Total	(32,342)	18,423
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(368)	542
Translation differences on foreign operations	14,673	18,491
Share of other comprehensive income of investments accounted for using the equity method	2,745	552
Total	17,050	19,585
Total other comprehensive income	(15,291)	38,007
Total comprehensive income for the period	562,599	639,972
Total comprehensive income for the period attributable to:		
Owners of the parent	514,219	578,070
Non-controlling interests	48,380	61,902
Total	562,599	639,972

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

(Unit: Millions of yen)

	For the three-month period ended December 31, 2022	For the three-month period ended December 31, 2023
Profit for the period	191,526	194,872
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	(10,669)	6,532
Share of other comprehensive income of investments accounted for using the equity method	(418)	(489)
Total	(11,088)	6,043
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(2,967)	(1,739)
Translation differences on foreign operations	(19,560)	(14,986)
Share of other comprehensive income of investments accounted for using the equity method	312	(662)
Total	(22,216)	(17,387)
Total other comprehensive income	(33,304)	(11,343)
Total comprehensive income for the period	158,223	183,528
Total comprehensive income for the period attributable to:		
Owners of the parent	155,513	168,943
Non-controlling interests	2,709	14,585
Total	158,223	183,528

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

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the nine-month period ended December 31, 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, 2022	141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663
Cumulative effects of changes in accounting policies	—	—	—	3,682	348	4,030	—	4,030
Restated balance	141,852	279,371	(299,827)	4,821,799	43,422	4,986,617	528,077	5,514,694
Comprehensive income								
Profit for the period	—	—	—	533,576	—	533,576	44,314	577,890
Other comprehensive income	—	—	—	—	(19,358)	(19,358)	4,066	(15,291)
Total comprehensive income	—	—	—	533,576	(19,358)	514,219	48,380	562,599
Transactions with owners and other transactions								
Cash dividends	—	—	—	(288,394)	—	(288,394)	(46,196)	(334,590)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	(503)	503	—	—	—
Purchase and disposal of treasury stock	—	(31)	(207,313)	—	—	(207,344)	—	(207,344)
Retirement of treasury stock	—	(5,313)	5,313	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	4,014	—	(4,014)	—	—	—	—
Changes in ownership interests in subsidiaries	—	(726)	—	—	—	(726)	(2,512)	(3,239)
Other	—	1,624	(1,167)	—	—	457	—	457
Total transactions with owners and other transactions	—	(433)	(203,167)	(292,910)	503	(496,007)	(48,709)	(544,716)
As of December 31, 2022	141,852	278,938	(502,994)	5,062,465	24,568	5,004,828	527,749	5,532,577

For the nine-month period ended December 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, 2023	141,852	279,371	(545,833)	5,220,504	32,394	5,128,288	542,370	5,670,659
Comprehensive income								
Profit for the period	—	—	—	545,593	—	545,593	56,371	601,964
Other comprehensive income	—	—	—	—	32,477	32,477	5,531	38,007
Total comprehensive income	—	—	—	545,593	32,477	578,070	61,902	639,972
Transactions with owners and other transactions								
Cash dividends	—	—	—	(297,607)	—	(297,607)	(49,015)	(346,622)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	343	(343)	—	—	—
Purchase and disposal of treasury stock	—	(33)	(268,532)	—	—	(268,564)	—	(268,564)
Changes due to business combination	—	46,544	—	—	—	46,544	27,952	74,496
Changes in ownership interests in subsidiaries	—	(16,970)	—	—	—	(16,970)	19,461	2,491
Other	—	(273)	739	—	—	466	—	466
Total transactions with owners and other transactions	—	29,268	(267,793)	(297,264)	(343)	(536,131)	(1,602)	(537,734)
As of December 31, 2023	141,852	308,640	(813,625)	5,468,833	64,528	5,170,227	602,670	5,772,897

(5) Condensed Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2022	For the nine-month period ended December 31, 2023
Cash flows from operating activities		
Profit for the period before income tax	843,205	869,496
Depreciation and amortization	522,674	513,731
Impairment losses	212	33
Share of (profit) loss of investments accounted for using the equity method	(4,616)	(5,603)
Loss (gain) on sales of non-current assets	(37)	(135)
Interest and dividends income	(5,540)	(7,159)
Interest expenses	5,305	6,235
(Increase) decrease in trade and other receivables	(20,509)	(92,810)
Increase (decrease) in trade and other payables	19,138	(5,183)
(Increase) decrease in loans for financial business	(487,115)	(778,116)
Increase (decrease) in deposits for financial business	391,464	511,776
Increase (decrease) in borrowings for financial business	(6,500)	410,000
(Increase) decrease in Call loans	(63,978)	(14,939)
Increase (decrease) in Call money	(117,462)	—
Increase (decrease) in cash collateral received for securities lent	193,158	41,855
(Increase) decrease in inventories	(37,392)	(25,487)
(Increase) decrease in retirement benefit assets	207	(2,163)
Increase (decrease) in retirement benefit liabilities	(444)	795
Other	(108,118)	(92,830)
Cash generated from operations	1,123,654	1,329,495
Interest and dividends received	8,694	10,831
Interest paid	(5,138)	(6,317)
Income tax paid	(284,770)	(269,380)
Net cash provided by (used in) operating activities	842,440	1,064,629
Cash flows from investing activities		
Purchases of property, plant and equipment	(288,866)	(412,286)
Proceeds from sales of property, plant and equipment	447	173
Purchases of intangible assets	(171,256)	(160,274)
Purchases of securities for financial business	(314,215)	(363,004)
Proceeds from sales and redemption of securities for financial business	228,095	295,479
Purchases of other financial assets	(7,652)	(58,534)
Proceeds from sales and redemption of other financial assets	1,878	3,568
Payments for acquisition of subsidiaries	—	(6,659)
Proceeds from acquisition of subsidiaries	—	27,450
Purchases of stocks of associates	(7,363)	(1,848)
Proceeds from sales of stocks of subsidiaries and associates	—	1,615
Other	(9,033)	(7,387)
Net cash provided by (used in) investing activities	(567,964)	(681,708)

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2022	For the nine-month period ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	114,500	257,609
Proceeds from issuance of bonds and long-term borrowings	100,000	386,000
Payments from redemption of bonds and repayments of long-term borrowings	(94,000)	(174,288)
Repayments of lease liabilities	(101,116)	(101,687)
Payments from purchase of subsidiaries’ equity from non-controlling interests	(3,574)	(2,269)
Proceeds from stock issuance to non-controlling interests	7	16,932
Repayments to non-controlling interests	—	(11,434)
Payments from purchase of treasury stock	(207,313)	(268,532)
Proceeds from sales of treasury stock	—	0
Cash dividends paid	(286,969)	(297,423)
Cash dividends paid to non-controlling interests	(46,650)	(49,207)
Other	160	(1)
Net cash provided by (used in) financing activities	(524,954)	(244,300)
Effect of exchange rate changes on cash and cash equivalents	6,227	4,641
Net increase (decrease) in cash and cash equivalents	(244,252)	143,262
Cash and cash equivalents at the beginning of the period	796,613	480,252
Cash and cash equivalents at the end of the period	552,361	623,513

(6) Going Concern Assumption

None

(7) Notes to Condensed Interim Consolidated Financial Statements

1. Reporting Entity

KDDI Corporation (“the Company”) was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company’s condensed interim consolidated financial statements as of and for the nine-month period ended December 31, 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 condensed interim consolidated financial statements with IFRSs

The Group’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34 of IFRSs as prescribed in Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), hereinafter referred to as “Ordinance on Quarterly Consolidated Financial Statements” as they satisfy the requirement of a “specific company” set forth in Article 1-2 of Ordinance on Quarterly Consolidated Financial Statements. The condensed interim consolidated financial statements, which do not contain all the information required in annual consolidated financial statements, should be read in conjunction with the annual consolidated financial statements for the previous fiscal year ended March 31, 2023.

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgement

The preparation of condensed interim consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on the management’s best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of the estimates or assumptions, however, actual results may differ from those estimates and assumptions.
The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years.
Except for the impact of IFRS 17 "Insurance Contracts" as stated in “3. Material Accounting Policies”, the judgments, estimates and assumptions that have significant impact on the amount in the condensed interim consolidated financial statements are consistent with those described in the annual consolidated financial statements for the previous fiscal year in principle.

(5) Application of new standards and interpretations

The Group has adopted IFRS 17 "Insurance Contracts" since three-month period ended June 30, 2023. In accordance with the transitional requirements of IFRS 17, we have applied the new provisions retrospectively and recognize the cumulative impact at the beginning balance of retained earnings of the previous fiscal year as an adjustment. For information on the impact of changes in accounting policies, please refer to "3. Material Accounting Policies".

(6) Standards not yet adopted

There are no new standards or amendments by the approval date of the condensed interim consolidated financial statements that have significant impact.

3. Material Accounting Policies

The material accounting policies applied in this condensed interim consolidated financial statements are consistent with those of the annual financial statements, as described in the consolidated financial statements for the previous fiscal year, except for the following. Also, income tax expenses on condensed interim consolidated statement of income are calculated based on the estimated average annual effective income tax rate.

Adoption of IFRS 17

Impact of adoption of a new accounting standard

The Group has adopted the following standard since three-month period ended June 30, 2023.

IFRS		New or revised content
IFRS17	Insurance Contracts	Revision of insurance contracts

The Group has adopted IFRS 17 "Insurance Contracts" (hereinafter referred to as "IFRS 17") from the three-month period ended June 30, 2023. The Group has retrospectively applied IFRS 17 in accordance with the following transitional requirements at the transition date:

・Identify, recognize and measure each group of insurance contracts as if IFRS 17 had always been applied

・Derecognize any existing balances that would not exist had IFRS 17 always been applied

・Recognize any resulting net difference in equity

In IFRS 17, the Group classifies contracts that involve significant insurance risks as insurance contracts. We have applied the premium allocation approach for insurance contracts issued and reinsurance contracts held in the non-life insurance business. We have applied the general measurement model for insurance contracts issued and reinsurance contracts held in the life insurance business.

Regarding insurance finance income or expenses, we include the amount calculated by regularly allocating the total expected finance income or expenses over the duration of group of insurance contracts in the net profit or loss, and the difference between the amount measured when applying the book value of group of insurance contracts and the regular allocation is recorded as other comprehensive income.

The Group has applied the full retrospective approach to the group of insurance contracts issued in the non-life and life insurance businesses, recognizing and measuring them as if IFRS 17 had always been applied.

The Group has applied transitional requirements for IFRS 17 and has not disclosed the impact of IFRS 17 on each financial statement item and earnings per share. The impact of the adoption of IFRS 17 on condensed interim consolidated financial statements as of April 1, 2022 is shown in condensed interim consolidated statement of changes in equity.

4. Segment Information

(1) Outline of reporting segments

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

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

The Personal Services segment provides services to individual customers.

In Japan, 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.

We continue to 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.

Since the three-month period ended June 30, 2023, we have reassessed certain operating segments of our company, consolidated subsidiaries, and associated companies based on organizational changes. Accordingly, we have disclosed segment information for the nine-month period ended December 31, 2022 and the three-month period ended December 31, 2022 based on the revised segment classification.

In addition, we have applied IFRS 17 "Insurance Contracts" from the three-month period ended June 30, 2023. As a result, we disclose the figures after applying the accounting standard retrospectively for the nine-month period ended December 31, 2022 and the three-month period ended December 31, 2022.

(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. Material Accounting Policies.”

Income of the reportable 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 reportable segments.

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

The Group's segment information is as follows:

For the nine-month period ended December 31, 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	3,509,057	650,514	4,159,572	23,321	4,182,893	—	4,182,893
Inter-segment revenue or transfers	66,651	174,142	240,793	68,510	309,303	(309,303)	—
Total	3,575,708	824,656	4,400,365	91,831	4,492,195	(309,303)	4,182,893
Segment income	692,957	147,793	840,750	4,037	844,787	(159)	844,628
Finance income and finance cost (Net)							(1,451)
Other non-operating profit and loss (Net)							28
Profit for the period before income tax							843,205

For the nine-month period ended December 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	3,495,910	741,461	4,237,371	28,160	4,265,531	—	4,265,531
Inter-segment revenue or transfers	55,447	170,659	226,106	68,673	294,779	(294,779)	—
Total	3,551,358	912,120	4,463,477	96,833	4,560,310	(294,779)	4,265,531
Segment income	684,505	159,106	843,611	5,258	848,869	(992)	847,877
Finance income and finance cost (Net)							8,978
Other non-operating profit and loss (Net)							12,640
Profit for the period before income tax							869,496

Note 1: "Other" is a segment not included in reporting segment, and includes construction and maintenance of facilities, and research and development of leading-edge technology.

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

For the three-month period ended December 31, 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	1,212,937	222,100	1,435,037	7,020	1,442,057	—	1,442,057
Inter-segment revenue or transfers	22,792	58,510	81,302	23,476	104,779	(104,779)	—
Total	1,235,729	280,610	1,516,339	30,496	1,546,836	(104,779)	1,442,057
Segment income	232,380	51,573	283,952	1,341	285,293	51	285,344
Finance income and finance cost (Net)							(2,849)
Other non-operating profit and loss (Net)							(5)
Profit for the period before income tax							282,490

For the three-month period ended December 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	1,208,759	267,954	1,476,713	9,851	1,486,564	—	1,486,564
Inter-segment revenue or transfers	16,686	59,498	76,184	25,156	101,340	(101,340)	—
Total	1,225,445	327,452	1,552,898	35,007	1,587,904	(101,340)	1,486,564
Segment income	227,139	57,442	284,581	3,717	288,298	(739)	287,558
Finance income and finance cost (Net)							(2,742)
Other non-operating profit and loss (Net)							1,421
Profit for the period before income tax							286,238

Note 1: “Other” is a segment not included in reporting segment, 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.