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, 2024 [IFRS]

May 10, 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
Date of general shareholders' meeting (as planned): Jun 19 2024
Dividend payable date (as planned): Jun 20 2024
Annual securities report filing date (as planned): Jun 20 2024
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, 2024 (April 1, 2023 - March 31, 2024)

(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, 2024	5,754,047	1.5	961,584	(10.7)	992,725	(8.0)	656,104	(11.3)	637,874	(6.1)	719,172	(3.8)
Year ended March 31, 2023	5,671,762	−	1,077,393	−	1,079,523	−	740,039	−	679,113	−	747,738	−

	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, 2024	301.26	301.18	12.3	7.6	16.7
Year ended March 31, 2023	311.01	310.88	13.4	9.4	19.0

Reference: Equity in net income (losses) of affiliates Year ended March 31, 2024 : 9,945 million yen Year ended March 31, 2023 : 6,213 million yen

Note: IFRS 17 "Insurance Contracts" has been adopted from the fiscal year ended March 31, 2024, and the figures have been calculated retroactively to apply the accounting standard for the fiscal year ended March 31, 2023. Therefore, the year-on-year change for the fiscal year ended March 31, 2023 has not shown.

(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, 2024	14,146,060	5,797,226	5,253,362	37.1	2,522.92
As of March 31, 2023	11,923,522	5,670,659	5,128,288	43.0	2,377.38

Note: IFRS 17 "Insurance contracts" has been adopted from the fiscal year ended March 31, 2024, and the figures as of March 31, 2023 are calculated retroactively to apply the accounting standard.

(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, 2024	1,706,498	(832,433)	(476,477)	887,207
Year ended March 31, 2023	1,078,869	(732,480)	(669,837)	480,252

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, 2023	—	65.00	—	70.00	135.00	293,495	43.4	5.8
Year ended March 31, 2024	—	70.00	—	70.00	140.00	292,284	46.5	5.7
Year ending March 31, 2025 (forecast)	—	70.00	—	75.00	145.00		42.6	

3. Consolidated Financial Forecast for the Year ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(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	5,770,000	0.3	1,110,000	15.4	690,000	8.2	340.01

Notes

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

Addition: 1 Company name: KDDI Canada, Inc.

Exclusion: None

(2) Changes in accounting policies, accounting estimates

1) Changes in accounting policies required under IFRSs: Yes

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

For the details, please refer to P.24 “4. Consolidated Financial Statements and Notes (7) Notes to Consolidated Financial Statements 2. Basis of Preparation.”

(3) Numbers of Outstanding Shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of March 31, 2024	2,302,712,308
	As of March 31, 2023	2,302,712,308
2) Number of treasury stock	As of March 31, 2024	220,458,160
	As of March 31, 2023	145,590,929
3) Number of weighted average common stock outstanding	For the year ended March 31, 2024	2,117,320,273
(cumulative for all quarters)	For the year ended March 31, 2023	2,183,606,955

Note: The 1,074,019 shares as of March 31, 2024 and the 1,319,384 shares as of March 31, 2023 of KDDI stock owned by the executive compensation BIP Trust account are included in the total number of treasury stock.

Explanation for appropriate use of forecasts and other notes

1. The forward-looking statements such as operational forecasts contained in this summary are based on the information currently available to KDDI and certain assumptions that are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.12 “1. Overview of Consolidated Business Results (4) Outlook for the Year ending March 31, 2025” under [the Attachment] for the assumptions used and other notes.

2. On May 10, 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]

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1. Overview of Consolidated Business Results

(1) Overview of Consolidated Operating Results

1) Results Overview

Industry Trends and KDDI's Position

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 that looks ahead to 2030, and 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 have worked to evolve the telecommunications business and expand the five focus areas consisting of (1) digital transformation (DX), (2) finance, (3) energy, (4) life transformation (LX), and (5) regional co-creation (such as CATV), which centers on telecommunications.
In our core telecommunications business, 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 customers are able to comfortably use 5G in their daily lives. In addition, to broadly support the extraordinary experiences of customers, in collaboration with Space Exploration Technologies Corp. (Space X), we have established a telecommunications environment in areas where it has been difficult to offer services, including mountainous and remote island regions, by using Starlink's satellite broadband internet. There has been a rise in such unique cases as supporting safe and comfortable hiking activities by improving the telecommunications environment of mountain cabins, reducing telecommunication disruptions at crowded events, and enabling cashless payments. During the Noto peninsula earthquake in January 2024, in conjunction with Space X's Japanese joint venture Starlink Japan, we provided Starlink service to support the medical activities of the Disaster Medical Assistance Team (DMAT), for backhaul connections to vehicle-mounted, mobile, and ship-mounted base stations during the area's recovery, as well as to evacuation shelters, the Japan Self-Defense Forces, municipalities, electric power companies, and other organizations. And, in February 2024, following system reform, we began provided Starlink's MARITIME service in international waters. We plan to begin provided telecommunication services directly connecting satellites and smartphones this year,*1 and, by expanding our telecommunications area to cover all of Japan, we are striving to ensure "eliminating areas without connectivity wherever you are in Japan."

In addition, in the focus field of DX, we provide business platforms that meet the individual needs of various industries and support the DX of corporate customers. At the same time, with the aim of creating a virtuous cycle of DX in which people's lives are transformed by newly created value, we created an environment where communication is integrated into everything and customers can effortlessly utilize 5G. In addition, we have developed various finance businesses with the aim of maximizing synergy with telecommunications. We have connected mobile telecommunication services with various financial services, including the internet-only au Jibun Bank, cashless settlement service au PAY, and the credit card au PAY Card. In this way, we have expanded services that ensure customers can easily access many financial services with just their smartphone. Moreover, regarding LX, in March 2023, we launched the metaverse Web3 service αU (alpha U). We have created 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.

KDDI is also 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 April 2024, we made ELYZA, Inc. into a consolidated subsidiary, which promotes the practical application of large language models (LLMs). The company will continue accelerating the practical application of generative AI by combining its top-class domestic LLM R&D capabilities with the Group's computational infrastructure, network resources, and other assets.

KDDI has announced "realizing carbon neutrality" as one of its material issues and is proactively undertaking initiatives aimed at achieving this goal.
Since April 2023, we have been promoting the renewable energy business, centered on solar power, at au Renewable Energy, Inc. The Group aims to achieve carbon neutrality by the end of fiscal 2030 and net zero emissions by the end of fiscal 2040. In addition, we will switch the sourcing of all of the power used at Telehouse brand data centers to renewable energy by the end of fiscal 2025. KDDI is vigorously promoting a shift to renewable energy and energy efficiency in mobile phone base stations and telecommunication equipment to achieve a renewable energy ratio of 50% by the end of fiscal 2030 on a non-consolidated basis.

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. To promote innovation, we have accelerated initiatives based on these satellite growth strategies for business creation, R&D, Web3/AI, and advanced security technologies in addition to enhancing capital investment and R&D for 5G and Beyond 5G. In addition we have further deepened our partnerships, including collaborations with start-ups. We have also kept 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. Furthermore, regarding our transformation into a company that puts human resources first, we 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 have also shifted crucial members to focus areas by training professional human resources and enhance the DX skills of all employees by utilizing KDDI DX University.

Moreover, in May 2024 KDDI updated its business strategy, naming it the New Satellite Growth Strategy and extending the medium-term management strategy period for one more year amid drastic changes in outcomes and in light of forecasts regarding the business environment and business conditions, such as the currently unstable global situation and diversifying customer needs.
We will also continue working 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.

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

Financial Results

For the year ended March 31, 2024

(Amount unit: Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Increase (Decrease)	Increase (Decrease)%
Operating revenue	5,671,762	5,754,047	82,285	1.5
Cost of sales	3,260,030	3,323,514	63,483	1.9
Gross profit	2,411,731	2,430,533	18,802	0.8
Selling, general and administrative expenses	1,408,391	1,503,680	95,290	6.8
Other income and expense (Net)	67,840	24,786	(43,053)	(63.5)
Share of profit (loss) of investments accounted for using the equity method	6,213	9,945	3,732	60.1
Operating income	1,077,393	961,584	(115,809)	(10.7)
Finance income and cost (Net)	1,517	11,652	10,135	668.1
Other non-operating profit and loss (Net)	612	19,490	18,877	—
Profit for the period before income tax	1,079,523	992,725	(86,797)	(8.0)
Income tax	339,484	336,621	(2,863)	(0.8)
Profit for the period	740,039	656,104	(83,934)	(11.3)
Attributable to owners of the parent	679,113	637,874	(41,239)	(6.1)
Attributable to non-controlling interests	60,926	18,230	(42,695)	(70.1)

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

In the fiscal year ended March 31, 2024, 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 fiscal year ended March 31, 2023 based on the revised segment classification.
In addition, we have applied IFRS 17 "Insurance Contracts" from the fiscal year ended March 31, 2024. As a result, for the fiscal year ended March 31, 2023 and as of March 31, 2023, we disclose the figures after applying the accounting standard retrospectively.

During the fiscal year ended March 31, 2024, operating revenue increased by 1.5% year on year to ¥5,754,047 million mainly due to an increase in revenue from growth in the NEXT Core Business, which comprises corporate DX, business DX, and business base services despite a decrease in revenue in the energy business and in mobile telecommunication fees including roaming fees in the fiscal year ended March 31, 2023.
Operating income decreased by 10.7% year on year to ¥961,584 million mainly due to a loss allowance for a portion of the lease receivables from KDDI Summit Global Myanmar Co., Ltd. (KSGM), impairment losses/removable allowance for telecommunications equipment with low utilization rates, and a decrease in mobile telecommunication fees including roaming fees, despite an increase in revenue from growth in the NEXT Core Business.
Profit for the period attributable to owners of the parent decreased by 6.1% year on year to ¥637,874 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,” and are also 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.”
In September 2023, au launched the “au Money Activity Plan,” the industry’s first smartphone pricing plan that provides extra benefits when using financing services.*1 In addition, since November of last year, given an increase in financial awareness among all generations, including younger ones, au Money Seminars and securities support seminars that make it easy for customers to learn about investments have been held nationwide at au Style*2 and online. These seminars support money management activities in which customers accumulate monetary and other assets such as points through savings and investments. Furthermore, since March 2024, we have been working hard to further enhance customer experiences, such as by being the first in major domestic company*3 to use generative AI to respond to some inquiries with chatbots provided by au. We will continue to aim to enable customers to swiftly resolve inquiries in a stress-free way.
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.” “Komi Komi Plan” and “Toku Toku Plan” in particular have received great praise, 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.*4
Through povo, in addition to our usual lineup of toppings that customers can choose from to fit their usage style, we have been expanding future development through such various topping items as doughnuts and taxi vouchers.
In March 2024, we began offering the “povo2.0 data-only” pricing plan that only allows use of data service. Compared with conventional plans that include voice calling, the contract process is much more streamlined, and service can be used in as little as three minutes.*5 Even if a customer runs out of data on their main line while away from home, such as while taking a vacation, going to a special event, or on a business trip, they can set up a contract and purchase extra data to immediately begin using data service. In February 2024, at the MWC Barcelona 2024 exhibition held in Barcelona, Spain, we introduced the idea of incorporating povo’s software development kit into the services of external contractors as we aim to expand the povo business model, which was launched in Japan, to the rest of the world going forward.
In January 2024, we spun off the cable TV-related businesses to JCOM Co., Ltd. We aim to enhance regionally focused customer services and contribute to the co-creation of local communities and the further development of the cable TV industry.

●With regard to the au Ponta Point program, we have continued offering coupons on a monthly basis that can be used with au Pay for au Smart Pass Premium customers, and in August 2023, we replaced the awards offered on Santaro Day (the 3rd, 13th, and 23rd of each month) with even better deals. In addition, as an initiative for the “au Economic Zone,” we opened the online-only au Pharmacy in July 2023.

●The financial business remained steady as the number of au PAY card members exceeded 9.44 million in March 2024. JCOM Co., Ltd. (J:COM), from September 2023, and Chubu Telecommunications Co., Inc. (ctc), from November 2023, au Jibun bank 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 March 2024, au Jibun Bank originated mortgage loans in excess of 4.0 trillion yen, recording the fastest rate of expansion among Internet-specialized banks.*6
In addition, au Financial Partner Corporation provides au Money Plan Consultations, where customers can receive consultations on a broad range of topics about money, from how to save money to how to build assets. Due to the government’s policy of shifting the public’s focus from savings to investment and customers’ rising interest in household finances and asset

formation with the newly launched NISA, the cumulative number of consultation applications surpassed 100,000 in February 2024. au Financial Service Corporation acquired the highest rank of three stars for all five of its customer centers at the 2023 HDI Rating Benchmark (credit rating survey) event held by HDI-Japan in March 2024. Going forward, through the au Financial Group's full lineup of financial services, we will realize connective finances that make finances more personal for all people.

●In the energy business, in April 2023, au Energy Holdings Corporation and au Renewable Energy Corporation formed a capital and business alliance with Kyocera Corporation to enhance the promotion of the renewable energy power generation business. In June 2023, KDDI and au Renewable Energy Corporation concluded an alliance agreement with Gunma Prefecture aimed at realizing an independent, decentralized society through green transformation (GX). In December 2023, au Renewable Energy Corporation began the commercial operation of a solar power plant in Kumagaya City, Saitama Prefecture. Base stations for au serving the Kanto region are powered by the energy produced at the power plant, and we will keep building solar power plants to power our facilities, in order to expedite our efforts toward carbon neutrality.

●In Mongolia, our consolidated subsidiary MobiCom Corporation LLC began pilot testing of the country's first*7 traffic simulation and analysis services in February 2024 in collaboration with GEOTRA Co., Ltd. By helping to solve traffic and other social issues in Mongolia, the company will continue helping to enhance the nation's economic development and people's lives as the country's No. 1 telecommunications operator.

In Myanmar,*8 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.

*1. As of August, 2023. MMD labo. Compared with four carriers and 20 major MVNO brands (over the past 10 years), regarding the service characteristics of increasing the checking usage rate of banks and the point rewards rate of investment trusts for securities when signing up for the pricing plan.

*2. Except for au Style NAHA, which is directly managed by Okinawa Seller, and the au Styles in the Okinawa area.

*3. As of February 29, 2024. First used in the field of customer support to respond to customer inquiries regarding procedures and how to use products and services. KDDI conducted its own research of 225 Nikkei companies regarding whether they offer chat bots for customers and whether they have generative AI.

*4. 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)

*5. The time it took until the use of service began by KDDI's own measurement. The time may vary depending on the customer's situation.

*6. As of March 12, 2024, 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.

*7. According to GEOTRA's research as of January 2024

*8. 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, 2024 is described below.

Results

For the year ended March 31, 2024

(Amount unit: Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	4,820,612	4,747,221	(73,392)	(1.5)
Operating Income	878,963	740,360	(138,603)	(15.8)

During the fiscal year ended March 31, 2024, operating revenue decreased by 1.5% year on year to ¥4,747,221 million mainly due to a decrease in revenue in energy business and in mobile telecommunication fees including roaming fees in the fiscal year ended March 31, 2023.

Operating income decreased by 15.8% year on year to ¥740,360 million mainly due to a loss allowance for some of the lease receivables from KDDI Summit Global Myanmar Co., Ltd. (KSGM) and impairment losses/removable allowance for telecommunications equipment with low utilization rates, and a decrease in mobile telecommunication fee including roaming fee, despite of growth in the NEXT Core Business.

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.

Highlights

●To enhance DX support for companies using data, KDDI made FLYWHEEL, Inc. a consolidated subsidiary, which is a startup specializing in data engineering, in April 2023. We aim to accelerate inter-company data alliances and the DX promotion for companies using data, solve social issues, support the enhancement of customer experience value, and transform industrial structures. In September 2023, KDDI Evolva, Inc., which is a consolidated subsidiary of KDDI, and Relia, Inc., which is a method-equity affiliate of Mitsui & Co., Ltd., conducted a business combination, launching Altius Link, Inc. In the contact center industry, we will continue contributing to the growth of our customer companies through the digital BPO*1 business we operate in Japan and overseas by making the services more sophisticated, such as digitizing customer engagement using generative AI.

●KDDI is proactively implementing initiatives to create a new future through business support and investment in domestic and overseas startups. In March 2024, SORACOM, which is a startup that jointed the Group in August 2017, was newly listed on the Tokyo Stock Exchange's Growth Market through a swing-by IPO.*2 SORACOM has aimed to create a global platform to realize a connected society since its founding and provides telecommunication services surpassing 6 million connections*3 to over 20,000 customers around the world in various industries, including energy, manufacturing, finance, consumer products, healthcare, and agriculture. This listing will accelerate further business growth and global expansion. In addition, in April 2024, KDDI invested in ELYZA, Inc., which is promoting the practical application of large language models (LLMs). KDDI will continue aiming to create new businesses through this partnership with a startup.

●KDDI's total cumulative IoT connections surpassed 41.9 million lines in March 2024, the top share in Japan. Leveraging its strengths of a solid operational track record over about 20 years and a conservation management system, the Company is significantly expanding in the field of social infrastructure (connected cars, smart meters for electric power and gas, etc.) and globally. Over the medium term, KDDI is helping realize sustainable industries and infrastructure environments as it aims to achieve 54 million lines in fiscal 2025. At the same time, KDDI provides service to more than 24 million lines globally in connected cars, which are driving the expansion of connected businesses. With an eye on the further expansion of connected businesses, including the provision of telecommunication services for connected cars to overseas auto manufacturers, various non-vehicular products, and platforms for a wide range of industries, KDDI established KDDI Spherience, LLC in November 2023 as a new company specializing in connected business in North America. Going forward, to create new added value, we will provide connected services to various industries and support the acceleration of corporate customer DX.

●To meet the robust demand for connected data centers in countries around the world, we opened Telehouse Bangkok in May 2023, the forth expansion building at the Telehouse Paris Magny Campus in France and the fifth building at the Telehouse Frankfurt Campus in Germany both in October of last year. In addition, we concluded a transfer agreement for a data center business with the Canada-based Allied Properties REIT in June 2023, and operations began in April 2024 as Telehouse Canada. Our data centers in Europe and Thailand are powered entirely by renewable energy.
Over more than 30 years, we have operated the data center business under the Telehouse brand in more than 10 countries. Going forward, we will promote and expand the business globally while being considerate of the environment in each region, and aim to be "the most interconnected and high-quality connectivity data center" and will continue to support the global business of its corporate customers.

●KDDI exhibited for the first time at the world's largest mobile-related exhibition MWC Barcelona 2024, which was held in Barcelona, Spain in February 2024. The exhibition theme was "Life Transformation: Enhancing the power to connect," which is about transforming daily lives by evolving the power to connect. As a platform for society that creates a future beyond a connected world, we introduced the world to its efforts in mobility, digital twins, AI, satellite communications, and data centers as well as the experience value they provide to people. We will work harder to solve social issues on a global scale and aim to

develop a broad range of businesses while collaborating with partners operating overseas.

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. BPO method that does not just outsource operations with human resources but also outsources some operations utilizing AI and other digital technology to make operations more efficient.

*2. "Swing-by" is a term in space exploration that describes the maneuver where a spacecraft utilizes the gravity of a planet to accelerate. KDDI and SORACOM refer to the process where startups receive support from large corporations to grow and aim for an initial public offering (IPO) as a swing-by IPO.

*3. Total number of SORACOM Air connections including those provided by international entities, SORACOM Air for Cellular, Sigfox, and LoRaWAN.

Operating performance in the Business Services segment for the fiscal year ended March 31, 2024, is described below.

Results

For the year ended March 31, 2024

(Amount unit: Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	1,132,180	1,264,739	132,558	11.7
Operating Income	191,502	211,912	20,409	10.7

During the fiscal year ended March 31, 2024, operating revenue increased by 11.7% year on year to ¥1,264,739 million mainly due to an increase in revenue from growth in the NEXT Core Business, which comprises corporate DX, business DX, and business base services.

Operating income increased by 10.7% year on year to ¥211,912 million mainly due to an increase in operating revenue.

(2) Overview of Consolidated Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2023	As of March 31, 2024	Increase (Decrease)
Total assets	11,923,522	14,146,060	2,222,538
Total liabilities	6,252,863	8,348,833	2,095,970
Total equity	5,670,659	5,797,226	126,568
Equity attributable to owners of the parent	5,128,288	5,253,362	125,074
Ratio of equity attributable to owners of the parent to total assets	% 43.0	% 37.1	% (5.9)
Equity attributable to owners of the parent per share	Yen 2,377.38	Yen 2,522.92	Yen 145.54
Interest-bearing debt	1,651,437	2,394,403	742,966

(Assets)
Total assets increased by ¥2,222,538 million year on year to ¥14,146,060 million as of March 31, 2024 mainly due to an increase in loans for financial business and cash and cash equivalents despite a decrease in retirement benefit assets.

(Liabilities)
Total liabilities increased by ¥2,095,970 million year on year to ¥8,348,833 million as of March 31, 2024 mainly due to an increase in deposits for financial business and borrowings and bonds payable despite a decrease in other non-current liabilities.

(Equity)
Total equity amounted to ¥5,797,226 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 37.1% as of March 31, 2024.

(3) Overview of Consolidated Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Increase (Decrease)
Net cash provided by (used in) operating activities	1,078,869	1,706,498	627,629
Net cash provided by (used in) investing activities	(732,480)	(832,433)	(99,953)
Free cash flows (Note)	346,389	874,065	527,676
Net cash provided by (used in) financing activities	(669,837)	(476,477)	193,360
Effect of exchange rate changes on cash and cash equivalents	7,087	9,367	2,281
Net increase (decrease) in cash and cash equivalents	(316,361)	406,955	723,316
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	480,252	887,207	406,955

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 ¥627,629 million year on year to ¥1,706,498 million mainly due to a significant increase in deposits for financial business, despite a significant increase in loans for financial business and trade and other receivables, including installment receivables.

Net cash used in investing activities increased by ¥99,953 million year on year to ¥832,433 million mainly due to an increase in expenditures for fixed assets, including a purchase of data center in Canada.

Net cash used in financing activities decreased by ¥193,360 million year on year to ¥476,477 million mainly due to an increase in proceeds from issuance of bonds and long-term borrowings.

Reflecting these factors and an increase of ¥9,367 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, 2024, increased by ¥406,955 million from March 31, 2023 to ¥887,207 million.

(Reference) Cash Flows related indicators

	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2024
Ratio of equity attributable to owners of the parent to total assets (%)	45.8	45.2	45.0	43.0	37.1
Interest coverage ratio (times)	161.3	230.4	226.0	159.4	200.2
Net interest-bearing liabilities/EBITDA ratio (times)	0.7	0.5	0.4	0.7	0.9

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.
* IFRS 17 "Insurance Contracts" has been adopted from this fiscal year, and accordingly the figures have been calculated retroactively to apply the accounting standard for the fiscal year ended March 31, 2023.

(4) Outlook for the Year ending March 31, 2025

Amid drastic changes in the business environment, such as instability in global affairs and diversifying customer needs, we are working to construct high-quality 5G networks, promote generative AI and data-driven technologies, achieve sustainable growth in ARPU income, achieve growth in focus fields (DX, finance, and energy), and reform our cost structure.
Net sales are expected to increase year-on-year to ¥5,770,000 million. Operating income and net income attributable to owners of the parent are expected to increase to ¥1,110,000 million and ¥690,000 million, respectively.
The KDDI group aims to achieve our financial forecast for the fiscal year ending March 31, 2025, through steady implementation of our medium-term management strategy (promotion of the new 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, 2026, 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, 2024, the KDDI group has already paid an interim cash dividend of ¥70.00 per share. For the year-end cash dividend, we plan to pay ¥70.00 per share. As a result, planned total dividends for the year are ¥140.00 per share, for a consolidated payout ratio of 46.5%.
For the year ending March 31, 2025, KDDI group plans to pay out ¥70.00 per share for interim cash dividend and ¥75.00 per share for the year-end cash dividend. As a result, total dividends for the year of ¥145.00 per share and consolidated payout ratio of 42.6% are planned.

(6) Business Risks

As of the submission date of the consolidated financial statements, 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 as of and for the year ended March 31, 2024.

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. In the fiscal year ended March 31, 2024, KDDI recognized a loss allowance for a portion of the lease receivables.

Depending on the future collection status, there is a possibility that the addition of allowances may impact the business performance of the Group's operating results.

(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. The Status of the Group

The KDDI Group comprises KDDI, 185 consolidated subsidiaries (Japan: 123 companies, Overseas: 62 companies), and 44 equity-method affiliates (Japan: 35 companies, Overseas: 9 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	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," 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., au Financial Holdings Corporation, Jupiter Shop Channel Co., Ltd., au Energy Holdings Corporation, KDDI Summit Global Myanmar Co., Ltd., MobiCom Corporation LLC
	〔Equity-method affiliates〕	KKCompany Technologies Inc., au Kabucom Securities Co., Ltd.

<Business>

Principal services	The Business Services mainly provide 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 will continue to collaborate with our partners to globally provide one-stop solutions centered around 5G communication and leveraging IoT and DX, supporting the development and expansion of our customers' businesses. For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.	
Major subsidiaries and affiliates	〔The parent〕	KDDI CORPORATION
	〔Consolidated subsidiaries〕	OKINAWA CELLULAR TELEPHONE COMPANY, JCOM., Ltd., Chubu Telecommunications Co., INC., KDDI MATOMETE OFFICE CORPORATION, Altius Link, Inc., au Energy Holdings Corporation, Wire and Wireless Co., Ltd., 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., KDDI Canada, Inc.
	〔Equity-method affiliates〕	LAC Co., Ltd.

<Others>

Principal services	Other Services mainly provide 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., KDDI Cableships & Subsea Engineering Inc., Japan Telecommunication Engineering Service Co., Ltd., Supership Holdings Inc.
	〔Equity-method affiliates〕	Kyocera Communication Systems Co., Ltd., Kakaku.com, Inc.

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, 2023	As of March 31, 2024
Assets		
Non-current assets :		
Property, plant and equipment	2,595,721	2,786,933
Right-of-use assets	393,935	425,173
Goodwill	541,058	568,134
Intangible assets	1,048,396	1,062,683
Investments accounted for using the equity method	261,169	301,037
Long-term loans for financial business	2,038,403	3,200,059
Securities for financial business	411,063	413,767
Other long-term financial assets	304,106	391,453
Retirement benefit assets	62,911	5,096
Deferred tax assets	12,203	17,948
Contract costs	637,534	685,310
Other non-current assets	29,924	36,678
Total non-current assets	8,336,424	9,894,271
Current assets :		
Inventories	99,038	91,290
Trade and other receivables	2,445,250	2,702,152
Short-term loans for financial business	304,557	367,593
Call loans	53,944	28,237
Other short-term financial assets	60,158	30,662
Income tax receivables	2,663	2,384
Other current assets	141,236	142,263
Cash and cash equivalents	480,252	887,207
Total current assets	3,587,098	4,251,789
Total assets	11,923,522	14,146,060

(Unit: Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	914,233	1,577,370
Long-term deposits for financial business	64,829	112,730
Lease liabilities	286,437	292,003
Other long-term financial liabilities	10,309	10,166
Retirement benefit liabilities	11,739	11,801
Deferred tax liabilities	188,101	235,723
Provisions	52,414	47,800
Contract liabilities	76,258	81,674
Other non-current liabilities	12,366	11,804
Total non-current liabilities	1,616,687	2,381,071
Current liabilities :		
Borrowings and bonds payable	337,961	407,013
Trade and other payables	801,927	899,125
Short-term deposits for financial business	2,652,723	3,713,407
Call money	—	37,972
Cash collateral received for securities lent	244,111	263,157
Lease liabilities	112,805	118,016
Other short-term financial liabilities	6,894	7,762
Income taxes payables	129,404	161,152
Provisions	25,398	21,953
Contract liabilities	82,242	84,947
Other current liabilities	242,712	253,257
Total current liabilities	4,636,176	5,967,762
Total liabilities	6,252,863	8,348,833
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	279,371	310,587
Treasury stock	(545,833)	(845,093)
Retained earnings	5,220,504	5,522,578
Accumulated other comprehensive income	32,394	123,438
Total equity attributable to owners of the parent	5,128,288	5,253,362
Non-controlling interests	542,370	543,864
Total equity	5,670,659	5,797,226
Total liabilities and equity	11,923,522	14,146,060

(2) Consolidated Statement of Income

(Unit: Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Operating revenue	5,671,762	5,754,047
Cost of sales	3,260,030	3,323,514
Gross profit	2,411,731	2,430,533
Selling, general and administrative expenses	1,408,391	1,503,680
Other income	71,629	32,951
Other expense	3,790	8,165
Share of profit of investments accounted for using the equity method	6,213	9,945
Operating income	1,077,393	961,584
Finance income	10,175	21,866
Finance cost	8,658	10,215
Other non-operating profit and loss	612	19,490
Profit for the year before income tax	1,079,523	992,725
Income tax	339,484	336,621
Profit for the year	740,039	656,104
Profit for the year attributable to:		
Owners of the parent	679,113	637,874
Non-controlling interests	60,926	18,230
Profit for the year	740,039	656,104
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	311.01	301.26
Diluted earnings per share (yen)	310.88	301.18

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit for the year	740,039	656,104
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Remeasurements of defined benefit pension plans	12,526	(40,934)
Changes measured in fair value of financial assets through other comprehensive income	(24,837)	60,123
Share of other comprehensive income of investments accounted for using the equity method	(555)	(406)
Total	(12,865)	18,783
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(1,042)	2,266
Translation differences on foreign operations	19,935	42,036
Share of other comprehensive income of investments accounted for using the equity method	1,672	(17)
Total	20,565	44,284
Total other comprehensive income	7,700	63,068
Total comprehensive income for the year	747,738	719,172
Total comprehensive income for the year attributable to:		
Owners of the parent	680,084	690,726
Non-controlling interests	67,655	28,446
Total	747,738	719,172

Items in the statement above are presented net of tax.

(4) Consolidated Statement of Changes in Equity

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
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 year	―	―	―	679,113	―	679,113	60,926	740,039
Other comprehensive income	―	―	―	―	971	971	6,729	7,700
Total comprehensive income	―	―	―	679,113	971	680,084	67,655	747,738
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)	5,220,504	32,394	5,128,288	542,370	5,670,659

For the year ended March 31, 2024

(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 year	—	—	—	637,874	—	637,874	18,230	656,104
Other comprehensive income	—	—	—	—	52,852	52,852	10,216	63,068
Total comprehensive income	—	—	—	637,874	52,852	690,726	28,446	719,172
Transactions with owners and other transactions								
Cash dividends	—	—	—	(297,607)	—	(297,607)	(71,450)	(369,057)
Transfer of accumulated other comprehensive income to retained earnings	—	—	—	(38,192)	38,192	—	—	—
Purchase and disposal of treasury stock	—	(66)	(300,000)	—	—	(300,066)	—	(300,066)
Retirement of treasury stock	—	—	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—	—
Changes in ownership interests in subsidiaries	—	46,544	—	—	—	46,544	30,333	76,877
Changes in interests in subsidiaries	—	(15,098)	—	—	—	(15,098)	14,055	(1,043)
Other	—	(164)	739	—	—	575	110	685
Total transactions with owners and other transactions	—	31,216	(299,261)	(335,799)	38,192	(565,652)	(26,953)	(592,605)
As of March 31, 2024	141,852	310,587	(845,093)	5,522,578	123,438	5,253,362	543,864	5,797,226

(5) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from operating activities		
Profit for the year before income tax	1,079,523	992,725
Depreciation and amortization	697,152	687,349
Impairment loss	2,354	9,607
Loss allowance	3,772	100,067
Share of (profit) loss of investments accounted for using the equity method	(6,213)	(9,945)
Loss (gain) on sales of non-current assets	(1,581)	(579)
Interest and dividends income	(9,914)	(8,075)
Interest expenses	7,142	8,813
(Increase) decrease in trade and other receivables	(108,567)	(243,859)
Increase (decrease) in trade and other payables	5,396	78,290
(Increase) decrease in loans for financial business	(752,583)	(1,223,112)
Increase (decrease) in deposits for financial business	500,047	1,108,586
Increase (decrease) in borrowings for financial business	(5,400)	410,000
(Increase) decrease in Call loans	(8,881)	25,707
Increase (decrease) in Call money	(141,348)	37,972
Increase (decrease) in cash collateral received for securities lent	244,111	19,046
(Increase) decrease in inventories	(24,421)	7,635
(Increase) decrease in retirement benefit assets	(18,190)	57,815
Increase (decrease) in retirement benefit liabilities	(757)	(733)
Other	(99,947)	(81,572)
Cash generated from operations	1,361,693	1,975,739
Interest and dividends received	13,468	11,903
Interest paid	(6,768)	(8,526)
Income tax paid	(292,659)	(274,993)
Income tax refund	3,134	2,376
Net cash provided by (used in) operating activities	1,078,869	1,706,498

(Unit: Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from investing activities		
Purchases of property, plant and equipment	(394,652)	(523,940)
Proceeds from sales of property, plant and equipment	3,754	413
Purchases of intangible assets	(239,473)	(225,590)
Purchases of securities for financial business	(385,468)	(368,055)
Proceeds from sales and redemption of securities for financial business	311,511	324,702
Purchases of other financial assets	(8,900)	(60,854)
Proceeds from sales and redemption of other financial assets	1,892	8,317
Payments for acquisition of subsidiaries	―	(6,659)
Proceeds from acquisition of subsidiaries	―	27,450
Purchases of stocks of associates	(9,847)	(1,848)
Proceeds from sales of stocks of subsidiaries and associates	―	3,481
Other	(11,297)	(9,849)
Net cash provided by (used in) investing activities	(732,480)	(832,433)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	49,983	123,626
Proceeds from issuance of bonds and long-term borrowings	200,000	416,000
Payments from redemption of bonds and repayments of long-term borrowings	(200,500)	(219,020)
Repayments of lease liabilities	(128,288)	(128,974)
Payments from purchase of subsidiaries' equity from non-controlling interests	(7,002)	(4,741)
Proceeds from stock issuance to non-controlling interests	49	16,938
Repayments to non-controlling interests	―	(11,434)
Payments from purchase of treasury stock	(250,152)	(300,000)
Proceeds from sales of treasury stock	―	0
Cash dividends paid	(287,117)	(297,575)
Cash dividends paid to non-controlling interests	(46,810)	(71,297)
Other	(0)	(1)
Net cash provided by (used in) financing activities	(669,837)	(476,477)
Effect of exchange rate changes on cash and cash equivalents	7,087	9,367
Net increase (decrease) in cash and cash equivalents	(316,361)	406,955
Cash and cash equivalents at the beginning of the year	796,613	480,252
Cash and cash equivalents at the end of the year	480,252	887,207

(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, 2024 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:

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. Material 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. Material 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. Material 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. Material 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. Material 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. Material Accounting Policies (12) Impairment of financial assets”.

Furthermore, for the consolidated fiscal year under review, after estimating the entire period’s forecast credit loss related to the recovery of lease receivables owned by the consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (KSGM), KDDI recognized a loss allowance for a portion of these lease receivables.

KSGM supports the telecommunications business operations of Myanma Posts & Telecommunications (MPT), an organization under Myanmar’s Ministry of Transport and Communications. KSGM also provides MPT with leases categorized as finance leases for telecommunications equipment and other purposes. Through these lease transactions, KSGM owns U.S. dollar-denominated lease receivables with MPT. The Myanmar telecommunications business has continued to incur operating losses. 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, exchanging the local Myanmar kyat into another currency now requires an approval process from the nation’s central bank. As a result, restrictions have been placed on the collection of U.S. dollar-denominated lease receivables. After comprehensively assessing these conditions, at the end of the fiscal year under review, we determined there is a significant increase in credit risk and recognized a loss allowance of ¥107,413 million for lease receivables related to these business activities.

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. Material 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. Material Accounting Policies (17) Provisions”.

(5) Application of new standards and interpretations

The Group applies the new standards and interpretations listed below from the fiscal year ended March 31, 2024.

• IFRS 17 “Insurance Contracts”

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 fiscal year ended March 31, 2024.

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.

(6) Standards not yet adopted

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

3. Material 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	5－10 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) Debt instruments measured at fair value through other comprehensive income

If financial assets meet the following conditions, they are categorized as debt instruments measured at fair value through other comprehensive income.

If the assets are owned for the purposes of both sale and recovery of cash flow in line with an agreement for the financial assets in the Group’s business model

If the assets generate cash flows from only the payment of interest related to principal and principal balance on the dates specified by the agreement conditions

Debt instruments measured at fair value through other comprehensive income are initially recognized at fair value (including directly attributable transaction expenses). After initial recognition, they are measured at fair value, and the change in fair value is classified to other comprehensive income as “financial assets measured at fair value through other comprehensive income.”

If recognition is suspended, the cumulative amount of profit or loss recognized through other comprehensive income is reclassified as net income or loss.

(iv) 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. This figure is recognized by adjusting the amount related to the maximum asset value as needed with consideration given to the usable economic benefits. 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 from transactions (excluding business combination transactions) not generating taxable or deductible temporary differences at the time of transaction and not affecting accounting income (loss) or taxable income (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.

The Company and some domestic subsidiaries applied for approval of a Group tax sharing system in the consolidated financial year under review and will adopt this system from the following consolidated fiscal year. As a result, the aforementioned entities apply tax effect accounting that assumes the adoption of the Group tax sharing system from the end of the consolidated fiscal year under review.

(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,” and are also 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.

From this fiscal year, we have reassessed certain operating segments of our company, consolidated subsidiaries, and associated companies based on organizational changes. Accordingly, the segment information for the fiscal year ended March 31, 2023 is presented based on the segment classification after this change.
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 fiscal year ended March 31, 2023.

(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 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, 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	4,730,138	899,141	5,629,278	42,483	5,671,762	―	5,671,762
Inter-segment revenue or transfers	90,475	233,040	323,514	96,312	419,827	(419,827)	―
Total	4,820,612	1,132,180	5,952,793	138,796	6,091,589	(419,827)	5,671,762
Segment income (loss)	878,963	191,502	1,070,465	6,767	1,077,232	161	1,077,393
Finance income and finance cost (Net)							1,517
Other non-operating profit and loss							612
Profit for the year before income tax							1,079,523
Other items							
Depreciation and amortization	604,871	90,729	695,600	5,400	701,000	(4,409)	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	2,187	(244)	1,943	4,270	6,213	―	6,213

For the year ended March 31, 2024

(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	4,675,796	1,033,486	5,709,282	44,765	5,754,047	—	5,754,047
Inter-segment revenue or transfers	71,425	231,253	302,677	97,029	399,706	(399,706)	—
Total	4,747,221	1,264,739	6,011,959	141,794	6,153,753	(399,706)	5,754,047
Segment income (loss)	740,360	211,912	952,271	10,513	962,785	(1,201)	961,584
Finance income and finance cost (Net)							11,652
Other non-operating profit and loss							19,490
Profit for the year before income tax							992,725
Other items							
Depreciation and amortization	586,820	95,584	682,404	7,820	690,224	(4,372)	685,852
Impairment loss	9,301	284	9,585	23	9,607	—	9,607
Share of profit of investment accounted for using the equity method	4,587	549	5,136	4,809	9,945	—	9,945

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, 2023	For the year ended March 31, 2024
Profit for the year attributable to owners of the parent (Millions of yen)	679,113	637,874
Number of weighted average common stocks outstanding (Thousands of shares)	2,183,607	2,117,320
Basic earnings per share (Yen)	311.01	301.26

(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, 2023	For the year ended March 31, 2024
Profit for the year attributable to owners of the parent	679,113	637,874
Adjustment of profit	―	―
Profit used in calculation of diluted earnings per share	679,113	637,874

(Unit: Thousands of shares)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Number of weighted average common stocks outstanding	2,183,607	2,117,320
Effect of dilutive potential common stocks		
BIP trust and ESOP trust	909	582
Number of diluted weighted average common stocks during the year	2,184,516	2,117,902

	For the year ended March 31, 2023	For the year ended March 31, 2024
Diluted earnings per share (Yen)	310.88	301.18

(Note 1): 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.

(Note 2): As stated in "2. Basis of Preparation (5) Application of new standards and interpretations," we have applied IFRS 17 "Insurance Contracts" from the fiscal year ended March 31, 2024, reflecting the cumulative impact of the change in standards as of the beginning of the fiscal year ended March 31, 2023, which is the transition date. Consequently, the figures for the fiscal year ended March 31, 2023 have been restated to reflect these changes.

6. Significant Subsequent Events

Converting Lawson, Inc. into an Equity-Method Affiliate and Borrowing Funds

On February 6, 2024, Mitsubishi Corporation (MC) and KDDI announced that the companies concluded a basic agreement to acquire shares of Lawson, Inc. through a public tender offer (the "Offer") based on the Financial Instruments and Exchange Act. KDDI began conducting the Offer from March 28, 2024.

The Offer was completed on April 25, 2024, and KDDI submitted a public tender offer report on April 26, 2024. As a result of the Offer, our voting rights for Lawson became 41.1%. Therefore, Lawson became an equity-method affiliate as of May 7, 2024, the commencement date of the settlement of the Offer.

Going forward, through a series of procedures where MC and KDDI will be the only shareholders of Lawson, the two companies plan to each own 50.00% of voting rights for Lawson shares. As a result, Lawson is planned to become a commonly controlled company that applies the equity method in KDDI.

Moreover, we have obtained the following borrowings to secure the necessary funds for the Offer.

(1) Fund purpose: Necessary funds for the offer, funds to pay for various associated business expenses, etc.
(2) Lender: MUFG Bank, Ltd.
(3) Loan amount: ¥405 billion (to be determined (first drawdown amount))
(4) Loan interest: Standard interest + a spread
(5) Loan execution date: May 2, 2024
(6) Loan period: Within one year
(7) Collateral situation: No collateral

Repurchase of Treasury Shares, Tender Offer of Treasury Shares and Market Purchases of Treasury Shares

At the board of directors' meeting held on May 10, 2024, the Company resolved to conduct a repurchase of treasury shares, and, as a specific method of repurchasing the treasury shares pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the Company's articles of incorporation, the Company resolved to conduct a tender offer of treasury shares(the "Tender Offer").

(1) Objective of the Tender Offer
On February 20, 2024, Toyota Motor Corporation ("Toyota Motor") informed the Company of its intention to sell a portion of the Company's ordinary share that it currently holds. As a result of deliberations, and in light of the number of shares held by Toyota Motors and the ratio of the number of voting rights held by Toyota Motors after the share repurchase, the Company concluded that it would be appropriate to repurchase shares in order to further strengthen shareholder returns, and among them, to repurchase 49,800,000 shares from Toyota Motors.
In addition, regarding the number of share certificates planned for purchase in the Tender Offer, as a result of deliberations on providing an opportunity for tendering to shareholders other than Toyota Motors, the Company believes that the number of shares calculated by adding around 10% to the number of shares to be tendered by Toyota Motors in the Tender Offer is appropriate; therefore, 54,780,000 shares has been set as the maximum number.
Considering the above, at the board of directors' meeting held on May 10, 2024, the Company resolved to repurchase treasury shares and, as a specific method of repurchasing treasury shares, to conduct the Tender Offer and to conduct market purchases on Tokyo Stock Exchange within the total acquisition cost obtained by subtracting the total acquisition cost of the Company's ordinary shares acquired by the Tender Offer from the upper limit of the total acquisition cost (300 billion yen) for the share repurchase based on the BOD Resolution of May 10, 2024.

(2) Details of the resolution of the board of directors on the acquisition of treasury shares
1) Type of share certificates: the Company's ordinary shares
2) Number of share certificates planned for acquisition: 87,000,000 Shares（upper limit）
3) Total acquisition cost: 300 billion yen（upper limit）
4) Acquisition period: From May 13, 2024 to October 31, 2024

(3) Tender Offer outline

1) Type of share certificates: the Company's ordinary shares

2) Number of share certificates planned for purchase: 54,780,000 Shares（upper limit）

3) Tender Offer Price: 3,896 yen per 1 (one) ordinary share

4) Total Acquisition Cost: 213 billion yen（upper limit）

5) Period of the Tender Offer: From May 13, 2024 to June 10, 2024

6) Publication date for commencing the Tender Offer: May 13, 2024

7) Commencement Date of Settlement: July 2, 2024

(4) Market Purchases outline

1) Type of share certificates: the Company's ordinary shares

2) Total Acquisition Cost: the cost obtained by subtracting the total acquisition cost of the Company's ordinary shares acquired by the Tender Offer from 300 billion yen (upper limit)

3) Acquisition period: From July 3, 2024 to October 31, 2024