# Financial and Non-Financial Data

## Consolidated Financial Highlights (Years ended March 31)

Millions of yen

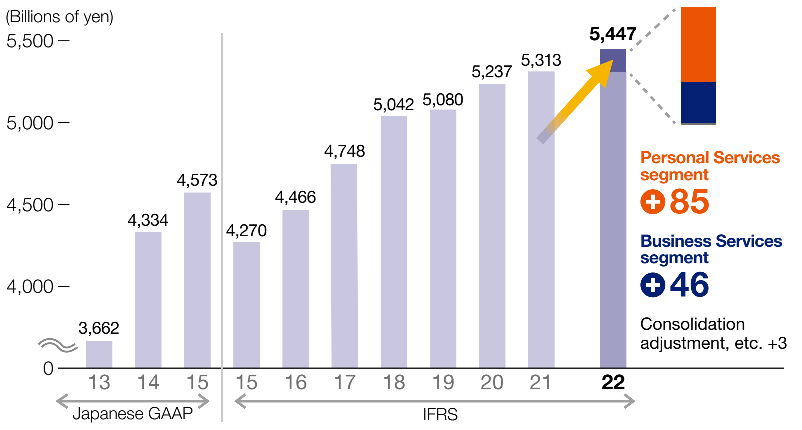
| | Japanese GAAP | | | | IFRS | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Consolidated | FY12.3 | FY13.3 | FY14.3 | FY15.3 | FY15.3 | FY16.3 | FY17.3 | FY18.3 | FY19.3 | FY20.3 | FY21.3 | FY22.3 |
| Operating Revenues/Net Sales →P107 | 3,572,098 | 3,662,289 | 4,333,628 | 4,573,142 | 4,270,094 | 4,466,135 | 4,748,259 | 5,041,978 | 5,080,353 | 5,237,221 | 5,312,599 | **5,446,708** |
| Operating Income →P107 | 477,648 | 512,669 | 663,245 | 741,299 | 665,719 | 832,583 | 912,976 | 962,793 | 1,013,729 | 1,025,237 | 1,037,395 | **1,060,592** |
| Operating Margin | 13.4% | 14.0% | 15.3% | 16.2% | 15.6% | 18.6% | 19.2% | 19.1% | 20.0% | 19.6% | 19.5% | **19.5%** |
| EBITDA*2 | 908,499 | 959,571 | 1,186,069 | 1,292,597 | 1,284,553 | 1,410,971 | 1,524,207 | 1,560,061 | 1,598,670 | 1,750,861 | 1,786,170 | **1,813,436** |
| EBITDA Margin | 25.4% | 26.2% | 27.4% | 28.3% | 30.1% | 31.6% | 32.1% | 30.9% | 31.5% | 33.4% | 33.6% | **33.3%** |
| Net Income/Profit for the Year Attributable to Owners of the Parent →P107 | 238,605 | 241,470 | 322,038 | 427,931 | 395,805 | 494,878 | 546,658 | 572,528 | 617,669 | 639,767 | 651,496 | **672,486** |
| Capital Expenditures →P110 | 421,568 | 467,020 | 571,799 | 576,197 | 667,714 | 531,434 | 519,365 | 560,831 | 601,757 | 615,054 | 627,907 | **676,461** |
| Depreciation and Amortization | 417,886 | 406,726 | 470,098 | 494,570 | 518,708 | 532,442 | 545,177 | 546,609 | 562,282 | 689,473 | 727,438 | **727,779** |
| Interest-Bearing Debt →P108 | 1,046,754 | 977,563 | 1,084,966 | 1,002,214 | 1,154,116 | 1,235,287 | 1,151,650 | 1,118,616 | 1,275,711 | 1,680,367 | 1,645,481 | **1,600,104** |
| Equity Ratio/Ratio of Equity Attributable to Owners of the Parent | 51.5% | 55.1% | 55.1% | 57.3% | 54.5% | 56.3% | 56.7% | 57.4% | 57.1% | 45.8% | 45.2% | **45.0%** |
| Return on Equity/Ratio of Return on Equity Attributable to Owners of the Parent (ROE) | 11.5% | 11.2% | 13.0% | 14.9% | 13.5% | 15.5% | 15.9% | 15.6% | 15.5% | 14.9% | 14.2% | **13.8%** |
| Return on Assets/Ratio of Return on Total Assets (ROA) | 12.3% | 12.7% | 14.7% | 14.5% | 12.1% | 14.5% | 15.0% | 15.0% | 14.6% | 12.1% | 10.3% | **9.8%** |
| Earnings per Share/Basic Earnings per Share*3 (yen) | 96.86 | 105.30 | 132.87 | 170.84 | 158.01 | 197.73 | 221.65 | 235.54 | 259.10 | 275.69 | 284.16 | **300.03** |
| Dividends per Share*3 (yen) →P108 | 26.67 | 30.00 | 43.33 | 56.67 | 56.67 | 70.00 | 85.00 | 90.00 | 105.00 | 115.00 | 120.00 | **125.00** |
| Dividend Payout Ratio | 27.5% | 28.5% | 32.6% | 33.2% | 35.9% | 35.4% | 38.3% | 38.2% | 40.5% | 41.7% | 42.2% | **41.7%** |
| Net Cash Provided by (Used in) Operating Activities | 725,886 | 523,908 | 772,207 | 962,249 | 968,752 | 884,538 | 1,161,074 | 1,061,405 | 1,029,607 | 1,323,356 | 1,682,166 | **1,468,648** |
| Net Cash Provided by (Used in) Investing Activities | (484,507) | (472,992) | (546,257) | (674,520) | (635,745) | (667,917) | (637,225) | (633,847) | (714,578) | (610,950) | (658,925) | **(761,593)** |
| Free Cash Flows*4 →P110 | 241,379 | 50,916 | 225,950 | 287,729 | 333,006 | 216,621 | 523,849 | 427,558 | 315,028 | 712,406 | 1,023,241 | **707,056** |
| Net Cash Provided by (Used in) Financing Activities | (225,931) | (140,249) | (105,643) | (224,862) | (310,528) | (299,003) | (485,784) | (453,168) | (310,951) | (546,381) | (585,571) | **(727,257)** |

*1 Terminology differences between Japanese GAAP and IFRS (adopted from FY16.3) will be presented as "Japanese GAAP/IFRS."
*2 From FY13.3 and in FY15.3, the EBITDA calculation formula has been changed.
Until FY12.3 (JGAAP): EBITDA = Operating income + depreciation + noncurrent assets retirement cost
Until FY15.3 (JGAAP): EBITDA = Operating income + depreciation + amortization of goodwill + noncurrent assets retirement cost
Since FY15.3 (IFRS): EBITDA = Operating income + depreciation and amortization + noncurrent assets retirement cost + impairment loss

*3 Values are adjusted following stock splits conducted with effective dates of October 1, 2012, April 1, 2013, and April 1, 2015. Figures for previous fiscal years have been retroactively adjusted.
*4 Free cash flows = Net cash provided by (used in) operating activities + net cash provided by (used in) investing activities

# Financial and Non-Financial Highlights (Years ended March 31) Financial

## Operating Revenues/Net Sales

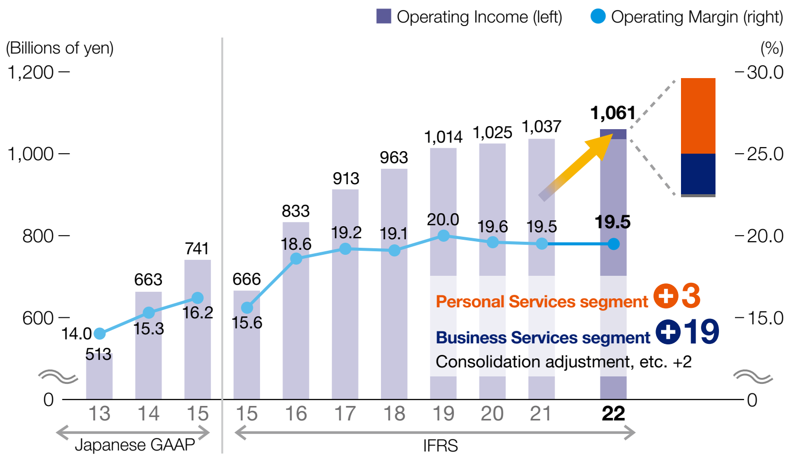



YOY +2.5%

¥5,446.7 billion

Higher Handset revenues and increased revenue from the Business Services segment and the financial and energy businesses resulted in net sales increased 2.5% year-on-year to ¥5,446.7 billion.

## Operating Income

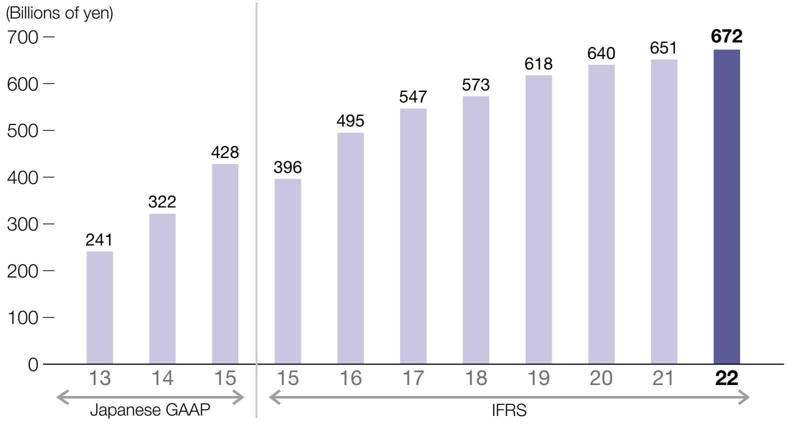



YOY +2.2%

¥1,060.6 billion

The decrease in Multi-Brand communications ARPU revenues was offset by an increase in MVNO and roaming revenues, as well as higher income from the Business Services segment and financial and energy businesses, which are the Company's focus areas. Operating income increased 2.2% year-on-year to ¥1,060.6 billion.

## Net Income/Profit for the Year Attributable to Owners of the Parent

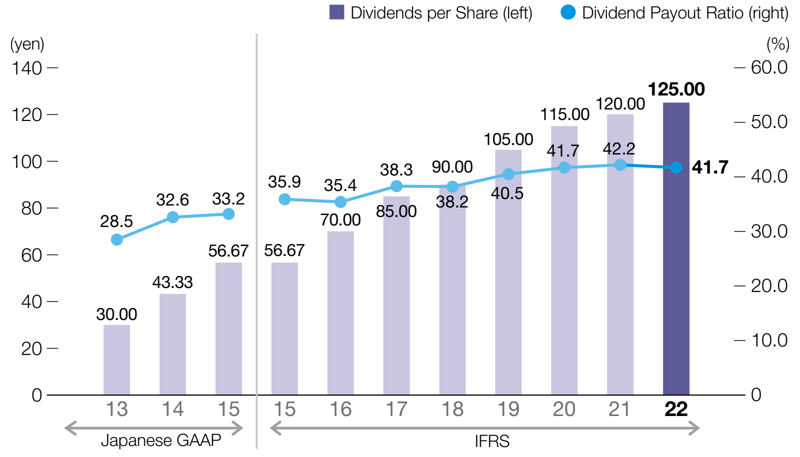



YOY +3.2%

¥672.5 billion

In addition to the increase in operating income, the increase in net financial income contributed to the 3.2% year-on-year increase in profit for the year attributable to owners of the parent, to ¥672.5 billion.

## Dividends per Share




YOY +¥5.00

¥125.00

The annual dividend was ¥125, an increase of ¥5 year-on-year, and the consolidated dividend payout ratio was 41.7%. Regarding the dividend policy from FY23.3 to FY25.3, we will maintain a consolidated dividend payout ratio of over 40%, in parallel with our efforts toward sustainable growth, including capital investment in 5G and focus areas and strategic business investment.

## Interest-Bearing Debt

YOY −¥45.4 billion

¥1,600.1 billion

Interest-bearing debt dropped by ¥45.4 billion year-on-year to ¥1,600.1 billion, mainly due to a decrease in lease obligations and borrowings.

## D/E Ratio

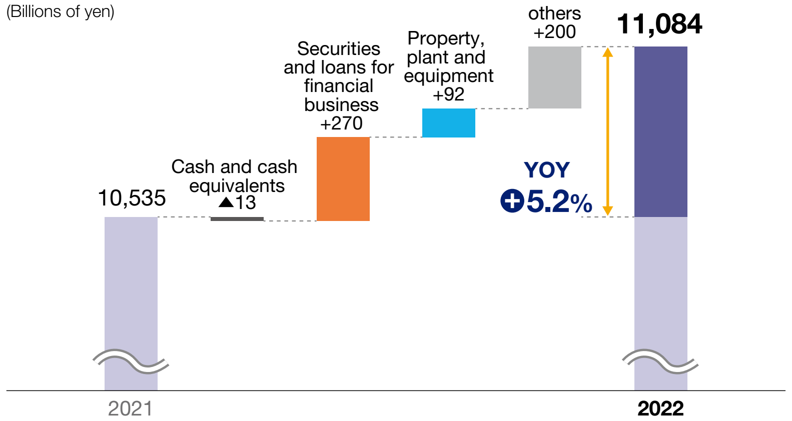
YOY −0.03

0.32 times

In addition to a decrease in interest-bearing debt, an increase in retained earnings led to an increase in the parent company's equity attributable to the owners of the parent. As a result, the D/E ratio was 0.32, a decrease of 0.03 year-on-year.

## Financial and Non-Financial Highlights (Years ended March 31) Financial

### Total Assets

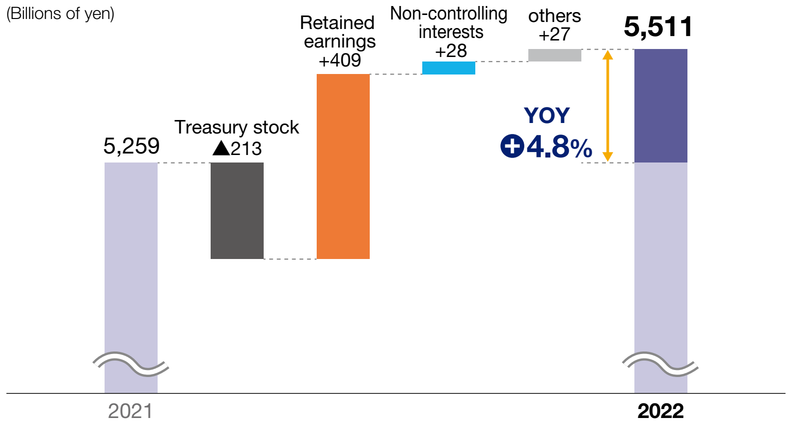



YOY ⊕ ¥549.1 billion

¥11,084.4 billion

Total assets increased by ¥549.1 billion year-on-year to ¥11,084.4 billion, mainly due to an increase in loans for the financial business because of the securitization of mortgage loan receivables.

### Total Equity



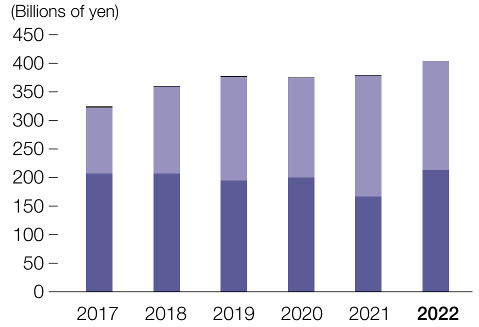

YOY ⊕ ¥251.2 billion

¥5,510.7 billion

Despite the acquisition of treasury stock, the increase in retained earnings due to higher profit for the period and an increase in non-controlling interests contributed to the increase in capital. Total equity amounted to ¥5,510.7 billion, up ¥251.2 billion year-on-year.

### Capital Expenditures (Payment Basis)

#### Mobile



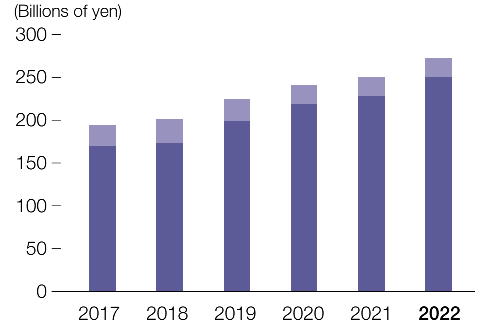

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| 3G | 4 | 1 | 1 | 1 | 1 | **0** |
| 4G LTE/5G | 114 | 152 | 181 | 174 | 211 | **191** |
| Common equipment | 207 | 207 | 195 | 200 | 167 | **213** |
| Total | 325 | 360 | 377 | 374 | 378 | **404** |

YOY ⊕ ¥26.2 billion

¥404.2 billion

In the mobile business, while 4G investment decreased, 5G investment expanded, resulting in an increase of ¥26.2 billion year-on-year to ¥404.2 billion.

#### Fixed-Line and Others



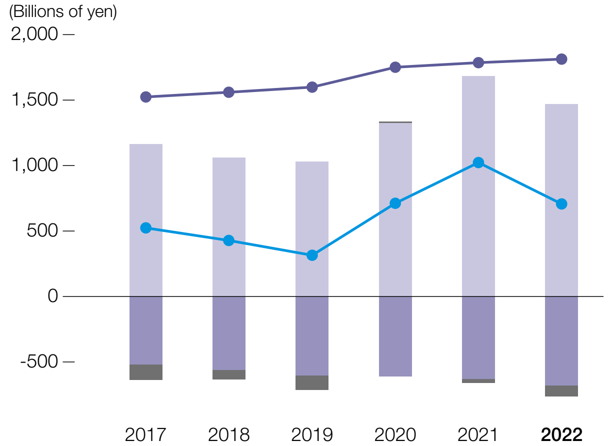

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| FTTH | 24 | 28 | 26 | 22 | 22 | **22** |
| Others | 170 | 173 | 199 | 219 | 228 | **250** |
| Total | 194 | 201 | 225 | 241 | 250 | **272** |

YOY ⊕ ¥22.4 billion

¥272.2 billion

Regarding the fixed lines, and others, net sales increased ¥22.4 billion year-on-year to ¥272.2 billion because some payments for FY21.3, were delayed to FY22.3, and in addition to the increase in voice, network, and other shared infrastructure facilities, etc.

### Free Cash Flows




| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Free Cash Flows | 524 | 428 | 315 | 712 | 1,023 | **707** |
| Net Cash Provided by (Used in) Operating Activities | 1,161 | 1,061 | 1,030 | 1,323 | 1,682 | **1,469** |
| Capital Expenditures | -519 | -561 | -602 | -615 | -628 | **-677** |
| Others, Net Cash Provided by (Used in) Investing Activities | -118 | -73 | -113 | 4 | -31 | **-85** |
| EBITDA | 1,524 | 1,560 | 1,599 | 1,751 | 1,786 | **1,813** |

YOY ⊖ ¥316.2 billion

¥707.1 billion

Net cash provided by operating activities amounted to ¥1,258.4 billion*, a decrease of ¥154 billion year-on-year due to an increase in income taxes paid as well as other factors.

On the other hand, cash flow from investing activities increased by ¥65.1 billion year-on-year to ¥699.5 billion* due to an increase in capital expenditure for the promotion of 5G investment etc.

As a result, free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, amounted to ¥558.9 billion*, down ¥219.1 billion year-on-year.

* Excluding financial business (au Financial Holdings)

## Financial and Non-Financial Highlights (Years ended March 31) Non-Financial

| | | | Boundary | Unit | FY18.3 | | FY19.3 | | FY20.3 | | FY21.3 | | FY22.3 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of employees | | Number of consolidated employees | Consolidated | people | 38,826 | | 41,996 | | 44,952 | | 47,320 | | 48,829 | |
| Working years | | Average working years | Non-consolidated | year | 17.6 | | 17.7 | | 17.8 | | 17.6 | | 17.2 | |
| Number of managers | | Number of female managers*1 | Non-consolidated | people | 302 | | 321 | | 342 | | 370 | | 344 | |
| | | Percentage of female key management positions*2 | Non-consolidated | % | — | | — | | — | | — | | 9.4 | |
| Number of hired | | Percentage of newly hired female graduates | Non-consolidated | % | 31.3 | | 36.9 | | 31.1 | | 32.4 | | 33.6 | |
| $CO_2$ emissions | | | | | t | % | t | % | t | % | t | % | t | % |
| | Scope 1*3 | Direct GHG emissions | Non-consolidated | t, % | 5,700 | 0.09 | 6,539 | 0.12 | 6,581 | 0.10 | 5,746 | 0.09 | 7,962 | 0.13 |
| | Scope 2*4 | Indirect GHG emissions from consumption of purchased electricity, heat or steam | Non-consolidated | t, % | 1,073,088 | 17.67 | 1,058,143 | 18.98 | 1,041,559 | 16.13 | 1,049,105 | 16.28 | 1,078,552 | 17.55 |
| | Scope 3*5 | Purchased goods and services | Non-consolidated | t, % | 3,818,806 | 62.89 | 3,347,946 | 60.05 | 3,529,472 | 54.65 | 3,581,713 | 55.57 | 3,373,587 | 54.88 |
| | | Capital goods | Non-consolidated | t, % | 828,675 | 13.65 | 875,318 | 15.70 | 1,584,908 | 24.54 | 1,486,988 | 23.07 | 1,367,518 | 22.25 |
| | | Fuel- and energy-related activities not included in Scopes 1 and 2 | Non-consolidated | t, % | 35,280 | 0.58 | 37,104 | 0.67 | 40,188 | 0.62 | 41,729 | 0.65 | 43,950 | 0.71 |
| | | Upstream transportation and distribution | Non-consolidated | t, % | 12,101 | 0.20 | 8,777 | 0.16 | 7,408 | 0.11 | 7,183 | 0.11 | 12,035 | 0.20 |
| | | Waste generated in operations | Non-consolidated | t, % | 1,043 | 0.02 | 710 | 0.01 | 413 | 0.01 | 464 | 0.01 | 485 | 0.01 |
| | | Business travel | Non-consolidated | t, % | 6,327 | 0.10 | 5,012 | 0.09 | 4,955 | 0.08 | 662 | 0.01 | 908*11 | 0.01 |
| | | Employee commuting | Non-consolidated | t, % | 4,332 | 0.07 | 4,034 | 0.07 | 5,043 | 0.08 | 1,897 | 0.03 | 2,430*12 | 0.04 |
| | | Upstream leased assets | Non-consolidated | t, % | 1,092 | 0.02 | 1,133 | 0.02 | 784 | 0.01 | 514 | 0.01 | 527 | 0.01 |
| | | Downstream transportation and distribution | Non-consolidated | t, % | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| | | Processing of sold products | Non-consolidated | t, % | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| | | Use of sold products | Non-consolidated | t, % | 285,294 | 4.70 | 229,913 | 4.12 | 237,008 | 3.67 | 268,754 | 4.17 | 259,227 | 4.22 |
| | | End-of-life treatment of sold products | Non-consolidated | t, % | 426 | 0.01 | 344 | 0.01 | 205 | 0.00 | 150 | 0.00 | 127*13 | 0.00 |
| | | Downstream leased assets | Non-consolidated | t, % | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| | | Franchises | Non-consolidated | t, % | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| | | Investment | Non-consolidated | t, % | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| | Scope 3 Total | | Non-consolidated | t, % | 4,993,376 | 82.23 | 4,510,291 | 80.90 | 5,410,384 | 83.77 | 5,390,054 | 83.63 | 5,060,794*14 | 82.33*15 |
| Environmental impact data | Power consumption | | Non-consolidated | 1000 kWh | 2,086,626 | | 2,151,456 | | 2,262,524 | | 2,357,458 | | 2,471,430 | |
| | Scope 1 emissions | Fuel | Non-consolidated | t-$CO_2$ | 5,700 | | 6,539 | | 6,581 | | 5,746 | | 7,962 | |
| | Scope 2 emissions*4 (market-based) | Electricity, steam and hot and cold water | Non-consolidated | t-$CO_2$ | 1,073,088*10 | | 1,058,143 | | 1,041,559 | | 1,049,105 | | 1,078,552 | |
| | Total of Scope 1 + 2 emissions | | Non-consolidated | t-$CO_2$ | 1,078,788 | | 1,064,683 | | 1,048,140 | | 1,054,850 | | 1,086,514 | |
| | Scope 3 emissions | Total of categories 1-15 | Non-consolidated | t-$CO_2$ | 4,993,376 | | 4,510,291 | | 5,410,384 | | 5,390,054 | | 5,060,478 | |
| | Total of Scope 1 + 2 +3 emissions | | Non-consolidated | t-$CO_2$ | 6,072,164 | | 5,574,974 | | 6,458,524*17 | | 6,444,904 | | 6,147,308*16 | |
| | Power consumption | | Consolidated | 1000 kWh | 2,992,240 | | 2,930,568 | | 3,079,800 | | 3,198,506 | | 3,638,802 | |
| | Electricity consumption derived from renewable energy sources | | Consolidated | 1000 kWh | 143,311 | | 158,338 | | 169,349 | | 338,319 | | 374,438 | |
| | Scope 1 emissions | Fuel | Consolidated | t-$CO_2$ | 22,594 | | 25,511 | | 25,169 | | 25,420 | | 27,679 | |
| | Scope 2 emissions*4 (market-based) | Electricity, steam and hot and cold water | Consolidated | t-$CO_2$ | 1,504,142 | | 1,369,942 | | 1,352,131 | | 1,296,381 | | 1,496,547 | |
| | Total of Scope 1 + 2 emissions (market-based) | | Consolidated | t-$CO_2$ | 1,526,737 | | 1,395,453 | | 1,377,300 | | 1,321,801 | | 1,524,226 | |
| | Scope 2 emissions (location-based) | Electricity, steam and hot and cold water | Consolidated | t-$CO_2$ | — | | 1,486,429 | | 1,486,924 | | 1,475,724 | | 1,618,657 | |
| Environmental impact data 2 | | Electric power consumption per subscriber*6 | Non-consolidated | 1000 kWh | 368 | | 360 | | 358 | | 361 | | 372 | |
| | | Fuel consumption*7 | Non-consolidated | kL | 319 | | 330 | | 544 | | 345 | | 364 | |
| | | Paper usage | Non-consolidated | t | 7,462 | | 10,853 | | 9,512 | | 8,798 | | 5,313 | |
| | | Water usage*8 | Non-consolidated | $m^3$ | 745,722 | | 399,563 | | 395,134 | | 841,758 | | 397,217 | |
| | | Industrial waste*9 | Non-consolidated | t | 2,467 | | 1,927 | | 1,941 | | 2,318 | | 1,993 | |
| | | Number of mobile phones and other devices collected by KDDI : Mobile phone main body | Non-consolidated | 10,000 devices | 134 | | 125 | | 118 | | 112 | | 114 | |
| | | Number of mobile phones and other devices collected by KDDI : Batteries | Non-consolidated | 10,000 devices | 123 | | 108 | | 98 | | 91 | | 87 | |
| | | Number of mobile phones and other devices collected by KDDI : Chargers | Non-consolidated | 10,000 devices | 57 | | 54 | | 63 | | 54 | | 58 | |
| | | Energy usage at equipment-related facilities | Non-consolidated | 1000 kWh | 816,904 | | 863,416 | | 903,111 | | 947,613 | | 1,009,816 | |
| | | Water usage (Water supply, recycled water, well water, excluding waste water) | Consolidated | $m^3$ | 1,001,926 | | 730,259 | | 674,869 | | 1,156,206 | | 1,087,106 | |
| | | Water resource usage (basic unit): Consolidated water usage/ Consolidated number of employees | Consolidated | $m^3$/ person | — | | — | | 15 | | 24 | | 22 | |
| | | Industrial waste (Nonhazardous industrial waste (telecommunications equipment, normal daily waste from KDDI buildings)) | Consolidated | t | 4,937 | | 3,303 | | 3,753 | | 3,319 | | 4,816 | |
| Renewable energy (business) | | Total generated energy (sold) | Non-consolidated | 1000 kWh | 18,137 | | 17,998 | | 17,406 | | 17,566 | | 17,664 | |
| Reduction of waste products and paper resources | | Material recycling volume | Non-consolidated | t | 1,093 | | 1,618 | | 792 | | 1,073 | | 1,714 | |
| | | Reduction of paper by putting bills on the web | Non-consolidated | t | 3,902 | | 4,041 | | 4,207 | | 4,962 | | 5,180 | |
| Promotion of mobile phone recycling | | Recycling rate (mobile phones) | Non-consolidated | % | 99.8 | | 99.8 | | 99.8 | | 99.8 | | 99.8 | |

Note

*1 The number of managerial personnel includes KDDI managerial personnel as well as those temporarily transferred to other companies

*2 Figures for FY22.3 are percentage as of April 1, 2022.

*3 Heavy oil (crude oil), diesel, kerosene, city gas

*4 The CO2 emissions are calculated using the emission factors furnished by electric utility operators. (Emissions from heat, steam and hot and chilled water consumption are included.)

*5 Uses emission coefficients indicated in Japan's Ministry of the Environment's Overview of Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain.

*6 The number of subscribers combines subscriptions for au and FTTH (unit: 10,000* contracts).
*Stated unit is corrected.
Incorrect: 1,000 contracts
Correct: 10,000 contracts

*7 Fuel consumption includes heavy oil, diesel and kerosene (but excludes city gas and LP gas). The emission coefficient applied to GHG emissions calculation and reporting and disclosure system specified in the Act on Promotion of Global Warming Countermeasures is used.

*8 Water supply, recycled water, well water, excluding waste water

*9 Nonhazardousindustrial waste (telecommunications equipment, normal daily waste from KDDI buildings)

*10 Stated figure is corrected. (Feb. 2023)
Incorrect: 1,072,088
Correct: 1,073,088

*11 Stated figure is corrected. (May 2023)
Incorrect: 870
Correct: 908

*12 Stated figure is corrected. (May 2023)
Incorrect: 2,153
Correct: 2,430

*13 Stated figure is corrected. (May 2023)
Incorrect: 125
Correct: 127

*14 Stated figure is corrected. (May 2023)
Incorrect: 5,060,478
Correct: 5,060,794

*15 Stated figure is corrected. (May 2023)
Incorrect: 82.32
Correct: 82.33

*16 Stated figure is corrected. (May 2023)
Incorrect: 6,146,992
Correct: 6,147,308

*17 Stated figure is corrected. (May 2023)
Incorrect: 6,548,524
Correct: 6,458,524

# Consolidated Financial Statements

## i. Consolidated Statement of Financial Position

Millions of yen

| As of March 31 | Notes | FY21.3 | FY22.3 |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets : | | | |
| Property, plant and equipment | 5, 7 | ¥ 2,492,985 | ¥ 2,585,481 |
| Right-of-use assets | 7, 35 | 396,772 | 387,669 |
| Goodwill | 6, 7 | 540,420 | 540,962 |
| Intangible assets | 6, 7 | 1,024,831 | 1,025,223 |
| Investments accounted for using the equity method | 8 | 233,921 | 244,515 |
| Long-term loans for financial business | 31, 32 | 1,148,805 | 1,335,111 |
| Securities for financial business | 31, 32 | 276,065 | 338,285 |
| Other long-term financial assets | 11, 31, 32 | 325,201 | 329,268 |
| Retirement benefit assets | 16 | 38,364 | 44,720 |
| Deferred tax assets | 15 | 11,396 | 12,330 |
| Contract costs | 24 | 466,316 | 548,704 |
| Other non-current assets | 12 | 21,321 | 25,083 |
| Total non-current assets | | 6,976,398 | 7,417,350 |
| Current assets : | | | |
| Inventories | 9 | 69,821 | 74,511 |
| Trade and other receivables | 10, 31 | 2,229,435 | 2,311,694 |
| Short-term loans for financial business | 31, 32 | 233,605 | 255,266 |
| Call loans | 31 | 33,846 | 45,064 |
| Other short-term financial assets | 11, 31, 32 | 69,955 | 67,154 |
| Income tax receivables | | 7,969 | 2,904 |
| Other current assets | 12 | 104,496 | 113,822 |
| Cash and cash equivalents | 13 | 809,802 | 796,613 |
| Total current assets | | 3,558,928 | 3,667,028 |
| Total assets | | ¥10,535,326 | ¥11,084,379 |

Millions of yen

| As of March 31 | Notes | FY21.3 | FY22.3 |
|---|---|---|---|
| **Liabilities and Equity** | | | |
| **Liabilities** | | | |
| Non-current liabilities : | | | |
| Borrowings and bonds payable | 14, 31, 32 | ¥ 1,151,664 | ¥ 921,616 |
| Long-term deposits for financial business | 31, 32 | 32,850 | 33,240 |
| Lease liabilities | 35 | 288,650 | 279,265 |
| Other long-term financial liabilities | 18, 31, 32 | 14,172 | 14,198 |
| Retirement benefit liabilities | 16 | 12,109 | 12,496 |
| Deferred tax liabilities | 15 | 100,071 | 144,776 |
| Provisions | 19 | 77,476 | 70,073 |
| Contract liabilities | 24 | 71,669 | 71,083 |
| Other non-current liabilities | 20 | 10,813 | 11,015 |
| Total non-current liabilities | | 1,759,474 | 1,557,762 |
| Current liabilities : | | | |
| Borrowings and bonds payable | 14, 31, 32 | 92,892 | 286,505 |
| Trade and other payables | 17, 31 | 754,345 | 834,496 |
| Short-term deposits for financial business | 31, 32 | 1,817,240 | 2,184,264 |
| Call money | 31 | 115,815 | 141,348 |
| Lease liabilities | 35 | 112,275 | 112,719 |
| Other short-term financial liabilities | 18, 31, 32 | 1,655 | 2,620 |
| Income taxes payables | | 200,886 | 126,874 |
| Provisions | 19 | 38,925 | 25,641 |
| Contract liabilities | 24 | 100,889 | 86,091 |
| Other current liabilities | 20 | 281,461 | 215,397 |
| Total current liabilities | | 3,516,383 | 4,015,953 |
| Total liabilities | | 5,275,857 | 5,573,715 |
| **Equity** | | | |
| Equity attributable to owners of the parent | | | |
| Common stock | 22 | 141,852 | 141,852 |
| Capital surplus | 22 | 278,675 | 279,371 |
| Treasury stock | 22 | (86,719) | (299,827) |
| Retained earnings | 22 | 4,409,000 | 4,818,117 |
| Accumulated other comprehensive income | 22 | 16,912 | 43,074 |
| Total equity attributable to owners of the parent | | 4,759,720 | 4,982,586 |
| Non-controlling interests | 37 | 499,749 | 528,077 |
| Total equity | | 5,259,469 | 5,510,663 |
| Total liabilities and equity | | ¥10,535,326 | ¥11,084,379 |

## ii. Consolidated Statement of Income

Millions of yen

| For the years ended March 31 | Notes | FY21.3 | FY22.3 |
|---|---|---|---|
| **Operating revenue** | 24 | ¥5,312,599 | **¥5,446,708** |
| **Cost of sales** | 25 | 2,928,175 | **2,984,589** |
| **Gross profit** | | 2,384,424 | **2,462,119** |
| Selling, general and administrative expenses | 25 | 1,364,234 | **1,422,539** |
| Other income | 26 | 17,136 | **21,001** |
| Other expense | 26 | 4,815 | **5,781** |
| Share of profit of investments accounted for using the equity method | 8 | 4,884 | **5,791** |
| **Operating income** | | 1,037,395 | **1,060,592** |
| Finance income | 27 | 6,539 | **10,202** |
| Finance cost | 27 | 8,311 | **7,746** |
| Other non-operating profit and loss | 28 | 2,433 | **1,448** |
| **Profit for the year before income tax** | | 1,038,056 | **1,064,497** |
| Income tax | 15 | 331,451 | **331,957** |
| **Profit for the year** | | ¥ 706,605 | **¥ 732,540** |
| | | | |
| **Profit for the year attributable to:** | | | |
| Owners of the parent | | ¥ 651,496 | **¥ 672,486** |
| Non-controlling interests | | 55,109 | **60,054** |
| **Profit for the year** | | ¥ 706,605 | **¥ 732,540** |
| | | | |
| Earnings per share attributable to owners of the parent | 34 | | |
| Basic earnings per share (yen) | | ¥284.16 | **¥300.03** |
| Diluted earnings per share (yen) | | 283.91 | **299.73** |

## iii. Consolidated Statement of Comprehensive Income

Millions of yen

| For the years ended March 31 | Notes | FY21.3 | FY22.3 |
|---|---|---|---|
| **Profit for the year** | | ¥706,605 | **¥732,540** |
| | | | |
| **Other comprehensive income** | | | |
| Items that will not be transferred subsequently to profit or loss | | | |
| Remeasurements of defined benefit pension plans | 16, 29 | 46,106 | **5,201** |
| Changes measured in fair value of financial assets through other comprehensive income | 29, 31 | 26,086 | **9,001** |
| Share of other comprehensive income of investments accounted for using the equity method | 8, 29 | 254 | **(6)** |
| Total | | 72,445 | **14,195** |
| | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Changes in fair value of cash flow hedge | 29, 31 | 1,436 | **2,422** |
| Translation differences on foreign operations | 29 | 15,174 | **23,891** |
| Share of other comprehensive income of investments accounted for using the equity method | 8, 29 | (322) | **981** |
| Total | | 16,288 | **27,294** |
| **Total other comprehensive income** | | 88,733 | **41,490** |
| **Total comprehensive income for the year** | | ¥795,339 | **¥774,029** |
| | | | |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the parent | | ¥736,709 | **¥706,668** |
| Non-controlling interests | | 58,630 | **67,362** |
| Total | | ¥795,339 | **¥774,029** |

Note: Items in the statement above are presented after income tax.

## iv. Consolidated Statement of Changes in Equity

Millions of yen

| For the year ended March 31, 2021 | Notes | Equity attributable to owners of the parent | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Common stock | Capital surplus | Treasury stock | Retained earnings | Accumulated other comprehensive income | Total | | |
| **As of April 1, 2020** | | ¥141,852 | ¥280,591 | ¥(156,550) | ¥4,138,195 | ¥ (19,665) | ¥4,384,424 | ¥474,684 | ¥4,859,108 |
| Comprehensive income | | | | | | | | | |
| Profit for the year | | — | — | — | 651,496 | — | 651,496 | 55,109 | 706,605 |
| Other comprehensive income | | — | — | — | — | 85,213 | 85,213 | 3,520 | 88,733 |
| Total comprehensive income | | — | — | — | 651,496 | 85,213 | 736,709 | 58,630 | 795,339 |
| Transactions with owners and other transactions | | | | | | | | | |
| Cash dividends | 23 | — | — | — | (276,085) | — | (276,085) | (31,336) | (307,421) |
| Transfer of accumulated other comprehensive income to retained earnings | | — | — | — | 48,636 | (48,636) | — | — | — |
| Purchase and disposal of treasury stock | 22 | — | (3,298) | (80,153) | — | — | (83,451) | — | (83,451) |
| Retirement of treasury stock | 22 | — | (150,000) | 150,000 | — | — | — | — | — |
| Transfer from retained earnings to capital surplus | | — | 153,242 | — | (153,242) | — | — | — | — |
| Changes in interests in subsidiaries | | — | (2,851) | — | — | — | (2,851) | (2,229) | (5,080) |
| Other | | — | 991 | (17) | — | — | 974 | — | 974 |
| Total transactions with owners and other transactions | | — | (1,916) | 69,830 | (380,691) | (48,636) | (361,413) | (33,564) | (394,977) |
| **As of March 31, 2021** | | **¥141,852** | **¥278,675** | **¥(86,719)** | **¥4,409,000** | **¥16,912** | **¥4,759,720** | **¥499,749** | **¥5,259,469** |

Millions of yen

| For the year ended March 31, 2022 | Notes | Equity attributable to owners of the parent | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Common stock | Capital surplus | Treasury stock | Retained earnings | Accumulated other comprehensive income | Total | | |
| **As of April 1, 2021** | | ¥141,852 | ¥278,675 | (86,719) | ¥4,409,000 | ¥16,912 | ¥4,759,720 | ¥499,749 | ¥5,259,469 |
| Comprehensive income | | | | | | | | | |
| Profit for the year | | — | — | — | 672,486 | — | 672,486 | 60,054 | 732,540 |
| Other comprehensive income | | — | — | — | — | 34,182 | 34,182 | 7,308 | 41,490 |
| Total comprehensive income | | — | — | — | 672,486 | 34,182 | 706,668 | 67,362 | 774,029 |
| Transactions with owners and other transactions | | | | | | | | | |
| Cash dividends | 23 | — | — | — | (271,389) | — | (271,389) | (31,864) | (303,253) |
| Transfer of accumulated other comprehensive income to retained earnings | | — | — | — | 8,020 | (8,020) | — | — | — |
| Purchase and disposal of treasury stock | 22 | — | (60) | (213,763) | — | — | (213,822) | — | (213,822) |
| Changes in interests in subsidiaries | | — | (229) | — | — | — | (229) | (7,170) | (7,399) |
| Other | | — | 984 | 655 | — | — | 1,639 | — | 1,639 |
| Total transactions with owners and other transactions | | — | 696 | (213,108) | (263,369) | (8,020) | (483,801) | (39,034) | (522,835) |
| **As of March 31, 2022** | | ¥141,852 | ¥279,371 | ¥(299,827) | ¥4,818,117 | ¥43,074 | ¥4,982,586 | ¥528,077 | ¥5,510,663 |

## v. Consolidated Statement of Cash Flows

Millions of yen

| For the years ended March 31 | Notes | FY21.3 | FY22.3 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year before income tax | | ¥1,038,056 | **¥1,064,497** |
| Depreciation and amortization | 5, 6 | 727,745 | **728,101** |
| Impairment loss | 7 | 7,395 | **2,689** |
| Share of (profit) loss of investments accounted for using the equity method | 8 | (4,884) | **(5,791)** |
| Loss (gain) on sales of non-current assets | | (2,252) | **(1,393)** |
| Interest and dividends income | 27 | (3,710) | **(7,022)** |
| Interest expenses | 27 | 6,929 | **6,681** |
| (Increase) decrease in trade and other receivables | | (51,014) | **(51,616)** |
| Increase (decrease) in trade and other payables | | 75,449 | **16,403** |
| (Increase) decrease in loans for financial business | | (213,740) | **(207,966)** |
| Increase (decrease) in deposits for financial business | | 422,671 | **367,415** |
| (Increase) decrease in Call loans | | 17,091 | **(11,218)** |
| Increase (decrease) in Call money | | 43,715 | **25,532** |
| (Increase) decrease in inventories | | 5,495 | **(4,577)** |
| (Increase) decrease in retirement benefit assets | | (38,364) | **(6,357)** |
| Increase (decrease) in retirement benefit liabilities | | (25,120) | **387** |
| Other | | 8,425 | **(84,111)** |
| Cash generated from operations | | 2,013,889 | **1,831,655** |
| Interest and dividends received | | 6,959 | **10,620** |
| Interest paid | | (7,300) | **(6,499)** |
| Income tax paid | | (335,679) | **(374,768)** |
| Income tax refund | | 4,297 | **7,641** |
| Net cash provided by (used in) operating activities | | 1,682,166 | **1,468,648** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (414,722) | **(425,800)** |
| Proceeds from sales of property, plant and equipment | | 4,468 | **2,118** |
| Purchases of intangible assets | | (209,914) | **(249,767)** |
| Purchases of securities for financial business | | (146,519) | **(339,393)** |
| Proceeds from sales and redemption of securities for financial business | | 122,038 | **277,300** |
| Purchases of other financial assets | | (18,774) | **(12,822)** |
| Proceeds from sales and redemption of other financial assets | | 4,848 | **7,165** |
| Acquisitions of control over subsidiaries | | (428) | **—** |
| Purchases of stocks of associates | | (2,499) | **(9,974)** |
| Proceeds from sales of stocks of subsidiaries and associates | | 3,650 | **1,595** |
| Other | | (1,073) | **(12,015)** |
| Net cash provided by (used in) investing activities | | (658,925) | **(761,593)** |
| **Cash flows from financing activities** | | | |
| Net increase (decrease) of short-term borrowings | 30 | 19,517 | **17** |
| Proceeds from issuance of bonds and long-term borrowings | 30 | 77,500 | **—** |
| Payments from redemption of bonds and repayments of long-term borrowings | 30 | (153,301) | **(73,375)** |
| Repayments of lease liabilities | 30 | (133,226) | **(130,848)** |
| Payments from purchase of subsidiaries'equity from non-controlling interests | | (4,823) | **(12,619)** |
| Proceeds from the partial sales of shares of subsidiaries to non-contolling interests | | — | **6,750** |
| Proceeds from stock issuance to non-controlling interests | | 9 | **108** |
| Payments from purchase of treasury stock | 22 | (136,087) | **(213,763)** |
| Proceeds from sale of treasury stock | | 52,214 | **—** |
| Cash dividends paid | | (275,993) | **(271,362)** |
| Cash dividends paid to non-controlling interests | | (31,379) | **(32,164)** |
| Other | | (3) | **(1)** |
| Net cash provided by (used in) financing activities | | (585,571) | **(727,257)** |
| **Effect of exchange rate changes on cash and cash equivalents** | 30 | 2,930 | **7,012** |
| **Net increase (decrease) in cash and cash equivalents** | 30 | 440,600 | **(13,189)** |
| **Cash and cash equivalents at the beginning of the year** | 13, 30 | 369,202 | **809,802** |
| **Cash and cash equivalents at the end of the year** | 13, 30 | ¥ 809,802 | **¥ 796,613** |

# 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 the 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, 2022 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 reportable segments" of "4. Segment information."

## 2 Basis of Preparation

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

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

### (2) Basis of measurement

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

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

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

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

### (4) Use of estimates and judgement

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

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

As of the end of the fiscal year ended March 31, 2021, the Company had previously assumed that the impact of COVID-19 would last at least throughout the entire fiscal year ended March 31, 2022. However, the business environment surrounding the Company continues to be unpredictable. Based on currently available information and in light of current conditions, the Company has revised its assumptions used for the preparation of its consolidated financial statements for the fiscal year ended March 31, 2022, making accounting estimates that the impact of COVID-19 will continue at least throughout the fiscal year ending March 31, 2023. This change on the consolidated financial statements for the fiscal year under review is immaterial. However, if future circumstances change and it becomes necessary to revise these judgments, it is possible that there could be a significant impact on the consolidated financial results for subsequent fiscal years.

**i. Estimates of useful lives and residual values of property, plant and equipment, intangible assets, and right-of-use assets**

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

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

The content related to estimates of useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets are described in "3. Significant accounting policies (5) Property, plant & equipment, (7) Intangible asset and (8) Leases."

**ii. Impairment of property, plant and equipment, intangible assets including goodwill and right-of-use assets**

The Group conducts impairment tests to property, plant and equipment, intangible assets including goodwill and right-of-use assets. Calculations of recoverable amounts used in impairment tests are based on assumptions set using such factors as an asset's useful life, future cash flows, pre-tax discount rates and long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The method for calculating recoverable amounts is described in "3. Significant accounting policies (9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets" and "7. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets."

**iii. Evaluation of inventories**

Inventories are measured at historical cost. However, when the net realizable value ("NRV") at the reporting date falls below the cost, inventories are subsequently measured based on NRV, with the difference in value between the cost and NRV, booked as cost of sales. Slow-moving inventories and those outside the normal operating cycle are calculated at NRV that reflects future demand and market trends. The Group may experience substantial losses in cases where NRV drops as a result of deterioration in the market environment against the forecast.

The content and amount related to evaluation of inventories are described in "3. Significant accounting policies (15) Inventories" and "9. Inventories."

**iv. Recoverability of deferred tax assets**

In recognizing deferred tax assets, when judging the possibility of the future taxable income, the Group estimates the timing and amount of future taxable income based on the business plan.

The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. If there are differences between the actual amounts and estimated amounts, this may have a material impact on the consolidated financial statements in future periods.

The content and amount related to deferred tax assets are described in "3. Significant accounting policies (24) Income taxes" and "15. Deferred tax and 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 a possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions are described in "3. Significant accounting policies (16) Employee benefits" and "16. Employee benefits."

**vi. Collectability of trade and other receivables**

The Group has estimated the collectability of trade and other receivables based on the credit risk. Fluctuations in credit risk of customer receivables may have a significant effect on the amounts recognized the allowance for receivables on the consolidated financial statements in future periods.

The content and amount related to collectability of trade and other receivables are described in "3. Significant accounting policies (12) Impairment of financial assets" and "31. Financial Instruments."

**vii. Valuation technique of financial assets at fair value without quoted prices in active markets.**

The Group has used valuation techniques to utilize the inputs unobservable in the market when assessing the fair value of certain financial instruments. Unobservable input may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods if it becomes necessary to review.

The content and amount related to fair value of financial assets are described in "3. Significant accounting policies (11) Financial instruments and (13) Derivatives and hedge accounting" and "32. Fair value of financial instruments."

**viii. Provisions**

The Group recognizes provisions, including asset retirement obligations and provisions for point program, in the consolidated statement of financial position. These provisions are recognized based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the current year end date. Expenditures necessary for settling the obligations are calculated by taking all possible future results into account; however, they may be affected by unexpected events or changes in conditions, which may have a material impact on the Group's consolidated financial statements in future periods.

The nature and amount of recognized provisions are stated in "3. Significant accounting policies (17) Provisions" and "19. Provisions."

### (5) Application of new standards and interpretations

The Group does not have significant standards and interpretations applied from the fiscal year ended March 31, 2022.

### (6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the consolidated financial statements are not mandatory as of March 31, 2022. The Group did not choose to adopt them before the required adoption date.

| Standard | The title of Standard | Mandatory adoption (from the fiscal year beginning) | To be adopted by the Group from | Outline of new standards and amendments |
|---|---|---|---|---|
| IFRS 17 | Insurance contracts | January 1, 2023 | Fiscal year ending March 31, 2024 | IFRS 17 will replace IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.<br>Under the IFRS 17 model, entities are required to estimate total fulfillment cash flows for insurance contracts and contractual service margin at initial recognition. Fulfillment cash flows comprise estimates of future cash flows, adjustments reflecting the time value of money, and risk adjustments for non-financial risk. At the time of reporting, fulfillment cash flows are remeasured using the latest basis for measurement. Unearned income (contractual service margin) is recognized over the coverage period. |

All the standards and amendments above will be reflected in the consolidated financial statements for the relevant fiscal year described above. The Company is currently evaluating the impact of the application and an estimate is currently not available.

## 3 Significant Accounting Policies

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

### (1) Basis of consolidation

**i. Subsidiaries**

(a) Consolidation of subsidiaries

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

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

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

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

The Group accounts for the transactions with non-controlling interests that do not result in loss of control 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 recognized as equity. Gains or losses on disposals of non-controlling interests that do not result in loss of control are also recognized as 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 means that any components of other comprehensive income that are attributable to the subsidiary are reclassified from equity to profit or loss or directly to retained earnings.

(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, 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 or transfers within equity, based on how the reserve should be reclassified on the disposal of related assets or liabilities. 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 or tested for impairment separately. The gross amount of investments in associates is tested for impairment as a single asset. Specifically, the Group evaluates on a quarterly basis whether there is objective evidence which indicates that the investment may be impaired or not on a quarterly basis. When objective evidence exists that the investments in associates are impaired, 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 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 the 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 upon disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in gain 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 cash-generating units (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 " 3. Significant accounting policies (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 can be measured reliably, product or production process has commercial and technical feasibility, the expenditure probably generates future economic benefits, and the Group has intention to complete the development and use or sell the asset, and has enough resources for their activities. In other cases, the expenditure is recognized as expense when it is incurred.

**ii. Depreciation and useful lives**
Intangible assets are amortized using the straight-line method over their estimated useful lives. Estimated useful lives of major components of intangible assets are as follows. Intangible assets with indefinite useful lives are not amortized.

| | |
|---|---|
| Software | 5 years |
| Customer relationships | 4–30 years |
| Assets related to program supply | 22 years |
| Spectrum migration cost | 9–17 years |
| Others | 5–20 years |

The amortization methods and 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) Leases

At the inception of the lease, the 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.

When the contract includes a lease, right-of-use assets are 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 pre-tax 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 been 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, the 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. In addition, 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 assets 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
The 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, the 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 an equity instrument is derecognized or its fair value substantially decreased.

Dividends are recognized in profit or loss.

*(iii) Financial assets measured at fair value through profit or loss*
When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss, and presented in the consolidated statement of income for the reporting period in which it arises.

The Group does not designate any debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(c) Derecognition of financial assets
The Group derecognizes its financial asset if the contractual rights to the cash flows from the investment expire, or the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or continuously retained by the Group are recognized as a separate asset or liability.

**ii. Non-derivative financial liabilities**
(a) Recognition and measurement of financial liabilities
The Group recognizes financial debt when the Group becomes a party to the contractual provisions of the instruments. The measurement of financial debt is explained in (b) Classification of financial liabilities.

(b) Classification of financial liabilities
Financial liabilities measured at amortized cost
A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

(c) Derecognition of financial liabilities
The Group derecognizes a financial liability when the financial liability is extinguished, i.e. when the contractual obligation is discharged, 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, the 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 that derivative contracts are entered into. After initial recognition, derivatives are remeasured at fair value at the end of each reporting period.

The Group utilizes derivatives consisting of exchange contracts, foreign exchange swaps and interest swaps to reduce foreign currency risk and interest rate risk etc.

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

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

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

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

Specially, when the Group assess whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:

*(i) There is an economic relationship between the hedged item and the hedging instrument.*
*(ii) The effect of credit risk does not dominate the value changes that result from that economic relationship.*
*(iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.*

Hedge effectiveness is assessed on an ongoing basis and about whether the hedging criteria described above are met.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss. Cumulative profit or loss recognized through other comprehensive income is transferred to profit or loss on the same period that the cash flows of hedged items affects profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (rebalancing).

After rebalancing, hedge accounting will be discontinued in cases where it no longer meets 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, the accumulated amount of profit or loss 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 comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated cost to sell.

### (16) Employee benefits

**i. Post-employment benefits**

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

(a) Defined benefit plans

The asset or liability recognized on the consolidated statement of financial position in relation to the defined benefit pension plans (defined benefit asset or liability) is the present value of the defined benefit obligation less fair value of the plan assets at the end of the reporting period. The defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. The discount rates are on the basis of the market yields of high-quality corporate bonds at the end of the reporting period, that are denominated in the currency in which the benefit will be paid, which corresponds to the 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

Contributions 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 pre-tax 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 payments and the shares of the Company held by the trust are included in treasury stock. The fair value of the shares of the Company at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Company granted is determined by adjusting the market value, taking into account the expected dividend yield of the shares.

### (19) Equity

**i. Common stock**

Common stock is classified as equity. Proceeds from the Company's issuance of common shares 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 stand-alone selling prices. 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. Stand-alone selling prices for mobile handsets and mobile telecommunications service revenues are the prices that would be observable if mobile handsets and mobile telecommunications service were sold to customers independently at the inception of the contract. 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 stand-alone selling prices 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 value-added 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 collecting 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 Group collects the receivables. 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 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 base, and tax loss carry forwards and tax credits. However, no deferred tax assets and liabilities are recognized on following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities related to transactions other than business combination, that affects neither the accounting profit nor the taxable profit (loss); and
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on all deductible temporary differences, unused tax loss carry forwards 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. The 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 the reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

### (25) Dividends

For the purpose of the consolidated financial statements, dividends to owners of the parent company are recognized as a liability for the period over which the dividends are approved by the owners of the parent company.

### (26) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to common stock.

Basic earnings per share is calculated by dividing profit for the year attributable to common stockholders of the parent by the weighted average number of common shares outstanding during the reporting period, adjusted for the number of treasury shares 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 shares outstanding, adjusted for the number of treasury shares, are further adjusted based on the assumption that all dilutive potential common shares are fully converted. Potential common stocks of the Group are related to the BIP trust and ESOP trust.

## 4 Segment Information

### (1) Outline of reportable segments

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

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

The Personal Services segment provides services to individual customers.

In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, energy, entertainment, education, and healthcare, while focusing on conventional telecommunications services, such as those related to smartphones, cell phones, FTTH, and CATV. We dynamically provide services attuned to customer needs and market conditions through a multi-brand strategy that encompasses "au," "UQ mobile," and "povo." In the life design domain, we provide financial, energy and commerce services focused on the customer contact points of "au PAY" and "au Smart Pass." We aim to expand the "au Economic Zone" going forward by enhancing these customer points and circulating reward points.

Overseas, we use know-how cultivated in Japan to actively provide telecommunications and life design services to individual customers, especially those in Myanmar, Mongolia, and other Asian regions.

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

In collaboration with partner companies and using 5G, IoT, and other technology, we support customers' digital transformation by providing one-stop services and solutions that help customers develop and expand their businesses on a global scale.

For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.

The reportable segments for some subsidiary companies were changed due to organization change in the fiscal year ended March 31,2022. Accordingly, the segment information for the fiscal year ended March 31,2021 is presented based on the segment classification after this change.

### (2) Calculation method of revenue, income or loss, assets and other items by reportable segment

Accounting treatment of reported business segments is consistent with "3. Significant accounting policies."

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

Inter segment transaction price is determined by taking into consideration the price by arm's length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reportable segments.

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

The Group's segment information is as follows:

Millions of yen

| For the year ended March 31, 2021 | Reportable segment | | | Other (Note 1) | Total | Adjustment (Note 2) | Amounts on the consolidated financial statements |
|---|---|---|---|---|---|---|---|
| | Personal | Business | Sub-total | | | | |
| Revenue | | | | | | | |
| Revenue from external customers | ¥4,506,412 | ¥784,876 | ¥5,291,288 | ¥21,312 | ¥5,312,599 | ¥ — | ¥5,312,599 |
| Inter-segment revenue or transfers | 78,704 | 211,754 | 290,458 | 51,791 | 342,249 | (342,249) | — |
| Total | 4,585,116 | 996,629 | 5,581,745 | 73,103 | 5,654,849 | (342,249) | 5,312,599 |
| Segment income (loss) | 862,858 | 167,486 | 1,030,343 | 6,545 | 1,036,888 | 507 | 1,037,395 |
| Finance income and finance cost (Net) | | | | | | | (1,772) |
| Other non-operating profit and loss | | | | | | | 2,433 |
| Profit for the year before income tax | | | | | | | ¥1,038,056 |
| Other items | | | | | | | |
| Depreciation and amortization | 643,732 | 85,342 | 729,074 | 1,964 | 731,038 | (3,600) | 727,438 |
| Impairment loss | 6,730 | 659 | 7,389 | 6 | 7,395 | — | 7,395 |
| Share of profit of investment accounted for using the equity method | 2,593 | 62 | 2,655 | 2,229 | 4,884 | — | 4,884 |

Millions of yen

| For the year ended March 31, 2022 | Reportable segment | | | Other (Note 1) | Total | Adjustment (Note 2) | Amounts on the consolidated financial statements |
|---|---|---|---|---|---|---|---|
| | Personal | Business | Sub-total | | | | |
| Revenue | | | | | | | |
| Revenue from external customers | ¥4,597,313 | ¥828,038 | ¥5,425,351 | ¥21,357 | ¥5,446,708 | ¥ — | ¥5,446,708 |
| Inter-segment revenue or transfers | 72,680 | 214,606 | 287,286 | 62,758 | 350,043 | (350,043) | — |
| Total | 4,669,993 | 1,042,644 | 5,712,637 | 84,114 | 5,796,751 | (350,043) | 5,446,708 |
| Segment income (loss) | 865,476 | 186,049 | 1,051,525 | 10,229 | 1,061,754 | (1,162) | 1,060,592 |
| Finance income and finance cost (Net) | | | | | | | 2,457 |
| Other non-operating profit and loss | | | | | | | 1,448 |
| Profit for the year before income tax | | | | | | | ¥1,064,497 |
| Other items | | | | | | | |
| Depreciation and amortization | 644,442 | 85,169 | 729,611 | 2,006 | 731,617 | (3,838) | 727,779 |
| Impairment loss | 1,998 | 676 | 2,674 | 15 | 2,689 | — | 2,689 |
| Share of profit of investment accounted for using the equity method | 3,600 | 464 | 4,063 | 1,728 | 5,791 | — | 5,791 |

Notes: 1. "Other" includes construction and maintenance of facilities, research and development of leading-edge technology, and other operations that do not constitute reportable segments.
2. Adjustment of segment income shows the elimination of inter-segment transactions.

### (4) Information by product and service

Information by product and service is described in "Note 24. Revenue"

### (5) Information by region

**i. Revenue**
Description is omitted as the revenue from external customers in Japan accounts for most of the revenue on the consolidated statement of income.

**ii. Non-current assets (excluding financial assets, deferred income tax assets and retirement benefit assets)**
Description is omitted as non-current assets located in Japan accounts for most of these assets on the consolidated statement of financial position.

### (6) Information by major customer

Description is omitted as the revenue from a specific external customer is less than 10% of the revenue on the consolidated statement of income.

## 5 Property, Plant and Equipment

### (1) Movements of property, plant and equipment

Movements of acquisition costs, accumulated depreciation and accumulated impairment loss of the property, plant and equipment are as follows:

Acquisition costs

Millions of yen

| | Communication equipment | Buildings and structures | Land | Construction in progress | Other | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2020 | ¥5,441,403 | ¥643,368 | ¥287,524 | ¥175,047 | ¥487,109 | ¥7,034,452 |
| Acquisition | 2,958 | 630 | 7 | 483,070 | 424 | 487,089 |
| Transfer from construction in progress | 313,235 | 66,721 | 788 | (425,668) | 44,924 | — |
| Acquisition by business combination | — | 3 | — | — | 14 | 17 |
| Disposal | (95,240) | (9,944) | (826) | (385) | (11,690) | (118,084) |
| Exchange differences | (46) | (575) | 2,011 | 288 | (5,132) | (3,454) |
| Other | (1,392) | 4,714 | (1,345) | (5,450) | 2,574 | (898) |
| As of March 31, 2021 | 5,660,918 | 704,918 | 288,161 | 226,901 | 518,224 | 7,399,122 |
| Acquisition | 16,953 | 1,897 | 284 | 467,207 | 2,172 | 488,513 |
| Transfer from construction in progress | 281,954 | 31,555 | 4,718 | (354,341) | 36,115 | — |
| Acquisition by business combination | — | — | — | — | — | — |
| Disposal | (100,429) | (8,708) | (218) | (6,421) | (18,020) | (133,796) |
| Exchange differences | 2,311 | 4,966 | 939 | 978 | 8,447 | 17,640 |
| Other | 354 | 1,193 | (171) | (2,674) | 2,739 | 1,441 |
| As of March 31, 2022 | ¥5,862,061 | ¥735,821 | ¥293,712 | ¥331,649 | ¥549,676 | ¥7,772,919 |

Accumulated depreciation and accumulated impairment loss

Millions of yen

| | Communication equipment | Buildings and structures | Land | Construction in progress | Other | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2020 | ¥(3,897,936) | ¥(405,786) | ¥(4,082) | ¥(1,730) | ¥(318,687) | ¥(4,628,221) |
| Depreciation | (326,490) | (27,187) | — | — | (37,733) | (391,410) |
| Disposal | 84,375 | 5,994 | — | — | 10,872 | 101,241 |
| Impairment loss | (2,768) | (281) | — | (1,610) | (341) | (5,000) |
| Exchange differences | 44 | 6,914 | — | — | 10,294 | 17,252 |
| As of March 31, 2021 | (4,142,776) | (420,345) | (4,082) | (3,340) | (335,594) | (4,906,137) |
| Depreciation | **(317,551)** | **(27,894)** | **—** | **—** | **(39,960)** | **(385,405)** |
| Disposal | **88,747** | **7,747** | **—** | **(1)** | **17,202** | **113,695** |
| Impairment loss | **(1,455)** | **(172)** | **—** | **(14)** | **(181)** | **(1,822)** |
| Exchange differences | **(1,450)** | **(1,219)** | **—** | **(359)** | **(4,741)** | **(7,770)** |
| As of March 31, 2022 | **¥(4,374,484)** | **¥(441,884)** | **¥(4,082)** | **¥(3,715)** | **¥(363,274)** | **¥(5,187,439)** |

Note: The depreciation of the property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of financial positions.

The carrying amounts of the property, plant and equipment are as follows:

Carrying amount

Millions of yen

| | Communication equipment | Buildings and structures | Land | Construction in progress | Other | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2020 | ¥1,543,467 | ¥237,582 | ¥283,442 | ¥173,317 | ¥168,423 | ¥2,406,231 |
| As of March 31, 2021 | ¥1,518,142 | ¥284,573 | ¥284,079 | ¥223,561 | ¥182,630 | ¥2,492,985 |
| As of March 31, 2022 | **¥1,487,577** | **¥293,937** | **¥289,630** | **¥327,934** | **¥186,402** | **¥2,585,481** |

### (2) Property, plant and equipment pledged as collateral

For the amount of property, plant and equipment pledged as collateral for liabilities including borrowings, please refer to "Note 14. Borrowings and bonds payable."

### (3) Property, plant and equipment with limited ownership

There is no property, plant and equipment with limited ownership.

### (4) Property, plant and equipment under construction

Expenditures included in the carrying amount of property, plant and equipment under construction are presented as construction in progress in the table above.

### (5) Capitalization of borrowing costs

There are no significant borrowing costs included in the acquisition costs of the property, plant and equipment for the years ended March 31, 2021 and 2022.

## 6 Goodwill and Intangible Assets

### (1) Movements of goodwill and intangible assets

The movements of the acquisition costs, accumulated amortization and accumulated impairment loss of the intangible assets are as follows:

Acquisition costs

Millions of yen

| | | Intangible assets | | | | | |
|---|---|---|---|---|---|---|---|
| | Goodwill | Software | Customer related | Program supply related | Spectrum migration cost | Other | Total |
| As of April 1, 2020 | ¥554,302 | ¥881,537 | ¥328,972 | ¥36,363 | ¥ 88,133 | ¥663,964 | ¥2,553,270 |
| Individual acquisition | — | 133,221 | — | — | 23,380 | 51,765 | 208,366 |
| Acquisition by business combination | 620 | 27 | — | — | — | — | 646 |
| Disposal | — | (126,757) | — | — | — | (47,060) | (173,817) |
| Exchange differences | 270 | 85 | — | — | — | 833 | 1,187 |
| Other | — | 55 | — | — | (382) | (7,605) | (7,932) |
| As of March 31, 2021 | 555,191 | 888,168 | 328,972 | 36,363 | 111,131 | 661,897 | 2,581,721 |
| Individual acquisition | **—** | **168,281** | **—** | **—** | **20,328** | **49,914** | **238,523** |
| Acquisition by business combination | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Disposal | **—** | **(95,598)** | **—** | **—** | **—** | **(41,445)** | **(137,043)** |
| Exchange differences | **542** | **567** | **—** | **—** | **—** | **1,831** | **2,940** |
| Other | **—** | **(1,785)** | **—** | **—** | **(753)** | **(19,981)** | **(22,518)** |
| As of March 31, 2022 | **¥555,733** | **¥959,633** | **¥328,972** | **¥36,363** | **¥130,707** | **¥652,216** | **¥2,663,623** |

Accumulated amortization and impairment

Millions of yen

| | | Intangible assets | | | | | |
|---|---|---|---|---|---|---|---|
| | Goodwill | Software | Customer related | Program supply related | Spectrum migration cost | Other | Total |
| As of April 1, 2020 | ¥ (13,416) | ¥(500,401) | ¥ (108,482) | ¥ (11,570) | ¥(22,611) | ¥(320,504) | ¥ (976,985) |
| Amortization | — | (126,913) | (21,072) | (1,653) | (10,703) | (47,790) | (208,131) |
| Impairment loss | (1,355) | (692) | — | — | — | (348) | (2,395) |
| Disposal | — | 125,020 | — | — | — | 46,533 | 171,553 |
| Exchange differences | — | (55) | — | — | — | (456) | (511) |
| Other | — | — | — | — | — | — | — |
| As of March 31, 2021 | (14,771) | (503,041) | (129,554) | (13,223) | (33,315) | (322,566) | (1,016,469) |
| Amortization | **—** | **(131,681)** | **(20,820)** | **(1,653)** | **(13,171)** | **(46,367)** | **(213,693)** |
| Impairment loss | **—** | **(858)** | **—** | **—** | **—** | **—** | **(858)** |
| Disposal | **—** | **93,918** | **—** | **—** | **—** | **41,064** | **134,982** |
| Exchange differences | **—** | **(300)** | **—** | **—** | **—** | **(1,098)** | **(1,398)** |
| Other | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| As of March 31, 2022 | **¥(14,771)** | **¥(541,963)** | **¥(150,374)** | **¥(14,876)** | **¥(46,486)** | **¥(328,968)** | **¥(1,097,437)** |

Note: The amortization of intangible assets is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of financial positions.

The carrying amounts of goodwill and intangible assets are as follows:

Carrying amount

Millions of yen

| | | Intangible assets | | | | | |
|---|---|---|---|---|---|---|---|
| | Goodwill | Software | Customer related | Program supply related | Spectrum migration cost | Other | Total |
| As of April 1, 2020 | ¥540,886 | ¥381,136 | ¥220,489 | ¥24,793 | ¥65,521 | ¥343,460 | ¥1,576,285 |
| As of March 31, 2021 | ¥540,420 | ¥385,126 | ¥199,418 | ¥23,140 | ¥77,816 | ¥339,331 | ¥1,565,251 |
| As of March 31, 2022 | **¥540,962** | **¥417,669** | **¥178,598** | **¥21,487** | **¥84,220** | **¥323,249** | **¥1,566,186** |

**(2) Total expenditures related to research and development expensed during the period**

Research and development costs expensed as selling, general and administrative expenses for the years ended March 31, 2021 and 2022 are ¥24,131 million and ¥25,081 million, respectively.

**(3) Intangible assets with indefinite useful lives**

Intangible assets with indefinite useful lives described above as of March 31, 2021 and 2022 is ¥63,379 million.

The details of intangible assets are trademark rights that were acquired through business combinations. As these trademark rights exist as long as businesses are continued, useful lives of these intangible assets are assumed to be indefinite.

## 7 Impairment of Property, Plant and Equipment, Goodwill, Intangible Assets and Right-Of-Use Assets

Impairment test of cash generating units including goodwill and intangible assets with indefinite useful lives

The Group tests for impairment of goodwill and intangible assets with indefinite useful lives at least annually, and whenever there is an indication of impairment.

The total carrying amounts of the goodwill and intangible assets with indefinite useful lives allocated to cash-generating units or cash generating unit groups are as follows:

Goodwill

Millions of yen

| Cash-generating unit or cash-generating unit group<br>As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| JCOM Co., Ltd. CATV business | ¥280,709 | **¥280,709** |
| Jupiter Shop Channel Co., Ltd. | 92,577 | **92,577** |
| AEON HD | 31,621 | **31,621** |
| ENERES Co., Ltd. | 14,199 | **14,199** |
| BIGLOBE Inc. | 14,072 | **14,072** |
| Other | 107,242 | **107,784** |
| Total | ¥540,420 | **¥540,962** |

Intangible assets with indefinite useful lives

Millions of yen

| Cash-generating unit or cash-generating unit group<br>As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| BIGLOBE Inc. | ¥26,374 | **¥26,374** |
| Jupiter Shop Channel Co., Ltd. | 19,859 | **19,859** |
| AEON HD | 17,146 | **17,146** |
| Total | ¥63,379 | **¥63,379** |

The recoverable amount of goodwill and intangible assets with indefinite useful lives allocated to cash-generating units or group of cash generating units is calculated using value in use.

In assessing value in use, the estimated future cash flows from cash generating-units or group of cash generating unit are discounted to their present value. When the Group calculates the future cash flows and discount future cash flows, the business plan developed based on different type of forecasted revenue and cost such as cost of sales and selling, general and administrative expenses, growth rates and pre-tax discount rates are used as significant assumptions.

The forecast of cash flows used as a basis to estimate future cash flows is based on the recent business plan approved by the management, which reflects past experience and external information, and the maximum forecast is 5 years. After 5 years, a certain growth rate of profit before tax after consideration of a long-term average growth rate for the market is used.

The growth rates of estimated profit before tax in projection period, which are used to calculate value in use of cash-generating units, are as follows.

| Cash-generating unit or cash-generating unit group<br>As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| JCOM Co., Ltd. CATV business | 0.0% | **0.0%** |
| Jupiter Shop Channel Co., Ltd. | 0.0% | **0.0%** |
| AEON HD | 0.0% | **0.0%** |
| ENERES Co., Ltd. | 0.0% | **0.0%** |
| BIGLOBE Inc. | 0.0% | **0.0%** |
| Other | 0.0%-6.5% | **0.0%-6.0%** |

The growth rates used in estimated cash flows of each cash-generating unit (CGU) or group of CGUs reflect the status of the country and the industry to which the CGU belongs, and does not exceed the long-term average growth rate for the market.

The pre-tax discount rates, which are used to calculate value in use of CGU or group of CGUs to which goodwill and intangible assets with indefinite useful lives, is allocated are as follows.

| Cash-generating unit or cash-generating unit group<br>As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| JCOM Co., Ltd. CATV business | 5.1% | **5.8%** |
| Jupiter Shop Channel Co., Ltd. | 6.7% | **7.3%** |
| AEON HD | 5.3% | **5.2%** |
| ENERES Co., Ltd. | 5.4% | **6.5%** |
| BIGLOBE Inc. | 7.2% | **8.1%** |
| Other | 5.1%-16.7% | **5.2%-15.2%** |

Although goodwill and intangible assets with indefinite useful lives have a risk of impairment when major assumptions used for impairment test change, the Group has determined that a significant impairment loss is not probable in the cash generating units or cash generating unit group regardless of the reasonable change of business plan the growth rate and/or discount rate used for impairment test.

## 8 Investments Accounted for Using the Equity Method

**(1) The carrying amounts of investments accounted for using the equity method**

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Interests in associates | ¥233,921 | **¥244,515** |
| Total | ¥233,921 | **¥244,515** |

**(2) The Group's share of comprehensive income of associates accounted for using the equity method**

**i. Associates**

Profit for the year, other comprehensive income and comprehensive income of associates accounted for using the equity method are as follows. As of and for the years ended March 31, 2021 and 2022, there is not individually significant associate accounted for using the equity method.

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Profit for the year | ¥4,884 | **¥5,791** |
| Other comprehensive income, net of tax | (68) | **975** |
| Total comprehensive income for the year | ¥4,816 | **¥6,766** |

## 9 Inventories

### (1) The analysis of inventories

The analysis of inventories is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Finished goods and manufactured goods | ¥66,250 | ¥71,262 |
| Work in progress | 3,385 | 2,684 |
| Other | 186 | 565 |
| Total | ¥69,821 | ¥74,511 |

There is no inventory to be sold after more than 12 months from March 31, 2021 and 2022.

### (2) Write down of the inventories expensed during the period

Write down of the inventories expensed during the period is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Write down of the inventories expensed (Note) | ¥6,083 | ¥7,599 |

Note: Write down is recognized as costs of sales.

### (3) Inventories pledged as collateral

There are no inventories pledged as collateral.

## 10 Trade and Other Receivables

The analysis of trade and other receivables is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Current | | |
| Trade receivables | | |
| Accounts receivable—trade and notes receivable | ¥2,134,956 | ¥2,182,975 |
| Accounts receivable—other (Note) | 111,815 | 146,991 |
| Loss allowance | (17,336) | (18,272) |
| Total | ¥2,229,435 | ¥2,311,694 |

Note: Accounts receivable-other mainly consists of the receivable related to the payment agency service.

The amounts of trade and other receivables expected to be recovered after more than twelve months from March 31, 2021 and 2022 are ¥481,835 million and ¥340,336 million, respectively.

The amount of the trade and other receivables on the consolidated statement of financial position is presented less loss allowance.

## 11 Other Financial Assets

The analysis of other financial assets is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Non-current assets (Other long-term financial assets) | | |
| Financial assets at fair value through profit or loss | | |
| Derivatives | ¥ 164 | ¥ 85 |
| Financial assets at fair value through other comprehensive income | | |
| Equity instruments | | |
| Equities | 177,224 | 199,608 |
| Financial assets at amortized cost | | |
| Debt instruments | | |
| Security deposits | 55,837 | 56,700 |
| Long-term accounts receivables | 11,879 | 13,081 |
| Lease receivables | 71,155 | 55,040 |
| Other | 20,911 | 17,761 |
| Loss allowance | (11,970) | (13,008) |
| Sub total | 325,201 | 329,268 |
| Current assets (Other short-term financial assets): | | |
| Financial assets at fair value through profit or loss | | |
| Derivatives | 4,085 | 9,596 |
| Financial assets at amortized cost | | |
| Debt instruments | | |
| Lease receivables | 35,597 | 35,122 |
| Short-term investment | 18,671 | 8,500 |
| Other | 11,601 | 13,937 |
| Sub total | 69,955 | 67,154 |
| Total | ¥395,155 | ¥396,422 |

## 12 Other Assets

The analysis of other non-current assets and other current assets is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Non-current assets | | |
| Long-term prepaid expenses | ¥ 19,617 | ¥ 20,635 |
| Other | 1,704 | 4,447 |
| Sub total | 21,321 | 25,083 |
| Current assets | | |
| Prepaid expenses | 66,740 | 71,283 |
| Advance payments | 10,131 | 18,355 |
| Other | 27,625 | 24,184 |
| Sub total | 104,496 | 113,822 |
| Total | ¥125,817 | ¥138,905 |

## 13 Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Cash in hand and deposits held at call with banks | ¥806,770 | ¥794,375 |
| Term deposits with original maturities of three months or less | 3,032 | 2,238 |
| Total | ¥809,802 | ¥796,613 |
| Cash and cash equivalents in consolidated statement of cash flow | ¥809,802 | ¥796,613 |

## 14 Borrowings and Bonds Payable

### (1) The analysis of borrowings and bonds payable

The analysis of borrowings and bonds payable is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 | Average interest rate (%) (Note) | Due (Year) |
|---|---|---|---|---|
| Non-current | | | | |
| Bonds payable (excluding current portion) | ¥ 329,384 | ¥ 279,564 | 0.35 | 2023-2029 |
| Long-term borrowings (excluding current portion) | 822,280 | 642,052 | 0.45 | 2023-2029 |
| Sub total | 1,151,664 | 921,616 | — | — |
| Current | | | | |
| Current portion of bonds payable | — | 49,979 | 0.02 | — |
| Current portion of long-term borrowings | 73,375 | 180,491 | 0.21 | — |
| Short-term borrowings | 19,517 | 56,034 | 0.02 | — |
| Sub total | 92,892 | 286,505 | — | — |
| Total | ¥1,244,556 | ¥1,208,121 | — | — |

Note: Average interest rate represents weighted average interest rate to the ending balance of the borrowings and other debts.

### (2) Terms of issuing bonds payable

The summary of terms of issuing bonds payable is as follows:

Millions of yen

| Entity | Description | Issuance date | FY21.3 | FY22.3 | Interest rate (%) | Collateral | Due |
|---|---|---|---|---|---|---|---|
| KDDI Corp. | 20th series of unsecured notes | December 13, 2013 | 29,966 | 29,978 | 0.80 per year | Unsecured | December 20, 2023 |
| KDDI Corp. | 21th series of unsecured notes | September 10, 2014 | 29,956 | 29,969 | 0.67 per year | Unsecured | September 20, 2024 |
| KDDI Corp. | 22th series of unsecured notes | July 12, 2018 | 29,923 | 29,933 | 0.31 per year | Unsecured | July 12, 2028 |
| KDDI Corp. | 23th series of unsecured notes | November 22, 2018 | 39,944 | 39,966 | 0.11 per year | Unsecured | November 22, 2023 |
| KDDI Corp. | 24th series of unsecured notes | November 22, 2018 | 29,937 | 29,951 | 0.25 per year | Unsecured | November 21, 2025 |
| KDDI Corp. | 25th series of unsecured notes | November 22, 2018 | 19,944 | 19,952 | 0.40 per year | Unsecured | November 22, 2028 |
| KDDI Corp. | 26th series of unsecured notes | April 26, 2019 | 29,951 | 29,967 | 0.13 per year | Unsecured | April 26, 2024 |
| KDDI Corp. | 27th series of unsecured notes | April 26, 2019 | 29,931 | 29,945 | 0.23 per year | Unsecured | April 24, 2026 |
| KDDI Corp. | 28th series of unsecured notes | April 26, 2019 | 39,889 | 39,903 | 0.36 per year | Unsecured | April 26, 2029 |
| KDDI Corp. | 29th series of unsecured notes | November 29, 2019 | 49,944 | 49,979 (49,979) | 0.02 per year | Unsecured | November 29, 2022 |

As of March 31

Note: The amounts in ( ) presents the current portion of the bonds payable.

### (3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Property, plant and equipment | ¥ 519 | ¥ 519 |
| Stocks of subsidiaries and associates (Note) | 768 | 768 |
| Securities for financial business | 223,947 | 281,608 |
| Other short-term financial assets | 6,030 | — |
| Other long-term financial assets | — | 6,000 |
| Total | ¥231,264 | ¥288,895 |

Obligations underlying to these assets pledged as collateral are as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Long-term borrowings (Note) | ¥ 80,000 | ¥ 50,000 |
| Current portion of long-term borrowings | — | 30,000 |
| Short-term borrowings | — | 36,500 |
| Call money | 107,900 | 134,300 |
| Accounts payable | 200 | 132 |
| Total | ¥188,100 | ¥250,932 |

Note: Shares of Kagoshima Mega Solar Power Corporation, an affiliate accounted for using the equity method, are pledged as collateral for its borrowings from financial institutions. The amounts of borrowings as of March 31, 2021 and 2022 are ¥12,628 million and ¥11,192 million, respectively. These amounts are not included in long-term borrowings in the above table.

Certain subsidiaries of the Group have financed from financial institutions due to acquisitions and others. Except for certain loan agreements on insignificant amount of borrowings, these borrowings are subject to financial covenants such as maintenance of shareholder's equity, net asset and surplus of profit as prescribed in the terms of each agreement. The amounts of borrowings as of March 31, 2021 and 2022 are ¥434,087 million and ¥433,863 million, respectively.

Except for the borrowings above, there is no financial covenant on borrowings and bonds payable, which has a significant effect on the Group's financial activities. For the fair value and amounts by due dates of borrowings and bonds payable, please refer to "Note 31. Financial instruments" and "Note 32. Fair value of financial instruments."

## 15 Deferred Tax and Income Taxes

### (1) Movement by major cause of deferred tax assets and deferred tax liabilities

The balance of and the movement in recognized deferred tax assets and deferred tax liabilities are as follows:

For the year ended March 31, 2021

Millions of yen

| | As of April 1, 2020 | Recognized as profit or loss | Recognized directly in equity | Recognized as other comprehensive income | Acquisition by business combinations | Other (Note) | As of March 31, 2021 |
|---|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | | |
| Accrued bonuses | ¥ 10,350 | ¥ 57 | ¥ — | ¥ — | ¥ — | ¥ 109 | ¥ 10,516 |
| Accrued business tax | 10,068 | 2,282 | — | — | — | 24 | 12,374 |
| Inventories | 4,884 | (678) | — | — | — | 115 | 4,321 |
| Loss allowance | 9,988 | 477 | — | — | — | 171 | 10,635 |
| Property, plant and equipment and intangible assets | 42,157 | 11,577 | — | — | — | (37) | 53,697 |
| Lease liabilities | 94,664 | 7,124 | — | — | — | — | 101,788 |
| Deferred points | 21,954 | (4,367) | — | — | — | 0 | 17,587 |
| Retirement benefit liabilities | 11,690 | 38,168 | — | (45,982) | — | (122) | 3,754 |
| Accrued expenses | 5,632 | 340 | — | — | — | 1 | 5,973 |
| Contract liabilities | 36,813 | (1,401) | — | — | — | 1 | 35,413 |
| Other | 42,028 | (3,993) | — | (895) | — | (2,153) | 34,987 |
| Total | ¥290,228 | ¥49,586 | ¥ — | ¥(46,877) | ¥ — | ¥(1,891) | ¥291,045 |
| Deferred tax liabilities | | | | | | | |
| Retained profits of foreign related companies | ¥ 450 | ¥ 775 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 1,225 |
| Special reserves | 315 | (140) | — | — | — | — | 174 |
| Appraisal gain on equity instruments | 8,249 | 111 | — | 11,246 | — | (2,257) | 17,349 |
| Property, plant and equipment, intangible assets and right-of-use assets | 103,658 | 2,142 | — | — | — | — | 105,800 |
| Identifiable intangible assets | 95,975 | (7,874) | — | — | — | — | 88,101 |
| Retirement benefit assets | — | 37,004 | — | (24,885) | — | — | 12,119 |
| Contract costs | 132,496 | 15,936 | — | — | — | — | 148,431 |
| Other | 23,873 | (17,850) | — | (283) | — | 779 | 6,520 |
| Total | ¥365,015 | ¥30,104 | ¥ — | ¥(13,921) | ¥ — | ¥ (1,478) | ¥379,720 |

For the year ended March 31, 2022

Millions of yen

| | As of April 1, 2021 | Recognized as profit or loss | Recognized directly in equity | Recognized as other comprehensive income | Acquisition by business combinations | Other (Note) | As of March 31, 2022 |
|---|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | | |
| Accrued bonuses | ¥ 10,516 | ¥ 633 | ¥ — | ¥— | ¥— | ¥ 90 | ¥ 11,239 |
| Accrued business tax | 12,374 | (4,859) | — | — | — | 2 | 7,518 |
| Inventories | 4,321 | 19 | 241 | — | — | 61 | 4,642 |
| Loss allowance | 10,635 | (452) | (1) | — | — | 19 | 10,202 |
| Property, plant and equipment, intangible assets | 53,697 | 1,512 | — | — | — | — | 55,209 |
| Lease liabilities | 101,788 | 27,801 | — | — | — | — | 129,589 |
| Deferred points | 17,587 | (4,690) | — | — | — | 0 | 12,897 |
| Retirement benefit liabilities | 3,754 | (1,604) | (4) | 79 | — | 2 | 2,227 |
| Accrued expenses | 5,973 | 81 | — | — | — | 1 | 6,055 |
| Contract liabilities | 35,413 | (2,079) | — | — | — | — | 33,333 |
| Other | 34,987 | 98 | — | — | — | — | 35,085 |
| Total | ¥291,045 | ¥16,461 | ¥236 | ¥79 | ¥— | ¥175 | ¥307,996 |
| Deferred tax liabilities | | | | | | | |
| Retained profits of foreign related companies | ¥ 1,225 | ¥ 616 | ¥— | ¥ — | ¥— | ¥ — | ¥ 1,842 |
| Special reserves | 174 | (1) | — | — | — | — | 173 |
| Appraisal gain on equity instruments | 17,349 | 4,762 | — | 4,559 | — | — | 26,671 |
| Property, plant and equipment, intangible assets and right-of-use assets | 105,800 | 28,028 | — | — | — | — | 133,828 |
| Identifiable intangible assets | 88,101 | (2,808) | — | — | — | — | 85,292 |
| Retirement benefit assets | 12,119 | (1,937) | — | 2,444 | — | — | 12,626 |
| Contract costs | 148,431 | 25,051 | — | — | — | — | 173,482 |
| Other | 6,520 | (1,426) | — | 1,068 | — | 375 | 6,537 |
| Total | ¥379,720 | ¥52,285 | ¥— | ¥8,071 | ¥— | ¥375 | ¥440,451 |

Note: "Other" includes exchange differences on foreign operations.

### (2) The analysis of deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities on the consolidated statement of financial position are as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Deferred tax assets | ¥ 11,396 | ¥ 12,330 |
| Deferred tax liabilities | 100,071 | 144,776 |
| Deferred tax assets, net | ¥(88,675) | ¥(132,446) |

The Group evaluates the recoverability of deferred tax assets at recognition by considering the possibility to utilize a part or all of deductible temporary differences or tax loss carryforwards for future taxable income. The Group considers the planned reversal of deferred tax liabilities as well as expected future taxable income and tax planning for evaluating the recoverability of deferred tax assets, and recognizes deferred tax assets to the extent that future taxable income is expected.

Deferred tax assets for tax losses in certain subsidiaries as of March 31, 2021 and 2022 are ¥5,593 million and ¥5,821 million, respectively. All deferred tax assets related to these losses were determined recoverable as taxable income exceeding the tax losses is expected.

### (3) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

As a result of evaluating the recoverability of the deferred tax assets above, the Group has not recognized deferred tax assets on certain deductible temporary differences and tax loss carryforwards. The amounts of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets are as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Deductible temporary differences | ¥15,087 | ¥33,235 |
| Tax loss carryforwards | 55,209 | 48,903 |
| Total | ¥70,296 | ¥82,139 |

Expiration of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| 1st year | ¥ 1,859 | ¥ 104 |
| 2nd year | 471 | 188 |
| 3rd year | 5,178 | 278 |
| 4th year | 2,982 | 309 |
| 5th year and thereafter | 44,718 | 48,025 |
| Total | ¥55,209 | ¥48,903 |

### (4) Income taxes

The analysis of income taxes is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Current tax expenses | | |
| Current tax expenses on the profit for the year | ¥353,181 | ¥301,111 |
| Adjustments in respect of prior years (( ): refund) | 203 | (1,393) |
| Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses | (2,451) | (3,576) |
| Sub total | 350,933 | 296,142 |
| Deferred tax expenses | | |
| Origination and reversal of temporary differences | (18,288) | 35,997 |
| Impact of change of tax rates | (2) | 1 |
| Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses | (1,504) | 445 |
| Review of the collectability of deferred tax assets | 312 | (628) |
| Sub total | (19,482) | 35,815 |
| Total | ¥331,451 | ¥331,957 |

### (5) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are described in "Note 29. Other comprehensive income."

### (6) Reconciliation of effective tax rates

Reconciliation of statutory effective tax rates and actual tax rates for the years ended March 31, 2021 and 2022 are as follows. The actual tax rate shows the ratio of income taxes incurred by all Group companies to the profit before income tax for the year.

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Statutory income tax rate | 31.4% | 31.4% |
| Non-taxable dividends received | (0.3%) | (2.0%) |
| Impact of tax differences of foreign subsidiaries | (0.0%) | 1.1% |
| Tax credit | (0.1%) | (0.1%) |
| Valuation allowance | 0.7% | 1.9% |
| Other | 0.3% | (1.0%) |
| Average actual tax rate to incur | 31.9% | 31.2% |

## 16 Employee Benefits

The Group operates defined benefit pension plans and lump-sum retirement plans (unfunded) as its defined benefit plans, as well as defined contribution pension plans.

KDDI and its certain consolidated subsidiaries adopt point system in their retirement benefit plans, where the amount of benefits is calculated based on the accumulated points granted in proportion to the employees' entitlement and wage ranks.

Management, operation and benefit of the assets are mainly controlled by legally independent KDDI Corporate Pension Fund (the "Fund").

In accordance with Defined Benefit Corporate Pension Act and other laws, the Group is obliged to pay contributions to the Fund, which pays pension benefits. The trustee of the Fund is obliged to comply with laws, appointments by the Minister of Ministry of Health, Labour and Welfare or the Head of the Regional Bureau of Health and Welfare, by law of the Fund and resolutions of the board of representatives, as well as to fulfill fiduciary duties related to the management and operation of the funded money. The trustee is prohibited from abusing the appropriate management and operation of the funded money for self-interest or the interest of third party other than the Fund.

### (1) Defined benefit pension plans

**i. The amounts on the consolidated statement of financial position**

The amounts related to the defined benefit pension plans on the consolidated statement of financial position are as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Present value of the defined benefit obligations (funded) | ¥401,044 | ¥401,194 |
| Present value of the defined benefit obligations (unfunded) | 12,085 | 11,127 |
| Fair value of plan assets | (439,384) | (444,546) |
| Status of the funding | ¥ (26,254) | ¥ (32,224) |
| | | |
| Retirement benefit liabilities | ¥ 12,109 | ¥ 12,496 |
| Retirement benefit assets | (38,364) | (44,720) |
| Net retirement benefit liabilities | ¥ (26,254) | ¥ (32,224) |

**ii. Movement in the defined benefit obligations and plan assets**

The movement in the defined benefit obligations is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| The movement in the present value of the defined benefit obligations | | |
| Opening balance | ¥433,646 | ¥413,130 |
| Current service cost | 15,492 | 11,163 |
| Interest expense | 1,144 | 2,176 |
| Sub total | 450,282 | 426,469 |
| Remeasurements | | |
| Amount from change in financial assumptions | (24,263) | 216 |
| Amount from change in demographic assumptions | 16 | 91 |
| Benefit payments | (12,937) | (14,706) |
| Exchange differences | 23 | 17 |
| New consolidation | — | — |
| Other | 8 | 235 |
| Ending balance | ¥413,130 | ¥412,321 |

The movement in the plan assets is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Changes in fair value of the plan assets | | |
| Opening balance | ¥(396,416) | ¥(439,384) |
| Interest income | (1,408) | (2,886) |
| Remeasurements | | |
| Return on plan assets | (43,090) | (8,092) |
| Benefit payments | 11,797 | 13,544 |
| Contribution to the plans | | |
| Contribution from employers | (10,267) | (7,801) |
| New consolidation | — | — |
| Other | — | 74 |
| Ending balance | ¥(439,384) | ¥(444,546) |

The weighted average duration of the defined benefit obligations for the years ended March 31, 2021 and 2022 are 15.8 years and 15.4 years, respectively.

**iii. Components of plan assets**

KDDI Corporate Pension Fund manages its funded money to secure long-term return required to cover the benefit of pensions and lump-sum payments over the future. Based on this, our investment policy is to basically analyse the risk/return characteristics by asset and evaluate the correlation among assets in order to invest in a diversified portfolio.

Specifically, it sets policy asset allocation with the efficient combination of various assets including equities and government and corporate bonds, designs corresponding manager structure, selects managing trustee and invests.

In accordance with the provision of the Defined Benefit Corporate Pension Act, bylaw of the Fund requires to the amount of contributions to be recalculated the amount of contributions at least every 5 years, with the financial year-end serving as the basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

The fair value of the plan assets as of March 31, 2021 and 2022 consists of the components below:

Millions of yen

| As of March 31 | FY21.3 | | | FY22.3 | | |
|---|---|---|---|---|---|---|
| | With quoted prices in active markets | Without quoted prices in active markets | Total | With quoted prices in active markets | Without quoted prices in active markets | Total |
| Equities | ¥ 78,277 | ¥ — | ¥ 78,277 | ¥ 61,911 | ¥ — | ¥ 61,911 |
| Debt securities | 185,050 | — | 185,050 | 185,353 | — | 185,353 |
| Other (Note) | 57,325 | 118,732 | 176,057 | 47,103 | 150,178 | 197,281 |
| Total | ¥320,652 | ¥118,732 | ¥439,384 | ¥294,368 | ¥150,178 | ¥444,546 |

Note: Other includes hedge funds, private equities and cash.

**iv. The analysis of expenses related to defined benefit plans**

The amount of expenses recognized related to defined benefit plans is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Current service cost | ¥15,492 | ¥11,163 |
| Interest expense | 1,144 | 2,176 |
| Interest income | (1,408) | (2,886) |
| Total | ¥15,228 | ¥10,453 |

The expenses above are included in the "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

**v. Actuarial assumptions**

Major actuarial assumptions at the end of each period are as follows:

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Discount rate | 0.7% | 0.6% |

Other than the component above, actuarial assumptions also include expected salary growth rate, mortality and expected retirement rate.

**vi. Sensitivity analysis of actuarial assumptions**

The movement in the defined benefit obligations due to changes in discount rates by the ratio below at the end of each period is as follows. This analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may change.

Discount rates

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| 0.5% increase | ¥(26,288) | ¥(25,365) |
| 0.5% decrease | 27,437 | 25,951 |

**vii. Contributions to the plan assets in the next financial year**

The policy of the Group is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. The Group estimates the contributions to the plan assets for the year ending March 31, 2023 to be ¥3,204 million.

**(2) Defined contribution pension plans**

The amount of expenses recognized related to defined contribution pension plans is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Expenses related to defined contribution pension plans | ¥3,259 | ¥5,064 |

The expenses above are included in the "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

Certain Group subsidiaries participate in a multiemployer plan, Sumisho Rengo Corporation Pension Fund.

Sumisho Rengo Corporation Pension Fund is a fund-type corporate pension established in accordance with Defined Benefit Corporate Pension Act, and co-operated by multiple Sumitomo Shoji Group companies. Certain Group subsidiaries cannot reasonably calculate the amount of pension assets corresponding to the amount of their contributions, and therefore the amount of contributions is recognized as retirement benefit expenses as defined contribution pension plans. The expenses on the consolidated statement of income for the years ended March 31, 2021 and 2022 are ¥1,804 million and ¥1,835 million, respectively.

The Group can reduce its costs and practical burden related to administration and finance operation by participating in this fund and simultaneously reduce the risk of a pension plan's discontinuance, while the fund is co-operated by multiple companies and the Group cannot necessarily reflect its intent.

The financial position of the fund based on the latest annual report (closed by pension accounting) is as follows. The fund does not accept or succeed other funds, and does not incur benefit obligations by other employers.

*(i) Status of funding in the overall plan*

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Pension assets | ¥(44,898) | **¥(52,533)** |
| Benefit obligations for the purpose of calculating pension financials | 41,102 | **43,578** |
| Difference | (3,796) | **(8,955)** |
| Ratio of the funded pension assets | 109.2% | **120.5%** |
| Difference consists of | | |
| Surplus | (3,796) | **¥(8,955)** |

*(ii) Ratio of contributions by the Group to the fund*

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Contributions by the Group | ¥(1,599) | **¥(1,706)** |
| All contributions to the fund | (2,663) | **(2,757)** |
| Ratio to the all contributions to the fund | 60.1% | **61.9%** |

In accordance with a provision of the Defined Benefit Corporate Pension Act, a bylaw of the Fund requires the amount of contributions to be recalculated every 5 years, with the financial year-end serving as the basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

*(iii) Contributions to the multiemployer plans in the next financial year*

The Group estimates the contributions to the multiemployer plans for the year ending March 31, 2023 to be ¥1,835 million.

## 17 Trade and Other Payables

The analysis of the trade and other payables is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Current liabilities | | |
| Accounts payable (Note) | ¥578,024 | **¥620,656** |
| Accounts payable-trade | 142,163 | **176,842** |
| Accrued expenses | 33,778 | **36,557** |
| Other obligations | 380 | **440** |
| Total | ¥754,345 | **¥834,496** |

Note: Accounts payable mainly consists of the payables for capital investments and sale commission.

The amounts of trade and other payables expected to be settled after more than twelve months from the March 31, 2021 and 2022 are ¥6,617 million and ¥3,218 million, respectively.

## 18 Other Financial Liabilities

The analysis of other financial liabilities is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Non-current liabilities (Other long-term financial liabilities) | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivatives | ¥ 3,584 | **¥ 2,197** |
| Financial liabilities at amortized cost | | |
| Long-term account payables | 2,276 | **2,112** |
| Other | 8,312 | **9,889** |
| Sub total | 14,172 | **14,198** |
| Current liabilities (Other short-term financial liabilities) | | |
| Financial liabilities at fair value through profit or loss | | |
| Derivatives | 1,655 | **2,620** |
| Sub total | 1,655 | **2,620** |
| Total | ¥15,827 | **¥16,818** |

## 19 Provisions

### (1) Movements of provisions

Changes in provisions are as follows:

Millions of yen

| | Asset retirement obligation | Provision for customer points | Other provisions | Total |
|---|---|---|---|---|
| As of April 1, 2020 | ¥32,783 | ¥34,912 | ¥14,041 | ¥81,736 |
| Increase during the year | 40,597 | 39,583 | 5,838 | 86,017 |
| Decrease during the year (intended use) | (483) | (47,285) | (3,583) | (51,351) |
| Decrease during the year (reversal) | — | — | — | — |
| As of March 31, 2021 | 72,896 | 27,210 | 16,296 | 116,401 |
| Increase during the year | 2,182 | 37,667 | 1,846 | 41,695 |
| Decrease during the year (intended use) | (10,493) | (40,889) | (11,001) | (62,383) |
| Decrease during the year (reversal) | — | — | — | — |
| As of March 31, 2022 | **¥64,585** | **¥23,988** | **¥ 7,141** | **¥95,713** |
| Non-current liabilities | **¥63,826** | **¥ —** | **¥ 6,247** | **¥70,073** |
| Current liabilities | **759** | **23,988** | **893** | **25,641** |

### (2) Components of provisions

The main components of provisions of the Group are as follows:

**i. Asset retirement obligation**

Asset retirement obligations are recognized using the reasonably estimated amount required for the removal of equipment, such as base stations, certain offices, data centers and network centers. The estimate is based on present assumptions and is subject to changes if assumptions are revised in the future.

**ii. Provision for customer points**

The Group operates some points programs, including the au point program, and grants points to customers of the Group, for the purpose of sales promotions. In anticipation of the future use of such points by customers, the Group has recorded these points, which are mainly granted by using au Pay and au Pay card, apps and product sales services provided by other companies to debt as a provision for customer points. The Group has measured the amounts of provision for customer point at an estimated amount to be used in the future based on historical experience.

There is an inherent uncertainty regarding the extent of usage of such points by customers, and once the points expire, the customers forfeits the right to use them.

**iii. Other provisions**

Other provisions include provision for contract loss and provision for warranties for completed construction.

## 20 Other Liabilities

The analysis of other liabilities is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Non-current liabilities | | |
| Long-term deposits payable | ¥ 1,842 | ¥ 1,865 |
| Other | 8,970 | 9,150 |
| Sub total | 10,813 | 11,015 |
| Current liabilities | | |
| Deposits payable | 165,231 | 129,059 |
| Accrued bonuses | 32,144 | 34,416 |
| Consumption tax payable | 49,605 | 17,664 |
| Other | 34,481 | 34,258 |
| Sub total | 281,461 | 215,397 |
| Total | ¥292,273 | ¥226,412 |

## 21 Share-Based Payment (Stock Grant Plans)

The Company and its certain consolidated subsidiaries have several stock compensation plans (hereafter, the "Plan") for directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors and part-time directors) that have entered into engagement agreements with the Company (hereafter, "Directors and Other Executives").

For the directors, the Company and its certain consolidated subsidiaries have adopted the Board Incentive Plan (BIP). For the Group's senior management, the Company has adopted the Employee Stock Ownership Plan (ESOP).

BIP (Board Incentive Plan) is being initiated in order to link compensation for Directors and Other Executives with shareholder value and to increase their awareness of contributing to increases in operating performance and corporate value over the medium to long term. This ESOP Trust is being introduced as an incentive plan to enhance corporate value over the medium to long term by increasing awareness among the Company's managers of operating performance and stock price.

Under BIP and ESOP, the right (the number) for stock granted is vested based on achievement based of Key Performance Indicators (KPIs) annually.

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2021 and 2022 are ¥1,349 million and ¥1,599 million, respectively.

### (1) KDDI CORPORATION

The Company has BIP trust and ESOP trust. The stocks of the Company are granted by the institution.

For the year ended March 31, 2021

| | Number of shares granted | Granted date | Fair value at granted date (Yen) (Note 1) | Vesting conditions |
|---|---|---|---|---|
| BIP trust | 214,068 | March 12, 2020 | ¥2,875.52 | (Note 2) |
| ESOP trust | 243,382 | March 12, 2020 | 2,875.52 | (Note 2) |

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are subject to continued service from grant date to vesting date.

For the year ended March 31, 2022

| | Number of shares granted | Granted date | Fair value at granted date (Yen) (Note 1) | Vesting conditions |
|---|---|---|---|---|
| BIP trust | 194,506 | March 11, 2021 | ¥3,283.86 | (Note 2) |
| ESOP trust | 276,168 | March 11, 2021 | 3,283.86 | (Note 2) |

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are subject to continued service from grant date to vesting date.

### (2) Okinawa Cellular Telephone Company

Consolidated subsidiary Okinawa Cellular Telephone Company has BIP trust and ESOP trust. The shares in Okinawa Cellular Telephone Company are granted by the institution.

For the year ended March 31, 2021

| | Number of shares granted | Granted date | Fair value at granted date (Yen) (Note 1) | Vesting conditions |
|---|---|---|---|---|
| BIP trust | 3,088 | March 25, 2020 | ¥3,446.78 | (Note 2) |
| ESOP trust | 6,738 | March 25, 2020 | 3,446.78 | (Note 2) |

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are subject to continued service from grant date to vesting date.

For the year ended March 31, 2022

| | Number of shares granted | Granted date | Fair value at granted date (Yen) (Note 1) | Vesting conditions |
|---|---|---|---|---|
| BIP trust | 2,245 | March 24, 2021 | ¥5,089.00 | (Note 2) |
| ESOP trust | 5,558 | March 24, 2021 | 5,089.00 | (Note 2) |

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are subject to continued service from grant date to vesting date.

## 22 Common Stock and Other Equity Items

### (1) Common stock and capital surplus

The number of authorized shares, outstanding shares, common shares and the balance of capital surplus in each consolidated fiscal year are as follows:

| | Stock | | Millions of yen | |
|---|---|---|---|---|
| | Authorized shares | Outstanding shares | Common stock | Capital surplus |
| Balance as of April 1, 2020 | 4,200,000,000 | 2,355,373,600 | ¥141,852 | ¥280,591 |
| Increase and decrease during the period (Note 3) | — | (51,194,050) | — | (1,916) |
| Balance as of March 31, 2021 | 4,200,000,000 | 2,304,179,550 | ¥141,852 | ¥278,675 |
| Increase and decrease during the period | — | — | — | 696 |
| Balance as of March 31, 2022 | 4,200,000,000 | 2,304,179,550 | ¥141,852 | ¥279,371 |

Notes: 1. Common stocks has no par value.
2. Outstanding shares are fully paid.
3. The decrease in the number of outstanding shares was due to the cancellation of treasury stocks.

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the proceeds upon issuance of equity instruments shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to common stock.

**(2) Treasury stock**

Changes in the number of treasury shares during each consolidated fiscal year are as follows:

| | Treasury stock (Shares) | Amount (Millions of yen) |
|---|---|---|
| Balance as of April 1, 2020 (Note 3) | 55,464,960 | ¥(156,550) |
| Increase and decrease during the period | | |
| Purchase of treasury stock (Note 1) | 42,968,889 | (136,087) |
| Cancellation of treasury stock | (51,194,050) | 150,000 |
| Disposal of treasury stock (Note 2) | (18,457,546) | 55,918 |
| Balance as of March 31, 2021 (Note 3) | 28,782,253 | (86,719) |
| Increase and decrease during the period | | |
| Purchase of treasury stock (Note 1) | 60,391,051 | (213,763) |
| Cancellation of treasury stock | — | — |
| Disposal of treasury stock (Note 2) | (194,372) | 655 |
| Balance as of March 31, 2022 (Note 3) | 88,978,932 | ¥(299,827) |

Notes: 1. The increase in the number of treasury shares in the fiscal year ended March 31, 2021 and 2022, are mainly due to the purchase from the market, 42,968,800 shares, and 60,390,800 shares, respectively.
2. The decrease in the number of treasury stock in the fiscal year ended March 31, 2021 and 2022 are due to the allocation to grant to beneficiaries of executive compensation BIP trust and stock grants ESOP trust.
3. The balance of treasury stock as of March 31, 2021 and 2022 includes share of the Company owned by the executive compensation BIP trust and stock grants ESOP trust.

**(3) Retained earnings**

The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

**(4) Changes in accumulated other comprehensive income**

Changes in each component of accumulated other comprehensive income are as follows:

**i. Changes in each component of accumulated other comprehensive income**

For the year ended March 31, 2021

Millions of yen

| | Translation differences on foreign operations | Changes measured in fair value of financial assets at fair value through other comprehensive income | Changes in fair value of cash flow hedge | Remeasurements of benefit pension plan | Total |
|---|---|---|---|---|---|
| Balance as of April 1, 2020 | ¥(23,454) | ¥ 5,377 | ¥(1,588) | ¥ — | ¥(19,665) |
| Amount incurred during the year | 12,912 | 25,542 | (335) | 45,991 | 84,110 |
| Reclassified to consolidated statement of income | — | — | 1,103 | — | 1,103 |
| Transferred to retained earnings | — | (2,645) | — | (45,991) | (48,636) |
| Balance as of March 31, 2021 | ¥(10,541) | ¥28,273 | ¥ (820) | ¥ — | ¥16,912 |

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 29. Other comprehensive income."

For the year ended March 31, 2022

Millions of yen

| | Translation differences on foreign operations | Changes measured in fair value of financial assets at fair value through other comprehensive income | Changes in fair value of cash flow hedge | Remeasurements of benefit pension plan | Total |
|---|---|---|---|---|---|
| Balance as of April 1, 2021 | ¥(10,541) | ¥28,273 | ¥(820) | ¥ — | ¥16,912 |
| Amount incurred during the year | 16,838 | 10,943 | 573 | 5,207 | 33,561 |
| Reclassified to consolidated statement of income | (1) | — | 621 | — | 620 |
| Transferred to retained earnings | — | (2,813) | — | (5,207) | (8,020) |
| Balance as of March 31, 2022 | ¥ 6,297 | ¥36,403 | ¥375 | ¥ — | ¥43,074 |

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 29. Other comprehensive income."

**ii. The analysis of accumulated other comprehensive income**
Accumulated other comprehensive income includes following items.

(a) Translation differences on foreign operations
This represents the exchange differences incurred upon consolidation of the foreign operations' financial statements denominated in foreign currencies.

(b) Changes in fair value of financial assets at fair value through other comprehensive income
This represents the valuation differences on fair value of financial assets at fair value through other comprehensive income.

(c) Changes in fair value of cash flow hedge
This represents the effective portion of changes in fair value of derivative transactions designated as cash flow hedge, which is used by the Group to avoid the risk of future cash flows fluctuations.

(d) Remeasurements of defined benefit pension plan
Remeasurements of defined benefit pension plan are mainly the effects of differences between the actuarial assumptions at the beginning of the year and their actual results, and the effects of changes in actuarial assumptions.

## 23 Dividends

Dividends to common shareholders are as follows:

**(1) Dividends paid**

For the year ended March 31, 2021

| Resolution | Type | Aggregate amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| June 17, 2020 General meeting of shareholders (Note 1, 2) | Common stock | ¥137,995 | ¥60 | March 31, 2020 | June 18, 2020 |
| October 30, 2020 Board of directors (Note 1, 2) | Common stock | 138,004 | 60 | September 30, 2020 | December 2, 2020 |

For the year ended March 31, 2022

| Resolution | Type | Aggregate amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| June 23, 2021 General meeting of shareholders (Note 1, 2) | Common stock | ¥136,524 | ¥60 | March 31, 2021 | June 24, 2021 |
| October 29, 2021 Board of directors (Note 1, 2) | Common stock | 134,823 | 60 | September 30, 2021 | December 1, 2021 |

Notes: 1. Dividends of the Company's shares owned by the executive compensation BIP trust and stock grants ESOP trust are not included in the aggregate amount of the dividends above.
2. Other than that above, the Company also paid dividends to beneficiaries of the executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2021 and 2022.

### (2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

For the year ended March 31, 2021

| Resolution | Type | Aggregate amount of dividends (Millions of yen) | Source of dividends | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 23, 2021 General meeting of shareholders (Note 1, 2) | Common stock | ¥136,524 | Retained earnings | ¥60 | March 31, 2021 | June 24, 2021 |

For the year ended March 31, 2022

| Resolution | Type | Aggregate amount of dividends (Millions of yen) | Source of dividends | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 22, 2022 General meeting of shareholders (Note 1, 2) | Common stock | ¥143,988 | Retained earnings | ¥65 | March 31, 2022 | June 23, 2022 |

Notes: 1. Dividends of the Company's shares owned by the executive compensation BIP trust and stock grants ESOP trust are not included in the aggregate amount of the dividends above.
2. Other than that above, the Company also paid dividends to beneficiaries of the executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2021 and 2022.

## 24 Revenue

### (1) Division of revenues

The Group divides revenues from contracts with customers into five categories depending on the contract: mobile telecommunications services and multi-brand value-added services, fixed-line telecommunications services, business services and other services. Profit from each segment is divided as follows.

The name for some product and services were changed based on multi-brand strategy in the fiscal year ended March 31, 2022. Accordingly, Product / Service is presented based on the name after the change. There is no change in the numerical definition.

For the year ended March 31, 2021

| Segment | Product / Service | Millions of yen |
|---|---|---|
| **Personal Services** | | **¥4,506,412** |
| | Mobile communications revenues | 1,722,034 |
| | Multi-Brand value-added revenues | 581,159 |
| | Fixed-line telecommunications | 814,059 |
| | Others | 1,389,160 |
| **Business Services** | | **784,876** |
| **Others** | | **21,312** |
| **Total** | | **¥5,312,599** |
| **Profit from contracts with customers** | | **5,213,762** |
| **Profit from other sources** | | **98,837** |

Note: The amounts presented exclude inter-segment transactions.

For the year ended March 31, 2022

| Segment | Product / Service | Millions of yen |
|---|---|---|
| **Personal Services** | | **¥4,597,313** |
| | Mobile communications revenues | 1,710,466 |
| | Multi-Brand value-added revenues | 647,961 |
| | Fixed-line telecommunications | 818,371 |
| | Others | 1,420,515 |
| **Business Services** | | **828,038** |
| **Others** | | **21,357** |
| **Total** | | **¥5,446,708** |
| **Profit from contracts with customers** | | **5,345,235** |
| **Profit from other sources** | | **101,472** |

Note: The amounts presented exclude inter-segment transactions.

### (2) Outstanding contract balances

The Group's assets and contract liabilities from contracts with customers are as follows:

For the year ended March 31, 2021

| | Millions of yen As of April 1, 2020 | Millions of yen As of March 31, 2021 |
|---|---|---|
| Receivables from contracts with customers | ¥1,984,185 | ¥2,003,196 |
| Contract liabilities | 179,950 | 172,558 |

For the year ended March 31, 2022

| | Millions of yen As of April 1, 2021 | Millions of yen As of March 31, 2022 |
|---|---|---|
| Receivables from contracts with customers | ¥2,003,196 | **¥2,032,463** |
| Contract liabilities | 172,558 | **157,174** |

The contract liabilities are earned from activation fees related to mobile communications services and "au HIKARI" brand services. Points granted to customers through the customer loyalty program are allocated to transaction prices based on the stand-alone selling prices of benefits with the advance payment.

Regarding revenue recognized for the years ended March 31, 2021 and 2022, ¥90,428 million and ¥83,842 million were included in outstanding contract liabilities at the beginning of the fiscal year, respectively.

In the fiscal year ended March 31, 2021 and 2022, the revenues recognized from performance obligation fulfilled (or partially fulfilled) in the past period are immaterial.

#### (3) Transaction amounts allocated to remaining performance obligations

The transaction amounts allocated to remaining performance obligations in the fiscal year ended March 31, 2021 and 2022 are ¥132,804 million and ¥132,985 million, respectively. The performance obligations mainly comprise the revenues from activation fees related to mobile communications services and "au HIKARI" brand services and assumes to be fulfilled when the service is provided. The revenues are expected to be recognized within approximately six years, from March 31, 2021 and 2022. Approximately 50% of the transaction value allocated to the performance obligation is expected to be recognized as revenue within one year. In addition, the Group adopts the simplified method from paragraph 121 of IFRS 15 as a practical expedient and has not included information related to remaining performance obligations that have an original expected duration of one year or less.

#### (4) Assets recognized from the costs to obtain or fulfill contracts with customers

The Group's assets recognized from contract costs are as follows:

| | Millions of yen AS of March 31, 2021 | Millions of yen AS of March 31, 2022 |
|---|---|---|
| Costs to obtain contracts | ¥410,203 | ¥490,031 |
| Costs to fulfill contracts | 56,113 | 58,672 |

The portion expected to be recovered from the incremental costs to obtain contracts with customers and the costs directly related to fulfilling contracts is capitalized and recorded under contract costs in the consolidated statement of financial position. Incremental costs to obtain contracts comprise costs to obtain contracts with customers that would not have been incurred had the contracts not been obtained.

Incremental costs to obtain contracts that are capitalized are mainly sales commissions to agencies like au shop incurred when contracts are obtained. Costs to fulfill contracts mainly comprise necessary set-up and other fees incurred between the receipt of an application and the start of services. These capitalized costs comprise incremental costs that would not have been incurred had telecommunications contracts not been obtained. Furthermore, when capitalizing these costs, only the amount expected to be recovered is recognized after taking into account the estimated contract period for the telecommunications contracts. The resulting assets are amortized on a straight-line basis in line with the main estimated contract period for users of each service.

These assets are amortized on a straight-line basis based on three to four years of estimated contract period in the fiscal year ended March 31, 2021 and 2022.

The Group determines the recoverability of capitalized contract costs when they are capitalized and re-evaluates this each quarter. Specifically, the Group determines whether or not the book value of the assets exceeds the remaining amount of consideration the company expects to receive based on the telecommunications contract over the estimated contract period less the costs directly related to providing the service that have not yet been recognized as expenses. If the scenario used in estimates and assumptions changes, an impairment loss related to the asset is recognized in net profit or loss. This could therefore have a material impact on the value of assets capitalized from contract costs. Accordingly, the Group regards these estimates as material.

The amortization costs incurred from these assets in the years ended March 31, 2021 and 2022 amounted to ¥199,932 million and ¥211,812 million, respectively, and the impairment losses are not recognized.

## 25 Expenses by Nature

Expenses by nature that constitute cost of sales and selling, general and administrative expenses are as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Handset sales cost, repair cost | ¥ 678,127 | ¥ 702,641 |
| Depreciation and amortization | 727,438 | 727,779 |
| Communication equipment usage fee and rentals | 324,276 | 332,953 |
| Staff cost | 450,831 | 461,176 |
| Operations outsourcing | 333,455 | 332,509 |
| Sales commission | 336,138 | 360,590 |
| Power retail sales cost | 381,983 | 410,175 |
| Advertising expense | 97,541 | 113,728 |
| Other (Note) | 962,621 | 965,578 |
| Total | ¥4,292,410 | ¥4,407,127 |

Note: Other mainly consists of maintenance costs for communication equipment and rent, etc.

## 26 Other Income and Other Expense

#### (1) The analysis of other income

The analysis of other income is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Subsidy income, etc. | ¥ 5,044 | ¥ 2,902 |
| Gain on sale of fixed assets | 2,676 | 1,658 |
| Compensation income, etc. | 857 | 797 |
| Income from recovery of bad debts | 855 | 786 |
| Other | 7,704 | 14,859 |
| Total | ¥17,136 | ¥21,001 |

#### (2) The analysis of other expense

The analysis of other expense is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Reduction entry of land contribution for construction | ¥ 4 | ¥ 10 |
| Loss on sale of fixed assets | 425 | 265 |
| Other | 4,386 | 5,506 |
| Total | ¥4,815 | ¥5,781 |

## 27 Finance Income and Finance Cost

#### (1) The analysis of finance income

The analysis of finance income is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Interest income: | | |
| Financial assets at amortized cost | ¥ 529 | ¥ 537 |
| Dividend income: | | |
| Financial assets at fair value through other comprehensive income | 3,148 | 5,989 |
| Gain on foreign currency exchange | 2,497 | 3,037 |
| Other | 364 | 639 |
| Total | ¥6,539 | ¥10,202 |

#### (2) The analysis of finance cost

The analysis of finance cost is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Interest expense: | | |
| Financial liabilities at amortized cost | ¥6,122 | ¥6,067 |
| Financial liabilities at fair value through profit or loss | | |
| Derivatives | 807 | 615 |
| Other | 1,382 | 1,065 |
| Total | ¥8,311 | ¥7,746 |

## 28 Other Non-Operating Profit

The analysis of other non-operating profit is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Gain or loss on change in equity | ¥1,418 | **¥1,309** |
| Gain or loss on sales of stocks of subsidiaries and affiliates | 1,016 | **139** |
| Total | ¥2,433 | **¥1,448** |

## 29 Other Comprehensive Income

Amounts arising during the year, amounts transferred to profit and tax effect included in other comprehensive income of the Group are as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Items that will not be reclassified subsequently to profit or loss | | |
| Remeasurement of the net defined benefit liability (asset) | | |
| Gain (loss) arising during the year | ¥67,203 | **¥ 7,566** |
| Tax effect | (21,097) | **(2,365)** |
| After tax effect | 46,106 | **5,201** |
| Net change in financial assets at fair value through other comprehensive income | | |
| Gain (loss) arising during the year | 37,332 | **13,560** |
| Tax effect | (11,246) | **(4,559)** |
| After tax effect | 26,086 | **9,001** |
| Share of investments accounted for using the equity method | | |
| Gain (loss) arising during the year | 254 | **(6)** |
| After tax effect | 254 | **(6)** |
| Total | 72,445 | **14,195** |
| Items that may be reclassified subsequently to profit or loss | | |
| Changes in fair value of cash flow hedge | | |
| Gain (loss) arising during the year | 945 | **2,870** |
| Transferred to profit for the year | 1,103 | **621** |
| Before tax effect | 2,048 | **3,491** |
| Tax effect | (613) | **(1,068)** |
| After tax effect | 1,436 | **2,422** |
| Exchange differences on translating foreign operations | | |
| Gain (loss) arising during the year | 15,174 | **23,892** |
| Transferred to profit for the year | — | **(1)** |
| Before tax effect | 15,174 | **23,891** |
| After tax effect | 15,174 | **23,891** |
| Share of investments accounted for using the equity method | | |
| Gain (loss) arising during the year | (322) | **1,003** |
| Transferred to profit for the year | — | **(22)** |
| After tax effect | (322) | **981** |
| Total | 16,288 | **27,294** |
| Total other comprehensive income | ¥88,733 | **¥41,490** |

## 30 Cash Flow

An analysis of net debt and the movements in net debt for the periods presented are as follows:

Millions of yen

| | Cash/current bank account | Lease liabilities | Borrowings due within 1 year | Borrowings due after 1 year | Bonds | Hedge assets held for borrow. Due after 1 year |
|---|---|---|---|---|---|---|
| Net debt as of April 1, 2020 | ¥369,202 | ¥379,554 | ¥ — | ¥931,591 | ¥369,222 | ¥(4,553) |
| Cash flows | 437,670 | (133,226) | 19,517 | (35,801) | (40,000) | — |
| Acquisitions | — | 150,584 | — | — | — | — |
| Foreign exchange adjustments | 2,930 | (170) | — | — | — | — |
| Fair value movements | — | — | — | — | — | 969 |
| Other non-cash movements | — | 4,183 | — | (135) | 162 | — |
| Net debt as of April 1, 2021 | 809,802 | 400,925 | 19,517 | 895,655 | 329,384 | (3,584) |
| Cash flows | **(20,201)** | **(130,848)** | **36,517** | **(73,375)** | **—** | **—** |
| Acquisitions | **—** | **117,985** | **—** | **—** | **—** | **—** |
| Foreign exchange adjustments | **7,012** | **(613)** | **—** | **—** | **—** | **—** |
| Fair value movements | **—** | **—** | **—** | **—** | **—** | **1,387** |
| Other non-cash movements | **—** | **4,536** | **—** | **264** | **159** | **—** |
| Net debt as of March 31, 2022 | **¥796,613** | **¥391,984** | **¥56,034** | **¥822,544** | **¥329,543** | **¥(2,197)** |

Note: Borrowings includes the liabilities generated from operating activities.

## 31 Financial Instruments

### (1) Risk management

The Group's operating activities are subject to influence from the business and financial market environment. Financial instruments held or assumed in the course of business are exposed to risks inherent in those instruments. Such risks include (i) Credit risk, (ii) Liquidity risk and (iii) Market risk. The Group has a risk management program in place to minimize effects on the Group's financial position and results of operations through establishing an internal management system and using financial instruments. Specifically, the Group manages these risks by using methods as described below.

#### i Credit risk management

(a) Credit risks of financial assets owned by the Company

Credit risk is the risk that a party to the Group's financial instrument will cause a financial loss for the Group by failing to discharge its contractual obligation. Specifically, the Group is exposed to the following credit risks. Trade, lease, other receivables and loans for financial business of the Group are exposed to the credit risk of our customers. The debt securities held for surplus investment are exposed to the issuer's credit risk related to the deterioration of its financial condition. In addition, derivatives used by the Group to hedge exchange risk and interest rate risk and bank balances are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

(b) Responses to the risk owned by the Company

With regard to credit risks to the customer, the Group has a system in place for assessing credit status as well as performing term administration and balance management for each counterparty based on the credit management guidelines of each Group company.

With regard to lease, other receivables and loans for financial business, the Group determines there has been a significant increase in credit risk of the financial assets since initial recognition in case the cash collection of the financial assets was delayed (as well as the case of request for grace period) after the trade date. However, even when late payment or request for grace period occurs, the Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage, the risk of default would be low, and the objective data such as external credit ratings reveals their ability to fulfil the obligation of contractual cash flow in the near future.

With regard to debt securities, the Group determines there has been a significant increase in its credit risk since initial recognition when the Group evaluates the risk of default is high based upon rating information provided by major rating agencies.

Expected credit loss is recognized and measured thorough transactions and financial information available in the course of such credit risk management, while taking macroeconomic condition such as the number of bankruptcies and actual or expected significant changes in the operating results of the debtor into consideration. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default occurs when a debtor to a financial asset fails to make contractual payments within 90 days of when they fall due.

The Group directly writes off the gross carrying amount of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

The Group's receivables have no significantly concentrated credit risk exposure to any single counterparty or any group of counterparties.

The Group considers that there is substantially low credit risk resulting from counterparty default because counterparties of the Group's derivatives and bank transactions are limited to high credit quality financial institutions. For surplus investments and derivative transactions, the finance and accounting department, following internal rules of each Group company and accompanying regulations that prescribe details, arranges to have each transaction approved by an authorized person as designated in the authorization regulation on a transaction-to-transaction basis so that the Group can minimize credit risk. Counterparties to those transactions are limited to financial institutions with high credit rating.

Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. With regard to performing trade receivables, loss allowance is recognized by estimating the expected credit losses based on historical credit loss experience and forward-looking information for the tenor of each trade receivables.

Measurement of expected credit losses on lease, other receivables and loans for financial business

When credit risk related to lease and other receivables has not increased significantly since the initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating the 12-month expected credit losses collectively based upon both historical credit loss experience and forward-looking information.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

Measurement of the expected credit losses on other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating the 12-month expected credit losses.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

(c) Quantitative and qualitative information on the amounts arising from expected credit losses

Loss allowance for trade receivables

Millions of yen

| | Measured at the amount equal to the lifetime expected credit losses |
|---|---|
| Balance as of April 1, 2020 | ¥31,521 |
| Increase during the year | 25,465 |
| Decrease during the year (reversal) | (13,100) |
| Decrease during the year (intended use) | (15,546) |
| Other | 809 |
| Balance as of March 31, 2021 | 29,149 |
| Increase during the year | **28,834** |
| Decrease during the year (reversal) | **(14,957)** |
| Decrease during the year (intended use) | **(12,072)** |
| Other | **101** |
| Balance as of March 31, 2022 | **¥31,055** |

Loss allowance and reversal of loss allowance are recorded in "selling, general and administrative expenses" in the consolidated statement of income.

There is no contractual, uncollected balance for financial assets written off during the fiscal years ended March 31, 2021 and 2022 respectively, for which collecting efforts are still being made.

There are no significant loss allowances for lease receivables, other receivables, loans for financial business and other investments (debt securities).

(d) Maximum exposure to credit risks

The Group's maximum exposure to credit risks is as follows.

The Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement.

Maximum exposure for trade receivables

For the year ended March 31, 2021

Millions of yen

| | Current | More than 30 days past due | More than 90 days past due | Total |
|---|---|---|---|---|
| Gross carrying amount | ¥2,205,546 | ¥11,287 | ¥41,447 | ¥2,258,280 |
| Expected loss rate | 0.3% | 15.9% | 48.4% | — |
| Loss allowance | 7,277 | 1,796 | 20,076 | 29,149 |

For the year ended March 31, 2022

Millions of yen

| | Current | More than 30 days past due | More than 90 days past due | Total |
|---|---|---|---|---|
| Gross carrying amount | **¥2,235,392** | **¥16,801** | **¥90,855** | **¥2,343,048** |
| Expected loss rate | **0.3%** | **9.3%** | **25.4%** | — |
| Loss allowance | **6,410** | **1,564** | **23,081** | **31,055** |

Note: There is no collateral and other credit enhancement owned by the Group.

### ii. Liquidity risk management

The Group is exposed to liquidity risk that the Group may be unable to meet the obligations such as notes and trade payables.

The Group finances necessary funds through bank borrowings, bond issuances and liquidation of receivables in the context of its capital expenditure project mainly to conduct telecommunications businesses. Any excess funds incurred are invested in short-term deposits etc.

Most of the trade and other payables are payable within one year. The Group's current liabilities including such trade payables are exposed to liquidity risk at the time of settlement, however, the Group avoids the risk using methods such as monthly financial planning review conducted by each Group company. In addition, to manage liquidity risk, the Group aims for continuously stable cash management through monitoring account activity by preparing monthly cash flow projection, and maintains liquidity at certain level. The Group has short-term deposits etc. that is considered to be readily convertible into cash to address liquidity risk. Please refer to "Note 13. Cash and cash equivalents" for details.

Long-term financing is conducted following approval by the Board of Directors of the annual financial plan prepared by the finance and accounting department. The Group minimizes its liquidity risk by entering into a number of long- and short-term unexpended commitment line contracts with domestic dominant financial institutions and leading financial institutions in foreign countries in addition to uncommitted credit facilities.

(a) Maturity analysis

The following tables analyse the Group's non-derivative financial liabilities and derivative financial liabilities to be settled on a net basis by category based on the remaining periods to contractual maturity at the end of each fiscal year. Amounts shown in the tables below are contractual undiscounted cash flows.

As of March 31, 2021

Millions of yen

| | Carrying amount | Contractual cash flow | Within one year | Over one year to two years | Over two years to three years | Over three years to four years | Over four years to five years | Over five years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | ¥ 754,345 | ¥ 754,345 | ¥ 747,728 | ¥ 1,620 | ¥ 1,646 | ¥ 1,303 | ¥ 1,302 | ¥ 745 |
| Short-term borrowings | 19,517 | 19,517 | 19,517 | — | — | — | — | — |
| Long-term borrowings | 895,655 | 903,357 | 75,905 | 152,789 | 230,192 | 129,090 | 130,546 | 184,835 |
| Bonds payable | 329,384 | 335,004 | 993 | 50,993 | 70,983 | 60,578 | 30,458 | 121,001 |
| Deposits for financial business | 1,850,090 | 1,851,599 | 1,818,812 | 10,842 | 2,045 | 1,049 | 1,088 | 17,763 |
| Lease liabilities | 400,925 | 407,593 | 140,307 | 80,218 | 58,752 | 39,828 | 24,439 | 64,049 |
| Sub total | 4,249,916 | 4,271,415 | 2,803,262 | 296,461 | 363,618 | 231,849 | 187,833 | 388,393 |
| Derivative financial liabilities (Note) | | | | | | | | |
| Foreign exchange swaps | 1,164 | 1,164 | 1,164 | — | — | — | — | — |
| Interest rate swaps | 4,075 | 4,075 | 491 | — | 1,586 | — | 1,998 | — |
| Sub total | 5,239 | 5,239 | 1,655 | — | 1,586 | — | 1,998 | — |
| Total | ¥4,255,155 | ¥4,276,655 | ¥2,804,917 | ¥296,461 | ¥365,204 | ¥231,849 | ¥189,830 | ¥388,393 |

Note: Credits and debts resulting from derivative transactions are presented on a net basis.

As of March 31, 2022

Millions of yen

| | Carrying amount | Contractual cash flow | Within one year | Over one year to two years | Over two years to three years | Over three years to four years | Over four years to five years | Over five years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | ¥ 834,496 | ¥ 834,496 | ¥ 831,278 | ¥ 2,949 | ¥ 165 | ¥ 9 | ¥ 5 | ¥ 90 |
| Short-term borrowings | 56,034 | 56,034 | 56,034 | — | — | — | — | — |
| Long-term borrowings | 822,544 | 831,251 | 167,820 | 195,462 | 149,633 | 130,988 | 78,534 | 108,814 |
| Bonds payable | 329,543 | 334,011 | 50,993 | 70,983 | 60,578 | 30,458 | 30,348 | 90,653 |
| Deposits for financial business | 2,217,505 | 2,219,388 | 2,186,136 | 143 | 3,158 | 145 | 1,329 | 28,476 |
| Lease liabilities | 391,984 | 392,509 | 114,106 | 84,881 | 57,903 | 38,101 | 25,868 | 71,649 |
| Sub total | 4,652,104 | 4,667,689 | 3,406,367 | 354,418 | 271,437 | 199,701 | 136,084 | 299,682 |
| Derivative financial liabilities (Note) | | | | | | | | |
| Foreign exchange swaps | 1,275 | 1,275 | 1,275 | — | — | — | — | — |
| Interest rate swaps | 3,542 | 3,542 | 1,345 | 901 | — | 1,296 | — | — |
| Sub total | 4,817 | 4,817 | 2,620 | 901 | — | 1,296 | — | — |
| Total | ¥4,656,922 | ¥4,672,507 | ¥3,408,986 | ¥355,319 | ¥271,437 | ¥200,997 | ¥136,084 | ¥299,682 |

Note: Credits and debts resulting from derivative transactions are presented on a net basis.

### iii Market risk management

Market risk management consists of (a) Exchange risk management, (b) Interest rate risk management and (c) Price risk management of equity instruments. A certain subsidiaries manage market risk by measuring their market risk volume using value at risk (VaR) on a daily basis.

To calculate VaR, the subsidiaries use the historical simulation approach (six-month holding period, 99% confidence interval). As of the previous fiscal year-end (March 31, 2021), overall market risk amounted to ¥3,105 million. As of March 31, 2022, overall market risk amounted to ¥3,177 million. VaR measures market risk using a certain statistically calculated probability based on past market variability. However, it is not always possible to ascertain risk in a market environment undergoing drastic changes that would ordinarily be inconceivable.

(a) Exchange risk

The Group is exposed to exchange rate fluctuation risk ("exchange risk") that results from translating foreign currency denominated trade receivables arising from transactions that the Group conducted using non-functional currencies into their functional currencies at the exchange rate prevailing at the end of reporting period.

The Group also operates in foreign countries. Currently, the Group is developing international businesses through capital contribution and establishment of joint ventures in Asia (Singapore and China etc.), North America and Europe etc. As a result of these international operating activities, the Group is exposed to various exchange risks primarily related to the U.S. dollar.

A certain subsidiary hedges exchange fluctuation risk by adopting forward exchange contracts as derivative transactions. The purpose is to fix the exchange fluctuation for broadcasting right related to foreign programs. For derivative transactions, the Company develops implementation plans on a transaction-to-transaction basis following internal rules approved by the Board of Directors, and obtains approval as stipulated in the authorization regulation, before conducting the transactions. The Group's policy is to use derivative transactions only to avoid risk and conduct no speculative transactions in order to gain trading profits.

*(i) Sensitivity analysis of exchange rate*

Sensitivity analysis of the impact of the 10% appreciation of the Japanese yen against the U.S. dollar, Pound and Euro at the end of each fiscal year against profit before tax of the Group is as follows.

This analysis assumes that all other variables (balance, interest etc.) are held constant, and the sensitivity analysis below does not contain impacts of translation of financial instruments denominated in functional currencies, and impacts of translation of revenues and expenses, assets and liabilities of foreign operations into presentation currency.

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Profit before tax | | |
| U.S. dollar | ¥(2,051) | ¥(2,255) |
| Pound | (1,441) | (1,789) |
| Euro | (1,079) | (1,154) |
| Total | ¥(4,572) | ¥(5,197) |

If the Japanese yen depreciate 10% against the U.S. dollar, Pound and Euro and all other variables are held constant at the end of each fiscal year, the impact on the Group's profit or loss would be the exact reserve of the figures presented above assuming.

*(ii) Derivatives (forward foreign exchange contracts, foreign exchange swaps)*

Details of major exchange contracts existed at March 31, 2021 and 2022 are as follows:

Derivatives designated as hedges

Certain subsidiaries of the Group is to apply hedge accounting to foreign exchange risk

Millions of yen

| | FY21.3 | | | | FY22.3 | | | |
|---|---|---|---|---|---|---|---|---|
| | Contractual amount | | Fair value | | Contractual amount | | Fair value | |
| As of March 31 | Total | Over one year | Assets | Liabilities | Total | Over one year | Assets | Liabilities |
| Forward foreign exchange contracts | ¥22,910 | ¥1,668 | ¥1,028 | ¥5 | ¥47,007 | ¥9,568 | ¥3,130 | ¥10 |

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Carrying amount | ¥ 1,023 | ¥ 3,120 |
| Contractual amount | 22,910 | 47,007 |
| Maturity date | April 2021–March 2023 | April 2022-December 2027 |
| Hedge ratio (Note 1) | 1 | 1 |
| Change in intrinsic value of outstanding hedging instrument | 875 | 2,097 |
| Change in value of hedge item used to determine hedge effectiveness | (875) | (2,097) |

Notes: 1. Since the Group enters into the foreign exchange contracts in the same currency that future purchase transactions are highly likely to occur, the hedge ratio of foreign exchange contracts is one-to-one.
2. The Group does not have a non-effective portion of the hedge.

Derivatives not designated as hedges

Millions of yen

| | FY21.3 | | | | FY22.3 | | | |
|---|---|---|---|---|---|---|---|---|
| | Contractual amount | | Fair value | | Contractual amount | | Fair value | |
| As of March 31 | Total | Over one year | Assets | Liabilities | Total | Over one year | Assets | Liabilities |
| Forward foreign exchange contracts | ¥122,944 | ¥ — | ¥(835) | ¥2,430 | ¥ — | ¥ — | ¥ — | ¥ — |
| Foreign exchange swaps | 55,556 | 55,556 | (376) | 379 | 127,095 | — | (354) | 4,285 |

(b) Interest rate risk

Interest rate risk is defined as the risk that market interest rate fluctuation results in changes in fair value of financial instruments or future cash flows arising from financial instruments. The interest rate risk exposure of the Group mainly relates to payables such as borrowings or bonds, and receivables such as interest-bearing deposits. As amount of interest is influenced by market interest rate fluctuation, the Group is exposed to interest rate risk resulting from changes in future cash flows of interest.

The Group finances funds through bond issuance at fixed interest rates in order to avoid future increase in interest payments, primarily resulting from rising interest rates.

Certain subsidiaries stabilize their cash flows by using interest rate swap transactions to minimize interest rate risk on borrowings.

*(i) Sensitivity analysis of interest rate*

Sensitivity analysis of the impact of a 1% increase in interest rates at the end of each fiscal year against profit before tax of the Group is as follows. This analysis assumes that all other variables (balance, exchange rate etc.) are held constant.

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Profit before tax | ¥(198) | ¥0 |

*(ii) Derivatives (interest swap contracts)*

In interest swap contracts, the Group enters into agreements to exchange the differences between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Using these contracts, the Group minimizes its risk of cash flows fluctuations arising from floating rate borrowings.

Derivatives designated as hedges

Millions of yen

| | FY21.3 | | | | FY22.3 | | | |
|---|---|---|---|---|---|---|---|---|
| | Contractual amount | | Fair value | | Contractual amount | | Fair value | |
| As of March 31 | Total | Over one year | Assets | Liabilities | Total | Over one year | Assets | Liabilities |
| Interest rate swap | ¥140,000 | ¥130,000 | ¥— | ¥3,556 | ¥130,000 | ¥130,000 | ¥— | ¥2,197 |

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Carrying amount | ¥ (3,556) | ¥ (2,197) |
| Contractual amount | 140,000 | 130,000 |
| Maturity date | December 2023–December 2025 | December 2023–December 2025 |
| Hedge ratio (Note 1) | 1 | 1 |
| Change in intrinsic value of outstanding hedging instrument | 944 | 1,387 |
| Change in value of hedge item used to determine hedge effectiveness | (944) | (1,387) |

Notes: 1. Since the Group runs the borrowing (hedged item) and interest rate swap transaction (hedging instrument) in the same amount, hedge ratio of interest rate swap transaction is one-to-one.
2. The Group does not have any non-effective portion of the hedge.

Derivatives not designated as hedges

Millions of yen

| | FY21.3 | | | | FY22.3 | | | |
|---|---|---|---|---|---|---|---|---|
| | Contractual amount | | Fair value | | Contractual amount | | Fair value | |
| As of March 31 | Total | Over one year | Assets | Liabilities | Total | Over one year | Assets | Liabilities |
| Interest rate swap | ¥— | ¥— | ¥— | ¥— | ¥76,986 | ¥76,986 | ¥(1,269) | ¥1,278 |

(c) Price risk management of equity instruments

Price risk of equity instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to such price risk as it holds equity instruments.

To manage price risk arising from those equity instruments, the corporate finance and accounting department documents policies of investment in the equity instruments and the entire Group complies with those policies. For material investments, it is obliged to report to and obtain approval from the Board of Directors in a timely manner. To manage those equity instruments, the Group continuously reviews its holdings by monitoring market value and the financial condition of the issuer (counterparty) taking into account the market condition and the relationship with the counterparty.

*(i) Sensitivity analysis of price of equity instruments*

Sensitivity analysis of the impact of the 10% decrease in the price of equity instruments at the end of each fiscal year against other comprehensive income of the Group (before tax effect) is as follows:

This analysis is on presumption that all other variables (balance, exchange rate etc.) are held constant.

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Accumulated other comprehensive income (before tax effect) | ¥(11,555) | ¥(13,789) |

### (2) Capital management

The Group seeks to realize sustainable medium- and long-term growth and maximize its corporate value. To achieve those objectives, the Group's basic policy for equity risk management is to maintain adequate equity structure while monitoring capital cost, along with maintaining current fund-raising capability and ensuring financial soundness. Major performance benchmarks used by the Group to manage its equity are Ratio of equity attributable to owners of the parent and debt / equity ratio ("D/E ratio").

Ratio of equity attributable to owners of the parent and D/E ratio at the end of each fiscal year are as follows:

| As of March 31 | Unit | FY21.3 | FY22.3 |
|---|---|---|---|
| Ratio of equity attributable to owners of the parent (Note 1) | % | 45.2 | 45.0 |
| D/E ratio (debt / equity ratio) (Note 2) | ratio | 0.35 | 0.32 |

Notes: 1. Ratio of equity attributable to owners of the parent : Equity attributable to owners of the parent / Total assets ×100
2. D/E ratio (debt / equity ratio): Interest bearing debt / Equity attributable to owners of the parent

As of March 31, 2021 and 2022, the Group meets the material capital controls applicable to the Group (excluding general rules such as the Companies Act etc.).

### (3) Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities of the Group is as follows:

As of March 31, 2021

Millions of yen

| | Carrying amount | | | |
|---|---|---|---|---|
| | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Total |
| Financial assets: | | | | |
| Non-current assets: | | | | |
| Long-term loans for financial business | ¥1,148,700 | ¥ — | ¥ 106 | ¥1,148,805 |
| Securities for financial businesses | — | 276,065 | — | 276,065 |
| Other long-term financial assets | 147,812 | 177,224 | 164 | 325,201 |
| Current assets: | | | | |
| Trade and other receivables | 2,229,435 | — | — | 2,229,435 |
| Short-term loans for financial business | 233,605 | — | — | 233,605 |
| Call loan | 33,846 | — | — | 33,846 |
| Other short-term financial assets | 64,668 | — | 5,287 | 69,955 |
| Cash and cash equivalents | 809,802 | — | — | 809,802 |
| Total | ¥4,667,868 | ¥453,289 | ¥5,557 | ¥5,126,714 |

Millions of yen

| | Carrying amount | | | |
|---|---|---|---|---|
| | Financial liabilities at amortized cost | Financial liabilities at fair value through other comprehensive income | Financial liabilities at fair value through profit or loss | Total |
| Financial liabilities: | | | | |
| Non-current liabilities: | | | | |
| Borrowings and bonds payable | ¥1,151,664 | ¥— | ¥ — | ¥1,151,664 |
| Long-term deposits for financial business | 32,850 | — | — | 32,850 |
| Lease liabilities | 288,650 | — | — | 288,650 |
| Other long-term financial liabilities | 10,588 | — | 3,584 | 14,172 |
| Current liabilities: | | | | |
| Borrowings and bonds payable | 92,892 | — | — | 92,892 |
| Trade and other payables | 754,345 | — | — | 754,345 |
| Short-term deposits for financial business | 1,817,240 | — | — | 1,817,240 |
| Call money | 115,815 | — | — | 115,815 |
| Lease liabilities | 112,275 | — | — | 112,275 |
| Other short-term financial liabilities | — | — | 1,655 | 1,655 |
| Total | ¥4,376,319 | ¥— | ¥5,239 | ¥4,381,558 |

As of March 31, 2022

Millions of yen

| | Carrying amount | | | |
|---|---|---|---|---|
| | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Total |
| Financial assets: | | | | |
| Non-current assets: | | | | |
| Long-term loans for financial business | ¥1,328,363 | ¥ — | ¥ 6,747 | ¥1,335,111 |
| Securities for financial business | — | 338,285 | — | 338,285 |
| Other long-term financial assets | 129,576 | 199,607 | 85 | 329,268 |
| Current assets: | | | | |
| Trade and other receivables | 2,311,694 | — | — | 2,311,694 |
| Short-term loans for financial business | 255,266 | — | — | 255,266 |
| Call loans | 45,064 | — | — | 45,064 |
| Other short-term financial assets | 53,762 | — | 13,392 | 67,154 |
| Cash and cash equivalents | 796,613 | — | — | 796,613 |
| Total | ¥4,920,338 | ¥537,892 | ¥20,224 | ¥5,478,455 |

Millions of yen

| | Carrying amount | | | |
|---|---|---|---|---|
| | Financial liabilities at amortized cost | Financial liabilities at fair value through other comprehensive income | Financial liabilities at fair value through profit or loss | Total |
| Financial liabilities: | | | | |
| Non-current liabilities: | | | | |
| Borrowings and bonds payable | ¥ 921,616 | ¥— | ¥ — | ¥ 921,616 |
| Long-term deposits for financial business | 33,240 | — | — | 33,240 |
| Lease liabilities | 279,265 | — | — | 279,265 |
| Other long-term financial liabilities | 12,001 | — | 2,197 | 14,198 |
| Current liabilities: | | | | |
| Borrowings and bonds payable | 286,505 | — | — | 286,505 |
| Trade and other payables | 834,496 | — | — | 834,496 |
| Short-term deposits for financial business | 2,184,264 | — | — | 2,184,264 |
| Call money | 141,348 | — | — | 141,348 |
| Lease liabilities | 112,719 | — | — | 112,719 |
| Other short-term financial liabilities | — | — | 2,620 | 2,620 |
| Total | ¥4,805,452 | ¥— | ¥4,817 | ¥4,810,270 |

Notes: Effective from the fourth quarter of the fiscal year ended March 31, 2022, au Jibun Bank Corporation has changed its management for housing loan receivables from a management aimed at collecting receivables to a management aimed at sustainable business development and securing a stable revenue base through the collection of receivables, resulting in a change in business model.

In accordance with the change in business model, effective April 1, 2022, the measurement category of loans for financial business, which is categorized in financial assets at amortized cost, will be changed to financial assets at fair value through profit or loss. For details of the measurement method for each category, please refer to "3. Significant Accounting Policies (11) Financial Instruments." The amount to be reclassified as of April 1, 2022 is ¥1,362,678 million.

### (4) Financial assets at fair value through other comprehensive income

The Group owns the equity instruments listed above as investment to maintain and strengthen the business relationship with investees, and therefore classifies them as financial assets at fair value through other comprehensive income.

**i. The analysis and fair value by description of financial assets at fair value through other comprehensive income**

The analysis and dividends received related to financial assets at fair value through other comprehensive income are as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Fair value | | |
| Listed equities | ¥115,552 | ¥137,893 |
| Unlisted equities | 61,672 | 61,714 |
| Total | ¥177,224 | ¥199,607 |

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Dividends received | | |
| Listed equities | ¥2,169 | ¥2,597 |
| Unlisted equities | 911 | 3,390 |
| Total | ¥3,080 | ¥5,987 |

Major description of investments in financial assets at fair value through other comprehensive income is as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Listed equities | | |
| TOYOTA MOTOR CORPORATION | ¥ 68,881 | ¥ 88,839 |
| LAWSON, Inc. | 11,457 | 9,864 |
| GREE, Inc. | 4,472 | 8,696 |
| PIA Corporation | 4,807 | 5,184 |
| JTOWER Inc. | — | 4,007 |
| gremz,Inc. | 3,234 | 3,829 |
| Internet Initiative Japan Inc. | 2,182 | 3,448 |
| Japan Airport Terminal Co., Ltd. | 3,313 | 3,404 |
| J-Stream Inc. | 7,302 | 2,379 |
| Finatext Holdings Ltd. | — | 2,306 |
| Other | 9,904 | 5,937 |
| Sub total | 115,552 | 137,893 |
| Unlisted equities | | |
| A-Fund, L.P. | 11,965 | 9,406 |
| COMMUNITY NETWORK CENTER INCORPORATED | 4,996 | 6,316 |
| Japan Platform of Industrial Transformation, Inc. | 2,500 | 5,000 |
| WiL Fund II, L.P. | 2,718 | 4,221 |
| Finatext Holdings Ltd. | 4,600 | — |
| Other | 34,893 | 36,771 |
| Sub total | 61,672 | 61,714 |
| Total | ¥177,224 | ¥199,607 |

Notes: Finatext Holdings Ltd. was listed on December 22, 2021, and its shares were reclassified from unlisted equities to listed equities.

**ii. Financial assets at fair value through other comprehensive income disposed during the period**
The Group sells its financial assets at fair value through other comprehensive income as a result of periodic review of portfolio and for the management of risk assets. Fair value at the disposal date, accumulated gains / losses arising from sale and dividends received are as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Fair value at the disposal date | ¥4,066 | ¥7,320 |
| Accumulated gains / losses arising from sale | 3,596 | 2,863 |
| Dividends received | 68 | 2 |

**iii. Reclassification to retained earnings**
The Group reclassifies accumulated gains or losses arising from changes in the fair value of financial assets at fair value through other comprehensive income into retained earnings, when it disposes the investments, etc. Accumulated gains or losses, net of tax, reclassified from accumulated other comprehensive income into retained earnings are ¥2,645 million and ¥2,813 million, respectively, for the years ended March 31, 2021 and 2022.

**(5) Analysis of gains and losses arising from derecognition of financial assets measured at amortized cost and the reason for derecognition**

Millions of yen

| | Gains and losses arising from derecognition of financial assets measured at amortized cost ( ( ):losses) | |
|---|---|---|
| For the year ended March 31 | FY21.3 | FY22.3 |
| Loans for financial business | ¥6,996 | ¥11,647 |

In the fiscal year ended March 31, 2021 and 2022, au Jibun Bank Corporation derecognizes a portion of the loans for financial business listed on its consolidated balance sheet due to the sale of housing loan obligations.

## 32 Fair Value of Financial Instruments

The financial instruments that are measured at fair value are classified into 3 levels of fair value hierarchy according to the observability and significance of the inputs used for measurement. The levels of the fair value hierarchy are defined as follows:
- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: The fair value of the asset or liability measured using inputs that are observable either directly or indirectly other than quoted prices included within level 1
- Level 3: The fair value of the asset or liability measured using inputs that are not based on observable market data (that is, unobservable inputs)

The Group determines the hierarchy of the levels based on the lowest level input that is significant to the fair value measurement.

**(1) The fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis**

**i. The hierarchy of the fair value**
The following table presents the classification by fair value hierarchy of the financial assets and financial liabilities recognized at fair value on the consolidated statement of financial position.

As of March 31, 2021

Millions of yen

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recurring fair value measurements | | | | |
| Financial assets: | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Securities for financial business | ¥257,183 | ¥18,882 | ¥ — | ¥276,065 |
| Other financial assets | | | | |
| Equities | 115,552 | — | 61,672 | 177,224 |
| Financial assets at fair value through profit or loss | | | | |
| Loans for financial business | — | 106 | — | 106 |
| Other financial assets | | | | |
| Derivatives | | | | |
| Exchange contracts | — | 1,027 | — | 1,027 |
| Foreign exchange swaps | — | 2,755 | — | 2,755 |
| Interest rate swaps | — | 467 | — | 467 |
| Money trusts | — | — | — | — |
| Investment trusts | — | 1,202 | — | 1,202 |
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Other financial liabilities | | | | |
| Derivatives | | | | |
| Foreign exchange swaps | — | 1,164 | — | 1,164 |
| Interest rate swaps | — | 4,075 | — | 4,075 |

As of March 31, 2022

Millions of yen

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recurring fair value measurements | | | | |
| Financial assets: | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Securities for financial business | ¥317,948 | ¥20,337 | ¥ — | ¥338,285 |
| Other financial assets | | | | — |
| Equities | 137,893 | — | ¥61,714 | 199,607 |
| Financial assets at fair value through profit or loss | | | | |
| Loans for financial business | — | 6,747 | — | 6,747 |
| Other financial assets | | | | |
| Derivatives | | | | |
| Exchange contracts | — | 3,121 | — | 3,121 |
| Foreign exchange swaps | — | 5,206 | — | 5,206 |
| Interest rate swaps | — | 1,355 | — | 1,355 |
| Money trusts | — | 1,747 | — | 1,747 |
| Investment trusts | — | 2,049 | — | 2,049 |
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Other financial liabilities | | | | |
| Derivatives | | | | |
| Foreign exchange swaps | — | 1,275 | — | 1,275 |
| Interest rate swaps | — | 3,542 | — | 3,542 |

Any significant transfers of the financial instruments between levels are evaluated at each period end. There was no significant transfer of the financial instruments between levels for the years ended March 31, 2021 and 2022.

**ii. Measurement method of the fair value of financial assets and financial liabilities**

(a) Securities for financial business

Securities for financial business are measured using quoted prices in active markets for identical assets if such prices are available, and are classified as level 1 of the fair value hierarchy. If such prices are unavailable, they are measured using the prices based on available information like brokered markets and the valuation technique based on the discounted future cash flows using discounted rates reflecting risk free rates and credit spreads, and are classified as level 2 of the fair value hierarchy according to observability of inputs.

(b) Other financial assets and liabilities

*(i) Equities*

Listed equities are based on the prices on exchange and within level 1 of the fair value hierarchy.

Unlisted equities are calculated by the valuation technique based on the discounted future cash flows, valuation technique based on the market prices of the comparative companies, valuation technique based on the net asset value and other valuation techniques, and are within the level 3 of the fair value hierarchy. Unobservable input such as discount rates and valuation multiples are used for fair value measurements of unlisted equities, adjusted for certain illiquidity discounts and non-controlling interest discounts, if necessary.

*(ii) Derivatives*

Exchange contracts

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to exchange contracts are classified as level 2 of the fair value hierarchy.

Foreign exchange swaps

The fair value of forward foreign exchange swap is determined using forward exchange rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to exchange swap are classified as level 2 of fair value hierarchy.

Interest rate swaps

Interest rate swaps are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk. The financial assets and financial liabilities related to interest rate swaps are classified as the level 2 of the fair value hierarchy.

*(iii) Money trusts*

Money trust is principally calculated by the same method as securities for financial business and classified as level 2 of fair value hierarchy.

*(iv) Investment trusts*

Investment trusts are measured using quoted prices in inactive markets for identical assets based on market approach, and are classified as level 2 of fair value hierarchy.

(c) Loans for financial business

Loans for financial business are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk, and are classified as the level 2 of fair value hierarchy.

**iii. Reconciliation of level 3**

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2021.

Millions of yen

| | Financial assets measured at fair value through other comprehensive income — Equities |
|---|---|
| As of April 1, 2020 | ¥44,105 |
| Acquisition | 8,866 |
| Gain recognized on other comprehensive income | 6,828 |
| Sale | (1,126) |
| Other | 3,000 |
| As of March 31, 2021 | ¥61,672 |

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2022.

Millions of yen

| | Financial assets measured at fair value through other comprehensive income — Equities |
|---|---|
| As of April 1, 2021 | ¥61,672 |
| Acquisition | 9,247 |
| Gain recognized on other comprehensive income | (3,533) |
| Sale | (3,296) |
| Other | (2,376) |
| As of March 31, 2022 | ¥61,714 |

**iv. Evaluation process of level 3**

Fair value measurements of unlisted equities are performed by a management department independent from sales departments in accordance with the prescribed rules. Fair value measurements including fair value models are examined for the adequacy by periodically evaluating the business descriptions and the availability of business plans of the companies issuing the equities, as well as comparative listed companies.

**v. Quantitative information related to assets classified as level 3**

Information related to evaluation technique and significant unobservable inputs of assets measured at fair value on a recurring basis classified as level 3 is as follows:

As of March 31, 2021

| | Fair value (Millions of yen) | Valuation technique | Unobservable inputs | Range |
|---|---|---|---|---|
| Equities | ¥61,672 | Income approach | Discount rate | 3.2%–12.0% |

As of March 31, 2022

| | Fair value (Millions of yen) | Valuation technique | Unobservable inputs | Range |
|---|---|---|---|---|
| Equities | ¥61,714 | Income approach | Discount rate | 3.0%–16.6% |

**vi. Sensitivity analysis related to the changes in significant unobservable inputs**

For financial instruments classified as level 3, no significant changes in fair value are expected to occur as a result of changing unobservable inputs to other alternative assumptions that are considered reasonable.

**(2) The fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value**

**i. The hierarchy of the fair value**

The following are the fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value. The financial assets and financial liabilities that are measured at amortized cost are included.

As of March 31, 2021

Millions of yen

| | Carrying amount | Fair value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Loans for financial business | ¥1,382,305 | ¥ — | ¥1,372,083 | ¥— | ¥1,372,083 |
| Other financial assets | | | | | |
| Monetary claims bought | 16,881 | — | 16,574 | — | 16,574 |
| Financial liabilities | | | | | |
| Borrowing and bonds payable | | | | | |
| Borrowings | 815,655 | — | 821,554 | — | 821,554 |
| Bonds payables | 329,384 | 331,120 | — | — | 331,120 |
| Deposits for financial business | 1,850,090 | — | 1,851,319 | — | 1,851,319 |

Notes: 1. Loans for financial business in the table above include their current portion.
2. Borrowings and bonds payable in the table above include their current portion.
3. Financial assets and financial liabilities whose fair values are similar to the carrying amounts are not included in the table above.

As of March 31, 2022

Millions of yen

| | Carrying amount | Fair value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Loans for financial business | ¥1,583,629 | ¥— | ¥1,601,404 | ¥— | ¥1,601,404 |
| Other financial assets | | | | | |
| Monetary claims bought | 13,129 | — | 12,527 | — | 12,527 |
| Financial liabilities | | | | | |
| Borrowing and bonds payable | | | | | |
| Borrowings | 742,544 | — | 743,873 | — | 743,873 |
| Bonds payables | 329,543 | 330,083 | — | — | 330,083 |
| Deposits for financial business | 2,217,505 | — | 2,219,031 | — | 2,219,031 |

Notes: 1. Loans for financial business in the table above include their current portion.
2. Borrowings and bonds payable in the table above include their current portion.
3. Financial assets and financial liabilities whose fair values are similar to the carrying amounts are not included in the table above.

**ii. Measurement method of the fair value**

(a) Loans for financial business
The fair value of loans for financial business is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk. Loans for financial business are classified as level 2 of the fair value hierarchy.

(b) Monetary claims bought
The fair value of monetary claims bought is measured using quoted prices in inactive markets for identical assets based on market approach and is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk. Monetary claims bought are classified as level 2 of the fair value hierarchy.

(c) Borrowings
For borrowings with variable interest rates, the carrying amount is used as fair value, as the rates reflect the market interest rate within a short term and there is no significant change expected in the Group entities' credit conditions after financing. For borrowings with fixed interest rates, fair value is estimated by discounting the total of principal and interest using the current interest rate adjusted for the remaining maturity period of the borrowings and credit risk. Borrowings are classified as level 2 of the fair value hierarchy.

(d) Bonds payables
For bonds payable with quoted price, the fair value is estimated based on quoted price. For bonds payable without quoted price, the fair value is calculated by the present value of future cash flows discounted using the interest rate adjusted for the remaining maturity period and credit risk. Bonds payables with quoted price are classified as level 1 of fair value hierarchy and bonds payables without quoted price are classified as level 2 of the fair value hierarchy.

(e) Deposits for financial business
For demanded deposits of the deposits for financial business, amounts payable on request at the year-end closing date (carrying amount) are considered to represent fair value. The fair value of time deposits is measured at the present value calculated by discounting each portion of future cash flows classified by period. The discount rate is the interest rate used when accepting new deposits. In addition, the contract principal and interest of time deposits classified is measured at the amounts after classification. Deposits for financial business are classified as level 2 of the fair value hierarchy.

## 33 Commitments

**Purchase commitments**

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Property, plant and equipment | ¥337,306 | ¥253,953 |
| Intangible assets | 14,403 | 14,906 |
| Total | ¥351,708 | ¥268,859 |

Note: These amounts above do not reflect the contents of all contracts that the Group is expected to enter into in the future.

## 34 Earnings Per Share

**(1) Basic earnings per share**

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

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Profit for the year attributable to owners of the parent | ¥ 651,496 | ¥ 672,486 |
| Weighted average number of common shares outstanding (Thousands of shares) | 2,292,738 | 2,241,430 |
| Basic earnings per share | ¥ 284.16 | ¥ 300.03 |

**(2) Diluted earnings per share**

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

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Profit for the year attributable to owners of the parent | ¥651,496 | ¥672,486 |
| Adjustment of profit | — | — |
| Profit used in calculation of diluted earnings per share | ¥651,496 | ¥672,486 |

Thousands of shares

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Weighted average number of common shares outstanding | 2,292,738 | 2,241,430 |
| Effect of dilutive potential common shares | | |
| BIP trust and ESOP trust | 1,967 | 2,214 |
| Weighted average number of common shares during the year | 2,294,705 | 2,243,645 |

Yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Diluted earnings per share | ¥283.91 | ¥299.73 |

Note: In the calculation of basic earnings per share and diluted earnings per share, shares in the Company owned by the executive compensation BIP trust and the stock-granting ESOP trust are included in treasury stock. Therefore, the number of these shares is deducted in calculating the number of common shares outstanding at the end of the year and the weighted average number of common shares outstanding during the year.

## 35 Lease

### (1) Lease as a lessee

The Group mainly leases office space, buildings for base stations, dark fiber and in-house customer premises equipment for CATV and communication. Lease contracts for office space, buildings for base stations and dark fiber include extension and termination options. However, the Group does not have any lease contracts that contain restrictions or covenants.

#### i. Amounts recognized in the consolidated statements of financial position

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Right-of-use assets | | |
| Real estate for base stations as the underlying asset | ¥164,833 | **¥146,818** |
| Transmission lines as the underlying asset | 31,922 | **30,949** |
| Real estate for office and telecommunication business as the underlying asset | 112,866 | **117,502** |
| Telecommunication equipment as the underlying asset | 15,099 | **13,850** |
| Other underlying assets | 72,052 | **78,550** |
| Total right-of-use assets | ¥396,772 | **¥387,669** |

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Increase of right-of-use assets | ¥150,584 | **¥117,985** |

#### ii. Amounts recognized in the consolidated statements of income

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Depreciation associated with right-of-use assets | | |
| Real estate for base stations as the underlying asset | ¥53,638 | **¥ 54,122** |
| Transmission line as the underlying asset | 6,523 | **6,186** |
| Real estate for office and telecommunication business as the underlying asset | 35,894 | **36,069** |
| Telecommunication equipment as the underlying asset | 7,733 | **6,986** |
| Other underlying assets | 24,109 | **24,201** |
| Total depreciation associated with right-of-use assets | ¥127,897 | **¥127,564** |
| Interest expense associated with lease liabilities | 1,799 | **1,968** |

#### iii. Cash flows associated with leases

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Total cash outflows associated with leases | ¥135,025 | **¥132,817** |

### (2) Lease as a lessor

#### i. Finance lease

KDDI Summit Global Myanmar Co., Ltd. (KSGM), one of the Group's consolidated subsidiaries, operates the telecommunication business in Myanmar jointly with Myanma Posts & Telecommunications (MPT), an organization under the Ministry of Transport and Communications in Myanmar. KSGM mainly leases telecommunication equipment to MPT classified as finance lease in the joint operation.

(a) Income from lease
Not applicable.

(b) Maturity analysis

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Within one year | ¥ 41,437 | **¥ 40,195** |
| Over one year to two years | 33,797 | **27,978** |
| Over two years to three years | 22,825 | **17,597** |
| Over three years to four years | 13,525 | **10,102** |
| Over four years to five years | 6,843 | **4,148** |
| Over five years | 1,561 | **1,098** |
| Total | ¥119,988 | **¥101,118** |
| Unearned finance income | ¥ (13,235) | **¥ (10,956)** |
| Net investment in the lease | 106,753 | **90,162** |

## 36 Non-Cash Transactions

For the fiscal years ended March 31, 2021 and 2022, non-cash transactions (investment and finance transaction that don't require the use of cash and cash equivalents) comprise acquisition of right-of-use assets resulting from new leases of ¥150,584 million and ¥117,985 million, respectively.

## 37 Major Subsidiaries

### (1) Organizational structure

Major subsidiaries of the Group are as follows. They have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

As of March 31 — The proportion of voting rights (%)

| Company name | Segment | Location | Key business | FY21.3 | FY22.3 |
|---|---|---|---|---|---|
| Okinawa Cellular Telephone Company | Personal Services | Naha-shi, Okinawa | Telecommunications services (au mobile phone services) | 52.4 | **52.5** |
| JCOM., Ltd. (Note 1) | Personal Services | Chiyoda-ku, Tokyo | Management of CATV operators and broadcasting service providers | 50.0 | **50.0** |
| J:COM West Co., Ltd. | Personal Services | Chuo-ku, Osaka | Management of CATV (broadcasting and telecommunication business) | 92.8 (92.8) | **93.1 (93.1)** |
| UQ Communications Inc. (Note 2) | Personal Services | Chiyoda-ku, Tokyo | Wireless broadband services | 32.3 | **32.3** |
| BIGLOBE Inc. | Personal Services | Shinagawa-ku, Tokyo | Telecommunications services under Telecommunications Business Act | 100.0 | **100.0** |
| AEON Holdings Corporation of Japan | Personal Services | Shinjuku-ku, Tokyo | Operation of language schools starting with English conversation | 100.0 | **100.0** |
| Chubu Telecommunications Co., Inc. | Personal Services Business Services | Naka-ku, Nagoya-shi, Aichi | Telecommunications services under Telecommunications Business Act | 80.5 | **80.5** |
| Wire and Wireless Co., Ltd. | Personal Services | Chuo-ku, Tokyo | Wireless broadband services | 95.2 | **95.2** |
| au Financial Holdings Corporation | Personal Services | Chuo-ku, Tokyo | Holding company for financial business | 100.0 | **100.0** |
| Supership Holdings, Inc | Personal Services | Minato-ku, Tokyo | Holding company of internet service companies | 83.6 | **83.6** |
| Jupiter Shop Channel Co., Ltd. | Personal Services | Koto-ku, Tokyo | Mail order services | 55.0 (50.0) | **55.0 (50.0)** |
| Jupiter Entertainment Co.,Ltd. | Personal Services | Chiyoda-ku, Tokyo | Management of TV channels | 100.0 (100.0) | **100.0 (100.0)** |

As of March 31

| Company name | Segment | Location | Key business | The proportion of voting rights (%) FY21.3 | FY22.3 |
|---|---|---|---|---|---|
| ENERES Co., Ltd. | Personal Services | Chiyoda-ku, Tokyo | Energy information business | 59.0 | 59.0 |
| KDDI Matomete Office Corporation | Business Services | Shibuya-ku, Tokyo | IT support services for small and medium-sized companies | 95.0 | 95.0 |
| KDDI Evolva, Inc. | Business Services | Shinjuku-ku, Tokyo | Call center, temporary personnel services | 100.0 | 100.0 |
| Japan Internet Exchange Co., Ltd. | Business Services | Chiyoda-ku, Tokyo | Exchange port providing services for intenet service providers | 70.7 (6.9) | 70.7 (6.9) |
| KDDI Engineering Corporation | Other | Shibuya-ku, Tokyo | Construction, maintenance and operation support for communication equipment | 100.0 | 100.0 |
| KDDI Research, Inc. | Other | Fujimino-shi, Saitama | Technology research and product development related to telecommunication services | 91.7 | 91.7 |
| Kokusai Cable Ship Co.,Ltd. | Other | Kawasaki-shi, Kanagawa | Construction and maintenance of submarine cable | 100.0 | 100.0 |
| Japan Telecommunication Engineering Service Co., Ltd. | Other | Shinjuku-ku, Tokyo | Design, construction, operation support and maintenance for communication equipment | 74.3 | 83.2 |
| KDDI America, Inc. | Business Services | New York, U.S.A. | Diversified telecommunications services in US | 100.0 | 100.0 |
| KDDI Europe Limited | Business Services | London, U.K. | Diversified Telecommunications services in Europe | 100.0 (4.2) | 100.0 (4.2) |
| KDDI China Corporation | Business Services | Beijing, China | Sales, maintenance and operation of communication equipment in China | 85.1 | 85.1 |
| KDDI Asisa Pacific Pte Ltd. | Business Services | Singapore | Diversified Telecommunications services in Singapore | 100.0 | 100.0 |
| TELEHOUSE International Corporation of America | Business Services | New York, U.S.A. | Data center services in America | 70.8 (2.3) | 70.8 (2.3) |
| TELEHOUSE Holdings Limited | Business Services | London, U.K. | Holding company | 100.0 | 100.0 |
| TELEHOUSE International Corporation of Europe Ltd. | Business Services | London, U.K. | Data center services in Europe | 92.8 (92.8) | 92.8 (92.8) |
| KDDI Summit Global Singapore Pte. Ltd. | Personal Services | Singapore | Holding company | 50.1 | 50.1 |
| KDDI Summit Global Myanmar Co., Ltd. | Personal Services | Yangon, Myanmar | Telecommunication business in collaboration with Myanma Posts & Telecommunications (MPT) | 100.0 (100.0) | 100.0 (100.0) |
| Mobicom Corporation LLC | Personal Services | Ulaanbaatar, Mongolia | Diversified telecommunications services in Mongolia | 98.8 (98.8) | 98.8 (98.8) |

Numbers in parentheses represent indirect voting rights.

Notes: 1. The Group does not own a majority of the voting rights in JCOM., Ltd. (“JCOM”). However, the Group owns 50% of the voting rights of JCOM and has the power to govern its financial and operating policies. Accordingly, JCOM is controlled by the Group and included in the consolidated financial statements.
2. The Group does not own a majority of the voting rights in UQ Communications Inc. (“UQ”). However, UQ is consolidated by the Group because UQ is considered to be controlled by the Group on the grounds that the Group is the largest shareholder of UQ, the director dispatched from the Group has the right of representation, the directors dispatched from the Group have the executive power in the UQ’s Board of Directors, and the operations of UQ are significantly dependent on the Company.

### (2) Financial statements of the Group’s subsidiaries with material non-controlling interests

**JCOM., Ltd., (“JCOM”).**

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| The proportion of ownership interests held by non-controlling interests | 50.0% | 50.0% |

The proportion of ownership interests held by non-controlling interests held equals the voting rights by non-controlling interests.

Amounts before adjustments to internal transactions of the Group are as follows:
(a) Consolidated statements of financial position

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Current assets | ¥ 154,139 | ¥ 177,096 |
| Non-current assets | 1,116,346 | 1,133,837 |
| Current liabilities | 184,158 | 212,303 |
| Non-current liabilities | 662,847 | 637,641 |
| Total equity | ¥ 423,479 | ¥ 460,989 |

Amounts equivalent to the interests in total equity of JCOM attributable to the Group, and the non-controlling interests are as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Interests attributable to owners of the parent | ¥189,452 | ¥213,466 |
| Non-controlling interests | 234,026 | 247,523 |
| Total | ¥423,479 | ¥460,989 |

(b) Consolidated statements of income and comprehensive income

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Revenue | ¥831,719 | ¥842,375 |
| Profit for the year before income tax | 117,038 | 115,798 |
| Income taxes | 38,070 | 34,068 |
| Profit, net of tax | 78,968 | 81,730 |
| Other comprehensive income | 2,292 | 1,847 |
| Total comprehensive income | ¥81,259 | ¥83,577 |

Amounts equivalent to the profit for the year and comprehensive income attributable to the Group, and the non-controlling interests are as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Profit for the year attributable to owners of the parent | ¥40,128 | ¥41,746 |
| Profit for the year attributable to non-controlling interests | 38,840 | 39,984 |
| Sub total | 78,968 | 81,730 |
| Other comprehensive income attributable to owners of the parent | 1,144 | 915 |
| Other comprehensive income attributable to non-controlling interests | 1,148 | 931 |
| Sub total | 2,292 | 1,847 |
| Total comprehensive income attributable to owners of the parent | 41,271 | 42,662 |
| Total comprehensive income attributable to non-controlling interests | 39,988 | 40,915 |
| Total | ¥81,259 | ¥83,577 |

For the years ended March 31, 2021 and 2022, dividends paid by JCOM to non-controlling interests were ¥28,523 million and ¥27,113 million, respectively.

(c) Consolidated statement of cash flows

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Cash flows from operating activities (net) | ¥193,827 | **¥184,369** |
| Cash flows from investing activities (net) | (93,662) | **(92,861)** |
| Cash flows from financing activities (net) | (87,765) | **(80,893)** |
| Increase (decrease) of cash and cash equivalents | 12,399 | **10,615** |

## 38 Related Party Transactions

**(1) Related party transactions**

For the year ended March 31, 2021:
There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

For the year ended March 31, 2022:
There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

**(2) Remuneration of key management**

Remuneration of key management is as follows:

Millions of yen

| For the year ended March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Short-term employee benefits | ¥ 878 | **¥ 953** |
| Share-based payment | 182 | **186** |
| Total | ¥1,060 | **¥1,139** |

Remuneration of key management represents remuneration to directors and audit & supervisory board members of the Company, including outside directors and audit & supervisory board members.

## 39 Contingent Events

**Commitment line lending contract**
Certain consolidated subsidiaries are engaged in consumer lending business through cash advances and credit card loans, which are related to the credit cards. With regard to such loans, of the amount established in a loan contract (the contracted limit), the contract allows customers to take out a loan at any time within the amount of credit limit approved by these consolidated subsidiaries (the loan limit).
Since some of these contracts expire without the actual loan being drawn, in addition to the Group Companies having discretion to increase or decrease the loan limit, the unused balance of these loans would not necessarily be drawn in its entirety.

The balances of the unused lending commitment lines are as follows:

Millions of yen

| As of March 31 | FY21.3 | FY22.3 |
|---|---|---|
| Total commitment line borrowings | ¥620,485 | **¥704,483** |
| Amounts lent | 202,867 | **220,951** |
| Unused balance of lending | 417,618 | **483,532** |

## 40 Subsequent Events

**Repurchase of treasury stocks**
The Board of Directors of KDDI at its meeting held on May 13, 2022, resolved that KDDI would repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, which applies pursuant to Article 165, Paragraph 3, of that law.

**(1) Reason for repurchase of KDDI's own shares**

To implement flexible capital policies in response to the change in the business environment and to provide shareholders return.

**(2) Reason for repurchase of KDDI's own shares**

(a) Type of shares to be repurchased: Shares of common stock
(b) Total number of shares to be repurchased: Up to 57,000,000 shares
(c) Repurchase period: From June 1, 2022 to May 31, 2023
(d) Total amount of repurchase price: Up to ¥200 billion

**(3) Repurchase method**

Market purchases : Market purchases through the Tokyo Stock Exchange.

## 41 Approval of the Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2022 were approved by the Board of Directors on June 23, 2022.

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KDDI CORPORATION

## Opinion

We have audited the consolidated financial statements of KDDI CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Recoverability of goodwill

(Notes to Consolidated Financial Statements, Note 3. Significant accounting policies, (6) Goodwill and Notes to Consolidated Financial Statements, 7. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets)

| Key audit matter description | How our audit addressed the key audit matter |
|---|---|
| The amount of goodwill recorded in KDDI Corporation's consolidated statement of financial position is 540,962 million yen (4.88% of total assets on a consolidated basis). For a breakdown of goodwill allocated to each cash-generating unit ("CGU"), see Note 7. Impairment of property, plant and equipment, goodwill, intangible assets, and right-of-use assets in the Notes to the Consolidated Financial Statements.<br>The recoverable amount is determined based on the value in use. The value in use is calculated by discounting future cash flows at discount rate. The estimation of future cash flows is based on the most recent business plan approved by management and is estimated for each CGU. The forecast period for the business plan is a maximum of five years, and beyond the forecast period, an assumed growth rate that takes into account the long-term average growth rate of the market is used. The growth rate is determined by taking into account the state of the country and industry in which the CGU operates. The discount rate applied to the future cash flows reflects the time value of money and the risks inherent in the asset. The value in use measurements includes significant assumptions about sales, cost of sales and selling, general and administrative expenses in the business plans, growth rates and discount rates.<br>Significant assumptions involving a high degree of estimation uncertainty are therefore required in management's judgement of the recoverability of goodwill. Depending on the outcome of the estimates, impairment losses may not be recognized or could be inaccurate. Also, the amount of goodwill recorded in the consolidated financial statements is quantitatively material. Based on these factors, it was determined that the audit of management's assessment of the recoverability of goodwill was a key audit matter. | We have performed the following principal auditing procedures to assess management's analysis of the recoverability of goodwill:<br>· We evaluated the design and operating effectiveness of the relevant internal controls which were implemented by management in order to ensure the appropriateness of the impairment test<br>· We evaluated the appropriateness of the model used to determine value in use as well as the reasonableness of the discount rate, with the assistance of valuation experts<br>· We performed sensitivity analyses of the significant assumptions of the business plan, growth rate and discount rate for each CGU<br>· We evaluated the significant assumptions used by management to estimate net sales, cost of sales, and selling, general and administrative expenses, including growth rates for each CGU<br>This included the following principal procedures:<br>i. Assessed the growth rate used by management by comparing it to market forecasts<br>ii. Recalculated the analysis underlying the discount rate used by management and assessed the discount rate for reasonableness by evaluating the underlying assumptions used<br>iii. Evaluated management's business plan with respect to significant assumptions included in estimates of net sales, cost of sales and selling, general and administrative expenses<br>iv. Evaluated the historical performance of each CGU compared to previous estimates made for net sales, cost of sales and selling, general and administrative expenses<br>v. Confirmed the consistency between the business plan used for impairment testing and the most recent business plan approved by management |

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| Significant judgments and estimates regarding contract costs (Notes to Consolidated Financial Statements, Note 24.Revenue) | |
|---|---|
| Key audit matter description | How our audit addressed the key audit matter |
| Contract costs included in KDDI Corporation's consolidated statements of financial position amounted to 548,704 millions of yen (4.95% of consolidated assets). Costs to obtain contracts consist primarily of selling commissions paid to au shops and other agencies incurred when acquiring customers, amounting to 490,031 million yen. In addition, costs to fulfill contracts were 58,672 million yen, primarily for commissions and upfront fees collected prior to the commencement of services.<br>The capitalization of these costs requires management's judgment as to whether the applicable charges fall within the definition of contract costs under IFRS 15, Revenue from Contracts with Customers. Such judgment shall be made in accordance with the contractual and other information regarding agent commissions such as au shops, etc. In addition, in order to amortize the capitalized costs, management must make certain assumptions regarding the expected contract term and the determination of recoverability, which involves a high degree of estimation uncertainty. Depending on the outcome of the estimates and assumptions made, amortization expense of capitalized contract costs could be inaccurate. In addition, the amount of costs capitalized is quantitatively material to the consolidated financial statements. Based on these factors, it was determined that the audit of the capitalized contract costs was a key audit matter. | We have performed the following principal auditing procedures to assess the capitalized contract costs:<br>· We evaluated the design and operating effectiveness of the relevant internal controls implemented by management to ensure the appropriateness of accounting for contract costs<br>· We recalculated of whether the incremental costs to acquire contracts and costs to fulfill contracts accounted for as expenses under Japanese GAAP have been accurately aggregated without omission<br>· We tested the appropriateness of costs classified by the company as costs to obtain contracts by verifying that those costs related to sales commissions paid in connection with obtaining those customer contracts by examining the contractual and other information regarding agent commissions such as au shops, etc by testing on a sampling basis<br>· In order to verify the reasonableness of the expected contract term, verification of the data used and comparing of the results obtained by reperforming and recalculating the expected term independently under the same conditions<br>· We compared contract renewals to the expected contract term estimated to corroborate the reasonableness of management's estimate<br>· We analyzed the recoverability of capitalized contract costs, including performing sensitivity analyses and other comparisons based on the approved business plan to corroborate that such capitalized costs are not impaired |

**Other Information**

The other information comprises the information included in the integrated report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such

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disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Toru Tamura

Designated Engagement Partner
Certified Public Accountant

Ryoichi Iwasaki

Designated Engagement Partner
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June 23, 2022