



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

Financial Statements Summary for the nine-month period ended December 31, 2022 [IFRS]

February 2, 2023

Company name: **KDDI CORPORATION** URL <https://www.kddi.com>
 Stock listing: Tokyo Stock Exchange - First Section
 Code number: 9433
 Representative: Makoto Takahashi, President
 Scheduled date of quarterly report filing: February 7, 2023
 Scheduled date of dividend payment: —
 Supplemental materials of quarterly results: Yes
 Presentation for quarterly results: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the nine-month period ended December 31, 2022 (April 1, 2022 - December 31, 2022)

(1) Consolidated Operating Results (Percentage represents comparison change to the corresponding previous quarterly period)

	Operating revenue		Operating income		Profit for the period before income tax		Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
		%		%		%		%		%		%
Nine-month period ended December 31, 2022	4,182,893	4.2	843,420	(3.6)	841,997	(4.1)	576,682	(3.9)	532,368	(3.9)	561,244	(9.6)
Nine-month period ended December 31, 2021	4,013,826	2.3	874,571	0.4	877,779	0.8	600,332	0.2	554,221	1.0	620,881	0.6

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine-month period ended December 31, 2022	242.91		242.82	
Nine-month period ended December 31, 2021	246.46		246.26	

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
As of December 31, 2022	11,613,136	5,527,192	4,999,443	43.0%
As of March 31, 2022	11,084,379	5,510,663	4,982,586	45.0%

2. Dividends

	Dividends per share				
	1 st Quarter End	2 nd Quarter End	3 rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	60.00	—	65.00	125.00
Year ending March 31, 2023	—	65.00	—		
Year ending March 31, 2023 (forecast)				70.00	135.00

Note: Changes in the latest forecasts released : No

3. Consolidated Financial Results Forecast for Year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentage represents comparison to previous fiscal year)

	Operating revenue		Operating income		Profit for the year attributable to owners of the parent	Basic earnings per share	
		%		%	%	Yen	
Entire fiscal year	5,560,000	2.1	1,100,000	3.7	688,000	2.3	314.92

Note: Changes in the latest forecasts released : No

*The above forecasts reflect the impact of COVID-19 pandemic based on the information currently available. The update for forecast will be disclosed promptly if the situation is changed.

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation) during the nine-month period ended December 31, 2022 : None

Addition: None

Exclusion: None

(2) Changes in accounting policies and estimates

1) Changes in accounting policies required under IFRSs: None

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

(3) Numbers of outstanding shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock) As of December 31, 2022 2,302,712,308

As of March 31, 2022 2,304,179,550

2) Number of treasury stock As of December 31, 2022 134,869,829

As of March 31, 2022 88,978,932

3) Number of weighted average common stock outstanding For the nine-month period ended December 31, 2022 2,191,648,703

(cumulative for all quarters) For the nine-month period ended December 31, 2021 2,248,732,720

Note: The 1,319,384 shares as of December 31, 2022 of KDDI's stock owned by the executive compensation BIP Trust account are included in the total number of treasury stock. The 3,920,592 shares as of March 31, 2022 of KDDI's stock owned by the executive compensation BIP Trust account and the stock-granting ESOP Trust account are included in the total number of treasury stock.

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

Explanation for appropriate use of forecasts and other notes

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.9 "1. Qualitative Information / Consolidated Financial Statements, etc (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results" under [the Attachment] for the assumptions used and other notes.
2. On February 2, 2023, KDDI will hold a financial result briefing for the institutional investors and analysts. Presentation materials will be webcasted on the same time as the release of this earnings report, and the live presentation and Q&A summary will be also posted on our website immediately after the commencement of the financial result briefing. In addition to the above, KDDI holds the briefing and the presentations on our business for the individual investors timely. For the schedule and details, please check our website.

[the Attachment]

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1. Qualitative Information / Consolidated Financial Statements, etc.

(1) Explanation of Financial Results

1) Results Overview

Industry Trends and KDDI's Position

In serious consideration of the service disruption in July 2022, the Company thoroughly reviewed its telecommunication network and is still working on a company-wide fundamental reform to improve the quality of the network.

In the 5G and Beyond 5G era, we will be fully prepared to cope with the further increase in communication volume, and provide a communication network that customers can use with even greater peace of mind and comfort.

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

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

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

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

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

In October 2022, we published the Integrated Sustainability and Financial Report 2022, combining the Integrated Report, which previously included financial and non-financial areas, and the Sustainability Report, which mainly included information on sustainability.

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

Since its founding, KDDI has worked hard to instill and practice the KDDI Group Philosophy as a shared policy and code of conduct for managers and employees. We will continue promoting unified Group management and enhancing our risk

management and data security systems through synergy with corporate governance systems that respect this kind of corporate attitude and human rights and that ensure transparency and fairness.

Financial Results

For the nine-month period ended December 31, 2022

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Increase (Decrease)	Increase (Decrease)%
Operating revenue	4,013,826	4,182,893	169,066	4.2
Cost of sales	2,117,468	2,351,364	233,896	11.0
Gross profit	1,896,358	1,831,528	(64,830)	(3.4)
Selling, general and administrative expenses	1,032,032	1,037,312	5,281	0.5
Other income and expense (Net)	6,243	45,797	39,554	633.6
Share of profit(loss) of investments accounted for using the equity method	4,001	3,408	(594)	(14.8)
Operating income	874,571	843,420	(31,151)	(3.6)
Finance income and cost (Net)	1,751	(1,451)	(3,202)	—
Other non-operating profit and loss (Net)	1,457	28	(1,429)	(98.1)
Profit for the period before income tax	877,779	841,997	(35,782)	(4.1)
Income tax	277,447	265,315	(12,132)	(4.4)
Profit for the period	600,332	576,682	(23,650)	(3.9)
Attributable to owners of the parent	554,221	532,368	(21,852)	(3.9)
Attributable to non-controlling interests	46,112	44,314	(1,798)	(3.9)

During the nine-month period ended December 31, 2022, operating revenue increased by 4.2% year on year to ¥4,182,893 million mainly due to an increase in revenue in energy business and financial business.

Operating income decreased by 3.6% year on year to ¥843,420 million mainly due to a decrease in revenue in mobile telecommunication fee including roaming fee and fuel price hike.

Profit for the period attributable to owners of the parent decreased by 3.9% year on year to ¥532,368 million income.

The business environment surrounding the KDDI group is affected by COVID-19. However, the KDDI group continues working on implementation of business strategy and enhancement of management base and there are no significant impacts on consolidated financial results for the nine-month period ended December 31, 2022.

2) Results by Business Segment

Personal Services

The Personal Services segment provides services to individual customers.

In Japan, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands “au,” “UQ mobile,” and “povo.” In addition, we are addressing challenges in local communities due to depopulation and aging, and are working with local partners to eliminate the digital divide and achieve regional co-creation.

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

Quarterly Highlights

- We provide pricing plans that are 5G-ready and meet the needs of every customer through: toward an interesting future “au,” simple for everyone “UQ mobile,” and to the freedom that’s right for you together “povo.” Through our multi-brand strategy that encompasses “au,” “UQ mobile,” and “povo,” we are promoting initiatives that enable each customer to use pricing plans that align with their individual lifestyle. Through au, we offer unique 5G services utilizing the high-speed, high-volume telecommunications enabled by 5G, such as the unlimited-use*1 pricing plan “Unlimited-Use MAX 5G/4G” and the “Unlimited-Use MAX 5G ALL STAR Pack,” which includes access to entertainment streaming services offering video and music content. In December 2022, we began providing the “Smartphone Start Plan 5G/4G” pricing plan, which allows customers to use their first au smartphone with peace of mind. In addition, we allow customers to use au’s convenient 5G service on their tablets with the start of such pricing plans as the “Tablet Sharing Plan,” which enables the sharing*1 of monthly au smartphone data on tablets and was launched in December 2022. Through UQ mobile, we offer the “Home Set Discount,”*2 which starts from just ¥990 per month (tax included) for all family members and makes the “Rollover Plan +5G” an even better-value package plan. In this and other ways, we listen to customer opinions and provide new experience value. From November 2022, we began offering the “UQ Parent-Child Support Discount,” which provides a one-year discount to the “Rollover Plan M +5G” and “Rollover Plan L +5G” for customers 18 years old or younger and their families.*3 In this way, we are promoting measures that enable families to use our services at a reasonable price. In addition, under the online-only povo2.0 brand, we offer a variety of usage styles, such as on-sale toppings for a limited time for first-time povo customers, new toppings in collaboration with YouTubers and fan clubs, and “#GigaKatsu,” which enables customers to gain gigabytes of data service when they use shop in participating stores or using participating services.
- We aim to realize an era that creates new value with diverse partners through telecommunications, which is the core of our satellite growth strategies, by seamlessly integrating telecommunications into every facet of life. When constructing service areas as our foundation under the slogan Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au), we aim to provide telecommunications services to continuously connect people. In order for many more customers to comfortably use 5G, we concentrate especially in commercial districts and along train lines, locations where customers spend a lot of their time, and we are working on the construction of a 5G communications network in stations and on platforms and in inter-station areas for JR and private train companies. In addition, from December 2022 on the island of Hatsushima in Atami, Shizuoka Prefecture, we began operating a mobile base station that uses Starlink’s satellite broadband internet as the backhaul for au’s telecommunication network. We will continue to steadily expand service to cover around 1,200 locations across Japan moving forward with the aim of enabling people to experience au’s high-speed telecommunications anywhere in the country, including the mountainous and remote island regions where it has been difficult to offer services, as well as during times of natural disaster.
- As for points and payment, we began offering a prize awarding a maximum of 5%*4 in au PAY Points at participating stores for au and UQ mobile customers every month on days ending in 5 (5th, 15th, 25th) and on the 8th of the month as Lucky Tanuki Days from December 2022. For au Smart Pass Premium customers, we began offering coupons on a monthly and weekly basis that can be used with au Pay from December 2022. Going forward, we will continue to enhance customer relations by offering great deals on services that make every day more enjoyable. In addition, under the au PAY Hometown Tax Program, the number of municipalities that can be donated to exceeded 1,000 in December 2022, and participants can now select from a wide range of municipalities and prizes. In combination with the Point Exchange, which increases Ponta Points by a maximum of 1.5 times, we will continue to make our point-centered services more attractive and increase user engagement.
- In the financial business, au Jibun Bank recorded a cumulative ¥2.5 trillion in home loans provided in November 2022 and 5

million checking accounts in December 2022. It has taken around six years and 11 months to reach these figures since we first began offering home loans in December 2015, the fastest pace for any online-only bank.*5 In addition, the number of customers who conduct transactions that meet the conditions for the au Matomete Preferred Interest Rate, which is a normal yen checking interest rate of a maximum of 0.2% annually (before tax) provided in collaboration with au PAY, au PAY Card, and au Kabucom Securities, increased 1.3 times compared with the period before service began in September 2021. The number of customers utilizing multiple financial services is also steadily expanding.

- As for local co-creation measures, in support of the Makoto Shinkai-directed animated movie Suzume-no Tojimari set in places around Japan, we launched the local co-creation project entitled Traveling Japan with Sparrows (suzume). We are working with local partners by providing collaboration content that enables people to easily experience the worldview of the movie on their smartphones. Combining entertaining power with au’s connection power, we aim to realize “Explore the Extraordinary with Local Communities.”
- In Myanmar,*6 since the political change in February 2021, we have been striving to maintain our telecommunications services, which are indispensable to people’s lives, while prioritizing the safety of our associated personnel as we continue to carefully monitor the local situation. In Mongolia, our consolidated subsidiary MobiCom Corporation LLC began a Mobile Phone Classroom for Elementary and Middle School Students that lets children learn safe and secure usage methods as it strives to enhance its presence among the expanding market for young people. Going forward, MobiCom will continue helping to enhance the nation’s economic development and people’s lives as the country’s No. 1 telecommunications operator.

*1. For tethering, data sharing, and international roaming (fixed global data price), there is a limit to data per month. When using large volumes of data, transmission speed could be restricted during peak hours. When watching videos, the transmission speed is restricted.

*2. This service discounts the monthly fee of UQ mobile by offering eligible services (internet or electric power) in a bundled set.

*3. This is for families who can join the equivalent UQ Parent-Child Support Discount Group with customers who are 18 years old or younger.

*4. In combination with a base point return of 0.5%, au customers get a maximum of 5% return and UQ mobile customers get a maximum of 3% return. The prize is for customers who enter every month.

*5. As of October 21, 2022, survey by au Jibun Bank.

*6. KDDI Summit Global Myanmar Co., Ltd., a consolidated subsidiary, supports the telecommunications business operations of Myanmar Posts & Telecommunications (MPT).

Operating performance in the Personal Services segment for the nine-month period ended December 31, 2022 is described below.

Results

For the nine-month period ended December 31, 2022

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	3,453,979	3,584,505	130,527	3.8
Operating Income	725,311	694,189	(31,122)	(4.3)

During the nine-month period ended December 31, 2022, operating revenue increased by 3.8% year on year to ¥3,584,505 million mainly due to an increase in revenue in energy business and financial business.

Operating income decreased by 4.3% year on year to ¥694,189 million mainly due to a decrease in revenue in mobile telecommunication fee including roaming fee.

Business Services

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

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

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

Quarterly Highlights

- In October 2022, KDDI and Space Exploration Technologies Corp. (SpaceX) concluded an agreement related to providing Starlink satellite broadband internet to Japanese companies and municipalities, and service began in December 2022. The Starlink telecommunication satellites developed by SpaceX are situated in a low orbit traveling at the high speed of 550km/h. Because they are much closer to the surface of the earth than conventional stationary satellites at a distance of around 1/65, they achieve much lower latency and higher transfer speeds. Based on this agreement, as a certified Starlink integrator, KDDI is now able to offer the high-performance Starlink network to corporate and municipal customers who need stable and highly reliable telecommunications during natural disasters and in mountainous and remote island areas where it has been difficult to build telecommunication environments.
- In November 2022, we began offering KDDI Video Management Service to manage and view security camera video data via a high-security cloud service. Using this service enables customers to view highly confidential security camera footage regardless of their location or device. In addition, by combining the video this service provides with AI video analysis, we are able to support companies in solving issues and realizing DX, for example, by helping to prevent crimes and accidents by detecting unauthorized entry into and loitering in designated areas as well as by aiding the automation and increased efficiency of product testing operations and equipment inspection through the outward inspection of manufacturing goods and equipment. Going forward, by steadily expanding AI functions, we will continue aiming to achieve a wide range of uses for video data in such areas as new business creation for customers and enhancing the added value of existing businesses.
- In October 2022, KDDI and East Japan Railway Company (JR East Japan) began offering “Free Space Workplace Services” that enable communication among teams whether they are physically separated or in the same place as part of our Free Space Project. The service offers two plans: Free Space Workplace, which can be used in Tokyo Station and multiple other locations, and Free Space Connector, which is set up at the customer’s location. In comparison with conventional web meeting systems, we have proven that this service increased the volume of spoken communication by around 48%.*1 By connecting multiple locations, such as train stations and offices, this is expected to enhance productivity and enable the realization of workstyles not bound by location. As it rolls out the Free Space Workplace Service going forward, KDDI and JR East Japan will connect Japan’s various regions to the rest of the world, support companies’ efforts to decentralize their operations, and create people-centered lifestyles.
- In December 2022, KDDI and the Osaka prefectural government concluded a comprehensive collaboration agreement spanning the eight fields of local revitalization, smart cities, the environment, industrial revitalization and employment, children and education, health, safety and security, and government PR. The agreement was concluded with the aim of further enhancing activities in areas in which KDDI and the Osaka prefectural government already collaborate while promoting initiatives that, through local co-creation, make Osaka Prefecture much more unique and attractive. One major example of collaboration in the field of local revitalization is employing a virtual model of Osaka to promote the attractiveness of urban Osaka both in Japan and overseas. As part of the effort to promote the attractiveness of Osaka in the lead up to and after the end of Japan’s World Expo 2025, we will construct the scenery of cities and locations within Osaka Prefecture on virtual spaces and a digital twin*2 and we will be able to offer, on a continuous basis, a place that showcases cultural and artistic activities and promotes the attractiveness of Osaka throughout the world, from its tourist spots and cities to its industries and more. In addition, in the virtual Osaka, we will collaborate on local revitalization by, for example, holding events sponsored by the prefectural government. With this agreement, KDDI and the Osaka prefectural government will promote collaboration in many different fields while striving to revitalize local communities and enhance services for prefectural residents.

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

*1. From May 17, 2021 to June 18, 2021, we conducted pilot tests of space connections between five locations (Takanawa, Toranomom, Kanda, Kitayono, and Yokohama) with 13 companies (around 500 people), and we conducted analyses of the volume of spoken communication and facial expressions as well as surveys.

*2. Technology to recreate real-world spaces based on real-world physical information acquired with IoT and other technology.

Results

For the nine-month period ended December 31, 2022

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	756,897	806,826	49,929	6.6
Operating Income	142,515	146,677	4,161	2.9

During the nine-month period ended December 31, 2022, operating revenue increased by 6.6% year on year to ¥806,826 million mainly due to an increase in revenue in solution business from growth in the NEXT Core Business which comprises corporate DX, business DX, and business base services.

Operating income increased by 2.9% year on year to ¥146,677 million mainly due to an increase in operating revenue.

(2) Explanation of Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2022	As of December 31, 2022	Increase (Decrease)
Total assets	11,084,379	11,613,136	528,757
Total liabilities	5,573,715	6,085,944	512,228
Total equity	5,510,663	5,527,192	16,529
Equity attributable to owners of the parent	4,982,586	4,999,443	16,857
Ratio of equity attributable to owners of the parent to total assets	% 45.0	% 43.0	% (1.9)

(Assets)

Total assets increased by ¥528,757 million from the previous fiscal year-end to ¥11,613,136 million as of December 31, 2022 mainly due to an increase in loans for financial business and securities for financial business despite of a decrease in cash and cash equivalents.

(Liabilities)

Total liabilities increased by ¥512,228 million from the previous fiscal year-end to ¥6,085,944 million as of December 31, 2022 mainly due to an increase in deposits for financial business and cash collateral provided for securities lent despite of a decrease in call money.

(Equity)

Total equity amounted to ¥5,527,192 million mainly due to an increase in equity attributable to owners of the parent from the previous fiscal year-end. As a result, ratio of equity attributable to owners of the parent to total assets decreased from 45.0% as of March 31, 2022, to 43.0% as of December 31, 2022.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2021	Nine-month period ended December 31, 2022	Increase (Decrease)
Net cash provided by (used in) operating activities	737,610	842,440	104,830
Net cash provided by (used in) investing activities	(573,815)	(567,964)	5,850
Free cash flows (Note)	163,795	274,475	110,681
Net cash provided by (used in) financing activities	(453,977)	(524,954)	(70,977)
Effect of exchange rate changes on cash and cash equivalents	2,534	6,227	3,693
Net increase (decrease) in cash and cash equivalents	(287,648)	(244,252)	43,397
Cash and cash equivalents at the beginning of the period	809,802	796,613	(13,189)
Cash and cash equivalents at the end of the period	522,154	552,361	30,208

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

Net cash provided by operating activities increased by ¥104,830 million year on year to ¥842,440 million mainly due to an increase in cash collateral received for securities lent.

Net cash used in investing activities decreased by ¥5,850 million year on year to ¥567,964 million mainly due to a decrease in purchases of property, plant and equipment.

Net cash used in financing activities increased by ¥70,977 million year on year to ¥524,954 million mainly due to an increase in payments from redemption of bonds and repayments of long-term borrowings.

Reflecting these factors and an increase of ¥6,227 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of December 31, 2022, decreased by ¥244,252 million from March 31, 2022 to ¥552,361 million.

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

For the fiscal year ending March 31, 2023, the Group forecasts operating revenue of ¥5,560,000 million, operating income of ¥1,100,000 million, and profit for the year attributable to owners of the parent: ¥688,000 million. No changes have been made from the details stated in the Summary of Financial Results for the fiscal year ended March 31, 2022 (disclosed on May 13, 2022).

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

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Non-current assets :		
Property, plant and equipment	2,585,481	2,561,987
Right-of-use assets	387,669	387,447
Goodwill	540,962	541,004
Intangible assets	1,025,223	1,037,215
Investments accounted for using the equity method	244,515	252,183
Long-term loans for financial business	1,335,111	1,791,253
Securities for financial business	338,285	413,930
Other long-term financial assets	329,268	307,788
Retirement benefit assets	44,720	44,514
Deferred tax assets	12,330	8,954
Contract costs	548,704	601,745
Other non-current assets	25,083	27,599
Total non-current assets	7,417,350	7,975,619
Current assets :		
Inventories	74,511	111,764
Trade and other receivables	2,311,694	2,353,092
Short-term loans for financial business	255,266	286,238
Call loans	45,064	109,041
Other short-term financial assets	67,154	67,006
Income tax receivables	2,904	5,299
Other current assets	113,822	152,715
Cash and cash equivalents	796,613	552,361
Total current assets	3,667,028	3,637,517
Total assets	11,084,379	11,613,136

(Unit: Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	921,616	847,739
Long-term deposits for financial business	33,240	52,020
Lease liabilities	279,265	278,877
Other long-term financial liabilities	14,198	10,450
Retirement benefit liabilities	12,496	12,053
Deferred tax liabilities	144,776	179,922
Provisions	70,073	57,769
Contract liabilities	71,083	73,239
Other non-current liabilities	11,015	11,485
Total non-current liabilities	1,557,762	1,523,555
Current liabilities :		
Borrowings and bonds payable	286,505	474,463
Trade and other payables	834,496	783,641
Short-term deposits for financial business	2,184,264	2,556,948
Call money	141,348	23,886
Cash collateral received for securities lent	—	193,158
Lease liabilities	112,719	109,308
Other short-term financial liabilities	2,620	9,731
Income taxes payables	126,874	59,527
Provisions	25,641	27,143
Contract liabilities	86,091	86,140
Other current liabilities	215,397	238,445
Total current liabilities	4,015,953	4,562,389
Total liabilities	5,573,715	6,085,944
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	279,371	278,938
Treasury stock	(299,827)	(502,994)
Retained earnings	4,818,117	5,057,575
Accumulated other comprehensive income	43,074	24,073
Total equity attributable to owners of the parent	4,982,586	4,999,443
Non-controlling interests	528,077	527,749
Total equity	5,510,663	5,527,192
Total liabilities and equity	11,084,379	11,613,136

(2) Condensed Interim Consolidated Statement of Income

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2021	For the nine-month period ended December 31, 2022
Operating revenue	4,013,826	4,182,893
Cost of sales	2,117,468	2,351,364
Gross profit	1,896,358	1,831,528
Selling, general and administrative expenses	1,032,032	1,037,312
Other income	10,671	47,396
Other expense	4,428	1,599
Share of profit of investments accounted for using the equity method	4,001	3,408
Operating income	874,571	843,420
Finance income	7,546	5,602
Finance cost	5,796	7,053
Other non-operating profit and loss	1,457	28
Profit for the period before income tax	877,779	841,997
Income tax	277,447	265,315
Profit for the period	600,332	576,682
Profit for the period attributable to:		
Owners of the parent	554,221	532,368
Non-controlling interests	46,112	44,314
Profit for the period	600,332	576,682
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	246.46	242.91
Diluted earnings per share (yen)	246.26	242.82

(Unit: Millions of yen)

	For the three-month period ended December 31, 2021	For the three-month period ended December 31, 2022
Operating revenue	1,388,666	1,442,057
Cost of sales	745,976	834,548
Gross profit	642,689	607,509
Selling, general and administrative expenses	344,876	343,430
Other income	3,059	20,134
Other expense	816	435
Share of profit of investments accounted for using the equity method	1,440	1,115
Operating income	301,496	284,894
Finance income	3,074	2,774
Finance cost	1,639	5,623
Other non-operating profit and loss	376	(5)
Profit for the period before income tax	303,308	282,040
Income tax	96,688	90,964
Profit for the period	206,619	191,076
Profit for the period attributable to:		
Owners of the parent	192,751	177,990
Non-controlling interests	13,868	13,086
Profit for the period	206,619	191,076
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	86.24	81.80
Diluted earnings per share (yen)	86.17	81.78

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2021	For the nine-month period ended December 31, 2022
Profit for the period	600,332	576,682
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	11,301	(31,435)
Share of other comprehensive income of investments accounted for using the equity method	321	(906)
Total	11,622	(32,342)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	647	(368)
Translation differences on foreign operations	7,492	14,673
Share of other comprehensive income of investments accounted for using the equity method	788	2,599
Total	8,927	16,904
Total other comprehensive income	20,549	(15,438)
Total comprehensive income for the period	620,881	561,244
Total comprehensive income for the period attributable to:		
Owners of the parent	571,657	512,864
Non-controlling interests	49,224	48,380
Total	620,881	561,244

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

(Unit: Millions of yen)

	For the three-month period ended December 31, 2021	For the three-month period ended December 31, 2022
Profit for the period	206,619	191,076
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	2,372	(10,669)
Share of other comprehensive income of investments accounted for using the equity method	345	(418)
Total	2,717	(11,088)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	521	(2,967)
Translation differences on foreign operations	6,036	(19,560)
Share of other comprehensive income of investments accounted for using the equity method	176	427
Total	6,734	(22,100)
Total other comprehensive income	9,450	(33,188)
Total comprehensive income for the period	216,070	157,888
Total comprehensive income for the period attributable to:		
Owners of the parent	200,074	155,178
Non-controlling interests	15,996	2,709
Total	216,070	157,888

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

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the nine-month period ended December 31, 2021

(Unit: Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income			
As of April 1, 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 period	—	—	—	554,221	—	554,221	46,112	600,332
Other comprehensive income	—	—	—	—	17,437	17,437	3,112	20,549
Total comprehensive income	—	—	—	554,221	17,437	571,657	49,224	620,881
Transactions with owners and other transactions								
Cash dividends	—	—	—	(271,389)	—	(271,389)	(31,813)	(303,202)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	2,537	(2,537)	—	—	—
Purchase and disposal of treasury stock	—	(53)	(158,914)	—	—	(158,967)	—	(158,967)
Changes in ownership interests in subsidiaries	—	1,250	—	—	—	1,250	358	1,608
Other	—	1,435	642	—	—	2,077	—	2,077
Total transactions with owners and other transactions	—	2,632	(158,272)	(268,851)	(2,537)	(427,028)	(31,455)	(458,483)
As of December 31, 2021	141,852	281,307	(244,991)	4,694,370	31,812	4,904,349	517,518	5,421,867

For the nine-month period ended December 31, 2022

(Unit: Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income			
As of April 1, 2022	141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663
Comprehensive income								
Profit for the period	—	—	—	532,368	—	532,368	44,314	576,682
Other comprehensive income	—	—	—	—	(19,504)	(19,504)	4,066	(15,438)
Total comprehensive income	—	—	—	532,368	(19,504)	512,864	48,380	561,244
Transactions with owners and other transactions								
Cash dividends	—	—	—	(288,394)	—	(288,394)	(46,196)	(334,590)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	(503)	503	—	—	—
Purchase and disposal of treasury stock	—	(31)	(207,313)	—	—	(207,344)	—	(207,344)
Retirement of treasury stock	—	(5,313)	5,313	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	4,014	—	(4,014)	—	—	—	—
Changes in ownership interests in subsidiaries	—	(726)	—	—	—	(726)	(2,512)	(3,239)
Other	—	1,624	(1,167)	—	—	457	—	457
Total transactions with owners and other transactions	—	(433)	(203,167)	(292,910)	503	(496,007)	(48,709)	(544,716)
As of December 31, 2022	141,852	278,938	(502,994)	5,057,575	24,073	4,999,443	527,749	5,527,192

(5) Condensed Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2021	For the nine-month period ended December 31, 2022
Cash flows from operating activities		
Profit for the period before income tax	877,779	841,997
Depreciation and amortization	545,452	522,674
Impairment losses	41	212
Share of (profit) loss of investments accounted for using the equity method	(4,001)	(3,408)
Loss (gain) on sales of non-current assets	(1,448)	(37)
Interest and dividends income	(6,682)	(5,540)
Interest expenses	5,001	5,305
(Increase) decrease in trade and other receivables	(3,536)	(20,509)
Increase (decrease) in trade and other payables	(49,285)	19,138
(Increase) decrease in loans for financial business	(405,503)	(487,115)
Increase (decrease) in deposits for financial business	268,257	391,464
(Increase) decrease in Call loans	904	(63,978)
Increase (decrease) in Call money	(10,402)	(117,462)
Increase (decrease) in cash collateral received for securities lent	—	193,158
(Increase) decrease in inventories	(19,416)	(37,392)
(Increase) decrease in retirement benefit assets	282	207
Increase (decrease) in retirement benefit liabilities	1,078	(444)
Other	(101,266)	(114,618)
Cash generated from operations	1,097,254	1,123,654
Interest and dividends received	9,957	8,694
Interest paid	(4,976)	(5,138)
Income tax paid	(364,625)	(284,770)
Net cash provided by (used in) operating activities	737,610	842,440
Cash flows from investing activities		
Purchases of property, plant and equipment	(336,830)	(288,866)
Proceeds from sales of property, plant and equipment	1,904	447
Purchases of intangible assets	(190,069)	(171,256)
Purchases of securities for financial business	(284,895)	(314,215)
Proceeds from sales and redemption of securities for financial business	253,487	228,095
Purchases of other financial assets	(11,337)	(7,652)
Proceeds from sales and redemption of other financial assets	6,853	1,878
Purchases of stocks of associates	(8,907)	(7,363)
Proceeds from sales of stocks of subsidiaries and associates	1,595	—
Other	(5,616)	(9,033)
Net cash provided by (used in) investing activities	(573,815)	(567,964)

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2021	For the nine-month period ended December 31, 2022
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	149,017	114,500
Proceeds from issuance of bonds and long-term borrowings	—	100,000
Payments from redemption of bonds and repayments of long-term borrowings	(41,706)	(94,000)
Repayments of lease liabilities	(102,569)	(101,116)
Payments from purchase of subsidiaries' equity from non-controlling interests	(3,664)	(3,574)
Proceeds from the partial sales of shares of subsidiaries to non-controlling interests	6,750	—
Proceeds from stock issuance to non-controlling interests	104	7
Payments from purchase of treasury stock	(158,914)	(207,313)
Cash dividends paid	(271,249)	(286,969)
Cash dividends paid to non-controlling interests	(31,746)	(46,650)
Other	(1)	160
Net cash provided by (used in) financing activities	(453,977)	(524,954)
Effect of exchange rate changes on cash and cash equivalents	2,534	6,227
Net increase (decrease) in cash and cash equivalents	(287,648)	(244,252)
Cash and cash equivalents at the beginning of the period	809,802	796,613
Cash and cash equivalents at the end of the period	522,154	552,361

(6) Going Concern Assumption

None

(7) Notes to Condensed Interim Consolidated Financial Statements

1. Reporting Entity

KDDI Corporation (“the Company”) was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company’s condensed interim consolidated financial statements as of and for the nine-month period ended December 31, 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 reporting segments” of “4. Segment Information.”

2. Basis of Preparation

(1) Compliance of condensed interim consolidated financial statements with IFRSs

The Group’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34 of IFRSs as prescribed in Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), hereinafter referred to as “Ordinance on Quarterly Consolidated Financial Statements” as they satisfy the requirement of a “specific company” set forth in Article 1-2 of Ordinance on Quarterly Consolidated Financial Statements. The condensed interim consolidated financial statements, which do not contain all the information required in annual consolidated financial statements, should be read in conjunction with the annual consolidated financial statements for the previous fiscal year ended March 31, 2022.

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgement

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

The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years.

The judgments, estimates and assumptions that have significant impact on the amount in the condensed interim consolidated financial statements are consistent with those described in the annual consolidated financial statements for the previous fiscal year in principle. No significant changes have been made in the accounting estimates and assumptions affected by COVID-19 from those in the consolidated financial statements for the previous fiscal year.

(5) Application of new standards and interpretations

The Group doesn't have significant standards and interpretations applied from the three-month period ended June 30, 2022.

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the condensed interim consolidated financial statements are not mandatory as of December 31, 2022. They have not been early adopted by the Group.

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and amendments
IFRS 17	Insurance contracts	January 1, 2023	fiscal year ending March 31, 2024	<p>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.</p> <p>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.</p>

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

3. Significant Accounting Policies

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

4. Segment Information

(1) Outline of reporting segments

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

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

The Personal Services segment provides services to individual customers.

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

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

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

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

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

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

Beginning in the three-month period ended June 30, 2022, the reportable segments for some businesses were changed due to organization change. Accordingly, the segment information for the nine-month period ended December 31, 2021 and the three-month period ended December 31, 2021 have been presented based on the segment classification after this change.

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

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

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

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

Assets and liabilities are not allocated to reportable segments.

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

The Group's segment information is as follows:

For the nine-month period ended December 31, 2021

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	3,401,749	596,216	3,997,966	15,860	4,013,826	—	4,013,826
Inter-segment revenue or transfers	52,229	160,681	212,910	44,427	257,337	(257,337)	—
Total	3,453,979	756,897	4,210,876	60,288	4,271,164	(257,337)	4,013,826
Segment income	725,311	142,515	867,826	7,963	875,789	(1,218)	874,571
Finance income and finance cost (Net)							1,751
Other non-operating profit and loss (Net)							1,457
Profit for the period before income tax							877,779

For the nine-month period ended December 31, 2022

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	3,526,985	645,615	4,172,599	10,293	4,182,893	—	4,182,893
Inter-segment revenue or transfers	57,521	161,211	218,732	46,743	265,475	(265,475)	—
Total	3,584,505	806,826	4,391,331	57,036	4,448,367	(265,475)	4,182,893
Segment income	694,189	146,677	840,866	2,526	843,391	29	843,420
Finance income and finance cost (Net)							(1,451)
Other non-operating profit and loss (Net)							28
Profit for the period before income tax							841,997

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

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

For the three-month period ended December 31, 2021

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	1,179,004	202,957	1,381,962	6,704	1,388,666	—	1,388,666
Inter-segment revenue or transfers	17,537	54,316	71,853	15,101	86,954	(86,954)	—
Total	1,196,541	257,273	1,453,815	21,805	1,475,620	(86,954)	1,388,666
Segment income	249,561	49,781	299,343	2,256	301,599	(102)	301,496
Finance income and finance cost (Net)							1,436
Other non-operating profit and loss (Net)							376
Profit for the period before income tax							303,308

For the three-month period ended December 31, 2022

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	1,218,796	220,491	1,439,287	2,770	1,442,057	—	1,442,057
Inter-segment revenue or transfers	19,935	54,278	74,213	15,899	90,112	(90,112)	—
Total	1,238,731	274,769	1,513,500	18,669	1,532,169	(90,112)	1,442,057
Segment income	232,430	51,492	283,922	837	284,759	134	284,894
Finance income and finance cost (Net)							(2,849)
Other non-operating profit and loss (Net)							(5)
Profit for the period before income tax							282,040

(Note 1) “Other” is a segment not included reporting segment, and includes construction and maintenance of facilities, and research and development of leading-edge technology.

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

5. Subsequent Events

On January 13, 2023, KDDI and Mitsui & Co., Ltd. (“Mitsui”) entered into a basic transaction agreement for business integration (the “Business Integration”) based on a spirit of equality of KDDI Evolva, Inc. (“KDDI Evolva”), a wholly owned subsidiary of KDDI, and Relia, Inc. (“Relia”), an equity method affiliate of Mitsui, and a shareholders agreement concerning operations and the like of the integrated company (the “Integrated Company”) after the Business Integration.*1

(1) Outline of the Business Integration

1. Mitsui established Otemachi Holdings G.K. on January 6, 2023. Otemachi Holdings G.K. will make a tender offer (the “Tender Offer”) for all of the common stock of Relia*2 in order to effect the Business Integration.
2. If, upon the completion of the Tender Offer, not all of the shares of the common stock of Relia*2 are acquired, Otemachi Holdings G.K. and Mitsui will, after the completion of the Tender Offer, make a demand for share cash-out or share consolidation in order to own all of the shares of the common stock of Relia.*3 In addition, a squeeze-out procedure will be implemented so that any shares of Relia not tendered in the Tender Offer may be acquired without the need for obtaining individual shareholder's approval.
3. After the completion of the squeeze-out procedure, an absorption-type merger wherein Relia is to be the surviving company and Otemachi Holdings G.K. is to be the absorbed company (“Merger No.1”), will be executed between Relia and Otemachi Holdings G.K.
4. After the entry into force of Merger No.1, an absorption-type merger wherein KDDI Evolva is to be the surviving company and Relia is to be the absorbed company (“Merger No.2”) will be executed with a merger ratio such that KDDI and Mitsui would own 51.0% and 49.0%, respectively, of the voting rights.

Both KDDI and Mitsui will support the decision of new measures with the utmost respect for the corporate culture and management autonomy that KDDI Evolva and Relia have fostered, in order to enhance the corporate value of the Integrated Company group.

In recent years, the importance of BPO*4 has been increasing due to a shortage of human resources caused by a decrease in the working population and work style reforms implemented by companies. In addition, the need for DX (digital transformation) is increasing in companies and society, and the further acceleration of digitalization is becoming notable, leading to the BPO industry itself entering a period of structural change. As a result, there is a need to upgrade services and expand business domains in response to the diversification of customer needs and changes in corporate activities.

In response to this environment, KDDI and Mitsui decided to implement the Business Integration in order to strengthen contact center services, provide services to resolve customers' business issues, and achieve further customer success. Through the Business Integration, DX promotion service in the digital channel fields and operational design and operational capabilities owned by both KDDI Evolva and Relia, as well as the capabilities of the KDDI Group and the Mitsui Group in corporate customer contacts, IT, and overseas business expertise will be combined, and thereby KDDI and Mitsui will contribute to solving customers' real problems and aim to develop digital BPO*5 services that expand both in Japan and overseas.

(2) Integration Schedule (proposed)

Execution of the basic transaction agreement and the shareholders agreement	January 13, 2023
Commencement of the Tender Offer (proposed)	around March, 2023
Implementation of the squeeze-out procedure (proposed)	around June, 2023
Implementation of Merger No.1 (proposed)	around June, 2023
Implementation of Merger No.2 (proposed)	around July, 2023

*1. The Business Integration is subject to the completion of procedures and measures required under the laws and regulations of each country's competition laws, and the transactions described in “1. Outline of Business Integration” are planned.

*2. Excluding the shares of Relia owned by Mitsui and the treasury shares owned by Relia (if any).

*3. Excluding the treasury shares owned by Relia (if any).

*4. “BPO” stands for Business Process Outsourcing and means outsourcing of a part of business processes in corporate activities from the design to

implementation and operation of business to a specialist.

*5. “Digital BPO” means a BPO method whereby a series of outsourced operations are outsourced not only in terms of human resources but also by utilizing digital technologies such as AI to achieve greater efficiency in outsourced operations.