Column

KDDI will voluntarily adopt International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2016. Here, we explain the impact this will have.

Adopting IFRS in the Fiscal Year Ending March 31, 2016

QUESTION 01

Why adopt IFRS?

A growing number of Japanese companies are adopting IFRS. By also doing so, KDDI will increase the international comparability of its financial information. We believe this move will enable us to provide financial statements that are more useful to investors and various other stakeholders. Consequently, we have decided to introduce IFRS from the fiscal year ending March 31, 2016.

QUESTION 02

What are the major differences between IFRS and accounting principles generally accepted in Japan ("Japanese GAAP") used to date?

There are five major changes from Japanese GAAP that will result from the adoption of IFRS.

Category	Japanese GAAP	IFRS
(1) Of sales commissions, expenses corresponding to discounts on handsets	Recorded as operating expenses	Subtracted from operating revenues (revenues from terminal sales)
(2) Goodwill	Amortized in equal installments	Installment amortization halted, impairment test performed each fiscal year
(3) Method of depreciating noncurrent assets	Machinery is mainly depreciated using the declining-balance method, and other noncurrent assets are depreciated using the straight-line method.	Service life is determined by estimating years of useful life and then depreciating these assets using the straight-line method.
(4) Scope of consolidation	Companies in which KDDI owns more than 50% of voting rights and companies in which KDDI owns 40–50% of voting rights and that satisfy certain conditions related to control are included in the scope of consolidation.	As this determination is made on the basis of substantive control, including potential voting rights, UQ Communications Inc., which is an equity-method affiliate under Japanese GAAP, will be included in the scope of consolidation under IFRS.
(5) Handling extraordinary income and losses	Extraordinary income and losses are presented. Gain on sales of securities and other extraordinary income, as well as impairment losses and other extraordinary losses, are added to ordinary income for reflection in income before income taxes.	• Extraordinary income and expenses will no longer be presented. • Impairment losses and other items that are extraordinary losses under Japanese GAAP will mainly be counted as operating expenses (cost of sales). • Gain on sales of securities will be included in comprehensive income.