



INTEGRATED REPORT 2019

Tomorrow, Together

Realizing Sustained Growth and Medium- and Long-Term Improvement in Corporate Value

As a telecommunications operator that provides social infrastructure, KDDI has the important social mission of enabling stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions.

Furthermore, as a telecommunications operation, our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.

To achieve this social mission and fulfill our social responsibility, KDDI is committed to sustaining growth and enhancing corporate value over the medium and long term through measures to achieve its newly created medium-term management plan spanning the period of April 1, 2019 to March 31, 2022 (FY20.3–FY22.3).



The KDDI Group Mission Statement

The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society.

Brand message

Tomorrow, Together **KDDI**

おもしろいほうの未来へ。 **au**

Company Vision

- 1 The company the customer can feel closest to
- 2 A company that continues to produce excitement
- 3 Contributing to the sustainable growth of society

Business Strategy

- 1 Creating innovation toward the 5G era
- 2 The integration of telecommunications and life design
- 3 Further expansion of global business
- 4 Utilizing big data
- 5 Expanding the finance business
- 6 Growth as the Group
- 7 Sustainability

Financial Target

We achieve sustainable profit growth and further strengthen shareholder returns.

Profit
Growth

EPS Grow **1.5** times in 6 years

Shareholder
Returns

DPS Over **40%** payout ratio

Strengthen Management Infrastructure

- Practicing the KDDI Group Philosophy
- Thoroughly managing profitability by segment

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WEB Non-Financial Information



Sustainability (The Environment & Society)

<https://www.kddi.com/english/corporate/csr/>



Research & Development (R&D)

<https://www.kddi.com/english/corporate/r-and-d/>

Editorial Policy: Disclosure of Financial and Non-Financial Information

This report is based on multiple guidelines and frameworks, including the principles outlined by the International Integrated Reporting Council (IIRC), providing basic information, financial data, management strategy descriptions, and environmental, social, and governance (ESG) data considered particularly necessary for investors. Additional sustainability and research & development (R&D) information that is not contained in this report can be found on KDDI's website, including the Sustainability Report,

which contains expanded information about non-financial information from both environmental and social aspects.

KDDI has applied International Financial Reporting Standards (IFRS) since the fiscal year ended March 31, 2016. For this report, unless otherwise stated, figures up to the fiscal year ended March 31, 2014, are based on Japanese GAAP and figures for the fiscal year ended March 31, 2015, onward are based on IFRS.

Disclaimer Regarding Forward-Looking Statements

Statements contained in this report concerning KDDI's plans, strategies, beliefs, expectations, or projections about the future, and other statements other than those of historical fact, are forward-looking statements based on management's assumptions in light of information currently available and involve risks and uncertainties. Actual results may differ materially from these statements. Potential risks and uncertainties include, but are not limited to, domestic and overseas economic conditions; fluctuations in currency exchange rates, particularly those affecting the U.S. dollar, euro, and other overseas currencies in which KDDI or KDDI Group companies do business; and the ability of KDDI and KDDI Group companies to continue developing and marketing services that enable them to secure new customers in the communications market—a market characterized by rapid technological advances, the steady introduction of new services, intense price competition, and others.

The Path of Value Creation

3G

Popularization of mobile phones

2000
KDDI
CORPORATION
established



2002
“Chaku-uta”
music download
service launched



FY2004.3-FY2008.3
au ranks
No. 1 for
net additions in
market share*1



2011
KDDI offers
its first iPhone



2012
“au Smart Value”
and “au Smart Pass”
services start



2014
“au WALLET”
service begins



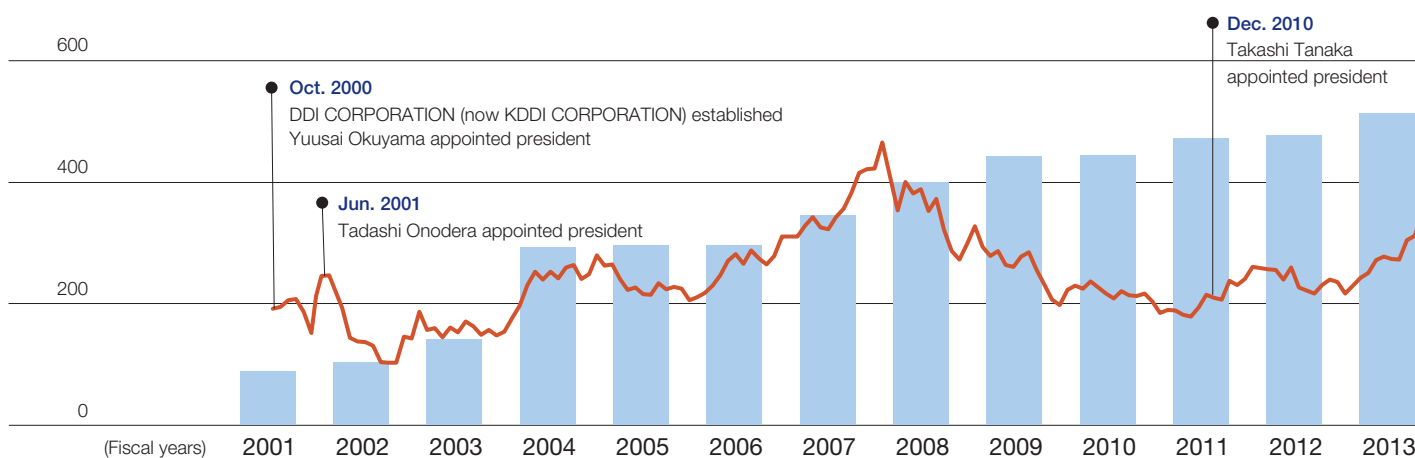
(Operating income*2: Billions of yen)

1,200

1,000

800

600



*1 Share among NTT DOCOMO, INC. (NTT DOCOMO), SoftBank Corp. (SoftBank), and KDDI + Okinawa Cellular Telephone Company (au)

*2 Results for fiscal years ended March 31. Figures up to the fiscal year ended March 31, 2014 are based on Japanese GAAP and figures for the fiscal year ended March 31, 2015 onward are based on IFRS (International Financial Reporting Standards).

*3 On a closing price basis for the end of October 2000 to the end of March 2019 (monthly)

*4 CAGR: Compound Average Growth Rate

*5 RGU: Revenue Generating Units. Each household's subscription to CATV, high-speed Internet connection, or telephony services each represent one RGU.

*6 J.D. Power 2016–2018 Mobile Phone Service Satisfaction Study. The 2018 study is based on responses from 27,600 mobile phone users in Japan. jdpower-japan.com

*7 J.D. Power 2018–2019 Low-Cost Smartphone Service Satisfaction Study. Based on the survey conducted in FY2019 responses from 4,000 users who

4G 5G

The rising popularity of smartphones and integration of telecommunications and life design

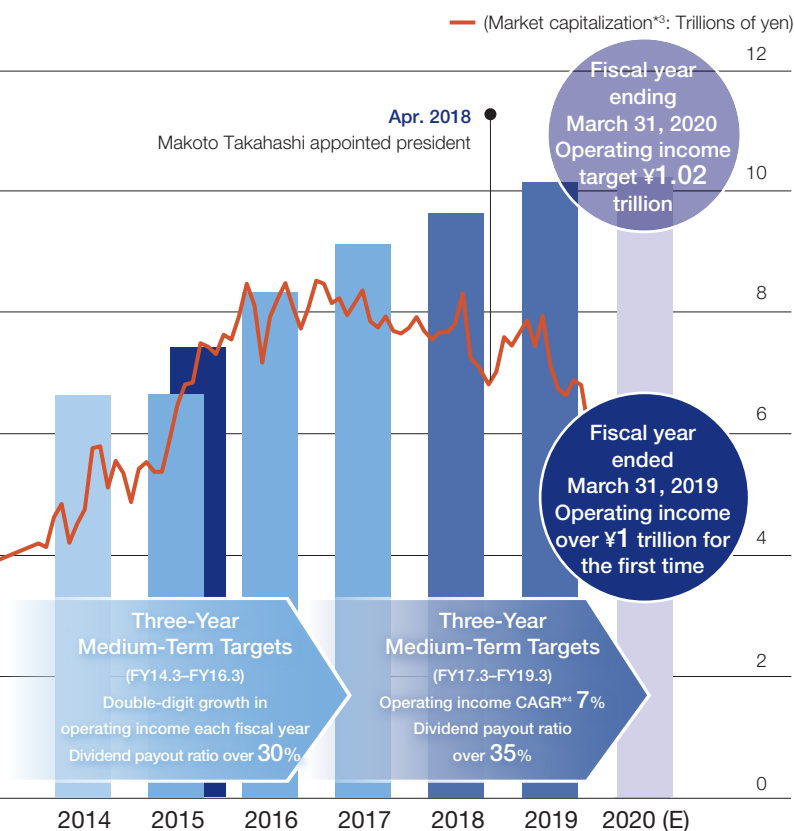
Improve customer value using high-speed high-volume transfer for enhanced experience

2016
“au Denki” begins

2017
“au Wowma!” begins

2018
KDDI entered the education business

2019
Smart Money Concept announced



bought and use smartphones or SIM cards with service from contracted operators. jdpower-japan.com

*8 J.D. Power 2016–2018 Business Mobile Phone Service Satisfaction Study. The 2018 survey is based on 2,890 responses received from 2,287 companies with 100 or more employees. jdpower-japan.com

Customer Base* Retaining a strong customer base inside and outside Japan

(As of March 31, 2019)
* Personal Services Segment

Mobile ID subscriptions	26.95 million
FTTH subscriptions	4.45 million
CATV RGU*5 households	5.48 million
Global Consumer Business	
No. 1 in domestic shares in both Myanmar and Mongolia	

Touchpoints

Touchpoints both online and offline

(As of March 31, 2019)



Approx. 2,300 au shops nationwide



15.49 million “au Smart Pass” and “au Smart Pass Premium” members

au WALLET

MAU over 10 million use “au WALLET” app

Innovativeness

Develop new pricing plans ahead of the industry

- Nov. 2003 Industry’s first flat-rate packet service introduced
- Mar. 2012 Launch of “au Smart Value” and “au Smart Pass”
- Jul. 2017 Start of “au Pitatto Plan” and “au Flat Plan”
- Aug. 2018 Start of “au Flat Plan 25 Netflix Pack”
- Jul. 2019 Start of “au Data MAX Plan”

Brand Strength

No. 1 in brand strength and customer satisfaction and in both corporate and individual services



J.D. Power “No. 1 in Mobile Phone Service Satisfaction”**6 for three years



(UQ mobile) J.D. Power “No. 1 in Low-Cost Smartphone Service Satisfaction”**7 for two years



J.D. Power “No. 1 in Business Mobile Phone Service Satisfaction” (Large Corporations / Medium-Sized Enterprises Market Segment)**8 for three years

KDDI's Value Creation Cycle

The four sources of KDDI's value are its "customer base," "touchpoints," "innovativeness," and "brand strength" that have been built over the years since its establishment. We will further refine and enhance these sources of value and optimally allocate the Company's management resources to maximize KDDI's corporate value. In doing so, we aim to achieve our medium-term management plan for the fiscal year ending March 31, 2022.

KDDI's Surrounding Business Environment

Political (Government / Legislation)

- Comprehensive verification of competition rules in the telecommunications business field
- Complete separation of telecommunication fees and handset prices

Economic

- Consumption tax hike, expansion of cashless settlement
- Development of economic and social infrastructure for the Tokyo Olympics

Social (Society / Culture)

- Declining birth rate and aging population / Shrinking population
- Decrease in local labor force, Regional revitalization

Technological

- 5G service starts
- Development of technologies such as IoT and AI
- Accelerating use of big data for a data-driven society
- Strengthening measures against cyber terrorism

Customers (Market / Clients)

- Further popularization of smartphone use
 - Expansion of sharing
- Expansion of fintech market
- Diversification of SNS

Competition

- Entry of new business operators into MNO^{*1} and price competition
- Expansion of business to fields beyond telecommunications
 - Accelerate collaboration with partner companies for 5G
 - Homogenization of services offered by mobile companies

^{*1} MNO (Mobile Network Operator)

INPUT

Financial capital

Fund procurement

Manufactured capital

Telecommunications, equipment and platforms

Intellectual capital

Brand strength and R&D

Human capital

Personnel

Social and relationship capital

Regions and communities

Medium-Term Targets (FY2017.3-FY2019.3)

Achieve continuous growth and enhance shareholder return

Business Strategies

Transform into a Business Providing Customer Experience Value

- (1) Sustainably grow the domestic telecommunications business
- (2) Maximize the "au Economic Zone"
- (3) Ambitiously develop global business

Profit Growth

- Target operating income; CAGR^{*2} of 7%
- Gross merchandise value of au Economic Zone; over ¥2 trillion
- M&As for growth; approx. 500 billion yen over three years

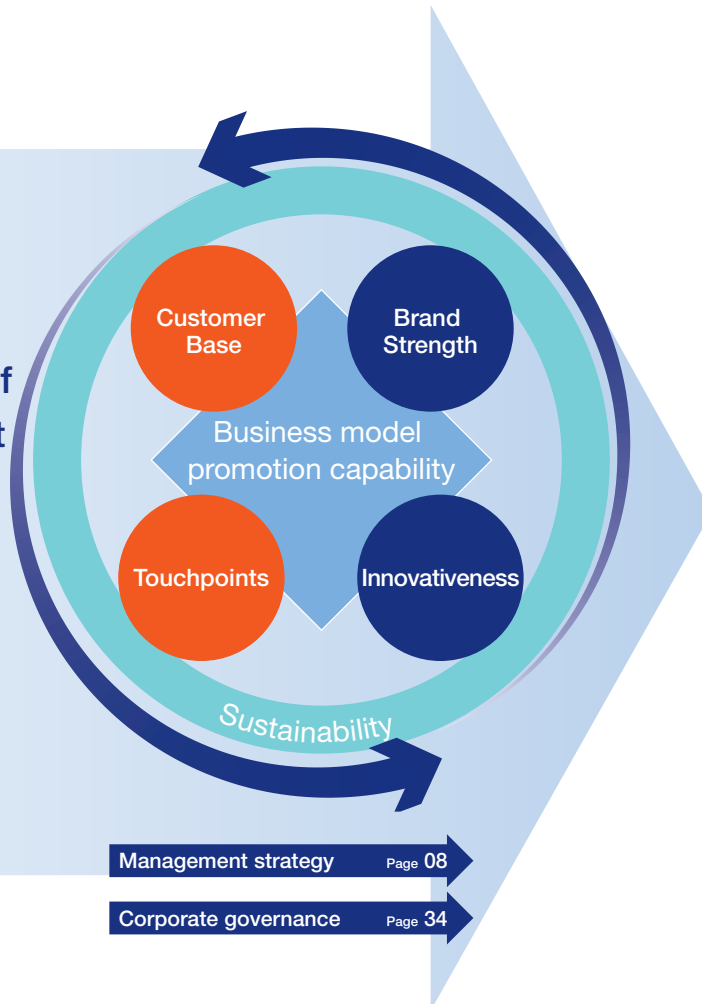
Shareholder Returns

- Lift dividend payout ratio from "above 30%" to "above 35%"
- Repurchase own shares after growth investment
- Limit the amount of treasury stock to approximately 5% of our total issued shares, and cancel any treasury stock held in excess of this limit

^{*2} CAGR (Compound Average Growth Rate)



Optimal
distribution of
management
resources
across the
four sources
of value



OUTPUT

Financial capital

Generating cash flow

Page 55

Manufactured capital

Creating innovation toward
the 5G era

Page 24

communications society,
Promoting the global IoT business

Page 27

Intellectual capital

The integration of telecommunications
and life design,
Strengthening the life design domain

Page 20

Human capital

Human resource development,
support for women's advancement,
respect for human rights,
and diversity and inclusion

Page 31

Social and relationship capital

Global business,
regional revitalization,
and environment conservation

Page 30-31

Medium-Term Management Plan (FY2020.3-FY2022.3) Page 06

Medium-Term Management Plan Summary

FY2025.3 Target	EPS growth		FY2019.3 → FY2025.3	1.5 times
FY2020.3- FY2022.3 Initiatives	Operating revenue growth	• Operating revenue of life design domain	Page 22	FY2022.3 target ¥1.5 trillion
		• Operating revenue of new Business Services segment	Page 26	FY2022.3 target ¥1 trillion
	Cost reduction, etc.		Page 07	3 years total ¥100 billion (approx.)
	Shareholder returns			<ul style="list-style-type: none"> • Over 40% payout ratio • Flexible share buybacks • Cancel all treasury shares*3

We achieve sustainable profit growth and further strengthen shareholder returns

*3 Except KDDI shares owned by executives' compensation BIP Trust Account and ESOP Trust Account

Medium-Term Management Plan (FY2020.3-FY2022.3)

We aimed for continuous growth and enhance shareholder return by offering customer experience value which goes further than expected and it has brought us a secured solid customer base and a steady growth in consolidated operating income up to now.

From now on, full-scale digitization is speeding onward against the backdrop of continual technological advances encompassing 5G (5th Generation Mobile Communications System), and it will bring us big changes in the competitive environment of Japan's telecommunications market.

Amid this age of epochal change, KDDI drew up a new three-year medium-term management plan (FY2020.3-FY2022.3) to realize "the integration of telecommunications and life design."

Sustaining Profit Growth and Further Strengthening Shareholder Returns

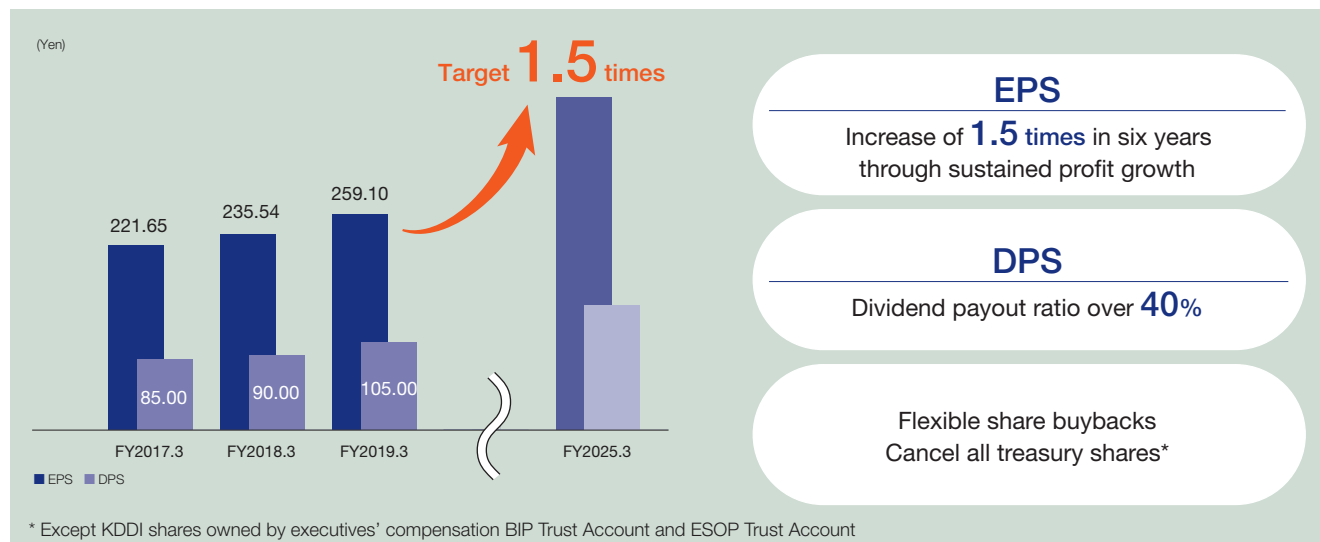
Since its establishment in October 2010, KDDI has achieved 18 straight years of growth in operating income, with its strengths as a comprehensive communications carrier translating into continued business growth. KDDI has also focused on enhancing shareholder returns, increasing dividends for 17 fiscal years in a row.

Under the new medium-term management plan unveiled in May 2019, KDDI targets growth of 1.5 times in earnings per share (EPS) by the fiscal year ending March 31, 2025,

compared with the level in the fiscal year ended March 31, 2019, while sustaining growth in profits.

Regarding shareholder returns, KDDI has steadily increased dividends toward a dividend payout ratio of at least 40%, while taking a flexible approach to buying back its own shares. In principle, KDDI retires all the shares it buys back.

Through these initiatives, we intend to continue balancing sustained profit growth with stronger shareholder returns.



Our Growth Story

01: Earnings expansion via "the integration of telecommunications and life design"

Although growth is gradually tapering off in the domestic mobile communications business, KDDI aims to sustain expansion by offering faster communications speeds and encouraging greater use of rich content in the coming 5G era.

Furthermore, KDDI will aggressively move forward on its growth strategy for "the integration of telecommunications and life design," with the aim of increasing earnings alongside growth in the life design domain.

KDDI is keen to expand both operating revenue and operating income in the life design domain, with growth driven by commerce, energy, finance, and other services.

Page 20 Special Feature 1: The Integration of Telecommunications and Life Design

Life Design	Commerce	FY2019.3	FY2022.3 (Target)
	GMV*1	¥ 250 billion	→ ¥400 billion
	Energy	FY2019.3	FY2022.3 (Target)
Telecommunications	au Denki subscriptions	Over 2 million	→ 3.4 million
	Finance	FY2019.3	FY2022.3 (Target)
	Transaction volume*2	¥ 4.4 trillion	→ ¥6.0 trillion
	Growth through 5G		

*1 Gross merchandise value

*2 Transaction volume of settlement/loan



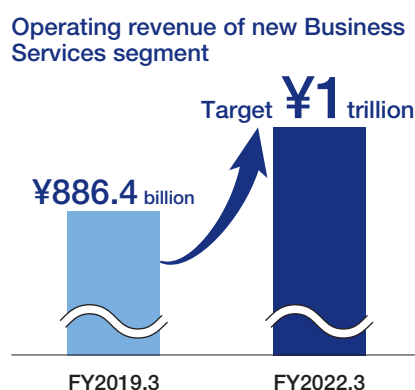
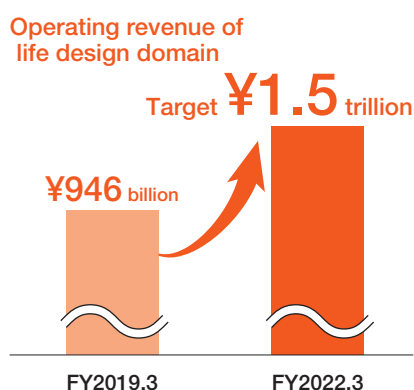
02: Operating revenue expansion via the strengthening of growth domains

Under our new medium-term management plan, we have positioned the new Business Services segment as a pillar of growth to accompany the life design domain.

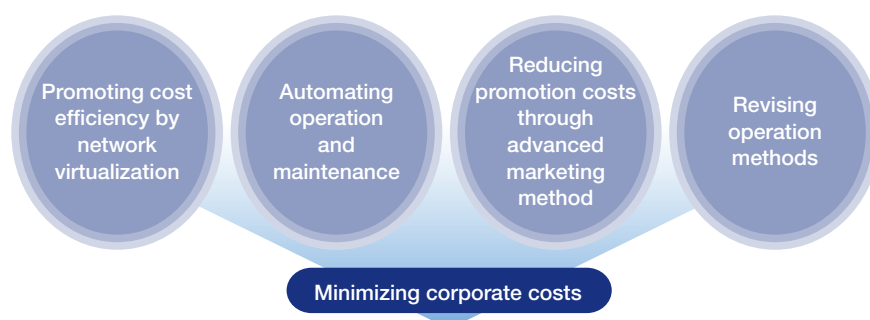
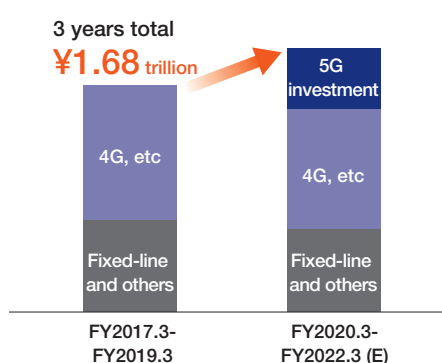
In the new Business Services segment, KDDI aims to increase the total number of IoT connections from eight million as of March 31, 2019 to 18 million by March 31, 2022, by creating recurring business centered on IoT operations and providing various business platforms in Japan and other countries around the world.

In both growth domains, KDDI is focusing on the targets it set for increasing operating revenue in the life design domain from ¥946 billion in the fiscal year ended March 31, 2019, to ¥1.5 trillion by the fiscal year ending March 31, 2022, and expanding operating revenue in the new Business Services segment from ¥886.4 billion to ¥1.0 trillion over the same time frame.

Page 26 Special Feature 3: Business Expansion through Collaboration with Partners



03: Capital expenditures and cost reductions



Generating approx. ¥100 billion profit through cost reductions, etc.

Over the course of the previous medium-term management plan, KDDI spent about ¥1.68 trillion on capital investments, mainly for maintaining and expanding its 4G network. Under the new medium-term management plan, management intends to keep annual capital investment at a little over ¥600 billion, including investments in 5G that are ramping up this fiscal year.

To sustain profit growth at the same time, KDDI is keen to reduce costs through the use of technology and the adoption

of new ideas that are not bound to conventional thinking. Specifically, KDDI is advancing measures to increase business efficiency through systemization and the reform of work processes as well as improvements in the cost efficiency of network operations through the use of network virtualization and AI. Management targets a total of ¥100 billion in cost reductions over the next three years that will translate into stronger profit growth.

Risks and Growth Opportunities

The business environment surrounding KDDI is constantly changing.

KDDI implements measures to quickly anticipate and avoid the many kinds of risks that exist in the changing business environment. At the same time, KDDI aims to maximize corporate value by turning these risks into growth opportunities for business success.

Below is a description of the risks and growth opportunities of particular interest to investors.

Main Risks	Measures to Avoid Risks
<p>■ Competition and Rapid Shifts in Markets and Business Environment</p> <p>Exodus of customers: There is a risk that the number of subscribers will fall if budget smartphones catch on or new telecommunications carriers enter the business.</p> <p>Cuts in communications rates: There is a risk that earnings will be adversely affected by tougher competition.</p>	<ul style="list-style-type: none"> • KDDI began offering plans that separate billing for telecommunications and handsets ahead of its rivals in July 2017 in response to these changes in the business environment, and its current telecommunications rates are as much as 40% lower than those prior to the introduction of the unbundled plans. • The au churn rate improved significantly due in part to customers quickly switching to rate plans they prefer. Before unbundling plans (fiscal year ended March 31, 2017): 0.83% After unbundling plans (fiscal year ended March 31, 2019): 0.76%  • Roughly two thirds of smartphone customers have switched to unbundled plans already, marking favorable progress (as of March 31, 2019).
<p>■ Telecommunications Security and Protection of Customer Information (Personal and Corporate Information)</p> <p>Data leaks and hacking attempts from external networks could undermine trust in and tarnish the brand of KDDI.</p>	<ul style="list-style-type: none"> • KDDI protects telecommunications secrecy. To protect customer information, KDDI has established the Information Security Committee to prevent information leaks from within and has drawn up Companywide measures for preventing hacking attempts from external networks. KDDI also complies with the European Union's General Data Protection Regulation (GDPR) and other global regulatory frameworks.
<p>■ Natural Disasters, Accidents and Other Events</p> <p>Stoppage and interruption of data communications services: There is a risk that information communications services could be cut off as a result of unforeseen events, including natural disasters, power shortages and outages, cyberattacks, and communications equipment failures and accidents.</p>	<ul style="list-style-type: none"> • To create a management structure for dealing with large-scale natural disasters, KDDI has formulated disaster response regulations and business continuity plans (BCPs), and undertaken a number of other initiatives, including building a disaster response framework. We have also entered into disaster management agreements with the Ministry of Defense, the Self-Defense Forces, and the Coast Guard, collaborating with relevant organizations to further strengthen our disaster response. • Effectiveness is assessed through biannual disaster response training. KDDI works to improve on any issues or problem areas identified through that training, and each year a PDCA cycle is employed to construct a more solid foundation for disaster response.
<p>■ Telecommunications Sector Regulations and Government Policies</p> <p>Revisions to Telecommunications Business Act: Complete separation of telecommunication fees and handset prices, and the prohibition of excessive enclosure customers, will become law.</p> <p>Allocation of frequencies: There are risks that network costs will increase when adapting to new frequencies, and that the necessary frequencies cannot be acquired.</p>	<ul style="list-style-type: none"> • In light of laws and regulations concerning upgrade programs, time constraints, and automatic renewals, for example, KDDI intends to change what is necessary and to legally comply by the deadline (estimated to be October 1, 2019). Moreover, KDDI aims to make steady progress toward its profit objectives for the fiscal year. • In April 2019, portions of the 5G frequencies were allocated by the government in Japan. Based on the ambitious plan it submitted, KDDI was allocated 600MHz in total bandwidth in the 3.7GHz and 28GHz bands, including frequencies likely to be used by other 5G networks around the world. We anticipate major advantages from the standpoint of improvements in cost efficiency, in terms of network development outlays, and terminal procurement costs.



Initiatives for Growth

- As stand-alone domestic mobile telecommunications face more challenges for existing business growth, KDDI aims to establish a presence in new growth areas.
- Specifically, KDDI aims for growth centered on existing telecommunications services tied into life design services encompassing commerce, finance, energy, entertainment, and education. While **further advancing “the integration of telecommunications and life design,”** the core of its business strategy, **KDDI aims to increase sales on a total ARPA basis by providing new experience value** to customers who use au and other services.
- Moreover, we are aiming for a deeper engagement with our customers by combining various life design services with telecommunications services that are essential to their lifestyles. This will lead to **the maximization of Life Time Value, an expression of the sum of customer numbers (IDs, including Group companies), total ARPA, and customer engagement.** Page 20

- With data-driven management using big data gaining attention these days, **KDDI makes concerted efforts every day to maintain service quality, which is a prerequisite for retaining customers, by ensuring security and protecting privacy through the strict management of customer information, an important asset.**
- Along with Group companies, KDDI will provide advanced information security and reliable ICT so **its customers can focus on their businesses, thereby contributing to the development of a digital society and economy.**

- Japan currently faces a variety of issues, such as a long-term decline in its population, and waning vitality in regional economies caused by the overconcentration of people in large cities. **KDDI is contributing to the advancement of Japanese society by helping to solve these various issues through the provision of high-quality telecommunications services over reliable mobile networks, a crucial component of social infrastructure.**
- In April 2019, the KDDI Regional Initiatives Fund No. 1 was established with the aim of financing local companies and venture firms that promote regional revitalization. **This put into place a structure for promoting regional revitalization** through 5G and IoT. **KDDI's system to promote regional economy will also serve to create and expand new business areas.**

- Although there is a risk that customers will leave KDDI as a result of coverage concerning the prohibition of billing tactics to retain customers, KDDI also anticipates an increase in opportunities to win new customers as market flow is stimulated. By latching onto these opportunities, **we aim to increase the number of customers (IDs), including Group companies, in a bid to expand the customer base.**
- KDDI aims to **improve the efficiency of investments in facilities** by leveraging the advantages of the 5G frequencies it has obtained, **sharing 4G, adding software functions and sharing equipment with other companies.** Page 24
- The Company plans to launch commercial 5G services in March 2020. As smartphone-centric services become more prevalent and data traffic increases alongside the spread of data-heavy content, KDDI views these changes as an excellent opportunity to **advance “the integration of telecommunications and life design” and increase total ARPA in the 5G era.**

Interview with Management

Tomorrow, Together

In addition to realizing “the integration of telecommunications and life design,”
we endeavor to provide solutions to social issues
and help achieve a truly connected society.

Question 01

Please tell us, in a frank manner, your thoughts about the past year or so, since being appointed president of KDDI.

Answer 01

Looking back, I think it was a very fulfilling year. In my first year as president, I devoted my energy to formulating the new medium-term management plan (April 2019 to March 2022), which was unveiled in May 2019.

During this process, however, two major changes occurred, requiring us to make last-minute revisions to the management plan. After this arduous process, I am confident the final version of the management plan is able to firmly address the issue of creating a path toward sustained growth while keeping costs in check.

Page 06

The Medium-Term Management Plan

Question 02

What specifically were these two major changes you mentioned?

Answer 02

The first was a revision to the Telecommunications Business Law, which reflected the “urgent proposal to fix mobile services” announced by the Ministry of Internal Affairs and Communications in November 2018.

The revision fostered speculation on the stock market that the entire telecommunications sector, including KDDI, would stop growing, and KDDI’s share price fell sharply. To be honest, this event was quite a shock for me.

However, KDDI had already taken steps to separate charges for communications and handsets with the rollout of the “au Pitatto Plan” and the “au Flat Plan” in July 2017, returning value to customers. We estimate that the additional negative impact on revenue from revising our rate plans in view of the new rate plans of competitors will total almost ¥100 billion over the next three years.

The second major change was the entrance of a new competitor into the telecommunications field. This will probably heat up competition in the domestic mobile communications market.

Even considering the additional measures to address these major changes, we still aim for sustained growth under the new medium-term management plan, a major accomplishment in my opinion.



Makoto Takahashi
President, KDDI CORPORATION

Interview with Management

**More than ever before,
we will use our ingenuity to “innovate,”
while fortifying our “defenses” in the form
of highly trusted networks.
As we go on the “offensive,”
we will effect a transformation of KDDI.**

Question 03

How will KDDI take on the new competitor in the telecommunications field?

Answer 03

With the emergence of a potential rival, KDDI is at risk of losing market share, so we are readying ourselves ahead of the new player's launch of services in October 2019.

The new rival has strengths in the e-commerce field, etc. an area where KDDI does not presently hold the advantage. For this reason, we intend to use our ingenuity to “innovate” areas of weakness while fortifying our “defenses” in trusted, highly reliable communications networks, KDDI's area of strength.

At the same time, we will go on the “offensive” by taking on challenges with a sense of urgency, including innovative initiatives such as the network function virtualization (NFV) technology being adopted by the new rival. Although the competition will be fierce, KDDI will flexibly and appropriately respond to various changes.

Question 04

In addition to the reliability of existing communications networks, what else can KDDI take pride in? Where is KDDI's wellspring of value?

Answer 04

KDDI has consistently grown profits for 18 consecutive fiscal years. Being able to sustain growth in a rapidly changing business environment is a testament to our ability to take on new challenges and maintain downward pressure on costs even in the face of hardship. This achievement has also fostered confidence among all our employees and will be instrumental in carrying on with the fight against the competition.

We have been innovators during past transitions to new communications standards. For example, KDDI was the first to introduce flat-rate data plans during the 3G era and to offer affordable rate plans for smartphones that bundled mobile and fixed-line services during the 4G era. We have constantly produced excitement for our customers by creating new added value through collaboration with our partners, as evidenced in our financial performance.

As we head into the 5G era, we must fix our attention on the latest trends around the world while pursuing the digital transformation of KDDI. In order to continue providing ever-better services, I believe we must reduce operating costs further through network virtualization and the deployment of AI, and fully demonstrate the ability of our corporate culture, employee motivation, and behavioral patterns to endure changes in the business environment.



Question 05

What concepts have been incorporated into the new medium-term management plan?

Answer 05

The new medium-term management plan has five layers comprising the KDDI Group Mission Statement, our brand message, the company vision, business strategy/financial objectives, and stronger management infrastructure.

With the KDDI Group Mission Statement providing an important foundational component of this framework, we have refreshed our brand message. For the KDDI corporate brand slogan and as the brand for our businesses serving corporate customers, we decided on “Tomorrow, Together.” And for consumer-facing businesses, we chose the au brand slogan “Explore the Extraordinary.” This decision was the result of intense discussions by employees who will lead KDDI into the future, a group now mainly in their 40s.

Also, we have added a third vision: to be “a company that contributes to the sustained growth of society.” It joins the two visions, announced last year, of what KDDI will become going forward: to be “the company the customer can feel closest to” and “a company that continues to produce excitement.”

We intend to instill this frame of mind throughout the Company so that all of our employees can move in the same direction toward achieving the objectives of the new medium-term management plan.

Question 06

What is unique about KDDI's sustained growth?

Answer 06

Maximizing revenues, minimizing expenses is a central tenet of the KDDI Group Philosophy, and our employees have been instilled with a mindset focused on increasing the top line through business growth while continuing to expand profits by responsibly reducing costs. Our aim for sustained growth also relates to the core of the KDDI Group Mission Statement, which is to value and care about the material and emotional well-being of all our employees, and to achieve a truly connected society.

Question 07

What is the purpose of changing segment classifications at the start of the new medium-term management plan?

Answer 07

To further “the integration of telecommunications and life design,” KDDI rearranged its four segments into the Personal Services Segment for consumer-facing businesses, and the Business Services Segment for our businesses serving corporate customers. In addition, global businesses are now positioned as an extension of domestic businesses, as integrating both into the same segment will allow for global businesses to take advantage of business expertise and management resources accumulated in Japan.

In the Personal Services Segment, the telecommunications business has driven growth to date, but in the future, KDDI aims to expand earnings on a total ARPA basis that integrates telecommunications and life design services.

Moreover, KDDI is keen to expand operations in Southeast Asia. In particular, it is duplicating its “integration of telecommunications and life design” business model

Interview with Management



overseas, with the ultimate aim of creating an “au Economic Zone” like that in Japan.

In the Business Services Segment, KDDI targets steady overall profit growth for its core business, including existing fixed-line services, the global ICT business, and Group companies, while stepping up efforts in new growth fields centered on the IoT business.

Question 08

In the Personal Services Segment, KDDI is aiming for top-line growth by expanding operating revenue in the life design domain. How exactly will this growth be accomplished?

Answer 08

In the life design domain, the Company targets growth in operating revenue from ¥946.0 billion in the fiscal year ended March 31, 2019 to ¥1.5 trillion by the fiscal year ending March 31, 2022. Specifically, we aim for top-line growth across the board, including entertainment and education operations, with growth being driven by commerce, energy, and financial businesses.

In the financial services field, KDDI announced in February 2019 the establishment of intermediate financial holding company au Financial Holdings Corporation. Related financial companies were then placed under the new holding company's umbrella as of April 1, 2019.

In the energy field, “au Denki” (electricity) has already signed up over two million accounts. This market share places us in the top tier of retail electric power providers.

In the commerce business, although we have lined up merchandise, we still have much to learn from other companies, and this is an area we must reinforce. While growing existing business, KDDI will consider M&A activities if the need arises while closely scrutinizing potential deals.

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Special Feature 1: The Integration of Telecommunications and Life Design

Question 09

KDDI targets ¥1 trillion in operating revenue from the new Business Services segment as one more growth area, but how will this target be attained?

Answer 09

In the Business Services Segment, KDDI is building out platforms for providing services to various industries, based on the KDDI IoT World Architecture it has developed and adopted for the Global Communications Platform being promoted by Toyota Motor Corporation (Toyota). KDDI is building a strong cooperative relationship with Toyota, with KDDI communications modules embedded in connected cars the automaker sells in Japan. Responding to the need to develop this business model globally, KDDI has entered into a partnership with AT&T in the United States. KDDI will expand the service area for this platform by forging partnerships with other carriers around the world, including in China.

Moreover, we will take the know-how gained through our collaboration with Toyota and apply it to KDDI's IoT World Architecture, which will support our global partners, including Hitachi, Ltd. and Toshiba Corporation, as well as the operations of our customers who are keen to develop business globally.

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Special Feature 3: Business Expansion through Collaboration with Partners

**In the 5G era,
telecommunications will be prevalent
everywhere with IoT connecting
a multiplicity of things to the Internet.**

Question 10

What is KDDI's budget for capital investment in 5G from the current fiscal year?

Answer 10

In April 2019, 5G frequencies were allocated by the government in Japan. Based on the plan KDDI submitted to the Ministry of Internal Affairs and Communications, KDDI was allocated 600MHz in total bandwidth that included frequencies likely to be used by other 5G networks around the world, a reflection of its ambitious plan in terms of 5G area coverage and 5G-specific base station installations. We anticipate improvements in cost efficiency in terms of network development outlays and terminal procurement costs.

Our plan to roll out 5G entails ¥466.7 billion in capital investments over the next five years. We intend to increase efficiency further by jointly using base station assets with other companies.

Starting in the current fiscal year, KDDI will invest in both 4G and 5G networks, but 4G-related investment has already peaked. For the current fiscal year, KDDI plans capital investments in the amount of ¥610 billion, roughly the same level as last year. During the new medium-term management plan, we intend to keep capital investments a little over ¥600 billion level.

Question 11

When do you think 5G services will take off?

Answer 11

KDDI plans to commence trial services this autumn and then launch commercial services in March 2020. To follow this schedule, KDDI will operate on a non-standalone basis to offer 5G services in conjunction with 4G networks. KDDI will initially develop a "hybrid network" with brilliant 4G service covering 99.9% of the population, combined with special 5G services. Over the medium term, KDDI intends to operate a separate 5G network on a standalone basis.

Question 12

What kind of changes will 5G services bring?

Answer 12

In the 5G era, video streaming will probably become commonplace. In addition to video on demand and digital signage, I believe all forms of expression could feasibly turn to video, such as videos embedded in recipe sites or videos exchanged instead of text on social networking services. As a pioneering move in the 5G era, KDDI was the first MNO* in Japan to start offering an unlimited monthly data plan called the "au Data MAX Plan."

With these potential changes on the horizon, KDDI aims to expand business by considering partnerships with over-the-top (OTT) streaming media players.

Moreover, in April, 2019, we began using 5G to promote regional revitalization, such as through the establishment of the KDDI Regional Initiatives Fund.

* Mobile Network Operator.

Interview with Management

In an era where communications functions are embedded in everything, KDDI is confident in its ability to help solve various social issues through its telecommunications services.

Question 13

The new medium-term management plan also covers sustainability initiatives, such as SDGs, within the context of engagement with all stakeholders. What are the objectives of KDDI's sustainability initiatives? How do its business activities translate into progress toward the SDGs?

Answer 13

In the 5G era, everything will be connected to the Internet via IoT, and communications functions will be embedded in all devices.

With this changeover in eras in mind, we have set forth KDDI's target SDGs in line with its clarified vision to be "a company that contributes to the sustained growth of society" in the new medium-term management plan.

The Company is taking two approaches to addressing these SDGs, as "social issues to be solved through business" and "social issues to be solved through corporate activities." For the former, KDDI has set medium- and long-term targets that are tied to business strategies, encompassing telecommunications, global business, regional revitalization, education, and finance, and for the latter, it has targets tied to corporate activities that include developing human resources, supporting women's advancement in the workplace, respecting human rights, promoting diversity and inclusion, and conserving the environment.

In an era where communications functions are embedded in everything, KDDI is confident in its ability to help solve various social issues through its telecommunications services, and will spread this mindset throughout the Company.

Page 30 KDDI's Target SDGs

Question 14

In the new medium-term management plan, one of the new targets is to achieve EPS growth in tandem with profit growth. Can you explain how this target will be reached?

Answer 14

As with the previous medium-term management plan, KDDI is keen to expand profits, having set and achieved goals for double-digit growth in operating income every year from the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2016, and for a CAGR of 7% in operating income from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2019. Under the new medium-term management plan, owing in part to major changes in markets, we have for the first time set EPS as a KPI instead of operating income.

While continuing to prioritize profit growth, we wanted to convey the message that KDDI will achieve these lofty targets no matter what it takes, including the repurchase of the Company's own shares, as a means of making up for shortfalls from targets. In addition to business growth, I believe this expresses our determination as a company to return value to shareholders, with management clearly focused on the interests of shareholders.



Question 15

What are your thoughts on shareholder returns in the future?

Answer 15

In allocating free cash flow, we are prioritizing investments in growth to ensure continued increases in profits, followed by dividends and then share buybacks when appropriate. While maintaining a sound financial position, the Company's basic policy is to pay a stable dividend.

In the fiscal year ended March 31, 2019, operating income crossed the ¥1 trillion threshold for the first time ever. To express our appreciation to our shareholders, KDDI distributed a dividend of ¥105 per share, which is ¥15 per share higher than last year, for a dividend payout ratio of 40.5%. We plan to increase dividends by ¥5, to ¥110 per share for the current fiscal year, and have announced a ¥150 billion share buyback program by December 23, 2019. For now, the Company will steadily execute these plans.

Under the new medium-term management plan, we have made a commitment to a dividend payout ratio of 40% or higher, and take a flexible approach to share buybacks while retiring all treasury stock*. We have therefore taken a more proactive stance on shareholder returns than under the previous medium-term management plan.

* Excluding treasury stock held in the executive compensation BIP trust account and the stock-granting ESOP trust account.

Question 16

In conclusion, do you have a final message for all stakeholders?

Answer 16

KDDI would like to impress upon its stakeholders the fact that it has stayed true to its basic aim of sustaining growth. Overcoming hardships since its founding in 2000, KDDI has achieved 18 consecutive fiscal years of profit growth. The view that the telecommunications industry is unlikely to grow much more, even on a global basis, is becoming more widespread. Yet, at KDDI, we are rallying our ingenuity to meet the challenge of sustaining growth. By helping create a truly connected society, KDDI aims to be a company that wins the support of all its stakeholders, including shareholders and investors.

We ask for your continued support and guidance in the future.

Makoto Takahashi
President, KDDI CORPORATION

Special Feature:

Aiming for a New Stage of Growth

Beginning in the fiscal year ending March 31, 2020, KDDI reorganized its business segments to better align with its future business vision, creating the Personal Services segment, which provides services to individual consumers, and the Business Services segment, which offers services to corporate customers.

In addition to growth strategies for both business segments, we explain our 5G Strategy that will support KDDI's growth over the medium term.

Change of Segments

Former segments

Personal

Life Design

Business

Global

New segments

Domestic

Global

Personal Services



Personal
+
Life Design
domain

Global
consumers



Business Services



Business

Global
ICT



Feature 01: The Integration of Telecommunications and Life Design

In a mature communications market in Japan, strong growth in au subscribers is unlikely. Nonetheless, KDDI aims to sustain growth through “the integration of telecommunications and life design” by developing the Life Design Business with concentric rings entailing commerce, finance, energy, entertainment, and education, around a core of the domestic telecommunications business and its customer base.



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Feature 02: New Growth Opportunities and Solutions for Social Issues with 5G

Mobile telecommunications are on the verge of transitioning from 4G to 5G technology. In line with “creating innovation toward the 5G era,” one of our business strategies under the new medium-term management plan, KDDI will advance business strategies that view 5G as a new growth opportunity. Moreover, by deploying 5G in regional revitalization, KDDI aims to be “a company that contributes to the sustained growth of society” by solving social issues framed by the SDGs.



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Feature 03: Business Expansion through Collaboration with Partners

Society is undergoing dramatic changes amid advances in IoT and AI technologies, as well as a digital transformation (DX). In this period of change, KDDI is using IoT to help customers realize their DX and expanding business globally by working with them to create recurring business models.



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Personal Services Segment:

The Integration of Telecommunications and



Advancing “the Integration of Telecommunications and Life Design”

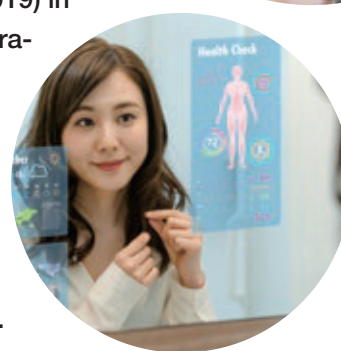
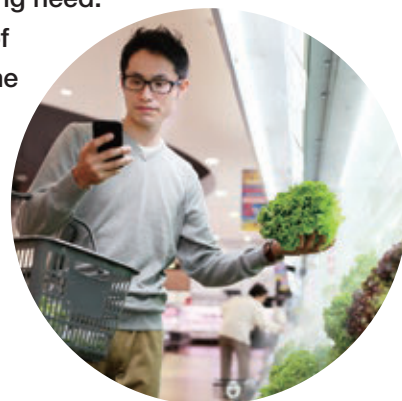
The competitive landscape for the domestic mobile telecommunications business is changing dramatically with the proliferation of discount smartphones, the entry of a new telecommunications carrier in autumn 2019, and revisions to telecommunications-related laws. We believe it would be more difficult to sustain growth at KDDI if we were to rely solely on the mobile telecommunications business.

Establishing new growth domains is a pressing need.

KDDI is pushing forward with “the integration of telecommunications and life design,” placing the telecommunications business and its customer base—sources of competitiveness—at the core of the consumer business, surrounded by concentric rings of commerce, finance, energy, entertainment, and education in the life design business.

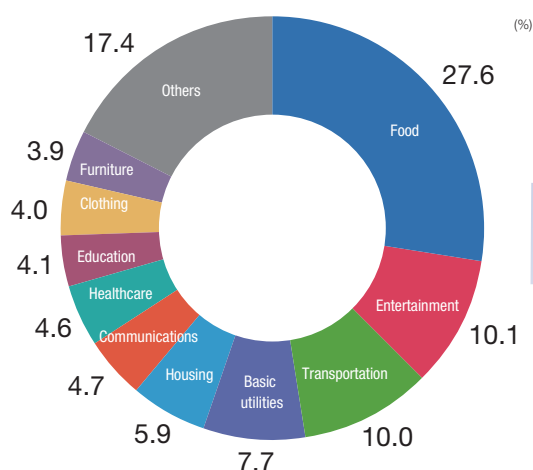
KDDI invested a total of ¥500 billion in growth over the three-year period of the previous medium-term management plan (the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2019) in order to bring together the parts necessary to push forward with “the integration of telecommunications and life design.”

Over the course of the new medium-term management plan, we aim to significantly grow these products and services as the life design domain. By providing comprehensive life design services for each life stage of its customers, KDDI will come closer to realizing its aims to be “the company the customer can feel closest to” and “a company that continues to produce excitement,” thus remaining the preferred choice of its customers.

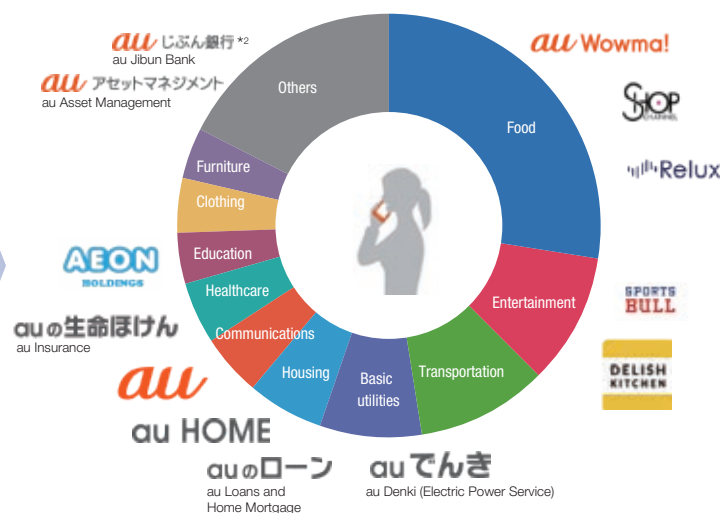


Provision of comprehensive life design services for every customer life stage

Breakdown of household expenditures*1 (households with two or more people)



KDDI's Life Design Domain



*1 Source: KDDI, based on data from Ministry of Internal Affairs and Communications' Family Income and Expenditure Survey (2018)

*2 The planned change in the company name of Jibun Bank is contingent upon receiving approval at the general meeting of shareholders for a revision of the articles of incorporation, as well as approval from the relevant authorities.

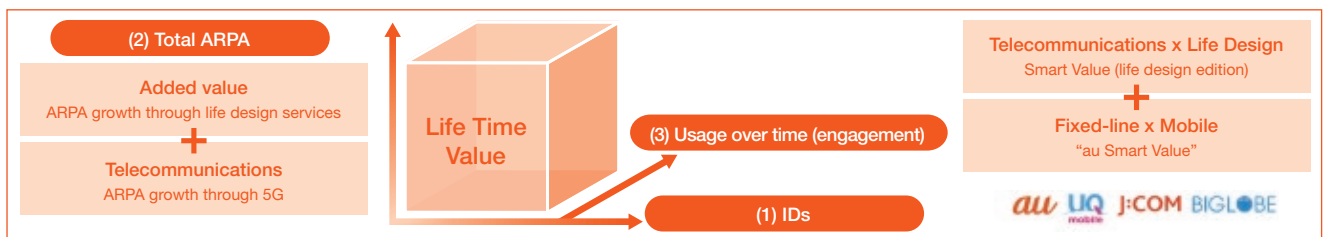
Life Design

Maximizing Life Time Value

To sustain growth, KDDI has expanded “total ARPA”, the combination of telecommunications and added value, by providing new experience value through the life design services it has created to date while leveraging its ID base, which has increased throughout the Group.

KDDI aims to deepen engagement with customers through the vigorous promotion of “au Smart Value,” a service that

bundles fixed-line and mobile telecommunications, and “Smart Value (life design edition),” a combination of telecommunications and life design services. We are keen to maximize Life Time Value as a concept of value generated as the product of (1) the number of customers (IDs) across the Group companies, (2) total ARPA, and (3) length of usage (engagement).

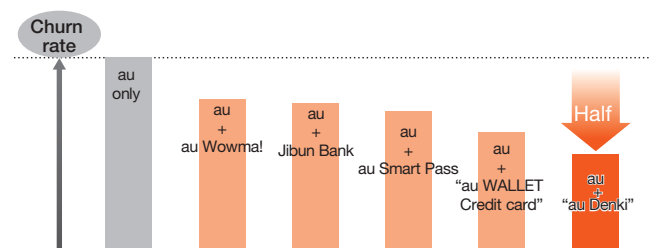


Benefits from Deeper Engagement

The churn rate for customers who have signed up for contracts that bundle au with “au Denki” or au with the “au WALLET Credit card” is much lower than that for customers who have only stand-alone contracts with au.

KDDI intends to deepen engagement with customers further by bundling services that customers use for longer periods of time than au Smartphone, such as financial products.

Significantly reduce churn rate using bundles with “au Denki” and credit cards



Growth Domains and M&A

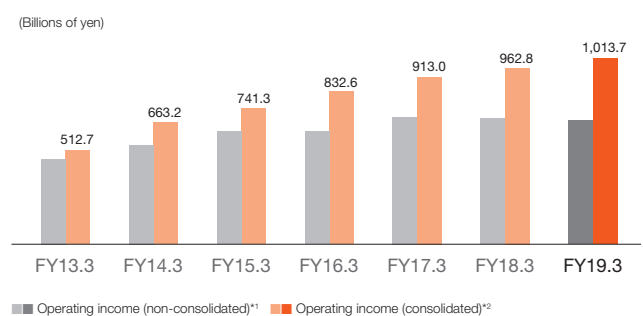
KDDI approaches M&A from the standpoint of generating synergies with its existing operations. KDDI positions the following four areas as growth domains:

- (1) Maximize Group IDs, the basis for “the integration of telecommunications and life design”
- (2) Maximize Life Time Value by expanding operating revenue and increasing engagement
- (3) Provide new value by acquiring capabilities towards the 5G and IoT era
- (4) Expand global business

KDDI supports the companies it has invested in as much as possible, prioritizing their growth as Group companies by granting them access to its assets.

This policy has driven growth in KDDI's own services, such as “au Smart Pass” and carrier billing, in the life design domain. In addition to the stable growth of KDDI's own services, Group companies have also contributed to KDDI's consolidated performance, creating a virtuous cycle.

A New Growth Stage for KDDI Group



*1 Operating income (non-consolidated) on a Japanese GAAP basis

*2 Operating income (consolidated) on a Japanese GAAP basis until the fiscal year ended March 31, 2015, and then on an IFRS basis from the fiscal year ended March 31, 2016.

Personal Services Segment:

Sustained Growth in the Life Design Domain

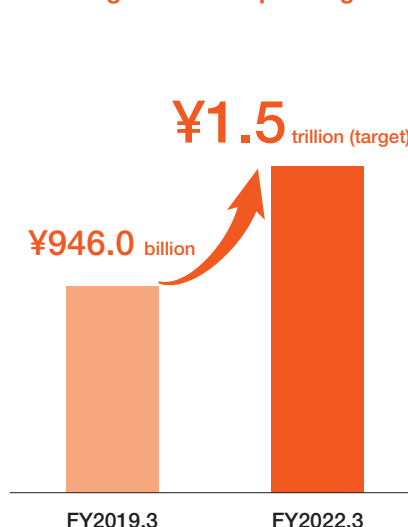
Under the new medium-term management plan unveiled in May 2019, KDDI aims to expand operating revenue from the life design domain to ¥1.5 trillion by the fiscal year ending March 31, 2022, the last year of the medium-term management plan. To achieve this goal, we are focusing on

- 1) expansion of commerce gross merchandise value,
- 2) growth in “au Denki” subscriptions, and
- 3) growth in the transaction volume of settlement and loan.

Furthermore, KDDI seeks to continue increasing operating income in the life design domain while maintaining current operating margins.



Life design domain: Operating revenue



*1 Total of point and prepaid card balances

*2 Total of active credit cards and prepaid cards issued

01: Expansion of Commerce Gross Merchandise Value

Commerce	Gross merchandise value	Fiscal year ended March 31, 2019	¥250.0 billion	→	Fiscal year ending March 31, 2022	¥400.0 billion
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The KDDI Group's commerce operations, including the “au Wowma!” online shopping site and the “Shop Channel,” a TV shopping service, generate annual gross merchandise value (GMV) of around ¥250 billion, as of the fiscal year ended March 31, 2019. Plans call for expanding GMV to about ¥400 billion by the fiscal year ending March 31, 2022.


To achieve this target, we are improving the lineup of life design merchandise to align more closely with the lifestyles of customers and strengthening collaborative efforts related to the au WALLET point program.

The au WALLET point program awards points to customers in a variety of ways, such as when they pay au

smartphone or other telecommunications charges; on a monthly basis under the “au STAR” benefits program, which encourages the long-term use of au services; when they settle “au Denki,” gas or other utility bills; or when they pay for financial products. Accumulated points (¥1 per point) can be used to pay for au services or daily shopping.

The balance of au WALLET points and the balance on au WALLET prepaid cards currently totals over ¥100 billion. We aim to expand the “au Economic Zone” by creating a self-reinforcing cycle within the “au Economic Zone” by, for example, encouraging customers to spend their points at “au Wowma!”

02: Growth in “au Denki” subscriptions

 Energy	“au Denki” subscriptions	Fiscal year ended March 31, 2019	Over 2.0 million	→	Fiscal year ending March 31, 2022	3.4 million (target)
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KDDI began offering “au Denki” in tandem with the deregulation of the retail electric power sector in April 2016.

Up to 5% of monthly charges for “au Denki” are converted into points for au WALLET. This simple and rewarding rate plan has been a success, as shown by the number of “au Denki” subscribers rising above 2 million as of March 31, 2019. KDDI aims to further expand revenue by increasing the number of subscribers to 3.4 million by March 31, 2022.

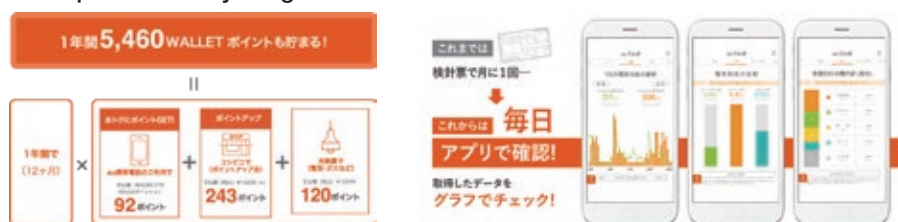
Moreover, we are concentrating our efforts on increasing bundled sales with “au WALLET Credit card” while expanding the customer base for “au Denki.”

As a latecomer to the credit card industry, KDDI needs to find a way to improve the stature of “au WALLET Credit card.” In this context, KDDI is focusing on enhancing

collaboration with the au WALLET point program and aggressively promoting bundled sales at retail stores, in the hope that customers who use the “au WALLET Credit card” as their main card to pay for utilities essential in their daily lives, such as telecommunications, electricity and gas bills, will begin to use it as their main credit card for payments for other items.


As a result of these initiatives, the ratio of “au Denki” subscribers that use “au WALLET Credit card” as their means of payment has steadily increased. Compared with customers who do not subscribe to “au Denki,” these customers tend to charge more on their credit cards every month, and this has the side effect of expanding credit card transaction volume.

Example of monthly usage



- 1 The first example features a customer who has been an au subscriber for less than four years and who has signed up for “au STAR.” The total includes 40 points for a flat-rate plan costing ¥4,980 (tax not included) and 52 points for a ¥5,378 (tax included) payment for au services using the “au WALLET Credit Card.”
- 2 The second example uses bonus point stores, where every ¥200 spent earns 3 points.

03: Growth in the Transaction Volume of Settlement and Loan

 Finance	Transaction Volume of Settlement and loan	Fiscal year ended March 31, 2019	¥4.4 trillion	→	Fiscal year ending March 31, 2022	¥6.0 trillion (target)
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KDDI is focusing efforts on the settlement and financial business as a profit growth driver for the life design domain. In the fiscal year ended March 31, 2019, the transaction volume of settlement and loan reached ¥4.4 trillion, and we aim to expand this to ¥6.0 trillion by the fiscal year ending March 31, 2022.

As the first step toward attaining this target, au Financial Holdings Corporation started business in April 2019, putting into place a structure for accelerating decision making in the financial services business and strengthening ties with Group companies in financial services.

Under this new structure, we will comprehensively provide a “smartphone-centric” settlement and financial services experience, where customers’ smartphones become a gateway for various financial services, such as savings, payments, investments, loans, and insurance.

Moreover, KDDI is promoting collaboration between banks and securities firms through capital participation in kabu.com Securities Co., Ltd. and Jibun Bank Corporation in June 2019. In the domestic consumer finance market, instead of traditional financial institutions, financial groups are more likely to see strong growth if they aim to expand business using Fintech, owing to the proliferation of smartphone-based services and a generational change in the customer base. We

believe KDDI has a substantial advantage entering this domain, thanks to its large base of more than 20 million smartphone customers.

KDDI aims to expand overall profits in the settlement and financial services business by latching its diverse settlement operations, including high-margin carrier billing, as well as au WALLET and au PAY services, onto growth in these new domains.

Provision of “smartphone-centric” settlements and financial services



*1 The planned change in the company name of Jibun Bank is contingent upon receiving approval at the general meeting of shareholders for a revision of the articles of incorporation, as well as approval from the relevant authorities.

*2 We will steadily change the names of each company to match our au brand, subject to obtaining approval from the relevant authorities. Logos of au Insurance Company and kabu.com Securities are currently under discussion, and have not been determined.

Business Services Segment:

New Growth Opportunities and Solutions



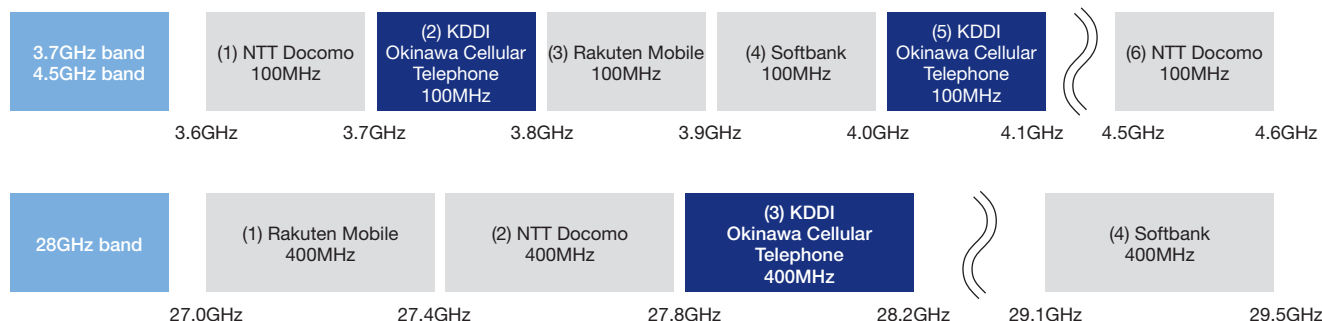
KDDI plans to commence commercial 5G services in 2020. In line with “creating innovation toward the 5G era,” one of our business strategies under the new medium-term management plan, we will pursue 5G innovation in diverse fields with partner companies.

Through this innovation, KDDI aims to further improve corporate value by supporting regional revitalization and the resolution of social issues, bringing novel business models to society.



5G Rollout Plan

3.7GHz band 100MHz x 2 ranges + 28GHz band 400MHz = total 600MHz



Source: Data prepared by KDDI based on materials from the Ministry of Internal Affairs and Communications
http://www.soumu.go.jp/main_content/000613734.pdf



Hybrid Network



In April 2019, KDDI received its allocation of the 5G frequency. KDDI plans to launch trials of 5G services in limited regions from September 2019, before releasing 5G-compatible smartphones by the end of March 2020. While expanding its 5G coverage areas, KDDI will deploy a hybrid network based on its existing robust 4G network in order to ensure high-speed, high-quality services.

The frequency allocated to KDDI totals 600MHz, including two 100MHz ranges in the 3.7GHz band, and one 400MHz range in the 28GHz band. This represents the most

bandwidth that KDDI has ever been allocated. These frequencies are in close proximity to the 5G bandwidth already being introduced in the United States and South Korea, and these frequency bands are likely to be used around the world for 5G services. Having secured this desirable frequency, KDDI will be able to strengthen its competitiveness for the 5G era, and anticipates a reduction in network development costs and handset procurement costs. KDDI will also make capital outlays efficiently while sharing facilities with other companies.

for Social Issues with 5G

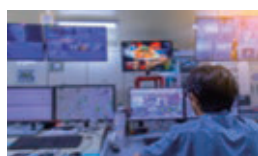
Innovations with 5G



Smart factories



Autonomous driving



Remote operations



Remote medical care



Free view point image stadium views

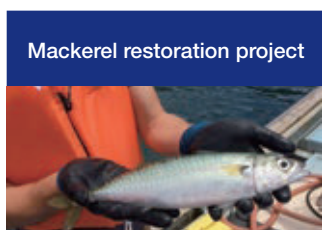
Partner companies



5G technology is likely to find applications in a broad range of fields, thanks to its high capacity, low latency, and massive connectivity. KDDI is keen to pursue 5G innovation through tie-ups with partners in diverse fields that range far beyond the telecommunications industry. KDDI DIGITAL GATE, which opened as a center for open innovation in September 2018, works with customers launching IoT businesses to devise

solutions to their problems. To date, it has helped over 200 companies. KDDI DIGITAL GATE's greatest advantage is its ability to solve customer issues with the latest technologies and to rapidly prototype ideas with agile development. By collaborating with startups, major enterprises and local government entities, we are expanding the scope of business development for the coming 5G/IoT era.

Accelerating the use of 5G with partners



Obama City, Fukui Prefecture



Aizuwakamatsu City, Fukushima Prefecture



Gotenba City, Shizuoka Prefecture



Hamamatsu City, Shizuoka Prefecture

KDDI entered into agreements for regional collaboration on 5G usage with 63 local governments in Japan in a bid to solve regional issues and realize regional revitalization.

Established ¥3.0 billion KDDI Regional Initiatives Fund in April 2019

Contributed to SDGs by promoting digital transformation using 5G with regional venture firms

Accelerated deployment of 5G with venture firms

Over the past few years, international movements to address social issues, like the United Nations SDGs, which identify global issues, have gained momentum. Companies are increasingly expected to contribute to the sustained growth of society through their business activities.

KDDI has identified utilizing 5G to promote regional revitalization as an initiative in line with KDDI's target SDGs outlined in its new medium-term management plan.

KDDI has long striven to solve social issues by collaborating with regional governments and local companies all over Japan. With the 5G era on the horizon, KDDI is promoting innovation through collaboration with partners and has formed similar ties with 63 local governments across the nation.

In April 2019, KDDI established the KDDI Regional Initiatives Fund, a regional revitalization fund. The Fund plans to invest ¥3.0 billion over the next five years in local companies and venture firms that are revitalizing regions by introducing innovative technologies and business models. KDDI is strongly pushing ahead with regional revitalization by supporting businesses through the KDDI Regional Initiatives Fund and by deploying KDDI resources, technologies, and expertise.

Through the use of 5G technology, KDDI aims to be “a company that contributes to the sustained growth of society” while growing alongside the regional communities it serves.

Business Services Segment:

Business Expansion through Collaboration

As IoT and AI technologies grow in leaps and bounds, communications connecting these technologies will become embedded throughout society. Beginning with infrastructure, a multiplicity of things will produce data, and traditional business models will change dramatically as a result of this digital transformation. During this period of change, KDDI is working with its partners to build business platforms to help its customers enable a digital transformation.

With our customers, we aim to sustain growth by creating recurring business centered on IoT as a driver of business growth.

Business Expansion Based on the Recurring Business Model

KDDI interacts with corporate customers facing an endless variety of issues. In our Business Services Segment, we focus on “operational contributions,” that is, discovering the true nature of a customer’s business issue and proposing a solution. This approach allows us to work closely with customers while sustaining growth in revenue and profit. In 2018, KDDI received first place in the J.D. Power 2018 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study*¹ for a sixth consecutive year, as well as first place in the J.D. Power 2018 Japan Business Mobile Phone and PHS Service Satisfaction Study (large and mid-sized corporation market segment)*² for a third straight year.

KDDI provides a diverse range of business platforms and by linking them with the platforms of its partners aims to create new B2B and B2C businesses. By utilizing the Big Data that

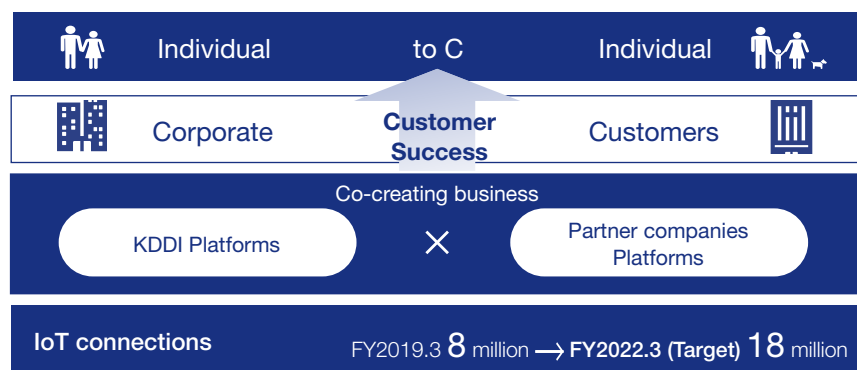
customers accumulate through ubiquitous IoT, which connects everything together, KDDI’s relationship with its customers is changing, and its engagement is deepening. As a result, our business model will evolve from the current one based on flat-rate subscriptions for the same services to a recurring business model where we propose ideas and provide value to customers in a never-ending cycle of value creation. KDDI aims to expand new business models based on recurring revenue as a driver of growth. With recurring business driving growth, KDDI aims to increase operating revenue in the new Business Services Segment to ¥1 trillion, and increase the total number of IoT connections to 18 million, by the fiscal year ending March 31, 2022.

*¹ J.D. Power 2018 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study

*² J.D. Power 2018 Japan Business Mobile Phone and PHS Service Satisfaction Study

Enhancing initiatives in new growth fields, centered on IoT businesses

Creation of Recurring Business



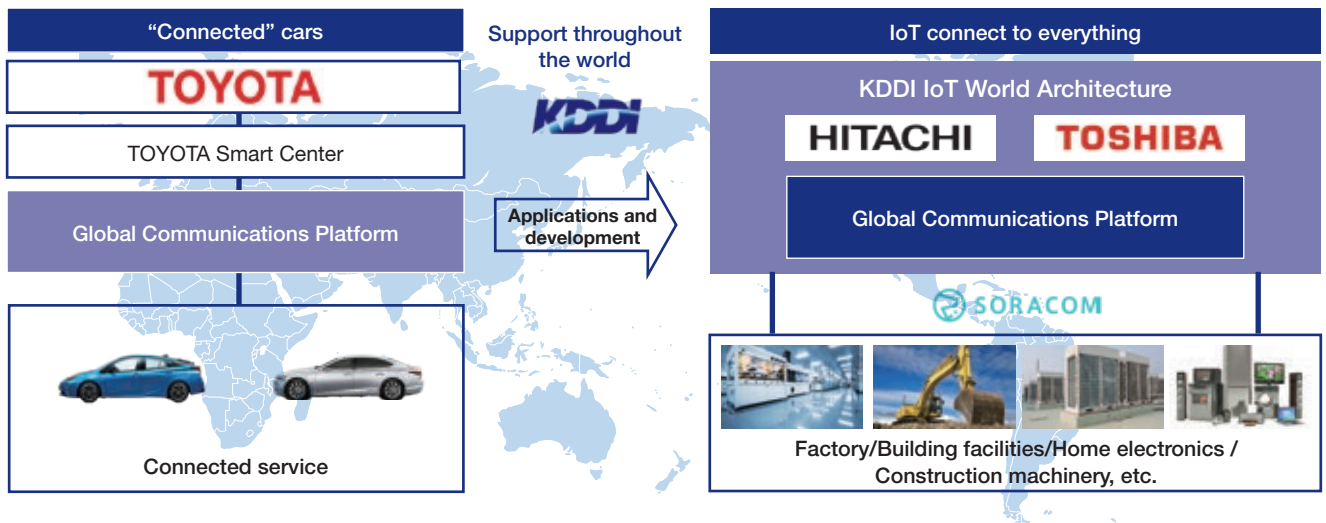
Operating revenue of new business segment



Providing IoT business overseas, from communications connectivity to service development and data analysis

with Partners

Supporting customer businesses with global partners



KDDI has been cooperating with Toyota Motor Corporation since 2016 on an initiative to build a global communications platform that provides high-quality and reliable communications services that link cloud computing services with the automotive equipment necessary for connected cars. After applying and developing this global communications platform, KDDI began offering trials of the KDDI IoT World Architecture platform in May 2019.

KDDI IoT World Architecture helps customers in various industries deploy IoT on a global basis. The platform identifies

and offers a connection to the optimal network available, even when roaming, and provides data collection and analysis services in collaboration with Hitachi, Ltd. and Toshiba Corporation. In addition, it provides support for compliance with relevant laws and regulations as well as device authentication.

Moreover, through our work with subsidiary SORACOM, Inc., we are enabling the use of IoT applications in more than 120 countries and regions. With this strength, KDDI aims to further expand the global business.

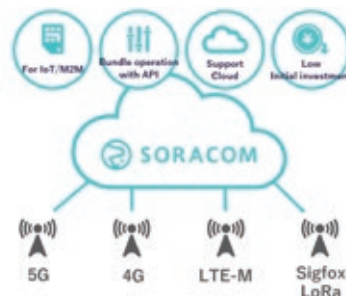
What is SORACOM?

KDDI turned SORACOM, Inc., a leading company in the IoT domain, into a consolidated subsidiary in August 2017. The SORACOM communications platform fuses together communications and cloud computing services, providing reasonably priced and secure communications services that are ideal for IoT applications. Customers can control and manage all of their connections and devices from a web-based console or API on the SORACOM platform. Moreover, the platform facilitates the rapid deployment and operation of IoT systems through the utilization of various services, including links to cloud services, closed group connectivity, device management and remote monitoring. After launching domestic services in September 2015, SORACOM rolled out services in the United States and Europe. The service is now accessible in more than 130 countries and regions, with over 15,000 subscribers to the SORACOM platform worldwide.

The combination of KDDI's IoT business platform and SORACOM's platform has been a strong catalyst for building out domestic and global IoT platforms, and the IoT-related knowledge that KDDI has gained will be deployed alongside customer platforms to create new IoT businesses.



Building mobile core networks in the cloud
with Amazon Web Service (AWS)
15,000 businesses already use IoT services



- Realize cutting-edge IoT services with the latest cloud technologies. Linking to the KDDI IoT World Architecture helps expand IoT coverage area for businesses to more than 130 countries and regions.

Creating value in new business domains by
acquiring new capabilities

KDDI's Sustainability



KDDI discloses in detail its initiatives to address six material sustainability issues in the Sustainability Report. The following is an explanation of issues related to governance, the environment measure, human rights, and human resources.



Minoru Tanaka
General Administration Division
Executive Officer of Sustainability

“Achieving a truly connected society” is the ultimate goal of the KDDI Group Mission Statement. KDDI engages in sustainability activities as a part of its management strategy in order to help solve social issues and encourage the sustained growth of society.

The foundation of KDDI's sustainability activities is the KDDI Group Philosophy, which has informed our code of conduct and the shared thinking of managers and employees since our founding. These activities are also a part of ongoing efforts to strengthen corporate governance to ensure transparency and fairness. Furthermore, we strive to engage in dialogue with diverse stakeholders that support our business, such as customers, business partners, shareholders, local communities, and government agencies. While creating shared value with our stakeholders, we are committed to addressing the six Material Sustainability Issues.

Around the world, movements to address social issues have gained momentum, as demonstrated by the Paris Agreement, an international framework to address climate change, signed at COP21; the Task Force on Climate-related Financial Disclosures (TCFD); and the United Nations' Sustainable Development Goals (SDGs) to solve international issues. We created KDDI's Target SDGs to steadily advance sustainability activities for the next three years under the new medium-term management plan (FY2020.3-FY2022.3). We set targets that are tied to business strategies, encompassing telecommunications, global business, regional revitalization, education, and finance, as well as to corporate activities, including developing human resources, supporting women's advancement in the workplace, respecting human rights, promoting diversity and inclusion, and conserving the environment. As we strive to reach these targets, the entire company will continue working together over the medium to long term to provide solutions to social issues.

KDDI's 6 Material Sustainability Issues

	Safer and more resilient connected world	
	Cyber security and privacy protection	
	Fulfilled life brought through ICTs	
	Rewarding workplaces for diverse talents	
	Respect for human rights and fairness in business	
	An energy-efficient, circular economy	

Please refer to *Sustainability Report 2018* for more detailed information about KDDI's sustainability not included in this report.
<https://www.kddi.com/english/corporate/csr/report/2018/>



Governance



By proactively adhering to Corporate Governance Code and practicing the KDDI Group Philosophy, the foundation of its corporate activities, KDDI endeavors to strengthen corporate governance. We believe in the importance of strengthening corporate governance across the entire KDDI group, including subsidiaries, and we are building a structure for sharing know-how and proactively supporting KDDI group companies in this regard. KDDI directly holds meetings with institutional investors on the topics of governance and sustainability, in addition to events directed at individual investors, as a part of its proactive approach to communications with stakeholders.

Human Rights



As part of the ICT industry, we face many potential human rights issues, including rights to privacy and freedom of expression as well as requests from government authorities to disclose customer data for legitimate purposes. We will continue our efforts to identify and address human rights issues in our business activities through ongoing dialogue with our stakeholders, while furthering understanding among employees of the KDDI Action Guidelines and the KDDI Group Human Rights Policy.

Environmental Measures



Movements to address environmental issues have accelerated, as demonstrated by the Paris Agreement and the establishment of the SDGs and TCFD. Around the world, initiatives are under way to realize a society with zero CO₂ emissions. In Japan, where renewable energy still has room to expand, specific action plans are urgently needed for its promotion. Through our core ICT business and other information communications operations, we contribute to improvements in work efficiency and reductions in the movement of people, helping to reduce CO₂ in society and reign in climate change. However, these benefits are countered by the rather large environmental impact caused by telecommunications equipment. In 2017, ahead of other telecommunications carriers in Japan, KDDI formulated the KDDI GREEN PLAN 2017-2030 with goals for reducing its total volume*¹ of CO₂ emissions through the use of energy-saving telecommunications equipment and renewable energy. Putting these plans into action, we are concentrating on initiatives that are even more environmentally friendly than before.

Human Resources



As the productive population declines in Japan, it is imperative that companies provide attractive work environments that enable diverse work styles so that employees can use their various skills to the fullest, with the ultimate aim of sustaining their growth as businesses and contributing to society. KDDI will continue to promote respect for diversity—in the context of women, nationality, LGBT*² orientation, disability, and age/generation—and work to accommodate various personalities and abilities in its organization. In April 2019, KDDI LEARNING CORPORATION was established as a wholly owned subsidiary to take charge of human resource development for employees of the KDDI Group. While supporting the growth of KDDI Group employees, promoting the exchange of human resources, and creating synergies in Group operations, KDDI LEARNING CORPORATION plans to offer educational services for its stakeholders that draw on KDDI's accumulated experience and knowledge in human resource development. Its aim is to contribute to broader society by helping people and companies grow. In April 2018, KDDI announced the KDDI Group Declaration of Health-Focused Management in a message from the President, and then created the Work Style Reform & Health Management Department in January 2019 as an organization focusing on health management. By promoting health management, we aim to establish a "health first" culture that fosters improvements in employee vitality and productivity.

*¹ Targets a 7% reduction in CO₂ emissions for KDDI on a non-consolidated basis (Japan) by the fiscal year ending March 31, 2031, compared with levels in the fiscal year ended March 31, 2014.

*² LGBT stands for lesbian, gay, bisexual and transgender. Gender minorities include other people with identities other than LGBT, but for the sake of convenience in this report, LGBT refers to all gender minorities.

KDDI's Target SDGs

Medium-Term Management Plan (FY2020.3-FY2022.3)

KDDI's Target SDGs

Social Issues to Be Solved through Business		Comparable SDGs	Sustainability Targets (FY2022.3)
Telecommunications	Building a safe and resilient information and telecommunications-based society	 	<ul style="list-style-type: none"> 4G LTE population coverage over 99.9% Provide 5G commercial services in all prefectures Reinforce communication stations against flooding and earthquakes, enhance resiliency of routes
Global Business	Promoting economic development in countries with inadequate infrastructure	 	<ul style="list-style-type: none"> Reach 70 million mobile connections*1 in emerging countries where KDDI has a communications business presence Total of 6 ICT projects to eliminate digital divides
Regional Revitalization	Building communities where everyone can prosper	  	<ul style="list-style-type: none"> Total of over 60 initiatives to co-create solutions for issues with regions using IoT / ICT
Education	Training the next-generation of human resources	 	<ul style="list-style-type: none"> Enroll about 130,000 students in foreign-language education, create highly efficient educational environment using advanced technologies, such as adaptive learning*2 ICT education support in emerging countries, introduce English and PC classrooms at 11 schools in Cambodia
Finance	Providing financial services anyone can easily use	 	<ul style="list-style-type: none"> Settlements / financial service transactions totaling ¥6.0 trillion
×			
Partnership	Contribute to solutions for social issues in partnership with stakeholders		

*1 Activated SIM cards ("Mobile connections, including licensed cellular IoT" in GSMA)

*2 Adaptive planning: The provision of study materials and learning methods optimized for each individual, based on each student's level of understanding and progress.

Topics 01

Telecommunications Business





First experiment in Japan using 5G to remotely monitor autonomous driving cars




In February 2019, KDDI conducted the first experiment in Japan using 5G to remotely monitor autonomous driving cars on public roads.

Numerous social issues have emerged as a result of increasing numbers of elderly drivers and others with limited transportation options after relinquishing their driver's licenses. Looking to the future, autonomous driving car technology and ICT show promise as transportation solutions for people who face hardship in shopping, as well as for alleviating shortages of bus and taxi drivers, while also stimulating tourism and the automobile industry.



Social Issues to Be Solved through Corporate Activities		Comparable SDGs	Sustainability Targets (FY2022.3)
Human Resource Development	Enhancing expertise and providing autonomous career development		<ul style="list-style-type: none">• Promote 200 women to line manager positions (target for FY2021.3)• Update foundation for facilitating the employment of senior citizens as a leading company (target for FY2022.3)• Reduce CO₂ emissions by 7% compared with FY2014.3 level at KDDI (domestic non-consolidated basis) (target for FY2031.3)
Support for Women's Advancement	Realizing workplaces where diversity is respected		
Respect for Human Rights, Diversity & Inclusion	Realizing diverse work styles		
Environmental Conservation	Contributing to a sustainable global environment		
✕			
Partnership	Contribute to solutions for social issues in partnership with stakeholders		



Topics 02 Human Resource Development	Establishment of KDDI LEARNING CORPORATION for corporate human resource development
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In April 2019, KDDI LEARNING CORPORATION was established as a wholly owned subsidiary to help train human resources for the KDDI Group. We are currently building training facilities that can accommodate overnight stays, while also facilitating various events, as well as the planning and implementation of employee training for Group companies. Plans call for opening the facility in April 2020.

We aim to support the growth of KDDI Group employees, facilitate the exchange of human resources, and create synergies among Group businesses. At the same time, we are planning to offer services to stakeholders that take advantage of the experiences and know-how gained in human resource development for KDDI Group employees. KDDI aims to contribute to society at large through support for the growth of people and companies.

Executive Members

(As of June 19, 2019)

Directors



Takashi Tanaka

Chairman, Representative Director
Number of the Company's shares held: 62,500

Feb. 1957 Born
Apr. 2003 Executive Officer
Jun. 2007 Managing Executive Officer, Director
Jun. 2010 Senior Managing Executive Officer, Representative Director
Dec. 2010 President, Representative Director
Apr. 2018 **Chairman, Representative Director (Current position)**



Hirofumi Morozumi

Vice Chairman, Representative Director
Number of the Company's shares held: 28,800

May 1956 Born
Jun. 1995 Director
Jun. 2001 Executive Officer
Apr. 2003 Managing Executive Officer
Jun. 2003 Managing Executive Officer, Director
Jun. 2007 Senior Managing Executive Officer, Director
Jun. 2010 Executive Vice President, Representative Director
Apr. 2018 **Vice Chairman, Representative Director (Current position)**



Makoto Takahashi

President, Representative Director
Number of the Company's shares held: 27,300

Oct. 1961 Born
Apr. 2003 Executive Officer
Jun. 2007 Managing Executive Officer, Director
Jun. 2010 Senior Managing Executive Officer, Representative Director
Jun. 2016 Executive Vice President, Representative Director
Apr. 2018 **President, Representative Director (Current position)**
Apr. 2019 **Executive Director, Corporate and Marketing Communications (Current position)**



Yoshiaki Uchida

Executive Vice President, Representative Director
Number of the Company's shares held: 16,700

Sept. 1956 Born
Apr. 2013 Executive Officer
Apr. 2014 Managing Executive Officer
Jun. 2014 Managing Executive Officer, Director
Apr. 2016 Executive Director, Technology Sector (Current position)
Jun. 2016 Senior Managing Executive Officer, Director
Jun. 2018 **Executive Vice President, Representative Director (Current position)**



Takashi Shoji

Senior Managing Executive Officer, Director
Number of the Company's shares held: 11,400

Sept. 1958 Born
Oct. 2010 Executive Officer
Apr. 2014 Managing Executive Officer
Jun. 2016 Managing Executive Officer, Director
Jun. 2018 **Senior Managing Executive Officer, Director (Current position)**
Apr. 2019 **Executive Director, Consumer Business, Global Consumer Business, and Product & Customer Service Sector (Current position)**



Shinichi Muramoto

Senior Managing Executive Officer, Director
Number of the Company's shares held: 9,100

Mar. 1960 Born
Oct. 2010 Executive Officer
Apr. 2016 Managing Executive Officer
Jun. 2016 Managing Executive Officer, Director
Apr. 2018 **Executive Director, Corporate Sector (Current position)**
Jun. 2018 **Senior Managing Executive Officer, Director (Current position)**



Keiichi Mori

Senior Managing Executive Officer, Director
Number of the Company's shares held: 11,100

Feb. 1960 Born
Oct. 2014 Executive Officer
Apr. 2017 Managing Executive Officer
Jun. 2017 Managing Executive Officer, Director
Apr. 2019 **Executive Director, Solution Business Sector (Current position)**
Jun. 2019 **Senior Managing Executive Officer, Director (Current position)**



Kei Morita

Managing Executive Officer, Director
Number of the Company's shares held: 11,800

Nov. 1961 Born
Apr. 2015 Executive Officer
Apr. 2017 **General Manager, Life Design Business Sector (Current position)**
Apr. 2018 Managing Executive Officer
Jun. 2018 **Managing Executive Officer, Director (Current position)**



Toshitake Amamiya

Managing Executive Officer, Director
Number of the Company's shares held: 36,800

Jun. 1960 Born
Apr. 2012 Executive Officer
Apr. 2019 Managing Executive Officer
Apr. 2019 **Deputy Executive Director, Consumer Business Sector and General Manager, Consumer Business Strategy Division (Current position)**
Jun. 2019 **Managing Executive Officer, Director (Current position)**

Goro Yamaguchi

Outside Director
Number of the Company's shares held: 4,500

Jan. 1956 Born
Jun. 2009 Director and Managing Executive Officer of Kyocera Corporation
Apr. 2013 President and Representative Director, President and Executive Officer of Kyocera Corporation
Apr. 2017 **Chairman of the Board and Representative Director of Kyocera Corporation (Current position)**
Jun. 2017 **Outside Director of KDDI (Current position)**

Keiji Yamamoto

Outside Director
Number of the Company's shares held: 0

Mar. 1961 Born
Apr. 2016 Executive General Manager of TOYOTA MOTOR CORPORATION
Apr. 2017 Managing Officer of TOYOTA MOTOR CORPORATION
Jun. 2019 **Outside Director of KDDI (Current position)**
Jul. 2019 **Operating Officer, President, Connected Company of TOYOTA MOTOR CORPORATION (Current position)**

Yoshiaki Nemoto

Outside Director, Independent Director
Number of the Company's shares held: 1,500

Dec. 1945 Born
Apr. 1995 Professor, Graduate School of Information Sciences, Tohoku University
Apr. 2000 Head of Information Synergy Center, Tohoku University
Apr. 2004 Councillor of Educational Research Board, Tohoku University
Apr. 2008 Director, Tohoku University
Apr. 2012 Director General of Resilient ICT Research Center, the National Institute of Information and Communications Technology (NICT)
Jun. 2016 **Outside Director of KDDI (Current position)**

Shigeo Ohyagi

Outside Director, Independent Director
Number of the Company's shares held: 700

May 1947 Born
Jun. 2005 Executive Officer, Member of the Board of Teijin Limited
Jun. 2006 Senior Executive Officer, Member of the Board of Teijin Limited
Jun. 2008 President and CEO, Representative Director of the Board of Teijin Limited
Apr. 2014 Chairman, Member of the Board of Teijin Limited
Jun. 2014 **Outside Audit & Supervisory Board Member of JFE Holdings, Inc. (Current position)**
Apr. 2018 Senior Advisor, Member of the Board of TEIJIN LIMITED
Jun. 2018 **Senior Advisor of TEIJIN LIMITED (Current position)**
Outside Director of KDDI (Current position)
Member of the Board of Directors (Outside), Member of the Audit & Supervisory Committee of MUFG Bank, Ltd. (Current position)

Riyo Kano

Outside Director, Independent Director
Number of the Company's shares held: 0

May 1966 Born
Apr. 1993 Registered as attorney at law
Jan. 2005 **Partner, Tanabe & Partners (Current position)**
Aug. 2014 **Member of Commission on Policy for Persons with Disabilities of Cabinet Office (Current position)**
June 2015 **Outside Director of The Yamanashi Chuo Bank, Ltd. (Current position)**
Feb. 2017 **Member of Examination Committee for Relief Assistance of Ministry of Health, Labour and Welfare (Current position)**
Jun. 2019 **Outside Director of KDDI (Current position)**

Audit & Supervisory Board Members

Koichi Ishizu

Full-time Audit & Supervisory Board Member
Number of the Company's shares held: 12,900

Akira Yamashita

Full-time Audit & Supervisory Board Member
Number of the Company's shares held: 600

Yasuhide Yamamoto

Full-time Audit & Supervisory Board Member
Number of the Company's shares held: 14,000

Kakuji Takano

Audit & Supervisory Board Member
Number of the Company's shares held: 2,100

Nobuaki Katoh

Audit & Supervisory Board Member
Number of the Company's shares held: 0

● Outside directors and Audit & Supervisory Board members
● Independent directors and Audit & Supervisory Board members

Composition of Directors and Advisory Committees

Name	Newly appointed	Representative rights	Independent	Outside	Execution of business	Nomination Advisory Committee	Remuneration Advisory Committee	Other
Takashi Tanaka		●			●	●	●	Chairman of Board of Directors
Hirofumi Morozumi		●			●			
Makoto Takahashi		●			●	●	●	
Yoshiaki Uchida		●			●			
Takashi Shoji					●			
Shinichi Muramoto					●			
Keiichi Mori					●			
Kei Morita					●			
Toshitake Amamiya	●				●			
Goro Yamaguchi				●		●	●	
Keiji Yamamoto	●			●		●	●	
Yoshiaki Nemoto			●	●		●	●	
Shigeo Ohyagi			●	●		●	●	
Riyo Kano	●		●	●		●	●	

* During the fiscal year ended March 31, 2019, the Nomination Advisory Committee met on three occasions and the Remuneration Advisory Committee met on two occasions.

Corporate Governance

Basic Views on Corporate Governance, Composition of Board of Directors, Corporate Governance Framework

Basic Views on Corporate Governance

As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operator, our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.

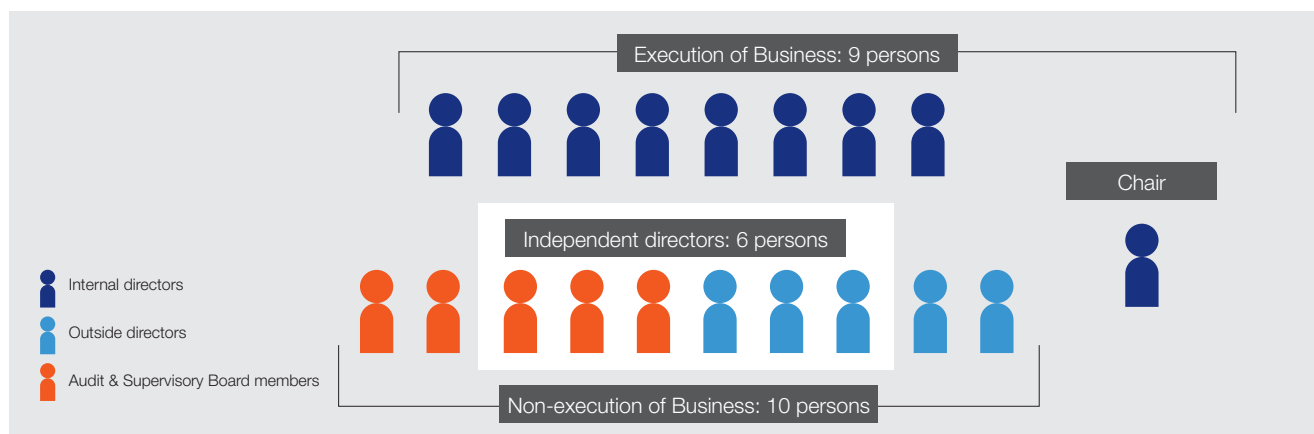
Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders, including customers, shareholders, business partners, employees, and local communities, and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and truly connected society.

We recognize reinforcing corporate governance as important to achieving sustainable growth and increased corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the “Corporate Governance Code” defined by the financial instruments exchanges. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making.

In addition to our corporate credo and mission statement, we have formulated the “KDDI Group Philosophy,” which defines perspectives, values, and a code of conduct that officers and employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.

By proactively adhering to Japan’s Corporate Governance Code and practicing the KDDI Group Philosophy, which we consider inseparable from the standpoint of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increased corporate value over the medium to long term.

Composition of Board of Directors



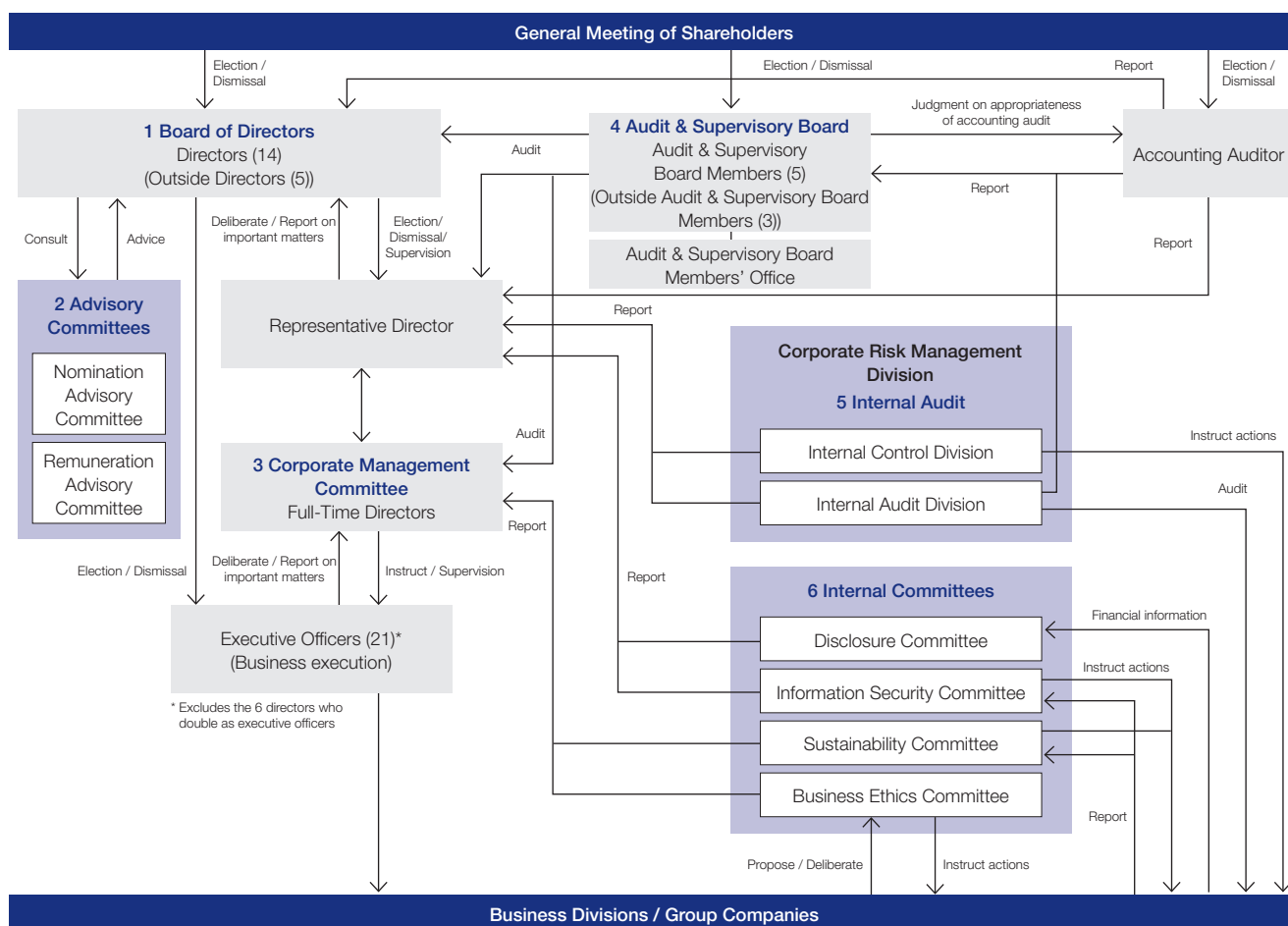
Changes in the Corporate Governance Framework

		2000—				2005—				2010—				2015—				2019—				(Year)
President		Yusai Okuyama				From June 2001 Tadashi Onodera				From December 2010 Takashi Tanaka				From April 2018 Makoto Takahashi								
Directors	Number of directors	53	13	12	11					10	13	12		13	→ 14							
	Outside directors			2	3					4	3			→ 2		→ 3	4	5				
Assurance of diversity ^{*1}	Number of female directors														1							
Audit & Supervisory Board members	Number of Audit & Supervisory Board members	5		→ 4						→ 5												
Ensure independence	Number of independent directors ^{*3}										2	1	3		→ 4	5	6					
	Advisory Committee																					
Transparency in executive remuneration		Introduction of a stock option system in 2002																				
		Remuneration Advisory Committee established in 2011																				
		Introduction of a performance-based bonus system for executives in 2011																				
		Introduction of stock compensation plan for directors in 2015																				
The KDDI Group Philosophy		Enactment in October 2000												Revised, continued promotion activities from 2013								

^{*1} Number of people at the conclusion of each Annual General Meeting of Shareholders

^{*2} Number of people at the conclusion of an Extraordinary Meeting of Shareholders convened in October 2000

^{*3} Independent officers pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.



1 Board of Directors

At KDDI, Board of Directors resolutions determine:

- Matters prescribed by the Companies Act or other laws and regulations,
- Matters prescribed by the Articles of Incorporation,
- Matters delegated for resolution at the general shareholder meeting, and
- Other important management-related matters.

For other important management-related matters, their importance is determined according to such factors as the scale of money, business, assets, and investment involved.

These decision standards for importance are not permanent. Rather, they are reviewed appropriately in accordance with changes in the legal system and the environment in which the Company operates, with the aim of ensuring management speed and effectiveness.

2 Advisory Committees

KDDI has formed a Nomination Advisory Committee and a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors to maintain both transparency and fairness in the system of nomination of executive candidates and Audit & Supervisory Board member candidates and the level of remuneration for executives.

The Chairman, Vice Chairman and half or more of the members of these committees are outside directors.

3 Corporate Management Committee

Comprised of internal directors, executive officers and others, the Corporate Management Committee deliberates and decides on important matters related to business execution at the Company and its subsidiaries.

4 Audit & Supervisory Board / Audit & Supervisory Board Members

Audit & Supervisory Board members conduct their audit work based on audit policies and plans established by the Audit & Supervisory Board and carry out their work by attending meetings of the Board of Directors, the Corporate Management Committee, and other major internal meetings. The Audit & Supervisory Board receives reports on the audit methods of Audit & Supervisory Board members and their results, discusses them, and offers its opinions, as appropriate, at meetings of the Board of Directors.

5 Internal Audit

KDDI conducts periodic internal audits targeting all the operations of the Group, and regularly reviews the appropriateness and effectiveness of internal controls.

The results of these internal audits are reported to the president and the Audit & Supervisory Board members, along with recommendations for improvement and correction of any problems.

6 Internal Committees

KDDI has put in place the KDDI Group Business Ethics Committee (P. 41) to deliberate and make decisions on compliance-related items for the Group. We have also established a Disclosure Committee (P. 43) to gather financial results information to be disclosed at fiscal period-ends, as well as an Information Security Committee to ensure overall information security regarding information assets, and a Sustainability Committee, set up to deliberate on sustainability related matters such as CSR and the environment.

Corporate Governance

Effectiveness evaluation, appointment of outside officers and support

Analysis and Evaluation of the Effectiveness of the Board of Directors

Objective of Board of Director Evaluations

To ensure a correct understanding of the current status of its Board of Directors and to work toward continuous improvement, KDDI has its Board of Directors conduct regular annual self-evaluations.

Overview of the Evaluation Process

KDDI verifies the effectiveness of its Board of Directors based on an evaluation by the directors and the Audit & Supervisory Board members. The evaluation is conducted in questionnaire form, combining a four-grade rating scale with free space for comments. This supports our efforts to validate the effectiveness of our initiatives and uncover any areas for improvement from both a quantitative and qualitative perspective.

The evaluation targets the most recent one-year period and is conducted regularly on an annual basis. The results are reported to the Board of Directors, which then considers future countermeasures.

Key items for evaluation are as listed below.

- Operation of the Board of Directors (including composition, documentation and explanations, provision of information, etc.)
- Management supervision (including conflicts of interest, risk management, and management of subsidiaries, etc.)
- Medium to long-term discussions (consideration for medium-term management planning, monitoring of plan execution, etc.)

Overview of Evaluation Results

Summary

The Company's Board of Directors was found to be managed appropriately and functioning effectively.

The following two points were found to be rated particularly highly.

- Meaningful questions and opinions are actively expressed by outside directors and Audit & Supervisory Board with diverse backgrounds, including a management executive, attorney at law, certified public accountant and expert in information engineering, thereby achieving due consideration of each agenda item.
- In order to fulfill their role as outside directors, the outside directors, Audit & Supervisory Board members, and accounting auditors cooperate and share information on company issues, etc. as well as providing information from the company.

Improvements over the Previous Evaluation

Themed discussion of the next medium-term management plan was held four times in 2018. On each occasion, opinions were vigorously exchanged from various angles, so that awareness of issues and in-depth discussion of key strategies were further enhanced. Thus, the Company's Board confirmed that an issue raised in the previous evaluation, "further expansion of discussion of medium- and long-term business strategies," had been accomplished.

Future Issues to be Addressed

We will work toward continued improvement of the following two key issues, aimed at sustainable growth of corporate value.

- While pursuing expansion into different industries and fields centered on the telecommunications business, we will discuss the Company's social mission and business strategies and what kind of company we want to be from various perspectives.
- In order to grow the business of Group companies and reinforce corporate governance, we will monitor the management status and operating structure of subsidiaries in Board of Directors meetings in a timely manner.

Decision Standards for Independence of Outside Executives

In addition to the independence standards provided by financial instruments exchanges, the Company has formulated its own standards. Specifically, these standards state that people hailing from business partners making up 1% or more of the Company's consolidated net sales or orders placed are not independent. Other matters are given individual consideration depending on circumstances.

Support for Outside Directors and Audit & Supervisory Board Members

In addition to notifying outside directors and outside Audit & Supervisory Board members in advance of the schedule and agenda for meetings of the Board of Directors, proposal materials are also distributed prior to the meetings to encourage understanding of the agenda items and invigorate discussion at the meetings.

Questions are also accepted in advance and are used to enhance explanations on the day of the meeting, in an effort to provide for deepening more substantial deliberations.

Outside of the Board of Directors, in addition to business strategy and management status, we provide information on research and development, and technology are offered.

Regarding business outlines, the heads and general managers of each business headquarters explain the overall picture and issues in detail, and the management status of subsidiaries is regularly reported. We also have opportunities to inspect sites such as social exhibitions of research and development results, telecommunication facilities, and monitoring and maintenance centers. In addition, we report twice a year on corporate ethics and risk management activities.

In addition, in order for outside directors to maintain their independence and strengthen their ability to collect information, collaboration with auditors has been strengthened, and regular liaison meetings between outside directors and auditors have been held. Auditors also explain audit results to outside directors.

In addition, in order to strengthen information exchange and information sharing among outside directors, we hold liaison meetings for only outside directors and liaison meetings for outside directors and part-time auditors.

Through these efforts, we are deepening our understanding of KDDI's business, thereby invigorating discussions on management strategies at the Board of Directors and improving the effectiveness of management supervision and monitoring.

On April 1, 2006, KDDI established the Auditing Office to support Audit & Supervisory Board members, including outside members.

Reasons for Appointment as Outside Officers and Principal Activities (FY2019.3)

Name	Reason for appointment as an outside director of the Company	Principal activities
Goro Yamaguchi	Mr. Yamaguchi has a wealth of corporate management experience and excellent knowledge cultivated as the president and representative director of one of the world's leading electronic components and equipment manufacturers. In the Board of Directors meetings, the Company has received a large number of broad opinions related to business administration and operations from him based on a medium- to long-term perspective and has determined that he can continue to contribute to improving the corporate value of the Company. Accordingly, he has again been appointed as an outside director.	Attended 12 of the 12 meetings of the Board of Directors
Keiji Yamamoto	Mr. Yamamoto has excellent knowledge cultivated in IT development and electronics engineering divisions and abundant management experience as a management at the one of the world's leading automobile manufacturers. The Company has determined that he can contribute to improving the corporate value of the Company by giving broad opinions on promoting 5G/IoT strategy, etc. from a medium- to long-term perspective, and for these reasons he has been selected as an outside director.	—
Yoshiaki Nemoto	Mr. Nemoto has a superior knowledge in information processing, telecommunications and network engineering, which is directly relevant to the business of the Company, as well as a deep understanding of disaster prevention that is valuable for the operation of our business. In the Board of Directors meetings, he has offered many expert opinions from an independent position from the management team regarding operational policy as an information communications operator providing social infrastructure, taking a medium- to long-term perspective. We wish to continue benefitting from his contributions to the enhancement of the Company's corporate value. Accordingly, he has again been appointed an outside director. Moreover, with this background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent director.	Attended 12 of the 12 meetings of the Board of Directors
Shigeo Ohyagi	Mr. Ohyagi has a wealth of corporate management experience and excellent knowledge cultivated as the president and CEO of one of the world's leading companies in the fields of synthetic fibers, chemical products, medicines and medical treatment, and distribution and retail. The Company determined that he can contribute to improving the corporate value of the Company by giving broad opinions from a medium- to long-term perspective, especially focusing on the field of life design business that the Company will promote in the future, global strategy and M&A. Accordingly, he has been appointed an outside director. Moreover, with this background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent director.	Attended 9 of the 10 meetings of the Board of Directors*
Riyo Kano	Ms. Kano has abundant experience and superior knowledge, cultivated as a partner at a law firm and a committee member of government committees. The Company has determined that she can contribute to improving the corporate value of the Company by giving technical opinions related to legal risk management from her experience based on a medium- to long-term perspective independent of the management team, and for these reasons she has been selected as an outside director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has been nominated as independent director.	—

Name	Reason for appointment as an outside Audit & Supervisory Board member of the Company	Principal activities
Akira Yamashita	Mr. Yamashita has cultivated abundant experience and knowledge gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	Attended 12 of the 12 meetings of the Board of Directors Attended 12 of the 12 meetings of the Audit & Supervisory Board
Kakuji Takano	Mr. Takano has abundant experience as a Certified Public Accountant, as the representative of an accountancy firm and as an auditor for other companies, in addition to which he has cultivated extensive experience and knowledge in the execution of business at various organizations. From the perspective of leveraging this primarily accounting-related knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	Attended 12 of the 12 meetings of the Board of Directors Attended 12 of the 12 meetings of the Audit & Supervisory Board
Nobuaki Katoh	Mr. Katoh has abundant experience as a director of listed companies and has cultivated extensive experience and knowledge as an auditor and through execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	Attended 10 of the 12 meetings of the Board of Directors Attended 10 of the 12 meetings of the Audit & Supervisory Board

* Attendance and number of meetings following new appointment as director at the 34th Annual Shareholders Meeting held on June 20, 2018

Policy on Strategic Shareholdings

KDDI believes that participating in tie-ups with a variety of companies is essential to providing our customers with increasingly diverse and advanced services.

KDDI possesses strategic shareholdings if such possession will contribute to the sustainable growth of KDDI's business and the mid- long-term increase of corporate value.

Every year, the Board of Directors reviews all the pros and cons of continuing the possession of each individual strategic

holding by judging the significance and economic rationale. Which have tenuous significance, we will sell a strategic shareholding as promptly as possible.

The Company calculates the ratio of the contribution by the issuing company to the Company's profits within the most recent fiscal year. The economic rationale is verified by comparing the ratio with valuation of each strategic shareholding at the end of the most recent fiscal year, whether the ratio satisfies the capital cost standard established by the Company.

Messages from Outside Directors



Yoshiaki Nemoto
Outside Director and
Independent Director

Shigeo Ohyagi
Outside Director and
Independent Director

Riyo Kano
Outside Director and
Independent Director

Yoshiaki Nemoto **Outside Director and Independent Director**

The information and communication technologies movement that KDDI is a part of has contributed enormously to the world as an essential element of social infrastructure with cutting-edge technologies. The 5th Generation Mobile Communications System (5G) being constructed now is the product of innovative technologies, and its use has the potential to substantially change the lifestyles of people everywhere. Against this backdrop, I believe KDDI and other MNOs have the responsibility not only to provide services at affordable rates, but also to support their customers' lifestyles by maintaining the reliability of the communication networks and systems as a part of the fabric of society, and by providing the information they need, whenever and wherever they need it.

Since becoming an Outside Director at KDDI in 2016, I have expressed my opinions and made suggestions at meetings of the Board of Directors, especially regarding the state of R&D and telecommunications services, based on my extensive knowledge and experience in the communications network engineering and information processing fields.

KDDI has unveiled a new medium-term management plan with measures to advance the transformation of its services with an eye on changing communications technologies.

As KDDI makes inroads into new fields, as an Outside Director, I will continue to contribute to improving the Company's corporate value.

Shigeo Ohyagi **Outside Director and Independent Director**

KDDI is expected to accomplish great things as a leader in the information industry and society for the future. The "integration of telecommunications and life design" is one of its initiatives in this regard. I have real-world experience in business areas other than telecommunications so I am extremely interested in improving customer convenience and satisfaction by providing physical products and services through virtual spaces free from constraints of time and place.

When the Company was formulating the new medium-term management plan, the details of the plan were examined carefully from a long-term perspective and broad scope. As an Outside Director, I offered my

opinions and ideas about the Company's initiatives in growth fields, such as life design and global business, as well as its efforts to solve social issues.

Looking ahead, the expectations for leading companies and the missions they are being demanded to undertake will only grow larger. I believe KDDI's mission is to work toward genuinely helping solve social issues in Japan, including an increasingly elderly population, regional disparities, and environmental issues.

As an Outside Director, with this mission in mind, I will engage in lively debate, while relying on my own experiences and insights, at meetings of the Board of Directors.

Riyo Kano **Outside Director and Independent Director**

In 1993, when I registered as an attorney, mobile phones had just started to take off in Japan. Back then, I was in charge of a project related to the mobile phone business, and I remember the pride I felt being at the pinnacle of a new business venture.

The situation has changed in various ways since then. Smartphones and mobile communications have become an essential lifeline in people's lives. Having been appointed an Outside Director of KDDI, I feel a great weight of responsibility as the Company engages in the telecommunications business, such an essential

lifeline, with a diverse range of other businesses centered around this core.

Amid rapid and significant changes in the environment and society, I will make every effort to fulfill my duties as an Outside Director so that KDDI will be able to pursue its mission. Without forgetting where I came from, I will leverage my knowledge and experience as an attorney and, as a representative in various public capacities, to advise the Board of Directors from the perspective of a long-term customer.

Corporate Governance

Executive Remuneration

Executive Remuneration

To ensure the transparency and fairness in executive compensation systems and levels, the Company has established a Remuneration Advisory Committee to conduct deliberations and provide advice to the Board of Directors in accordance with the consultation thereof. Compensation (base salary, bonus, stock compensation) for each director is decided at the Board of Directors meeting based on the advice of the Compensation Advisory Committee.

Remuneration for Executive Members (Fiscal year ended March 31, 2019)

Executive classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)			Number of recipients (people)
		Basic remuneration	Bonus	Stock compensation	
Directors (excluding outside directors)	710	390	136	184	10
Outside directors	75	75	—	—	7
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	52	52	—	—	3
Outside Audit & Supervisory Board members	50	50	—	—	3

Notes: 1 Above payment to directors includes three directors (of which two were an outside director) who retired at the conclusion of the 34th Annual General Meeting of Shareholders held on June 20, 2018. The number of Directors received bonuses is nine, excluding said retired Directors.

2 Above payment to Audit and Supervisory Board members includes one auditor (who was not an outside director) who retired at the conclusion of the 34th Annual General Meeting of Shareholders held on June 20, 2018.

3 In addition to the above, a resolution of the 20th General Meeting of Shareholders held on June 24, 2004, was passed that determined directors and Audit & Supervisory Board members receive a retirement allowance in connection with the cancellation of the executive retirement bonus system.

Types and Methods for Determining Remuneration and others

	Type of Remuneration	Composition Ratio	Method of Determination	Maximum Amount of Remuneration	General Meeting of Shareholders Approval Date
Directors	Basic remuneration	Flat-rate remuneration 55%	<ul style="list-style-type: none"> Based on such factors as directors' professional ranking and the management environment. Reference values are considered and set at appropriate levels using information from outside experts 	Maximum monthly remuneration of ¥50 million.	June 18, 2014 30th General Meeting of Shareholders
	Bonus	Performance-linked stock compensation* 45%	Bonuses are linked to and determined by the rate of achievement of the Group's consolidated revenue, operating income and profit for each fiscal year, as well as the achievement of certain KPIs (net additions of Mobile IDs, au churn rate, value added ARPA, etc.)	Within 0.1% of consolidated net income (profit attributable to owners of the parent under IFRS) during the applicable fiscal year	June 16, 2011 27th General Meeting of Shareholders
	Stock compensation (trust type)			Applies to directors, executive officers and administrative officers: Total number of points (maximum) granted per fiscal year to those eligible: 357,000 points (Converted at a rate of 1 point = 1 share)	Introduced: June 17, 2015 31st General Meeting of Shareholders Revised: June 20, 2018 34th General Meeting of Shareholders
Audit & Supervisory Board members	Flat-rate remuneration only		Paid only basic remuneration that is not affected by fluctuations in the Company's operating performance.	Maximum annual remuneration of ¥130 million (for each business year)	June 22, 2016 32nd General Meeting of Shareholders

* Performance-linked stock compensation

The Company has been introducing performance-linked stock compensation since 2015 in order to clarify the link between management's compensation, performance and stock value, and to increase the willingness to contribute to medium- to long-term performance improvement and corporate value improvement.

The system we introduced was partially revised in 2018, and the ratio of performance-based compensation to total compensation was 45%**.

** A numerical value calculated based on the assumption that the achievement rate is 100%, based on the ratio of bonuses and stock compensation that fluctuate depending on the performance.

Formula for performance-linked stock compensation

Bonus= Basic amount by position multiplied by the Company operating performance and KPI evaluation

Stock compensation= Basic points by position multiplied by the Company operating performance and KPI evaluation

Results of Remuneration Advisory Committee Meeting (FY2019.3)

- The Remuneration Advisory Committee met twice, and all members attended.
- They discussed the level of performance-linked compensation and the revision of the executive remuneration system (partial revision and continuance of the stock compensation system).

Compliance

Compliance Policy

We recognize that in order to fulfill our social responsibilities through our business activities, raising compliance awareness throughout the group is a fundamental issue of corporate management.

As a global corporate group, we continue to further enforce our group-wide compliance framework.

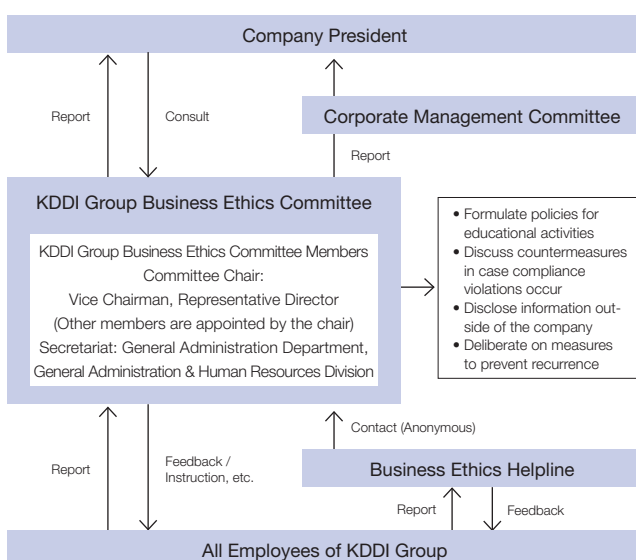
KDDI Group Compliance and Enforcement Framework

We created the KDDI Code of Business Conduct to encourage ethical behaviors of employees with a compliance mindset. It's published on the intranet to ensure that it is shared and practiced, enabling employees to check it whenever they are unsure what action to take.

Also, we established the KDDI Group Business Ethics Committee as a decision making body for KDDI Group's compliance related matters. The KDDI Group Business Ethics Committee is chaired by the Vice Chairman, Representative Director, and members include directors and additional nominees appointed by the chair as required. They hold a meeting once every half-year, and in addition to assessing the conditions of Group companies, the committee builds and supports enhancement of compliance frameworks. The committee is also responsible for helpline issues, corruption prevention and compliance issues such as breaches of competition laws.

In addition, the committee formulates policies on raising awareness as well as discusses countermeasures in case compliance violations occur, and is responsible for disclosure of such information and prevention of recurrence, too. The report on their activities is made available to all employees via the intranet.

KDDI Group Compliance and Enforcement Framework



Business Ethics Helpline (Grievance Mechanism)

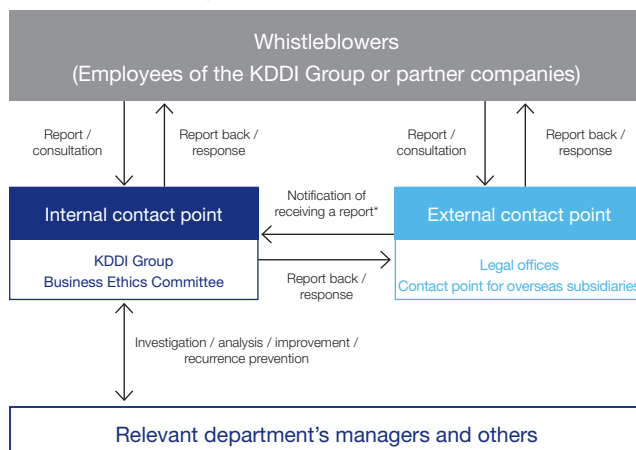
We established the Business Ethics Helpline in 2006 to serve as a contact point for all employees of KDDI, KDDI Group companies and business partners who have questions or concerns about business ethics and legal compliance. The helpline is available anytime and can receive reports through an internal or external contact point established in collaboration with external experts (Reports can be received by e-mail, phone call or letter, in multiple languages).

Furthermore, we have established company regulations to enable anonymous whistleblowing based on the Whistleblower Protection Act enacted in Japan in April 2006.

In the fiscal year ended March 31, 2019, we received 330 reports and inquiries, but there were no reports of serious issues that lead to disciplinary action or require external announcement.

The KDDI Group Business Ethics Committee conducts investigation of the issues reported as required while protecting privacy, and when the problems are detected, the committee members as well as the management team and the Audit & Supervisory Board members receive the report and take corrective actions along with measures to prevent recurrence.

Business Ethics Helpline



* Reports that the external contact point received are delivered to the internal contact point, keeping anonymity for the whistleblowers

Preventing Anti-Competitive Behaviors

The KDDI Code of Business Conduct defines rules that prohibit anti-competitive behaviors, and we make efforts to ensure that all employees comply with competition laws.

In addition to competition laws, we stipulate that local laws and regulations in each country and region on labor, tax, the environment, monopoly and consumer protection must be examined thoroughly to ensure full compliance.

Under the KDDI Guidelines for CSR in Supply Chain, we demand our business partners not engage in any activities that inhibit fairness, transparency or freedom of competition.

In the fiscal year ended March 31, 2019, there were no legal actions against us concerning anticompetitive or monopolistic conduct.

We fully adhere to these related regulations and continue appropriate business operations.

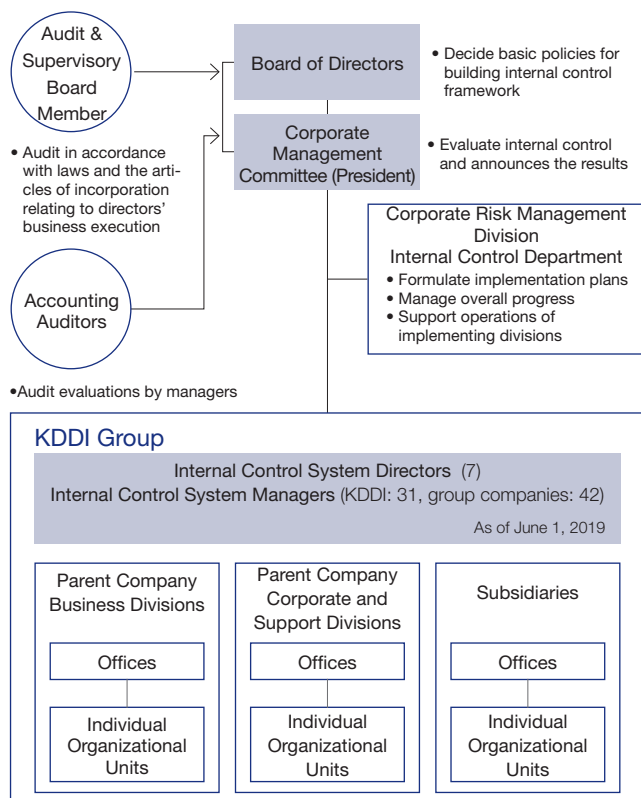
Risk Management and Internal Controls

Risk Management and Internal Controls

In the ever changing business environment, the risks that companies face are more diverse and complicated.

We define factors and events that negatively influence the achievement of our business goals as risks and consider enforcing risk management a material business challenge. In order to be sustainable and responsible to society, we promote risk management initiatives throughout the KDDI Group.

KDDI Group Internal Control Framework



Our Risk Management and Internal Control

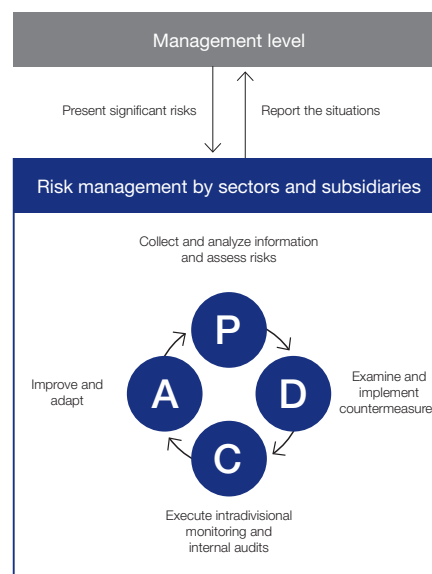
We have established a system to centralize the management of risks, which we define as factors that have the potential to block the achievement of our business goals, with the Corporate Risk Management Division at the core.

Furthermore, we are working to promote risk management throughout the KDDI Group, including subsidiaries, in order to realize continuous growth of the entire group.

We have appointed 31 Internal Control System Managers within KDDI and 42 at group companies, as well as 7 Internal Control System Directors to oversee their activities. Under their leadership, we introduce and run internal control systems, carrying out risk management activities and run operational quality improvement activities to foster a company culture in which risks are less likely to arise.

Risk Management Activity Cycle

In order to prevent critical events for the company, we at KDDI consider that it is important to recognize signs of danger and implement preventive measures before the situation worsens. Based on this idea, we follow the PDCA cycle for risk management. We also have an organizational framework for risk management in place to ensure any risks we find will be addressed promptly and appropriately.



Risk Identifying Process

We regularly examine information about risks to identify significant risks that seriously influence corporate business, and discuss measures to reduce such risks and their impacts as much as possible in case we face them. In order to ensure the achievement of our business goals, in the fiscal year ended March 31, 2019, we selected 25 significant risks based on issues that manifested in the past and changes in the business environment, and held internal audits based around risk prediction, reduction of significant risks, as well as risk approach. The selected significant risks include cyber-attacks, which is becoming increasingly complex, global businesses and issues relating to new business fields we are entering such as e-commerce, finance and accounting and energy, which aim to make the Integration of Telecommunications and Life Design a reality. We have also identified risks arising from the expansion of the group through M&A as significant risks and have implemented more robust measures against them.

In order to minimize information security risks, we have also established a common standard applicable group-wide to improve the level of information security across the group including newly joined group companies.

The status of these significant risks is also reflected on business risks that are revealed in the Securities Report since it relates to the finance as well.

Disclosure and IR

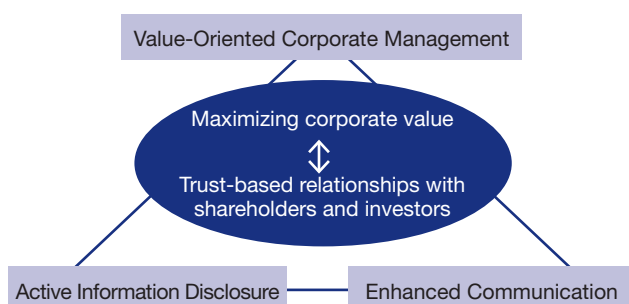
Fundamental Thinking

The Company is fully committed to undertaking fair and timely disclosure in an easily understandable manner of any information that could have a material bearing on the investment decisions of investors. Such disclosure is conducted on an ongoing basis, and is focused on the requirements of shareholders and investors. The Company's policy in this regard is in line with the Financial Instruments and Exchange Act and the Securities Listing Regulations of Tokyo Stock Exchange, Inc. governing the timely disclosure of information concerning the issuers of publicly listed securities. KDDI discloses its IR Basic Policy* on its website, explaining such matters as fundamental thinking regarding IR activities and the system for disclosing pertinent information. In particular, KDDI has set up a Disclosure Committee that concentrates on determining what information should be disclosed with the goal of improving business transparency and supplying appropriate information to the public.

* Matters to be decided by the Board of Directors.

IR Basic Policy

KDDI places top management priority on building a trusting relationship with its shareholders and investors, ensuring value-oriented corporate management, active information disclosure, and enhanced communication.



Three IR Activity Guidelines

Through IR based on the activity guidelines outlined below, KDDI strives to build long-term, trust-based relationships with shareholders and investors, as well as maximize its corporate value.

Open IR Activities

We value interactive dialogue with our shareholders and investors as well as ensuring accountability to our shareholders and investors through honest and fair information disclosure.

Proactive IR Activities

By always incorporating new ideas into our IR activities, we strive to make KDDI known to more people and promote further knowledge of the Company.

Organized IR Activities

Under the leadership of management, all of our officers and employees, including those of Group companies, engage in organized IR activities to further increase corporate value.

IR Activities in the Fiscal Year Ended March 31, 2019

Enhancing Communication





Earnings presentation meetings were held quarterly to allow management to directly communicate the Company's results. KDDI also held individual and small group meetings with investors from Japan and overseas, and participated in various conferences and seminars for individual investors sponsored by securities companies for better communication.

KDDI takes the opinions expressed by shareholders and investors seriously, communicating them not only to management but also to employees in general. Such opinions are considered an extremely valuable reference in the formation of business and management strategies.

Results of IR Activities in the Fiscal Year Ended March 31, 2019

Individual meetings with institutional investors	Approx. 800 times
Financial results briefings	4 times
Overseas road shows	12 times
Number of participants or/ viewers of seminars for individual investors	Approx. 1,200 people

Key External Recognition

Overseas	<ul style="list-style-type: none"> FTSE4Good Index Series MSCI ESG Leaders Indexes Euronext Vigeo Eiris World Index 120 Ethibel® Sustainability Index Excellence Global etc. 	 
In Japan	<ul style="list-style-type: none"> DBJ Environmentally Rated Loan Program MS-SRI Gold Award in the PRIDE Index Second overall in the 13th CSR Company Ranking etc. 	 

Active Information Disclosure

KDDI provides webcasts of its results presentations on its website, and also posts an English-language version of its results presentations. Earnings reports, financial statements and operational data, information related to corporate governance, and other types of disclosure documents are made available. This data can also be viewed on our IR app and website, which are compatible with multiple devices.

Moreover, in our small meetings, we provided on-demand streaming of certain briefings on the Company website.

As a result of our IR activities, in the fiscal year ended March 31, 2019, KDDI has received excellent evaluations. The Company was selected for a third consecutive year to receive the Daiwa Investor Relations Internet IR 2018 Grand Prize. We were also ranked Gold Prize in the "Gomez IR Website Overall Ranking 2018" by Morningstar Japan K.K. In addition, we achieved third place (first award) in the "Disclosure to Individual Investors" category of the "Securities Analysts Selection of Best Companies for Disclosure" (FY2019.3) by the Securities Analysts Association of Japan.



Consolidated Financial Highlights*¹

(Years ended March 31)

Consolidated	2010	2011	2012	2013
Operating Revenues/Operating Revenue ▶ P.53	¥3,442,147	¥3,434,546	¥3,572,098	¥3,662,289
Operating Income ▶ P.53	443,862	471,912	477,648	512,669
Operating Margin	12.9%	13.7%	13.4%	14.0%
EBITDA* ³	927,253	936,315	908,499	959,571
EBITDA Margin	26.9%	27.3%	25.4%	26.2%
Net Income/Profit for the Year Attributable to Owners of the Parent ▶ P.53	212,764	255,122	238,605	241,470
Capital Expenditures ▶ P.55	518,034	443,677	421,568	467,020
Depreciation and Amortization	460,940	449,318	417,886	406,726
Interest-Bearing Debt ▶ P.54	1,096,778	979,630	1,046,754	977,563
Equity Ratio/Ratio of Equity Attributable to Owners of the Parent	52.8%	55.7%	51.5%	55.1%
Return on Equity/Ratio of Return on Equity Attributable to Owners of the Parent (ROE)	11.0%	12.4%	11.5%	11.2%
Return on Assets/Ratio of Return on Total Assets (ROA)	12.2%	12.4%	12.3%	12.7%
Earnings per Share/Net Basic Earnings per Share* ⁴ (yen/U.S. dollars)	79.61	96.92	96.86	105.30
Dividends per Share* ⁴ (yen/U.S. dollars) ▶ P.53	21.67	23.33	26.67	30.00
Dividend Payout Ratio	27.2%	24.1%	27.5%	28.5%
Net Cash Provided by (Used in) Operating Activities	739,992	717,354	725,886	523,908
Net Cash Provided by (Used in) Investing Activities	(924,442)	(440,546)	(484,507)	(472,992)
Free Cash Flows* ⁵ ▶ P.55	(184,450)	276,808	241,379	50,916
Net Cash Provided by (Used in) Financing Activities	149,239	(279,998)	(225,931)	(140,249)
Number of Consolidated Employees (people)	18,301	18,418	19,680	20,238
Number of Female Managers* ⁶ (people)	59	92	113	124
Number of Consolidated Foreign Employees (people)	—	—	—	—
CO ₂ Emissions* ⁷ (t) ▶ P.29	1,181,403	1,108,282	1,218,659	1,049,422
Power Consumption* ⁸ (MWh)	2,126,440	1,995,042	2,190,787	1,885,703

*1 Terminology differences between Japanese GAAP and IFRS (adopted from the fiscal year ended March 31, 2016) will be presented as "Japanese GAAP/IFRS."

*2 Yen amounts are translated into U.S. dollar amounts, for convenience only, at the rate of ¥110.99 = U.S.\$1 on March 31, 2019.

*3 From the fiscal year ended March 31, 2013 and in the fiscal year ended March 31, 2015, the EBITDA calculation formula has been changed.

Until the fiscal year ended March 31, 2012 (JGAAP): EBITDA = Operating income + depreciation + noncurrent assets retirement cost

Until the fiscal year ended March 31, 2015 (JGAAP): EBITDA = Operating income + depreciation + amortization of goodwill + noncurrent assets retirement cost

Since the fiscal year ended March 31, 2015 (IFRS): EBITDA = Operating income + depreciation and amortization + noncurrent assets retirement cost + impairment loss

*4 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.

*5 Free cash flows = Net cash provided by (used in) operating activities + net cash provided by (used in) investing activities

*6 Including KDDI employees on loan outside of the Company in addition to full-time KDDI employees

*7 Covers electric power and fuel consumption (heavy oil, light oil, kerosene, and city gas) on a non-consolidated basis. The emission coefficient for electric power consumption is 0.555kg-CO₂/kWh (emissions excluding heat, steam, and hot/cold water).

*8 Non-consolidated basis

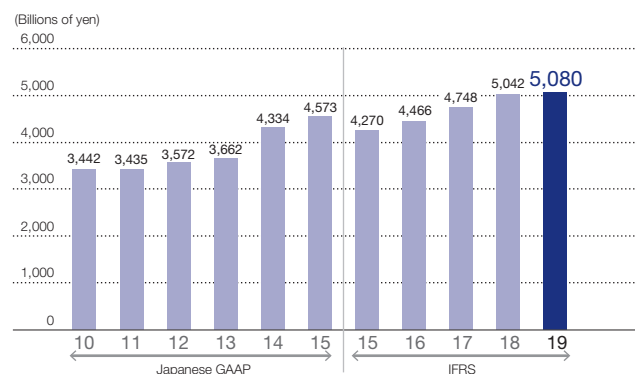
Japanese GAAP								IFRS
		Millions of yen						Millions of U.S. dollars*2
2014	2015	2015	2016	2017	2018	2019	2019	
¥4,333,628	¥4,573,142	¥4,270,094	¥4,466,135	¥4,748,259	¥5,041,978	¥5,080,353	\$45,773	
663,245	741,299	665,719	832,583	912,976	962,793	1,013,729	9,134	
15.3%	16.2%	15.6%	18.6%	19.2%	19.1%	20.0%	20.0%	
1,186,069	1,292,597	1,284,553	1,410,971	1,524,207	1,560,061	1,598,670	14,404	
27.4%	28.3%	30.1%	31.6%	32.1%	30.9%	31.5%	31.5%	
322,038	427,931	395,805	494,878	546,658	572,528	617,669	5,565	
571,799	576,197	667,714	531,434	519,365	560,831	601,757	5,422	
470,098	494,570	518,708	532,442	545,177	546,609	562,282	5,066	
1,084,966	1,002,214	1,154,116	1,235,287	1,151,650	1,118,616	1,275,711	11,494	
55.1%	57.3%	54.5%	56.3%	56.7%	57.4%	57.1%	57.1%	
13.0%	14.9%	13.5%	15.5%	15.9%	15.6%	15.5%	15.5%	
14.7%	14.5%	12.1%	14.5%	15.0%	15.0%	14.6%	14.6%	
132.87	170.84	158.01	197.73	221.65	235.54	259.10	2	
43.33	56.67	56.67	70.00	85.00	90.00	105.00	1	
32.6%	33.2%	35.9%	35.4%	38.3%	38.2%	40.5%	40.5%	
772,207	962,249	968,752	884,538	1,161,074	1,061,405	1,029,607	9,277	
(546,257)	(674,520)	(635,745)	(667,917)	(637,225)	(633,847)	(714,578)	(6,438)	
225,950	287,729	333,006	216,621	523,849	427,558	315,028	2,838	
(105,643)	(224,862)	(310,528)	(299,003)	(485,784)	(453,168)	(310,951)	(2,802)	
27,073	28,172	28,456	31,834	35,032	38,826	41,996	41,996	
140	177	177	251	270	302	321	321	
2,630	2,624	2,624	4,380	4,423	4,308	4,208	4,208	
939,502	1,044,357	1,044,357	1,081,553	1,067,495	1,163,912	1,209,600	1,209,600	
1,686,480	1,873,293	1,873,293	1,939,115	1,913,747	2,086,626	2,167,968	2,167,968	

Financial and Non-Financial Highlights

(Years ended March 31)

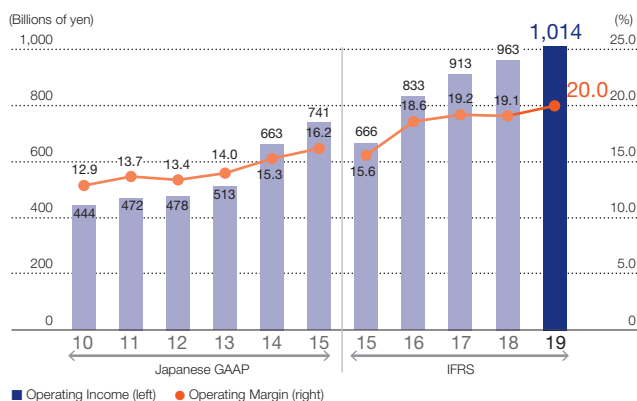
Operating Revenues/Operating Revenue

YOY +0.8%



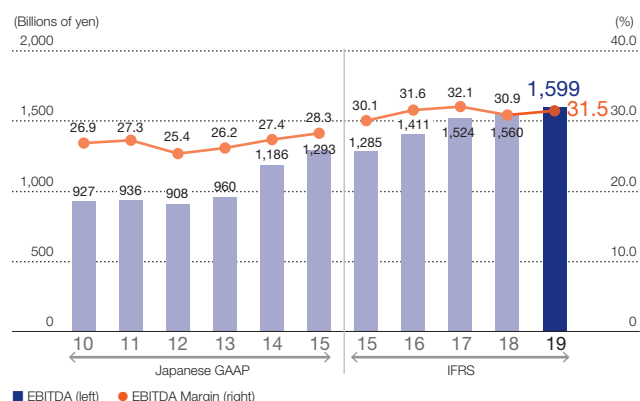
Operating Income

YOY +5.3%



EBITDA

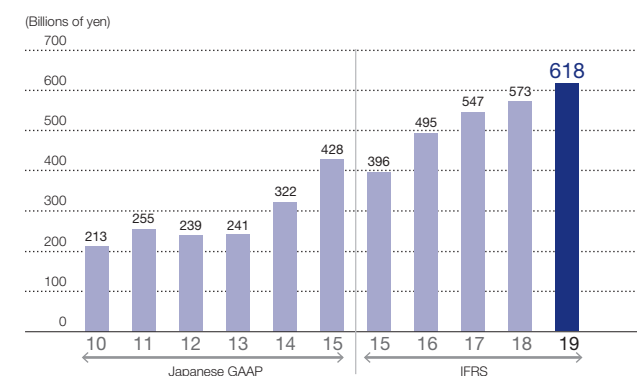
YOY +2.5%



Net Income/

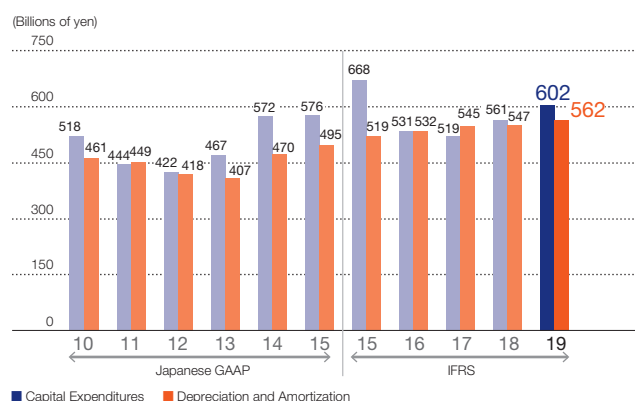
Profit for the Year Attributable to Owners of the Parent

YOY +7.9%



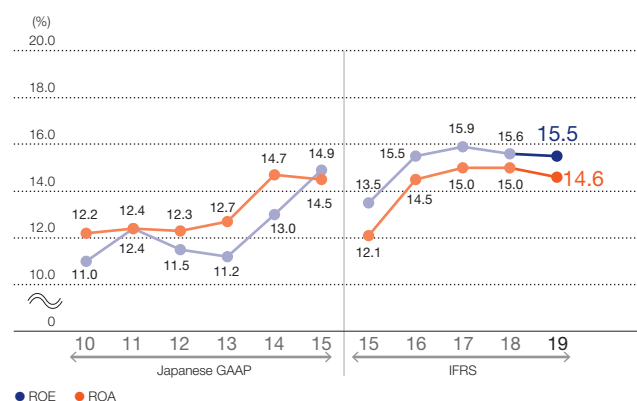
Capital Expenditures

YOY +¥40.9 billion



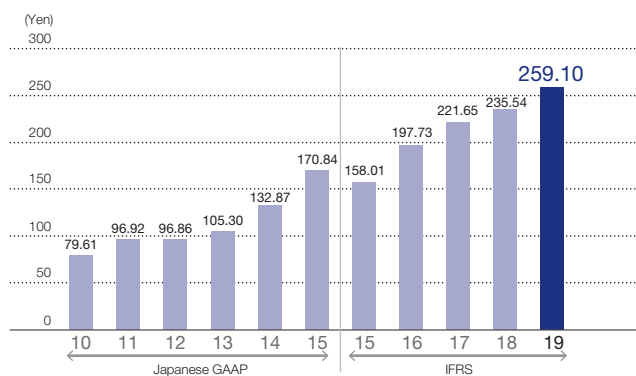
ROE

YOY -0.1pp



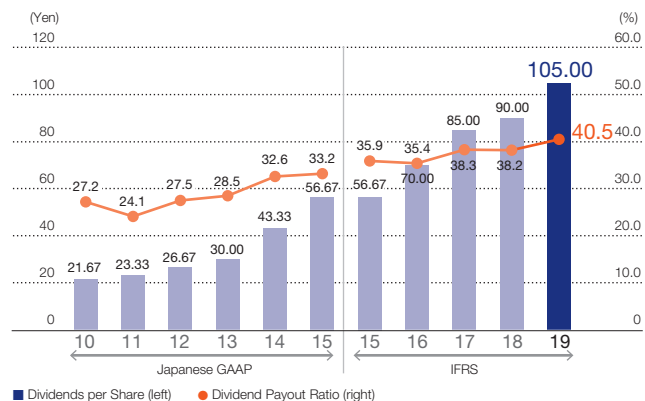
Earnings per Share/ Net Basic Earnings per Share (EPS)

YOY +10.0%



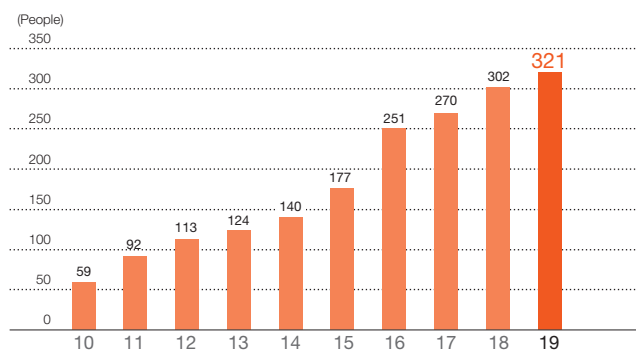
Dividends per Share

YOY +15.0 yen



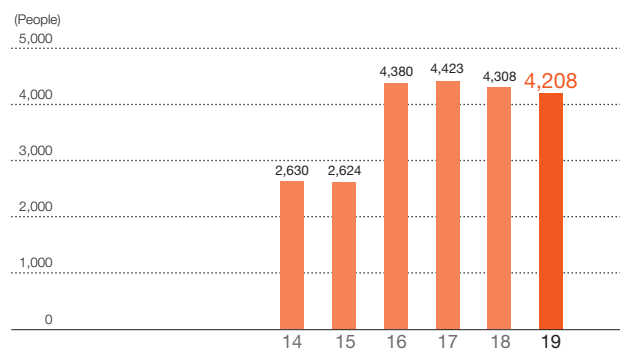
Number of Female Managers

YOY +6.3%



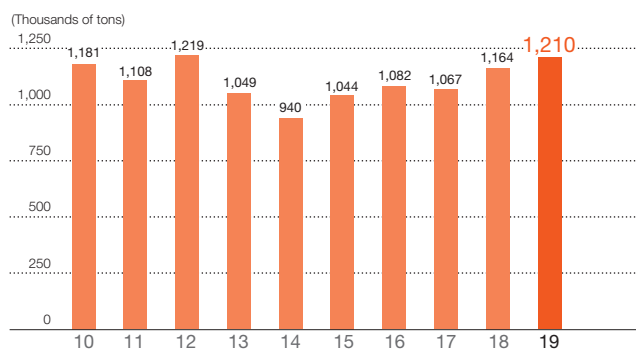
Number of Consolidated Foreign Employees

YOY -2.3%



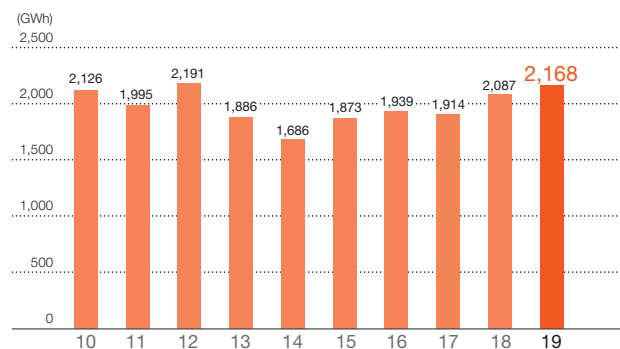
CO₂ Emissions (Non-consolidated)

YOY +3.9%



Power Consumption (Non-consolidated)

YOY +3.9%



The Japanese Market and KDDI: Characteristics of the Domestic Market

Market Conditions for Mobile Communications Business

As of March 31, 2019, cumulative mobile communications subscriptions in Japan totaled 177.73 million,^{*1} up 4.5% year on year. The mobile market continues to grow, driven by the spread of smartphones and further advances in the trend of single users owning multiple devices.

There has also been continued growth in the number of service contracts for MVNO,^{*2} up 13.8% from a year earlier to 20.94 million.

The Japanese market for mobile communications is entering a new phase with the anticipated entry of a fourth communications carrier in autumn 2019, along with revisions to the Telecommunications Business Act and reduced prospects for sales of mobile handsets on the overall market due to the planned consumption tax hike.

As the domestic telecommunications business transitions to a stable growth period, mobile communications carriers have stepped up efforts to expand earnings in non-telecommunications business domains in a bid to secure new sources of earnings by leveraging their customer bases in the domestic telecommunications business. Meanwhile, companies from other sectors are entering the telecommunications business, heating up competition across sector boundaries.

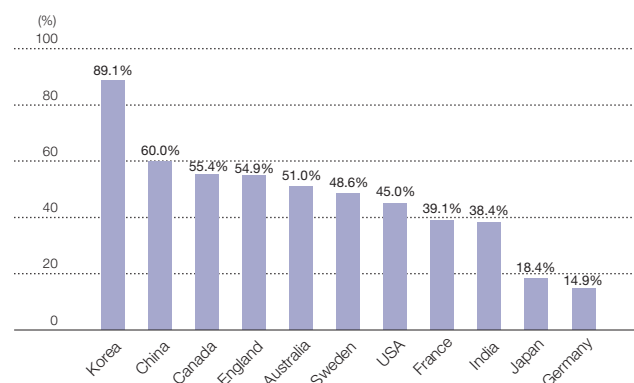
Against this backdrop, the Japanese government has set a target for increasing the ratio of cashless payments to 40% by 2025, and is ramping up efforts to encourage and spread cashless payments as a measure to boost the economy when the consumption tax rate is raised, including such measures as awarding points to consumers who use cashless payments during a limited period.

Smartphone payments are a new form of settlement likely to catch on at small-scale retail stores due to the low initial investment required on the part of retailers. Viewing this as a business opportunity, many companies have focused on expanding their smartphone payment businesses.

^{*1} Source: Official Announcement of Quarterly Data on the Number of Telecommunications Service Subscriptions and Market Shares (FY2018 Q4 (End of March 2019)), Ministry of Internal Affairs and Communications

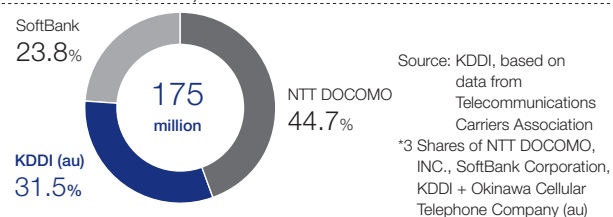
^{*2} MVNO: Mobile Virtual Network Operator
Procure networks from mobile network operators (MNOs) to provide mobile services

Ratio of Cashless Payments by Country (2015)

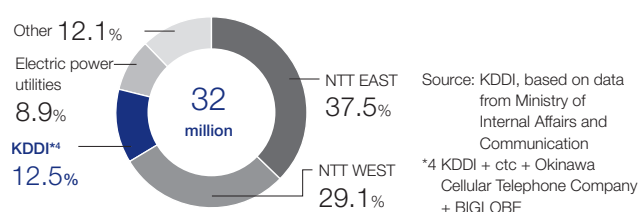


Source: Ministry of Economy, Trade and Industry's Cashless Vision (Condensed Version)
April 2018 Consumer Affairs, Distribution and Retail Industry Division, Commerce and Service Industry Policy Group

Share of Mobile Communications Subscribers^{*3} (As of March 31, 2019)



Share of FTTH Subscriptions (As of March 31, 2019)



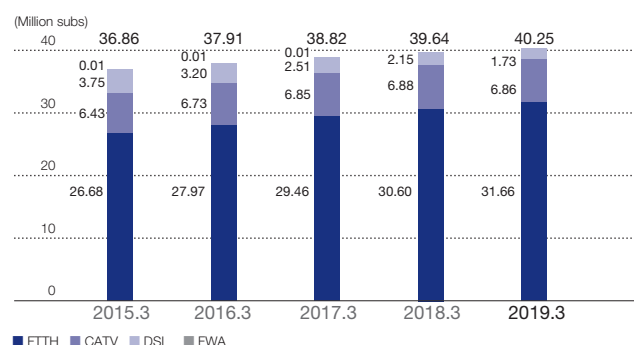
Market Conditions for Fixed-Line Broadband Business

As of March 31, 2019, the number of fixed-line broadband subscriptions was up 1.5% year on year to 40.25 million.^{*1}

Although fixed-line broadband service penetration has reached around 70%,^{*5} the market continues to expand gradually, driven by sales of discount bundled mobile and fixed-line services and the opening of new markets by new operators using the wholesaling fiber access service of NTT East and NTT West.

^{*5} Source: KDDI, based on data from Ministry of Internal Affairs and Communications
Ministry of Internal Affairs and Communications' Population, Population Trends, and Number of Households based on Residents Register: 58.53 million households (as of January 1, 2019)

Number of Fixed-Line Broadband Subscriptions^{*1}

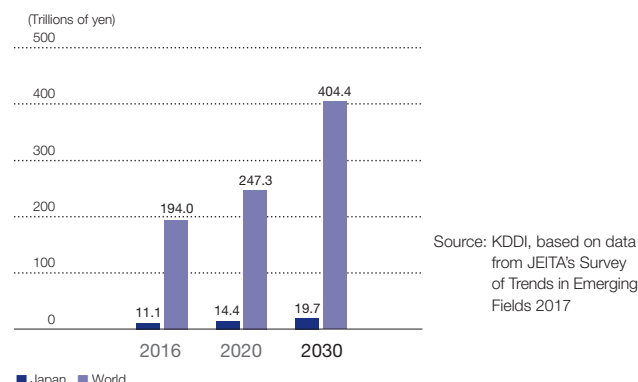


Market Conditions for IoT Business

In the IoT field for connecting a wide variety of things with the internet, low power wide area (LPWA) specifications have been established to enable wide-area communications with low power consumption using LTE networks, and the use of IoT is ramping up across a variety of product and service fields.

Projections call for IoT to create a market worth ¥14 trillion annually in Japan and ¥247 trillion worldwide by 2020 while driving growth in the mobile communications market.

■ Outlook for Demand on CPS/IoT Market in Japan and Worldwide

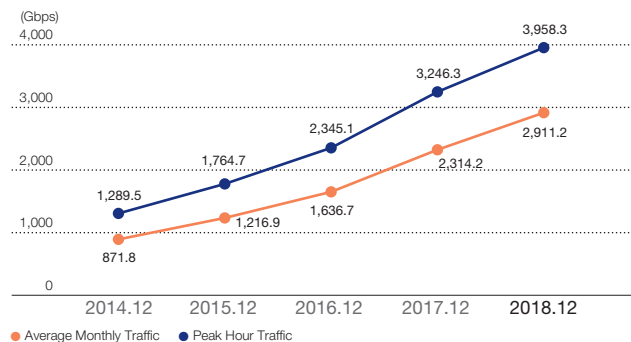


Increase in Mobile Traffic and Frequency Allocated to Each Telecommunications Company



Due to the proliferation of smartphones and tablets, and the increased performance of such devices, along with increasingly diverse mobile content services and evolution of telecommunications technologies, mobile traffic in Japan continues to grow, with both average monthly traffic and peak traffic rising by about 20% in the most recent year.

This has become an important issue for mobile telecommunications companies as they work to efficiently absorb this ongoing increase in mobile traffic and maintain stable network operations.

■ Total Mobile Traffic in Japan (Monthly)



Allocation of Bandwidth among Japan's Mobile Telecommunications Operators (As of April 10, 2019)

	700MHz	800MHz /900MHz	1.5GHz	1.7GHz	2.1GHz	2.6GHz	3.5GHz	3.7GHz /4.5GHz	28GHz	Total bandwidth
 	FD-LTE	FD-LTE 3G	FD-LTE	FD-LTE	FD-LTE 3G	TD-LTE WiMAX	TD-LTE	5G (TDD)	5G (TDD)	840MHz
	10MHz	15MHz* ¹	10MHz	20MHz* ²	20MHz* ¹	50MHz* ⁴ * ⁵	40MHz	200MHz* ⁷	400MHz* ⁷	
NTT DOCOMO	10MHz	15MHz	15MHz	20MHz* ³	20MHz		80MHz* ⁶	200MHz* ⁷	400MHz* ⁷	840MHz
	10MHz	15MHz	15MHz	20MHz* ³	20MHz					
SoftBank Group	10MHz	15MHz	10MHz	15MHz	20MHz	30MHz Wireless City Planning	80MHz* ⁶	100MHz* ⁷	400MHz* ⁷	750MHz
	10MHz	15MHz	10MHz	15MHz	20MHz					
Rakuten				20MHz* ²				100MHz* ⁷	400MHz* ⁷	540MHz
				20MHz* ²						

*1 au 3G services using 800MHz and 2.1GHz will shut down on March 31, 2022

*2 Newly allocated by the Ministry of Internal Affairs and Communications on April 9, 2018

*3 Only in Tokyo, Nagoya, and Osaka

*4 Currently, a 40MHz section is used for WiMAX 2+ (TD-LTE) and a 10MHz section is used for WiMAX.

*5 UQ WiMAX services will shut down on March 31, 2020.

*6 Of this 80MHz, 40MHz was newly allocated by the Ministry of Internal Affairs and Communications on April 9, 2018

*7 Newly allocated by the Ministry of Internal Affairs and Communications on April 10, 2019

The Japanese Market and KDDI: KDDI's Domestic Status

Toward Further Expansion of “the Integration of Telecommunications and Life Design”

KDDI CORPORATION was established in October 2000 through the merger of DDI, KDD and IDO, and has continued to expand its base as a comprehensive telecommunications company with both mobile and fixed-line operations.

While the business has continued to grow with the expansion of the domestic mobile communications market and widespread popularity of smartphones, growth in the domestic telecommunications business, once a key driver, has slowed, and KDDI is working to establish new sources of growth.

Specifically, with its telecommunications business for individual customers and its customer base as its core, KDDI will provide experience value that produces excitement for customers by expanding the concentric circles of the life design business around this core, namely commerce, finance, energy, entertainment and education.

For our corporate customers, meanwhile, we support their digital transformation by assisting them with the creation of new business models, based on the idea that telecommunications services will contribute to their core businesses.

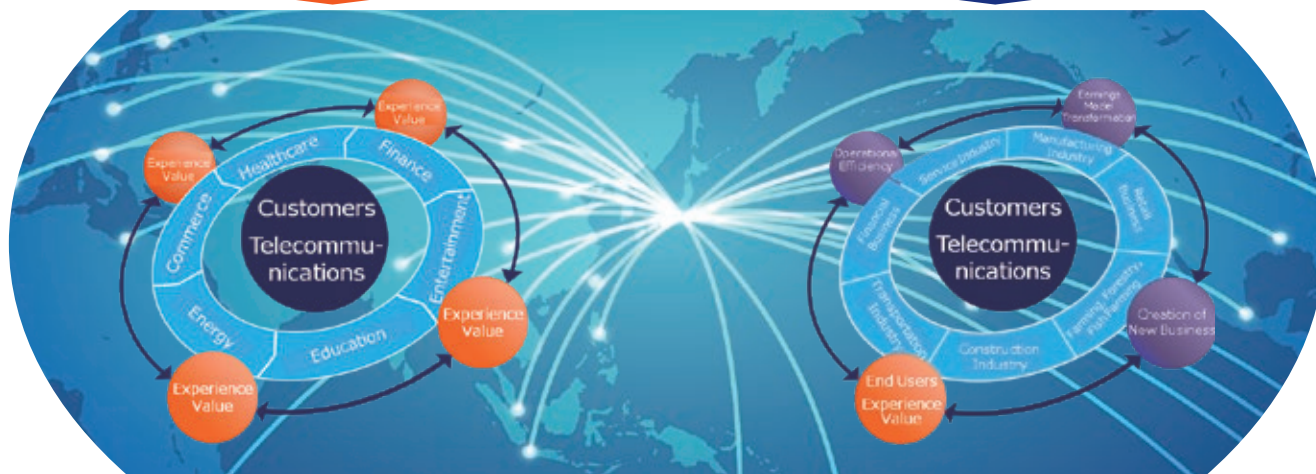
By leveraging the business know-how accumulated in Japan at overseas sites, KDDI aims to create a global ecosystem on a par with the one in Japan.

In the Personal Services segment, KDDI will develop telecommunications and life design services while increasing IDs, mainly in emerging countries in Asia. In the Business Services segment, KDDI will use its IoT World Architecture platform to support the global operations of its customers, with the aim of sustaining growth overseas.

Global Expansion of KDDI's Vision for “the Integration of Telecommunications and Life Design”

For individual customers

For corporate customers



Principal Businesses of the KDDI Group

Mobile Telecommunications and Non-Telecommunications Field

As of March 31, 2019, au mobile subscriptions numbered 55.23 million, up 5.6% year on year and accounting for a 31.5% (+0.5 percentage point) share of the mobile market coverage by Japan's three major carriers.

In addition, unbundled plans offered beginning in July 2017 contributed to reducing churn, and as of March 31, 2019, au mobile subscriptions*¹ numbered 24.50 million. Meanwhile, the number of contracts to the MVNO provided by a consolidated subsidiary has increased by 670,000 over the previous year to 2.45 million contracts, increasing the number of “mobile IDs” (the total of au account and MVNO subscriptions) by 1.8% year on year to 26.95 million.

KDDI is aiming to establish a new source of growth in non-telecommunications business fields by maximizing the “au Economic Zone” encompassing such as commerce, finance, energy, entertainment, and education.

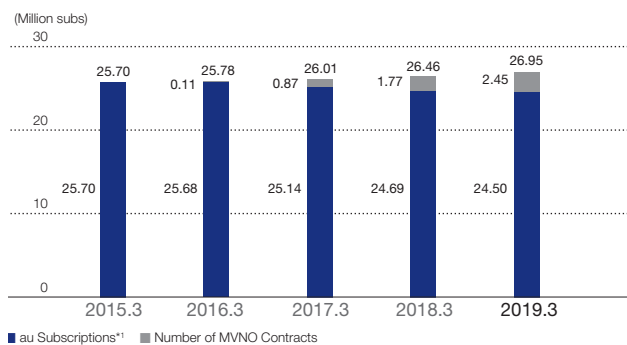
The “au Economic Zone gross merchandise value” is the combined value of non-telecommunication services used, along with total payments made through means provided by KDDI (“au Carrier Billing” and “au WALLET”). Approximately 30% of this gross merchandise value is ultimately recorded as “au Economic Zone sales.”

Fixed-Line Broadband

As of March 31, 2019, the cumulative number of FTTH subscriptions*² stood at 4.45 million, up 3.2% year on year and accounting for a market share of 12.5%. In CATV services, the number of RGU households*³ as of March 31, 2019 increased steadily to 5.48 million, up 1.7% year on year.

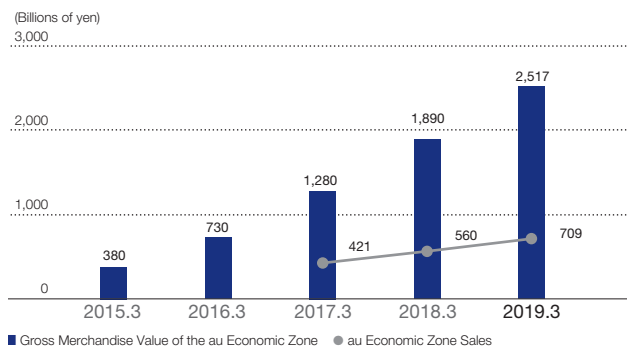
By cross-selling FTTH and CATV services to the au customer base, we expect the KDDI Group customer base to continue growing stronger and expanding.

Number of Mobile IDs

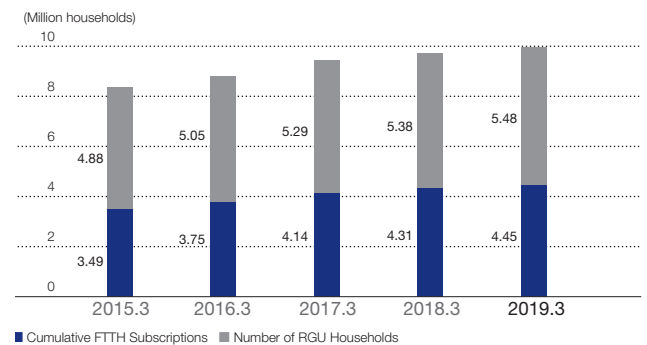


*1 au Subscriptions: Personal Services segment accounts under the same name are counted as one au subscription

Gross Merchandise Value and Sales of the “au Economic Zone”



Total of Cumulative FTTH Subscriptions*2 and Number of RGU Households*3



*2 Cumulative FTTH subscriptions: KDDI + ctc + Okinawa Cellular Telephone Company + BIGLOBE

*3 RGU: Revenue Generating Units. Each household's subscription to CATV, high-speed Internet connection, or telephony services represents one RGU

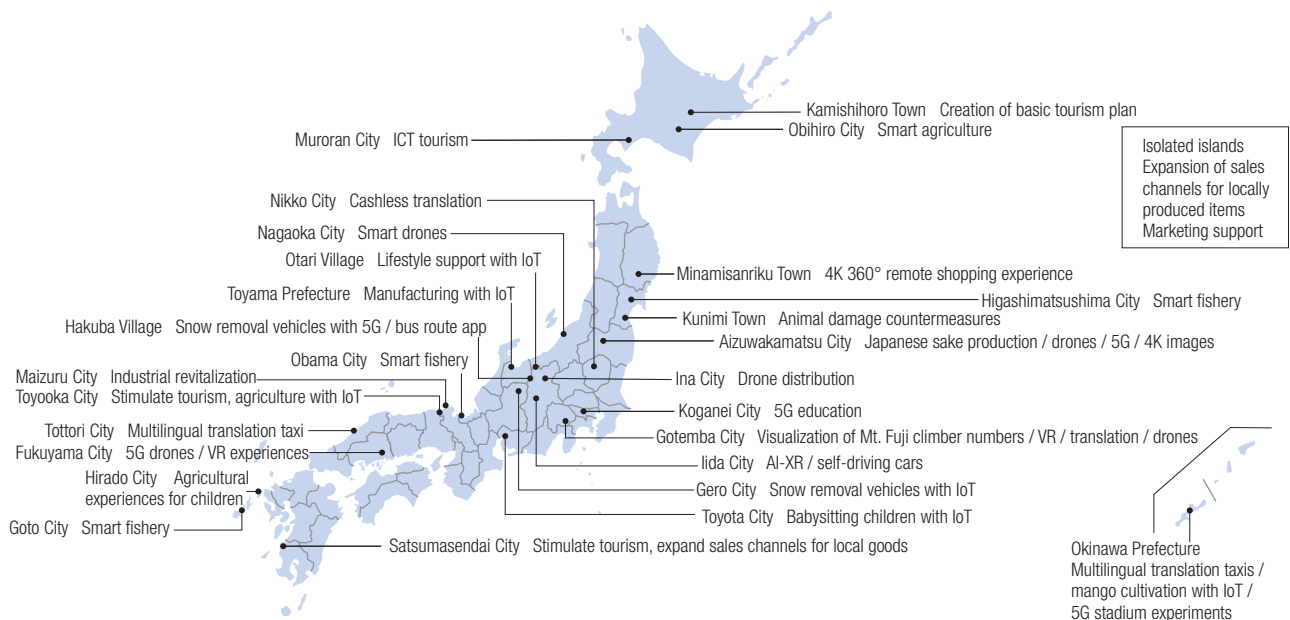
IoT Business and Regional Revitalization

In the IoT business, KDDI aims to create and expand new businesses tied to the platforms of its business partners and KDDI's own 5G/IoT platform, which includes its IoT and ICT-related technologies and expertise.

KDDI plans to increase the total number of IoT connections from 8 million, as of March 31, 2019, to 18 million by March 31, 2022.

KDDI is aggressively pursuing the use of 5G in regional revitalization as a business opportunity, and has already cooperated with local governments to facilitate their deployment of IoT.

We aim to help solve local issues through collaborative agreements with 63 local governments across the nation to deploy 5G/IoT technologies in various fields. For example, KDDI participated in Reviving the Mackerel: A Project to Streamline Aquaculture in Obama City, Fukui Prefecture, as well as a Japanese sake brewing project with Aizuwakamatsu City, Fukushima Prefecture, and a project to visualize the number of people who climb and descend Mt. Fuji with Gotemba City in Shizuoka Prefecture.



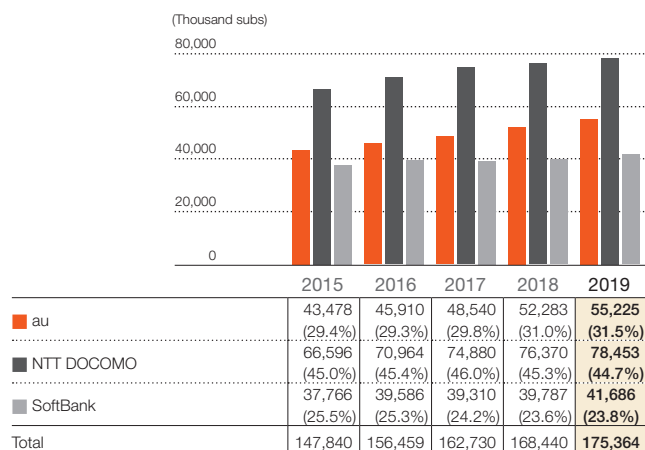
Market Overview

(Years ended March 31)

>>> For information about the quarterly status of KDDI for the fiscal year ended March 31, 2019, please download "Historical Data (2001-) (BS/PL/CF)" from the Company's website. <https://www.kddi.com/english/corporate/ir/finance/highlight/>

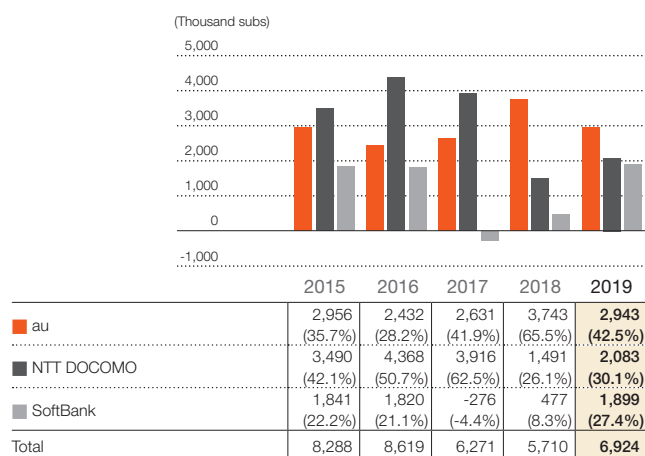
Mobile Communications Market Data

Number of Total Subscribers (Share of Cumulative Subscriptions*1)



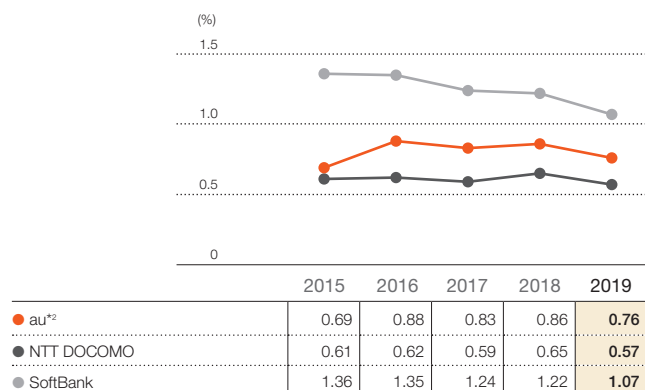
*1 Share among NTT Docomo, INC., SoftBank Corp., and KDDI + Okinawa Cellular Telephone Company (au)
Source: Data prepared by KDDI based on materials from the Telecommunications Carriers Association

Net Additions (Share of Net Additions*1)



Source: Data prepared by KDDI based on materials from the Telecommunications Carriers Association

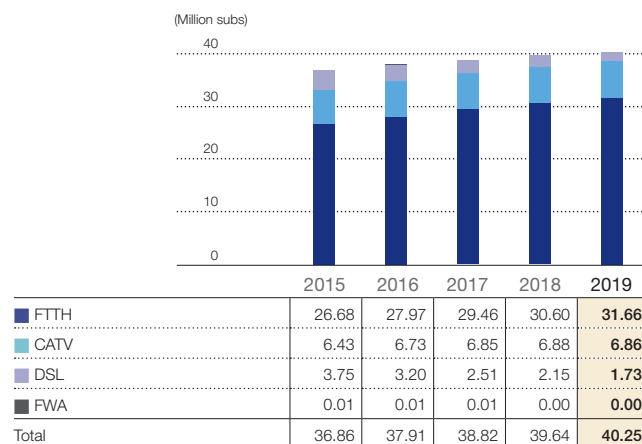
Churn Rate



*2 For conventional mobile terminals (smartphones and feature phones) (Personal Services segment basis)
Source: Data prepared by KDDI from individual companies' materials

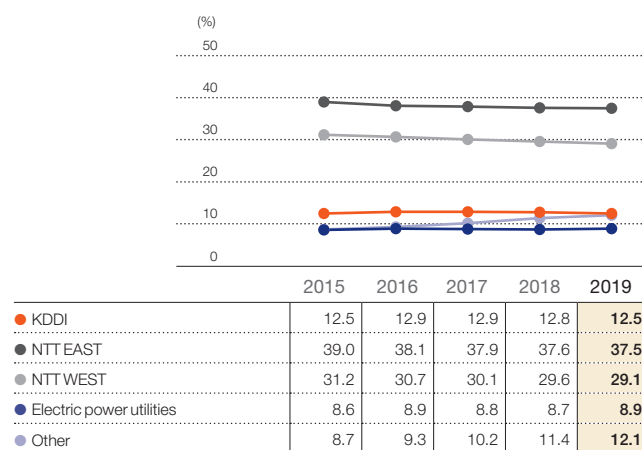
Fixed-Line Communications Market Data

Number of Broadband Subscriptions



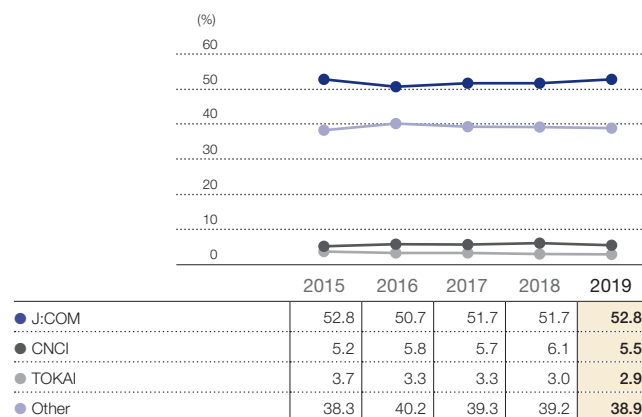
Source: Data prepared by KDDI based on materials from the Telecommunications Carriers Association

Share of FTTH Subscriptions



Source: Data prepared by KDDI based on materials from the Telecommunications Carriers Association

Share of Pay Multi-Channel CATV Subscriptions



Source: Data prepared by KDDI based on *Hoso Journal*

Analysis of the Consolidated Statement of Income

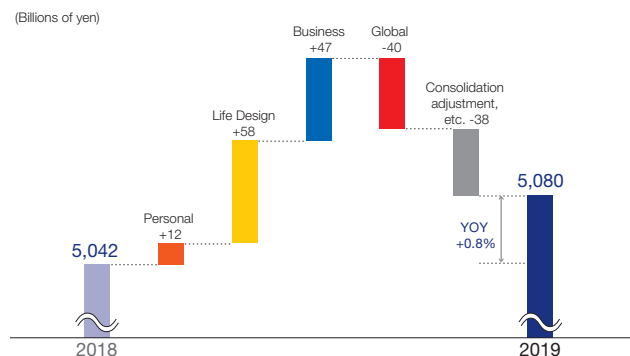
Operating Revenue

(Years ended March 31)

YOY

↑ up 0.8% ¥5,080.4 billion

Although mobile communications revenues declined in the Personal Services segment, revenues were boosted by the consolidation of subsidiaries. In addition revenues increased in the energy business, value-added ARPA revenues grew, revenues rose on expansion in the life design business, and they also grew in the Business Services segment. As a result, operating revenue rose 0.8% year on year to ¥5,080.4 billion.

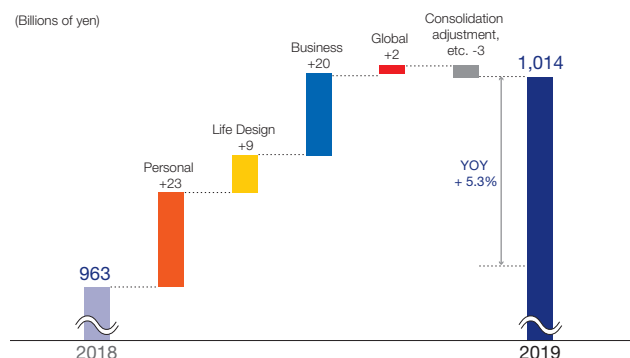


Operating Income

YOY

↑ up 5.3% ¥1,013.7 billion

Value-added ARPA revenues increased on expansion in the life design business, and profits also grew in the Business Services segment, offsetting the decline in mobile communications revenues in the Personal Services segment, the accelerated depreciation of 3G equipment and the costs of disaster response. As a result, operating income grew 5.3% to ¥1,013.7 billion.



Profit for the Year Attributable to Owners of the Parent

YOY

↑ up 7.9% ¥617.7 billion

Profit for the year attributable to owners of the parent increased 7.9% year on year to ¥617.7 billion, reflecting growth in operating income and a decline in non-controlling interests, despite an increase in income tax due to increase in profit for the period before income tax.

Dividends per Share

YOY

↑ up ¥15 ¥105

KDDI distributed an annual dividend of ¥105 per share, an increase of ¥15 compared with the previous year, for a consolidated dividend payout ratio of 40.5%. Our dividend policy for the fiscal year ending March 31, 2020 through the fiscal year ending March 31, 2022 is to maintain the consolidated dividend payout ratio at a level above 40% while taking into consideration the investments necessary to achieve growth and ensure stable business operations. We aim to continue raising dividends through synergy with growth in earnings per share in line with higher operating income.

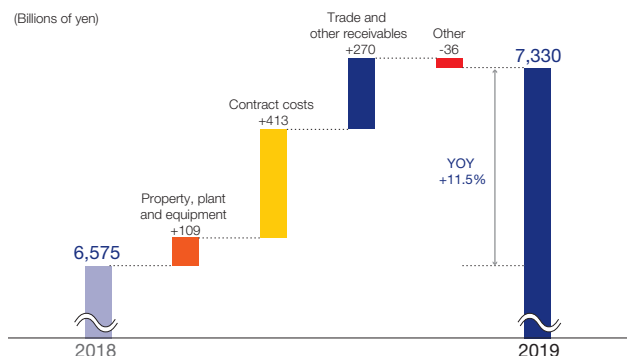
Analysis of the Consolidated Statement of Financial Position

Total Assets

(Years ended March 31)

YOY  Up **¥755.9 billion** ¥7,330.4 billion

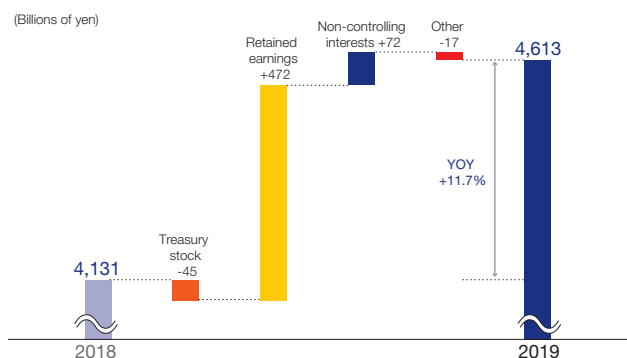
Total assets were ¥7,330.4 billion, an increase of ¥755.9 billion from the previous fiscal year-end. The increase reflects higher contract costs in accordance with the adoption of IFRS No. 15, expansion of the “au WALLET Credit card” business and growth in receivables due to the diversification of installment sales methods for au mobile phone handsets.



Total Equity

YOY  Up **¥481.7 billion** ¥4,612.9 billion

Total equity was ¥4,612.9 billion, up ¥481.7 billion, mainly due to an increase in retained earnings associated with the increase in profit and an increase in non-controlling interests, which outweighed a decline in equity due to the acquisition of treasury stock.



Interest-Bearing Debt

YOY  Up **¥157.1 billion** ¥1,275.7 billion

Interest-bearing debt expanded ¥157.1 billion year on year to ¥1,275.7 billion, mainly because of more borrowings and an increase in bonds from the issuance of bonds.

D/E Ratio

YOY  **±0.00 point** 0.30 times

The D/E ratio was unchanged at 0.30 times as equity attributable to owners of the parent increased along with the increase in retained earnings, but interest-bearing debt also grew.

Analysis of Capital Expenditures and Cash Flows

Capital Expenditures (Payment Basis)

(Years ended March 31)

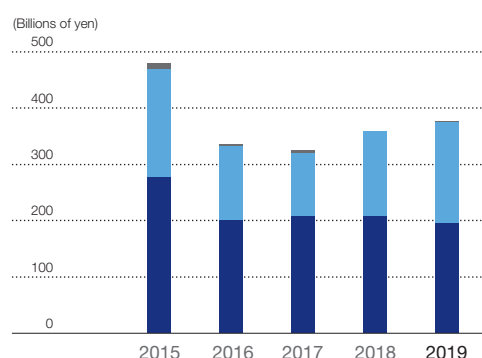
Consolidated capital expenditures increased ¥40.9 billion compared with the fiscal year ended March 31, 2018, to ¥601.8 billion.

Mobile

YOY

Up ¥17.1 billion ¥377.2 billion

In the mobile business, capital expenditures were up ¥17.1 billion to ¥377.2 billion, mainly due to efforts to enhance quality and expand service areas for 4G LTE ahead of the launch of 5G, increase telecommunication speeds through carrier aggregation, and advance construction work on the 700MHz and 3.5GHz bands.



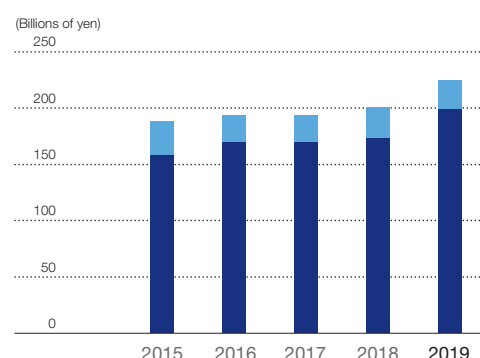
■ 3G	11	5	4	1	1
■ LTE	191	131	114	152	181
■ Common equipment	278	201	207	207	195
Total	479	338	325	360	377

Fixed-Line and Others

YOY

Up ¥23.9 billion ¥224.6 billion

In the fixed-line businesses and others, capital expenditures increased ¥23.9 billion year on year to ¥224.6 billion. Despite a decrease in FTTH-related investment, spending on domestic communications centers increased and on investments in consolidated subsidiaries rose.



■ FTTH	31	24	24	28	26
■ Other	158	170	170	173	199
Total	189	193	194	201	225

Cash Flows

Free Cash Flows

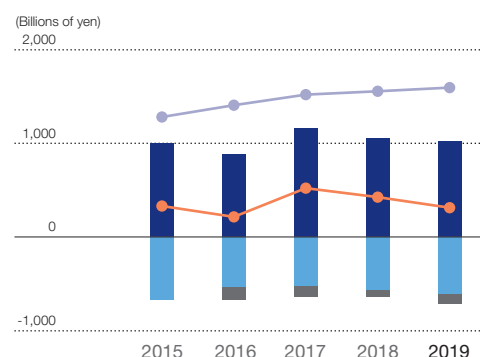
YOY

Down ¥112.5 billion ¥315.0 billion

Net cash provided by operating activities was ¥1,029.6 billion, ¥31.8 billion less than in the previous fiscal year. The decrease mainly reflects an increase in trade and other receivables, despite growth in EBITDA.

Meanwhile, net cash used in investing activities was ¥714.6 billion, ¥80.7 billion higher than in the previous fiscal year. The increase mainly reflects expansion in capital expenditures and greater spending on investments and acquisitions in subsidiaries and affiliated companies.

As a result, free cash flows—the total of operating and investing cash flows—amounted to ¥315.0 billion, down ¥112.5 billion from the previous fiscal year.



● Free Cash Flows	333	217	524	428	315
■ Net Cash Provided by (Used in) Operating Activities	969	885	1,161	1,061	1,030
■ Capital Expenditures	-668	-531	-519	-561	-602
■ Other, Net Cash Provided by (Used in) Investing Activities	32	-136	-118	-73	-113
● EBITDA	1,285	1,411	1,524	1,560	1,599

Performance Analysis by Segment

Personal Services Segment (Years ended March 31)

Communication Services (au and MVNO mobile services, FTTH, CATV), Energy, Education, and Other Services for Individuals

In mobile services, the segment offers the mainstay “au” brand services and MVNO services provided by consolidated subsidiaries such as UQ Communications Inc. Fixed-line services include “au Hikari” brand FTTH services, CATV service, and others.

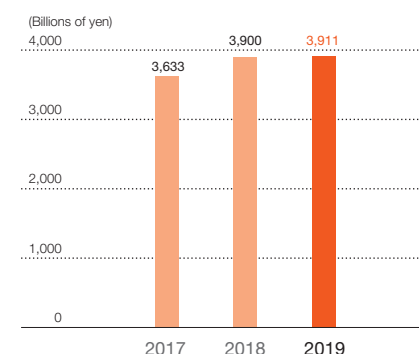
The segment also provides non-telecommunications services such as the “au WALLET Market” product sales service making use of au shops, as well as energy services such as “au Denki” and education services provided under the “AEON” brand.

→ Overview of Operations in the Fiscal Year Ended March 31, 2019

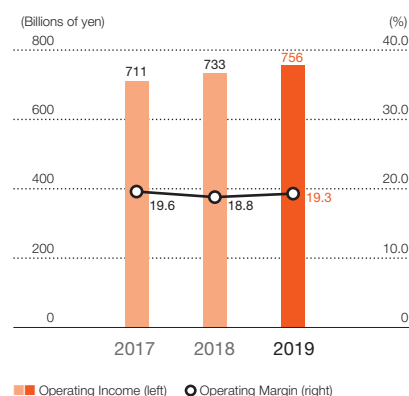
In the fiscal year ended March 31, 2019, operating revenue increased 0.3% year on year to ¥3,911.2 billion. A decrease in mobile telecommunications revenue was offset by higher revenue from the energy business, such as “au Denki,” as well as contributions from AEON Holdings Corporation, which was consolidated in January 2018, and higher revenues at subsidiaries.

Operating income rose 3.2% year on year to ¥756.3 billion, as reductions in noncurrent assets retirement costs and impairment losses more than offset the decline in mobile telecommunications revenues.

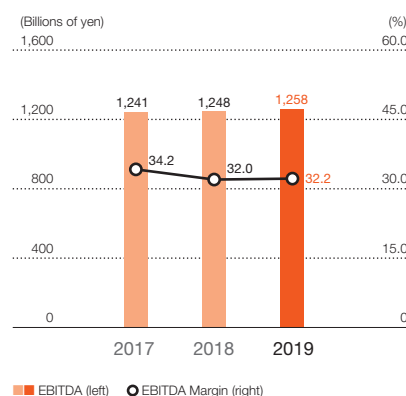
Operating Revenue



Operating Income/Operating Margin

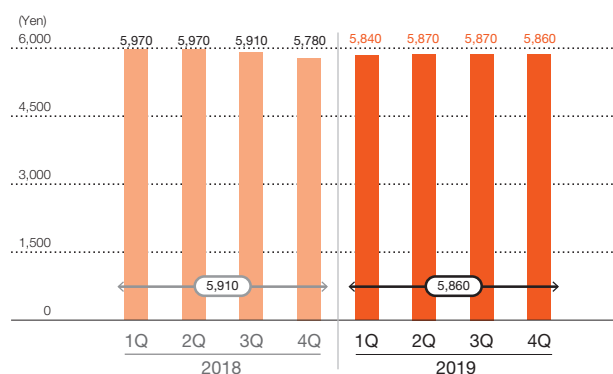


EBITDA/EBITDA Margin



au ARPA

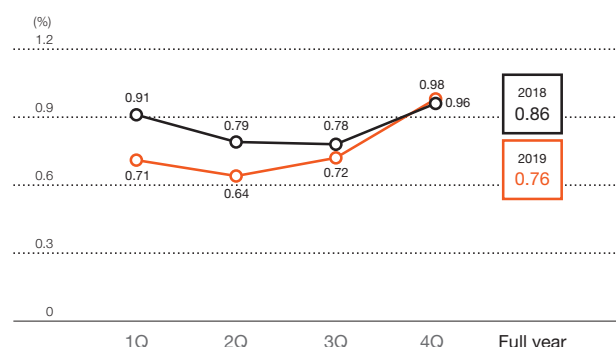
au ARPA decreased ¥50 year on year to ¥5,860, primarily due to the short-term adverse impact on revenue from the plans separating charges that were introduced in July 2017. In the fourth quarter alone, however, au ARPA was ¥5,860, up ¥80 compared with the previous year, underscoring the gradual lift to ARPA from increased expiration of limited-time discounts held by subscribers and a boost to revenue from the non-application of monthly discounts.



au Churn Rate

The au churn rate has gradually improved since the introduction of plans for separating charges in July 2017. In the fourth quarter, the au churn rate rose slightly due to the extension of the upgrade period for the “Everyone Discount” in March 2019, but remained low overall in line with expectations.

To reduce the au churn rate, KDDI continues to promote deeper engagement with customers through growth in bundles combining “au Smart Value” and telecommunications and life design services.

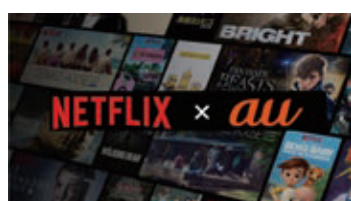


→ Key Initiatives

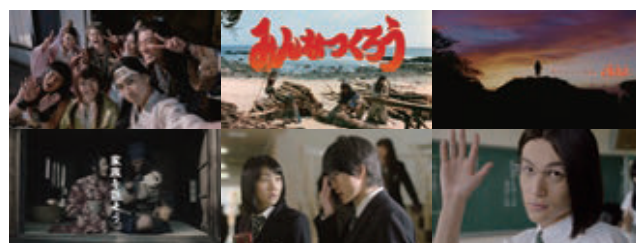
■ Pricing Plans in Tune with Customer Needs

In August 2018, KDDI launched the “au Flat Plan 25 Netflix Pack” as a rate plan that bundles smartphone telecommunications charges with monthly Netflix fees as a discounted package for customers who enjoy watching highly entertaining Netflix video content.

KDDI has long been a leader in rolling out pricing plans and services in tune with customer needs, beginning with “au Smart Value,” a discount bundle for mobile and fixed-line telecommunications services, and the “au Pitatto Plan” and “au Flat Plan” with charges set according to data usage tiers. The “au Pitatto Plan” and “au Flat Plan” have been quite popular with customers, as shown by the number of subscriptions rising above 13 million in March 2019.



■ Improving au Brand Value



With the quality of services becoming homogeneous on the domestic telecommunications market, improving brand value is essential to winning over more customers.

KDDI is making concerted efforts to improve the quality of interactions with customers, from the products and services it offers to advertising and customer services. In the fiscal year ended March 31, 2019, KDDI was selected as the BRAND OF THE YEAR 2018 for the popularity of its commercials by CM Soken Consulting. This marked the fourth consecutive year (since the fiscal year ended March 31, 2016) that KDDI has been selected as the number one brand.



Solving Social Issues through Business: Telecommunications Business



Through our telecommunications business, we contribute to a safer and more resilient connected world.

Social issues

- Decline in quality due to increase in data usage
- Existence of areas with weak signals
- Lifelines cut off during natural disasters
- Digital divide impacting the weakest in society
- Population decline, loss of industrial competitiveness

KDDI's Vision

KDDI envisions a society with high-quality telecommunications services that anyone can use without discrimination and aims to realize this vision through the provision of reliable fixed-line telephone and internet services while improving the quality of mobile telecommunications. Moreover, KDDI has built a robust network resilient to natural disasters, and has ensured the means to rapidly restore services in the event of damage.

In the fields of 5G and IoT, KDDI is contributing to a society where everyone can live in safety and security through initiatives aimed at solving social issues, including the declining working population and regional economic disparities.

KDDI's Initiatives

To improve the quality of mobile telecommunications, KDDI is sparing no effort to strengthen its networks, to this end expanding the 4G LTE coverage area while improving service quality and speed. At the same time, KDDI is developing technologies and building out foundations for the area rollout of 5G and IoT, which are essential for digital transformation.

To prepare for emergency situations, KDDI has built redundancy into its networks and put in place a structure with land, sea, and air capabilities to ensure the rapid reconstruction of damaged facilities. We also offer handsets and services that everyone can safely and securely use.

Performance Analysis by Segment

Life Design Services Segment (Years ended March 31)

Providing Commerce, Finance, Settlement, Entertainment, and Other Services for Individuals

This segment provides individuals with value-added non-telecommunications services both online and offline. The segment makes subscription services, such as the digital content of “au Smart Pass/au Smart Pass Premium,” more attractive.

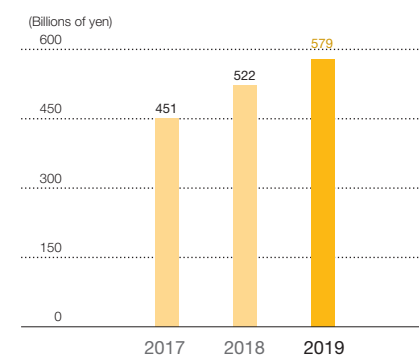
It also strengthens the commerce business with “au Wowma!” and other services, as well as insurance and other services in the financing business, with the goal of maximizing the “au Economic Zone” and expanding earnings.

→ Overview of Operations in the Fiscal Year Ended March 31, 2019

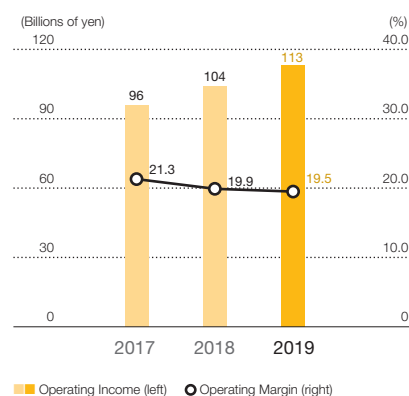
In the fiscal year ended March 31, 2019, operating revenue expanded 11.0% year on year to ¥579.4 billion, reflecting a revenue increase from the higher ratio of premium subscribers to “au Smart Pass.” It also reflected an increase in value-added ARPA revenue from growth in gross merchandise value, including settlements and commerce, in the “au Economic Zone,” and contributions from ENERES Co., Ltd. becoming a consolidated subsidiary.

Meanwhile, operating income grew 8.4% year on year to ¥112.8 billion, owing mainly to the increase in value-added ARPA revenue, despite higher costs associated with expansion in the commerce, as well as settlements and financial services, businesses.

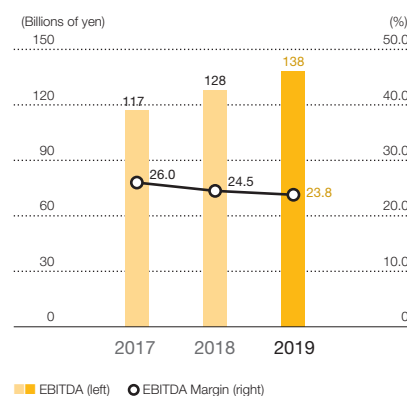
Operating Revenue



Operating Income/Operating Margin

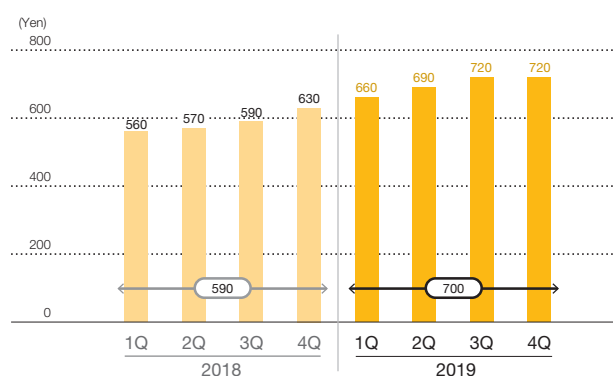


EBITDA/EBITDA Margin



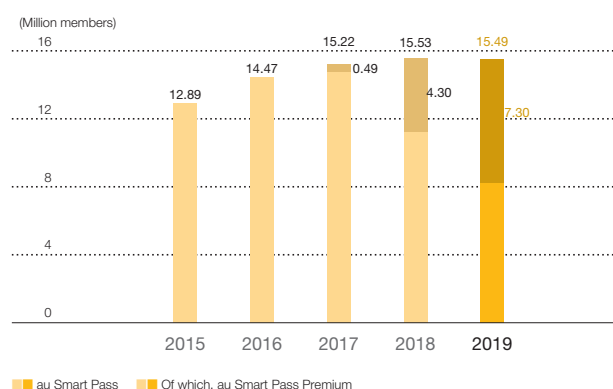
Value-Added ARPA

Value-added ARPA increased ¥110 compared with the previous year to ¥700, thanks to the higher ratio of premium subscribers to “au Smart Pass,” in addition to growth in settlement commissions for “au WALLET Credit card” and “au Carrier Billing” on top of higher commerce revenues.



Number of “au Smart Pass” and “au Smart Pass Premium” Members

The number of “au Smart Pass” and “au Smart Pass Premium” members declined 40 thousand compared with the end of the previous fiscal year to 15.49 million. Of this number, memberships of “au Smart Pass Premium,” which is a sophisticated version of “au Smart Pass,” increased 3 million year on year due in part to an effective campaign to sign people up at retail stores and the provision of more special benefits for members.



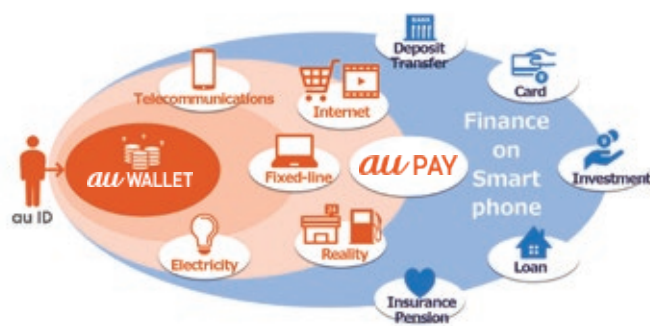
→ Key Initiatives

Smart Money Concept

In February 2019, au Financial Holdings Corporation was established as an intermediate financial holding company with the objective of strengthening the settlement and financial services business. At the same time, KDDI launched the “Smart Money Concept” to provide customers with settlement and financial services via their smartphones, which have become inseparable from their daily lives.

Over 25 million customers have applied for “au WALLET Prepaid cards” and “au WALLET Credit cards.” Balances on “au WALLET” and WALLET points have risen above ¥100 billion, and settlement and financial transaction volume has expanded to ¥4.4 trillion. In April 2019, “au PAY” was launched offering customers a new smartphone payment method centered on the “au WALLET” app, encouraging cashless payments and strengthening points of contact with customers.

Building on “au WALLET,” KDDI aims to offer customers a one-stop financial experience for savings, payments, investments, loans, and insurance. While supporting customers with their finances, we intend to offer superior services in tune with the life plans of each customer.



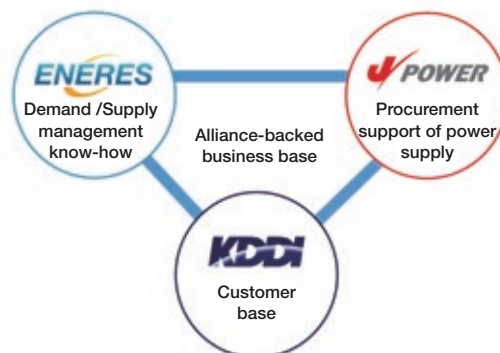
Strengthening the Energy Business

In August 2018, KDDI, Electric Power Development Co., Ltd. and ENERES Co., Ltd. entered into a business tie-up agreement with the objective of increasing corporate value by creating business opportunities through innovation in the rapidly changing electric power market. In December 2018, KDDI acquired additional shares in ENERES through a public offering, and turned ENERES into a consolidated subsidiary.

KDDI began to offer “au Denki” when the retail electric power sector was deregulated in April 2016. Since then, KDDI has outsourced the management of supply and demand operations for “au Denki” to ENERES, whose responsibility extended to the forecasting of demand for electric power and procuring the necessary power sources. By making ENERES a consolidated subsidiary, KDDI expects to accelerate decision-making at the entity and be able to more flexibly invest management resources, including the provision of support backed by the insight of KDDI and Electric Power Development. KDDI will continue to reinforce the energy business in the future.



Building the foundation of energy business
to be one of core services in life design



Solving Social Issues through Business: Education Business



Through our education business, we contribute to the development of human resources that will lead the next generation.

Social
issues

- Need for training human resources responsive to globalization
- Insufficient education opportunities for children to thrive in society
- Insufficient learning opportunities for children in developing countries

KDDI's Vision

KDDI aims to broadly provide venues for children to learn life-long skills through work and social experiences while furnishing them with opportunities to learn foreign languages, with the intention of contributing to the development of a sustainable society by solving issues faced by the young in an increasingly diverse society.

By providing educational opportunities in developing countries, KDDI also contributes to the development of human resources who may guide their countries toward sustained growth.

KDDI's Initiatives

Through the foreign language education business, the KDDI Group offers services for learning in a new format, blending education with communications services, that can be provided anywhere. Moreover, KDDI offers learning experiences at KidZania based on the concept of edutainment (learning while having fun). In developing countries, KDDI creates opportunities for people to study English, PC operation, and music, subjects that tend to be neglected in these countries.

Performance Analysis by Segment

Business Services Segment (Years ended March 31)

Providing Telecommunication Services, ICT Solutions, Data Center Services, and Others for Corporate Customers

This segment provides diverse solutions, including mobile services using devices such as smartphones and tablets as well as networks, applications, and cloud services to a wide range of corporate customers, ranging from small to major

corporations. In addition, the segment is moving forward with a variety of initiatives in the IoT sector, in which all manner of things are connected to the Internet.

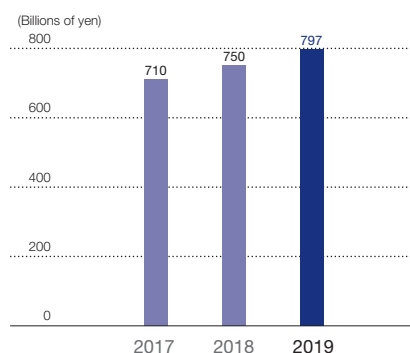
→ Overview of Operations in the Fiscal Year Ended March 31, 2019

In the fiscal year ended March 31, 2019, operating revenue expanded 6.3% year on year to ¥796.9 billion, despite a decline in voice communications revenue. This increase mainly reflected higher data telecommunications revenue, growth in the domestic data center business, stronger revenue at KDDI

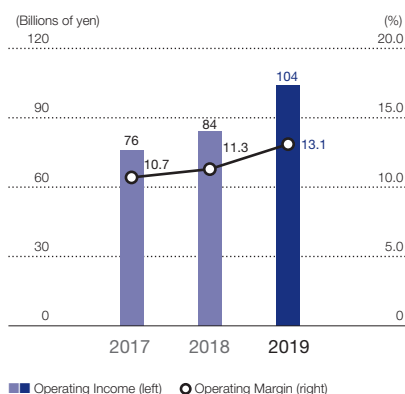
MATOMETE OFFICE CORPORATION and other subsidiaries, and higher revenue from retail electric power sales.

Operating income climbed 23.1% to ¥104.0 billion, thanks to controls on the cost of sales and SG&A expenses as revenue grew.

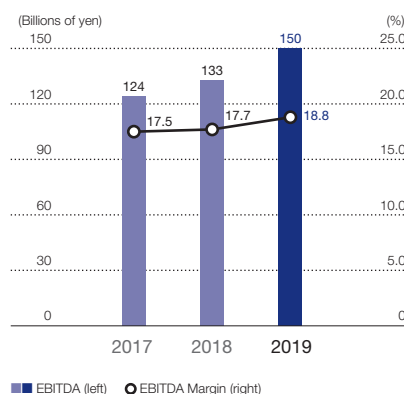
Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin



→ Key Initiatives

■ Promoting the IoT Business

KDDI has been promoting a platform for providing services to all industries based on the KDDI IoT World Architecture, an evolved version of the Global Communications Platform that KDDI is jointly developing with Toyota Motor Corporation.

KDDI IoT World Architecture is a business IoT platform for providing cloud-based services, applications and data analysis in addition to connectivity. It is designed around the Company's new recurring business model. The KDDI IoT World Architecture supports customers by selecting and making available the optimal network for them, offering data collection and analysis services in collaboration with KDDI's

partners, and providing support for compliance with relevant laws and regulations as well as device authentication.

KDDI plans to increase the number of collaborative partners and help corporate customers solve issues related to the global rollout of their IoT solutions, offering strong support for customers dealing with business change and growth.



Solving Social Issues through Business: Global Business

Infrastructure maintenance through its global business, KDDI encourages economic development in countries with inadequate

Social issues

- Slow development of telecommunications environments, economies and industries in developing countries
- Digital divides in developing countries

KDDI's Vision

In developing countries, KDDI aims to eliminate the digital divide by offering hardware and software assistance for information telecommunications and by helping improve the livelihoods of people in these countries through economic and industrial development and upgrades to telecommunications infrastructure.

Through these initiatives, KDDI will contribute to the realization of a society where everyone has easy access to telecommunications and information.

Providing Telecommunication Services, ICT Solutions, Data Center Services, and Others for Individuals and Corporate Customers Overseas

This segment offers the one-stop provision of ICT solutions to corporate customers, centered on our “TELEHOUSE” data centers. In addition, we are working aggressively to expand

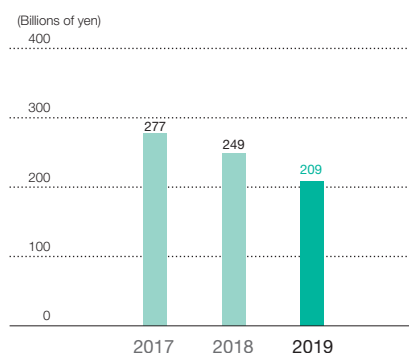
customer businesses, such as the telecommunications business in Myanmar and Mongolia.

→ Overview of Operations in the Fiscal Year Ended March 31, 2019

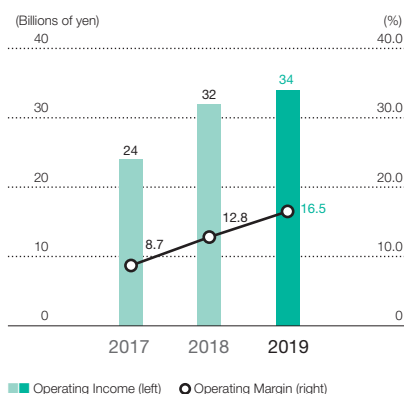
In the fiscal year ended March 31, 2019, operating revenue fell 16.0% year on year to ¥208.8 billion, reflecting the restructuring of low-profitability businesses, despite robust performance in the Myanmar telecommunications business, data center business and systems integration business.

However, operating income expanded 7.7% year on year to ¥34.4 billion, due to brisk performance in the Myanmar telecommunications, data center and systems integration businesses, even though foreign exchange rates had a negative impact on profits.

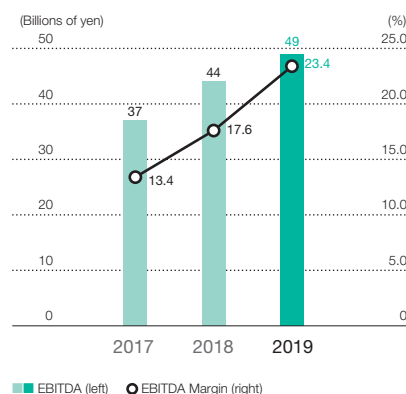
Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin



→ Key Initiatives

Initiatives to Develop the Telecommunications Business in Emerging Countries

In Myanmar, KDDI launched the MPT Club in May 2018 as the first point program in Myanmar, with the goal of improving customer retention. It is a shared point program that can be used at affiliated stores and, as of March 31, 2019, a total of 28 companies had signed on, including convenience stores, restaurants, and movie theaters.

As of March 31, 2019, our LTE+ services could be used at 314 of the nation's 330 townships. Just one year and eight months after launch, the service was providing 300Mbps* high-speed access across almost all of Myanmar.

As the telecommunications carrier with the No. 1 share in the country, we will continue efforts to expand operations.

* Best-effort service. The listed speed is the maximum speed based on technical specifications, and actual speeds may be slower.

KDDI's Initiatives

KDDI is leveraging the experience, know-how and technological capabilities it has accumulated around the world in the telecommunications services business to develop reliable, “Japan-quality” telecommunications services with expanded 4G LTE coverage in Myanmar, Mongolia, and other developing countries. By offering inexpensive and fair access to telecommunications networks, we will increase the number of mobile connections in these countries,

while contributing to economic development and the realization of more comfortable lifestyles. We are also involved in peripheral businesses around telecommunications that contribute to sustained growth in these countries. With the aim of eliminating digital divides in international society, we proactively participate in ICT projects and offer technological consultation in developing countries in addition to contributing to the training of technicians through education and training programs in the ICT field.



Consolidated Financial Statements

Consolidated Statement of Financial Position

KDDI Corporation and its Subsidiaries

As of March 31

			Millions of yen	Millions of U.S. dollars
	Notes	2018	2019	2019
Assets				
Non-current assets				
Property, plant and equipment	6, 8	¥2,437,196	¥2,546,181	\$22,941
Goodwill	4, 7, 8	526,601	539,694	4,863
Intangible assets	7, 8	953,106	946,837	8,531
Investments accounted for using the equity method	9	98,192	174,000	1,568
Other long-term financial assets	12, 32, 33	236,684	253,025	2,280
Deferred tax assets	16	106,050	15,227	137
Contract costs	25	—	412,838	3,720
Other non-current assets	13	65,477	10,117	91
Total non-current assets		4,423,306	4,897,918	44,129
Current assets				
Inventories	10	89,207	90,588	816
Trade and other receivables	11, 32	1,695,403	1,965,554	17,709
Other short-term financial assets	12, 32, 33	30,173	41,963	378
Income tax receivables		2,101	4,633	42
Other current assets	13	133,531	125,162	1,128
Cash and cash equivalents	4, 14	200,834	204,597	1,843
Total current assets		2,151,249	2,432,498	21,916
Total assets		¥6,574,555	¥7,330,416	\$66,046

			Millions of yen	Millions of U.S. dollars
	Notes	2018	2019	2019
Liabilities and Equity				
Liabilities				
Non-current liabilities				
Borrowings and bonds payable	15, 32, 33	¥ 704,278	¥1,040,978	\$ 9,379
Other long-term financial liabilities	19, 32, 33	68,478	66,493	599
Retirement benefit liabilities	17	12,010	13,356	120
Deferred tax liabilities	16	80,298	100,680	907
Provisions	20	10,754	33,996	306
Contract liabilities	25	—	77,435	698
Other non-current liabilities	21	129,679	6,746	61
Total non-current liabilities		1,005,498	1,339,683	12,070
Current liabilities				
Borrowings and bonds payable	15, 32, 33	329,559	150,574	1,357
Trade and other payables	18, 32	610,726	671,969	6,054
Other short-term financial liabilities	19, 32, 33	24,717	26,773	241
Income taxes payables		143,635	152,195	1,371
Provisions	20	31,231	34,403	310
Contract liabilities	25	—	116,076	1,046
Other current liabilities	21	297,932	225,810	2,035
Total current liabilities		1,437,800	1,377,801	12,414
Total liabilities		2,443,298	2,717,484	24,484
Equity				
Equity attributable to owners of the parent				
Common stock	23	141,852	141,852	1,278
Capital surplus	22, 23	289,578	284,409	2,562
Treasury stock	23	(338,254)	(383,728)	(3,457)
Retained earnings	23	3,672,344	4,144,133	37,338
Accumulated other comprehensive income	23	8,183	(3,174)	(29)
Total equity attributable to owners of the parent		3,773,703	4,183,492	37,693
Non-controlling interests	38	357,554	429,440	3,869
Total equity		4,131,257	4,612,932	41,562
Total liabilities and equity		¥6,574,555	¥7,330,416	\$66,046

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Income

KDDI Corporation and its Subsidiaries

For year ended March 31

			Millions of yen	Millions of U.S. dollars
	Notes	2018	2019	2019
Operating revenue	25	¥5,041,978	¥5,080,353	\$45,773
Cost of sales	26	2,821,803	2,867,413	25,835
Gross profit		2,220,175	2,212,940	19,938
Selling, general and administrative expenses	26	1,271,215	1,210,470	10,906
Other income	27	12,041	10,140	91
Other expense	27	2,801	3,661	33
Share of profit of investments accounted for using the equity method	9	4,592	4,780	43
Operating income		962,793	1,013,729	9,134
Finance income	28	4,035	3,582	32
Finance cost	28	11,985	10,012	90
Other non-operating profit and loss	29	305	2,975	27
Profit for the year before income tax		955,147	1,010,275	9,102
Income tax	16	293,951	309,149	2,785
Profit for the year		¥ 661,196	¥ 701,126	\$ 6,317
Profit for the year attributable to				
Owners of the parent		¥ 572,528	¥ 617,669	\$ 5,565
Non-controlling interests		88,668	83,457	752
Profit for the year		¥ 661,196	¥ 701,126	\$ 6,317
Earnings per share attributable to owners of the parent	35			
Basic earnings per share (yen)		¥235.54	¥259.10	\$2
Diluted earnings per share (yen)		235.45	259.01	2

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

KDDI Corporation and its Subsidiaries

For year ended March 31

			Millions of yen	Millions of U.S. dollars
	Notes	2018	2019	2019
Profit for the year		¥661,196	¥701,126	\$6,317
Other comprehensive income				
Items that will not be transferred subsequently to profit or loss				
Remeasurements of defined benefit pension plans	17, 30	4,132	(3,451)	(31)
Changes measured in fair value of financial assets through other comprehensive income	30, 32	8,359	(3,219)	(29)
Share of other comprehensive income of investments accounted for using the equity method	9, 30	(149)	(1,267)	(11)
Total		12,342	(7,937)	(72)
Items that may be subsequently reclassified to profit or loss				
Changes in fair value of cash flow hedge	30, 32	933	(106)	(1)
Translation differences on foreign operations	30	1,515	(6,620)	(60)
Share of other comprehensive income of investments accounted for using the equity method	9, 30	(25)	(88)	(1)
Total		2,423	(6,814)	(61)
Total other comprehensive income		14,766	(14,751)	(133)
Total comprehensive income for the year		¥675,961	¥686,375	\$6,184
Total comprehensive income for the year attributable to				
Owners of the parent		¥588,324	¥604,136	\$5,443
Non-controlling interests		87,638	82,238	741
Total		¥675,961	¥686,375	\$6,184

Notes: 1. Items in the statement above are disclosed net of tax.

2. Income taxes related to each component of other comprehensive income are disclosed in "Note 16. Deferred tax and income taxes."

3. The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

KDDI Corporation and its Subsidiaries

Millions of yen

		Equity attributable to owners of the parent							
	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2017		¥141,852	¥298,046	¥(237,014)	¥3,354,140	¥ (2,601)	¥3,554,423	¥294,710	¥3,849,133
Comprehensive income									
Profit for the year		—	—	—	572,528	—	572,528	88,668	661,196
Other comprehensive income		—	—	—	—	15,795	15,795	(1,030)	14,766
Total comprehensive income		—	—	—	572,528	15,795	588,324	87,638	675,961
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(219,701)	—	(219,701)	(47,590)	(267,291)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	5,012	(5,012)	—	—	—
Purchase and disposal of treasury stock	23	—	(50)	(150,000)	—	—	(150,050)	—	(150,050)
Cancellation of treasury stock	23	—	(9,074)	48,709	(39,635)	—	—	—	—
Changes due to business combination		—	—	—	—	—	—	5,376	5,376
Changes in interests in subsidiaries		—	(635)	—	—	—	(635)	17,924	17,289
Other		—	1,291	51	—	—	1,343	(503)	839
Total transactions with owners and other transactions		—	(8,467)	(101,239)	(254,324)	(5,012)	(369,043)	(24,794)	(393,837)
As of April 1, 2018		¥141,852	¥289,578	¥(338,254)	¥3,672,344	¥ 8,183	¥3,773,703	¥357,554	¥4,131,257
Cumulative effects of changes in accounting policies		—	—	—	187,468	—	187,468	29,302	216,770
Restated balance		141,852	289,578	(338,254)	3,859,812	8,183	3,961,171	386,856	4,348,027
Comprehensive income									
Profit for the year		—	—	—	617,669	—	617,669	83,457	701,126
Other comprehensive income		—	—	—	—	(13,533)	(13,533)	(1,219)	(14,751)
Total comprehensive income		—	—	—	617,669	(13,533)	604,136	82,238	686,375
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(227,937)	—	(227,937)	(34,277)	(262,214)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(2,176)	2,176	—	—	—
Purchase and disposal of treasury stock	23	—	(94)	(150,000)	—	—	(150,094)	—	(150,094)
Retirement of treasury stock	23	—	—	103,235	(103,235)	—	—	—	—
Changes due to business combination		—	—	—	—	—	—	3,324	3,324
Changes in interests in subsidiaries		—	(4,802)	—	—	—	(4,802)	(8,701)	(13,503)
Other		—	(274)	1,291	—	—	1,017	—	1,017
Total transactions with owners and other transactions		—	(5,169)	(45,474)	(333,348)	2,176	(381,816)	(39,655)	(421,470)
As of March 31, 2019		¥141,852	¥284,409	¥(383,728)	¥4,144,133	¥ (3,174)	¥4,183,492	¥429,440	¥4,612,933

Millions of U.S. dollars

		Equity attributable to owners of the parent							
	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2018		\$1,278	\$2,609	\$(3,048)	\$33,087	\$ 74	\$34,000	\$3,221	\$37,222
Cumulative effects of changes in accounting policies		—	—	—	1,689	—	1,689	264	1,953
Restated balance		1,278	2,609	(3,048)	34,776	74	35,689	3,486	39,175
Comprehensive income									
Profit for the year		—	—	—	5,565	—	5,565	752	6,317
Other comprehensive income		—	—	—	—	(122)	(122)	(11)	(133)
Total comprehensive income		—	—	—	5,565	(122)	5,443	741	6,184
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(2,054)	—	(2,054)	(309)	(2,363)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(20)	20	—	—	—
Purchase and disposal of treasury stock	23	—	(1)	(1,351)	—	—	(1,352)	—	(1,352)
Retirement of treasury stock	23	—	—	930	(930)	—	—	—	—
Changes due to business combination		—	—	—	—	—	—	30	30
Changes in interests in subsidiaries		—	(43)	—	—	—	(43)	(78)	(122)
Other		—	(2)	12	—	—	9	—	9
Total transactions with owners and other transactions		—	(47)	(410)	(3,003)	20	(3,440)	(357)	(3,797)
As of March 31, 2019		\$1,278	\$2,562	\$(3,457)	\$37,338	\$(29)	\$37,693	\$3,869	\$41,562

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

KDDI Corporation and its Subsidiaries
For year ended March 31

			Millions of yen	Millions of U.S. dollars
	Notes	2018	2019	2019
Cash flows from operating activities				
Profit for the period before income tax		¥ 955,147	¥1,010,275	\$ 9,102
Depreciation and amortization	6, 7	546,815	562,402	5,067
Impairment loss	8	13,069	2,737	25
Share of (profit) loss of investments accounted for using the equity method	9	(4,592)	(4,780)	(43)
Loss (gain) on sales of non-current assets		149	538	5
Interest and dividends income	28	(3,527)	(3,571)	(32)
Interest expenses	28	9,701	8,694	78
(Increase) decrease in trade and other receivables		(219,125)	(271,723)	(2,448)
Increase (decrease) in trade and other payables		44,914	23,008	207
(Increase) decrease in inventories		(12,185)	(1,544)	(14)
Increase (decrease) in retirement benefit liabilities		(9,790)	1,346	12
Other		43,064	(6,326)	(57)
Cash generated from operations		1,363,639	1,321,055	11,902
Interest and dividends received		6,149	6,375	57
Interest paid		(17,048)	(9,106)	(82)
Income tax paid		(302,783)	(290,689)	(2,619)
Income tax refund		11,447	1,971	18
Net cash provided by (used in) operating activities		1,061,405	1,029,607	9,277
Cash flows from investing activities				
Purchases of property, plant and equipment		(361,102)	(399,531)	(3,600)
Proceeds from sales of property, plant and equipment		1,299	848	8
Purchases of intangible assets		(199,776)	(202,607)	(1,825)
Purchases of other financial assets		(7,002)	(13,191)	(119)
Proceeds from sales/redemption of other financial assets		2,565	1,767	16
Acquisitions of control over subsidiaries	4	(66,751)	(13,274)	(120)
Purchases of stocks of associates		(4,688)	(83,799)	(755)
Proceeds from sales of stocks of subsidiaries and associates		1,898	(1,507)	(14)
Other		(289)	(3,285)	(30)
Net cash provided by (used in) investing activities		(633,847)	(714,578)	(6,438)
Cash flows from financing activities				
Net increase (decrease) of short-term borrowings	31	27,574	(10,274)	(93)
Proceeds from issuance of bonds and long-term borrowings	31	95,000	456,000	4,108
Payments from redemption of bonds and repayments of long-term borrowings	31	(56,101)	(302,151)	(2,722)
Repayments of lease obligations	31	(27,210)	(28,616)	(258)
Payments from purchase of subsidiaries' equity from non-controlling interests		(1,158)	(14,191)	(128)
Proceeds from stock issuance to non-controlling interests		22,164	159	1
Payments from purchase of treasury stock	23	(150,000)	(150,000)	(1,351)
Cash dividends paid		(219,885)	(227,700)	(2,052)
Cash dividends paid to non-controlling interests		(48,553)	(34,177)	(308)
Purchase of debt instruments (Note 1)	31	(95,000)	—	—
Other		(1)	(0)	(0)
Net cash provided by (used in) financing activities		(453,168)	(310,951)	(2,802)
Effect of exchange rate changes on cash and cash equivalents	31	(163)	(314)	(3)
Net increase (decrease) in cash and cash equivalents	31	(25,773)	3,763	34
Cash and cash equivalents at the beginning of the year	14, 31	226,607	200,834	1,809
Cash and cash equivalents at the end of the year	14, 31	¥ 200,834	¥ 204,597	\$ 1,843

Notes: 1. During the fiscal year ended March 31, 2018, KDDI purchased the beneficiary right to preferred shares issued by a subsidiary of the KDDI Group (These shares are treated as financial liabilities because the issuer has an obligation to deliver cash to holders of preference shares).
2. The notes 1 to 41 are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

KDDI Corporation and its Subsidiaries

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 head-quarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company's consolidated financial statements as of and for the year ended March 31, 2019 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," "Life Design Services," "Business Services" and "Global Services." For the details, please refer to "(1) Outline of reporting segments" of "5. 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.

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥110.99=U.S.\$1, the approximate exchange rate on March 31, 2019. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be readily converted into U.S. dollars at this rate or any other rate.

(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:

i. Estimates of useful lives and residual values of property, plant and equipment, intangible assets, finance lease 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, finance lease assets are described in "3. Significant accounting policies (5) Property, plant & equipment, (7) Intangible asset and (8) Leases," "6. Property, plant and equipment" and "7. Goodwill and intangible assets."

ii. Impairment of property, plant and equipment and intangible assets including goodwill

The Group conducts impairment tests to property, plant and equipment and intangible assets including goodwill. 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 and intangible assets" and "8. Impairment of property, plant and equipment, goodwill and intangible 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 “10. 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 “16. 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 the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions are described in “3. Significant accounting policies (16) Employee benefits” and “17. 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 “32. 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 “33. 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 “33. Provisions.”

(5) Application of new standards and interpretations

The Group applies the new standards and interpretations listed below from the fiscal year ended March 31, 2019.

- IFRS 15 “Revenue from Contracts with Customers”
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

Application of IFRS 15

The Group has applied the following standard from the fiscal year ended March 31, 2019.

IFRS		Newly established contents
IFRS 15	Revenue from contracts with customers (Newly established in May 2014)	New standard for accounting procedure and presentation regarding revenue recognition.

The Group has applied IFRS 15 in accordance with the transition elections available, and therefore retrospectively recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings as of April 1, 2018.

In accordance with IFRS 15, excluding such as interest and dividend recognized in accordance with IFRS 9, insurance revenues recognized in accordance with IFRS 4 and lease revenues recognized in accordance with IAS 17, revenues are recognized upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group expect to be entitled in exchange for those goods or services based on the following five step approach:

- Step 1: Identify the contracts with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

We recognize the incremental costs for obtaining contracts with customers and the costs incurred in fulfilling a contract with a customer as an asset if those costs are expected to be recoverable. The incremental costs for obtaining contracts are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

Depending on the business model applied, the new standards affect the following issues in particular.

- In the case where the Group sells mobile handsets to customers and simultaneously enters into communications service contracts with the customers, accounting might change as a result of combination of contracts and allocating the transaction prices to performance obligations.
- Under IFRS 15, expenses for sales commissions are capitalized and recognized over the estimated customer retention period. On first-time application of the standard, both total assets and equity increase due to the capitalization of contract assets.
- Deferral, i.e., later recognition of revenue in cases where “material rights” are granted, such as offering additional discounts for future purchases of further products.

A reconciliation of the adjustments from the application of IFRS 15 relative to IAS 18 on relevant financial statement line items in the Consolidated Statement of Income and Consolidated Statement of Financial Position is as follows.

	IAS 18 carrying amount March 31, 2018	Reclassification	Remeasurements	IFRS 15 carrying amount April 1, 2018	Retained earnings effect April 1, 2018
Millions of yen					
Goodwill	¥526,601	¥ —	¥ (5,633)	¥520,967	¥ (5,633)
Deferred tax assets	106,050	—	(73,425)	32,625	(73,425)
Contract costs	—	84,868	275,984	360,851	275,984
Other non-current assets	65,477	(56,358)	—	9,119	—
Other current assets	133,531	(28,510)	—	105,021	—
Deferred tax liabilities	80,298	—	26,768	107,066	(26,768)
Contract liabilities	—	243,655	(46,612)	197,043	46,612
Other non-current liabilities	129,679	(123,275)	—	6,404	—
Other current liabilities	297,932	(120,379)	—	177,553	—
Non-controlling interests	357,554	—	29,302	386,856	(29,302)
Millions of U.S. dollar					
	IAS 18 carrying amount March 31, 2018	Reclassification	Remeasurements	IFRS 15 carrying amount April 1, 2018	Retained earnings effect April 1, 2018
Goodwill	\$4,745	\$ —	\$ (51)	\$4,694	\$ (51)
Deferred tax assets	955	—	(662)	294	(662)
Contract costs	—	765	2,487	3,251	2,487
Other non-current assets	590	(508)	—	82	—
Other current assets	1,203	(257)	—	946	—
Deferred tax liabilities	723	—	241	965	(241)
Contract liabilities	—	2,195	(420)	1,775	420
Other non-current liabilities	1,168	(1,111)	—	58	—
Other current liabilities	2,684	(1,085)	—	1,600	—
Non-controlling interests	3,221	—	264	3,486	(264)

The comparison of the application of IFRS 15 relative to IAS 18 on the impacted financial statement line items in Consolidated Statement of Income and Consolidated Statement of Financial Position are as follows.

	IAS 18 carrying amount	IFRS 15 carrying amount
Millions of yen		
Consolidated Statement of Income		
Operating revenue	¥5,100,453	¥5,080,353
Cost of sales	2,884,870	2,867,413
Gross profit	2,215,583	2,212,940
Selling, general and administrative expenses	1,269,326	1,210,470
Operating income	957,515	1,013,729
Profit for the period	663,718	701,126
Owners of the parent	583,482	617,669
Non-controlling interests	80,236	83,457
Basic earnings per share (yen)	244.76	259.10
Diluted earnings per share (yen)	244.68	259.01
Consolidated Statement of Financial Position		
Goodwill	545,328	539,694
Deferred tax assets	105,834	15,227
Contract costs	—	412,838
Other non-current assets	62,367	10,117
Other current assets	152,292	125,162
Deferred tax liabilities	72,289	100,680
Contract liabilities	—	193,511
Other non-current liabilities	125,756	6,746
Other current liabilities	345,583	225,810
Retained earnings	3,922,478	4,144,133
Non-controlling interests	396,998	429,440

Millions of U.S. dollars

	IAS 18 carrying amount	IFRS 15 carrying amount
Consolidated Statement of Income		
Operating revenue	\$45,954	\$45,773
Cost of sales	25,992	25,835
Gross profit	19,962	19,938
Selling, general and administrative expenses	11,436	10,906
Operating income	8,627	9,134
Profit for the period	5,980	6,317
Owners of the parent	5,257	5,565
Non-controlling interests	723	752
Basic earnings per share (yen)	2	2
Diluted earnings per share (yen)	2	2
Consolidated Statement of Financial Position		
Goodwill	4,913	4,863
Deferred tax assets	954	137
Contract costs	—	3,720
Other non-current assets	562	91
Other current assets	1,372	1,128
Deferred tax liabilities	651	907
Contract liabilities	—	1,743
Other non-current liabilities	1,133	61
Other current liabilities	3,114	2,035
Retained earnings	35,341	37,338
Non-controlling interests	3,577	3,869

(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, 2019. 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 3	Amendments to IFRS 3 (Business combinations)	January 1, 2019	Fiscal year ending March 31, 2020	These amendments require that a company remeasures its previously held interest in a joint operation when it obtains control of the business.
IFRS 9	Amendments to IFRS 9 (Financial instruments) on prepayment features with negative compensation	January 1, 2019	Fiscal year ending March 31, 2020	These amendments confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
IFRS 11	Amendments to IFRS 11 (Joint arrangements)	January 1, 2019	Fiscal year ending March 31, 2020	These amendments require that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	IFRS 16 describes that revision of current accounting standard for lease and disclosure. Specifically, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months as principal.
IFRS 17	Insurance contracts	January 1, 2021	Fiscal year ending March 31, 2022	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.
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019	Fiscal year ending March 31, 2020	IFRIC 23 provides guidance how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over tax treatment.
IAS 12	Amendments to IAS 12, (Income taxes)	January 1, 2019	Fiscal year ending March 31, 2020	These amendments require that a company accounts for all income tax consequences of dividend payments in the same way.
IAS 19	Amendments to IAS 19, (Employee benefits) on plan amendment, curtailment or settlement	January 1, 2019	Fiscal year ending March 31, 2020	These amendments require an entity to: • use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and • recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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
IAS 23	Amendments to IAS 23, (Borrowing costs)	January 1, 2019	Fiscal year ending March 31, 2020	These amendments require that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
IAS 28	Amendments to IAS 28 (Investments in associates), on long term interests in associates and joint ventures	January 1, 2019	Fiscal year ending March 31, 2020	These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.

All the standards and amendments above will be reflected to the 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.

(IFRS 16 "Leases")

In January 2016, the IASB issued IFRS 16 "Leases." The Group will apply IFRS 16 from the consolidated fiscal year ending March 31, 2020.

The main change this will have on the Group due to its business model is that IFRS 16 requires that the right to employ a lease asset and the payment obligations for lease-related fees are recognized as right-of-use assets and lease obligations in the consolidated statement of financial position. Currently, under IAS 17, payment

obligations related to operating and financial leases must be recorded in consolidated financial statements.

The Group will not restate comparative information and plans to recognize the cumulative impact of applying these standards as an adjustment of the retained earnings balance at the beginning of the fiscal year on April 1, 2019.

With the application of these standards to operating and financial leases (mainly those for land and structures for office space and base stations) taken out by the Group, as a result of examining operating lease contracts in accordance with the Standard, the Group expects that right-of-use assets and lease liabilities on the initial application date will increase approximately ¥310 billion each. Moreover, KDDI expects the impact on consolidated statement of income to be minor.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for by the Group as equity transactions. The difference between fair value of any consideration paid and the proportion acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests without losing control are also recorded in equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value on the date when control is lost, with the changes in the carrying amount recognized in profit or loss. The fair value will be the initial carrying amount when the retained interests are subsequently accounted for as associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Unification of reporting period

The consolidated financial statements include the financial statements of subsidiaries whose closing dates are different from that of the Company. For the preparation of the consolidated financial statements, such subsidiaries prepare financial statements based on the provisional accounts as of the Company's closing date. As for KDDI Summit Global Singapore Pte. LTD, due to the environment encompassing local accounting in the areas where subsidiaries KDDI Summit Global Myanmar Co., Ltd. are located, preliminary results were not obtained by the Company's closing date for subsidiary reporting, and reporting periods were not unified. However, due to improvement for financial reporting in the fiscal year ended March 31, 2019, the reporting periods are unified.

ii. Associates

Associates are entities over which the Group does not have control but has significant influence over the financial and operating policies through participation in the decision-making of those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, investment in an associate is initially recorded at cost and its amount is adjusted to recognize the Group's share of the profit or loss and other comprehensive income of the associate from the date on which it has significant influence until the date when it ceases to have the significant influence is lost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognized in other comprehensive income is reclassified to profit or loss, where appropriate. When the Company's share of losses in an associate equals or exceeds its carrying amount of interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's investment in associates includes goodwill recognized on acquisition. Accordingly, goodwill is not recognized and not tested for impairment separately. Gross amount of investments in associates is tested for impairment as a single asset. Specifically, the Group evaluates whether there is objective evidence which indicates that the investment may be impaired or not on a quarterly basis. When objective evidence that the investments in associates are impaired exists, those investments are tested for impairment.

Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The accounting policies of associates have been changed to conform to the Group's accounting policies, when necessary.

iii. Joint arrangements

The Group enters into joint arrangements when the Group has joint control of a business or entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

For the purpose of accounting, joint arrangements are classified as either joint operations or joint ventures. A joint operation is a joint agreement whereby parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

When a joint arrangement is classified as a joint operation, the Group's share of the assets, liabilities, revenue and expenses in relation to the arrangement are recorded directly in the financial statements. On the other hand, when a joint arrangement is classified as a joint venture, net assets related to the arrangement are recorded in the financial statements using the equity method.

(2) Business combination

The Group accounts for business combinations by applying the acquisition method. Consideration transferred to acquire subsidiaries is the fair values of the assets transferred, the liabilities incurred by former owners of the acquiree and the equity interests issued by the Group. Consideration transferred also includes fair values of any assets or liabilities resulting from a contingent consideration arrangement. Each identifiable asset acquired, liability and contingent liability assumed in a business combination is generally measured at its acquisition-date fair value.

Non-controlling interests are identified separately from those of the Group and are measured as the non-controlling shareholders' proportionate share of the acquiree's identifiable net assets. For each acquisition, the Group recognizes the acquiree's non-controlling interests either at fair value or as the non-controlling interest's proportionate share of the amount recognized for acquiree's identifiable net assets.

Acquisition-related costs, including finder's fees, legal, due-diligence and other professional fees, are charged to expense when incurred.

Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets acquired, such excess is recorded as goodwill. Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree 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 years
Antenna equipment	10–21 years
Toll and local line equipment	10–21 years
Other equipment	9–27 years
Buildings and structures	10–38 years
Others	5–22 years

The depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

iii. Derecognition

Property, plant and equipment is derecognized on disposal. The profit or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

(6) Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the acquiree on the date of acquisition.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. Instead, it is tested for impairment annually and if events or changes in circumstances indicate a potential impairment. For the impairment, please refer to "(9) Impairment of property, plant and equipment, goodwill and intangible assets."

(7) Intangible assets

i. Recognition and measurement

The Group applies the cost method in measuring intangible assets, excluding goodwill. Those assets are carried at its cost less accumulated amortization and impairment losses.

Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill and are measured at fair value at the acquisition date when such assets meet the definition of intangible asset and are identifiable, and their fair values can be measured reliably.

Expenditure on research activities to obtain new science technology or technical knowledge and understanding is recognized as an expense when it is incurred.

Expenditure on development is recognized as intangible asset in the case where the expenditure is able to be measured reliably, product or production process has commercial and technical feasibility, the expenditure probably generates future economic benefits, the Group has intention to complete the development and use or sell the asset, and has enough resources for their activities. In other cases, the expenditure is recognized as expense when it is incurred.

ii. Depreciation and useful lives

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

Software	5 years
Customer relationships	4–29 years
Assets related to program supply	22 years
Others	5–20 years

The amortization methods, estimated useful lives are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(8) Lease

i. Assets subject to lease

At the inception of the lease contract, the assessment whether an arrangement is a lease or contains a lease is made based on the substance of the agreement. Assets are subject to lease if the implementation of an agreement depends on use of certain assets or groups of assets, and the right to use the assets is given under such agreement.

ii. Classification of lease

Lease transactions are classified as finance leases whenever all the risks and rewards of ownership of assets are substantially transferred to the Group (lessee). All other leases are classified as operating leases.

iii. Finance lease

In finance lease transactions, leased assets are recognized as an asset in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the aggregated minimum lease payments, each determined at the inception of the lease, less accumulated depreciation and impairment losses. Lease obligations are recognized as "Other short-term financial liabilities" and "Other long-term financial liabilities" in the consolidated statement of financial position. Lease payments are apportioned between the financial cost and the reduction of the lease obligations based on the effective interest method. Finance cost is recognized in the consolidated statement of income. Assets held under finance leases are depreciated using straight-line method over their estimated useful lives if there is reasonable certainty that the ownership will be transferred by the end of the lease term; otherwise the assets are depreciated over the shorter of the lease term or their estimated useful lives.

iv. Operating lease

In operating lease transactions, lease payments are recognized as an expense using the straight-line method over the lease terms.

(9) Impairment of property, plant and equipment, goodwill and intangible assets

At the end of each reporting period, the Group determines whether there is any indication that carrying amounts of property, plant and equipment and identifiable intangible 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 extinguished. An impairment loss is reversed when there is an indication that the impairment loss may be reversed and there has been a change in the estimates used to determine an asset's recoverable amount. When an impairment loss recognized is reversed, carrying amount of the asset or cash-generating unit is increased to its updated estimated recoverable amount. A reversal of an impairment loss is recognized, to the extent the increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (net of depreciation and amortization) that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as other income.

(10) Non-current assets held for sale or disposal group

An asset or group of assets of which the carrying amount is expected to be recovered primarily through a sales transaction rather than through continuing use is classified into "Assets held for sale." To qualify for classification as "non-current assets held for sale," the sale of a non-current asset must be highly probable and it must be available for immediate sale in its present condition. Also, management must be committed to a plan to sell the asset in which the sale is to be completed within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, and the criteria set out above are met, all assets and liabilities of the subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets held for sale is measured at the lower of its "carrying amount" and "fair value less cost to sell." Property, plant and equipment and intangible assets classified as "assets held for sale" are not depreciated or amortized.

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset measured at fair value through profit or loss is recognized as profit or loss.

(b) Classification of non-derivative financial assets

Classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets at initial recognition as financial assets measured at amortized cost, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

A financial asset that meets both the following condition is classified as a financial asset measured at amortized cost.

- The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Equity instruments measured at fair value through other comprehensive income

The Group makes an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss.

An equity instrument measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when equity instrument is derecognized or its fair value substantially decreased.

Dividends are recognized as "finance income" 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 "finance income" or "finance cost" 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 distinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

iii. Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(12) Impairment of financial assets

The Group recognizes 12-month expected credit loss as provision for doubtful receivables (non-trade receivables) when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for such remaining life of the financial assets are recognized as provision for doubtful receivables. Whether credit risk is significantly increased or not is determined based on the changes in default risk. To determine if there is a change in default risk, following factors are considered. However, the Group always measures provision for trade receivables which do not include any material financial component at an amount equal to lifetime expected credit losses.

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
- Reduced financial support from the parent company or associated companies
- Delinquencies (Overdue information)

Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received.

(13) Derivatives and hedge accounting

Derivatives are initially recognized at fair value as on the date on which the derivative contracts are entered into. After initial recognition, derivatives are remeasured at fair value at the end of each reporting period.

The Group utilizes derivatives consisting of exchange contracts 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:

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

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

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

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

After rebalancing, in cases where no longer meet the requirements of hedge accounting or hedging instruments are expired, sold, terminated or exercised, hedge accounting will be discontinued.

In the case that the hedge accounting is discontinued, the cumulative profit or loss on the hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, accumulated amount of profits or losses recorded in equity is transferred to profit or loss.

Aggregated fair values of hedging instrument derivatives whose maturities are over 12 months are classified as non-current assets or liabilities, and those whose maturities are less than 12 months are classified as current assets or liabilities.

(14) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within in current liabilities.

(15) Inventories

Inventories mainly consist of mobile handsets and materials / work in progress related to construction.

Inventories are measured at the lower of cost and net realizable value. The cost is generally calculated using the moving average method and comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated cost to sell.

(16) Employee benefits

i. Defined benefit plans

The Group primarily adopts 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 is corresponding to estimated timing and amount of future benefits are to be paid.

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and remeasurements of the net defined benefit liability (asset). Service cost and net interest are recognized in profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest). Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, and past service costs are recognized as profit or loss.

The Group recognizes remeasurements of all the net defined benefit liability (asset) resulting from its defined benefit plans in other comprehensive income and reclassifies them immediately to retained earnings.

ii. Defined contribution plans

Certain subsidiaries of the Group adopt defined contribution plans. Contribution to the defined contribution plans are recognized as expenses for the period over which employees provide services.

In addition, certain subsidiaries of the Group participate in multi-employer pension plans, and recognize the payments made during the fiscal year as profit or loss and contribution payable as a liability.

iii. Short-term employee benefits

Short-term employee benefits are measured at the amounts expected to be paid when the liabilities are settled and recognized as an expense. Bonus and paid annual leave accruals are recognized as a liability in the amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.

(17) Provisions

Provisions are recognized when the Group has legal or constructive obligations as a result of past events, it is probable that outflows of economic benefits will be required to settle the obligations, and reliable estimates of the obligation can be made. To determine the amount of a provision, the estimated future cash flows are discounted using a pretax discount rate that reflects the time value of money and the risks specific to the liability where necessary. Unwinding of the discount over time is recognized in finance cost.

(18) Share-based payment

i. Stock options

The Group has equity-settled stock option plans as incentive plans for its directors and employees. Stock options are measured at fair value at the grant date, which is calculated using the Black-Scholes or other models.

The fair value of stock options at the grant date is recognized as an expense over the vesting period, based on the estimated number of stock options that are expected to vest, with corresponding amount recognized as increase in equity.

ii. Executive compensation BIP trust and stock-granting ESOP trust

The Group has introduced the executive compensation BIP (Board Incentive Plan) trust and a stock-granting ESOP (Employee Stock Ownership Plan) trust. These plans are accounted for as equity-settled share based payment and the shares of the Company held by the trust are included in treasury stock. The fair value of the shares of the 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 stocks are classified as equity. Proceeds from the Company's issuance of common stocks are included in common stock and capital surplus and its direct issue costs are deducted from capital surplus.

ii. Treasury stock

When the Group acquires treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Group sells treasury stocks, differences between the carrying amount and the consideration received upon sale are recognized as capital surplus.

(20) Revenue

i. Mobile telecommunications services

The Group generates revenue mainly from its mobile telecommunications services and sale of mobile handsets. The Group enters into mobile telecommunications service agreements directly with customers or indirectly through distributors, and also 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. The mobile telecommunication service fees and commission fees such as activation fees are recognized on a flat rate basis and on a measured rate basis when the services are provided to the customers, whereupon 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 between the billing date and approximately one month thereafter.

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.

(a) 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.

(b) Direct sales

In direct sales transactions, revenue from the sale of mobile handsets and revenue from service fees, including mobile telecommunications service fees, are considered to be bundled. Therefore, contracts that are concluded for a bundled transaction are treated as a single contract for accounting purposes. The total amount of the transaction allocated to revenue from the sale of mobile handsets and mobile telecommunications service fees is based on the proportion of each component's independent sales value. The amount allocated to mobile handset sales is recognized as revenue at the time of sale, which is when the performance obligation is determined to have been fulfilled. The amount allocated to mobile telecommunications service fees is recognized as revenue when the service is provided to the customer, which is when the performance obligation is determined to have been fulfilled.

In both direct and indirect sales, activation fees and handset model exchange fees are deferred as contract liabilities upon entering into the contract. They are not recognized as a separate performance obligation, but combined with mobile telecommunications services. They are recognized as revenue over the period when material renewal options exist.

The consideration of these transactions is received in advance, when the contract is signed.

Points granted to customers through the customer loyalty program are allocated to transaction prices based on the independent sales values of benefits to be exchanged based on the estimated point utilization rate, which reflects points that will expire due to future cancellation or other factors. The points are recognized as revenue when the customers utilize those points and take control of the goods or services, which is when the performance obligation is considered fulfilled.

ii. Fixed-line telecommunications services (including the CATV business)

Revenue from fixed-line telecommunications services primarily consists of revenues from voice communications, data transmission, FTTH services, CATV services and related installation fees.

The above revenue, excluding installation fee revenue, is recorded when the service is provided, fulfilling the performance obligation. Installation fee revenue is recognized over the estimated average contract period based on the percentage remaining.

The consideration for these transactions is received between the billing date and approximately the following month.

iii. Value-added services

Revenue from content services mainly comprises revenue from information fees, revenue arising from payment agency services, revenue through advertising businesses, agency fees on content services, and revenue from the energy business, etc. Revenue from information fees is 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. Revenue arising from payment agency services 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. Electric power revenue is the revenue generated from electric power retail services. These revenues are recognized as the service is delivered based on the nature of each contract.

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 impact profit for the year.

The Group considers itself to be an agent for payment agency services, 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. 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 basically billed before the performance obligation is fulfilled and is received approximately one month after 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.

v. 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 between the billing date and approximately one month later.

(21) Finance income and costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment (shareholders' right) is established.

Finance costs mainly comprise interest expense, exchange losses and changes in fair value of financial assets at fair value through profit or loss. Interest expense is recognized using the effective interest method.

(22) Other non-operating profit and loss

Other non-operating profit and loss includes gain and loss on investment activities. Specifically, gain and loss on step acquisitions, gain and loss on sales of stocks of subsidiaries and associates and gain and loss on deemed disposal are included.

(23) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset, which takes a substantial period of time before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period they incurred.

(24) Income taxes

Income taxes are composed of current and deferred taxes and recognized in profit or loss, except for taxes related to items that are recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities on the current year's taxable income, plus adjustments to the amount paid in prior years. To determine the current tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in the countries in which the Group operates and earns taxable income or losses.

Deferred tax assets and liabilities are, using asset and liability method, recognized on temporary differences between the carrying amounts of assets and liabilities on the consolidated financial statements and their tax basis, and tax loss carryforwards and tax credits. However, no deferred tax assets and liabilities are recognized on following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities 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 carryforwards and tax credits to the

extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized on taxable temporary differences. Carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to realize all or part of the benefit of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

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

(25) Dividends

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

(26) Earnings per share

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

Basic earnings per share is calculated by dividing profit for the year attributable to common stockholders of the parent by the weighted average number of common stocks outstanding during the reporting period, adjusted for the number of treasury stocks acquired.

For the purpose of calculating diluted earnings per share, net profit attributable to owners of the parent and the weighted average number of common stocks outstanding, adjusted for the number of treasury stocks, are further adjusted based on the assumption that all dilutive potential common stocks are fully converted. Potential common stocks of the Group are related to BIP trust and ESOP trust.

4

Business Combinations

ENERES Co., Ltd.

i. Overview of business combination

On December 27, 2018, the Company acquired additional shares in ENERES Co., Ltd. ("ENERES") through a public tender. As a result, ENERES and its consolidated subsidiaries became the Company's consolidated subsidiaries on the same date.

ii. Main objectives of business combination

Through this business combination, KDDI aims to realize a three-way alliance centering on ENERES and including KDDI and Electric Power Development Co., Ltd., which possess a wealth of knowledge about the electric power business. We will swiftly respond to changes in the business environment leveraging each company's strengths. By spurring innovation to create business opportunities, we aim to enhance the corporate value of ENERES and expand the Group's electric power business.

iii. Name and business description of the acquiree (as of March 31, 2019)

Company Name	ENERES Co., Ltd.
Establishment Date	April, 2008
Head Office	2-5-1 Kanda Surugadai, Chiyoda-ku, Tokyo Prefecture
President and name	Representative Director and President, Masahiro Kobayashi
Description of Business	Corporate customer services (energy agent services) New energy supplier services (wholesale power trade and supply-and-demand management services for retail power suppliers)
Paid-in Capital	2,893 million yen

iv. The proportion of acquired equity interest with voting rights

Share of voting rights held just before the acquisition:	29.73%
Share of additional voting rights acquired on the combination date:	20.40%
Share of voting rights after the acquisition:	50.13%

v. Acquisition date

December 27, 2018

vi. Consideration transferred and its components

	Millions of yen	Millions of U.S. dollars
As of acquisition date December 27, 2018	2019	2019
Fair value of equity held prior to acquisition	¥10,151	\$ 91
Cash payment	6,966	63
Total consideration transferred A	¥17,117	\$154

¥254 million (U.S.\$2 million) of acquisition-related costs for the business combination is recognized as selling, general and administrative expenses in the Consolidated Statement of Income.

vii. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

	Millions of yen	Millions of U.S. dollars
As of acquisition date December 27, 2018	2019	2019
Non-current assets		
Property, plant and equipment (Note 1)	¥ 5,330	\$ 48
Intangible assets (Note 1)	3,948	36
Other long-term financial assets	1,377	12
Other non-current assets	468	4
Total non-current assets	11,123	100
Current assets		
Trade and other receivables (Note 2)	18,967	171
Cash and cash equivalents	3,073	28
Other current assets	1,877	17
Total non-current assets	23,918	215
Total assets	¥35,041	\$316
Non-current liabilities		
Borrowings and bonds payable	¥ 1,224	\$ 11
Other long-term financial liabilities	644	6
Other non-current liabilities	1,460	13
Total non-current liabilities	3,328	30
Current liabilities		
Borrowings and bonds payable	6,508	59
Trade and other payables	16,581	149
Other current liabilities	2,512	23
Total current liabilities	25,601	231
Total liabilities	¥28,929	\$261
Net assets B	¥ 6,111	\$ 55
Non-controlling interests (Note 3) C	3,194	29
Goodwill (Note 4) A – (B–C)	¥14,199	\$128

Regarding this business combination, we conducted provisional treatment because the allocation of the acquisition cost was not determined in the consolidated third quarter of the fiscal year ended March 31, 2019. However, following the determination of the allocation in the fiscal year ended March 31, 2019, the amount of goodwill on the acquisition date decreased ¥1,094 million (U.S.\$10 million). This was due to increases in intangible assets, deferred tax liabilities and non-controlling interests of ¥3,146 million (U.S.\$28 million), ¥963 million (U.S.\$9 million) and ¥1,089 million (U.S.\$10 million), respectively.

Notes: 1. The analysis of property, plant and equipment and intangible assets

The main components of property, plant and equipment are equipment and property.

The main components of intangible assets are customer related assets, trademarks and software.

2. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected

As for the fair value of ¥18,967 million (U.S.\$171 million) of acquired receivables and other receivables, the total amount of contracts is ¥18,967 million (U.S.\$171 million) and the estimate of the contractual cash flows not expected to be collected at the acquisition date is none.

3. Non-controlling interests

Non-controlling interests are measured by multiplying the net assets of the acquiree that can be identified on the acquisition date by the ratio of non-controlling interests after the business combination.

4. Goodwill

Goodwill reflects excess earning power expected from the collective human resources related to the future business development and its synergy with the existing businesses. There is no item deductible from the taxable income related to the recognized goodwill.

viii. Consideration for expenditures due to the acquisition of control over the subsidiary

	Millions of yen	Millions of U.S. dollars
As of acquisition date December 27, 2018	2019	2019
Cash consideration transferred	¥(6,966)	\$(63)
Cash and cash equivalents held by the acquiree at the acquisition of control	3,073	28
Cash payment for the acquisition of control over the subsidiary	¥(3,893)	\$(35)

ix. Gain on step acquisitions

The equity in ENERES that KDDI held prior to the acquisition date was remeasured at the fair value on the acquisition date. As a result, we recognized a gain on step acquisitions of ¥2,999 million (U.S.\$27 million) due to the business combination. This income is recorded as other non-operating profit and loss in the consolidated statement of income.

x. Revenue and loss for the year of the acquiree

Revenue and loss for the year of the acquiree after the acquisition date, which are recorded on the consolidated statement of income for the year ended March 31, 2019 are ¥22,972 million (U.S.\$207 million) and ¥206 million (U.S.\$2 million), respectively.

xi. Consolidated revenue and consolidated profit for the year assuming that the business combination was completed at the beginning of the fiscal year (Pro forma information)

Revenue and profit for the quarter in pro forma information (unaudited) related to the consolidated results, assuming that the acquisition of control by business combination was effective on April 1, 2018, are ¥5,131,610 million (U.S.\$46,235 million) and ¥701,387 million (U.S.\$6,319 million), respectively.

5

Segment Information

(1) Outline of reporting segments

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

The Group has four reportable segments: Personal Services segment, Value Services segment, Business Services segment and Global Services segment. The Group's reportable segments are the same as its business segments. Also, the name of segment of "Value" is changed to "Life Design" from fiscal year ending March 31, 2019 due to the changes in organization of the company as of April 1, 2019.

"Personal" provides services for individual customers in Japan. These include mobile communications services, device sales such as smartphones and tablets, FTTH services, and CATV services, as well as non-telecommunications services including product sales, energy services and education services.

"Value" includes the commerce business, financing business, settlement services, and contents services such as video, music, and information distribution.

"Business" provides services for corporate customers in Japan. These include mobile and fixed-line communications services and device sales, as well as the solutions business, such as network, application, and cloud services.

"Global" provides services for customers overseas. These include mobile communications services for individual customers and ICT solution services for corporate customers, such as data centers.

In the fiscal year ended March 31, 2019, the reporting segment for the business operations of the consolidated subsidiary KDDI Evolva Inc. was transferred from "Others" to "Business." This change reflects that KDDI Evolva Inc.'s core business process

outsourcing (BPO) business and dispatch business are being expanded targeting corporate customers. The KDDI Group aims to further expand its solutions business for corporate customers and bolster its competitive edge by realizing mutual customer referrals leveraging its customer base.

Accordingly, the segment information for the fiscal year ended March 31, 2019 has been presented based on the segment classification after this change.

In addition, beginning in the fiscal year ending March 31, 2020, the four reporting segments of Personal Services, Life Design Services, Business Services, and Global Services will be reorganized into the two reporting segments of Personal

Services and Business Services based on their management approach, consolidating them based on the allocation of management resources and their performance evaluations.

* ENERES Co., Ltd. be made into consolidated subsidiary of the Company from the equity-method affiliate company in December 2018.

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

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

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

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

Assets and liabilities are not allocated to reporting segments.

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

The Group's segment information is as follows:

For the year ended March 31, 2018

	Reporting segment						Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Life design	Business	Global	Subtotal	Other (Note 1)			
Revenue									
Revenue from external customers	¥3,793,280	¥402,873	¥591,053	¥220,499	¥5,007,705	¥ 34,273	¥5,041,978	¥ —	¥5,041,978
Inter-segment revenue or transfers	106,325	118,863	158,918	28,203	412,308	71,000	483,308	(483,308)	—
Total	3,899,605	521,736	749,971	248,702	5,420,013	105,273	5,525,286	(483,308)	5,041,978
Segment income	732,931	104,045	84,467	31,907	953,351	10,224	963,575	(782)	962,793
Finance income and finance cost (Net)									(7,950)
Other non-operating profit and loss									305
Profit for the year before income tax									¥ 955,147
Other items									
Depreciation and amortization	468,485	21,859	46,189	11,674	548,206	1,374	549,580	(2,971)	546,609
Impairment loss	11,075	988	963	40	13,066	3	13,069	—	13,069
Share of profit of investment accounted for using the equity method	1,227	553	601	90	2,471	2,121	4,592	—	4,592

Notes: 1. "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.

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

For the year ended March 31, 2019

	Reporting segment						Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Life design	Business	Global (Note 3)	Subtotal	Other (Note 1)			
Revenue									
Revenue from external customers	¥3,805,937	¥447,209	¥618,557	¥181,175	¥5,052,878	¥27,475	¥5,080,353	¥ —	¥5,080,353
Inter-segment revenue or transfers	105,292	132,165	178,306	27,615	443,378	71,705	515,082	(515,082)	—
Total	3,911,229	579,374	796,863	208,790	5,496,255	99,180	5,595,435	(515,082)	5,080,353
Segment income	756,298	112,832	103,992	34,368	1,007,489	7,041	1,014,530	(801)	1,013,729
Finance income and finance cost (Net)									(6,430)
Other non-operating profit and loss									2,975
Profit for the year before income tax									¥1,010,275
Other items									
Depreciation and amortization	482,341	24,500	45,271	12,120	564,232	1,435	565,667	(3,385)	562,282
Impairment loss	305	1	291	2,141	2,737	—	2,737	—	2,737
Share of profit of investment accounted for using the equity method	135	1,908	608	68	2,718	2,061	4,780	—	4,780

Notes: 1. "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.
2. Adjustment of segment income shows the elimination of inter-segment transactions.
3. As for KDDI Summit Global Singapore Pte. Ltd., due to the environment encompassing local accounting in the areas where subsidiaries KDDI Summit Global Myanmar Co., Ltd. are located, preliminary results were not obtained by the Company's closing date for subsidiary reporting, and reporting periods were not unified. However, due to improvement for financial reporting in the fiscal year ended March 31, 2019, the reporting periods are unified.

Millions of U.S. dollars								
	Reporting segment						Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Life design	Business	Global (Note 3)	Subtotal	Other (Note 1)	Total	
Revenue								
Revenue from external customers	\$34,291	\$4,029	\$5,573	\$1,632	\$45,526	\$248	\$45,773	\$ — \$45,773
Inter-segment revenue or transfers	949	1,191	1,607	249	3,995	646	4,641	(4,641) —
Total	35,239	5,220	7,180	1,881	49,520	894	50,414	(4,641) 45,773
Segment income	6,814	1,017	937	310	9,077	63	9,141	(7) 9,134
Finance income and finance cost (Net)								(58)
Other non-operating profit and loss								27
Profit for the year before income tax								\$ 9,102
Other items								
Depreciation and amortization	4,346	221	408	109	5,084	13	5,097	(30) 5,066
Impairment loss	3	0	3	19	25	—	25	— 25
Share of profit of investment accounted for using the equity method	1	17	5	1	24	19	43	— 43

Notes: 1. "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.
2. Adjustment of segment income shows the elimination of inter-segment transactions.
3. As for KDDI Summit Global Singapore Pte. Ltd., due to the environment encompassing local accounting in the areas where subsidiaries KDDI Summit Global Myanmar Co., Ltd. are located, preliminary results were not obtained by the Company's

(4) Information by product and service

Information by product and service is described in "Note 25. 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 such 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.

6 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

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
Millions of yen						
As of April 1, 2017	¥4,735,152	¥604,203	¥276,142	¥158,309	¥532,785	¥6,306,590
Acquisition	48,474	3,127	329	358,146	9,665	419,742
Transfer from construction in progress	258,131	16,649	1,751	(328,000)	51,470	—
Acquisition by business combination	—	3,437	1,455	—	253	5,145
Disposal	(88,173)	(18,169)	(75)	(7,869)	(43,723)	(158,009)
Exchange differences	(1,070)	1,952	391	566	2,562	4,400
Other	502	455	(746)	(3,360)	(983)	(4,132)
As of March 31, 2018	4,953,016	611,653	279,246	177,792	552,028	6,573,735
Acquisition	69,726	3,557	438	415,879	15,021	504,621
Transfer from construction in progress	281,513	14,361	1,767	(358,286)	60,644	—
Acquisition by business combination	—	2,093	966	—	4,148	7,207
Disposal	(92,285)	(7,683)	(378)	(2,190)	(19,221)	(121,756)
Exchange differences	(670)	(1,269)	(263)	(146)	(1,139)	(3,488)
Other	(538)	(1,539)	58	(1,698)	378	(3,340)
As of March 31, 2019	¥5,210,763	¥621,173	¥281,833	¥231,351	¥611,858	¥6,956,979

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
Millions of U.S. dollars						
As of April 1, 2018	\$44,626	\$5,511	\$2,516	\$1,602	\$4,974	\$59,228
Acquisition	628	32	4	3,747	135	4,547
Transfer from construction in progress	2,536	129	16	(3,228)	546	—
Acquisition by business combination	—	19	9	—	37	65
Disposal	(831)	(69)	(3)	(20)	(173)	(1,097)
Exchange differences	(6)	(11)	(2)	(1)	(10)	(31)
Other	(5)	(14)	1	(15)	3	(30)
As of March 31, 2019	\$46,948	\$5,597	\$2,539	\$2,084	\$5,513	\$62,681

Accumulated depreciation and accumulated impairment loss

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
Millions of yen						
As of April 1, 2017	¥(3,191,523)	¥(365,761)	¥(4,084)	¥ (691)	¥(316,086)	¥(3,878,145)
Depreciation	(295,008)	(20,097)	—	—	(53,910)	(369,015)
Disposal	65,096	15,769	0	—	41,626	122,491
Impairment loss	(10,644)	(646)	—	(399)	(166)	(11,856)
Exchange differences	739	150	—	(0)	(903)	(15)
As of March 31, 2018	(3,431,340)	(370,586)	(4,083)	(1,090)	(329,439)	(4,136,539)
Depreciation	(298,256)	(22,346)	—	—	(56,882)	(377,484)
Disposal	79,500	6,556	1	—	17,377	103,435
Impairment loss	(532)	(110)	—	(49)	(34)	(725)
Exchange differences	242	(87)	—	0	361	516
As of March 31, 2019	¥(3,650,387)	¥(386,574)	¥(4,082)	¥(1,139)	¥(368,617)	¥(4,410,798)

Millions of U.S. dollars

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2018	\$(30,916)	\$(3,339)	\$(37)	\$(10)	\$(2,968)	\$(37,269)
Depreciation	(2,687)	(201)	—	—	(512)	(3,401)
Disposal	716	59	0	—	157	932
Impairment loss	(5)	(1)	—	0	0	(7)
Exchange differences	2	(1)	—	0	3	5
As of March 31, 2019	\$(32,889)	\$(3,483)	\$(37)	\$(10)	\$(3,321)	\$(39,740)

Note: The depreciation of the property, plant and equipment is included in “cost of sales” and “selling, general and administrative expenses” in 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, 2017	¥1,543,629	¥238,441	¥272,058	¥157,618	¥216,699	¥2,428,445
As of March 31, 2018	¥1,521,676	¥241,067	¥275,163	¥176,701	¥222,589	¥2,437,196
As of March 31, 2019	¥1,560,377	¥234,600	¥277,752	¥230,211	¥243,241	¥2,546,181

Millions of U.S. dollars

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of March 31, 2019	\$14,059	\$2,114	\$2,502	\$2,074	\$2,192	\$22,941

(2) Property, plant and equipment rented under finance lease

The carrying amount of finance lease assets included in property, plant and equipment (less accumulated depreciation and accumulated impairment loss) is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
In-home customer premises equipment	¥69,629	¥68,078	\$613
Other	7,562	7,968	72
Total	¥77,191	¥76,046	\$685

(3) 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 15. Borrowings and bonds payable.”

(4) Property, plant and equipment with limited ownership

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

(5) 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.

(6) 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, 2018 and 2019.

7 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

	Intangible assets					Total
	Goodwill	Software	Customer related	Program supply related	Other	
As of April 1, 2017	¥481,377	¥659,517	¥311,543	¥36,363	¥652,873	¥2,141,673
Individual acquisition	—	114,152	—	—	78,289	192,441
Acquisition by business combination	51,809	111	9,002	—	17,146	78,068
Disposal	(228)	(70,408)	—	—	(29,138)	(99,774)
Exchange differences	(338)	(212)	—	—	(252)	(802)
Other	(1,760)	(597)	—	—	(5,790)	(8,147)
As of March 31, 2018	530,860	702,563	320,545	36,363	713,129	2,303,458
Decrease by changes in accounting policies	(5,633)	—	—	—	—	(5,633)
Individual acquisition	—	111,126	—	—	77,720	188,847
Acquisition by business combination	23,925	389	3,146	—	303	27,764
Disposal	(6,401)	(74,296)	—	—	(39,896)	(120,593)
Exchange differences	(409)	(217)	—	—	(136)	(762)
Other	(3)	(153)	—	—	(10,738)	(10,894)
As of March 31, 2019	¥542,339	¥739,412	¥323,691	¥36,363	¥740,381	¥2,382,187

Millions of U.S. dollars

	Intangible assets					Total
	Goodwill	Software	Customer related	Program supply related	Other	
As of April 1, 2018	\$4,783	\$6,330	\$2,888	\$328	\$6,425	\$20,754
Decrease by changes in accounting policies	(51)	—	—	—	—	(51)
Individual acquisition	—	1,001	—	—	700	1,701
Acquisition by business combination	216	4	28	—	3	250
Disposal	(58)	(669)	—	—	(359)	(1,087)
Exchange differences	(4)	(2)	—	—	(1)	(7)
Other	0	(1)	—	—	(97)	(98)
As of March 31, 2019	\$4,886	\$6,662	\$2,916	\$328	\$6,671	\$21,463

Accumulated amortization and impairment

	Intangible assets					Total
	Goodwill	Software	Customer related	Program supply related	Other	
As of April 1, 2017	¥(3,504)	¥(386,945)	¥(47,577)	¥(6,611)	¥(296,685)	¥(741,322)
Amortization	—	(103,497)	(19,226)	(1,653)	(53,217)	(177,594)
Impairment loss	(956)	(232)	—	—	(24)	(1,213)
Disposal and sales	—	67,902	—	—	27,884	95,786
Exchange differences	200	115	—	—	275	591
As of March 31, 2018	(4,259)	(422,657)	(66,804)	(8,264)	(321,767)	(823,752)
Amortization	—	(108,197)	(20,607)	(1,653)	(54,341)	(184,798)
Impairment loss	(1,964)	(39)	—	—	(8)	(2,011)
Disposal and sales	3,578	72,770	—	—	38,240	114,588
Exchange differences	—	119	—	—	199	318
As of March 31, 2019	¥(2,645)	¥(458,004)	¥(87,441)	¥(9,917)	¥(337,678)	¥(895,655)

Millions of U.S. dollars

	Intangible assets					Total
	Goodwill	Software	Customer related	Program supply related	Other	
As of April 1, 2018	\$(38)	\$(3,808)	\$(602)	\$(74)	\$(2,899)	\$(7,422)
Amortization	—	(975)	(186)	(15)	(490)	(1,665)
Impairment loss	(18)	(0)	—	—	(0)	(18)
Disposal and sales	32	656	—	—	345	1,032
Exchange differences	—	1	—	—	2	3
As of March 31, 2019	\$(24)	\$(4,127)	\$(788)	\$(89)	\$(3,042)	\$(8,070)

Note: The amortization of intangible assets is included in “cost of sales” and “selling, general and administrative expenses” in Consolidated Statement of financial positions.

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

Carrying amount

Millions of yen

	Intangible assets					Total
	Goodwill	Software	Customer related	Program supply related	Other	
As of April 1, 2017	¥477,873	¥272,572	¥263,965	¥29,752	¥356,188	¥1,400,351
As of March 31, 2018	¥526,601	¥279,905	¥253,741	¥28,099	¥391,361	¥1,479,707
As of March 31, 2019	¥539,694	¥281,408	¥236,280	¥26,446	¥402,703	¥1,486,532

Millions of U.S. dollars

	Intangible assets					Total
	Goodwill	Software	Customer related	Program supply related	Other	
As of March 31, 2019	\$4,863	\$2,535	\$2,129	\$238	\$3,628	\$13,393

(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, 2018 and 2019 are ¥20,132 million (U.S.\$181 million) and ¥23,728 million (U.S.\$214 million).

(3) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives described above as of March 31, 2018 and 2019 are ¥63,379 million (U.S. \$571 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.

8

Impairment of Property, Plant and Equipment, Goodwill and Intangible Assets

(1) Recognition of impairment loss

The Group recognized impairment loss of ¥13,069 million (U.S.\$118 million) and ¥2,737 million (U.S.\$25 million) for the years ended March 31, 2018 and 2019 respectively. The Group mainly recognized impairment loss for the assets and asset groups listed below. In addition, in the fiscal year ended March 31, 2019, the impact on the consolidated financial statements was insignificant and therefore omitted.

For the year ended March 31, 2018

Location	Use	Class	Millions of yen	Millions of U.S. dollars
			Impairment loss	
Communication facilities, and idle assets (Tokyo other)	Mainly, telecommunications business	Machinery, Local line facilities and other	¥10,008	\$90

Due to declining revenue, the future recovery of investments in certain services was determined to be unlikely and the book value was reduced to the recoverable amount. This resulted in recognition of an impairment loss of ¥10,008 million (U.S.\$90 million). The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded mainly in personal segment. The impairment loss consists of ¥9,641 million (U.S.\$87 million) for machinery and ¥367 million (U.S.\$3 million) for others.

The recoverable amount of these assets was estimated at their value in use, with future cash flows discounted at a rate of 6.20% and at the estimated period of 2 years.

(2) 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

Cash generating unit or cash generating unit group		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Jupiter telecommunication Co., Ltd. CATV business	¥280,771	¥280,771	\$2,530
Jupiter Shop Channel Co., Ltd.	92,577	92,577	834
AEON HD	37,014	36,860	332
ENERES Co., Ltd.	—	14,199	128
BIGLOBE Inc.	19,705	14,072	127
Other	96,533	101,216	912
Total	¥526,601	¥539,694	\$4,863

Intangible assets with indefinite useful lives

Cash generating unit or cash generating unit group		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
BIGLOBE Inc.	¥26,374	¥26,374	\$238
Jupiter Shop Channel Co., Ltd.	19,859	19,859	179
AEON HD	17,146	17,146	154
Total	¥63,379	¥63,379	\$571

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 arisen from cash generating units or group of cash generating units are discounted to their present value. When the Group calculates the future cash flows and discount future cash flows, growth rates on different types of forecasted revenue and forecasted change to corresponding major cost such as cost of sales and pre-tax discount rates are used as significant factors.

Forecast of cash flows used as a basis to estimate future cash flows is based on the recent business plan approved by the management, and the forecast is 5 years. After 5 years, 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		
As of March 31	2018	2019
Jupiter telecommunication Co., Ltd.		
CATV business	0.7%	0.7%
Jupiter Shop Channel Co., Ltd.	0.0%	0.0%
AEON HD	0.0%	0.0%
ENERES Co., Ltd.	—	0.0%
BIGLOBE Inc.	0.0%	0.0%
Other	0.0–14.9%	0.0–9.4%

The growth rates used in estimated cash flows of each cash generating unit or group of cash generating units 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 cash generating units or cash generating units group to which goodwill and intangible assets with indefinite useful lives is allocated are as follows.

Cash generating unit or cash generating unit group		
As of March 31	2018	2019
Jupiter telecommunication Co., Ltd.		
CATV business	4.8%	5.2%
Jupiter Shop Channel Co., Ltd.	5.3%	5.6%
AEON HD	5.5%	3.8%
ENERES Co., Ltd.	—	7.9%
BIGLOBE Inc.	3.6%	4.5%
Other	1.9%–23.2%	2.3%–22.2%

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 the growth rate and/or discount rate used for impairment test.

9 Investments Accounted for Using the Equity Method

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

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Interests in associates	¥64,165	¥139,713	\$1,259
Interests in joint ventures	34,027	34,287	309
Total	¥98,192	¥174,000	\$1,568

(2) Summarized financial information of associates and joint ventures

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, 2018 and 2019, there is not individually significant associate accounted for using the equity method.

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Profit for the year	¥3,926	¥3,690	\$33
Other comprehensive income, net of tax	68	(524)	(5)
Total comprehensive income for the year	¥3,993	¥3,166	\$29

ii. Joint ventures

Profit for the year, other comprehensive income and comprehensive income of joint ventures accounted for using the equity method is as follows. As of and for the years ended March 31, 2018 and 2019, there is not individually significant joint venture accounted for using the equity method.

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Profit for the year	¥666	¥1,090	\$10
Other comprehensive income, net of tax	(241)	(830)	(7)
Total comprehensive income for the year	¥425	¥ 260	\$ 2

10 Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Finished goods and manufactured goods	¥87,564	¥87,751	\$791
Work in progress	1,133	2,119	19
Other	511	718	6
Total	¥89,207	¥90,588	\$816

There is no inventory to be sold after more than 12 months from March 31, 2018 and 2019, respectively.

(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	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Write down of the inventories expensed (Note)	¥8,681	¥5,709	\$51

Note: Write down is recognized as costs of sales.

(3) Inventories pledged as collateral

There are no inventories pledged as collateral.

11 Trade and Other Receivables

The analysis of trade and other receivables is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Current			
Trade receivables			
Accounts receivable—trade and notes receivable	¥1,648,337	¥1,894,889	\$17,073
Account receivable—other (Note)	67,339	91,417	824
Loss allowance	(20,273)	(20,751)	(187)
Total	¥1,695,403	¥1,965,554	\$17,709

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

The amounts of trade and other receivables expected to be recovered after more than twelve months from March 31, 2018 and 2019, respectively are ¥349,233 million (U.S.\$3,147 million) and ¥531,323 million (U.S.\$4,787 million).

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

12 Other Financial Assets

The analysis of other financial assets is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Non-current assets (Other long-term financial assets)			
Financial assets at fair value through profit or loss			
Derivative financial assets	¥ 301	¥ 150	\$ 1
Financial assets at fair value through other comprehensive income			
Equity instruments			
Equities	110,071	117,894	1,062
Financial assets at amortized cost			
Debt instruments			
Security deposits	41,926	44,387	400
Long-term accounts receivables	43,715	10,556	95
Lease receivables	80,443	89,750	809
Other	3,439	392	4
Loss allowance	(43,210)	(10,104)	(91)
Sub total	236,684	253,025	2,280
Current assets (Other short-term financial assets)			
Financial assets at fair value through profit or loss			
Derivative financial assets	179	149	1
Financial assets at amortized cost			
Debt instruments			
Lease receivables	21,569	29,832	269
Short-term investment	4,654	4,640	42
Other	3,772	7,342	66
Sub total	30,173	41,963	378
Total	¥266,857	¥294,989	\$2,658

13 Other Assets

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

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Non-current assets			
Long-term prepaid expenses	¥ 62,460	¥ 8,207	\$ 74
Other	3,018	1,909	17
Sub total	65,477	10,117	91
Current assets			
Prepaid expenses	83,924	58,863	530
Advance payment	10,753	11,602	105
Other	38,853	54,697	493
Sub total	133,531	125,162	1,128
Total	¥199,008	¥135,278	\$1,219

14 Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Cash in hand and deposits held at call with banks	¥195,019	¥199,922	\$1,801
Term deposits with original maturities of three months or less	5,815	4,675	42
Total	¥200,834	¥204,597	\$1,843
Cash and cash equivalents in consolidated statement of cash flow	¥200,834	¥204,597	\$1,843

15 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	Millions of U.S. dollars	Average interest rate (%) (Note)	Due (Year)
As of March 31	2018	2019	2019		
Non-current					
Bonds payable (excluding current portion)	¥ 159,784	¥ 219,491	\$ 1,978	0.542%	2020–2028
Long-term borrowings (excluding current portion)	544,494	821,487	7,401	0.469%	2020–2029
Sub total	704,278	1,040,978	9,379	—	—
Current					
Current portion of bonds payable	10,017	60,000	541	1.705%	—
Current portion of long-term borrowings	290,542	58,574	528	0.406%	—
Short-term borrowings	29,000	32,000	288	0.064%	—
Sub total	329,559	150,574	1,357	—	—
Total	¥1,033,837	¥1,191,553	\$10,736	—	—

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:

Entity	Description	Issuance date	As of March 31, 2018	Millions of yen	Millions of U.S. dollars	Interest rate (%)	Collateral	Due
				As of March 31, 2019	As of March 31, 2019			
KDDI Corp.	9th series of unsecured notes	February 26, 2009	9,997 (9,997)	— (—)	— (—)	2.046% per year	Unsecured	December 20, 2018
KDDI Corp.	15th series of unsecured notes	May 29, 2009	19,991	19,999 (19,999)	180 (180)	1.969% per year	Unsecured	May 29, 2019
KDDI Corp.	18th series of unsecured notes	March 4, 2010	39,973	39,989 (39,989)	360 (360)	1.573% per year	Unsecured	December 20, 2019
KDDI Corp.	19th series of unsecured notes	September 6, 2010	39,964	39,981	360	1.151% per year	Unsecured	June 19, 2020
KDDI Corp.	20th series of unsecured notes	December 13, 2013	29,927	29,940	270	0.803% per year	Unsecured	December 20, 2023
KDDI Corp.	21st series of unsecured notes	September 10, 2014	29,917	29,930	270	0.669% per year	Unsecured	September 20, 2024
KDDI Corp.	22nd series of unsecured notes	July 12, 2018	—	29,901	269	0.310% per year	Unsecured	July 12, 2028
KDDI Corp.	23rd series of unsecured notes	November 22, 2018	—	39,901	360	0.110% per year	Unsecured	November 22, 2023
KDDI Corp.	24th series of unsecured notes	November 22, 2018	—	29,909	269	0.250% per year	Unsecured	November 21, 2025
KDDI Corp.	25th series of unsecured notes	November 22, 2018	—	19,930	180	0.395% per year	Unsecured	November 22, 2028
iret, Inc.	1st series of unsecured notes	June 27, 2016	31 (19)	12 (12)	0 (0)	0.330% per year	Unsecured	June 27, 2019

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

(3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities are as follows:

(Consolidated subsidiaries)

Assets set aside as issuance deposits as prescribed in Article 14, Paragraph 1 of Payment Services Act are as follows:

	Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019
Government bonds	¥3,001	\$27

Assets set aside as issuance deposits as prescribed in Article 15 of Payment Services Act are as follows:

	Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019
Deposit	¥—	\$315

Assets pledged as collateral are as follows:

	Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019
Property, plant and equipment	¥ 75	\$10
Stocks of subsidiaries and associates (Note)	768	7
Other short-term financial assets	77	0
Total	¥919	\$1,940
(of which, assets denominated in foreign currency)	(U.S.\$0 million and other)	(U.S.\$0 million and other)
		\$17

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

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Accounts payable	¥ —	¥330	\$ 3
Long-term borrowings (Note)	98	118	1
Current portion of long-term borrowings	86	122	1
Trade and other payables	1	—	—
Total	¥185	¥569	\$ 5

Note: Stocks 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, 2018 and 2019 are ¥16,820 million (U.S.\$152 million) and ¥15,424 million (U.S.\$139 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, 2018 and 2019 are ¥397,350 million (U.S.\$3,580 million) and ¥457,248 million (U.S.\$4,120 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 32. Financial instruments" and "Note 33. Fair value of financial instruments."

16 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, 2018

	Millions of yen						
	As of April 1, 2017	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2018
Deferred tax assets							
Accrued bonuses	¥ 9,959	¥ 63	¥ —	¥ —	¥ 101	¥ (16)	¥ 10,107
Accrued business tax	7,950	(304)	—	—	270	(39)	7,877
Write down of inventories	5,189	(256)	—	—	99	—	5,032
Loss allowance	9,980	(601)	—	—	14	(3)	9,390
Unrealized gain on inventories	502	(141)	—	—	0	(141)	220
Deferred points	22,208	(5,500)	—	—	—	—	16,708
Difference of useful life between accounting and tax laws	10,233	10,914	—	—	565	3	21,715
Disposal loss on fixed assets	5,289	(564)	—	—	—	(1)	4,724
Impairment loss	36,788	(10,992)	—	—	—	(0)	25,796
Retirement benefit liabilities	7,767	(2,577)	—	(1,930)	75	436	3,771
Accrued expenses	4,281	(369)	—	—	22	0	3,934
Advanced received	33,101	(4,143)	—	—	12	141	29,112
Other	50,484	(3,151)	—	(427)	146	(1,123)	45,929
Total	¥203,732	¥(17,621)	¥ —	¥(2,357)	¥1,304	¥ (742)	¥184,315
Deferred tax liabilities							
Retained profits of foreign related companies	¥ 353	¥ 539	¥ —	¥ —	¥ —	¥ —	¥ 893
Special reserves	581	(160)	—	—	—	—	421
Appraisal gain on equity instruments	5,890	129	453	3,495	—	(0)	9,967
Difference of depreciation/ amortisation method and useful life between accounting and tax laws	34,627	(12,518)	—	—	—	—	22,110
Identifiable intangible assets	104,868	(5,181)	—	—	7,720	—	107,407
Other	8,863	8,286	—	8	526	83	17,767
Total	¥155,183	¥ (8,905)	¥453	¥ 3,503	¥8,246	¥ 83	¥158,563

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

For the year ended March 31, 2019

Millions of yen

	As of April 1, 2018	Impact by changes in accounting policies	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehen- sive income	Acquisition by business combina- tions	Other (Note)	As of March 31, 2019
Deferred tax assets								
Accrued bonuses	¥ 10,107	¥ —	¥ 3	¥ —	¥ —	¥ —	¥ 1	¥ 10,111
Accrued business tax	7,877	—	476	—	—	5	31	8,389
Write down of inventories	5,032	—	(248)	—	—	—	47	4,831
Loss allowance	9,390	—	(300)	—	—	—	1	9,091
Unrealized gain on inventories	220	—	(91)	—	—	—	—	130
Deferred points	16,708	—	2,494	—	—	—	0	19,203
Difference of useful life between accounting and tax laws	21,715	—	742	—	—	2	418	22,876
Disposal loss on fixed assets	4,724	—	(2,166)	—	—	—	1	2,559
Impairment loss	25,796	—	(5,661)	—	—	—	(13)	20,122
Retirement benefit liabilities	3,771	—	(1,831)	—	1,569	—	684	4,194
Accrued expenses	3,934	—	1,655	—	—	0	183	5,773
Advanced received	29,112	(29,112)	—	—	—	—	—	—
Contract liabilities	—	41,446	65,076	—	—	—	(66)	106,457
Other	45,929	—	8,098	13	70	3	20	54,133
Total	¥184,315	¥ 12,334	¥68,248	¥13	¥ 1,639	¥ 10	¥1,307	¥267,867
Deferred tax liabilities								
Retained profits of foreign related companies	¥ 893	¥ —	¥ 859	¥ —	¥ —	¥ —	¥ —	¥ 1,752
Special reserves	421	—	(109)	—	—	—	69	381
Appraisal gain on equity instruments	9,967	—	(394)	—	(1,436)	—	(330)	7,807
Difference of depreciation/ amortisation method and useful life between accounting and tax laws	22,110	—	(7,806)	—	—	—	103	14,406
Identifiable intangible assets	107,407	—	(5,312)	—	—	933	—	103,028
Contract costs	—	112,527	81,775	—	—	—	(151)	194,151
Other	17,767	—	13,051	—	23	—	955	31,796
Total	¥158,563	¥112,527	¥82,065	¥ —	¥(1,413)	¥933	¥ 646	¥353,321

Millions of U.S. dollars

	As of April 1, 2018	Impact by changes in accounting policies	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehen- sive income	Acquisition by business combina- tions	Other (Note)	As of March 31, 2019
Deferred tax assets								
Accrued bonuses	\$ 91	\$ —	\$ 0	\$—	\$ —	\$—	\$0	\$ 91
Accrued business tax	71	—	4	—	—	0	0	76
Write down of inventories	45	—	(2)	—	—	—	0	44
Loss allowance	85	—	(3)	—	—	—	0	82
Unrealized gain on inventories	2	—	(1)	—	—	—	—	1
Deferred points	151	—	22	—	—	—	0	173
Difference of useful life between accounting and tax laws	196	—	7	—	—	0	4	206
Disposal loss on fixed assets	43	—	(20)	—	—	—	0	23
Impairment loss	232	—	(51)	—	—	—	(0)	181
Retirement benefit liabilities	34	—	(16)	—	14	—	6	38
Accrued expenses	35	—	15	—	—	0	2	52
Advanced received	262	(262)	—	—	—	—	—	—
Contract liabilities	—	373	586	—	—	—	(1)	959
Other	414	—	73	0	1	0	0	488
Total	\$1,661	\$ 111	\$615	\$ 0	\$ 15	\$ 0	\$12	\$2,413
Deferred tax liabilities								
Retained profits of foreign related companies	\$ 8	\$ —	\$ 8	\$—	\$ —	\$—	\$—	\$ 16
Special reserves	4	—	(1)	—	—	—	1	3
Appraisal gain on equity instruments	90	—	(4)	—	(13)	—	(3)	70
Difference of depreciation/ amortisation method and useful life between accounting and tax laws	199	—	(70)	—	—	—	1	130
Identifiable intangible assets	968	—	(48)	—	—	8	—	928
Contract costs	—	1,014	737	—	—	—	(1)	1,749
Other	160	—	118	—	0	—	9	286
Total	\$1,429	\$1,014	\$739	\$—	\$(13)	\$ 8	\$ 6	\$3,183

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:

	2018	Millions of yen 2019	Millions of U.S. dollars 2019
As of March 31			
Deferred tax assets	¥106,050	¥ 15,227	\$ 137
Deferred tax liabilities	80,298	100,680	907
Deferred tax assets, net	¥ 25,752	¥ (85,454)	\$(770)

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 are ¥8,402 million (U.S.\$76 million) and ¥5,027 million (U.S.\$45 million), respectively, as of March 31, 2018 and 2019.

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	Millions of U.S. dollars
	2018	2019	2019
As of March 31			
Deductible temporary differences	¥14,228	¥ 8,274	\$ 75
Tax loss carryforwards	42,209	26,077	235
Total	¥56,437	¥34,351	\$309

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

		Millions of yen	Millions of U.S. dollars
	2018	2019	2019
As of March 31			
1st year	¥ 277	¥ 204	\$ 2
2nd year	—	—	—
3rd year	—	1,176	11
4th year	10,156	514	5
5th year and thereafter	31,776	24,183	218
Total	¥42,209	¥26,077	\$235

(4) Income taxes

The analysis of income taxes is as follows:

		Millions of yen	Millions of U.S. dollars
	2018	2019	2019
For the year ended March 31			
Current tax expenses			
Current tax expenses on the profit for the year	¥296,512	¥302,349	\$2,724
Adjustments in respect of prior years (() : refund)	(225)	(276)	(2)
Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses	(11,051)	(6,742)	(61)
Sub total	285,235	295,332	2,661
Deferred tax expenses			
Origination and reversal of temporary differences	9,502	15,427	139
Impact of change of tax rates	(344)	—	—
Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses	(167)	(143)	(1)
Review of the collectability of deferred tax assets	(275)	(1,467)	(13)
Sub total	8,716	13,817	124
Total	¥293,951	¥309,149	\$2,785

(5) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are described in "Note 30. 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, 2018 and 2019 is 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.

	2018	2019
For the year ended March 31		
Statutory income tax rate	31.6%	31.6%
Non-taxable dividends received	(0.3%)	(0.2%)
Impact of tax differences of foreign subsidiaries	0.0%	0.0%
Tax credit	(0.2%)	(0.1%)
Utilisation of previously unrecognised tax loss	(0.6%)	(0.5%)
Other	0.3%	(0.1%)
Average actual tax rate to incur	30.8%	30.6%

17 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.

The Group 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. Trustee of the Fund is obliged to comply with laws, appointments by Minister of Ministry of Health, Labour and Welfare or Head of Regional Bureau of Health and Welfare, by law of the Fund and resolutions of the board of representatives, as well as to accomplish its duties related to the management and operation of the funded money. It is prohibited for the trustee to harm the appropriate management and operation of the funded money for the interest of itself or a 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	Millions of U.S. dollars
As of March 31	2018	2019	2019
Present value of the defined benefit obligations (funded)	¥389,514	¥405,369	\$3,652
Present value of the defined benefit obligations (unfunded)	13,489	10,330	93
Fair value of plan assets	(390,993)	(402,343)	(3,625)
Status of the funding	¥ 12,010	¥ 13,356	\$ 120
Retirement benefit liabilities	¥ 12,010	¥ 13,356	\$ 120
Net retirement benefit liabilities	¥ 12,010	¥ 13,356	\$ 120

ii. Movement in the defined benefit obligations and plan assets

The movement in the defined benefit obligations is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
The movement in the present value of the defined benefit obligations			
Opening balance	¥396,687	¥403,003	\$3,631
Current service cost	15,085	14,850	134
Interest expense	2,105	1,949	18
Sub total	413,876	419,803	3,782
Remeasurements			
Amount from change in financial assumptions	(931)	9,309	84
Amount from change in demographic assumptions	71	181	2
Benefit payments	(12,710)	(13,567)	(122)
Exchange differences	(6)	(2)	(0)
New consolidation	2,539	—	—
Other	165	(25)	(0)
Ending balance	¥403,003	¥415,699	\$3,745

The movement in the plan assets is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Changes in fair value of the plan assets			
Opening balance	¥(374,887)	¥(390,993)	\$(3,523)
Interest income	(2,331)	(2,863)	(26)
Remeasurements			
Return on plan assets	(5,493)	(4,470)	(40)
Benefit payments	11,724	12,303	111
Contribution to the plans			
Contribution from employers	(16,206)	(16,357)	(147)
New consolidation	(3,753)	—	—
Other	(47)	36	0
Ending balance	¥(390,993)	¥(402,343)	\$(3,625)

The weighted average duration of the defined benefit obligations for the years ended March 31, 2018 and 2019 is 17.1 years and 16.9 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 Defined Benefit Corporate Pension Act, bylaw of the Fund requires to recalculate the amount of contributions at least every 5 years with a financial year end as a 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, 2018 and 2019 consists of the components below:

						Millions of yen		Millions of U.S. dollars	
As of March 31	2018			2019			2019		
	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	With quoted prices in active markets	Without quoted prices in active markets	Total
Equities	¥ 56,542	¥ —	¥ 56,542	¥ 62,709	¥ —	¥ 62,709	\$ 565	\$ —	\$ 565
Debt securities	189,322	—	189,322	182,584	—	182,584	1,645	—	1,645
Other (Note)	60,906	84,223	145,129	62,768	94,283	157,050	566	849	1,415
Total	¥306,770	¥84,223	¥390,993	¥308,061	¥94,283	¥402,343	\$2,776	\$849	\$3,625

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	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Current service cost	¥15,085	¥14,850	\$134
Interest expense	2,105	1,949	18
Interest income	(2,331)	(2,863)	(26)
Total	¥14,859	¥13,937	\$126

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 assumption at the end of each period is as follows:

As of March 31	2018	2019
Discount rate	0.6%	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	Millions of U.S. dollars
As of March 31	2018	2019	2019
0.5% increase	¥(28,008)	¥(28,892)	\$(260)
0.5% decrease	31,635	32,648	294

Note: Amounts shown in parentheses represent decrease of defined benefit obligations.

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 ended March 31, 2019 to be ¥10,007 million (U.S. \$90 million).

(2) Defined contribution pension plans

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

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Expenses related to defined contribution pension plans	¥2,691	¥3,112	\$28

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. The certain Group subsidiaries cannot calculate the reasonable 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, 2018 and 2019 are ¥1,681 million and ¥1,724 million (U.S. \$16 million), respectively.

The Group can reduce its costs and practical burden related to administration and finance operation by participating in this fund and reduce a risk to discontinue a pension plan, 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	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Pension assets	¥(37,224)	¥(40,452)	\$(364)
Benefit obligations for the purpose of calculating pension financials	33,896	36,881	332
Difference	(3,328)	(3,571)	(32)
Ratio of the funded pension assets	109.8%	109.7%	
Difference consists of: Surplus	(3,328)	(3,571)	(32)

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

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Contributions by the Group	¥(1,443)	¥(1,481)	\$(13)
All contributions to the fund	(2,380)	(2,439)	(22)
Ratio to the all contributions to the fund	60.6%	60.7%	

In accordance with the provision of Defined Benefit Corporate Pension Act, bylaw of the Fund requires to recalculate the amount of contributions every 5 years with a financial year end as a 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 ended March 31, 2019 to be ¥1,724 million yen (U.S. \$16 million).

18 Trade and Other Payables

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

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Current liabilities			
Accounts payable (Note)	¥435,613	¥493,409	\$4,446
Accounts payable—trade	142,758	146,016	1,316
Accrued expenses	32,019	32,033	289
Other obligations	336	512	5
Total	¥610,726	¥671,969	\$6,054

Note: Accounts payable is mainly consisted of the payable 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, 2018 and 2019, respectively are ¥6,867 million and ¥6,508 million (U.S. \$59 million).

19 Other Financial Liabilities

The analysis of other financial liabilities is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Non-current liabilities (Other long-term financial liabilities)			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	¥ 5,885	¥ 5,835	\$ 53
Financial liabilities at amortized cost			
Lease obligations	60,096	57,399	517
Long-term account payables (Note)	2,496	3,258	29
Sub total	68,478	66,493	599
Current liabilities (Other short-term financial liabilities)			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	34	14	0
Financial liabilities at amortized cost			
Lease obligations	24,683	26,759	241
Sub total	24,717	26,773	241
Total	¥93,195	¥93,265	\$840

20 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, 2017	¥ 7,000	¥23,363	¥4,249	¥34,612
Increase during the year	4,096	36,921	—	41,017
Decrease during the year (intended use)	(1,893)	(31,249)	(484)	(33,626)
Decrease during the year (reversal)	(8)	(9)	—	(17)
As of March 31, 2018	9,194	29,027	3,765	41,986
Increase during the year	26,056	33,963	—	60,020
Decrease during the year (intended use)	(2,260)	(31,219)	(128)	(33,607)
Decrease during the year (reversal)	—	—	—	—
As of March 31, 2019	¥32,990	¥31,771	¥3,637	¥68,399
Non-current liabilities	¥30,358	¥ —	¥3,637	¥33,996
Current liabilities	2,632	31,771	—	34,403

Millions of U.S. dollars

	Asset retirement obligation	Provision for customer points	Other provisions	Total
As of March 31, 2018	\$ 83	\$262	\$34	\$378
Increase during the year	235	306	—	541
Decrease during the year (intended use)	(20)	(281)	(1)	(303)
Decrease during the year (reversal)	—	—	—	—
As of March 31, 2019	\$297	\$286	\$33	\$616
Non-current liabilities	\$274	\$ —	\$33	\$306
Current liabilities	24	286	—	310

(2) Components of provisions

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

i. Asset retirement obligation

Asset retirement obligations are recognized by 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 the assumption at present and is subject to changes depending on revised future assumptions.

ii. Provision for customer points

The Group has operated points programs, including the au WALLET 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 WALLET prepaid 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 warranties for completed construction.

21 Other Liabilities

The analysis of other liabilities is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Non-current liabilities			
Long-term advances received	¥122,022	¥ —	\$ —
Other	7,658	6,746	61
Sub total	129,679	6,746	61
Current liabilities			
Deposits payable	102,976	146,821	1,323
Accrued bonuses	30,487	30,409	274
Consumption tax payable	21,241	24,599	222
Advances received	113,395	—	—
Other	29,834	23,980	216
Sub total	297,932	225,810	2,035
Total	¥427,612	¥232,556	\$2,095

22 Share-based Payment (Stock Grant Plans)

The Company has 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").

As for the directors, the Company and its certain consolidated subsidiaries have adopted the Board Incentive Plan (BIP). As for the Companies' 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 KPI (Key Performance Indicators) annually.

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2018 and 2019, respectively were ¥1,225 million and ¥1,334 million (U.S. \$12 million).

(1) KDDI CORPORATION

For the year ended March 31, 2018

	The number of granted (stock)	Granted date	Fair value of granted date (Note 1)		Vesting conditions
			(Yen)	(U.S. dollar)	
BIP trust	131,955	March 8, 2017	¥2,842.03	\$26	(Note 2)
ESOP trust	299,002	March 8, 2017	2,842.03	26	(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 basically subject to continued service from grant date to vesting date.

For the year ended March 31, 2019

	The number of granted (stock)	Granted date	Fair value of granted date (Note 1)		Vesting conditions
			(Yen)	(U.S. dollar)	
BIP trust	202,395	August 1, 2018	¥3,027.80	\$27	(Note 2)
ESOP trust	235,157	August 1, 2018	3,027.80	27	(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 basically subject to continued service from grant date to vesting date.

(2) Okinawa Cellular Telephone Company

In the fiscal year ended March 31, 2019, consolidated subsidiary Okinawa Cellular Telephone Company has introduced BIP trust and ESOP trust. The stocks of Okinawa Cellular Telephone Company are granted by the institution.

For the year ended March 31, 2018

	The number of granted (stock)	Granted date	Fair value of granted date (Note 1)		Vesting conditions
			(Yen)	(U.S. dollar)	
BIP trust	2,392	June 14, 2018	¥4,113.81	\$37	(Note 2)
ESOP trust	2,913	April 25, 2018	4,013.83	36	(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 basically subject to continued service from grant date to vesting date.

23 Common Stock and Other Equity Items**(1) Common stock and capital surplus**

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

	Shares		Millions of yen	
	Authorized stock	Outstanding stock	Common stock	Capital surplus
Balance as of March 31, 2017	4,200,000,000	2,620,494,257	¥141,852	¥298,046
Increase and decrease during the period (Note 3)	—	(33,280,732)	—	(8,467)
Balance as of March 31, 2018	4,200,000,000	2,587,213,525	141,852	289,578
Increase and decrease during the period (Note 3)	—	(55,209,080)	—	(5,169)
Balance as of March 31, 2019	4,200,000,000	2,532,004,445	¥141,852	¥284,409

	Shares		Millions of U.S. dollars	
	Authorized stock	Outstanding stock	Common stock	Capital surplus
Balance as of March 31, 2018	4,200,000,000	2,587,213,525	\$1,278	\$2,609
Increase and decrease during the period (Note 3)	—	(55,209,080)	—	(47)
Balance as of March 31, 2019	4,200,000,000	2,532,004,445	\$1,278	\$2,562

Notes: 1. Common stocks are no par value.

2. Outstanding stocks are fully paid.

3. Decrease in the number of outstanding stock and capital surplus was mainly due to the cancellation of treasury stocks.

Capital surplus consists of the following items.

(i) Capital reserve

The Companies Act of Japan ("the Companies Act") requires that at least 50% of the proceeds upon issuance of stocks are credited to common stock and the remainder of the proceeds is credited to capital reserve.

(ii) *Other capital surplus*

Other capital surplus mainly includes disposal of treasury stock and surplus arising from capital transaction such as merger. Also, since changes in interests in subsidiaries are treated as capital transaction, the goodwill or negative goodwill generated through the transaction is recognized as capital surplus.

(2) Treasury stock

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

	Number of treasury stock (Shares)	Amount (Millions of yen)
Balance as of April 1, 2017	162,641,408	¥(237,014)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	52,479,820	(150,000)
Cancellation of treasury stock	(33,280,732)	48,709
Disposal of treasury stock (Note 2)	(31,194)	51
Balance as of March 31, 2018 (Note 3)	181,809,302	(338,254)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	55,039,325	(150,000)
Cancellation of treasury stock	(55,209,080)	103,235
Disposal of treasury stock (Note 2)	(685,774)	1,291
Balance as of March 31, 2019 (Note 3)	180,953,773	¥(383,728)

	Number of treasury stock (Shares)	Amount (Millions of U.S. dollars)
Balance as of March 31, 2018 (Note 3)	181,809,302	\$(3,048)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	55,039,325	(1,351)
Cancellation of treasury stock	(55,209,080)	930
Disposal of treasury stock (Note 2)	(685,774)	12
Balance as of March 31, 2019 (Note 3)	180,953,773	\$(3,457)

Notes: 1. Of the increase in the number of treasury stock as of March 31, 2018 and 2019, 52,479,700 shares and 55,039,300 shares were mainly due to the purchase from the market.
2. Decrease in the number of treasury stock was due to grant to beneficiaries of executive compensation BIP trust and stock grants ESOP trust.
3. In the balance of treasury stock as of March 31, 2018 and 2019, Company's stocks owned by executive compensation BIP trust and stock grants ESOP trust are included.

(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, 2018:

	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, 2017	¥(12,064)	¥12,460	¥(2,996)	¥ —	¥ (2,601)
Amount incurred during the year	2,404	8,054	(691)	4,177	13,945
Reclassified to consolidated statement of income	518	—	1,332	—	1,851
Transferred to retained earnings	—	(835)	—	(4,177)	(5,012)
Balance as of March 31, 2018	¥ (9,141)	¥19,679	¥(2,355)	¥ —	¥ 8,183

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. Other comprehensive income."

For the year ended March 31, 2019

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, 2018	¥ (9,141)	¥19,679	¥(2,355)	¥ —	¥ 8,183
Amount incurred during the year	(5,392)	(4,445)	(1,022)	(3,427)	(14,286)
Reclassified to consolidated statement of income	(388)	—	1,142	—	754
Transferred to retained earnings	—	(1,251)	—	3,427	2,176
Balance as of March 31, 2019	¥(14,922)	¥13,983	¥(2,235)	¥ —	¥ (3,174)

Millions of U.S. dollars

	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, 2018	\$ (82)	\$177	\$(21)	\$—	\$ 74
Amount incurred during the year	(49)	(40)	(9)	(31)	(129)
Reclassified to consolidated statement of income	(3)	—	10	—	7
Transferred to retained earnings	—	(11)	—	31	20
Balance as of March 31, 2019	\$(134)	\$126	\$(20)	\$—	\$(29)

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. 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 fluctuation.

(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.

24 Dividends

Dividends to common shareholders are as follows:

(1) Dividends paid

For the year ended March 31, 2018

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 21, 2017 General meeting of shareholders (Note 1, 2)	Common stock	¥110,603	¥45	March 31, 2017	June 22, 2017
November 1, 2017 Board of directors (Note 1, 2)	Common stock	109,096	45	September 30, 2017	December 4, 2017

For the year ended March 31, 2019

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 20, 2018 General meeting of shareholders (Note 1, 2)	Common stock	¥108,243	¥45	March 31, 2018	June 21, 2018
November 1, 2018 Board of directors (Note 1, 2)	Common stock	119,624	50	September 30, 2018	December 3, 2018

Resolution	Type	Aggregate amount of dividends (Millions of U.S. dollars)	Dividends per share (U.S. dollars)	Record date	Effective date
June 20, 2018 General meeting of shareholders (Note 1, 2)	Common stock	\$ 975	\$0	March 31, 2018	June 21, 2018
November 1, 2018 Board of directors (Note 1, 2)	Common stock	1,078	0	September 30, 2018	December 3, 2018

Notes: 1. Dividends of the Company's shares owned by executive compensation BIP trust and stock grants ESOP trust are not included in aggregate amount of the dividends above.
2. Other than that above, there are dividends paid by the Company to beneficiaries of executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2019.

(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, 2018

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 20, 2018 General meeting of shareholders (Note 1, 2)	Common stock	¥108,243	Retained earnings	¥45	March 31, 2018	June 21, 2018

For the year ended March 31, 2019

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 19, 2019 General meeting of shareholders (Note 1, 2)	Common stock	¥129,308	Retained earnings	¥55	March 31, 2019	June 20, 2019

Resolution	Type	Aggregate amount of dividends (Millions of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 19, 2019 General meeting of shareholders (Note 1, 2)	Common stock	\$1,165	Retained earnings	\$0	March 31, 2019	June 20, 2019

Notes: 1. Dividends of the Company's shares owned by executive compensation BIP trust and stock grants ESOP trust are not included in aggregate amount of the dividends above.
2. Other than that above, there are dividends paid by the Company to beneficiaries of executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2019.

25 Revenue

(1) Division of profit

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

For the year ended March 31, 2019

Segment	Product / Service	Amount (Millions of yen)	Amount (Millions of U.S. dollars)
Personal Services		¥3,805,937	\$34,291
	Mobile telecommunications	1,774,186	15,985
	Fixed-line telecommunications	799,905	7,207
	Others	1,231,846	11,099
Life Design		447,209	4,029
	Value-added	205,841	1,855
	Others	241,368	2,175
Business Services		618,557	5,573
	Mobile telecommunications	231,505	2,086
	Fixed-line telecommunications	279,129	2,515
	Others	107,922	972
Global Services		181,175	1,632
Others		27,475	248
Total		¥5,080,353	\$45,773
Profit from contracts with customers		5,021,196	45,240
Profit from other sources		59,157	533

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:

	Millions of yen April 1, 2018	Millions of U.S. dollars April 1, 2018	Millions of yen March 31, 2019	Millions of U.S. dollars March 31, 2019
Receivables from contracts with customers	¥1,592,072	\$14,344	¥1,810,042	\$16,308
Contract liabilities	197,043	1,775	193,511	1,743

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 independent sales values of benefits with the advance payment.

Regarding profit recognized in the fiscal year under review, ¥130,694 million (U.S. \$1,178 million) was included in outstanding contract liabilities at the beginning of the fiscal year. This is immaterial to the amount of profit recognized from performance obligations fulfilled (or partially fulfilled) in previous periods.

(3) Transaction amounts allocated to remaining performance obligations

As of March 31, 2019, the transaction amounts allocated to remaining performance obligations amounted to ¥153,830 million (U.S. \$1,386 million). Most of these performance obligations comprise earnings from activation fees related to mobile communications services and "au HIKARI" brand services, and they are expected to be recognized as profit within approximately five years, when the services are provided and performance obligations are fulfilled. 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 April 1, 2018	Millions of U.S. dollars April 1, 2018	Millions of yen March 31, 2019	Millions of U.S. dollars March 31, 2019
Costs to obtain contracts	¥316,810	\$2,854	¥361,437	\$3,256
Costs to fulfill contracts	44,041	397	51,401	463

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 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 over two to three years in line with the main estimated contract period for users of each service.

The Group determines the recoverability of capitalized contract costs when they are capitalized and reevaluates 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 fiscal year under review amounted to ¥176,228 million (U.S. \$1,588 million), and there was no impairment loss.

26 Expenses by Nature

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

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Handset sales cost, repair cost	¥ 848,591	¥ 814,261	\$ 7,336
Depreciation and amortization	546,609	562,282	5,066
Communication equipment usage fee and rentals	462,970	427,755	3,854
Staff cost	402,269	422,979	3,811
Sales commission	391,055	308,510	2,908
Operations outsourcing	326,005	322,737	2,780
Power retail sales cost	136,059	220,041	1,983
Rent	73,808	77,551	699
Utilities	60,915	65,389	589
Other (Note)	844,738	856,375	7,716
Total	¥4,093,018	¥4,077,882	\$36,741

Note: Other is mainly consisted of advertising expense and maintenance costs for communication equipment, etc.

27 Other Income and Other Expense

(1) The analysis of other income

The analysis of other income is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Compensation income, etc.	¥ 1,001	¥ 687	\$ 6
Subsidy income, etc.	547	583	5
Income from recovery of bad debts	683	761	7
Other	9,811	8,109	73
Total	¥12,041	¥10,140	\$91

(2) The analysis of other expense

The analysis of other expense is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Reduction entry of land contribution for construction	¥ 32	¥ —	\$—
Loss on sale of fixed assets	684	600	5
Other	2,085	3,061	28
Total	¥2,801	¥3,661	\$33

28 Finance Income and Finance Cost

(1) The analysis of finance income

The analysis of finance income is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Interest income:			
Financial assets at amortized cost	¥1,008	¥1,256	\$11
Dividend income:			
Financial assets at fair value through other comprehensive income	2,479	2,279	21
Other	548	47	0
Total	¥4,035	¥3,582	\$32

(2) The analysis of finance cost

The analysis of finance cost is as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Interest expense:			
Financial liabilities at amortized cost	¥ 8,081	¥ 7,574	\$68
Financial liabilities at fair value through profit or loss			
Derivatives	1,620	1,120	10
Loss on foreign currency exchange	1,846	128	1
Other	437	1,189	11
Total	¥11,985	¥10,012	\$90

29 Other Non-operating Profit

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

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Gain on step acquisitions	¥ —	¥2,999	\$27
Gain or loss on sales of stocks of subsidiaries and affiliates	305	(24)	(0)
Total	¥305	¥2,975	\$27

30 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	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
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	¥ 6,062	¥ (5,020)	\$ (45)
Tax effect	(1,930)	1,569	14
After tax effect	4,132	(3,451)	(31)
Net change in financial assets at fair value through other comprehensive income			
Gain (loss) arising during the year	11,854	(4,655)	(42)
Tax effect	(3,495)	1,436	13
After tax effect	8,359	(3,219)	(29)
Share of investments accounted for using the equity method			
Gain (loss) arising during the year	(149)	(1,267)	(11)
After tax effect	(149)	(1,267)	(11)
Total	12,342	(7,937)	(72)

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedge			
Gain (loss) arising during the year	¥ 36	¥ (1,295)	\$ (12)
Transferred to profit for the year	1,332	1,142	10
Before tax effect	1,368	(154)	(1)
Tax effect	(435)	47	0
After tax effect	933	(106)	(1)
Exchange differences on translating foreign operations			
Gain (loss) arising during the year	996	(6,232)	(56)
Transferred to profit for the year	518	(388)	(3)
Before tax effect	1,515	(6,620)	(60)
After tax effect	1,515	(6,620)	(60)
Share of investments accounted for using the equity method			
Gain (loss) arising during the year	(25)	(88)	(1)
Transferred to profit for the year	—	—	—
After tax effect	(25)	(88)	(1)
Total	2,423	(6,814)	(61)
Total other comprehensive income	¥14,766	¥(14,751)	\$(133)

31 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	Finance leases	Borrowings due within 1 year	Borrowings due after 1 year	Bonds	Preferred shares	Hedge assets held for borrow. Due after 1 year
Net debt as of April 1, 2017	¥226,607	¥89,171	¥ 1,883	¥775,848	¥189,747	¥95,000	¥(7,183)
Cash flows	(25,610)	(27,210)	27,574	58,918	(20,019)	(95,000)	—
Acquisitions	—	20,934	—	—	—	—	—
Foreign exchange adjustments	(163)	14	49	10	—	—	—
Fair value movements	—	—	—	—	—	—	1,301
Other non-cash movements	—	1,869	(506)	259	73	—	—
Net debt as of March 31, 2018	200,834	84,779	29,000	835,036	169,801	—	(5,882)
Cash flows	4,077	(28,616)	(10,274)	43,868	109,981	—	—
Acquisitions	—	24,696	—	—	—	—	—
Movements by a subsidiary or other business fluctuations caused by gain or loss	—	—	13,274	1,168	—	—	—
Foreign exchange adjustments	(314)	(12)	—	(11)	—	—	—
Fair value movements	—	—	—	—	—	—	72
Other non-cash movements	—	3,311	—	—	(290)	—	—
Net debt as of March 31, 2019	¥204,597	¥84,158	¥32,000	¥880,061	¥279,492	¥ —	¥(5,810)

	Millions of U.S. dollars						
	Cash/current bank account	Finance leases	Borrowings due within 1 year	Borrowings due after 1 year	Bonds	Preferred shares	Hedge assets held for borrow. Due after 1 year
Net debt as of April 1, 2018	\$1,809	\$764	\$261	\$7,524	\$1,530	\$—	\$(53)
Cash flows	37	(258)	(93)	395	991	—	—
Acquisitions	—	223	—	—	—	—	—
Movements by a subsidiary or other business fluctuations caused by gain or loss	—	—	120	11	—	—	—
Foreign exchange adjustments	(3)	(0)	—	(0)	—	—	—
Fair value movements	—	—	—	—	—	—	1
Other non-cash movements	—	30	—	—	(3)	—	—
Net debt as of March 31, 2019	\$1,843	\$758	\$288	\$7,929	\$2,518	\$—	\$(52)

32 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 and other receivables 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 and other receivables, 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 recognised 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 age of each trade receivables.

Measurement of expected credit losses on lease and other receivables

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
		Lifetime expected credit loss
		Collective
Balance as of April 1, 2017		¥63,937
Increase during the year		27,526
Decrease during the year (reversal)		(10,394)
Decrease during the year (intended use)		(17,421)
Other (unwinding of discounts and exchange differences)		(327)
Balance as of March 31, 2018		63,321
Increase during the year		28,096
Decrease during the year (reversal)		(9,696)
Decrease during the year (intended use)		(17,744)
Other (unwinding of discounts and exchange differences)		(33,122)
Balance as of March 31, 2019		¥30,855

		Millions of U.S. dollars
		Lifetime expected credit loss
		Collective
Balance as of March 31, 2018		\$571
Increase during the year		253
Decrease during the year (reversal)		(87)
Decrease during the year (intended use)		(160)
Other (unwinding of discounts and exchange differences)		(298)
Balance as of March 31, 2019		\$278

Loss allowance and reversal of loss allowance are recorded in "selling, general and administrative expenses" in the consolidated statement of income. Fair value of trade and other receivables is described in "Note 33. Fair value of financial instruments."

There is no contractual, uncollected balance for financial assets written off during the fiscal year ended March 31, 2018 and 2019 respectively, for which collecting efforts are still being made.

There are no significant loss allowances for lease receivables, other receivables 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. On the other hand, the Group's maximum credit risk exposure (net) represents the amount of the maximum exposure with respect to credit risks reflecting the mitigation effect of the collateral held or other credit enhancement.

Maximum exposure for trade receivables

For the year ended March 31, 2018

					Millions of yen
	Current	More than 30 days past due	More than 90 days past due	Total	
Gross carrying amount	¥1,680,800	¥10,227	¥68,363	¥1,759,391	
Expected loss rate	0.6%	20.7%	74.9%	—	
Loss allowance	10,003	2,116	51,203	63,321	

For the year ended March 31, 2019

					Millions of yen
	Current	More than 30 days past due	More than 90 days past due	Total	
Gross carrying amount	¥1,947,732	¥8,418	40,711	¥1,996,862	
Expected loss rate	0.6%	21.4%	42.7%	—	
Loss allowance	11,684	1,798	17,374	30,855	

					Millions of U.S. dollars
	Current	More than 30 days past due	More than 90 days past due	Total	
Gross carrying amount	\$17,549	76	367	\$17,991	
Expected loss rate	0.6%	20.7%	74.9%	—	
Loss allowance	105	16	157	278	

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 and bond issuances, 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. At March 31, 2019, the Group has short-term deposits etc. which is considered to be readily convertible into cash to address liquidity risk. Please refer to "Note 14. 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 unextended commitment line contracts with domestic dominant financial institutions and leading financial institutions in foreign countries in addition to uncommitted credit facilities.

(a) Maturity analysis

Following tables represent analysis of the Group's non-derivative financial liabilities and derivative financial liabilities to be settled on a net basis by category based on respective 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, 2018

	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	¥ 610,726	¥ 610,726	¥603,858	¥ 1,261	¥ 720	¥ 444	¥ 730	¥ 3,712
Short-term borrowings	29,000	29,000	29,000	—	—	—	—	—
Long-term borrowings	835,036	844,809	294,226	61,094	111,640	48,893	36,030	292,926
Bonds payable	169,801	175,985	12,149	61,740	40,671	442	442	60,542
Lease payment	84,779	87,206	25,654	22,988	18,435	11,207	5,861	3,061
Sub total	1,729,341	1,747,725	964,888	147,083	171,466	60,985	43,063	360,240
Derivative financial liabilities (Note)								
Exchange contracts	38	38	34	3	0	—	—	—
Interest rate swaps	5,882	5,882	—	224	—	928	—	4,729
Sub total	5,920	5,920	34	228	0	928	—	4,729
Total	¥1,735,261	¥1,753,645	¥964,922	¥147,311	¥171,466	¥61,914	¥43,063	¥364,969

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

As of March 31, 2019

	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	¥ 671,969	¥ 671,969	¥665,461	¥ 1,056	¥ 690	¥ 546	¥ 540	¥ 3,675
Short-term borrowings	32,000	32,000	32,000	—	—	—	—	—
Long-term borrowings	880,061	891,023	61,322	115,725	75,631	152,445	149,695	336,205
Bonds payable	279,492	286,254	62,031	40,962	733	733	70,733	111,064
Lease payment	84,158	89,004	28,517	24,528	16,060	10,287	6,263	3,349
Sub total	1,947,680	1,970,250	849,331	182,270	93,114	164,010	227,231	454,293
Derivative financial liabilities (Note)								
Exchange contracts	39	39	14	17	8	1	—	—
Interest rate swaps	5,810	5,810	—	741	—	—	2,479	2,590
Sub total	5,849	5,849	14	757	8	1	2,479	2,590
Total	¥1,953,529	¥1,976,100	¥849,345	¥183,027	¥93,122	¥164,011	¥229,710	¥456,883

	Millions of U.S. dollars							
	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	\$ 6,054	\$ 6,054	\$5,996	\$ 10	\$ 6	\$ 5	\$ 5	\$ 33
Short-term borrowings	288	288	288	—	—	—	—	—
Long-term borrowings	7,929	8,028	553	1,043	681	1,374	1,349	3,029
Bonds payable	2,518	2,579	559	369	7	7	637	1,001
Lease payment	758	802	257	221	145	93	56	30
Sub total	17,548	17,752	7,652	1,642	839	1,478	2,047	4,093
Derivative financial liabilities (Note)								
Exchange contracts	0	0	0	0	0	0	—	—
Interest rate swaps	52	52	—	7	—	—	22	23
Sub total	53	53	0	7	0	0	22	23
Total	\$17,601	\$17,804	\$7,652	\$1,649	\$839	\$1,478	\$2,070	\$4,116

iii. Market risk management

(a) Exchange risk

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 U.S. dollar and Hong Kong dollar.

(i) *Sensitivity analysis of exchange rate*

This analysis is on presumption 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	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Profit before tax			
U.S. dollar	¥(2,343)	¥(3,070)	\$(28)
Hong Kong dollar	(725)	(681)	(6)
Total	¥(3,068)	¥(3,750)	\$(34)

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

Derivatives designated as hedges

									Millions of yen				Millions of U.S. dollars			
2018					2019				2019							
Contractual amount		Fair value			Contractual amount		Fair value		Contractual amount		Fair value					
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities				
Forward foreign exchange contracts	¥7,023	¥2,144	¥479	¥19	¥7,672	¥6,261	¥270	¥36	¥69	¥56	¥2	¥0				

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Carrying amount	¥ 460	¥ 235	\$ 2
Contractual amount	7,023	7,672	69
Maturity date	April 2018– November 2022	April 2019– March 2023	April 2019– March 2023
Hedge ratio (Note 1)	1	1	0
Change in intrinsic value of outstanding hedging instrument	43	(225)	(2)
Change in value of hedge item used to determine hedge effectiveness	(43)	225	2

Notes: 1. Since the Group is engaged in the foreign exchange contracts in the same currency as the purchase transaction of contents to occur in the future with a high possibility, hedge ratio of foreign exchange contracts is one-to-one.
2. The Group does not have non-effective portion of the hedge.

Derivatives not designated as hedges

Millions of yen										Millions of U.S. dollars						
2018					2019				2019							
Contractual amount					Fair value				Contractual amount				Fair value			
Contractual amount					Fair value				Contractual amount				Fair value			
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities				
Forward foreign exchange contracts	¥4,032	¥—	¥—	¥19	¥13,006	¥—	¥39	¥4	\$117	\$—	\$0	\$0				

(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. 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 rate in order to avoid future interest payment increase, primarily resulting from rising interest rate.

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

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Profit before tax	¥(11)	¥(8)	\$(0)

Amounts shown in parentheses represent negative impact against profit of the Group.

(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 fluctuation arising from floating rate borrowings.

Derivatives designated as hedges

Millions of yen									Millions of U.S. dollars			
2018					2019				2019			
Contractual amount		Fair value			Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate swap	¥330,000	¥330,000	¥—	¥5,882	¥230,000	¥230,000	¥—	¥5,810	\$2,072	\$2,072	\$—	\$52

Millions of yen		Millions of U.S. dollars	
As of March 31	2018	2019	2019
Carrying amount	¥ (5,882)	(5,810)	(52)
Contractual amount	330,000	230,000	2,072
Maturity date	December 2018– December 2025	December 2020– December 2025	December 2020– December 2025
Hedge ratio (Note 1)	1	1	0
Change in intrinsic value of outstanding hedging instrument	1,301	72	1
Change in value of hedge item used to determine hedge effectiveness	(1,301)	(72)	(1)

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.

(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 through monitoring market value and 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 of 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	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Accumulated other comprehensive income (before tax effect)	¥(8,072)	¥(8,009)	\$(72)

Amounts shown in parentheses represent negative impact against other comprehensive income of the Group.

(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	2018	2019
Ratio of equity attributable to owners of the parent (Note 1)	%	57.4	57.1
D/E ratio (debt/equity ratio) (Note 2)	ratio	0.30	0.30

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, 2019, there is no 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, 2018

	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				
Other long-term financial assets	¥ 126,313	¥110,071	¥301	¥ 236,684
Current assets				
Trade and other receivables	1,695,403	—	—	1,695,403
Other short-term financial assets	29,994	—	179	30,173
Cash and cash equivalents	200,834	—	—	200,834
Total	¥2,052,544	¥110,071	¥479	¥2,163,094

	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	¥ 704,278	¥—	¥ —	¥ 704,278
Other long-term financial liabilities	62,593	—	5,885	68,478
Current liabilities				
Borrowings and bonds payable	329,559	—	—	329,559
Trade and other payables	610,726	—	—	610,726
Other short-term financial liabilities	24,683	—	34	24,717
Total	¥1,731,838	¥—	¥5,920	¥1,737,757

As of March 31, 2019

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				
Other long-term financial assets	¥ 134,981	¥117,894	¥150	¥ 253,025
Current assets				
Trade and other receivables	1,965,554	—	—	1,965,554
Other short-term financial assets	41,814	—	149	41,963
Cash and cash equivalents	204,597	—	—	204,597
Total	¥2,346,946	¥117,894	¥299	¥2,465,140

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	¥1,040,978	¥—	¥ —	¥1,040,978
Other long-term financial liabilities	60,657	—	5,835	66,493
Current liabilities				
Borrowings and bonds payable	150,574	—	—	150,574
Trade and other payables	671,969	—	—	671,969
Other short-term financial liabilities	26,759	—	14	26,773
Total	¥1,950,937	¥—	¥5,849	¥1,956,787

Millions of U.S. dollars				
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				
Other long-term financial assets	\$ 1,216	\$1,062	\$ 1	\$ 2,280
Current assets				
Trade and other receivables	17,709	—	—	17,709
Other short-term financial assets	377	—	1	378
Cash and cash equivalents	1,843	—	—	1,843
Total	\$21,146	\$1,062	\$ 3	\$22,210

Millions of U.S. dollars				
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	\$ 9,379	\$—	\$ —	\$ 9,379
Other long-term financial liabilities	547	—	53	599
Current liabilities				
Borrowings and bonds payable	1,357	—	—	1,357
Trade and other payables	6,054	—	—	6,054
Other short-term financial liabilities	241	—	0	241
Total	\$17,578	\$—	\$53	\$17,630

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

The Group owns the equity instruments 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	Millions of U.S. dollars
As of March 31	2018	2019	2019
Fair value			
Listed equities	¥ 80,720	¥ 80,090	\$ 722
Unlisted equities	29,350	37,804	341
Total	¥110,071	¥117,894	\$1,062

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Dividends received			
Listed equities	¥1,970	¥2,054	\$19
Unlisted equities	488	201	2
Total	¥2,458	¥2,255	\$20

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

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Listed equities			
TOYOTA MOTOR CORPORATION	¥ 54,562	¥ 51,860	\$ 467
PIA Corporation	7,630	7,199	65
GREE, Inc.	4,840	3,616	33
East Japan Railway Company	2,946	3,190	29
Japan Airport Terminal Co. Ltd.	2,476	2,847	26
HEROZ, Inc.	—	2,382	21
COLOPL, Inc.	2,361	1,752	16
ALBERT Inc.	—	1,466	13
Internet Initiative Japan Inc.	906	933	8
SPACE SHOWER NETWORKS INC.	1,265	940	8
Other	3,735	3,905	35
Sub total	80,720	80,090	722
Unlisted equities			
A-Fund, L.P.	4,785	6,645	60
Finatext Ltd.	—	5,099	46
COMMUNITY NETWORK CENTER INCORPORATED	4,295	3,492	31
GO GAME PTE. LTD.	—	1,746	16
Other	20,270	20,823	188
Sub total	29,350	37,804	341
Total	¥110,071	¥117,894	\$1,062

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	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Fair value at the disposal date	¥2,754	¥1,945	\$18
Accumulated gains / losses arising from sale	1,578	1,085	10
Dividends received	21	25	0

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 other comprehensive income into retained earnings are ¥835 million (U.S.\$8 million) and ¥1,251 million (U.S.\$11 million), respectively, for the years ended March 31, 2018 and 2019.

33 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: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Group determines the hierarchy of the levels on the basis of 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, 2018

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	¥80,720	¥ —	¥29,350	¥110,071
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	479	—	479
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	38	—	38
Interest rate swaps	—	5,882	—	5,882

As of March 31, 2019

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	¥80,090	¥ —	¥37,804	¥117,894
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	299	—	299
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	39	—	39
Interest rate swaps	—	5,810	—	5,810

Millions of U.S. dollars

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	\$722	\$—	\$341	\$1,062
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	3	—	3
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	0	—	0
Interest rate swaps	—	52	—	52

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, 2018 and 2019.

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

(a) Equities

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

(b) Derivatives

(i) 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 fair value hierarchy.

(ii) 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 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, 2018.

	Millions of yen
	Financial assets at fair value through other comprehensive income
	Equities
As of April 1, 2017	¥23,460
Acquisition	4,941
Loss recognized on other comprehensive income	2,235
Sale	(1,285)
Other	(2)
As of March 31, 2018	¥29,350

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2019.

		Millions of yen
		Financial assets at fair value through other comprehensive income
		Equities
As of April 1, 2018		¥29,350
Acquisition		10,723
Gain recognized on other comprehensive income		(1,159)
Sale		(1,861)
Other		751
As of March 31, 2019		¥37,804

		Millions of U.S. dollars
		Financial assets at fair value through other comprehensive income
		Equities
As of April 1, 2018		\$264
Acquisition		97
Gain recognized on other comprehensive income		(10)
Sale		(17)
Other		7
As of March 31, 2019		\$341

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, 2018

	Fair value		Valuation technique	Unobservable inputs	Range
	Millions of yen	Millions of U.S. dollars			
Equities	¥29,350	\$276	Income approach	Discount rate	5.6%–11.2%

As of March 31, 2019

	Fair value		Valuation technique	Unobservable inputs	Range
	Millions of yen	Millions of U.S. dollars			
Equities	¥37,804	\$341	Income approach	Discount rate	5.7%–11.2%

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, 2018

					Millions of yen
					Fair value
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	¥ 3,001	¥ 3,069	¥ —	¥ —	¥ 3,069
Lease receivables	102,012	—	—	100,209	100,209
Financial liabilities					
Borrowing and bonds payable					
Borrowings	835,036	—	839,655	—	839,655
Bonds payables	169,801	174,263	31	—	174,294
Other financial liabilities					
Lease payments	84,779	—	86,619	—	86,619

Notes: 1. Borrowings, bonds payable and lease payments in the table above contain their current portion.

2. Short-term financial assets and short-term financial liabilities are not included in the table above because their fair values are similar to the carrying amounts.

As of March 31, 2019

					Millions of yen
					Fair value
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	¥ 3,001	¥ 3,027	¥ —	¥ —	¥ 3,027
Lease receivables	119,582	—	—	118,876	118,876
Financial liabilities					
Borrowing and bonds payable					
Borrowings	880,061	—	888,704	—	888,704
Bonds payables	279,492	283,602	12	—	283,614
Other financial liabilities					
Lease payments	84,158	—	85,909	—	85,909

Notes: 1. Borrowings, bonds payable and lease payments in the table above contain their current portion.

2. Short-term financial assets and short-term financial liabilities are not included in the table above because their fair values are similar to the carrying amounts.

					Millions of U.S. dollars
					Fair value
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	\$ 27	\$ 27	\$ —	\$ —	\$ 27
Lease receivables	1,077	—	—	1,071	1,071
Financial liabilities					
Borrowing and bonds payable					
Borrowings	7,929	—	8,007	—	8,007
Bonds payables	2,518	2,555	0	—	2,555
Other financial liabilities					
Lease payments	758	—	774	—	774

Notes: 1. Borrowings, bonds payable and lease payments in the table above contain their current portion.

2. Short-term financial assets and short-term financial liabilities are not included in the table above because their fair values are similar to the carrying amounts.

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

(a) Government bonds

The fair value of government bonds is estimated based on quoted price. Government bonds are classified as level 1 of fair value hierarchy.

(b) Lease receivables

Fair value of lease receivables is measured at the present value of total expected lease receivables, discounted by the rate of interest to be used when the lessor newly contracts a similar lease transaction. Inputs of lease receivables are not based on observable market data. Therefore, the levels of the fair value hierarchy are classified as level 3. The discount rate is 6.7% as of March 31, 2018 and 6.2% as of March 31, 2019.

(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 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 fair value hierarchy.

(e) Lease payments

The fair value of lease obligations is estimated by the future cash flows discounted using the interest rate of a borrowing with the identical remaining maturity period and conditions. Lease payments are classified as level 2 of fair value hierarchy.

34 Commitments

(1) Purchase commitments

As of March 31, 2018 and 2019, the Group's commitments to purchase property, plant and equipment, intangible assets and other are as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Property, plant and equipment	¥216,275	¥164,407	\$1,481
Intangible assets	53,089	68,188	614
Total	¥269,364	¥232,596	\$2,096

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

(2) Lease commitments

The Group enters into lease contracts for property, plant and equipment in the ordinary course of business. Gross minimum lease payments under non-cancellable lease contracts are set out in "Note 36. Lease."

35 Earnings per Share

(1) Basic earnings per share

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

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Profit for the year attributable to owners of the parent	¥572,528	¥617,669	\$5,565
Number of weighted average common stocks outstanding (Thousands of shares)	2,430,662	2,383,892	21,478
Basic earnings per share (Yen and U.S. dollar)	¥235.54	¥259.10	\$2.33

(2) Diluted earnings per share

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

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Profit for the year attributable to owners of the parent	¥572,528	¥617,669	\$5,565
Adjustment of profit	—	—	—
Profit used in calculation of diluted earnings per share	572,528	617,669	5,565

		Thousands of shares	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Number of weighted average common stocks outstanding	2,430,662	2,383,892	\$21,478
Effect of dilutive potential common stocks			
BIP trust and ESOP trust	971	796	7
Number of weighted average common stocks during the year	2,431,632	2,384,689	\$21,486

		Yen	U.S. dollars
For the year ended March 31	2018	2019	2019
Diluted earnings per share	¥235.45	¥259.01	\$2.33

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

36 Lease

(1) Lease as a lessee

i. Finance lease

Finance lease of the Group mainly relates to in-home customer premises equipment for CATV and communication.

(a) Future gross minimum lease payments

Future gross minimum lease payments of the leased assets recognized based on finance lease contracts, their present value and future finance costs by due date are as follows:

	Future gross minimum lease payments			Present value of future gross minimum lease payments		
	Millions of yen	Millions of U.S. dollars		Millions of yen	Millions of U.S. dollars	
As of March 31	2018	2019	2019	2018	2019	2019
Within one year	¥25,654	¥28,517	\$257	¥24,683	¥26,759	\$241
Over one year to five years	58,491	57,138	515	57,090	54,155	488
Over five years	3,061	3,349	30	3,007	3,244	29
Total	¥87,206	¥89,004	\$802	¥84,779	¥84,158	\$758
Less: Future finance cost (Note)	¥ 2,427	¥ 4,846	\$ 44			
Present value of lease obligation	84,779	84,158	758			

Note: Difference between future gross minimum lease payments and their present value represents interest portion of the finance lease.

(b) Details of the lease contracts

Some of the Group's lease contracts contain terms of renewal or purchase options. However, the Group does not have any lease contracts that contain sublease contracts or contingent rents and escalation clauses, provision in a contract for increasing the contracted price, and restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.

Fair values of the Group's lease obligations are set out in "Note 33. Fair value of financial instruments."

ii. Operating lease

Operating lease of the Group mainly relates to lease of land and buildings for base station.

(a) Gross minimum lease payments and contingent rent

For the years ended March 31, 2018 and 2019, gross minimum lease payments and contingent rents of cancellable or non-cancellable operating leases recognized as expenses are as follows:

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Gross minimum lease payments	¥135,443	¥151,333	\$1,363
Contingent rents	247	288	3
Total	¥135,690	¥151,621	\$1,366

Lease payments are included in "Costs of sales" or "Selling, general and administrative expenses" in the consolidated statement of income.

(b) Unexpired lease payments under non-cancellable operating lease

At the end of each fiscal year, analysis of future gross minimum lease payments under non-cancellable operating leases of the Group by due date is as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Within one year	¥14,374	¥17,805	\$160
Over one year to five years	34,555	41,173	371
Over five years	6,926	24,960	225
Total	¥55,855	¥83,938	\$756

(c) Details of the lease contracts

Some of the lease contracts contain terms of renewal. However, the Group does not have any lease contracts that contain purchase option, sublease contracts, escalation clauses (provision in a contract for increasing the contracted price) and restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.

(2) Lease as a lessor**i. Finance lease**

One of the company's consolidated subsidiaries, KDDI Summit Global Myanmar Co., Ltd. (KSGM) operates telecommunication business in Myanmar jointly with Myanmar Posts & Telecommunications (MPT), a government organization in Myanmar. KSGM leases telecommunication equipment to MPT classified as finance lease in the joint operation.

Future gross minimum lease payments receivable

Future gross lease payments receivable under the finance leases held by the Group and their present value and future finance income are as follows:

	Future gross minimum lease payments			Present value of future gross minimum lease payments		
	Millions of yen	Millions of U.S. dollars		Millions of yen	Millions of U.S. dollars	
As of March 31	2018	2019	2019	2018	2019	2019
Within one year	¥ 27,659	¥ 36,967	\$ 333	¥ 21,569	¥ 29,832	\$ 269
Over one year to five years	86,993	98,669	889	75,332	86,829	782
Over five years	5,416	3,095	28	5,111	2,921	26
Total	¥120,068	¥138,732	\$1,250	¥102,012	¥119,582	\$1,077
Less: Future finance income	¥ 18,056	¥ 19,150	\$ 173			
Net investment in the lease	102,012	119,582	1,077			
Less: Present value of unguaranteed residual value	—	—	—			
Present value of lease obligation	102,012	119,582	1,077			

37 Non-cash Transactions

For the years ended March 31, 2018 and 2019, non-cash transactions, i.e. financial transactions that do not require the use of cash and cash equivalents, comprise acquisition of property, plant and equipment resulted from new finance leases of ¥20,934 million (U.S.\$189 million) and ¥24,696 million (U.S.\$223 million), respectively.

38 Major Subsidiaries

(1) Organizational structure

Major subsidiaries of the Group are as follows. Unless otherwise stated, 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.

Company name	Segment	Location	Key business	The proportion of voting rights (%)	
				As of March 31, 2018	As of March 31, 2019
Okinawa Cellular Telephone Company	Personal Services	Naha-shi, Okinawa	Telecommunications services (au mobile phone services)	51.5	51.6
Jupiter Telecommunications Co., 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)	92.7 (92.7)	92.8 (92.8)
J:COM East Co., Ltd.	Personal Services	Chiyoda-ku, Tokyo	Management of CATV (broadcasting and telecommunication business)	100.0 (100.0)	100.0 (100.0)
UQ Communications Inc. (Note 2)	Personal Services	Minato-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	Okayama-shi, Okayama	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
KDDI Financial Service Corporation	Life Design Services	Minato-ku, Tokyo	Credit card services and payment agency services	90.0	90.0
Syn.Holdings, Inc	Life Design Services	Minato-ku, Tokyo	Holding company of internet service companies	78.7	82.3
WebMoney Corporation	Life Design Services	Minato-ku, Tokyo	Issuance and sales of server based e-money	100.0	100.0
Jupiter Shop Channel Co., Ltd.	Life Design Services	Chuo-ku, Tokyo	Mail order services	55.0 (50.0)	55.0 (50.0)
Jupiter Entertainment Co., Ltd.	Life Design Services	Chiyoda-ku, Tokyo	Management of TV channels	100.0 (100.0)	100.0 (100.0)
ENERES Co., Ltd.	Life Design Services	Chiyoda-ku, Tokyo	Energy information business	30.0	100.0
KDDI Matomete Office Corporation	Business Services	Shibuya-ku, Tokyo	IT support services for small and medium-sized companies	95.0	95.0
KDDI Evolve, 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 internet service providers	63.8 (6.9)	63.8 (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	74.3
KDDI America, Inc.	Global Services	New York, NY U.S.A.	Diversified Telecommunications services in US	100.0	100.0
KDDI Europe Limited	Global Services	London, U.K.	Diversified Telecommunications services in Europe	100.0 (4.2)	100.0 (4.2)

Company name	Segment	Location	Key business	The proportion of voting rights (%)	
				As of March 31, 2018	As of March 31, 2019
KDDI China Corporation	Global Services	Beijing, China	Sales, maintenance and operation of communication equipment in China	85.1	85.1
KDDI Singapore Pte Ltd	Global Services	Singapore	Diversified Telecommunications services in Singapore	100.0	100.0
TELEHOUSE Holdings Limited	Global Services	London, U.K.	Holding Company	100.0	100.0
TELEHOUSE International Corporation of Europe Ltd.	Global Services	London, U.K.	Data center services in Europe	92.8 (92.8)	92.8 (92.8)
KDDI Summit Global Singapore Pte. Ltd.	Global Services	Singapore	Holding Company	50.1	50.1
KDDI Summit Global Myanmar Co., Ltd.	Global Services	Yangon, Myanmar	Telecommunication business in collaboration with Myanmar Posts & Telecommunications (MPT)	100.0 (100.0)	100.0 (100.0)
Mobicom Corporation LLC	Global Services	Ulaanbaatar, Mongolia	Diversified Telecommunications services in Mongolia	63.9 (63.9)	98.8 (98.8)

Numbers in parentheses represent indirect voting rights.

Notes: 1. The Group does not own majority of voting rights of Jupiter Telecommunications Co., Ltd. ("Jupiter Telecom"). However, the Group owns 50% of the voting rights of Jupiter Telecom and has the power to govern its financial and operating policies. Accordingly, Jupiter Telecom is controlled by the Group and included in the consolidated financial statements.
2. The Group does not own majority of voting rights of 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 Group's directors became majority of the board members and they 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 subsidiaries with material non-controlling interest for the Group

i. Jupiter Telecommunication Co Ltd. ("Jupiter telecom").

As of March 31	2018	2019
The proportion of ownership interests held by non-controlling interests	50.0%	50.0%

The proportion of ownership interests 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

As of March 31	2018	Millions of yen	Millions of U.S. dollars
		2019	2019
Current assets	¥163,632	¥ 131,216	\$1,182
Non-current assets	970,524	1,024,411	9,230
Current liabilities	235,366	144,491	1,302
Non-current liabilities	589,657	647,298	5,832
Total equity	¥309,133	¥ 363,839	\$3,278

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

As of March 31	2018	Millions of yen	Millions of U.S. dollars
		2019	2019
Interests attributable to owners of the parent	¥116,309	¥149,177	\$1,344
Non-controlling interests	192,824	214,662	1,934
Total	¥309,133	¥363,839	\$3,278

(b) Consolidated statements of income and comprehensive income

For the year ended March 31	2018	Millions of yen	Millions of U.S. dollars
		2019	2019
Revenue	¥783,219	¥815,461	\$7,347
Profit for the year before income tax	124,812	118,926	1,072
Income taxes	39,798	38,612	348
Profit, net of tax	85,014	80,314	724
Other comprehensive income	1,094	(183)	(2)
Total comprehensive income	¥ 86,108	¥ 80,131	\$ 722

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	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Profit for the year attributable to owners of the parent	¥42,214	¥40,379	\$364
Profit for the year attributable to non-controlling interests	42,800	39,935	360
Sub total	85,014	80,314	724
Other comprehensive income attributable to owners of the parent	539	(61)	(1)
Other comprehensive income attributable to non-controlling interests	555	(123)	(1)
Sub total	1,094	(183)	(2)
Total comprehensive income attributable to owners of the parent	42,753	40,318	363
Total comprehensive income attributable to non-controlling interests	43,355	39,812	359
Total	¥86,108	¥80,131	\$722

For the years ended March 31, 2018 and 2019, dividends paid by Jupiter Telecom to non-controlling interests were ¥46,200 million (U.S.\$416 million) and ¥32,600 million (U.S.\$294 million), respectively.

(c) Consolidated statement of cash flows

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Cash flows from operating activities (net)	¥171,810	¥170,705	\$1,538
Cash flows from investing activities (net)	(77,348)	(90,563)	(816)
Cash flows from financing activities (net)	(103,652)	(118,748)	(1,070)
Increase (decrease) of cash and cash equivalents	(9,191)	(38,606)	(348)

ii. UQ Communications

As of March 31	2018	2019
The proportion of ownership interests held by non-controlling interests	67.7%	67.7%

The proportion of ownership interests 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) Statements of financial position

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Current assets	¥ 62,885	¥ 80,827	\$ 728
Non-current assets	276,875	317,912	2,864
Current liabilities	79,445	80,906	729
Non-current liabilities	216,460	226,177	2,038
Total equity (Note)	¥ 43,855	¥ 91,657	\$ 826

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

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Interests attributable to owners of the parent	¥33,952	¥48,999	\$441
Non-controlling interests	9,903	42,658	384
Total	¥43,855	¥91,657	\$826

(b) Statement of income and comprehensive income

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Revenue	¥317,871	¥313,185	\$2,822
Profit for the year before income tax	54,199	48,284	435
Income taxes	11,794	10,199	92
Profit, net of tax	42,405	38,086	343
Other comprehensive income	—	—	—
Total comprehensive income	¥ 42,405	¥ 38,086	\$ 343

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

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Profit for the year attributable to owners of the parent	¥13,511	¥12,115	\$109
Profit for the year attributable to non-controlling interests	28,894	25,970	234
Sub total	42,405	38,086	343
Other comprehensive income attributable to owners of the parent	—	—	—
Other comprehensive income attributable to non-controlling interests	—	—	—
Sub total	—	—	—
Total comprehensive income attributable to owners of the parent	13,511	12,115	109
Total comprehensive income attributable to non-controlling interests	28,894	25,970	234
Total	¥42,405	¥38,086	\$343

(c) Statement of cash flows

		Millions of yen	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Cash flows from operating activities (net)	¥76,495	¥63,632	\$573
Cash flows from investing activities (net)	(53,895)	(49,614)	(447)
Cash flows from financing activities (net)	(22,595)	(14,047)	(127)
Increase (decrease) of cash and cash equivalents	5	(29)	(0)

39 Related Party Transactions

(1) Related party transactions

For the year ended March 31, 2018:

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, 2019:

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	Millions of U.S. dollars
For the year ended March 31	2018	2019	2019
Short-term employee benefits	¥716	¥704	\$6
Share-based payment	111	184	2
Total	¥827	¥887	\$8

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

40 Subsequent Events

KDDI incorporated an intermediate financial holding company, au Financial Holdings Corporation, in order to strengthen its settlement and financial business and introduced the “Smart Money Concept” which ensures customer satisfaction by providing comprehensive smartphone-centric settlements and financial transactions.

In addition, KDDI transferred five companies (Jibun Bank Corporation, which became a consolidated subsidiary on April 1, 2019, and the consolidated subsidiaries of KDDI Financial Service Inc., WebMoney Corporation, KDDI Asset Management Co., Ltd., and au Reinsurance Corporation) to au Financial Holdings Corporation. By reorganizing these companies, we aim to maximize synergies and enhance product competitiveness by accelerating their decision making processes and enhancing governance.

Making Jibun Bank Corporation a consolidated subsidiary

KDDI acquired the 608,614 shares issued via third party allocation by Jibun Bank Corporation (“Jibun Bank”) on April 1, 2019. As a result, KDDI owns 1,408,614 shares (63.78%) in Jibun Bank, making Jibun Bank a consolidated subsidiary.

KDDI now provides Jibun Bank with access to the big data, digital marketing resources and customer base that it has cultivated to date. We also continually create points of contact with customers and help strengthen the service offerings for customers’ different life stages with the aim of maximizing the corporate value of Jibun Bank.

The consideration for the acquisition is ¥25,000 million (U.S.\$225 million). Due to the limited time between the acquisition date and the submission date of the earnings report for the fiscal year ended March 31, 2019, the accounting process regarding said acquisition of shares has not been completed and we have not disclosed detailed data regarding the accounting treatment of the business combination.

Beginning the tender offer for shares of kabu.com Securities Co., Ltd. by the wholly owned KDDI subsidiary LDF LLC

On February 12, 2019, KDDI announced that its wholly owned subsidiary LDF LLC (“LDF”) would make a public tender for shares of kabu.com Securities Co., Ltd. (“kabu.com Securities”).

Because the preparations to begin this tender offer have been concluded, KDDI and LDF have decided to begin the tender offer for the ordinary shares of and subscription rights to kabu.com Securities on April 25, 2019.

The tender offer has completed as of June 13, 2019. The Tender Offer Report was submitted by LDF as of June 14, 2019. According to the report, the number of tenders converted in shares are 126,503,498 shares and LDF purchased all of the shares. As a result, kabu.com Securities becomes an equity method affiliated company of KDDI.

After the completion of the tender offer and related procedures, the final shareholding ratios of kabu.com Securities are expected to be as below.

Shareholding ratios before change (As of April 25, 2019)	Mitsubishi UFJ Securities Holdings Co., Ltd. LDF LLC	52.96% 0.00%
Shareholding ratios after the tender offer (As of June 20, 2019)	Mitsubishi UFJ Securities Holdings Co., Ltd. LDF LLC	52.96% 37.96%
Shareholding ratios after change	Mitsubishi UFJ Securities Holdings Co., Ltd. LDF LLC	51.00% 49.00%

Cancellation of treasury stocks

The Board of Directors of KDDI at its meeting held on May 15, 2019, resolved that KDDI will cancel a portion of its treasury stock pursuant to Article 178 of the Companies Act of Japan, as stated below.

- (1) Type of shares to be canceled: Shares of common stocks
- (2) Number of shares to be canceled: 176,630,845 shares
(6.98% of the total issued shares before cancellation)
- (3) Date of cancellation: May 23, 2019

Reference: After the cancellation, the number of treasury stocks will be 0.18% of the total number of issued shares.

Total number of issued shares after the cancellation:

2,355,373,600 shares

Total number of treasury stocks after the cancellation:

4,322,928 shares(*)

* These are only shares of KDDI shares owned by the executive's compensation BIP Trust Account and ESOP Trust Account.

Repurchase of treasury stocks

The Board of Directors of KDDI at its meeting held on May 15, 2019, resolved that KDDI will 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) Details of matters relating to the repurchase
 - (a) Type of shares to be repurchased:
Shares of common stock
 - (b) Total number of shares to be repurchased:
Up to 73,000,000 shares
(Ratio to the shares outstanding: 3.10%)
 - (c) Total amount of repurchase price: Up to ¥150 billion
(U.S.\$1,351 million)
 - (d) Repurchase period: From May 16, 2019 to December 23, 2019
 - (e) Repurchase method: Market purchases through the Tokyo Stock Exchange

Reference: Own shares held by KDDI as of March 31, 2019

Total number of shares outstanding: 2,351,050,672 shares

Total number of treasury stocks(*): 180,953,773 shares

* The number of treasury stocks listed includes the 4,322,928 shares of KDDI shares owned by the executives' compensation BIP Trust Account and ESOP Trust Account.

41 Approval of the Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2019 have been approved by the Board of Directors on June 20, 2019.

Independent Auditor's Report

To the Board of Directors of KDDI CORPORATION

We have audited the accompanying consolidated financial statements of KDDI CORPORATION ("the Company") and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

As discussed in Note 2 to the consolidated financial statements, the Company has applied IFRS 15 Revenue from contracts with customers (Newly established in May 2014) from the fiscal year ended March 31, 2019. Our opinion is not modified in respect of this matter.

Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 (3) to the consolidated financial statements.

PricewaterhouseCoopers Kyoto
Kyoto, Japan

June 20, 2019

Corporate Overview

(As of March 31, 2019)

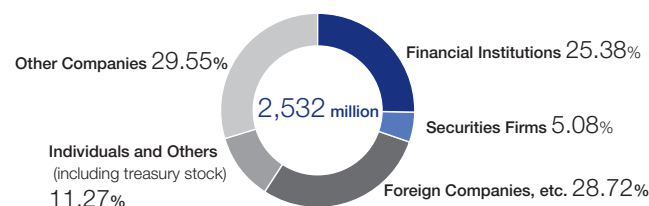
Company Name	KDDI CORPORATION
Date of Establishment	June 1, 1984 (The KDDI CORPORATION was established in October 2000 through the merger of DDI CORPORATION, KDD Corporation, and IDO CORPORATION.)
Business Objective	Telecommunications business
Head Office	Garden Air Tower, 10-10, Iidabashi 3-chome, Chiyoda-ku, Tokyo 102-8460, Japan
Registered Place of Business	3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-8003, Japan
President	Makoto Takahashi
Capital	¥141,852 million
Number of Employees	41,996 (consolidated)

Stock Information

(As of March 31, 2019)

SE Code	9433
Number of Shares Authorized	4,200,000,000 shares
Number of Shares Issued and Outstanding	2,532,004,445 shares (Note) Following a cancellation of treasury stock on May 16, 2018, the total number of issued shares decreased by 55,209,080 shares.
Number of Shareholders	229,439 shareholders

Breakdown of Shareholding by Investor Type



Major Shareholders

Name of Corporate Entity	Number of Shares Held	Ratio of Controlling Share ^{Note 1} (%)	Ratio of Voting (%)
KYOCERA Corporation	335,096,000	13.23	14.22
Toyota Motor Corporation	298,492,800	11.78	12.67
The Master Trust Bank of Japan, Ltd. (Trust Account)	217,873,800	8.60	9.25
Japan Trustee Services Bank, Ltd. (Trust Account)	128,821,400	5.08	5.46
JP MORGAN CHASE BANK 380055	40,664,620	1.60	1.72
JP Morgan Securities Japan Co., Ltd.	37,066,776	1.46	1.57
Japan Trustee Services Bank, Ltd. (Trust Account 7)	34,294,300	1.35	1.45
Japan Trustee Services Bank, Ltd. (Trust Account 5)	33,936,100	1.34	1.44
State Street Bank West Client – Treaty 505234	29,209,675	1.15	1.24
JP MORGAN CHASE BANK 385151	27,073,419	1.06	1.14

(Note 1) The above ratio of controlling shares is calculated including treasury stocks (176,630,845 shares) ^(Note 2). KDDI excludes treasury stocks from the list of major shareholders above.

(Note 2) For accounting purposes the Company's shares held in an executive remuneration Board Incentive Plan Trust account and Employee Stock Ownership Plan Trust account (4,322,980 shares as of March 31, 2019) are added to the number of treasury shares. These shares do not have voting rights.

* "iPhone" is a registered trademark of Apple Inc. in the U.S. and other countries.
The trademark of iPhone was used under license from AIPHONE CO., LTD.

* Other company and product names are registered trademarks or trademarks of their respective companies

Regarding the disclaimer related to corporate governance (from page 34)

Please note that the following is an English translation of the Japanese version (as of August 1, 2019), prepared for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy, the Japanese original shall prevail.

KDDI CORPORATION

<https://www.kddi.com/english/>

