Consolidated Financial Statements

Consolidated Statement of Financial Position

KDDI Corporation and its Subsidiaries
As of March 31

	Notes	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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**

	Notes	2018	2019	2019
			Millions of yen	Millions of U.S. dollars
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

	Notes	2018	2019	2019
			Millions of yen	Millions of U.S. dollars
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

	Notes	2018	Millions of yen 2019	Millions of U.S. dollars 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	¥4,612,932

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

	Notes	2018 (Millions of yen)	2019 (Millions of yen)	2019 (Millions of U.S. dollars)
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 headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company's consolidated financial statements as of and for the year ended March 31, 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.

Millions of yen

	IAS 18 carrying amount March 31, 2018	Reclassification	Remeasurements	IFRS 15 carrying amount April 1, 2018	Retained earnings effect April 1, 2018
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.

Millions of yen

	IAS 18 carrying amount	IFRS 15 carrying amount
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

	IAS 18 carrying amount	IFRS 15 carrying amount
	Millions of U.S. dollars	
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 reminder 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 acquire is less than the fair value of acquired subsidiary's net assets, such difference is recognized directly in profit or loss as a bargain purchase.

If the initial accounting for a business combination is not complete by the end of the reporting period in which the business combination occurs, the Group recognizes in its financial statements provisional amounts for the items for which the accounting is incomplete. Subsequently, the Group retrospectively adjusts the provisional amounts recognized on the date when control is obtained as measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the date when control is obtained and, if known, would have affected the amounts recognized for the business combination. However, the measurement period shall not exceed one year from the date when control is obtained.

(3) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The board of directors that makes strategic decisions has been identified by the Group as the chief operating decision-maker.

(4) Foreign currency translation

i. Functional currency and presentation currency

Foreign currency transactions of each group company have been translated into their functional currencies at the exchange rate prevailing at the dates of transactions upon preparation of their financial statements. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

ii. Foreign currency transactions

Foreign currency transactions are translated at the spot exchange rate of the date of transaction or the rate that approximates such exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the fiscal year end date. Non-monetary items at fair value denominated in foreign currencies are translated at an exchange rate as of the date when their fair values are measured.

Exchange differences arising from the translation and settlement of monetary assets and liabilities denominated in foreign currencies are recognized as profit or loss. However, exchange differences arising from the translation of equity instruments measured through other comprehensive income and qualifying cash flow hedges are recognized as other comprehensive income.

iii. Foreign operations

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill, identified assets and liabilities, and their fair value adjustments resulting from the acquisition of the foreign operations, are translated into presentation currency at the exchange rate prevailing at the fiscal year end date. Income and expenses of foreign operations are translated into Japanese yen, the presentation currency, at the average exchange rate for the period, unless the exchange rates fluctuate significantly during the period.

Exchange differences arising from translation of foreign operations' financial statements are recognized as other comprehensive income. In cases of disposition of whole interests of foreign operations, and certain interests involving loss of control or significant influence, exchange differences are accounted for as profit or loss on disposal of foreign operations.

(5) Property, plant and equipment

i. Recognition and measurement

Property, plant and equipment of the Group is measured on a historical cost basis and carried at its cost less accumulated depreciation and impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration, as well as borrowing costs eligible for capitalization.

In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.

ii. Depreciation and useful lives

Property, plant and equipment is depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

The estimated useful lives of major components of property, plant and equipment are as follows:

Communication equipment

Machinery	9 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:

(i) There is an economic relationship between the hedged item and the hedging instrument

(ii) The effect of credit risk does not dominate the value changes that result from that economic relationship;

(iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

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

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

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

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

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

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

(14) Cash and cash equivalents

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

(15) Inventories

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

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

(16) Employee benefits

i. 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 acquire (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

As of acquisition date December 27, 2018		Millions of yen 2019	Millions of U.S. dollars 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

As of acquisition date December 27, 2018		Millions of yen 2019	Millions of U.S. dollars 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

Millions of yen

	Reporting segment								
	Personal	Life design	Business	Global	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
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

Millions of yen

	Reporting segment								
	Personal	Life design	Business	Global (Note 3)	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
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								
	Personal	Life design	Business	Global (Note 3)	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
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

Millions of yen

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
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**

Millions of U.S. dollars

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
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

Millions of yen

	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
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

Millions of yen

	Goodwill	Intangible assets: Software	Customer related	Program supply related	Other	Total
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

	Goodwill	Intangible assets: Software	Customer related	Program supply related	Other	Total
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

Millions of yen

	Goodwill	Intangible assets: Software	Customer related	Program supply related	Other	Total
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				
	Goodwill	Software	Customer related	Program supply related	Other	Total
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				
	Goodwill	Software	Customer related	Program supply related	Other	Total
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				
	Goodwill	Software	Customer related	Program supply related	Other	Total
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

			Millions of yen	Millions of U.S. dollars
Location	Use	Class		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	
As of March 31	2018	2019	2019	(%) (Note)	Due (Year)
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:

				Millions of yen	Millions of U.S. dollars			
Entity	Description	Issuance date	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019	Interest rate (%)	Collateral	Due
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	2019
Government bonds	¥3,001	¥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	2019
Deposit	¥—	¥35,000	$315

Assets pledged as collateral are as follows:

		Millions of yen	Millions of U.S. dollars
As of March 31	2018	2019	2019
Property, plant and equipment	¥ 75	¥1,138	$10
Stocks of subsidiaries and associates (Note)	768	768	7
Other short-term financial assets	77	35	0
Total (of which, assets denominated in foreign currency)	¥919 (U.S.$0 million and other)	¥1,940 (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 comprehensive income	Acquisition by business combinations	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 comprehensive income	Acquisition by business combinations	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:

	Millions of yen		Millions of U.S. dollars
As of March 31	2018	2019	2019
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
As of March 31	2018	2019	2019
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
As of March 31	2018	2019	2019
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
For the year ended March 31	2018	2019	2019
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.

For the year ended March 31	2018	2019
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:

For the year ended March 31	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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:

As of March 31	Millions of yen 2018			Millions of yen 2019			Millions of U.S. dollars 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:

For the year ended March 31	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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) (Yen)	(U.S. dollar)	Vesting conditions
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) (Yen)	(U.S. dollar)	Vesting conditions
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) (Yen)	(U.S. dollar)	Vesting conditions
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:

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, 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:

For the year ended March 31	2018	Millions of yen 2019	Millions of U.S. dollars 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:

For the year ended March 31	2018	Millions of yen 2019	Millions of U.S. dollars 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:

For the year ended March 31	2018	Millions of yen 2019	Millions of U.S. dollars 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:

For the year ended March 31	2018	Millions of yen 2019	Millions of U.S. dollars 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)**

For the year ended March 31	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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

Millions of yen

	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	¥ 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

Millions of yen

	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	¥ 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

As of March 31, 2019

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

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

iii. Market risk management

Market risk management consists of (a) Exchange risk management, (b) Interest rate risk management and (c) Price risk management of equity instruments.

(a) Exchange risk

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

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

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

(i) Sensitivity analysis of exchange rate

Sensitivity analysis of the impact of the 10% appreciation of Japanese yen against U.S. dollar and Hong Kong dollar 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, 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)**

At the end of each fiscal year, impact against the Group's profit or loss, in cases where Japanese yen depreciated 10% against U.S. dollar and Hong Kong dollar, would be equal and opposite figures presented above on presumption that all other variables are held constant.

(ii) Derivatives (forward foreign exchange contracts)

Details of major exchange contracts existed at March 31, 2018 and 2019 are as follows:

Derivatives designated as hedges

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

	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**

As of March 31	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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	
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.

For the year ended March 31	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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

As of March 31	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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

	Level 1	Level 2	Level 3	Total
				Millions of U.S. dollars
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				
	Millions of yen	Millions of U.S. dollars	Valuation technique	Unobservable inputs	Range
Equities	¥29,350	$276	Income approach	Discount rate	5.6%–11.2%

As of March 31, 2019

	Fair value				
	Millions of yen	Millions of U.S. dollars	Valuation technique	Unobservable inputs	Range
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

	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value 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

	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value 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

	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value 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**

For the year ended March 31	2018	Thousands of shares 2019	Millions of U.S. dollars 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**

For the year ended March 31	2018	Yen 2019	U.S. dollars 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:

For the year ended March 31	2018	Millions of yen 2019	Millions of U.S. dollars 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 Evolva, Inc.	Business Services	Shinjuku-ku, Tokyo	Call center, temporary personnel services	100.0	100.0
Japan Internet Exchange Co., Ltd.	Business Services	Chiyoda-ku, Tokyo	Exchange port providing services for 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	The proportion of voting rights (%) 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 Myanma 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	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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	Millions of yen 2018	Millions of yen 2019	Millions of U.S. dollars 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