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

Financial Statements Summary for the six-month period ended September 30, 2019 [IFRS]

November 1, 2019

Company name:	**KDDI CORPORATION** URL https://www.kddi.com
Stock listing:	Tokyo Stock Exchange - First Section
Code number:	9433
Representative:	Makoto Takahashi, President
Scheduled date of quarterly report filing:	November 7, 2019
Scheduled date of dividend payment:	December 3, 2019
Supplemental materials of quarterly results:	Yes
Presentation for quarterly results:	Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the six-month period ended September 30, 2019 (April 1, 2019 - September 30, 2019)

(1) Consolidated Operating Results

(Percentage represents comparison change to the corresponding previous quarterly period)

	Operating revenue		Operating income		Profit for the period before income tax		Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
		%		%		%		%		%		%
Six-month period ended September 30, 2019	2,564,457	4.2	553,407	(1.4)	550,195	(1.8)	377,579	(2.3)	347,545	0.6	376,076	(3.7)
Six-month period ended September 30, 2018	2,462,269	1.9	561,192	3.4	560,367	3.7	386,567	3.5	345,477	4.9	390,519	1.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six-month period ended September 30, 2019	148.67	148.63
Six-month period ended September 30, 2018	143.89	143.86

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
				%
As of September 30, 2019	9,267,287	4,772,965	4,321,117	46.6
As of March 31, 2019	7,330,416	4,612,932	4,183,492	57.1

2. Dividends

	Dividends per share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	–	50.00	–	55.00	105.00
Year ending March 31, 2020	–	55.00			
Year ending March 31, 2020 (forecast)			–	55.00	110.00

Note: Changes in the latest forecasts released : No

3. Consolidated Financial Results Forecast for Year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentage represents comparison to previous fiscal year)

	Operating revenue		Operating income		Profit for the year attributable to owners of the parent		Basic earnings per share
		%		%		%	Yen
Entire fiscal year	5,200,000	2.4	1,020,000	0.6	620,000	0.4	266.09

Note: Changes in the latest forecasts released : No

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation) during the six-month period ended September 30, 2019 : Yes

Addition: 1 Company name: Jibun Bank Corporation

Exclusion: 1 Company name: J:COM East Co., Ltd.

(2) Changes in accounting policies and estimates

1) Changes in accounting policies required under IFRSs:	Yes
2) Other changes in accounting policies:	None
3) Changes in accounting estimates:	None

(3) Numbers of outstanding shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of September 30, 2019	2,355,373,600
	As of March 31, 2019	2,532,004,445
2) Number of treasury stock	As of September 30, 2019	32,962,052
	As of March 31, 2019	180,953,773
3) Number of weighted average common stock outstanding	For the six-month period ended September 30, 2019	2,337,654,931
(cumulative for all quarters)	For the six-month period ended September 30, 2018	2,400,974,601

Note: The 4,271,602 shares as of September 30, 2019 and the 4,322,928 shares as of March 31, 2019 of KDDI’s stock owned by the executive compensation BIP Trust account and the stock-granting ESOP Trust account are included in the total number of treasury stock.

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

Explanation for appropriate use of forecasts and other notes

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.8 “1. Qualitative Information / Consolidated Financial Statements, etc (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results” under [the Attachment] for the assumptions used and other notes.

2. On November 1, 2019, KDDI will hold a financial result briefing for the institutional investors and analysts. Presentation materials will be webcasted on the same time as the release of this earnings report, and the live presentation and Q&A summary will be also posted on our website immediately after the commencement of the financial result briefing. In addition to the above, KDDI holds the briefing and the presentations on our business for the individual investors timely. For the schedule and details, please check our website.

[the Attachment]

Index of the Attachment

1. Qualitative Information / Consolidated Financial Statements, etc.

(1) Explanation of Financial Results

1) Results Overview

Industry Trends and KDDI's Position

First, we hereby extend our deepest condolences to those affected by the series of typhoons and other natural disasters that have recently hit regions across Japan. Under the slogan "au—smooth connection always available to you," we are rallying all the KDDI Group's strengths and increasing our focus on providing communications services in times of emergency and improving service area quality, as we aim to fulfill our responsibilities as a communications infrastructure company.

A major transformation is taking place around the world due to the advance of fifth-generation wireless (5G), IoT, AI, big data and other technologies that are driving full-fledged digitization. We are transforming into a data-driven society, one that places a higher value on data than ever before. In addition, the government of Japan is aiming to realize Society 5.0,*[1] where these technologies will be used in industry and daily life to spur economic development and solve social issues. Amid these circumstances, the telecommunications industry is seeing the competitive environment heating up with the entrance of new telecom providers into the market and an amendment of the Telecommunications Business Law. Right now, a digital transformation (DX) is under way that will see all industry transformed through the use of telecommunications and the internet. In these ways and more, the business environment is changing drastically. Moreover, 5G trial services will launch this year along with a wide range of services created using various advanced technologies to accommodate the demands of a new world with full-scale 5G and IoT. We are doing our best to prepare for this new era.

KDDI has formulated a medium-term management plan covering the three years from fiscal 2019 through 2021 that aims to ensure sustainable growth while allowing for swift response to the changing business environment. As for individual customers, we are fostering closer engagement by encouraging them to use telecommunications and various life design services in tandem. We will then leverage this to maximize their life time value, which is the total of customer IDs (including Group companies) × total ARPA × usage time (continuation rate). As for corporate customers, we are helping them develop and expand their businesses, using our IoT- and ICT-related technologies and know-how to support their digital transformation. Looking to the future, we will create new businesses through open innovation with partner companies and promote a business model that enables partner companies to continue growing together. By expanding growth businesses, especially those related to telecommunications services, we will further promote the "integration of telecommunications and life design," the core of our business strategy. We will continue realizing new value creation in the 5G/IoT era not only in Japan but globally.

In September 2019, using the spectrum allotted to us, we established our first base station equipped with full-fledged functions for commercial 5G services, initiating the dissemination of radio waves with an eye to the scheduled nationwide launch of commercial 5G services in March 2020. Looking ahead, we will successively secure base stations for commercial 5G services in regions across Japan.

In addition, we are promoting Company-wide activities that will help ensure the sustainable growth of society and, under the medium-term management plan (fiscal 2019–2021), we outlined the SDGs*[2] that KDDI is aiming for. We will continue aiming for sustainable growth alongside society by striving to solve social issues in pursuit of achieving targets linked to our business strategy, including those related to telecommunications, global business, regional revitalization, education, and finance, as well as targets linked to corporate activities, including human resources training, promoting the advancement of women, human rights, diversity and inclusion (D&I), and the global environment.

For more details about the medium-term management plan, see our webpage below.
https://www.kddi.com/english/corporate/kddi/vision/

*1. One of the medium- to long-term growth strategies of Japan, which refers to an ideal human-centric society achieved by using systems that highly integrate cyberspace with physical space.
*2. Sustainable Development Goals: international goals that were adopted at the United Nations summit in September 2015

Financial Results

For the six-month period ended September 30, 2019

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2018	Six-month period ended September 30, 2019	Increase (Decrease)	Increase (Decrease)%
Operating revenue	2,462,269	2,564,457	102,189	4.2
Cost of sales	1,320,092	1,391,447	71,356	5.4
Gross profit	1,142,177	1,173,010	30,833	2.7
Selling, general and administrative expenses	586,042	625,345	39,304	6.7
Other income and expense (Net)	3,470	3,436	(34)	(1.0)
Share of profit(loss) of investments accounted for using the equity method	1,586	2,306	720	45.4
Operating income	561,192	553,407	(7,785)	(1.4)
Finance income and cost (Net)	(902)	(4,714)	(3,812)	–
Other non-operating profit and loss (Net)	77	1,502	1,425	1,840.6
Profit for the period before income tax	560,367	550,195	(10,172)	(1.8)
Income tax	173,801	172,617	(1,184)	(0.7)
Profit for the period	386,567	377,579	(8,988)	(2.3)
Attributable to owners of the parent	345,477	347,545	2,068	0.6
Attributable to non-controlling interests	41,090	30,034	(11,056)	(26.9)

During the six-month period ended September 30, 2019, operating revenue rose by 4.2% to ¥2,564,457 million mainly contributed by an increase of revenue in Life design domain coming from a increase revenue of the energy business and expanding the finance business by making Jibun Bank Corporation (* 1) a consolidated subsidiary, despite a decrease of handset sale revenues.

Operating income decreased by 1.4% to ¥553,407 million, mainly due to a decrease in gross profit from handset sales and increase of selling, general and administrative expenses, despite an increase in sales.

Profit for the period attributable to owners of the parent rose by 0.6% to ¥347,545 million.

*1. "Jibun Bank Corporation" will change corporate name to "au Jibun Bank Corporation" in February 2020.

2) Results by Business Segment

From this year, to promote the “integration of telecommunications and life design,” we have integrated our four original segments into two: the Personal Services segment focusing on individual customers and the Business Services segment focusing on corporate customers.

Personal Services

The Personal Services segment provides services to individual customers.

In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, energy, entertainment, and education, while focusing on conventional telecommunications services, chiefly under the "au" brand, such as those related to smartphones, cell phones, FTTH, and CATV.

Overseas, we use know-how cultivated in Japan to actively engage in business with individual customers, especially those in Myanmar, Mongolia, and other Asian regions.

Quarterly Highlights

- In September 2019, we launched the “au Data MAX Plan-Netflix Pack,” a value plan that bundles the basic Netflix plan with a data plan that has no monthly limit. This new plan was created in response to an amendment to the Telecommunications Business Law. In October, we rolled out five new plans.
- In J.D. Power’s 2019 Mobile Phone Service Satisfaction Study, we were awarded first place in overall customer satisfaction for the fourth consecutive year. We received the highest evaluation in five categories: handsets, services provided, fees, handset shopping experience, and after-sales support.
- In the life design domain, we formed a partnership in August 2019 with the Japan Association for University Athletics and Sport (UNIVAS), YOKOHAMA DeNA BAYSTARS BASEBALL CLUB, INC., and Nagoya Grampus Eight Inc. with the aim of creating new experience value for the 5G era. Together, we kicked off the Shibuya Entertainment Tech Promotion Project.* For “au Smart Pass Premium” members, we eliminated fees for “au Wowma!” streaming from July, and we launched the live commerce service “Live TV” on “au Wowma!” In the settlement business, we began allowing non-au customers to use “au PAY” from August, and the number of registered users exceeded five million by September. In the financial business, we made au Insurance Co., Ltd. a consolidated subsidiary in July.
- In the Myanmar telecommunications business, we launched the Lucky Data promotional campaign in July 2019 with the aim of enhancing customers’ digital life experience value. The main part of the campaign consists of a lottery for customers who purchase a data telecommunications fee pack with a prize of extra data. From August, we began video streaming English Premier League soccer games free of charge in line with efforts to enhance content services and secure greater customer satisfaction.

* The Shibuya Entertainment Tech Promotion Project: Taking full advantage of cutting-edge technologies associated with music, the fine arts and other entertainment fields, the project provides a fresh perspective in an aim to help people discover the things that make Shibuya attractive and fascinating to visit.

Operating performance in the Personal Services segment for the six-month period ended September 30, 2019 is described below.

Results

For the six-month period ended September 30, 2019

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2018	Six-month period ended September 30, 2019	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	2,134,703	2,238,873	104,170	4.9
Operating Income	494,408	468,491	(25,917)	(5.2)

During the six-month period ended September 30, 2019, operating revenue rose by 4.9% to ¥2,238,873 million, mainly contributed by an increases in revenue from the energy business and the finance business after making Jibun Bank a consolidated subsidiary, despite decrease of handset sales revenue.
Operating income declined by 5.2% to ¥468,491 million, mainly due to a decrease in gross profit from handset sales and an increase in depreciation and sales promotion costs.

Business Services

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with TELEHOUSE brand data center services and a variety of solutions encompassing network and cloud services, smartphones and other devices, and the KDDI IoT Worldwide Architecture, which supports customers' IoT businesses.

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

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

Quarterly Highlights

● In J.D. Power's 2019 Business Mobile Phone Service Satisfaction Study, we were awarded first place in overall customer satisfaction for the fourth consecutive year in the Large Corporations / Medium-Sized Enterprises Market Segment. In addition, we were awarded first place in overall customer satisfaction for the seventh consecutive year in J.D. Power's 2019 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study.

● In September 2019, we opened new locations for KDDI Digital Gate, a business development base for the 5G era, in Okinawa and Osaka, in addition to our Toranomon location. At each of these locations, we will be testing the 5G solutions provision environment from November. From March 2020, we plan to begin providing corporate customers with 5G solutions that combine 5G technology, high-definition video, and AI to keep pace with the increasing sophistication of business and to solve a plethora of issues facing industries and companies.

● In August 2019, KDDI Research, Inc., SECOM Co., Ltd., and the city of Higashiosaka formed an alliance and ran a successful pilot test at Higashiosaka's Hanazono Rugby Stadium using 5G-ready AI systems, smart drones, robots, and security guard body cameras to police the area around the stadium. This was the first such pilot test in Japan, and it proved that this kind of comprehensive security response is possible.

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

Operating performance in the Business Services segment for the six-month period ended September 30, 2019, is described below.

Results

For the six-month period ended September 30, 2019

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2018	Six-month period ended September 30, 2019	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	432,446	450,970	18,524	4.3
Operating Income	63,822	82,624	18,802	29.5

During the six-month period ended September 30, 2019, operating revenue increased by 4.3% to ¥450,970 million, mainly contributed by an increases of revenue from solution business and energy business, despite decrease of revenue coming from the reorganization of low-profit businesses.
Operating income rose by 29.5% to ¥82,624 million, mainly due to decreases in telecommunication equipment usage fees, access charges, cost of sales for solution devices, and cost of sales for handsets in addition to an increase in operating revenues.

(2) Explanation of Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2019	As of September 30, 2019	Increase (Decrease)
Total assets	7,330,416	9,267,287	1,936,871
Total liabilities	2,717,484	4,494,322	1,776,838
Total equity	4,612,932	4,772,965	160,033
Equity attributable to owners of the parent	4,183,492	4,321,117	137,625
Ratio of equity attributable to owners of the parent to total assets	% 57.1	% 46.6	% (10.4)

(Assets)

Total assets amounted to ¥9,267,287 million as of September 30, 2019, up from ¥1,936,871 million on March 31, 2019. Loans and securities for finance business and property, plant and equipment increased although inventories decreased, .

(Liabilities)

Total liabilities amounted to ¥4,494,322 million as of September 30, 2019, up from ¥1,776,838 million on March 31, 2019. Depoists for finance business and borrowings and bonds payable increased although trade and other payables decreased,

(Equity)

Total equity amounted to ¥4,772,965 million, mainly due to an increase in equity attributable to owners of the parent. As a result, the ratio of equity attributable to owners of the parent to total assets decreased from 57.1% as of March 31, 2019, to 46.6% as of September 30, 2019.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2018	Six-month period ended September 30, 2019	Increase (Decrease)
Net cash provided by (used in) operating activities	558,143	531,638	(26,505)
Net cash provided by (used in) investing activities	(404,312)	(274,251)	130,061
Free cash flows (Note)	153,831	257,387	103,556
Net cash provided by (used in) financing activities	(168,551)	(95,070)	73,481
Effect of exchange rate changes on cash and cash equivalents	571	(1,310)	(1,881)
Net increase (decrease) in cash and cash equivalents	(14,149)	161,007	175,156
Cash and cash equivalents at the beginning of the period	200,834	204,597	3,763
Cash and cash equivalents at the end of period	186,685	365,604	178,919

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

Operating activities provided net cash of ¥531,638 million. This includes ¥550,195 million in profit for the period before income tax, ¥341,283 million in depreciation and amortization, ¥199,994 million in increase of finance business loans, a ¥149,005 million in increase of finance business deposits and ¥165,422 million in income tax paid.

Investing activities used net cash of ¥274,251 million. This includes ¥192,333 million in purchases of property, plant and equipment and ¥119,571 million in purchases of intangible assets.

Financial provided net cash of ¥95,070 million. This includes a ¥125,500 million increased in short-term borrowings, ¥120,000 million in income from issuance of bonds and long-term borrowings and ¥129,289 million in cash dividends paid.

As a result, the total amount of cash and cash equivalents as of September 30, 2019, increased by ¥161,007 million from March 31, 2019 to ¥365,604 million.

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

The estimated consolidated financial results for the year ending March 31, 2019 for full-year basis disclosed in the Financial Statements Summary for the year ended March 31, 2019 (disclosed on May 15, 2019) were as follows;

Operating Revenue: ¥5,200,000 million, Operating Income: ¥1,020,000 million, Profit for the year attributable to owners of the parent: ¥620,000 million. There is no change to these figures.

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Non-current assets :		
Property, plant and equipment	2,546,181	2,769,743
Goodwill	539,694	551,789
Intangible assets	946,837	1,020,294
Investments accounted for using the equity method	174,000	227,233
Long-term loans for financial business	－	731,562
Securities for financial business	－	250,884
Other long-term financial assets	253,025	304,925
Deferred tax assets	15,227	8,186
Contract costs	412,838	436,257
Other non-current assets	10,117	14,924
Total non-current assets	4,897,918	6,315,797
Current assets :		
Inventories	90,588	75,322
Trade and other receivables	1,965,554	2,029,754
Short-term loans for financial business	－	201,852
Call loans	－	73,083
Other short-term financial assets	41,963	50,582
Income tax receivables	4,633	5,802
Other current assets	125,162	149,491
Cash and cash equivalents	204,597	365,604
Total current assets	2,432,498	2,951,490
Total assets	7,330,416	9,267,287

(Unit: Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	1,040,978	1,169,115
Long-term deposits for financial business	−	26,699
Other long-term financial liabilities	66,493	287,870
Retirement benefit liabilities	13,356	15,383
Deferred tax liabilities	100,680	114,539
Provisions	33,996	34,254
Contract liabilities	77,435	75,174
Other non-current liabilities	6,746	10,368
Total non-current liabilities	1,339,683	1,733,403
Current liabilities :		
Borrowings and bonds payable	150,574	300,954
Trade and other payables	671,969	579,473
Short-term deposits for financial business	−	1,163,994
Call money	−	68,500
Other short-term financial liabilities	26,773	110,282
Income taxes payables	152,195	147,018
Provisions	34,403	33,654
Contract liabilities	116,076	107,618
Other current liabilities	225,810	249,425
Total current liabilities	1,377,801	2,760,919
Total liabilities	2,717,484	4,494,322
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	284,409	282,972
Treasury stock	(383,728)	(86,552)
Retained earnings	4,144,133	3,986,926
Accumulated other comprehensive income	(3,174)	(4,081)
Total equity attributable to owners of the parent	4,183,492	4,321,117
Non-controlling interests	429,440	451,848
Total equity	4,612,932	4,772,965
Total liabilities and equity	7,330,416	9,267,287

(2) Condensed Interim Consolidated Statement of Income

(Unit: Millions of yen)

	For the six-month period ended September 30, 2018	For the six-month period ended September 30, 2019
Operating revenue	2,462,269	2,564,457
Cost of sales	1,320,092	1,391,447
Gross profit	1,142,177	1,173,010
Selling, general and administrative expenses	586,042	625,345
Other income	4,493	4,682
Other expense	1,023	1,246
Share of profit of investments accounted for using the equity method	1,586	2,306
Operating income	561,192	553,407
Finance income	4,282	2,289
Finance cost	5,184	7,003
Other non-operating profit and loss	77	1,502
Profit for the period before income tax	560,367	550,195
Income tax	173,801	172,617
Profit for the period	386,567	377,579
Profit for the period attributable to:		
Owners of the parent	345,477	347,545
Non-controlling interests	41,090	30,034
Profit for the period	386,567	377,579
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	143.89	148.67
Diluted earnings per share (yen)	143.86	148.63

(Unit: Millions of yen)

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2019
Operating revenue	1,240,552	1,318,356
Cost of sales	676,194	711,114
Gross profit	564,359	607,242
Selling, general and administrative expenses	294,938	313,365
Other income	2,353	2,769
Other expense	605	582
Share of profit of investments accounted for using the equity method	1,161	1,542
Operating income	272,330	297,607
Finance income	1,973	754
Finance cost	2,576	2,739
Other non-operating profit and loss	77	155
Profit for the period before income tax	271,805	295,777
Income tax	85,233	94,451
Profit for the period	186,571	201,326
Profit for the period attributable to:		
Owners of the parent	166,810	184,992
Non-controlling interests	19,761	16,334
Profit for the period	186,571	201,326
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	69.59	79.47
Diluted earnings per share (yen)	69.59	79.44

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the six-month period ended September 30, 2018	For the six-month period ended September 30, 2019
Profit for the period	386,567	377,579
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	3,352	13,056
Share of other comprehensive income of investments accounted for using the equity method	(1,019)	(3,134)
Total	2,333	9,922
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	866	(182)
Translation differences on foreign operations	922	(11,323)
Share of other comprehensive income of investments accounted for using the equity method	(169)	80
Total	1,619	(11,425)
Total other comprehensive income	3,952	(1,502)
Total comprehensive income for the period	390,519	376,076
Total comprehensive income for the period attributable to:		
Owners of the parent	348,085	348,243
Non-controlling interests	42,433	27,833
Total	390,519	376,076

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

(Unit: Millions of yen)

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2019
Profit for the period	186,571	201,326
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	(48)	11,007
Share of other comprehensive income of investments accounted for using the equity method	(952)	41
Total	(1,000)	11,048
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	547	152
Translation differences on foreign operations	5,345	(1,841)
Share of other comprehensive income of investments accounted for using the equity method	314	(273)
Total	6,206	(1,962)
Total other comprehensive income	5,206	9,086
Total comprehensive income for the period	191,778	210,412
Total comprehensive income for the period attributable to:		
Owners of the parent	169,701	193,888
Non-controlling interests	22,077	16,525
Total	191,778	210,412

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

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the six-month period ended September 30, 2018

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
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 period	−	−	−	345,477	−	345,477	41,090	386,567
Other comprehensive income	−	−	−	−	2,608	2,608	1,343	3,952
Total comprehensive income	−	−	−	345,477	2,608	348,085	42,433	390,519
Transactions with owners and other transactions								
Cash dividends	−	−	−	(108,313)	−	(108,313)	(33,268)	(141,580)
Transfer of accumulated other comprehensive income to retained earnings	−	−	−	164	(164)	−	−	−
Purchase and disposal of treasury stock	−	(23)	(40,689)	−	−	(40,712)	−	(40,712)
Retirement of treasury stock	−	−	103,235	(103,235)	−	−	−	−
Changes due to business combination	−	−	−	−	−	−	12	12
Changes in interests in subsidiaries	−	(4,905)	−	−	−	(4,905)	(5,841)	(10,746)
Other	−	(1,044)	1,289	−	−	245	−	245
Total transactions with owners and other transactions	−	(5,972)	63,835	(211,384)	(164)	(153,685)	(39,097)	(192,781)
As of September 30, 2018	141,852	283,606	(274,418)	3,993,905	10,627	4,155,571	390,193	4,545,764

For the six-month period ended September 30, 2019

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2019	141,852	284,409	(383,728)	4,144,133	(3,174)	4,183,492	429,440	4,612,932
Cumulative effects of changes in accounting policies	－	－	－	(181)	－	(181)	(149)	(329)
Restated balance	141,852	284,409	(383,728)	4,143,952	(3,174)	4,183,311	429,291	4,612,603
Comprehensive income								
Profit for the period	－	－	－	347,545	－	347,545	30,034	377,579
Other comprehensive income	－	－	－	－	699	699	(2,201)	(1,502)
Total comprehensive income	－	－	－	347,545	699	348,243	27,833	376,076
Transactions with owners and other transactions								
Cash dividends	－	－	－	(129,143)	－	(129,143)	(32,320)	(161,463)
Transfer from accumulated other comprehensive income to retained earnings	－	－	－	1,605	(1,605)	－	－	－
Purchase and disposal of treasury stock	－	(45)	(80,000)	－	－	(80,045)	－	(80,045)
Retirement of treasury stock	－	(377,034)	377,034	－	－	－	－	－
Transfer from retained earnings to capital surplus	－	377,034	－	(377,034)	－	－	－	－
Increase (decrease) by business combination	－	－	－	－	－	－	26,574	26,574
Changes in interests in subsidiaries	－	(2,265)	－	－	－	(2,265)	469	(1,796)
Other	－	873	142	－	－	1,015	－	1,015
Total transactions with owners and other transactions	－	(1,437)	297,176	(504,572)	(1,605)	(210,438)	(5,277)	(215,714)
As of September 30, 2019	141,852	282,972	(86,552)	3,986,926	(4,081)	4,321,117	451,848	4,772,965

(5) Condensed Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the six-month period ended September 30, 2018	For the six-month period ended September 30, 2019
Cash flows from operating activities		
Profit for the period before income tax	560,367	550,195
Depreciation and amortization	277,665	341,283
Share of (profit) loss of investments accounted for using the equity method	(1,586)	(2,306)
Loss (gain) on sales of non-current assets	131	113
Interest and dividends income	(2,053)	(2,275)
Interest expenses	4,762	4,193
(Increase) decrease in trade and other receivables	(90,014)	(69,577)
Increase (decrease) in trade and other payables	(19,590)	(66,698)
(Increase) decrease in loans for financial business	－	(199,994)
Increase (decrease) in deposits for financial business	－	149,005
(Increase) decrease in Call loans	－	(12,868)
Increase (decrease) in Call money	－	8,500
(Increase) decrease in inventories	3,128	15,281
Increase (decrease) in retirement benefit liabilities	(1,762)	2,027
Other	(15,771)	(19,960)
Cash generated from operations	715,274	696,920
Interest and dividends received	3,728	4,308
Interest paid	(4,949)	(4,168)
Income tax paid	(155,911)	(165,422)
Net cash provided by (used in) operating activities	558,143	531,638
Cash flows from investing activities		
Purchases of property, plant and equipment	(200,454)	(192,333)
Proceeds from sales of property, plant and equipment	535	53
Purchases of intangible assets	(108,246)	(119,571)
Payment-purchases of securities for financial business	－	(13,483)
Proceed-sales and proceed-redemption of securities for financial business	－	38,983
Purchases of other financial assets	(88,336)	(4,287)
Proceed-sales and proceed-redemption of other financial assets	202	2,734
Acquisitions of control over subsidiaries	(5,287)	－
Proceeds from acquisition of subsidiaries	－	86,151
Purchases of stocks of associates	(1,451)	(71,314)
Proceeds from sales of stocks of subsidiaries and associates	102	16
Other	(1,377)	(1,200)
Net cash provided by (used in) investing activities	(404,312)	(274,251)

(Unit: Millions of yen)

	For the six-month period ended September 30, 2018	For the six-month period ended September 30, 2019
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	38,531	125,500
Proceeds from issuance of bonds and long-term borrowings	160,000	120,000
Payments from redemption of bonds and repayments of long-term borrowings	(160,334)	(26,792)
Repayments of lease liabilities	(13,631)	(69,908)
Payments from purchase of subsidiaries’equity from non-controlling interests	(10,866)	(3,081)
Proceeds from stock issuance to non-controlling interests	83	866
Payments from purchase of treasury stock	(40,689)	(80,000)
Cash dividends paid	(108,297)	(129,289)
Cash dividends paid to non-controlling interests	(33,347)	(32,366)
Net cash provided by (used in) financing activities	(168,551)	(95,070)
Effect of exchange rate changes on cash and cash equivalents	571	(1,310)
Net increase (decrease) in cash and cash equivalents	(14,149)	161,007
Cash and cash equivalents at the beginning of the period	200,834	204,597
Cash and cash equivalents at the end of the period	186,685	365,604

(6) Going Concern Assumption

None

(7) Notes to Condensed Interim Consolidated Financial Statements

1. Reporting entity

KDDI Corporation ("the Company") was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company's condensed interim consolidated financial statements as of and for the six-month period ended September 30, 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" and "Business Services". Beginning in the three-month period ended June 30, 2019, the four reporting segments of Personal Services, Life Design Services, Business Services, and Global Services were 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.

For the details, please refer to "(1)Outline of reporting segments" of "Note 4. Segment information."

2. Basis of preparation

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

The Group's condensed interim consolidated financial statements have been prepared in accordance with IAS 34 of IFRSs as prescribed in Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), hereinafter referred to as "Ordinance on Quarterly Consolidated Financial Statements" as they satisfy the requirement of a "specific company" set forth in Article 1-2 of Ordinance on Quarterly Consolidated Financial Statements.

The condensed interim consolidated financial statements, which do not contain all the information required in annual consolidated financial statements, should be read in conjunction with the annual consolidated financial statements for the previous fiscal year ended March 31, 2019.

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgement

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

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

The judgments, estimates and assumptions that have significant impact on the amount in the condensed interim consolidated financial statements as of and for the six-month period ended September 30, 2019 are consistent with those described in the annual consolidated financial statements for the previous fiscal year ended March 31, 2019 in principle, with the exception of changes due to the adoption of IFRS 16 as described in "3. Significant accounting policies."

(5) Application of new standards and interpretations

The Group has applied IFRS 16 “Leases.” In line with the transitional measures for IFRS 16, the new standards are applied retroactively and the cumulative impact from the start of application is recognized as an adjustment to the balance of retained earnings at the start of the fiscal year ending March 31, 2020. Details regarding the impact of this change in accounting policy are presented in “3. Significant accounting policies.”

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the condensed interim consolidated financial statements are not mandatory as of September 30, 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 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.

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

3. Significant accounting policies

With the exception of the following, the significant accounting policies applied in this condensed interim consolidated financial statements for the six-month period ended September 30, 2019, are consistent with those of the annual financial statements, as described in the consolidated financial statements for the previous fiscal year ended March 31, 2019, except that income tax expenses on condensed interim consolidated statement of income are calculated based on the estimated average annual effective income tax rate.

(1) Application of IFRS 16

Impact of applying new accounting standard

The Group has applied the following standard from the three-month period ended June 30, 2019.

IFRS		Newly established contents
IFRS 16	Leases (Newly established in January 2016)	An amendment to the existing accounting standards and presentation methods related to leases

The Group has applied IFRS 16 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, 2019.

With the application of IFRS 16 from the first quarter of the fiscal year ended March 31, 2020, the accounting policies related to leases will be changed in the following ways.

As a Lessee

Lease liabilities in lease transactions are measured as the current discounted price of the unpaid portion of the total lease amount on the start date of the lease. Right-of-use assets are initially measured as the initially measured lease liability amount adjusted mainly for initial direct costs and prepaid lease fees. Right-of-use assets are consistently depreciated and amortized over the period of the lease.

Lease fees are allocated to finance costs and the repaid portion of remaining lease liabilities in order to ensure interest rate stays at a certain level of for the remaining lease liabilities. Finance costs are presented separately from depreciation costs related to right-of-use assets in the consolidated statement of income.

In determining whether or not a contract is a lease or whether or not a contract contains a lease, the actual content of the contract is the deciding factor, even if the contract does not take the legal form of a lease.

Furthermore, regarding leases that end in 12 months or less and leases that include a small amount of underlying assets, the related lease fees are recognized as an expense by either the straight line method over the period of the lease or another consistent basis.

As a Lessor

For leases that transfer the risk associated with owning an asset and most of the economic value, the Group categorizes these kinds of leases as finance leases. For finance leases transactions, we suspend the recognition of the underlying assets categorized as leases on the start date of the leases. Instead, in the consolidated statement of financial position, we recognize the assets whose ownership was acquired through finance leases as accounts receivable in an amount equal to the net unrecovered amount of the lease investment.

In addition, for leases that do not transfer the risk associated with owning an asset and most of the economic value, the Group categorizes these kinds of leases as operating leases. For operating leases transactions, the Group records the leased assets in the consolidated statement of financial position and recognize the received lease fees as revenue in the consolidated statement of income using the straight line method over the period of the lease.

As a result, compared with the previously applied accounting standards, as of April 1, 2019, right-of-use assets included in property, plant and equipment increased ¥313,182 million, lease liabilities included in other long-term financial liabilities and other short-term financial liabilities increased ¥307,686 million, and retained earnings decreased ¥181 million.

4. 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 resources and evaluate the performance results.

Beginning in the three-month period ended June 30, 2019, the Group reporting segments were 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.

The Personal Services segment provides services to individual customers.

In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, energy, entertainment, and education, while focusing on conventional telecommunications services, chiefly under the “au” brand, such as those related to smartphones, cell phones, FTTH, and CATV.

Overseas, we use know-how cultivated in Japan to actively engage in business with individual customers, especially those in Myanmar, Mongolia, and other Asian regions.

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with "TELEHOUSE" brand data center services and a variety of solutions encompassing network and cloud services, smartphones and other devices, and the KDDI "IoT Worldwide Architecture", which supports customers’ IoT businesses.

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

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

Accordingly, the segment information for the six-month period ended September 30, 2018 and the second quarter of the fiscal year ended March 31, 2019 have been presented based on the segment classification after this change.

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

Accounting treatment of reported business segments is consistent with “Note 3. Significant accounting policies” stated in the annual consolidated financial statements for the previous fiscal year ended March 31, 2019.

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

Inter segment transaction price is determined based on 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 six-month period ended September 30, 2018

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	2,099,241	349,927	2,449,168	13,101	2,462,269	−	2,462,269
Inter-segment revenue or transfers	35,461	82,519	117,980	32,050	150,030	(150,030)	−
Total	2,134,703	432,446	2,567,148	45,151	2,612,299	(150,030)	2,462,269
Segment income	494,408	63,822	558,230	2,926	561,156	36	561,192
Finance income and finance cost (Net)							(902)
Other non-operating profit and loss (Net)							77
Profit for the period before income tax							560,367

(Note 1) Business segment "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, and research and development of leading-edge technology.

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

For the six-month period ended September 30, 2019

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	2,197,878	356,383	2,554,260	10,197	2,564,457	−	2,564,457
Inter-segment revenue or transfers	40,995	94,588	135,583	27,147	162,730	(162,730)	−
Total	2,238,873	450,970	2,689,843	37,344	2,727,187	(162,730)	2,564,457
Segment income	468,491	82,624	551,115	1,839	552,954	453	553,407
Finance income and finance cost (Net)							(4,714)
Other non-operating profit and loss (Net)							1,502
Profit for the period before income tax							550,195

(Note 1) Business segment "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, and research and development of leading-edge technology.

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

For the three-month period ended September 30, 2018

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	1,056,708	176,768	1,233,476	7,077	1,240,552	–	1,240,552
Inter-segment revenue or transfers	18,868	42,305	61,173	15,967	77,140	(77,140)	–
Total	1,075,575	219,073	1,294,649	23,044	1,317,692	(77,140)	1,240,552
Segment income	237,978	32,709	270,687	1,712	272,399	(69)	272,330
Finance income and finance cost (Net)							(603)
Other non-operating profit and loss (Net)							77
Profit for the period before income tax							271,805

(Note 1) Business segment "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, and research and development of leading-edge technology.

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

For the three-month period ended September 30, 2019

(Unit: Millions of yen)

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Business	Sub-total				
Revenue							
Revenue from external customers	1,127,285	185,605	1,312,890	5,466	1,318,356	–	1,318,356
Inter-segment revenue or transfers	21,727	48,313	70,040	13,512	83,553	(83,553)	–
Total	1,149,012	233,918	1,382,931	18,978	1,401,909	(83,553)	1,318,356
Segment income	250,620	45,645	296,265	1,135	297,400	206	297,607
Finance income and finance cost (Net)							(1,985)
Other non-operating profit and loss (Net)							155
Profit for the period before income tax							295,777

(Note 1) Business segment "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, and research and development of leading-edge technology.

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