Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of shareholders residing outside Japan. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

NOTICE OF THE 35TH ANNUAL SHAREHOLDERS MEETING

KDDI Corporation

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"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," the "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are provided to shareholders on the Company's Web site, pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation.

https://www.kddi.com/english/corporate/ir/stock-rating/meeting/20190619/

"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. The "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by Audit & Supervisory Board Members and Accounting Auditors in preparing the Reports of Audit.

MESSAGE FROM THE PRESIDENT

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

Makoto Takahashi
President, Representative Director

To our shareholders,

Firstly, we would like to thank our shareholders for the continued interest and support for our company.
We enclose a copy of the KDDI Group's notice of the 35th Annual Shareholders Meeting.

We aimed at enhancing the corporate value through "sustainable earning growth and the enhancement of shareholder returns" under the banner of "transform into business that provides customer experience value" as the medium-term management plan targets until the 35th fiscal year (fiscal 2018).
In our earnings for the 35th fiscal year, the operating income was ¥1,013.7 billion, while the dividend payout ratio surpassed 35%.
The constant support of all our shareholders made this possible, and I would like to express my deep appreciation for this.

Under the KDDI Group Mission Statement of contributing to the development of a bountiful communications-oriented society, and our mission as a telecommunications operator that provides vital life lines, we have strived to maintain robust, high quality telecommunications 24 hours a day and 365 days a year, and to propose new experience values to our customers in collaboration with various partner companies.

In 2019, we will start trial services of the 5G next-generation mobile communications system (5G) and the year will be one of momentous change for society overall as it moves into the full-fledged use of 5G/IoT. With the start of the medium-term management plan (FY2019 - FY2021) for the next 3 years, KDDI Corporation rebranded our slogan to "Tomorrow, Together," capturing the concept of "Moving forward to the future with partners and continuing to grow and develop."

The 36th fiscal year will be the first year of the new medium-term management plan. This year we will further advance the "Integration of Telecommunications and Life Design" at the heart of our business strategy by expanding our growth businesses, primarily our existing telecommunications services. As we do so, we will realize the creation of new value in the 5G/IoT era, both in Japan and global businesses.
Furthermore, we will determine the SDGs that we will engage with through our overall businesses and corporate activities, aiming to grow sustainably with society and increase our corporate value even further by promoting companywide efforts on sustainability.

Once again, we would like to thank all our shareholders for the continuous support and confidence in our company.

TSE Code: 9433
May 28, 2019

To our shareholders:

KDDI Corporation
10-10, Iidabashi 3-chome, Chiyoda-ku, Tokyo
(Headquarters: 3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo)
Makoto Takahashi, President, Representative Director

NOTICE OF THE 35TH ANNUAL SHAREHOLDERS MEETING

You are cordially invited to attend the 35th Annual Shareholders Meeting of KDDI Corporation ("the Company") to be held as stated below.

If you are unable to attend the meeting, you may exercise your voting rights by mail or via the Internet. After reviewing the attached Reference Documents for the Shareholders Meeting, indicate your approval or disapproval of the proposals on the enclosed Exercise of Voting Rights form and return it to the Company to arrive **no later than 5:30 p.m. on Tuesday, June 18, 2019 (JST)**, or vote at the Exercise of Voting Rights Web site (https://evote.tr.mufg.jp/).

By submitting Exercise of Voting Rights form by mail

Please indicate your approval or disapproval for each proposal on the enclosed Exercise of Voting Rights form and return the form to us to arrive no later than 5:30 p.m. on Tuesday, June 18, 2019.

By exercising voting rights via the Internet

Please read the detailed instructions on page 5 and input your approval or disapproval for each proposal by 5:30 p.m. on Tuesday, June 18, 2019.

1. Date and Time: Wednesday, June 19, 2019, at 10:00 a.m. Reception for attendees begins at 9:00 a.m.
2. Place: Shinagawa Prince Hotel, Annex Tower, 5F, "Prince Hall"
10-30, Takanawa 4-chome, Minato-ku, Tokyo
3. Agenda:

Matters to be reported:
1. Business Report and Consolidated Financial Statements for the 35th fiscal year from April 1, 2018 to March 31, 2019 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditors and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 35th fiscal year from April 1, 2018 to March 31, 2019

Matters to be resolved:
Proposal 1: Appropriation of Surplus
Proposal 2: Election of Fourteen (14) Directors

4. Other matters concerning the Meeting:
Please refer to the Guide to the Exercise of Voting Rights in Case of Absence on the following pages.

- Attendees are kindly requested to submit their Exercise of Voting Rights form to the receptionist on the day of the meeting.

Disclosure via the Internet
The following documents attached to the Notice of the 35th Annual Shareholders Meeting, are provided to shareholders on the Company's Web site pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation.
1) An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status
2) Notes to Consolidated Financial Statements
3) Notes to Non-Consolidated Financial Statements
(https://www.kddi.com/english/corporate/ir/stock-rating/meeting/20190619/)
"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status" is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. The "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by Audit & Supervisory Board Members and Accounting Auditors in preparing the Reports of Audit.

- Any amendments to the Reference Documents for the Shareholders Meeting, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements will be disclosed on the Company's Web site (https://www.kddi.com/english/index.html).

Guide to the Exercise of Voting Rights in Case of Absence

Voting rights at the shareholders meetings are principal rights of shareholders. Please exercise your voting rights after reviewing the Reference Documents for the Shareholders Meeting on pages 6 through 18.

Exercising voting rights by mail

Please indicate your approval or disapproval to each of the proposals and post it to the Company without postage stamp.
Exercise due date: To be received no later than 5:30 p.m. on Tuesday, June 18, 2019

< Guide to filling in the voting form >

Please indicate your approval or disapproval to each proposal.

Proposal 1

If you approve:	Mark a ○ in the box marked “賛”
If you disapprove:	Mark a ○ in the box marked “否”

Proposal 2

If you approve all candidates:	Mark a ○ in the box marked “賛”
If you disapprove all candidates:	Mark a ○ in the box marked “否”
If you selectively veto certain candidates:	Mark a ○ in the box marked “賛” and write the number of each candidate you choose to veto.

[Handling of voting rights]
If you indicate neither your approval or disapproval to each proposal on the Exercise of Voting Rights form, your answer will be deemed to be “approval.”

By exercising voting rights via the Internet

Please read the detailed instructions under “How to exercise voting rights via the Internet” on the following page.
Exercise due date: To be received no later than 5:30 p.m. on Tuesday, June 18, 2019

For institutional investors

Provided that an application to use the platform has been submitted beforehand, institutional investors may use the electronic platform for exercising voting rights operated by ICJ, Inc.

How to exercise voting rights via the Internet

Exercise due date: No later than 5:30 p.m. on Tuesday, June 18, 2019 (JST)

Scanning QR code

You can simply login to the Exercise of Voting Rights Web site without entering your log-in ID and temporary password printed on the Voting Instructions form.

1. Scan the QR code printed on the Voting Instructions form on the right side.

   * “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the instructions on the screen.

Note that you can login to the website only once by using QR code.

If you wish to redo your vote or exercise your voting rights without using QR code, please refer to the “Entering login ID and temporary password” on the right.

Entering login-ID and temporary password

Exercise of Voting Rights Web site
https://evote.tr.mufg.jp/

1. Access the Exercise of Voting Rights Web site.
2. Enter your log-in ID and temporary password printed on the Exercise of Voting Rights form and click “Log-in.”
3. Register a new password. Enter your new password and click “Send.”
4. Indicate your approval or disapproval by following the instructions on the screen.

* The Exercise of Voting Rights Web site will be unavailable during the hours of 2:00 to 5:00 a.m. due to maintenance and inspection.
* If you have exercised your voting rights both by submitting the Exercise of Voting Rights form by mail and via the Internet, those exercised via the Internet will be taken as valid.
* If you have exercised your voting rights multiple times on the Internet, only the final vote will be taken as valid.
* The Exercise of Voting Rights Web site may be disabled by certain Internet settings, or by the service to which you subscribe or the model of the device you use to access the Web site.
* The costs incurred when accessing the Exercise of Voting Rights Web site, including Internet access fees and communication expenses, will be the responsibility of the shareholder.
* If you wish to receive the Notice of the Shareholders Meeting by e-mail, beginning with the next meeting, please visit the Exercise of Voting Rights Web site using either a personal computer or a smartphone and following the instructions that the Web site provides. (Mobile phone address for text messages cannot be designated as the e-mail address for receiving the notice.)

Reference Documents for the Shareholders Meeting

Proposals and References

Proposal 1: Appropriation of Surplus

Details pertaining to the appropriation of surplus are as follows.

Matters relating to year-end dividends

The Company recognizes that the distribution of profits to shareholders is a major managerial issue and makes it a basic policy to maintain a sound financial position and the stable payment of dividends. As the medium-term management plan targets until the 35th fiscal year (fiscal 2018), while considering investment for sustainable growth, the Company has intended to maintain a consolidated payout ratio of more than 35%.

We have given comprehensive consideration to the need to expand our businesses to enhance business performance in the future, and propose to pay year-end dividends for the fiscal year under review as follows.

(1) Type of dividends

Cash

(2) Dividend amount to be allocated

Per share of common stock ····· ¥55.00

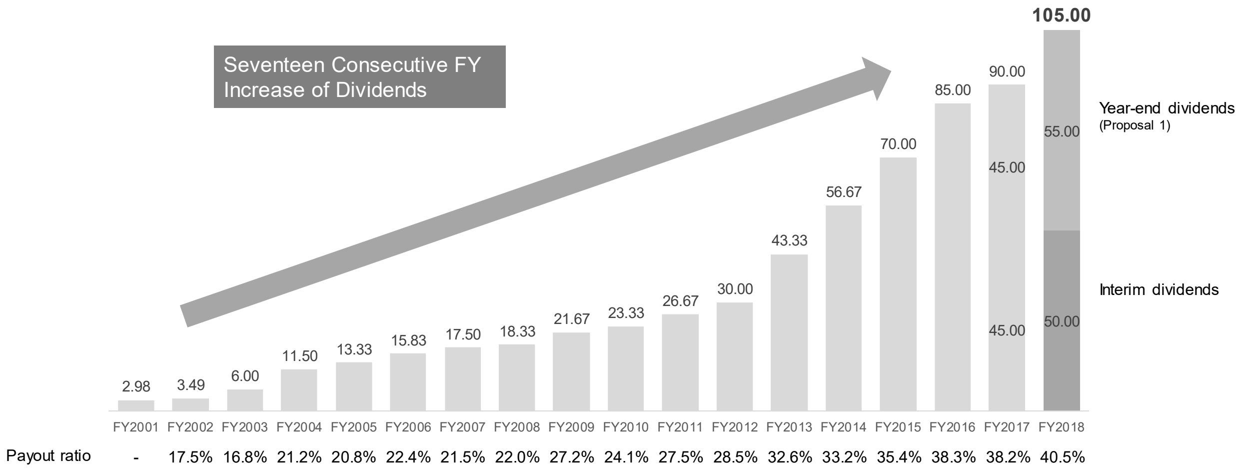
Total dividends ··················· ¥129,545,548,000

(3) Effective date of dividends of surplus

June 20, 2019

(Reference) Development of Dividends per Share

(Unit: Yen)



Notes: 1. For convenience of viewing, annual dividends for the 18th to 31st fiscal years have been adjusted to reflect stock splits.
- Ratio of 100 shares for every one share of common stock, as of October 1, 2012
- Ratio of two shares for every one share of common stock, as of April 1, 2013
- Ratio of three shares for every one share of common stock, as of April 1, 2015

2. Values for the 18th to 31st fiscal years are based on the Japanese GAAP standards. Values for the 32nd fiscal year onward are based on International Financial Reporting Standards (IFRS).
3. A dividend payout ratio is not noted for the 18th fiscal year, as a net loss was recorded.
4. The values for the dividend payout ratio are on a non-consolidated basis for the 19th to 22nd fiscal years, and on a consolidated basis from the 23rd fiscal year onward.
5. Values for dividend per share and dividend payout ratio for the 35th fiscal year are based on the assumption that Proposal 1 will be approved as proposed.

Proposal 2: Election of Fourteen (14) Directors

The terms of office of all Fourteen (14) Directors will expire at the conclusion of this Annual Shareholders Meeting and we therefore propose that Fourteen (14) Directors be elected.
The candidates for Directors are as follows.

Candidate No.	Name		Attribute	Nomination Advisory Committee	Remuneration Advisory Committee	Gender	(Other reference)	
1	Takashi Tanaka	Reappointment	Internal Executive	●	●	Male	Chairman of Board of Directors	
2	Hirofumi Morozumi	Reappointment	Internal Executive			Male		
3	Makoto Takahashi	Reappointment	Internal Executive	●	●	Male		
4	Yoshiaki Uchida	Reappointment	Internal Executive			Male		
5	Takashi Shoji	Reappointment	Internal Executive			Male		
6	Shinichi Muramoto	Reappointment	Internal Executive			Male		
7	Keiichi Mori	Reappointment	Internal Executive			Male		
8	Kei Morita	Reappointment	Internal Executive			Male		
9	Toshitake Amamiya	New Appointment	Internal Executive			Male		
Candidates for Outside Director				Nomination Advisory Committee	Remuneration Advisory Committee	Gender	Term of office as Director (at the conclusion of this Annual Shareholders Meeting)	Attendance of Board of Directors' meetings
10	Goro Yamaguchi	Reappointment	Outside	●	● (Chairman)	Male	2 years	12/12 (100%)
11	Keiji Yamamoto	New Appointment	Outside	● (Chairman)	●	Male	–	–
12	Yoshiaki Nemoto	Reappointment	Outside Independent	●	●	Male	3 years	12/12 (100%)
13	Shigeo Ohyagi	Reappointment	Outside Independent	●	●	Male	1 year	9/10 (90%)
14	Riyo Kano	New Appointment	Outside Independent	●	●	Female	–	–

Notes: 1. In the above table, the status of the candidates for reappointment is shown as of the date of posting, while for the new candidates for election their scheduled status is shown, as approved.

2. The Company has entered into agreements for Limitation of Liability with Goro Yamaguchi, Yoshiaki Nemoto and Shigeo Ohyagi to the effect that the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act shall be limited to the amount prescribed in laws and regulations pursuant to Article 427, Paragraph 1 of the Act. In the event that their reelections are approved, the Company plans to continue these agreements. The Company also plans to enter into the same agreement with Keiji Yamamoto and Riyo Kano.

3. Candidates with Independent Director status fall under the definition of independent director as specified in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

4. Candidates with Outside Director status fall under the definition of outside director as specified in Article 2, Paragraph 3, item 7 of the Regulation for Enforcement of the Companies Act.

Candidate No. 1	Takashi Tanaka	Date of birth February 26, 1957	Number of the Company's shares held (Number of potential shares) 62,500 (20,381)

Reappointment

Reason for nominating the candidate for Director

Since assuming the role of President and Representative Director of the Company in 2010, Takashi Tanaka has carried out the mandate of shareholders and taken responsibility for steering the Company's management, as well as worked to enhance corporate value of the KDDI Group. Since 2018, he has primarily engaged in outward-facing activities involving political and business circles, industry, academia, and government as Chairman of the Company, and has served as Chairman of the Board of Directors. He has extensive experience as the management, and accordingly he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2003:	Executive Officer
June 2007:	Managing Executive Officer, Director
June 2010:	Senior Managing Executive Officer, Representative Director
December 2010:	President, Representative Director
April 2018:	Chairman, Representative Director (Current position)

Special Interests

There are no special interests between Takashi Tanaka and the Company.

Candidate No. 2	Hirofumi Morozumi	Date of birth May 2, 1956	Number of the Company's shares held (Number of potential shares) 28,800 (12,737)

Reappointment

Reason for nominating the candidate for Director

Hirofumi Morozumi has abundant experience primarily in business administration in the corporate divisions, but also has much experience in business divisions and since 2010 had served as Executive Vice President and Representative Director. He worked on general management and investor relations activities as CFO. Since 2018, he has primarily engaged in outward-facing activities involving political and business circles, industry, academia, and government as Vice Chairman. He has extensive experience as the management, and accordingly he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 1995:	Director
June 2001:	Executive Officer
April 2003:	Managing Executive Officer
June 2003:	Managing Executive Officer, Director
June 2007:	Senior Managing Executive Officer, Director
June 2010:	Executive Vice President, Representative Director
April 2018:	Vice Chairman, Representative Director (Current position)

Special Interests

There are no special interests between Hirofumi Morozumi and the Company.

Candidate No. 3	Makoto Takahashi	Date of birth October 24, 1961	Number of the Company's shares held (Number of potential shares) 27,300 (12,010)

Reappointment

Reason for nominating the candidate for Director

Makoto Takahashi has abundant experience in business development, such as leading the development of new businesses and services through cooperation with various industries and M&A. Since 2016 he has served as Executive Vice President and Representative Director, and has worked towards business development and expansion of the au economic zone to create new growth in the Company. As President and Representative Director of the Company from April 2018, he has been formulating the medium-term management plan (FY2019 - FY2021) and promoting our business expansion, and accordingly he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2003:	Executive Officer
June 2007:	Managing Executive Officer, Director
June 2010:	Senior Managing Executive Officer, Representative Director
June 2016:	Executive Vice President, Representative Director
April 2018:	President, Representative Director (Current position)
April 2019:	Executive Director, Corporate and Marketing Communications Sector (Current position)

Special Interests

There are no special interests between Makoto Takahashi and the Company.

Candidate No. 4	Yoshiaki Uchida	Date of birth September 14, 1956	Number of the Company's shares held (Number of potential shares) 16,700 (9,887)

Reappointment

Reason for nominating the candidate for Director

Yoshiaki Uchida has abundant experience in all areas of technology, including the construction and operation of networks, which is the foundation of the communications business, as well as in the careful implementation of various other operations related to technology. His knowledge is crucial for the secure management of the telecommunications business and sophistication of networks, and for these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2013:	Executive Officer
April 2014:	Managing Executive Officer
June 2014:	Managing Executive Officer, Director
April 2016:	Executive Director, Technology Sector (Current position)
June 2016:	Senior Managing Executive Officer, Director
June 2018:	Executive Vice President, Representative Director (Current position)

Special Interests

There are no special interests between Yoshiaki Uchida and the Company.

Candidate No. 5	Takashi Shoji	Date of birth September 26, 1958	Number of the Company's shares held (Number of potential shares) 11,400 (7,791)

Reappointment

Reason for nominating the candidate for Director

Takashi Shoji has abundant experience in business for corporate customers. Serving as Executive Director of the Solution Business Sector, he has achieved results in bringing about service expansion and organizational reforms in accordance with the business environment. In addition, he assumed the position of Executive Director of Consumer Business Sector in April 2019. As such, he has the superior knowledge needed to create sustainable growth in the telecommunication business, and for these reasons he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2010:	Executive Officer
April 2014:	Managing Executive Officer
June 2016:	Managing Executive Officer, Director
June 2018:	Senior Managing Executive Officer, Director (Current position)
April 2019:	Executive Director, Consumer Business, Global Consumer Business, and Product & Customer Service Sector (Current position)

Special Interests

There are no special interests between Takashi Shoji and the Company.

Candidate No. 6	Shinichi Muramoto	Date of birth March 2, 1960	Number of the Company's shares held (Number of potential shares) 9,100 (7,396)

Reappointment

Reason for nominating the candidate for Director

Shinichi Muramoto has abundant experience in the corporate divisions. He has achieved results in pursuing the KDDI Group Mission Statement, promoting diversity, and enhancing the corporate governance system. He has the outstanding knowledge of promoting strategies for human resources and finance, etc. which form the basis of sustainable growth of the Company, and for these reasons he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2010:	Executive Officer
April 2016:	Managing Executive Officer
June 2016:	Managing Executive Officer, Director
April 2018:	Executive Director, Corporate Sector (Current position)
June 2018:	Senior Managing Executive Officer, Director (Current position)

Special Interests

There are no special interests between Shinichi Muramoto and the Company.

Candidate No. 7	Keiichi Mori	Date of birth February 2, 1960	Number of the Company's shares held (Number of potential shares) 11,100 (4,576)

Reappointment

Reason for nominating the candidate for Director

Keiichi Mori has abundant experience in development and sales of IoT services for corporate customers, such as automotive communication modules and smart meters for electricity. He assumed the position of Executive Director of the Solution Business Sector in April 2019, and has superior knowledge in the overall operations—inside and outside Japan—of the Solution Business, which is expected to expand further in the future. For these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2014:	Executive Officer
April 2017:	Managing Executive Officer
June 2017:	Managing Executive Officer, Director (Current position)
April 2019:	Executive Director, Solution Business Sector (Current position)

Special Interests

There are no special interests between Keiichi Mori and the Company.

Candidate No. 8	Kei Morita	Date of birth November 15, 1961	Number of the Company's shares held (Number of potential shares) 11,800 (5,299)

Reappointment

Reason for nominating the candidate for Director

Kei Morita has abundant experience in operating divisions and corporate strategy planning divisions. As Executive Director of Life Design Business Sector, he has the superior knowledge to promote business expansion in the field of life design, which is important for new growth of the Company, and accordingly he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2015:	Executive Officer
April 2017:	General Manager, Life Design Business Sector (Current position)
April 2018:	Managing Executive Officer
June 2018:	Managing Executive Officer, Director (Current position)

Special Interests

There are no special interests between Kei Morita and the Company.

Candidate No. 9	Toshitake Amamiya	Date of birth June 26, 1960	Number of the Company's shares held (Number of potential shares) 36,800 (0)

New appointment

Reason for nominating the candidate for Director

Toshitake Amamiya leads the development of new businesses and services connected to the current field of life design and has abundant experience in the Global Business, including experience as CEO of KDDI Summit Global Myanmar Co., Ltd. Since April 2019, as Deputy General Manager of the Company's mainstay telecommunications business for consumers, he has promoted sustainable growth in the Company's telecommunications business. For these reasons, he has been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2012:	Executive Officer
April 2019:	Managing Executive Officer (Current position)
	Deputy General Manager, Consumer Business Sector and General Manager, Consumer Business Strategy Division (Current position)

Special Interests

There are no special interests between Toshitake Amamiya and the Company.

Candidate No.	Name	Date of birth	Number of the Company's shares held (Number of potential shares)	Years served as Director	Board of Directors' meetings attended
10	Goro Yamaguchi	January 21, 1956	4,500 (–)	2	12 of 12 meetings (100%)

Reappointment

Outside Director

Reason for nominating the candidate for Director

Goro Yamaguchi has a wealth of corporate management experience and excellent knowledge cultivated as the President and Representative Director of one of the world's leading electronic components and equipment manufacturers. On the Board of Directors, the Company has received a large number of broad opinions related to business administration and operations from a medium- to long-term perspective, and has determined that he can contribute to improving the corporate value of the Company. Therefore, he has again been selected as a candidate for Outside Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2009:	Director and Managing Executive Officer of KYOCERA Corporation
April 2013:	President and Representative Director, President and Executive Officer of KYOCERA Corporation
April 2017:	Chairman of the Board and Representative Director of KYOCERA Corporation (Current position)
June 2017:	Outside Director (Current position)

Special Interests

Goro Yamaguchi is Chairman of the Board and Representative Director of KYOCERA Corporation, which has business transactions with the Company. The transaction amount accounts for less than 5% of operating revenues and operating expenses for the Company on a non-consolidated basis.

Candidate No.	Name	Date of birth	Number of the Company's shares held (Number of potential shares)
11	Keiji Yamamoto	March 28, 1961	0 (–)

New appointment

Outside Director

Reason for nominating the candidate for Director

Keiji Yamamoto has excellent knowledge cultivated in IT development and electronics engineering divisions and abundant management experience as a corporate manager at the one of the world's leading automobile manufacturers. The Company has determined that he can contribute to improving the corporate value of the Company by giving broad opinions on promoting 5G/IoT strategy, etc. from a medium- to long-term perspective, and for these reasons he has been selected as a candidate for Outside Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2016:	Executive General Manager of TOYOTA MOTOR CORPORATION
April 2017:	Managing Officer, Executive Vice President, Connected Company of TOYOTA MOTOR CORPORATION (Current position)

Special Interests

Keiji Yamamoto is Executive Vice President of Connected Company of TOYOTA MOTOR CORPORATION, which has business transactions with the Company. The transaction amount accounts for less than 5% of operating revenues and operating expenses for the Company on a non-consolidated basis.

Candidate No.	Name	Date of birth	Number of the Company's shares held (Number of potential shares)	Years served as Director	Board of Directors' meetings attended
12	Yoshiaki Nemoto	December 2, 1945	1,500 (–)	3	12 of 12 meetings (100%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate for Director

Yoshiaki Nemoto has a superior knowledge in information processing, telecommunications and network engineering, which is directly relevant to the business of the Company, as well as disaster prevention that is valuable for the operation of our business. On the Board of Directors, the Company has received a large number of technical opinions from him related to management policy as a telecommunications operator that provides social infrastructure, based on a medium- to long-term perspective independent of the management team, and has determined that he can contribute to improving the corporate value of the Company. Therefore, he has again been selected as a candidate for Outside Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been nominated as Independent Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 1995:	Professor, Graduate School of Information Sciences, Tohoku University
April 2000:	Head of Information Synergy Center, Tohoku University
April 2004:	Councillor of Educational Research Board, Tohoku University
April 2008:	Director, Tohoku University
April 2012:	Director General of Resilient ICT Research Center, the National Institute of Information and Communications Technology (NICT)
June 2016:	Outside Director (Current position)

Special Interests

There are no special interests between Yoshiaki Nemoto and the Company.

Candidate No. 13	Shigeo Ohyagi	Date of birth May 17, 1947	Number of the Company's shares held (Number of potential shares) 700 (–)	Years served as Director 1	Board of Directors' meetings attended 9 of 10 meetings (90%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate for Director

Shigeo Ohyagi has a wealth of corporate management experience and excellent knowledge cultivated as the President and CEO of one of the world's leading companies in the fields of synthetic fibers, chemical products, medicines and medical treatment, and distribution and retail. The Company has received a large number of opinions from a medium- to long-term perspective especially focusing on the field of life design business that the Company will promote in the future, global strategy and M&A, and has determined that he can continue to contribute to improving the corporate value of the Company, and for these reasons he has again been selected as a candidate for Outside Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been nominated as Independent Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2005:	Executive Officer, Member of the Board of TEIJIN LIMITED
June 2006:	Senior Executive Officer, Member of the Board of TEIJIN LIMITED
June 2008:	President and CEO, Representative Director of the Board of TEIJIN LIMITED
April 2014:	Chairman, Member of the Board of TEIJIN LIMITED
June 2014:	Outside Audit & Supervisory Board Member of JFE Holdings, Inc. (Current position)
April 2018:	Senior Advisor, Member of the Board of TEIJIN LIMITED
June 2018:	Senior Advisor of TEIJIN LIMITED (Current position) Outside Director (Current position) Member of the Board of Directors (Outside), Member of the Audit & Supervisory Committee of MUFG Bank, Ltd. (Current position)

Special Interests

Shigeo Ohyagi is a Senior Advisor of TEIJIN LIMITED, which has business transactions with the Company such as service provision in the telecommunications business, but these transactions account for less than 0.1% of operating revenues for the Company on a non-consolidated basis. Furthermore, the ratio that these transactions account for in operating revenues on a consolidated basis does not differ greatly from the ratio that they account for in the operating revenues on a non-consolidated basis, considering the ratio that the operating revenues of the Company on a non-consolidated basis accounts for that on a consolidated basis and the relevance of the business of TEIJIN LIMITED to that of the Company, etc. Therefore, these transactions would not affect his independence as an Outside Director.

Candidate No. 14	Riyo Kano	Date of birth May 11, 1966	Number of the Company's shares held (Number of potential shares) 0 (–)

New appointment

Outside Director

Independent Director

Reason for nominating the candidate for Director

Riyo Kano has abundant experience and superior knowledge, cultivated as the partner at a law firm and a committee member of government committees. The Company has determined that she can contribute to improving the corporate value of the Company by giving technical opinions related to legal risk management from her based on a medium- to long-term perspective independent of the management team, and for these reasons she has been selected as a candidate for Outside Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has been nominated as Independent Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 1993:	Registered as attorney at law
January 2005:	Partner, Tanabe & Partners (Current position)
August 2014:	Member of Commission on Policy for Persons with Disabilities of Cabinet Office (Current position)
June 2015:	Outside Director of The Yamanashi Chuo Bank, Ltd. (Current position)
February 2017:	Member of Examination Committee for Relief Assistance of Ministry of Health, Labour and Welfare (Current position)

Special Interests

Riyo Kano is a Partner of Tanabe & Partners, which has business transactions with the Company, but these transactions account for less than ¥10 million and would not affect her independence as an Outside Director.

Note: The number of Company's shares held by each candidate is the number as of March 31, 2019.
Furthermore, with regard to potential shares, the number indicated is equivalent to the number of vested points in the stock compensation plan utilizing the trust as of March 31, 2019.

(Reference) Information on the Guiding Principles of the Corporate Governance Code

Formulation of the Medium-Term Management Plan (FY2019 - FY2021)

Kuniko Tanabe, Independent Outside Director

In the 35th fiscal year (fiscal 2018), the final year of the medium-term management plan that began in the 33rd fiscal year (fiscal 2016), KDDI formulated a medium-term management plan.
In the process of doing so, careful discussions took place with the involvement of Outside Directors and Outside Audit & Supervisory Board members. I would like to give shareholders an overview of the involvement of Outside Directors/Audit and Supervisory Board members in formulating the plan.
In formulating the medium-term management plan (FY2019 - FY2021), all Directors and Outside Audit & Supervisory Board members engaged in free exchanges of ideas.
Discussions were held four times over the year. Each time, points of discussion were narrowed down by theme and explained in clear terms, and active discussion of ideas took place from diverse perspectives. The first of the in-depth discussions focused on environmental assumptions and human resource development, the second on the directions for business strategies based on environmental analysis, the third on specific business strategies, and the fourth on overall frameworks. Through these, I feel that Outside Directors/Audit and Supervisory Board members were able to appropriately take part in discussions on medium- to long-term management strategy and corporate culture, including questions of what sort of issues are recognized by the management team and under what environmental assumptions, what sort of strategies management will use to resolve these, and what vision KDDI seeks to achieve.
In past effectiveness evaluation of the Board of Directors, the further enhancement of discussion of medium- and long-term management strategy had been noted as an issue to pursue. I believe that sufficient discussion of strategies has subsequently taken place.
Despite a severely competitive environment, I am convinced that KDDI will achieve sustainable growth by making use of the wide-ranging knowledge of the management team and Outside Directors/Audit and Supervisory Board members who have diverse expertise and knowledge, and by working unitedly to carry out the medium-term management plan.

Basic Views and Guidelines on Corporate Governance

As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operator our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.
Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders, including customers, shareholders, business partners, employees, and local communities and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and bountiful communications-oriented society.
We recognize reinforcing corporate governance as important to achieving sustainable growth and increased corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the "Corporate Governance Code" defined by the financial instruments exchange. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making. In addition to our corporate credo and KDDI Group Mission Statement, we have formulated the "KDDI Group Philosophy," which defines perspectives and values that officers and employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.
By proactively adhering to Japan's Corporate Governance Code and practicing the "KDDI Group Philosophy," which we consider foundation of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increased corporate value over the medium to long term.

The KDDI Group Mission Statement and KDDI Group Philosophy can be viewed from the following address (the Company's website).

https://www.kddi.com/english/corporate/kddi/philosophy/

Policy and Procedure for the nomination of Director and Audit & Supervisory Board member candidates by the Board of Directors
Policy regarding the balance of knowledge, experience and ability of the Board of Directors as well as its diversity and scale

Accepting the diversity of human resources and utilizing the diverse knowledge, experiences, and skills of each employee are important drivers of growth for the Company that aims for the "Integration of Telecommunications and Life Design," and we believe that ensuring diversity in the Board of Directors will also lead to good management decisions.
In order to secure advanced specialized knowledge and diverse perspectives when making decisions on matters that are important from a management perspective and matters that legally require supervision, the Company will elect members of the Board of Directors who meet the following criteria, without discrimination based on gender, age, or nationality.

Standards of Nomination and Election

All Candidates:	People who have no selfish and highly ethical view and personality appropriate to an executive member
Director Candidates:	Meeting one or more of the following standards

・People with specialized knowledge and experience in various fields of business
・People who have management knowledge appropriate to a supervisor or possess specialized knowledge
・People who are highly independent

Audit & Supervisory Candidates:	People who are able to supervise overall management from a perspective independent from directors and who have the extensive experience and broad ranging insight to enhance audit appropriateness.

Procedure for the nomination and the election of Director
1. Selection of candidates based on the above standards
2. Deliberation by the Nomination Advisory Committee
3. Approval by the Board of Directors
4. Election by the Shareholders Meeting

Procedure for the nomination and the election of Audit & Supervisory Board Member
1. Selection of candidates based on the above standards
2. Deliberation and approval by the Audit & Supervisory Board
3. Deliberation by the Nomination Advisory Committee
4. Approval by the Board of Directors
5. Election by the Shareholders Meeting

Nomination Advisory Committee composition

Chairman:	Tatsuro Ueda (Outside Director)
Vice Chairman:	Goro Yamaguchi (Outside Director)
Members of the Committee:	Kuniko Tanabe (Outside Director), Yoshiaki Nemoto (Outside Director), Shigeo Ohyagi (Outside Director), Takashi Tanaka, Makoto Takahashi

Criteria for Independence of Outside Directors/Audit & Supervisory Board Members
In addition to the outside directors/audit & supervisory board members requirements in the Companies Act and the independence standards provided by the financial instruments exchange, these standards state that people belong to business partners making up 1% or more of the Company's consolidated net sales or orders placed are not independent.

Policies and Procedures for Determining Remuneration for Directors and Audit & Supervisory Board Members

The Company has introduced the performance-linked stock compensation plan from 2015 in order to clarify the link between compensation for the management team, operating performance and share value, and to increase their awareness of contributing to increases in operating performance and corporate value over the medium to long term.
The Company partially revised the plan at the 34th Annual Shareholders Meeting held in June 2018 and the ratio of performance-linked stock compensation as a percentage of overall remuneration was 45%. *

* The ratio of the basic compensation, a fixed compensation, and the bonus and stock compensation, which fluctuate according to performance, is calculated based on the case where the performance achievement is 100%.

In addition, in order to provide incentives for the achievement of the medium-term management plan, the period covered by stock compensation and the period for the medium-term management plan have been combined.

Note: Formula for calculating bonus and stock compensation is as follows.

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

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

Notes: Company operating performance: the Group's consolidated revenues, operating income, profit for the year, etc.

KPI evaluation: net increase in mobile IDs, total ARPA, etc.

Remuneration of Audit & Supervisory Board members is decided by consensus of the Audit & Supervisory Board members. These members receive fixed-amount salaries that is not affected by fluctuations of the Company's operating performance.
To ensure the transparency and fairness of remuneration systems and levels for directors/Audit & Supervisory Board members, the Company has established a Remuneration Advisory Committee to conduct deliberations and provide advice to the Board of Directors in accordance with the request thereof. Chairman, Vice Chairman and more than half of the members of this committee are outside directors.

Remuneration Advisory Committee composition

Chairman: Goro Yamaguchi (Outside Director)

Vice Chairman: Tatsuro Ueda (Outside Director)

Members of the Committee: Kuniko Tanabe (Outside Director), Yoshiaki Nemoto (Outside Director), Shigeo Ohyagi (Outside Director), Takashi Tanaka, Makoto Takahashi

Policy on transactions between related parties

In accordance with the Companies Act, the Company requires competitive or conflict-of-interest transactions by directors to be approved by and reported to the Board of Directors.
Individual transactions with major shareholders are conducted in accordance with one of the basic principles of the "KDDI Code of Business Conduct," specifically, "IX. Appropriate Accounting and Adherence to Agreements." In line with this principle, such transactions are decided upon in the same manner as other standard transactions, through internal requests for decision, rather than by setting special standards. In addition, internal requests for decision are checked by Audit & Supervisory Board members.
Director of Kyocera Corporation, which is a major shareholder of the Company, serve as outside directors of the Company. Accordingly, we strike a balance between comprehensive approval by and report to the Board of Directors, and internal requests for decisions on individual transactions.

Analysis and Evaluation of the Board of Directors' Effectiveness

■ **Purpose of conducting**

The Company conducts a self-evaluation of the Board of Directors regularly every year in order to correctly understand the situation of the Board of Directors and promote its consecutive improvement.

■ **Process of evaluation**

The Company confirms the effectiveness of the Board of Directors based on evaluation by all of the directors and Audit & Supervisory Board members. The evaluation takes the form of a questionnaire and aims to verify the effectiveness of the board's initiatives and discover where improvements can be made from two perspectives, quantitative evaluation and qualitative evaluation, through a combination of four-grade evaluation and free writing.

The evaluation covers the most recent one-year period and is conducted annually. The results of the evaluation are reported to the Board of Directors and future measures are considered.

The main evaluation items are as follows.

- Operation of the Board of Directors
  (composition of members, documents and explanations, provision of information, etc.)
- Supervision of Executives
  (conflict of interest, risk management, management of subsidiaries, etc.)
- Medium- and long-term discussions
  (review of medium-term business planning, monitoring of plan enforcement, etc.)

■ **Evaluation results**

[Summary]

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

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

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

[Improvements since previous evaluation]

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

[Future issues]

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

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

System for Supporting/Linking Outside Directors and Outside Audit & Supervisory Board Members

Board of Directors meeting dates and agenda items are provided in advance to outside directors and outside Audit & Supervisory Board members. In addition, agenda materials are distributed ahead of time to foster understanding of the items in question and invigorate deliberations at Board of Directors meetings.
In addition, the Company is working to make deliberations more substantial by accepting questions in advance and providing more extensive explanations at Board of Directors meetings based on such questions.
Furthermore, the Company is working to invigorate deliberations in Board of Directors meetings by providing opportunities for outside directors and outside Audit & Supervisory Board members to undergo training by responsible persons in each field concerning industry trends, an overview of the Company's organization and its various businesses and technologies and future strategies, and improve their understanding of the Company.
Moreover, the Company holds meetings focused on outside directors/Audit & Supervisory Board members every month, such as outside director-only meetings and outside director and outside Audit & Supervisory Board member meetings, to promote the sharing of information and smooth linking of management, Audit & Supervisory Board members, and outside directors.
The Company also shares the settlement of accounts review of the accounting auditor with outside directors and Audit & Supervisory Board members and provides an opportunity for the exchange of opinions. This promotes links between the outside directors, Audit & Supervisory Board members, and accounting auditor, parties that are independent from company management, which we believe greatly contributes to the collective capabilities of governance.
On April 1, 2006, the Company established the Auditing Office to support Audit & Supervisory Board members, including outside members.

Basic Policy of IR Activities

The Company considers our shareholders and investors to be particularly important stakeholders who fully understand and strongly support our ongoing business. Accordingly, we promise to make the building of trust-based relationships with shareholders and investors a top management priority and strive for value-oriented corporate management, active information disclosure, and enhanced communication.
For example, the company convenes earnings presentation meetings for analysts and institutional investors quarterly, coinciding with its disclosure of financial statements. These meetings can be observed via live and on-demand video distribution.
In addition, each quarter the Company's directors and other personnel visit our institutional investors in Japan, Europe, the US, and Asia to provide explanations of the Company's financial condition and future strategies. In the fiscal year ended March 31, 2019, the Company held approximately Eight hundred (800) interviews with institutional investors in Japan and overseas, including Twelve (12) overseas road shows, in which Five (5) conferences overseas participation hosted by securities companies.
The Company also proactively holds and participates in briefings for individual investors and strives to increase opportunities to make contact. In fiscal 2018, the Company held briefings by the managers and online briefings, and these briefings were joined and heard by approximately One thousand two hundred (1,200) investors.
Materials and the video on the briefings are posted on the Company's website.

Information for individual investors can be viewed from the following address (the Company's website).	
https://www.kddi.com/english/corporate/ir/	

(Documents Appended to the Notice of the 35th Annual Shareholders Meeting)
BUSINESS REPORT
(April 1, 2018 to March 31, 2019)

(Reference)

Financial Highlights

Operating Revenues	¥5,080,353 million
(increased 0.8% year on year)	
Operating revenues rose mainly because of increases in revenue due to the expansion of the energy business to maximize the "au Economic Zone," inclusion of AEON Holdings Corporation of Japan ("AEON HD") in the Group, expansion of "Wowma!" and "au WALLET Market" and expansion of the Life Design Business such as settlement business, as well as making ENERES Co., Ltd. ("ENERES") a consolidated subsidiary and increased revenue in the Myanmar business. The increase was achieved despite a decline in mobile communications revenues and handset sale revenues.	
Operating Income	¥1,013,729 million
(increased 5.3% year on year)	
Operating income increased mainly due to an increase in sales, despite increases in expenses for the energy business, "Wowma!," "au WALLET Market," and the settlement business.	
Profit for the year attributable to owners of the parent	¥617,669 million
(increased 7.9% year on year)	
Profit for the year attributable to owners of the parent increased mainly due to increased operating income.	

1. Current Status of the Corporate Group

(1) Business Developments and Results

1) Overall Conditions

[Industry Trends and Position of the Company]

In the Japanese telecommunications market, the competitive environment is becoming more intense, with the services mobile phone operators offer growing more similar, MVNO*[1] operators increasingly promoting inexpensive SIM services, and new telecommunications carriers deciding to enter the market. Meanwhile, telecommunications carriers are expanding their operations in domains other than telecommunications services to secure new sources of earnings. In addition, the development of technologies such as the Internet of Things (IoT)*[2] and artificial intelligence (AI) is ushering in major changes in the business environment in the telecommunications market.

In this environment, KDDI is promoting its transformation into a business that provides customer experience value under the medium-term management plan targets until the 35th fiscal year (fiscal 2018), and with a focus on telecommunications services, it is actively advancing new value proposals through the "Integration of Telecommunications and Life Design" by expanding and coordinating various life design services.

In Japan, KDDI is working in the telecommunications domain to promote smartphones and tablets and boost its response to IoT while aiming to create new customer experience value through the coordination of various devices. In addition, we have striven to realize sustainable growth in the domestic telecommunications business by maximizing "ID by ARPA"*[3] through the payment plans, which are tailored to customers' data communications usage patterns, and expanding the "au Smart Value" set discount for customers who subscribe to au mobile phone/smartphone services as well as fixed-line communications services. Moreover, we are promoting "au" and the MVNO business through Group companies and working to expand the number of "mobile IDs."

In addition, we provide a wide range of corporate clients, from small and mid-sized companies to large corporations, with mobile handsets and a large variety of solutions, including network-, application-, and cloud-based services. We help our corporate customers develop and expand their businesses with the aim of being our customers' first choice of a true partner.

At the same time, we will actively utilize various types of technologies, including the 5G next-generation mobile communications system (5G), IoT, AI, and big data, which are to be fully implemented going forward, and concentrate on proposing new scenarios for using them. In particular, with regard to 5G, we will work with a wide range of partners to accelerate technology testing and to drive the creation of new services leveraging 5G as we gear up for the start of trial services in September 2019.

In the non-telecommunications domain, we are actively promoting initiatives aimed at providing new value to customers and expanding the transaction volume of the "au Economic Zone" by expanding our life design services, including commerce, finance, energy, entertainment and education.

Overseas, KDDI is aiming for further growth in its telecommunications business with the full rollout of LTE services by the Myanmar telecommunications business, which is jointly operated by consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. and Myanma Posts & Telecommunications (MPT), the country's nationally operated telecommunications partner. LTE services have also been rolled out by MobiCom Corporation LLC, a telecommunications subsidiary in Mongolia. In addition to these businesses, KDDI is continuing to reinforce its infrastructure with the aim of expanding its global business centered on data center and other ICT businesses for corporate customers, mainly in Europe.

Through these efforts, operating income exceeded ¥1 trillion and the gross merchandise value in the "au Economic Zone" exceeded ¥2.5 trillion.

*1. An abbreviation for Mobile Virtual Network Operator, which is a wireless communications service provider using wireless communications infrastructure leased from other mobile service providers, etc.

*2. An abbreviation for Internet of Things. It refers to all manner of things possessing communication functions and being connected to the Internet, the sending of data collected by sensors, the use of data on a cloud platform, and automatic control based on this data.

*3. An abbreviation for Average Revenue Per Account. Monthly revenue per mobile subscriber (excluding prepaid services and MVNOs).

2) Business Conditions by Segment

Personal Services	
For individuals and households communications services (au mobile phone, FTTH, CATV), energy, education and others	
Operating Revenues	¥3,911,229 million
(increased 0.3% year on year)	
Operating revenues rose mainly due to increases in revenue from the energy business and the inclusion of AEON in the Group, despite a decline in revenue from mobile telecommunication fees and handset sales.	
Operating Income	¥756,298 million
(increased 3.2% year on year)	
Operating income rose mainly due to an increase in gross profit from the energy business despite a decline in mobile telecommunication fee revenues and gross profit from handset sales.	

TOPICS

New rates and services to meet our customers' needs

In August 2018, we began offering the popular "au Flat Plan 25 Netflix Pack" payment plan, which combines content use fees and au smartphone telecommunication fees. This new plan joins our existing "au Pitatto Plan" and "au Flat Plan" payment plans, which are pegged to mobile data use methods. In addition, in an effort to expand our customer base, we are working to increase the number of IDs through the "au Smart Value" discount service for combined mobile and fixed line service as well as through alliances between Group companies and MVNO businesses. The number of subscribers to "au Pitatto Plan" and "au Flat Plan" surpassed 13 million in March 2019.

Initiatives to increase customer satisfaction

In the "2018 Japan Mobile Phone Service Satisfaction Study"* conducted by J.D. Power Asia Pacific, Inc. in September 2018, KDDI achieved first place for overall satisfaction for a third consecutive year. We will strive to further improve the value of the customer experience so that more customers will be satisfied by our special rates and au services.

* Source: J.D. Power 2016–2018 Japan Mobile Phone Service Satisfaction Study
japan.jdpower.com

Life Design Services	
For individuals commerce, finance, settlement, entertainment services, and others	
Operating Revenues	¥579,374 million
(increased 11.0% year on year)	
Operating revenues rose largely due to the inclusion of ENERES Co., Ltd. as a consolidated subsidiary as well as an increase in revenue from “Wowma!,” “au WALLET Market,” and the settlement business including “au WALLET prepaid card” and “au WALLET credit card,” in addition to increased revenue from “au Smart Pass Premium.”	
Operating Income	¥112,832 million
(increased 8.4% year on year)	
Operating income grew due to the operating revenue increase, although expenses increased in “Wowma!” and “au WALLET Market” as well as the settlement business.	

*From fiscal 2019 (36th fiscal year), the Life Design segment will be integrated with the Personal Services segment.

TOPICS

Promoting the “integration of telecommunications and life design”

In the commerce business, in January 2019 we launched a service that discounts communications fees for purchases made on the EC site “Wowma!.” In addition, through an alliance with Rakuten, Inc. announced in October 2018, we are promoting the provision of logistics services for “Wowma!” and the rollout of affiliated merchants for our new settlement service “au PAY.”

In the financial business, in February 2019 we announced the establishment of a financial holding company*1 and the launch of our “Smart Money Concept.” In addition, we are working to improve our services and media businesses through a capital and business alliance with Kakaku.com, Inc., and to strengthen our energy business by having made ENERES a consolidated subsidiary.

Providing new experience value for the 5G era

In order to create new experience value in the 5G (5th-generation mobile communication system) era, we provided a new sports viewing experience using xR technology*2.

In addition, we constructed a comprehensive partnership with KCJ GROUP Inc., the operator of KidZania, to fuse advanced technologies like 5G/IoT with learning opportunities that nurture the power of children in order to co-create new experience value in children’s growth.

*1 The name of the company was changed to au Financial Holdings Corporation on April 1, 2019.

*2 xR technology is catch-all phrase encompassing augmented reality (AR), mixed reality (MR), virtual reality (VR) and so on.

Business Services	
For companies communications services, and ICT solution, data center and others	
Operating Revenues	¥796,863 million
(increased 6.3% year on year)	
Operating revenues increased mainly due to higher revenues from solution sales and the energy business.	
Operating Income	¥103,992 million
(increased 23.1% year on year)	
Operating income rose mainly due to an increase in operating revenues, despite increases in solution equipment costs and telecommunication equipment usage fees.	

TOPICS

Promoting the KDDI IoT World Architecture and contributing to the business transformation of global companies

In March 2019, KDDI announced that from May 2019 it would begin accepting applications for commercial trials of KDDI IoT Worldwide Architecture*[1], a comprehensive base that will provide support for everything from services related to IoT device telecommunication connections and data usage to processes related to laws and restrictions in different countries. Through this, we will leverage the abundant variety of use case solutions built up by Lumada*[2], which is provided by Hitachi, Ltd. to accelerate digital innovation, and will thereby support customers' efforts to turn IoT data into value. We plan to further expand our circle of partners, solve issues faced by companies in the global expansion of IoT businesses, and provide powerful support for customers' business transformation and expansion.

*1 A platform to globally harmonize IoT communication connections for automobiles, industrial machinery, and other objects for which specifications differ by country, and to provide support that ranges from IoT communication connections to service development and data analysis.

*2 A general term for solutions, services, and technologies that utilize the advanced digital technology of Hitachi, Ltd. to create value from customers' data and accelerate digital innovation.

Initiatives to increase customer satisfaction

As a result of focusing on contributing to the development of our customers' core businesses through our services, we achieved first place in the 2018 Japan Business Mobile Phone and PHS Service Satisfaction Study*[3] (large and medium-sized market segment), conducted by J.D. Power Asia Pacific, Inc., for a third consecutive year, and first place in the 2018 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study*[4] for a sixth consecutive year. We will work to provide higher-quality products and services to satisfy our customers even more.

*3 Source: J.D. Power 2016-2018 Japan Business Mobile Phone and PHS Service Satisfaction Study

*4 Source: J.D. Power 2013-2018 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study
japan.jdpower.com

Global Services	
For individuals and companies overseas communications services, and ICT solution, data center and others	
Operating Revenues	¥208,790 million
(decreased 16.0% year on year)	
Operating revenues decreased mainly reflecting the impact of decreased revenue resulting from restructured unprofitable businesses, meanwhile revenue in the Myanmar and “TELEHOUSE” data center businesses increased.	
Operating Income	¥34,368 million
(increased 7.7% year on year)	
Operating income increased mainly due to the solid increase in operating revenue in the Myanmar and “TELEHOUSE” data center businesses and decrease in the costs of restructured unprofitable businesses.	

*From fiscal 2019 (36th fiscal year), the business for individuals will be integrated with the Personal Services segment, and the business for corporate customers will be integrated with the Business Services segment.

TOPICS

Expansion of business for individual customers overseas

In Myanmar, in May 2018 we launched “MPT Club,” a program awarding points shared with partner companies, as a way of strengthening retention. In addition, we promoted the provision of video, music, games, electronic books, and other entertainment services, and actively worked to improve value-added ARPU*.

In Mongolia, in October 2018 we began issuing VISA debit cards tied to MobiCom’s Candy e-money loyalty program. MobiCom is focusing on fintech, including the provision of “Candy Pay,” which enables payment by QR code. We also worked to meet varied demand for data communication, including new provision of charge-type prepaid cards with added data capacity, and fee packages offering unlimited access to social media, games, videos, and music.

*An abbreviation for Average Revenue Per Unit, a value expressing monthly revenue per line.

Expansion of the ICT solutions business

In May 2018, we signed a resale contract for a robotic process automation (RPA) platform with leading RPA software firm UiPath, and prepared a system to provide the platform globally. Through this, we are contributing to business efficiency in many companies active overseas.

In January 2019, KDDI Singapore launched “KDDI GX Platform,” which provides centralized support across a range of solutions, such as network, security, RPA, IoT to corporate customers in Southeast Asia.

3) New Technology Initiatives

Verification trial of first-in-Japan autonomous driving remote monitoring system using 5G

In February 2019, the Company launched Japan's first verification autonomous driving trial on public roads using the 5G next-generation mobile communications system (5G) for remote monitoring.

Many social issues are emerging with the increase in elderly drivers and the decrease in transportation options from drivers giving up their licenses. Through the utilization of autonomous driving and ICT to provide future means of transportation, it is hoped that it will be possible to secure transportation for citizens, thereby addressing difficulties in making shopping trips and the insufficiency of bus and taxi drivers, while also helping promote tourism and the automotive industry.

Using 5G to successfully control construction machinery remotely in a cooperative project

In December 2018, KDDI, Obayashi Corporation, and NEC Corporation successfully carried out an operation in which the 5G was used to remotely and control two construction machines and have them work together in part of the construction area of Aigawa Dam, in Ibaraki City, Osaka.

While there is an urgent need for the rapid recovery of social infrastructure during times of disaster, there is also the risk of secondary hazards from landslides, etc. Consequently, there are high hopes for remote operation systems that operate construction machinery at a distance to ensure the safety of construction sites.

Business co-creation with venture companies

Through the KDDI Open Innovation Fund[*1], KDDI is investing in promising venture companies inside and outside Japan. The KDDI Open Innovation Fund 3 was established to target the coming era of 5G. In June 2018, we invested in Resin.io Limited (currently Balena Limited), which provides an IoT device management platform, and in September 2018, we invested in Cluster, Inc., which provides a virtual event platform that can accommodate up to 5,000 simultaneous connections. Additionally, in December 2018, we invested in GeoSpock Ltd., which is developing a large-scale data integration and analysis platform, and in March 2019, we invested in KidsDiary, Inc. which supports child care facilities moving to incorporate ICT, and Synamon Inc., which provides VR collaboration services, such as VR meetings. In addition to combining the wide variety of network, marketing skills, and diverse services that KDDI has with many companies, we are using the operational support of Global Brain Corporation, which has a wealth of experience supporting venture businesses, to vigorously promote as a partner, the growth of companies receiving investments.

*1 A corporate venture capital fund investing in venture companies run by KDDI and Global Brain Corporation.

4) Efforts toward Continued Enhancement of Corporate Value

Sustainability initiatives

The Company's initiatives in ESG (environment, society and government) including corporate governance, health and safety, pollution prevention, and climate change, have been well received, and it has been selected as part of the globally representative social responsibility investment indexes "FTSE4Good Index Series" and "MSCI ESG Leaders indexes" (as of June 2018).

Moreover, KDDI has been included in all four ESG indices[*2] that the Government Pension Investment Fund (GPIF) uses for Japanese stocks.

Also, in the medium-term management plan (FY2019 - FY2021) for the next 3 years, KDDI has set concrete targets for achieving the United Nation's Sustainable Development Goals (SDGs). By promoting company-wide sustainability activities, we will continue aiming to further boost corporate value alongside sustainable growth with society.

*2 Two broad ESG indices ("FTSE Blossom Japan Index" and "MSCI Japan ESG Select Leaders Index") and two specific thematic indices ("MSCI Japan Empowering Women Index (WIN)" and "S&P/JPX Carbon Efficient Index").

Contributing to regional revitalization

Through “Shimamono Project” supporting the revitalization of remote islands, as well as our collaboration with regional municipalities and businesses across Japan, we are implementing initiatives to solve social issues and boost the economies of regions by effectively utilizing the resources of both sides, starting with ICT leading to 5G. In December 2018, we signed an agreement with Hirado City in Nagasaki Prefecture, to aim for regional revitalization by holding a work experience event for children. Following this agreement, in March 2019, KDDI’s Group company KCJ Group Inc. supervised a program called “Kids Job Challenge 2019 in Hirado: Out of KidZania.” In this program, which pursues a more realistic experience, children were able to learn about actual occupations out of the bounds of the KidZania town, such as agriculture, forestry, outdoor experiences, and product development. Going forward, the entire KDDI Group will work toward regional revitalization.

(2) Issues Facing the Corporate Group

1) Medium- to Long-Term Management Strategies

We are in a period of momentous transformation for the environment surrounding society. As the full-fledged digital evolution progresses with technologies such as the 5G next-generation mobile communications system, the IoT, AI, and big data, we are shifting to a data-driven society where new value is being discovered in data. Furthermore, the Japanese government is aiming to realize a new society, called "Society 5.0,"[*1] in which the dual challenges of economic growth and social problems are solved as these cutting-edge technologies are introduced into every industry and social life. Also, in the telecommunications industry, the entry of new companies and other factors are intensifying competition. Combined with the progress of new technologies, this is bringing us to an age of digital transformation (DX) in which the use of telecommunications and the internet will change every industry and greatly affect the business environment.

In order to sustainably grow while swiftly responding to these environmental changes, and also to contribute to the development of a bountiful communications-oriented society as expressed in the KDDI Group Mission Statement, we formulated the medium-term management plan (FY2019 - FY2021) as follows.

*1 One of Japan's medium- to long-term growth strategies in which a human-centric society is achieved through systems that intricately fuse cyber space (virtual space) and physical space (real space).

<The Medium-Term Management Plan (FY2019 - FY2021)>

■ **Brand message**

Tomorrow, Together KDDI/Explore the extraordinary. au

■ **Our vision**

(1) Be a company that customers can feel closest to

(2) Be a company that continues to produce excitement

(3) Be a company that contributes to the sustainable growth of society

■ **Business strategy**

We will realize sustainable growth through seven business strategies (see below), expanding our peripheral businesses centered on telecommunications under the key theme of "Integration of Telecommunications and Life Design."

■ **Financial targets**

We will aim for sustainable growth in operating income while aiming to achieve a 1.5x increase in EPS[*2] (vs. FY2018) in FY2024.

Regarding shareholder returns, we will continue to pay stable dividends, boosting our consolidated dividend payout ratio from the previous over 35% to over 40%. We will also maintain a flexible position with regard to repurchase of shares, keeping in mind the balance with growth investments, and retire all of our treasury stock[*3].

*2 Earnings Per Share

*3 Excluding Company shares held in the executive compensation BIP (Board Incentive Plan) trust account and the stock-granting ESOP (Employee Stock Ownership Plan) trust account.

2) Issues to Be Addressed (Business Strategies)

■ **Creating innovation toward the 5G era**

We will generate new experience value and also proactively use 5G in regional revitalization projects by actively building out 5G, the next-generation social infrastructure platform, developing business in co-creating with various partner companies, and engaging in open innovation that includes the novel ideas of start-up firms alongside cutting-edge technology.

- **Integration of telecommunications and life design**

  In our business for individual customers (consumer business), along with boosting engagement with customers Group-wide and maximizing lifetime value (number of customers (IDs) x total ARPA x retention rate), we will work for sustainable business growth by actively dedicating effort to new life design domain, focusing on our core service of telecommunications. In our business for corporate customers (corporate business), we will aim to grow sustainably with customers by supporting their DX and by achieving the “Integration of Telecommunications and Life Design” for corporate customers inside and outside Japan.

- **Further expansion of global business**

  We will take the insight and expertise we have cultivated in the consumer business in Japan and apply it in the overseas consumer business, aiming to expand our market in Asia. Additionally, in corporate business, leveraging our global IoT platform and data center business, we will further expand our global ICT business by integrating global and domestic endeavors.

- **Utilizing big data**

  By utilizing data, we will endeavor to thoroughly understand our customers and maximize experience value through helpful proposals made with the customer’s perspective in mind. Furthermore, as the digitalization and networking of things rapidly advances through on-going 5G/IoT developments, we will promote DX for corporate customers by utilizing big data in various industries.

- **Expanding the finance business**

  We will aim for stronger engagement and profit growth by making smartphone-centric financing proposals that bring settlement and finance services closer to people’s daily lives, thanks to the very central role that smartphones have taken.

- **Growing as the Group**

  We will make full use of the Company’s assets to support the growth of Group companies, thereby aiming to maximize mutual synergies as we expand and strengthen a new foundation for the growth of the entire Group.

- **Sustainability**

  We have set SDG[*4] targets in our business and corporation overall, and will promote sustainability activities Company-wide. We will aim for sustainable growth with society, as well as greater corporate value, by achieving goals linked to our business strategies around telecommunications, global businesses, regional revitalization, education, and finance, while also achieving goals linked to our corporate activities including developing human resources, supporting women’s advancement in the workplace, respecting human rights, promoting diversity and inclusion, and conserving the environment.

  *4 An abbreviation for Sustainable Development Goals, an international development goals which were adopted at the United Nations summit in September 2015.

(3) Changes in Assets and Profit and Loss

1) Changes in Assets and Profit and Loss of the Corporate Group

(millions of yen unless otherwise indicated)

	32nd fiscal year (FY2016.3)	33rd fiscal year (FY2017.3)	34th fiscal year (FY2018.3)	35th fiscal year (FY2019.3)
	IFRS			
Operating revenues	4,466,135	4,748,259	5,041,978	5,080,353
Operating income	832,583	912,976	962,793	1,013,729
Profit for the year attributable to owners of the parent	494,878	546,658	572,528	617,669
Basic earnings per share (yen)	197.73	221.65	235.54	259.10
Total assets	5,880,623	6,263,826	6,574,555	7,330,416
Total liabilities	2,333,767	2,414,692	2,443,298	2,717,484
Total equity	3,546,856	3,849,133	4,131,257	4,612,932

Notes: 1. Figures were rounded up or down to the nearest million yen.

2. Concerning the calculation of basic earnings per share from the 32nd fiscal year to the 35th fiscal year, the Company's stocks owned by the Board Incentive Plan and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

3. During the 33rd fiscal year, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the 32nd fiscal year, reflect the revision of the initially allocated amounts of acquisition price.

2) Changes in Assets and Profit and Loss of the Company

(millions of yen unless otherwise indicated)

	32nd fiscal year (FY2016.3)	33rd fiscal year (FY2017.3)	34th fiscal year (FY2018.3)	35th fiscal year (FY2019.3)
	Japan GAAP			
Operating revenues	3,827,164	3,864,093	4,028,524	4,061,712
Telecommunications business	2,598,729	2,628,903	2,627,982	2,604,826
Incidental business	1,228,435	1,235,190	1,400,542	1,456,887
Operating income	613,950	694,468	685,046	675,688
Ordinary income	649,714	736,308	740,023	723,323
Profit	445,681	524,208	525,389	505,146
Earnings per share (yen)	178.07	212.55	216.15	211.90
Total assets	4,379,181	4,662,777	5,031,392	5,427,230
Liabilities	1,196,533	1,243,578	1,450,968	1,720,350
Net assets	3,182,649	3,419,199	3,580,425	3,706,880

Notes: 1 Figures were rounded up or down to the nearest million yen.

2. Concerning the calculation of earnings per share from the 32nd fiscal year to the 35th fiscal year, the Company's stocks owned by the Board Incentive Plan and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

(4) Financing Activities of the Corporate Group

During the fiscal year under review, we issued the 22nd unsecured bonds of ¥30,000 million in July 2018 and the 23rd unsecured bonds of ¥40,000 million, the 24th unsecured bonds of ¥30,000 million, and the 25th unsecured bonds of ¥20,000 million in November 2018. We also borrowed long- and short-term loans from financial institutions totaling ¥368,000 million, with all of the above to be used as part of funds for the redemption of bonds, loan repayments, and capital investments.

(5) Capital Investments of the Corporate Group

During the fiscal year under review, the Group efficiently carried out capital investments for the purpose of providing services that satisfy customers and improving reliability.

The total amount of capital investments in telecommunications facilities completed and used for businesses of the Group during the fiscal year under review was ¥560,586 million.

Our principal capital investments are as follows:

1) Mobile-related facilities

The Group carried out capital investments in construction of new and additional wireless base stations and switching equipment due to the expansion of LTE services and the increase in data traffic.

2) Fixed-line-related facilities

We expanded the fixed-line communication network in response to the increase in mobile communications data traffic and installed new facilities/expanded existing facilities related to FTTH and cable television.

(6) Principal Businesses of the Corporate Group (As of March 31, 2019)

The Group comprises the Company, 175 consolidated subsidiaries (Japan: 116 companies, overseas: 59 companies) and 39 equity-method affiliates (32 in Japan and 7 overseas).

The businesses of the Group are classified into segments in accordance with the type of service and the customer attributes. The principal services of each segment are presented below.

Business segment	Principal service
Personal Services	Providing communications services (au and MVNO mobile phone, FTTH, CATV), energy, education services, etc. for individuals
Life Design Services*	Providing commerce, finance, payment, entertainment services, etc. for individuals
Business Services	Providing communications services, ICT solution, data center services, etc. for companies
Global Services	Providing communications services, ICT solution, data center services, etc. for companies and individuals overseas

*The segment name of "Value Services" was changed to "Life Design Services" from the fiscal year under review.

(7) Offices of the Company (As of March 31, 2019)

(Head office)	Headquarters (Tokyo)
(Regional offices)	Hokkaido (Hokkaido), Tohoku (Miyagi), Kita-Kanto (Saitama), Minami-Kanto (Kanagawa), Chubu (Aichi), Hokuriku (Ishikawa), Kansai (Osaka), Chugoku (Hiroshima), Shikoku (Kagawa), Kyushu (Fukuoka)
(Branch offices, etc.)	17 branch offices, 74 branches, 6 customer service centers, etc.
(Technical centers, etc.)	14 technical/engineering support centers 3 technology maintenance centers, 1 transmitting station
(Overseas offices)	Geneva, Beijing, Shanghai

(8) Principal Subsidiaries (As of March 31, 2019)

1) Businesses in Principal Subsidiaries

Company name	Location	Capital	Ratio of capital contribution	Principal business
Okinawa Cellular Telephone Company	Okinawa	Million yen 1,415	% 51.6	au mobile communication services
Jupiter Telecommunications Co., Ltd.	Tokyo	37,550	50.0	Operation and management of cable TV companies and program distribution companies
UQ Communications Inc.	Tokyo	71,425	32.3	Wireless broadband services
BIGLOBE Inc.	Tokyo	2,630	100.0	Internet service business
AEON Holdings Corporation of Japan	Okayama	100	100.0	Holding company of a language-related company specializing in English conversation
Chubu Telecommunications Co., Inc.	Aichi	38,816	80.5	Telecommunications services in Chubu region
KDDI FINANCIAL SERVICE CORPORATION	Tokyo	5,245	90.0	Credit card business, settlement agency business
Supership Holdings Co., Ltd.	Tokyo	4,057	82.3	Holding company of an Internet services company
Jupiter Shop Channel Co., Ltd.	Tokyo	4,400	(55.0)	Television shopping business
ENERES Co., Ltd.	Tokyo	2,893	50.1	Energy-related business
KDDI MATOMETE OFFICE CORPORATION	Tokyo	1,000	95.0	Supporting IT environment for small and medium-sized companies
KDDI Engineering Corporation	Tokyo	1,500	100.0	Construction, maintenance and operation support for communications facilities
KDDI Evolva Inc.	Tokyo	100	100.0	Call center service and temporary staff service
KDDI Research, Inc.	Saitama	2,283	91.7	Technological research and product development relating to information communications
KDDI America, Inc.	USA	Thousand US$ 84,400	100.0	Telecommunications services in the US
KDDI Europe Limited	UK	Thousand STG£ 42,512	(100.0)	Telecommunications services in Europe
TELEHOUSE International Corporation of America	USA	Thousand US$ 5	(70.8)	Data center services in the US
TELEHOUSE International Corporation of Europe Ltd	UK	Thousand STG£ 47,167	(92.8)	Data center services in Europe
KDDI China Corporation	China	Thousand RMB 13,446	85.1	Sales, maintenance and operation of telecommunications equipment in China
KDDI Summit Global Myanmar Co., Ltd.	Myanmar	Thousand US$ 405,600	(100.0)	Telecommunications services in partnership with a state-run postal and telecommunications business entity in Myanmar (MPT)

Company name	Location	Capital	Ratio of capital contribution	Principal business
KDDI Singapore Pte Ltd	Singapore	Thousand S$ 10,255	100.0	Telecommunications services in Singapore
MobiCom Corporation LLC	Mongolia	Thousand TG 6,134,199	(98.8)	Mobile communication services in Mongolia

Note: The figures in brackets indicate the ratios of capital contribution that include the ownership by subsidiaries.

2) Changes in Business Combinations

In December 2018, KDDI acquired additional shares of ENERES Co., Ltd. through a public tender offer, making the company and its six subsidiaries consolidated subsidiaries.

(9) Employees (As of March 31, 2019)

1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	20,842
Life Design Services	4,061
Business Services	9,986
Global Services	4,916
Others	2,191
Total	41,996

2) Employees of the Company

No. of employees	Year-on-year decrease	Average age	Average length of service
10,968	69	42.5	17.7 years

Note: No. of employees does not include 2,547 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2019)

Creditor	Loans outstanding
	Millions of yen
MUFG Bank, Ltd.	158,500
Development Bank of Japan, Inc.	74,000
Sumitomo Mitsui Banking Corporation	70,000
Mizuho Bank, Ltd.	63,000
Sumitomo Mitsui Trust Bank, Limited	22,500

2. **Shares** (As of March 31, 2019)

(1) Total Number of Authorized Shares 4,200,000,000 shares

(2) Total Number of Issued Shares 2,532,004,445 shares (including 176,630,845 shares of treasury stock)

Note: The total number of issued shares has declined by 55,209,080 in accordance with the retirement of treasury stocks dated May 16, 2018.

(3) Number of Shareholders 229,439 (increase of 24,045 from the previous year-end)

(4) Shareholder composition

Financial institutions	642,632,682 shares	25.38 %
Other institutions	748,355,185 shares	29.55 %
Financial instrument firms	128,582,435 shares	5.08 %
Individuals and others	285,343,705 shares (including treasury stock)	11.27 %
Foreign institutions and others	727,090,438 shares	28.72 %

(5) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
KYOCERA Corporation	335,096,000	14.22
Toyota Motor Corporation	298,492,800	12.67
The Master Trust Bank of Japan, Ltd. (Trust Account)	217,873,800	9.25
Japan Trustee Services Bank, Ltd. (Trust Account)	128,821,400	5.46
JP MORGAN CHASE BANK 380055	40,664,620	1.72
JPMorgan Securities Japan Co., Ltd.	37,066,776	1.57
Japan Trustee Services Bank, Ltd. (Trust Account 7)	34,294,300	1.45
Japan Trustee Services Bank, Ltd. (Trust Account 5)	33,936,100	1.44
State Street Bank West Client-Treaty 505234	29,209,675	1.24
JP MORGAN CHASE BANK 385151	27,073,419	1.14

Note: Although the Company holds 176,630,845 shares of treasury stock, it is excluded from the list of principal shareholders presented above. The shareholding ratio is calculated after deducting the shares of treasury stock.
The shares of treasury stock does not include the Company’s shares owned by the Board Incentive Plan and the Stock Grant ESOP Trust (4,322,928 shares).

3. Directors and Audit & Supervisory Board Members

(1) Names and Other Details of Directors and Audit & Supervisory Board Members

(As of March 31, 2019)

Position	Name	Responsibilities in the Company and important concurrent positions
Chairman, Representative Director	Takashi Tanaka	
Vice Chairman, Representative Director	Hirofumi Morozumi	
President, Representative Director	Makoto Takahashi	Executive Director, Corporate Strategy Planning Division and Corporate and Marketing Communications Sector
Executive Vice President, Representative Director	Yuzo Ishikawa	Executive Director, Consumer Business Sector, Media and CATV Business Division, and Product & Customer Service Sector
Executive Vice President, Representative Director	Yoshiaki Uchida	Executive Director, Technology Sector
Senior Managing Executive Officer, Director	Takashi Shoji	Executive Director, Solution Business Sector and Global Business Sector
Senior Managing Executive Officer, Director	Shinichi Muramoto	Executive Director, Corporate Sector
Managing Executive Officer, Director	Keiichi Mori	Deputy Executive Director, Solution Business Sector and Executive Director, IoT Business Development Division
* Managing Executive Officer, Director	Kei Morita	Executive Director, Life Design Business Sector
Director	Goro Yamaguchi	Chairman of the Board and Representative Director of KYOCERA Corporation
* Director	Tatsuro Ueda	Operating Officer of TOYOTA MOTOR CORPORATION
Director	Kuniko Tanabe	Partner of Tanabe & Partners Outside Audit & Supervisory Board Member of DAIDO METAL CO., LTD.
Director	Yoshiaki Nemoto	
* Director	Shigeo Ohyagi	Senior Advisor of TEIJIN LIMITED Outside Audit & Supervisory Board Member of JFE Holdings, Inc. Member of the Board of Directors (Outside), Member of the Audit & Supervisory Committee of MUFG Bank, Ltd.
Full-time Audit & Supervisory Board Member	Koichi Ishizu	
Full-time Audit & Supervisory Board Member	Akira Yamashita	
* Full-time Audit & Supervisory Board Member	Yasuhide Yamamoto	
Audit & Supervisory Board Member	Kakuji Takano	Senior representative of Takano Sogo Accounting Firm and Takano Sogo Group Outside Auditor of Sourcenext Co., Ltd.
Audit & Supervisory Board Member	Nobuaki Katoh	Advisor of Denso Corporation Outside Director of Toyota Boshoku Corporation External Corporate Auditor of Chubu Electric Power Co., Inc.

Notes: 1. Directors and Audit & Supervisory Board Members with * are new Directors and Audit & Supervisory Board Members who were elected at the 34th Annual Shareholders Meeting held on June 20, 2018.

2. In regard to Directors Tadashi Onodera, Nobuyori Kodaira and Shinji Fukukawa along with Audit & Supervisory Board Member Hiroshi Kobayashi, each of their terms of office expired as of the conclusion of the 34th Annual Shareholders Meeting held on June 20, 2018.

3. Each of Directors Goro Yamaguchi, Tatsuro Ueda, Kuniko Tanabe, Yoshiaki Nemoto and Shigeo Ohyagi is an Outside Director.

4. Each of full-time Audit & Supervisory Board Member Akira Yamashita, Audit & Supervisory Board Members Kakuji Takano and Nobuaki Katoh is an Outside Audit & Supervisory Board Member.

5. Audit & Supervisory Board Member Kakuji Takano has a wealth of experience as a Certified Public Accountant and Senior Representative of an accounting firm, and has extensive knowledge and insight into finance and accounting.

6. Each of Directors Kuniko Tanabe, Yoshiaki Nemoto and Shigeo Ohyagi, full-time Audit & Supervisory Board Member Akira Yamashita, Audit & Supervisory Board Members Kakuji Takano and Nobuaki Katoh is an Independent Director/Auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

(2) Remunerations to Directors and Audit & Supervisory Board Members

1) Amounts of Executive Salaries to Directors and Audit & Supervisory Board Members

Category		Total amount of Executive Salaries (Millions of yen)	Number to be paid	Total amount of Executive Salaries by type (Millions of yen)		
				Executive Salaries	Executive Bonuses	Stock Remuneration
Directors	Outside Directors	75	7	75	–	–
	Others	710	10	390	136	184
	Total	785	17	465	136	184
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	50	3	50	–	–
	Others	52	3	52	–	–
	Total	102	6	102	–	–

Notes:
1. The above-stated number of Directors to be paid remuneration and the amount thereof include those for one Director and two Outside Directors who retired at the conclusion of the 34th Annual Shareholders Meeting held on June 20, 2018. The number of Directors to be paid executive bonuses is nine, excluding said retired Directors.
2. The above-stated remuneration for Audit & Supervisory Board Members includes amounts for one Audit & Supervisory Board Member (and no Outside Audit & Supervisory Board Members) who retired at the conclusion of the 34th Annual Shareholders Meeting held on June 20, 2018.
3. The maximum executive salaries for Directors was set at ¥50 million by a resolution of the 30th Annual Shareholders Meeting held on June 18, 2014.
4. The maximum annual executive salaries for Audit & Supervisory Board Members was set at ¥130 million by a resolution of the 32nd Annual Shareholders Meeting held on June 22, 2016. This amount is calculated based on the Company's fiscal year.
5. Executive bonuses for Directors are variable performance-based bonuses up to 0.1% of consolidated net income for the fiscal year under review, as determined by a resolution of the 27th Annual Shareholders Meeting held on June 16, 2011.
6. The decision of continuation and partial revision to the performance-linked stock-type incentive program for Directors (Board Incentive Plan) was resolved at the 34th Annual Shareholders Meeting held on June 20, 2018. This is apart from the bonuses and is paid to Directors, etc., who serve during the four years covering fiscal year 2018 to 2021.
7. In addition to the above, the settlement payment of retirement allowance to Directors in connection with the abolishment of the executive retirement bonus system was determined at the 20th Annual Shareholders Meeting held on June 24, 2004. The Company paid retirement bonus of ¥64 million to Tadashi Onodera, who retired at the conclusion of the 34th Annual Shareholders Meeting held on June 20, 2018.

2) Policy on Decision of Content of Remunerations

The Company has established policies on determining remuneration for Directors and Audit & Supervisory Board Members, as follows. The Company has also formed a Remuneration Advisory Committee which is to act as a body that, in response to the request of the Board of Directors, deliberates on matters of executive compensation schemes and levels, and provides advice in that regard, with the aim of ensuring transparency and objectivity regarding such matters. The Chairman of the Remuneration Advisory Committee and a majority of its members, are Outside Directors.

a. Policy on remuneration for Directors

Remuneration for directors consists of fixed-amount salaries and performance-linked executive bonuses and stock remuneration provided that they are responsible for improving business results every fiscal year, as well as medium- to long-term corporate value. Fixed-amount salaries are based on such factors as directors' professional ranking and the management environment. Executive bonuses and stock remuneration are based on the KDDI Group's level of achievement of its performance targets for each fiscal year, as well as on individual directors' roles. In addition, these bonuses are given under the variable performance based compensation scheme up to 0.1% of consolidated net income of the relevant fiscal year, in order to clarify the management responsibility of Directors and provide incentives to boost their motivation to achieve higher business performance. This variable range was determined taking into consideration their role and responsibility towards the Group's goal of achieving sustainable growth and leading a new era of telecommunications while promptly responding to changes in the operating environment.

b. Policy on remuneration for Audit & Supervisory Board Members
Remuneration for Audit & Supervisory Board Members is based on discussions within the Members and is only a fixed-amount salary that is not linked to the business results of the Company.

(3) Outline of Contracts for Limitation of Liability

Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for Limitation of Liability between ten persons including each of the Outside Directors and Outside Audit & Supervisory Board Members as provided for in Article 423, Paragraph 1 of the Companies Act.
The maximum amount of the liability for damage based on said contracts is the amount prescribed in applicable laws and regulations.

(4) Outside Directors and Outside Audit & Supervisory Board Members

1) Important Concurrent Positions at Other Entities and the Relationship between the Company and Those Entities

- Director Goro Yamaguchi is the Chairman of the Board and Representative Director of KYOCERA Corporation. KYOCERA Corporation has business transactions with the Company. These transactions account for less than 5% of operating revenue and operating expenses for the Company on a parent basis.
- Director Tatsuro Ueda is Operating Officer of TOYOTA MOTOR CORPORATION, which has business transactions with the Company. These transactions account for less than 5% of operating revenue and operating expenses for the Company on a parent basis.
- Director Kuniko Tanabe is Partner of Tanabe & Partners and Outside Audit & Supervisory Board Member of DAIDO METAL CO., LTD., which have business transactions with the Company, but these transactions account for less than 0.1% of sales and operating revenue for the Company on a parent basis. The transaction amount between Tanabe & Partners and the Company accounts for less than ¥10 million.
- Director Shigeo Ohyagi is Senior Advisor of Teijin Limited, Outside Audit & Supervisory Board Member of JFE Holdings, Inc. and Member of the Board of Directors (Outside), Member of the Audit & Supervisory Committee of MUFG Bank, Ltd. Each of the aforementioned companies have business transactions with the Company, but in each case, the respective transactions account for less than 0.1% of sales and operating revenue for the Company on a parent basis. Note that MUFG Bank, Ltd. is one of the Company’s principal lenders.
- Audit & Supervisory Board Member Kakuji Takano is Senior representative of Takano Sogo Accounting Firm and Takano Sogo Group and Outside Auditor of Sourcenext Co., Ltd., which have business transactions with the Company, but these transactions account for less than 0.1% of sales and operating revenue for the Company on a parent basis.
- Audit & Supervisory Board Member Nobuaki Katoh is Advisor of Denso Corporation, Outside Director of Toyota Boshoku Corporation and External Corporate Auditor of Chubu Electric Power Co., Inc., which have business transactions with the Company, but these transactions account for less than 0.1% of sales and operating revenue for the Company on a parent basis.

2) Principal Activities during the Fiscal Year Under Review

a. Attendance at meetings of the Board of Directors and meetings of the Audit & Supervisory Board

(Directors)

- Director Goro Yamaguchi attended twelve of the twelve meetings of the Board of Directors.
- Director Tatsuro Ueda attended nine of the ten meetings of the Board of Directors.
- Director Kuniko Tanabe attended twelve of the twelve meetings of the Board of Directors.
- Director Yoshiaki Nemoto attended twelve of the twelve meetings of the Board of Directors.
- Director Shigeo Ohyagi attended nine of the ten meetings of the Board of Directors.

* The attendance record of Directors Tatsuro Ueda and Shigeo Ohyagi began after their appointment as new Director at the 34th Annual Shareholders Meeting held on June 20, 2018.

(Audit & Supervisory Board Members)

- Audit & Supervisory Board Member Akira Yamashita attended twelve of the twelve meetings of the Board of Directors and twelve of the twelve meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Kakuji Takano attended twelve of the twelve meetings of the Board of Directors and twelve of the twelve meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Nobuaki Katoh attended ten of the twelve meetings of the Board of Directors and ten of the twelve meetings of the Audit & Supervisory Board.

b. The Outside Directors attended meetings of the Board of Directors as indicated above. At these meetings, they provided their viewpoints by voicing opinions based on their expertise and experience, asking

questions to clarify points, etc.
The Outside Audit & Supervisory Board Members attended meetings of the Board of Directors and the Audit & Supervisory Board as indicated above. At these meetings, they provided their viewpoints by voicing opinions based on their expertise and experience, asking questions to clarify points, etc.

4. Accounting Auditor

(1) Name of Accounting Auditor

Category	Name	Remarks
Accounting auditor	PricewaterhouseCoopers Kyoto	Appointed on June 20, 2007

(2) Remunerations Paid to Accounting Auditor

Name	1) Amount of remunerations to be paid to accounting auditor for the fiscal year under review	2) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries
	Millions of yen	Millions of yen
PricewaterhouseCoopers Kyoto	450	1,194

Notes: 1. In the audit agreement between the Company and accounting auditor, the amount of remunerations for audit under the Companies Act is not clearly distinguished from remunerations under the Financial Instruments and Exchange Act. Therefore, the amount described in 1) above is the total of these two kinds of amounts.

2. The Audit & Supervisory Board has checked the audit plan, audit details, the number of man-hours required to conduct the audit and the price per man-hour as well as having compared previous historical figures to planned figures in order to consider the reasonableness of the remuneration. As a result, it has determined that the decision of Representative Directors with regard to the remuneration of the accounting auditor was reasonable and approves the same.

(3) Non-audit Services

The Company commissions and pays compensation for financial surveys, etc. to PricewaterhouseCoopers Kyoto.

(4) Policy on Decision to Dismiss or not Reappoint Accounting Auditor

When the Audit & Supervisory Board of the Company has judged that there are reasons for dismissal as provided for in Article 340, Paragraph 1 of the Companies Act, and recognized that the conduct of proper audits is difficult because of the occurrence of events, etc. that damage the eligibility and independence of accounting auditor, the Audit & Supervisory Board, based on the Audit & Supervisory Board's Rules, shall submit a supplementary proposal for the "Dismissal of Accounting Auditor" or "Non-reappointment of Accounting Auditor" to a shareholders meeting.

(5) Outline of Contracts for Limitation of Liability

The Company has not concluded the contract between the accounting auditor under the provisions of Article 427, Paragraph 1 of the Companies Act.

(6) Audits of Financial Statements of the Company's Subsidiaries by Certified Public Accountants or Audit Corporations Other Than the Accounting Auditor of the Company

Overseas subsidiaries of the Company are audited by audit corporations or certified public accountants other than the accounting auditor of the Company.

Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial Position

(Unit: Millions of yen)

Account item	As of March 31, 2019	(Reference) As of March 31, 2018	Account item	As of March 31, 2019	(Reference) As of March 31, 2018
Assets			Liabilities		
Non-current assets:	4,897,918	4,423,306	Non-current liabilities:	1,339,683	1,005,498
Property, plant and equipment	2,546,181	2,437,196	Borrowings and bonds payable	1,040,978	704,278
Goodwill	539,694	526,601	Other long-term financial liabilities	66,493	68,478
Intangible assets	946,837	953,106	Retirement benefit liabilities	13,356	12,010
Investments accounted for using the equity method	174,000	98,192	Deferred tax liabilities	100,680	80,298
Other long-term financial assets	253,025	236,684	Provisions	33,996	10,754
Deferred tax assets	15,227	106,050	Contract liabilities	77,435	–
Contract costs	412,838	–	Other non-current liabilities	6,746	129,679
Other non-current assets	10,117	65,477			
			Current liabilities:	1,377,801	1,437,800
Current assets:	2,432,498	2,151,249	Borrowings and bonds payable	150,574	329,559
Inventories	90,588	89,207	Trade and other payables	671,969	610,726
Trade and other receivables	1,965,554	1,695,403	Other short-term financial liabilities	26,773	24,717
Other short-term financial assets	41,963	30,173	Income taxes payables	152,195	143,635
Income tax receivables	4,633	2,101	Provisions	34,403	31,231
Other current assets	125,162	133,531	Contract liabilities	116,076	–
Cash and cash equivalents	204,597	200,834	Other current liabilities	225,810	297,932
			Total liabilities	2,717,484	2,443,298
			Equity		
			Equity attributable to owners of the parent		
			Common stock	141,852	141,852
			Capital surplus	284,409	289,578
			Treasury stock	(383,728)	(338,254)
			Retained earnings	4,144,133	3,672,344
			Accumulated other comprehensive income	(3,174)	8,183
			Total equity attributable to owners of the parent	4,183,492	3,773,703
			Non-controlling interests	429,440	357,554
			Total equity	4,612,932	4,131,257
Total assets	7,330,416	6,574,555	**Total liabilities and equity**	7,330,416	6,574,555

(Note) Amounts of items are rounded to the nearest million yen.

Consolidated Statement of Income

(Unit: Millions of yen)

Account item	For the fiscal year ended March 31, 2019	(Reference) For the fiscal year ended March 31, 2018
Operating revenue	5,080,353	5,041,978
Cost of sales	2,867,413	2,821,803
Gross profit	2,212,940	2,220,175
Selling, general and administrative expenses	1,210,470	1,271,215
Other income	10,140	12,041
Other expense	3,661	2,801
Share of profit of investments accounted for using the equity method	4,780	4,592
Operating income	1,013,729	962,793
Finance income	3,582	4,035
Finance cost	10,012	11,985
Other non-operating profit and loss	2,975	305
Profit for the year before income tax	1,010,275	955,147
Income tax	309,149	293,951
Profit for the year	701,126	661,196
Profit for the year attributable to:		
Owners of the parent	617,669	572,528
Non-controlling interests	83,457	88,668
Profit for the year	701,126	661,196

(Note) Amounts of items are rounded to the nearest million yen.

Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total		
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	–	–	–	(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	–	(94)	(150,000)	–	–	(150,094)	–	(150,094)
Retirement of treasury stock	–	–	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

(Reference) For the fiscal year ended March 31, 2018

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total		
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	–	–	–	(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	–	(50)	(150,000)	–	–	(150,050)	–	(150,050)
Retirement of treasury stock	–	(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 March 31, 2018	141,852	289,578	(338,254)	3,672,344	8,183	3,773,703	357,554	4,131,257

(Note) Amounts of items are rounded to the nearest million yen.

(Reference)

Consolidated Statement of Cash Flows (Summary)

(Unit: Millions of yen)

Item	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2018
Net cash provided by (used in) operating activities	1,029,607	1,061,405
Net cash provided by (used in) investing activities	(714,578)	(633,847)
Free cash flows *	315,028	427,558
Net cash provided by (used in) financing activities	(310,951)	(453,168)
Effect of exchange rate changes on cash and cash equivalents	(314)	(163)
Net increase (decrease) in cash and cash equivalents	3,763	(25,773)
Cash and cash equivalents at the beginning of the year	200,834	226,607
Cash and cash equivalents at the end of the year	204,597	200,834

* 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.”

(Note) Amounts of items are rounded to the nearest million yen.

Operating activities provided net cash of ¥1,029,607 million. This includes ¥1,010,275 million of profit for the year before income tax, ¥562,402 million of depreciation and amortization, ¥290,689 million of income tax paid and ¥271,723 million of increase in trade and other receivables.

Investing activities used net cash of ¥714,578 million. This includes ¥399,531 million of purchases of property, plant and equipment, ¥202,607 million of purchases of intangible assets and ¥83,799 million of purchases of stocks of associates.

Financial activities used net cash of ¥310,951 million. This includes ¥456,000 million of proceeds from issuance of bonds and long-term borrowings, ¥302,151 million of payments from redemption of bonds and repayments of long-term borrowings, ¥227,700 million of cash dividends paid and ¥150,000 million of payments from purchase of treasury stock.

As a result, the total amount of cash and cash equivalents as of March 31, 2019, increased by ¥3,763 million from March 31, 2018 to ¥204,597 million.

Non-Consolidated Financial Statements (Japan GAAP)

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2019		(Reference) As of March 31, 2018	
(Assets)				
I Noncurrent assets		3,447,142		3,263,028
A Noncurrent assets-telecommunications business		1,731,048		1,697,727
(1) Property, plant and equipment*		1,514,462		1,475,916
1 Machinery	2,412,676		2,294,043	
Accumulated depreciation	1,867,480	545,196	1,749,821	544,222
2 Antenna facilities	786,209		737,539	
Accumulated depreciation	486,150	300,059	443,724	293,815
3 Terminal facilities	8,964		8,911	
Accumulated depreciation	7,345	1,619	7,256	1,655
4 Local line facilities	207,090		202,575	
Accumulated depreciation	175,367	31,723	169,585	32,990
5 Long-distance line facilities	95,334		95,251	
Accumulated depreciation	90,863	4,472	90,121	5,131
6 Engineering facilities	60,099		59,657	
Accumulated depreciation	47,154	12,945	45,668	13,989
7 Submarine line facilities	46,808		50,788	
Accumulated depreciation	42,991	3,816	46,249	4,539
8 Buildings	365,238		365,725	
Accumulated depreciation	233,338	131,900	223,309	142,416
9 Structures	84,443		82,271	
Accumulated depreciation	64,788	19,655	62,306	19,966
10 Machinery and equipment	4,363		4,274	
Accumulated depreciation	4,146	217	4,205	69
11 Vehicles	1,749		1,437	
Accumulated depreciation	1,199	550	1,127	310
12 Tools, furniture and fixtures	92,922		88,668	
Accumulated depreciation	70,374	22,547	65,202	23,466
13 Land		260,520		260,518
14 Lease assets	–		43	
Accumulated depreciation	–	–	41	2
15 Construction in progress		179,242		132,827
(2) Intangible assets		216,585		221,811
1 Right of using submarine line facilities		2,455		2,903
2 Right of using facilities		12,508		10,853
3 Software		199,333		205,767
4 Patent right		0		0
5 Leasehold right		1,427		1,427
6 Other intangible assets		863		861

Account item	As of March 31, 2019		(Reference) As of March 31, 2018	
(Liabilities)				
I Noncurrent liabilities		692,455		386,006
1 Bonds payable		220,000		160,000
2 Long-term loans payable		365,000		147,000
3 Lease obligations		58		–
4 Provision for retirement benefits		8,247		9,190
5 Provision for point service program		56,285		49,165
6 Provision for warranties for completed construction		3,637		3,765
7 Asset retirement obligations		26,088		3,446
8 Provision for officers' stock compensation		1,433		–
9 Provision for employees' stock compensation		824		–
10 Other noncurrent liabilities		10,883		13,440
II Current liabilities		1,027,895		1,064,962
1 Current portion of noncurrent liabilities		118,000		200,000
2 Accounts payable-trade		99,874		102,609
3 Short-term loans payable		221,165		246,040
4 Lease obligations		101		2
5 Accounts payable-other		367,109		327,592
6 Accrued expenses		5,260		5,440
7 Income taxes payable		110,313		99,956
8 Advances received		18,017		20,504
9 Deposits received		67,833		43,488
10 Provision for bonuses		16,777		17,191
11 Provision for directors' bonuses		141		152
12 Asset retirement obligations		2,346		1,988
13 Provision for loss on disaster		959		–
Total liabilities		1,720,350		1,450,968

(Unit: Millions of yen)

Account item	As of March 31, 2019		(Reference) As of March 31, 2018	
B Incidental business facilities		44,639		45,885
(1) Property, plant and equipment*	56,685		55,979	
Accumulated depreciation	36,541	20,144	31,883	24,096
(2) Intangible assets		24,495		21,789
C Investments and other assets		1,671,455		1,519,416
1 Investment securities		110,061		196,366
2 Stocks of subsidiaries and affiliates		1,049,878		864,891
3 Investments in capital		63		63
4 Investments in capital of subsidiaries and affiliates		5,742		5,742
5 Long-term loans receivable		3		3
6 Long-term loans receivable from subsidiaries and affiliates		164,032		175,697
7 Long-term prepaid expenses		208,882		172,716
8 Deferred tax assets		106,039		77,427
9 Other investment and other assets		36,660		36,616
Allowance for doubtful accounts		(9,904)		(10,104)
II Current assets		1,980,088		1,768,364
1 Cash and deposits		71,241		66,622
2 Accounts receivable-trade		1,533,404		1,369,036
3 Accounts receivable-other		73,562		62,530
4 Supplies		71,143		77,414
5 Prepaid expenses		34,837		33,339
6 Deferred tax assets		–		23,889
7 Short-term loans receivable from subsidiaries and affiliates		199,994		145,293
8 Other current assets		9,031		5,084
Allowance for doubtful accounts		(13,123)		(14,843)
Total assets		5,427,230		5,031,392

Account item	As of March 31, 2019		(Reference) As of March 31, 2018	
(Net assets)				
I Shareholders' equity		3,692,204		3,563,204
1 Capital stock		141,852		141,852
2 Capital surplus		305,676		305,676
(1) Legal capital surplus	305,676		305,676	
(2) Other capital surplus	–		–	
3 Retained earnings		3,634,953		3,457,422
(1) Legal retained earnings	11,752		11,752	
(2) Other retained earnings				
Reserve for advanced depreciation of noncurrent assets	677		677	
Reserve for special depreciation	605		931	
General reserve	2,995,634		2,809,234	
Retained earnings brought forward	626,285		634,828	
4 Treasury stock		(390,276)		(341,746)
II Valuation and translation adjustments		14,676		17,221
1 Valuation difference on available-for-sale securities		14,676		17,221
Total net assets		3,706,880		3,580,425
Total liabilities and net assets		5,427,230		5,031,392

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

(Note) Amounts of items are rounded to the nearest million yen.

Non-Consolidated Statements of Income

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2019	(Reference) The fiscal year ended March 31, 2018
I Operating income and loss from telecommunications		
(1) Operating revenue	2,604,826	2,627,982
(2) Operating expenses	1,928,824	1,930,068
1 Business expenses	633,571	617,394
2 Operating expenses	30	33
3 Facilities maintenance expenses	276,890	270,664
4 Common expenses	2,638	2,861
5 Administrative expenses	92,221	90,155
6 Experiment and research expenses	8,173	8,320
7 Depreciation	358,077	341,107
8 Noncurrent assets retirement cost	18,603	37,719
9 Communication facility fee	496,379	526,164
10 Taxes and dues	42,241	35,651
Net operating income from telecommunications	676,001	697,914
II Operating income and loss from incidental business		
(1) Operating revenue	1,456,887	1,400,542
(2) Operating expenses	1,457,200	1,413,410
Net operating loss from incidental business	314	12,868
Operating profit	675,688	685,046
III Non-operating income	55,720	63,393
1 Interest income	1,708	1,415
2 Dividends income	43,661	51,444
3 Foreign exchange gains	1,032	–
4 Miscellaneous income	9,319	10,534
IV Non-operating expenses	8,084	8,416
1 Interest expenses	2,066	2,832
2 Interest on bonds	2,210	2,178
3 Foreign exchange losses	–	1,903
4 Miscellaneous expenses	3,808	1,504
Ordinary profit	723,323	740,023
V Extraordinary income	1,081	2,201
1 Gain on sales of noncurrent assets	481	526
2 Gain on sales of investment securities	599	1,488
3 Gain on sale of stocks of related companies	–	155
4 Contribution for construction	–	32

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2019	(Reference) The fiscal year ended March 31, 2018
VI Extraordinary loss	15,194	5,427
1 Loss on sales of noncurrent assets	426	613
2 Impairment loss	1,815	2,917
3 Loss on valuation of investment securities	281	509
4 Loss on valuation of stocks of subsidiaries and affiliates	12,673	1,357
5 Reduction entry of contribution for construction	–	32
Profit before income taxes	709,210	736,797
Income taxes-current	207,665	197,763
Income taxes-deferred	(3,601)	13,645
Profit	505,146	525,389

(Note) Amounts of items are rounded to the nearest million yen.

Non-Consolidated Statements of Changes in Net Equity

The fiscal year ended March 31, 2019

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,852	305,676	–	11,752	677	931	2,809,234	634,828
Changes of items during the fiscal year								
Dividends from surplus	–	–	–	–	–	–	–	(228,159)
Reversal of reserve for special depreciation	–	–	–	–	–	(326)	–	326
Provision of general reserve	–	–	–	–	–	–	186,400	(186,400)
Profit	–	–	–	–	–	–	–	505,146
Purchase of treasury stock	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	3,779	–	–	–	–	–
Retirement of treasury stock	–	–	–	–	–	–	–	(103,235)
Transfer from retained earnings to capital surplus	–	–	(3,779)	–	–	–	–	3,779
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–
Total changes of items during the fiscal year	–	–	–	–	–	(326)	186,400	(8,543)
Balance at the end of current period	141,852	305,676	–	11,752	677	605	2,995,634	626,285

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(341,746)	3,563,204	17,221	3,580,425
Changes of items during the fiscal year				
Dividends from surplus	–	(228,159)	–	(228,159)
Reversal of reserve for special depreciation	–	–	–	–
Provision of general reserve	–	–	–	–
Profit	–	505,146	–	505,146
Purchase of treasury stock	(160,345)	(160,345)	–	(160,345)
Disposal of treasury stock	8,580	12,358	–	12,358
Retirement of treasury stock	103,235	–	–	–
Transfer from retained earnings to capital surplus	–	–	–	–
Net changes of items other than shareholders' equity	–	–	(2,545)	(2,545)
Total changes of items during the fiscal year	(48,530)	129,001	(2,545)	126,455
Balance at the end of current period	(390,276)	3,692,204	14,676	3,706,880

(Reference) The fiscal year ended March 31, 2018

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,852	305,676	9,074	11,752	677	1,281	2,554,734	623,075
Changes of items during the fiscal year								
Dividends from surplus								(219,851)
Reversal of reserve for special depreciation						(350)		350
Provision of general reserve							254,500	(254,500)
Profit								525,389
Purchase of treasury stock								
Disposal of treasury stock								
Retirement of treasury stock			(9,074)					(39,635)
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	(9,074)	–	–	(350)	254,500	11,753
Balance at the end of current period	141,852	305,676	–	11,752	677	931	2,809,234	634,828

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(240,547)	3,407,574	11,625	3,419,199
Changes of items during the fiscal year				
Dividends from surplus		(219,851)		(219,851)
Reversal of reserve for special depreciation		–		–
Provision of general reserve		–		–
Profit		525,389		525,389
Purchase of treasury stock	(150,000)	(150,000)		(150,000)
Disposal of treasury stock	92	92		92
Retirement of treasury stock	48,709	–		–
Net changes of items other than shareholders' equity		–	5,596	5,596
Total changes of items during the fiscal year	(101,199)	155,629	5,596	161,226
Balance at the end of current period	(341,746)	3,563,204	17,221	3,580,425

(Note) Amounts of items are rounded to the nearest million yen.

Independent Auditor's Report (Consolidated)

Independent Auditors' Report
(English Translation)

May 13, 2019

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Toshimitsu Wakayama, CPA
Designated and Engagement Partner
Ryoichi Iwasaki, CPA
Designated and Engagement Partner
Tetsuro Iwase, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act of Japan, the consolidated financial statements of KDDI CORPORATION and its subsidiaries which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of income and statement of changes in equity for the year then ended, and the notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Rules of Corporate Accounting, which permits companies to omit a part of disclosure items required under the designated IFRSs in preparing the consolidated financial statements. This responsibility includes implementing and maintaining internal control deemed necessary by management relevant to the preparation and fair presentation of the 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 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers the Company's internal control relevant to the preparation of the consolidated financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of the 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 opinion.

Opinion

In our opinion, the consolidated financial statements, which were prepared under the designated IFRSs with omission of a part of disclosure items pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Rules of Corporate Accounting, present fairly, in all material respects, the consolidated financial position of KDDI CORPORATION and its subsidiaries as of March 31, 2019, and their financial performance for the year then ended.

Emphasis of Matter
As described in the "5. Accounting policies," the Company is applying IFRS 15 Revenue from contracts with customers (newly established in May 2014) effective the fiscal year under review.
This matter does not have any impact on our opinion.

Other Matters
We have no interest in or relationship with KDDI CORPORATION and its subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notice to Readers:

The original consolidated financial statements, which consist of the consolidated statement of financial position, statement of income, statement of changes in equity and the important matters and notes are written in Japanese.

The Independent Auditor’s Report is translated in English solely for convenience. The original report is written in Japanese.

Independent Auditor's Report (Non-Consolidated)

Independent Auditors' Report
(English Translation)

May 13, 2019

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Toshimitsu Wakayama, CPA
Designated and Engagement Partner
Ryoichi Iwasaki, CPA
Designated and Engagement Partner
Tetsuro Iwase, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, the financial statements of KDDI CORPORATION which comprise the balance sheet as at March 31, 2019, and the statement of income, statement of changes in equity for the year then ended, and the notes to non-consolidated financial statements and supplementary schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements and annexed detailed statements thereof that give a true and fair view in accordance with accounting principles generally accepted in Japan. This responsibility includes implementing and maintaining internal control deemed necessary by management relevant to the preparation and fair presentation of the financial statements and supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and annexed detailed statements thereof based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules thereof are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules thereof. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and annexed detailed statements thereof, whether due to fraud or error. In making those risk assessment, the auditor considers the Company's internal control relevant to the preparation of the financial statements and annexed detailed statements thereof that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and annexed detailed statements thereof.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements and supplementary schedules present fairly, in all material respects, the financial position of KDDI CORPORATION as of March 31, 2019, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Other Matters
We have no interest in or relationship with KDDI CORPORATION which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notice to Readers:

The original financial statements, which consist of the balance sheet, statement of income, statement of changes in net equity and the explanatory notes to the financial statements and annexed detailed statements thereof are written in Japanese.

The Independent Auditor's Report is translated in English solely for convenience. The original report is written in Japanese.

Audit & Supervisory Board's Report

Audit & Supervisory Board's Report
(English Translation)

The Audit & Supervisory Board of KDDI Corporation ("the Company") hereby submits its audit report regarding the performance of duties of the Directors during the 35th fiscal year from April 1, 2018 to March 31, 2019, which has been prepared through discussions based on the audit reports prepared by each of the Audit & Supervisory Board Members.

1. Audit Method and Details by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) The Audit & Supervisory Board has established audit policies, plans and other matters for the fiscal year under review, received reports from each Audit & Supervisory Board Member about the status of implementation and results of audits as well as reports from the Directors and Accounting Auditors about the status of execution of their duties, and requested them to provide explanation when needed.

(2) In accordance with the "Internal Auditing Rules" established by the Audit & Supervisory Board as well as the audit policies and plans for the fiscal year under review, each Audit & Supervisory Board Member has closely communicated with Directors, relevant personnel of the Internal Audit Department and other employees in order to collect necessary information and improve the auditing environment, and performed audits in the following manner;

a. The Audit & Supervisory Board Members have attended the Board of Directors meetings and other important meetings, received reports from the Directors and employees about the status of execution of their duties, and requested them to provide explanation when needed. The Audit & Supervisory Board Members have reviewed important authorized documents and examined the status of business operations and financial position of the Company and its principle offices. Furthermore, the Audit & Supervisory Board has closely communicated and exchanged information with the Directors and Audit & Supervisory Board Members of the Company's subsidiaries, and received reports from them about the status of their business operations.

b. With respect to the Company's internal control system established in accordance with Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act as a system to "ensure the compliance of execution of duties by Directors with laws and regulations and the Articles of Incorporation" and to "ensure appropriate business operations by the corporate group consisting of the Company and its subsidiaries" as described in the Business Report, the Audit & Supervisory Board has received reports on a regular basis about the resolutions of the Board of Directors regarding the improvement of the internal control system as well as its structure and implementation status, and requested explanation and provided advice when needed.
Furthermore, the Audit & Supervisory Board has received reports from the Directors and the PricewaterhouseCoopers Kyoto about the evaluation and the status of audits of internal control over financial reporting, and requested them to provide explanation when needed.

c. The Audit & Supervisory Board has supervised and verified whether the Accounting Auditors maintain their independence and performed appropriate audits, by receiving reports from them on the status of execution of their duties and requesting them to provide explanation when needed. In addition, the Audit & Supervisory Board has received confirmation from the Accounting Auditors that the "systems necessary to ensure that duties are executed properly" (matters set forth in each item of Article 131 of the Ordinance on Accounting of Companies) had been developed in accordance with the "Quality Control Standards for Auditing" (Business Accounting Council) and other standards, and requested them to provide explanation when needed.

Based on the above method, the Audit & Supervisory Board has examined the Business Report and the supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net equity and the notes to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements) for the fiscal year under review.

2. Audit Results
   (1) Audit results regarding the Business Report and the supplementary schedules
      a. In our opinion, the Business Report and the supplementary schedules fairly represent the Company's conditions in accordance with applicable laws and regulations and the Articles of Incorporation.
      b. We found no evidence of wrongful action or material violation of laws and regulations or the Articles of Incorporation by any of Directors of the Company in executing their duties.
      c. In our opinion, the resolutions of the Board of Directors regarding the Company's internal control system are fair and reasonable. We found no issues or concerns regarding the reports on the internal control system described in the Business Report as well as the status of execution of duties by the Directors.
   (2) Audit results regarding the non-consolidated financial statements
      In our opinion, the audit method employed and the results reported by PricewaterhouseCoopers Kyoto are fair and reasonable.
   (3) Audit results regarding the consolidated financial statements
      In our opinion, the audit method employed and the results reported by PricewaterhouseCoopers Kyoto are fair and reasonable.

May 15, 2019

Full-time Audit & Supervisory Board Member,	Koichi Ishizu
Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member),	Akira Yamashita
Full-time Audit & Supervisory Board Member,	Yasuhide Yamamoto
Outside Audit & Supervisory Board Member,	Kakuji Takano
Outside Audit & Supervisory Board Member,	Nobuaki Katoh

Notice to Readers:

The original financial statements, which consist of the balance sheet, the statement of income, the statement of changes in net equity, the notes to the financial statements and the supplementary schedules, and the original consolidated financial statements, which consist of the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements thereof are written in Japanese.

Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of shareholders residing outside Japan. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

To Shareholders

Internet Disclosure of the Notice of the 35th Annual Shareholders Meeting

An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status
Notes to Consolidated Financial Statements
Notes to Non-Consolidated Financial Statements
(from April 1, 2018 to March 31, 2019)

KDDI Corporation

"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," the "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are provided to shareholders on the Company's Web site (https://www.kddi.com/english/corporate/ir/stock-rating/meeting/20190619/), pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation. "An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. The "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by Audit & Supervisory Board Members and Accounting Auditors in preparing the Reports of Audit.

5. An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status

Systems for Ensuring the Appropriate Business Operations

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, the Board of Directors of KDDI has resolved and publicly announced a Basic Policy for Constructing an Internal Control System. The Company works to develop an effective internal control system with the aim of ensuring fairness, transparency, and efficiency in the execution of its corporate duties, as well as improving corporate quality.

1. Corporate Governance

(1) The Board of Directors
The Board of Directors is composed of both internal and outside Directors, who determine important legal matters and business plans, etc. as stipulated by laws and regulations based on the Board of Directors Rules and agenda standards. In addition, the Board of Directors oversees the competent execution of business duties by the Directors themselves.
Information pertaining to the execution of business duties by the Directors must be stored and managed appropriately in accordance with internal rules.

(2) System for executing business operations
1) The Executive Officers' System aims to clarify both the delegation of authority and responsibility system, as well as ensure that operations are executed effectively and efficiently.
2) The Corporate Management Committee, which is composed of Directors and Executive Officers, shall discuss and determine important matters pertaining to the execution of operations, as well as discussing and determining the Board of Directors agenda items, based on the Corporate Management Committee rules.

(3) System for ensuring the effective execution of business duties by Audit & Supervisory Board Members
1) Audit & Supervisory Board Members shall attend the meetings of the Board of Directors and key internal meetings of the Company. In addition, measures shall be taken to enable Audit & Supervisory Board Members to view meeting minutes of important meetings, circulated documents, contracts, etc.
2) Directors and employees, the Directors of subsidiaries, and the Internal Control Division shall perform timely and appropriate reporting to Audit & Supervisory Board Members to provide the information required by said Members for the execution of their business duties, and, when discovering facts that may cause considerable losses to the Company and its subsidiaries, shall promptly report these to Audit & Supervisory Board Members. In addition, Directors and employees, the Directors of subsidiaries, and the Internal Control Division shall carry out exchanges of ideas with, and collaborate with, Audit & Supervisory Board Members.
3) The Company shall establish an Auditing Office, staffed by full-time employees, to assist the duties of the Audit & Supervisory Board Members. The authority to direct these employees shall reside with the Audit & Supervisory Board Members. The Company shall obtain the prior consent of the Audit & Supervisory Board, or Full-time Audit & Supervisory Board Members specified by the Audit & Supervisory Board, with regard to personnel matters of the Auditing Office.
4) Measures shall be taken to ensure that persons making reports to Audit & Supervisory Board Members are not given disadvantageous treatment due to making such reports.
5) The Company shall comply with the payment of expenses necessary to enable the execution of duties by Audit & Supervisory Board Members, including prepayments.

2. Compliance

(1) All Directors and employees should continuously maintain high ethical standards in accordance with the basic principles set forth in the "KDDI Action Guideline," which should be complied with, and aim to execute their business duties properly.
(2) Firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.
(3) Each KDDI Group company shall make efforts to promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents, at KDDI Group company meetings pertaining to business ethics.
(4) The Company shall aim to appropriately operate a compliance-related internal reporting system established both internally and externally to the company.
(5) The Company shall strive to improve the understanding and awareness of compliance through both internal and external training and internal enhancement activities.

3. Risk Management for Achieving Business Objectives Fairly and Efficiently

(1) The Company shall stringently conduct business risk analyses and business activity prioritization and appropriately formulate business strategies and business plans at meetings pertaining to business strategy participated in by Directors, with the objective of continuous growth for the KDDI Group. To achieve this, business risk should be monitored monthly at meetings pertaining to performance management, and this performance should be managed thoroughly.

(2) In each Division a person shall be appointed as the person responsible for internal control, and this person shall autonomously promote the following initiatives so that business objectives may be achieved fairly and efficiently.

1) All Divisions, their Directors and employees shall work in cooperation with the Risk Management Division, which regularly identifies and uniformly manages risk information. The KDDI Group's risks shall be managed appropriately and in accordance with internal regulations, and efforts shall be made to achieve business objectives fairly and efficiently.

2) The Company shall examine and formulate measures for minimizing the risk to business as much as possible, in order to respond to events which could have serious and long-term effects on corporate business.

3) In accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, the Company shall implement documentation, assessment and improvement of the state of company-wide internal control and of important business processes on a consolidated basis, with the aim of further improving the reliability of financial reporting.

4) The Company shall aim to maintain and enhance the systems necessary to improve the quality of the business operations of the KDDI Group, including enhancement of the effectiveness and efficiency of business operations and appropriate acquisition, safekeeping and disposal of assets.

(3) As a telecommunications carrier, the Company shall implement the following initiatives:

1) Protecting the privacy of communications
Protecting the privacy of communications is at the very root of the KDDI Group's corporate management, and the Group will abide by this.

2) Information security
The Company aims to manage the company's total information assets, including preventing leaks of customer information and cyber-terrorism of networks for telecommunications services, by formulating measures at meetings pertaining to information security to ensure this security in cooperation with the Directors and employees.

3) Recovering networks and services in times of disaster
In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, the Company shall formulate a Business Continuity Plan (BCP) and implement measures to improve network reliability and prevent the halting of services.
In order to facilitate a prompt recovery in times of emergency or disaster, a Disaster Response Headquarters shall be established as expeditiously as possible.

4. Initiatives relating to working together with stakeholders

(1) The whole company shall make efforts to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base.

1) Through the prompt and appropriate response to customer needs and complaints, the Company shall undertake CX (Customer Experience) activities that aim to improve customers' experience value.

2) In addition to providing customers with safe, secure, high-quality products and services in compliance with the pertinent laws and regulations, information about products and services should be provided in an easy-to-understand format and indicated appropriately, so that customers can select and use the most appropriate product and/or service.

(2) In order to gain the understanding and trust of all stakeholders, transparency of KDDI Group management shall be ensured, and efforts shall be made to further enhance the PR and IR activities of the KDDI Group.

(3) The KDDI Group's business risk shall be fairly identified and disclosed in a timely and appropriate manner at meetings pertaining to information disclosure. In addition, sustainability reports shall be created and disclosed, centering on those departments promoting sustainability, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

5. Systems for Ensuring Appropriate Business Operations of the Corporate Group

(1) To ensure the appropriateness of work by subsidiaries, the Company has set forth rules concerning the management of subsidiaries, and has developed a system as follows.

1) The Company shall establish a department to supervise the management of each subsidiary, and will also establish a department with jurisdiction across all subsidiaries, to establish a management and support system for subsidiaries.
2) The Company shall set forth roles for the management of subsidiaries, involving Directors, Audit & Supervisory Board Members, and other employees dispatched to the subsidiaries, and shall ensure efficacy in the governance of subsidiaries.
3) With regard to important decision-making matters within subsidiaries, the Company shall set forth procedures and items for approval in Board of Directors meetings, Corporate Management Committee meetings, etc., and shall establish a management structure for subsidiaries.
4) The Company shall set forth items and procedures for reporting to subsidiaries, and shall establish a collaborative system with subsidiaries.

(2) In each subsidiary, the Company shall appoint a person responsible for internal control as the KDDI Group, shall secure the appropriateness of the work of subsidiaries and appropriately manage risks and engage in measures for risk reduction, and shall strive for the appropriateness and the effective achievement of management targets.

(3) Through a structure for corporate ethics meetings in each subsidiary, the Company shall strive for the early detection and handling of major legal infractions in subsidiaries and of problems and incidents related to compliance, and shall introduce and appropriately operate an internal reporting system for each subsidiary. In addition, the Directors and all employees of subsidiaries shall continuously maintain high ethical standards under the KDDI Code of Business Conduct, and shall ensure systems for the proper execution of duties.

6. Internal Audits

Internal audits are conducted for all aspects of business of the KDDI Group, and the adequacy and effectiveness of the internal control system is verified regularly. The results of internal audits are reported to the President, Representative Director with added suggestions for points that can be improved or revised, and a report is also made to the Audit & Supervisory Board Members.

An Overview of the Operating Status of Systems for Ensuring the Appropriate Business Operations

In accordance with the provisions of Article 362, Paragraph 5 of the Companies Act, the Company passed a resolution approving the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. Based on this, the Company strives to ensure fair, transparent and efficient execution of its corporate duties and to increase corporate quality.

1. Corporate Governance

(1) The Board of Directors

The Company holds meetings of the Board of Directors based on the Board of Directors Rules and agenda standards of the Board of Directors.

In fiscal 2018 the Board of Directors met 12 times to discuss important matters and business plans, etc. as set down by laws and regulations, in addition to which it worked to supervise and ensure the appropriate execution of duties by Directors.

Information pertaining to the execution of business duties by the Directors is stored and managed appropriately in accordance with Board of Directors Rules.

(2) System for executing business operations

1) Regarding the execution of business operations, the Company has adopted an executive officer system with the aim of clarifying both the delegation of authority and responsibility system, based on Administrative Officer / Executive Officer Rules.
2) The Corporate Management Committee shall discuss and determine important matters pertaining to the execution of business operations, based on the Corporate
In fiscal 2018, the Corporate Management Committee met 13 times to discuss and determine important matters for management.

(3) System for ensuring the effective execution of business duties by Audit & Supervisory Board Members

1) The Company has developed a system that allows Audit & Supervisory Board Members to attend the meetings of the Board of Directors and key internal meetings. In addition, the Company has taken measures to enable them to view minutes of important meetings, circulated documents, etc.
2) Important matters to be reported to management shall be reported to Audit & Supervisory Board Members in a timely and appropriate manner, and, when discovering facts that may cause considerable losses to the Company and its subsidiaries, these shall be promptly reported to Audit & Supervisory Board Members. Moreover, collaboration with Audit & Supervisory Board Members is ensured through the exchange of opinions between them and the Internal Control Division, the Directors of subsidiaries in Japan and abroad, etc., in addition to regular meetings between them and the representative directors, etc.
3) The Company has established an Auditing Office to assist the duties of the Audit & Supervisory Board Members, and obtains the consent of Audit & Supervisory Board Members with regard to personnel matters concerning the employees of the Auditing Office.
4) In the rules for processing internal reports, it is clearly stated that persons making a report to Audit & Supervisory Board Members would not be penalized for doing so.
5) Expenses incurred by Audit & Supervisory Board Members in the execution of their duties for which expense claims are received are borne as appropriate.

2. Compliance

(1) KDDI Action Guideline formulation and awareness

The Company has formulated a KDDI Code of Business Conduct stating basic principles with which all Directors and employees should comply in the execution of duties, and works to communicate this widely through means including distribution of an e-mail newsletter, which makes reference to the basic principles of the Code, to all employees.

(2) Dealing with antisocial forces

With regard to initiatives to break off relations with antisocial forces, the Company has established a self-directed division and checks the operating status at coordination meetings held by the division.

(3) KDDI's business ethics activities

In order that each KDDI Group company may promptly identify and resolve any serious violation of laws and regulations or misconduct, etc., KDDI Group companies hold regular Business Ethics Committee meetings.

(4) Internal Reporting System

For the appropriate operation of the internal reporting system, group companies conduct activities to raise awareness, such as e-learning as well as e-mail magazines.

The Company has developed a reporting route to Audit & Supervisory Board Members as an independent internal reporting route and specified duties regarding protection of whistle-blowers in the rules for processing internal reports, and also implements internal awareness survey as well as third-party assessment by outside lawyers. Thus, the Company endeavors to increase effectiveness of the system.

(5) Internal and external training and internal enhancement activities related to compliance

In order to raise the awareness of compliance amongst employees, various training programs are implemented for managers, administrators and general employees of the Company and its subsidiaries.

3. Risk Management for Achieving Business Objectives Fairly and Efficiently

(1) Monitoring for business risk and thoroughly managing results

In meetings, such as of the Corporate Management Committee, after clarifying the business risk, important matters pertaining to the execution of operations are deliberated and decided.

In fiscal 2018, we held a total of eight monthly profitability review meetings and have been managing business operation and monitoring business risk.

(2) Constructing and operating a “persons responsible for internal control” structure

The Company has nominated a person responsible for internal control in each division and each subsidiary, who autonomously promote risk management to allow the reasonable and efficient achievement of management targets.

1) Drawing up and implementing risk management activity policies

The risk management activity policies and operational status are regularly (twice a year) reported to the Corporate Management Committee.

2) Risk inspection

Under the supervision of the Corporate Risk Management Division, each division and subsidiaries implement risk inspections three times a year, at the beginning of the year, at the end of the first half and the end of the second half in order to monitor important risk issues and the status of responses to the same.

3) Securing the reliability of financial reporting

In order to ensure the reliability of financial reporting, internal control assessments are conducted on a consolidated basis in accordance with the internal control reporting system based on the Financial Instruments and Exchange Act with the aim of improved resolution of improprieties.

4) Activities to improve quality of business operations

In order to improve productivity of the KDDI Group, such as effectiveness and efficiency of business operations, each division establishes targets and the entire company works together to improve business processes.

(3) Initiatives as a Telecommunications Carrier:

1) Protecting the privacy of communications

With regard to “privacy of communications,” which is the cornerstone of telecommunications business, the Company approaches the issue of protecting privacy from a variety of angles, such as structures, business processes and systems. In case of occurrence of problems, the Company appropriately deals with such problems in accordance with laws and regulations, and the Company is working on implementing measures to prevent a recurrence.

2) Information security

With regard to measures for the prevention of leaks of customer data and the protection of telecommunication service networks against cyber-attacks, as well as responding to laws and ordinances related to information security in Japan and overseas, the Information Security Committee meets regularly (seven times a year) to plan and promote information security measures for the KDDI Group as a whole.

3) Recovering networks and services in times of disaster

In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, the Company has formulated a Business Continuity Plan (BCP). In fiscal 2018, as well as revising the BCP for the whole company, the Company also carried out various drills assuming emergency situations periodically to prepare for the occurrence of a disaster and others.

4. Initiatives relating to working together with stakeholders

(1) Initiatives to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base

1) CX activities

The Company has engaged in CX (Customer Experience) activities aimed at improving the value of customers' experiences by responding promptly and appropriately to customers' needs and complaints. The Company has established meeting systems for engaging in activities for improving customer experience value within the work of each division, and implements ongoing activities.

2) Provision of appropriate information to customers

In order to provide customers with the appropriate information for them to be able to appropriately choose and use products and services, in addition to having a Creative Administration Office within the Company to manage marketing and novelty goods for consumers, in cases where there is a risk that the Act against Unjustifiable Premiums and Misleading Representations has been infringed, the Company prepares and operates the internal structure and the flow of reports.

To raise internal awareness of the above Act, the Company conducts awareness enhancement initiatives through e-learning and other means.

(2) Enhancing the KDDI Group's PR and IR

The Company's "basic IR Policy," which provides the direction to the Company's IR activities, has been set out by the Board of Directors and is available on the corporate website.

We will strive to further improve the KDDI Group's PR and IR activities by providing investment meetings for individual investors, analysts and institutional investors in Japan and overseas and by providing various IR materials on the corporate website.

(3) Disclosure of information related to the business risks and CSR initiatives of the KDDI Group

The Company holds regular meetings of its Disclosure Committee (four times a year), and deliberates on matters concerning information disclosure.

Moreover, the Company collected non-financial information related to the environment, society, and governance, and published this together with financial information in a comprehensive report (ESG detailed version) released in September 2018.

Other than those above, the Company works to improve recognition of the Company's ESG activities by holding events for investors and other means.

5. Systems for Ensuring Appropriate Business Operations of the Corporate Group

(1) Preparation of a system to secure the appropriateness of work by subsidiaries

To ensure the appropriateness of work by subsidiaries, the Company has set forth rules concerning the management of subsidiaries, and has developed a system as follows.

1) The Company has established a department to supervise the management of each subsidiary and a department with jurisdiction across all subsidiaries, to establish a management and support system for subsidiaries. The both departments work together to manage subsidiaries, and conduct activities to support development of the operating base mainly for new subsidiaries and others.

2) To ensure efficacy in the governance of subsidiaries, the Company dispatches Directors, Audit & Supervisory Board Members, and other employees to subsidiaries and has also established roles for each of these in the management of subsidiaries, and provides education and training.

3) With regard to important decision-making matters within subsidiaries, the Company has set forth items and procedures within its internal rules, and has established a management structure for subsidiaries.

4) With regard to important reporting matters concerning subsidiaries, the Company has similarly set forth procedures and items within its internal rules, and communicates information on reporting standards and liaison desks for risk information.

(2) System to appropriately manage risks in subsidiaries and undertake the appropriate and effective achievement of management targets

The Company has developed a system of persons responsible for internal control, targeting domestic companies and key supervising locations overseas, and added new seven subsidiaries to the system in fiscal 2018.

Persons responsible for internal control within each company identify issues and manage response status by carrying out inspections of key risks in each company, and share information with the Company. In turn, the Company performs confirmation of the issues in the companies and provides support for the investigation and implementation of countermeasures.

In addition, the Company holds Risk Management Liaison Meetings, which all Group companies attend, regularly (twice a year) to share risk information, policies and initiatives.

(3) KDDI Group Business Ethics Activities

The Company holds regular Business Ethics Committee meetings in each subsidiary twice a year as a rule, to share information on subsidiaries' problems involving compliance, the status of incident occurrence, its countermeasures and other matters. In cooperation with subsidiaries, the Company also strives to improve each subsidiary's business ethics.
The Company also conducts ongoing activities to broadly communicate information about the internal reporting system in domestic and overseas subsidiaries.

6. Internal Audits

The Corporate Management Committee decides the internal audit plan for the whole operations of the KDDI Group and internal audits are implemented based on this plan.
In fiscal 2018, a total of 20 internal audits were implemented, focusing around audits of new subsidiaries and overseas subsidiaries.
The results of internal audits are reported to the President, Representative Director and shared with Directors and Audit & Supervisory Board Members.

Notes to Consolidated Financial Statements

(Important Items That Form the Basis of Preparing Consolidated Financial Statements, etc.)

1. Standard for preparation of consolidated financial statements
   The consolidated financial statements are prepared in accordance with the designated international accounting standards (hereinafter “IFRS”) pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. These consolidated financial statements omit part of the disclosure items required under IFRS, in compliance with the latter sentence of the aforementioned paragraph.

2. Scope of consolidation
   - Number of consolidated subsidiaries: 175
   - Principal consolidated subsidiaries:
     Okinawa Cellular Telephone Company, Jupiter Telecommunications Co., Ltd., UQ Communications Inc. (Note), BIGLOBE Inc., AEON Holdings Corporation of Japan, Chubu Telecommunications Co., Inc., KDDI FINANCIAL SERVICE CORPORATION, Supership Holdings Inc., Jupiter Shop Channel Co., Ltd., KDDI MATOMETE OFFICE CORPORATION, KDDI Engineering Corporation, KDDI Evolva Inc., KDDI Research, Inc., KDDI America, Inc., KDDI Europe Limited, TELEHOUSE International Corporation of America, TELEHOUSE International Corporation of Europe Ltd, KDDI CHINA CORPORATION, KDDI Summit Global Myanmar Co., Ltd., KDDI Singapore Pte Ltd, MobiCom Corporation LLC

   Names of principal companies newly made consolidated subsidiaries and reasons for new consolidation
   - ENERES Co., Ltd., six subsidiaries of that company: Due to additional stock acquisition

   Names of principal companies excluded from consolidated subsidiaries and reasons for exclusion
   - DMX Technologies Group Limited, 16 subsidiaries of that company: Due to loss of control

   Note: UQ Communications Inc. had been accounted for by the equity method under Japanese GAAP. Under IFRS, however, the Company is deemed to have substantial control over that company. As a result, that company is included as a consolidated subsidiary under IFRS.

3. Application of equity method
   - Number of affiliates accounted for by the equity method: 39
   - Principal affiliates:
     Kyocera Communication Systems Co., Ltd., Jibun Bank Corporation, KKBOX Inc., LAC Co., Ltd., Kakaku.com, Inc.

4. Fiscal years of consolidated subsidiaries
   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. However, among consolidated subsidiaries, KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., did not prepare financial statements based on the provisional accounts as of the Company’s closing date mainly due to the accounting environment in the location where its subsidiary, KDDI Summit Global Myanmar Co., Ltd. operates, and therefore the term of the report was not unified. However, due to improvement for financial reporting in the fiscal year ended March 31, 2019, the reporting periods are unified.

5. Accounting policies
   (1) Valuation standards and methods for financial assets and financial liabilities
   1) 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, in the case of financial asset not at fair value through profit or loss, calculating transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset 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 at amortized cost, financial assets with capital characteristics at fair value through other comprehensive income or financial assets at fair value through profit or loss.

   (i) Financial assets at amortized cost
   A financial asset that meets both the following condition is classified as a financial asset 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 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 at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Financial assets with capital characteristics at fair value through other comprehensive income

The Group makes an irrevocable election to recognize changes in fair value of financial assets with capital characteristics 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.

Financial assets with capital characteristics at fair value through other comprehensive income are 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 financial assets with capital characteristics are derecognized or its fair value substantially decreased.

Also, dividends from financial assets with capital characteristics at fair value through other comprehensive income are recognized as "finance income" in profit or loss.

(iii) Financial assets 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 financial assets at fair value through profit or loss.

A financial asset 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 financial asset 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 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 financial assets 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 assigning such investments, 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.

2) Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

The Group recognizes financial liabilities when the Group becomes a party to the contractual provisions of the instruments. The measurement of financial liabilities is referred as follows (b) Classification of financial liabilities

(b) Classification of financial liabilities

Financial liabilities at amortized cost

A financial liability at amortized cost is initially measured by subtracting transaction cost directly attributable to the issuance of the financial liability from fair value. 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 extinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

3) 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 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.

4) Impairment of financial assets

When there is no significant increase in the credit risk since initial recognition, the Group expected credit losses for 12 months are recognized as allowance for receivables. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as allowance for 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, expected credit losses of trade receivables not containing any material financial component are recognized over their remaining lives since inception.

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Deterioration of borrower's operating results, such as decrease in sales
- Reduced financial support from the parent company or associated companies
- Delinquencies (Date exceeding 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.

5) Derivatives and hedge accounting

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

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. Specifically, the Group assesses that the hedge is effective in case where 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. It is the requirements for qualification under hedge accounting.

The hedge of effectiveness is assessed by whether the hedge is expected to be effective for future designated hedging periods.

In changes in the fair value after initial recognition, the effective portion of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in gain or loss. Cumulative gain or loss recognized through other comprehensive income is transferred to gain or loss on the same period that the cash flows of hedged items affect gain 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 (hereinafter "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 gain or loss on the cash flow hedges that has been recognized in other comprehensive income will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, the cumulative gains or losses on the cash flow hedges are transferred to gain 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.

(2) Valuation standards and methods for inventories

Inventories mainly consist of merchandise such as mobile handsets / 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.

(3) Valuation standards and methods for property, plant and equipment and intangible assets, and methods of depreciation and amortization thereof

1) Property, plant and equipment

(a) Recognition and measurement

Property, plant, and equipment of the Group is recorded on a historical cost basis and is stated at acquisition 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 assets.

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 acquisition 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.

(b) 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 acquisition 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 to 21 years
Toll and local line equipment	10 to 21 years
Other equipment	9 to 27 years
Buildings and structures	10 to 38 years
Others	5 to 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.

(c) 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.

2) Intangible assets

(a) Recognition and measurement

The intangible assets of the Group are recorded on a historical cost basis, excluding goodwill and is stated at acquisition cost less accumulated depreciation and impairment losses.

Intangible assets acquired separately are measured at acquisition 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 in case where 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 only in the case where the expenditure is able to be measured reliably, product or production process has technical and commercial 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.

(b) Amortization 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 to 29 years
Assets related to program supply	22 years
Others	5 to 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.

3) Goodwill

Goodwill is the excess of the acquisition cost 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 cash-generating units, or groups of units, that are 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 acquisition 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.

4) Lease assets

(a) 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.

(b) Classification of leases

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.

(c) Finance leases

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.

(d) Operating leases

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

5) 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 intangible assets may be impaired. If any indication exists, the recoverable amount of the asset or the cash-generating unit or group of units to which the asset belongs is estimated. For goodwill and intangible assets with indefinite useful lives, the impairment test is undertaken when there is any indication of impairment, and at a certain timing within the fiscal year regardless of whether there is any indication of impairment. A cash-generating unit or group of units 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 to sell of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax 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 or group of units 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 each asset pro rata on the basis of the carrying amount of the other assets 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 property, plant and equipment, and intangible assets recognizing an impairment loss 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 asset or cash-generating unit at the time of a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as other income.

(4) Calculation of significant provisions

Provisions are recognized when the Group has legal or constructive obligations as a result of past events, it is highly probable that outflows of economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. 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. Rebate of the discount over time is recognized in finance cost.

The provisions recognized by the Group are mainly asset retirement obligations and provisions for point service programs. Provisions for point service programs provide for the future cost generated from the utilization of points under the point services such as "au WALLET Point Program" that the Group offers. Specifically, points, etc. that are awarded at times of use of "au WALLET prepaid card" and "au WALLET Credit Card" or at times of use of apps or merchandise services provided by other companies are recorded under provision for point service program in liabilities. The measurement of the provision for point service program is based on the amount that can be expected to be used in the future in light of the results of point utilization in past fiscal years.

(5) Accounting for retirement benefits

1) 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 (retirement 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 the discount period established based on the period to the date when the 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 net profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses, past service cost 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 instantly 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.

2) Defined contribution plans

Certain subsidiaries of the Group adopt defined contribution plans. Contribution to the defined contribution plans is recognized as profit or loss 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.

(6) Revenue recognition

The Group's accounting policy for revenue recognition by major categories is as follows:

1) 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 telecommunications service fees"), and commission fees such as activation fees. The mobile telecommunications 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.

(i) 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.

(ii) 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.

2) 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.

3) 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 gross sales or 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.

4) 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.

5) Solution service

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.

(7) Translation of major assets and liabilities denominated in foreign currencies into Japanese yen

1) 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.

2) 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 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 financial assets measured through other comprehensive income and cash flow hedges are recognized as other comprehensive income.

3) 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 there is significant change in the exchange rate 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 profit or loss as certain disposal profit or loss of foreign operations.

(8) Accounting method for consumption taxes and local consumption taxes

Consumption taxes and local consumption taxes are accounted for using the tax excluded method of reporting. Non-deductible consumption taxes relating to assets are accounted for as an expense in the fiscal year under review.

(Changes in Accounting Policies)

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 IFRS15 relative to IAS18 on relevant financial statement line items in the Consolidated Statement of Income and Consolidated Statement of Financial Position is as follows.

(Unit: Millions of yen)

	IAS 18 carrying amount 31 Mar 2018	Reclassification	Remeasurements	IFRS 15 carrying amount 1 Apr 2018	Retained earnings effect 1 Apr 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)

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.

(Unit: 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 year	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

(Consolidated Statement of Financial Position)

1. Allowance for receivables accounts directly deducted from assets

Other long-term financial assets	¥10,104 million
Trade and other receivables	¥20,751 million
Total	¥30,855 million

2. Accumulated depreciation of property, plant and equipment

   ¥4,100,238 million

3. Assets pledged as collateral and secured liabilities

   (Consolidated subsidiaries)

   In accordance with Article 14, paragraph 1 of the Payment Services Act, assets held in trust as security deposits are as follows.

Japanese government bonds	¥3,001 million

In accordance with Article 15 of the Payment Services Act, assets held in trust as security deposits are as follows.

Guarantee deposits	¥35,000 million

Other assets pledged as collateral:

Property, plant and equipment	¥1,138 million
Other short-term financial assets	¥35 million
Stocks of subsidiaries and affiliates (Note)	¥768 million
Total	¥1,940 million

Corresponding liabilities:

Long-term borrowings (Note)	¥118 million
Current portion of Long-term borrowings	¥122 million
Accounts payable-other	¥330 million
Total	¥569 million

Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on bank borrowings. The balance of these borrowings as of March 31, 2019 was ¥15,424 million. These borrowings are not included in the above long-term borrowings or short-term borrowings.

Borrowings from various financial institutions are carried out accompanying acquisitions, etc. in some subsidiaries of the Group. Such borrowings are in compliance with the financial covenants of maintenance of shareholder investment, maintenance of net assets and maintenance of surplus stipulated in each contract excluding certain contracts of small amount of borrowings. The balance payable on borrowings with financial covenants as of March 31, 2019 was ¥457,248 million.

Apart from these, financial covenants that have significant effects on the financial activities of the Group are not attached to the borrowings and bonds payable.

(Consolidated Statement of Changes in Equity)

1. Class and number of shares outstanding as of March 31, 2019

   Common stock 2,532,004,445 shares

2. Dividends

   (1) Cash dividends paid, etc.

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 20, 2018 Annual shareholders meeting (Note) 1,2	Common stock	¥108,243 million	¥45	March 31, 2018	June 21, 2018
November 1, 2018 Meeting of the Board of Directors (Note) 1,2	Common stock	¥119,624 million	¥50	September 30, 2018	December 3, 2018

Note 1: The aggregate amount of dividends does not include the dividend for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.
Note 2: Other than the dividends in the above table, there are also payments of dividends occurring in the fiscal year under review to the beneficiaries of the executive compensation BIP trust and a stock-granting ESOP trust.

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
June 19, 2019 Annual shareholders meeting (Note) 1,2	Common stock	¥129,308 million	Retained earnings	¥55	March 31, 2019	June 20, 2019

Note 1: This dividend is not recognized until it is approved at the annual shareholders meeting. It also does not have an effect on income taxes.
Note 2: The aggregate amount of dividends does not include the dividend for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(Financial Instruments)

1. Status of financial instruments

The operating activities of the Group are subject to the effects of the business environment and the financial market environment. Financial instruments that are held or underwritten in the process of operating activities are exposed to unique risks. The risks include (1) credit risk, (2) liquidity risk, and (3) market risk. The Group constructs management systems inside the Group and conducts risk management to minimize the effects on the Group's financial position and operating results by using financial instruments. Specifically, the Group manages these risks using the following methods:

(1) Credit risk

Credit risks are the risk of financial losses arising in the Group when a counterparty of a financial asset held by the Group defaults on contractual obligations. Specifically, the Group is exposed to the following credit risks. Firstly, trade, lease and other receivables are exposed to the credit risk of customers and trading partners. Secondly, the debt etc. that the Group holds mainly for surplus investment and the securities etc. that the Group holds for strategic purposes are exposed to the issuer's credit risk. Thirdly, derivative transactions that the Group conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

Concerning trade receivables, the Group has established a system that manages the due dates and balances of each customer and trading partner and conducts analysis of their credit status, based on the criteria of each of the Group's companies for managing credit exposure. Specifically, trade receivables that remain outstanding for a prescribed period from the time they were realized are considered to be in default and accordingly recognized as impairment losses.

Concerning lease and other receivables, as a basic rule, the Group determines that there is a remarkably increased credit risk on financial instruments after the Group initially recognized, if the asset monetization (conversion into cash) of the financial asset is delayed beyond the contract date (including demand for late payment); provided, however, that the Group does not determine there is a remarkably increased credit risk in cases when, irrespective of whether there has been a payment delay or demand for late payment, the cause for such delay is due to an extraordinary demand for funds, the risk of nonfulfillment of obligations is low, and it is possible to judge based on objective data that the debtor has adequate capability of fulfilling the contractual cash flow obligations in the near future.

Concerning securities that are debt instruments, the Group determines that there is a remarkably increased credit risk on financial instruments after the Group initially recognized, when it determines that there is a high risk of non-fulfilment of obligations based on credit ratings information from a large ratings firm.

Concerning credit risk, the Group determines that there is small credit risk resulting from default of contracts by counterparties because the counterparties with which the Group conducts derivative transactions are financial institutions with high credit ratings. Moreover, with regard to cash-surplus investment and derivative transactions, to prevent the credit risk of counterparties from arising, the finance/accounting divisions conduct such transactions only with financial institutions with high credit ratings based on the internal rules and their supplemental provisions of each company of the Group, subject to obtaining approval for each transaction by authorized persons stipulated in the relevant authorization rules.

(2) Liquidity risk

The Group is exposed to the liquidity risk that it will have difficulty with fulfillment of the obligations of notes and accounts payable-trade.

The Group, primarily in accordance with its capital investment plan for carrying out telecommunications business, procures necessary funds through bank loans and issuance of corporate bonds. When surplus funds are generated, the Group operates on short-term savings, etc.

With respect to trade and other payables, almost all of them have payment due dates within one year. Those trade payables and other current liabilities are exposed to liquidity risk at the time of settlement. However, the Group avoids that risk by having each company review monthly cash flow plans. In addition, as a way of controlling the Group's liquidity risks, the Group manages account activity schedules through such methods as monthly fund-raising plans and works on managing a constantly stable financial position such as by ensuring a prescribed level of on-hand liquidity.

The finance/accounting divisions create annual funding plans, and after these have been approved at a Board of Directors meeting, long-term financing is carried out. In addition, the Group has concluded several unexecuted long-term and short-term commitment line agreements with major Japanese and global financial institutions, and it plans to utilize these in conjunction with borrowing limits not commitment based to reduce liquidity risks.

(3) Market risk

The following risks exist regarding market risk: (a) foreign exchange risk, (b) interest risk, and (c) price risk on equity instruments.

(a) Foreign exchange risk

The Group is exposed to the fluctuation risk of foreign exchange markets (hereinafter "foreign exchange risk") when exchanging foreign-currency denominated trade receivables, etc. that arise from transactions conducted in currencies other than the functional currency into the functional currency using the exchange rate of the date of the end of the reporting period.

The Group also carries out operating activities overseas, and currently, it is carrying out international business development through such activities as making investments and establishing joint ventures in Asian countries such as Singapore and China, the United States, and Europe. As a result of carrying out these international business activities, the Group is exposed to various foreign exchange risks, mainly arising in relation to the U.S. dollar.

The Group conducts hedges by utilizing a forward exchange contracts for fluctuation risks on foreign exchange that are identified monthly for each currency. For derivative transactions, in the Company, execution plans are formulated on an individual transaction basis in accordance with internal company rules that have been approved at a Board of Directors meeting and then the derivative transactions are executed after approval is obtained for the derivative transaction by authorized persons stipulated in the relevant authorization rules. The Group makes sure there is a check function working as a system for execution and control by ensuring that within an organization, the place that executes the transaction is separate from the place that controls the transaction. In the consolidated subsidiaries, the execution of transactions will be subject to either decision at the Board of Directors meeting or decision by the president depending on the amount (maximum risk amount). The Group uses derivative transactions only for the purpose of avoiding risk and makes it a policy never to perform speculative transactions such as seeking to obtain a net gain on trading.

(b) Interest risk

Interest risk is defined as the risk of the fluctuation of either the fair value of financial instrument or future cash flows arising from the financial instrument due to the fluctuation of market interest rates. The Group's exposure to interest risk is mainly related to payables such as borrowings and bonds payable, or receivables such as interest bearing deposits. As the amounts of interest are subject to the effects of fluctuation in market interest rates, the Group is exposed to interest risk from the fluctuation of future cash flows.

The Group conducts financing by mainly issuing bonds at fixed interest rates to constrain the increase in the amount of future interest payable due to a rise in interest rates.

In addition some consolidated subsidiaries work to stabilize cash flows by using interest rate swap transactions to constrain the fluctuation risk of interest on borrowings payable.

(c) Price risk on equity instruments

Price risk on equity instruments is the risk of fluctuation of the fair price or future cash flows of financial instruments by fluctuation of market price (excluding fluctuation caused by interest risk or foreign exchange risk). The Group holds equity instruments and is therefore exposed to the risk of their price fluctuation.

The finance/accounting divisions of Head Office maintain manuals describing the policy on investments in equity instruments in order to control the price risk arising from these equity instruments and these manuals are complied with throughout the entire Group. It is mandatory that reports and approvals are conducted at Board of Directors meetings for important matters relating to investments in a timely manner. The Group continuously reviews the status of holdings by regularly ascertaining the market price and financial position of the issuer (trading-partner company) and considering the market conditions and the relationship with the trading-partner company.

2. Fair value of financial instruments

(1) Book values and fair values of financial instruments

Book values and fair values of financial instruments are as shown below.

1) Financial instruments at fair value

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Other financial assets			
Financial assets at fair value through other comprehensive income			
Stocks	117,894	117,894	–
Financial assets at fair value through profit or loss			
Derivatives			
Exchange contracts	299	299	–
Total	118,194	118,194	–
Financial liabilities:			
Other financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivatives			
Exchange contracts	39	39	–
Interest swaps	5,810	5,810	–
Total	5,849	5,849	–

2) Financial instruments at amortized cost

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Other financial assets			
Japanese government bonds	3,001	3,027	26
Outstanding lease receivable	119,582	118,876	(706)
Total	122,582	121,903	(680)
Financial liabilities:			
Borrowings and bonds payable			
Borrowings payable	880,061	888,704	8,644
Bonds payable	279,492	283,614	4,122
Other long-term financial liabilities			
Lease obligations	84,158	85,909	1,751
Total	1,243,711	1,258,227	14,517

Note 1: Borrowings payable, bonds payable and lease obligations include the current portion.

Note 2: Short-term financial assets and financial liabilities are not included in the above table because they have book values that approximate the respective fair values.

(2) Methods of measuring fair value

1) Financial instruments at fair value

(i) Stocks

Fair value of listed stocks is based on the price on the securities exchange.

Fair value of unlisted stocks is calculated using valuation techniques based on a discounted value of future cash flows, valuation techniques based on the market price of a similar company, valuation techniques based on the value of net assets, or other valuation techniques. With the measurement of fair value of unlisted stocks, inputs that are unobservable, such as discount rates or valuation multiples, may be used, and when necessary, prescribed non-liquid discounts or non-controlling interests discounts may be taken into consideration.

(ii) Derivatives

(a) Exchange contracts

The fair value of foreign exchange forward contracts is calculated by discounting the value calculated using forward exchange rates current on the balance sheet date to the present value.

(b) Interest swaps

Concerning the fair value of interest swaps, the value of future cash flows is calculated using the present value that has been discounted by an interest rate that takes into consideration the period until the maturity date and the credit risk.

2) Financial instruments at amortized cost

(i) Japanese government bonds

The fair value of Japanese government bonds is calculated based on the market price.

(ii) Outstanding lease receivables

Concerning the fair value of lease receivables, the aggregate total value of lease payments that would be received in the worst-case scenario is calculated based on the present value that has been discounted using the interest rate in the case when the lease transaction is newly conducted under the same conditions.

(iii) Borrowings payable

For borrowings with floating interest rates, the book value is deemed to be the fair value since the interest rate reflects the market interest rate over the short term and because there is deemed to be no significant fluctuation in the credit state of the group company after borrowing.

For borrowings with fixed interest rates, the fair value is calculated using the method of discounting the sum of principal and interest by a rate that takes into consideration the remaining period and credit risk of those borrowings.

(iv) Bonds payable

The fair value of bonds is based on the market price for those having market prices, and bonds having no market prices are calculated using the method of discounting the sum of principal and interest by a rate that takes into consideration the remaining period and credit risk of those bonds.

(v) Lease obligations

The fair value of lease obligations is calculated using a method of discounting the estimated value of future cash flows using the interest rate in the case where the lease is executed under the same conditions for the same period as the remaining period.

(Per Share Information)

1. Equity attributable to owners of the parent per share	¥1,779.41
2. Basic earnings per share	¥259.10

Note: In the calculation of per share information, the Company's stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the numbers of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and average number of common stocks outstanding during the year.

(Significant 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.

(i) 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 ¥25.0 billion. Due to the limited time between the acquisition date and the approval date of the consolidated financial statements 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.

(ii) 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 common stocks of and subscription rights to kabu.com Securities on April 25, 2019.
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 change	Mitsubishi UFJ Securities Holdings Co., Ltd. LDF LLC	51.00% 49.00%

(Other Notes)

(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) Reason for execution 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 acquired company (as of March 31, 2019)

Name	ENERES Co., Ltd
Establishment date	April, 2008
Location	2-5-1 Kanda Surugadai, Chiyoda-ku, Tokyo Prefecture
Representative	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)
Capital	2,893 million yen

(iv) The percentage of acquired equity interests 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) Controlling interest acquisition date

December 27, 2018

(vi) Acquisition price and its breakdown

(Unit: Millions of yen)

		Controlling interest acquisition date (December 27, 2018)
Fair value of equity held prior to acquisition		10,151
Payment in cash		6,966
Total consideration for acquisition	A	17,117

The acquisition-related costs relating to this business combination amounted to ¥254 million, which was recorded in selling, general and administrative expenses.

(vii) Fair values of assets/liabilities and goodwill on controlling interest acquisition date

(Unit: Millions of yen)

			Controlling interest acquisition date (December 27, 2018)
Non-current assets			
Property, plant and equipment	(Note) 1		5,330
Intangible assets	(Note) 1		3,948
Other long-term financial assets			1,377
Other non-current assets			468
Total non-current assets			11,123
Current assets			
Trade and other receivables	(Note) 2		18,967
Cash and cash equivalents			3,073
Other current assets			1,877
Total current assets			23,918
Total assets			35,041
Non-current liabilities			
Borrowings and bonds payable			1,224
Other long-term financial liabilities			644
Other non-current liabilities			1,460
Total Non-current liabilities			3,328
Current liabilities			
Borrowings and bonds payable			6,508
Trade and other payables			16,581
Other current liabilities			2,512
Total current liabilities			25,601
Total liabilities			28,929
Net assets		B	6,111
Non-controlling interests	(Note) 3	C	3,194
Goodwill	(Note) 4	A−(B−C)	14,199

Consideration for the acquisition is based on the fair value on the controlling interest acquisition date, and is allocated to the acquired assets and assumed obligations.

(Note) 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.

(Note) 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 of acquired receivables and other receivables, the total amount of contracts is ¥18,967 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is none.

(Note) 3. Non-controlling interests

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

(Note) 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) Purchase for controlling interest acquisition of subsidiary

(Unit: Millions of yen)

	Controlling interest acquisition date (December 27, 2018)
Consideration for acquisition by cash	(6,966)
Cash and cash equivalents held by acquired company at the time of controlling interest acquisition	3,073
Total cash payment for controlling interest acquisition of subsidiary	(3,893)

(ix) Gain on step acquisitions

The equity in ENERES that the Company 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 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 and ¥206 million, respectively.

(xi) Effect on consolidated results if business combination hypothetically occurred at beginning of the fiscal year (pro forma information)

If the business combination had hypothetically been conducted on the starting date of the current consolidated fiscal year, operating revenue and profit for the year in the consolidated statement of income for the fiscal year ended March 31 2019 would have been ¥5,131,610 million and ¥701,387 million, respectively.

This pro forma information is provided as reference and it is not included in the audit attestation.

Notes to Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for major assets
   (1) Securities
   Stocks of subsidiaries and affiliates
   Valued at cost determined by the moving-average method
   Available-for-sale securities
   Available-for-sale securities for which market quotations are available are stated at fair value prevailing at the balance sheet date. Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.
   Available-for-sale securities for which market quotations are not available are valued at cost determined by the moving-average method.
   (2) Inventories
   Supplies
   Stated at cost determined by the moving-average method (the method of write-downs based on the decrease in profitability is applied in order to calculate the inventory value on the balance sheet).

2. Depreciation and amortization of noncurrent assets
   Property, plant and equipment other than lease assets
   Machinery: mainly declining-balance method
   Property, plant and equipment other than machinery: straight-line method
   Useful lives of major assets are as follows:
   Machinery: 9 years
   Antenna facilities, buildings, local line facilities, engineering facilities and structures: 10 to 38 years
   Intangible assets: straight-line method
   Software for internal use is amortized under the straight-line method over the expected useful lives (5 years).
   Lease assets
   Lease assets under financial lease transactions that do not transfer ownership rights of the assets to the lessees are depreciated and amortized under the straight-line method based on the lease term as the useful life and residual value of zero.
   Long-term prepaid expenses: straight-line method

3. Principle for calculation of allowances
   Allowance for doubtful accounts
   To prepare for uncollectible credits, general allowance is recorded based on the actual bad debt ratio, and allowance for specific doubtful accounts is recorded based on the amount deemed to be uncollectible considering the individual collectability.
   Provision for retirement benefits
   To prepare for the payments of retirement benefits to employees, the Company records the amount to be accrued as of March 31, 2019 based on projected benefit obligations and estimated value of plan assets as of March 31, 2019.
   When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2019.
   Prior service cost is amortized on a straight-line basis over the average remaining service period of employees (within 14 years) in the year in which it arises and unrecognized actuarial differences are amortized on a straight-line basis over the average remaining service period of employees (within 14 years) from the year following that in which they arise.
   Provision for point service program
   In order to prepare for the future cost generated from the utilization of points that customers have earned under the point services such as “au Wallet Point Program,” the Company records based on its past experience the amount considered to be appropriate to cover future utilization of the points during or after the next fiscal year.

Provision for warranties for completed construction

To prepare for the cost of a guarantee against defects pertaining to construction work for a submarine cable system for which delivery has been completed, a provision is recorded based on an estimate of a warranty without charge during the term of the guarantee.

Provision for officers' stock compensation

To allow for payment of the Company's stock, etc., to Directors, Executive Officers, and Administrative Officers, the Company records the estimated amount of stock payment obligations at the end of the fiscal year under review.

Provision for employees' stock compensation

To allow for payment of the Company's stock, etc., to employees in management positions, the Company records the estimated amount of stock payment obligations at the end of the fiscal year under review.

Provision for bonuses

To allow for the payment of bonuses to employees, the Company records the estimated amounts of bonuses to be paid.

Provision for directors' bonuses

To allow for the payment of bonuses to board members, the Company records the estimated amounts of bonuses to be paid.

Provision for loss on disaster

The Company records the estimated amounts to be required for restoration of assets damaged by the Hokkaido eastern Iburi earthquake, Typhoon No. 21, etc. that occurred in fiscal 2018

4. Other important matters for the basis of preparing non-consolidated financial statements
   (1) Accounting method for deferred assets
   Bond issuance expenses: recorded as expenses when incurred
   (2) Accounting method for consumption taxes
   Consumption tax and local consumption tax are accounted for using the net method of reporting. Non-deductible consumption taxes relating to assets are accounted for as an expense in the fiscal year under review.

(Changes in presentation)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018, hereinafter the "Partial Amendments to Tax Effect Accounting Standard") effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets are presented in the category of investments and other assets and deferred tax liabilities are presented in the category of noncurrent liabilities.

(Non-Consolidated Balance Sheets)

1. Assets pledged as collateral

Assets pledged as collateral are as follows:

Stocks of subsidiaries and affiliates	¥768 million

Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on the balance of bank borrowings of ¥15,424 million by that company as of March 31, 2019.

2. Contingent liabilities, etc.

Guarantor for office lease contract	¥4,639 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥164,032 million
Short-term monetary claims	¥292,982 million
Long-term monetary liabilities	¥374 million
Short-term monetary liabilities	¥279,115 million

4. Reduction entry amount of noncurrent assets

Reduction entry amount attributable to aid for construction cost (cumulative total)	¥15,295 million

5. Total committed lines of credit and loans receivables outstanding

The Company provides financial assistance to and deposits surplus funds among its subsidiaries and affiliates in order to carry out efficient financing and management of funds within the Group. The total committed lines of credit and loans receivables outstanding in these activities are as follows.

Total committed lines of credit	¥260,877 million
Loans receivables outstanding	¥164,119 million
Remaining portion of credit line	¥96,759 million

The above activities are implemented taking into consideration the financial positions and fund raising status of the subsidiaries and affiliates.

(Non-Consolidated Statements of Income)

1. Transactions with subsidiaries and affiliates

Operating income from subsidiaries and affiliates	¥335,381 million
Operating expenses to subsidiaries and affiliates	¥510,306 million
Non-operating transactions with subsidiaries and affiliates	¥71,155 million

2. Impairment loss ¥1,815 million

In the year ended March 31, 2019, the Company mainly recognized impairment loss for the following assets and asset group.
The Company calculates impairment losses by grouping assets based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Communication facilities, idle assets, etc. (Tokyo, etc.)	Mainly Telecommunications business	Local line facilities, etc.	1,815

In the year ended March 31, 2019, for assets with declining utilization rates, including some communications facilities, and idle assets, the book value has been reduced to recoverable value. The said reduction is recognized as an impairment loss of ¥1,815 million, an extraordinary loss. This consists of ¥1,308 million for local line facilities, and ¥507 million for others.

Further, the recoverable amount of these assets is estimated based on the net selling price. The calculation of market value is based on reasonable estimate, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

3. Loss on valuation of stocks of subsidiaries and affiliates

Loss on valuation of stocks of subsidiaries and affiliates	¥12,673 million

Loss on valuation of stocks of subsidiaries and affiliates relates to the stock of KDDI America, Inc.

(Non-Consolidated Statements of Changes in Net Assets)

1. Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2018	Increase during the fiscal year ended March 31, 2019	Decrease during the fiscal year ended March 31, 2019	As of March 31, 2019
Shares outstanding				
Common stock	2,587,213,525	–	55,209,080	2,532,004,445
Total	2,587,213,525	–	55,209,080	2,532,004,445
Treasury stock				
Common stock	181,809,302	55,039,325	55,894,854	180,953,773
Total	181,809,302	55,039,325	55,894,854	180,953,773

(The reason of the above changes)

1. The decrease of 55,209,080 shares in the number of common stocks outstanding is due to the retirement of treasury stock (retirement date: May 16, 2018).
2. The increase of 55,039,325 shares in the number of common stocks in treasury stock is due to a share buyback of 55,039,300 shares based on a resolution at the Board of Directors meeting dated May 10, 2018, and purchases of shares less than one unit of 25 shares.
3. The decrease of 55,894,854 shares in the number of common stocks in treasury stock is due to the retirement of 55,209,080 shares of treasury stock (retirement date: May 16, 2018) and the issuance, etc. of 685,774 shares to the executive compensation BIP trust and a stock-granting ESOP trust.
4. Included in the number of common stocks in treasury stock displayed above are 4,322,928 shares held by the executive compensation BIP trust and a stock-granting ESOP trust.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 20, 2018 Annual shareholders meeting	Common stock	¥108,318 million	¥45	March 31, 2018	June 21, 2018
November 1, 2018 Meeting of the Board of Directors	Common stock	¥119,841 million	¥50	September 30, 2018	December 3, 2018
Total		¥228,159 million			

Notes 1: The total amount of dividends decided by the Annual shareholders meeting on June 20, 2018 includes a dividend of ¥75 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

2: The total amount of dividends decided by the Board of Directors meeting on November 1, 2018 includes a dividend of ¥216 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

As a proposal of the annual shareholders meeting to be held on June 19, 2019, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends	¥129,546 million
2) Dividends per share	¥55
3) Record date	March 31, 2019
4) Effective date	June 20, 2019

Notes 1: The dividends shall be paid from retained earnings.

2: The total amount of dividends includes a dividend of ¥238 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

(Unit: Millions of yen)

Deferred tax assets:	Provision for bonuses	5,814
	Excess amount of allowance for doubtful accounts, etc.	7,117
	Provision for point service program	17,223
	Denial of accrued expenses	3,132
	Excess amount of depreciation and amortization	35,980
	Denial of loss on retirement of noncurrent assets	2,040
	Denial of loss on valuation of inventories	3,000
	Accrued enterprise taxes	5,770
	Denial of impairment loss	19,463
	Denial of advances received	3,693
	Loss on valuation of investment securities	169
	Loss on valuation of stocks of subsidiaries and affiliates	16,210
	Other	1,423
Total deferred tax assets		121,034
Deferred tax liabilities:	Provision for retirement benefits	(6,416)
	Reserve for special depreciation	(267)
	Valuation difference on available-for-sale securities	(6,560)
	Gain on exchange from business combination	(1,455)
	Other	(298)
Total deferred tax liabilities		(14,995)
Net deferred tax assets		106,039

(Financial Instruments)

1. Status of financial instruments

(1) Policy relating to financial instruments

In light of plans for capital investments primarily for conducting telecommunications business, the Company raises the funds it requires through bank loans and bonds issuance. The Company manages temporary fund surpluses through financial assets that have high levels of safety. Further, the Company raises short-term working capital through bank loans. Regarding derivatives policy, the Company adheres to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.

(2) Details of financial instruments, associated risk, and risk management system

Trade receivables such as accounts receivable-trade and accounts receivable-other are exposed to credit risk in relation to customers and trading partners. For such risk, the Company has established a system that manages the due dates and balances of each customer and trading partner as well as conducts analysis of their credit status, based on the Company's criteria for managing credit exposure.

The Company is exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the shares of companies with which the Company has operational relationships, and periodic analysis of market values is reported to the Board of Directors.

Almost all trade payables such as accounts payable-trade, accounts payable-other, accrued expenses and income taxes payable have payment due dates within one year. Current liabilities such as those trade payables are exposed to liquidity risk at the time of settlement. However, the Company reduces that risk by reviewing fund-raising plans every month.

Among loans payable, short-term loans payable are primarily for fund raising related to sales transactions, and long-term loans payable are primarily for fund raising related to capital investments and other investments and financing. Moreover, except for fund raising related to sales transactions, the Group procures funds as long-term loans payable (with fixed interest rates) and manages this debt by preparing and updating financing plans on a timely basis.

(3) Supplementary explanation of items relating to the market value of financial instruments

The market values of financial instruments include prices based on market prices, or reasonably estimated prices if there are no market prices. Since the calculation of market values involves fluctuating factors, these values are subject to change when different assumptions are used.

2. Market value of financial instruments

Amounts recognized in the non-consolidated balance sheet, market values, and the differences between them as of March 31, 2019 are as shown below.

Items for which it is extremely difficult to determine market values are not included in the following table (see Note 2).

(Unit: Millions of yen)

	Book value	Market value	Difference
1) Cash and deposits	71,241	71,241	–
2) Accounts receivable-trade	1,533,404		
Allowance for doubtful accounts *1	(13,123)		
	1,520,281	1,520,281	–
3) Accounts receivable-other	73,562	73,562	–
4) Investment securities			
Available-for-sale securities	75,259	75,259	–
5) Short-term loans receivable from subsidiaries and affiliates *2	165,728	165,728	–
6) Stocks of subsidiaries and affiliates	89,399	145,649	56,250
7) Long-term loans receivable from subsidiaries and affiliates *3	198,298	198,383	84
Total assets	2,193,769	2,250,103	56,335
8) Accounts payable-trade	99,874	99,874	–
9) Short-term loans payable	221,165	221,165	–
10) Accounts payable-other	367,109	367,109	–
11) Income taxes payable	110,313	110,313	–
12) Deposits received	67,833	67,833	–
13) Bonds payable *4	280,000	283,602	3,602
14) Long-term loans payable *4	423,000	424,707	1,707
Total liabilities	1,569,294	1,574,603	5,309

*1. Allowance for doubtful accounts relating to 2) Accounts receivable-trade is deducted.

*2. This excludes the current portion of long-term loans receivable from subsidiaries and affiliates under noncurrent assets.

*3. This includes the current portion of long-term loans receivable from subsidiaries and affiliates under noncurrent assets.

*4. This includes the current portion of bonds payable and long-term loans payable under noncurrent liabilities.

Note 1: Method for calculation of the market value of financial instruments, and notes to securities

1) Cash and deposits, 2) Accounts receivable-trade, 3) Accounts receivable-other, and 5) Short-term loans receivable from subsidiaries and affiliates

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the book values are used. Further, because the credit risk is extremely difficult to determine on an individual basis for accounts receivable-trade, allowance for doubtful accounts is regarded as credit risk and the market value is calculated accordingly.

4) Investment securities and 6) Stocks of subsidiaries and affiliates

With respect to the market values, the market prices at the stock exchanges are used.

7) Long-term loans receivable from subsidiaries and affiliates

The market value of long-term loans receivable from subsidiaries and affiliates is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest.

8) Accounts payable-trade, 9) Short-term loans payable, 10) Accounts payable-other, 11) Income taxes payable, and 12) Deposits received

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the book values are used.

13) Bonds payable, and 14) Long-term loans payable

The market values of bonds payable are calculated based on a market price. The market value of long-term loans payable is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest. However, long-term loans payable with variable interest rates are based on the condition that interest rates are revised periodically and their market values are almost the same as their book values; therefore, the book values are used.

Note 2: Financial instruments of which it is extremely difficult to determine market value

(Unit: Millions of yen)

	Book value
Investment securities Unlisted equity securities	34,802
Stocks of subsidiaries and affiliates Unlisted equity securities*	960,479
Investments in capital of subsidiaries and affiliates	5,742

Because their market values are not available and extremely difficult to determine, they are not included in the above table.

(Equity in net income (losses) of affiliates and others)

Amount of investments in affiliates	¥125,899 million
Amount of investments in affiliates based on equity method	¥174,000 million
Amount of equity in net income of affiliates based on equity method	¥4,780 million

Note: Amount of investments in affiliates based on equity method and amount of equity in net income of affiliates based on equity method have been prepared in accordance with IFRS pursuant to the provisions of Article 120 of the Ordinance on Accounting of Companies.

(Transactions with Related Parties)

Subsidiaries and affiliates, etc.

(Unit: Millions of yen)

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	KDDI FINANCIAL SERVICE CORPORATION	Minato-ku, Tokyo	5,245	Credit card business, settlement agency business	Possession Direct 90.0 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2019
Financial support Sharing of concurrent positions by board members	Lending of funds (Note)	27,039	Long-term loans receivable from subsidiaries and associates	48,400
			Short-term loans receivable from subsidiaries and associates	99,402
	Receipt of interests	266	Accounts receivable-other	2

(Unit: Millions of yen)

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Affiliate	UQ Communications Inc.	Minato-ku, Tokyo	71,425	Wireless broadband services	Possession Direct 32.3 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2019
Financial support Sharing of concurrent positions by board members	Lending of funds (Note)	(9,375)	Long-term loans receivable from subsidiaries and associates	75,000
			Short-term loans receivable from subsidiaries and associates	25,540
	Receipt of interests	394	Accounts receivable-other	64

Terms and conditions of transactions, and policies on such terms and conditions

Note: Borrowing periods are set to match the characteristics of the demand for funds, and interest rates are set in a rational manner taking into account market interest rates on borrowings for the corresponding period. As these transactions are performed in the interest of efficient funding within the group, no collateral is provided or received. The amount shown for the amount of lending of funds is the amount of change since April 1, 2018.

(Per Share Information)

1. Net assets per share ¥1,576.69
2. Net income per share ¥211.90

Note: In the calculation of per share information, 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 average number of common stocks outstanding during the year.
For the fiscal year under review, the number of common stocks outstanding at the end of the year and average number of common stocks outstanding during the year owned by the trusts is 4,322,928 shares and 3,031,468 shares.

(Significant 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.

(i) 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 ¥25.0 billion. Due to the limited time between the acquisition date and the approval date of the consolidated financial statements 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.

(ii) 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 common stocks of and subscription rights to kabu.com Securities on April 25, 2019.
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 change	Mitsubishi UFJ Securities Holdings Co., Ltd. LDF LLC	51.00% 49.00%

(Company to Which Consolidated Dividend Regulations Apply)

The Company is subject to “Company to Which Consolidated Dividend Regulations Apply.”

Note: Amounts are rounded to the nearest million yen.