

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 36TH  
ANNUAL SHAREHOLDERS MEETING

KDDI Corporation

## TABLE OF CONTENTS

### NOTICE OF ANNUAL SHAREHOLDERS MEETING

-A collection of detailed information regarding the shareholders meeting

NOTICE OF THE 36TH ANNUAL SHAREHOLDERS MEETING.....	3
Guide to the Exercise of Voting Rights in Case of Absence .....	5

### Reference Documents for the Shareholders Meeting

- Matters to be resolved at the shareholders meeting	
Proposal 1: Appropriation of Surplus.....	7
Proposal 2: Election of Fourteen (14) Directors.....	9
Proposal 3: Election of Four (4) Audit & Supervisory Board Members.....	18
(Reference) Message from an Outside Director .....	20
(Reference) Information on the Guiding Principles of the Corporate Governance Code .....	21

(Attached Documents)

### BUSINESS REPORT

- An overview of initiatives for the current period

1. Current Status of the Corporate Group .....	27
2. Shares.....	40
3. Directors and Audit & Supervisory Board Members.....	41
4. Accounting Auditor .....	46

### Consolidated Financial Statements

Consolidated Statement of Financial Position ...	47
Consolidated Statement of Income .....	48
Consolidated Statement of Changes in Equity... (Reference) Consolidated Statement of Cash Flows (Summary) .....	49
	51

### Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets.....	52
Non-Consolidated Statements of Income .....	54
Non-Consolidated Statements of Changes in Net Equity.....	56

### Audit Report

Independent Auditor's Report (Consolidated).....	58
Independent Auditor's Report (Non-Consolidated) .....	60
Audit & Supervisory Board's Report .....	62

“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/20200617/>



“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**

**Together with our partners, we will create new value in the 5G era, aiming to grow sustainably with 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 36th Annual Shareholders Meeting.

We would also like to offer our deepest condolences to the families of those who have lost their lives due to the novel coronavirus disease (COVID-19), and our sympathy to those who are ill as well as those who are having difficult times due to all of the uncertainties. In addition, we would like to offer our deepest thanks to everyone who is working to prevent the spread of infection.

The Company's 36th fiscal year (fiscal 2019) was the first year of the medium-term management plan. Accordingly, we have been working to further advance the core business strategy, "the integration of telecommunications and life design," by further expanding our growth businesses, centered on telecommunication services.

In our earnings for the 36th fiscal year, the operating income achieved the initial forecast of ¥1,020 billion, while the dividend payout ratio surpassed 40%.

The constant support of all our shareholders made this possible, and I would like to express my deep appreciation for this.

Since our inception, we have promoted the KDDI Group Mission Statement of contributing to the development of a bountiful communications-oriented society. Moreover, as a telecommunications operator that provides vital life lines, our mission is to strive to maintain robust and high quality communications. Under our slogan, "Always connecting more. au," we aim to provide telecommunication services that people can rely on to keep them connected at any time.

In March this year, we also started providing our 5G mobile communication service, "au 5G." We will work with partners in various industries to provide new value and create businesses that have been made possible in the 5G era.

In an era where telecommunications have become integral to daily life, KDDI's mission of being a "connector" will become increasingly important in addressing all manner of social issues, including response to increasingly severe large-scale disasters, increasing the resilience of telecommunications infrastructure, and sustainable development of regions and cities. The Company is determined to continue tackling various social issues through its businesses, and has newly established "KDDI Sustainable Action" as a KDDI's SDGs for 2030. Harnessing the power of 5G and the IoT, we will contribute to the sustainable growth of society by connecting lives, lifestyles and hearts.

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

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 36TH ANNUAL SHAREHOLDERS MEETING**

You are cordially notified of the 36th Annual Shareholders Meeting of KDDI Corporation (“the Company”) to be held as stated below.

Recently, a situation has been reached where the Japanese government and each prefectural government has strongly requested that people refrain from going out in order to prevent the spread of the novel coronavirus disease (COVID-19). The Company has carefully examined this situation and as a result, the Company will hold this Annual Shareholders Meeting upon implementing appropriate measures to prevent the spread of COVID-19.

In consideration of this situation where people are strongly being requested to not go out, the Company is strongly asking shareholders to exercise their voting rights by mail or via the Internet to the best of their ability and refrain from attending on the day of the Shareholders Meeting regardless of physical condition from the perspective of preventing the spread of COVID-19. Please exercise your voting rights **no later than 5:30 p.m. on Tuesday, June 16, 2020 (JST)**, after reviewing the attached Reference Documents for the Shareholders Meeting.

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 16, 2020.

By exercising voting rights via the Internet

Please read the detailed instructions on page 6 and input your approval or disapproval for each proposal by 5:30 p.m. on Tuesday, June 16, 2020.

**1. Date and Time:** Wednesday, June 17, 2020, 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 36th fiscal year from April 1, 2019 to March 31, 2020 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditors and the Audit & Supervisory Board
  2. Non-Consolidated Financial Statements for the 36th fiscal year from April 1, 2019 to March 31, 2020

**Matters to be resolved:**

- Proposal 1:** Appropriation of Surplus  
**Proposal 2:** Election of Fourteen (14) Directors  
**Proposal 3:** Election of Four (4) Audit & Supervisory Board Members

**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.

- 
- This year, there will be far less seating available relative to previous years due to greater distancing between seats to help prevent the spread of the novel coronavirus disease (COVID-19). As a result, some shareholders may be denied entry upon arriving at the meeting venue on the specified date. We appreciate your understanding in this regard.
  - We ask that shareholders give careful consideration to the prospect of attending the Shareholders Meeting upon having read the attached “Request Concerning Attendance of KDDI Corporation’s Shareholders Meeting amid the Novel Coronavirus Risk Environment.”
  - 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 36th 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/20200617/>)

“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 7 through 26.

### 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 16, 2020

#### < 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 “贊”

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

##### Proposals 2 and 3

If you approve all candidates: Mark a  in the box marked “贊”

If you disapprove all candidates: Mark a  in the box marked “否”

If you selectively veto certain candidates: Mark a  in the box marked “贊” 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 16, 2020

### 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 16, 2020 (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 (fiscal 2019 - 2021), while considering investment for sustainable growth, the Company has intended to maintain a consolidated payout ratio of more than 40%.

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 ..... ¥60.00

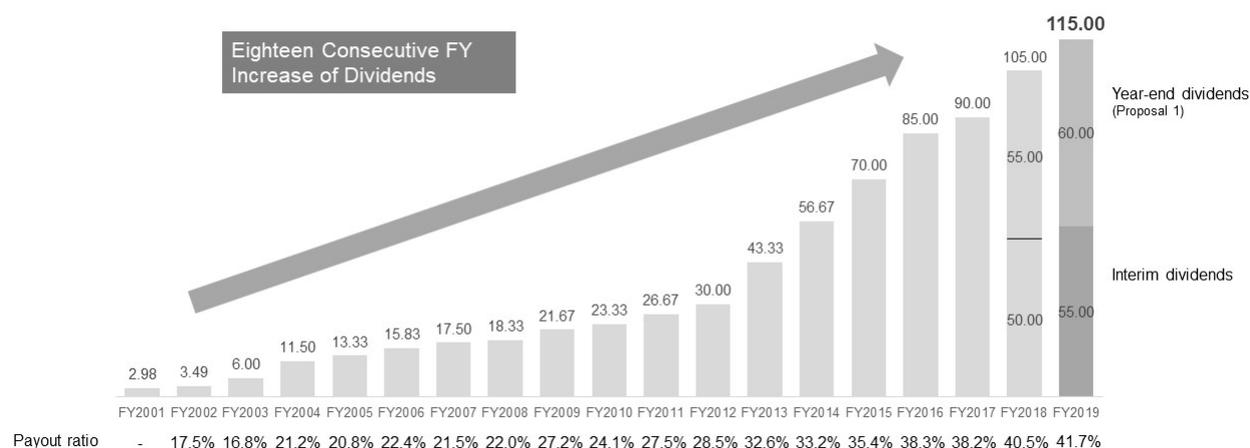
Total dividends ..... ¥138,250,773,000

(3) Effective date of dividends of surplus

June 18, 2020

(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 36th 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	Attendance of Board of Directors' meetings	Gender	Main duties
1	Takashi Tanaka <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Internal Executive	●	●	12/12 (100%)	Male	Chairman of Board of Directors
2	Makoto Takahashi <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Internal Executive	●	●	12/12 (100%)	Male	President, Representative Director
3	Takashi Shoji <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Internal Executive			12/12 (100%)	Male	Executive Director, Personal Business Sector
4	Shinichi Muramoto <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Internal Executive			12/12 (100%)	Male	Executive Director, Corporate Sector
5	Keiichi Mori <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Internal Executive			12/12 (100%)	Male	Executive Director, Solution Business Sector
6	Kei Morita <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Internal Executive			12/12 (100%)	Male	General Manager, Business & Services Development Division
7	Toshitake Amamiya <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	Internal Executive			10/10 (100%)	Male	General Manager, Personal Business Planning Division
8	Hirokuni Takeyama <span style="border: 1px solid black; padding: 0 2px;">New Appointment</span>	Internal Executive			–	Male	General Manager, Consumer Sales Division
9	Kazuyuki Yoshimura <span style="border: 1px solid black; padding: 0 2px;">New Appointment</span>	Internal Executive			–	Male	Executive Director, Technology Sector
Candidates for Outside Director			Nomination Advisory Committee	Remuneration Advisory Committee	Attendance of Board of Directors' meetings	Gender	Term of office as Director (at the conclusion of this Annual Shareholders Meeting)
10	Goro Yamaguchi <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	<span style="border: 1px solid black; padding: 0 2px;">Outside</span>	●	● (Chairman)	12/12 (100%)	Male	3 years
11	Keiji Yamamoto <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	<span style="border: 1px solid black; padding: 0 2px;">Outside</span>	● (Chairman)	●	10/10 (100%)	Male	1 year
12	Shigeo Ohyagi <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	<span style="border: 1px solid black; padding: 0 2px;">Outside Independent</span>	●	●	12/12 (100%)	Male	2 years
13	Riyo Kano <span style="border: 1px solid black; padding: 0 2px;">Reappointment</span>	<span style="border: 1px solid black; padding: 0 2px;">Outside Independent</span>	●	●	10/10 (100%)	Female	1 year
14	Shigeki Goto <span style="border: 1px solid black; padding: 0 2px;">New Appointment</span>	<span style="border: 1px solid black; padding: 0 2px;">Outside Independent</span>	●	●	–	Male	–

- 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, Keiji Yamamoto, Shigeo Ohyagi and Riyo Kano 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 Shigeki Goto.
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 (vii) of the Regulation for Enforcement of the Companies Act.

(Reference)

Policy regarding the diversity and expertise of the Board of Directors

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.

The Nomination Advisory Committee has determined the specializations and backgrounds for outside directors, which are important for the Company’s Board of Directors, to be “presidential experience in a listed company (management know-how, etc.),” “expertise in the field of information and communications (core business support),” and “expertise in law, accounting, and administration (compliance, etc.).” Having Directors and Audit & Supervisory Board Members who possess these attributes, will promote well-balanced supervision and advice for management.

If proposals 2 and 3 of this Annual Shareholders Meeting are approved as proposed, the expertise of the Company’s Outside Directors will be as follows.

Name (Major background)	Position in the Company	Experience as president of a listed company	Expertise in the information and communications field	Expertise in law, accounting, and administration
Goro Yamaguchi (KYOCERA Corporation)	Outside Director	●		
Keiji Yamamoto (TOYOTA MOTOR CORPORATION)	Outside Director		●	
Shigeo Ohyagi (TEIJIN LIMITED)	Outside Director	●		
Riyo Kano (Attorney at law)	Outside Director			●
Shigeki Goto (Waseda University)	Outside Director		●	
Shin Honto (Ministry of Land, Infrastructure, Transport and Tourism)	Outside Audit & Supervisory Board Member			●
Toshihiko Matsumiya (Certified Public Accountant)	Outside Audit & Supervisory Board Member			●
Jun Karube (Toyota Tsusho Corporation)	Outside Audit & Supervisory Board Member	●		
Total	 Outside Director  Outside Audit & Supervisory Board Member	  	 	  

Candidate No. 1	<b>Takashi Tanaka</b>	Date of birth February 26, 1957	Number of the Company's shares held (Number of potential shares) 62,500 (27,962)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>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.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>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)</p> <p><b>Special Interests</b></p> <p>There are no special interests between Takashi Tanaka and the Company.</p>		
Candidate No. 2	<b>Makoto Takahashi</b>	Date of birth October 24, 1961	Number of the Company's shares held (Number of potential shares) 30,100 (26,499)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Makoto Takahashi has abundant experience in leading the development of new businesses and services linked to the Company's present business operations through cooperation with various industries and M&amp;A. Since April 2018 he has served as President and Representative Director, formulated the medium-term management plan (FY2019-FY2021), and demonstrated strong leadership as a driving force for sustainable growth of the Group. For these reasons, he has again been selected as a candidate for Director.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>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)</p> <p><b>Special Interests</b></p> <p>There are no special interests between Makoto Takahashi and the Company.</p>		
Candidate No. 3	<b>Takashi Shoji</b>	Date of birth September 26, 1958	Number of the Company's shares held (Number of potential shares) 12,400 (13,047)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Takashi Shoji has undertaken important responsibilities of integrating telecommunications with the life design domain and promoting the sustainable growth of the Group as the senior executive in charge of domestic and global telecommunications business for individual customers since October 2019, and he possesses the superior knowledge those responsibilities require. For these reasons, he has again been selected as a candidate for Director.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>October 2010: Executive Officer  April 2014: Managing Executive Officer  June 2016: Managing Executive Officer, Director  June 2018: Senior Managing Executive Officer, Director (Current position)  October 2019: Executive Director, Personal Business and Global Consumer Business Sector (Current position)</p> <p><b>Special Interests</b></p> <p>There are no special interests between Takashi Shoji and the Company.</p>		

Candidate No. 4	<b>Shinichi Muramoto</b>	Date of birth March 2, 1960	Number of the Company's shares held (Number of potential shares) 10,200 (12,652)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>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 finance and human resources, 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.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>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)</p> <p><b>Special Interests</b></p> <p>There are no special interests between Shinichi Muramoto and the Company.</p>		
Candidate No. 5	<b>Keiichi Mori</b>	Date of birth February 2, 1960	Number of the Company's shares held (Number of potential shares) 13,500 (8,787)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>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 is the officer in charge of the Business Services segment identified in the medium-term management plan as a growth field, and has the superior knowledge in operation of the overall business for domestic and global corporate customers. For these reasons, he has again been selected as a candidate for Director.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>October 2014: Executive Officer  April 2017: Managing Executive Officer  June 2017: Managing Executive Officer, Director  April 2019: Executive Director, Solution Business Sector (Current position)  June 2019: Senior Managing Executive Officer, Director (Current position)</p> <p><b>Special Interests</b></p> <p>There are no special interests between Keiichi Mori and the Company.</p>		
Candidate No. 6	<b>Kei Morita</b>	Date of birth November 15, 1961	Number of the Company's shares held (Number of potential shares) 12,700 (9,510)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Kei Morita has abundant experience in operating divisions and corporate strategy planning divisions. He is the officer in charge of the life design domain identified in the medium-term management plan as a growth field, and has the superior knowledge required for the promotion of business expansion. For these reasons, he has again been selected as a candidate for Director.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>April 2015: Executive Officer  April 2018: Managing Executive Officer  June 2018: Managing Executive Officer, Director (Current position)  April 2020: General Manager, Business &amp; Services Development Division (Current position)</p> <p><b>Special Interests</b></p> <p>There are no special interests between Kei Morita and the Company.</p>		

Candidate No. 7	<b>Toshitake Amamiya</b>	Date of birth June 26, 1960	Number of the Company's shares held (Number of potential shares) 38,000 (0)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Toshitake Amamiya has abundant experience in promoting the development of new businesses connected to the current life design domain and in the Global Business. Since April 2020, serving as General Manager of the Personal Business Planning Division, he has promoted sustainable growth in the Company's telecommunications business for individual customers. For these reasons, he has again been selected as a candidate for Director.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>April 2012: Executive Officer  April 2019: Managing Executive Officer  June 2019: Managing Executive Officer, Director (Current position)  April 2020: General Manager, Personal Business Planning Division (Current position)</p> <p><b>Special Interests</b></p> <p>There are no special interests between Toshitake Amamiya and the Company.</p>		
Candidate No. 8	<b>Hirokuni Takeyama</b>	Date of birth November 1, 1961	Number of the Company's shares held (Number of potential shares) 9,400 (7,845)
New appointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Hirokuni Takeyama has abundant experience in the Company's domestic telecommunications business for individual customers. He has the knowledge required to promote a variety of sales strategies for the sustainable growth of the domestic telecommunications business, which is the Company's core business. For these reasons he has been selected as a candidate for Director.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>April 2011: Deputy General Manager, Consumer Sales Division  April 2013: Administrative Officer  June 2015: Seconded to Chubu Telecommunications Co., Inc. (President, Representative Director)  April 2016: Executive Officer  April 2018: Managing Executive Officer (Current position), General Manager, Consumer Sales Division  April 2020: General Manager, Consumer Sales Division (Current position)</p> <p><b>Special Interests</b></p> <p>There are no special interests between Hirokuni Takeyama and the Company.</p>		
Candidate No. 9	<b>Kazuyuki Yoshimura</b>	Date of birth April 19, 1965	Number of the Company's shares held (Number of potential shares) 1,300 (0)
New appointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Kazuyuki Yoshimura has abundant experience in all areas of technology. He has the knowledge required for stable operation of the telecommunications business and sophistication of networks, such as through the experience in construction and operation of networks, which are the foundation of the telecommunications business, as well as in steady implementation of various other operations related to technology. For these reasons, he has been selected as a candidate for Director.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>April 2014: Deputy General Manager, Platform Development Division  April 2018: Deputy General Manager, Information Systems Division  April 2019: Administrative Officer, General Manager, Operations Division  April 2020: Executive Officer (Current position), Executive Director, Technology Sector (Current position)</p> <p><b>Special Interests</b></p> <p>There are no special interests between Kazuyuki Yoshimura and the Company.</p>		

Candidate No. <b>10</b>	<b>Goro Yamaguchi</b>	Date of birth January 21, 1956	Number of the Company's shares held (Number of potential shares) 7,200 (-)	Years served as Director 3	Board of Directors' meetings attended 12 of 12 meetings (100%)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>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.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>June 2009: Director and Managing Executive Officer of KYOCERA Corporation</p> <p>April 2013: President and Representative Director, President and Executive Officer of KYOCERA Corporation</p> <p>April 2017: Chairman of the Board and Representative Director of KYOCERA Corporation (Current position)</p> <p>June 2017: Outside Director (Current position)</p> <p><b>Special Interests</b></p> <p>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.</p>				
Outside Director					
Candidate No. <b>11</b>	<b>Keiji Yamamoto</b>	Date of birth March 28, 1961	Number of the Company's shares held (Number of potential shares) 200 (-)	Years served as Director 1	Board of Directors' meetings attended 10 of 10 meetings (100%)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Keiji Yamamoto has excellent knowledge cultivated in IT development and electronics engineering divisions and abundant corporate management experience as a corporate manager at the one of the world's leading automobile manufacturers. The Company has received a large number of broad opinions on promoting 5G/IoT strategy, etc. 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.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>April 2016: Executive General Manager of TOYOTA MOTOR CORPORATION</p> <p>April 2017: Managing Officer, Executive Vice President, Connected Company of TOYOTA MOTOR CORPORATION</p> <p>June 2019: Outside Director (Current position)</p> <p>July 2019: Operating Officer, President, Connected Company of TOYOTA MOTOR CORPORATION (Current position)</p> <p><b>Special Interests</b></p> <p>Keiji Yamamoto is 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.</p>				
Outside Director					

Candidate No. <b>12</b>	<b>Shigeo Ohyagi</b>	Date of birth May 17, 1947	Number of the Company's shares held (Number of potential shares) 2,000 (-)	Years served as Director 2	Board of Directors' meetings attended 12 of 12 meetings (100%)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>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 life design domain that the Company is promoting, global strategy and M&amp;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 again been nominated as Independent Director.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>June 2005: Executive Officer, Member of the Board of TEIJIN LIMITED</p> <p>June 2006: Senior Executive Officer, Member of the Board of TEIJIN LIMITED</p> <p>June 2008: President and CEO, Representative Director of the Board of TEIJIN LIMITED</p> <p>April 2014: Chairman, Member of the Board of TEIJIN LIMITED</p> <p>June 2014: Outside Audit &amp; Supervisory Board Member of JFE Holdings, Inc. (Current position)</p> <p>April 2018: Senior Advisor, Member of the Board of TEIJIN LIMITED</p> <p>June 2018: Senior Advisor of TEIJIN LIMITED (Current position) Outside Director (Current position) Member of the Board of Directors (Outside), Member of the Audit &amp; Supervisory Committee of MUFG Bank, Ltd. (Current position)</p> <p><b>Special Interests</b></p> <p>Shigeo Ohyagi is a Senior Advisor of TEIJIN LIMITED, which has business transactions with the Company, but these transactions account for less than 1% of operating revenues for both parties. Therefore, these transactions would not affect his independence as an Outside Director.</p>				
Outside Director					
Independent Director					
Candidate No. <b>13</b>	<b>Riyo Kano</b>	Date of birth May 11, 1966	Number of the Company's shares held (Number of potential shares) 200 (-)	Years served as Director 1	Board of Directors' meetings attended 10 of 10 meetings (100%)
Reappointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Riyo Kano has abundant experience and superior knowledge, cultivated as the partner at a law firm and a committee member of government committees. On the Board of Directors, the Company has received a large number of technical opinions related to legal risk management from a medium- to long-term perspective independent of the management team, and has determined that she can contribute to improving the corporate value of the Company, and for these reasons she 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 she has again been nominated as Independent Director.</p> <p><b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b></p> <p>April 1993: Registered as attorney at law</p> <p>January 2005: Partner, Tanabe &amp; Partners (Current position)</p> <p>August 2014: Member of Commission on Policy for Persons with Disabilities of Cabinet Office (Current position)</p> <p>June 2015: Outside Director of The Yamanashi Chuo Bank, Ltd. (Current position)</p> <p>February 2017: Member of Examination Committee for Relief Assistance of Ministry of Health, Labour and Welfare (Current position)</p> <p>June 2019: Outside Director (Current position)</p> <p><b>Special Interests</b></p> <p>Riyo Kano is a Partner of Tanabe &amp; Partners, which has business transactions with the Company (it provides the Company with a whistleblower contact service), but these transactions account for less than 1% of operating revenues for both parties. Therefore, these transactions would not affect her independence as an Outside Director.</p>				
Outside Director					
Independent Director					

Candidate No. <b>14</b>	<b>Shigeki Goto</b>	Date of birth December 20, 1948	Number of the Company's shares held (Number of potential shares) 1,800 (-)
New appointment	<b>Reason for nominating the candidate for Director</b>		
Outside Director	Shigeki Goto has superior knowledge in telecommunications and network engineering, and information processing, which are directly relevant to the business of the Company, as well as in the field of cybersecurity that is crucial for its business operation. The Company has determined that he can contribute to improving the corporate value of the Company by giving technical opinions related to the management policy as a telecommunications operator that provides social infrastructure, from a medium- to long-term perspective independent of the management team, and for these reasons he 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 he is scheduled to be nominated as Independent Director.		
Independent Director	<b>Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions</b>		
	April 1996: Professor, Department of Computer Science and Engineering, School of Science and Engineering of Waseda University		
	March 1997: Trustee of JNIC (Currently Japan Network Information Center (JPNIC)) (Current position)		
	March 2002: Member of Information and Communications Council of Ministry of Internal Affairs and Communications		
	February 2005: Guest Professor (Organization for Science Network Operations and Coordination) of National Institute of Informatics		
	January 2009: Deputy General Manager, Media Network Center of Waseda University		
	April 2015: Chairman, Research and Development Strategy Special Committee, Cybersecurity Strategic Headquarters of Cabinet Secretariat		
	April 2019: Professor Emeritus of Waseda University (Current position)		
	<b>Special Interests</b>		
	There are no special interests between Shigeki Goto and the Company.		

Note: The number of Company's shares held by each candidate is the number as of March 31, 2020. 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, 2020.

### Proposal 3: Election of Four (4) Audit & Supervisory Board Members

Excluding Audit & Supervisory Board Member Yasuhide Yamamoto (whose term of office will expire at the end of the 38th Annual Shareholders Meeting) the terms of office of Audit & Supervisory Board Members Koichi Ishizu, Akira Yamashita, Kakuji Takano and Nobuaki Katoh will expire at the end of this Annual Shareholders Meeting, and we therefore propose that Four (4) Audit & Supervisory Board Members be elected. Moreover, when selecting candidates for Audit & Supervisory Board Members, our benchmark is a person who has the ability and the knowledge to conduct audits appropriately and independently of Directors. The approval of the Audit & Supervisory Board to submit this resolution has already been obtained.

The candidates for Audit & Supervisory Board Members are as follows.

Candidate No. <b>1</b>	<b>Kenichiro Takagi</b>	Date of birth May 12, 1959	Number of the Company's shares held (Number of potential shares) 26,800 (7,927)
New appointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Kenichiro Takagi has abundant experience and knowledge in areas such as business planning and corporate management, and also has a corporate management experience as CEO of AEON Holdings Corporation of Japan since 2018. From the perspective of leveraging this experience and knowledge to monitor general management and to engage in appropriate audit activities, he has been selected as a candidate for Audit &amp; Supervisory Board Member. Moreover, Kenichiro Takagi is scheduled to be nominated as a full-time Audit &amp; Supervisory Board Member.</p> <p><b>Summary of Career, Position in the Company and Important Concurrent Positions</b></p> <p>October 2010: Administrative Officer, General Manager, Corporate Management Division            April 2013: General Manager, Consumer Business Strategy Division            April 2015: Executive Officer            January 2018: Seconded to AEON Holdings Corporation of Japan (CEO)            April 2020: Advisor of AEON Holdings Corporation of Japan (Current position)</p>		
Candidate No. <b>2</b>	<b>Shin Honto</b>	Date of birth September 24, 1958	Number of the Company's shares held (Number of potential shares) 0 (-)
New appointment	<p><b>Reason for nominating the candidate for Director</b></p> <p>Shin Honto has abundant experience and knowledge cultivated from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. From the perspective of leveraging this experience and knowledge to monitor general management and to engage in appropriate audit activities, he has been selected as a candidate for Audit &amp; Supervisory Board Member. Moreover, Shin Honto is scheduled to be nominated as a full-time Audit &amp; Supervisory Board Member. Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he is scheduled to be nominated as Independent Auditor.</p> <p><b>Summary of Career, Position in the Company and Important Concurrent Positions</b></p> <p>July 2014: Director-General, National and Regional Policy Bureau of Ministry of Land, Infrastructure, Transport and Tourism            October 2016: Vice Chairman of The Real Estate Transaction Promotion Center (Current position)</p>		
Outside Audit & Supervisory Board Member			
Independent Auditor			

Candidate No.		Date of birth	Number of the Company's shares held (Number of potential shares)
3	<b>Toshihiko Matsumiya</b>	October 3, 1947	0 (-)
New appointment	<b>Reason for nominating the candidate for Director</b>		
Outside Audit & Supervisory Board Member	Toshihiko Matsumiya has abundant experience and knowledge as a Certified Public Accountant, as the partner of an audit corporation, as the representative of an accountancy firm and as an Audit & Supervisory Board Member, etc. for other companies. From the perspective of leveraging this primarily accounting-related experience and knowledge to monitor general management and to engage in appropriate audit activities, he has been selected as a candidate for Audit & Supervisory Board Member.		
Independent Auditor	Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he is scheduled to be nominated as Independent Auditor.		
	<b>Summary of Career, Position in the Company and Important Concurrent Positions</b>		
	July 1991 Partner of Tohmatsu & Co. (Currently Deloitte Touche Tohmatsu LLC)		
	October 2011: Established Toshihiko Matsumiya Certified Public Accountancy Office (Current position)		
	June 2012: Outside Audit & Supervisory Board Member of DAIICHI JITSUGYO CO., LTD. (Current position)		
	December 2012: Outside Audit & Supervisory Board Member of Mitsubishi Research Institute, Inc. (Current position)		
Candidate No.		Date of birth	Number of the Company's shares held (Number of potential shares)
4	<b>Jun Karube</b>	July 1, 1953	0 (-)
New appointment	<b>Reason for nominating the candidate for Director</b>		
Outside Audit & Supervisory Board Member	Jun Karube has abundant experience and knowledge cultivated as a representative director of a listed company. From the perspective of leveraging this experience and knowledge to monitor general management and to engage in appropriate audit activities, he has been selected as a candidate for Audit & Supervisory Board Member.		
Independent Auditor	Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he is scheduled to be nominated as Independent Auditor.		
	<b>Summary of Career, Position in the Company and Important Concurrent Positions</b>		
	June 2004: Director of Toyota Tsusho Corporation		
	April 2006: Executive Officer of Toyota Tsusho Corporation		
	June 2008: Managing Executive Officer of Toyota Tsusho Corporation		
	June 2011: President & CEO of Toyota Tsusho Corporation		
	April 2018: Chairman of the Board of Toyota Tsusho Corporation (Current position)		
	June 2019: Outside Audit & Supervisory Board Member, Sanyo Chemical Industries, Ltd. (Current position) Outside Director, Meiko Trans Co., Ltd. (Current position)		

Notes: 1. Shin Honto, Toshihiko Matsumiya and Jun Karube are candidates for Outside Audit & Supervisory Board Members. In addition, they are candidates for independent director/auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

2. (1) Shin Honto is Vice Chairman of The Real Estate Transaction Promotion Center which has business transactions with the Company, but these transactions account for less than 1% of operating revenues for both parties. Therefore, these transactions would not affect his independence as an Outside Audit & Supervisory Board Member.
- (2) Toshihiko Matsumiya is the Representative of Toshihiko Matsumiya Certified Public Accountancy Office which has business transactions with the Company, but these transactions account for less than 1% of operating revenues for both parties. Therefore, these transactions would not affect his independence as an Outside Audit & Supervisory Board Member.
- (3) Jun Karube is Chairman of the Board of the Board of Toyota Tsusho Corporation, but these transactions account for less than 1% of operating revenues for both parties. Therefore, these transactions would not affect his independence as an Outside Audit & Supervisory Board Member.
3. There are no special interests between the Company and the candidates other than those mentioned above.
4. The Company plans to enter into Limitation of Liability contracts with each Audit & Supervisory Board Member 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.
5. The number of Company's shares held by each candidate is the number as of March 31, 2020.  
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, 2020.

The Mission of KDDI in the 5G next-generation mobile communications system Era

Yoshiaki Nemoto, Independent Outside Director

In discussions within the Board of Directors and on formulating the medium-term management plan, I offered advice and exchanged opinions from the perspectives of what R&D and telecommunications services should be, drawing on my knowledge and experience in the fields of telecommunications, network engineering, and information processing. Based on the content of these discussions, I would like to describe to shareholders the mission of KDDI in the 5G era.

From March of this year, KDDI and other mobile telecommunications carriers launched commercial 5G services. A product of innovative technology, 5G carries the potential to greatly change people's lives.

The 5G era will not only improve the "volume" of service, such as telecommunication speed and transmission capacity, it will also improve people's lives and society through telecommunications services. Stated differently, I believe that the era will become one that enhances the "quality" of services. Within KDDI's vision for itself is the expression "Be a company that continues to produce excitement." This is what will truly connect to our aim of improving "quality" of service.

To achieve the diverse forms of "quality" demanded by customers, it is important to continue offering optimal services to customers by leveraging technologies such as AI and the IoT. KDDI has the technical background and the extensive business experience that are the foundation for doing so. "Society 5.0," advocated by the government as a vision for the future society that Japan should aim to, is an initiative that will cause the evolution of the information revolution and further, will change society by using of that information. I believe that the role of KDDI in future economic development and in resolving societal issues will grow in importance.

Despite the remarkable progress in ICT this era is also a harsh one marked by difficulties such as increasingly severe natural disasters. It is my hope that KDDI will further hone itself amid the competitive environment, will continue with creative measures and unceasing efforts that make stakeholders take note, and will contribute to the sustainable development of society.

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

### **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).	
<a href="https://www.kddi.com/english/corporate/kddi/philosophy/">https://www.kddi.com/english/corporate/kddi/philosophy/</a>	



## **Policy and Procedure for the nomination of Director and Audit & Supervisory Board member candidates by the Board of Directors**

### **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: Keiji Yamamoto (Outside Director)

Vice Chairman: Goro Yamaguchi (Outside Director)

Members of the Committee: Yoshiaki Nemoto (Outside Director), Shigeo Ohyagi (Outside Director), Riyo Kano (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.

## 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.

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

### 1. Policy on decision of content of remunerations

The Company’s executive remuneration levels are decided through comparison with sector peer companies, or with other companies of the same scale, in Japan, and take into account factors that include the business environment of the Company. The appropriateness of the remuneration levels is also validated by the Remuneration Advisory Committee every year, with reference to objective survey data from an external specialized organization. The composition of remuneration is set according to the expected role and duties of each executive.

In its remuneration for directors involved in the execution of business, the Company has had a performance-linked stock-type incentive program since fiscal 2015 with the goal of enhancing directors’ motivation to contribute to improving medium- to long-term performance and corporate value.

Furthermore, the company also introduced a stock price-linked bonus, with the goal of enhancing the connection between executive remuneration and shareholder value while providing strong motivation to achieve the targets of the medium-term management plan since fiscal 2019. The system has EPS\* growth rate, a target value noted in the medium-term management plan, and “stock price fluctuation rate” linked directly to shareholder value, as its evaluation metrics.

\* Earnings Per Share

The link between executive remuneration and performance and shareholder value is set level for each position, according to the expected role and duties of each executive. In response to the trust conferred by stakeholders, the system is designed so that the link with remuneration amount is highest for the President, who is charged with steering management. Of the total remuneration for the President, basic compensation accounts for about 40% and compensation linked to business performance and shareholder value accounts for about 60%. Outside directors and Audit & Supervisory Board members who perform management supervising functions receive only fixed-amount remuneration that does not vary with the Company’s business performance.

### 2. Procedures for determination of executive remuneration

The Company has established a Remuneration Advisory Committee to ensure transparency and objectivity in the process for determining systems and levels for executive remuneration, along with the remuneration amounts based on these. The Chairman, Vice Chairman, and a majority of the members of this committee are outside directors.

- Chairman: Goro Yamaguchi (Outside Director)
- Vice Chairman: Keiji Yamamoto (Outside Director)
- Members of the Committee: Yoshiaki Nemoto (Outside Director), Shigeo Ohyagi (Outside Director), Riyo Kano (Outside Director), Takashi Tanaka, Makoto Takahashi

The following matters concerning executive remuneration are not re-entrusted to the representative director, but rather are decided by resolution of the Board of Directors based on the advice of the Remuneration Advisory Committee.

- Basic policy of executive compensation
- Remuneration level of each director (basic compensation, bonus, stock compensation), payment time, payment method
- Amount of performance-linked bonus and stock-type incentive program based on performance in each period
- Amount of stock price-linked bonus based on the stock price fluctuation rate in each period

### 3. Calculation methods for bonuses and stock compensation

- Performance-linked bonuses and the performance-linked stock-type incentive program use operating revenue, operating income, profit, and other measures of “company performance” for the Group during each fiscal

year, along with the “KPI achievement rate” of individual businesses, which is linked to medium-term management plan targets, as evaluation metrics, and are calculated from the formulas below.

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

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

- Stock price-linked bonuses use “EPS growth rate” and “stock price fluctuation rate” as evaluation metrics, and are calculated from the formulas below.

Stock price-linked bonus: Basic amount by position multiplied by coefficient (((i) x 50%) + ((ii) x 50%))

(i) EPS growth rate: EPS as of the end of the current fiscal year divided by EPS as of the end of the previous fiscal year

(ii) Stock price fluctuation rate (vs. TOPIX growth rate):

(fiscal year-end stock price of the Company / previous fiscal year-end stock price of the Company) / (fiscal year-end TOPIX stock price / previous fiscal year-end TOPIX stock price)

## **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 evaluation confirmed that the Company's Board is operating effectively, especially good at the following two matters:

- After narrowing down agenda items, outside directors are actively asking questions and are deliberating the agenda items with a focus on sustainable growth and mid- to long-term corporate value enhancement.
- The achievement status of the medium-term plan and the annual plan are reported regularly, and meaningful discussions are constantly being made on methods to be implemented to achieve the targets.

[Improvements since previous evaluation]

In the previous evaluation, the priority issue was "Discussing our company's social mission and management strategy from various perspectives, such as what kind of company we aim to achieve in the future." In response to this, in 2019 we discussed medium- to long-term management strategies and corporate culture, and we announced that we will work on social issues throughout business and corporate activities in the new medium-term management plan, aiming to be a company that contributes to the sustainable growth of society.

[Future issues]

While business scale expanding through diversified development in different industries and fields centered on the telecommunications business, we will continue to consider timely and appropriate monitoring and better supervision as a group, taking into account the importance of monitoring subsidiaries, etc., in particular, in order to increase the corporate value of the entire KDDI Group.

## 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 Audit & Supervisory Board Members' 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, 2020, the Company held approximately Seven hundred and fifty (750) interviews with institutional investors in Japan and overseas, including Ten (10) overseas road shows, in which Three (3) 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 2019, the Company held briefings by the managers and online briefings, and these briefings were joined and heard by approximately One thousand six hundred (1,600) investors. Information on the briefings and their materials are posted on the Company's website.

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



**(Documents Appended to the Notice of the 36th Annual Shareholders Meeting)**  
**BUSINESS REPORT**  
**(April 1, 2019 to March 31, 2020)**

(Reference)

---

**Financial Highlights**

---

Operating Revenues	¥5,237,200 million
--------------------	--------------------

(increased 3.1% year on year)

Operating revenues rose mainly because of an increase in revenue brought about by expansion of the life design domain which entailed expansion of the energy business as well as expansion of the finance business upon having made au Jibun Bank Corporation (“au Jibun Bank”) a consolidated subsidiary. The increase was achieved despite a decline in handset sale revenues.

Operating Income	¥1,025,200 million
------------------	--------------------

(increased 1.1% year on year)

Operating income increased mainly due to an increase in gross profit according to an increase in operating revenue.

Profit for the year attributable to owners of the parent	¥639,800 million
--	------------------

(increased 3.6% 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]

A major transformation is taking place around the world due to the advance of fifth-generation wireless (5G), IoT<sup>\*1</sup>, AI, big data and other technologies that are driving full-fledged digitalization. We are transforming into a data-driven society, one that places a higher value on data than ever before. In addition, the government of Japan is aiming to realize Society 5.0,<sup>\*2</sup> where these technologies will be used in every industry and daily life to spur economic development and solve social issues. Amid these circumstances, the telecommunications industry is seeing the competitive environment heating up with the entrance of new telecom providers into the market and an amendment of the Telecommunications Business Law. Right now, a digital transformation (DX) is under way that will see all industry transformed through the use of telecommunications and the internet. In these ways and more, the business environment is changing drastically. Moreover, full-scale 5G and IoT will create a wide range of services using various advanced technologies to accommodate the demands of a new world. In order to grow sustainably while swiftly adapting to these changes in the business environment, and to contribute to the development of a bountiful communications-oriented society as advocated in the KDDI Group Mission Statement, we formulated a three-year medium-term management plan spanning FY2019 to FY2021. In fiscal 2019, our 36th fiscal year and the first year of the medium-term management plan, we promoted the expansion of our payments and financial businesses. At the same time, for individual customers, we maximized "number of Group customers (Group IDs) x engagement x overall ARPU" through the fusion of telecommunications and life design. The au PAY smartphone payment service that we launched last year is becoming accepted at an ever-increasing number of locations. The au PAY app has evolved to enable management and checking of numerous services including payment, finance, commerce, electricity, and entertainment through a single app. Our aim is to make au PAY a "super app" for financial services, serving as customers' gateway to everything involving household budgeting and daily life. In December of last year, we entered into a capital and business alliance agreement with Lawson, Inc. and Loyalty Marketing, Inc., and in May of this year will merge the points awarded by the Company with the Ponta point scheme to create one of the largest membership bases in Japan with over 100 million members. Leveraging the app and our membership base, we will offer new experience value to customers. Also, payment and financial transaction volume rose significantly to exceed 6 trillion yen.

In addition, in March of this year, we began offering the au 5G fifth-generation mobile communication service. Building on our advanced 5G and robust 4G hybrid network and working with partners in a variety of industries, we will offer customers an unprecedented new "AUGMENTED EXPERIENCE" that takes advantage of the intersection of the Internet and the real world in entertainment, sports, art, and other everyday scenarios.

As for corporate customers, we are helping them develop and expand their businesses, using our IoT- and ICT-related technologies and knowhow to support their digital transformation. We will create new businesses through open innovation with partner companies and promote a business model that enables partner companies to continue growing together. As a digital integrator in an era in which telecommunications meld with objects of all kinds, we will create new experience value and businesses for the 5G era together with partner companies. At the core of this is KDDI DIGITAL GATE, a business development base to support customers' DX in the era of 5G and IoT. In March of this year, we marked 11.5 million in cumulative number of IoT data telecommunication lines provided to enterprise since 2001, exceeding our plan and is making steady progress. In the future, we will further expand the IoT not only within Japan but also overseas through the IoT Worldwide Architecture, to support our customers' global business.

Through these efforts, we maintained sustained growth in operating income and operating revenue increased in the growing Life Design domain and the Business Services segment.

- \*1. An abbreviation for Internet of Things, a system in which varied objects with communication functionality connect to networks, send data collected by sensors, and make use of cloud-based data or perform automated control based on that data.
- \*2. A medium- to long-term growth strategy of Japan, this refers to a human-centric society to be achieved through systems that intricately fuse cyber space (i.e., virtual space) with physical space (i.e., real space).

## 2) Business Conditions by Segment

### Personal Services

Providing communications services (mobile, fixed-line communication, etc.) and life design services (commerce, finance, energy, entertainment and education services, etc.) for individuals in Japan and overseas.

Operating Revenues	¥4,568,000 million
--------------------	--------------------

(increased 3.3% year on year)

Operating revenues rose mainly due to increases in revenue from the finance business upon having made au Jibun Bank a consolidated subsidiary, in addition increases in revenue from the energy business, despite a decline in handset sale revenues.

Operating Income	¥872,700 million
------------------	------------------

(decreased 1.3% year on year)

Operating income declined mainly due to a decrease in gross profit from handset sales and increases in depreciation and sales promotion costs.

\*Since the fiscal year under review, the previous four business segments have been changed to two segments of “Personal Services” and “Business Services.”

## TOPICS

### Launch of UNLIMITED WORLD au 5G

In July of last year, we began offering the au Data MAX Plan<sup>\*1</sup> for smartphones. This is Japan's first<sup>\*2</sup> plan with no monthly data limit<sup>\*3</sup>, designed with an eye on the 5G era. In February of this year, we also began offering Kaetoku Program, the first residual value-type smartphone purchasing program by a carrier in Japan<sup>\*4</sup>, to make the latest smartphones more affordable in the 5G era.

In March, we began offering au 5G, commercial 5G service in limited areas in 15 prefectures in Japan. Together with the launch of au 5G and four smartphone pricing plans for 5G, we will successively roll out seven models of au's first 5G-compatible smartphones, offering a broad lineup from high-spec models equipped with 8K or other high-definition cameras to middle-range models with select features.

\*1 New sign-ups ended on September 30, 2019. We began offering the au Data MAX Plan Netflix Pack from September 13 of last year, and au Data MAX Plan Pro from October 1.

\*2 As a 4G LTE smartphone plan through MNOs in Japan. According to research by KDDI as of July 23, 2019.

\*3 Data limits apply to tethering, etc. Communications restrictions apply to videos, congested periods, etc.

\*4 As a residual value-type smartphone program through MNOs in Japan. According to research by KDDI as of February 17, 2020.

### Creation of new experience value

As part of the creation of new experience value in the 5G era, in January of this year, we launched the Shibuya 5G Entertainment Project. In addition, in March of this year, working through a joint venture company formed with TV Asahi Corporation, we announced the start of TELASA, a new video streaming platform, and au 5G LIVE, which expands the live experience.

In December of last year, we entered into a capital and business alliance agreement with Lawson, Inc. and Loyalty Marketing, Inc. From May of this year, we will be merging our points with the shared point scheme Ponta in an alliance involving customer IDs.

From February of this year, we integrated our payment and commerce services into the au PAY brand, and, from February to March, conducted a campaign giving away 1 billion yen per week to customers using au PAY during the period, including those without au phones.

In December of last year, we completed a reorganization\* of the financial business within the Group. We will further accelerate our Smart Money Concept, acting as a financial group that, in addition to banking, payments, and asset management, consolidates securities, casualty insurance, and life insurance.

\* KDDI's shares of au Kabucom Securities Co., Ltd., au Insurance Co., Ltd., and LIFENET INSURANCE COMPANY were taken over by au Financial Holdings Corporation.

### **Initiatives to increase customer satisfaction**

In the J.D. Power 2019 Mobile Phone Service Satisfaction Study\* conducted by J.D. Power Japan, Inc. in September of last year, KDDI was awarded the No. 1 overall satisfaction rating for the fourth consecutive year. KDDI received the highest evaluations for the five factors of handsets, services provided, fees, the handset shopping experience, and after-sales support.

\* Source: J.D. Power 2016–2019 Japan Mobile Phone Service Satisfaction Study  
japan.jdpower.com

### **Expansion of global business**

In the Myanmar telecommunications business conducted jointly by KDDI Summit Global Myanmar Co., Ltd. and Myanmar Posts and Telecommunications (MPT), we are working to improve customers' digital life experience value by enhancing entertainment content, offering packs bundling VAS\* (videos and games) with data, and serving as an official partner for the popular Myanmar Idol contest. In addition, Mongolian comprehensive telecommunications operator MobiComCorporation LLC took the top "The best player of ICT EXPO 2019" award at the ICT EXPO 2019 hosted by the Mongolian Communications and Information Technology Authority and the country's Telecommunication Regulation Committee.

\* Value Added Service

---

## Business Services

---

Providing communications services (mobile, fixed-line communication, etc.) and ICT solution, data center services, etc. for companies in Japan and overseas.

---

Operating Revenues	¥923,500 million
--------------------	------------------

---

(increased 4.2% year on year)

---

Operating revenues increased mainly due to higher revenues from solution sales and the energy business, despite decrease of revenue coming from the reorganization of low-profit businesses.

---

Operating Income	¥147,500 million
------------------	------------------

---

(increased 20.8% year on year)

---

Operating income rose year on year mainly due to an increase of operating revenues and decreases in telecommunication equipment usage fees, access charges and cost of sales for handsets.

---

\* As a result of changes to segments, figures for the previous fiscal year have been restated.

## TOPICS

### Accelerating customers' DX

KDDI DIGITAL GATE, a business development base for the 5G/IoT era, located in Toranomon, Tokyo, opened sites in Okinawa and Osaka in September of last year and began offering a 5G trial environment. Through these bases for activity, we are working to resolve issues faced by a variety of industries and companies and advance their businesses. From March of this year, we have been successively rolling out enterprise 5G solutions combining 5G, high-resolution video, and AI. In March of this year, JFE Steel Corporation and the JFE Steel East Japan Works (Chiba District) adopted our au 5G service, and announced the promotion of smart factory transformation and stable operation of steelworks using 4K video and other features.

In December of last year, KDDI and Amazon Web Services, Inc. (AWS) announced the construction of an edge computing\* environment aimed at bringing about low-latency 5G services, and they will be using AWS Wavelength, a new computing and storage service of AWS.

\*This method reduces bandwidth traffic and achieves lower latency than cloud-based applications by processing data at server, storage, and other devices located closer to the user.

### Initiatives to increase customer satisfaction

As a result of our efforts to contribute to the development of our customers' core businesses through our services, we achieved first place in overall customer satisfaction in three divisions: J.D. Power Japan, Inc.'s 2019 Japan Business Network Service Satisfaction Study (large-sized market segment)<sup>\*1</sup>, 2019 Japan Business Mobile Phone and PHS Service Satisfaction Study (large and medium-sized market segment)<sup>\*2</sup>, and 2019 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study<sup>\*3</sup>. We will work to provide even higher-quality products and services to further satisfy our customers.

\*1 Source: J.D. Power 2019 Japan Business Network Service Satisfaction Study

\*2 Source: Award received for 4 consecutive years. Source: J.D. Power 2016-2019 Japan Business Mobile Phone and PHS Service Satisfaction Study

\*3 Source: Award received for 7 consecutive years. Source: J.D. Power 2013-2019 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study

japan.jdpower.com

**Expansion of global business**

From March of this year, we have been offering the Global IoT Package that provides globally expanding companies with one-stop services for the collection, storage, visualization, and utilization of data. This is the first package service for the IoT Worldwide Architecture that we announced in June of the year before last. This service offers one-stop provision of cloud services, communication lines, and communication devices. Available as a set combining highly expandable cloud services, global roaming services, and terminals certified under the Radio Law, the service can be used even with only one device and will support customers' IoT-based rapid business transformation.

## 4) Efforts toward Continued Enhancement of Corporate Value

### Sustainability initiatives

In the 14th (2020) Toyo Keizai CSR Ranking conducted in February of this year, KDDI received the highest rankings for four evaluation items (HR Utilization, Environment, Corporate Governance + Social Performance, and Financial), taking the overall 1st place evaluation. We received high marks in areas including "Corporate Governance + Social Performance" for our wide-ranging initiatives making use of our own technology. These include proactive initiatives involving the Sustainable Development Goals (SDGs) put forth by the United Nations, and our Shimamono Project that aims to revitalize remote island regions together with THE ARCHIPELAGO NEWS.

\*A ranking aimed at discovering companies that are trusted in terms of increasingly complicated CSR (corporate social responsibility) and finances, based on surveys conducted annually since 2005. The 2020 survey targeted 1,593 companies.

### Initiatives for regional revitalization

Through 5G, the IoT, various ICT solutions and financing provided by funds, KDDI supports the construction of business models led by local companies and venture companies. We are also cooperating with local educational bodies to improve educational environments with the aim of developing local human resources. KDDI and major independent venture capital firm Global Brain Corporation established KDDI Regional Initiatives Fund No. 1 in May of last year to fund local companies and venture companies that are promoting regional revitalization. By providing growth support in the form of investment in local companies and venture companies that are motivated to resolve regional issues and by providing the diverse resources, technologies, and know-how of KDDI, we are working to construct business models that are sustainable for local communities and companies alike.

### Initiatives to resolve societal issues through new technologies

#### – Successful demonstration of road construction work using 5G –

In February of this year, KDDI, Obayashi Corporation, and NEC Corporation successfully performed a demonstration of road construction work using 5G in part of a construction field at the under-construction Kawakami Dam in Iga, Mie Prefecture. The demonstration involved the remote operation of three construction machinery units and simultaneously linking these to vibrating rollers equipped with automated operation systems, and the acquisition of construction work results in real time to perform general road construction. This technology is expected to reduce time for going to sites and man-hours on construction sites in the future.

#### – Demonstration trial of disaster medical response support using 5G –

In August of last year, KDDI, the National Defense Medical College, and Synamon Inc. conducted a demonstration trial of disaster medical response support. We constructed a system that allows medical practitioners and firefighters to link in a VR\* space and provide command and support to sites, through the installation of high-definition, 360-degree cameras at disaster sites to stream and project images in the VR space over 5G. We confirmed the possibility of issuing directions to on-site staff from remote locations to engage smoothly in lifesaving activities. Together with this, we conducted demonstration trials of real-time telemedicine education through facilities tours, discussions, and other two-way communication in VR spaces using 5G, confirming the effectiveness of these.

\* An abbreviation of Virtual Reality.

\* Company names and product names are the trademarks or registered trademarks of their respective companies.

## (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 5G, 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 “Society 5.0,” 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. Amid these circumstances, competition has intensified in the telecommunications industry due to the entry of new carriers and the revision of the Telecommunications Business Act. The business environment is undergoing major changes that include the advance of digital transformation (DX), by which all industries will be transformed through the use of telecommunications and the Internet. We are approaching a new era in which 5G and IoT will reach their full scale and diverse services will be created through the use of advanced technologies. 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.

<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\*<sup>1</sup> (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\*<sup>2</sup>.

\*1 Earnings Per Share

\*2 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 Group-wide (Group

IDs) x engagement x total ARPU), 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 payment 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**

The Company is determined to continue tackling various social issues through its businesses, and has established “KDDI Sustainable Action” as a target for 2030. Harnessing the power of 5G and the IoT, we will contribute to resolving social issues with our partners and aim to achieve sustainable growth with society and further growth in corporate value by connecting lives, lifestyles and hearts.

### (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)

	33rd fiscal year (FY2017.3)	34th fiscal year (FY2018.3)	35th fiscal year (FY2019.3)	36th fiscal year (FY2020.3)
	IFRS			
Operating revenues	4,748,259	5,041,978	5,080,353	5,237,221
Operating income	912,976	962,793	1,013,729	1,025,237
Profit attributable to owners of the parent	546,658	572,528	617,669	639,767
Basic earnings per share (yen)	221.65	235.54	259.10	275.69
Total assets	6,263,826	6,574,555	7,330,416	9,580,149
Total liabilities	2,414,692	2,443,298	2,717,484	4,721,041
Total equity	3,849,133	4,131,257	4,612,932	4,859,108

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

2. Concerning the calculation of basic earnings per share from the 33rd fiscal year to the 36th 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.

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

(millions of yen unless otherwise indicated)

	33rd fiscal year (FY2017.3)	34th fiscal year (FY2018.3)	35th fiscal year (FY2019.3)	36th fiscal year (FY2020.3)
	Japan GAAP			
Operating revenues	3,864,093	4,028,524	4,061,712	4,070,873
Telecommunications business	2,628,903	2,627,982	2,604,826	2,640,235
Incidental business	1,235,190	1,400,542	1,456,887	1,430,638
Operating income	694,468	685,046	675,688	750,355
Ordinary income	736,308	740,023	723,323	800,209
Profit	524,208	525,389	505,146	567,962
Earnings per share (yen)	212.55	216.15	211.90	244.75
Total assets	4,662,777	5,031,392	5,427,230	5,681,462
Liabilities	1,243,578	1,450,968	1,720,350	1,861,707
Net assets	3,419,199	3,580,425	3,706,880	3,819,755

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

2. Concerning the calculation of earnings per share from the 33rd fiscal year to the 36th 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 26th unsecured bonds of ¥30,000 million, the 27th unsecured bonds of ¥30,000 million, and the 28th unsecured bonds of ¥40,000 million in April 2019 and the 29th unsecured bonds of ¥50,000 million in November 2019. We also borrowed long-term loans from financial institutions totaling ¥30,000 million, with all of the above to be used as part of funds for the redemption of bonds and loan repayments.

#### (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 ¥662,161 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, 2020)

The Group comprises the Company, 164 consolidated subsidiaries (Japan: 105 companies, overseas: 59 companies) and 40 equity-method affiliates (33 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 (mobile, fixed-line communication, etc.) and life design services (commerce, finance, energy, entertainment and education services, etc.) for individuals in Japan and overseas.
Business Services	Providing communications services (mobile, fixed-line communication, etc.) and ICT solution, data center services, etc. for companies in Japan and overseas.

\* Since the fiscal year under review, the previous four business segments have been changed to two segments of "Personal Services" and "Business Services."

#### (7) Offices of the Company (As of March 31, 2020)

(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, 65 branches, 6 customer service centers, etc.
(Technical centers, etc.)	11 technical/engineering support centers 3 technology maintenance centers, 1 transmitting station
(Overseas offices)	Geneva, Beijing, Shanghai

**(8) Principal Subsidiaries (As of March 31, 2020)****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	Tokyo	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
au Financial Holdings Corporation	Tokyo	20,000	100.0	Financial holding company
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	59.0	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	Business Process Outsourcing (BPO) centered on Contact Center Services
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\$ 4.5	(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

Through a corporate split performed on April 1, 2019, KDDI transferred its shares of Jibun Bank Corporation (currently au Jibun Bank Corporation), which became a consolidated subsidiary of KDDI effective the same date, and shares of KDDI consolidated subsidiaries KDDI Financial Service Corporation (scheduled to change its company name to au Financial Service Corporation effective June 12, 2020), WebMoney Corporation (currently au Payment Corporation), KDDI Asset Management Company, Limited (currently au Asset Management Company, Limited), and au Reinsurance Co., Ltd. to au Financial Holdings Corporation.

Through a corporate split performed on December 2, 2019, KDDI transferred its shares of au Insurance Co., Ltd., LIFENET INSURANCE COMPANY, and Finatext Holdings Ltd. to au Financial Holdings Corporation. Effective the same day as the corporate split, KDDI merged LDF Limited Liability Company, which holds shares of kabu.com Securities Co., Ltd. (currently au Kabucom Securities Co., Ltd.), with au Financial Holdings Corporation.

## (9) Employees (As of March 31, 2020)

### 1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	29,117
Business Services	13,717
Others	2,118
Total	44,952

### 2) Employees of the Company

No. of employees	Year-on-year decrease	Average age	Average length of service
10,892	76	42.8	17.8 years

Note: No. of employees does not include 2,635 employees seconded to subsidiaries, etc.

## (10) Principal Lenders (As of March 31, 2020)

Creditor	Loans outstanding
	Millions of yen
MUFG Bank, Ltd.	154,500
Development Bank of Japan, Inc.	69,000
Sumitomo Mitsui Banking Corporation	65,000
Mizuho Bank, Ltd.	55,000
Sumitomo Mitsui Trust Bank, Limited	22,500

## 2. Shares (As of March 31, 2020)

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

(2) **Total Number of Issued Shares** 2,355,373,600 shares  
(including 51,194,050 shares of treasury stock)

Note: The total number of issued shares has declined by 176,630,845 in accordance with the retirement of treasury stocks dated May 23, 2019.

(3) **Number of Shareholders** 228,875  
(decrease of 564 from the previous year-end)

### (4) Shareholder composition

Financial institutions	640,481,060 shares	27.19 %
Other institutions	740,298,641 shares	31.43 %
Financial instrument firms	90,397,493 shares	3.84 %
Individuals and others	150,089,515 shares (including treasury stock)	6.37 %
Foreign institutions and others	734,106,891 shares	31.17 %

### (5) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
KYOCERA Corporation	335,096,000	14.54
Toyota Motor Corporation	298,492,800	12.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	222,197,700	9.64
Japan Trustee Services Bank, Ltd. (Trust Account)	130,888,800	5.68
Japan Trustee Services Bank, Ltd. (Trust Account 7)	44,997,400	1.95
JP MORGAN CHASE BANK 385151	29,918,389	1.29
Japan Trustee Services Bank, Ltd. (Trust Account 5)	29,798,500	1.29
State Street Bank West Client-Treaty 505234	29,209,075	1.26
State Street Bank and Trust Company 505103	27,756,792	1.20
Japan Trustee Services Bank, Ltd. (Trust Account 4)	26,597,100	1.15

Note: Although the Company holds 51,194,050 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 (4,270,910 shares).

### 3. Directors and Audit & Supervisory Board Members

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

(As of March 31, 2020)

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 and Marketing Communications Sector
Executive Vice President, Representative Director	Yoshiaki Uchida	Executive Director, Technology Sector
Senior Managing Executive Officer, Director	Takashi Shoji	Executive Director, Personal Business Sector and Global Consumer Business Sector
Senior Managing Executive Officer, Director	Shinichi Muramoto	Executive Director, Corporate Sector
Senior Managing Executive Officer, Director	Keiichi Mori	Executive Director, Solution Business Sector
Managing Executive Officer, Director	Kei Morita	Deputy Executive Director, Personal Business Sector and Service Divisions
* Managing Executive Officer, Director	Toshitake Amamiya	Deputy Executive Director, Personal Business Sector and General Manager, Consumer Business Strategy Division
Director	Goro Yamaguchi	Chairman of the Board and Representative Director of KYOCERA Corporation
* Director	Keiji Yamamoto	Operating Officer of TOYOTA MOTOR CORPORATION
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.
* Director	Riyo Kano	Partner of Tanabe & Partners Outside Director of The Yamanashi Chuo 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	External Corporate Auditor of Chubu Electric Power Co., Inc.

- Notes: 1. Directors with \* are new Directors who were elected at the 35th Annual Shareholders Meeting held on June 19, 2019.  
2. In regard to Directors Yuzo Ishikawa, Tatsuro Ueda and Kuniko Tanabe, each of their terms of office expired as of the conclusion of the 35th Annual Shareholders Meeting held on June 19, 2019.

3. Each of Directors Goro Yamaguchi, Keiji Yamamoto, Yoshiaki Nemoto, Shigeo Ohyagi and Riyo Kano 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 Yoshiaki Nemoto, Shigeo Ohyagi and Riyo Kano, 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	889	10	383	297	209
	Total	964	17	458	297	209
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	50	3	50	–	–
	Others	52	2	52	–	–
	Total	102	5	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 35th Annual Shareholders Meeting held on June 19, 2019. The number of Directors to be paid executive bonuses is nine, excluding said retired Directors.
  2. 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.
  3. 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.
  4. 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.
  5. 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.
  6. 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.

### 2) Policy on Decision of Content of Remunerations

The level of remuneration for Directors and Audit & Supervisory Board Members of the Company is decided after taking comparisons between the Company and industry peers in Japan or other companies of the same scale as that of the Company, the Company's management environment, etc. into consideration. Furthermore, the appropriateness of the level of remuneration is validated yearly at the Remuneration Advisory Committee using objective data researched by an external specialized institution as a reference.

#### a. Policy on remuneration for Directors

With regard to remuneration for Directors involved in the execution of business, the Company introduced the performance-linked stock compensation plan from FY2015 with the aim of increasing awareness of contributing to increases in operating performance and corporate value over the medium to long term.

In addition, from FY2019, the Company introduced "share price-linked bonuses" with the aim of providing a strong incentive to achieve medium-term management plan targets, and increase linkage between remuneration for Directors and Audit & Supervisory Board Members and the share price. In this plan, "EPS growth rate," which was set as a target figure for the medium-term management plan, and "share price volatility," which is directly linked to changes in share price, are used as performance indicators.

\*Earnings Per Share

Accordingly, remuneration for Directors involved in the execution of business consists of the following four types.

- Basic remuneration
- Stock price-linked bonus
- Performance-linked bonus
- Stock remuneration (trust-type)

Remuneration for Outside Directors who perform supervisory functions for management is only a fixed-amount salary that is not linked to the business results of the Company.

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 Keiji Yamamoto 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 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.
- Director Riyo Kano is Partner of Tanabe & Partners and Outside Director of The Yamanashi Chuo Bank, 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 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 External Corporate Auditor of Chubu Electric Power Co., Inc., which has 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 Keiji Yamamoto attended ten of the ten meetings of the Board of Directors.
- Director Yoshiaki Nemoto attended twelve of the twelve meetings of the Board of Directors.
- Director Shigeo Ohyagi attended twelve of the twelve meetings of the Board of Directors.
- Director Riyo Kano attended ten of the ten meetings of the Board of Directors.
- \* The attendance record of Directors Keiji Yamamoto and Riyo Kano began after their appointment as new Director at the 35th Annual Shareholders Meeting held on June 19, 2019.

(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 eleven 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	461	1,133

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, 2020	(Reference)	Account item	As of March 31, 2020	(Reference)
		As of March 31, 2019			As of March 31, 2019
<b>Assets</b>			<b>Liabilities</b>		
Non-current assets:	6,557,018	4,897,918	Non-current liabilities:	1,707,303	1,339,683
Property, plant and equipment	2,406,231	2,546,181	Borrowings and bonds payable	1,147,551	1,040,978
Right-of-use assets	378,870	–	Long-term deposits for financial business	25,728	–
Goodwill	540,886	539,694	Lease liabilities	268,648	–
Intangible assets	1,035,399	946,837	Other long-term financial liabilities	13,342	66,493
Investments accounted for using the equity method	233,225	174,000	Retirement benefit liabilities	37,230	13,356
Long-term loans for financial business	952,070	–	Deferred tax liabilities	98,570	100,680
Securities for financial business	248,025	–	Provisions	36,770	33,996
Other long-term financial assets	285,879	253,025	Contract liabilities	72,053	77,435
Deferred tax assets	23,783	15,227	Other non-current liabilities	7,411	6,746
Contract costs	436,675	412,838	Current liabilities:	3,013,738	1,377,801
Other non-current assets	15,975	10,117	Borrowings and bonds payable	153,262	150,574
Current assets:	3,023,131	2,432,498	Trade and other payables	657,298	671,969
Inventories	75,366	90,588	Short-term deposits for financial business	1,401,691	–
Trade and other receivables	2,168,355	1,965,554	Call money	72,100	–
Short-term loans for financial business	216,601	–	Lease liabilities	110,906	–
Call loans	50,937	–	Other short-term financial liabilities	3,496	26,773
Other short-term financial assets	53,358	41,963	Income taxes payables	179,915	152,195
Income tax receivables	4,712	4,633	Provisions	44,966	34,403
Other current assets	84,600	125,162	Contract liabilities	107,897	116,076
Cash and cash equivalents	369,202	204,597	Other current liabilities	282,209	225,810
			<b>Total liabilities</b>	<b>4,721,041</b>	<b>2,717,484</b>
			<b>Equity</b>		
			Equity attributable to owners of the parent		
			Common stock	141,852	141,852
			Capital surplus	280,591	284,409
			Treasury stock	(156,550)	(383,728)
			Retained earnings	4,138,195	4,144,133
			Accumulated other comprehensive income	(19,665)	(3,174)
			Total equity attributable to owners of the parent	4,384,424	4,183,492
			Non-controlling interests	474,684	429,440
			Total equity	4,859,108	4,612,932
<b>Total assets</b>	<b>9,580,149</b>	<b>7,330,416</b>	<b>Total liabilities and equity</b>	<b>9,580,149</b>	<b>7,330,416</b>

(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, 2020	(Reference) For the fiscal year ended March 31, 2019
Operating revenue	5,237,221	5,080,353
Cost of sales	2,925,000	2,867,413
Gross profit	2,312,221	2,212,940
Selling, general and administrative expenses	1,299,504	1,210,470
Other income	12,492	10,140
Other expense	3,228	3,661
Share of profit of investments accounted for using the equity method	3,256	4,780
Operating income	1,025,237	1,013,729
Finance income	5,330	3,582
Finance cost	11,380	10,012
Other non-operating profit and loss	1,512	2,975
Profit for the year before income tax	1,020,699	1,010,275
Income tax	325,298	309,149
Profit for the year	695,401	701,126
Profit for the year attributable to:		
Owners of the parent	639,767	617,669
Non-controlling interests	55,634	83,457
Profit for the year	695,401	701,126

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

## Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2020

(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, 2019	141,852	284,409	(383,728)	4,144,133	(3,174)	4,183,492	429,440	4,612,932
Cumulative effects of changes in accounting policies	–	–	–	(181)	–	(181)	(149)	(329)
Restated balance	141,852	284,409	(383,728)	4,143,952	(3,174)	4,183,311	429,291	4,612,603
Comprehensive income								
Profit for the year	–	–	–	639,767	–	639,767	55,634	695,401
Other comprehensive income	–	–	–	–	(27,365)	(27,365)	(1,875)	(29,240)
Total comprehensive income	–	–	–	639,767	(27,365)	612,402	53,759	666,161
Transactions with owners and other transactions								
Cash dividends	–	–	–	(257,616)	–	(257,616)	(33,070)	(290,686)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(10,875)	10,875	–	–	–
Purchase and disposal of treasury stock	–	(75)	(150,000)	–	–	(150,075)	–	(150,075)
Retirement of treasury stock	–	(377,034)	377,034	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	377,034	–	(377,034)	–	–	–	–
Changes due to business combination	–	–	–	–	–	–	26,574	26,574
Changes in interests in subsidiaries	–	(6,515)	–	–	–	(6,515)	(1,870)	(8,385)
Other	–	2,772	144	–	–	2,916	–	2,916
Total transactions with owners and other transactions	–	(3,818)	227,178	(645,524)	10,875	(411,290)	(8,366)	(419,656)
As of March 31, 2020	141,852	280,591	(156,550)	4,138,195	(19,665)	4,384,424	474,684	4,859,108

(Reference) 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

(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, 2020	For the fiscal year ended March 31, 2019
Net cash provided by (used in) operating activities	1,323,356	1,029,607
Net cash provided by (used in) investing activities	(610,950)	(714,578)
Free cash flows *	712,406	315,028
Net cash provided by (used in) financing activities	(546,381)	(310,951)
Effect of exchange rate changes on cash and cash equivalents	(1,419)	(314)
Net increase (decrease) in cash and cash equivalents	164,605	3,763
Cash and cash equivalents at the beginning of the year	204,597	200,834
Cash and cash equivalents at the end of the year	369,202	204,597

\* 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.

Net cash provided by operating activities increased ¥293,749 million year on year to ¥1,323,356 million mainly attributable to an increase in depreciation and amortization.

Net cash used in investing activities decreased ¥103,628 million year on year to ¥610,950 million mainly due to an increase in proceeds from acquisition of subsidiaries.

Net cash used in financing activities increased ¥235,430 million year on year to ¥546,381 million mainly due to a decrease in proceeds from issuance of bonds and long-term borrowings.

Reflecting these factors and a decrease of ¥1,419 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of March 31, 2020, increased ¥164,605 million from March 31, 2019 to ¥369,202 million.

## Non-Consolidated Financial Statements (Japan GAAP)

### Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2020		(Reference) As of March 31, 2019		Account item	As of March 31, 2020		(Reference) As of March 31, 2019	
	(Assets)						(Liabilities)		
I Noncurrent assets		3,500,112		3,447,142					
A Noncurrent assets-									
telecommunications business		1,725,527		1,731,048					
(1) Property, plant and equipment*		1,437,940		1,514,462	I Noncurrent liabilities		833,995		692,455
1 Machinery	2,517,745		2,412,676		1 Bonds payable		330,000		220,000
Accumulated depreciation	1,997,088	520,657	1,867,480	545,196	2 Long-term loans payable		382,000		365,000
2 Antenna facilities	834,352		786,209		3 Lease obligations		165		58
Accumulated depreciation	527,208	307,145	486,150	300,059	4 Provision for retirement benefits		7,625		8,247
3 Terminal facilities	8,250	1,503	8,964	1,619	5 Provision for point service program		64,292		56,285
Accumulated depreciation	6,747		7,345		6 Provision for warranties for completed construction		5,098		3,637
4 Local line facilities	211,997		207,090		7 Asset retirement obligations		27,059		26,088
Accumulated depreciation	180,859	31,138	175,367	31,723	8 Provision for officers' stock compensation		2,018		1,433
5 Long-distance line facilities	95,464		95,334		9 Provision for employees' stock compensation		3,520		824
Accumulated depreciation	91,226	4,238	90,863	4,472	10 Other noncurrent liabilities		12,219		10,883
6 Engineering facilities	60,743		60,099						
Accumulated depreciation	48,613	12,130	47,154	12,945	II Current liabilities		1,027,712		1,027,895
7 Submarine line facilities	47,191		46,808		1 Current portion of noncurrent liabilities		53,000		118,000
Accumulated depreciation	43,716	3,475	42,991	3,816	2 Accounts payable-trade		105,253		99,874
8 Buildings	377,186		365,238		3 Short-term loans payable		210,000		221,165
Accumulated depreciation	246,019	131,166	233,338	131,900	4 Lease obligations		71		101
9 Structures	86,668		84,443		5 Accounts payable-other		381,534		367,109
Accumulated depreciation	67,113	19,555	64,788	19,655	6 Accrued expenses		4,985		5,260
10 Machinery and equipment	4,548		4,363		7 Income taxes payable		140,511		110,313
Accumulated depreciation	4,198	351	4,146	217	8 Advances received		16,805		18,017
11 Vehicles	2,172		1,749		9 Deposits received		86,610		67,833
Accumulated depreciation	1,368	805	1,199	550	10 Provision for bonuses		17,603		16,777
12 Tools, furniture and fixtures	95,264		92,922		11 Provision for directors' bonuses		300		141
Accumulated depreciation	74,815	20,449	70,374	22,547	12 Asset retirement obligations		45		2,346
13 Land		260,480		260,520	13 Provision for loss on contract		9,365		-
14 Construction in progress		124,848		179,242	14 Provision for loss on disaster		1,442		959
(2) Intangible assets		287,588		216,585	15 Other current liabilities		189		-
1 Right of using submarine line facilities		2,008		2,455					
2 Right of using facilities		14,028		12,508	<b>Total liabilities</b>		<b>1,861,707</b>		<b>1,720,350</b>
3 Software		269,987		199,333					
4 Patent right		0		0					
5 Leasehold right		1,427		1,427					
6 Other intangible assets		138		863					

(Unit: Millions of yen)

Account item	As of March 31, 2020		(Reference) As of March 31, 2019		Account item	As of March 31, 2020		(Reference) As of March 31, 2019	
	B Incidental business facilities		46,147			44,639	(Net assets)		
(1) Property, plant and equipment*	58,291		56,685						
Accumulated depreciation	41,204	17,088	36,541	20,144					
(2) Intangible assets		29,060		24,495					
C Investments and other assets	1,728,438		1,671,455		I Shareholders' equity	3,805,822		3,692,204	
1 Investment securities	113,595		110,061		1 Capital stock	141,852		141,852	
2 Stocks of subsidiaries and affiliates	1,172,113		1,049,878		2 Capital surplus	305,676		305,676	
3 Investments in capital	63		63		Legal capital surplus	305,676	305,676		
4 Investments in capital of subsidiaries and affiliates	5,742		5,742		3 Retained earnings	3,521,377		3,634,953	
5 Long-term loans receivable	3		3		(1) Legal retained earnings	11,752	11,752		
6 Long-term loans receivable from subsidiaries and affiliates		53,228		164,032	(2) Other retained earnings				
7 Long-term prepaid expenses		234,313		208,882	Reserve for advanced depreciation of noncurrent assets	677		677	
8 Deferred tax assets		120,085		106,039	Reserve for special depreciation	301		605	
9 Other investment and other assets		40,056		36,660	General reserve	2,995,634	2,995,634		
Allowance for doubtful accounts		(10,758)		(9,904)	Retained earnings brought forward	513,013		626,285	
II Current assets	2,181,350		1,980,088		4 Treasury stock		(163,083)	(390,276)	
1 Cash and deposits		52,368		71,241					
2 Accounts receivable-trade		1,672,108		1,533,404	II Valuation and translation adjustments		13,934	14,676	
3 Accounts receivable-other		108,890		73,562	1 Valuation difference on available-for-sale securities		13,934	14,676	
4 Supplies		56,275		71,143					
5 Advance payments - trade		6							
6 Prepaid expenses		38,174		34,837					
7 Short-term loans receivable from subsidiaries and affiliates				199,994					
8 Other current assets		37,317		9,031					
Allowance for doubtful accounts		(14,392)		(13,123)					
<b>Total assets</b>		5,681,462		5,427,230	<b>Total net assets</b>		3,819,755		3,706,880
					<b>Total liabilities and net assets</b>		5,681,462		5,427,230

\* 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, 2020	(Reference) The fiscal year ended March 31, 2019
I Operating income and loss from telecommunications		
(1) Operating revenue	2,640,235	2,604,826
(2) Operating expenses	1,883,682	1,928,824
1 Business expenses	592,806	633,571
2 Operating expenses	15	30
3 Facilities maintenance expenses	280,915	276,890
4 Common expenses	2,681	2,638
5 Administrative expenses	105,365	92,221
6 Experiment and research expenses	7,331	8,173
7 Depreciation	370,122	358,077
8 Noncurrent assets retirement cost	19,336	18,603
9 Communication facility fee	460,840	496,379
10 Taxes and dues	44,272	42,241
Net operating income from telecommunications	756,553	676,001
II Operating income and loss from incidental business		
(1) Operating revenue	1,430,638	1,456,887
(2) Operating expenses	1,436,836	1,457,200
Net operating loss from incidental business	6,198	314
Operating profit	750,355	675,688
III Non-operating income	58,136	55,720
1 Interest income	1,850	1,708
2 Dividends income	45,600	43,661
3 Foreign exchange gains	-	1,032
4 Miscellaneous income	10,685	9,319
IV Non-operating expenses	8,281	8,084
1 Interest expenses	1,332	2,066
2 Interest on bonds	1,951	2,210
3 Foreign exchange losses	1,744	-
4 Miscellaneous expenses	3,254	3,808
Ordinary profit	800,209	723,323
V Extraordinary income	7,167	1,081
1 Gain on sales of noncurrent assets	-	481
2 Gain on sales of investment securities	4,201	599
3 Gain on sale of stocks of related companies	2,960	-
4 Contribution for construction	6	-

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2020	(Reference) The fiscal year ended March 31, 2019
VI Extraordinary loss	9,991	15,194
1 Loss on sales of noncurrent assets	174	426
2 Impairment loss	1,764	1,815
3 Loss on valuation of investment securities	769	281
4 Loss on valuation of stocks of subsidiaries and affiliates	7,279	12,673
5 Reduction entry of contribution for construction	6	–
Profit before income taxes	797,385	709,210
Income taxes-current	243,141	207,665
Income taxes-deferred	(13,719)	(3,601)
Profit	567,962	505,146

(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, 2020

(Unit: Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus		Other 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	605	2,995,634	626,285
Changes of items during the fiscal year								
Dividends from surplus	–	–	–	–	–	–	–	(257,513)
Reversal of reserve for special depreciation	–	–	–	–	–	(304)	–	304
Provision of general reserve	–	–	–	–	–	–	–	–
Profit	–	–	–	–	–	–	–	567,962
Purchase of treasury stock	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	–	–	–	–	–	–
Retirement of treasury stock	–	–	(377,034)	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	–	377,034	–	–	–	–	(377,034)
Decrease by corporate division - split-off type	–	–	–	–	–	–	–	(46,991)
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–
Total changes of items during the fiscal year	–	–	–	–	–	(304)	–	(113,272)
Balance at the end of current period	141,852	305,676	–	11,752	677	301	2,995,634	513,013

(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	(390,276)	3,692,204	14,676	3,706,880
Changes of items during the fiscal year				
Dividends from surplus	–	(257,513)	–	(257,513)
Reversal of reserve for special depreciation	–	–	–	–
Provision of general reserve	–	–	–	–
Profit	–	567,962	–	567,962
Purchase of treasury stock	(150,000)	(150,000)	–	(150,000)
Disposal of treasury stock	159	159	–	159
Retirement of treasury stock	377,034	–	–	–
Transfer from retained earnings to capital surplus	–	–	–	–
Decrease by corporate division - split-off type	–	(46,991)	–	(46,991)
Net changes of items other than shareholders' equity	–	–	(742)	(742)
Total changes of items during the fiscal year	227,193	113,617	(742)	112,875
Balance at the end of current period	(163,083)	3,805,822	13,934	3,819,755

(Reference) The fiscal year ended March 31, 2019

(Unit: Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus		Other 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
Decrease by corporate division - split-off type								
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	–	–	–	–
Decrease by corporate division - split-off type				
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

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

# Independent Auditor's Report (Consolidated)

## (English Translation) Independent Auditors' Report

May 12, 2020

To the Board of Directors of  
KDDI CORPORATION

PricewaterhouseCoopers Kyoto  
Tokyo Office  
Toshimitsu Wakayama  
Designated and Engagement Partner  
Certified Public Accountant  
Ryoichi Iwasaki,  
Designated and Engagement Partner  
Certified Public Accountant  
Tetsuro Iwase  
Designated and Engagement Partner  
Certified Public Accountant

### Opinion

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, 2020, and the consolidated statement of income and statement of changes in equity for the year then ended, and the notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above, 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 Regulation on Corporate Accounting, present fairly, in all material respects, the consolidated financial position of KDDI CORPORATION and its subsidiaries as of March 31, 2020, and their financial performance for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board 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 Regulation on 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.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so, and in accordance with the provisions of the latter part of Article 120, Paragraph (1) of the Regulation on Corporate Accounting, which permits companies to omit a part of disclosure items required under the designated IFRSs, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessment, the auditor considers the Group's internal control relevant to the audit in order to design audit procedures

that are appropriate in the circumstances, while the purpose of the consolidated financial statements audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with the provisions of the latter part of Article 120, Paragraph (1) of the Regulation on Corporate Accounting, which permits companies to omit a part of disclosure items required under the designated IFRSs, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

#### Interest

Our firm and the engagement partners 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 the Readers of Independent Auditor's Report*

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

# Independent Auditor's Report (Non-Consolidated)

## (English Translation) Independent Auditors' Report

May 12, 2020

To the Board of Directors of  
KDDI CORPORATION

PricewaterhouseCoopers Kyoto  
Tokyo Office  
Toshimitsu Wakayama  
Designated and Engagement Partner  
Certified Public Accountant  
Ryoichi Iwasaki  
Designated and Engagement Partner  
Certified Public Accountant  
Tetsuro Iwase  
Designated and Engagement Partner  
Certified Public Accountant

### Opinion

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, 2020, 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 (hereinafter the "financial statements").

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of KDDI CORPORATION as of March 31, 2020, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial statements

Management is responsible for the preparation of the financial statements 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 that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessment, the auditor considers the Company's internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant

doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the financial statements or, if the notes to the financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation of the financial statements, and notes to the financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the financial statements, including the related notes thereto, and whether the financial statements fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

#### Interest

Our firm and the engagement partners 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 the Readers of Independent Auditor's Report*

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

## 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 36th fiscal year from April 1, 2019 to March 31, 2020, 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 Regulation 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 Regulation on Corporate Accounting) 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 14, 2020

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 36th 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, 2019 to March 31, 2020)**

**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/20200617/>), 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 Audit & Supervisory Board Members' 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 Audit & Supervisory Board Members' 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 2019 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 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 Management Committee rules. In fiscal 2019, the Corporate Management Committee met 12 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 Audit & Supervisory Board Members' 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 Audit & Supervisory Board Members' 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 introduces 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 investigation 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, the Company conducts activities to raise awareness, such as by distributing whistle-blowing cards, performing a survey on recognition of the system to employees using questionnaires, providing explanation about the system when employees join the Company, and distributing e-mail magazines.

In addition, the Company has been registered in the Self-Adaptation Declaration Registration System, which is under the jurisdiction of Consumer Affairs Agency. The Company upgraded the rules for processing internal reports, reviewed a delegation agreement with an external law office and took other actions to complete the registration. Through these activities, 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 2019, we held a total of seven monthly profitability review meetings and a total of 14 management strategy meetings, and have been managing business results 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 2019, 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 2019.

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 six subsidiaries to the system in fiscal 2019.

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 2019, a total of 17 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)

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 Rules of Corporate Accounting. 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: 164
- 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., au Financial Holdings Corporation, Supership Holdings Inc., Jupiter Shop Channel Co., Ltd., ENERES 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

- au Jibun Bank Corporation: Due to additional stock acquisition

Names of principal companies excluded from consolidated subsidiaries and reasons for exclusion

- J:COM East Co., Ltd.: Due to absorption-type merger

Note: UQ Communications Inc. is 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: 40
- Principal affiliates:  
Kyocera Communication Systems Co., Ltd., KKBOX Inc., LAC Co., Ltd., Kakaku.com, Inc., au Kabucom Securities Co., Ltd.

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.

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 a 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, equity financial assets 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) Equity financial assets at fair value through other comprehensive income

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

Equity financial assets 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 assets at fair value through other comprehensive income” in other comprehensive income.

Cumulative gains or losses recognized through other comprehensive income are directly transferred to retained earnings when equity financial assets are derecognized.

Also, dividends from equity financial assets 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 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 a 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 stated in the following (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, expected credit losses for 12 months are recognized as a loss allowance. 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 a loss allowance. 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 assesses whether the derivative financial asset 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 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 profit or loss. Cumulative gain or loss recognized through other comprehensive income is transferred to profit 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 recognized in profit or loss.

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

(2) Valuation standards and methods for inventories

Inventories mainly consist of merchandise such as mobile handsets and 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, intangible assets and right-of-use 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 when 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	5 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 gain 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 recognized 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 30 years
Assets related to program supply	22 years
Spectrum migration costs	9 to 17 years
Others	5 to 20 years

The amortization methods and 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) Leases

At the inception of the lease contract, the Group assesses whether an arrangement is a lease or contains a lease based on the substance of the agreement. Assets are subject to lease if the right to control the use of identified assets is conveyed for a certain period of time in exchange for consideration.

If the agreement is a lease agreement or contains a lease, a right-of-use asset is initially recognized at the amount after adding or deducting initial direct costs, etc. to or from the amount of an initially measured lease liability. A lease liability is initially recognized at current discounted price of the unpaid portion of the total lease amount on the start date of the lease.

Right-of-use assets are depreciated using straight-line method over the period beginning from the inception of the agreement to either the end of the useful lives of the right-of-use assets, or the end of the lease term, whichever is shorter.

Lease liabilities are subsequently measured at the amount that reflects interest on lease liabilities, amounts of lease payments made, and where applicable, the amount that reflects reassessment of lease liabilities or lease modifications.

### 5) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets

At the end of each reporting period, the Group determines whether there is any indication that carrying amounts of property, plant and equipment, intangible assets and right-of-use 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 or 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, intangible assets and right-of-use 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 PAY” 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.

(Note) From May 2020, “au WALLET Point Program” will be changed to “au Point Program” and “au WALLET Credit Card” will be changed to “au PAY Card.”

(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 16

The Group has applied the following standard from the fiscal year ended March 31, 2020.

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

The Group has applied IFRS 16 in accordance with the transition elections available, and therefore retrospectively recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings as of April 1, 2019.

With the application of IFRS 16, the Group changed the accounting policies related to leases as follows from the fiscal year ended March 31, 2020.

#### As a Lessee

Lease liabilities in lease transactions are measured as the discounted present value of the unpaid portion of the total lease payments on the commencement date of the lease. Right-of-use assets are initially measured as the initially measured lease liability amount adjusted mainly for initial direct costs and prepaid lease payments. Right-of-use assets are systematically depreciated over the lease term. Lease payments are allocated to finance costs and the repaid portion of remaining lease liabilities in order to ensure interest rate stays at a certain level of for the remaining lease liabilities. Finance costs are presented separately from depreciation costs related to right-of-use assets in the consolidated statement of income.

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

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

#### As a Lessor

the Group classifies leases that transfer substantially all the risks and rewards incidental to ownership of an asset as finance leases. For finance lease transactions, the Group suspends the recognition of the underlying assets classified as leases on the commencement date of the leases. Instead, in the consolidated statement of financial position, the Group recognizes the assets whose ownership was acquired through finance leases as accounts receivable in an amount equal to the net investment in the lease.

Subsequently, receivables recovered from a lessee is recognized according to the receipt of lease payments. Meanwhile, finance income is recognized in the consolidated statement of income by refunding the amount after reflecting a constant interest rate on the net investment in the lease recorded in present value, consistently with the passage of time.

In addition, the Group classifies leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset as operating leases. For operating lease transactions, the Group records the leased assets in the consolidated statement of financial position and recognizes the received lease fees as revenue in the consolidated statement of income using the straight-line method over the lease term.

As a result of applying IFRS 16, the Group has recognized right-of-use assets and lease liabilities for leases that were previously categorized as operating leases. The Group has also recognized right-of-use assets and lease liabilities for finance leases that were previously recognized as property, plant and equipment, intangible assets or other financial liabilities. As a result of these changes, as of April 1, 2019, right-of-use assets increased ¥393,170 million, lease liabilities increased ¥391,844 million,

property, plant and equipment and intangible assets decreased ¥79,989 million, other financial liabilities decreased ¥84,158 million, and retained earnings decreased ¥181 million.

## (Consolidated Statement of Financial Position)

1. Loss allowance directly deducted from assets	
Other long-term financial assets	¥11,114 million
Trade and other receivables	¥20,924 million
Total	¥32,038 million
2. Accumulated depreciation of property, plant and equipment	¥4,462,258 million
3. Assets pledged as collateral and secured liabilities	
Assets pledged as collateral:	
Property, plant and equipment	¥623 million
Other short-term financial assets	¥7,770 million
Stocks of subsidiaries and affiliates <sup>(Note)</sup>	¥768 million
Securities for financial business	¥177,664 million
Total	¥186,825 million
Corresponding liabilities:	
Long-term borrowings <sup>(Note)</sup>	¥80,000 million
Current portion of long-term borrowings	¥62 million
Accounts payable-other	¥200 million
Call money	¥72,100 million
Total	¥152,362 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, 2020 was ¥14,033 million. These borrowings are not included in the above long-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, 2020 was ¥457,112 million.

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

## (Consolidated Statement of Changes in Equity)

- Class and number of shares outstanding as of March 31, 2020  
Common stock 2,355,373,600 shares
- Dividends  
(1) Cash dividends paid, etc.

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 19, 2019 Annual shareholders meeting (Note) 1, 2	Common stock	¥129,308 million	¥55	March 31, 2019	June 20, 2019
November 1, 2019 Meeting of the Board of Directors (Note) 1, 2	Common stock	¥127,733 million	¥55	September 30, 2019	December 3, 2019

Note 1: The total 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 17, 2020 Annual shareholders meeting (Note) 1,2	Common stock	¥137,995 million	Retained earnings	¥60	March 31, 2020	June 18, 2020

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 total 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 and loans for financial business 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 and loans for financial business, 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 cash flow 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	121,740	121,740	–
Securities for financial business	248,024	248,024	–
Financial assets at fair value through profit or loss			
Derivatives			
Exchange contracts	1,916	1,916	–
Interest swaps	163	163	–
Investment funds	434	434	–
Total	372,277	372,277	–
Financial liabilities:			
Other financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivatives			
Exchange contracts	2,903	2,903	–
Interest swaps	5,148	5,148	–
Total	8,051	8,051	–

#### 2) Financial instruments at amortized cost

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Other financial assets			
Loans for financial business	1,168,671	1,162,160	(6,512)
Monetary claims bought	21,808	20,290	(1,518)
Total	1,190,479	1,182,450	(8,030)
Financial liabilities:			
Borrowings and bonds payable			
Borrowings payable	851,591	858,682	7,091
Bonds payable	369,222	370,499	1,277
Other financial liabilities			
Deposits for financial business	1,427,419	1,428,422	1,003
Total	2,648,232	2,657,603	9,371

Note 1: Loans for financial business include the current portion.

Note 2: Borrowings payable and bonds payable include the current portion.

Note 3: Financial assets and financial liabilities with book values that approximate the respective fair values are not included in the above table.

### (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) Securities for financial business

Fair value of securities for financial business is based on the price on the securities exchange if such price at an active market is available. If price on the securities exchange of an active market is not available, then fair value is measured primarily by using transaction price based on available information, such as quoted prices provided by brokers, or through valuation techniques based on discounted future cash flows using inputs such as risk-free rates or credit-spread adjusted discount rates.

(iii) Derivatives

(a) Exchange contracts

The fair value of foreign exchange forward contracts is calculated by discounting the value calculated using forward exchange rates current as of the end of the period 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.

(iv) Investment funds

Fair value of investment funds is based on the market approach, using the market prices of identical assets in a market that is not active.

2) Financial instruments at amortized cost

(i) Loans for financial business

Fair value of loans for financial business is calculated at present value of future cash flows discounted by the rates that reflect the remaining period until maturity and credit risk.

(ii) Monetary claims bought

Fair value of monetary claims bought is calculated based on the market approach using the market prices of identical assets in a market that is not active, or at present value of future cash flows discounted by the rates that reflect the remaining period until maturity and credit risk.

(iii) Borrowings payable

For borrowings with floating interest rates, the book value is deemed to be the fair value since the interest rate takes into consideration 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) Deposits for financial business

For demand deposits, the amount to be paid assuming that the demand is made on the closing date (i.e. the book value) is considered as the current market value. For time deposits, current market value is calculated at present value of discounted future cash flows after grouping them based on their term. Interest rates applied to when accepting new deposits are used as the discount rate. Contractual principal and interest rate of time deposits subject to the separate accounting are those after the separate accounting.

**(Per Share Information)**

1. Equity attributable to owners of the parent per share	¥1,906.35
2. Basic earnings per share	¥275.69

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 from 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)**

Not applicable

## (Other Notes)

(Business combinations)

### Jibun Bank Corporation

(i) Overview of business combination

The Company acquired the 608,614 shares issued via third party allocation by Jibun Bank Corporation (“Jibun Bank”) on April 1, 2019. As a result, the Company owns 1,408,614 shares (63.78%) in Jibun Bank, making Jibun Bank a consolidated subsidiary.

(ii) Reason for execution of business combination

Through this business combination, the Company aims to maximizing the corporate value of Jibun Bank by providing Jibun Bank with access to the big data, digital marketing resources and customer base that it has cultivated to date and also by continually creating points of contact with customers and helping to strengthen the service offerings for customers’ different life stages.

(iii) Name and business description of acquired company (as of March 31, 2020)

Name	Jibun Bank Corporation *The company changed its name to au Jibun Bank Corporation effective February 9, 2020.
Establishment date	June 2008
Location	Nihonbashi Daiya Building 14F 1-19-1 Nihonbashi, Chuo-ku, Tokyo
Representative	Tomoki Usui, President, Representative Director
Description of business	Internet banking services
Capital	62.5 billion yen

(iv) The percentage of acquired equity interests with voting rights

Share of voting rights held just before the acquisition:	50.00%
Share of additional voting rights acquired on the combination date:	13.78%
Share of voting rights after the acquisition:	63.78%

(v) Controlling interest acquisition date

April 1, 2019

(vi) Acquisition price and its breakdown

(Unit: Millions of yen)

	Controlling interest acquisition date (April 1, 2019)
Fair value of equity held prior to acquisition	32,862
Payment in cash	25,000
Total consideration for acquisition	A 57,862

The acquisition-related costs relating to this business combination amounted to ¥26 million, which was recorded in selling, general and administrative expenses in the consolidated statement of income.

(vii) Fair values of assets/liabilities and goodwill on controlling interest acquisition date  
(Unit: Millions of yen)  
Controlling interest acquisition date  
(April 1, 2019)

Non-current assets		
Property, plant and equipment	(Note) 1	992
Intangible assets	(Note) 1	20,938
Long-term loans for financial business	(Note) 2	572,206
Securities for financial business		270,145
Other long-term financial assets		29,939
Total non-current assets		<u>894,220</u>
Current assets		
Trade and other receivables	(Note) 2	2,605
Short-term loans for financial business	(Note) 2	155,545
Call loans		60,215
Other short-term financial assets		9,046
Other current assets		3,331
Cash and cash equivalents		131,356
Total current assets		<u>362,098</u>
Total assets		<u>1,256,318</u>
Non-current liabilities		
Other long-term financial liabilities		35,541
Retirement benefit liabilities		39
Deferred tax liabilities		3,104
Provisions		164
Other non-current liabilities		47
Total non-current liabilities		<u>38,895</u>
Current liabilities		
Trade and other payables		13,586
Short-term deposits for financial business		1,067,952
Call money		60,000
Other short-term financial liabilities		3,075
Income taxes payable		694
Other current liabilities		933
Total current liabilities		<u>1,146,239</u>
Total liabilities		<u>1,185,134</u>
Net assets	B	<u>71,184</u>
Non-controlling interests	(Note) 3 C	25,783
Goodwill	(Note) 4 A-(B-C)	12,460

(Note) 1. The analysis of property, plant and equipment and intangible assets

The main component of property, plant and equipment is tools, furniture and fixtures.

The main component of intangible assets is 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 ¥2,605 million of trade and other receivables included in the acquired assets, the total amount of contracts is ¥2,605 million, and none of these receivables are expected to be uncollectible. As for the fair value of ¥728,002 million of (short-term and long-term) loans for financial business, the total amount of contracts is ¥750,990 million and the amount expected to be uncollectible is ¥251 million.

(Note) 3. Non-controlling interests

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

(Note) 4. Goodwill

Goodwill reflects excess earning power expected from the collective human resources related to the



## 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 non-current 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, tools, furniture and fixtures, structures and long-distance line facilities: 5 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 to 10 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.

(Note) From May 2020, “au WALLET Point Program” will be renamed to “au WALLET Point Program.”

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 directors' bonuses

To prepare for possible loss that may occur in the future when the contract is fulfilled, the Company records the estimated amounts of loss.

Provision for loss on disaster

The Company records the estimated amounts to be required for restoration of assets damaged by disasters including Typhoons No. 15 and 19 that occurred in 2019.

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.

**(Non-Consolidated Balance Sheet)**

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 ¥14,033 million by that company as of March 31, 2020.

2. Contingent liabilities, etc.

Guarantor for office lease contract ¥3,934 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims ¥53,228 million

Short-term monetary claims ¥365,477 million

Long-term monetary liabilities ¥268 million

Short-term monetary liabilities ¥299,574 million

4. Reduction entry amount of non-current assets

Reduction entry amount attributable to aid for construction cost (cumulative total) ¥15,214 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 ¥259,959 million

Loans receivables outstanding ¥148,519 million

Remaining portion of credit line ¥111,440 million

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

**(Non-Consolidated Statement of Income)**

1. Transactions with subsidiaries and affiliates	
Operating income from subsidiaries and affiliates	¥361,840 million
Operating expenses to subsidiaries and affiliates	¥560,040 million
Non-operating transactions with subsidiaries and affiliates	¥78,532 million

2. Impairment loss	¥1,764 million
--------------------	----------------

In the year ended March 31, 2020, 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.	1,764

In the year ended March 31, 2020, for assets with declining utilization rates, including some communications facilities, and idle assets, the book value has been reduced to recoverable amount. The said reduction is recognized as an impairment loss of ¥1,764 million, as an extraordinary loss. This consists of ¥892 million for local line facilities, and ¥872 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.

## (Non-Consolidated Statement of Changes in Net Assets)

### 1. Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2019	Increase during the fiscal year ended March 31, 2020	Decrease during the fiscal year ended March 31, 2020	As of March 31, 2020
Shares outstanding				
Common stock	2,532,004,445	–	176,630,845	2,355,373,600
Total	2,532,004,445	–	176,630,845	2,355,373,600
Treasury stock				
Common stock	180,953,773	51,194,050	176,682,863	55,464,960
Total	180,953,773	51,194,050	176,682,863	55,464,960

(The reason of the above changes)

1. The decrease of 176,630,845 shares in the number of common stocks outstanding is due to the retirement of treasury stock (retirement date: May 23, 2019).
2. The increase of 51,194,050 shares in the number of common stocks in treasury stock is due to a share buyback of 51,194,000 shares based on a resolution at the Board of Directors meeting dated May 15, 2019, and purchases of shares less than one unit of 50 shares.
3. The decrease of 176,682,863 shares in the number of common stocks in treasury stock is due to the retirement of 176,630,845 shares of treasury stock (retirement date: May 23, 2019) and the issuance, etc. of 52,018 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 4,270,910 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 19, 2019 Annual shareholders meeting	Common stock	¥129,546 million	¥55	March 31, 2019	June 20, 2019
November 1, 2019 Meeting of the Board of Directors	Common stock	¥127,968 million	¥55	September 30, 2019	December 3, 2019
Total		¥257,513 million			

Note 1: The total amount of dividends decided by the Annual shareholders meeting on June 19, 2019 includes a dividend of ¥238 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

Note 2: The total amount of dividends decided by the Board of Directors meeting on November 1, 2019 includes a dividend of ¥235 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 17, 2020, the Company plans to propose the following matters regarding dividends of common stock.

- 1) Total dividends ¥138,251 million
- 2) Dividends per share ¥60
- 3) Record date March 31, 2020
- 4) Effective date June 18, 2020

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

Note 2: The total amount of dividends includes a dividend of ¥256 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	6,093
	Excess amount of allowance for doubtful accounts	8,419
	Provision for point service program	19,673
	Denial of accrued expenses	2,883
	Excess amount of depreciation and amortization	35,521
	Asset retirement obligations	7,621
	Denial of loss on retirement of non-current assets	1,451
	Denial of loss on valuation of inventories	2,777
	Accrued enterprise taxes	7,167
	Denial of impairment loss	15,885
	Denial of advances received	2,828
	Loss on valuation of stocks of subsidiaries and affiliates	19,972
	Other	6,581
<hr/>		
Total deferred tax assets	136,871	
Deferred tax liabilities:	Provision for retirement benefits	(6,908)
	Reserve for special depreciation	(133)
	Valuation difference on available-for-sale securities	(6,233)
	Removal costs corresponding to asset retirement obligations	(1,760)
	Gain on exchange from business combination	(1,455)
	Other	(298)
	<hr/>	
Total deferred tax liabilities	(16,786)	
Net deferred tax assets	120,085	

## (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, 2020 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	52,368	52,368	–
2) Accounts receivable-trade Allowance for doubtful accounts *1	1,672,108 (14,392)		
	1,657,716	1,657,716	–
3) Accounts receivable-other	108,890	108,890	–
4) Investment securities Available-for-sale securities	72,796	72,796	–
5) Short-term loans receivable from subsidiaries and affiliates *2	148,519	148,519	–
6) Stocks of subsidiaries and affiliates	84,596	125,838	41,242
7) Long-term loans receivable from subsidiaries and affiliates *3	135,312	135,837	525
Total assets	2,260,198	2,301,965	41,767
8) Accounts payable-trade	105,253	105,253	–
9) Short-term loans payable	210,000	210,000	–
10) Accounts payable-other	381,534	381,534	–
11) Income taxes payable	140,511	140,511	–
12) Deposits received	86,610	86,610	–
13) Bonds payable *4	370,000	370,499	499
14) Long-term loans payable *4	395,000	396,118	1,118
Total liabilities	1,688,908	1,690,525	1,617

\*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 non-current assets.

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

\*4. This includes the current portion of bonds payable and long-term loans payable under non-current 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	39,308
Stocks of subsidiaries and affiliates	
Unlisted equity securities	1,087,517
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 ¥98,957 million

Amount of investments in affiliates based on the equity method ¥233,225 million

Amount of equity in net income of affiliates based on the equity method ¥3,256 million

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

### (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	22,370	Credit card business, settlement agency business	Possession Indirect 98.5 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2020
Financial support	Lending of funds (Note 1)	(69,503)	Long-term loans receivable from subsidiaries and associates	–
Sharing of concurrent positions by board members	Receipt of interests	239	Short-term loans receivable from subsidiaries and associates	78,298
			Accounts receivable-other	–

(Unit: Millions of yen)

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	Chubu Telecommunications Co., Inc.	Nagoya-shi, Aichi	38,816	Telecommunications (fixed-line telecommunications service) business in the Chubu region	Possession Direct 80.5 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2020
Financial support	Borrowing of funds (Note 1)	16,191	Long-term loans receivable from subsidiaries and associates	–
			Short-term loans receivable from subsidiaries and associates	57,373
Sharing of concurrent positions by board members	Payment of interests	63	Accounts payable-other	–

(Unit: Millions of yen)

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	au Financial Holdings Corporation	Chuo-ku, Tokyo	20,000	A financial holding company	Possession Direct 100.0 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2020
Sharing of concurrent positions by board members	Absorption-type split of businesses with the Company as the divesting entity (Note 2)			
	Divested assets	129,881	–	–

(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, 2020
Financial support	Lending of funds (Note 1)	(20,023)	Long-term loans receivable from subsidiaries and associates	–
			Short-term loans receivable from subsidiaries and associates	80,517
Sharing of concurrent positions by board members	Receipt of interests	364	Accounts receivable-other	64

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

Note 1: Lending and 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 lendings and 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

lending/borrowing of funds is the amount of change since April 1, 2019.

Note 2: Given that this business divestiture was a transaction under common control, the assets were priced based on their fair book values.

**(Per Share Information)**

1. Net assets per share	¥1,660.83
2. Net income per share	¥244.75

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 from 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 4,270,910 shares and 4,280,925 shares, respectively.

**(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.