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 38TH ANNUAL SHAREHOLDERS MEETING

KDDI Corporation

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Disclosure via the Internet

The following documents attached to the Notice of the 38th 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/20220622/

“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).

MESSAGE FROM THE PRESIDENT

The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.
KDDI VISION 2030

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 38th Annual Shareholders Meeting.

The Company's 38th fiscal year (fiscal 2021) was the final year of the medium-term management plan (FY2019-21). Under this plan, we advanced 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 38th fiscal year, the operating income achieved the initial forecast of ¥1,050 billion, while the dividend payout ratio was kept above 40%.
The constant support of all our shareholders made this possible, and I would like to express my deep appreciation for this.

Since its establishment, we have made realizing a truly connected society part of the KDDI Group Mission Statement. Our business is strongly intertwined with society and directly connected to customers' lives. Under the slogan Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au), we will deliver a thrilling customer experience by always going further than expected.

Due to the novel coronavirus disease (COVID-19) pandemic, amid an ongoing rapid digital shift affecting every aspect of society, telecommunications have taken on an increasingly important role. The Government of Japan has announced the "Vision for a Digital Garden City Nation" to promote regional revitalization through digital implementation, and the digitalization of people's lives and businesses is accelerating. The Company supported the new lifestyles of consumers and promoted initiatives aimed at creating a resilient society capable of both economic growth and solving social problems.

In order to realize the future society we envision, while responding to these changes in the business environment, we have newly established "KDDI VISION 2030: The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect." and formulated new important issues (materiality) that comprehensively covers social issues and the importance of our management from a long-term perspective.

In the "Medium-Term Management Strategy (FY2022-24)," we chose to make sustainability management the basis of the plan, through which we aim to achieve sustainable growth for society while improving our corporate value as society's partner. By enhancing our 'power to connect' through leveraging the potential of 5G, as we work together with various partners, we will aim for an age where new value can be born from communication being "melded in" to every aspect of life.

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

TSE Code: 9433
May 31, 2022

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 38TH ANNUAL SHAREHOLDERS MEETING

You are cordially notified of the 38th Annual Shareholders Meeting of KDDI Corporation ("the Company") to be held as stated below.

The Company is asking shareholders to exercise their voting rights by mail or via the Internet to the extent possible and refrain from attending on the day of the Shareholders Meeting in order to prevent the spread of the novel coronavirus disease (COVID-19). Please exercise your voting rights **no later than 5:30 p.m. on Tuesday, June 21, 2022 (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 21, 2022.

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 21, 2022.

This Annual Shareholders Meeting will be streamed live on the Internet. We will accept questions in advance via the Internet. For more details, please see the attached "Responses to Prevent the Spread of COVID-19 at the 38th Annual Shareholders Meeting, Live Streaming, and Questions in Advance."

1. Date and Time: Wednesday, June 22, 2022, 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 38th fiscal year from April 1, 2021 to March 31, 2022 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditors and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 38th fiscal year from April 1, 2021 to March 31, 2022

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Partial Changes to Articles of Incorporation
Proposal 3: Election of Twelve (12) Directors
Proposal 4: Election of One (1) Audit & Supervisory Board Member
Proposal 5: Continuation of and Partial Revision to the Performance-linked Stock Compensation Plan for Directors and Other Executives
Proposal 6: Revision to Amount of Compensation for 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.

- There will be limited seating available for the meeting due to 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.
- Attendees are kindly requested to submit their Exercise of Voting Rights form to the receptionist on the day of the meeting.

A system for providing informational materials for the general meeting of shareholders in electronic format will be applied from September 1, 2022.
Accordingly, from the next Annual Shareholders Meeting (in June 2023) onward, the Company will post such reference documents on the Company's website, and plans to deliver to shareholders only a simplified notice of convocation (to provide notice of the information posted on the website, etc.).

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 23.

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 21, 2022

< Guide to filling in the voting form >

Please indicate your approval or disapproval to each proposal.

Proposals 1, 2, 4, 5, and 6

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

Proposal 3

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

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

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

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 21, 2022

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 21, 2022 (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.
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 Voting Instructions 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 a.m. 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.

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. 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 ····· ¥65.00

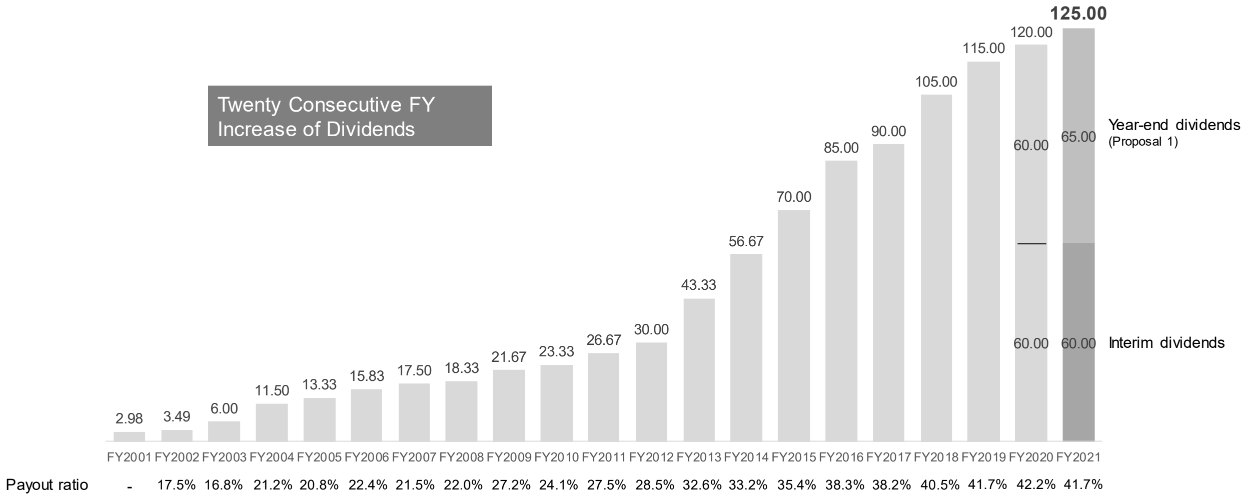
Total dividends ··················· ¥144,242,878,650

(3) Effective date of dividends of surplus

June 23, 2022

(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 38th fiscal year are based on the assumption that Proposal 1 will be approved as proposed.

Proposal 2: Partial Changes to Articles of Incorporation

This proposal partially changes the current Articles of Incorporation. The reason for the proposal and description of the amendments are as follows.

1. Reason for Proposal

The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will come into force on September 1, 2022. Accordingly, in order to prepare for the introduction of the system for electronic provision of materials for General Shareholders' Meetings, the Articles of Incorporation of the Company shall be amended as follows.

(1) The proposed Article 17, Paragraph 1 stipulates that the Company takes electronic provision measures for information contained in the Reference Documents for the General Shareholders' Meeting, etc.

(2) The purpose of the proposed Article 17, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.

(3) The provisions related to the Internet Disclosure and Deemed Provision of Reference Documents for General Shareholders Meeting (Article 17 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.

(4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Description of Changes

The changes are as follows.

(Changes are underlined.)

Present	Proposed articles
Article 1. - 16. (Details omitted)	Article 1. - 16. (Not changed)
<u>Article 17. (Deemed Provision of Reference Documents, etc. for a Meeting of Shareholders by Using the Internet as Disclosure)</u> <u>The Company may deem to have provided the information relating to the items to be entered or indicated in reference documents for Meetings of Shareholders, business reports, financial statements, and consolidated financial statements regarding the convocation of a Meeting of Shareholders to the shareholders by disclosing them using the Internet, as stipulated by the applicable Ordinances of the Ministry of Justice.</u>	(Deleted)
(Newly Established)	<u>Article 17. (Measures for providing information in electronic format, etc.)</u> <u>1. When the Company convenes a General Meeting of Shareholders, it shall take measures for providing information that constitutes the content of reference materials for the General Meeting of Shareholders, etc. in electronic format.</u> <u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u>

Present	Proposed articles
Article 18. - 41. (Details omitted) (Newly Established)	Article 18. - 41. (Not changed) (Supplementary Provisions) 1. The deletion of Article 17 (Internet Disclosure and Deemed Provision of Reference Documents for General Shareholders Meeting) of the Articles of Incorporation before amendment and the establishment of the Article 17 (Measures for Electronic Provision, etc.) shall come into effect on September 1, 2022. 2. Notwithstanding the provisions of the preceding paragraph, Article 17 of the Articles of Incorporation shall remain in force with respect to a General Shareholders Meeting to be held on a date within six months from September 1, 2022. 3. These supplementary provisions shall be deleted after the lapse of six months from September 1, 2022 or the lapse of three months from the date of the General Shareholders Meeting set forth in the preceding paragraph, whichever is later.

Proposal 3: Election of Twelve (12) 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 Twelve (12) 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	Reappointment	Internal Executive	●	●	12/12 (100%)	Male	Chairperson of Board of Directors
2	Makoto Takahashi	Reappointment	Internal Executive	●	●	12/12 (100%)	Male	President, Representative Director
3	Shinichi Muramoto	Reappointment	Internal Executive			12/12 (100%)	Male	Executive Vice President, Representative Director, Corporate Sector
4	Keiichi Mori	Reappointment	Internal Executive			12/12 (100%)	Male	Executive Director, Solution Business Sector
5	Toshitake Amamiya	Reappointment	Internal Executive			12/12 (100%)	Male	Executive Director, Personal Business Sector
6	Kazuyuki Yoshimura	Reappointment	Internal Executive			12/12 (100%)	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)
7	Goro Yamaguchi	Reappointment	Outside			12/12 (100%)	Male	5 years
8	Keiji Yamamoto	Reappointment	Outside			12/12 (100%)	Male	3 years
9	Riyo Kano	Reappointment	Outside Independent	● (Chairperson)	●	12/12 (100%)	Female	3 years
10	Shigeki Goto	Reappointment	Outside Independent	●	● (Chairperson)	12/12 (100%)	Male	2 years
11	Tsutomu Tannowa	New appointment	Outside Independent	●	●	–	Male	–
12	Junko Okawa	New appointment	Outside Independent	●	●	–	Female	–

* The Chairpersons and members of the Nomination Advisory Committee and the Remuneration Advisory Committee will be officially decided at the Board of Directors meeting to be held after the 38th Annual Shareholders Meeting.

Notes: 1. The number of the Company's shares held by each candidate is the number as of March 31, 2022.
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, 2022.

2. 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.
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. KYOCERA Corporation, where Goro Yamaguchi serves as Director and Managing Executive Officer, announced in

January 2021 that there was improper response regarding the certification by Underwriters Laboratories, a third-party safety science organization in the United States, of chemical products that were manufactured and sold by KYOCERA.

5. The Company has entered into agreements for Limitation of Liability with Goro Yamaguchi, Keiji Yamamoto, Riyo Kano and Shigeki Goto 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. In addition, the Company plans to enter into similar agreements with Tsutomu Tannowa and Junko Okawa if their elections are approved.
6. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy covers losses incurred by an insured that may arise from the insured's assumption of liability incurred in the course of the performance of duties or receipt of claims pertaining to the pursuit of such liability. In the event that the election of each candidate is approved, they will be included in the policy as an insured.

(Reference)
Diversity and expertise of the Company's Directors and Audit & Supervisory Board Members

From the perspective of achieving sustainable growth for the KDDI Group, we have defined six skills in terms of areas of expertise and experience that are considered important for the Company's Directors and Audit & Supervisory Board Members. The skills possessed by each Director and Audit & Supervisory Board Member in the event that Proposals No. 3 and No. 4 are approved as proposed at this Annual Shareholders Meeting are as follows.

Name		Corporate management	Sales/ Marketing	Global	Digital/ Technology	Finance/ Accounting	Legal affairs/ Risk management
Inside Director	Takashi Tanaka	●	●	●	●		●
	Makoto Takahashi	●	●	●	●		●
	Shinichi Muramoto	●				●	●
	Keiichi Mori		●	●	●		
	Toshitake Amamiya	●	●	●			
	Kazuyuki Yoshimura				●		
Outside Director	Goro Yamaguchi	●	●	●			●
	Keiji Yamamoto	●		●	●		
	Riyo Kano						●
	Shigeki Goto			●	●		
	Tsutomu Tannowa	●	●	●			●
	Junko Okawa	●	●				
Audit & Supervisory Board Member	Kenichiro Takagi	●				●	
	Noboru Edagawa	●		●	●		
	Yukihiro Asahina						●
	Toshihiko Matsumiya					●	●
	Jun Karube	●	●	●			●

Candidate No. 1	Takashi Tanaka	Date of birth February 26, 1957	Number of the Company's shares held (Number of potential shares) 62,500 (52,681)

Reappointment

Reason for nominating the candidate for Director

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

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

April 2003:	Executive Officer
June 2007:	Managing Executive Officer, Director
June 2010:	Senior Managing Executive Officer, Representative Director
December 2010:	President, Representative Director
April 2018:	Chairperson, Representative Director (Current position)
June 2021:	Outside Director of Astellas Pharma Inc. (Current position)

Special Interests

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

Candidate No. 2	Makoto Takahashi	Date of birth October 24, 1961	Number of the Company's shares held (Number of potential shares) 35,700 (73,744)

Reappointment

Reason for nominating the candidate for Director

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&A. Since April 2018, he has served as President and Representative Director, and demonstrated strong leadership as a driving force for sustainable growth of the Group, such as achieving the medium-term management plan (FY2019-21) and formulating the new medium-term management strategy (FY2022-24). For these reasons, he has again been selected as a candidate for Director.

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

April 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)

Special Interests

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

Candidate No. 3	Shinichi Muramoto	Date of birth March 2, 1960	Number of the Company's shares held (Number of potential shares) 13,500 (31,987)

Reappointment

Reason for nominating the candidate for Director

Shinichi Muramoto has abundant experience in the corporate divisions. He has achieved results in pursuing the KDDI Group Mission Statement, promoting sustainability and SDGs, 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.

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

October 2010:	Executive Officer
April 2016:	Managing Executive Officer
June 2016:	Managing Executive Officer, Director
April 2018:	Executive Director, Corporate Sector (Current position)
June 2018:	Senior Managing Executive Officer, Director
June 2020:	Executive Vice President, Representative Director (Current position)

Special Interests

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

Candidate No. 4	Keiichi Mori	Date of birth February 2, 1960	Number of the Company's shares held (Number of potential shares) 15,600 (25,925)

Reappointment

Reason for nominating the candidate for Director

Keiichi Mori has abundant experience in solution services for corporate customers, such as promoting DX. He is the officer in charge of the Business Services segment identified 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.

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

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

Special Interests

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

Candidate No. 5	Toshitake Amamiya	Date of birth June 26, 1960	Number of the Company's shares held (Number of potential shares) 41,300 (13,731)

Reappointment

Reason for nominating the candidate for Director

Toshitake Amamiya has abundant experience in promoting the development of new businesses connected to the future life transformation domain and in the Global Business. Serving as Executive Director of Personal Business Sector, he has promoted sustainable growth in the Company's domestic and global telecommunications business for individual customers. For these reasons, he has again been selected as a candidate for Director.

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

April 2012:	Executive Officer
April 2019:	Managing Executive Officer
June 2019:	Managing Executive Officer, Director (Current position)
April 2022:	Executive Director, Personal Business and Global Consumer Business Sector (Current position)

Special Interests

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

Candidate No. 6	Kazuyuki Yoshimura	Date of birth April 19, 1965	Number of the Company's shares held (Number of potential shares) 6,400 (10,171)

Reappointment

Reason for nominating the candidate for Director

Kazuyuki Yoshimura has abundant experience in all areas of technology. Serving as Executive Director of the Technology Sector, 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 again been selected as a candidate for Director.

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

April 2020:	Executive Officer, Executive Director, Technology Sector (Current position)
June 2020:	Executive Officer, Director
April 2021:	Managing Executive Officer, Director (Current position)

Special Interests

There are no special interests between Kazuyuki Yoshimura and the Company.

Candidate No. 7	Goro Yamaguchi	Date of birth January 21, 1956	Number of the Company's shares held (Number of potential shares) 11,900 (–)	Years served as Director 5	Board of Directors' meetings attended 12 of 12 meetings (100%)

Reappointment

Outside Director

Reason for nominating the candidate & overview of roles expected to fulfill if elected as Outside Director

Goro Yamaguchi has a wealth of corporate management experience and excellent knowledge cultivated as the President and Representative Director of a major electronic components and equipment manufacturer. On the Board of Directors, the Company has received his broad opinions related to business administration and operations from a medium- to long-term perspective, and he has contributed to improving the corporate value of the Company. Going forward, the Company expects that he will contribute to the strengthening of the supervisory function for the execution of business and provide advice from a wide-ranging managerial perspective based on his management experience at other companies. Therefore, he has again been selected as a candidate for Outside Director.

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

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

Special Interests

Goro Yamaguchi is Chairperson of the Board and Representative Director of KYOCERA Corporation, which has business transactions with the Company, but these transactions account for less than 5% of operating revenues for both parties.

Candidate No. 8	Keiji Yamamoto	Date of birth March 28, 1961	Number of the Company's shares held (Number of potential shares) 900 (–)	Years served as Director 3	Board of Directors' meetings attended 12 of 12 meetings (100%)

Reappointment

Outside Director

Reason for nominating the candidate & overview of roles expected to fulfill if elected as Outside Director

Keiji Yamamoto has excellent knowledge cultivated in IT development and electronics engineering divisions and abundant corporate management experience as a corporate manager at a major automobile manufacturer. On the Board of Directors, the Company has received his broad opinions on promoting 5G/IoT strategy, etc. from a medium- to long-term perspective, and he has contributed to improving the corporate value of the Company. Going forward, the Company expects that he will contribute to the strengthening of the supervisory function for the execution of business and provide advice from a technical perspective in the field of information and communications, etc. Therefore, he has again been selected as a candidate for Outside Director.

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

April 2016:	Executive General Manager of TOYOTA MOTOR CORPORATION
April 2017:	Managing Officer of TOYOTA MOTOR CORPORATION
June 2019:	Outside Director (Current position)
July 2019:	Operating Officer, President, Connected Company of TOYOTA MOTOR CORPORATION (Current position)
January 2021:	Operating Officer and Chief Information & Security Officer of TOYOTA MOTOR CORPORATION (Current position)
June 2021:	Chief Product Integration Officer of TOYOTA MOTOR CORPORATION (Current position)

Special Interests

Keiji Yamamoto is an Operating Officer of TOYOTA MOTOR CORPORATION, which has business transactions with the Company, but these transactions account for less than 5% of operating revenues for both parties.

Candidate No. 9	Riyo Kano	Date of birth May 11, 1966	Number of the Company's shares held (Number of potential shares) 900 (–)	Years served as Director 3	Board of Directors' meetings attended 12 of 12 meetings (100%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate & overview of roles expected to fulfill if elected as Outside Director

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 her expert opinions regarding legal risk management based on a medium- to long-term perspective and from a perspective independent of the management team, and she has contributed to improving the corporate value of the Company. Going forward, the Company expects that she will contribute to the strengthening of the supervisory function for the execution of business and provide advice from her expert perspective as an attorney at law. Therefore, 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.

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

April 1993:	Registered as attorney at law
January 2005:	Partner, Tanabe & Partners (Current position)
August 2014:	Member of Commission on Policy for Persons with Disabilities of Cabinet Office (Current position)
June 2015:	Outside Director of The Yamanashi Chuo Bank, Ltd. (Current position)
February 2017:	Member of Examination Committee for Relief Assistance of Ministry of Health, Labour and Welfare (Current position)
June 2019:	Outside Director (Current position)

Special Interests

Riyo Kano is a Partner of Tanabe & 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.

Candidate No. 10	Shigeki Goto	Date of birth December 20, 1948	Number of the Company's shares held (Number of potential shares) 2,500 (–)	Years served as Director 2	Board of Directors' meetings attended 12 of 12 meetings (100%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate & overview of roles expected to fulfill if elected as 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. On the Board of Directors, the Company has received his expert 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 he has contributed to improving the corporate value of the Company. Going forward, the Company expects that he will contribute to the strengthening of the supervisory function for the execution of business and provide advice from his expert perspective in the information and communications field, etc. Therefore, he has again been selected as a candidate for Outside Director.
Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has again been nominated as Independent Director.

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

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)
April 2015:	Chairperson, Research and Development Strategy Special Committee, Cybersecurity Strategic Headquarters of Cabinet Secretariat
April 2019:	Professor Emeritus of Waseda University (Current position)
June 2020:	Outside Director (Current position)

Special Interests

There are no special interests between Shigeki Goto and the Company.

Candidate No.	Name	Date of birth	Number of the Company's shares held (Number of potential shares)	Years served as Director	Board of Directors' meetings attended
11	Tsutomu Tannowa	October 26, 1951	2,000 (–)	–	–

New appointment

Outside Director

Independent Director

Reason for nominating the candidate & overview of roles expected to fulfill if elected as Outside Director

Tsutomu Tannowa has a wealth of corporate management experience cultivated as President & CEO of a major chemical manufacturer, as well as excellent knowledge from a global perspective. He has been selected as a candidate for Outside Director because we judge that he will contribute to improving the Company's corporate value by contributing to the strengthening of the supervisory function of business execution based on his management experience at other companies and by providing broad opinions from a medium- to long-term perspective. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been nominated as Independent Director.

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

April 2007:	Executive Officer of Mitsui Chemicals, Inc.
April 2010:	Managing Executive Officer of Mitsui Chemicals, Inc.
June 2012:	Member of the Board, Managing Executive Officer of Mitsui Chemicals, Inc.
April 2013:	Member of the Board, Senior Managing Executive Officer of Mitsui Chemicals, Inc.
June 2014:	Representative Director, Member of the Board, President & CEO of Mitsui Chemicals, Inc.
April 2020:	Representative Director, Chairperson of the Board of Mitsui Chemicals, Inc. (Current position)

Special Interests

Tsutomu Tannowa is Representative Director and Chairperson of the Board of Mitsui Chemicals, Inc., 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.

Candidate No.	Name	Date of birth	Number of the Company's shares held (Number of potential shares)	Years served as Director	Board of Directors' meetings attended
12	Junko Okawa	August 31, 1954	0 (–)	–	–

New appointment

Outside Director

Independent Director

Reason for nominating the candidate & overview of roles expected to fulfill if elected as Outside Director

Junko Okawa has a wealth of corporate management experience as a manager of a major airline company, in addition to excellent knowledge cultivated from her work experience at that airline company, especially in practical aspects such as customer service, corporate rehabilitation, and diversity promotion. She has been selected as a candidate for Outside Director because we judge that she will contribute to improving the Company's corporate value by contributing to the strengthening of the supervisory function of business execution based on her management experience at other companies and by providing broad opinions from a medium- to long-term perspective. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has been nominated as Independent Director.

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

February 2010:	Executive Officer of Japan Airlines Co., Ltd.
February 2012:	Managing Executive Officer of Japan Airlines Co., Ltd.
April 2013:	Senior Managing Executive Officer of Japan Airlines Co., Ltd.
June 2013:	Director, Senior Managing Executive Officer of Japan Airlines Co., Ltd.
April 2016:	Representative Director, Senior Managing Executive Officer of Japan Airlines Co., Ltd.
June 2018:	Vice Chairperson of Japan Airlines Co., Ltd.
April 2019:	External Affairs Representative of Japan Airlines Co., Ltd.
June 2020:	Director of The Shoko Chukin Bank, Ltd. (Current position)

Special Interests

There are no special interests between Junko Okawa and the Company.

Proposal 4: Election of One (1) Audit & Supervisory Board Member

As the term of office of Audit & Supervisory Board Member Yasuhide Yamamoto will expire at the end of this Annual Shareholders Meeting. We therefore propose that one (1) Audit & Supervisory Board Member be elected.

Moreover, when selecting a candidate for Audit & Supervisory Board Member, our benchmark is a person who has the ability and the knowledge to conduct audits appropriately and independently of Director. The approval of the Audit & Supervisory Board for submitting this proposal has already been obtained.

The candidate for Audit & Supervisory Board Member is as follows.

	Noboru Edagawa	Date of birth February 23, 1959	Number of the Company's shares held (Number of potential shares) 4,300 (–)

New appointment

Reason for nominating the candidate for Audit & Supervisory Board Member

Noboru Edagawa has abundant experience and knowledge in various divisions and group companies, such as research and technological development divisions, and consumer products and business planning divisions of the Company, KDDI Engineering Corporation, and KDDI Summit Global Myanmar Co., Ltd. (KSGM). 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. Moreover, Noboru Edagawa is scheduled to be nominated as a full-time Audit & Supervisory Board Member.

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

April 2014:	Seconded to KDDI Engineering Corporation
March 2017:	Seconded to KSGM
April 2018:	Executive Officer
April 2019:	Managing Executive Officer and seconded to KSGM (CEO)
April 2021:	Adviser (Current position)

Notes: 1. The number of the Company's shares held by Noboru Edagawa is the number as of March 31, 2022. 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, 2022. In addition to the Company's shares held under his name, he also holds 3,938 shares through the Company's stock ownership as of the end of March 2022.

2. If Noboru Edagawa is elected, the Company plans to enter into an agreement for Limitation of Liability with him 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.

3. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy covers losses incurred by an insured that may arise from the insured's assumption of liability incurred in the course of the performance of duties or receipt of claims pertaining to the pursuit of such liability. In the event that the election of Noboru Edagawa is approved, he will be an insured.

Proposal 5: Continuation of and Partial Revision to the Performance-linked Stock Compensation Plan for Directors and Other Executives

The Company, based on the advice of the Nomination Advisory Committee (the meeting held in March 2022), would like to revise and continue the performance-linked stock compensation plan introduced in fiscal 2015 in order to clarify that the remuneration of directors and other executives is linked to performance and stock value and to raise awareness of contributing to improving the operating performance and increasing corporate value over the medium and long term. Details of the plan are provided below.

1. Reason for Proposal and the reason such compensation is considered appropriate

   The performance-linked stock compensation plan (hereinafter, referred to as the "Plan") for directors, executive officers and administrative officers of the Company (excluding those residing overseas, outside directors and part-time directors) has been implemented upon the approval of its introduction by shareholders at the 31st Annual Shareholders Meeting held on June 17, 2015, and upon the approval of its continuation and partial revision by shareholders at the 34th Annual Shareholders Meeting held on June 20, 2018.

   Since the Plan period, which is the four fiscal years from fiscal 2018 to fiscal 2021, has ended, we would like to ask your approval for this proposal, to continue the Plan with some revisions from fiscal 2022 onwards.

   This proposal is separate from the maximum amount of remuneration for directors approved at the 30th Annual Shareholders Meeting held on June 18, 2014 (not exceeding ¥50 million per month), and provides for the payment of stock compensation to directors and other executives.

   After the revision, the beneficiaries of the Plan shall be directors, executive officers, administrative officers, and senior directors (excluding those residing overseas, outside directors and part-time directors; hereinafter referred to collectively as "Directors and Other Executives").

   We believe that continuing the Plan is appropriate considering the purpose of the Plan being to clarify that the compensation of Directors and Other Executives is linked to operating performance and stock value of the Company and to raise awareness of contributing to improving the operating performance and increasing corporate value over the medium and long term. In addition, at the meeting of the Board of Directors held on January 14, 2021, it was resolved to adopt a policy for determining the content of individual remuneration, etc. for directors at the Company, a summary of which is set forth on page 46 of the Notice of this Annual Shareholders Meeting, and this proposal is necessary and reasonable to grant individual remuneration, etc. to Directors in line with that policy.

   If Proposal 3, Election of Twelve (12) Directors, is approved as proposed, six directors will be eligible for the Plan. In addition, 38 executive officers not concurrently serving as directors, 16 administrative officers, and 34 senior directors will be eligible for the Plan.

2. Amount and details of compensation, etc. for the Plan

   We would like to revise some aspects of the Plan previously adopted. The details of the revised plan are indicated below.

(1) Plan summary

The Plan is a performance-linked stock compensation plan under which Company's shares are acquired through a trust using underlying fund of compensation to Directors and Other Executives contributed by the Company and, in proportion to various factors, including the degree of achievement of operating targets and their position, the Company's shares and cash in the amount equivalent to the converted monetary value of the amount of the Company's shares (hereinafter, referred to as the "Company's Shares Etc.") are delivered and paid (hereinafter, referred to as the "delivery and payment") to Directors and Other Executives. As a general rule, the timing at which Directors and Other Executives receive delivery and payment of the Company's Shares Etc. shall be upon their retirement.

The Plan, which is to be continued this year, applies to a total of three fiscal years (hereinafter, referred to as the "Plan Period") that includes fiscal 2022 to fiscal 2024, which are the period for the current medium-term management strategy. The existing trust, which will terminate on the last day of August 2022 (hereinafter, referred to as the "Existing Trust"), shall be extended for three years until the planned date of the last day of August 2025 (hereinafter, the trust that is continued until to this date shall be referred to as the "Continued Trust").

(2) Ceiling on the compensation for the Plan

The Company shall contribute money at a maximum of ¥3,750 million in total for three years to the Continued Trust as compensation to Directors and Other Executives during the Plan Period. The funds contributed to the Continued Trust shall be used to acquire Company's shares from the Company (disposal of treasury shares) or in the market, in accordance with instructions of the trust administrator.

However, when making such a contribution, if there are Company's shares remaining in the trust assets (excluding the Company's shares that are scheduled to be delivered and paid to Directors and Other Executives) or money (hereinafter, referred to collectively as "Remaining Shares Etc.") on the last day of the trust period of the Existing Trust, the Remaining Shares Etc. shall be carried over to the Continued Trust and the total of the Remaining Shares Etc. and additional trust money contributed shall be within ¥3,750 million.

Furthermore, points shall not be granted to Directors and Other Executives, from the termination of the trust period of the Continued Trust, but the trust period of the Continued Trust may be extended for a maximum of 15 years until Directors and Other Executives who satisfy beneficiary requirements retire and delivery and payment of the Company's Shares Etc. to Directors and Other Executives is complete.

If the further continuation of the Continued Trust is proposed and approved at the Annual Shareholders Meeting in three years' time, the Plan Period and trust period may be extended within the range approved at the Annual Shareholders Meeting and points may continue to be granted to Directors and Other Executives during the extended trust period.

(3) Method for calculating the Company's Shares Etc. that Directors and Other Executives acquire and ceiling on the number thereof

For each fiscal year during the Plan Period, each Director and Other Executive, is granted a certain number of points, and when Directors and Other Executives retire, a number of the Company's Shares Etc. proportional to the total number of points they have accumulated are delivered and paid.

The number of points for each fiscal year during the Plan Period is decided upon taking into consideration various factors including the degree of achievement of operating performance targets for each fiscal year and the person's position. The points are granted by the first June after the end of that fiscal year.

One share is delivered for each point, and in the case of a share split, reverse share split, etc., adjustments of the number of points shall be made in accordance with such factors as the share split or reverse share split ratio.

The number of points granted to each Director and Other Executive shall be decided upon as given below based on their point grant percentage calculated taking into consideration the (a) Company performance targets and the (b) degree of achievement determined on the basis of Remuneration Advisory Committee report, and their positions.

(a) The Company performance targets: operating revenue, operating income, profit for the year, etc.

(b) Remuneration Advisory Committee reporting targets:

KPI numerical targets tied to growth of the Company's operations and increases in operating performance

Furthermore, targets for operating performance and KPI numerical targets for each fiscal year during the Plan Period are set at the beginning of that particular fiscal year.

Calculation method:

Point grant percentage calculated taking into consideration the operating performance attainment level x position-based points

The annual number of points given to each Director and Other Executive through the Plan shall not exceed 400,000 points in total. Furthermore, the maximum number of the Company's shares acquired to deliver and pay to Directors and Other Executives during the Plan Period shall be 1,200,000 shares, corresponding to the total number of annual points (400,000 points) multiplied by the number of years for the trust period, which is three years.

(4) Delivery and Payment to Directors and Other Executives

Directors and Other Executives who retire and satisfy the beneficiary requirements shall, by completing the designated beneficiary confirmation procedures, have a number of the Company's shares corresponding to a determined percentage of the number of accumulated points (including points already granted) delivered to them together with payment of cash in the amount equivalent to the converted monetary value of the amount of the Company's shares equivalent to the number of remaining points.

(5) Clawback system, etc.

A system has been established for a case where a Director or Other Executive commits acts in serious violation of laws or regulations to enable the Company to claim against such Director or Other Executive for loss or forfeiture of their rights to receive delivery and payment of the Company's Shares Etc. under the Plan and for the return of a cash amount corresponding to the amount of the Company's Shares Etc. already delivered (clawback).

(6) Payment of dividends of surplus for the Company's shares held in the Existing Trust and Continued Trust

Dividends paid to the Company's shares held in the Existing Trust and Continued Trust shall be received by the respective trusts and used for trust fees and trust expenses, and dividends corresponding to the total number of points held by the Directors and Other Executives on each dividend record date shall be paid to the corresponding Directors and Other Executives after their retirement. If there remain some dividends when the trust is terminated, they shall be paid to Directors and Other Executives, and then donated to an organization with no interest in the Company or Directors and Other Executives.

Proposal 6: Revision of Remuneration Amount for Audit & Supervisory Board Members

The maximum remuneration for Audit & Supervisory Board Members of the Company was set at no more than ¥130 million annually by a resolution of the 32nd Annual Shareholders Meeting held on June 22, 2016, and has remained the same since then. However, taking into consideration the increased roles required of Audit & Supervisory Board Members due to the expansion of business domains accompanying the promotion of the Satellite Growth Strategy, along with the levels of remuneration of officers at similarly sized companies, the Company proposes to revise this amount to no more than ¥160 million annually. This proposal has passed through the deliberation process of the Remuneration Advisory Committee which is composed of mainly Outside Directors.
If Proposal 4 is approved as proposed, the number of Audit & Supervisory Board Members will be five, the same number as at present.

(Reference) Message from an Outside Director

Formulation of the Medium-Term Management Strategy (FY2022-24)
Riyo Kano, Independent Outside Director FY2021 is the final year of the Medium-Term Management Plan that began in FY2019, and the formulation of the next medium-term management strategy has been underway looking to the future. In formulating the Medium-Term Management Strategy (FY2022-24), several opportunities for discussion have been provided since last year, and careful discussions have been held from the framework of the strategy. The discussions have involved lively exchanges of opinions, drawing on the diverse experience and knowledge of each Director and Audit & Supervisory Board Member. As a member of the Board who is an Outside Director, I participated in discussions on a wide range of important topics, including the future goals of the KDDI Group, medium- to long-term business strategies, and strengthening the management infrastructure for sustainable corporate value enhancement, and I feel that I was able to gain a deeper understanding of our management strategy and to be appropriately involved in the formulation process. The key feature of this Medium-Term Management Strategy is that it places “sustainability management” at the core of the strategy, which is a further evolution of the various sustainability-related initiatives KDDI has been undertaking. The strategy clearly shows that sustainability is the first axis of the strategy, and that the Company will consider what it should be and what it should do from there. Nowadays, companies are expected to enhance not only economic value such as sales and profits, but also non-economic value (social value) such as carbon neutrality, human rights, and diversity. In this social environment, I am confident that KDDI will be able to achieve further growth through the implementation of this Medium-Term Management Strategy, which is aimed at solving social issues and further enhancing corporate value. As an au user, I also look forward to a more convenient and exciting future through the promotion of the “Satellite Growth Strategy,” which aims to expand growth areas with telecommunications at its core.

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

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

In order to ensure the Board of Directors as a whole has a high degree of expertise and diverse perspectives in making decisions that include important management matters and in providing oversight as required by law, the Company selects individuals who meet the following standards without distinction as to gender, age, nationality, race or ethnicity.

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 by the Nomination Advisory Committee
3. Deliberation and approval by the Audit & Supervisory Board
4. Approval by the Board of Directors
5. Election by the Shareholders Meeting

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 director of the Company. Accordingly, we strike a balance between comprehensive approval by and report to the Board of Directors, and internal requests for decisions on individual transactions.

Analysis and Evaluation of the Board of Directors' Effectiveness

■ **Purpose of conducting**

The Company conducts a self-evaluation of the Board of Directors 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
  (participation in medium-term management strategy, monitoring of plan enforcement, etc.)

■ **Evaluation results**

[Summary]
The evaluation confirmed that the Company's Board is operating appropriately and functioning effectively.
The following matters were rated highly in particular.

- The Board of Directors is managed by leveraging the knowledge of outside directors/Audit & Supervisory Board members.
  The Company has fostered a culture in which outside directors/Audit & Supervisory Board members can actively speak up at Board meetings. In addition, the executive side responds sincerely to the opinions and questions of outside directors/Audit & Supervisory Board members, and the Board of Directors is managed in a manner that takes advantage of the knowledge of outside directors/Audit & Supervisory Board members with various backgrounds.
- Discussions focused on sustainable growth and medium- to long-term improvement of corporate value
  Discussions are being held from a medium- to long-term perspective on themes such as sustainable growth of the mainstay domestic telecommunications business, full-scale deployment of 5G, and value creation through the integration of telecommunications and life design.

[Improvements since previous evaluation]
As the issue raised in the previous evaluation, directors and Audit & Supervisory Board members suggested various topics that should be discussed to achieve the Company's sustainable growth even amid the radically changing operating environment. Thus, we decided to incorporate such topics in the process of formulating the next medium-term management strategy and have active discussions drawing on diverse experiences and knowledge of directors and Audit & Supervisory Board members.
Based on this theme, in 2021, we reserved time for active and constructive exchanges of opinions among the directors and Audit & Supervisory Board members and sufficient time for deliberation, and discussed various

issues, including the proposed themes, in order to formulate a new Medium-Term Management Strategy.

[Future issues]
Our proactive efforts based on the “Satellite Growth Strategy,” which orbits around communications, are enabling us to diversify our business domains and expand the scale of our operations through the growth of our group companies.

In this environment, the KDDI Group believes that in order to fulfill its social responsibilities and achieve sustainable growth while appropriately responding to various risks, it is important to further strengthen corporate governance, which is the foundation of the KDDI Group’s operations.

The Group as a whole will further promote the “KDDI Group Philosophy” as the basis of its corporate activities and strengthen its governance system, including risk management, while the Board of Directors will provide appropriate supervision as appropriate to strengthen the effectiveness of risk management.

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 in a timely manner focused on outside directors/Audit & Supervisory Board members, 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.
Each quarter, the Company’s directors and other personnel visit our institutional investors in Europe, the US, and Asia to provide explanations of the Company’s financial condition and future strategies. In fiscal 2021, however, due to the impact of COVID-19, we had conference calls and video meetings on an individual basis.
In fiscal 2021, the Company held Five hundred and seventy (570) conference calls and video meetings including participation in Eleven (11) conferences hosted by securities companies in Japan and abroad.

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

(Documents Appended to the Notice of the 38th Annual Shareholders Meeting)
BUSINESS REPORT
(April 1, 2021 to March 31, 2022)

(Reference)

Financial Highlights

Operating Revenues	¥5,446,708 million
(increased 2.5% year on year)	
Operating revenues increased mainly due to an increase in revenues from handset sales and the energy business.	
Operating Income	¥1,060,592 million
(increased 2.2% year on year)	
Operating income rose mainly due to an increase in operating revenues.	
Profit for the year attributable to owners of the parent	¥672,486 million
(increased 3.2% year on year)	
Profit for the year attributable to owners of the parent rose mainly due to increased operating income.	

1. Current Status of the Corporate Group

(1) Business Developments and Results

1) Overall Conditions

[Industry Trends and KDDI's Position]

Due to the COVID-19 pandemic, the structure of day-to-day life as we know it has been completely upended and, amid an ongoing rapid digital shift affecting every aspect of society, telecommunications have taken on an increasingly important role.

To ensure its ability to promptly adapt to the changes of this era and promote its medium- to long-term vision, KDDI aimed to achieve overall growth through sustainable growth in existing businesses as well as new innovation endeavors under its medium-term management plan spanning the period of April 1, 2019 to March 31, 2022 (FY2019-21).

Under the slogan Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au), we strive to provide pricing plans aligned with diverse needs and lifestyles to individual customers over a wide telecommunications area via a high-quality network by offering the "reliable and unlimited-use" with "au," "simple for everyone" services with "UQ mobile," and "povo" with the slogan "From zero, in your own way." In addition, we provide an experience value only possible with 5G by collaborating with partners to provide a metaverse (virtual reality) that includes a virtual city that integrates virtual and physical space. We deliver new experience value to customers by steadily promoting the "integration of telecommunications and life design" through the wider adoption of "au PAY" as a contact point with customers.

For corporate customers, companies' digital transformation (DX) is accelerating across a wide range of industries and uses, and corporate business models are changing profoundly. KDDI is undertaking DX with customers, aiming to grow our businesses in tandem. By fully leveraging KDDI DIGITAL GATE, which is a new business development center, DXGoGo Inc., a new company founded in May 2021, and various Group company assets, we promote the creation of new experience value and businesses with the aim of becoming a digital integrator for this era, in which telecommunications are becoming seamlessly integrated with all kinds of physical things.

In addition, KDDI considers human resources its most important resource. With the aim of transforming into a company that puts human resources first and has made their development and enhancement the foundation of management, we are working on this across three pillars: introducing the KDDI Version Job Style Personnel System, promoting Internal DX, and realizing the Declaration of KDDI New Work Styles.

Furthermore, to achieve KDDI's SDGs for 2030 we formulated the KDDI Sustainable Action initiatives. These initiatives target sustainable growth with society by "connecting and protecting lives," "connecting day-to-day lives," and "connecting hearts and minds" through the pursuit of business partnerships that utilize 5G, IoT, and other technologies.

Every year, the effects of global warming grow more severe, and the resulting climate-driven disasters are increasing in Japan and around the world. In April 2021, KDDI announced its agreement with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. With the release of our Sustainability Report 2021 in September, we made our first disclosure in line with the TCFD recommendations. In addition, in April 2022, we decided to move up our target of achieving net zero CO_2 emissions by 2050 (non-consolidated), which was announced in July 2021, to fiscal 2030. Furthermore, for its CO_2 emissions reduction targets, the KDDI Group acquired SBT certification from the international climate change-focused Science Based Targets initiative (SBTi).* Going forward, we will enhance non-financial disclosures while continuing to work to reduce CO_2 emissions by facilitating the transition to renewable energy and making mobile phone base stations and telecommunication equipment more energy efficient.

In addition, in November 2021 we entered into a partnership with SBI Investment Co., Ltd. to establish KDDI Green Partners Fund to invest in startups that address a wide range of climate change-related issues. In March 2022, as its first project, the fund invested in EneCoat Technologies Co., Ltd., which is developing perovskite solar cells, which are expected to be the next generation of solar cells.

In order to achieve sustainable growth while responding swiftly to changes in the business environment, KDDI has newly established "KDDI VISION 2030: The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.'" and formulated new materiality that comprehensively cover social issues and the importance of our management from a long-term perspective. Based on the above, we will promote the medium-term management strategy (FY2022-24) for the next three years.

* March 9, 2022: Sustainability News (Japanese only), "Acquired SBT Certification of an International Climate Change Initiative"
(https://news.kddi.com/kddi/corporate/csr-topic/2022/03/09/5933.html)

2) Business Conditions by Segment

Personal Services	
Provision of telecommunication services (mobile, fixed-line, etc.) and life design services (commerce, finance, energy, entertainment, education, etc.) for individual customers in Japan and overseas	
Operating Revenues	¥4,669,993 million
(increased 1.9% year on year)	
Operating revenues increased mainly due to an increase in revenues from handset sales and the energy business.	
Operating Income	¥865,476 million
(increased 0.3% year on year)	
Operating income rose mainly due to an increase in operating revenues.	

TOPICS

Multi-brand service offerings and 5G area expansion

KDDI offers “reliable and unlimited-use” with “au,” “simple for everyone” services with “UQ mobile,” and “povo” with the slogan “From zero, in your own way,” all with 5G compatibility.

In February of this year, au expanded its “Unlimited-Use MAX 5G ALL STAR Pack”[*1] service with no change in rates. UQ mobile offers a Home Set Discount,[*2] which allows the whole family to use Kurikoshi (Carryover) Plan +5G at a discount, starting at ¥990 (tax included) per month. We are providing multi-brand mobile communication services finely tailored to meet the diverse needs and lifestyles of our customers. These include povo2.0, an all-topping online-only brand that allows customers to freely choose from 11 different toppings (data capacity, unlimited calls, etc.) to suit their usage styles on a base plan with a ¥0 basic fee.

Under the slogan “Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au),” we are also making company-wide efforts to build 5G areas with the aim of providing communications services with continuous connection. And we are expanding these areas with a focus on the railway lines and commercial districts that are central to lifestyle activities.

*1. This is an unlimited data use rate plan that includes access to entertainment services such as video and music streaming. Tethering, data sharing, and international roaming communications (flat-rate global data) have a total monthly data capacity limit of 80GB. Transmission speed may be limited when high volumes of data are used, or during periods of congested communications traffic. Transmission speed is limited when viewing videos, etc.

*2. A discount on UQ mobile’s monthly fee is provided when it is used in combination with a qualifying service (Internet or electric power).

Expansion of life design areas (au PAY, finance, energy)

In addition to expanding the number of financial institutions that accept au PAY balance recharging to 126, including megabanks, au PAY is further improving customer convenience, such as when we enabled new Suica issuance and recharging via the au PAY app in March of this year. We also held “Big Tanuki Repayment (Summer, Winter, Spring),” a promotional campaign in which Ponta points were given back for paying with au PAY at participating merchants, and many customers took advantage of the reward.

In financial services, in September of last year, au Jibun Bank launched the au Matomete Preferred Interest accounts, offering an annual interest rate of 0.20% (0.15% after tax) on yen-denominated ordinary deposits accounts for customers who have linked their au PAY, au PAY Card and au Kabu.com Securities accounts at au Jibun Bank. In March of this year, au Kabu.com Securities began accepting au PAY card payments for the accumulation of reserves in investment trusts through au Kabu.com Securities as part of a further enhancement of service linkage.

The number of contracts for electric service exceeded 3 million in August of last year. In September of last year, we began offering the au Denki eco Plan with an effective renewable energy ratio of 100%, and in February of this year, the service area was expanded to cover all of Japan.

Providing new experience value in the 5G era (Virtual)

In the domain of creating new 5G experience value, the Virtual Shibuya au 5G Halloween Festival 2021 event held in October of last year was attended by approximately 550,000 customers from around the world. “Virtual Shibuya au 5G Shibuharu Festival 2022” was held from February to March of this year, connecting “Virtual Osaka” and “Virtual Shibuya,” which opened in February of this year as a new city-linked metaverse. In March of this year, we launched sales of “Nreal Air” smart glasses by “Nreal Ltd.,” a device that provides a new augmented experience.

Expansion of global business

In the Myanmar telecommunications business conducted by KDDI Summit Global Myanmar Co., Ltd. in cooperation with Myanmar Posts and Telecommunications (MPT), KDDI Summit Global Myanmar Co., Ltd. has been working to maintain the telecommunications services essential to the lives of the people of Myanmar. Even after the political change in February last year, they have done so in accordance with the KDDI Group Human Rights Policy, and with the safety of all secured in mind.

In addition, MobiCom Corporation LLC, a comprehensive telecommunications operator in Mongolia, has been renewing its brand on the occasion of its 25th anniversary, while also promoting advanced initiatives such as providing the country’s first digital corporate bond service. They are thereby contributing to the country’s economic development and enhancement of people’s lives. As Mongolia’s premier telecommunications operator, MobiCom is thus contributing to the country’s economic development and the enhancement of the people’s lives.

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	¥1,042,644 million
(increased 4.6% year on year)	
Operating revenues increased mainly due to an increase in Solutions revenues resulting from growth in the NEXT core business comprising Corporate DX, Business DX, and business base services.	
Operating Income	¥186,049 million
(increased 11.1% year on year)	
Operating income rose mainly due to an increase in operating revenues.	

* As a result of changes to the reportable segments for some subsidiary companies, figures for the previous fiscal year have been restated.

TOPICS

Strengthening digital transformation (DX) business

In February of this year, we began co-creation work with LAC Co., Ltd. and Nomura Research Institute to advance cloud-native security and zero-trust security in order to support diversified corporate activities utilizing cloud computing and teleworking. Through co-creation, the three companies will help develop Japan as a digital society. To do so, they will develop and pioneer security solutions in new technological fields to help resolve societal issues. This will include cybersecurity measures in the introduction/utilization of cloud services by enterprise, and authentication for the use of multiple communication devices, which is key to achieving diversity in work styles such as teleworking. They will also support rapidly evolving corporate DX with cybersecurity.

In February of this year, KDDI began offering our corporate customers 5G standalone (SA), which combines dedicated 5G core equipment and 5G base stations. In addition to high-speed, high-capacity communications, 5G SA will be able to provide new functions such as network slicing by configuring facilities exclusively with 5G-specific technology. In February of this year, we conducted Japan's first live video broadcast using 5G SA in collaboration with ABEMA, a new future TV service operated by AbemaTV Inc. KDDI will continue to advance efforts to create new services and business use cases in the coming era of 5G SA, while supporting DX in video broadcasting and the realization of new video experiences.

Expansion of global business

In the data center business, a designated growth field, we strengthened connectivity in London during fiscal 2021, and also began operations at TELEHOUSE South, which is working toward carbon neutrality. Moreover, we will establish TELEHOUSE Bangkok in the spring of 2023 under the TELEHOUSE brand, which has a track record of more than 30 years, mainly in Europe, in order to expand business in Southeast Asia.

We will continue to support the realization of a comfortable digital life by connecting domestic and international content providers, telecommunications carriers, and end users.

Initiatives to increase customer satisfaction

J.D. Power Japan's 2021 Business Mobile Phone Service Satisfaction Study, KDDI was awarded first place in overall customer satisfaction in the Large Corporations/Medium-Sized Enterprises Market Segment for the sixth consecutive year as well as first place in the Small/Medium Corporations Market Segment for the second time. Moreover, KDDI was awarded first place in overall customer satisfaction by J.D. Power Japan in its 2021 Business Network Service Satisfaction Study in the Large Corporations

Market Segment for the third consecutive year and first place in overall customer satisfaction in the Business IP Phone & Direct Line Phone Service Satisfaction Study for the ninth consecutive year.

Going forward, we will work to provide even higher-quality products and services to further satisfy our customers.

J.D. Power 2016-2021 Business Mobile Phone Service Satisfaction Study <Market for large and mid-sized companies>

The 2021 study saw answers received from 2,482 companies with 100 or more employees.

J.D. Power 2020-2021 Business Mobile Phone Service Satisfaction Study <Market for small and mid-sized companies>

The 2021 study saw answers received from 1,719 companies with at least 50 but less than 100 employees.

J.D. Power 2019-2021 Business Network Service Satisfaction Study <Large corporate market department>

The 2021 study saw answers received from 396 companies with 1,000 or more employees.

J.D. Power 2013-2021 Business IP Phone & Direct Line Phone Service Satisfaction Study.

The 2021 study saw answers received from 1,097 companies with 100 or more employees.

*See jdpower-japan.com for details on the survey.

3) Efforts for Sustainability toward Continued Enhancement of Corporate Value

Sustainability

With our aim of realizing a sustainable society, the KDDI Group is advancing initiatives toward carbon neutrality. In February of this year, the KDDI Group received SBT certification*1 for our CO_2 emissions reduction targets.

Furthermore, in April of this year, KDDI announced that we aim to achieve net zero CO_2 emissions by fiscal 2030 in our own business activities, and by fiscal 2026 at our data centers worldwide*2, which the KDDI Group operates under the TELEHOUSE brand. The KDDI Group as a whole aims to achieve net-zero CO_2 emissions by fiscal 2050.

In November of last year, we established the KDDI Green Partners Fund, which invests in venture companies that address environmental issues such as decarbonization, and in March of this year, we invested in EneCoat Technologies Co., Ltd., which develops perovskite solar cells.

*1 SBTi is an international climate change initiative jointly operated by the UN Global Compact, CDP (an international NGO working to combat climate change), the World Resources Institute (WRI) and the World Wildlife Fund for Nature (WWF). If a company's stated greenhouse gas emissions reduction targets comply with the standards required by the Paris Agreement, then the company can receive SBT certification.

*2 Referring to data centers for which buildings and equipment are owned by the KDDI Group and excluding instances in which services are provided by renting parts of other companies' data center facilities or equipment.

Initiatives for regional revitalization

We are engaged in community co-creation activities aimed at continuously increasing corporate value.

We have been conducting various experimental and demonstration efforts. In fiscal 2021, in addition to administrative DX efforts such as the Tokyo Metropolitan Government's procedural digitalization support project, we provided DX human resource education programs to local public-sector entities. We also conducted human resource development activities that lead to regional DX, such as DX and ICT-related courses at universities and technical colleges.

We have been working to bridge the digital divide through efforts that include holding smartphone classes throughout Japan, and in Hidaka Village, Kochi Prefecture, we have been aiming for 100% smartphone use as part of our "Digitalization of the Entire Village Project," intended to solve local issues through digitalization.

Solving social issues and providing new mobility experiences

In January of this year, we came together with WILLER, Inc. to begin jointly offering "mobi," a transportation service with a flat rate for unlimited intra-area rides.

Many people in the childrearing generation find it a challenge to pick up and drop off their children, and the demand for short-distance travel has also increased as people spend more time around their homes due to the COVID-19 pandemic. As elderly people voluntarily return their drivers licenses in increasing numbers, and regional cities discontinue bus routes, there is increasing concern, primarily among the elderly, about the loss of means of transportation, making it important to resolve transportation issues in order to realize sustainable urban development.

WILLER, Inc. has been creating new transportation value by introducing IT marketing systems to bus, railway, and other transportation services. KDDI has been working to co-create local communities using digital technology as a telecommunications carrier. Together, we will work together to provide stress-free transportation through this service that will not only solve issues in local transportation networks, but also increase opportunities to go out, interact with family and community, revitalize towns, and enrich people's lives.

The service area has been expanding sequentially since April of this year, and we will continue our efforts to make this service available to as many people as possible.

Opening a new operational base for integrated operation of services to provide more stable telecommunication services

We opened a new operational base last July that provides more stable telecommunications services by incorporating efficient and integrated operation of various services, as well as service monitoring using automated operational functions. The entire company will work together to deploy 5G networks and maintain stable telecommunication services and prompt recovery in the event of large-scale natural disasters.

New operational base activities

● Up to now, we have conducted operation and monitoring mainly for facilities, but we have now built a system that can operate and monitor various services in an integrated manner, making it possible to respond quickly with a one-stop service from fault detection to recovery.

● Diverse information necessary for operation and monitoring is displayed on a big-screen monitor, approximately 2 m long by 20 m wide, located at the front of the monitoring room, enabling all members in the monitoring room to grasp important information in real time.

● When a problem occurs, the system automatically makes determinations from locating the origin of the fault to the method of recovery. It builds an operational automation infrastructure that enables one-touch fault recovery, making it possible to perform the recovery work quickly and with a high degree of accuracy.

(2) Issues Facing the Corporate Group

1) Medium- to Long-Term Management Strategies

Due to the COVID-19 pandemic, telecommunications have taken on an increasingly important role amid an ongoing rapid digital shift affecting every aspect of society. The government's "Vision for a Digital Garden City Nation" promotes regional revitalization through digital availability, and is speeding up digital transformation of people's lives and businesses. KDDI supports the new lifestyles of consumers and promotes initiatives to build a resilient future society that allows both economic advancement and the solution of social issues.

In order to achieve out ideal future society while responding to such changes in the business environment, KDDI has newly established "KDDI VISION 2030: The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect." and formulated new materialities that comprehensively cover social issues and the importance to the KDDI Group's management from a long-term perspective. Based on the above, we will promote the medium-term management strategy (FY2022-24) as follows.

< Medium-Term Management Strategy (FY2022-24) >

- **The KDDI Group Mission Statement**

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

- **Brand message**

  Tomorrow, Together KDDI/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

- **KDDI VISION 2030**

  The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.

- **Financial targets**

  We will continue to enhance growth investment and shareholder returns for sustainable growth, while aiming to achieve a 1.5x increase in EPS* (vs. FY2018). Regarding shareholder returns, we will continue to pay stable dividends with a dividend payout ratio over 40%. We will also maintain a flexible position with regard to repurchase of our treasury stock, keeping in mind the status of growth investments, etc.

  * Earnings Per Share

2) Issues to Be Addressed (Medium-Term Management Strategy —Sustainability Management—)

The medium-term management strategy (FY2022-24) focuses on sustainability management, which aims for sustainable growth of society and increased corporate value in conjunction with our partners. We aim to realize an age in which new value is created by evolving the "power to connect" by leveraging the features of 5G and seamlessly integrating telecommunications into all aspects of life. We will evolve the telecommunications business through 5G, expand focus areas with telecommunications at their core, and reinforce the management foundation to support these efforts.

< Business Strategy -Satellite Growth Strategy- >

We will strengthen the 5G-driven evolution of its telecommunications business, the expansion of focus areas centered around telecommunications. We will aim to maximize the KDDI Group's corporate value especially in the five focus areas below.

(1) Digital Transformation (DX)

・We will bring telecommunication into everything (cars, industrial equipment, and various meters, etc.) through IoT to organize an environment in which customers can enjoy using 5G without being aware of its presence. To do that, we will provide business platforms that satisfy individual needs by industry, supporting customers in creating businesses. We will look to a healthy DX cycle in which newly arising added values transform people's living.

(2) Finance

・We will drive an increase of users' Financial Cross-Use, contributing to improving engagement through telecommunication and finance. We will also scale up various finance features to grow KDDI Group's finance companies.

(3) Energy

・We will continue to enhance our power retail business and enter businesses related to carbon neutrality to contribute to carbon neutrality.

(4) Life Transformation (LX)

・We will create new businesses that will give rise to innovation in diversifying consumption and experiences, as seen in mobility, space and metaverse, through KDDI's technology strategy "Life Transformation Technology" ("LX Technology").

(5) Regional co-creation -CATV, etc.-

・Dealing with issues unique to regional areas such as depopulation and aging population, we will eradicate digital divide and create together with the areas. We will also offer management support to regional CATV stations and companies supporting regional areas across Japan, to drive regional business co-creation efforts.

< Enhancing business infrastructure >

KDDI group will especially enhance the three areas below to contribute to the sustainable growth of ourselves and society.

(1) Achieving carbon neutrality

・KDDI is aiming to achieve net-zero CO_2 emissions by 2030 and the Group as a whole by 2050. In order to achieve these targets, by promoting energy efficiency and shift to renewable energy.

(2) Transforming into a Human resources first company

・In order to transform into a company that puts human resources first and considers their development and enhancement to be the foundation of management, we are working on this across three pillars; introducing the KDDI Version Job Style Personnel System, realizing Declaration of KDDI New Work Styles, and promoting Internal DX. By utilizing "KDDI DX University" to advance DX skills of all employees and develop professional human resources, we will also shift personnel to focus areas.

(3) Promoting the KDDI group management and strengthening the corporate governance system

・For KDDI Group's sustainable corporate management, we will ensure respect for human rights in our business activities, enhance our risk management and information security system, and strengthen governance, with consideration to increasing our group companies and diversifying our businesses in association with the advancement of the Satellite Growth Strategy.

(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)

	35th fiscal year (FY2019.3)	36th fiscal year (FY2020.3)	37th fiscal year (FY2021.3)	38th fiscal year (FY2022.3)
	IFRS			
Operating revenues	5,080,353	5,237,221	5,312,599	5,446,708
Operating income	1,013,729	1,025,237	1,037,395	1,060,592
Profit attributable to owners of the parent	617,669	639,767	651,496	672,486
Basic earnings per share (yen)	259.10	275.69	284.16	300.03
Total assets	7,330,416	9,580,149	10,535,326	11,084,379
Total liabilities	2,717,484	4,721,041	5,275,857	5,573,715
Total equity	4,612,932	4,859,108	5,259,469	5,510,663

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

2. Concerning the calculation of basic earnings per share, the Company's stocks owned by the executive compensation BIP (Board Incentive Plan) and a stock-granting ESOP (Employee Stock Ownership Plan) 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)

	35th fiscal year (FY2019.3)	36th fiscal year (FY2020.3)	37th fiscal year (FY2021.3)	38th fiscal year (FY2022.3)
	Japan GAAP			
Operating revenues	4,061,712	4,070,873	4,062,750	4,037,023
Telecommunications business	2,604,826	2,640,235	2,664,575	2,596,243
Incidental business	1,456,887	1,430,638	1,398,175	1,440,779
Operating income	675,688	750,355	757,146	721,146
Ordinary income	723,323	800,209	814,445	790,544
Profit	505,146	567,962	578,634	561,015
Earnings per share (yen)	211.90	244.75	252.38	250.29
Total assets	5,427,230	5,681,462	5,956,659	5,966,580
Liabilities	1,720,350	1,861,707	1,895,892	1,852,940
Net assets	3,706,880	3,819,755	4,060,767	4,113,639

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

2. Concerning the calculation of earnings per share, 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 borrowed short-term loans from financial institutions totaling ¥19,534 million for the purpose of allocation as a portion of our working capital.

(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.

As a result, the Group invested ¥676,461 million in telecommunications equipment and other facilities during the fiscal year under review.

The capital investments do not include joint capital investments (amounts borne by other business operators) with other business operators.

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 4G/5G service areas 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, 2022)

The Group comprises the Company, 159 consolidated subsidiaries (102 companies in Japan and 57 companies overseas) and 38 equity-method affiliates (31 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.

(7) Offices of the Company (As of March 31, 2022)

(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.)	16 branch offices, 63 branches, 7 customer service centers, etc.
(Technical centers, etc.)	8 technical centers 3 technology maintenance centers, 1 transmitting station
(Overseas offices)	Geneva, Beijing, Shanghai

(8) **Principal Subsidiaries** (As of March 31, 2022)

1) Businesses in Principal Subsidiaries

Company name	Location	Capital	Ratio of capital contribution	Principal business
Okinawa Cellular Telephone Company	Okinawa	Millions of yen 1,415	% 52.5	au mobile communication services
JCOM 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	83.6	Holding company of an Internet services company
Jupiter Shop Channel Co., Ltd.	Tokyo	4,400	(55.0)	Television shopping business
ENERES Co., Ltd.	Tokyo	100	59.0	Energy-related business
KDDI MATOMETE OFFICE CORPORATION	Tokyo	1,000	95.0	Supporting IT environment for small and medium-sized companies
KDDI Evolva Inc.	Tokyo	100	100.0	Business Process Outsourcing (BPO) centered on Contact Center Services
KDDI Engineering Corporation	Tokyo	1,500	100.0	Construction, maintenance and operation support for communications facilities
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

Company name	Location	Capital	Ratio of capital contribution	Principal business
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)
KDDI Asia Pacific 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) Progress with business combination

No relevant items.

(9) Employees (As of March 31, 2022)

1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	29,193
Business Services	16,709
Others	2,927
Total	48,829

2) Employees of the Company

No. of employees	Year-on-year decrease	Average age	Average length of service
10,455	898	42.5	17.2 years

Note: No. of employees does not include 3,187 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2022)

Creditor	Loans outstanding
	Millions of yen
MUFG Bank, Ltd.	161,000
Sumitomo Mitsui Banking Corporation	84,500
Mizuho Bank, Ltd.	55,000
Development Bank of Japan, Inc.	42,000
Sumitomo Mitsui Trust Bank, Limited	27,500

2. Shares (As of March 31, 2022)

(1) Total Number of Authorized Shares

4,200,000,000 shares

(2) Total Number of Issued Shares

2,304,179,550 shares
(including 85,058,340 shares of treasury stock)

(3) Number of Shareholders

341,622
(increase of 27,849 from the previous year-end)

(4) Shareholder Composition

Financial Institutions	610,907,142 shares	26.51%
Other Companies	749,026,313 shares	32.51%
Securities Firms	131,072,398 shares	5.69%
Individuals and Others	197,521,239 shares (including treasury stock)	8.57%
Foreign Companies, etc.	615,652,458 shares	26.72%

(5) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	357,949,400	16.13
KYOCERA Corporation	335,096,000	15.10
TOYOTA MOTOR CORPORATION	316,794,400	14.28
Custody Bank of Japan, Ltd. (Trust Account)	130,021,300	5.86
STATE STREET BANK WEST CLIENT – TREATY 505234	31,085,775	1.40
Barclays Securities Japan Limited	28,453,600	1.28
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	24,555,562	1.11
JPMorgan Securities Japan Co., Ltd.	23,590,296	1.06
STATE STREET BANK AND TRUST COMPANY 505103	22,595,124	1.02
JP MORGAN CHASE BANK 385781	21,868,304	0.99

Note: KDDI holds 85,058,340 shares of treasury shares but is excluded from the major shareholders listed 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 in the Board Incentive Plan trust account and the stock-granting ESOP trust account (3,920,592 shares).

3. Directors and Audit & Supervisory Board Members

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

(As of March 31, 2022)

Position	Name	Responsibilities in the Company and important concurrent positions
Chairperson, Representative Director	Takashi Tanaka	Outside Director of Astellas Pharma Inc.
President, Representative Director	Makoto Takahashi	
Executive Vice President, Representative Director	Takashi Shoji	Executive Director, Personal Business Sector and Global Consumer Business Sector
Executive Vice President, Representative 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	General Manager, Business & Services Development Division
Managing Executive Officer, Director	Toshitake Amamiya	General Manager, Personal Business Planning Division
Managing Executive Officer, Director	Hirokuni Takeyama	General Manager, Consumer Sales Division
Managing Executive Officer, Director	Kazuyuki Yoshimura	Executive Director, Technology Sector
Director	Goro Yamaguchi	Chairperson of the Board and Representative Director of KYOCERA Corporation
Director	Keiji Yamamoto	Operating Officer of TOYOTA MOTOR CORPORATION
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. Member of the Board of Directors (Outside) of Tokyo Electric Power Company Holdings, Inc. Outside Audit & Supervisory Board Member of Asahi Group Holdings, Ltd.
Director	Riyo Kano	Partner of Tanabe & Partners Outside Director of The Yamanashi Chuo Bank, Ltd.
Director	Shigeki Goto	Professor Emeritus of Waseda University Trustee of JNIC (Currently Japan Network Information Center (JPNIC))
Full-time Audit & Supervisory Board Member	Yasuhide Yamamoto	
Full-time Audit & Supervisory Board Member	Kenichiro Takagi	
* Full-time Audit & Supervisory Board Member	Yukihiro Asahina	

Position	Name	Responsibilities in the Company and important concurrent positions
Audit & Supervisory Board Member	Toshihiko Matsumiya	Representative of Toshihiko Matsumiya Certified Public Accountancy Office Outside Audit & Supervisory Board Member of DAIICHI JITSUGYO CO., LTD.
Audit & Supervisory Board Member	Jun Karube	Chairperson of the Board of Toyota Tsusho Corporation Outside Audit & Supervisory Board Member of Sanyo Chemical Industries, Ltd. Outside Director of MEIKO TRANS CO., LTD.

Notes: 1. Audit & Supervisory Board Member with * is a new Audit & Supervisory Board Member who was elected at the 37th Annual Shareholders Meeting held on June 23, 2021.

2. Each of Directors Goro Yamaguchi, Keiji Yamamoto, Shigeo Ohyagi, Riyo Kano and Shigeki Goto is an Outside Director.

3. Each of Audit & Supervisory Board Members Yukihiro Asahina, Toshihiko Matsumiya and Jun Karube is an Outside Audit & Supervisory Board Member.

4 Audit & Supervisory Board Member Toshihiko Matsumiya has a wealth of experience as a Certified Public Accountant, and has extensive knowledge and insight into finance and accounting.

5. Each of Directors Shigeo Ohyagi, Riyo Kano and Shigeki Goto, Audit & Supervisory Board Members Yukihiro Asahina, Toshihiko Matsumiya and Jun Karube 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) Policy for Determining Content of Remuneration for Individual Directors

a. Method for deciding on the policy for such determination
At the meeting of the Board of Directors held on January 14, 2021, it was resolved to adopt a policy for determining the content of remuneration, etc. for individual Directors (hereinafter the "Determination Policy"), considering what remuneration system would best work to achieve the sustainable enhancement of corporate value over the medium to long term.

b. Outline of content of Determination Policy

- ■ The remuneration of Directors engaged in business execution is based on the Group's business performance for each fiscal year, progress toward the targets of the medium-term management strategy, and a remuneration system linked to shareholder value in order to increase the motivation to contribute to the improvement of corporate value over the medium to long term. Specifically, it consists of four types: (1) basic remuneration, (2) performance-linked bonus, (3) performance-linked stock compensation, and (4) stock price-linked bonus.
Outside Directors who perform management supervising functions receive only fixed-amount remuneration that does not vary with the Company's business performance.

- ■ According to the responsibilities expected of each position, the remuneration composition of directors engaged in business execution has been set the remuneration portion linked to business performance (above (2) to (4)) in the range of 45% to 65%. For the president, the same portion will be 60% or more based on the standard amount.

- ■ 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 Chairperson, Vice Chairperson, and a majority of the members of this committee are Outside Directors.

・ Chairperson:	Goro Yamaguchi (Outside Director)
・ Vice Chairperson:	Keiji Yamamoto (Outside Director)
・ Members of the Committee:	Shigeo Ohyagi (Outside Director), Riyo Kano (Outside Director), Shigeki Goto (Outside Director), Takashi Tanaka, Makoto Takahashi

- ■ The amount of basic remuneration, performance-linked bonus, performance-linked stock compensation, and stock price-linked bonus are not entrusted to the Representative Director, but rather are decided by resolution of the Board of Directors based on the advice of this committee.

- ■ 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 by taking 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.

2) Matters concerning Resolutions of Shareholders Meetings Regarding Remuneration of Directors and Audit & Supervisory Board Members

Details are as follows.

(Dates and details of the resolutions of the Shareholders Meetings regarding executive remuneration)

<table>
<tr><th></th><th>Type of remuneration</th><th>Method of determination</th><th>Remuneration limit</th><th>Shareholders Meetings when resolutions were made</th><th>Number of executives at the time of resolution</th></tr>
<tr><td rowspan="4">Director</td><td>Basic remuneration</td><td>・Determine remuneration according to the position of each director, taking into consideration the business environment and other factors.
・Determine basic amounts after validating appropriateness of the remuneration levels utilizing an external specialized organization</td><td>Up to ¥50 million per month</td><td>The 30th Annual Shareholders Meeting held on June 18, 2014</td><td>13 Directors (including 3 Outside Directors)</td></tr>
<tr><td>Stock price-linked bonus</td><td>Set the levels to link to “EPS growth rate” and “stock price fluctuation rate” for each fiscal year</td><td rowspan="2">Within 0.1% of consolidated profit (under IFRS, profit attributable to owners of the parent) for each fiscal year</td><td rowspan="2">The 27th Annual Shareholders Meeting held on June 16, 2011</td><td rowspan="2">10 Directors (excluding Outside Directors)</td></tr>
<tr><td>Performance-linked bonus</td><td rowspan="2">Determine the levels based on the degree of achievement of the Group’s consolidated operating revenue, operating income, and profit during each fiscal year, along with the KPI achievement rate linked to performance targets for each fiscal year.</td></tr>
<tr><td>Performance-linked stock compensation</td><td>(Applicable to Directors, Executive Officers and Administrative Officers)
The number of points to be granted to each eligible person per fiscal year shall not exceed 357,000 points in total. (Converted at ratio of one share = one point.)</td><td>(Introduction)
The 31st Annual Shareholders Meeting held on June 17, 2015
(Revision)
The 34th Annual Shareholders Meeting held on June 20, 2018</td><td>9 Directors, 21 Executive Officers and 50 Administrative Officers (excluding those living overseas, Outside Directors and part-time Directors)</td></tr>
<tr><td>Audit & Supervisory Board Member</td><td>Fixed remuneration only</td><td>Pay only fixed-amount remuneration that does not vary with the Company’s business performance.</td><td>Up to ¥130 million per fiscal year</td><td>The 32nd Annual Shareholders Meeting held on June 22, 2016</td><td>5 Audit & Supervisory Board Members</td></tr>
</table>

3) Total Amount of Executive Salaries for the Fiscal Year Under Review

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	84	5	84	–	–
	Others	939	9	378	375	186
	Total	1,023	14	462	375	186
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	53	4	53	–	–
	Others	63	2	63	–	–
	Total	116	6	116	–	–

Notes: 1. The number of Audit & Supervisory Board Members and payment amounts listed include one Outside Audit & Supervisory Board Member who passed away on April 28, 2021.
2. 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.

4) Matters Concerning Performance-Linked Remuneration

a. Performance-linked bonuses and the performance-linked stock compensation use operating revenue, operating income, profit, and other measures of "company performance" for the Group during each fiscal year, along with the "KPI achievement ratio" of individual businesses, which is linked to medium-term management strategy targets, as evaluation metrics, and are calculated from the formulas below.

Performance-linked bonus: Basic amount by position multiplied by the Group's operating performance and KPI achievement ratio

Performance-linked stock compensation: Basic points by position multiplied by the Group's operating performance and KPI achievement ratio

The reasons for selecting each indicator and the actual figures are as follows.

・ Company performance:
Reason for selection: Since these are basic figures that clearly show the performance of a company
Actual figures: As described on page 39 of this Notice of Annual Shareholders Meeting

・ KPI achievement rate:
Reason for selection: Since this indicator measures the degree of achievement of each business strategy in the medium-term management strategy, and is linked to the Company's business expansion and performance improvement.
Actual figures: Not disclosed for business reasons

b. 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
Coefficient: (EPS growth rate x 50%) + (Stock price fluctuation rate x 50%)
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

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 / previous fiscal year-end TOPIX)

The reasons for selecting each indicator and the actual figures are as follows.

・ EPS growth rate:

Reason for selection:	Since this is an indicator set as a target figure for the medium-term management strategy, and is used to provide a strong incentive to achieve medium-term management strategy targets.
Actual figures:	1.06

・ Stock price fluctuation rate:

Reason for selection:	This indicator is directly linked to changes in shareholder value, and is adopted to enhance the linkage between executive remuneration and shareholder value
Actual figures:	1.18

5) Matters Concerning Non-monetary Remuneration

With regard to remuneration for Directors involved in the execution of business, the Company introduced the performance-linked stock compensation (Board Incentive Plan) ("BIP Trust") in fiscal 2015, with the aim of motivating them to contribute to the improvement of medium- to long-term business performance and the enhancement of corporate value.

The BIP Trust is an incentive plan for officers with reference to the Performance Share System and Restricted Stock System in the U.S. Under the BIP Trust, the Company's shares acquired through the BIP Trust are delivered to directors and other officers as officer remuneration upon their retirement in accordance with their position and the degree of achievement of performance targets.

6) Reason Why the Board of Directors Has Determined That Content of Remuneration for Individual Directors for the Fiscal Year Under Review Complies With Determination Policy

In determining the content of remuneration for individual Directors, the Remuneration Advisory Committee comprehensively reviewed the draft proposal, including its consistency with the determination policy. With emphasis on the report from the Committee, the Board of Director has determined that the content is in line with the determination policy.

(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) Summary of Contents of Directors' and Officers' Liability Insurance Policy

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company.

The scope of insured persons includes Directors, Audit & Supervisory Board Members, and Executive Officers of the Company and its subsidiaries, and the policy is intended to cover losses incurred by an insured that may arise from the insured's assumption of liability incurred in the course of the performance of duties or receipt of claims pertaining to the pursuit of such liability. The premiums for such insurance premiums are borne entirely by the Company and its subsidiaries.

(5) 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 Chairperson 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 for both parties.
- 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 for both parties.
- Director Shigeo Ohyagi is 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., and Member of the Board of Directors (Outside) of Tokyo Electric Power Company Holdings, Inc., and an Outside Audit & Supervisory Board Member of Asahi Group Holdings, Ltd. Each of the aforementioned companies has business transactions with the Company, but in each case, the respective transactions account for less than 1% of operating revenue for both parties. 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 1% of operating revenue for both parties.
· Director Shigeki Goto is Professor Emeritus of Waseda University and Trustee of Japan Network Information Center, which have business transactions with the Company, but these transactions account for less than 1% of operating revenue for both parties.
· Audit & Supervisory Board Member Toshihiko Matsumiya is the Representative of Toshihiko Matsumiya Certified Public Accountancy Office and Outside Audit & Supervisory Board Member of DAIICHI JITSUGYO CO., LTD., which have business transactions with the Company, but these transactions account for less than 1% of operating revenue for both parties.
· Audit & Supervisory Board Member Jun Karube is the Chairperson of the Board of Toyota Tsusho Corporation, Outside Audit & Supervisory Board Member of Sanyo Chemical Industries, Ltd., and Outside Director of MEIKO TRANS CO., LTD. Each of the aforementioned companies has business transactions with the Company, but in each case, the respective transactions account for less than 1% of operating revenue for both parties.

2) Principal Activities during the Fiscal Year Under Review

(Directors)

· Director Goro Yamaguchi attended twelve of the twelve meetings of the Board of Directors. He has provided broad opinions related to business administration and operations from a medium- to long-term perspective.
· Director Keiji Yamamoto attended twelve of the twelve meetings of the Board of Directors. He has provided broad opinions on promoting 5G/IoT strategy, etc. in the Company from a medium- to long-term perspective.
· Director Shigeo Ohyagi attended twelve of the twelve meetings of the Board of Directors. From a standpoint independent of the Company's management, he has provided broad opinions from a medium- to long-term perspective, especially focusing on the life design domain that the Company is promoting, global strategy and M&A.
· Director Riyo Kano attended twelve of the twelve meeting of the Board of Directors. From a standpoint independent of the Company's management, she has provided technical opinions related to legal risk management from a medium- to long-term perspective.
· Director Shigeki Goto attended twelve of the twelve meetings of the Board of Directors. From a standpoint independent of the Company's management, he has provided technical opinions related to the management policy as a telecommunications operator that provides social infrastructure, from a medium- to long-term perspective.

(Audit & Supervisory Board Members)

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

· Audit & Supervisory Board Member Yukihiro Asahina attended ten of the ten meetings of the Board of Directors and ten of the ten meetings of the Audit & Supervisory Board.
· Audit & Supervisory Board Member Toshihiko Matsumiya 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 Jun Karube 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 Shin Honto attended one of the one meetings of the Board of Directors and one of the one meetings of the Audit & Supervisory Board.

* The attendance record of Audit & Supervisory Board Member Yukihiro Asahina began after his appointment as Audit & Supervisory Board Member at the 37th Annual Shareholders Meeting held on June 23, 2021.
In addition, Audit & Supervisory Board Member Shin Honto passed away on April 28, 2021, and thus retired from office. Therefore, his attendance record is up until his retirement.

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	393	982

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

Some of the Company's principal subsidiaries 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, 2022	(Reference) As of March 31, 2021
Assets		
Non-current assets:	7,417,350	6,976,398
Property, plant and equipment	2,585,481	2,492,985
Right-of-use assets	387,669	396,772
Goodwill	540,962	540,420
Intangible assets	1,025,223	1,024,831
Investments accounted for using the equity method	244,515	233,921
Long-term loans for financial business	1,335,111	1,148,805
Securities for financial business	338,285	276,065
Other long-term financial assets	329,268	325,201
Retirement benefit assets	44,720	38,364
Deferred tax assets	12,330	11,396
Contract costs	548,704	466,316
Other non-current assets	25,083	21,321
Current assets:	3,667,028	3,558,928
Inventories	74,511	69,821
Trade and other receivables	2,311,694	2,229,435
Short-term loans for financial business	255,266	233,605
Call loans	45,064	33,846
Other short-term financial assets	67,154	69,955
Income tax receivables	2,904	7,969
Other current assets	113,822	104,496
Cash and cash equivalents	796,613	809,802
Total assets	11,084,379	10,535,326

Account item	As of March 31, 2022	(Reference) As of March 31, 2021
Liabilities		
Non-current liabilities:	1,557,762	1,759,474
Borrowings and bonds payable	921,616	1,151,664
Long-term deposits for financial business	33,240	32,850
Lease liabilities	279,265	288,650
Other long-term financial liabilities	14,198	14,172
Retirement benefit liabilities	12,496	12,109
Deferred tax liabilities	144,776	100,071
Provisions	70,073	77,476
Contract liabilities	71,083	71,669
Other non-current liabilities	11,015	10,813
Current liabilities:	4,015,953	3,516,383
Borrowings and bonds payable	286,505	92,892
Trade and other payables	834,496	754,345
Short-term deposits for financial business	2,184,264	1,817,240
Call money	141,348	115,815
Lease liabilities	112,719	112,275
Other short-term financial liabilities	2,620	1,655
Income taxes payables	126,874	200,886
Provisions	25,641	38,925
Contract liabilities	86,091	100,889
Other current liabilities	215,397	281,461
Total liabilities	5,573,715	5,275,857
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	279,371	278,675
Treasury stock	(299,827)	(86,719)
Retained earnings	4,818,117	4,409,000
Accumulated other comprehensive income	43,074	16,912
Total equity attributable to owners of the parent	4,982,586	4,759,720
Non-controlling interests	528,077	499,749
Total equity	5,510,663	5,259,469
Total liabilities and equity	11,084,379	10,535,326

(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, 2022	(Reference) For the fiscal year ended March 31, 2021
Operating revenue	5,446,708	5,312,599
Cost of sales	2,984,589	2,928,175
Gross profit	2,462,119	2,384,424
Selling, general and administrative expenses	1,422,539	1,364,234
Other income	21,001	17,136
Other expense	5,781	4,815
Share of profit of investments accounted for using the equity method	5,791	4,884
Operating income	1,060,592	1,037,395
Finance income	10,202	6,539
Finance cost	7,746	8,311
Other non-operating profit and loss	1,448	2,433
Profit for the year before income tax	1,064,497	1,038,056
Income tax	331,957	331,451
Profit for the year	732,540	706,605
Profit for the year attributable to:		
Owners of the parent	672,486	651,496
Non-controlling interests	60,054	55,109
Profit for the year	732,540	706,605

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

Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2022

(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, 2021	141,852	278,675	(86,719)	4,409,000	16,912	4,759,720	499,749	5,259,469
Comprehensive income								
Profit for the year	–	–	–	672,486	–	672,486	60,054	732,540
Other comprehensive income	–	–	–	–	34,182	34,182	7,308	41,490
Total comprehensive income	–	–	–	672,486	34,182	706,668	67,362	774,029
Transactions with owners and other transactions								
Cash dividends	–	–	–	(271,389)	–	(271,389)	(31,864)	(303,253)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	8,020	(8,020)	–	–	–
Purchase and disposal of treasury stock	–	(60)	(213,763)	–	–	(213,822)	–	(213,822)
Changes in interests in subsidiaries	–	(229)	–	–	–	(229)	(7,170)	(7,399)
Other	–	984	655	–	–	1,639	–	1,639
Total transactions with owners and other transactions	–	696	(213,108)	(263,369)	(8,020)	(483,801)	(39,034)	(522,835)
As of March 31, 2022	141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663

(Reference) For the fiscal year ended March 31, 2021

(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, 2020	141,852	280,591	(156,550)	4,138,195	(19,665)	4,384,424	474,684	4,859,108
Comprehensive income								
Profit for the year	–	–	–	651,496	–	651,496	55,109	706,605
Other comprehensive income	–	–	–	–	85,213	85,213	3,520	88,733
Total comprehensive income	–	–	–	651,496	85,213	736,709	58,630	795,339
Transactions with owners and other transactions								
Cash dividends	–	–	–	(276,085)	–	(276,085)	(31,336)	(307,421)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	48,636	(48,636)	–	–	–
Purchase and disposal of treasury stock	–	(3,298)	(80,153)	–	–	(83,451)	–	(83,451)
Retirement of treasury stock	–	(150,000)	150,000	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	153,242	–	(153,242)	–	–	–	–
Changes in interests in subsidiaries	–	(2,851)	–	–	–	(2,851)	(2,229)	(5,080)
Other	–	991	(17)	–	–	974	–	974
Total transactions with owners and other transactions	–	(1,916)	69,830	(380,691)	(48,636)	(361,413)	(33,564)	(394,977)
As of March 31, 2021	141,852	278,675	(86,719)	4,409,000	16,912	4,759,720	499,749	5,259,469

(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, 2022	For the fiscal year ended March 31, 2021
Net cash provided by (used in) operating activities	1,468,648	1,682,166
Net cash provided by (used in) investing activities	(761,593)	(658,925)
Free cash flows *	707,056	1,023,241
Net cash provided by (used in) financing activities	(727,257)	(585,571)
Effect of exchange rate changes on cash and cash equivalents	7,012	2,930
Net increase (decrease) in cash and cash equivalents	(13,189)	440,600
Cash and cash equivalents at the beginning of the year	809,802	369,202
Cash and cash equivalents at the end of the year	796,613	809,802

* 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.”

Net cash provided by operating activities decreased ¥213,518 million year on year to ¥1,468,648 million mainly attributable to smaller increases in trade and other payables and deposits for financial business.
Net cash used in investing activities increased ¥102,668 million year on year to ¥761,593 million mainly due to an increase in purchases of securities for financial business.
Net cash used in financing activities increased ¥141,686 million year on year to ¥727,257 million mainly due to an increase in payments from purchase of treasury stock.
Reflecting these factors and an increase of ¥7,012 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, 2022 decreased ¥13,189 million from March 31, 2021 to ¥796,613 million.

Non-Consolidated Financial Statements (Japan GAAP)

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2022		(Reference) As of March 31, 2021	
(Assets)				
I Noncurrent assets		3,777,274		3,606,417
A Noncurrent assets-telecommunications business		1,885,646		1,787,227
(1) Property, plant and equipment*		1,568,963		1,482,622
1 Machinery	2,797,270		2,676,204	
Accumulated depreciation	2,291,059	506,211	2,164,013	512,191
2 Antenna facilities	897,534		872,738	
Accumulated depreciation	604,662	292,872	571,560	301,177
3 Terminal facilities	8,595		8,356	
Accumulated depreciation	7,234	1,361	6,927	1,429
4 Local line facilities	221,233		217,442	
Accumulated depreciation	191,046	30,187	186,135	31,307
5 Long-distance line facilities	95,501		95,186	
Accumulated depreciation	91,132	4,369	90,925	4,261
6 Engineering facilities	62,186		61,595	
Accumulated depreciation	51,370	10,816	49,937	11,659
7 Submarine line facilities	47,191		47,191	
Accumulated depreciation	44,778	2,413	44,282	2,909
8 Buildings	419,370		407,987	
Accumulated depreciation	277,469	141,901	261,566	146,421
9 Structures	90,674		89,602	
Accumulated depreciation	71,405	19,269	69,224	20,378
10 Machinery and equipment	4,679		4,558	
Accumulated depreciation	4,383	295	4,290	268
11 Vehicles	3,168		3,047	
Accumulated depreciation	2,024	1,144	1,628	1,419
12 Tools, furniture and fixtures	101,735		99,095	
Accumulated depreciation	83,612	18,122	79,094	20,001
13 Land		260,555		259,754
14 Construction in progress		279,446		169,447
(2) Intangible assets		316,683		304,605
1 Right of using submarine line facilities		1,153		1,561
2 Right of using facilities		13,570		14,164
3 Software		286,382		272,512
4 Leasehold right		1,429		1,429
5 Goodwill		14,028		14,786
6 Other intangible assets		121		153

Account item	As of March 31, 2022		(Reference) As of March 31, 2021	
(Liabilities)				
I Noncurrent liabilities		580,421		783,560
1 Bonds payable		280,000		330,000
2 Long-term loans payable		193,500		309,000
3 Lease obligations		51		103
4 Provision for retirement benefits		5,806		6,861
5 Provision for point service program		21,517		51,361
6 Provision for warranties for completed construction		6,247		5,657
7 Asset retirement obligations		54,731		63,932
8 Provision for officers' stock compensation		2,384		2,288
9 Provision for employees' stock compensation		5,067		4,269
10 Other noncurrent liabilities		11,118		10,088
II Current liabilities		1,272,519		1,112,332
1 Current portion of noncurrent liabilities		165,500		73,000
2 Accounts payable-trade		121,254		89,698
3 Short-term loans payable		329,742		265,230
4 Lease obligations		50		96
5 Accounts payable-other		434,329		416,250
6 Accrued expenses		5,200		5,129
7 Income taxes payable		85,820		143,841
8 Contract liabilities		55,936		–
9 Advances received		10,633		14,708
10 Deposits received		44,619		75,090
11 Provision for bonuses		17,040		17,021
12 Provision for directors' bonuses		353		345
13 Asset retirement obligations		45		45
14 Provision for loss on contract		836		10,959
15 Provision for loss on disaster		571		742
16 Other current liabilities		591		179
Total liabilities		1,852,940		1,895,892

(Unit: Millions of yen)

Account item	As of March 31, 2022		(Reference) As of March 31, 2021	
B Incidental business facilities		43,828		42,859
(1) Property, plant and equipment*	48,006		49,848	
Accumulated depreciation	35,325	12,681	36,526	13,322
(2) Intangible assets		31,147		29,538
C Investments and other assets		1,847,800		1,776,330
1 Investment securities		188,036		163,113
2 Stocks of subsidiaries and affiliates		1,185,093		1,172,273
3 Investments in capital		63		63
4 Investments in capital of subsidiaries and affiliates		5,742		5,742
5 Long-term loans receivable		3		3
6 Long-term loans receivable from subsidiaries and affiliates		49,312		28,079
7 Long-term prepaid expenses		272,856		251,052
8 Deferred tax assets		118,323		126,471
9 Other investment and other assets		40,931		41,143
Allowance for doubtful accounts		(12,560)		(11,608)
II Current assets		2,189,306		2,350,241
1 Cash and deposits		108,876		275,195
2 Notes receivable - trade		1		2
3 Accounts receivable-trade		1,609,000		1,652,588
4 Accounts receivable-other		172,679		150,248
5 Supplies		55,647		50,340
6 Advance payments - trade		200		3
7 Prepaid expenses		53,209		42,087
8 Short-term loans receivable from subsidiaries and affiliates		152,054		148,050
9 Other current assets		51,317		44,698
Allowance for doubtful accounts		(13,675)		(12,968)
Total assets		5,966,580		5,956,659

Account item	As of March 31, 2022		(Reference) As of March 31, 2021	
(Net assets)				
I Shareholders' equity		4,066,292		4,024,559
1 Capital stock		141,852		141,852
2 Capital surplus		305,676		305,676
Legal capital surplus	305,676		305,676	
3 Retained earnings		3,925,167		3,670,267
(1) Legal retained earnings	11,752		11,752	
(2) Other retained earnings				
Reserve for advanced depreciation of noncurrent assets	677		677	
Reserve for special depreciation	–		3	
Reserve for special investments in capital	896		447	
General reserve	3,254,834		2,995,634	
Retained earnings brought forward	657,008		661,754	
4 Treasury stock		(306,403)		(93,236)
II Valuation and translation adjustments		47,348		36,208
1 Valuation difference on available-for-sale securities		47,348		36,208
Total net assets		4,113,639		4,060,767
Total liabilities and net assets		5,966,580		5,956,659

* 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, 2022	(Reference) The fiscal year ended March 31, 2021
I Operating income and loss from telecommunications		
(1) Operating revenue	2,596,243	2,664,575
(2) Operating expenses	1,816,305	1,889,013
1 Business expenses	568,872	575,645
2 Operating expenses	11	8
3 Facilities maintenance expenses	273,604	274,719
4 Common expenses	3,033	3,007
5 Administrative expenses	116,627	120,657
6 Experiment and research expenses	6,271	8,140
7 Depreciation	374,321	401,569
8 Noncurrent assets retirement cost	20,091	12,233
9 Communication facility fee	409,052	449,016
10 Taxes and dues	44,423	44,017
Net operating income from telecommunications	779,938	775,563
II Operating income and loss from incidental business		
(1) Operating revenue	1,440,779	1,398,175
(2) Operating expenses	1,499,572	1,416,592
Net operating loss from incidental business	58,792	18,417
Operating profit	721,146	757,146
III Non-operating income	74,211	62,450
1 Interest income	1,056	1,285
2 Dividends income	53,682	44,896
3 Foreign exchange gains	4,346	2,873
4 Miscellaneous income	15,126	13,397
IV Non-operating expenses	4,813	5,151
1 Interest expenses	1,149	1,133
2 Interest on bonds	993	1,092
3 Miscellaneous expenses	2,671	2,926
Ordinary profit	790,544	814,445
V Extraordinary income	3,768	5,614
1 Gain on sales of noncurrent assets	–	945
2 Gain on sales of investment securities	2,286	2,939
3 Gain on valuation of investment securities	–	131
4 Gain on sale of stocks of related companies	1,473	1,594
5 Contribution for construction	10	4

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2022	(Reference) The fiscal year ended March 31, 2021
VI Extraordinary loss	8,440	5,126
1 Loss on sales of noncurrent assets	–	279
2 Impairment loss	1,879	2,157
3 Loss on sale of investment securities	761	–
4 Loss on valuation of investment securities	2,204	2,685
5 Loss on valuation of stocks of subsidiaries and affiliates	923	–
6 Loss on liquidation of subsidiaries and affiliates	2,663	–
7 Reduction entry of contribution for construction	10	4
Profit before income taxes	785,872	814,932
Income taxes-current	206,417	246,071
Income taxes-deferred	18,439	(9,772)
Profit	561,015	578,634

(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, 2022

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,852	305,676	11,752	677	3	447	2,995,634	661,754
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	(34,286)
Restated balance	141,852	305,676	11,752	677	3	447	2,995,634	627,468
Changes of items during the fiscal year								
Dividends from surplus	–	–	–	–	–	–	–	(271,829)
Reversal of reserve for special depreciation	–	–	–	–	(3)	–	–	3
Provision of reserve for special investments in capital	–	–	–	–	–	449	–	(449)
Provision of general reserve	–	–	–	–	–	–	259,200	(259,200)
Profit	–	–	–	–	–	–	–	561,015
Purchase of treasury stock	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	–	–	–	–	–	–
Retirement of treasury stock	–	–	–	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–
Total changes of items during the fiscal year	–	–	–	–	(3)	449	259,200	29,540
Balance at the end of current period	141,852	305,676	11,752	677	–	896	3,254,834	657,008

(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	(93,236)	4,024,559	36,208	4,060,767
Cumulative effects of changes in accounting policies	–	(34,286)	–	(34,286)
Restated balance	(93,236)	3,990,273	36,208	4,026,481
Changes of items during the fiscal year				
Dividends from surplus	–	(271,829)	–	(271,829)
Reversal of reserve for special depreciation	–	–	–	–
Provision of reserve for special investments in capital	–	–	–	–
Provision of general reserve	–	–	–	–
Profit	–	561,015	–	561,015
Purchase of treasury stock	(213,763)	(213,763)	–	(213,763)
Disposal of treasury stock	–	–	–	–
Retirement of treasury stock	–	–	–	–
Transfer from retained earnings to capital surplus	–	–	–	–

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Net changes of items other than shareholders' equity	595	595	11,140	11,735
Total changes of items during the fiscal year	(213,167)	76,019	11,140	87,158
Balance at the end of current period	(306,403)	4,066,292	47,348	4,113,639

(Reference) The fiscal year ended March 31, 2021

(Unit: Millions of yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	Reserve for special investments in capital	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,852	305,676	–	11,752	677	301	–	2,995,634	513,013
Changes of items during the fiscal year									
Dividends from surplus	–	–	–	–	–	–	–	–	(276,502)
Reversal of reserve for special depreciation	–	–	–	–	–	(298)	–	–	298
Provision of reserve for special investments in capital	–	–	–	–	–	–	447	–	(447)
Provision of general reserve	–	–	–	–	–	–	–	–	–
Profit	–	–	–	–	–	–	–	–	578,634
Purchase of treasury stock	–	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	(3,242)	–	–	–	–	–	–
Retirement of treasury stock	–	–	(150,000)	–	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	–	153,242	–	–	–	–	–	(153,242)
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–	–
Total changes of items during the fiscal year	–	–	–	–	–	(298)	447	–	148,741
Balance at the end of current period	141,852	305,676	–	11,752	677	3	447	2,995,634	661,754

(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	(163,083)	3,805,822	13,934	3,819,755
Changes of items during the fiscal year				
Dividends from surplus	–	(276,502)	–	(276,502)
Reversal of reserve for special depreciation	–	–	–	–
Provision of reserve for special investments in capital	–	–	–	–
Provision of general reserve	–	–	–	–
Profit	–	578,634	–	578,634
Purchase of treasury stock	(136,087)	(136,087)	–	(136,087)
Disposal of treasury stock	55,934	52,692	–	52,692
Retirement of treasury stock	150,000	–	–	–
Transfer from retained earnings to capital surplus	–	–	–	–
Net changes of items other than shareholders' equity	–	–	22,274	22,274
Total changes of items during the fiscal year	69,847	218,737	22,274	241,011
Balance at the end of current period	(93,236)	4,024,559	36,208	4,060,767

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

Independent Auditor’s Report (Consolidated)

(English Translation)
Independent Auditors’ Report

May 10, 2022

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Tokyo Office
Toru Tamura
Designated and Engagement Partner
Cetified Public Accountant
Ryoichi Iwasaki,
Designated and Engagement Partner
Cetified Public Accountant
Takahiro Nomura
Designated and Engagement Partner
Cetified 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, 2022, 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, 2022, 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.

Other Content

Other content is the business report and the supplementary schedules thereof. It is the responsibility of the management to draft and disclose other content. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of directors’ duties throughout the development and operation of the reporting process of the other content.
Other content is not subject to our audit opinion on consolidated financial statements, and we have expressed no opinion on other content. Our responsibility when auditing consolidated financial statements, is to read through the other content, and to consider whether there is a major disparity between the other content and the consolidated financial statements, or the knowledge gained in the course of our audit, and pay attention to whether there are any indications of significant errors in the other content, in the process of reading through.
If we determine that there is a significant error in the other content, it is required to report such.
There is nothing in the other content that we are required to report.

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 10, 2022

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Tokyo Office
Toru Tamura
Designated and Engagement Partner
Cetified Public Accountant
Ryoichi Iwasaki
Designated and Engagement Partner
Cetified Public Accountant
Takahiro Nomura
Designated and Engagement Partner
Cetified 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, 2022, 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, 2022, 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.

Other content

Other content is the business report and the supplementary schedules thereof. It is the responsibility of the management to draft and disclose other content. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of directors’ duties throughout the development and operation of the reporting process of the other content.
Other content is not subject to our audit opinion on financial statements, and we have expressed no opinion on other content.
Our responsibility when auditing financial statements, is to read through the other content, and to consider whether there is a major disparity between the other content and the financial statements, or the knowledge gained in the course of our audit, and pay attention to whether there are any indications of significant errors in the other content, in the process of reading through.
If we determine that there is a significant error in the other content, it is required to report such.
There is nothing in the other content that we are required to report.

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 38th fiscal year from April 1, 2021 to March 31, 2022, 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 by utilizing online tools as appropriate 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 by utilizing online tools as appropriate, 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 13, 2022

Full-time Audit & Supervisory Board Member,	Yasuhide Yamamoto
Full-time Audit & Supervisory Board Member,	Kenichiro Takagi
Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member),	Yukihiro Asahina
Outside Audit & Supervisory Board Member,	Toshihiko Matsumiya
Outside Audit & Supervisory Board Member,	Jun Karube

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.

To Shareholders

Internet Disclosure of the Notice of the 38th 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, 2021 to March 31, 2022)

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/20220622/), 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 2021 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 2021, the Corporate Management Committee met 13 times to discuss and determine important matters for management.

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

1) The Company has developed a system that allows Audit & Supervisory Board Members to attend the meetings of the Board of Directors and key internal meetings. In addition, the Company has taken measures to enable them to view minutes of important meetings, circulated documents, etc.
2) Important matters to be reported to management shall be reported to Audit & Supervisory Board Members in a timely and appropriate manner, and, when discovering facts that may cause considerable losses to the Company and its subsidiaries, these shall be promptly reported to Audit & Supervisory Board Members. Moreover, collaboration with Audit & Supervisory Board Members is ensured through the exchange of opinions between them and the Internal Control Division, the Directors of subsidiaries in Japan and abroad, etc., in addition to regular meetings between them and the representative directors, etc.
3) The Company has established an 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, including reports 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 of making the Code accessible for reading on employees' company-provided smartphones.

(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, and performing a survey on recognition of the system to employees using questionnaires.

Furthermore, ahead of the Amendment to Whistleblower Protection Act, the Company is continuously working to improve the effectiveness of its system, including preparing internal reporting processing rules at each of the KDDI Group companies.

Moreover, the Company has established a reporting route to the Audit & Supervisory Board Members as an independent internal reporting route, and will respond in an appropriate and timely manner to internal reports that are made solely to the full-time Audit & Supervisory Board Members.

(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 2021, 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 increasing the effectiveness and efficiency of business operations, each headquarters establishes themes and initiatives that are appropriate for the respective headquarters’ actual work based on the Group’s guidelines of “autonomy and responsibility” and the entire KDDI Group 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 (six 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 2021, 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.
Moreover, we will work to ensure that everyone understands our business operations by familiarizing everyone with KDDI's corporate history and facilities, our social mission and our latest services through operating the KDDI MUSEUM, the KDDI Parabola Pavilion and other facilities.

(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 (ESG), and published this information in Sustainability Report in October 2021. As part of its initiatives for reducing environmental impacts, the Company has strived to actively disclose information since fiscal 2021 based on the "governance, strategy, risk management, and metrics and targets" information disclosure framework of the Task Force on Climate-related Financial Disclosures (TCFD).

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 one subsidiary to the system in fiscal 2021.
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 2021, a total of 34 internal audits were implemented, focusing around audits of domestic subsidiaries and overseas subsidiaries, and audits of the operating status of business processes concerning material risks at specified departments.
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: 159
   - Principal consolidated subsidiaries:
     Okinawa Cellular Telephone Company, JCOM 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 Asia Pacific Pte Ltd, MobiCom Corporation LLC

   Names of principal companies newly made consolidated subsidiaries and reasons for new consolidation
   - KDDI Sonic-Falcon Co., Ltd.: Due to its new establishment.

   Names of principal companies excluded from consolidated subsidiaries and reasons for exclusion
   - AMITY Corporation: 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: 38
   - Principal affiliates:
     Kyocera Communication Systems Co., Ltd., KKCompany 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 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.

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, currency swaps 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 to 15 years
Antenna equipment	10 to 42 years
Toll and local line equipment	6 to 27 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 of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset.

When the impairment test shows that the recoverable amount of the cash-generating unit or group of units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of units, and then to each asset pro rata on the basis of the carrying amount of the other assets in the unit or group of units. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

For property, plant and equipment, 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 some of the point services such as “au Point Program” that the Group offers. Specifically, points, etc. that are awarded at times of use of “au PAY” and “au PAY Card” or at times of use of apps or merchandise services provided by other companies are recorded under provision for point service program in liabilities. The measurement of the provision for point service program is based on the amount that can be expected to be used in the future in light of the results of point utilization in past fiscal years.

(5) Accounting for retirement benefits

1) Post-employment benefits

The Group has adopted a defined benefit plan and a defined contribution plan as post-employment benefit plans for its employees.

(a) 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.

(b) 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 (including UQ mobile and MVNO 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. Revenue from the mobile telecommunication service fees and commission fees are recognized on a flat-rate basis and on a measured-rate basis when the services are provided to the customers, which is when the service is provided to the customer in accordance with contract and 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 Group sells mobile handsets to distributors and enters into communications service contracts with customers through those distributors, and "Direct sales," wherein the Group sells mobile handsets to customers and enters 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 recognized when the service is provided, which is when the service is provided to the customer in accordance with contact and the performance obligation is fulfilled. 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 from commission on transfer of receivables, revenue through advertising businesses, agency fees on content services, and revenue from the energy business, etc. Revenue from information fees comprises 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 and the performance obligation is fulfilled over the period in which the service is provided. Revenue from commission on transfer of receivables comprises the revenue from fees for transferring the receivables of content providers from customers as the agent of content providers together with the telecommunication fees and the performance obligation is fulfilled when the receivables was transferred from content providers to the Group. Electric power revenue comprises the revenue generated from electric power retail services and the performance obligation is fulfilled when the Group provides the services. These revenues are recognized over the period in which the service is provided based on the nature of each contract since

the performance obligations identified based on the contract with customer are fulfilled over time or when the Group provides the service.
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 commission on transfer of receivable, 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) Solution services
Revenue from solution services primarily consists of revenues from equipment sales, engineering and management services ("the solution service income"). The solution service income is recognized based on the consideration received from the customers when the goods or the services are provided to the customers and the performance obligation is fulfilled.
Payment for any performance obligation is received within approximately one month of the billing date.

5) 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.

(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.

(Notes to Revenue Recognition)

1. Disaggregation of revenue
   Based on contracts with our customers, the Group breaks down its revenue into three categories: Personal, which provides telecommunication services (mobile and fixed lines, etc.) and life design services (commerce, finance, energy, entertainment, education, etc.) to individual customers, Business, which provides telecommunication services (mobile and fixed lines, etc.) and ICT solution and data center services, etc. to companies, and Others.

   For the fiscal year under review (from April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

Business Category	Amount
Personal	4,597,313
Business	828,038
Others	21,357
Total	5,446,708
Revenue from contracts with customers	5,345,235
Revenue from other sources	101,472

2. Basic information to understand revenue
   Because the basic information to understand income is provided in “5. Accounting policies (6) Revenue recognition,” notes have been omitted here.

3. Information to understand the amount of revenue in the fiscal year under review and the next fiscal year onward.
   (1) Contract balance
   The assets and contract liabilities created by contracts with the Group’s customers are as follows.

   For the fiscal year under review (from April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	As of April 1, 2021	As of March 31, 2022
Receivables from contracts with customers	2,003,196	2,032,463
Contract liabilities	172,558	157,174

   The main contract liabilities are advanced payments associated with our customer loyalty program that grants points to customers based on commission fee revenue such as activation fees for mobile telecommunications services and au HIKARI and the amount billed for mobile telecommunications services revenue.

   Of the revenue recognized in the fiscal year under review, the amount included in the contract liability balance at the start of the period was ¥83,842 million.
   Furthermore, in the fiscal year under review, the amount of revenue recognized from the fulfilment (or partial fulfilment) of performance obligations in past periods is insignificant.

   (2) Amount of transactions allocated to performance obligations
   The amount of transactions allocated to residual performance obligations at the end of the fiscal year under review was ¥132,985 million. The performance obligation in question were mainly commission fee revenue such as activation fees for mobile telecommunication services and au HIKARI, and at the end of the fiscal year under review, we expect to recognize revenue at the time services were provided that fulfilled performance obligations for roughly the past six years. Of the amount of transactions allocated to residual performance obligations, we expect to recognize approximately 50% as revenue within one year. Furthermore, the Group has applied the operational shortcut methods based on IFRS 15.121, and the initial projected residual period does not include information on residual performance obligations within one year.

(Notes to Accounting Estimates)

1. Goodwill
   (1) The amount recorded on the consolidated financial statements for the fiscal year under review is ¥540,962 million.
   (2) Other information
   The Group undertakes an impairment test for goodwill at least once a year, and also whenever there is any indication of impairment. The recoverable amount of goodwill allocated to a cash-generating unit or group of units is assessed based on value in use.
   Value in use is calculated by discounting estimated future cash flows expected to be generated by the cash-generating unit or group of units to their present values. In assessing estimated future cash flows and their present values, the Group uses, as key indicators, business plans, growth rates, and pre-tax discount rates based on different types of revenue projection and projected changes in costs such as cost of sales and selling, general and administrative expenses.
   The cash flow projections used as the basis for estimating future cash flows are based on the most recent business plan approved by management, with a maximum projection period of five years; after the fifth year, a constant growth rate is used, taking into account the long-term average growth rate of the market.
   While there is a risk of an impairment loss in case the key assumptions used in the impairment test change, the Group considers that even if the business plans, growth rates, and discount rates used in the impairment test change within a reasonable range, it is unlikely that a significant impairment loss will occur.
2. Contract costs
   (1) The amount recorded on the consolidated financial statements for the fiscal year under review is ¥548,704 million.
   (2) Other information
   The Group recognizes as an asset the recoverable portion of the incremental costs of obtaining a contract with a customer and of costs to fulfill a contract that are related directly to a contract, and records such costs in "contract costs" on the consolidated financial statements. Incremental costs of obtaining a contract are those incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.
   The incremental costs of obtaining a contract capitalized by the Group relate mainly to sales commissions paid to au shops and other sales agents upon customer acquisition. The costs to fulfill a contract relate mainly to fees required during the period between the application for the contract and the start of the service, as well as construction fees. These capitalized costs are incremental costs that would not have been incurred if the telecommunications contract had not been obtained. When capitalizing such costs, the Group recognizes as an asset only the amount that is expected to be recovered, taking into account the estimated contract period of the telecommunications contract. Such assets are amortized on a straight-line basis over the average estimated contract period of three to four years for the users of each service.
   Assets recognized from contract costs are reviewed for recoverability at the time of recording and for each fiscal year. In reviewing an asset, an assessment is made as to whether the carrying amount of the asset exceeds the remaining consideration to be received under the related telecommunications contract over the estimated contract period, less any costs that are related directly to the provision of the service and have not yet been recognized as expenses. Since some changes in the assumed circumstances could have a significant impact on the amount of assets recognized from contract costs by recognizing impairment losses on those assets in profit or loss, the Group considers that these estimates to be important.

(Consolidated Statement of Financial Position)

1. Loss allowance directly deducted from assets

Other long-term financial assets	¥13,008 million
Trade and other receivables	¥18,272 million
Total	¥31,280 million

2. Accumulated depreciation of property, plant and equipment
   ¥5,038,639 million

3. Assets pledged as collateral and secured liabilities
   Assets pledged as collateral:

Property, plant and equipment	¥519 million
Other long-term financial assets	¥6,000 million
Stocks of subsidiaries and affiliates (Note) 1	¥768 million
Securities for financial business	¥281,608 million
Total	¥288,895 million

Corresponding liabilities:

Long-term borrowings (Note) 1, 2	¥80,000 million
Short-term borrowings	¥36,500 million
Accounts payable-other	¥132 million
Call money	¥134,300 million
Total	¥250,932 million

Note 1: 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, 2022 was ¥11,192 million. These borrowings are not included in the above long-term borrowings.
Note 2: The amount includes the current portion of 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, 2022 was ¥433,863 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)

1. Class and number of shares outstanding as of March 31, 2022
   Common stock 2,304,179,550 shares

2. Dividends
   (1) Cash dividends paid, etc.

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 23, 2021 Annual shareholders meeting (Note) 1, 2	Common stock	¥136,524 million	¥60	March 31, 2021	June 24, 2021
October 29, 2021 Meeting of the Board of Directors (Note) 1, 2	Common stock	¥134,823 million	¥60	September 30, 2021	December 1, 2021

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 22, 2022 Annual shareholders meeting (Note) 1, 2	Common stock	¥143,988 million	Retained earnings	¥65	March 31, 2022	June 23, 2022

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, issuance of corporate bonds and liquidation of receivables. 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. For certain subsidiaries of the Group, the amount of market risk is identified and managed by using value at risk (VaR) on a daily basis.

When measuring VaR, the Group applies the historical simulation method (holding period: six months, confidence interval 99%) and the amount of market risk as of March 31, 2022 was measured at ¥3,177 million in total. Note, however, that VaR measures the amount of market risk by using a statistically calculated probability of a certain level of occurrence based on historical market fluctuations, and in some cases, this measurement may not be sufficient to take into account risks in situations when the market undergoes dramatic change.

(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 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 control 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

Financial instruments that are measured at fair value are classified into three levels of a fair value hierarchy according to the observability and significance of the inputs used for measurement. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Fair value measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Fair value measured using inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Group determines the level of the fair value hierarchy used for measuring fair value based on the lowest level input that is significant to the fair value measurement.

(1) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis.

1) The fair value hierarchy

The following table presents the classification by fair value hierarchy of the financial assets and financial liabilities recognized at fair value on the consolidated statement of financial position.

Consolidated fiscal year under review (March 31, 2022)

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Securities for financial business	317,948	20,337	–	338,285
Other financial assets				–
Stocks	137,893	–	61,714	199,607
Financial assets at fair value through profit or loss				
Loans for financial business	–	6,747	–	6,747
Other financial assets				
Derivatives				
Exchange contracts	–	3,121	–	3,121
Currency swaps	–	5,206	–	5,206
Interest swaps	–	1,355	–	1,355
Monetary trusts	–	1,747	–	1,747
Investment funds	–	2,049	–	2,049
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
Derivatives				
Currency swaps	–	1,275	–	1,275
Interest swaps	–	3,542	–	3,542

Any significant transfers of the financial instruments between levels are evaluated at each period end. There was no significant transfer of the financial instruments between levels for the year ended March 31, 2022.

2) Methods of measuring fair value

(a) Securities for financial business

Fair value of securities for financial business is classified as level 1 of the fair value hierarchy in cases where the price on the securities exchanges of an active market is available.

If the 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. Such instruments are classified as level 2 based on observable inputs.

(b) Other financial assets and other financial liabilities

(i) Stocks

The fair value of listed stocks is based on the price on the securities exchange, and such instruments are classified as level 1 of the fair value hierarchy.

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. Such instruments are classified as level 3 of the fair value hierarchy. 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 may be taken into consideration.

(ii) Derivatives

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. The financial assets and financial liabilities related to foreign exchange contracts are classified as level 2 of the fair value hierarchy.

Currency swaps

The fair value of currency swaps is calculated by discounting the value calculated using forward exchange rates current as of the end of the period to the present value. The financial assets and financial liabilities related to currency swaps are classified as level 2 of fair value hierarchy.

Interest swaps

Interest swaps is calculated at the present value of future cash flows that has been discounted by an interest rate that takes into consideration the period until the maturity date and the credit risk. The financial assets and financial liabilities related to interest swaps are classified as the level 2 of the fair value hierarchy.

(iii) Monetary trusts

For monetary trusts, the securities that are the trust assets are basically calculated by a similar method to “securities for the financial business” and are classified as level 2 of the fair value hierarchy.

(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 and are classified as level 2 of the fair value hierarchy.

(c) 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. Therefore, loans for financial business are classified as level 2 of the fair value hierarchy.

(2) Fair value of financial assets and financial liabilities that are not measured at fair value but are disclosed at fair value

1) Fair value hierarchy

The following are the financial assets and financial liabilities that are not measured at fair value but are disclosed at fair value classified by their fair value hierarchy. Financial assets and financial liabilities that are measured at amortized cost are included.

Consolidated fiscal year under review (March 31, 2022)

(Unit: Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Loans for financial business	1,583,629	–	1,601,404	–	1,601,404
Other financial assets					
Monetary claims bought	13,129	–	12,527	–	12,527
Financial liabilities:					
Borrowings and bonds payable					
Borrowings payable	742,544	–	743,873	–	743,873
Bonds payable	329,543	330,083	–	–	330,083
Other financial liabilities					
Deposits for financial business	2,217,505	–	2,219,031	–	2,219,031

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

(a) 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. Accordingly, the fair value hierarchy is classified as Level 2.

(b) 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. Accordingly, the fair value hierarchy is classified as Level 2.

(c) 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. Accordingly, the fair value hierarchy is classified as Level 2.

(d) 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. Accordingly, for those having market prices, the fair value hierarchy is classified as Level 1 and for those having no market prices, the fair value hierarchy is classified as Level 2.

(e) 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. Accordingly, the fair value hierarchy is classified as Level 2.

(Per Share Information)

1. Equity attributable to owners of the parent per share	¥2,249.27
2. Basic earnings per share	¥300.03

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)

Not applicable

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 other than shares, etc. for which market quotations are not 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. Shares, etc. for which market quotations are not available are mainly 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, structures, tools and furniture and fixtures: 10 to 42 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, 2022 based on projected benefit obligations and estimated value of plan assets as of March 31, 2022.

When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2022.

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 some of the point services such as “au Point Program,” the Company records based on its past experience the amount considered to be appropriate to cover future utilization of the points during or after the next fiscal year.

Provision for warranties for completed construction

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

Provision for officers' stock compensation

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

Provision for employees' stock compensation

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

Provision for bonuses

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

Provision for directors' bonuses

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

Provision for loss on contract

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 typhoons, etc. that occurred in fiscal 2019 and 2020, or by earthquakes that occurred in fiscal 2021.

4. Standards for revenue recognition

The Company's accounting policy for revenue recognition by major categories is as follows.

(1) Mobile telecommunications services

The Company generates revenue mainly from its mobile telecommunications services and sale of mobile handsets. The Company 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 deemed to be fulfilled by the provision of the service based on the contract with the customer. 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.

1) Indirect sales

As the distributor has the primary obligation and inventory risk for the mobile handsets, the Company sells to the distributors, the Company 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.

2) 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 revenue 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

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

The above revenue, excluding installation fee revenue is recorded when the service is provided, whereupon the provision of the service based on the contract with the customer fulfills the performance obligation and the performance obligation is deemed to be fulfilled when the service is provided.

Installation fee revenue is recognized over the estimated average contract period based on the percentage remaining.

Payment for any performance obligation is received between the billing date and approximately one month later.

(3) Value-added services

Revenue from content services mainly comprises revenue from information fees, revenue arising from fees related to assignment of claims, 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 Company operates or that the Company jointly operates with other entities, and performance obligation is fulfilled proportionally to the elapsing of time over a certain consecutive period during which the content service is provided. Revenue arising from fees related to assignment of claims comprises the revenue from fees for the assignment of claims (customer account receivables) from the content provider (“CP”) for the purpose of collecting those account receivables from customers as the agent of the CP together with the telecommunication fees. Electric power revenue is the revenue generated from electric power retail services, whereupon the performance obligation is fulfilled when the electric power service is provided. For these revenues, since the performance obligation, which is identified based on the contract with the customer, is fulfilled proportionally over time or when the service is provided to the customer, revenues are recognized over the period of time the service is provided based on the terms of each individual contract.

The Company may act as an agent in a transaction. To report revenue from such transactions, the Company 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 Company evaluates whether the Company 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 Company considers itself to be an agent for revenue arising from fees related to assignment of claims, 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 Company 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) Solution Services

Revenue from solution services primarily consists of revenues from equipment sales, engineering and management services (“the solution service income”). The solution service income is recognized based on the consideration received from the customers when the goods or the services are provided to the customers and the performance obligation is fulfilled.

Payment for any performance obligation is received between the billing date and approximately one month later.

(5) Global services

Global services mainly comprise solution services and mobile telephone services.

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

(Changes in Accounting Policies)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021), and it recognizes revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.
Application of Accounting Standard for Revenue Recognition and its implementation guidance is in accordance with the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying new accounting policies prior to the beginning of the fiscal year under review is added to or deducted from retained earnings, and the balance was adjusted to apply the new standard from the beginning of the fiscal year under review. With the above adjustment, the opening balance of retained earnings decreased by ¥34,286 million.
Also, operating income for the fiscal year under review decreased by ¥114,871 million and operating expenses decreased by ¥114,059 million, resulting in a decrease of ¥812 million for each of operating profit, ordinary profit, and profit before income taxes.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereafter "Fair Value Measurement Standard") and relevant ASBJ regulations from the beginning of the fiscal year under review, and in accordance with the transitional treatment provided for in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), it has applied the new accounting policy set forth in the Fair Value Measurement Standard and relevant regulations and will use this going forward. This will have no effect on financial statements for the fiscal year under review.

(Notes to Accounting Estimates)

Stocks of subsidiaries and affiliates
(1) The amount recorded on the non-consolidated financial statements for the fiscal year under review was ¥1,185,093 million.
(2) Other information
For stocks of subsidiaries and affiliates which do not have a market price, the acquisition cost was compared against the actual price, and the actual price of the stocks has dropped more than approximately 50% due to a deterioration in the financial position of the issuing company of the stocks of subsidiaries and affiliates, the actual price is deemed to have significantly deteriorated, and unless there are suitable grounds supporting a possibility of recovery within approximately five years, a loss on valuation of stocks of subsidiaries and affiliates is recorded.
In cases where the Company considers there is earning power in excess of the actual price, the Company makes a best estimate within the range that can be rationally forecasted in the future business environment, and based on a business plan approved by management, a judgment is made as to whether the actual price has significantly dropped based on a reduction of excess earning power. The Company calculates the actual price by discounting future cash flows to the present values, and uses, as key indicators, business plans, growth rates, and pre-tax discount rates based on different types of revenue projection and projected changes in costs, such as cost of sales and selling, general and administrative expenses.
While there is a risk that a loss on valuation of stocks of subsidiaries and affiliates will occur if the key assumptions used in the calculation of the actual price change, the Company considers

that even if the business plans, growth rates, and discount rates change within a reasonable range, it is unlikely that a significant loss on valuation of stocks of subsidiaries and affiliates will occur.

(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 ¥11,192 million by that company as of March 31, 2022.

2. Contingent liabilities, etc.

Guarantor for office lease contract	¥3,049 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥49,396 million
Short-term monetary claims	¥347,927 million
Long-term monetary liabilities	¥232 million
Short-term monetary liabilities	¥434,827 million

4. Reduction entry amount of non-current assets

Reduction entry amount attributable to aid for construction cost (cumulative total)	¥14,824 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	¥270,793 million
Loans receivables outstanding	¥146,993 million
Remaining portion of credit line	¥123,800 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	¥299,088 million
Operating expenses to subsidiaries and affiliates	¥578,791 million
Non-operating transactions with subsidiaries and affiliates	¥105,148 million

2. Impairment loss ¥1,879 million

In the year ended March 31, 2022, 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.	1,879

In the year ended March 31, 2022, 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 ¥1,879 million, as an extraordinary loss. This consists of ¥1,583 million for local line facilities, and ¥296 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, 2021	Increase during the fiscal year ended March 31, 2022	Decrease during the fiscal year ended March 31, 2022	As of March 31, 2022
Shares outstanding				
Common stock	2,304,179,550	–	–	2,304,179,550
Total	2,304,179,550	–	–	2,304,179,550
Treasury stock				
Common stock	28,782,253	60,391,051	194,372	88,978,932
Total	28,782,253	60,391,051	194,372	88,978,932

(The reason of the above changes)

1. The increase of 60,391,051 shares in the number of common stocks in treasury stock is due to a share buyback of 60,390,800 shares based on a resolution at the Board of Directors meeting dated May 14, 2021, and purchases of shares less than one unit of 251 shares.
2. The decrease of 194,372 shares in the number of common stocks in treasury stock is due to the issuance, etc. of shares to the executive compensation BIP trust and a stock-granting ESOP trust.
3. Included in the number of common stocks in treasury stock displayed above are 3,920,592 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 23, 2021 Annual shareholders meeting	Common stock	¥136,771 million	¥60	March 31, 2021	June 24, 2021
October 29, 2021 Meeting of the Board of Directors	Common stock	¥135,059 million	¥60	September 30, 2021	December 1, 2021
Total		¥271,829 million			

Note 1: The total amount of dividends decided by the Annual shareholders meeting on June 23, 2021 includes a dividend of ¥247 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 October 29, 2021 includes a dividend of ¥236 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 22, 2022, the Company plans to propose the following matters regarding dividends of common stock.

1) Total dividends ¥144,243 million
2) Dividends per share ¥65
3) Record date March 31, 2022
4) Effective date June 23, 2022

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

Note 2: The total amount of dividends includes a dividend of ¥255 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities

(Unit: Millions of yen)

Deferred tax assets:	Provision for bonuses	5,914
	Excess amount of allowance for doubtful accounts	8,765
	Provision for point service program	11,173
	Denial of accrued expenses	1,408
	Excess amount of depreciation and amortization	37,909
	Asset retirement obligations	16,386
	Denial of loss on retirement of non-current assets	817
	Denial of loss on valuation of inventories	1,770
	Accrued enterprise taxes	4,576
	Denial of impairment loss	12,400
	Denial of advances received	1,245
	Loss on valuation of stocks of subsidiaries and affiliates	22,017
	Other	24,614
Total deferred tax assets		148,995
Deferred tax liabilities:	Provision for retirement benefits	(8,043)
	Valuation difference on available-for-sale securities	(20,876)
	Gain on exchange from business combination	(1,455)
	Other	(298)
Total deferred tax liabilities		(30,672)
Net deferred tax assets		118,323

(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 Company 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, 2022 are as shown below.

Items that do not have a market price are not included in the following table (see Note 2).

(Unit: Millions of yen)

	Book value	Market value	Difference
1) Cash and deposits	108,876	108,876	–
2) Accounts receivable-trade	1,609,000		
Allowance for doubtful accounts *1	(13,675)		
	1,595,325	1,595,325	–
3) Accounts receivable-other	172,679	172,679	–
4) Investment securities			
Available-for-sale securities	130,757	130,757	–
5) Short-term loans receivable from subsidiaries and affiliates *2	146,993	146,993	–
6) Stocks of subsidiaries and affiliates	85,541	179,412	93,871
7) Long-term loans receivable from subsidiaries and affiliates *3	54,373	52,753	(1,620)
Total assets	2,294,543	2,386,794	92,250
8) Accounts payable-trade	121,254	121,254	–
9) Short-term loans payable	329,742	329,742	–
10) Accounts payable-other	434,329	434,329	–
11) Income taxes payable	85,820	85,820	–
12) Deposits received	44,619	44,619	–
13) Bonds payable *4	330,000	330,083	83
14) Long-term loans payable *4	309,000	308,593	(407)
Total liabilities	1,654,765	1,654,442	(324)

*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 that do not have a market price

(Unit: Millions of yen)

	Book value
Investment securities Unlisted equity securities	57,279
Stocks of subsidiaries and affiliates Unlisted equity securities	1,099,552
Investments in capital of subsidiaries and affiliates	5,742

3. Breakdown of the market value of financial instruments by level

The market value of financial instruments is categorized into the following three levels based on the observability and importance of the input used in the market value calculation.

Level 1 market value: Market value which, out of the observable inputs for calculating market value, is calculated using the quoted price of assets and liabilities that are subject to market value calculations formed in active markets

Level 2 market value: Market value which, out of the observable inputs for calculating market value, is calculated using market value calculation inputs other than those used in Level 1

Level 3 market value: Market value calculated using unobservable market value calculation inputs

In cases where multiple inputs that have an important effect on the calculation of market value are used, the market value is categorized according to the lowest level out of each of the inputs used in the market value calculation.

(1) Financial assets and financial liabilities whose market value is recognized as the carrying amount in the non-consolidated balance sheet

	Market Value (Unit: Millions of yen)			
	Level 1	Level 2	Level 3	Total
(1) Investment securities Available-for-sale securities	130,757	–	–	130,757
Total assets	130,757	–	–	130,757

(2) Financial assets and financial liabilities whose market value is not recognized as the carrying amount in the non-consolidated balance sheet

	Market Value (Unit: Millions of yen)			
	Level 1	Level 2	Level 3	Total
(1) Stocks of subsidiaries and affiliate	179,412	–	–	179,412
(2) Long-term loans receivable from subsidiaries and affiliates	–	52,753	–	52,753
Total assets	179,412	52,753	–	232,165
(3) Bonds payable	330,083	–	–	330,083
(4) Long-term loans payable	–	308,593	–	308,593
Total liabilities	330,083	308,593	–	638,676

Additionally, notes concerning cash have been omitted here. In regard to deposits, accounts receivable-trade, accounts receivable-other, short-term loans receivable from subsidiaries and affiliates, accounts payable-trade, income taxes payable, and deposits received, as the settlement periods are short and their market values are almost the same as their book values, notes have been omitted.

Note 1: Explanation of valuation methods and inputs used to calculate market value

1) Investment securities and stocks of subsidiaries and affiliate

Listed stocks are valued using quoted prices. As listed stocks are traded on an active market, their market value is categorized as Level 1.

2) Long-term loans receivable from subsidiaries and affiliates

The fair value of long-term loans receivable is calculated by taking present value and applying a discount rate that takes into account the time until the expiration of future cash flows and credit risk. Therefore, they are categorized as Level 2.

3) Bonds payable

The fair value of bonds payable is calculated using a method that takes the market price of bonds that have a market price and the sum of principal and interest of bonds that do not have a market price and applying a discount rate that takes into account the remaining duration and credit risk of said bond. Therefore, bonds that have a market price are categorized as Level 1 and bonds that do not have a market price are categorized as Level 2.

4) Long-term loans payable

For loans payable with floating interest rates, the book value is deemed to be the fair value since the interest rate reflect the market interest rate over the short term and because there is deemed to be no significant fluctuation in the credit state of the Company after borrowing. For loans payable 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 duration and credit risk of said borrowings. Therefore, they are categorized as Level 2.

Note 2: Amount to be redeemed after the settlement date of monetary claims and securities with maturity dates

(Unit: Millions of yen)

	Within one year	Over one and within five years	Over five and within 10 years
(1) Long-term loans receivable from subsidiaries and affiliates	4,301	27,447	22,625
Total	4,301	27,447	22,625

Note 3: Amount to be repaid after the settlement date of bonds payable, long-term loans payable, and other interest-bearing debt

(Unit: Millions of yen)

	Within one year	Over one and within five years	Over five and within 10 years
(1) Bonds payable	50,000	190,000	90,000
(2) Long-term loans payable	115,500	162,500	31,000
Total	165,500	352,500	121,000

(Equity in Net Income (Losses) of Affiliates and Others)

Amount of investments in affiliates ¥105,266 million
Amount of investments in affiliates based on the equity method ¥244,515 million
Amount of equity in net income of affiliates based on the equity method ¥5,791 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	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, 2022
Financial support Sharing of concurrent positions by board members	Borrowing of funds (Note 1)	3,658	Long-term loans receivable from subsidiaries and associates	–
			Short-term loans receivable from subsidiaries and associates	77,628
	Payment of interests	105	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 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, 2022
Financial support Sharing of concurrent positions by board members	Outsourcing settlement agency business	– (Note 2)	Accounts receivable-other	77,181

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	au Payment Corporation	Minato-ku, Tokyo	496	Issuance and sale of electronic money and provision of electronic settlement services	Possession Indirect 100%

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2022
Sharing of concurrent positions by board members	Outsourcing of administrative tasks	– (Note 2)	Accounts receivable-other	60,705

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, 2021.

Note 2: The accounts receivable-other refers to sales to end users and since that is not something that is attributable to au Financial Service Corporation and au Payment Corporation, the amount of transaction is not stated.

(Notes to Revenue Recognition)

Because the basic information to understand income is provided in “(Significant Accounting Policies)” in the Notes to Non-Consolidated Financial Statements, notes have been omitted here.

(Per Share Information)

1. Net assets per share	¥1,857.01
2. Net income per share	¥250.29

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 3,920,592 shares and 3,957,154 shares, respectively.

(Significant Subsequent Events)

Company Split

At the Board of Directors meeting held on April 7, 2022, the Company decided to split off its management business and its business of planning, proposing, and executing business strategies for subsidiary companies related to the energy business into a wholly owned consolidated subsidiary called au Energy Holdings Corporation (established April 6, 2022, hereafter the "Shareholder Preparatory Company"), as well as to split off its business related to electrical power retail and other activities into a wholly owned consolidated subsidiary called au Energy & Life, Inc. (established April 6, 2022, hereafter the "Business Preparatory Company"), through an absorption-type corporate split with a planned effective date of July 1, 2022. Plans call for an absorption-type company split agreement creating the Shareholder Preparatory Company and the Business Preparatory to be concluded with each company on April 21, 2022.

1. Purpose of the Company Split
   The Company is working to expand its energy business ever since it joined the electrical power retail business following the electrical power retail market being opened for competition in April 2016.
   The business landscape for energy is expected to undergo changes in light of efforts to realize a decarbonized society. To this end, we decided to cause the Shareholder Preparatory Company, which is the Company's consolidated subsidiary, to succeed to the businesses described above, to create a separate and independent business from the Company, and to accelerate decision making and business expansion at the Subsidiary Companies through the Company Split. As a result, we are working to rapidly respond to shifts in the business landscape and to provide dynamic services that match customer demand while maintaining our electricity retail service as a core operation, thereby achieving business growth.

2. Schedule of the Company Split

Date of resolution by the board of directors of the Company	April 7, 2022
Date of resolution by the board of directors of the Shareholder Preparatory Company	April 21, 2022
Date of resolution by the board of directors of the Business Preparatory Company	April 21, 2022
Date of execution of the Company Split agreement	April 21, 2022
Date of Company Split (effective date)	July 1, 2022 (scheduled date)

3. Outline of the Business Sectors Succeeding the Company Split
   Details of Business of the Succeeding Sectors
   - Shareholder Preparatory Company
   Management business, including funds management, pertaining to the Subsidiary Companies, and the business of planning, proposing, and executing business strategies related to the Subsidiary Companies
   - Business Preparatory Company
   Electrical power retail business, and business related to serving as a proxy or other actions in concluding retail service agreements with regard to electricity and gas

(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.