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. Please also note that English versions are outside the scope of the audit performed by the Audit & Supervisory Board Members of the Company in accordance with the Companies Act.

NOTICE OF THE 39TH ANNUAL SHAREHOLDERS MEETING

KDDI Corporation

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Items excluded in documents stating items subject to measures for electronic provision

In accordance with the provisions of laws and regulations and Article 17 of the Company's Articles of Incorporation, the following items are excluded from the paper-based documents delivered to shareholders who have made a request for delivery of such documents.

1) An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status
2) Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements
3) Non-Consolidated Statements of Changes in Net Equity and Notes to Non-Consolidated Financial Statements

- 1) is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. 2) and 3) 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.
- The website that posts the excluded items will contain the same information as that on page 3.

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
CEO

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 39th Annual Shareholders Meeting.

In the 39th fiscal year (fiscal 2022), the first year of the new medium-term management strategy (FY2022-24), the Company attained record-high operating income while maintaining a dividend payout ratio 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 our mission of "connecting 'lives,' 'day-to-day lives,' and 'hearts and minds,'" we will deliver a thrilling customer experience by always going further than expected while fulfilling our important roles for society.

Our mission is to support important social infrastructure. As telecommunications functions have become deeply integrated in many areas of society, they have become an indispensable part of everyone's daily lives. The Japanese government's "Vision for a Digital Garden City Nation" will promote the availability of digital technologies, mainly in regions outside of metropolitan areas, making the promotion of DX for solving social issues and regional revitalization even more important. The Company supported the new lifestyles of customers and promoted initiatives aimed at creating a resilient society capable of both economic growth and solving social problems.

In order to advance the "power to connect" while responding to such changes in the business environment and realize the "ideal future society," the Company established "KDDI VISION 2030" in May 2022. In addition, the "Medium-Term Management Strategy (FY2022-24)" that looks ahead to 2030 has sustainability management as its cornerstone and aims to achieve the sustainable growth of society and enhance corporate value together with our partners through the Satellite Growth Strategy, which is a business strategy, and reinforcing the management foundation that supports this strategy.

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

TSE Code: 9433
Date of sending by postal mail: May 30, 2023
Start date of measures for electronic provision: May 23, 2023

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 CEO

NOTICE OF THE 39TH ANNUAL SHAREHOLDERS MEETING

You are cordially notified of the 39th Annual Shareholders Meeting of KDDI Corporation ("the Company") to be held as stated below.

Measures for providing information in electronic format, etc. are taken for information regarding reference documents for the Shareholders Meeting (excluding voting forms) (items subject to measures for electronic provision). Please access either of websites below for details.

The Company's website:
https://www.kddi.com/english/corporate/ir/stock-rating/meeting/20230621/

TSE website:
https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show

- Enter "KDDI" in "Issue name (company name)" or "9433" in "Code," and click "Search." Then, click "Basic information" and select "Documents for public inspection/PR information."

Exercising Voting Rights

If you do not attend the meeting in person, please exercise your voting rights no later than 5:30 p.m. on Tuesday, June 20, 2023 (JST) via the Internet or by mail, after reviewing the attached Reference Documents for the Shareholders Meeting.

Live Streaming of Annual Shareholders Meeting and Acceptance of Questions in Advance

For shareholders who have difficulty attending this Annual Shareholders Meeting in person due to circumstances such as living far away, the Company will broadcast a livestream via the Internet on the day of the meeting and will accept questions in advance. For details, please refer to page 5.

1. Date and Time: Wednesday, June 21, 2023, 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 39th fiscal year from April 1, 2022 to March 31, 2023 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditors and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 39th fiscal year from April 1, 2022 to March 31, 2023

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Partial Changes to Articles of Incorporation
Proposal 3 Election of Twelve (12) Directors

4. Other matters concerning the Meeting:

· 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.”
· If you exercise your voting rights both via the Internet and by mail, the vote exercised via the Internet will be treated as valid.
· If you have exercised your voting rights multiple times on the Internet, only the final vote will be taken as valid.
· Please refer the following pages for the details of how to exercise voting rights via the Internet or by mail.

* Attendees are kindly requested to submit their Exercise of Voting Rights form to the receptionist on the day of the meeting.
* Guidance regarding operations at the venue, etc. will be posted as necessary on the Company’s website indicated on page 3.
* In the event of any revisions to the paper-based documents or to the items subject to measures for electronic provision or other information posted on the websites, the details of revisions will be disclosed on the respective websites indicated on page 3.

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 22.

By exercising voting rights via the Internet
Exercise due date: To be received no later than 5:30 p.m. on Tuesday, June 20, 2023

1. **Scanning QR code**

   Please use a smart phone, etc. to scan the QR code on the lower right corner of the Exercise of Voting Rights form and follow the instructions on the screen to indicate your approval or disapproval.

2. **Entering login-ID and temporary password**

   Exercise of Voting Rights Web site

   https://evote.tr.mufg.jp/ (in Japanese)

   Please access it on the left and use your "login-ID" and "temporary password" on the Exercise of Voting Rights form and follow the instructions on the screen to indicate your approval or disapproval:

   * The Exercise of Voting Rights Web site will be unavailable during the hours of 2:00 to 5:00 a.m. due to maintenance and inspection.
   * 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.
   * 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.
   * Internet access fees, communication expenses, and other costs incurred when accessing the Exercise of Voting Rights Web site and when viewing the livestream and sending questions in advance as explained on page 5 will be the responsibility of the shareholder.

Exercising voting rights by mail

Exercise due date: To be received no later than 5:30 p.m. on Tuesday, June 20, 2023

Please indicate your approval or disapproval to each of the proposals and post it to the Company without postage stamp.

Livestream of Annual Shareholders Meeting

1. **Streaming Date and Time: From 10:00 a.m. to the close of the Annual Shareholders Meeting on Wednesday, June 21, 2023**

   * *It will be accessible at approximately 9:30 a.m. on the day of the meeting, 30 minutes before the meeting starts (Company videos will be shown until 10:00 a.m., when the Annual Shareholders Meeting starts).

2. **How to watch**

   Step 1: Access the "Engagement Portal," an online site for the Annual Shareholders Meeting

   Livestream URL for the day of the meeting: https://engagement-portal.tr.mufg.jp/ (in Japanese)

   Step 2: Please enter your login-ID and password to login

   * "Login-ID" and "Password" are shown on the backside of the Exercise of Voting Rights form.
   * You can login directly by using a smartphone, etc. to scan the QR code written on the backside of the Exercise of Voting Rights form.

   Step 3: Click the "Watch livestream on the day" button to view the livestream

[Notes on viewing livestream]

- Viewing is limited to shareholders themselves. (Viewing by proxies is not permitted.)
- Viewing the livestream does not correspond to "attendance," as designated by the Companies Act. Accordingly, those who view the livestream will not be able to exercise voting rights or ask questions on the day of the meeting. The Company asks them to exercise their voting rights in advance.
- As the Company won't be able to take questions from those viewing the livestream, we ask those shareholders to send question in advance via the Internet.
- Posting the livestream video of the proceedings of this Annual Shareholders Meeting using social networking services (SNS) and other secondary use are strictly prohibited.
- Though the Company takes possible measures to offer livestreaming, please note that there might be interruptions or a cancellation in the case of a bad communication environment or system trouble. (Please refer to the Company's website for the latest information.)

Submitting questions in advance

1. **Period of submission:** To be received no later than 5:00 p.m. on Tuesday, June 13, 2023
2. **How to submit**
   Step 1 and 2: Same as livestream
   Step 3: Click the "Submit a question beforehand" button and enter your question.

[Notes on submitting questions in advance]

- Questions shall be about items regarding the agendas of the Shareholders Meeting.
- The Company accepts one question per shareholder. If multiple questions are submitted from the same shareholder, the Company shall consider the last one as valid.
- Of the questions received, the Company will answer questions at the Annual Shareholders Meeting that seem to be of particular interest to shareholders.
- The Company does not promise to answer all the questions submitted. If all the questions cannot be answered at the meeting, the Company may not be able to respond to them on an individual basis.

[Questions about login-ID/ password for viewing livestream or submitting question in advance]

Mitsubishi UFJ Trust and Banking Corporation
Tel: 0120-676-808 (Toll free only from Japan)
Time: Monday - Friday (excluding holidays), from 9:00 a.m. to 5:00 p.m. (From 9:00 a.m. to the close of the Shareholders Meeting on the day of the Annual Shareholders Meeting)

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 ····· ¥70.00

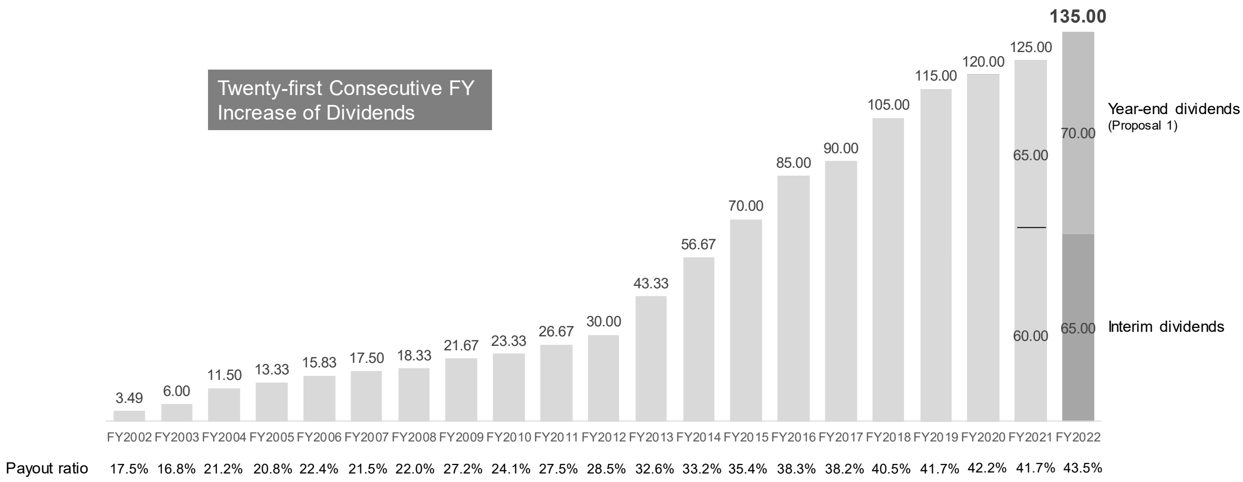
Total dividends ··················· ¥151,090,853,410

(3) Effective date of dividends of surplus

June 22, 2023

(Reference) Development of Dividends per Share

(Unit: Yen)



Notes: 1. For convenience of viewing, annual dividends for the 19th 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 19th 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. 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.
4. Values for dividend per share and dividend payout ratio for the 39th 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 partial changes will be made to add “pharmacies,” to the business purpose listed in Article 2 in the current Articles of Incorporation of KDDI in order to prepare for our future pharmaceutical sales business expansion.

2. Description of Changes

   The changes are as follows.

(Changes are underlined.)

Present	Proposed articles
Article 1. (Details omitted) Article 2. (Purpose) The purpose of the Company shall be to engage in the following businesses: (1) - (20) (Details omitted) (21) Management of restaurants, pharmaceutical and household goods stores, accommodations, sports facilities, conference rooms, party and meeting halls, etc.; (22) - (35) (Details omitted) Article 3. - 41. (Details omitted)	Article 1. (Not changed) Article 2. (Purpose) The purpose of the Company shall be to engage in the following businesses: (1) - (20) (Not changed) (21) Management of restaurants, <u>pharmacies,</u> pharmaceutical and household goods stores, accommodations, sports facilities, conference rooms, party and meeting halls, etc.; (22) - (35) (Not changed) Article 3. - 41. (Not changed)

Proposal 3: Election of Twelve (12) Directors

The terms of office of all Twelve (12) 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	●	●	11/11 (100%)	Male	Chairperson of Board of Directors
2	Makoto Takahashi	Reappointment	Internal Executive	●	●	11/11 (100%)	Male	President, Representative Director CEO
3	Toshitake Amamiya	Reappointment	Internal Executive			11/11 (100%)	Male	Executive Director, Personal Business Sector
4	Kazuyuki Yoshimura	Reappointment	Internal Executive			11/11 (100%)	Male	CTO, Executive Director, Technology Sector
5	Yasuaki Kuwahara	New appointment	Internal Executive			-	Male	Executive Director, Solution Business Sector
6	Hiromichi Matsuda	New appointment	Internal Executive			-	Male	Executive Director, Business Exploration & Development Division
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			11/11 (100%)	Male	6 years
8	Keiji Yamamoto	Reappointment	Outside			11/11 (100%)	Male	4 years
9	Shigeki Goto	Reappointment	Outside Independent	●	● (Chairperson)	11/11 (100%)	Male	3 years
10	Tsutomu Tannowa	Reappointment	Outside Independent	● (Chairperson)	●	9/9 (100%)	Male	1 year
11	Junko Okawa	Reappointment	Outside Independent	●	●	9/9 (100%)	Female	1 year
12	Kyoko Okumiya	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 39th Annual Shareholders Meeting.

* The attendance record of Directors Tsutomu Tannowa and Junko Okawa began after their appointment as new Director at the 38th Annual Shareholders Meeting held on June 22, 2022.

Notes: 1. The number of the Company's shares held by each candidate is the number as of March 31, 2023.
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, 2023.
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 some chemical products that were manufactured and sold by KYOCERA. It is identified that some of the chemical products KYOCERA manufactured and sold had violated the Act on the Regulation of Manufacture and Evaluation of Chemical Substances, and it failed to register for MITI number, and it disclosed the fact publicly in September 2022.
5. In April 2018, while Kyoko Okumiya was serving as External Director of MORINAGA MILK INDUSTRY CO., LTD., it identified that there was a customer data breach through unauthorized access to its online health food shopping site. She fulfilled her duty by verifying the findings of an investigation by a third-party organization, as well as making recommendations at the MORINAGA MILK INDUSTRY's Board of Directors' meetings to prevent a recurrence and ensure greater compliance.
6. The Company has entered into agreements for Limitation of Liability with Goro Yamaguchi, Keiji Yamamoto, Shigeki Goto, Tsutomu Tannowa and Junko Okawa 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 agreement with Kyoko Okumiya if her election is approved.
7. 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 Proposal No. 3 is approved as proposed at this Annual Shareholders Meeting are as follows.

Director’s name		Corporate management	Sales/ Marketing	Global	Digital/ Technology	Finance/ Accounting	Legal affairs/ Risk management
Inside Director	Takashi Tanaka	●	●	●	●	●	●
	Makoto Takahashi	●	●	●	●	●	●
	Toshitake Amamiya	●	●	●			
	Kazuyuki Yoshimura				●		
	Yasuaki Kuwahara	●	●		●		
	Hiromichi Matsuda		●	●	●		
Outside Director	Goro Yamaguchi	●	●	●			●
	Keiji Yamamoto	●		●	●		
	Shigeki Goto			●	●		
	Tsutomu Tannowa	●	●	●			●
	Junko Okawa	●	●				
	Kyoko Okumiya						●
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 (62,338)

Reappointment

Years served as Director
16

Board of Directors' meetings attended
11 of 11 meetings
(100%)

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) 37,900 (88,484)

Reappointment

Years served as Director
16

Board of Directors' meetings attended
11 of 11 meetings
(100%)

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, demonstrating strong leadership as a driving force for sustainable growth of the Group, such as leading the previous medium-term management plan (FY2019-21) and developing 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)
April 2023:	CEO (Current position)

Special Interests

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

Candidate No. 3	Toshitake Amamiya	Date of birth June 26, 1960	Number of the Company's shares held (Number of potential shares) 42,700 (19,957)

Reappointment

Years served as Director
4

Board of Directors' meetings attended
11 of 11 meetings
(100%)

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 (LX) 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
April 2022:	Executive Director, Personal Business and Global Consumer Business Sector (Current position)
June 2022:	Executive Vice President, Director (Current position)

Special Interests

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

Candidate No. 4	Kazuyuki Yoshimura	Date of birth April 19, 1965	Number of the Company's shares held (Number of potential shares) 8,200 (15,381)

Reappointment

Years served as Director
3

Board of Directors' meetings attended
11 of 11 meetings
(100%)

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 promotes initiatives for strengthening the telecommunications foundation, such as through the experience in construction and operation of networks that are the foundation of the telecommunications business, and has the knowledge required for sophistication of telecommunications networks. 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
June 2022:	Senior Managing Executive Officer, Director (Current position)
April 2023:	CTO (Current position)

Special Interests

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

Candidate No. 5

Yasuaki Kuwahara

Date of birth
October 25, 1962

Number of the Company's shares held
(Number of potential shares)
7,200 (17,257)

New appointment

Reason for nominating the candidate for Director

Yasuaki Kuwahara has abundant experience in solution services for corporate customers, such as promoting DX (Digital Transformation). 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 corporate customers. For these reasons, he has been selected as a candidate for Director.

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

January 2018:	Representative Director and President, KDDI Digital Design Inc.
April 2018:	Executive Officer
April 2022:	Managing Executive Officer (Current position) Deputy Executive Director, Solution Business Sector
April 2023:	Executive Director, Solution Business Sector, and General Manager, KDDI Group Strategy Division (Current position)

Special Interests

There are no special interests between Yasuaki Kuwahara and the Company.

Candidate No. 6

Hiromichi Matsuda

Date of birth
November 30, 1971

Number of the Company's shares held
(Number of potential shares)
7,900 (7,812)

New appointment

Reason for nominating the candidate for Director

Hiromichi Matsuda has extensive experience in the personal telecommunication business both in Japan and abroad. He also oversees Life Transformation (LX), one of the priority areas in the Company's Satellite Growth Strategy and drives sustainable growth of the business through his efforts, including creating new business. For these reasons, he has been selected as a candidate for Director.

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

April 2020:	Executive Officer (Current position) Deputy Executive Manager, Personal Business Planning Division
April 2021:	Executive Director, Business Exploration & Development Division (Current position)
April 2022:	Executive Director, Corporate Strategy Planning Division
April 2023:	Deputy Executive Director, Personal Business Sector (Current position)

Special Interests

There are no special interests between Hiromichi Matsuda 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)
13,800 (–)

Reappointment
Outside Director

Years served as Director
6

Board of Directors' meetings attended
11 of 11 meetings
(100%)

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) 1,200 (–)

Reappointment
Outside Director

Years served as Director
4

Board of Directors' meetings attended
11 of 11 meetings
(100%)

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 of TOYOTA MOTOR CORPORATION Chief Information & Security Officer of TOYOTA MOTOR CORPORATION (Current position)
June 2021:	Chief Product Integration Officer of TOYOTA MOTOR CORPORATION (Current position)
April 2023:	Senior Fellow of TOYOTA MOTOR CORPORATION (Current position)

Special Interests

Keiji Yamamoto is a Senior Fellow 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	Shigeki Goto	Date of birth December 20, 1948	Number of the Company's shares held (Number of potential shares) 3,100 (–)

Reappointment
Outside Director
Independent Director

Years served as Director
3

Board of Directors' meetings attended
11 of 11 meetings
(100%)

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. Although he does not have prior experience of direct involvement in corporate management, he has served on the Board of Directors and provided the Company with his technical opinions related to the management policy as a telecommunications operator that provides social infrastructure, from a medium- to long-term perspective and from a standpoint independent of the Company's management, 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. 10	Tsutomu Tannowa	Date of birth October 26, 1951	Number of the Company's shares held (Number of potential shares) 2,000 (–)

Reappointment
Outside Director
Independent Director

Years served as Director
1

Board of Directors' meetings attended
9 of 9 meetings
(100%)

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. On the Board of Directors, the Company has received his contribution to strengthening the supervisory function of business execution and broader opinions from a medium- to long-term perspective and from a perspective independent of the management team based on his management experience at other companies, and he has helped improve 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. 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 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.
April 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.
June 2022:	Outside Director (Current position)
April 2023:	Chairperson of the Board of Mitsui Chemicals, Inc. (Current position)

Special Interests

Tsutomu Tannowa is 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. 11	Junko Okawa	Date of birth August 31, 1954	Number of the Company's shares held (Number of potential shares) 0 (–)

Reappointment
Outside Director
Independent Director

Years served as Director
1

Board of Directors' meetings attended
9 of 9 meetings
(100%)

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. On the Board of Directors, the Company has received her contribution to strengthening the supervisory function of business execution and broader opinions from a medium- to long-term perspective and from a perspective independent of the management team based on her management experience at other companies, and she has helped improve 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 a wide-ranging managerial perspective. 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

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:	External Director of The Shoko Chukin Bank, Ltd. (Current position)
June 2022:	Outside Director (Current position) Outside Director of Asahi Broadcasting Group Holdings Corporation (Current position)

Special Interests

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

Candidate No. 12	Kyoko Okumiya	Date of birth June 2, 1956	Number of the Company's shares held (Number of potential shares) 0 (–)

New appointment

Outside Director

Independent Director

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

Kyoko Okumiya has abundant experience and superior knowledge, cultivated as the partner at a law firm and a committee member, etc. of committees. Although she does not have prior experience of direct involvement in corporate management, the Company has determined that she can contribute to improving the corporate value of the Company by providing technical opinions related to legal risk management from a medium- to long-term perspective and from a standpoint independent of the Company's management. Therefore, she has been selected as a candidate for Outside Director.
Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has been nominated as Independent Director.

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

April 1984:	Registered as attorney at law
September 2000:	Partner, Tanabe & Partners (Current position)
August 2003:	Member of Audit Committee of Kawasaki City
June 2014:	Outside Director of NEC Corporation External Director of MORINAGA MILK INDUSTRY CO., LTD.
June 2017:	Chairperson of The Labour Policy Council Equal Employment Opportunity Subcommittee (Current position)
April 2018:	Member of Administrative Advisory Council, School of Legal and Political Studies of The University of Tokyo (Current position)
June 2018:	Outside Director of The Bank of Yokohama, Ltd.

Special Interests

Kyoko Okumiya 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.

(Reference) Message from an Outside Director

What to expect from KDDI in the future
Shigeki Goto, Independent Outside Director Information and telecommunications keep evolving and now “being connected” is increasingly common in our lives. The communication failure last July reminded us that telecommunications is deeply integrated into every person’s life as well as business activities and is used for much more than just making telephone calls. As preventive measures, KDDI declares it will “strengthen the telecommunications infrastructure” and “share information in a timely manner from the perspective of customers.” We have been briefed about and discussed these matters at the Board of Directors’ meetings in a timely manner. As an outside director, I recognize how the Company has been responding to the incident. At the same time, I believe nothing is more important than respecting people by offering a telecommunications network that customers can enjoy with trust and comfort. As a system becomes more sophisticated, the level of skill required for engineers to handle it properly becomes higher, hence, adding more pressure on them. Then, as a company, we need to value our people and have leaders with a high level of consciousness more than ever before. In the medium-term management strategy, KDDI has declared “transformation to a human resources-first company” as one of the measures to strengthen the operating foundation to support its business strategies and is accelerating efforts in various areas, including “introduction of a new human resource system,” “company-wide digital transformation,” and “work style reform.” I expect that those efforts will lead to higher employee engagement and contribute to corporate value improvement and sustainable growth of our society. Compared to the past, although we have more opportunities through advances of the latest technologies, I feel that in my daily life, I have lost the feeling of excitement I used to have as a little child. KDDI has a brand message, “Explore the extraordinary.” I hope children, who shall play active roles in societies in the future, are interested in what KDDI, a leading telecommunications company, offers with “Explore the extraordinary,” including new services with 5G.

(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 regularly every year in order to correctly understand the situation of the Board of Directors and promote its consecutive improvement.

■ Process of evaluation

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

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

The main evaluation items are as follows.

- Operation of the Board of Directors
  (composition of members, documents and explanations, provision of information, etc.)
- Supervision of Executives
  (conflict of interest, risk management, management of subsidiaries, etc.)
- Medium- and long-term discussions
  (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 with various backgrounds.
  Board of Directors' meetings have been operated in an open atmosphere with lively discussions among members, where outside directors/audit & supervisory board members are willing to express their opinions. In addition, executive officers provide appropriate explanations and responses to comments and suggestions that outside directors/audit & supervisory board members make based on their respective expertise.
- Efforts to enhance discussions at Board of Directors' meetings
  Information necessary for a discussion is properly summarized and presented so that discussion points are made clear.
  In addition, for important issues such as mergers and acquisitions, information is provided to directors so that they exchange opinions in advance through off-site meetings, etc., which helps improve the Board of Directors' supervision function.

[Future issues]

- Further enhancing group governance
  Based on the lessons learned from the previous event, the Company has been engaging in efforts, including creating a support division as well as establishing a monitoring system. The Company will further strengthen the group governance by regularly reporting, sharing, and supervising the progress and challenges of these projects.
- Enhancing discussions on key topics from a perspective of improving corporate value over the medium to long term
  Each director and audit & supervisory board member has suggested various topics to be discussed, including medium- to long-term growth strategies and key non-financial topics. Board of Directors will pick up those topics regularly at Board of Directors' meetings and off-site meetings and discuss them broadly with outside directors/audit & supervisory board members to try to make the Board of Directors' functions more effective.

BUSINESS REPORT
(April 1, 2022 to March 31, 2023)

1. Current Status of the Corporate Group

(1) Business Developments and Results

1) Overall Conditions

Since its establishment, we have made realizing a truly connected society part of the KDDI Group Mission Statement.
The business environment is changing dramatically, with diversifying values, the growing importance of sustainability, and the development of next-generation technologies.
In May 2022, the Company established a new vision for 2030 called "KDDI VISION 2030: The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect," in order to adapt to changes in the business environment and achieve an ideal future society. As telecommunication continues to become increasingly important in our daily lives, we aim to evolve our "power to connect" and become a platformer that supports society and adds value to all industries and aspects of life by 2030.
Looking forward to 2030, the Company launched the medium-term management plan (FY2022-24) last year, focusing on "sustainability management." We aim to achieve a positive spiral with our partners, where sustainable growth for society brings our corporate value improvement.
Under "sustainability management," we are driving "business strategy (satellite growth strategy)," in addition to "enhancing business infrastructure (achieving carbon neutrality, transforming into a human resources first company, and strengthening the corporate governance system)" that supports the business strategy.
The Company is making "5G telecommunications" a core of our "satellite growth strategy." This will help us expand our focus areas while enhancing telecommunications as our core business. We designate five fields as our focus areas, including "DX (digital transformation)," "finance," "energy," "LX (life transformation)," and "regional co-creation." We aim to achieve sustainable growth for both society and corporate value improvement by maximizing the synergy effect with 5G telecommunication.

Enhancing business infrastructure

Measures to improve telecommunication infrastructure
We sincerely apologize for the communication disruption on July 2, 2022, which caused considerable inconvenience and difficulty for our users nationwide. As a telecommunication operator, which must support social infrastructure and continue to provide stable services, we took the incident seriously.
After the incident, we implemented a cross-functional system to enhance our quality and service. This involved conducting thorough inspections to reinforce our telecommunication infrastructure and implementing company-wide changes to reform our organization and improve the quality of our networks. In addition, we have been enhancing means to disclose appropriate information on time from our customers' perspective.
In the 5G era and beyond, we will work to accommodate increasing data volume and offer a network that our users can rely on further and enjoy comfortably.

Achieving carbon neutrality
The Company has been working toward carbon neutrality to achieve CO_2 net zero emission in our business operations by 2030.
We issued "Tsunagu Chikara Bonds" (Unsecured straight bonds), our first sustainability bonds in September 2022, and internally introduced the "Internal Carbon Pricing system (*1)" in February 2023. With those programs, we plan to implement initiatives that will help us reduce energy consumption at our telecommunication facilities and take advantage of renewable energy sources.
In addition, from January 2023, we began participating in the Green Life Point Project promoted by Japan's Ministry of the Environment. We aim to work with customers to achieve environmentally friendly lifestyles by awarding points when they, for example, shop at au PAY-participating stores that take eco-friendly measures or at the au PAY Market, which helps reduce food loss.
In recognition of its activities to address climate change, The Company has earned a spot on the "climate

change A list" from CDP (*2), an international environmental NGO. This recognition is given to the most environmentally advanced companies. The Company is committed to contributing to the fight against global climate change.

*1 Set an internal CO_2 price on its own and integrate it into an investment criterion. (https://news.kddi.com/kddi/corporate/newsrelease/2023/02/28/6573.html) (in Japanese)

*2 An international not-for-profit charity organization established in 2000. CDP collects information about the environmental activities of global key companies. It also analyzes and assesses them to create an annual "climate change A list" to recognize companies that are making significant efforts to address climate change issues and are properly disclosing their information.

Transforming into a human resources first company

At the Company, we value people above all else. Our goal is to become a human resources first organization, prioritizing the growth and development of our employees at the core of our management approach. To achieve this, we are spearheading three key initiatives: the KDDI Version Job Style Personnel System, Internal DX, and New Work Styles.

By driving new personnel systems, we aim to create work environments, where diverse people can perform their best. At the same time, we help improve DX skills for all employees and foster professional human resources through "KDDI DX University," an in-house human resources development institution. We are trying to improve employees' engagement by penetrating new work styles to them. Thorough those initiatives, the Company will contribute to achieving sustainable growth for society, while creating a corporate culture full of challenging spirit, developing new business in cooperation with customers and partners, and driving our business transformation.

Financial Highlights

(Millions of yen)

Overall				
	38th fiscal year (FY2022.3)	39th fiscal year (FY2023.3)	YOY	
Operating revenue	5,446,708	5,671,762	Up 4.1%	Operating revenues increased mainly due to an increase in revenues from energy business and financial business.
Operating Income	1,060,592	1,075,749	Up 1.4%	Operating income increased mainly due to an increase in operating revenue despite impacts of fuel price hike and service disruption.
Profit for the year attributable to owners of the parent	672,486	677,469	Up 0.7%	Profit for the year attributable to owners of the parent rose mainly due to increased operating income.

Personal Services			Please see P. 25 for topics	
	38th fiscal year (FY2022.3)	39th fiscal year (FY2023.3)	YOY	
Operating revenue	4,669,208	4,833,567	Up 3.5%	Operating revenues increased mainly due to an increase in revenues from energy business and financial business.
Operating Income	867,092	880,308	Up 1.5%	Operating income rose mainly due to an increase in operating revenues.

Business segment				Please see P. 26 for topics
	38th fiscal year (FY2022.3)	39th fiscal year (FY2023.3)	YOY	
Operating revenue	1,042,120	1,108,807	Up 6.4%	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	187,072	190,808	Up 2.0%	Operating income increased mainly due to an increase in operating revenue despite impacts of fuel price hike and service disruption.

Note: As a result of changes to the reportable segments for some businesses, figures for the previous fiscal year have been restated.

2) Business Conditions by Segment

Personal Services: Highlights

Multi-brand service offerings and area expansion

The Company offers mobile communication services with multiple brands, such as “au,” “UQ mobile,” and the online exclusive brand “povo” to pay close attention to customers’ unique needs and strive to meet them accordingly.

Through au, we offer unique 5G services utilizing the high-speed, high-volume telecommunications, “Unlimited Data Max Plan 5G Netflix Pack(P),” which includes access to popular video streaming services. UQ mobile started to offer “Anshin Security Set,” a security service package for smartphone users from February 2023, on top of existing affordable price plans, so that customers use their smartphones more safely and securely. Povo suggests various use cases by offering services, including a plan, where users can customize by adding options including data capacities, and “#Giga Katsu,” where users can virtually save up data capacity in exchange for purchasing goods or services at designated stores.

We are expanding the 5G network in communication areas, specifically focusing on railroads and commercial regions. Additionally, we are adding base stations in remote areas such as mountains and islands, where it was previously difficult to provide services. To achieve this, we are using Starlink’s satellite broadband internet as the backhaul line for au’s telecommunication network.

Expanding financial business, au PAY

In our financial business, the Company is expanding the customer base: the number of au PAY Card members reached 8 million in August 2022; the number of checking accounts at au Jibun Bank reached 5 million in December 2022. We also have been working on improving customers’ convenience, by start accepting applications for au PAY card with a contactless payment feature as standard, which allows users for speedy payment. In addition, the card has a new design that reduces the risk of sneaking personal information on cards.

In February 2023, the Company further enhanced the reward programs to save and use Ponta points in our financial services, with the launch of “au Life Insurance,” which grants Ponta Points equivalent to 1% of the monthly insurance premium.

Initiatives to expand businesses in the energy business segment

In the Energy business, au Energy Holdings Corporation and au Energy & Life, Inc. started businesses in July 2022, taking over operations from KDDI. In April 2023, au Renewable Energy, Inc. was established and started a renewable energy generation business with a focus on solar power. au Energy & Life, Inc. is committed to promoting renewable energy and helping to create a carbon-neutral society. That’s why it has introduced the “au Electricity solar energy purchase service.” This service allows us to buy surplus electricity from households that have solar panels and whose contract for the fixed-cost purchase program for renewable energy has expired.

Expansion of global business

KDDI Summit Global Myanmar Co., Ltd., which supports Myanmar Posts and Telecommunications (MPT) telecommunications operations, has continued to maintain telecommunications services essential to the lives of the people of Myanmar even after the political change in February 2021. We have done so in accordance with the “KDDI Group Human Rights Policy,” and with ensuring our people’s security first.

MobiCom Corporation LLC, a Mongolian general telecommunication carrier, has been increasing its presence among expanding markets for a younger generation through proactive social contribution activities, including participation in “Smart Education,” a public-private project to support online learning in collaboration with the Ministry of Education and Science of Mongolia.

Business Services: Highlights

Increasing cumulative number of IoT lines

● The number of KDDI’s IoT connections has steadily grown, reaching a cumulative total of over 30 million on a non-consolidated basis as of December 2022, giving the company the top market share in Japan. Specifically, our share has expanded significantly in the realms of social infrastructure (including connected cars, electricity, gas, and smart meters) and the global market. Regarding this kind of utilization of IoT in crucial infrastructure, our strength lies in having a security and maintenance system and a solid operational track record spanning roughly 20 years. Over the medium term, we aim to reach 44 million connections in FY2025 and will continue contributing to the realization of sustainable industries and infrastructure environments by providing revolutionary solutions for connected cars, telecommunications, and other social infrastructure.

Overseas, by optimally combining localization with global standards, our scope of support extends far beyond connected cars to include the DX of customers’ overseas bases and the provision of platforms to a wide range of industries.

Our aim is to provide tailored platforms for various industries and drive DX at clients’ organization to bring fresh value to them.

Streamlining DX structure and expanding resources

To strengthen our DX support for companies, we founded KDDI Digital Divergence Holdings Corporation (KDH), which is a holding company, in May 2022. The KDH group includes businesses with the capabilities needed for promoting DX and it will continue strengthening customer support systems by considering further M&A and operational alliances going forward.

In addition, in partnership with Mitsui & Co., Ltd. in June 2022, we founded GEOTRA Co., Ltd. to promote urban DX using AI and population flow analysis. GEOTRA has launched the platform and analysis service GEOTRA Activity Data, which utilizes AI and au location data to assess and forecast the movement of people in terms of means, times, purposes, and more. The company aims to contribute to more sophisticated decision making related to the planning and policy making of various operators, such as municipalities and companies, in the area of smart city development.

Utilization of digital twins

The Company is promoting DX initiatives using digital twins where data that was collected from a physical location is reproduced in cyberspace, enabling the creation of various simulations.

As part of these initiatives, KDDI SmartDrone Inc. partnered with Infrastructure Renewal Engineering Co., Ltd. to launch a service in June 2022 that uses drones to inspect bridges. Currently, around 42% (roughly 300,000) of Japan’s approximately 730,000 road bridges with spans of two or more meters will be at least 50 years old in 2025. Recently, with addressing the effects of aging on bridges becoming ever more urgent, operators have faced a worker shortage issue, and from March 2019, inspections using drone footage have been allowed.

This service brings together the drone operation know-how cultivated by KDDI SmartDrone with the survey, repair, and design technology know-how of Infrastructure Renewal Engineering as well as the latter's many years of experience in construction support related to the repair and reinforcement field of basic infrastructure components (such as bridges, tunnels, and sewers). Using remotely operated drones, the service enables inspection operations to be conducted with one flight, and AI is used to immediately identify areas of aging infrastructure that need repair through the 3D modeling of bridge images, which reveals the damaged areas in detail. Through this service, the company will continue to help ensure the safety of Japan's bridges while improving operators' work efficiency.

Expanding capacities of data center business

● KDDI's European subsidiary Telehouse International Europe opened the net zero CO_2 emission data center TELEHOUSE South, its fifth TELEHOUSE location in London, UK, in March 2022. This data center has become one of the world's top interconnection data centers, serving a total of over 900 companies, including the United Kingdom's largest telecommunications operator and ISP because the center meets the needs of customers seeking connectivity, expandability, and security. In addition, this data center operates using 100% renewable energy procured from wind, solar, biomass, and hydropower. In April of last year, we announced our commitment to achieving the net zero CO_2 emission by FY2026 for all worldwide data centers operating under the TELEHOUSE brand, including TELEHOUSE South.

In over 10 countries around the world for over 30 years, KDDI has operated the data center business under the TELEHOUSE brand and positions it as a growth field in the Business Services Segment. In FY2023, we plan to open new facilities in Bangkok, Paris, and Frankfurt, bringing its total number of locations to 47. Going forward, in the data center business leveraging the latest equipment and connectivity, we will continue to support customers' business growth and further expand the data center business by leveraging the experience of TELEHOUSE, which operates high-quality data centers around the globe. In April of last year, we announced our commitment to achieving the net zero CO2 emission by FY2026 for all worldwide data centers operating under the TELEHOUSE brand, including TELEHOUSE South.

3) Efforts toward Continued Enhancement of Corporate Value

Initiatives for Metaverse and Web3

We have been working to expand urban experiences utilizing 5G communications and XR technology, including the expansion of the "Virtual Shibuya" urban-linked metaverse in May 2020 and the "Digital Twin Shibuya" where real and virtual spaces are linked in October 2022.

From March 2023, we began offering αU (alpha U) metaverse and Web3 services designed to realize a world where anyone can become a creator and tailored to a new generation of users who casually switch between the virtual and real worlds. In line with the concept of "another world," with αU as the prefix, we are expanding customer experiences in the metaverse and Web3. For example, we are providing the commercial services αU metaverse, in which people can enjoy entertainment and conversations with friends in the metaverse; αU market, which enables the purchase of NFTs and other digital artwork; and αU wallet, which enables the management of NFTs and encrypted assets. We are also providing such services as αU live, which enables users to enjoy high-definition live music performances with a 360-degree range of view, and αU place, which offers the experience of shopping in virtual stores that are linked with physical stores.

Realizing high-speed communication at any locations with "Starlink"

The company has agreed with Space Exploration Technologies Corp. ("SpaceX") and started offering "Starlink," a satellite broadband, for companies and municipal governments in October 2022. Starlink's communication satellite is positioned in low-Earth orbit, which enables faster communication with lower latency compared to traditional geostationary satellites. It is approximately 65 times closer to Earth than those satellites. By using “Starlink” as a backhaul line for the au telecommunications network, the company will be able to increase the speed of approximately 1,200 au base stations nationwide in areas without fiber-optic networks and improve communication areas in mountainous regions and island areas where it has been difficult to provide service. Our goal is to provide convenient, safe, and secure environments for those who live or work in these remote areas.

To quickly restore communication during natural disasters like earthquakes and typhoons, the Company plans to introduce in-vehicle or transportable stations equipped with Starlink nationwide. These stations will provide service in areas with disaster-caused communication disruptions.

(2) Issues Facing the Corporate Group

Amidst a rapidly changing business environment, including unstable global conditions and financial markets, soaring resource prices, and diversifying customer needs, the KDDI Group will promote 5G, growth in focused areas such as DX and finance, initiatives aimed at a turnaround in telecommunications revenue, as well as cost efficiency.

Forecast for the 40th fiscal year (April 1, 2023 to March 31, 2024)

Consolidated Financial Forecast

	Operating revenue	Operating income	Profit attributable to owners of the parent
Full year	Millions of yen 5,800,000	Millions of yen 1,080,000	Millions of yen 680,000

Note: The Company reflects impacts from the novel coronavirus disease (COVID-19) pandemic in the forecasts above based on currently available information. If the Company needs to make any revision to those according to future changes, it will announce the revision immediately.

Strengthening shareholder returns

Dividends

	Second quarter-end	Year-end	Annual dividend	Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the parent (Consolidated)
	Yen	Yen	Yen	Millions of yen	%	%
37th fiscal year	60.00	60.00	120.00	274,528	42.2	6.0
38th fiscal year	60.00	65.00	125.00	278,811	41.7	5.8
39th fiscal year	65.00	70.00	135.00	293,495	43.5	5.8
40th fiscal year (Forecast)	70.00	70.00	140.00		43.7	

Note: Values for the 39th fiscal year are based on the assumption that Proposal 1 will be approved as proposed.

(3) Offices of the Company (As of March 31, 2023)

(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)

(4) **Principal Subsidiaries** (As of March 31, 2023)

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	% 53.9	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	25,000	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
au Energy Holdings Corporation	Tokyo	100	100.0	Business administration of subsidiary companies involved in energy
KDDI Digital Divergence Holdings Corporation	Tokyo	100	100.0	Management business, functions for the business planning, etc. of subsidiary companies in DX 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

Company name	Location	Capital	Ratio of capital contribution	Principal business
KDDI China Corporation	China	Thousand RMB 13,446	85.1	Sales, maintenance and operation of telecommunications equipment in China
KDDI Summit Global Myanmar Co., Ltd.	Myanmar	Thousand US$ 405,600	(100.0)	Support for telecommunication business at Myanmar Posts and Telecommunications (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

Effective July 1, 2022, KDDI transferred the management of its energy subsidiary companies and the planning, development and implementing functions to its consolidated subsidiary (a wholly owned subsidiary) au Energy Holdings Corporation through an absorption-type split. The Company also transferred its electrical power retail business to its consolidated subsidiary (a wholly owned subsidiary) au Energy & Life, Inc. through an absorption-type split.

(5) 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)

	36th fiscal year (FY2020.3)	37th fiscal year (FY2021.3)	38th fiscal year (FY2022.3)	39th fiscal year (FY2023.3)
	IFRS			
Operating revenues	5,237,221	5,312,599	5,446,708	**5,671,762**
Operating income	1,025,237	1,037,395	1,060,592	**1,075,749**
Profit attributable to owners of the parent	639,767	651,496	672,486	**677,469**
Basic earnings per share (yen)	275.69	284.16	300.03	**310.25**
Total assets	9,580,149	10,535,326	11,084,379	**11,917,643**
Total liabilities	4,721,041	5,275,857	5,573,715	**6,252,863**
Total equity	4,859,108	5,259,469	5,510,663	**5,664,780**

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 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)

	36th fiscal year (FY2020.3)	37th fiscal year (FY2021.3)	38th fiscal year (FY2022.3)	39th fiscal year (FY2023.3)
	Japan GAAP			
Operating revenues	4,070,873	4,062,750	4,037,023	**3,780,778**
Telecommunications business	2,640,235	2,664,575	2,596,243	**2,461,576**
Incidental business	1,430,638	1,398,175	1,440,779	**1,319,202**
Operating income	750,355	757,146	721,146	**622,824**
Ordinary income	800,209	814,445	790,544	**761,018**
Profit	567,962	578,634	561,015	**547,454**
Earnings per share (yen)	244.75	252.38	250.29	**250.71**
Total assets	5,681,462	5,956,659	5,966,580	**5,998,484**
Liabilities	1,861,707	1,895,892	1,852,940	**1,960,800**
Net assets	3,819,755	4,060,767	4,113,639	**4,037,684**

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 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 weighted average common stocks outstanding during the year.

(6) Financing Activities of the Corporate Group

In the current fiscal year, the Company borrowed 131,100 million yen in long-term loans from financial institutions and issued 100,000 million yen in bonds.

(7) 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 ¥627,544 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.

(8) Principal Businesses of the Corporate Group (As of March 31, 2023)

The Group comprises the Company, 169 consolidated subsidiaries (113 companies in Japan and 56 companies overseas) and 41 equity-method affiliates (34 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	The Personal Services segment provides services to individual customers. In Japan, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands “au,” “UQ mobile,” and “povo.” In addition, we are addressing challenges in local communities due to depopulation and aging, and are working with local partners to eliminate the digital divide and achieve regional co-creation. Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.
Business Services	The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and TELEHOUSE brand data center services. Furthermore, in our mid-term management strategy (FY2022–2024), we announced the “Satellite Growth Strategy,” which strives to evolve the telecommunications business through 5G and expand business in focus fields, centering on telecommunications. We provide global one-stop solutions that contribute to the development and expansion of our customers’ businesses through IoT and DX centered on 5G communications in collaboration with our partners. For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.

(9) Employees (As of March 31, 2023)

1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	28,938
Business Services	17,685
Others	3,036
Total	49,659

2) Employees of the Company

No. of employees	Year-on-year decrease	Average age	Average length of service
9,377	1,078	42.5	17.4 years

Note: No. of employees does not include 3,949 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2023)

Creditor	Loans outstanding
	Millions of yen
MUFG Bank, Ltd.	208,000
Sumitomo Mitsui Banking Corporation	109,500
Development Bank of Japan, Inc.	47,000
Sumitomo Mitsui Trust Bank, Limited	27,500
Mizuho Bank, Ltd.	5,000
The Shizuoka Bank, Ltd.	5,000

2. Shares (As of March 31, 2023)

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

(2) Total Number of Issued Shares 2,302,712,308 shares

(including 144,271,545 shares of treasury stock)

Note: The total number of issued shares has declined by 1,467,242 in accordance with the retirement of treasury stocks dated September 27, 2022.

(3) Number of Shareholders 420,608

(increase of 78,986 from the previous year-end)

(4) Shareholder Composition

National and Local Governments	1,500 shares	0.00%
Financial Institutions	585,689,834 shares	25.43%
Other Companies	735,150,335 shares	31.93%
Securities Firms	106,689,267 shares	4.63%
Individuals and Others	268,268,855 shares (including treasury stock)	11.65%
Foreign Companies, etc.	606,912,517 shares	26.36%

(5) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	346,662,400	16.06
KYOCERA Corporation	335,096,000	15.52
TOYOTA MOTOR CORPORATION	316,794,400	14.67
Custody Bank of Japan, Ltd. (Trust Account)	146,907,800	6.80
STATE STREET BANK WEST CLIENT – TREATY 505234	32,864,175	1.52
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	21,656,856	1.00
JP MORGAN CHASE BANK 385781	21,410,133	0.99
SSBTC CLIENT OMNIBUS ACCOUNT	21,275,738	0.98
STATE STREET BANK AND TRUST COMPANY 505103	20,267,366	0.93
JPMorgan Securities Japan Co., Ltd.	19,468,688	0.90

Note: KDDI holds 144,271,545 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 do not include the Company’s shares owned in the Board Incentive Plan trust account (1,319,384 shares).

(6) Status of Shares Delivered to Executives of the Company as Consideration for Execution of Duties During the Fiscal Year Under Review

	Number of shares	Number of recipients
Directors (excluding Outside Directors)	32,300 shares	1

3. Directors and Audit & Supervisory Board Members

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

(As of March 31, 2023)

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	Shinichi Muramoto	Executive Director, Corporate Sector
Executive Vice President, Director	Keiichi Mori	Executive Director, Solution Business Sector
Executive Vice President, Director	Toshitake Amamiya	Executive Director, Personal Business Sector and Global Consumer Business Sector
Senior 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	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))
* Director	Tsutomu Tannowa	Representative Director, Chairperson of the Board of Mitsui Chemicals, Inc.
* Director	Junko Okawa	External Director of The Shoko Chukin Bank, Ltd. Outside Director of Asahi Broadcasting Group Holdings Corporation
Full-time Audit & Supervisory Board Member	Kenichiro Takagi	
* Full-time Audit & Supervisory Board Member	Noboru Edagawa	
Full-time Audit & Supervisory Board Member	Yukihiro Asahina	
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	Senior Executive Advisor of Toyota Tsusho Corporation Outside Audit & Supervisory Board Member of Sanyo Chemical Industries, Ltd. Outside Director of MEIKO TRANS CO., LTD.

Notes: 1. Directors and Audit & Supervisory Board Members with * are new Directors and Audit & Supervisory Board Members who were elected at the 38th Annual Shareholders Meeting held on June 22, 2022.

2. Each of Directors Goro Yamaguchi, Keiji Yamamoto, Riyo Kano, Shigeki Goto, Tsutomu Tannowa, and Junko Okawa 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 Riyo Kano, Shigeki Goto, Tsutomu Tannowa and Junko Okawa, 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: Shigeki Goto (Outside Director)
- Vice Chairperson: Riyo Kano (Outside Director)
- Members of the Committee: Tsutomu Tannowa (Outside Director), Junko Okawa (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, Administrative Officers and Senior Directors)
The number of points to be granted to each eligible person per fiscal year shall not exceed 400,000 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, the 38th Annual Shareholders Meeting held on June 22, 2022</td><td>6 Directors,
38 Executive Officers and
16 Administrative Officers
34 senior directors (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 ¥160 million per fiscal year</td><td>The 38th Annual Shareholders Meeting held on June 22, 2022</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	106	7	106	–	–
	Others	824	9	338	307	180
	Total	930	16	443	307	180
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	65	3	65	–	–
	Others	69	3	69	–	–
	Total	134	6	134	–	–

Notes:
1. The above-stated number of Directors to be paid remuneration and the amount thereof include those for three Directors and one Outside Director who retired at the conclusion of the 38th Annual Shareholders Meeting held on June 22, 2022. The number of Directors to be paid executive bonuses is six, excluding said retired Directors.
2. The above-stated number of Audit & Supervisory Board Members to be paid remuneration and the amount thereof include those for one Audit & Supervisory Board Member who retired at the conclusion of the 38th Annual Shareholders Meeting held on June 22, 2022.
3. 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 1. (5) Changes in Assets and Profit and Loss

・ 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: 1.03

・ 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: 0.99

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 eleven 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 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.
- Director 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 revenue for both parties.
- Director Junko Okawa is External Director of The Shoko Chukin Bank, Ltd. and Outside Director of Asahi Broadcasting Group Holdings Corporation, 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 Senior Executive Advisor 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 eleven of the eleven 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 eleven of the eleven 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 Riyo Kano attended eleven of the eleven 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 eleven of the eleven 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.
- Director Tsutomu Tannowa attended nine of the nine meetings of the Board of Directors. Based on his management experience at other companies, he has contributed to strengthening the supervisory function of business execution and provided broader opinions from a medium- to long-term perspective.
- Director Junko Okawa attended nine of the nine meetings of the Board of Directors. Based on her management experience at other companies, she has contributed to strengthening the supervisory function of business execution and provided broader opinions from a medium- to long-term perspective.

* The attendance record of Directors Tsutomu Tannowa and Junko Okawa began after their appointment as Director at the 38th Annual Shareholders Meeting held on June 22, 2022.

(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 eleven of the eleven meetings of the Board of Directors and twelve of the twelve meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Toshihiko Matsumiya attended eleven of the eleven meetings of the Board of Directors and twelve of the twelve meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Jun Karube attended eleven of the eleven meetings of the Board of Directors and twelve of the twelve meetings of the Audit & Supervisory Board.

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	373	928

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, 2023	(Reference) As of March 31, 2022	Account item	As of March 31, 2023	(Reference) As of March 31, 2022
Assets			Liabilities		
Non-current assets:	8,330,544	7,417,350	Non-current liabilities:	1,616,687	1,557,762
Property, plant and equipment	2,595,721	2,585,481	Borrowings and bonds payable	914,233	921,616
Right-of-use assets	393,935	387,669	Long-term deposits for financial business	64,829	33,240
Goodwill	541,058	540,962			
Intangible assets	1,048,396	1,025,223	Lease liabilities	286,437	279,265
Investments accounted for using the equity method	255,290	244,515	Other long-term financial liabilities	10,309	14,198
Long-term loans for financial business	2,038,403	1,335,111	Retirement benefit liabilities	11,739	12,496
			Deferred tax liabilities	188,101	144,776
Securities for financial business	411,063	338,285	Provisions	52,414	70,073
Other long-term financial assets	304,106	329,268	Contract liabilities	76,258	71,083
Retirement benefit assets	62,911	44,720	Other non-current liabilities	12,366	11,015
Deferred tax assets	12,203	12,330			
Contract costs	637,534	548,704	Current liabilities:	4,636,176	4,015,953
Other non-current assets	29,924	25,083	Borrowings and bonds payable	337,961	286,505
			Trade and other payables	801,927	834,496
Current assets:	3,587,098	3,667,028	Short-term deposits for financial business	2,652,723	2,184,264
Inventories	99,038	74,511			
Trade and other receivables	2,445,250	2,311,694	Call money	–	141,348
			Cash collateral received for securities lent	244,111	–
Short-term loans for financial business	304,557	255,266	Lease liabilities	112,805	112,719
Call loans	53,944	45,064			
Other short-term financial assets	60,158	67,154	Other short-term financial liabilities	6,894	2,620
Income tax receivables	2,663	2,904	Income taxes payables	129,404	126,874
Other current assets	141,236	113,822	Provisions	25,398	25,641
Cash and cash equivalents	480,252	796,613	Contract liabilities	82,242	86,091
			Other current liabilities	242,712	215,397
			Total liabilities	6,252,863	5,573,715
			Equity		
			Equity attributable to owners of the parent		
			Common stock	141,852	141,852
			Capital surplus	279,371	279,371
			Treasury stock	(545,833)	(299,827)
			Retained earnings	5,215,177	4,818,117
			Accumulated other comprehensive income	31,841	43,074
			Total equity attributable to owners of the parent	5,122,409	4,982,586
			Non-controlling interests	542,370	528,077
			Total equity	5,664,780	5,510,663
Total assets	11,917,643	11,084,379	**Total liabilities and equity**	11,917,643	11,084,379

(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, 2023	(Reference) For the fiscal year ended March 31, 2022
Operating revenue	5,671,762	5,446,708
Cost of sales	3,260,030	2,984,589
Gross profit	2,411,731	2,462,119
Selling, general and administrative expenses	1,408,391	1,422,539
Other income	71,629	21,001
Other expense	3,790	5,781
Share of profit of investments accounted for using the equity method	4,569	5,791
Operating income	1,075,749	1,060,592
Finance income	10,175	10,202
Finance cost	8,658	7,746
Other non-operating profit and loss	612	1,448
Profit for the year before income tax	1,077,878	1,064,497
Income tax	339,484	331,957
Profit for the year	738,394	732,540
Profit for the year attributable to:		
Owners of the parent	677,469	672,486
Non-controlling interests	60,926	60,054
Profit for the year	738,394	732,540

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

Non-Consolidated Financial Statements (Japan GAAP)

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2023		(Reference) As of March 31, 2022	
(Assets)				
I Noncurrent assets		3,792,222		3,777,274
A Noncurrent assets-telecommunications business		1,850,702		1,885,646
(1) Property, plant and equipment*		1,543,542		1,568,963
1 Machinery	2,917,998		2,797,270	
Accumulated depreciation	(2,403,684)	514,315	2,291,059	506,211
2 Antenna facilities	930,689		897,534	
Accumulated depreciation	(643,027)	287,661	604,662	292,872
3 Terminal facilities	8,820		8,595	
Accumulated depreciation	(7,421)	1,400	7,234	1,361
4 Local line facilities	225,988		221,233	
Accumulated depreciation	(195,621)	30,366	191,046	30,187
5 Long-distance line facilities	95,884		95,501	
Accumulated depreciation	(91,818)	4,067	91,132	4,369
6 Engineering facilities	62,736		62,186	
Accumulated depreciation	(52,673)	10,063	51,370	10,816
7 Submarine line facilities	47,192		47,191	
Accumulated depreciation	(45,171)	2,020	44,778	2,413
8 Buildings	426,534		419,370	
Accumulated depreciation	(287,967)	138,567	277,469	141,901
9 Structures	91,616		90,674	
Accumulated depreciation	(73,547)	18,069	71,405	19,269
10 Machinery and equipment	4,711		4,679	
Accumulated depreciation	(4,442)	269	4,383	295
11 Vehicles	3,134		3,168	
Accumulated depreciation	(2,314)	820	2,024	1,144
12 Tools, furniture and fixtures	102,987		101,735	
Accumulated depreciation	(86,311)	16,675	83,612	18,122
13 Land		260,677		260,555
14 Construction in progress		258,571		279,446
(2) Intangible assets		307,161		316,683
1 Right of using submarine line facilities		897		1,153
2 Right of using facilities		12,676		13,570
3 Software		278,795		286,382
4 Leasehold right		1,429		1,429
5 Goodwill		13,270		14,028
6 Other intangible assets		94		121

Account item	As of March 31, 2023		(Reference) As of March 31, 2022	
(Liabilities)				
I Noncurrent liabilities		637,846		580,421
1 Bonds payable		310,000		280,000
2 Long-term loans payable		242,000		193,500
3 Lease obligations		31		51
4 Provision for retirement benefits		4,471		5,806
5 Provision for point service program		15,499		21,517
6 Provision for warranties for completed construction		5,145		6,247
7 Asset retirement obligations		38,528		54,731
8 Provision for officers' stock compensation		3,135		2,384
9 Provision for employees' stock compensation		–		5,067
10 Other noncurrent liabilities		19,037		11,118
II Current liabilities		1,322,954		1,272,519
1 Current portion of noncurrent liabilities		121,500		165,500
2 Accounts payable-trade		47,493		121,254
3 Short-term loans payable		450,716		329,742
4 Lease obligations		4		50
5 Accounts payable-other		499,945		434,329
6 Accrued expenses		5,028		5,200
7 Income taxes payable		80,200		85,820
8 Contract liabilities		41,789		55,936
9 Advances received		13,700		10,633
10 Deposits received		31,964		44,619
11 Provision for bonuses		17,512		17,040
12 Provision for directors' bonuses		307		353
13 Asset retirement obligations		–		45
14 Provision for loss on contract		6,854		836
15 Provision for loss on disaster		365		571
16 Other current liabilities		5,577		591
Total liabilities		1,960,800		1,852,940

(Unit: Millions of yen)

Account item	As of March 31, 2023		(Reference) As of March 31, 2022	
B Incidental business facilities		54,223		43,828
(1) Property, plant and equipment*	40,608		48,006	
Accumulated depreciation	(28,000)	12,607	35,325	12,681
(2) Intangible assets		41,615		31,147
C Investments and other assets		1,887,297		1,847,800
1 Investment securities		170,438		188,036
2 Stocks of subsidiaries and affiliates		1,170,883		1,185,093
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		61,900		49,312
7 Long-term prepaid expenses		343,980		272,856
8 Deferred tax assets		106,972		118,323
9 Other investment and other assets		42,447		40,931
Allowance for doubtful accounts		(15,130)		(12,560)
II Current assets		2,206,262		2,189,306
1 Cash and deposits		72,602		108,876
2 Notes receivable - trade		11		1
3 Accounts receivable-trade		1,619,822		1,609,000
4 Accounts receivable-other		222,814		172,679
5 Supplies		74,749		55,647
6 Advance payments - trade		58		200
7 Prepaid expenses		53,821		53,209
8 Short-term loans receivable from subsidiaries and affiliates		113,941		152,054
9 Other current assets		62,860		51,317
Allowance for doubtful accounts		(14,416)		(13,675)
Total assets		5,998,484		5,966,580

Account item	As of March 31, 2023		(Reference) As of March 31, 2022	
(Net assets)				
I Shareholders' equity		4,005,810		4,066,292
1 Capital stock		141,852		141,852
2 Capital surplus		305,676		305,676
Legal capital surplus	305,676		305,676	
3 Retained earnings		4,105,464		3,925,167
(1) Legal retained earnings	11,752		11,752	
(2) Other retained earnings				
Reserve for advanced depreciation of noncurrent assets	677		677	
Reserve for special investments in capital	1,744		896	
General reserve	3,488,434		3,254,834	
Retained earnings brought forward	602,857		657,008	
4 Treasury stock		(547,182)		(306,403)
II Valuation and translation adjustments		31,874		47,348
1 Valuation difference on available-for-sale securities		31,874		47,348
Total net assets		4,037,684		4,113,639
Total liabilities and net assets		5,998,484		5,966,580

* 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, 2023	(Reference) The fiscal year ended March 31, 2022
I Operating income and loss from telecommunications		
(1) Operating revenue	2,461,576	2,596,243
(2) Operating expenses	1,746,162	1,816,305
1 Business expenses	493,277	568,872
2 Operating expenses	11	11
3 Facilities maintenance expenses	289,581	273,604
4 Common expenses	2,058	3,033
5 Administrative expenses	109,489	116,627
6 Experiment and research expenses	5,180	6,271
7 Depreciation	371,204	374,321
8 Noncurrent assets retirement cost	15,885	20,091
9 Communication facility fee	414,882	409,052
10 Taxes and dues	44,595	44,423
Net operating income from telecommunications	715,414	779,938
II Operating income and loss from incidental business		
(1) Operating revenue	1,319,202	1,440,779
(2) Operating expenses	1,411,792	1,499,572
Net operating loss from incidental business	92,590	58,792
Operating profit	622,824	721,146
III Non-operating income	143,714	74,211
1 Interest income	1,609	1,056
2 Dividends income	65,881	53,682
3 Foreign exchange gains	4,187	4,346
4 Miscellaneous income	72,037	15,126
IV Non-operating expenses	5,520	4,813
1 Interest expenses	1,091	1,149
2 Interest on bonds	1,125	993
3 Miscellaneous expenses	3,303	2,671
Ordinary profit	761,018	790,544
V Extraordinary income	917	3,768
1 Gain on sales of investment securities	801	2,286
2 Gain on valuation of investment securities	115	–
3 Gain on sale of stocks of related companies	–	1,473
4 Contribution for construction	–	10

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2023	(Reference) The fiscal year ended March 31, 2022
VI Extraordinary loss	3,028	8,440
1 Impairment loss	1,077	1,879
2 Loss on sale of investment securities	–	761
3 Loss on valuation of investment securities	1,669	2,204
4 Loss on valuation of stocks of subsidiaries and affiliates	282	923
5 Loss on liquidation of subsidiaries and affiliates	–	2,663
6 Reduction entry of contribution for construction	–	10
Profit before income taxes	758,906	785,872
Income taxes-current	193,280	206,417
Income taxes-deferred	18,173	18,439
Profit	547,454	561,015

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

Independent Auditor's Report (Consolidated)

(English Translation)
Independent Auditors' Report

May 8, 2023

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Tokyo Office
Toru Tamura
Designated and Engagement Partner
Certified Public Accountant
Ryoichi Iwasaki
Designated and Engagement Partner
Certified Public Accountant
Takahiro Nomura
Designated and Engagement Partner
Certified Public Accountant

Opinion

We have audited, pursuant to Article 444, Paragraph (4) of the Companies Act of Japan, the consolidated financial statements of KDDI CORPORATION and its subsidiaries which comprise the consolidated statement of financial position as at March 31, 2023, 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, 2023, 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 8, 2023

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Tokyo Office
Toru Tamura
Designated and Engagement Partner
Certified Public Accountant
Ryoichi Iwasaki
Designated and Engagement Partner
Certified Public Accountant
Takahiro Nomura
Designated and Engagement Partner
Certified Public Accountant

Opinion

We have audited, pursuant to Article 436, Paragraph (2), Item 1 of the Companies Act of Japan, the financial statements of KDDI CORPORATION which comprise the balance sheet as at March 31, 2023, 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, 2023, 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 39th fiscal year from April 1, 2022 to March 31, 2023, which has been prepared through discussions based on the audit reports prepared by each of the Audit & Supervisory Board Members.

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

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

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

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

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

c. The Audit & Supervisory Board has supervised and verified whether the Accounting Auditors maintained their independence and performed appropriate audits, by receiving reports from them on the status of execution of their duties and requesting them to provide detailed explanation regarding accounting matters. 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.
      Regarding the significant communication failure, we have confirmed that the Company has investigated the cause and implemented preventive measures, and is working to regain the trust of customers. The Audit & Supervisory Board will continue monitoring the progress made in implementing these measures.
   (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 11, 2023

Full-time Audit & Supervisory Board Member, Kenichiro Takagi
Full-time Audit & Supervisory Board Member, Noboru Edagawa
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

INFORMATIONAL MATERIALS FOR THE 39TH ANNUAL SHAREHOLDERS MEETING

Items excluded in accordance with laws and regulations and the Company's Articles of Incorporation from paper-based documents delivered in response to a request for delivery of documents stating items subject to measures for electronic provision

BUSINESS REPORT
An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status

Consolidated Financial Statements
Consolidated Statement of Changes in Equity
Notes to Consolidated Financial Statements

Non-Consolidated Financial Statements
Non-Consolidated Statements of Changes in Net Equity
Notes to Non-Consolidated Financial Statements

KDDI Corporation

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 integrated 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 2022 the Board of Directors met 11 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 2022, the Corporate Management Committee met 12 times to discuss and determine important matters for management.

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

1) The Company has developed a system that allows Audit & Supervisory Board Members to attend the meetings of the Board of Directors and key internal meetings. In addition, the Company has taken measures to enable them to view minutes of important meetings, circulated documents, etc.
2) Important matters to be reported to management shall be reported to Audit & Supervisory Board Members in a timely and appropriate manner, and, when discovering facts that may cause considerable losses to the Company and its subsidiaries, these shall be promptly reported to Audit & Supervisory Board Members. Moreover, collaboration with Audit & Supervisory Board Members is ensured through the exchange of opinions between them and the Internal Control Division, the Directors of subsidiaries in Japan and abroad, etc., in addition to regular meetings between them and the representative directors, etc.
3) The Company has established an Audit & Supervisory Board Members’ Office to assist the duties of the Audit & Supervisory Board Members, and obtains the consent of Audit & Supervisory Board Members with regard to personnel matters concerning the employees of the Audit & Supervisory Board Members’ Office.
4) In the rules for processing internal reports, it is clearly stated that persons making a report, 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 established the “KDDI Code of Business Conduct,” which states the basic principles that all directors and employees must comply with in the execution of their duties, and it provides opportunities, including giving access to the Code through the Company’s smartphones and offering e-learning sessions to learn about it, so that they understand it thoroughly.

(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. The Company continues to improve the effectiveness of the system by offering opportunities, including e-leaning sessions, to improve the effectiveness of the whistle-blower system.

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 2022, we held a total of eight 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 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 2022, 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.

The Company strives to disclose information in a proactive manner. In October last year, it published the "Sustainability Integrated Report," combining the "Integrated Report," which describes financial and non-financial matters, and the "Sustainability Report," which mainly describes sustainability related information. We also post environment, society, and governance related information on our Sustainability Website.

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 2022.

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 2022, a total of 36 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.

Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2023

(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, 2022	141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663
Comprehensive income								
Profit for the year	–	–	–	677,469	–	677,469	60,926	738,394
Other comprehensive income	–	–	–	–	766	766	6,729	7,495
Total comprehensive income	–	–	–	677,469	766	678,235	67,655	745,890
Transactions with owners and other transactions	–	–	–					
Cash dividends	–	–	–	(288,394)	–	(288,394)	(46,225)	(334,618)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	11,999	(11,999)	–	–	–
Purchase and disposal of treasury stock	–	(41)	(250,152)	–	–	(250,192)	–	(250,192)
Retirement of treasury stock		(5,313)	5,313	–				
Transfer from retained earnings to capital surplus		4,014	–	(4,014)				
Changes in interests in subsidiaries	–	(445)	–	–	–	(445)	(7,137)	(7,582)
Other	–	1,786	(1,167)	–	–	619	–	619
Total transactions with owners and other transactions	–	1	(246,005)	(280,408)	(11,999)	(538,412)	(53,361)	(591,773)
As of March 31, 2023	141,852	279,371	(545,833)	5,215,177	31,841	5,122,409	542,370	5,664,780

(Reference) 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)
March 31, 2022	141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663

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

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: 169
   - 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., au Energy Holdings Corporation, KDDI Digital Divergence Holdings Corporation, 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
   - au Energy Holdings Corporation: Due to its new establishment.

   Names of principal companies excluded from consolidated subsidiaries and reasons for exclusion
   - Japan Internet Exchange Co., Ltd.: Due to absorption-type merger

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

3. Application of equity method
   - Number of affiliates accounted for by the equity method: 41
   - 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.

(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.

(Notes to Revenue Recognition)

1. Disaggregation of revenue
   Based on contracts with our customers, the Group breaks down its revenue into three categories: Personal, Business, and Others.

   The Personal Services provide services to individual customers.
   In Japan, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands "au," "UQ mobile," and "povo."
   In addition, we are addressing challenges in local communities due to depopulation and aging, and are working with local partners to eliminate the digital divide and achieve regional co-creation.
   Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.

   The Business Services mainly provide a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and TELEHOUSE brand data center services.
   Furthermore, in our mid-term management strategy (FY2022–2024), we announced the "Satellite Growth Strategy," which strives to evolve the telecommunications business through 5G and expand business in focus fields, centering on telecommunications. We provide global one-stop solutions that contribute to the development and expansion of our customers' businesses through IoT and DX centered on 5G communications in collaboration with our partners.
   For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.

   For the fiscal year under review (from April 1, 2022 to March 31, 2023)

   (Unit: Millions of yen)

Business Category	Amount
Personal	4,754,821
Business	892,781
Others	24,160
Total	5,671,762
Revenue from contracts with customers	5,518,184
Revenue from other sources	153,578

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 receivables and contract liabilities arising from contracts with the Group's customers are as follows.

   For the fiscal year under review (from April 1, 2022 to March 31, 2023)

   (Unit: Millions of yen)

	As of April 1, 2022	As of March 31, 2023
Receivables from contracts with customers	2,032,463	2,106,035
Contract liabilities	157,174	158,500

   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 ¥76,680 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 ¥144,662 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 statement of financial position for the fiscal year under review is ¥541,058 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 statement of financial position for the fiscal year under review is ¥637,534 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 statement of financial position. 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	¥15,879 million
Trade and other receivables	¥19,168 million
Total	¥35,047 million

2. Accumulated depreciation of property, plant and equipment
   ¥5,295,829 million

3. Assets pledged as collateral and secured liabilities

Assets pledged as collateral:

Property, plant and equipment	¥519 million
Other long-term financial assets	¥13,248 million
Stocks of subsidiaries and affiliates (Note) 1	¥768 million
Securities for financial business	¥356,266 million
Loans for financial business	¥163,456 million
Other non-current assets	¥3,787 million
Total	¥538,043 million

Corresponding liabilities:

Long-term borrowings (Note) 1, 2	¥111,100 million
Accounts payable-other	¥66 million
Cash collateral received for securities lent	¥244,111 million
Total	¥355,277 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, 2023 was ¥9,725 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, 2023 was ¥399,013 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, 2023
   Common stock 2,302,712,308 shares

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

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 22, 2022 Annual shareholders meeting (Note) 1	Common stock	¥143,988 million	¥65	March 31, 2022	June 23, 2022
November 2, 2022 Meeting of the Board of Directors (Note) 2	Common stock	¥142,496 million	¥65	September 30, 2022	December 5, 2022

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: The total amount of dividends does not include the dividend for the Company's shares owned by the executive compensation BIP 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 21, 2023 Annual shareholders meeting (Note) 1, 2	Common stock	¥150,998 million	Retained earnings	¥70	March 31, 2023	June 22, 2023

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.

(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 Company applies the historical simulation method (holding period of 21 working days; confidence interval of 99%; historical observation period of 250 working days) and the amount of total market risk as of March 31, 2023 was ¥4,090 million. 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, 2023)

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through other comprehensive income				
Securities for financial business	335,026	20,884	–	355,911
Other financial assets				
Stocks	122,161	–	55,929	178,090
Financial assets at fair value through profit or loss				
Loans for financial business	–	2,095,906	–	2,095,906
Other financial assets				
Derivatives				
Currency related	–	2,917	–	2,917
Interest related	–	4,123	–	4,123
Monetary trusts	–	385	–	385
Investment funds	–	2,781	–	2,781
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
Derivatives				
Currency related	–	2,476	–	2,476
Interest related	–	5,224	–	5,224

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, 2023.

The Company used to manage its consolidated subsidiary au Jibun Bank Corporation’s mortgage loan receivables for the purpose of debt collection alone. It, however, made an amendment to the purpose from the previous fiscal year, and now manages the receivables for developing a sustainable business and securing a stable revenue base through debt collection. This resulted in the changes in its business model.

In accordance with the business model revision, effective April 1, 2022, the Company switched the measurement category of a part of “Loans for financial business” under “Financial assets at amortized cost” to “Financial assets at fair value through profit or loss.” With respect to the measurement method in the reclassified category, “Financial assets at fair value through profit or loss” are recognized initially at fair value and its transaction costs are recognized in profit or loss as incurred. A gain or loss on a financial asset at fair value through profit or loss is recognized in profit or loss. The reclassified carrying amount and fair value as of April 1, 2022, were ¥1,362,678 million and ¥1,381,184 million, respectively.

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

Currency related

Currency related transactions are 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 related transactions are classified as level 2 of the fair value hierarchy.

Interest related

Interest related transactions are 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 related transactions 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, 2023)

(Unit: Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Loans for financial business	17,426	–	17,410	–	17,410
Other financial assets					
Japanese government bonds	55,152	56,131	–	–	56,131
Monetary claims bought	11,637	–	11,384	–	11,384
Financial liabilities:					
Borrowings and bonds payable					
Borrowings payable	692,096	–	690,687	–	690,687
Bonds payable	379,482	379,031	–	–	379,031
Deposits for financial business	2,717,552	–	2,718,651	–	2,718,651

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) Japanese government bonds

The fair value of Japanese government bonds is calculated based on the market price. Accordingly, the fair value hierarchy is classified as Level 1.

(c) 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.

(d) 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.

(e) 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.

(f) 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	¥2,374.65
2. Basic earnings per share	¥310.25

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 1,319,384 shares and 1,906,409 shares, respectively.

(Significant Subsequent Events)

Not applicable

(Other Notes)

Not applicable

Non-Consolidated Statements of Changes in Net Equity

The fiscal year ended March 31, 2023

(Unit: Millions of yen)

	Shareholders' equity										Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus		Retained earnings					Treasury stock	Total share-holders' equity	Valuation differ-ence on available-for-sale securities	
					Other retained earnings							
		Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	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	896	3,254,834	657,008	(306,403)	4,066,292	47,348	4,113,639
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Restated balance	141,852	305,676		11,752	677	896	3,254,834	657,008	(306,403)	4,066,292	47,348	4,113,639
Changes of items during the fiscal year												
Dividends from surplus	–	–	–	–	–	–	–	(286,825)	–	(286,825)	–	(286,825)
Provision of reserve for special investments in capital	–	–	–	–	–	848	–	(848)	–	–	–	–
Provision of general reserve	–	–	–	–	–	–	233,600	(233,600)	–	–	–	–
Profit	–	–	–	–	–	–	–	547,454	–	547,454	–	547,454
Purchase of treasury stock	–	–	–	–	–	–	–	–	(254,647)	(254,647)	–	(254,647)
Disposal of treasury stock	–	–	1,300	–	–	–	–	–	5,891	7,191	–	7,191
Retirement of treasury stock	–	–	(5,313)	–	–	–	–	–	5,313	–	–	–
Transfer from retained earnings to capital surplus	–	–	4,014	–	–	–	–	(4,014)	–	–	–	–
Increase due to business combination or decrease by corporate division - split-off type	–	–	–	–	–	–	–	(76,318)	–	(76,318)	(65)	(76,383)
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–	2,663	2,663	(15,408)	(12,745)
Total changes of items during the fiscal year	–	–	–	–	–	848	233,600	(54,151)	(240,779)	(60,482)	(15,473)	(75,955)
Balance at the end of current period	141,852	305,676	–	11,752	677	1,744	3,488,434	602,857	(547,182)	4,005,810	31,874	4,037,684

(Reference) The fiscal year ended March 31, 2022

(Unit: Millions of yen)

	Shareholders' equity										Valuation and translation adjustments	Total net assets
		Capital surplus	Retained earnings									
				Other retained earnings								
	Capital stock	Legal 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	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	141,852	305,676	11,752	677	3	447	2,995,634	661,754	(93,236)	4,024,559	36,208	4,060,767
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	(34,286)	–	(34,286)	–	(34,286)
Restated balance	141,852	305,676	11,752	677	3	447	2,995,634	627,468	(93,236)	3,990,273	36,208	4,026,481
Changes of items during the fiscal year												
Dividends from surplus	–	–	–	–	–	–	–	(271,829)	–	(271,829)	–	(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	–	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	–	–	–	–	–	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–	595	595	11,140	11,735
Total changes of items during the fiscal year	–	–	–	–	(3)	449	259,200	29,540	(213,167)	76,019	11,140	87,158
Balance at the end of current period	141,852	305,676	11,752	677	–	896	3,254,834	657,008	(306,403)	4,066,292	47,348	4,113,639

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

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) Valuation standards and methods for 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, 2023 based on projected benefit obligations and estimated value of plan assets as of March 31, 2023.

When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2023.

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 Ponta 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.

The Company had introduced a stock-granting ESOP trust system, but this was terminated at the end of August 2022.

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 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 operating profit 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

Accounting method for deferred assets

Bond issuance expenses

Bond issuance expenses: recorded as expenses when incurred

(Notes to Accounting Estimates)

Valuation of stocks of subsidiaries and affiliates

(1) The amount recorded for the fiscal year under review

The amount recorded on the non-consolidated financial statements for the fiscal year under review was ¥1,170,883 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 sets, as key assumptions, 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 ¥9,725 million by that company as of March 31, 2023.

2. Contingent liabilities, etc.

(1) Guarantee for wholesale power purchase contract	¥12,058 million
(2) Guarantor for office lease contract	¥2,227 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥61,989 million
Short-term monetary claims	¥338,183 million
Long-term monetary liabilities	¥226 million
Short-term monetary liabilities	¥561,736 million

4. Reduction entry amount of non-current assets

Reduction entry amount attributable to aid for construction cost (cumulative total)	¥14,722 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	¥290,980 million
Loans receivables outstanding	¥111,432 million
Remaining portion of credit line	¥179,547 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	¥325,561 million
Operating expenses to subsidiaries and affiliates	¥585,234 million
Non-operating transactions with subsidiaries and affiliates	¥122,276 million

2. Impairment loss amount 1,077 million
   In the year ended March 31, 2023, 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	Machinery, etc.	1,077

   In the year ended March 31, 2023, 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 ¥1,077 million, as an extraordinary loss. This consists of ¥931 million for machinery, and ¥146 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, 2022	Increase during the fiscal year ended March 31, 2023	Decrease during the fiscal year ended March 31, 2023	As of March 31, 2023
Shares outstanding				
Common stock	2,304,179,550	–	1,467,242	2,302,712,308
Total	2,304,179,550	–	1,467,242	2,302,712,308
Treasury stock				
Common stock	88,978,932	59,823,205	3,211,208	145,590,929
Total	88,978,932	59,823,205	3,211,208	145,590,929

(The reason of the above changes)

1. The increase of 59,823,205 shares in the number of common stocks in treasury stock is due to a share buyback of 59,823,200 shares based on resolutions at the Board of Directors meetings dated May 14, 2021, January 28, 2022 and May 13, 2022, and purchases of shares less than one unit of 5 shares.
2. The decrease of 3,211,208 shares in the number of common stocks in treasury stock is due to the retirement of treasury stock of 1,467,242 shares and the issuance, etc. of 1,746,966 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 held by the executive compensation BIP trust and a stock-granting ESOP trust. The Company terminated a stock-granting ESOP trust system as of July 31, 2022. The number of shares at the end of the fiscal year under review is 1,319,384 owned by the executive compensation BIP trust.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 22, 2022 Annual shareholders meeting	Common stock	¥144,243 million	¥65	March 31, 2022	June 23, 2022
November 2, 2022 Meeting of the Board of Directors	Common stock	¥142,582 million	¥65	September 30, 2022	December 5, 2022
Total		¥286,825 million			

Note 1: The total amount of dividends decided by the Annual shareholders meeting on June 22, 2022 includes a dividend of ¥255 million for the Company’s shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

Note 2: The total amount of dividends decided by the Board of Directors meeting on November 2, 2022 includes a dividend of ¥86 million for the Company’s shares owned by the executive compensation BIP 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 21, 2023, the Company plans to propose the following matters regarding dividends of common stock.

1) Total dividends	¥151,091 million
2) Dividends per share	¥70
3) Record date	March 31, 2023
4) Effective date	June 22, 2023

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

2. The total amount of dividends includes a dividend of ¥92 million for the Company’s shares owned by the executive compensation BIP trust.

(Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities

(Unit: Millions of yen)

Deferred tax assets:	Provision for bonuses	6,011
	Excess amount of allowance for doubtful accounts	7,442
	Provision for point service program	7,088
	Denial of accrued expenses	2,160
	Excess amount of depreciation and amortization	36,553
	Asset retirement obligations	11,790
	Denial of loss on retirement of non-current assets	2,130
	Denial of loss on valuation of inventories	1,241
	Accrued enterprise taxes	4,622
	Denial of impairment loss	10,441
	Denial of advances received	985
	Loss on valuation of stocks of subsidiaries and affiliates	22,436
	Other	21,869
Total deferred tax assets		134,768
Deferred tax liabilities:	Provision for retirement benefits	(11,740)
	Valuation difference on available-for-sale securities	(14,054)
	Gain on exchange from business combination	(1,455)
	Other	(547)
Total deferred tax liabilities		(27,796)
Net deferred tax assets		106,972

(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, 2023 are as shown below.

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

Additionally, notes concerning cash have been omitted here. In regard to deposits, as the settlement periods are short and their market values are almost the same as their book values, notes have been omitted.

(Unit: Millions of yen)

	Book value	Market value	Difference
1) Accounts receivable-trade	1,619,822		
Allowance for doubtful accounts *1	(14,416)		
	1,605,406	1,605,406	–
2) Accounts receivable-other	222,814	222,814	–
3) Securities	2,781	2,781	–
4) Investment securities			
Available-for-sale securities	114,923	114,923	–
5) Short-term loans receivable from subsidiaries and affiliates *2	111,432	111,432	–
6) Stocks of subsidiaries and affiliates	87,233	160,842	73,609
7) Long-term loans receivable from subsidiaries and affiliates *3	64,409	61,282	(3,127)
Total assets	2,208,998	2,279,480	70,482
8) Accounts payable-trade	47,493	47,493	–
9) Short-term loans payable	450,716	450,716	–
10) Accounts payable-other	499,945	499,945	–
11) Income taxes payable	80,200	80,200	–
12) Deposits received	31,964	31,964	–
13) Bonds payable *4	380,000	379,031	(969)
14) Long-term loans payable *4	293,500	292,639	(861)
Total liabilities	1,783,817	1,781,987	(1,830)

*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) Accounts receivable-trade, 2) 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.

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

With respect to the market values, the net asset value per unit are used for securities (investment trusts) and the market prices at the stock exchanges are used for stocks.

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	55,515
Stocks of subsidiaries and affiliates Unlisted equity securities	1,083,650
Investments in capital of subsidiaries and affiliates	5,742

Note 3: 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
Long-term loans receivable from subsidiaries and affiliates	–	35,192	29,217

Note 4: 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
Bonds payable	70,000	220,000	90,000
Long-term loans payable	51,500	229,000	13,000
Total	121,500	449,000	103,000

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

Amount of investments in affiliates ¥115,140 million
Amount of investments in affiliates based on the equity method ¥255,290 million
Amount of equity in net income of affiliates based on the equity method ¥4,569 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, 2023
Financial support Sharing of concurrent positions by board members	Borrowing of funds (Note 1) Payment of interests	9,564 107	Long-term loans receivable from subsidiaries and associates Short-term loans receivable from subsidiaries and associates Accounts payable-other	– 87,192 1,053

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	au Energy & Life, Inc.	Chiyoda-ku, Tokyo	100	Operation of electric power retail business including au Denki	Possession Indirect 100%

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2023
Financial support Sharing of concurrent positions by board members	Entrustment of fee collection	– (Note 2)	Accounts payable-other	73,279

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, 2023
Financial support Sharing of concurrent positions by board members	Outsourcing settlement agency business	– (Note 3)	Accounts receivable-other	82,675

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, 2023
Sharing of concurrent positions by board members	Outsourcing of administrative tasks	– (Note 3)	Accounts receivable-other	80,101

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Affiliate	UQ Communications Inc.	Chiyoda-ku, Tokyo	71,425	Telecommunications business (WiMAX service, MVNO business)	Possession Direct 32.3 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2023
Financial support	Borrowing of funds (Note 1)	46,977	Long-term loans payable to subsidiaries and associates	–
Sharing of concurrent positions by board members			Short-term loans payable to subsidiaries and associates	96,941
	Payment of interests	86	Accounts payable-other	10,233

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, 2022.

Note 2: The accounts payable-trade refers to end-user fees and since that is not something that is attributable to au Energy & Life, Inc., the amount of transactions is not stated.

Note 3: 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)

Basic information to understand revenue is described in "(Significant Accounting Policies) 4. Standards for revenue recognition."

(Per Share Information)

1. Net assets per share ¥1,871.79
2. Net income per share ¥250.71

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 1,319,384 shares and 1,906,409 shares, respectively.

Business combinations, etc.

1. Outline of business divestiture

(1) Name of the successor enterprise

i. au Energy Holdings Corporation

ii. au Energy & Life, Inc.

(2) Description of the divested business

i. Management business, and the business of planning, proposing, and executing business strategies related to subsidiary companies involved in energy

ii. Operation of electric power retail businesses including au Denki

(3) Purpose of the business divestiture

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, the Company decided to spin off the business to its consolidated subsidiary. The change is intended to accelerate decision-making and business expansion, and to promote the growth of the business by providing dynamic services that respond quickly to changes in the business landscape.

(4) Date of the divestiture

July 1, 2022

(5) Legal form of the divestiture

An absorption-type company split without consideration (simplified split) in which the Company will be the splitting company and au Energy Holdings Corporation and au Energy & Life, Inc. will be the successor companies from July 1, 2022.

2. Outline of the accounting method applied

Appropriate book value of assets and liabilities related to the transferred business

i. au Energy Holdings Corporation

(Unit: Millions of yen)

Item	Carrying amount	Item	Carrying amount
Assets	51,740	Liabilities	–

ii. au Energy & Life, Inc.

(Unit: Millions of yen)

Item	Carrying amount	Item	Carrying amount
Assets	53,270	Liabilities	49,530

3. Reportable segments that include the divested business

Personal Services and Business Services segments

4. Net sales related to the divested business that were recorded in the statement of income for the current fiscal year

i. au Energy Holdings Corporation

There are no sales in the divested business.

ii. au Energy & Life, Inc.

Net sales: ¥60,026 million

(Significant Subsequent Events)

Not applicable

(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.