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

Financial Statements Summary for the Year ended March 31, 2026 [IFRS]

May 12, 2026

Company name: **KDDI CORPORATION** URL https://www.kddi.com
Stock listing: Tokyo Stock Exchange - Prime Market
Code number: 9433
Representative: Hiromichi Matsuda, President and Chief Executive Officer
Date of general shareholders' meeting (as planned): Jun 17, 2026
Dividend payment date (as planned): Jun 18, 2026
Annual securities report filing date (as planned): Jun 25, 2026
Supplemental materials of annual results: Yes
Convening briefing of annual results: Yes (for institutional investors and analysts)

(monetary amounts rounded to the nearest million)
(yen in millions, unless otherwise stated)

1. Consolidated Financial Results for the Year ended March 31, 2026 (April 1, 2025 - March 31, 2026)

(1) Consolidated Operating Results

(Percentage represents comparison to previous fiscal year)

	Operating Revenue		Operating Income		Profit for the period before income tax		Profit for the period		Profit for the Period attributable to owners of the parent		Total comprehensive income for the period	
		%		%		%		%		%		%
Year ended March 31, 2026	6,071,915	4.1	1,099,125	1.1	1,117,904	4.1	780,661	6.1	707,112	7.9	824,466	23.6
Year ended March 31, 2025	5,835,525	2.4	1,087,468	19.2	1,073,418	13.8	735,846	19.0	655,416	9.2	667,062	(7.1)

	Basic earnings per share	Diluted earnings per share	Ratio of net income to equity attributable to owners of the parent	Ratio of income before income tax to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2026	183.59	183.55	14.0	6.2	18.1
Year ended March 31, 2025	161.86	161.81	12.8	7.0	18.6

Reference: Equity in net income (losses) of affiliates Year ended March 31, 2026 : 39,890 million yen Year ended March 31, 2025 : 27,501 million yen

Note: The Company conducted a two-for-one stock split on April 1, 2025. Basic earnings per share and diluted earnings per share are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Positions

	Total Assets	Total Equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
				%	Yen
As of March 31, 2026	19,063,364	5,592,690	5,076,738	26.6	1,333.50
As of March 31, 2025	16,714,708	5,554,995	5,032,495	30.1	1,264.94

Note: The Company conducted a two-for-one stock split on April 1, 2025. Equity attributable to owners of the parent is calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents
Year ended March 31, 2026	1,788,853	(1,080,455)	(553,130)	1,078,807
Year ended March 31, 2025	1,249,042	(1,180,103)	(33,555)	921,175

2. Dividends

	Dividends per Share					Total Dividends for the Year	Payout Ratio	Ratio of dividend to equity attributable to owners of the parent
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total			
	Yen	Yen	Yen	Yen	Yen		%	%
Year ended March 31, 2025	—	70.00	—	75.00	145.00	290,296	44.8	5.8
Year ended March 31, 2026	—	40.00	—	40.00	80.00	304,566	43.6	6.2
Year ending March 31, 2027 (forecast)	—	42.00	—	42.00	84.00		42.8	

Note: The Company conducted a two-for-one stock split on April 1, 2025. For the fiscal years ended March 31, 2025, the actual pre-stock split dividend figures are presented. For the fiscal year ending March 31, 2026 and March 31, 2027 forecast, the post-stock split figures are presented.

3. Consolidated Financial Forecast for the Year ending March 31, 2027 (April 1, 2026 - March 31, 2027)

(Percentage represents comparison to previous fiscal year)

	Operating Revenue		Adjusted Operating Income		Adjusted Profit for the Period attributable to owners of the parent		Adjusted Basic earnings per share
		%		%		%	Yen
Year ending March 31, 2027 (forecast)	6,410,000	5.6	1,210,000	5.0	731,000	2.7	196.29
Year ending March 31, 2026 (actual)	6,071,915	—	1,151,839	—	711,995	—	184.86

Note: Adjusted profit is calculated by excluding extraordinary and large-scale costs, as well as one-time gains and losses resulting from portfolio restructuring.

Notes

(1) Significant changes in the scope of consolidation during the fiscal year ended March 31, 2026: None
Addition: None
Exclusion: None

(2) Changes in accounting policies, accounting estimates
1) Changes in accounting policies required under IFRSs: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None
Please refer to P.18 “4. Consolidated Financial Statements and Notes (7) Notes to Consolidated Financial Statements 2. Basis of Preparation” for details.

(3) Numbers of Outstanding Shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of March 31, 2026	4,187,847,474
	As of March 31, 2025	4,383,692,832
2) Number of treasury stock	As of March 31, 2026	380,769,056
	As of March 31, 2025	405,237,732
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the year ended March 31, 2026	3,851,502,349
	For the year ended March 31, 2025	4,049,338,721

Note: The 1,495,908 shares as of March 31, 2026 and the 1,875,394 shares as of March 31, 2025 of the Company’s stock owned by the executive compensation BIP Trust account are included in the total number of treasury stock.

Note: The Company conducted a two-for-one stock split on April 1, 2025. The number of shares outstanding, number of treasury stock, and number of weighted average common stock outstanding are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

The financial results briefings are not subject to audit by certified public accountants or an auditing corporation.

Explanation for appropriate use of forecasts and other notes

1. The forward-looking statements such as operational forecasts contained in this summary are based on the information currently available to the Company and certain assumptions that are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.6 “1. Overview of Operating Results and Financial Position (4) Outlook for the Year ending March 31, 2027” under [the Attachment] for the assumptions used and other notes.
2. On May 12, 2026, the Company will hold a financial result briefing for the institutional investors and analysts. Presentation materials will be webcasted on the same time as the release of this earnings report, and the live presentation and Q&A summary will be also posted on our website immediately after the commencement of the financial result briefing. In addition to the above, the Company holds the briefing and the presentations on our business for the individual investors timely. For the schedule and details, please check our website.

[the Attachment]

Index of the Attachment

1. Overview of Operating Results and Financial Position …… 2
(1) Overview of Consolidated Operating Results …… 2
(2) Overview of Consolidated Financial Position …… 4
(3) Overview of Consolidated Cash Flows …… 5
(4) Outlook for the Year ending March 31, 2027 …… 6
(5) Profit Distribution …… 7
(6) Business Risks …… 7

2. The Status of the Group …… 8

3. Basic Perspective on Selection of Accounting Standards …… 10

4. Consolidated Financial Statements and Notes …… 11
(1) Consolidated Statement of Financial Position …… 11
(2) Consolidated Statement of Income …… 13
(3) Consolidated Statement of Comprehensive Income …… 14
(4) Consolidated Statement of Changes in Equity …… 15
(5) Consolidated Statement of Cash Flows …… 16
(6) Going Concern Assumption …… 18
(7) Notes to Consolidated Financial Statements …… 18
1. Reporting Entity …… 18
2. Basis of Preparation …… 18
3. Material Accounting Policies …… 22
4. Segment Information …… 35
5. Per Share Information …… 37
6. Significant Subsequent Events …… 38

1. Overview of Operating Results and Financial Position

(1) Overview of Consolidated Operating Results

For an overview of operating results for the year ended March 31, 2026, please refer to the following resources made available on TDnet and KDDI's official website on the same day as this financial statements summary.

-Presentations

-Financial Results

*Latest IR Materials: https://www.kddi.com/corporate/ir/ir-library/presentation/

Financial Results

For the year ended March 31, 2026

(yen in millions)

	Years Ended			
	March 31, 2025	**March 31, 2026**	**Change**	**Percentage Change**
Operating revenue	5,835,525	**6,071,915**	236,390	4.1%
Cost of sales	3,343,655	**3,481,279**	137,623	4.1%
Gross profit	2,491,870	**2,590,636**	98,766	4.0%
Selling, general and administrative expenses	1,429,465	**1,529,370**	99,906	7.0%
Other income (expense), net	(2,438)	**(2,031)**	407	—
Share of profit (loss) of investments accounted for using the equity method	27,501	**39,890**	12,389	45.1%
Operating income	1,087,468	**1,099,125**	11,657	1.1%
Finance income (cost), net	(19,513)	**(5,485)**	14,028	—
Other non-operating profit (loss), net	5,464	**24,264**	18,800	344.1%
Profit for the period before income tax	1,073,418	**1,117,904**	44,485	4.1%
Income tax	337,573	**337,243**	(330)	(0.1)%
Profit for the period	735,846	**780,661**	44,815	6.1%
Attributable to owners of the parent	655,416	**707,112**	51,697	7.9%
Attributable to non-controlling interests	80,430	**73,549**	(6,881)	(8.6)%

In the fiscal year ended March 31, 2026, we have reassessed certain operating segments of our consolidated subsidiaries and affiliates based on organizational changes. Accordingly, the segment information for the fiscal year ended March 31, 2025 is presented based on the segment classification after this change.

During the fiscal year ended March 31, 2026, operating revenue increased by 4.1% year on year to ¥6,071,915 million mainly due to an increase in revenue from finance business, in addition to mobile revenue based on communication, as well as an increase in revenue attributable to an expansion in growth fields comprising IoT-related services, data centers, and other similar businesses.

Operating income increased by 1.1% year on year to ¥1,099,125 million mainly due to an increase in operating revenue.

Profit for the period attributable to owners of the parent increased by 7.9% year on year to ¥707,112 million.

Operating performance in the Personal Services segment for the fiscal year ended March 31, 2026 is described below.

Results

For the year ended March 31, 2026

(yen in millions)

	Years Ended			
	March 31, 2025	**March 31, 2026**	**Change**	**Percentage Change**
Operating Revenue	4,709,292	**4,812,737**	103,445	2.2%
Operating Income	846,317	**828,337**	(17,979)	(2.1)%

During the fiscal year ended March 31, 2026, operating revenue increased by 2.2% year on year to ¥4,812,737 million mainly due to an increase in revenue from finance business, in addition to mobile revenue based on communication.

Operating income decreased by 2.1% year on year to ¥828,337 million mainly due to impairment losses on contract costs related to short-term cancelers previously capitalized despite an increase in operating revenue.

Operating performance in the Business Services segment for the fiscal year ended March 31, 2026, is described below.

Results

For the year ended March 31, 2026

(yen in millions)

	Years Ended			
	March 31, 2025	**March 31, 2026**	**Change**	**Percentage Change**
Operating Revenue	1,405,762	**1,527,914**	122,151	8.7%
Operating Income	235,253	**263,884**	28,631	12.2%

During the fiscal year ended March 31, 2026, operating revenue increased by 8.7% year on year to ¥1,527,914 million mainly due to an increase in revenue attributable to an expansion in growth fields comprising IoT-related services, data centers, and other similar businesses.

Operating income increased by 12.2% year on year to ¥263,884 million mainly due to an increase in operating revenue.

(2) Overview of Consolidated Financial Position

(yen in millions)

	March 31, 2025	March 31, 2026	Change
Total assets	16,714,708	**19,063,364**	2,348,656
Total liabilities	11,159,713	**13,470,674**	2,310,961
Total equity	5,554,995	**5,592,690**	37,695
Equity attributable to owners of the parent	5,032,495	**5,076,738**	44,242
Ratio of equity attributable to owners of the parent to total assets	30.1%	**26.6%**	(3.5)%
Equity attributable to owners of the parent per share	1,264.94	**1,333.50**	68.56
Interest-bearing debt	4,437,562	**5,375,351**	937,789

*The company implemented a stock split at a ratio of 2-for-1, effective April 1, 2025. Assuming this stock split occurred at the beginning of the prior consolidated fiscal year, we have calculated the net income attributable to owners of the parent per share accordingly.

(Assets)

Total assets increased by ¥2,348,656 million year on year to ¥19,063,364 million as of March 31, 2026 mainly due to an increase in loans for financial business and trade and other receivables and other assets despite a decrease in call loans.

(Liabilities)

Total liabilities increased by ¥2,310,961 million year on year to ¥13,470,674 million as of March 31, 2026 mainly due to an increase in deposits for financial business and borrowings and bonds payable.

(Equity)

Total equity amounted to ¥5,592,690 million mainly due to increase in equity attributable to owners of the parent from the previous fiscal year-end. As a result, ratio of equity attributable to owners of the parent to total assets decreased from 30.1% as of March 31, 2025 to 26.6% as of March 31, 2026.

(3) Overview of Consolidated Cash Flows

(yen in millions)

	Years Ended		
	March 31, 2025	**March 31, 2026**	**Change**
Net cash provided by (used in) operating activities	1,249,042	**1,788,853**	539,811
Net cash provided by (used in) investing activities	(1,180,103)	**(1,080,455)**	99,648
Free cash flows*1	68,939	**708,398**	639,460
Net cash provided by (used in) financing activities	(33,555)	**(553,130)**	(519,575)
Effect of exchange rate changes on cash and cash equivalents	(1,415)	**2,363**	3,778
Net increase (decrease) in cash and cash equivalents	33,969	**157,632**	123,663
Cash and cash equivalents at the beginning of the period	887,207	**921,175**	33,969
Cash and cash equivalents at the end of the period	921,175	**1,078,807**	157,632

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

Net cash provided by operating activities increased by ¥539,811 million year on year to ¥1,788,853 million mainly due to an increase in income as a result of the higher growth rate in deposits for financial business despite a decrease in income as a result of the smaller growth rate in borrowing for financial business.

Net cash used in investing activities decreased by ¥99,648 million year on year to ¥1,080,455 million mainly due to a decrease in expenditures for the acquisition of shares in affiliated companies such as Lawson, Inc in previous year.

Net cash used in financing activities increased by ¥519,575 million year on year to ¥553,130 million mainly due to the decrease in revenue from issuance of bonds and long-term borrowings.

Reflecting these factors and an increase of ¥2,363 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of March 31, 2026, increased by ¥157,632 million from March 31, 2025 to ¥1,078,807 million.

(Reference) Cash Flows related indicators

(yen in millions)

	Years Ended				
	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	**March 31, 2026**
Ratio of equity attributable to owners of the parent to total assets (%)	45.0%	42.7%	36.9%	30.1%	**26.6%**
Interest coverage ratio (times)	226.0	159.4	200.2	83.4	**70.4**
Net interest-bearing liabilities/EBITDA ratio (times)	0.4	0.7	0.9	2.0	**2.3**

Notes

- Ratio of equity attributable to owners of the parent to total assets: Equity attributable to owners of the parent / Total assets
- Interest coverage ratio: Cash flows / Interest payments
- Net interest-bearing liabilities/EBITDA ratio: Net interest-bearing liabilities / EBITDA

* Cash flows from operating activities in consolidated statement of cash flows are used for operating cash flows.
* Amount of interest expenses paid in consolidated statement of cash flows is used for interest payments.
* Figures for net interest-bearing debt are interest-bearing debt less cash and cash equivalents that are recognized in the consolidated statement of financial position.
* IFRS 17 "Insurance Contracts" has been adopted from this fiscal year, and accordingly the figures have been calculated retroactively to apply the accounting standard for the fiscal year ended March 31, 2023.

(4) Outlook for the Year ending March 31, 2027

In line with our medium-term management plan “Power-to-Connect 2028,” which was announced with the aim of realizing new growth structures for an AI-based society, we are promoting three Group growth drivers: Infrastructure Fusion (fusion of telecommunication and AI infrastructure), Real-Tech Fusion (fusion of technology and real-world spaces for customer experiences), and HR Fusion (fusion of experience and various skills).
Net sales are expected to increase year-on-year to ¥6,410,000 million. Adjusted operating income and adjusted profit for the period attributable to owners of the parent are expected to increase to ¥1,210,000 million and ¥731,000 million, respectively.
The KDDI group aims to sustainably enhance value through management that emphasizes capital efficiency and ensures both the steady growth of the telecom business and the expansion of growth fields.
For details on our medium-term management strategy, please refer to the link below.
https://www.kddi.com/vision/

Note: Adjusted profit is calculated by excluding extraordinary and large-scale costs, as well as one-time gains and losses resulting from portfolio restructuring.

(5) Profit Distribution

Regarding the return of profits to shareholders as one of the priorities of its business management, the KDDI group has a basic policy of continuing to pay stable dividends while maintaining financial soundness. Under the medium-term management plan ended March 31, 2026, the KDDI group's policy is to maintain a consolidated payout ratio of more than 40%, while taking into account investment for sustainable growth.

Regarding dividend payments for the year ended March 31, 2026, the KDDI Group has already paid an interim cash dividend of ¥40.00 per share. We are grateful to all our shareholders and in thanks for their ongoing support of our business expansion and other efforts to enhance future performance, for the year-end cash dividend, we plan to pay ¥40.00 per share, an increase of ¥2.50 from the previous fiscal year. As a result, planned total dividends for the year are ¥80.00 per share, for a consolidated payout ratio of 43.6%.

In addition, beginning with the current fiscal year, our policy for the next three fiscal years is to maintain a consolidated dividend payout ratio of over 40% relative to adjusted profit for the period. For the year ending March 31, 2027, the KDDI Group plans to pay out an interim cash dividend of ¥42.00 per share and a year-end cash dividend of ¥42.00 per share. As a result, total dividends for the year of ¥84.00 per share and a consolidated payout ratio of 42.8% are planned.

Note: Regarding the execution of a stock split
The figures presented above reflect a two-for-one stock split on April 1, 2025.

(6) Business Risks

As of the submission date of the consolidated financial statements, the Company considers it a following business risk that must be changed in business risks described in its previous fiscal year's Amended Annual Securities Report, which was released on March 31, 2026.

In addition, forward-looking statements included in the following discussion are based on the KDDI Group's judgments at the date of submission of the consolidated financial statements as of and for the year ended March 31, 2026.

The item numbers under the following headings correspond to those in "Section One, Corporate Data, Section Two, Business Status, 3. Business Risks" in the previous fiscal year's Amended Annual Securities Report, which was released on March 31, 2026. We have omitted some parts where there were no changes in the relevant matter.

(10) Risks related to Internal Controls

Regarding the advertising agency business of our consolidated subsidiary BIGLOBE Inc. and its subsidiary G-PLAN INC. (hereinafter collectively referred to as "the Subsidiaries"), suspicions were identified concerning inappropriate transactions conducted by employees of the Subsidiaries. In light of this, our company conducted an investigation by a Special Investigation Committee composed of external attorneys and certified public accountants. The investigation confirmed that fictitious circular transactions that did not correspond to substantive advertising operations were conducted.

Going forward, KDDI will take the analysis and recommendations of the Special Investigation Committee seriously and will make every effort to restore trust by strengthening the Group-wide governance framework and thoroughly implementing measures to prevent recurrence.

If some or all of the internal controls implemented to prevent a recurrence are not appropriately established and operated, resulting in material misstatements in financial reporting, there may be a negative impact on the Group's business results.

2. The Status of the Group

The KDDI Group comprises KDDI, 193 consolidated subsidiaries (Japan: 133 companies, Overseas: 60 companies), and 46 equity-method affiliates (Japan: 36 companies, Overseas: 10 companies). The KDDI Group's main business lines are "Personal" and "Business."

The status of the Company, consolidated subsidiaries and equity-method affiliates within the Company's business and their relationships with segments are as shown below.

Personal

Principal services	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 (Life Transformation) in a coordinated manner through our multi-brands "au," "UQ mobile," and "povo," and are also working with local partners to eliminate the digital divide and achieve sustainable regional co-creation. Overseas, we are leveraging business know-how cultivated in Japan to provide telecommunication, financial, and entertainment services, such as videos, to individual customers in Mongolia and to support local telecommunication operators in Myanmar. In addition, we are working to enhance the convenience of telecommunication services for customers going overseas from Japan and customers visiting Japan from overseas.	
Major subsidiaries and affiliates	[The parent]	KDDI CORPORATION
	[Consolidated subsidiaries]	OKINAWA CELLULAR TELEPHONE COMPANY, JCOM., Ltd., UQ Communications Inc., BIGLOBE Inc., AEON Holdings Corporation of Japan, Chubu Telecommunications Co., INC., au Financial Holdings Corporation, Jupiter Shop Channel Co., Ltd., au Energy Holdings Corporation, ENERES Co., Ltd., KDDI Sonic Falcon., Ltd., KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., KDDI Summit Global Myanmar Co., Ltd., MobiCom Corporation LLC
	[Equity-method affiliates]	Kakaku.com, Inc., KKCompany Technologies Inc.
	[Joint venture accounted under the Equity-method]	Lawson, Inc.

Business

Principal services	We 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. In addition to this, we established the new business platform WAKONX for the AI era. We are working to solve industry-specific problems faced by corporate customers and contributing to customers' business growth and social issue solutions. We continue to provide global one-stop solutions that contribute to the development and expansion of our customers' businesses through IoT, DX, generative AI, and other technology centered on 5G communications in collaboration with our partners.	
Major subsidiaries and affiliates	[The parent]	KDDI CORPORATION
	[Consolidated subsidiaries]	OKINAWA CELLULAR TELEPHONE COMPANY, JCOM., Ltd., Chubu Telecommunications Co., INC., au Energy Holdings Corporation, KDDI MATOMETE OFFICE CORPORATION, Altius Link, Inc., KDDI Digital Divergence Holdings Corporation, iret, Inc., KDDI Engineering Corporation, LAC Co., Ltd., KDDI America, Inc., Telehouse Canada, Inc., KDDI Europe Limited., KDDI China Corporation, KDDI Asia Pacific Pte Ltd, TELEHOUSE International Corporation of America, TELEHOUSE Holdings Limited, TELEHOUSE International Corporation of Europe Ltd

Others

Principal services	Other Services mainly provide Network facilities operation and maintenance, ICT research, development and others.	
Major subsidiaries and affiliates	[The parent]	KDDI CORPORATION
	[Consolidated subsidiaries]	KDDI Engineering Corporation
	[Equity-method affiliates]	Kyocera Communication Systems Co., Ltd.

3. Basic Perspective on Selection of Accounting Standards

The KDDI Group has adopted IFRS from the year ending March 31, 2016 to facilitate international comparisons of its financial information and enhance disclosure, thereby making the information it supplies more useful to domestic and overseas investors, as well as its various other stakeholders.

4. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(yen in millions)

	March 31, 2025	March 31, 2026
ASSETS		
Non-current assets:		
Property, plant and equipment	2,875,257	2,999,321
Right-of-use assets	416,862	521,939
Goodwill	581,757	580,269
Intangible assets	1,028,463	1,058,151
Investments accounted for using the equity method	731,949	715,022
Long-term loans for financial business	4,734,825	5,534,048
Securities for financial business	442,499	708,845
Other long-term financial assets	405,161	543,633
Retirement benefit assets	6,179	8,112
Deferred tax assets	25,723	26,261
Contract costs	716,415	732,510
Other non-current assets	43,111	56,826
Total non-current assets	12,008,201	13,484,936
Current assets:		
Inventories	132,743	140,295
Trade and other receivables	2,944,729	3,227,074
Short-term loans for financial business	412,619	864,429
Call loans	101,516	33,372
Other short-term financial assets	30,467	40,055
Income tax receivables	373	4,225
Other current assets	162,885	190,171
Cash and cash equivalents	921,175	1,078,807
Total current assets	4,706,507	5,578,428
Total assets	16,714,708	19,063,364

(yen in millions)

	March 31, 2025	March 31, 2026
LIABILITIES AND EQUITY		
Liabilities		
Non-current liabilities:		
Borrowings and bonds payable	2,297,564	2,588,058
Long-term deposits for financial business	155,913	120,583
Lease liabilities	292,893	382,914
Other long-term financial liabilities	20,864	24,974
Retirement benefit liabilities	11,191	12,509
Deferred tax liabilities	229,187	250,231
Provisions	41,873	39,684
Contract liabilities	87,463	98,567
Other non-current liabilities	15,417	15,180
Total non-current liabilities	3,152,365	3,532,699
Current liabilities:		
Borrowings and bonds payable	1,734,528	2,279,998
Trade and other payables	943,333	973,109
Short-term deposits for financial business	4,407,474	5,546,369
Call money	879	2,718
Cash collateral received for securities lent	256,679	430,286
Lease liabilities	112,577	124,381
Other short-term financial liabilities	1,625	2,942
Income taxes payables	167,755	174,022
Provisions	40,887	49,970
Contract liabilities	93,864	102,966
Other current liabilities	247,747	251,213
Total current liabilities	8,007,348	9,937,974
Total liabilities	11,159,713	13,470,674
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	259,047	257,627
Treasury stock	(819,072)	(822,073)
Retained earnings	5,400,113	5,406,985
Accumulated other comprehensive income	50,556	92,347
Total equity attributable to owners of the parent	5,032,495	5,076,738
Non-controlling interests	522,500	515,952
Total equity	5,554,995	5,592,690
Total liabilities and equity	16,714,708	19,063,364

(2) Consolidated Statement of Income

(yen in millions)

	Years Ended	
	March 31, 2025	March 31, 2026
Operating revenue	5,835,525	6,071,915
Cost of sales	3,343,655	3,481,279
Gross profit	2,491,870	2,590,636
Selling, general and administrative expenses	1,429,465	1,529,370
Other income	12,763	18,156
Other expense	15,202	20,188
Share of profit (loss) of investments accounted for using the equity method	27,501	39,890
Operating income	1,087,468	1,099,125
Finance income	10,112	28,269
Finance cost	29,625	33,754
Other non-operating profit (loss)	5,464	24,264
Profit for the period before income tax	1,073,418	1,117,904
Income tax	337,573	337,243
Profit for the period	735,846	780,661
Profit for the period attributable to:		
Owners of the parent	655,416	707,112
Non-controlling interests	80,430	73,549
Profit for the period	735,846	780,661
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	161.86	183.59
Diluted earnings per share (yen)	161.81	183.55

Note: The Company conducted a two-for-one stock split on April 1, 2025. Basic earnings per share and diluted earnings per share are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

(3) Consolidated Statement of Comprehensive Income

(yen in millions)

	Years Ended	
	March 31, 2025	March 31, 2026
Profit for the period	735,846	780,661
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Remeasurements of defined benefit pension plans	(798)	(1,977)
Changes measured in fair value of equity instruments through other comprehensive income	(55,763)	17,269
Share of other comprehensive income of investments accounted for using the equity method	1,139	992
Total	(55,422)	16,283
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(1,017)	1,831
Translation differences on foreign operations	(13,147)	31,744
Changes measured in fair value of debt instruments through other comprehensive income	—	(6,981)
Share of other comprehensive income of investments accounted for using the equity method	803	927
Total	(13,361)	27,521
Total other comprehensive income	(68,783)	43,805
Total comprehensive income for the period	667,062	824,466
Total comprehensive income for the period attributable to:		
Owners of the parent	582,316	748,800
Non-controlling interests	84,747	75,666
Total	667,062	824,466

Items in the statement above are presented net of tax.

(4) Consolidated Statement of Changes in Equity

For the year ended March 31, 2025

(yen in millions)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance at April 1, 2024	141,852	310,587	(845,093)	5,457,264	123,438	5,188,048	543,864	5,731,912
Comprehensive income								
Profit for the period	—	—	—	655,416	—	655,416	80,430	735,846
Other comprehensive income	—	—	—	—	(73,100)	(73,100)	4,317	(68,783)
Total comprehensive income	—	—	—	655,416	(73,100)	582,316	84,747	667,062
Transactions with owners and other transactions								
Cash dividends	—	—	—	(286,908)	—	(286,908)	(55,262)	(342,169)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	(217)	217	—	—	—
Purchase and disposal of treasury stock	—	(166)	(400,001)	—	—	(400,167)	—	(400,167)
Retirement of treasury stock	—	(425,672)	425,672	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	425,672	—	(425,672)	—	—	—	—
Changes due to business combination	—	613	—	—	—	613	5,510	6,123
Changes in ownership interests in subsidiaries	—	(52,259)	—	—	—	(52,259)	(56,501)	(108,760)
Other	—	272	351	231	—	853	142	995
Total transactions with owners and other transactions	—	(51,540)	26,022	(712,566)	217	(737,868)	(106,111)	(843,979)
Balance at March 31, 2025	141,852	259,047	(819,072)	5,400,113	50,556	5,032,495	522,500	5,554,995

For the year ended March 31, 2026

(yen in millions)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance at April 1, 2025	141,852	259,047	(819,072)	5,400,113	50,556	5,032,495	522,500	5,554,995
Comprehensive income								
Profit for the period	—	—	—	707,112	—	707,112	73,549	780,661
Other comprehensive income	—	—	—	—	41,688	41,688	2,117	43,805
Total comprehensive income	—	—	—	707,112	41,688	748,800	75,666	824,466
Transactions with owners and other transactions								
Cash dividends	—	—	—	(301,566)	—	(301,566)	(54,260)	(355,826)
Transfer from accumulated other comprehensive income to retained earnings	—	—	—	(104)	104	—	—	—
Purchase and disposal of treasury stock	—	(64)	(400,004)	—	—	(400,068)	—	(400,068)
Retirement of treasury stock	—	(396,515)	396,515	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	396,515	—	(396,515)	—	—	—	—
Changes due to business combination	—	—	—	—	—	—	(1,487)	(1,487)
Changes in ownership interests in subsidiaries	—	(1,438)	—	—	—	(1,438)	(26,620)	(28,058)
Other	—	83	488	(2,055)	—	(1,484)	154	(1,330)
Total transactions with owners and other transactions	—	(1,420)	(3,002)	(700,240)	104	(704,558)	(82,213)	(786,771)
Balance at March 31, 2026	141,852	257,627	(822,073)	5,406,985	92,347	5,076,738	515,952	5,592,690

(5) Consolidated Statement of Cash Flows

(yen in millions)

	Years Ended	
	March 31, 2025	March 31, 2026
Cash flows from operating activities		
Profit for the period before income tax	1,073,418	1,117,904
Depreciation and amortization	683,782	688,271
Impairment losses	8,864	53,470
Loss allowance	(106,457)	2,162
Share of (profit) loss of investments accounted for using the equity method	(27,501)	(39,890)
Loss (gain) on sales of non-current assets	134	7
Interest and dividend income	(9,269)	(8,818)
Interest expenses	17,726	28,167
(Increase) decrease in trade and other receivables	(179,471)	(262,117)
Increase (decrease) in trade and other payables	55,496	3,379
(Increase) decrease in loans for financial business	(1,579,797)	(1,250,719)
Increase (decrease) in deposits for financial business	737,249	1,103,565
Increase (decrease) in borrowings for financial business	1,100,000	485,300
(Increase) decrease in Call loans	(73,279)	68,121
Increase (decrease) in Call money	(37,093)	1,839
Increase (decrease) in cash collateral received for securities lent	(6,478)	173,607
(Increase) decrease in inventories	(36,441)	(7,484)
(Increase) decrease in retirement benefit assets	(1,083)	1,934
Increase (decrease) in retirement benefit liabilities	(605)	(2,549)
Other	(65,621)	(86,926)
Cash generated from operations	1,553,576	2,069,220
Interest and dividends received	16,036	70,451
Interest paid	(14,985)	(25,411)
Income tax paid	(308,263)	(326,884)
Income tax refund	2,678	1,478
Net cash provided by (used in) operating activities	1,249,042	1,788,853

(yen in millions)

	Years Ended	
	March 31, 2025	March 31, 2026
Cash flows from investing activities		
Purchases of property, plant and equipment	(400,947)	(404,828)
Proceeds from sales of property, plant and equipment	548	386
Purchases of intangible assets	(281,984)	(274,178)
Purchases of securities for financial business	(95,622)	(370,991)
Proceeds from sales and redemption of securities for financial business	83,256	47,216
Purchases of other financial assets	(41,812)	(72,444)
Proceeds from sales and redemption of other financial assets	12,295	20,324
Payments for acquisition of subsidiaries	(27,416)	(2,691)
Proceeds from acquisition of subsidiaries	4,069	372
Purchases of stocks of affiliates	(498,898)	(2,213)
Proceeds from sales of stocks of subsidiaries and affiliates	92,655	2,643
Payments for loss of control of subsidiaries	—	(21,443)
Other	(26,247)	(2,608)
Net cash provided by (used in) investing activities	(1,180,103)	(1,080,455)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	183,031	(132,000)
Net increase (decrease) of commercial papers	—	97,879
Proceeds from issuance of bonds and long-term borrowings	982,500	640,000
Payments from redemption of bonds and repayments of long-term borrowings	(213,698)	(258,008)
Repayments of lease obligations	(135,072)	(138,921)
Payments from purchase of subsidiaries' equity from non-controlling interests	(101,072)	(19,819)
Proceeds from stock issuance to non-controlling interests	3	23,168
Repayments to non-controlling interests	(7,091)	(10,182)
Payments from purchase of treasury stock	(400,001)	(400,004)
Cash dividends paid	(286,885)	(301,547)
Cash dividends paid to non-controlling interests	(55,268)	(53,695)
Other	(2)	(0)
Net cash provided by (used in) financing activities	(33,555)	(553,130)
Effect of exchange rate changes on cash and cash equivalents	(1,415)	2,363
Net increase (decrease) in cash and cash equivalents	33,969	157,632
Cash and cash equivalents at the beginning of the period	887,207	921,175
Cash and cash equivalents at the end of the period	921,175	1,078,807

(6) Going Concern Assumption

None

(7) Notes to Consolidated Financial Statements

1. Reporting Entity

KDDI CORPORATION ("the Company") was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company's consolidated financial statements as of and for the year ended March 31, 2026 comprise the Company and its consolidated subsidiaries ("the Group") and the Group's interests in associates and joint ventures. The Company is the ultimate parent company of the Group.

The Group's major business and activities are "Personal Services" and "Business Services." For the details, please refer to "(1) Outline of reportable segments" of "4. Segment Information."

2. Basis of Preparation

(1) Compliance of consolidated financial statements with IFRSs

The Group's consolidated financial statements have been prepared in accordance with IFRSs as prescribed in Article 312 of Ordinance on Consolidated Financial Statements as they satisfy the requirement of a "specific company" set forth in Article 1-2 of Ordinance on Consolidated Financial Statements.

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgements

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

The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years. Estimates that may have a risk of significant adjustment of carrying amounts of assets and/or liabilities in the subsequent fiscal years and the underlying assumptions are as follows:

i. Estimates of useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets

Property, plant and equipment is depreciated primarily using the straight-line method, based on the estimated useful life that reflects the period in which the asset's future economic benefits are expected to be consumed. The depreciation charge for the period could increase if an item of property, plant and equipment becomes obsolete or repurposed in the future and the estimated useful life becomes shorter.

Intangible asset with a finite useful life is amortized on a straight-line basis in principle to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Estimated useful life of the customer relationships acquired in a business combination is determined based on the cancellation rate. The intangible assets related to the customer relationships are amortized over the useful life. Should actual sales volumes fail to meet initial projected volumes due to changes in the business environment etc., or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses for the reporting period may increase.

The content related to estimates of useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets are described in "3. Material Accounting Policies (5) Property, plant and equipment, (7) Intangible assets and (8) Lease."

ii. Impairment of property, plant and equipment, intangible assets including goodwill and right-of-use assets

The Group conducts impairment tests to property, plant and equipment, intangible assets including goodwill and right-of-use assets. Calculations of recoverable amounts used in impairment tests are based on assumptions set using such factors as an asset's useful life, future cash flows, pre-tax discount rates and long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The method for calculating recoverable amounts is described in "3. Material Accounting Policies (9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets."

iii. Evaluation of inventories

Inventories are measured at historical cost. However, when the net realizable value ("NRV") at the reporting date falls below the cost, inventories are subsequently measured based on NRV, with the difference in value between the cost and NRV, booked as cost of sales. Slow-moving inventories and those outside the normal operating cycle are calculated at NRV that reflects future demand and market trends. The Group may experience substantial losses in cases where NRV drops as a result of deterioration in the market environment against the forecast.

The content and amount related to evaluation of inventories are described in "3. Material Accounting Policies (15) Inventories."

iv. Recoverability of deferred tax assets

In recognizing deferred tax assets, when judging the possibility of the future taxable income, the Group estimates the timing and amount of future taxable income based on the business plan.

The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. If there are differences between the actual amounts and estimated amounts, this may have a material impact on the consolidated financial statements in future periods.

The content and amount related to deferred tax assets are described in "3. Material Accounting Policies (24) Income taxes."

v. Measurement of defined benefit obligations

The Group has in place various post-retirement benefit plans, including defined benefits plans. The present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates. The Group obtains advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables.

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions are described in "3. Material Accounting Policies (16) Employee benefits."

vi. Collectability of trade and other receivables

The Group has estimated the collectability of trade and other receivables based on the credit risk. Fluctuations in credit risk of customer receivables may have a significant effect on the amounts recognized the allowance for receivables on the consolidated financial statements in future periods.

The content and amount related to collectability of trade and other receivables are described in "3. Material Accounting Policies (12) Impairment of financial assets."

The Group recognizes credit-impaired financial assets purchased or originated worth ¥27,049 million regarding lease receivables from Myanma Posts & Telecommunications (MPT) held by consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (KSGM).

For these lease receivables, the cumulative change to the expected credit losses for the full period since the initial recognition of the lease receivables will be recognized as a provision for losses for the lease receivables for each fiscal year. In addition, the change in expected credit losses for the entire period is recognized in profit or loss. The primary assumption in estimating the life of expected credit losses is dollar convertibility. A change in these assumptions could have a substantial effect on the amortization cost of the lease receivables.

vii. Valuation technique of financial assets at fair value without quoted prices in active markets.

The Group has used valuation techniques to utilize the inputs unobservable in the market when assessing the fair value of certain financial instruments. Unobservable input may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods if it becomes necessary to review.

The content and amount related to fair value of financial assets are described in "3. Material Accounting Policies (11) Financial instruments and (13) Derivatives and hedge accounting."

viii. Provisions

The Group recognizes provisions, including asset retirement obligations and provisions for point program, in the consolidated statement of financial position. These provisions are recognized based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the current year end date. Expenditures necessary for settling the obligations are calculated by taking all possible future results into account; however, they may be affected by unexpected events or changes in conditions which may have a material impact on the Group's consolidated financial statements in future periods.

The nature and amount of recognized provisions are stated in "3. Material Accounting Policies (17) Provisions."

(5) Application of new standards and interpretations

The Group applies the new standards and interpretations listed below from the fiscal year ended March 31, 2026.

IFRS		New or amended content
IAS21	The Effects of Changes in Foreign Exchange Rates	Sets out accounting procedures and disclosures related to currencies that are not exchangeable into another currency

The Group has adopted IAS 21, the Effects of Changes in Foreign Exchange Rates (amended and issued August 2023), from the first quarter of the fiscal year under review.

The amendment sets out a consistent approach for assessing whether a currency is exchangeable into another currency and, when it is not, for determining the exchange rate to use and the disclosures to provide for readers of financial statements.

In April 2022, the Central Bank of Myanmar put in place restrictions requiring that approval be obtained for all conversions to foreign currency from the Myanmar kyat.

In Myanmar, the Company's consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. provides support for the telecommunication business operations of Myanma Posts & Telecommunications (MPT). The subsidiary maintains Myanmar kyat-denominated deposits, accounts payable, and more.

Due to the restrictions, some limitations have been placed on the use of cash and cash equivalents, but the amendment has no significant effect on the Company's consolidated financial statements.

(6) Standards not yet adopted

The following is a list of newly established or revised standards and interpretations that have been disclosed prior to the approval date of the consolidated financial statements, but have not been early adopted by the Group. The impact on the consolidated financial statements of the Group is currently under evaluation.

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	fiscal year ending March 31, 2028	The new standard that replaces IAS 1 on Presentation of Financial Statements and Disclosure in the current accounting standards

3. Material Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

Subsidiaries are all entities over which the Group has control. An entity is consolidated as the Group controls it when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control is obtained and deconsolidated from the date when control is lost.

Intragroup balances and transactions, and unrealized gain or loss arising from intragroup transactions are eliminated in preparation of the consolidated financial statements.

The accounting policies of subsidiaries have been changed to conform to the Group's accounting policies, when necessary.

(b) Changes in ownership interest in a subsidiary that do not result in a change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for by the Group as equity transactions. The difference between fair value of any consideration paid and the proportion acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests without losing control are also recorded in equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value on the date when control is lost, with the changes in the carrying amount recognized in profit or loss. The fair value will be the initial carrying amount when the retained interests are subsequently accounted for as associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Unification of reporting period

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.

ii. Associates

Associates are entities over which the Group does not have control but has significant influence over the financial and operating policies through participation in the decision-making of those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, investment in an associate is initially recorded at cost and its amount is adjusted to recognize the Group's share of the profit or loss and other comprehensive income of the associate from the date on which it has significant influence until the date when it ceases to have the significant influence is lost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognized in other comprehensive income is reclassified to profit or loss, where appropriate. When the Company's share of losses in an associate equals or exceeds its carrying amount of interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's investment in associates includes goodwill recognized on acquisition. Accordingly, goodwill is not recognized and not tested for impairment separately. Gross amount of investments in associates is tested for impairment as a single asset. Specifically, the Group evaluates whether there is objective evidence which indicates that the investment may be impaired or not on a quarterly basis. When objective evidence that the investments in associates are impaired exists, those investments are tested for impairment.

Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The accounting policies of associates have been changed to conform to the Group's accounting policies, when necessary.

iii. Joint arrangements

The Group enters into joint arrangements when the Group has joint control of a business or entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

For the purpose of accounting, joint arrangements are classified as either joint operations or joint ventures. A joint operation is a joint agreement whereby parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

When a joint arrangement is classified as a joint operation, the Group's share of the assets, liabilities, revenue and expenses in relation to the arrangement are recorded directly in the financial statements. On the other hand, when a joint arrangement is classified as a joint venture, net assets related to the arrangement are recorded in the financial statements using the equity method.

(2) Business combination

The Group accounts for business combinations by applying the acquisition method. Consideration transferred to acquire subsidiaries is the fair values of the assets transferred, the liabilities incurred by former owners of the acquiree and the equity interests issued by the Group. Consideration transferred also includes fair values of any assets or liabilities resulting from a contingent consideration arrangement. Each identifiable asset acquired, liability and contingent liability assumed in a business combination is generally measured at its acquisition-date fair value.

Non-controlling interests are identified separately from those of the Group and are measured as the non-controlling shareholders' proportionate share of the acquiree's identifiable net assets. For each acquisition, the Group recognizes the acquiree's non-controlling interests either at fair value or as the non-controlling interest's proportionate share of the amount recognized for acquiree's identifiable net assets.

Acquisition-related costs, including finder's fees, legal, due-diligence and other professional fees, are charged to expense when incurred.

Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets acquired, such excess is recorded as goodwill. Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquire is less than the fair value of acquired subsidiary's net assets, such difference is recognized directly in profit or loss as a bargain purchase.

If the initial accounting for a business combination is not complete by the end of the reporting period in which the business combination occurs, the Group recognizes in its financial statements provisional amounts for the items for which the accounting is incomplete. Subsequently, the Group retrospectively adjusts the provisional amounts recognized on the date when control is obtained as measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the date when control is obtained and, if known, would have affected the amounts recognized for the business combination. However, the measurement period shall not exceed one year from the date when control is obtained.

(3) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The board of directors that makes strategic decisions has been identified by the Group as the chief operating decision-maker.

(4) Foreign currency translation

i. 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.

ii. 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 as 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 equity instruments measured through other comprehensive income and qualifying cash flow hedges are recognized as other comprehensive income.

iii. 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 the exchange rates fluctuate significantly 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 as profit or loss on disposal of foreign operations.

(5) Property, plant and equipment

i. Recognition and measurement

Property, plant, and equipment of the Group is measured on a historical cost basis and carried at its 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 capitalization.

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 cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.

ii. 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 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	9－15 years
Antenna equipment	10－42 years
Toll and local line equipment	10－27 years
Other equipment	9－27 years
Buildings and structures	10－38 years
Others	5－22 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.

iii. Derecognition

Property, plant, and equipment is derecognized on disposal. The profit or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

(6) Goodwill

Goodwill is the excess of the cost of acquisition 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 CGUs, or groups of CGUs, that is 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 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. For the impairment, please refer to “(9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets.”

(7) Intangible assets

i. Recognition and measurement

The Group applies the cost method in measuring intangible assets, excluding goodwill. Those assets are carried at its cost less accumulated amortization and impairment losses.

Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill and are measured at fair value at the acquisition date when 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 in the case where the expenditure is able to be measured reliably, product or production process has commercial and technical 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.

ii. Depreciation 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	5－10 years
Customer relationships	8－30 years
Assets related to program supply	22 years
Spectrum migration cost	9－17 years
Others	6－20 years

The amortization methods, estimated useful lives are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(8) Lease

At the inception of the lease, our group determines whether the lease includes a lease or lease. Whether or not the contract includes a lease is determined based on whether or not the right to control the use of the identified asset is transferred to the consideration and exchange for a certain period of time.

When a lease or lease is included, the lease asset is initially recognized at the amount calculated by adding or subtracting the initial direct cost to the initial use of the lease liability. Lease liabilities are initially recognized at the present value of lease payments that are not paid at the inception of the lease.

Right-of-use assets are depreciated using the straight-line method over the period from the inception of the lease to the end of the useful life of the assets or the end of the lease term, whichever is earlier.

Lease liabilities are subsequently measured at an amount that reflects the interest rate on the lease liability, the lease payments made and, where applicable, the review of the lease liability or any change in the terms of the lease.

(9) 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, identifiable 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 to which the asset belongs is estimated. For goodwill and intangible assets with indefinite useful lives, the impairment test is undertaken annually or more frequently if events or circumstances indicate that they might be impaired. A cash-generating unit 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 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 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 the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset 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 assets 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 increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (net of depreciation and amortization) that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as other income.

(10) Non-current assets held for sale or disposal group

An asset or group of assets of which the carrying amount is expected to be recovered primarily through a sales transaction rather than through continuing use is classified into "Assets held for sale." To qualify for classification as "non-current assets held for sale", the sale of a non-current asset must be highly probable and it must be available for immediate sale in its present condition. Also, management must be committed to a plan to sell the asset in which the sale is to be completed within one year from the date of classification

When the Group is committed to a sale plan involving loss of control of a subsidiary, and the criteria set out above are met, all assets and liabilities of the subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale

Assets held for sale is measured at the lower of its "carrying amount" and "fair value less cost to sell." Property, plant and equipment and intangible assets classified as "assets held for sale" are not depreciated or amortized.

(11) Financial instruments

i. 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 plus, in the case of financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset measured 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 measured at amortized cost, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

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

(ii) Equity instruments measured at fair value through other comprehensive income

The Group makes an irrevocable election to recognize changes in fair value of investments in equity instruments 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.

An equity instrument measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when equity instrument is derecognized or its fair value substantially decreased.

Dividends are recognized in profit or loss.

(iii) Debt instruments measured at fair value through other comprehensive income

If financial assets meet the following conditions, they are categorized as debt instruments measured at fair value through other comprehensive income.

If the assets are owned for the purposes of both sale and recovery of cash flow in line with an agreement for the financial assets in the Group's business model

If the assets generate cash flows from only the payment of interest related to principal and principal balance on the dates specified by the agreement conditions

Debt instruments measured at fair value through other comprehensive income are initially recognized at fair value (including directly attributable transaction expenses). After initial recognition, they are measured at fair value, and the change in fair value is classified to other comprehensive income as "financial assets measured at fair value through other comprehensive income."

If recognition is suspended, the cumulative amount of profit or loss recognized through other comprehensive income is reclassified as net income or loss.

(iv) Financial assets measured 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 "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured 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 measured at fair value through profit or loss is recognized in profit or loss.

The Group does not designate any debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(c) Derecognition of financial assets

The Group derecognizes its financial asset if the contractual rights to the cash flows from the investment expire, or 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.

ii. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

The Group recognizes financial debt when the Group becomes a party to the contractual provisions of the instruments. The measurement of financial debt is explained in (b) Classification of financial liabilities.

(b) Classification of financial liabilities

Financial liabilities measured at amortized cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. 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 distinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

iii. 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 currently 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.

(12) Impairment of financial assets

The Group measures the provision for doubtful receivables (non-trade receivables) of financial assets for which credit risk has not significantly increased at an amount equivalent to the 12-month expected credit loss when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, the Group measures the provision for doubtful receivables of financial assets for which credit risk has significantly increased at an amount equivalent to the expected credit losses for such remaining life of the financial assets. 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, the Group always measures provision for trade receivables which do not include any material financial component at an amount equal to lifetime expected credit losses.

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
- Reduced financial support from the parent company or associated companies
- Delinquencies (Overdue 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.

(13) Derivatives and hedge accounting

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

The Group utilizes derivatives consisting of exchange contracts, foreign exchange 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 hedges (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) and as fair value hedges (hedges of exposure of changes in fair value that is attributable to particular risks relating to unrecognized firm commitment).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, along with their risk management objectives and strategies to conduct various hedge transactions.

At the inception of the hedge and on an ongoing basis, the Group assess whether the derivative used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item.

Specially, when the Group assesses whether the hedge relationship is effective, the Group assess whether 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.

Hedge effectiveness is assessed on an ongoing basis and about whether the hedging criteria described above are met.
The effective portion of changes in the fair value 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 profit or loss recognized through other comprehensive income is transferred to profit or loss on the same period that the cash flows of hedged items affects profit 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 (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. The Group will begin amortizing the fair value of the hedging instruments from the time that hedging accounting is suspended.
In the case that the hedge accounting is discontinued, the cumulative profit or loss on the hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, accumulated amount of profits or losses recorded in equity is transferred to 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.

(14) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within in current liabilities.

(15) Inventories

Inventories mainly consist of mobile handsets and materials / 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.

(16) Employee benefits

i. 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 (defined benefit asset or liability) is the present value of the defined benefit obligation less fair value of the plan assets. This figure is recognized by adjusting the amount related to the maximum asset value as needed with consideration given to the usable economic benefits. 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 estimated timing and amount of 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 profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses 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 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 are recognized as expenses 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.

ii. Short-term employee benefits
Short-term employee benefits are measured at the amounts expected to be paid when the liabilities are settled and recognized as an expense. Bonus and paid annual leave accruals are recognized as a liability in the amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.

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

(18) Share-based payment
i. Stock options
The Group has equity-settled stock option plans as incentive plans for its directors and employees. Stock options are measured at fair value at the grant date, which is calculated using the Black-Scholes or other models.
The fair value of stock options at the grant date is recognized as an expense over the vesting period, based on the estimated number of stock options that are expected to vest, with corresponding amount recognized as increase in equity.

ii. Executive compensation BIP trust and stock-granting ESOP trust
The Group has introduced the executive compensation BIP (Board Incentive Plan) trust and a stock-granting ESOP (Employee Stock Ownership Plan) trust. These plans are accounted for as equity-settled share based payment and the shares of the Company held by the trust are included in treasury stock. The fair value of the shares of the Group at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Group granted is determined by adjusting the market value, taking into account the expected dividend yield of the shares.

(19) Equity
i. Common stock
Common stocks are classified as equity. Proceeds from the Company’s issuance of common stocks are included in common stock and capital surplus and its direct issue costs are deducted from capital surplus.

ii. Treasury stock
When the Group acquires treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Group sells treasury stocks, differences between the carrying amount and the consideration received upon sale are recognized as capital surplus.

(20) Revenue

i. 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 sells mobile handsets to its distributors.

Revenue from the mobile telecommunications services primarily consists of basic monthly charges and communication fees ("the mobile telecommunication 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 within approximately one month of the billing date.

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 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.

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 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.

ii. 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 churn rate.

The consideration for these transactions is received within approximately one month of the billing date.

iii. 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 affect profit for the year. The Group considers itself an agent for commission on transfer of receivables, 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.

iv. 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.

v. 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 billed before the performance obligation is fulfilled and is received within approximately one month of 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.

(21) Finance income and costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment (shareholders' right) is established.

Finance costs mainly comprise interest expense, exchange losses and changes in fair value of financial assets at fair value through profit or loss. Interest expense is recognized using the effective interest method.

(22) Other non-operating profit and loss

Other non-operating profit and loss includes gain and loss on investment activities. Specifically, gain and loss on step acquisitions, gain and loss on sales of stocks of subsidiaries and associates and gain and loss on deemed disposal are included.

(23) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset, which takes a substantial period of time before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period they incurred.

(24) Income taxes

Income taxes are composed of current and deferred taxes and recognized in profit or loss, except for taxes related to items that are recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities on the current year's taxable income, plus adjustments to the amount paid in prior years. To determine the current tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in the countries in which the Group operates and earns taxable income or losses.

Deferred tax assets and liabilities are, using asset and liability method, recognized on temporary differences between the carrying amounts of assets and liabilities on the consolidated financial statements and their tax basis, and tax loss carryforwards and tax credits. However, no deferred tax assets and liabilities are recognized on following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities from transactions (excluding business combination transactions) not generating taxable or deductible temporary differences at the time of transaction and not affecting accounting income (loss) or taxable income (loss); and
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on all deductible temporary differences, unused tax loss carryforwards and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized on taxable temporary differences. Carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to realize all or part of the benefit of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

The Company and some domestic subsidiaries have adopted the Group tax sharing system for the accounting procedures used in the preparation and presentation of financial statements. In line with the temporary relief provisions as laid out in the Income Taxes (Revised) section of the International Accounting Standard 12, the Company is utilizing the amended exemption to recognize and disclose information about deferred income tax assets and liabilities under the Pillar Two model rules.

(25) Dividends

For the purpose of the consolidated financial statements, dividends to owners of the parent company are recognized as a liability for the period over which the dividends are approved by the owners of the parent company.

(26) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to common stock.

Basic earnings per share is calculated by dividing profit for the year attributable to common stockholders of the parent by the weighted average number of common stocks outstanding during the reporting period, adjusted for the number of treasury stocks acquired.

For the purpose of calculating diluted earnings per share, net profit attributable to owners of the parent and the weighted average number of common stocks outstanding, adjusted for the number of treasury stocks, are further adjusted based on the assumption that all dilutive potential common stocks are fully converted. Potential common stocks of the Company are related to BIP trust.

(27) Insurance contracts

The Group categorizes contracts that have significant insurance risks as insurance contracts under IFRS 17.

The Group applies an insurance fee distribution approach to insurance contracts issued by and reinsurance contracts held by the non-life insurance business.

The Group applies a general measurement model for insurance contracts issued by and reinsurance contracts held by the life insurance business.

Regarding insurance finance income or costs, the amount calculated by regimentally allocating the total value of expected finance income or costs over the insurance contract group’s remaining period is included in net income, and the difference between the contract group’s book value and the amount measured when applying regimental allocation is recorded as other comprehensive income.

4. Segment Information

(1) Outline of reportable segments

The reportable segments of the Group are units of the Group of which separate financial information is available, and which are periodically monitored for the board of directors to determine the allocation of the business resources and evaluate the performance results.

The Group has the two reportable segments of Personal Services and Business Services as well as operating segments.

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 (Life Transformation) in a coordinated manner through our multi-brands “au,” “UQ mobile,” and “povo,” and are also working with local partners to eliminate the digital divide and achieve sustainable regional co-creation.

Overseas, we are leveraging business know-how cultivated in Japan to provide telecommunication, financial, and entertainment services, such as videos, to individual customers in Mongolia and to support local telecommunication operators in Myanmar. In addition, we are working to enhance the convenience of telecommunication services for customers going overseas from Japan and customers visiting Japan from overseas.

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.

In addition to this, we established the new business platform WAKONX for the AI era. We are working to solve industry-specific problems faced by corporate customers and contributing to customers’ business growth and social issue solutions. We continue to 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.

In the fiscal year ended March 31, 2026, we have reassessed certain operating segments of our consolidated subsidiaries and affiliates based on organizational changes and review of performance management categories. Accordingly, the segment information for the fiscal year ended March 31, 2025 is presented based on the segment classification after this change.

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

Accounting treatment of reported business segments is consistent with “3. Material Accounting Policies.”

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

Inter segment transaction price is determined by taking into consideration the price by arm’s length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reportable segments.

(3) Information related to the amount of revenue, income or loss and other items by reportable segment

The Group's segment information is as follows:

For the year ended March 31, 2025

(yen in millions)

	Reportable segments						Amounts on the consolidated financial statements
	Personal	Business	Sub-total	Other*1	Total	Adjustment*2	
Revenue							
Revenue from external customers	4,646,569	1,166,700	5,813,268	22,256	5,835,525	—	5,835,525
Inter-segment revenue or transfers	62,723	239,062	301,786	99,316	401,101	(401,101)	—
Total	4,709,292	1,405,762	6,115,054	121,572	6,236,626	(401,101)	5,835,525
Segment income	846,317	235,253	1,081,570	7,445	1,089,015	(1,547)	1,087,468
Finance income (cost), net							(19,513)
Other non-operating profit (loss), net							5,464
Profit for the period before income tax							1,073,418
Other items							
Depreciation and amortization	576,322	106,041	682,364	4,358	686,721	(4,727)	681,994
Impairment loss	7,299	1,076	8,375	489	8,864	—	8,864
Share of profit (loss) of investment accounted for using the equity method	24,923	486	25,409	2,092	27,501	—	27,501

For the year ended March 31, 2026

(yen in millions)

	Reportable segments						Amounts on the consolidated financial statements
	Personal	Business	Sub-total	Other*1	Total	Adjustment*2	
Revenue							
Revenue from external customers	4,755,571	1,292,298	6,047,868	24,046	6,071,915	—	6,071,915
Inter-segment revenue or transfers	57,166	235,616	292,782	97,403	390,185	(390,185)	—
Total	4,812,737	1,527,914	6,340,650	121,449	6,462,100	(390,185)	6,071,915
Segment income	828,337	263,884	1,092,222	9,458	1,101,680	(2,555)	1,099,125
Finance income (cost), net							(5,485)
Other non-operating profit (loss), net							24,264
Profit for the period before income tax							1,117,904
Other items							
Depreciation and amortization	577,077	111,161	688,238	3,226	691,465	(5,186)	686,279
Impairment loss	53,373	40	53,413	57	53,470	—	53,470
Share of profit (loss) of investment accounted for using the equity method	38,192	(440)	37,752	2,138	39,890	—	39,890

*1. "Other" is a segment not included in reportable segments, and includes construction and maintenance of facilities, and research and development of leading-edge technology.

*2. Adjustment of segment income shows the elimination of inter-segment transactions.

5. Per Share Information

(1) Basic earnings per share

Basic earnings per share and its calculation basis are as follows:

	Years Ended	
	March 31, 2025	**March 31, 2026**
Profit for the year attributable to owners of the parent (yen in millions)	655,416	707,112
Number of weighted average common stocks outstanding (shares in thousands)	4,049,339	3,851,502
Basic earnings per share (yen)	161.86	183.59

(2) Diluted earnings per share

Diluted earnings per share and its calculation basis are as follows:

(yen in millions)

	Years Ended	
	March 31, 2025	**March 31, 2026**
Profit for the year attributable to owners of the parent	655,416	707,112
Adjustment of profit	—	—
Profit used in calculation of diluted earnings per share	655,416	707,112

(shares in thousands)

	Years Ended	
	March 31, 2025	**March 31, 2026**
Number of weighted average common stocks outstanding	4,049,339	3,851,502
Effect of dilutive potential common stocks		
BIP trust	1,218	841
Number of diluted weighted average common stocks during the year	4,050,557	3,852,343

	Years Ended	
	March 31, 2025	**March 31, 2026**
Diluted earnings per share (yen)	161.81	183.55

*1. In the calculation of basic earnings per share and diluted earnings per share, the Company's stocks owned by the executive compensation BIP trust is included in treasury stock. Therefore, the number of those stocks is deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

*2. The Company conducted a two-for-one stock split on April 1, 2025. The number of weighted average common stock outstanding and number of diluted weighted average common stock during the year are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

6. Significant Subsequent Events

Elimination of Treasury Shares

At its meeting held on May 12, 2026, the Board of Directors resolved to eliminate treasury shares based on the rules outlined in Article 178 of the Companies Act. Details are as follows.

1. Type of shares eliminated: KDDI common stock
2. Number of shares eliminated: 180,396,507
   (Percentage of total issued shares before the elimination: 4.31%)
3. Elimination date: May 29, 2026

Note: With this elimination, the number of treasury shares held by KDDI total 5.00% of all issued shares.
Number of total issued shares after the elimination: 4,007,450,967
Number of treasury shares after the elimination: 200,372,549
These figures include the 1,495,908 KDDI shares held by the board member compensation BIP trust.
This excludes requests for the purchase or additional purchase of fractional shares that occurred on or after April 1, 2026.

Tender Offer and Market Purchases of Treasury Shares

At the board of directors' meeting held on May 12, 2026, the Company resolved to conduct a repurchase of treasury shares, and, as a specific method of repurchasing the treasury shares pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the Company's articles of incorporation, the Company resolved to conduct a tender offer of treasury shares(the "Tender Offer").

(1) Objective of the Tender Offer

The Company was informed by Toyota Motor Corporation ("Toyota Motors") on November 17, 2025, and by KYOCERA Corporation ("KYOCERA") on November 27, 2025, that they intended to sell a portion of the Company's ordinary shares that they currently hold. As a result of deliberations, and in light of the number of shares held by KYOCERA and Toyota Motors, the Company concluded that it would be appropriate to repurchase shares in order to further strengthen shareholder returns, and among them, to repurchase 53,763,400 shares from KYOCERA and 53,763,400 shares from Toyota Motors.
In addition, regarding the number of share certificates planned for purchase in the Tender Offer, the maximum number has been set at 107,526,800 shares, which is the total number of shares to be tendered by KYOCERA and Toyota Motors in the Tender Offer.
Considering the above, at the board of directors' meeting held on May 12, 2026, the Company resolved to repurchase treasury shares and, as a specific method of repurchasing treasury shares, to conduct the Tender Offer and to conduct market purchases on Tokyo Stock Exchange within the total acquisition cost obtained by subtracting the total acquisition cost of the Company's ordinary shares acquired by the Tender Offer from the upper limit of the total acquisition cost (300 billion yen) for the share repurchase based on the BOD Resolution of May 12, 2026.

(2) Details of the resolution of the board of directors on the acquisition of treasury shares

1) Type of share certificates: the Company's ordinary shares
2) Number of share certificates planned for acquisition: 146,000,000 Shares (upper limit)
3) Total acquisition cost: 300 billion yen (upper limit)
4) Acquisition period: From May 13, 2026 to January 31, 2027

(3) Tender Offer outline

1) Type of share certificates: the Company's ordinary shares
2) Number of share certificates planned for purchase: 107,526,800 Shares (upper limit)
3) Tender Offer Price: 2,325 yen per 1 (one) ordinary share
4) Total Acquisition Cost: 250 billion yen (upper limit)
5) Acquisition period: From May 13, 2026 to June 9, 2026
6) Publication Date for commencement of purchases: May 13, 2026
7) Commencement Date of Settlement: July 1, 2026

(4) Market Purchases outline

1) Type of share certificates: the Company’s ordinary shares

2) Total Acquisition Cost: the cost obtained by subtracting the total acquisition cost of the Company’s ordinary shares acquired by the Tender Offer from 300 billion yen (upper limit)

3) Acquisition period: From July 2, 2026 to January 31, 2027