



## Independent Auditor's Report

To the Board of Directors of KDDI CORPORATION

### THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the consolidated financial statements of KDDI CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Recoverability of goodwill (Notes to Consolidated Financial Statements, Note 3. Material accounting policies (6) Goodwill, 8. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets)	
Key audit matter description	How our audit addressed the key audit matter
<p>The amount of goodwill recorded in KDDI Corporation's consolidated statement of financial position is 568,134 million yen (4.02% of the total assets on a consolidated basis). The company discloses the amount of goodwill allocated to each cash-generating unit ("CGU") in Note 8. Impairment of property, plant and equipment, goodwill, intangible assets, and right-of-use assets in the Notes to the Consolidated Financial Statements. The amount allocated to each CGU is as follows: JCOM Co., Ltd. CATV business 278,020 million yen, Jupiter Shop Channel Co., Ltd. 92,577 million yen, AEON HD 31,288 million yen, Altius Link, Inc. 23,557 million yen, ENERES Co., Ltd. 14,199 million yen, BIGLOBE Inc. 14,072 million yen, and Other 114,421 million yen.</p> <p>The recoverable amount is determined based on the value in use. The value in use is calculated by discounting future cash flows at a discount rate. The estimation of future cash flows is based on the most recent business plan approved by management and is estimated for each CGU. The forecast period for the business plan is a maximum of five years, and beyond the forecast period, an assumed growth rate is used based on the long-term average growth rate of the market for each CGU. The growth rate is determined by taking into account the state of the country and industry in which the CGU operates. The discount rate applied to future cash flows reflects the time value of money and the risks inherent in the asset.</p> <p>The value in use calculation includes key assumptions about revenue, cost of sales and selling, general and administrative expenses in the business plans, growth rates and discount rates.</p> <p>Key assumptions used to measure the value of goodwill involve estimation uncertainty and the recoverability of goodwill is subject to management judgment. Depending on the assumptions used in the calculation of the estimates, impairment losses may not be recognized or could be inaccurate. In addition, the amount of goodwill recorded in the consolidated statements is quantitatively</p>	<p>We have performed the following principal auditing procedures to assess management's analysis of the recoverability of goodwill:</p> <ul style="list-style-type: none"> <li>- We evaluated the design and operating effectiveness of the relevant internal controls which were implemented by management in order to ensure the appropriateness of the impairment test</li> <li>- We evaluated the appropriateness of the model used to determine value in use as well as the reasonableness of the discount rate, with the assistance of valuation experts for the major CGU</li> <li>- We performed sensitivity analyses of the significant assumptions of the business plan, growth rate and discount rate for each CGU</li> <li>- We evaluated key assumptions used by management to estimate revenue, cost of sales, and selling, general and administrative expenses, growth rates, and discount rates for the major CGU</li> </ul> <p>This included the following audit procedures.</p> <ol style="list-style-type: none"> <li>i. Agreed the business plan used for impairment testing with the most recent business plan approved by management</li> <li>ii. Evaluated whether the achievement of revenue, cost of sales, and selling, general and administrative expenses in the business of the previous fiscal year is appropriately reflected in the respective assumptions of the current year plan</li> <li>iii. Compared the business plans with market forecasts and external economic information published by external agencies</li> <li>iv. Evaluated the business plan used by management for impairment testing, including consideration of consistency with historical experience with key assumptions regarding revenue, cost of sales and selling, general and administrative expenses</li> <li>v. Assessed the growth rate used by management by comparing it to external market forecasts</li> <li>vi. Evaluated and recalculated the discount rate used by management by assessing the consistency of the input information used in the calculation with external information</li> </ol>



<p>material. Based on these factors, it was determined that the audit of management's assessment of the recoverability of goodwill was a key audit matter.</p>	
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Significant judgments and estimates regarding contract costs (Notes to Consolidated Financial Statements, Note 25. Revenue)	
Key audit matter description	How our audit addressed the key audit matter
<p>Contract costs included in KDDI Corporation's consolidated statements of financial position amounted to 685,310 million yen (4.85% of consolidated assets). Costs to obtain contracts consist primarily of selling commissions paid to au shops and other agencies incurred when acquiring customers, amounting to 634,663 million yen. In addition, costs to fulfill contracts were 50,647 million yen, primarily for commissions and upfront fees collected prior to the commencement of services.</p> <p>The capitalization of these costs requires management's judgment as to whether such costs should be recognized as contract costs as presented under IFRS 15, Revenue from Contracts with Customers. Such judgment shall be made in accordance with the contractual and other information regarding agent commissions such as au shops, etc.</p> <p>Key assumptions are made to determine the estimated contract period for the telecommunications contracts that is a key input underlying the amortization. These assumptions are related to factors such as the expected period until cancellation or model change based on past performance data and other relevant factors. In determining the recoverability, significant assumptions are made regarding the revenue, cost of sales and selling, general and administrative expenses in the business plans.</p> <p>Significant judgments and estimates related to contract costs were determined to be a key audit matter because of the quantitative materiality of the contract cost balance and because the key assumptions utilized in considering the recoverability of contract costs involve management's subjective judgments and the uncertainties in estimates.</p>	<p>We performed the following principal auditing procedures to assess the capitalized contract costs:</p> <ul style="list-style-type: none"> <li>- We evaluated the design and operating effectiveness of the relevant internal controls implemented by management to ensure the appropriateness of accounting for contract costs</li> <li>- We recalculated the incremental costs to acquire contracts and costs to fulfill contracts paid to agents, etc. for accuracy</li> <li>- We tested the appropriateness of costs classified as costs to obtain contracts by verifying that those costs related to sales commissions paid in connection with obtaining those customer contracts by examining the contract and other information regarding agent commissions such as au shops, etc</li> <li>- In order to verify the reasonableness of the expected contract term, we verified the data in the report used to determine the expected contract term and compared the report with our recalculation under the same conditions</li> <li>- We examined the appropriateness of management's estimate of the contract term based on the historical contract renewal results</li> <li>- We evaluated the residual value of the consideration expected to be received by the enterprise under the telecommunications contract and the recoverability of contract costs not recognized as expenses directly related to the provision of such services. We assessed the reasonableness of key assumptions of revenue, cost of sales, and selling, general and administrative expenses in the business plan by comparing to the market forecast published by external agencies, and performed a sensitivity analysis.</li> </ul>



Estimated loss allowance for lease and other receivables related to the Myanmar telecommunications business (Consolidated Financial Statements, Note 32. Financial Instruments, 36. Lease)	
Key audit matter description	How our audit addressed the key audit matter
<p>Other long-term financial assets, trade and other receivables, and other short-term financial assets recorded in KDDI Corporation's consolidated statements of financial position include 130,429 million yen of lease and other receivables that are held by KDDI Summit Global Myanmar Co, Ltd. ("KSGM"), which is a consolidated subsidiary of KDDI Corporation. The Company recognized a 107,413 million yen loss allowance on those assets deducted directly from the carrying amount of those assets.</p> <p>KSGM provides support for the telecommunications business operations of Myanmar Posts &amp; Telecommunications ("MPT") and leases telecommunications equipment categorized as finance leases to MPT. Through these lease transactions, the Company holds U.S. dollar-denominated lease receivables due from MPT. At the end of the current fiscal year, the Company determined that there was a significant increase in credit risk and recognized a loss allowance by estimating the lifetime expected credit loss of the collection of the lease receivables. As there was no significant increase in credit risk at the end of the previous fiscal year, the Company recognized no loss allowance considering the 12-month expected credit loss on the collection of those lease receivables.</p> <p>The Company compares the Myanmar Kyat-denominated cash flows that are expected to be paid by MPT in each fiscal year with the U.S. dollar convertible amount expected in the fiscal year, and uses the lower amount as the estimated future cash flows. Foreign exchange control regulations were enacted by the Central Bank of Myanmar and the Foreign Exchange Supervisory Committee and went into effect in April 2022, which restricted the collection of those U.S. dollar-denominated lease receivables, and as such, the future U.S. dollar convertible amount was determined to be a key assumption. Accordingly, taking into account the actual approved results for U.S. dollar conversion in the Myanmar Telecommunications Business, the Company established multiple scenarios with different U.S. dollar convertible amounts, and then calculated a weighted average of</p>	<p>We primarily performed the following audit procedures in verifying the estimate of the loss allowance for lease and other receivables:</p> <ul style="list-style-type: none"> <li>- We evaluated the design and operating effectiveness of the internal controls implemented by management to ensure the appropriateness of estimate for the loss allowance.</li> <li>- We evaluated the appropriateness of the estimated credit loss calculation model.</li> <li>- We evaluated the appropriateness of the key assumptions used by management to estimate future U.S. dollar convertible amounts.</li> </ul> <p>This included the following audit procedures:</p> <ol style="list-style-type: none"> <li>i. Assessed the reasonableness of estimates of future U.S. dollar convertible amounts in each scenario based on the economic and commercial information related to Myanmar published by external organizations and historical dollar convertible amounts.</li> <li>ii. Tested historical U.S. dollar convertibility amounts that were the basis of the future U.S. dollar convertible amount estimates in management's model.</li> <li>iii. Compared estimated U.S. dollar convertible amounts with actual U.S. dollar convertible amounts after the fiscal year end</li> </ol> <ul style="list-style-type: none"> <li>- We performed a sensitivity analysis over future U.S. dollar convertible amounts.</li> <li>- We validated the accuracy of calculation of loss allowance by recalculating the weighted average of the estimated future cash flows according to the probability of each scenario that was established by the Company.</li> </ul>



<p>discounted amounts of the estimated future cash flows over the estimated time to collect, based on the probability of each scenario, resulting in a loss allowance of 107,413 million yen recorded for lease receivables.</p> <p>The key assumption used in estimating the loss allowance involves the subjective judgments of management and there is uncertainty in the estimates. In addition, because the loss allowance for losses on these lease receivables is quantitatively material, this matter was determined as a key audit matter.</p>	
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**Other Information**

Other information comprises information included in a document containing audited financial statements, but does not include the financial statements and our auditor’s report thereon. We have determined that there is no other information and thus have not performed any work on other information.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and



obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **FEE-RELATED INFORMATION**

In connection with our audit of the consolidated financial statements for the year ended March 31, 2024, the amounts of fees for the audit and the other services charged to KDDI CORPORATION and its controlled entities by PricewaterhouseCoopers Japan LLC and other PwC Network firms are 1,406 million and 592 million, respectively.



**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Handwritten signature of Tetsuro Iwase in black ink.

Tetsuro Iwase

Designated Engagement Partner  
Certified Public Accountant

Handwritten signature of Ryoichi Iwasaki in black ink.

Ryoichi Iwasaki

Designated Engagement Partner  
Certified Public Accountant

Handwritten signature of Takahiro Nomura in black ink.

Takahiro Nomura  
Designated Engagement Partner  
Certified Public Accountant

Handwritten signature of Shinichi Simabukuro in black ink.

Shinichi Simabukuro  
Designated Engagement Partner  
Certified Public Accountant

PricewaterhouseCoopers Kyoto

June 20, 2024