Financial Section

Consolidated Balance Sheets

KDDI Corporation and its Subsidiaries
As of March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
ASSETS			
Current Assets			
Cash and deposits (Notes 4, 5, 8)	¥ 222,051	¥ 264,240	$ 2,199
Accounts receivable (Note 5)	1,163,218	1,254,560	10,440
Short-term investment securities (Notes 4, 5, 7, 8)	274	20,320	169
Inventories	86,060	79,233	659
Deferred tax assets (Note 14)	51,353	47,190	393
Prepaid expenses and other current assets	44,177	64,830	539
Allowance for doubtful accounts (Note 5)	(21,533)	(22,436)	(187)
Total Current Assets	1,545,599	1,707,937	14,213
Property, Plant and Equipment			
Machinery, antenna facilities, terminal facilities, local line facilities, long-distance line facilities, engineering facilities, submarine line facilities (Note 8)	3,578,081	3,670,143	30,541
Buildings and structures (Note 8)	928,954	958,250	7,974
Machinery and tools (Note 8)	312,002	330,599	2,751
Land	256,506	256,391	2,134
Construction in progress	169,867	186,457	1,552
Other property, plant and equipment (Note 8)	112,353	111,731	930
	5,357,762	5,513,571	45,881
Accumulated depreciation	(3,219,754)	(3,355,588)	(27,924)
Net Property, Plant and Equipment	2,138,009	2,157,982	17,958
Investments and Other Assets			
Investment securities (Notes 5, 7, 8)	91,509	50,595	421
Investments in affiliates (Notes 5, 8)	41,755	61,453	511
Long-term loans receivable from subsidiaries and associates	—	95,300	793
Intangible assets	405,662	442,541	3,683
Goodwill	337,457	322,025	2,680
Deferred tax assets (Note 14)	79,315	92,774	772
Net defined benefit asset	20,103	26,035	217
Other assets	295,924	338,452	2,816
Allowance for doubtful accounts	(9,576)	(44,729)	(372)
Total Investments and Other Assets	1,262,149	1,384,445	11,521
Total Assets	¥ 4,945,757	¥ 5,250,365	$ 43,691

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
LIABILITIES AND NET ASSETS			
Current Liabilities			
Short-term loans payable and current portion of noncurrent liabilities (Notes 5, 8)	¥ 328,722	¥ 136,929	$ 1,139
Accounts payable (Notes 5, 6, 8)	436,244	510,848	4,251
Income taxes payable (Note 5)	125,365	164,332	1,367
Accrued expenses (Note 5)	26,732	30,417	253
Provision for bonuses	28,771	26,843	223
Other current liabilities	103,103	88,886	740
Total Current Liabilities	1,048,937	958,254	7,974
Noncurrent Liabilities			
Long-term loans payable (Notes 5, 6, 8)	518,698	609,318	5,070
Bonds payable (Notes 5, 8)	204,999	215,000	1,789
Provision for point service program	76,338	75,245	626
Net defined benefit liability (Notes 3, 15)	17,340	14,826	123
Provision for retirement benefits and other noncurrent liabilities (Notes 5, 15)	162,456	138,972	1,156
Total Noncurrent Liabilities	979,831	1,053,362	8,766
Total Liabilities	2,028,767	2,011,616	16,740
Net Assets			
Shareholders' Equity			
Capital stock:			
Authorized-1,400,000,000 and 1,400,000,000 shares at March 31, 2014 and 2015, respectively			
Issued-896,963,600 and 896,963,600 shares at March 31, 2014 and 2015, respectively	141,852	141,852	1,180
Capital surplus	385,943	385,943	3,212
Retained earnings	2,291,730	2,586,144	21,521
Treasury stock:			
Number of treasury stock—61,984,948 and 61,984,994 shares at March 31, 2014 and 2015, respectively	(161,822)	(161,822)	(1,347)
Total Shareholders' Equity	2,657,703	2,952,116	24,566
Accumulated Other Comprehensive Income			
Valuation difference on available for-sale securities	45,731	21,117	176
Deferred gain or loss on hedges	(1,585)	(1,993)	(17)
Foreign currency translation adjustments	15,189	22,648	188
Remeasurements of defined benefit plans	6,352	16,685	139
Total Accumulated Other Comprehensive Income	65,688	58,457	486
Subscription Rights to Shares	40	34	0
Minority Interests	193,559	228,141	1,898
Total Net Assets	2,916,990	3,238,749	26,951
Total Liabilities and Net Assets	¥4,945,757	¥5,250,365	$43,691

Consolidated Statements of Income

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Operating Revenues			
Revenues from telecommunications business	¥2,609,157	¥2,734,555	$22,756
Sales of mobile terminals and other	1,724,471	1,838,588	15,300
Total Operating Revenues	4,333,628	4,573,142	38,056
Operating Expenses			
Business expenses	684,469	733,092	6,100
Depreciation	362,057	383,639	3,192
Communication facility fee	364,320	392,130	3,263
Cost of sales of mobile terminals and other	1,843,902	1,895,756	15,776
Other (Note 13)	415,636	427,228	3,555
Total Operating Expenses	3,670,383	3,831,843	31,887
Operating Income	663,245	741,299	6,169
Other Expenses (Income)			
Interest expenses	12,019	12,273	102
Interest income	(742)	(976)	(8)
Dividends income	(1,845)	(1,829)	(15)
Equity in losses of affiliates	741	—	—
Equity in income of affiliates	—	(5,802)	(48)
Loss on valuation of investment securities	270	532	4
Gain on sales of investment securities	(6,866)	(51,588)	(429)
Gain on sales of noncurrent assets (Note 11)	(300)	(224)	(2)
Loss on sales of noncurrent assets (Note 11)	378	498	4
Impairment loss (Note 10)	8,696	42,116	350
Loss on retirement of noncurrent assets (Note 11)	—	12,160	101
Loss on business of overseas subsidiaries (Note 12)	—	33,799	281
Other, net (Note 22)	30,266	(19,603)	(163)
Total Other Expenses	42,616	21,355	178
Income before Income Taxes and Minority Interests	620,629	719,944	5,991
Income Taxes (Note 14):			
Current	232,538	265,429	2,209
Income taxes for prior periods	—	6,874	57
Deferred	32,233	(1,953)	(16)
Total Income Taxes	264,771	270,350	2,250
Income before Minority Interests	355,858	449,593	3,741
Minority Interests in Income	33,819	21,662	180
Net Income	¥ 322,038	¥ 427,931	$ 3,561

	Yen		U.S. dollars (Note 1)
	2014	2015	2015
Per Share Data (Note 21)			
Net income	¥132.87	¥170.84	$1.42
Cash dividends	130.00	170.00	1.41

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income (Note 16)

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Income before Minority Interests	¥355,858	¥449,593	$3,741
Other Comprehensive Income			
Valuation difference on available-for-sale securities	7,499	(25,825)	(215)
Deferred gains or losses on hedges	41	(1,811)	(15)
Foreign currency translation adjustments	25,444	5,851	49
Remeasurements of defined benefit plans, net of tax	—	10,333	86
Share of other comprehensive income of associates accounted for using equity method	(483)	4,307	36
Total Other Comprehensive Income	32,501	(7,146)	(59)
Comprehensive Income	388,359	442,447	3,682
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	350,161	420,700	3,501
Comprehensive income attributable to minority interests	¥ 38,198	¥ 21,747	$ 181

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Note 18)

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Shareholders' Equity			
Capital Stock			
Balance at the beginning of the period	¥ 141,852	¥ 141,852	$ 1,180
Restated balance	141,852	141,852	1,180
Balance at the end of the period	141,852	141,852	1,180
Capital Surplus			
Balance at the beginning of the period	367,145	385,943	3,212
Restated balance	367,145	385,943	3,212
Changes of items during the period			
Disposal of treasury stock	18,281	—	—
Other	517	—	—
Total changes of items during the period	18,798	—	—
Balance at the end of the period	385,943	385,943	3,212
Retained Earnings			
Balance at the beginning of the period	2,055,587	2,291,730	19,071
Cumulative effects of changes in accounting policies	—	(8,271)	(69)
Restated balance	2,055,587	2,283,459	19,002
Changes of items during the period			
Dividends from surplus	(85,895)	(125,247)	(1,042)
Net income	322,038	427,931	3,561
Total changes of items during the period	236,143	302,685	2,519
Balance at the end of the period	2,291,730	2,586,144	21,521
Treasury Stock			
Balance at the beginning of the period	(346,002)	(161,822)	(1,347)
Restated balance	(346,002)	(161,822)	(1,347)
Changes of items during the period			
Purchase of treasury stock	(20)	(0)	(0)
Disposal of treasury stock	184,200	—	—
Total changes of items during the period	184,180	(0)	(0)
Balance at the end of the period	(161,822)	(161,822)	(1,347)
Total Shareholders' Equity			
Balance at the beginning of the period	2,218,581	2,657,703	22,116
Cumulative effects of changes in accounting policies	—	(8,271)	(69)
Restated balance	2,218,581	2,649,432	22,047
Changes of items during the period			
Dividends from surplus	(85,895)	(125,247)	(1,042)
Net income	322,038	427,931	3,561
Purchase of treasury stock	(20)	(0)	(0)
Disposal of treasury stock	202,481	—	—
Other	517	—	—
Total changes of items during the period	439,121	302,684	2,519
Balance at the end of the period	¥2,657,703	¥2,952,116	$24,566

Consolidated Statements of Changes in Net Assets (continued) (Note 18)

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Accumulated Other Comprehensive Income			
Valuation Difference on Available-for-sale Securities			
Balance at the beginning of the period	¥ 38,882	¥ 45,731	$ 381
Restated balance	38,882	45,731	381
Changes of items during the period			
Net changes of items other than shareholders' equity	6,849	(24,614)	(205)
Total changes of items during the period	6,849	(24,614)	(205)
Balance at the end of the period	45,731	21,117	176
Deferred Gain or Loss on Hedges			
Balance at the beginning of the period	(1,598)	(1,585)	(13)
Restated balance	(1,598)	(1,585)	(13)
Changes of items during the period			
Net changes of items other than shareholders' equity	13	(408)	(3)
Total changes of items during the period	13	(408)	(3)
Balance at the end of the period	(1,585)	(1,993)	(17)
Foreign Currency Translation Adjustments			
Balance at the beginning of the period	(6,071)	15,189	126
Restated balance	(6,071)	15,189	126
Changes of items during the period			
Net changes of items other than shareholders' equity	21,260	7,458	62
Total changes of items during the period	21,260	7,458	62
Balance at the end of the period	15,189	22,648	188
Remeasurements of Defined Benefit Plans			
Balance at the beginning of the period	—	6,352	53
Restated balance	—	6,352	53
Changes of items during the period			
Net changes of items other than shareholders' equity	6,352	10,333	86
Total changes of items during the period	6,352	10,333	86
Balance at the end of the period	6,352	16,685	139
Total Accumulated Other Comprehensive Income			
Balance at the beginning of the period	31,213	65,688	547
Restated balance	31,213	65,688	547
Changes of items during the period			
Net changes of items other than shareholders' equity	34,475	(7,231)	(60)
Total changes of items during the period	34,475	(7,231)	(60)
Balance at the end of the period	65,688	58,457	486
Subscription Rights to Shares			
Balance at the beginning of the period	574	40	0
Restated balance	574	40	0
Changes of items during the period			
Net changes of items other than shareholders' equity	(534)	(6)	(0)
Total changes of items during the period	(534)	(6)	(0)
Balance at the end of the period	40	34	0
Minority Interests			
Balance at the beginning of the period	72,995	193,559	1,611
Restated balance	72,995	193,559	1,611
Changes of items during the period			
Net changes of items other than shareholders' equity	120,564	34,582	288
Total changes of items during the period	120,564	34,582	288
Balance at the end of the period	193,559	228,141	1,898
Total Net Assets			
Balance at the beginning of the period	2,323,363	2,916,990	24,274
Cumulative effects of changes in accounting policies	—	(8,271)	(69)
Restated balance	2,323,363	2,908,719	24,205
Changes of items during the period			
Dividends from surplus	(85,895)	(125,247)	(1,042)
Net income	322,038	427,931	3,561
Purchase of treasury stock	(20)	(0)	(0)
Disposal of treasury stock	202,481	—	—
Other	517	—	—
Net changes of items other than shareholders' equity	154,505	27,346	228
Total changes of items during the period	593,626	330,030	2,746
Balance at the end of the period	¥2,916,990	¥3,238,749	$26,951

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Net Cash Provided by (Used in) Operating Activities			
Income before income taxes and minority interests	¥ 620,629	¥ 719,944	$ 5,991
Depreciation and amortization	470,098	494,570	4,116
Impairment loss	8,696	42,116	350
Amortization of goodwill	28,255	28,134	234
Loss (gain) on sales of noncurrent assets	79	290	2
Loss on retirement of noncurrent assets	24,774	39,093	325
Loss on step acquisitions	38,458	—	—
Increase (decrease) in allowance for doubtful accounts	(994)	31,786	265
Increase (decrease) in provision for retirement benefits	(13,735)	—	—
Decrease (increase) in net defined benefit asset	(20,103)	(5,931)	(49)
Increase (decrease) in net defined benefit liability	17,340	(2,514)	(21)
Interest and dividends income	(2,587)	(2,805)	(23)
Interest expenses	12,019	12,273	102
Equity in losses (earnings) of affiliates	741	(5,802)	(48)
Loss (gain) on sales of investment securities	(6,866)	(51,588)	(429)
Loss (gain) on sales of subsidiaries' and affiliates' stocks	—	(1,237)	(10)
Loss (gain) on valuation of investment securities	278	532	4
Increase (decrease) in provision for point service program	(15,245)	(8,620)	(72)
Change in assets and liabilities			
Decrease (increase) in prepaid pension costs	5,285	—	—
Decrease (increase) in notes and accounts receivable-trade	(95,834)	(131,955)	(1,098)
Decrease (increase) in inventories	(25,941)	6,132	51
Increase (decrease) in notes and accounts payable-trade	(3,789)	14,694	122
Increase (decrease) in accounts payable-other	(42,062)	43,327	361
Increase (decrease) in accrued expenses	(2,254)	1,383	12
Increase (decrease) in advances received	(16,409)	(16,870)	(140)
Other, net	19,274	(4,485)	(37)
Subtotal	1,000,106	1,202,465	10,006
Interest and dividends income received	4,773	6,146	51
Interest expenses paid	(11,183)	(10,004)	(83)
Income taxes paid	(221,489)	(236,358)	(1,967)
Net Cash Provided by (Used in) Operating Activities	772,207	962,249	8,007
Net Cash Provided by (Used in) Investing Activities			
Purchase of property, plant and equipment	(438,329)	(391,220)	(3,256)
Proceeds from sales of property, plant and equipment	993	1,518	13
Purchase of intangible assets	(70,945)	(129,952)	(1,081)
Purchase of investment securities	(2,579)	(3,798)	(32)
Proceeds from sales of investment securities	17,041	53,514	445
Purchase of stocks of subsidiaries and affiliates	(8,256)	(29,743)	(248)
Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation (Note 22)	(19,840)	(7,210)	(60)
Proceeds from purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	16,272	—	—
Proceeds from sales of subsidiaries and affiliates	18,807	1,393	12
Purchase of long-term prepaid expenses	(62,688)	(59,373)	(494)
Payments for transfer of business	—	(6,000)	(50)
Net decrease (increase) in short-term loans receivable from subsidiaries and affiliates	—	(11,153)	(93)
Payments of long-term loans receivable from subsidiaries and affiliates	—	(95,300)	(793)
Other, net	3,268	2,804	23
Net Cash Provided by (Used in) Investing Activities	(546,257)	(674,520)	(5,613)
Net Cash Provided by (Used in) Financing Activities			
Net increase (decrease) in short-term loans payable	(119,029)	(92,480)	(770)
Proceeds from long-term loans payable	350,000	184,000	1,531
Repayment of long-term loans payable	(142,250)	(120,020)	(999)
Proceeds from issuance of bonds	30,000	30,000	250
Redemption of bonds	(90,000)	(95,000)	(791)
Purchase of treasury stock	(20)	(0)	(0)
Cash dividends paid	(85,886)	(125,226)	(1,042)
Cash dividends paid to minority shareholders	(27,346)	(6,865)	(57)
Proceeds from stock issuance to minority shareholders	19	25,154	209
Other, net	(21,132)	(24,424)	(203)
Net Cash Provided by (Used in) Financing Activities	(105,644)	(224,862)	(1,871)
Effect of Exchange Rate Change on Cash and Cash Equivalents	4,365	3,505	29
Net Increase (Decrease) in Cash and Cash Equivalents	124,672	66,372	552
Cash and Cash Equivalents at Beginning of the Year	87,289	212,530	1,769
Increase in Cash and Cash Equivalents Resulting from Merger	570	—	—
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	—	(2,966)	(25)
Cash and Cash Equivalents at End of the Year (Note 4)	¥ 212,530	¥ 275,936	$ 2,296

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

KDDI Corporation and its Subsidiaries
Fiscal year ended March 31, 2015

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements are prepared based on the consolidated financial statements disclosed in Japan for domestic reporting purposes.

KDDI CORPORATION (the "Company") prepares these consolidated financial statements in accordance with the Financial Instruments and Exchange Law, Corporate Law and Japanese Telecommunications Business Law and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to accounting and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements disclosed in Japan have been reclassified and adjusted in order to make it easier for overseas readers to comprehend. In addition, certain reclassifications and adjustments have been made in the consolidated financial statements as of and for the fiscal year ended March 31, 2014 to conform to the classifications and presentations used in the consolidated financial statements for the fiscal year ended March 31, 2015.

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥120.17=U.S.$1, the approximate exchange rate on March 31, 2015. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be readily converted into U.S. dollars at this rate or any other rate.

The Company's consolidated financial statements for the fiscal year ended March 31, 2015 include the Company and its 147 subsidiaries, comprising of; Okinawa Cellular Telephone Company, Jupiter Telecommunications Co., Ltd., Chubu Telecommunications Co., INC., KDDI FINANCIAL SERVICE CORPORATION, Syn. Holding, Inc., KDDI MATOMETE OFFICE CORPORATION, KDDI Engineering Corporation, KDDI Evolva Inc., KDDI R&D Laboratories Inc., KDDI America, Inc., KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., KDDI Summit Global Myanmar Co., Ltd., and other subsidiaries.

During the fiscal year ended March 31, 2015, the following changes occurred.

Added (Consolidated):

- 1 company due to stock acquisition
  Natasha, Inc.
- 2 companies due to additional stock acquisition, increasing the Company's holdings and its conversion to a consolidated subsidiary
  nanapi Inc., Jupiter Satellite Broadcasting Co., Ltd.
- 11 companies due to new establishment
  KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., KKBOX Malaysia Sdn. Bhd., KDDI Number 2 Fund for New Business Cultivation, KDDI Summit Global Myanmar Co., Ltd., KDDI VALUE ENABLER CORPORATION, OKINAWA VALUE ENABLER CORPORATION, KDDI PRECEDE CORPORATION, Syn. Holding, Inc., KDDI US Holding, Inc., Total Call International, LLC, CDNetworks Singapore PTE. LTD.

Removed (Consolidated):

- 4 companies due to liquidation
  KDDI Eastern Europe Ltd., LTI Global, Inc., Open Network Entertainment, Inc., UBIK Japan Corporation
- 6 companies due to merger
  JAPAN CABLENET LIMITED, Technology Networks Inc., J:COM Finance Co., Ltd., J:COM Kumagaya Ltd., YourGolf Online Inc., Total Call International, Inc.
- 9 companies due to factors such as increases in capital through third-party allocation, therefore reducing the Company's equity and thus becoming equity-method affiliates
  KKBOX Inc. and 8 subsidiaries of KKBOX Inc.

The number of affiliates accounted for using the equity-method of accounting was 31, such as Kyocera Communication Systems Co., Ltd., UQ Communications Inc., Jibun Bank Corporation, KKBOX Inc., Mobaoku Co., Ltd., and MOBICOM Corporation.

During the fiscal year ended March 31, 2015, the following changes occurred.

Added (Equity Method):

- 3 companies due to stock acquisition
  Data4C's Kabushiki Kaisha, Jorte Inc., VASILY, Inc.
- 1 company due to additional stock acquisition
  TOLOT Inc.
- 1 company due to increase in capital through third-party allocation, reducing the Company's equity, and resulting in equity-method affiliate
  KKBOX Inc.

Removed (Equity Method):

- 1 company due to additional stock acquisition, resulting in consolidated subsidiary
  Jupiter Satellite Broadcasting Co., Ltd.
- 1 company due to reduced ownership
  Efun Technology Entertainment Co., Ltd.

2. Significant Accounting Policies

a. Basis of Consolidation and Accounting for Investments in Affiliated Companies

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (the "Companies").

All significant intercompany transactions and accounts are eliminated.

The consolidated financial statements include the financial statements of subsidiaries whose fiscal year-end is different from that of the Company, March 31. Among consolidated subsidiaries, the fiscal year-end of 44 companies, including KDDI China Corporation, is December 31 of each year. For the preparation of consolidated financial statements, 21 companies, including KDDI China Corporation, prepare financial statements based on the provisional accounts as of the Company's fiscal year-end date. The remaining 23 companies use financial statements as of December 31 and make necessary adjustments for consolidation in relation to significant transactions or events that occurred between the fiscal year-end date of the subsidiaries and that of the Company.

In the past, the consolidated financial statements were prepared on the basis of the fiscal year-end date for these consolidated subsidiaries, as long as the difference between their fiscal year-end date and the Company's fiscal year-end date did not exceed three months. However, in accordance with the scheduled transition to International Financial Reporting Standards from the fiscal year ending March 31, 2016, 21 companies, including KDDI China Corporation, changed to prepare financial statements based on the provisional accounts as of the Company's fiscal year-end date. In addition, for the reasons stated above, for the fiscal year ended March 31, 2015, the fiscal year-end date for 25 companies, including KDDI America, Inc., has changed from December 31 to March 31. The income for these subsidiaries from January 1, 2014 to March 31, 2014 was adjusted through consolidated income statements, and their accounting period for the fiscal year ended March 31, 2015 is 15 months. For these subsidiaries, during the period from January 1, 2014 to March 31, 2014, total net sales amounted to ¥41,883 million (U.S.$349 million), operating income ¥2,775 million (U.S.$23 million) and income before income taxes and minority interests ¥2,968million (U.S.$25 million).

Investments in certain affiliates are accounted for using the equity method. Consolidated net income includes the Company's equity in current earnings of such companies. The Company's investments in these companies at cost adjusted for such share of profit or loss.

Additionally, investments in non-consolidated subsidiary (ATTRACT INC.) and affiliates (Funeven Limited) are accounted for using cost method as the effect of application of the equity method is immaterial.

b. Revenue Recognition

For telecommunications services, revenues are recognized mainly on the basis of minutes of traffic processed and contracted fees earned. Revenues from sales of products and systems are recognized on fulfillment of contractual obligations, which is generally on shipment basis. Revenues from rentals and other services are recognized proportionately over the contract period or as services are rendered.

c. Cash and Cash Equivalents

Cash and cash equivalents in the accompanying consolidated statements of cash flows consist of cash on hand, demand deposits and highly liquid short-term investments with maturity of three months or less at the time of purchase, which are subject to an insignificant risk of change in value.

d. Inventories

Inventories are stated at cost. Cost is determined by the moving average method. Inventories consist primarily of mobile terminals. The method of write downs based on the decrease in profitability is applied in order to calculate the inventory value in the balance sheet.

e. Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

All assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Revenues and expenses for the year are translated into Japanese yen at the average exchange rate during the year and translation adjustments are included in "Foreign currency translation adjustments" and "Minority interests" of "Net assets."

f. Property, Plant and Equipment and Depreciation (except for leased assets)

Property, plant and equipment are stated at cost. Assets are depreciated over their estimated useful lives by applying mainly the declining balance method to machinery owned by the Company, and by the straight-line method to property, plant and equipment other than machinery owned by the Companies.

The main useful lives are as follows:

Machinery: 9 years

Antenna facilities, Buildings, Structures, Local line facilities, Engineering facilities: 10 to 38 years

g. Intangible Assets (except for leased assets)

Amortization of intangible assets (except for leased assets) is calculated using the straight-line method over the estimated useful lives of the respective assets.

Goodwill is amortized using the straight-line method over a period of 5 to 20 years. An immaterial amount of goodwill was expensed for the fiscal year ended March 31, 2015.

Research and development costs are expensed as incurred.

Internal use of software included in intangible assets is amortized using the straight-line method over the estimated useful lives (5 years). Customer-related assets are amortized over 8 to 29 years, and assets related to program supply are amortized over 22 years.

h. Other Assets

Long-term prepaid expenses are amortized using the straight –line method.

i. Financial Instruments

(1) Securities

Bonds intended to be held to maturity are stated at amortized cost (straight-line method).

Available-for-sale securities for which market quotations are available are stated at fair value prevailing at the balance sheet date with unrealized gain and loss, and net of applicable deferred tax assets/liabilities are directly reported as a separate component of "Net assets." The cost of securities sold is determined by the moving average method.

Available-for-sale securities for which market quotations are not available are valued at cost mainly determined by the moving average method.

(2) Derivatives
Derivatives are used to hedge against interest rate fluctuation risks based on the Companies' policy.

Major hedging instruments are interest rate swaps and hedged items are loans.

The interest rate swaps used to hedge interest rate fluctuations are measured at fair values and unrealized gains or losses are presented in the accompanying consolidated statements of comprehensive income.

The interest rate swaps meeting the requirement of exceptional treatment under Japanese GAAP are not measured at fair value and the differences between payment amount and receipt amount are included in the interest expense or income.

j. Income Taxes
Income taxes of the Companies consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. Deferred tax assets and liabilities are determined based on the timing differences between the financial reporting and the tax bases of assets and liabilities, using the enacted tax rates in effect for the year in which the differences are expected to reverse.

k. Lease
Leased assets related to finance leases that do not transfer ownership rights are amortized using the straight-line method based on the lease terms as the useful lives and residual value of zero.

l. Net Income per Share
Net income per share is computed based on the average number of shares outstanding during the year.

m. Allowance for Doubtful Accounts
The Companies record allowance for doubtful accounts based on the actual bad debt ratio and then lost individual allowance is accrued against specific account that is deemed to be uncollectible.

n. Provisions
(1) Provision for point service program
The Companies record provisions for the future costs to be incurred in connection with point service programs such as the "au Wallet Point Program". Under these programs customers earn points based on criteria of the specific programs to be utilized at a future date. The Companies' reserve is based on historical experience of points earned and utilized by customers.

(2) Provision for bonuses
To prepare for the payment of bonuses to employees, the Companies record the estimated amounts of bonuses to be paid.

o. Retirement Benefits (Defined Benefit Plan)
(1) Method of attributing expected retirement benefits to periods
When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2015.

(2) Amortization of prior service cost and actuarial gains and losses
Prior service cost is amortized on a straight-line basis over the average remaining service lives of employees (14 years) in the year in which it arises.

Actuarial gains and losses are amortized on a straight-line basis over the average remaining service lives of employees (14 years) from the year following that in which they arise.

p. Others
(1) Accounting method for consumption taxes
Consumption taxes and local consumption taxes are excluded from transaction amounts.

Non-deductible consumption taxes relating to the assets are expensed as incurred.

(2) Bond issuance costs
Bond issuance costs are expensed as incurred.

3. Accounting Changes and Others

a. Changes in Accounting Policies
Adoption of Accounting Standard for Retirement Benefits
Concerning the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Implementation Guidance for the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), the Company has applied the text in Paragraph 35 of the Accounting Standard for Retirement Benefits and the text in Paragraph 67 of the "Implementation Guidance for the Accounting Standard for Retirement Benefits" from the first quarter of the fiscal year ended March 31, 2015, revising its method of calculating retirement benefit obligations and prior service costs. The method of attributing expected benefit has been changed from a straight-line basis to a benefit formula basis. Also, the method of determining the discount rate has been changed from one of using as the basis for calculation the yield on Japanese government bonds for a number of years corresponding to the average remaining service period to a method based on the use of multiple corporate bond yields set for each expected retirement benefit period.

Regarding the application of the Accounting Standard for Retirement Benefits, in accordance with the transitional treatment stipulated in Paragraph 37, from the beginning of the fiscal year ended March 31, 2015, the amount of change resulting from the method of calculating retirement benefit obligations and prior service costs is added to or deducted from retained earnings.

As a result, net defined benefit asset decreased ¥11,210 million (U.S.$93 million) at the beginning of the fiscal year ended March 31, 2015, net defined benefit liability increased ¥1,336 million (U.S.$11 million), and retained earnings decreased ¥8,271 million (U.S.$69 million). Furthermore, operating income and income before income taxes and minority interests increased ¥1,449 million (U.S.$12 million).

The amount of financial impact on per share information is included in "21. Per Share Information".

b. Changes in Presentation

Retirement benefits

Following the revision of "Implementation Guidance for the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), the Company has changed the method of presentation in the notes with regard to the retirement benefits under the multi-employer pension plan and, accordingly, reclassified the consolidated financial statements for the previous fiscal year. The detail of the reclassification of the consolidated financial statements and the amounts of major line items in the consolidated financial statements for the previous fiscal year are described in "15. Retirement Benefits".

Consolidated Statements of Cash Flows

"Loss (gain) on sales of investment securities" included in "Other, net" under "net cash provided by operating activities" in the previous fiscal year is reported as a separate item from the fiscal year ended March 31, 2015 because of an increase of its significance. The consolidated financial statements for the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, ¥6,866 million (U.S.$57 million) that was recorded as "Other, net" under "net cash provided by operating activities" in consolidated statements of cash flows in the previous fiscal year is reclassified as "Loss (gain) on sales of investment securities".

c. Accounting Standards Issued but Not Yet Adopted

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10) and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4).

Under these revised accounting standards, the accounting treatment for change in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary in the case of additional acquisition of shares in a subsidiary and acquisition-related costs were revised. In addition, the presentation method of net income was revised as well as the revision of "minority interests" to "non-controlling interests", and the treatment of finalization of provisional accounting was revised. These revised accounting standards are scheduled to be applied from the beginning of the fiscal year ending March 31, 2016 and the treatment of finalization of provisional accounting will be applied to business combinations that will take place from the beginning of the fiscal year ending March 31, 2016.

However, the Companies will not adopt these revised standards since the Companies are scheduled to prepare consolidated financial statements in accordance with International Financial Reporting Standards from the first quarter of the fiscal year ending March 31, 2016.

4. Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents comprise the following:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Cash and deposits	¥222,051	¥264,240	$2,199
Short-term investment securities	274	20,320	169
Total	222,324	284,560	2,368
Time deposits due beyond three months	(9,794)	(8,625)	(72)
Cash and cash equivalents	¥212,530	¥275,936	$2,296

5. Financial Instruments

1. Status of Financial Instruments

(1) Policy for measures relating to financial instruments

In light of plans for capital investment, primarily for conducting telecommunications business, the Companies raise the funds it requires through bank loans and bonds issuance. The Companies manage temporary fund surpluses through financial assets that have high levels of safety. Further, the Companies raise short-term working capital through bank loans. The Company's derivatives policy requires the Company to adhere to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.

(2) Details of financial instruments and associated risk and risk management policy

Trade receivables—trade notes and accounts receivable and other accounts receivable—are exposed to credit risk in relation to customers and trading partners. For such risk, pursuant to criteria for managing credit exposure, the Companies have systems to manage due dates and balances of each customer and trading partner as well as the analysis of credit status.

The Companies are exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the investments in entities with which the Companies closely have operational relationships, and periodic analysis of market values is reported to the Board of Directors.

Almost all trade payables—trade notes and accounts payable, other accounts payable and accrued expenses—have payment due dates within one year.

Those trade payables are exposed to liquidity risk at time of settlement. However, the Companies reduce that risk by reviewing each fund-raising plan every month. Operating obligations denominated in foreign currencies are recognized as balances of currency-specific claims and obligations. Foreign exchange forward transactions are used on hedging instruments in response to obligations deemed subject to foreign exchange fluctuation risk.

Short-term loans payable are primarily for fund-raising related to sales transactions, and long-term loans payable are primarily for fund-raising related to capital investment and financing. Loans payable with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce interest rate fluctuation risk, the Companies enter into interest rate swap transactions on a contract basis. The Companies assess the effectiveness of those contracts that meet the criteria for exceptional treatment for each reporting period.

The Company considers market risk when conducting derivative transactions and only transacts with financial institutions with high credibility. The credit risk from breach of contract by one of these financial institutions is low.

In order to conduct derivative transactions, based on internal regulations of each subsidiary and regulations stipulating associated details, finance or accounting divisions must receive approval from those with final-approval authority as stipulated by authority-related regulations through consultation via an internal memo for each derivative transaction and only conduct transactions with financial institutions with high credit ratings.

(3) Supplementary explanation of items relating to the market values of financial instruments

The market values of financial instruments include prices based on market prices, or, if there are no market prices available, they include reasonably estimated prices. These estimates include assumptions that effect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

2. Market Value of Financial Instruments

Amounts recognized in the consolidated balance sheets, market values and the differences between them on March 31, 2014 and 2015 are as shown below. Items for which market values are not readily determinable are not included in the following table (see (Note 2)).

At March 31, 2014

Millions of yen

	Book value	Market value	Difference
(1) Cash and deposits	¥ 222,051	¥ 222,051	¥ —
(2) Accounts receivable	1,163,218		
Less: Allowance for doubtful accounts*1	(21,533)		
	¥1,141,685	¥1,141,685	¥ —
(3) Short-term investment securities	274	274	
(4) Investment securities			—
Bonds intended to be held to maturity	3,004	3,180	176
Other securities	71,371	71,371	(987)
(5) Investments in affiliates	5,280	4,293	—
(6) Long-term loans receivable from subsidiaries and associates	—	—	—
Total asset accounts	¥1,443,664	¥1,442,853	¥ (811)
(7) Accounts payable	87,232	87,232	—
(8) Short-term loans payable	95,256	95,256	—
(9) Accounts payable-other	349,012	349,012	—
(10) Accrued expenses	26,732	26,732	—
(11) Income taxes payable	125,365	125,365	—
(12) Bonds payable*2	299,998	310,191	10,193
(13) Long-term loans payable*2	638,707	643,471	4,765
Total liability accounts	¥1,622,302	¥1,637,259	¥14,957
Total derivative accounts*3	¥ 901	¥ 901	¥ —

*1. Allowance for doubtful accounts were deducted from accounts receivable.
*2. These items include current portion of bonds payable and long-term loans payable, respectively.
*3. Net claims and obligations arising from derivative transactions are stated at their net amounts.

At March 31, 2015

	Millions of yen			Millions of U.S. dollars		
	Book value	Market value	Difference	Book value	Market value	Difference
(1) Cash and deposits	¥ 264,240	¥ 264,240	¥ —	$ 2,199	$ 2,199	$—
(2) Accounts receivable	1,254,560			10,440		
Less: Allowance for doubtful accounts*1	(22,436)			(187)		
	¥1,232,124	¥1,232,124	¥ —	$10,253	$10,253	$—
(3) Short-term investment securities	20,320	20,320	—	169	169	—
(4) Investment securities						
Bonds intended to be held to maturity	3,003	3,164	160	25	26	1
Other securities	24,700	24,700	—	206	206	—
(5) Investments in affiliates	5,282	7,897	2,615	44	66	22
(6) Long-term loans receivable from subsidiaries and associates	95,300	95,444	144	793	794	1
Total asset accounts	¥1,644,970	¥1,647,889	¥ 2,919	$13,689	$13,713	$24
(7) Accounts payable	101,739	101,739	—	847	847	—
(8) Short-term loans payable	3,140	3,140	—	26	26	—
(9) Accounts payable-other	409,109	409,109	—	3,404	3,404	—
(10) Accrued expenses	30,417	30,417	—	253	253	—
(11) Income taxes payable	164,332	164,332	—	1,367	1,367	—
(12) Bonds payable*2	235,000	244,319	9,319	1,956	2,033	78
(13) Long-term loans payable*2	702,688	704,501	1,813	5,847	5,863	15
Total liability accounts	¥1,646,425	¥1,657,557	¥11,132	$13,701	$13,793	$93
Total derivative accounts*3	¥ 842	¥ 842	¥ —	$ 7	$ 7	$—

*1. Allowance for doubtful accounts were deducted from accounts receivable.
*2. These items include current portion of bonds payable and long-term loans payable, respectively.
*3. Net claims and obligations arising from derivative transactions are stated at their net amounts.

Note 1: Calculation of the market value of financial instruments and items relating to short-term investment securities and derivative transactions

Assets

1) Cash and deposits, 2) Accounts receivable, 3) Short-term investment securities

As the settlement periods of the above items were short and their market values were almost the same as their book values, the relevant book values were used. Further, as the credit risks to accounts receivable were not readily determinable on an individual basis, allowances for doubtful accounts were regarded as credit risks and the book values were calculated accordingly.

4) Investment securities, 5) Investments in affiliates

In relation to the market value of investment securities, for shares the market prices of exchanges were used. Further, for information on investment securities categorized according to holding purpose, refer to the "7. Marketable Securities and Other Investments."

6) Long-term loans receivable from subsidiaries and affiliates

The market value of long-term loans receivable from subsidiaries and affiliates was calculated by applying a discount rate to the total of principal and interest. That discount rate was based on the assumed interest rate if a similar new loan was entered into.

Liabilities

7) Accounts payable, 8) Short-term loans payable, 9) Accounts payable-other, 10) Accrued expenses, 11) Income taxes payable

As the settlement periods of the above items were short and their market values are almost the same as their book values, the relevant book values were used.

12) Bonds payable, 13) Long-term loans payable

The market values of bonds payable were calculated based on trading reference data. The market values of long-term loans payable were calculated by applying a discount rate to the total of principal and interest. That discount rate was based on the assumed interest rate if a similar new loan was entered into. As long-term loans payable with variable interest rates was based on the condition that interest rates were revised periodically, their market values were almost the same as their book values; the relevant book values were used.

Derivative transactions

Please see "6. Derivatives."

Note 2: Financial instruments of which market values were not readily determinable

	Millions of yen		Millions of U.S. dollars
	Book value		Book value
	2014	2015	2015
Investment securities			
Unlisted equity securities, etc.	¥17,134	¥22,892	$190
Investments in affiliates			
Unlisted equity securities	36,200	55,878	465
Investments in capital of subsidiaries and affiliates	274	293	2

As the above financial instruments did not have readily determinable market values and it was particulaly difficult to estimate their market values, they were not included in the above table.

Note 3: Planned redemption amounts of monetary assets and short-term investment securities with monetary assets and maturity dates after the balance sheet date

	Millions of yen		Millions of yen		Millions of U.S. dollars	
	Within 1 year	Over 1 year	Within 1 year	Over 1 year	Within 1 year	Over 1 year
	2014		2015		2015	
Cash and deposits	¥ 222,051	¥ —	¥ 264,240	¥ —	$ 2,199	$ —
Accounts receivable	1,013,856	149,362	1,028,399	226,161	8,558	1,882
Securities	—	—	20,000	—	166	—
Short-term investment securities	—	3,004	—	3,003	—	25
Long-term loans receivable from subsidiaries and associates	—	—	—	95,300	—	793
Total	¥1,235,907	¥152,366	¥1,312,639	¥324,465	$10,923	$2,700

Note 4: Planned repayment amounts after the balance sheet date for bonds payable and long-term loans payable with monetary assets and maturity dates

At March 31, 2014

	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥ 95,256	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	95,000	20,000	25,000	20,000	10,000	130,000
Long-term loans payable	120,009	93,370	25,630	34,370	100,120	265,208
Total	¥310,264	¥113,370	¥50,630	¥54,370	¥110,120	¥395,208

At March 31, 2015

	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥ 3,140	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	20,000	25,000	20,000	10,000	60,000	100,000
Long-term loans payable	93,370	25,630	35,370	195,120	31,072	322,126
Total	¥116,510	¥50,630	¥55,370	¥205,120	¥91,072	¥422,126

	Millions of U.S. dollars					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	$ 26	$ —	$ —	$ —	$ —	$ —
Bonds payable	166	208	166	83	499	832
Long-term loans payable	777	213	294	1,624	259	2,681
Total	$970	$421	$461	$1,707	$758	$3,513

6. Derivatives

Derivative transactions to which hedge accounting has not been applied

(1) Currency-related transactions

At March 31, 2014

No significant items to be reported.

At March 31, 2015

No significant items to be reported.

(2) Interest rate-related transactions

At March 31, 2014

No significant items to be reported.

At March 31, 2015

No significant items to be reported.

Derivative transactions to which hedge accounting has been applied

(1) Currency-related transactions

At March 31, 2014

Millions of yen

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Allocation for forward exchange contracts	Forward exchange contract Buying				
	USD	Accounts payable	¥1,686	¥ —	Note 2
	USD	Future transactions	2,551	1,030	763
	EUR	Future transactions	348	235	137
Total			¥4,585	¥1,264	¥901

At March 31, 2015

Millions of yen

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Allocation for forward exchange contracts	Forward exchange contract Buying				
	USD	Accounts payable	¥5,084	¥ —	Note 2
	USD	Future transactions	3,488	2,622	842
	EUR	Future transactions	14	9	(0)
Total			¥8,585	¥2,631	¥842

Millions of U.S. dollars

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Allocation for forward exchange contracts	Forward exchange contract Buying				
	USD	Accounts payable	$42	$ —	Note 2
	USD	Future transactions	29	22	7
	EUR	Future transactions	0	0	(0)
Total			$71	$ 22	$7

Notes: 1. Fair values are calculated based on prices offered by financial institutions.
2. Allocation for forward exchange contracts are accounted for together with accounts payable designated as the hedge item. Therefore, their fair values are included in the fair value of the accounts payable.

(2) Interest rate-related transactions

At March 31, 2014

Millions of yen

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Exceptional treatment for interest rate swap	Interest rate swap Receive Float/ Pay Fixed	Long-term loans payable	¥10,000	¥ —	Note 2
Total			¥10,000	¥ —	—

At March 31, 2015

Millions of yen

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Exceptional treatment for interest rate swap	Interest rate swap Receive Float/ Pay Fixed	Long-term loans payable	¥330,000	¥ —	Note 2
Total			¥330,000	¥ —	—

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
					Millions of U.S. dollars
Exceptional treatment for interest rate swap	Interest rate swap Receive Float/ Pay Fixed	Long-term loans payable	$2,746	$ —	Note 2
Total			$2,746	$ —	—

Notes: 1. Fair values are calculated based on prices offered by financial institutions.
2. Exceptional treatment for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

7. Marketable Securities and Other Investments

At March 31, 2014

Market value and net unrealized gain or loss of quoted securities were as follows:

Bonds intended to be held to maturity

		Book value	Actual value	Difference
				Millions of yen
Bonds for which market value exceeds book value on consolidated balance sheets	National bonds and local bonds, etc.	¥3,004	¥3,180	¥176
	Bonds	—	—	—
	Others	—	—	—
	Subtotal	¥3,004	¥3,180	¥176
Bonds for which market value does not exceed book value on consolidated balance sheets	National bonds and local bonds, etc.	¥ —	¥ —	¥ —
	Bonds	—	—	—
	Others	—	—	—
	Subtotal	¥ —	¥ —	¥ —
Total		¥3,004	¥3,180	¥176

Other securities

		Book value	Acquisition cost	Difference
				Millions of yen
Securities for which book value of consolidated balance sheets exceeds acquisition cost	Stock	¥71,506	¥5,007	¥66,499
	Bonds	—	—	—
	Others	88	63	25
	Subtotal	¥71,594	¥5,070	¥66,524
Securities for which book value of consolidated balance sheets does not exceed acquisition cost	Stock	¥ 30	¥ 35	¥ (5)
	Bonds	—	—	—
	Others	21	21	(0)
	Subtotal	¥ 50	¥ 56	¥ (6)
Total		¥71,645	¥5,126	¥66,518

Regarding unlisted equity securities, whose book value was ¥17,134 million for the year ended March 31, 2014, as it was recognized that these did not have market values and the market values were not readily determinable, they were not included in the chart above.

Other securities sold

	Amount of sale	Total gain on sale	Total loss on sale
			Millions of yen
Stock	¥10,145	¥6,884	¥0

Impairment of investment securities

For the fiscal year ended March 31, 2014, the Companies recognized an impairment of ¥142 million on investment securities (other securities).

For securities in which the market value at the end of the period had dropped markedly in comparison to their acquisition cost the Company recognized an impairment loss.

At March 31, 2015

Market value and net unrealized gain or loss of quoted securities were as follows:

Bonds intended to be held to maturity

		Millions of yen			Millions of U.S. dollars		
		Book value	Actual value	Difference	Book value	Actual value	Difference
Bonds for which market value exceeds book value on consolidated balance sheets	National bonds and local bonds, etc.	¥3,003	¥3,164	¥160	$25	$26	$ 1
	Bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	Subtotal	¥3,003	¥3,164	¥160	$25	$26	$ 1
Bonds for which market value does not exceed book value on consolidated balance sheets	National bonds and local bonds, etc.	¥ —	¥ —	¥ —	$—	$—	$—
	Bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	Subtotal	¥ —	¥ —	¥ —	$—	$—	$—
Total		¥3,003	¥3,164	¥160	$25	$26	$ 1

Other securities

		Millions of yen			Millions of U.S. dollars		
		Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities for which book value of consolidated balance sheets exceeds acquisition cost	Stock	¥24,795	¥ 3,679	¥21,116	$206	$ 31	$176
	Bonds	—	—	—	—	—	—
	Others	50	36	14	0	0	0
	Subtotal	¥24,845	¥ 3,715	¥21,130	$207	$ 31	$176
Securities for which book value of consolidated balance sheets does not exceed acquisition cost	Stock	¥ 175	¥ 186	¥ (11)	$ 1	$ 2	$ (0)
	Bonds	—	—	—	—	—	—
	Others	20,000	20,000	—	166	166	(0)
	Subtotal	¥20,175	¥20,186	¥ (11)	$168	$168	$ (0)
Total		¥45,020	¥23,901	¥21,118	$375	$199	$176

Regarding unlisted equity securities, whose book value was ¥22,892 million (U.S.$190 million) for the year ended March 31, 2015, as it was recognized that these did not have market values and the market values were not readily determinable, they were not included in the chart above.

Other securities sold

	Millions of yen			Millions of U.S. dollars		
	Amount of sale	Total gain on sale	Total loss on sale	Amount of sale	Total gain on sale	Total loss on sale
Stock	¥53,695	¥51,610	¥—	$447	$429	$—

Impairment of investment securities

For the fiscal year ended March 31, 2015, the Companies recognized an impairment of ¥532 million (U.S.$4 million) on investment securities (other securities).

For securities in which the market value at the end of the period had dropped markedly in comparison to their acquisition cost the Company recognized an impairment loss.

8. Short-Term Loans and Long-Term Debt

Short-term loans at March 31, 2014 and 2015 were ¥95,256 million and ¥3,140 million (U.S.$26 million), respectively, and the annual average interest rates applicable to these loans for the fiscal years ended March 31, 2014 and 2015 were 0.29% and 4.46%, respectively.

Long-term debt at March 31, 2014 and 2015 consists of the following:

		Millions of yen		Millions of U.S. dollars
		2014	2015	2015
Unsecured straight bonds				
Year ended March 31, 2014	(Interest rates per annum: 0.713%–2.046%)			
	(Due: years ending March 31, 2015–2024)	¥279,998	¥ —	$ —
Year ended March 31, 2015	(Interest rates per annum: 0.669%–2.046%)			
	(Due: years ending March 31, 2016–2025)	—	215,000	1,789
General secured bonds (Note)				
Year ended March 31, 2014	(Interest rate per annum: 3.20%)			
	(Due: year ending March 31, 2018)	20,000	—	—
Year ended March 31, 2015	(Interest rate per annum: 3.20%)			
	(Due: year ending March 31, 2018)	—	20,000	166
Total bonds		¥299,998	¥235,000	$1,956
Loans from banks				
Year ended March 31, 2014	(Average rates per annum: 0.73%)			
	(Due: years ending March 31, 2015–2026)	638,707	—	—
Year ended March 31, 2015	(Average rates per annum: 0.71%)			
	(Due: years ending March 31, 2016–2026)	—	702,688	5,847
Other interest-bearing debt		51,006	61,386	511
Subtotal		¥989,711	¥999,074	$8,314
Less, amount due within one year		233,504	133,828	1,114
Total long-term debt		¥756,208	¥865,246	$7,200

Note: The Company has secured overall assets as general collateral for the corporate bonds.

Summary of annual maturities of long-term debt subsequent to March 31, 2015 were as follows:

	Millions of yen	Millions of U.S. dollars
Fiscal year ending March 31	2015	2015
2016	¥133,828	$1,114
2017	64,810	539
2018	65,417	544
2019	212,787	1,771
2020 and thereafter	522,233	4,346
Total	¥999,074	$8,314

Pledged assets

The following table summarizes the book value of assets pledged as collateral for short-term loans and long-term debt, including current maturities of long-term debt of the subsidiaries at March 31, 2014 and 2015. In addition, the Company had secured overall assets as general collateral for the corporate bonds.

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Machinery, etc.	¥ 372	¥ 253	$ 2
Buildings and structures	130	113	1
Other property, plant and equipment	1,009	12	0
Investment securities	892	664	6
Stocks of subsidiaries and affiliates	768	768	6
Other investments and other assets	78	122	1
Cash and deposits	200	0	0
Short-term investment securities	274	320	3
Total	¥3,722	¥2,252	$19

(Assets denominated in foreign currencies included U.S.$12 million at March 31, 2014 and U.S.$9 million at March 31, 2015.)

Certain subsidiaries deposited their assets as guarantee under the requirement of fund settlement in Japanese laws. Deposited assets and its book values as of the respective fiscal year-end were as follows.

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Investment securities	¥3,004	¥3,003	$25
Cash and deposits	2,500	—	—

Summary of annual maturities of long-term debt subsequent to March 31, 2014 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Long-term loans payable	¥22,874	¥21,328	$177
Short-term loans payable and current portion of noncurrent liabilities	3,652	3,100	26
Accounts payable	202	—	—
Total	¥26,728	¥24,428	$203

(Liabilities denominated in foreign currencies included U.S.$22 million at March 31, 2014 and U.S.$24 million at March 31, 2015.)

Note: The share of Kagoshima Mega Solar Power Corporation that has been accounted for under equity method was pledged for its bank loan.

9. Contingent Liabilities

At March 31, 2014 and 2015, the Companies' contingent liabilities were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Contingent liabilities existing in cable system supply contract	¥ 5,146	¥ 6,009	$ 50
As a guarantor for			
Loan of UQ Communications Inc., etc.	117,700	57,400	478
Forward exchange contracts of Discovery Japan, Inc.	3,689	—	—
Total	¥126,535	¥63,409	$528

(Contingent liabilities denominated in foreign currencies included U.S.$97 million and others at March 31, 2014 and U.S.$50 million at March 31, 2015.)

10. Impairment Loss

The Companies calculate impairment losses by grouping assets based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

The Companies mainly recognized impairment loss for the following assets and asset group.

For the fiscal year ended March 31, 2014

Due to declining utilization rates and idle assets, an impairment loss of ¥8,542 million was recognized for domestic transmission system. This amount consists of ¥7,229 million for local line facilities, ¥939 million for machinery and ¥373 million for others.

Further, the recoverable amount of these assets is based on the estimated net selling price. The calculation of market value was based on appraised value and other factors, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

In addition, impairment loss of ¥154 million on business assets in certain subsidiaries was recognized as impairment loss. This amount consists of ¥87 million for software, ¥29 million for structures and ¥38 million for others.

For the fiscal year ended March 31, 2015

- The Companies drew up a plan to shift the 2GHz band to LTE broadband in order to reinforce its competitiveness in mobile communications services, rendering certain facilities nonperforming. Facilities not part of this conversion were determined to be idle assets that were expected to have no future value. An impairment loss of ¥5,775 million (U.S.$48 million) was recorded for these assets, which consists of ¥4,550 million (U.S.$38 million) for machinery and ¥1,224 million (U.S.$10 million) for antenna facilities.

  The recoverable value of these assets is estimated based on their net selling price. Because these assets are difficult to convert to other uses, the net selling price is set at ¥0.
- For assets with declining utilization rates, including some communication facilities, and idle assets, the book value has been reduced to recoverable value. This resulted in recognition of an impairment loss of ¥32,556 million (U.S.$271 million), which consists of ¥23,364 million (U.S.$194 million) for machinery, ¥5,496 million (U.S.$46 million) for local line facilities, and ¥3,697 million (U.S.$31 million) for others.

  The recoverable amount of these assets is estimated based on the net selling price. The calculation of market value is based on reasonable estimate, with the value of assets that are difficult to sell or convert to other uses set at ¥0.
- Due to changes in the market environment and other factors, the future recovery of investments in certain services in the Fixed-line Business was determined to be unlikely. Accordingly, it became possible to prepare a system for managing the incoming and outgoing cash flows generated by these assets and determine earnings and expenses. Accordingly, the grouping of these assets was changed to an independent asset group. The recoverable amount of these assets was reduced to their book value, resulting in an impairment loss of ¥3,469 million (U.S.$29 million). This amount consists of ¥2,840 million (U.S.$24 million) for machinery and ¥629 million (U.S.$5 million) for others.

  The recoverable amount of these assets is estimated at their value in use, with future cash flows discounted at a rate of 6.38%.

  An additional impairment loss of ¥316 million (U.S.$3 million) was recorded for certain subsidiaries. This amount consists of ¥117 million (U.S.$1 million) for software, ¥66 million (U.S.$1 million) for machinery and ¥133 million (U.S.$1 million) for others.

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
The Company:			
Domestic transmission line facilities and idle assets, etc.	¥8,542	¥ —	$ —
2GHz band idle assets, etc.	—	5,775	48
Communication facilities, idle assets, etc.	—	32,556	271
Certain services in the Fixed-line Business	—	3,469	29
Consolidated subsidiaries:			
Business assets, etc.	154	316	3
Total	¥8,696	¥42,116	$350

11. Gain and Loss on Sales and Retirement of Noncurrent Assets

Gain and loss on sales and retirement of noncurrent assets for the fiscal years ended March 31, 2014 and 2015 were as follow:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Gain on Sales of Noncurrent Assets			
Gain on disposal of long-distance line facilities	¥ —	¥ 138	$ 1
Gain on sales of real estate accompanying disposal of land, etc.	9	82	1
Gain on sale of other facilities, etc.	291	5	0
Total	¥300	¥ 224	$ 2
Loss on Sales of Noncurrent Assets			
Loss on disposal of facility usage rights	¥ —	¥ 420	$ 3
Loss on disposal of real estate accompanying disposal of land, etc.	7	—	—
Loss on disposal of other facilities, etc.	371	78	1
Total	¥378	¥ 498	$ 4
Loss on Retirement of Noncurrent Assets			
Disposal cost related to the discontinuation of service cooperation on mobile SNS*	¥ —	¥8,626	$ 72
Disposal cost related to the disposal of Metal-plus telephone service and other facilities	—	2,853	24
Others	—	680	6
Total	¥ —	¥12,160	$101

* An abbreviation for social networking service

12. Loss on Business of Overseas Subsidiaries

On February 3, 2015, both the CEO (Executive Director and Chief Executive Officer) and CFO (Chief Financial Officer) of DMX Technologies Group Limited ("DMX"), an overseas consolidated subsidiary of the Company, were arrested by the Hong Kong Police Force due to suspected violation of local laws. Upon learning of these arrests, DMX newly assigned CEO and CFO, replacing those arrested, respectively, has established an investigation committee, and has been conducting investigations regarding the facts related to the incidents and the causes of the incidents.

During the investigations, it has been discovered that there is a doubt as to the soundness of assets, such as "Other assets" (Accounts receivable to clients), "Supplies", "Property, plant and equipment" and "Intangible assets", which all relate to transactions between DMX and some of its specific clients or vendors. Considering those findings, the Company recognized a loss on business of overseas subsidiaries in its consolidated financial statements, as a possible future loss attributed to the incidents.

Therefore, income before income taxes and minority interests decreased ¥33,799 million (U.S.$281 million).

A breakdown of the loss on business of overseas subsidiaries is as follows:

	Millions of yen	Millions of U.S. dollars
	2015	2015
Provision for allowance for doubtful accounts	¥30,900	$257
Loss on valuation of inventory	1,446	12
Loss on retirement of noncurrent assets	1,453	12
Total	¥33,799	$281

13. Research and Development Expenses

Research and development expenses were ¥24,086 million and ¥20,628 million (U.S.$172 million) for the fiscal years ended March 31, 2014 and 2015, respectively.

14. Income Taxes

At March 31, 2014 and 2015, significant components of deferred tax assets and liabilities were summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Deferred tax assets			
Depreciation and amortization	¥ 26,070	¥ 27,187	$ 226
Allowance for doubtful accounts	12,426	11,616	97
Disposal of fixed assets	6,279	3,182	26
Inventory write down	2,096	2,732	23
Impairment loss	39,594	41,576	346
Net defined benefit liability	1,057	292	2
Provision for bonuses	10,588	9,520	79
Accrued expenses	6,005	8,019	67
Net operating loss carried forward	2,016	3,640	30
Unrealized profits	22,443	23,391	195
Provision for point service program	27,167	22,222	185
Accrued enterprise taxes payable	8,510	12,084	101
Advances received	14,469	9,586	80
Deferred income	9,293	8,607	72
Loss on valuation of stocks of subsidiaries and affiliates	9,507	11,690	97
Loss on business of overseas subsidiaries	—	10,917	91
Other	7,256	3,141	26
Gross deferred tax assets	204,777	209,402	1,743
Valuation allowance	(14,806)	(24,191)	(201)
Total deferred tax assets	¥ 189,971	¥185,211	$1,541
Deferred tax liabilities			
Special depreciation reserve	¥ (3,052)	¥ (2,684)	$ (22)
Valuation difference on other securities	(24,217)	(8,530)	(71)
Retained earnings for overseas affiliates	(4,501)	(6,516)	(54)
Gain on transfer from business divestitures	(1,692)	(1,558)	(13)
Identifiable intangible assets	(66,047)	(56,139)	(467)
Net defined benefit assets	(2,249)	(3,691)	(31)
Other	(7,037)	(5,699)	(47)
Total deferred tax liabilities	¥(108,795)	¥ (84,818)	$ (706)
Net deferred tax assets	¥ 81,176	¥100,393	$ 835

The following table summarizes significant components of the differences between the statutory tax rate and the effective tax rate for the fiscal years ended March 31, 2014 and 2015

	2014	2015
Statutory tax rate	38.0%	35.6%
Adjustments:		
Permanently non-deductible items including entertainment expenses	0.2	0.1
Inhabitant tax on per capital levy	0.1	0.1
Tax credit for research and development expenses	(0.1)	(1.8)
Goodwill amortization	1.7	1.4
Permanently non-deductible items including dividend income	(0.2)	(0.0)
Valuation allowance	0.7	(0.3)
Effect of change in tax rate	1.0	1.3
Loss on step acquisitions	2.4	—
Loss on business of overseas subsidiaries	—	1.7
Other	(1.1)	(0.4)
Effective tax rate	42.7%	37.6%

Changes in the corporate tax rate

The "Act on Partial Revision of the Income Tax Act" (Act No. 9 of 2015) and the "Act on Partial Revision of the Local Tax Act" (Act No. 2 of 2015) were promulgated on March 31, 2015, lowering the corporate tax rate for the fiscal years beginning on or after April 1, 2015. Accordingly, the statutory effective tax rate used for calculating deferred income tax assets and deferred income tax liabilities is slated to fall from 35.6% to 33.0% for the fiscal year beginning April 1, 2015, resulting in a temporary difference in assets or liabilities extinguished. The rate is scheduled to drop further to 32.3% in the fiscal year beginning April 1, 2016, again resulting in a temporary difference in assets or liabilities extinguished.

This change in the tax rate had the effect of reducing deferred tax assets (net of deferred tax liabilities) by ¥8,093 million (U.S.$67 million), with income taxes–deferred increasing by ¥8,849 million (U.S.$74 million).

Income taxes for prior periods

On June 25, 2014, the Company received a notice of correction from the Tokyo Regional Taxation Bureau involving a discrepancy in the useful life of the steel towers used for the telecommunications business over the five fiscal years ended March 31, 2009 through 2013.

Objecting to this correction, on December 10, 2014, the Company submitted an application for review to the National Tax Tribunal. This notice of correction corresponds to additional taxes of ¥6,874 million (U.S.$57 million), including income tax, residence tax, business tax, and other ancillary taxes. This amount has been included on the consolidated statements of income for the fiscal year ended March 31, 2015 as "Income taxes for prior periods."

Due to the application of tax-effect accounting, the Company has posted income taxes-deferred of ¥5,650 million (U.S.$47 million) in accordance with the above-stated excessive depreciation.

15. Retirement Benefits

1. Outline of Retirement Benefit Plans

The Companies have defined benefit pension plans, retirement lump-sum plans (unfunded) and defined contribution pension plans for the benefit payments of employees.

The Company and certain domestic consolidated subsidiaries apply the pension point systems under which pension benefits are calculated based on the accumulated points allocated to employees according to their class of positions and salaries.

Certain subsidiaries have adopted multi-employer pension plans of the Kanto IT Software Pension Fund and the Sumitomo Rengo Corporation Pension Fund, which are defined benefit type of pension plans. Contributions to the said pension plans are recognized as net pension costs as well as contribution of the defined contribution plans.

Further, net defined liabilities and net pension expenses of retirement lump-sum plans which certain subsidiaries operate are calculated using the simplified method.

2. Defined Benefit Plans

Change in benefit obligations

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Defined benefit obligation at beginning of year	¥309,628	¥317,744	$2,644
Cumulative effects of changes in accounting policies	—	12,546	104
Restated balance	309,628	330,290	2,749
Service cost	10,697	12,057	100
Interest cost	6,148	3,650	30
Actuarial (gain) loss	2,696	17,740	148
Benefit paid	(11,582)	(12,358)	(103)
Other	156	(1,430)	(12)
Defined benefit obligations at end of year	¥317,744	¥349,949	$2,912

Note: Certain subsidiaries applied the simplified method in calculating the defined benefit obligations.

Change in plan assets

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Plan assets at beginning of year	¥299,375	¥320,507	$2,667
Expected return on plan assets	5,822	6,410	53
Actuarial (gain) loss	18,269	29,407	245
Companies' contributions	15,211	15,379	128
Termination of retirement benefit trust	(8,439)	—	—
Benefits paid	(9,740)	(10,545)	(88)
Other	9	—	—
Plan assets at end of year	¥320,507	¥361,157	$3,005

Reconciliation of defined benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset in the balance sheet

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Defined benefit obligations (funded)	¥ 301,821	¥ 335,123	$ 2,789
Plan assets	(320,507)	(361,157)	(3,005)
	(18,686)	(26,035)	(217)
Defined benefit obligations (unfunded)	15,923	14,826	123
Net liability (asset) recognized in the balance sheet	(2,763)	(11,209)	(93)
Net defined benefit liability	17,340	14,826	123
Net defined benefit asset	(20,103)	(26,035)	(217)
Net liability (asset) recognized in the balance sheet	¥ (2,763)	¥ (11,209)	$ (93)

Retirement benefit expenses

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Service cost	¥10,697	¥12,057	$100
Interest cost	6,148	3,650	30
Expected return on plan assets	(5,822)	(6,410)	(53)
Amortization of actuarial (gain) loss	2,992	1,940	16
Amortization of prior service costs	1,191	1,191	10
Net retirement benefit expenses	¥15,207	¥12,428	$103

Note: Certain subsidiaries applied the simplified method in calculating the defined benefit obligations.

Remeasurements of defined benefit plans, net of tax before income tax effect adjustment

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Prior service costs	¥—	¥ 1,191	$ 10
Actuarial (gain) loss	—	13,606	113
Other	—	(6)	0
Total	¥—	¥14,791	$123

Remeasurements of defined benefit plans before income tax effect adjustment

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Unrecognized prior service costs	¥ (4,922)	¥ (3,731)	$ (31)
Unrecognized actuarial (gain) loss	14,683	28,103	234
Total	¥ 9,761	¥24,372	$203

Plan assets

a. Ratios of major asset components to total plan assets

	2014	2015
Bonds	62%	63%
Equity securities	15%	15%
Others	23%	22%
Total	100%	100%

b. Assumption of long-term expected rate of return on plan assets

The Companies consider the allocation of the current and future plan assets as well as the rate of long-term expected return at present and in the future comprising from the various assets in determining long-term expected rate of plan assets.

Basis of calculation of actuarial assumption

Basis of actuarial assumption at the end of the year

	2014	2015
Discount rate	2.0%	1.3%
Long term expected rate of return on plan assets	2.0%	2.0%

3. Defined Contribution Plans

The amount to be paid by the Companies to the defined contribution plans including the multi-employer pension plans is ¥3,113 million (U.S.$26 million)

4. Multi-employer Benefit Plans

Items relating to overall funded status of pension plan;

The Kanto IT Software Pension Fund

	Millions of yen		Millions of U.S. dollars
	At March 31, 2013*1	At March 31, 2014*1	At March 31, 2014*1
Plan assets	¥222,957	¥252,294	$2,099
Total amount of actuarial liability and minimum actuarial reserve for calculating pension plan financing*2	206,135	227,331	1,892
Balance*3	¥ 16,821	¥ 24,963	$ 208

The Sumisho Rengo Corporate Pension Fund

	Millions of yen		Millions of U.S. dollars
	At March 31, 2013*1	At March 31, 2014*1	At March 31, 2014*1
Plan assets	¥31,351	¥27,214	$226
Total amount of actuarial liability and minimum actuarial reserve for calculating pension plan financing*2	30,323	25,928	216
Balance*3	¥ 1,028	¥ 1,286	$ 11

Percentage of total pension plan accounted for by contribution from those subsidiaries.

The Kanto IT Software Pension Fund

At March 31, 2014	At March 31, 2015
1.1%*4	1.2%*4

The Sumisho Rengo Corporate Pension Fund

At March 31, 2013	At March 31, 2014
43.4%*4	49.4%*4

Notes: *1. Items relating to overall funded status of pension plan are based on the latest information available as of the fiscal year-end.

*2. "Total amount of actuarial liability and minimum actuarial reserve for calculating pension plan financing" was reported as "benefit obligation based" in the previous fiscal year.

*3. The Kanto IT Software Pension Fund

At March 31, 2013

The principle factors relating to the balance were composed of shortage of ¥10,082 million and general reserve of ¥26,904 million. For the said pension plan, prior service cost was amortized through amortization of principal and interest using the straight-line method over a period of 20 years (at March 31, 2013).

At March 31, 2014

The principle factors relating to the balance were composed of other reserve of ¥19,333 million (U.S.$161 million) and general reserve of ¥5,630 million (U.S.$47 million). For the said pension plan, prior service cost was amortized through amortization of principal and interest using the straight-line method over a period of 20 years (at March 31, 2014).

The Rengo Corporation Pension Fund

At March 31, 2013

The principle factors relating to the balance were composed of general reserve of ¥2,468 million, unamortized prior service costs of ¥1,440 million. For the said pension plan, prior service cost was amortized through amortization of principal and interest using the straight-line method over a period of 4 years and 6 months (from October 1, 2009 to March 31, 2014).

At March 31, 2014

The principle factors relating to the balance was general reserve of ¥1,286 million (U.S.$11 million).

*4. The percentage does not match the actual amount contributed by those subsidiaries.

16. Consolidated Statements of Comprehensive Income

The comprehensive income for the fiscal years ended March 31, 2014 and 2015 were as follows.

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Valuation difference on available-for-sale securities			
Amount recognized in the period	¥19,759	¥ 10,093	$ 84
Amount of recycling	(8,215)	(51,493)	(429)
Before income tax effect adjustment	11,544	(41,400)	(345)
Amount of income tax effect	(4,045)	15,575	130
Valuation difference on available-for-sale securities, net of tax effect	¥ 7,499	¥ (25,825)	$(215)
Deferred gains or losses on hedges			
Amount recognized in the period	¥ 599	¥ (1,977)	$ (16)
Amount of recycling	(529)	(799)	(7)
Before income tax effect adjustment	70	(2,776)	(23)
Amount of income tax effect	(29)	965	8
Deferred gains or losses on hedges	¥ 41	¥ (1,811)	$ (15)
Foreign currency translation adjustments			
Amount recognized in the period	¥25,444	¥ 7,239	$ 60
Amount of recycling	—	(1,389)	(12)
Before income tax effect adjustment	25,444	5,851	49
Amount of income tax effect	—	—	—
Foreign currency translation adjustments, net of tax effect	¥25,444	¥ 5,851	$ 49
Remeasurements of defined benefit plans, net of tax			
Amount recognized in the period	¥ —	¥ 11,660	$ 97
Amount of recycling	—	3,131	26
Before income tax effect adjustment	—	14,791	123
Amount of income tax effect	—	(4,459)	(37)
Remeasurements of defined benefit plans, net of tax	¥ —	¥ 10,333	$ 86
Share of other comprehensive income of associates accounted for using equity method			
Amount recognized in the period	¥ 46	¥ 4,238	$ 35
Amount of recycling	(529)	69	1
Share of other comprehensive income of associates accounted for using equity method, net of tax effect	¥ (483)	¥ 4,307	$ 36
Total other comprehensive income	¥32,501	¥ (7,146)	$ (59)

17. Stock Options

DMX Technologies Group Limited ("DMX"), ScaleOut Inc. ("ScaleOut") and Bitcellar, Inc. ("Bitcellar"), consolidated subsidiaries of the Company, adopted their own stock option systems.

DMX granted stock options to Members of the Board of Directors and employees of DMX and its group companies. ScaleOut granted stock options to Members of the Board of Directors. Bitcellar granted stock options to Members of the Board of Directors and employees of Bitcellar.

Due to the nullification of rights, gain on reversal of subscription rights for the fiscal year ended March 31, 2014 was ¥101 million. There was no such gain to be reported for the fiscal year ended March 31, 2015.

Estimation of fair value of stock options

ScaleOut and Bitcellar are unlisted companies and consequently, the fair value of the 1st stock option of ScaleOut granted in January 2013 and the 3rd stock option of Bitcellar granted in April 2014 were estimated by computing the intrinsic value.

Valuation of stock price per share which is the basis of estimation of this intrinsic value, is based on the price calculated using the discounted cash flow method.

The total intrinsic value of options was ¥0 as at March 31, 2015.

Estimation of number of stock options to be vested

The number of stock options to be vested was estimated based on the number of forfeited shares calculated using employee turnover rate for the corresponding period.

Scale of stock options and changes in the scale

The following lists the number of shares calculated for the number of stock options that existed in the fiscal year ended March 31, 2015.

(1) Number of stock options

DMX

	Shares	
	April 2008 Stock Option	November 2008 Stock Option
Before vested		
Beginning of period	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Unvested	—	—
After vested		
Beginning of period	3,886,858	9,461,000
Vested	—	—
Exercised	—	1,990,000
Expired	—	—
Exercisable	3,886,858	7,471,000

ScaleOut

	Shares
	January 2013 1st Stock Option
Before vested	
Beginning of period	—
Granted	—
Forfeited	—
Vested	—
Unvested	—
After vested	
Beginning of period	95
Vested	—
Exercised	—
Expired	—
Exercisable	95

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Bitcellar

	Shares April 2014 3rd Stock Option
Before vested	
Beginning of period	—
Granted	1,592
Forfeited	—
Vested	—
Unvested	1,592
After vested	
Beginning of period	—
Vested	—
Exercised	—
Expired	—
Exercisable	—

(2) Unit value and exercise period of respective stock options

DMX

		April 2008 Stock Option		November 2008 Stock Option	
		Singapore dollars	U.S. dollars	Singapore dollars	U.S. dollars
Exercise price		SGD 0.2260	$0.16	SGD 0.0930	$0.07
Average share price at exercise		—	—	0.1870	0.14
Fair value unit price (Date of grant)		0.2500	0.18	0.0900	0.07
Exercise period	From	April 24, 2009		November 27, 2009	
	To	April 26, 2018		November 28, 2018	

Note: Exchange rate of Singapore dollars into Japanese yen and U.S. dollars were made as follows: SGD1=¥87.35, U.S.$1=¥120.17

ScaleOut

		January 2013 1st Stock Option	January 2013 1st Stock Option
		Yen	U.S. dollars
Exercise price		¥200,000	$1,664.31
Average share price at exercise		—	—
Fair value unit price (Date of grant)		—	—
Exercise period	From	January 2, 2013	
	To	January 1,2020	

Bitcellar

		April 2014 3rd Stock Option	April 2014 3rd Stock Option
		Yen	U.S. dollars
Exercise price		¥26,549	$220.93
Average share price at exercise		—	—
Fair value unit price (Date of grant)		—	—
Exercise period	From	May 1, 2016	
	To	April 30,2024	

18. Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2014

(1) Total number and type of shares and treasury stock outstanding

	As of April 1, 2013	Increase during the fiscal year ended March 31, 2014	Decrease during the fiscal year ended March 31, 2014	As of March 31, 2014
Shares outstanding				
Common stock	448,481,800	448,481,800	—	896,963,600
Total	448,481,800	448,481,800	—	896,963,600
Treasury stock				
Common stock	66,269,400	66,273,882	70,558,334	61,984,948
Total	66,269,400	66,273,882	70,558,334	61,984,948

Notes 1. The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013.
2. The increase of 448,481,800 shares during the fiscal year was due to split on common stock.
3. The increase of 66,273,882 shares in the Company's common stock was due to split on common stock 66,269,400 Shares and due to purchase of share less than one unit 4,482 shares.
4. The decrease of 70,558,334 shares in the Company's common stock resulted from the exercise of stock options 761,800 shares, the exercise of convertible bonds with subscription warrants 69,795,731 shares and the sales of 803 fractional shares less than one investment unit.

(2) Subscription warrants and own share option

	Breakdown of subscription warrants	Types of shares subject to subscription warrants	Number of shares subject to subscription warrants				Balance as of March 31, 2014
			As of April 1, 2013	Increase during the fiscal year ended March 31, 2014	Decrease during the fiscal year ended March 31, 2014	As of March 31, 2014	Millions of yen
The Company (parent company)	Subscription warrants as stock options	—	—				¥—
	Zero Coupon Convertible Bonds due 2015 (Issued on December 14, 2011)Note	Common stock	34,897,923 shares Upper limit	34,897,923 shares Upper limit	69,795,731	—	—
Consolidated subsidiaries	Subscription warrants as stock options	—	—				40
Total		—	—	—	—	—	¥40

Notes: Zero Coupon Convertible Bonds due 2015 (issued on December 14, 2011)
1. Convertible bond-type bonds with subscription rights to shares were not accounted for separately.
2. The number of shares reserved for subscription warrants was based on the number of shares that would be needed in the event that stock options were exercised.
3. The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013.
4. The increase in the number of shares was due to split on common stock.

(3) Dividends

1. Cash dividends payments

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
June 19, 2013 Annual meeting of shareholders	Common stock	¥36,310	¥95	March 31, 2013	June 20, 2013
October 28, 2013 Meeting of the Board of Directors	Common stock	¥49,585	¥60	September 30, 2013	November 27, 2013

2. Dividend payment recognized during the fiscal year ended March 31, 2014 but effective on the next fiscal year ending March 31, 2015

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividends per share	Record date	Effective date
June 18, 2014 Annual meeting of shareholders	Common stock	¥58,449	Retained earnings	¥70	March 31, 2014	June 19, 2014

Note: The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013. Dividends per share were calculated including the effect on this stock split.

For the fiscal year ended March 31, 2015

(1) Total number and type of shares and treasury stock outstanding

	As of April 1, 2014	Increase during the fiscal year ended March 31, 2015	Decrease during the fiscal year ended March 31, 2015	As of March 31, 2015
Shares outstanding				
Common stock	896,963,600	—	—	896,963,600
Total	896,963,600	—	—	896,963,600
Treasury stock				
Common stock	61,984,948	46	—	61,984,994
Total	61,984,948	46	—	61,984,994

Note: The increase of 46 shares in the Company's holdings of its own shares of common stock is due to purchase of share less than one unit 46 shares.

(2) Subscription warrants and own share option

	Breakdown of subscription warrants	Types of shares subject to subscription warrants	Number of shares subject to subscription warrants: As of April 1, 2014	Increase during the fiscal year ended March 31, 2015	Decrease during the fiscal year ended March 31, 2015	As of March 31, 2015	Balance as of March 31, 2015: Millions of yen	Millions of U.S. dollars
The Company (parent company)	Subscription warrants as stock options	—		—			¥—	$—
	Zero Coupon Convertible Bonds due 2015 (Issued on December 14, 2011)	—		—			—	—
Consolidated subsidiaries	Subscription warrants as stock options	—		—			34	0
Total		—	—	—	—	—	¥34	$0

(3) Dividends

1. Cash dividends payments

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
June 18, 2014 Annual meeting of shareholders	Common stock	¥58,449	¥70	March 31, 2014	June 19, 2014
October 31, 2014 Meeting of the Board of Directors	Common stock	¥66,798	¥80	September 30, 2014	December 3, 2014

Resolution	Type of shares	Total dividends (Millions of U.S. dollars)	Dividends per share	Record date	Effective date
June 18, 2014 Annual meeting of shareholders	Common stock	$486	$0.58	March 31, 2014	June 19, 2014
October 31, 2014 Meeting of the Board of Directors	Common stock	$556	$0.67	September 30, 2014	December 3, 2014

2. Dividend payment recognized during the fiscal year ended March 31, 2015 but effective on the next fiscal year ending March 31, 2016

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividends per share	Record date	Effective date
June 17, 2015 Annual meeting of shareholders	Common stock	¥75,148	Retained earnings	¥90	March 31, 2015	June 18, 2015

Resolution	Type of shares	Total dividends (Millions of U.S. dollars)	Dividend resource	Dividends per share	Record date	Effective date
June 17, 2015 Annual meeting of shareholders	Common stock	$625	Retained earnings	$0.75	March 31, 2015	June 18, 2015

19. Related Party Transaction

For the fiscal year ended March 31, 2014

Transactions with related parties

Affiliates of the Company

Millions of yen

Type	Company Name	Head Office	Capital Stock	Business Objective	Percentage for Possession of Voting Rights	Relationship with Related Party	Contents of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2014
Equity-method affiliate	UQ Communi-cations Inc.	Minato-ku, Tokyo	71,425	Wireless broadband service	Direct ownership interest of 32.3%	Guarantee of loans, Concurrent director	Guarantee	¥117,700	—	¥—
							Receiving fee for the guarantee	¥256	Accounts receivable	¥58

For the fiscal year ended March 31, 2015

Transactions with related parties

Affiliates of the Company

Millions of yen / (Millions of U.S. dollars)

Type	Company Name	Head Office	Capital Stock	Business Objective	Percentage for Possession of Voting Rights	Relationship with Related Party	Contents of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2015
Equity-method affiliate	UQ Communi-cations Inc.	Minato-ku, Tokyo	71,425	Wireless broadband service	Direct ownership interest of 32.3%	Guarantee of loans, Concurrent director	Loans*1	¥94,271 (U.S.$784)	Long-term loans receivable from subsidiaries and associates	¥95,300 (U.S.$793)
									Short-term loans receivable from subsidiaries and associates	¥11,153 (U.S.$93)
							Receiving interest	¥156 (U.S.$1)	Accounts receivable-other	¥99 (U.S.$1)
							Guarantee*1	¥57,400 (U.S.$478)	—	— —
							Receiving fee for the guarantee	¥200 (U.S.$2)	Accounts receivable	¥28 (U.S.$0)

Notes: *1. Borrowing periods are set to match the characteristics of the demand for funds, and interest rates are set in a rational manner taking into account market interest rates on borrowings for the corresponding period. As these transactions are performed in the interest of efficient funding within the group, no collateral is provided or received.
*2. Guarantee amounts for bank borrowings as of the end of the fiscal year are shown in the transaction column.

20. Segment Information

Segment information for the fiscal years ended March 31, 2014 and 2015 were as follows:

1. Outline of Reportable Business Segments

The reportable business segments are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc., to evaluate regularly in determining how to allocate resources and assess their business performance.

The Company has formulated the "3M Strategy," a growth strategy for domestic business, and the "Global Strategy," aimed at expanding overseas business, on the basis of its three commitments: "More Connected," "More Diverse Values," and "More Global." To aid in promoting these strategies, the Company categorizes its business into four reportable categories: "Personal Services," "Value Services," "Business Services" and "Global Services."

In "Personal Services," the Companies provide households and individual customers with mobile handset sales and other services in addition to a variety of communications services. In "Value Services," we provide households and individual customers with various financial services, various applications, videos and music. In "Business Services," we provide various types of communication services, mobile handset sales, data center services, various types of ICT solution/cloud services, and other services for corporate customers. In "Global Services," we provide various types of communications services, data center services, various types of ICT solution/cloud services, and other services for companies and individuals overseas.

2. Method of Calculating Sales and Income (Loss), Identifiable Assets and Other Items by Reportable Business Segment

Accounting method for reportable business segment is the same as presented in "1. Basis of Presenting Consolidated Financial Statements."

Income by reportable business segments is calculated based on operating income.

Intersegment trading prices are calculated based on third-party trading prices or determined by negotiating prices that take overall costs into consideration.

Assets are not allocated to reportable business segments.

3. Information on Sales and Income (Loss), Identifiable Assets and Other Items by Reportable Business Segment

For the fiscal year ended March 31, 2014

Millions of yen

	Reportable Business Segments								
	Personal Services	Value Services	Business Services	Global Services	Subtotal	Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consolidated
Sales									
Outside sales	¥3,288,658	¥164,629	¥598,385	¥228,968	¥4,280,640	¥ 52,988	¥4,333,628	¥ —	¥4,333,628
Intersegment sales	79,193	47,894	76,527	34,657	238,270	97,030	335,300	(335,300)	—
Total	¥3,367,851	¥212,522	¥674,912	¥263,625	¥4,518,910	¥150,019	¥4,668,929	¥(335,300)	¥4,333,628
Income by business segment	¥ 507,184	¥ 51,607	¥ 86,464	¥ 11,408	¥ 656,663	¥ 7,093	¥ 663,756	¥ (511)	¥ 663,245
Other items									
Depreciation (Note 3)	403,610	9,897	42,990	12,170	468,667	1,455	470,122	(24)	470,098
Amortization of goodwill	22,465	2,021	—	3,635	28,120	134	28,255	—	28,255

Notes: 1. The "Other" category incorporates operations not included in reportable business segments, including call center business, research and technological development and other operations.
2. Adjustment of segment income refers to elimination of intersegment transactions.
3. Inclusive of long-term prepaid expenses.

For the fiscal year ended March 31, 2015

Millions of yen

	Reportable Business Segments								
	Personal Services	Value Services	Business Services	Global Services (Note 4)	Subtotal	Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consolidated
Sales									
Outside sales	¥3,426,648	¥179,708	¥587,485	¥287,942	¥4,481,782	¥ 91,360	¥4,573,142	¥ —	¥4,573,142
Intersegment sales	86,646	62,629	81,708	32,678	263,662	96,149	359,811	(359,811)	—
Total	¥3,513,294	¥242,337	¥669,193	¥320,620	¥4,745,444	¥187,509	¥4,932,953	¥(359,811)	¥4,573,142
Income by business segment	¥ 577,417	¥ 57,984	¥ 80,371	¥ 16,806	¥ 732,578	¥ 8,996	¥ 741,574	¥ (275)	¥ 741,299
Other items									
Depreciation (Note 3)	423,929	8,984	45,221	14,802	492,936	1,650	494,587	(17)	494,570
Amortization of goodwill	20,195	2,500	3	5,257	27,955	179	28,134	—	28,134

	Reportable Business Segments								Millions of U.S. dollars
	Personal Services	Value Services	Business Services	Global Services (Note 4)	Subtotal	Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consolidated
Sales									
Outside sales	$28,515	$1,495	$4,889	$2,396	$37,295	$ 760	$38,056	$ —	$38,056
Intersegment sales	721	521	680	272	2,194	800	2,994	(2,994)	—
Total	$29,236	$2,017	$5,569	$2,668	$39,489	$1,560	$41,050	$(2,994)	$38,056
Income by business segment	$ 4,805	$ 483	$ 669	$ 140	$ 6,096	$ 75	$ 6,171	$ (2)	$ 6,169
Other items									
Depreciation (Note 3)	3,528	75	376	123	4,102	14	4,116	0	4,116
Amortization of goodwill	168	21	0	44	233	1	234	0	234

Notes: 1. The "Other" category incorporates operations not included in reportable business segments, including call center business, research and technological development, and other operations.
2. Adjustment of segment income refers to elimination of intersegment transactions.
3. Inclusive of long-term prepaid expenses.
4. As mentioned in "2. Significant Accounting Policies," in the past, the consolidated financial statements were prepared on the basis of the fiscal year-end date for these consolidated subsidiaries, as long as the difference between their fiscal year-end date and the Company's fiscal year-end date did not exceed three months. However, in accordance with the scheduled transition to International Financial Reporting Standards from the fiscal year ending March 31, 2016, 21 companies, including KDDI China Corporation, changed to prepare financial statements based on the provisional accounts as of the Company's fiscal year-end date. In addition, for the reasons stated above, for the fiscal year ended March 31, 2015, the fiscal year-end date for 25 companies, including KDDI America, Inc., has changed from December 31 to March 31. The income for these subsidiaries from January 1, 2014 to March 31, 2014 was adjusted through consolidated income statements, and their accounting period for the fiscal year ended March 31, 2015 is 15 months. For these subsidiaries, during the period from January 1, 2014 to March 31, 2014, total net sales amounted to ¥42,594 million (U.S.$354 million), and segment income was ¥2,775 million (U.S.$23 million).

4. Relative Information

(1) Products and services information

Products and services information was not shown since the same information was disclosed in the segment information.

(2) Geographic segment information

(a) Sales

Sales information by geographic segment was not shown since sales in Japan accounted for over 90% of operating revenues on the consolidated statements of income.

(b) Property, plant and equipment

Property, plant and equipment information by geographic segment was not shown since property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

(3) Information by major clients

Information by major clients was not presented since no individual clients accounted for greater than 10% of operating revenues on the consolidated statements of income.

5. Information on Impairment Loss on Property, Plant, and Equipment by Business Segment

For the fiscal year ended March 31, 2014

The Companies do not allocate impairment losses to reportable business segments. During the period, the Companies recorded an impairment loss of ¥8,696 million.

For the fiscal year ended March 31, 2015

The Companies do not allocate impairment losses to reportable business segments. During the period, the Companies recorded an impairment loss of ¥42,116 million (U.S.$350 million).

6. Information on Amortization of Goodwill and Unamortized Balance by Business Segment

For the fiscal year ended March 31, 2014

						Millions of yen
	Personal Services	Value Services	Business Services	Global Services	Other	Total
Amortization of goodwill	¥ 22,465	¥ 2,021	¥—	¥ 3,635	¥ 134	¥ 28,255
Year-end balance	290,312	18,420	—	26,708	2,017	337,457

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For the fiscal year ended March 31, 2015

	Personal Services	Value Services	Business Services	Global Services	Other	Total
						Millions of yen
Amortization of goodwill	¥ 20,195	¥ 2,500	¥ 3	¥ 5,257	¥ 179	¥ 28,134
Year-end balance	271,363	25,886	—	22,939	1,838	322,025

	Personal Services	Value Services	Business Services	Global Services	Other	Total
						Millions of U.S. dollars
Amortization of goodwill	$ 168	$ 21	$0	$ 44	$ 1	$ 234
Year-end balance	2,258	215	—	191	15	2,680

7. Information on Negative Goodwill by Business Segment

For the fiscal years ended March 31, 2014 and 2015
No significant items to be reported.

21. Per Share Information

	Yen 2014	Yen 2015	U.S. dollars 2015
Net assets per share	¥1,087.21	¥1,201.86	$10.00
Net income per share	132.87	170.84	1.42

* The following shows the basis of calculating net income per share and diluted net income per share for the fiscal years ended March 31, 2014 and 2015.

	Millions of yen 2014	Millions of yen 2015	Millions of U.S. dollars 2015
Net income for the fiscal year	¥322,038	¥427,931	$3,561
Monetary value not related to common stockholders	—	—	—
Net income related to common stock	322,038	427,931	3,561
Number of weighted average common shares outstanding during the fiscal year (shares)	2,423,772,648	2,504,935,944	—

Notes: 1. The Company conducted a 1:3 stock split on common stock, with an effective date of April 1, 2015.
Total net assets per share and net income per share have been calculated as if the stock split was conducted at the beginning of the previous consolidated fiscal year.
2. For the fiscal years ended March 31, 2014 and March 31, 2015, diluted net income per share is not shown as dilutive shares do not exist.
3. As mentioned in "3. Accounting Changes and Others," the Accounting Standard for Retirement Benefits was applied, in accordance with the provisions on transitional implementation indicated in Paragraph 37 of the Accounting Standard for Retirement Benefits. As a result, net assets per share at the end of the fiscal year decreased by ¥2.94 (U.S.$0.02), net income per share at the end of the fiscal year increased by ¥0.36 (U.S.$0.00)

22. Others

1. Reduction Entry Due to Subsidies, etc.

Cumulative reduction entry due to subsidies, etc., for the acquisition of property, plant and equipment as of March 31, 2014 and 2015 were ¥23,060 million and ¥21,255 million (U.S.$177 million).

2. Notes Relating to Affiliates

The following table summarizes the amounts relating to affiliates as of March 31, 2014 and 2015.

	Millions of yen 2014	Millions of yen 2015	Millions of U.S. dollars 2015
Investments in affiliates	¥41,480	¥61,161	$509
Other investments in affiliates	274	293	2

3. Supplemental Information of Cash Flow Statement

1) Non-monetary transactions

The following tables summarize the major non-cash transactions for the fiscal years ended March 31, 2014 and 2015.
Amount of assets and obligations related to finance lease transactions entered by the Companies

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Finance lease assets	¥16,856	¥34,784	$289
Finance lease obligations	17,464	34,910	291

Exercise of subscription rights to shares on Zero Coupon Convertible Bonds

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Marginal gain on disposal of treasury stock	¥ 18,308	¥—	$—
Decrease in amount of treasury stock	182,209	—	—
Decrease in amount of Zero Coupon Convertible Bonds	¥200,517	¥—	$—

2) Assets and liabilities of newly consolidated subsidiaries

For the fiscal year ended March 31, 2014

Jupiter Telecommunications Co., Ltd. ("J:COM") was newly consolidated as the result of the acquisition of the additional shares and establishing effective control.

The following table summarizes the breakdown of assets acquired and liabilities assumed existed at the time of consolidation.

	Millions of yen
Current assets	¥ 125,900
Noncurrent assets	548,288
Goodwill	219,735
Current liabilities	(138,156)
Noncurrent liabilities	(176,473)
Minority interests	(217,834)
Subscription rights to shares	(143)
Valuation under the equity method prior to acquisition	(319,722)
Loss on step acquisition from the purchase of additional shares	38,458
Amount paid for the acquisition of shares of J:COM	80,053
Cash and cash equivalent of J:COM	(96,325)
Net amount paid for the acquisition of J:COM	¥ (16,272)

For the fiscal year ended March 31, 2015

No significant items to be reported.

4. Lease Payment

1) As a lessee

For the fiscal years ended March 31, 2014 and 2015

1. Finance leases

Finance leases without a transfer of ownership

Details of lease assets

Property, plant and equipment

Primarily set-top boxes in the CATV business

Depreciation for lease assets

The depreciation method is described in "2. Significant Accounting Policies."

2. Operating leases

No significant items to be reported.

2) As a lessor

For the fiscal years ended March 31, 2014 and 2015

Finance leases

No transaction

23. Significant Subsequent Event

Stock Split

The Company decided at a Board of Directors' meeting on January 30, 2015 to conduct a stock split. The details are as follows.

1. Purpose of Stock Split

The purpose of the stock split is to increase the liquidity of the Company's stock and expand its investor base by reducing the price of share-trading units.

2. Outline of Stock Split

(1) Method of stock split

The stock split shall have a record date of Tuesday, March 31, 2015 and shall involve the splitting of common stocks held by shareholders whose names are recorded in the latest Registry of Shareholders on the record date at a ratio of 1:3.

(2) Number of increase in shares by stock split

1) Total number of issued shares before stock split
896,963,600 shares
2) Number of increase in shares by stock split
1,793,927,200 shares
3) Total number of issued shares after stock split
2,690,890,800 shares
4) Total number of authorized shares after stock split
4,200,000,000 shares

(3) Schedule of stock split

1) Public notice date of the record date Monday, March 16, 2015
2) Record date Tuesday, March 31, 2015
3) Effective date Wednesday, April 1, 2015

3. Others

(1) Changes in capital

The stock split does not result in changes in capital.

(2) Share information

Information on the impact of this stock split is included in the "21. Per Share Information section."

Disposal of Treasury Stock through a Third-Party Allocation to Support KDDI Foundation's Social Contribution Activities

The Company decided at a Board of Directors' meeting on April 14, 2015 to dispose of treasury stock, in order to support the social contribution activities of KDDI Foundation (hereafter, the "Foundation"). This disposal of treasury stock was approved at the Company's 31st Annual Shareholders' Meeting (hereafter, the "Annual Shareholders' Meeting"), which was held on June 17, 2015.

1. About the Foundation

(1) The Foundation's mission

The Foundation strives to pass on to society the benefits of information and communications technology (ICT) in Japan and overseas. The Foundation's mission is to contribute to harmonious and sound global development through ICT, and to contribute to the sustainable development of international society through activities to further the public interest.

2. About the Disposal of Treasury Stock

Purpose of the Disposal

1) Number of shares for disposal	1,125,000 shares of common stock
2) Disposal price	¥1 per share
3) Amount raised	¥1,125,000
4) Subscription or disposal method	Disposal through third-party allocation
5) Disposal recipient (planned)	The Master Trust Bank of Japan, Ltd.
6) Date of disposal	To be determined
7) Other	The date and other items related to this disposal of treasury stock will be resolved at the Board of Directors' meeting following the Annual Shareholders' meeting.

3. Objective of and Reason for the Disposal

The Company promotes social contribution activities that leverage its technologies and human resources, both in Japan and overseas, in the aim of contributing to society's happiness by encouraging fulfilling lives for people around the world in a sustainable manner.

The Foundation's mission is to "contribute through ICT to harmonious and healthy global development." In accordance with this mission, the Foundation conducts activities to further the public interest, including grant activities, international cooperation activities, and activities promoting the spread of ICT. By performing these activities in a stable and sustained manner, the Foundation furthers the Company's goal of contributing to society's happiness.

To support the Foundation's social contribution activities, the Company intends to establish a third party benefit trust (hereinafter, the "Trust") with Mitsubishi UFJ Trust and Banking Corporation as trustee, The Master Trust Bank of Japan, Ltd., as joint trustee, and the Foundation as beneficiary, with the Trust to acquire the Company's shares. The Trust will deliver trust income on allotment, etc., of the Company's shares to the Foundation, which will use this trust income as the source of funding for its activities, as well as to conduct future activities.

This disposal of treasury stock is intended for the establishment of the Trust, thereby providing a source of funds for the Foundation's social contribution activities.

4. Amount of Funds Raised, Their Use and Expected Payment Period

(1) Amount of funds raised

1) Total amount of money paid	¥1,125,000
2) Estimated issuance expenses	¥0
3) Estimated amount after deductions	¥1,125,000

(2) Specific use of funds raised

The estimated amount after deductions mentioned above is mainly used as miscellaneous expenses, including attorneys' fees needed to structure the scheme.

Introduction of a Stock Compensation Plan for Executives

The Company decided at a Board of Directors meeting on April 14, 2015, to introduce a new stock compensation plan (hereafter, the "Plan") for directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors and part-time directors) that have entered into engagement agreements with the Company (hereafter, "Directors and Other Executives"). The Plan was resolved at the Annual Shareholders Meeting held on June 17, 2015.

1. Objective for Introducing the Plan

(1) The plan is being considered for introduction in order to clarify the link between compensation for Directors and Other Executives with shareholder value and to increase their awareness of contributing to increases in operating performance and corporate value over the medium to long term.

(2) Introduction of the Plan for Directors and Other Executives is subject to approval at the Annual Shareholders' Meeting.

(3) The Plan employs a framework referred to as the executive compensation BIP (Board Incentive Plan) trust (hereafter, "BIP Trust"). BIP Trust is an executive incentive plan modeled on the U.S. performance share and restricted stock systems. BIP Trust provides Directors and Other Executives with the Company's shares based on their position and the attainment level of operating performance targets.

Note Board Incentive Plan® is a registered trademark of Mitsubishi UFJ Trust and Banking Corporation.

2. Overview for Introducing the Plan

(1) Overview of the Plan

During the three-year period of the Plan (hereinafter, the "Target Period"), which is to begin in the fiscal year ending March 31, 2016 and end in the fiscal year ending March 31, 2018, monies contributed by the Company are to be used to acquire the Company's shares via the Trust, providing a stock compensation plan under which the Company's shares are to be provided to Directors and Other Executives upon retirement according to such factors as their attainment level of operating performance targets and positions.

(2) Annual Shareholders' Meeting Approval of the Proposal to Introduce the Plan

The Annual Shareholders' Meeting shall resolve the amount of monies to be contributed to the Trust, the upper limit on the number of shares to be acquired by the Trust and other necessary items.

(3) People Eligible for the Plan

Directors and Other Executives who satisfy the beneficiary conditions upon retirement shall, after undergoing the prescribed procedure for defining beneficiaries, receive from the Trust a number of the Company's shares corresponding to the number of points determined at retirement.

(4) Trust Period

The trust period shall be for three years, from September 1, 2015 (planned) to August 31, 2018 (planned). Directors and Other Executives who may satisfy beneficiary conditions and are in their appointment period at the conclusion of this period shall not thereafter receive points allocated to Directors and Other Executives. However, the Trust's trust period may be extended for up to 15 years, and during this time the Directors and Other Executives may retire and receive delivery of the Company's shares.

In the event that a proposal to continue the Trust is raised at an Annual Shareholders' Meeting three years hence and, provided that the Target Period and trust period are extended within the scope of approval by Annual Shareholders' Meeting resolution, points shall continue to be allocated to Directors and Other Executives during the extended trust period.

(5) Number of Shares Delivered to Directors and Other Executives

The number of Company shares delivered to Directors and Other Executives shall be according to such factors as their attainment level of operating performance targets and position during the fiscal year ending at the end of March during each year of the Target Period.

(6) Total Trust Balance Contributed to the Trust and the Total Number of Shares Acquired by the Trust

The total amount of trust money contributed to the Trust during the trust period and the total number of shares acquired by the Trust shall be subject to the upper limits described below, upon approval by Annual Shareholders Meeting resolution.

Upper limit on the total amount of trust money contributed to the Trust: ¥1,396 million*

* This amount is the total amount of funds for acquiring shares by the Trust, trust compensation and trust expenses.

Upper limit on the total number of shares acquired by the Trust: 600,000 shares

The upper limit on the total amount of trust money contributed to the Trust shall be calculated by taking into consideration fixed compensation and performance-linked bonuses of the Company's current Directors and Other Executives, plus trust compensation and trust expenses.

The upper limit on the total number of shares acquired shall be determined by referencing the current share price, taking into consideration the upper limit on the total amount of trust money described above.

(7) Method for Acquiring the Company's Shares by the Trust

The initial Company shares acquired by the Trust are expected to be acquired by the Company through the disposal of treasury stock or in the stock market, within the scope of the number of shares acquired and funds to acquire shares described in (6) above. The Company shall decide and disclose details of the acquisition method following the Annual Shareholders' Meeting resolution.

If the possibility of a shortfall arises in the number of shares within the Trust corresponding to points for Directors and Other Executives during the trust period and if the possibility of a shortfall arises in the amount of money in trust assets for the payment of trust compensation and trust expenses, additional funds shall be added to the Trust, within the scope of the upper limit on trust money described in (6) above.

(8) Method and Period for Delivering Shares to Directors and Other Executives

When the Company's Directors and Other Executives retire, they may, after satisfying the beneficiary conditions and undergoing the prescribed procedure for defining beneficiaries, receive after retirement delivery from the trust a number of the Company's shares corresponding to their number of points at retirement.

(9) Exercise of Voting Rights in the Company's Shares within the Trust

In order to maintain management neutrality, during the trust period no voting rights shall be exercised on the Company's shares within the Trust (the Company's shares prior to delivery to the Company's Directors and Other Executives as described in (5) above).

(10) Handling the Allocation of Surplus Funds for the Company's Shares within the Trust

The allocation of surplus funds to the Company's shares within the Trust shall be received by the Trust and applied to trust compensation and trust expenses for the Trust. If residual funds remain at conclusion after being applied toward trust compensation and trust expenses, these funds shall be donated to an organization having no interest-based relationship with the Company or its executives or provided to Directors and Other Executives.

(11) Handling at Conclusion of the Trust Period

If residual shares exist at the conclusion of the trust period due to operating performance targets having not been met during the Target Period (except for shares planned for delivery upon retirement to Directors and Other Executives who may satisfy beneficiary conditions who have not retired as of the conclusion of the trust period), upon conclusion of the trust period or conclusion of the extension period during which the trust period has been extended in accordance with the first paragraph of (4) above, as a shareholder return measure the Trust expects to made a gratuitous conveyance of these residual shares and retire them by resolution of the Board of Directors.

Introduction of a Stock Compensation Plan for Managers

The Company decided at a Board of Directors' meeting on April 14, 2015 to introduce a stock-granting ESOP trust (hereinafter, "ESOP Trust") as an incentive plan for managers aimed at enhancing the Company's corporate value over the medium to long term. The Company will decide the date of establishment of this trust, as well as its period, the share acquisition period, the total value of shares to be acquired and other details once this information has been decided.

1. Objective for Introducing the ESOP Trust

This ESOP Trust is being introduced as an incentive plan to further promote operational execution and enhance corporate value over the medium to long term by increasing awareness among the Company's managers of operating performance and stock price.

2. Overview of the ESOP Trust

The ESOP Trust is a trust-type incentive plan for employees modeled on the U.S. employee stock ownership plan (ESOP) system. The ESOP trust acquires the Company's shares and delivers them to employees in accordance with operating performance achievement levels and their positions.

The Company will establish this trust by contributing the cash to acquire the Company's shares and specifying as the plan's beneficiaries those selected managers who satisfy certain conditions. Based on share delivery regulations prepared in advance, this trust will acquire a number of the Company's shares that is expected to be delivered to the Company's managers. Thereafter, in accordance with the share delivery regulations, at the trust's conclusion the trust will deliver to managers a number of shares in accordance with operating performance achievement levels and their positions. Managers will incur no burden, as the Company will contribute all the cash for purchasing the shares to be acquired by the trust.

The introduction of this trust is expected to increase managers' working incentive, promoting operational execution from the perspective of contributing to operating performance over the medium to long term.

Voting rights on the shares that make up the trust's assets are not to be exercised during the trust period.

Independent Auditor's Report

To the Board of Directors of KDDI CORPORATION

We have audited the accompanying consolidated financial statements of KDDI CORPORATION and its subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KDDI CORPORATION and its subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Kyoto

PricewaterhouseCoopers Kyoto
Kyoto, Japan

June 18, 2015