Performance Analysis for the Fiscal Year Ended March 31, 2016

Analysis of Consolidated Statement of Income

Operating Revenue

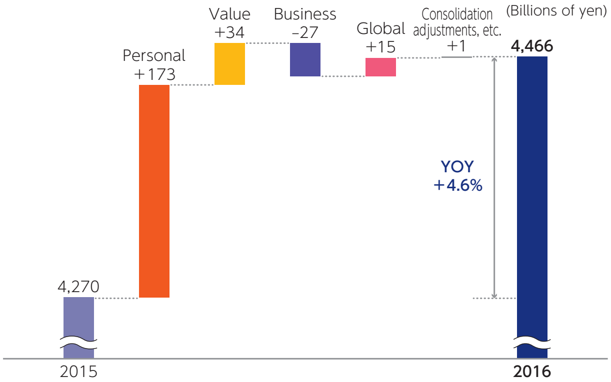
(Years ended March 31)

YOY

4.6% up

¥4,466.1 billion

Total ARPA revenues rose due to increases in au ARPA and value-added ARPA. In addition, fixed-line communications revenues increased, along with higher revenues from terminal sales, overseas subsidiaries and other sources. As a result, consolidated operating revenue rose 4.6% year on year, to ¥4,466.1 billion.



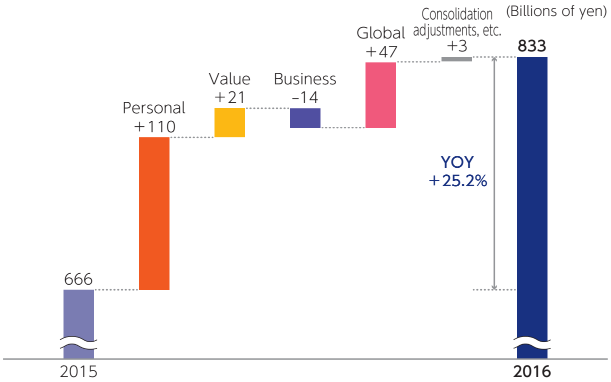
Operating Income

YOY

25.2% up

¥833.4 billion

Consolidated operating income increased 25.2% year on year to ¥833.4 billion. This was mainly owing to positive contributions to earnings from increased operating revenue including higher total ARPA revenues and a decline in the loss on impairment and disposal of equipment recorded in the previous fiscal year. These factors absorbed increases in au sales commissions and depreciation.



Profit for the Year Attributable to Owners of the Parent

YOY

24.9% up

¥494.5 billion

The higher consolidated operating income absorbed the impacts of increases in income tax and profit for the year attributable to non-controlling interests. As a result, profit for the year attributable to owners of the parent rose 24.9% year on year to ¥494.5 billion.

Dividends per Share

YOY

¥13.33 up*

¥70.00

Full-year dividends per share were ¥70, up ¥13.33* year on year, representing a consolidated dividend payout ratio of 35.4%. Our dividend policy is to maintain the consolidated dividend payout ratio at a level above 35%, while taking into consideration the investments necessary to achieve growth and ensure stable business operations, and we plan to continue raising dividends through synergy between a higher consolidated dividend payout ratio and increasing earnings per share in line with higher operating income.

* After adjusting for a stock split.

Analysis of Consolidated Statement of Financial Position

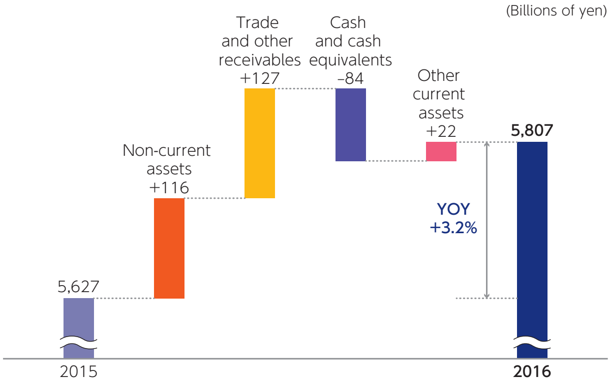
Total Assets

(Years ended March 31)

YOY **¥180.5 billion up**

¥5,807.2 billion

Total assets were ¥5,807.2 billion, an increase of ¥180.5 billion from the previous fiscal year-end. This increase was mainly due to expansion of the "au WALLET" credit card business and higher installment sales receivables of au mobile phone handsets, as well as an increase in assets in connection with the conversion of Jupiter Shop Channel Co., Ltd. into a new consolidated subsidiary.

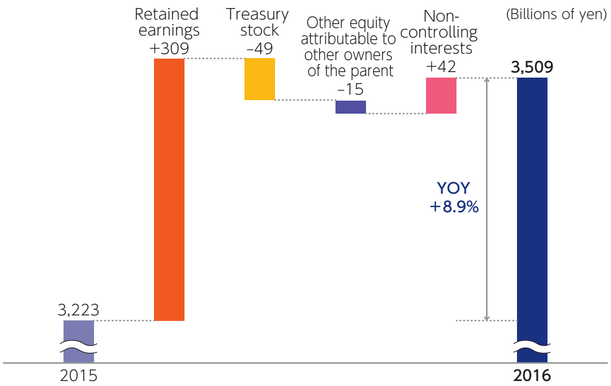


Total Equity

YOY **¥286.4 billion up**

¥3,509.5 billion

Total equity was ¥3,509.5 billion, an increase of ¥286.4 billion, mainly due to increased retained earnings associated with an increase in profit for the year, and an increase in non-controlling interests.



Interest-Bearing Debt

YOY **¥81.2 billion up**

¥1,235.3 billion

Interest-bearing debt was ¥1,235.3 billion an increase of ¥81.2 billion from the previous fiscal year-end, mainly due to an increase in long-term borrowings in connection with the acquisition of shares of Jupiter Shop Channel Co., Ltd.

D/E Ratio

YOY **0.01 point down**

0.37 times

Equity attributable to owners of the parent increased mainly due to higher retained earnings, despite the increase in interest-bearing debt. As a result, the D/E ratio declined 0.01 percentage point from the previous fiscal year, to 0.37 times.

Analysis of Capital Expenditures and Cash Flows

Capital Expenditures

(Years ended March 31)

Consolidated capital expenditures decreased ¥136.3 billion compared with the fiscal year ended March 31, 2015, to ¥531.4 billion.

Mobile

YOY **¥141.1 billion down**

¥338.0 billion

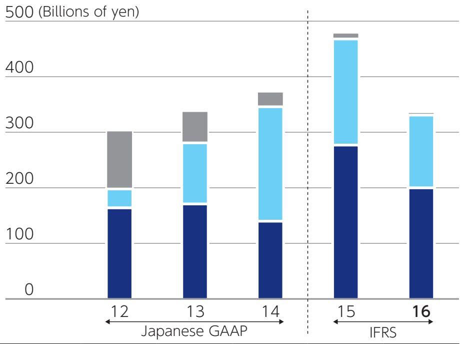
Capital expenditures in the mobile business were down ¥141.1 billion, to ¥338.0 billion, mostly due to a decline in investment in expanding service areas after the population coverage ratio of the 4G LTE (800 MHz) area surpassed 99%. This was despite the continued execution of investment primarily in wireless base stations and new and expanded switching equipment, to address data traffic.

Fixed-Line, and others

YOY **¥4.8 billion up**

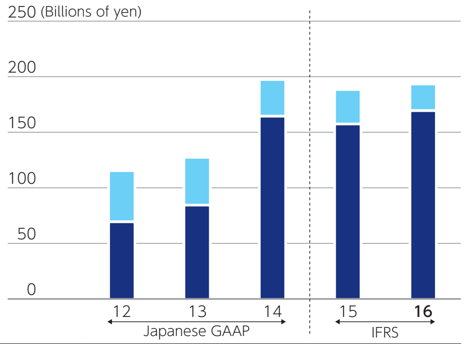
¥193.4 billion

In the fixed-line business, capital expenditures rose ¥4.8 billion year on year, to ¥193.4 billion. This was the result of continued spending on the expansion of fixed-line communications networks to handle the ongoing increase in mobile data traffic, as well as on new and expanded FTTH and CATV facilities.



	12	13	14	15	16
3G	105	57	27	11	**5**
LTE	34	110	206	191	**131**
Common equipment*	165	172	141	278	**201**
Total	304	338	374	479	**338**

* Includes the capital expenditures of UQ, which was converted into a consolidated subsidiary in conjunction with the voluntary adoption of International Financial Reporting Standards (IFRS).



	12	13	14	15	16
FTTH	46	43	33	31	**24**
Others	71	86	165	158	**170**
Total	117	129	198	189	**193**

Cash Flows

(Years ended March 31)

Free Cash Flows

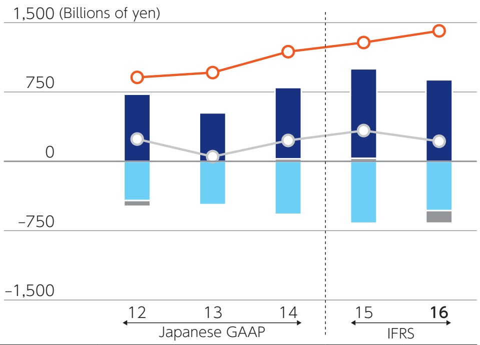
YOY **¥116.4 billion down**

¥216.6 billion

Net cash provided by operating activities was ¥884.5 billion, ¥84.2 billion less than in the previous fiscal year. This decrease partly reflects changes in receivables and payables and an increase in income tax paid, despite increases in profit for the period before income tax and depreciation and amortization.

Net cash used in investing activities was ¥667.9 billion, ¥32.2 billion more than in the previous fiscal year. Cash was used mainly for the acquisition of shares of Jupiter Shop Channel Co., Ltd.

Free cash flows—the total of operating and investing cash flows—amounted to ¥216.6 billion, down ¥116.4 billion from the previous fiscal year.



	12	13	14	15	16
Free Cash Flows	241	51	226	333	**217**
Net Cash Provided by (Used in) Operating Activities	726	524	772	969	**885**
Capital Expenditures	−422	−467	−572	−668	**−531**
Other, Net Cash Provided by (Used in) Investing Activities	−63	−6	26	32	**−136**
EBITDA	908	960	1,186	1,285	**1,411**

Personal Services Segment

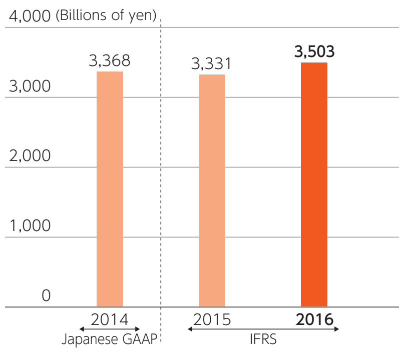
(Years ended March 31)

Overview of Operations

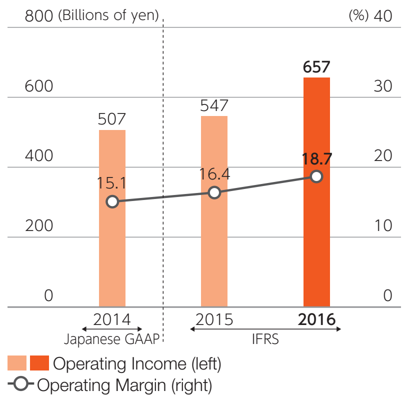
In the fiscal year ended March 31, 2016, operating revenue increased 5.2% year on year to ¥3,503.3 billion. This increase was underpinned by higher au ARPA revenues in line with an increase in au ARPA due to the promotion of multi-device services. Other contributing factors included an increase in revenues from terminal sales.

Meanwhile, operating income rose 20.1% year on year to ¥656.6 billion mainly due to the higher revenue, which outweighed an increase in sales commissions accompanying intensified competition for customers centered on mobile number portability (MNP), higher handset procurement costs in line with an increase in the sales volume of terminals, and an increase in depreciation and amortization.

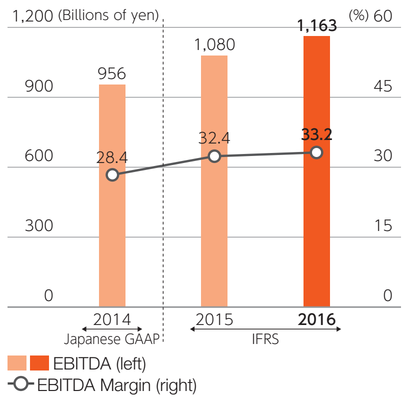
Operating Revenue



Operating Income/Operating Margin

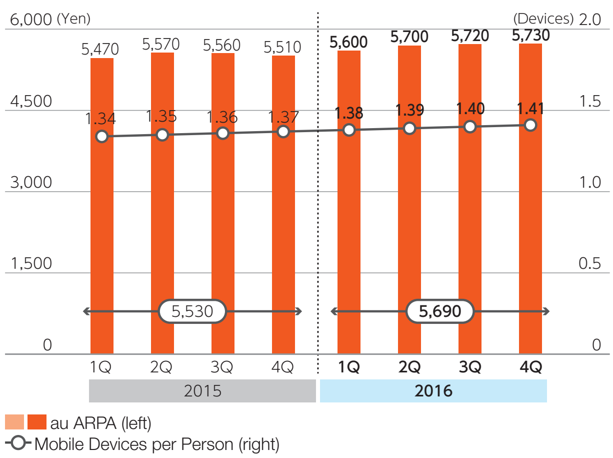


EBITDA/EBITDA Margin



au ARPA/Mobile Devices per Person

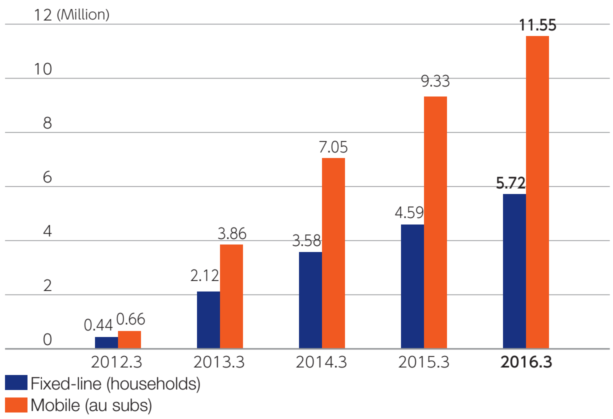
au ARPA rose ¥160 year on year, to ¥5,690, partly due to an increase in the number of devices per customer, owing to the promotion of multi-device services through sales of smartphones bundled with tablets, mobile routers and other devices. Also, the smartphone penetration rate increased 3.9 percentage points to 58.2% reflecting a shift from feature phones to smartphones.



Number of "au Smart Value" Subscriptions

"au Smart Value" has continued to expand its customer base through mutual cross-selling of mobile and fixed-line services.

Looking at the number of au Smart Value subscriptions, the number of mobile subscriptions increased 2.22 million to 11.55 million, while the number of subscriptions among fixed-lined broadband households rose 1.13 million to 5.72 million. These increases partly reflected an extension of the applicable conditions for "au Smart Value" along with an increase in allied partners.



Value Services Segment

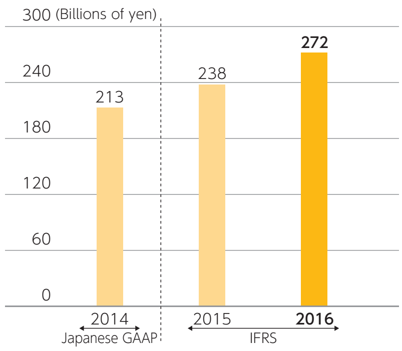
(Years ended March 31)

Overview of Operations

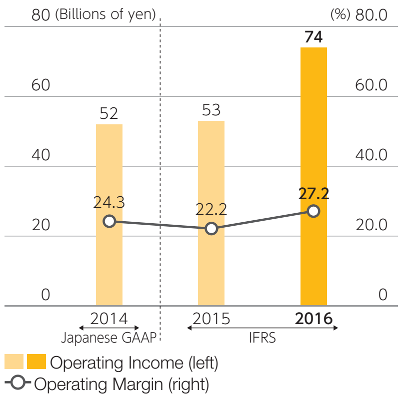
In the fiscal year ended March 31, 2016, operating revenue rose 14.3% year on year to ¥271.8 billion. This was mainly owing to an increase in value-added ARPA revenues in line with an increase in settlement commissions centered on “au WALLET,” in addition to an increase in the number of members online services such as “au Smart Pass.”

Meanwhile, operating income increased 40.1% to ¥73.8 billion. The main contributing factor was the increase in operating revenue, which exceeded a higher cost of goods incurred in connection with the launch of the “au WALLET Market” service and the conversion of Jupiter Shop Channel Co., Ltd. into a new consolidated subsidiary.

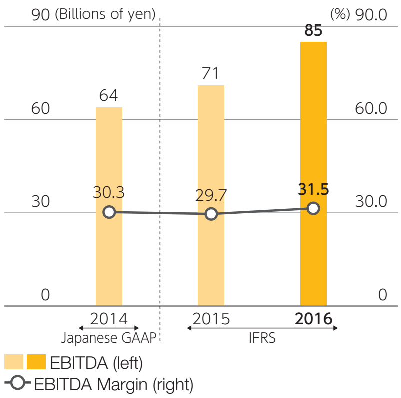
Operating Revenue



Operating Income/Operating Margin

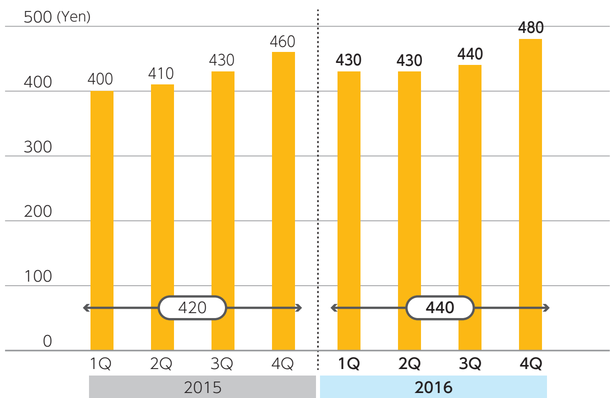


EBITDA/EBITDA Margin



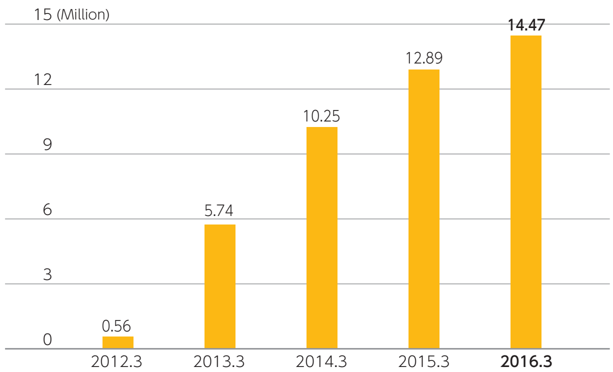
Value-Added ARPA

In the fiscal year ended March 31, 2016, value-added ARPA grew ¥20 year on year to ¥440. The main factors behind this increase were a steady increase in the number of “au Smart Pass” members, as well as higher settlement commissions from “au Simple Payment” and “au WALLET,” and increased revenues from sales of products in the “au WALLET Market.”



Number of “au Smart Pass” Members

The number of “au Smart Pass” members rose 12.3% from the previous fiscal year-end to 14.47 million members. This was mainly due to proactive initiatives in line with customer needs, such as “au Smart Pass Day,” which commenced in March 2015, and repair services for iPhone and iPad.



Business Services Segment

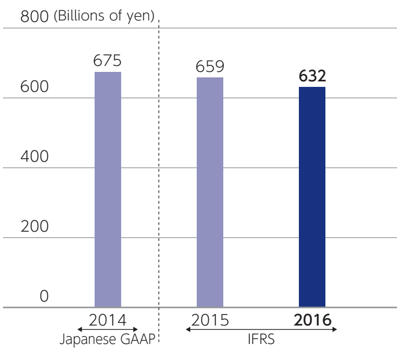
(Years ended March 31)

Overview of Operations

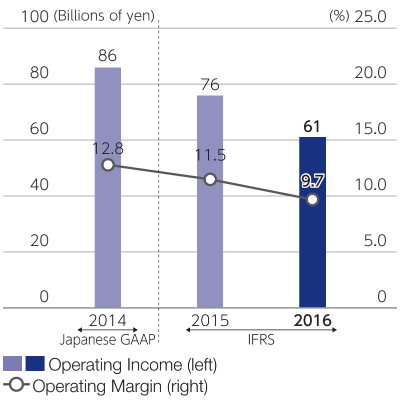
In the fiscal year ended March 31, 2016, operating revenue in this segment decreased 4.1% year on year to ¥632.0 billion. Solution sales such as cloud-related business and IT outsourcing rose, and sales also grew for services from consolidated subsidiary "KDDI MATOMETE OFFICE CORPORATION" targeting small and medium-sized companies. However, the introduction of flat-rate voice communications caused mobile communications revenues to decrease.

Meanwhile, sales commissions, access charges and other expenses declined, despite an increase in handset procurement costs. As a result, operating income declined 19.0% year on year to ¥61.4 billion.

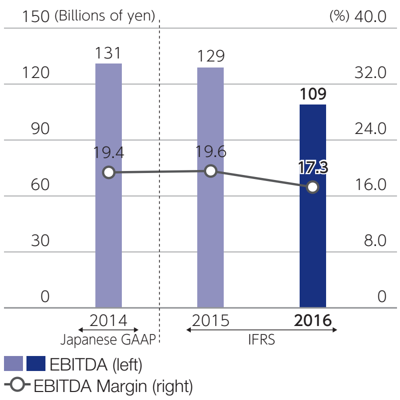
Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin



Global Services Segment

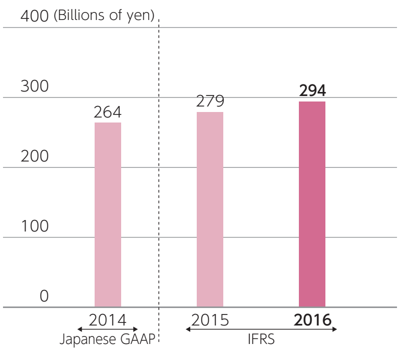
(Years ended March 31)

Overview of Operations

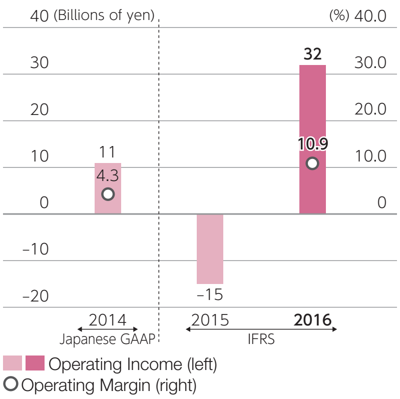
In the fiscal year ended March 31, 2016, operating revenue was up 5.5% year on year, to ¥294.4 billion. The main contributing factor was higher revenue from the telecommunications business in Myanmar and our "TELEHOUSE" brand of data centers.

Operating income was ¥32.1 billion, a change of ¥47.4 billion from an operating loss in the previous fiscal year. This partly reflected the absence of a loss on business of overseas subsidiaries incurred in the fiscal year ended March 31, 2015.

Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin