Consolidated Financial Statements

Consolidated Statement of Financial Position

KDDI Corporation and its Subsidiaries

As of March 31	Notes	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Assets				
Non-current assets:				
Property, plant and equipment	6, 8	¥2,485,728	¥2,428,445	$21,646
Goodwill	4, 7, 8	449,707	477,873	4,259
Intangible assets	7, 8	845,640	922,478	8,222
Investments accounted for using the equity method	9	71,011	92,371	823
Other long-term financial assets	12, 31, 32	112,809	183,081	1,632
Deferred tax assets	16	103,388	124,467	1,109
Other non-current assets	13	72,938	69,085	616
Total non-current assets		4,141,220	4,297,800	38,308
Current assets:				
Inventories	10	79,626	77,656	692
Trade and other receivables	11, 31	1,357,820	1,518,070	13,531
Other short-term financial assets	12, 31, 32	14,966	16,968	151
Income tax receivables		8,142	10,715	96
Other current assets	13	86,648	116,009	1,034
Cash and cash equivalents	4, 14	192,200	226,607	2,020
Total current assets		1,739,403	1,966,025	17,524
Total assets		¥5,880,623	¥6,263,826	$55,832

As of March 31	Notes	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Liabilities and Equity				
Liabilities				
Non-current liabilities:				
Borrowings and bonds payable	15, 31, 32	¥ 956,800	¥ 909,673	$ 8,108
Other long-term financial liabilities	19, 31, 32	174,791	176,794	1,576
Retirement benefit liabilities	17	20,255	21,800	194
Deferred tax liabilities	16	62,440	75,919	677
Provisions	20	7,635	7,725	69
Other non-current liabilities	21	153,299	141,290	1,259
Total non-current liabilities		1,375,219	1,333,201	11,883
Current liabilities:				
Borrowings and bonds payable	15, 31, 32	96,836	57,805	515
Trade and other payables	18, 31	426,172	537,830	4,794
Other short-term financial liabilities	19, 31, 32	25,037	24,373	217
Income taxes payables		120,818	153,950	1,372
Provisions	20	20,390	26,887	240
Other current liabilities	21	269,294	280,646	2,502
Total current liabilities		958,548	1,081,491	9,640
Total liabilities		2,333,767	2,414,692	21,523
Equity				
Equity attributable to owners of the parent				
Common stock	23	141,852	141,852	1,264
Capital surplus	22, 23	368,245	298,046	2,657
Treasury stock	23	(210,861)	(237,014)	(2,113)
Retained earnings	23	2,995,836	3,354,140	29,897
Accumulated other comprehensive income	23	13,570	(2,601)	(23)
Total equity attributable to owners of the parent		3,308,642	3,554,423	31,682
Non-controlling interests	38	238,214	294,710	2,627
Total equity		3,546,856	3,849,133	34,309
Total liabilities and equity		¥5,880,623	¥6,263,826	$55,832

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Income

KDDI Corporation and its Subsidiaries

For year ended March 31	Notes	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Operating revenue	25	¥4,466,135	¥4,748,259	$42,323
Cost of sales	26	2,540,338	2,669,678	23,796
Gross profit		1,925,797	2,078,582	18,527
Selling, general and administrative expenses	26	1,107,573	1,173,562	10,460
Other income	27	12,866	11,244	100
Other expense	27	3,677	6,042	54
Share of profit of investments accounted for using the equity method	9	5,170	2,755	25
Operating income		832,583	912,976	8,138
Finance income	28	1,848	1,711	15
Finance cost	28	19,638	13,273	118
Other non-operating profit and loss	29	3,616	(5,517)	(49)
Profit for the year before income tax		818,410	895,897	7,986
Income tax	16	251,495	253,282	2,258
Profit for the year		¥ 566,914	¥ 642,615	$ 5,728
Profit for the year attributable to:				
Owners of the parent		¥ 494,878	¥ 546,658	$ 4,873
Non-controlling interests		72,036	95,957	855
Profit for the year		¥ 566,914	¥ 642,615	$ 5,728
Earnings per share attributable to owners of the parent	34			
Basic earnings per share (yen)		¥197.73	¥221.65	$1.98
Diluted earnings per share (yen)		197.71	221.60	1.98

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

KDDI Corporation and its Subsidiaries

For year ended March 31	Notes	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Profit for the year		¥566,914	¥642,615	$5,728
Other comprehensive income				
Items that will not be transferred subsequently to profit or loss				
Remeasurements of defined benefit pension plans	17, 30	(24,393)	(3,083)	(27)
Changes measured in fair value of financial assets through other comprehensive income	30, 31	(3,256)	(3,444)	(31)
Share of other comprehensive income of investments accounted for using the equity method	9, 30	3,239	(1,635)	(15)
Total		(24,410)	(8,162)	(73)
Items that may be subsequently reclassified to profit or loss				
Changes in fair value of cash flow hedge	30, 31	(4,909)	1,457	13
Translation differences on foreign operations	30	(11,009)	(13,581)	(121)
Share of other comprehensive income of investments accounted for using the equity method	9, 30	434	(173)	(2)
Total		(15,485)	(12,297)	(110)
Total other comprehensive income		(39,894)	(20,459)	(182)
Total comprehensive income for the year		¥527,020	¥622,156	$5,546
Total comprehensive income for the year attributable to:				
Owners of the parent		¥457,988	¥527,581	$4,703
Non-controlling interests		69,032	94,575	843
Total		¥527,020	¥622,156	$5,546

Notes: 1. Items in the statement above are disclosed net of tax.
2. Income taxes related to each component of other comprehensive income are disclosed in “Note 16. Deferred tax and income taxes.”
3. The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

KDDI Corporation and its Subsidiaries

		Millions of yen							
		Equity attributable to owners of the parent							
For year ended March 31	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2015		¥141,852	¥369,722	¥(161,822)	¥2,686,824	¥ 27,462	¥3,064,038	¥158,974	¥3,223,012
Comprehensive income									
Profit for the year		—	—	—	494,878	—	494,878	72,036	566,914
Other comprehensive income		—	—	—	—	(36,890)	(36,890)	(3,004)	(39,894)
Total comprehensive income		—	—	—	494,878	(36,890)	457,988	69,032	527,020
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(162,860)	—	(162,860)	(29,860)	(192,720)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(22,998)	22,998	—	—	—
Purchase and disposal of treasury stock	23	—	(1,010)	(49,039)	—	—	(50,050)	—	(50,050)
Changes due to business combination		—	—	—	—	—	—	52,822	52,822
Changes in interests in subsidiaries		—	(1,846)	—	—	—	(1,846)	(12,754)	(14,599)
Other		—	1,379	—	(8)	—	1,371	—	1,371
Total transactions with owners and other transactions		—	(1,477)	(49,039)	(185,867)	22,998	(213,385)	10,208	(203,176)
As of April 1, 2016		141,852	368,245	(210,861)	2,995,836	13,570	3,308,642	238,214	3,546,856
Comprehensive income									
Profit for the year		—	—	—	546,658	—	546,658	95,957	642,615
Other comprehensive income		—	—	—	—	(19,077)	(19,077)	(1,382)	(20,459)
Total comprehensive income		—	—	—	546,658	(19,077)	527,581	94,575	622,156
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(185,446)	—	(185,446)	(40,521)	(225,967)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(2,907)	2,907	—	—	—
Purchase and disposal of treasury stock	23	—	(57)	(100,000)	—	—	(100,056)	—	(100,056)
Cancellation of treasury stock	23	—	(73,804)	73,804	—	—	—	—	—
Changes due to business combination		—	—	—	—	—	—	213	213
Changes in interests in subsidiaries		—	2,979	—	—	—	2,979	1,226	4,205
Other		—	683	42	—	(1)	725	1,002	1,727
Total transactions with owners and other transactions		—	(70,199)	(26,153)	(188,354)	2,907	(281,799)	(38,079)	(319,878)
As of March 31, 2017		¥141,852	¥298,046	¥(237,014)	¥3,354,140	¥ (2,601)	¥3,554,423	¥294,710	¥3,849,133

		Millions of U.S. dollars							
		Equity attributable to owners of the parent							
For year ended March 31	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2016		$1,264	$3,282	$(1,879)	$26,703	$ 121	$29,491	$2,123	$31,615
Comprehensive income									
Profit for the year		—	—	—	4,873	—	4,873	855	5,728
Other comprehensive income		—	—	—	—	(170)	(170)	(12)	(182)
Total comprehensive income		—	—	—	4,873	(170)	4,703	843	5,546
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(1,653)	—	(1,653)	(361)	(2,014)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(26)	26	—	—	—
Purchase and disposal of treasury stock	23	—	(1)	(891)	—	—	(892)	—	(892)
Cancellation of treasury stock	23	—	(658)	658	—	—	—	—	—
Changes due to business combination		—	—	—	—	—	—	2	2
Changes in interests in subsidiaries		—	27	—	—	—	27	11	37
Other		—	6	0	—	0	6	9	15
Total transactions with owners and other transactions		—	(626)	(233)	(1,679)	26	(2,512)	(339)	(2,851)
As of March 31, 2017		$1,264	$2,657	$(2,113)	$29,897	$ (23)	$31,682	$2,627	$34,309

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

KDDI Corporation and its Subsidiaries

For year ended March 31	Notes	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Cash flows from operating activities				
Profit for the period before income tax		¥ 818,410	¥ 895,897	$ 7,986
Depreciation and amortization	6, 7	532,837	545,194	4,860
Impairment loss	8	5,873	37,488	334
Share of (profit) loss of investments accounted for using the equity method	9	(5,170)	(2,755)	(25)
Loss (gain) on sales of non-current assets		461	137	1
Interest and dividends income	28	(1,831)	(1,705)	(15)
Interest expenses	28	13,325	10,872	97
(Increase) decrease in trade and other receivables		(144,329)	(171,903)	(1,532)
Increase (decrease) in trade and other payables		(47,932)	69,576	620
(Increase) decrease in inventories		1,140	2,064	18
(Increase) decrease in retirement benefit assets		26,035	—	—
Increase (decrease) in retirement benefit liabilities		5,429	1,545	14
Other		(15,320)	26,195	233
Cash generated from operations		1,188,926	1,412,605	12,591
Interest and dividends received		2,986	4,823	43
Interest paid		(15,587)	(9,330)	(83)
Income tax paid		(291,998)	(256,066)	(2,282)
Income taxes refund		212	9,041	81
Net cash provided by (used in) operating activities		884,538	1,161,074	10,349
Cash flows from investing activities				
Purchases of property, plant and equipment		(343,290)	(338,749)	(3,019)
Proceeds from sales of property, plant and equipment		1,289	358	3
Purchases of intangible assets		(192,510)	(180,823)	(1,612)
Purchases of other financial assets		(1,691)	(54,165)	(483)
Proceeds from sales/redemption of other financial assets		548	357	3
Acquisitions of control over subsidiaries	4	(127,045)	(61,711)	(550)
Purchases of stocks of associates		(5,377)	(23,073)	(206)
Proceeds from sales of stocks of subsidiaries		—	18,711	167
Other		159	1,871	17
Net cash provided by (used in) investing activities		(667,917)	(637,225)	(5,680)
Cash flows from financing activities				
Net increase (decrease) of short-term borrowings		17,316	(66,643)	(594)
Proceeds from issuance of bonds and long-term borrowings		184,000	7,000	62
Payments from redemption of bonds and repayments of long-term borrowings		(213,464)	(74,963)	(668)
Repayments of lease obligations		(26,382)	(29,024)	(259)
Payments from purchase of subsidiaries' equity from non-controlling interests		(17,693)	(1,583)	(14)
Proceeds from stock issuance to non-controlling interests		212	6,139	55
Payments from purchase of treasury stock	23	(50,019)	(100,000)	(891)
Cash dividends paid		(162,834)	(185,430)	(1,653)
Cash dividends paid to non-controlling interests		(30,140)	(41,314)	(368)
Other		1	32	0
Net cash provided by (used in) financing activities		(299,003)	(485,784)	(4,330)
Effect of exchange rate changes on cash and cash equivalents		(1,848)	(3,545)	(32)
Net increase (decrease) in cash and cash equivalents		(84,230)	34,520	308
Cash and cash equivalents at the beginning of the year	14	276,317	192,087	1,712
Cash and cash equivalents at the end of the year (Note 1)	14	¥ 192,087	¥ 226,607	$ 2,020

Notes: 1. The difference in the amount of "cash and cash equivalents" between consolidated statement of financial position and consolidated statement of cash flows represents bank overdrafts.
2. The notes 1 to 41 are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

KDDI Corporation and its Subsidiaries

1. Reporting Entity

KDDI CORPORATION ("the Company") was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company's consolidated financial statements as of and for the year ended March 31, 2017 comprise the Company and its consolidated subsidiaries ("the Group") and the Group's interests in associates and joint ventures. There is no one shareholder exercising control over the Company. The Company is the ultimate parent company of the Group.

The Group's major business and activities are "Personal Services", "Value Services", "Business Services" and "Global Services." For the details, please refer to "(1) Outline of reporting segment" of "Note 5. Segment information."

2. Basis of Preparation

(1) Compliance of consolidated financial statements with International Financial Reporting Standards ("IFRSs")

The Group's consolidated financial statements have been prepared in accordance with IFRSs as prescribed in Article 93 of Ordinance on Consolidated Financial Statements as they satisfy the requirement of a "specific company" set forth in Article 1-2 of Ordinance on Consolidated Financial Statements.

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

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 ¥112.19=U.S.$1, the approximate exchange rate on March 31, 2017. 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.

(4) Use of estimates and judgment

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

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

i. Estimates of useful lives of property, plant and equipment, intangible assets, finance lease assets

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

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

The content and amount related to estimates of useful lives and residual values of property, plant and equipment, intangible assets, finance lease assets are described in "Note 3. Significant accounting policies (5) Property, plant and equipment, (7) Intangible asset" and (8) Leases","Note 6. Property, plant and equipment","Note 7. Goodwill and intangible assets."

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

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

The method for calculating recoverable amounts is described in “Note 3. Significant accounting policies (9) Impairment of property, plant and equipment, goodwill and intangible assets” and “Note 8. Impairment of property, plant and equipment, goodwill and intangible assets.”

iii. Evaluation of inventories

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

The content and amount related to evaluation of inventories are described in “Note 3. Significant accounting policies (15) Inventories” and “Note 10. Inventories.”

iv. Recoverability of deferred tax assets

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

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

The content and amount related to deferred tax assets are described in “Note 3. Significant accounting policies (25) Income taxes” and “Note 16. Deferred tax and income taxes.”

v. Measurement of defined benefit obligations

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

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

These actuarial assumptions and related sensitivity analysis are described in “Note 3. Significant accounting policies (16) Employee benefits” and “Note 17. Employee benefits.”

vi. Collectability of trade and other receivables

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

The content and amount related to collectability of trade and other receivables are described in “Note 3. Significant accounting policies (12) Impairment of financial assets” and “Note 31. Financial instruments.”

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

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

The content and amount related to fair value of financial assets are described in “Note 3. Significant accounting policies (11) Financial instruments and (13) Derivatives and hedge accounting” and “Note 32. Fair value of financial instruments.”

viii. Provisions

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

The nature and amount of recognised provisions are described in “Note 3. Significant accounting policies (17) Provisions” and “Note 20. Provisions.”

(5) Application of new standards and interpretations

Standard and interpretation newly applied from the fiscal year ended March 31, 2017 have no material impact on the Group’s consolidated financial statements. The Group has early adopted IFRS 9 “Financial instruments” (issued in November 2009 and amended in July 2014) from the date of transition to IFRSs.

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the consolidated financial statements are not mandatory for the fiscal year ended March 31, 2017. They have not been early adopted by the Group.

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and amendments
IFRS 15	Revenue from contracts with customers	January 1, 2018	fiscal year ending March 31, 2019	IFRS 15 describes that revision of current accounting standard for revenue recognition and disclosure. Specifically, IFRS15 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
IFRS16	Lease	January 1, 2019	fiscal year ending March 31, 2020	IFRS 16 describes that revision of current accounting standard for lease and disclosure. Specifically, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months as principal.
IAS7 (Revised)	Statement of cash flows	January 1, 2017	fiscal year ending March 31, 2018	The amendments to IAS 7 are designed to introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
IAS12 (Revised)	Income taxes	January 1, 2017	fiscal year ending March 31, 2018	The amendments to IAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base.
IFRIC22	Foreign currency transactions and advance consideration	January 1, 2018	fiscal year ending March 31, 2019	IFRIC22 provides guidance for exchange rates when an entity pays or receives consideration in advance for foreign currency-dominated contracts.

All standards and amendments above will be reflected to the consolidated financial statements for the relevant fiscal year described above. The Company is currently evaluating the impact of the application and estimate is currently not available.

IFRS 15 "Revenue from Contracts with Customers"
In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers." (Subsequently, the IASB deferred the effective date of IFRS 15 by one year until annual reporting periods beginning on or after January 1, 2018 and made additional clarifications on some areas of the standard in September 2015 and April 2016, respectively.) The Group plans to adopt IFRS 15 for the year ending March 31, 2019.

Depending on the business model applied, the new provisions affect the following issues in particular.

- In the case where the Group sells mobile handsets to customers and simultaneously enters into a communications service contracts with the customers, accounting might change as a result of combination of contracts and allocating the transaction prices to performance obligation. This may lead to the recognition of what is known as a contract asset / liability – a receivable / payable arising from the customer contract that has not yet legally come into existence – in the statement of financial position.
- For certain commission fees paid to distributors (customer acquisition costs), capitalization and recognition of the expenses over the estimated customer retention period will be necessary. This leads to increase in total assets on first-time adoption.

IFRS 15 will impact other areas but they are not expected to be material.

The effects will be analyzed as part of a Group-wide project for implementing IFRS 15.

IFRS 16 "Leases"
In January 2016, the IASB issued IFRS 16 "Leases".
Major effects on the Group's result is assumed that whereas previously there was a requirement to disclose payment obligations for operating leases in the notes to the financial statements, under IFRS 16, the resulting rights and obligations must be recognized as rights of use assets and lease liabilities in the statement of financial position, and depreciation charges and interest expense will be reported in the income statement instead of lease expense, and so on.

The effects will be analyzed as part of a Group-wide project for implementing IFRS 16.

3. Significant Accounting Policies

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

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

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

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

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

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

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

(c) Disposal of a subsidiary

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

(d) Unification of reporting period

The consolidated financial statements include the financial statements of subsidiaries whose closing dates are different from that of the Company. For the preparation of the consolidated financial statements, such subsidiaries prepare financial statements based on the provisional accounts as of the Company's closing date. However, among consolidated subsidiaries, KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., is not able to prepare financial statements based on the provisional accounts as of the Company's closing date mainly due to the accounting environment in the location where its subsidiary, KDDI Summit Global Myanmar Co., Ltd. operates. The difference between its reporting period-end, which is the 31 of December and the Company's closing date is less than three months and the necessary adjustments are made for consolidation in relation to significant transactions or events that occurred between the reporting period-end of the subsidiary and closing date of the Company.

ii. Associates

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

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

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

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

iii. Joint arrangements

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

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

For the purpose of accounting, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint agreement whereby parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

(2) Business combination

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

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

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

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

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

(3) Segment information

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

(4) Foreign currency translation

i. Functional currency and presentation currency

Foreign currency transactions of each group company have been translated into their functional currencies at the exchange rate prevailing at the dates of transactions upon preparation of their financial statements. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

ii. Foreign currency transactions

Foreign currency transactions are translated at the spot exchange rate of the date of transaction or the rate that approximates such exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the fiscal year end date. Non-monetary items at fair value denominated in foreign currencies are translated at an exchange rate of the date when their fair values are measured.

Exchange differences arising from the translation and settlement of monetary assets and liabilities denominated in foreign currencies are recognized as profit or loss. However, exchange differences arising from the translation of financial assets measured through other comprehensive income and cash flow hedges are recognized as other comprehensive income.

iii. Foreign operations

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill, identified assets and liabilities, and their fair value adjustments resulting from the acquisition of the foreign operations, are translated into presentation currency at the exchange rate prevailing at the fiscal year end date. Income and expenses of foreign operations are translated into Japanese yen, the presentation currency, at the average exchange rate for the period, unless there is significant change in the exchange rate during the period.

Exchange differences arising from translation of foreign operations' financial statements are recognized as other comprehensive income. In cases of disposition of whole interests of foreign operations, and certain interests involving loss of control or significant influence, exchange differences are accounted for as profit or loss on disposal of foreign operations.

(5) Property, plant and equipment

i. Recognition and measurement

Property, plant, and equipment of the Group is measured on a historical cost basis and carried at its cost less accumulated depreciation and impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration, as well as borrowing costs eligible for capitalization.

In cases where components of property, plant, and equipment have different useful lives, each component is recorded as a separate property, plant, and equipment item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.

ii. Depreciation and useful lives

Property, plant and equipment is depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

The estimated useful lives of major components of property, plant and equipment are as follows:

Communication equipment	
Machinery	9 years
Antenna equipment	10–21 years
Toll and local line equipment	10–21 years
Other equipment	9–27 years
Buildings and structures	10–38 years
Others	5–22 years

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

iii. Derecognition

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

(6) Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the acquiree on the date of acquisition.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. Instead, it is tested for impairment annually and if events or changes in circumstances indicate a potential impairment. For the impairment, please refer to

"Note 3. Significant accounting policies (9) Impairment of property, plant and equipment, goodwill and intangible assets."

(7) Intangible assets

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

Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill and are measured at fair value at the acquisition date when such assets meet the definition of intangible asset and are identifiable, and their fair values can be measured reliably.

Expenditure on research activities to obtain new science technology or technical knowledge and understanding is recognized as an expense when it is incurred.

Expenditure on development is recognized as intangible asset in the case where the expenditure is able to measure reliably, product or production process has commercial and technical feasibility, the expenditure probably generates future economic benefits, the Group has intention to complete the development and use or sell the asset, and has enough resources for their activities. In other cases, the expenditure is recognized as expense when it is incurred.

Intangible assets are amortized using the straight-line method over their estimated useful lives. Estimated useful lives of major components of intangible assets are as follows:

Intangible assets with indefinite useful lives are not amortized.

Software	5 years
Customer relationships	8–29 years
Assets related to program supply	22 years
Others	5–20 years

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

(8) Lease

i. Assets subject to lease

At the inception of the lease contract, the assessment whether an arrangement is a lease or contains a lease is made based on the substance of the agreement. Assets are subject to lease if the implementation of an agreement depends on use of certain assets or groups of assets, and the right to use the assets is given under such agreement.

ii. Classification of lease

Lease transactions are classified as finance leases whenever all the risks and rewards of ownership of assets are substantially transferred to the Group (lessee). All other leases are classified as operating leases.

iii. Finance lease

In finance lease transactions, leased assets are recognized as an asset in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the aggregated minimum lease payments, each determined at the inception of the lease, less accumulated depreciation and impairment losses. Lease obligations are recognized as "Other short-term financial liabilities" and "Other long-term financial liabilities" in the consolidated statement of financial position. Lease payments are apportioned between the financial cost and the reduction of the lease obligations based on the effective interest method. Finance cost is recognized in the consolidated statement of income. Assets held under finance leases are depreciated using straight-line method over their estimated useful lives if there is reasonable certainty that the ownership will be transferred by the end of the lease term; otherwise the assets are depreciated over the shorter of the lease term or their estimated useful lives.

iv. Operating lease

In operating lease transactions, lease payments are recognized as an expense using the straight-line method over the lease terms.

(9) Impairment of property, plant and equipment, goodwill and intangible assets

At the end of each reporting period, the Group determines whether there is any indication that carrying amounts of property, plant and equipment and intangible assets may be impaired. If any indication exists, the recoverable amount of the asset or the cash-generating unit to which the asset belongs is estimated. For goodwill and intangible assets with indefinite useful lives, the impairment test is undertaken when there is any indication of impairment, and at a certain timing within the fiscal year regardless of whether there is any indication of impairment. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset.

When the impairment test shows that the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of units, and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

For assets other than goodwill, the Group determines at the end of each reporting period whether there is any indication that an impairment loss recognized in prior years has decreased or extinguished. An impairment loss is reversed when there is an indication that the impairment loss may be reversed and there has been a change in the estimates used to determine an asset's recoverable amount. When an impairment loss recognized is reversed, carrying amount of the asset or cash-generating unit is increased to its updated estimated recoverable amount. A reversal of an impairment loss is recognized, to the extent the increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (net of depreciation and amortization) that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as other income.

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

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

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

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

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset measured at fair value through profit or loss is recognized as profit or loss.

(b) Classification of non-derivative financial assets

Classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets at initial recognition as financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

A financial asset that meets both the following condition is classified as a financial asset measured at amortized cost.

- The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

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

A debt instrument that meets both the following condition is classified as a financial asset measured at fair value through other comprehensive income.

- The financial asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to profit or loss when debt instrument is derecognized.

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

The Group makes an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss.

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

Dividends are recognized as "finance income" in profit or loss.

(iv) Financial assets measured at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss, and presented in "finance income" or "finance cost" in the consolidated statement of income for the reporting period in which it arises.

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

(c) Derecognition of financial assets

The Group derecognizes its financial asset if the contractual rights to the cash flows from the investment expire, or the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or continuously retained by the Group are recognized as a separate asset or liability.

ii. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

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

(b) Classification of financial liabilities

(i) Financial liabilities measured at amortized cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

(ii) Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value. After initial recognition, the financial liability is measured at fair value with subsequent changes recognized as profit or loss.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when the financial liability is distinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

(d) Preference shares

Preference shares are classified as equity or financial liabilities based on the substance of the contractual arrangements, not on their legal forms. Preference shares mandatorily redeemable on a particular date are classified as financial liabilities. Preference shares classified as liabilities are measured at amortized cost in the consolidated statement of financial position and the dividends on these preference shares are recognized as interest expense and presented as financial cost in the consolidated statement of income.

iii. Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(12) Impairment of financial assets

The Group recognizes 12-month expected credit loss as loss allowance when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as loss allowance. Whether credit risk is significantly increased or not is determined based on the changes in default risk. To determine if there is a change in default risk, following factors are considered. However, the Group always measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses.

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

Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received.

(13) Derivatives and hedge accounting

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

The Group utilizes derivatives consisting of exchange contracts and interest swaps to reduce foreign currency risk and interest rate risk etc.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates derivatives as cash flow hedge (hedges to the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction).

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

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

Specially, when the Group assess whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:

(i) There is an economic relationship between the hedged item and the hedging instrument
(ii) The effect of credit risk does not dominate the value changes that result from that economic relationship;
(iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedge effectiveness is assessed on an ongoing basis and about whether the hedging criteria described above are met.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss. Cumulative gain or loss recognized through other comprehensive income is transferred to profit or loss on the same period that the cash flows of hedged items affects profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (rebalancing).

After rebalancing, in cases where no longer meet the requirements of hedge accounting or hedging instruments are expired, sold, terminated or exercised, hedge accounting will be discontinued.

In the case that the hedge accounting is discontinued, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, accumulated amount of gains or losses recorded in equity is transferred to profit or loss.

Aggregated fair values of hedging instrument derivatives whose maturities are over 12 months are classified as non-current assets or liabilities, and those whose maturities are less than 12 months are classified as current assets or liabilities.

(14) Cash and cash equivalents

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

(15) Inventories

Inventories mainly consist of mobile handsets and materials / work in progress related to construction.

Inventories are measured at the lower of cost and net realizable value. The cost is generally calculated using the moving average method and comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated cost to sell.

(16) Employee benefits

i. Defined benefit plans

The Group primarily adopts defined benefit plans.

The asset or liability recognized on the consolidated statement of financial position in relation to the defined benefit pension plans (defined benefit asset or liability) is the present value of the defined benefit obligation less fair value of the plan assets at the end of the reporting period. The defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. The discount rates are on the basis of the market yields of high-quality corporate bonds at the end of the reporting period, that are denominated in the currency in which the benefit will be paid, which is corresponding to the estimated timing and amount of future benefits are to be paid.

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and remeasurements of the net defined benefit liability (asset). Service cost and net interest are recognized in profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses, past service cost and the return on plan assets (excluding amounts included in net interest). Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, and past service cost is recognized as profit or loss.

The Group recognizes remeasurements of all the net defined benefit liability (asset) resulting from its defined benefit plans in other comprehensive income and reclassifies them immediately to retained earnings.

ii. Defined contribution plans

Certain subsidiaries of the Group adopt defined contribution plans. Contribution to the defined contribution plans are recognized as expenses for the period over which employees provide services.

In addition, certain subsidiaries of the Group participate in multi-employer pension plans, and recognize the payments made during the fiscal year as profit or loss and contribution payable as a liability.

iii. Short-term employee benefits

Short-term employee benefits are recognized as an expense on an undiscounted basis at the time when the service is rendered. Bonus and paid annual leave accruals are recognized as a liability in the amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.

(17) Provisions

Provisions are recognized when the Group has legal or constructive obligations as a result of past events, it is probable that outflows of economic benefits will be required to settle the obligations, and reliable estimates of the obligation can be made. To determine the amount of a provision, the estimated future cash flows are discounted using a pretax discount rate that reflects the time value of money and the risks specific to the liability where necessary. Unwinding of the discount over time is recognized in finance cost.

(18) Share-based payment

i. Stock options

The Group has equity-settled stock option plans as incentive plans for its directors and employees. Stock options are measured at fair value at the grant date, which is calculated using the Black-Scholes or other models.

The fair value of stock options at the grant date is recognized as an expense over the vesting period, based on the estimated number of stock options that are expected to vest, with corresponding amount recognized as increase in equity.

ii. Executive compensation BIP trust and stock-granting ESOP trust

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

(19) Equity

i. Common stock

Common stocks are classified as equity. Proceeds from the Company's issuance of common stocks are included in common stock and capital surplus and its direct issue costs are deducted from capital surplus.

ii. Treasury stock

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

(20) Revenue

The Group's accounting policy for revenue recognition by major categories is as follows:

i. Mobile communications services and sale of mobile handsets

Revenue of the Group generates mainly from its mobile communications services and sale of mobile handsets. The Group enters into mobile communications service agreements directly with customers or indirectly through distributors, and also sells mobile handsets mainly to its distributors.

Revenue from the mobile communications services primarily consists of basic monthly charges and communication fees ("the mobile communication service fees"), and commission fees such as activation fees. The basic monthly charges and communication fees are recognized on a flat rate and a measured rate basis when the services are provided to the customers. Discounts of communication charges are deducted from the mobile communications service fees on a monthly basis.

Revenue from the sale of mobile handsets composes proceeds from the sale of mobile handsets and accessories to customers or distributors.

The business flows of the above transactions consist of "Indirect sales" where the Company sells mobile handsets to distributors and enters into communications service contracts with customers through the distributors, and "Direct sales" where the Company and certain subsidiaries of the Company sells mobile handsets to customers and enters into a communications service contracts directly with the customers. Revenue in each case is recognized as follows:

(a) Indirect sales

As the distributor has the primary obligation and inventory risk for the mobile handsets the Group sold to the distributors, the Group considers distributors as a principal in a transaction, revenue from the sale of mobile handsets is recognized when mobile handsets are delivered to distributors at the time when risks and rewards of ownership are transferred. Certain commission fees paid to distributors are deducted from revenue from the sale of mobile handsets.

The mobile communications service fees are recognized as revenue when services are provided to the customers. Discounts of communication charges are deducted from the mobile communications service fees on a monthly basis.

(b) Direct sales

In direct sales transaction, revenue from the sale of mobile handsets, mobile communications service fees and commission fees are considered to be a bundled transaction. Total amount of the transaction is allocated to revenue from the sale of mobile handsets and mobile communications service fees based on their proportionate shares of the fair value. However, the maximum amount recognized from the sale of mobile handsets is limited to the amount to be received from customers at the sale of mobile handsets. The amount allocated to mobile communications service fees is recognized as revenue when the service is provided to the customer.

In both direct and indirect sales, activation fees are deferred upon entering into the contract and recognized as revenue over the estimated average contract period. Administration fees for mobile contract are recognized as revenue over the estimated average usage period of handsets with the customers. Direct costs related to activation are deferred to the extent of the activation fees and upgrade fees, and amortized over the respective same period. Points granted to customers through the customer loyalty program are deferred at their fair values of benefits to be exchanged based on the estimated point utilization rate, in which the expiring points due to cancellation in the future, etc., are reflected, and are recognized as revenues when the customers utilize those points.

ii. Fixed-line telecommunications services

Revenue from fixed-line telecommunications services primarily consists of revenues from voice communications, data transmission and FTTH services ("the fixed-line telecommunications service income").

The fixed-line telecommunications service income is recognized on a flat rate and a measured rate basis when the services are provided to the customers.

iii. Contents service

Revenue from contents service mainly comprises revenue from information fee, revenue arising from payment agency services, revenue through advertising businesses, and agency fee on content service etc. Revenue from information includes the revenue from contents service mainly comprises membership fees for the contents provided to the customers on the websites that the Group operates or the Group jointly operates with other entities. Revenue arising from payment agency services includes the revenue from fee for collecting the receivables of contents providers from customers as the agent of contents providers together with the telecommunication fee. These revenues are recognized as the service is delivered based on the nature of each contract.

The Group acts as a principal or an agent in transactions. To report revenue from such transactions, the Group determines whether it should present the gross amount of the consideration received from customers, or the net amount of the consideration received from customers less payments paid to a third party. The Group evaluates whether the Group has the primary obligation for providing the goods and services under the arrangement or contract, the inventory risk, latitude in establishing prices, and the credit risk. However, either presentation on gross basis or net basis does not impact profit for the year.

The Group evaluates whether revenue from information fee should be presented on net basis or gross basis by judging each transaction based on the above criteria. Specifically, when the Group has the primary obligation in driving the plan and development of content service and takes a credit risk for such service, revenue from the contents service is presented on gross basis. When the Group does not have the primary obligation in driving the plan and development of content service and credit risk for the contents service, the service the Group provides is the platform and is presented on net basis as the commission income.

The Group considered it is the agent for payment agency services, advertisement services and certain content service described above because it earns commission income based on pre-determined rate and solely provide a platform for its customers to transact or place advertisement. Therefore, revenue from these services is presented on a net basis.

iv. Solution service

Revenue from solution services primarily consists of revenues from equipment sales, engineering, management and data center services ("the solution service income").

The solution service income is recognized based on the consideration received from the customers when the goods or the services are provided to the customers.

v. CATV business

Revenue from cable television, high-speed internet access and phone services is recorded as revenue for the period over which those services are provided to the customers.

The Group also distributes programs directly to respective satellite broadcasting subscriber through agreements with satellite broadcasting operators. Each satellite broadcasting subscriber pays subscriptions on a monthly basis to the Group under a subscription contract which is automatically extended every month. Revenue from program distribution, including such subscription income, is recorded in the period over which the services are provided to the cable television operators, satellite broadcasting operators and IPTV operators.

vi. Global data center business

The Group operates data center business worldwide under a brand name, "TELEHOUSE." These independent data centers enable the Group to facilitate a reliable environment for the customers' critical equipment and the Group receives service charge for using space, electricity and network etc. as a consideration. In general, the contract covers more than one year and the revenue is recognized for the period over which the services are provided. In addition, a consideration for installing equipment and network to the customers is recognized as revenue as a lump-sum payment when incurred.

(21) Sales commission fees

The Group pays sales commission fees when distributors sell the Group's mobile handsets to customers, or acquire and retain telecommunications service agreements. Commission fees paid to acquire and retain the telecommunications service agreements are recognized as selling, general and administrative expenses when incurred. Commission fees related to the sale of mobile handsets are deducted from the revenues from the sale of mobile handsets.

(22) Finance income and costs

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

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

(23) Other non-operating income and loss

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

(24) Borrowing costs

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

(25) Income taxes

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

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

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

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities related to transactions other than business combination, that affects neither the accounting profit nor the taxable profit (loss); and
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

(26) Dividends

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

(27) Earnings per share

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

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

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

4. Business Combinations

Jupiter Shop Channel Co., Ltd.
(Revision of provisional accounting)

On March 14, 2016, Jupiter Shop Channel Co., Ltd. became a consolidated subsidiary of the Group through the acquisition of 55% of the voting shares.

Since allocation of the consideration transferred had not been completed when the annual financial statements ended March 31, 2016 were authorized for issue, the amount of some assets and liabilities were recognized on a provisional basis. In the three-month period ended June 30, 2016, the allocation was completed. The consideration transferred and the revised fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date are as follows.

i. Consideration transferred and its components

		Millions of yen	Millions of U.S. dollars
As of acquisition date March 14	Note	2016	2016
Cash payment		¥85,488	$762
Total consideration transferred	A	¥85,488	$762

ii. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

As of acquisition date March 14	Notes	Millions of yen 2016	Millions of U.S. dollars 2016
Non-current assets			
Property, plant and equipment		¥ 4,080	$ 36
Intangible assets		128,977	1,150
Other non-current assets		3,456	31
Total non-current assets		136,513	1,217
Current assets			
Trade and other receivables		5,345	48
Cash and cash equivalents		16,199	144
Other current assets		6,437	57
Total current assets		27,981	249
Total assets		¥164,494	$1,466
Non-current liabilities			
Borrowings and bonds payable		¥ 66,363	$ 592
Deferred tax liabilities		38,129	340
Other non-current liabilities		2,154	19
Total non-current liabilities		106,646	951
Current liabilities			
Borrowings and bonds payable		1,148	10
Trade and other payables		9,918	88
Other current liabilities		6,729	60
Total current liabilities		17,795	159
Total liabilities		¥124,441	$1,109
Net assets	B	¥ 40,052	$ 357
Non-controlling interests	C	¥ 47,141	$ 420
Goodwill	A – (B – C)	92,577	825

As a result of completion of allocation during the first quarter of the fiscal year ended March 31, 2017, the amount of goodwill on the acquisition date decreased by ¥44,027 million (U.S.$392 million) from the initial provisional amount. This is mainly due to the increase in intangible assets of ¥118,395 million (U.S.$1,055 million), deferred tax liabilities of ¥38,129 million (U.S.$340 million) and non-controlling interests of ¥36,020 million (U.S.$321 million). According to this revision, profit for the previous year in the consolidated statement of income increased 1,379 million (U.S.$12 million). The impact on basic earnings per share was immaterial.

The consolidated statement of financial position and the consolidated statement of income for the previous fiscal year, and the opening retained earnings and non-controlling interest in the consolidated statement of changes in equity for the current period are retroactively restated.

BIGLOBE

i. Overview of business combination

On January 31, 2017, the Company acquired all of the shares of special purpose entities (“BJHD2 and BJHD3”) that hold 100% of the shares of BIGLOBE Inc. (“BIGLOBE”) from Japan industrial Partners, Inc. and others. As a result, BIGLOBE and its consolidated subsidiaries became Company’s consolidated subsidiaries on the same date.

ii. Main objectives of business combination

Upon the acquisition, the Company and BIGLOBE will utilize their respective customer base, business expertise, and so forth to expand business through synergies between the two companies, not only in the telecommunications domain, but also in non-telecommunications domains such as settlement services and product sales business.

iii. Name and business description of the acquire (as of March 31, 2017)

Company Name	BIGLOBE Inc.
Establishment Date	April, 2014
Head Office	Shinagawa Seaside Park Tower, 4-12-4, Higashi-shinagawa, Shinagawa-ku, Tokyo
President and name	CEO Takeshi Ariizumi
Description of Business	Information services using networks such as the Internet; information provider services
Paid-in Capital	8,881 million yen

BJHD2 and BJHD3 are immediate holding companies which were founded to hold the shares of BIGLOBE.

iv. The proportion of acquired equity interest with voting rights

BJHD2 and BJHD3 100%
BIGLOBE 100%

v. Acquisition date

January 31, 2017

vi. Consideration transferred and its components

As of acquisition date January 31	Note	Millions of yen 2017	Millions of U.S. dollars 2017
Cash payment		¥36,996	¥330
Total consideration transferred	A	¥36,996	¥330

¥321 million of acquisition-related costs for the business combination is recognized as selling, general and administrative expenses.

vii. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

As of acquisition date January 31	Notes	Millions of yen 2017	Millions of U.S. dollars 2017
Non-current assets			
Property, plant and equipment (Note 1)		¥ 5,115	$ 46
Intangible assets (Note 1)		71,057	633
Other non-current assets		3,596	32
Total non-current assets		79,768	711
Current assets			
Trade and other receivables (Note 2)		16,370	146
Cash and cash equivalents		4,538	40
Other current assets		915	8
Total non-current assets		21,823	195
Total assets		¥101,591	$906
Non-current liabilities			
Deferred tax liabilities		¥ 20,560	$183
Other non-current liabilities		889	8
Total non-current liabilities		21,449	191
Current liabilities			
Borrowings and bonds payable		46,000	410
Trade and other payables		10,893	97
Other current liabilities		5,094	45
Total current liabilities		61,986	553
Total liabilities		¥ 83,435	$744
Net assets	B	¥ 18,155	$162
Goodwill (Note 3)	A – B	¥ 18,841	$168

Consideration transferred is allocated to the acquired assets and assumed liabilities on the basis of fair value on the acquisition date.

Notes: 1. The analysis of Property, plant and equipment and intangible assets
The main components of property, plant and equipment are buildings and machinery.
The main components of intangible assets are customer related assets, trademark and software.
2. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected
As for the fair value of ¥16,370 million (U.S.$146 million) of acquired receivables and other receivables, the total amount of contracts is ¥16,370 million (U.S.$146 million) and the estimate of the contractual cash flows not expected to be collected at the acquisition date is none.
3. Goodwill
Goodwill reflects excess earning power expected from the collective human resources related to the future business development and its synergy with the existing businesses. There is no item deductible from the taxable income related to the recognized goodwill.

viii. Consideration for expenditures due to the acquisition of control over the subsidiary

As of acquisition date January 31	Millions of yen 2017	Millions of U.S. dollars 2017
Cash consideration transferred	¥(36,996)	$(330)
Cash and cash equivalents held by the acquiree at the acquisition of control	4,538	40
Cash payment for the acquisition of control over the subsidiary	(32,458)	(289)

ix. Revenue and profit for the year of the acquiree

Revenue and profit for the year of the acquiree after the acquisition date, which are recorded on the consolidated statement of income for the year ended March 31, 2017 are ¥16,309 million (U.S.$145 million) and ¥987 million (U.S.$9 million), respectively.

x. Consolidated revenue and consolidated profit for the year assuming that the business combination was completed at the beginning of the fiscal year (Pro forma information)

Revenue and profit for the year in pro forma information (unaudited) related to the consolidated results, assuming that the acquisition of control by business combination was effective on April 1, 2016, are ¥4,798,650 million (U.S.$42,773 million) and ¥644,371 million (U.S.$5,744 million), respectively.

5. Segment Information

(1) Outline of reporting segments

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

The Group aims to transform into a business that provides experience value surpassing customer expectations by emphasizing the “customer’s perspective” and “innovation.” Based on this policy, the Group will seek to “sustainably grow the domestic telecommunications business,” “maximize the au economic zone,” and “aggressively develop global business.”

The Group has four reportable segments based on the above strategies: Personal Services segment, Value Services segment, Business Services and Global Services segment. The Group’s reportable segments are the same as its business segments.

“Personal” mainly provides mobile and fixed-line communications services for individual customers in Japan. In addition to provision of mobile communications services chiefly under the “au” brand and sales of multi-devices such as various smartphones and tablets, in fixed-line communications services, Personal provides FTTH services (in-home Internet, telephone, and TV services) which are branded “au HIKARI,” CATV and other services.

Moreover, in the MVNO market, a consolidated subsidiary UQ Communications Inc., provides UQ mobile services using au lines. In addition to the telecommunications domain, the Group is also working to expand the physical products service “au WALLET Market,” which makes use of au shops, as well as maximizing the “au economic zone” by providing “au denki” and other services.

“Value” provides value-added services such as contents service, settlement, and commerce, taking various steps to “maximize the au economic zone” and “expand business in new business domains” with the aim of transforming into a “Life Design Company.”

“Business” provides smartphones, tablets and other mobile devices and diverse solutions such as cloud services and network applications to a wide range of corporate customers, from small and medium-sized to large companies. For small and medium-sized corporate customers, the KDDI MATOMETE OFFICE GROUP, a consolidated subsidiary, also provides a regional support network offering close contact throughout Japan.

“Global” provides mobile communications services for individual customers in Myanmar and other emerging countries and global ICT solutions for corporate customers, centered on “TELEHOUSE” data centers. In addition to the above services, it provides voice and data business to more than 600 telecommunications carriers around the world.

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

Accounting treatment of reported business segments is consistent with “Note 3. Significant accounting policies.”

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

Inter segment transaction price is determined based on the price by arm’s length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reporting segments.

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

The Group’s segment information is as follows:

For the year ended March 31, 2016

Millions of yen

	Reporting segment								
	Personal	Value	Business	Global	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
Revenue									
Revenue from external customers	¥3,404,547	¥197,930	¥545,692	¥262,440	¥4,410,610	¥ 55,525	¥4,466,135	¥ —	¥4,466,135
Inter-segment revenue or transfers	98,707	73,833	86,340	31,969	290,849	117,950	408,798	(408,798)	—
Total	3,503,255	271,763	632,032	294,409	4,701,459	173,474	4,874,933	(408,798)	4,466,135
Segment income (loss)	656,584	73,028	61,436	32,145	823,193	10,294	833,487	(904)	832,583
Finance income and finance cost (Net)									(17,789)
Other non-operating profit and loss (Net)									3,616
Profit for the year before income tax									¥ 818,410
Other items									
Depreciation and amortization	468,913	10,949	42,254	10,885	533,001	1,675	534,676	(2,234)	532,442
Impairment loss	1,123	22	3,472	1,251	5,867	6	5,873	—	5,873
Share of profit of investment accounted for using the equity method	1,146	1,238	631	862	3,877	1,293	5,170	—	5,170

Notes: 1. “Other” does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.
2. Adjustment of segment income shows the elimination of inter-segment transactions.
3. During the first quarter of the fiscal year ending March 31, 2017, the Group finalized the provisional accounting treatment for business combinations. As a result, figures as of March 31, 2016 reflect the revision of the initially allocated amounts of acquisition price.

For the year ended March 31, 2017

	Millions of yen								
	Reporting segment								
	Personal	Value	Business	Global	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
Revenue									
Revenue from external customers	¥3,530,144	¥367,359	¥548,041	¥248,967	¥4,694,512	¥ 53,748	¥4,748,259	¥ —	¥4,748,259
Inter-segment revenue or transfers	102,825	83,699	89,292	28,237	304,053	122,765	426,818	(426,818)	—
Total	3,632,969	451,058	637,334	277,204	4,998,565	176,513	5,175,078	(426,818)	4,748,259
Segment income (loss)	711,087	95,894	72,099	24,157	903,237	11,451	914,688	(1,712)	912,976
Finance income and finance cost (Net)									(11,562)
Other non-operating profit and loss (Net)									(5,517)
Profit for the year before income tax									¥ 895,897
Other items									
Depreciation and amortization	468,334	20,350	44,810	12,590	546,084	1,683	547,767	(2,590)	545,177
Impairment loss	36,054	66	1,061	227	37,409	79	37,488	—	37,488
Share of profit of investment accounted for using the equity method	1,112	(389)	740	80	1,543	1,212	2,755	—	2,755

	Millions of U.S. dollars								
	Reporting segment								
	Personal	Value	Business	Global	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
Revenue									
Revenue from external customers	$31,466	$3,274	$4,885	$2,219	$41,844	$ 479	$42,323	$ —	$42,323
Inter-segment revenue or transfers	917	746	796	252	2,710	1,094	3,804	(3,804)	—
Total	32,382	4,020	5,681	2,471	44,554	1,573	46,128	(3,804)	42,323
Segment income (loss)	6,338	855	643	215	8,051	102	8,153	(15)	8,138
Finance income and finance cost (Net)									(103)
Other non-operating profit and loss (Net)									(49)
Profit for the year before income tax									$ 7,986
Other items									
Depreciation and amortization	4,174	181	399	112	4,867	15	4,882	(23)	4,859
Impairment loss	321	1	9	2	333	1	334	—	334
Share of profit of investments accounted for using the equity method	10	(3)	7	1	14	11	25	—	25

Notes: 1. "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.
2. Adjustment of segment income shows the elimination of inter-segment transactions.

(4) Information by product and service

Information by product and service is described in "Note 25. Revenue"

(5) Information by region

i. Revenue

Description is omitted as the revenue from external customers in Japan accounts for most of the revenue on the consolidated statement of income.

ii. Non-current assets (excluding financial assets, deferred income tax assets and retirement benefit assets)

Description is omitted as Non-current assets located in Japan accounts for most of such assets on the consolidated statement of financial position.

(6) Information by major customer

Description is omitted as the revenue from a specific external customer is less than 10% of the revenue on the consolidated statement of income.

6. Property, Plant and Equipment

(1) Movements of property, plant and equipment

Movements of acquisition costs, accumulated depreciation and accumulated impairment loss of the property, plant and equipment are as follows:

Acquisition costs

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2015	¥4,556,009	¥573,178	¥259,896	¥ 207,645	¥466,337	¥6,063,064
Acquisition	658	11,413	—	332,806	7,663	352,540
Transfer from construction in progress	261,777	15,498	219	(350,325)	72,831	—
Acquisition by business combination	5,926	2,600	251	1,422	3,690	13,889
Disposal	(151,898)	(9,547)	(330)	(1,488)	(38,742)	(202,005)
Exchange differences	(1,902)	(3,739)	(605)	(1,911)	(6,598)	(14,754)
Other	(297)	(96)	247	—	—	(146)
As of March 31, 2016	4,670,274	589,306	259,678	188,149	505,182	6,212,588
Acquisition	4,134	9,459	447	368,342	12,428	394,811
Transfer from construction in progress	305,757	14,612	16,324	(388,471)	51,777	—
Acquisition by business combination	2,517	1,636	—	4	7,770	11,927
Disposal	(235,346)	(6,932)	(14)	(3,672)	(34,814)	(280,778)
Exchange differences	(2,735)	(4,169)	(842)	(2,116)	(13,507)	(23,368)
Other	(9,449)	291	548	(3,928)	3,949	(8,589)
As of March 31, 2017	¥4,735,152	¥604,203	¥276,142	¥ 158,309	¥532,785	¥6,306,590

	Millions of U.S. dollars					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2016	$41,628	$5,253	$2,315	$ 1,677	$4,503	$55,376
Acquisition	37	84	4	3,283	111	3,519
Transfer from construction in progress	2,725	130	146	(3,463)	462	—
Acquisition by business combination	22	15	—	0	69	106
Disposal	(2,098)	(62)	0	(33)	(310)	(2,503)
Exchange differences	(24)	(37)	(8)	(19)	(120)	(208)
Other	(84)	3	5	(35)	35	(77)
As of March 31, 2017	$42,207	$5,386	$2,461	$ 1,411	$4,749	$56,213

Accumulated depreciation and accumulated impairment loss

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2015	¥(2,882,612)	¥(340,765)	¥(3,491)	¥(538)	¥(294,560)	¥(3,521,966)
Depreciation	(313,744)	(19,554)	—	—	(50,392)	(383,689)
Disposal	130,475	8,136	—	—	38,334	176,945
Impairment loss	(2,569)	(364)	(593)	(339)	(135)	(4,001)
Exchange differences	1,320	640	—	1	3,931	5,893
Other	—	(191)	—	149	—	(42)
As of March 31, 2016	(3,067,130)	(352,097)	(4,084)	(728)	(302,822)	(3,726,860)
Depreciation	(311,331)	(19,593)	—	—	(54,268)	(385,192)
Disposal	217,716	5,882	—	945	32,369	256,912
Impairment loss	(32,456)	(218)	—	(909)	(26)	(33,609)
Exchange differences	1,678	264	—	1	8,661	10,605
Other	—	—	—	—	—	—
As of March 31, 2017	¥(3,191,523)	¥(365,761)	¥(4,084)	¥(691)	¥(316,086)	¥(3,878,145)

	Millions of U.S. dollars					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2016	$(27,339)	$(3,138)	$(36)	$ (6)	$(2,699)	$(33,219)
Depreciation	(2,775)	(175)	—	—	(484)	(3,433)
Disposal	1,941	52	—	8	289	2,290
Impairment loss	(289)	(2)	—	(8)	0	(300)
Exchange differences	15	2	—	0	77	95
Other	—	—	—	—	—	—
As of March 31, 2017	$(28,447)	$(3,260)	$(36)	$ (6)	$(2,817)	$(34,568)

Note: The depreciation of the property, plant and equipment is included in “cost of sales” and “selling, general and administrative expenses” in consolidated statement of financial positions.

The carrying amounts of the property, plant and equipment are as follows:

Carrying amount

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2015	¥1,673,397	¥232,412	¥256,405	¥207,107	¥171,777	¥2,541,099
As of March 31, 2016	¥1,603,144	¥237,209	¥255,594	¥187,421	¥202,360	¥2,485,728
As of March 31, 2017	¥1,543,629	¥238,441	¥272,058	¥157,618	¥216,699	¥2,428,445

	Millions of U.S. dollars					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of March 31, 2017	$13,759	$2,125	$2,425	$1,405	$1,932	$21,646

(2) Property, plant and equipment rented under finance lease

The carrying amount of finance lease assets included in property, plant and equipment (less accumulated depreciation and accumulated impairment loss) is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
In-home customer premises equipment	¥71,358	¥72,662	$648
Other	8,666	8,646	77
Total	¥80,023	¥81,308	$725

(3) Property, plant and equipment pledged as collateral

For the amount of property, plant and equipment pledged as collateral for liabilities including borrowings, please refer to “Note 15. Borrowings and bonds payable.”

(4) Property, plant and equipment with limited ownership

There is no property, plant and equipment with limited ownership.

(5) Property, plant and equipment under construction

Expenditures included in the carrying amount of property, plant and equipment under construction are presented as construction in progress in the table above.

(6) Capitalization of borrowing costs

There is no significant borrowing costs included in the acquisition costs of the property, plant and equipment for the years ended March 31, 2016 and 2017.

7. Goodwill and Intangible Assets

(1) Movements of goodwill and intangible assets

The movements of the acquisition costs, accumulated amortization and accumulated impairment loss of the intangible assets are as follows:

Acquisition costs

	Millions of yen					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2015	¥343,136	¥ 539,767	¥174,112	¥36,363	¥531,841	¥1,625,219
Individual acquisition	—	112,277	—	—	61,569	173,846
Acquisition by business combination	109,394	4,641	98,536	—	31,930	244,501
Disposal	—	(102,637)	—	—	(24,857)	(127,494)
Exchange differences	(2,024)	(530)	—	—	(1,224)	(3,778)
Other	—	(578)	—	—	(962)	(1,540)
As of March 31, 2016	450,506	552,941	272,648	36,363	598,297	1,910,755
Individual acquisition	—	112,885	—	—	60,606	173,491
Acquisition by business combination	46,113	4,336	38,895	—	28,752	118,095
Disposal	(14,895)	(10,388)	—	—	(30,600)	(55,882)
Exchange differences	(347)	(859)	—	—	(469)	(1,675)
Other	—	602	—	—	(3,713)	(3,111)
As of March 31, 2017	¥481,377	¥ 659,517	¥311,543	¥36,363	¥652,873	¥2,141,673

	Millions of U.S. dollars					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2016	$4,016	$4,929	$2,430	$324	$5,333	$17,031
Individual acquisition	—	1,006	—	—	540	1,546
Acquisition by business combination	411	39	347	—	256	1,053
Disposal	(133)	(93)	—	—	(273)	(498)
Exchange differences	(3)	(8)	—	—	(4)	(15)
Other	—	5	—	—	(33)	(28)
As of March 31, 2017	$4,291	$5,879	$2,777	$324	$5,819	$19,090

Accumulated amortization and impairment

	Millions of yen					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2015	¥ —	¥(304,988)	¥(21,883)	¥(3,306)	¥(252,574)	¥(582,751)
Amortization	—	(88,112)	(12,938)	(1,653)	(46,051)	(148,753)
Impairment loss	(799)	(314)	—	—	(760)	(1,873)
Disposal and sales	—	95,107	—	—	22,346	117,453
Exchange differences	—	73	—	—	442	515
Other	—	—	—	—	—	—
As of March 31, 2016	(799)	(298,233)	(34,821)	(4,959)	(276,596)	(615,408)
Amortization	—	(96,126)	(12,757)	(1,653)	(49,449)	(159,985)
Impairment loss	(3,504)	(135)	—	—	(241)	(3,879)
Disposal and sales	799	7,389	—	—	29,336	37,524
Exchange differences	—	161	—	—	265	426
Other	—	—	—	—	—	—
As of March 31, 2017	¥(3,504)	¥(386,945)	¥(47,577)	¥(6,611)	¥(296,685)	¥(741,322)

	Millions of U.S. dollars					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2016	$ (7)	$(2,658)	$(310)	$(44)	$(2,465)	$(5,485)
Amortization	—	(857)	(114)	(15)	(441)	(1,426)
Impairment loss	(31)	(1)	—	—	(2)	(35)
Disposal and sales	7	66	—	—	261	334
Exchange differences	—	1	—	—	2	4
Other	—	—	—	—	—	—
As of March 31, 2017	$(31)	$(3,449)	$(424)	$(59)	$(2,644)	$(6,608)

Note: The amortization of intangible assets is included in "cost of sales" and "selling, general and administrative expenses" in Consolidated Statement of financial positions.

The carrying amounts of goodwill and intangible assets are as follows:

Carrying amount

	Millions of yen					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2015	¥343,136	¥234,779	¥152,229	¥33,057	¥279,267	¥1,042,468
As of March 31, 2016	¥449,707	¥254,707	¥237,827	¥31,404	¥321,701	¥1,295,347
As of March 31, 2017	¥477,873	¥272,572	¥263,965	¥29,752	¥356,188	¥1,400,351

	Millions of U.S. dollars					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of March 31, 2017	$4,259	$2,430	$2,353	$265	$3,175	$12,482

(2) Total expenditures related to research and development expensed during the period

Research and development costs expensed as selling, general and administrative expenses for the years ended March 31, 2016 and 2017 are ¥18,001 million and ¥15,381 million (U.S.$137 million).

(3) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives described above as of March 31, 2016 and 2017 are ¥19,859 million and ¥46,233 million (U.S.$412 million).

The details of intangible assets are trademark rights that were acquired through business combinations. As these trademark rights exist as long as businesses are continued, useful lives of these intangible assets are assumed to be indefinite.

8. Impairment of Property, Plant and Equipment, Goodwill and Intangible Assets

(1) Recognition of impairment loss

The Group recognized impairment loss of 5,873 million yen and 37,488 million yen (U.S.$334 million) for the years ended March 31, 2016 and 2017 respectively. The Group mainly recognized impairment loss for the following assets and asset groups:

For the year ended March 31, 2016

Location	Use	Class	Millions of yen Impairment loss
Communication facilities, and idle assets (Tokyo other)	Mainly, telecommunications business	Local line facilities, buildings and other	¥2,889

For assets with declining utilization rates including some transit routes and idle assets, the book value has been reduced to recoverable amount. This resulted in recognition of an impairment loss of ¥2,889 million. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in mainly personal segment and business segment. The impairment loss consists of ¥1,264 million for local line facilities, ¥355 million for buildings, and ¥1,270 million for others.

The recoverable amount of these assets was estimated based on the fair value less costs of disposal. Because these assets were difficult to sell to other uses, the fair value hierarchy of these assets was classified as level 3 and the fair value was minimal.

Location	Use	Class	Millions of yen Impairment loss
Certain services in the Fixed-line Business (Tokyo other)	Telecommunications business	Machinery and other	¥1,703

Due to the declining of revenue, the future recovery of investments in certain services in the Fixed-line Business was determined to be unlikely and the book value was reduced to the recoverable amount. This resulted in recognition of an impairment loss of ¥1,703 million. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in business segment. The impairment loss consists of ¥911 million for machinery and ¥793 million for others.

The recoverable amount of these assets was estimated at their value in use, with future cash flows discounted at a rate of 6.05% and at the estimated period of 4 years and the value in use was minimal.

For the year ended March 31, 2017

			Millions of yen	Millions of U.S. dollars
Location	Use	Class	Impairment loss	
Communication facilities, and idle assets (Tokyo other)	Mainly, telecommunications business	Machinery, Local line facilities and other	¥37,114	$331

For assets with declining utilization rates including some communication facilities and idle assets, the book value has been reduced to recoverable amount. This resulted in recognition of an impairment loss of ¥37,114 million (U.S.$331 million). The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in mainly personal segment. The impairment loss consists of ¥34,168 million (U.S.$305 million) for machinery, ¥779 million (U.S.$7 million) for local line facilities, and ¥2,168 million (U.S.$19 million) for others.

The recoverable amount of these assets was estimated based on the fair value less costs of disposal. Because these assets were difficult to sell to other uses, the fair value hierarchy of these assets was classified as level 3 and the fair value was minimal.

(2) Impairment test of cash generating units including goodwill and intangible assets with indefinite useful lives

The Group tests for impairment of goodwill and intangible assets with indefinite useful lives at least annually, and whenever there is an indication of impairment.

The total carrying amounts of the goodwill and intangible assets with indefinite useful lives allocated to cash generating units or cash generating unit groups are as follows:

Goodwill

	Millions of yen		Millions of U.S. dollars
Cash generating unit or cash generating unit group	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Jupiter telecommunication Co., Ltd. CATV business	¥276,890	¥280,771	$2,503
Jupiter Shop Channel Co., Ltd.	92,577	92,577	825
BIGLOBE Inc.	—	18,841	168
Web money Co., Ltd.	13,004	13,004	116
CDNetworks Co., Ltd.	14,096	—	—
Other	53,140	72,680	648
Total	¥449,707	¥477,873	$4,259

Intangible assets with indefinite useful lives

	Millions of yen		Millions of U.S. dollars
Cash generating unit or cash generating unit group	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Jupiter Shop Channel Co., Ltd.	¥19,859	¥19,859	$177
BIGLOBE Inc.	—	26,374	235
Total	¥19,859	¥46,233	$412

The recoverable amount of goodwill and intangible assets with indefinite useful lives allocated to cash generating units or group of cash generating units is calculated using value in use.

In assessing value in use, the estimated future cash flows arisen from cash generating units or group of cash generating units are discounted to their present value. When the Group calculates the future cash flows and discount future cash flows, growth rates on different types of forecasted revenue and forecasted change to corresponding major cost such as cost of sales and pre-tax discount rates are used as significant factors.

Forecast of cash flows used as a basis to estimate future cash flows is based on the recent business plan approved by the management, and the forecast is 5 years. After 5 years, certain growth rate of profit before tax after consideration of a long-term average growth rate for the market is used.

The growth rates of estimated profit before tax in projection period which are used to calculate value in use of cash generating units are as follows.

Cash generating unit or cash generating unit group	As of March 31, 2016	As of March 31, 2017
Jupiter telecommunication Co., Ltd. CATV business	0.7%	0.7%
Jupiter Shop Channel Co., Ltd.	0.0%	0.0%
BIGLOBE Inc.	—	0.0%
Web money Co., Ltd.	0.7%	0.5%
CDNetworks Co., Ltd.	2.9%	—
Other	0.7%~3.0%	0.0~3.0%

The growth rates used in estimated cash flows of each cash generating unit or group of cash generating units reflect the status of the country and the industry to which the CGU belongs, and does not exceed the long-term average growth rate for the market.

The pre-tax discount rates which are used to calculate value in use of cash generating units or cash generating units group to which goodwill and intangible assets with indefinite useful lives is allocated are as follows.

Cash generating unit or cash generating unit group	As of March 31, 2016	As of March 31, 2017
Jupiter telecommunication Co., Ltd. CATV business	2.9%	3.1%
Jupiter Shop Channel Co., Ltd.	6.0%	4.2%
BIGLOBE Inc.	—	6.0%
Web money Co., Ltd.	5.3%	7.7%
CDNetworks Co., Ltd.	7.6%	—
Other	1.6%~17.0%	2.0%~15.7%

Although goodwill and intangible assets with indefinite useful lives have a risk of impairment when major assumptions used for impairment test change, the Group has determined that a significant impairment loss is not probable in the cash generating units or cash generating unit group regardless of the reasonable change of the growth rate and/or discount rate used for impairment test.

9. Investments Accounted for Using the Equity Method

(1) The carrying amounts of Investments accounted for using the equity method

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Interests in associates	¥51,962	¥58,769	$524
Interests in joint ventures	19,049	33,602	300
Total	¥71,011	¥92,371	$823

(2) Summarized financial information of associates and joint ventures

i. Associates

Profit for the year, other comprehensive income and comprehensive income of associates accounted for using the equity method are as follows. As of and for the years ended March 31, 2016 and 2017, there is not individually significant associate accounted for using the equity method.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Profit for the year	¥4,458	¥1,736	$15
Other comprehensive income, net of tax	(126)	(344)	(3)
Total comprehensive income for the year	¥4,332	¥1,392	$12

ii. Joint ventures

Profit for the year, other comprehensive income and comprehensive income of joint ventures accounted for using the equity method is as follows. As of and for the years ended March 31, 2016 and 2017, there is not individually significant joint venture accounted for using the equity method.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Profit for the year	¥ 712	¥ 1,019	$ 9
Other comprehensive income, net of tax	3,799	(1,465)	(13)
Total comprehensive income for the year	¥4,511	¥ (446)	$ (4)

10. Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Finished goods and manufactured goods	¥77,785	¥75,985	$677
Work in progress	756	1,039	9
Other	1,084	632	6
Total	¥79,626	¥77,656	$692

There is no inventory to be sold after more than 12 months from March 31, 2016 and 2017, respectively.

(2) Write down of the inventories expensed during the period

Write down of the inventories expensed during the period is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Write down of the inventories expensed (Note)	¥9,562	¥10,199	$91

Note: Write down is recognized as costs of sales.

(3) Inventories pledged as collateral

Inventories pledged as collateral are described in "Note 15. Borrowings and bonds payable."

11. Trade and Other Receivables

The analysis of trade and other receivables is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Current:			
Trade receivables			
Accounts receivable—trade and notes receivable	¥1,313,655	¥1,452,805	$12,950
Account receivable—other (Note)	63,213	85,512	762
Loss allowance	(19,048)	(20,247)	(180)
Total	¥1,357,820	¥1,518,070	$13,531

Note: Accounts receivable—other is mainly consisted of the receivable related to payment agency service.

The amounts of trade and other receivables expected to be recovered after more than twelve months from March 31, 2016 and 2017, respectively are ¥193,412 million and ¥190,079 million (U.S.$1,694 million).

The amount of the trade and other receivables on the consolidated statement of financial position is presented less loss allowance.

12. Other Financial Assets

The analysis of other financial assets is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Non-current assets (Other long-term financial assets):			
Financial assets at fair value through profit or loss			
Derivative financial assets	¥ 181	¥ 278	$ 2
Financial assets at fair value through other comprehensive income			
Equity instruments			
Equities	43,503	92,797	827
Financial assets at amortized cost			
Debt instruments			
Security deposits	38,941	38,642	344
Long term accounts receivables	46,761	45,291	404
Lease receivables	24,997	46,672	416
Other	3,786	3,299	29
Loss allowance	(45,360)	(43,899)	(391)
Sub total	112,809	183,081	1,632
Current assets (Other short-term financial assets):			
Financial assets at fair value through profit or loss			
Derivative financial assets	54	176	2
Financial assets at amortized cost			
Debt instruments			
Lease receivables	5,609	11,590	103
Short-term investment	9,138	5,109	46
Other	166	93	1
Sub total	14,966	16,968	151
Total	¥127,775	¥200,049	$1,783

13. Other Assets

The analysis of other non-current assets and other current assets is as follows:

As of March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Non-current assets			
Long-term prepaid expenses	¥ 70,709	¥ 67,120	$ 598
Other	2,228	1,965	18
Sub total	72,938	69,085	616
Current assets			
Prepaid expenses	71,221	71,456	637
Advance payment	1,939	8,906	79
Other	13,488	35,647	318
Sub total	86,648	116,009	1,034
Total	¥159,586	¥185,094	$1,650

14. Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

As of March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Cash in hand and deposits held at call with banks	¥188,838	¥214,708	$1,914
Term deposits with original maturities of three months or less	3,362	11,899	106
Total	¥192,200	¥226,607	$2,020

The balance of cash and cash equivalents in the consolidated statement of cash flow is as follows:

As of March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Cash and cash equivalents in consolidated statement of financial position	¥192,200	¥226,607	$2,020
Short-term borrowings (Overdrafts)	(113)	—	—
Cash and cash equivalents in consolidated statement of cash flow	¥192,087	¥226,607	$2,020

15. Borrowings and Bonds Payable

(1) The analysis of borrowings and bonds payable

The analysis of borrowings and bonds payable is as follows:

As of March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017	Average interest rate (%) (Note)	Due (Year)
Non-current					
Bonds payable (excluding current portion)	¥ 189,622	¥169,728	$1,513	1.253%	2018~2024
Long-term borrowings (excluding current portion)	767,177	739,945	6,595	0.549%	2018~2026
Sub total	956,800	909,673	8,108	—	—
Current					
Current portion of bonds payable	24,991	20,019	178	3.197%	—
Current portion of long-term borrowings	49,739	35,903	320	0.830%	—
Short-term borrowings	22,105	1,883	17	3.867%	—
Sub total	96,836	57,805	515	—	—
Total	¥1,053,635	¥967,479	$8,624	—	—

Note: Average interest rate represents weighted average interest rate to the ending balance of the borrowings and other debts.

(2) Terms of issuing bonds payable

The summary of terms of issuing bonds payable is as follows:

Entity	Description	Issuance date	Millions of yen As of March 31, 2016	Millions of yen As of March 31, 2017	Millions of U.S. dollars As of March 31, 2017	Interest rate (%)	Collateral	Due
KDDI Corp.	5th series of general secured notes	April 28, 1997	¥19,996	¥ 20,000 (20,000)	$ 178 (178)	3.200% per year	General secured	April 28, 2017
KDDI Corp.	9th series of unsecured notes	February 26, 2009	9,989	9,993	89	2.046% per year	Unsecured	December 20, 2018
KDDI Corp.	15th series of unsecured notes	May 29, 2009	19,974	19,982	178	1.969% per year	Unsecured	May 29, 2019
KDDI Corp.	17th series of unsecured notes	March 4, 2010	24,991 (24,991)	—	—	1.045% per year	Unsecured	December 20, 2016
KDDI Corp.	18th series of unsecured notes	March 4, 2010	39,940	39,956	356	1.573% per year	Unsecured	December 20, 2019
KDDI Corp.	19th series of unsecured notes	September 6, 2010	39,932	39,948	356	1.151% per year	Unsecured	June 19, 2020
KDDI Corp.	20th series of unsecured notes	December 13, 2013	29,901	29,914	267	0.803% per year	Unsecured	December 20, 2023
KDDI Corp.	21st series of unsecured notes	September 10, 2014	29,891	29,904	267	0.669% per year	Unsecured	September 20, 2024
iret, Inc.	1st series of unsecured notes	June 27, 2016	—	50 (19)	0 (0)	0.33% per year	Unsecured	June 27, 2019

Note: The amounts in ( ) presents the current portion of the bonds payable.

(3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities are as follows:

(The Company)

As prescribed in Article 4 of Act on Arrangement of Relevant Acts Incidental for Rationalizing Regulations Related to Telecommunication Industry, Supplementary Provisions, all properties are pledged as general collateral for bonds payable.

As of March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Bonds payable	¥19,996	¥20,000	$178

(Consolidated subsidiaries)

Assets set aside as issuance deposits as prescribed in Article 14, Paragraph 1 of Payment Services Act are as follows:

As of March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Government bonds	¥3,003	¥3,002	$27

Assets pledged as collateral are as follows:

As of March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Property, plant and equipment	¥ 101	¥ 86	$ 1
Stocks of subsidiaries and associates (Note)	768	768	7
Other short-term financial assets	583	199	2
Total	¥1,452	¥1,053	$ 9
(of which, assets denominated in foreign currency)	(U.S.$3 millions and other)	(U.S.$1 millions and other)	(1)

Obligations underlying to these assets pledged as collateral are as follows:

As of March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Long-term borrowings (Note)	¥ 296	¥ 184	$ 2
Current portion of long-term borrowings	162	112	1
Trade and other payables	—	1	0
Short-term borrowings	2,105	1,241	11
Total	¥2,563	¥1,537	$14
(of which, liabilities denominated in foreign currency)	(U.S.$17 millions)	(U.S.$11 millions)	(11)

Note: Stocks of Kagoshima Mega Solar Power Corporation, an affiliate accounted for using the equity method, are pledged as collateral for its borrowings from financial institutions.
The amounts of borrowings as of March 31, 2016 and 2017 are ¥19,490 million and ¥18,198 million (U.S.$162 million), respectively. These amounts are not included in long-term borrowings in the above table.

Certain subsidiaries of the Group have financed from financial institutions due to acquisitions and others. Except for certain loan agreements on insignificant amount of borrowings, these borrowings are subject to financial covenants such as maintenance of shareholder's equity, net asset and surplus of profit as prescribed in the terms of each agreement. The amounts of borrowings as of March 31, 2016 and 2017 are ¥489,287 million and ¥497,509 million (U.S.$4,435 million), respectively.

Except for the borrowings above, there is no financial covenant on borrowings and bonds payable which has a significant effect on the Group's financial activities. For the fair value and amounts by due dates of borrowings and bonds payable, please refer to "Note 31. Financial instruments" and "Note 32. Fair value of financial instruments."

16. Deferred Tax and Income Taxes

(1) Movement by major cause of deferred tax assets and deferred tax liabilities

The balance of and the movement in recognized deferred tax assets and deferred tax liabilities are as follows:

For the year ended March 31, 2016

	Millions of yen						
	As of April 1, 2015	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2016
Deferred tax assets							
Accrued bonuses	¥ 9,840	¥ (1,128)	¥—	¥ —	¥ 254	¥ (1)	¥ 8,965
Accrued business tax	12,368	(5,401)	1	—	274	—	7,242
Write down of inventories	4,241	831	—	—	537	(0)	5,609
Loss allowance	11,834	(1,742)	2	—	241	(8)	10,328
Unrealized gain on inventories	148	(8)	—	—	—	—	141
Deferred points	27,576	(3,778)	—	—	—	—	23,797
Difference of useful life between accounting and tax laws	8,166	638	—	—	343	8	9,155
Disposal loss on fixed assets	4,496	750	0	—	—	(0)	5,246
Impairment loss	46,579	(14,031)	—	—	—	(5)	32,543
Retirement benefit liabilities	(2,738)	(1,001)	—	11,161	488	(983)	6,928
Accrued expenses	12,064	(1,546)	—	—	—	—	10,518
Advanced received	43,299	(6,303)	—	—	—	—	36,996
Other	44,333	(9,649)	(3)	1,945	1,668	(259)	38,034
Total	¥222,206	¥(42,368)	¥ 0	¥13,107	¥ 3,805	¥(1,249)	¥195,502
Deferred tax liabilities							
Retained profits of foreign related companies	¥ 3,488	¥ (2,225)	¥—	¥ —	¥ —	¥ —	¥ 1,263
Special reserves	1,125	(305)	—	—	—	—	820
Appraisal gain on equity instruments	10,159	39	—	(3,412)	—	—	6,787
Difference of depreciation/amortisation method and useful life between accounting and tax laws	55,664	(13,716)	—	—	—	—	41,948
Identifiable intangible assets	57,824	(9,390)	—	—	38,129	—	86,563
Other	18,879	(1,224)	—	(156)	5	(330)	17,173
Total	¥147,139	¥(26,821)	¥—	¥ (3,568)	¥38,134	¥ (330)	¥154,554

For the year ended March 31, 2017

	Millions of yen						
	As of April 1, 2016	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2017
Deferred tax assets							
Accrued bonuses	¥ 8,965	¥ 853	¥—	¥ —	¥ 161	¥ (19)	¥ 9,959
Accrued business tax	7,242	573	—	—	136	(1)	7,950
Write down of inventories	5,609	(424)	—	—	5	(0)	5,189
Loss allowance	10,328	(588)	—	—	245	(4)	9,980
Unrealized gain on inventories	141	361	—	—	—	—	502
Deferred points	23,797	(1,589)	—	—	—	—	22,208
Difference of useful life between accounting and tax laws	9,155	(98)	—	—	1,176	—	10,233
Disposal loss on fixed assets	5,246	43	—	—	—	—	5,289
Impairment loss	32,543	4,312	—	—	43	(111)	36,788
Retirement benefit liabilities	6,928	(1,314)	—	1,412	87	655	7,767
Accrued expenses	10,518	(6,334)	—	—	96	—	4,281
Advanced received	36,996	(4,324)	—	—	429	—	33,101
Other	38,034	12,111	—	(871)	849	360	50,484
Total	¥195,502	¥ 3,581	¥—	¥ 542	¥ 3,228	¥ 879	¥203,732
Deferred tax liabilities							
Retained profits of foreign related companies	¥ 1,263	¥ (909)	¥—	¥ —	¥ —	¥ —	¥ 353
Special reserves	820	(239)	—	—	—	—	581
Appraisal gain on equity instruments	6,787	1,605	—	(2,578)	76	—	5,890
Difference of depreciation/ amortisation method and useful life between accounting and tax laws	41,948	(7,321)	—	—	—	—	34,627
Identifiable intangible assets	86,563	(3,924)	—	—	22,229	—	104,868
Other	17,173	(8,813)	—	96	699	(292)	8,863
Total	¥154,554	¥(19,601)	¥—	¥(2,482)	¥23,004	¥(292)	¥155,183

	Millions of U.S. dollars						
	As of March 31, 2016	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2017
Deferred tax assets							
Accrued bonuses	$ 80	$ 8	$—	$ —	$ 1	$ 0	$ 89
Accrued business tax	65	5	—	—	1	0	71
Write down of inventories	50	(4)	—	—	0	0	46
Loss allownace	92	(5)	—	—	2	0	89
Unrealized gain on inventories	1	3	—	—	—	—	4
Deferred points	212	(14)	—	—	—	—	198
Difference of useful life between accounting and tax laws	82	(1)	—	—	10	—	91
Disposal loss on fixed assets	47	0	—	—	—	—	47
Impairment loss	290	38	—	—	0	(1)	328
Retirement benefit liabilities	62	(12)	—	13	1	6	69
Accrued expenses	94	(56)	—	—	1	—	38
Advanced received	330	(39)	—	—	4	—	295
Other	339	108	—	(8)	8	3	450
Total	$1,743	$ 32	$—	$ 5	$ 29	$ 8	$1,816
Deferred tax liabilities							
Retained profits of foreign related companies	$ 11	$ (8)	$—	$ —	$ —	$—	$ 3
Special reserves	7	(2)	—	—	—	—	5
Appraisal gain on equity instruments	60	14	—	(23)	1	—	53
Difference of depreciation/ amortisation method and useful life between accounting and tax laws	374	(65)	—	—	—	—	309
Identifiable intangible assets	772	(35)	—	—	198	—	935
Other	153	(79)	—	1	6	(3)	79
Total	$1,378	$(175)	$—	$(22)	$205	$ (3)	$1,383

Note: "Other" includes exchange differences on foreign operations.

(2) The analysis of deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities on the consolidated statement of financial position are as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Deferred tax assets	¥103,388	¥124,467	$1,109
Deferred tax liabilities	62,440	75,919	677
Deferred tax assets, net	¥ 40,948	¥ 48,549	$ 433

The Group evaluates the recoverability of deferred tax assets at recognition by considering the possibility to utilize a part or all of deductible temporary differences or tax loss carryforwards for future taxable income.

The Group considers the planned reversal of deferred tax liabilities as well as expected future taxable income and tax planning for evaluating the recoverability of deferred tax assets, and recognizes deferred tax assets to the extent that future taxable income is expected.

Deferred tax assets for tax losses in certain subsidiaries are ¥2,308 million and ¥11,816 million (U.S.$105 million), respectively, as of March 31, 2016 and 2017.

All of these tax losses arose from business combinations in previous years, and the cause of these losses is temporary. All deferred tax assets related to these losses were determined recoverable as taxable income exceeding the tax losses is expected.

(3) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

As a result of evaluating the recoverability of the deferred tax assets above, the Group has not recognized deferred tax assets on certain deductible temporary differences and tax loss carryforwards. The amounts of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets are as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Deductible temporary differences	¥ 12,172	¥ 1,071	$ 10
Tax loss carryforwards	124,371	40,671	363
Total	¥136,544	¥41,742	$372

Expiration of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
1st year	¥ 1,248	¥ 591	$ 5
2nd year	32	90	1
3rd year	866	56	0
4th year	51,649	48	0
5th year and thereafter	70,575	39,887	356
Total	¥124,371	¥40,671	$363

(4) Income taxes

The analysis of income taxes is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Current tax expenses			
Current tax expenses on the profit for the year	¥245,613	¥284,604	$2,537
Adjustments in respect of prior years (( ): refund)	(115)	345	3
Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses	(9,550)	(8,485)	(76)
Sub total	235,948	276,464	2,464
Deferred tax expenses			
Origination and reversal of temporary differences	13,658	(16,878)	(150)
Impact of change of tax rates (Note)	1,889	—	—
Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses	—	(10,722)	(96)
Review of the collectability of deferred tax assets	—	4,419	39
Sub total	15,547	(23,182)	(207)
Total	¥251,495	¥253,282	$2,258

Note: As "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act for Partial Amendment of the Council Tax Act, etc." (Act No. 13 of 2016) were enacted by the Diet on March 29, 2016, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 32.9% to 31.6% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2016 and on April 1, 2017, and to 31.4% for temporary differences expected to be eliminated in the fiscal year beginning on and after April 1, 2018. As a result, deferred tax assets after offsetting deferred tax liabilities decreased by ¥2,168 million and deferred tax expenses increased by ¥1,889 million.

(5) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are described in "Note 30. Other comprehensive income."

(6) Reconciliation of effective tax rates

Reconciliation of statutory effective tax rates and actual tax rates for the years ended March 31, 2016 and 2017 is as follows. The actual tax rate shows the ratio of income taxes incurred by all Group companies to the profit before income tax for the year.

For the year ended March 31	2016	2017
Statutory income tax rate	33.5%	31.6%
Non-taxable dividends received	(0.2%)	(0.1%)
Impact of tax differences of foreign subsidiaries	0.0%	0.0%
Tax credit	(1.4%)	(1.3%)
Impact of tax rate change	0.2%	—
Utilisation of previously unrecognised tax loss	(1.1%)	(1.9%)
Other	(0.3%)	0.0%
Average actual tax rate to incur	30.7%	28.3%

17. Employee Benefits

The Group operates defined benefit pension plans and lump-sum retirement plans (unfunded) as its defined benefit plans, as well as defined contribution pension plans.

The Group and its certain consolidated subsidiaries adopt point system in their retirement benefit plans, where the amount of benefits is calculated based on the accumulated points granted in proportion to the employees' entitlement and wage ranks.

Management, operation and benefit of the assets are mainly controlled by legally independent KDDI Corporate Pension Fund (the "Fund").

In accordance with Defined Benefit Corporate Pension Act and other laws, the Group is obliged to pay contributions to the Fund which pays pension benefits. Trustee of the Fund is obliged to comply with laws, appointments by Minister of Ministry of Health, Labour and Welfare or Head of Regional Bureau of Health and Welfare, by law of the Fund and resolutions of the board of representatives, as well as to accomplish its duties related to the management and operation of the funded money. It is prohibited for the trustee to harm the appropriate management and operation of the funded money for the interest of itself or a third party other than the Fund.

(1) Defined benefit pension plans

i. The amounts on the consolidated statement of financial position

The amounts related to the defined benefit pension plans on the consolidated statement of financial position are as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Present value of the defined benefit obligations (funded)	¥ 366,349	¥ 382,579	$ 3,410
Present value of the defined benefit obligations (unfunded)	15,200	14,108	126
Fair value of plan assets	(361,295)	(374,887)	(3,342)
Status of the funding	¥ 20,255	¥ 21,800	$ 194
Retirement benefit liabilities	¥ 20,255	¥ 21,800	$ 194
Net retirement benefit liabilities	¥ 20,255	¥ 21,800	$ 194

ii. Movement in the defined benefit obligations and plan assets

The movement in the defined benefit obligations is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
The movement in the present value of the defined benefit obligations			
Opening balance	¥349,949	¥381,549	$3,401
Current service cost	12,965	14,339	128
Interest expense	3,079	2,163	19
Sub total	365,994	398,051	3,548
Remeasurements:			
Amount from change in financial assumptions	23,257	11,086	99
Amount from change in demographic assumptions	3,206	—	—
Benefit payments	(12,487)	(12,758)	(114)
Exchange differences	(26)	(2)	0
New consolidation	1,605	307	3
Other	1	4	0
Ending balance	¥381,549	¥396,687	$3,536

The movement in the plan assets is as follows:

For the year ended March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Changes in fair value of the plan assets:			
Opening balance	¥(361,157)	¥(361,295)	$(3,220)
Interest income	(4,574)	(2,596)	(23)
Remeasurements:			
Return on plan assets	9,090	(6,591)	(59)
Benefit payments	10,784	11,506	103
Contribution to the plans			
Contribution from employers	(15,436)	(15,912)	(142)
Ending balance	¥(361,295)	¥(374,887)	$(3,342)

The weighted average duration of the defined benefit obligations for the years ended March 31, 2016 and 2017 is 17.9 years and 17.8 years, respectively.

iii. Components of plan assets

KDDI Corporate Pension Fund manages its funded money to secure long term return required to cover the benefit of pensions and lump-sum payments over the future. Based on this, our investment policy is to basically analyse the risk/return characteristics by asset and evaluate the correlation among assets in order to invest in a diversified portfolio.

Specifically, it sets policy asset allocation with the efficient combination of various assets including equities and government and corporate bonds, designs corresponding manager structure, selects managing trustee and invests.

In accordance with the provision of Defined Benefit Corporate Pension Act, bylaw of the Fund requires to recalculate the amount of contributions at least every 5 years with a financial year end as a basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

The fair value of the plan assets as of March 31, 2016 and 2017 consists of the components below:

	Millions of yen						Millions of U.S. dollars		
	As of March 31, 2016			As of March 31, 2017			As of March 31, 2017		
	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total
Equities	¥ 54,456	¥ —	¥ 54,456	¥ 65,013	¥ —	¥ 65,013	$ 579	$ —	$ 579
Debt securities	202,648	—	202,648	179,446	—	179,446	1,599	—	1,599
Other (Note)	42,340	61,851	104,190	45,498	84,930	130,428	406	757	1,163
Total	¥299,444	¥61,851	¥361,295	¥289,957	¥84,930	¥374,887	$2,585	$757	$3,342

Note: Other includes hedge funds, private equities and cash.

iv. The analysis of expenses related to defined benefit plans

The amount of expenses recognized related to defined benefit plans is as follows:

For the year ended March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Current service cost	¥12,965	¥14,339	$128
Interest expense	3,079	2,163	19
Interest income	(4,574)	(2,596)	(23)
Total	¥11,470	¥13,906	$124

The expenses above are included in the “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

v. Actuarial assumptions

Major actuarial assumption at the end of each period is as follows:

As of March 31	2016	2017
Discount rate	0.7%	0.7%

Other than the component above, actuarial assumptions also include expected salary growth rate, mortality and expected retirement rate.

vi. Sensitivity analysis of actuarial assumptions

The movement in the defined benefit obligations due to changes in discount rates by the ratio below at the end of each period is as follows. This analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may change.

Discount rates

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
0.5% increase	¥(27,054)	¥(28,640)	$(255)
0.5% decrease	30,559	32,456	289

Note: Amounts shown in parentheses represent decrease of defined benefit obligations.

vii. Contributions to the plan assets in the next financial year

The policy of the Group is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. The Group estimates the contributions to the plan assets for the year ending March 31, 2018 to be ¥15,950 million (U.S.$142 million).

(2) Defined contribution pension plans

The amount of expenses recognized related to defined contribution pension plans is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Expenses related to defined contribution pension plans	¥1,785	¥1,661	$15

The expenses above are included in the “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

Certain Group subsidiaries participate in a multiemployer plan, Sumisho Rengo Corporation Pension Fund.

Sumisho Rengo Corporation Pension Fund is a fund-type corporate pension established in accordance with Defined Benefit Corporate Pension Act, and co-operated by multiple Sumitomo Shoji Group companies. The certain Group subsidiaries cannot calculate the reasonable amount of pension assets corresponding to the amount of their contributions, and therefore the amount of contributions is recognized as retirement benefit expenses as defined contribution pension plans. The expenses on the consolidated statement of income for the years ended March 31, 2016 and 2017 are ¥1,573 million and ¥1,647 million (U.S.$15 million), respectively.

The Group can reduce its costs and practical burden related to administration and finance operation by participating in this fund and reduce a risk to discontinue a pension plan, while the fund is co-operated by multiple companies and the Group cannot necessarily reflect its intent.

The financial position of the fund based on the latest annual report (closed by pension accounting) is as follows. The fund does not accept or succeed other funds, and does not incur benefit obligations by other employers.

(i) Status of funding in the overall plan

	Millions of yen		Millions of U.S. dollars
As of March 31	2015	2016	2016
Pension assets	¥(32,477)	¥(34,286)	$(306)
Benefit obligations for the purpose of calculating pension financials	28,252	(31,077)	(277)
Difference	(4,225)	(3,209)	(29)
Ratio of the funded pension assets	115%	110%	110%
Difference consists of:			
Surplus	(4,225)	(3,209)	(29)

(ii) Ratio of contributions by the Group to the fund

	Millions of yen		Millions of U.S. dollars
As of March 31	2015	2016	2016
Contributions by the Group	¥(1,434)	¥(1,463)	$(13)
All contributions to the fund	(2,392)	(2,424)	(22)
Ratio to the all contributions to the fund	59.92%	60.37%	60.37%

In accordance with the provision of Defined Benefit Corporate Pension Act, bylaw of the Fund requires to recalculate the amount of contributions every 5 years with a financial year end as a basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

(iii) Contributions to the multiemployer plans in the next financial year

The Group estimates the contributions to the multiemployer plans for the year ending March 31, 2018 to be ¥1,644 million (U.S.$15 million).

18. Trade and Other Payables

The analysis of the trade and other payables is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Current liabilities			
Accounts payable (Note)	¥316,618	¥388,427	$3,462
Accounts payable—trade	84,982	119,259	1,063
Accrued expenses	24,369	29,864	266
Other obligations	203	281	3
Total	¥426,172	¥537,830	$4,794

Note: Accounts payable is mainly consisted of the payable for capital investments and sale commission.

The amounts of trade and other payables expected to be settled after more than twelve months from the March 31, 2016 and 2017, respectively are ¥7,235 million and ¥7,270 million (U.S.$65 million).

19. Other Financial Liabilities

The analysis of other financial liabilities is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Non-current liabilities (Other long-term financial liabilities):			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	¥ 9,093	¥ 7,189	$ 64
Financial liabilities at amortized cost			
Preference share (Note)	95,000	95,000	847
Lease obligations	61,776	64,807	578
Long term Account Payables (Note)	8,922	9,797	87
Sub total	¥174,791	¥176,794	$1,576
Current liabilities (Other short-term financial liabilities):			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	¥ 162	¥ 9	$ 0
Financial liabilities at amortized cost			
Lease obligations	24,875	24,364	217
Sub total	25,037	24,373	217
Total	¥199,828	¥201,166	$1,793

Note: A certain subsidiary of the Group issued the cumulative preference shares. The preference shares are not converted into common stock and the Group has the obligation to redeem the principal and pay the cumulative dividend in cash to the shareholders upon the request of the shareholders or on a particular date. Considering these contractual conditions, the preference shares are classified as liabilities because the Group has the contractual obligation to delivery cash under IFRS on redemption date. Related interest is included in Long term Account Payables.

20. Provisions

(1) Movements of provisions

Changes in provisions are as follows:

	Millions of yen		
	Provision for Customer Points	Other provisions	Total
As of April 1, 2015	¥ 10,174	¥ 8,267	¥ 18,441
Increase during the year	15,784	8,838	24,622
Decrease during the year (intended use)	(8,144)	(1,511)	(9,655)
Decrease during the year (reversal)	(262)	(5,121)	(5,383)
As of March 31, 2016	17,552	10,473	28,025
Increase during the year	29,613	4,958	34,572
Decrease during the year (intended use)	(23,801)	(3,838)	(27,639)
Decrease during the year (reversal)	(1)	(345)	(346)
As of March 31,2017	¥ 23,363	¥11,248	¥ 34,612
Non-current liabilities	¥ —	¥ 7,725	¥ 7,725
Current liabilities	23,363	3,523	26,887

	Millions of U.S. dollars		
	Provision for Customer Points	Other provisions	Total
As of March 31, 2016	$ 156	$ 93	$ 250
Increase during the year	264	44	308
Decrease during the year (intended use)	(212)	(34)	(246)
Decrease during the year (reversal)	(0)	(3)	(3)
As of March 31,2017	$ 208	$100	$ 309
Non-current liabilities	$ —	$ 69	$ 69
Current liabilities	208	31	240

(2) Components of provisions

The main components of provisions of the Group are as follows.

i. Provision for customer points

The Group has operated points programs, including the au WALLET point program, and grants points to customers of the Group, for the purpose of sales promotions. In anticipation of the future use of such points by customers, the Group has recorded these points which are mainly granted by using au WALLET pre-paid card, apps and product sales services provided by other companies to debt as a provision for customer points. The Group has measured the amounts of provision for customer point at an estimated amount to be used in the future based on historical experience.

There is an inherent uncertainty regarding the extent of usage of such points by customers, and once the points expire, the customers forfeits the right to use them.

ii. Other Provisions

Other provisions include asset retirement obligations and provision for warranties for completed construction.

21. Other Liabilities

The analysis of other liabilities is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Non-current liabilities:			
Long-term advances received	¥146,376	¥134,574	$1,200
Other	6,924	6,716	60
Sub total	153,299	141,290	1,259
Current liabilities:			
Advances received	143,142	129,870	1,158
Deposits payable	41,872	68,183	608
Accrued bonuses	25,980	29,735	265
Consumption tax payable	31,322	25,223	225
Other	26,979	27,635	246
Sub total	269,294	280,646	2,502
Total	¥422,593	¥421,936	$3,761

22. Share-based Payment (Stock Grant Plans)

The Company has several stock compensation plans (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").

As for the directors, the Company has adopted the Board Incentive Plan (BIP). As for the Companies' senior management, the Company has adopted the Employee Stock Ownership Plan (ESOP).

BIP (Board Incentive Plan) is being initiated in order to link 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. This ESOP Trust is being introduced as an incentive plan to enhance corporate value over the medium to long term by increasing awareness among the Company's managers of operating performance and stock price.

Under BIP and ESOP, the right (the number) for stock granted is vested based on achievement based of KPI (Key Performance Indicators) annually.

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2016 and 2017, respectively were ¥1,371 million and ¥677 million (U.S.$6 million).

For the year ended March 31, 2016

	The number of granted (stock)	Granted date	Fair value of granted date (Note1) (Yen)	Vesting conditions
BIP trust	117,394	August 7, 2015	¥3,131.83	(Note 2)
ESOP trust	284,150	August 7, 2015	3,131.83	(Note 2)

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are basically subject to continued service from grant date to vesting date.

For the year ended March 31, 2017

	The number of granted (stock)	Granted date	Fair value of granted date (Note1) (Yen)	(U.S. dollar)	Vesting conditions
BIP trust	113,717	March 8, 2016	¥2,745.88	$24	(Note 2)
ESOP trust	132,697	March 8, 2016	2,745.88	24	(Note 2)

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are basically subject to continued service from grant date to vesting date.

23. Common Stock and Other Equity Items

(1) Common stock and capital surplus

The number of authorized stock, outstanding stock, common stock and the balance of capital surplus in each consolidated fiscal year are as follows:

	Shares		Millions of yen	
	Authorized stock	Outstanding stock	Common stock	Capital surplus
Balance as of April 1, 2015	1,400,000,000	896,963,600	¥141,852	¥369,722
Increase and decrease during the period				
Increase due to stock split (Note 3)	2,800,000,000	1,793,927,200	—	—
Other increase and decrease during the period	—	—	—	(1,477)
Balance as of March 31, 2016	4,200,000,000	2,690,890,800	141,852	368,245
Increase and decrease during the period (Note 4)	—	(70,396,543)	—	(70,199)
Balance as of March 31, 2017	4,200,000,000	2,620,494,257	¥141,852	¥298,046

	Shares		Millions of U.S. dollars	
	Authorized stock	Outstanding stock	Common stock	Capital surplus
Balance as of March 31, 2016	4,200,000,000	2,690,890,800	$1,264	$3,268
Increase and decrease during the period (Note 4)	—	(70,396,543)	—	(626)
Balance as of March 31, 2017	4,200,000,000	2,620,494,257	$1,264	$2,657

Notes: 1. Common stocks are no par value.
2. Outstanding stocks are fully paid.
3. The Company conducted a 1:3 stock split of common stock, with an effective date of April 1, 2015, as approved at the Meeting of the Board of Directors on January 30, 2015.
4. Decrease in the number of outstanding stock and capital surplus was mainly due to the cancellation of treasury stocks.

Capital surplus consists of the following items.

(i) Capital reserve

The Companies Act of Japan ("the Companies Act") requires that at least 50% of the proceeds upon issuance of stocks are credited to common stock and the remainder of the proceeds is credited to capital reserve.

(ii) Other capital surplus

Other capital surplus mainly includes disposal of treasury stock and surplus arising from capital transaction such as merger. Also, since changes in interests in subsidiaries are treated as capital transaction, the goodwill or negative goodwill generated through the transaction is recognized as capital surplus.

(2) Treasury stock

Changes in the number of treasury stock during each consolidated fiscal year are as follows:

	Number of treasury stock (Shares)	Amount (Millions of yen)
Balance as of April 1, 2015	61,984,994	¥(161,822)
Increase and decrease during the period		
Increase due to stock split (Note 1)	123,969,988	—
Purchase of treasury stock (Note 2)	16,591,273	(50,019)
Disposal of treasury stock (Note 3)	(1,125,000)	979
Balance as of March 31, 2016 (Note 5)	201,421,255	(210,861)
Increase and decrease during the period		
Purchase of treasury stock (Note 2)	31,650,800	(100,000)
Cancellation of treasury stock	(70,396,543)	73,804
Disposal of treasury stock (Note 4)	(34,104)	42
Balance as of March 31, 2017 (Note 5)	162,641,408	¥(237,014)

	Number of treasury stock (Shares)	Amount (Millions of U.S. dollars)
Balance as of March 31, 2016 (Note 5)	201,421,255	$(1,879)
Increase and decrease during the period		
Purchase of treasury stock (Note 2)	31,650,800	(891)
Cancellation of treasury stock	(70,396,543)	658
Disposal of treasury stock (Note 4)	(34,104)	0
Balance as of March 31, 2017 (Note 5)	162,641,408	$(2,113)

Notes: 1. The Company conducted a 1:3 stock split of common stock, with an effective date of April 1, 2015, as approved at the Meeting of Board of Directors on January 30, 2015.
2. Of the increase in the number of treasury stock as of March 31, 2016 and 2017, 16,584,700 shares and 31,650,800 shares were due to the purchase from the market.
3. Decrease in the number of treasury stock was due to contributions to the KDDI Foundation.
4. Decrease in the number of treasury stock was due to grant to beneficiaries of executive compensation BIP trust and stock grants ESOP trust.
5. In the balance of treasury stock as of March 31, 2016 and 2017, Company's stocks owned by executive compensation BIP trust and stock grants ESOP trust are included.

(3) Retained earnings

The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Changes in accumulated other comprehensive income

Changes in each component of accumulated other comprehensive income are as follows:

i. Changes in each component of accumulated other comprehensive income

For the year ended March 31, 2016

	Millions of yen				
	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2015	¥ 9,737	¥19,419	¥(1,694)	¥ —	¥ 27,462
Amount incurred during the year	(10,191)	(43)	(2,423)	(24,436)	(37,092)
Reclassified to consolidated statement of income	—	—	202	—	202
Transferred to retained earnings	—	(1,437)	—	24,436	22,998
Balance as of March 31, 2016	¥ (454)	¥17,939	¥(3,915)	¥ —	¥ 13,570

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. Other comprehensive income."

For the year ended March 31, 2017

	Millions of yen				
	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2016	¥ (454)	¥17,939	¥(3,915)	¥ —	¥ 13,570
Amount incurred during the year	(11,605)	(5,367)	(325)	(3,020)	(20,316)
Reclassified to consolidated statement of income	(5)	—	1,243	—	1,238
Transferred to retained earnings	—	(112)	—	3,020	2,907
Balance as of March 31, 2017	¥(12,064)	¥12,460	¥(2,996)	¥ —	¥ (2,601)

	Millions of U.S. dollars				
	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2016	$ (4)	$160	$(35)	$ —	$ 121
Amount incurred during the year	(103)	(48)	(3)	(27)	(181)
Reclassified to consolidated statement of income	0	—	11	—	11
Transferred to retained earnings	—	(1)	—	27	26
Balance as of March 31, 2017	$(108)	$111	$(27)	$ —	$ (23)

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. Other comprehensive income."

ii. The analysis of accumulated other comprehensive income

Accumulated other comprehensive income includes following items.

(a) Translation differences on foreign operations

This represents the exchange differences incurred upon consolidation of the foreign operations' financial statements denominated in foreign currencies.

(b) Changes in fair value of financial assets at fair value through other comprehensive income

This represents the valuation differences on fair value of financial assets at fair value through other comprehensive income.

(c) Changes in fair value of cash flow hedge

This represents the effective portion of changes in fair value of derivative transactions designated as cash flow hedge which is used by the Group to avoid the risk of future cash flows fluctuation.

(d) Remeasurements of defined benefit pension plan

Remeasurements of defined benefit pension plan are mainly the effects of differences between the actuarial assumptions at the beginning of the year and their actual results, and the effects of changes in actuarial assumptions.

24. Dividends

Dividends to common shareholders are as follows:

(1) Dividends paid

For the year ended March 31, 2016

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 17, 2015 General meeting of shareholders (Notes 1, 2)	Common stock	¥75,148	¥90	March 31, 2015	June 18, 2015
November 5, 2015 Board of directors (Notes 1, 2)	Common stock	87,712	35	September 30, 2015	December 7, 2015

For the year ended March 31, 2017

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 22, 2016 General meeting of shareholders (Notes 1, 2, 3)	Common stock	¥87,131	¥35	March 31, 2016	June 23, 2016
November 1, 2016 Board of directors (Notes 1, 2, 3)	Common stock	98,314	40	September 30, 2016	December 2, 2016

Resolution	Type	Aggregate amount of dividends (Millions of U.S. dollars)	Dividends per share (U.S. dollar)	Record date	Effective date
June 22, 2016 General meeting of shareholders (Notes 1, 2, 3)	Common stock	$777	$0	March 31, 2016	June 23, 2016
November 1, 2016 Board of directors (Notes 1, 2, 3)	Common stock	876	0	September 30, 2016	December 2, 2016

Notes: 1. The Company conducted a 1:3 stock split on common stock, with an effective date of April 1, 2015. Dividends per share were calculated including the effect on this stock split.

2. Dividends of the Company's shares owned by executive compensation BIP trust and stock grants ESOP trust are not included in aggregate amount of the dividends above.

3. Other than that above, there are dividends paid by the Company to beneficiaries of executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2017.

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

For the year ended March 31, 2016:

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 22, 2016 General meeting of shareholders (Notes 1, 2, 3)	Common stock	¥87,131	Retained earnings	¥35	March 31, 2016	June 23, 2016

For the year ended March 31, 2017:

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 21, 2017 General meeting of shareholders (Notes 1, 2)	Common stock	¥110,603	Retained earnings	¥45	March 31, 2017	June 22, 2017

Resolution	Type	Aggregate amount of dividends (Millions of U.S. dollars)	Source of dividends	Dividends per share (U.S. dollars)	Record date	Effective date
June 21, 2017 General meeting of shareholders (Notes 1, 2)	Common stock	$986	Retained earnings	$0	March 31, 2017	June 22, 2017

Notes: 1. The Company conducted a 1:3 stock split on common stock, with an effective date of April 1, 2015. Dividends per share were calculated including the effect on this stock split.
2. Dividends of the Company's shares owned by executive compensation BIP trust and stock grants ESOP trust are not included in aggregate amount of the dividends above.
3. Other than that above, there are dividends paid by the Company to beneficiaries of executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2017.

25. Revenue

The analysis of revenue is as follows:

For the year ended March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Domestic telecommunication services (Note 1)	¥3,107,402	¥3,199,845	$28,522
Sale of mobile handsets	842,837	878,340	7,829
Contents services (Note 2)	197,930	367,359	3,274
Global telecommunication services (Note 3)	262,440	248,967	2,219
Other	55,525	53,748	479
Total	¥4,466,135	¥4,748,259	$42,323

Notes: 1. Domestic telecommunication services mainly contains revenue from mobile and fixed-line telecommunication services.
2. Contents service mainly contains revenue from contents, settlement and product sales.
3. Global telecommunication service mainly contains revenue from mobile and data center services.

26. Expenses by Nature

Expenses by nature that constitute cost of sales and selling, general and administrative expenses are as follows:

For the year ended March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Handset sales cost, repair cost	¥ 834,127	¥ 803,948	$ 7,166
Depreciation and amortization	532,442	545,177	4,859
Communication equipment usage fee and rentals	504,927	471,023	4,198
Staff cost	369,119	390,686	3,482
Sales commission	397,879	369,487	3,293
Operations outsourcing	260,007	286,289	2,552
Rent	61,346	66,970	597
Utilities	61,461	56,759	506
Other (Note)	626,603	852,900	7,602
Total	¥3,647,911	¥3,843,239	$34,257

Note: Other is mainly consisted of advertising expense and maintenance costs for communication equipment, etc.

27. Other Income and Other Expense

(1) The analysis of other income

The analysis of other income is as follows:

For the year ended March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Compensation income, etc.	¥ 3,369	¥ 1,779	$ 16
Subsidy income, etc.	285	823	7
Income from recovery of bad debts	639	649	6
Other	8,574	7,993	71
Total	¥12,866	¥11,244	$100

(2) The analysis of other expense

The analysis of other expense is as follows:

For the year ended March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Settlement	¥ —	¥3,262	$29
Reduction entry of land contribution for construction	360	540	5
Loss on sale of fixed assets	619	238	2
Other	2,699	2,002	18
Total	¥3,677	¥6,042	$54

28. Finance Income and Finance Cost

(1) The analysis of finance income

The analysis of finance income is as follows:

For the year ended March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Interest income:			
Financial assets at amortized cost	¥ 394	¥ 853	$ 8
Dividend income:			
Financial assets at fair value through other comprehensive income	1,376	766	7
Other	79	92	1
Total	¥1,848	¥1,711	$15

(2) The analysis of finance cost

The analysis of finance cost is as follows:

For the year ended March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Interest expense:			
Financial liabilities at amortized cost	¥12,074	¥ 9,281	$ 83
Financial liabilities at fair value through profit or loss			
Derivatives	1,251	1,591	14
Loss on foreign currency exchange	5,796	2,128	19
Other	517	273	2
Total	¥19,638	¥13,273	$118

29. Other Non-operating Profit

The analysis of other non-operating profit is as follows:

For the year ended March 31	Millions of yen 2016	Millions of yen 2017	Millions of U.S. dollars 2017
Gain on deemed disposal of subsidiaries	¥ 420	¥ 18	$ 0
Gain on step acquisitions	3,196	—	—
Loss on sales of stocks of subsidiaries and associates	—	(5,535)	(49)
Total	¥3,616	¥(5,517)	$(49)

30. Other Comprehensive Income

Amounts arising during the year, amounts transferred to profit and tax effect included in other comprehensive income of the Group are as follows.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain and loss of defined benefit plan			
Gain (loss) arising during the year	¥(35,554)	¥ (4,495)	$ (40)
Tax effect	11,161	1,412	13
After tax effect	(24,393)	(3,083)	(27)
Net change in financial assets at fair value through other comprehensive income			
Gain (loss) arising during the year	(7,035)	(6,022)	(54)
Tax effect	3,779	2,578	23
After tax effect	(3,256)	(3,444)	(31)
Share of investments accounted for using the equity method			
Gain (loss) arising during the year	3,239	(1,635)	(15)
After tax effect	3,239	(1,635)	(15)
Total	(24,410)	(8,162)	(73)
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedge			
Gain (loss) arising during the year	(7,213)	1,180	11
Transferred to profit for the year	202	1,243	11
Before tax effect	(7,011)	2,424	22
Tax effect	2,101	(966)	(9)
After tax effect	(4,909)	1,457	13
Exchange differences on translating foreign operations			
Gain (loss) arising during the year	(11,009)	(13,575)	(121)
Transferred to profit for the year	—	(5)	(0)
Before tax effect	(11,009)	(13,581)	(121)
After tax effect	(11,009)	(13,581)	(121)
Share of investments accounted for using the equity method			
Gain (loss) arising during the year	58	(100)	(1)
Transferred to profit for the year	376	(74)	(1)
After tax effect	434	(173)	(2)
Total	(15,485)	(12,297)	(110)
Total other comprehensive income	¥(39,894)	¥(20,459)	$(182)

31. Financial Instruments

(1) Risk management

The Group's operating activities are subject to influence from the business and financial market environment. Financial instruments held or assumed in the course of business are exposed to risks inherent in those instruments. Such risks include i. Credit risk, ii. Liquidity risk and iii. Market risk. The Group has a risk management program in place to minimize effects on the Group's financial position and results of operations through establishing an internal management system and using financial instruments. Specifically, the Group manages these risks by using methods as described below.

i. Credit risk management

(a) Credit risks of financial assets owned by the Company

Credit risk is the risk that a party to the Group's financial instrument will cause a financial loss for the Group by failing to discharge its contractual obligation. Specifically, the Group is exposed to the following credit risks. Trade, lease and other receivables of the Group are exposed to the credit risk of our customers. The debt securities held for surplus investment are exposed to the issuer's credit risk related to the deterioration of its financial condition. In addition, derivatives used by the Group to hedge exchange risk and interest rate risk and bank balances are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

(b) Responses to the risk owned by the Company

With regard to credit risks to the customer, the Group has a system in place for assessing credit status as well as performing term administration and balance management for each counterparty based on the credit management guidelines of each Group company.

With regard to lease and other receivables, the Group determines there has been a significant increase in credit risk of the financial assets since initial recognition in case the cash collection of the financial assets was delayed (as well as the case of request for grace period) after the trade date. However, even when late payment or request for grace period occurs, the Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage, the risk of default would be low, and the objective data such as external credit ratings reveals their ability to fulfil the obligation of contractual cash flow in the near future.

With regard to debt securities, the Group determines there has been a significant increase in its credit risk since initial recognition when the Group evaluates the risk of default is high based upon rating information provided by major rating agencies.

Expected credit loss is recognised and measured thorough transactions and financial information available in the course of such credit risk management, while taking macroeconomic condition such as the number of bankruptcies and actual or expected significant changes in the operating results of the debtor into consideration. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default occurs when a debtor to a financial asset fails to make contractual payments within 90 days of when they fall due.

The Group directly writes off the gross carrying amount of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

The Group's receivables have no significantly concentrated credit risk exposure to any single counterparty or any group of counterparties.

The Group considers that there is substantially low credit risk resulting from counterparty default because counterparties of the Group's derivatives and bank transactions are limited to high credit quality financial institutions. For surplus investments and derivative transactions, the finance and accounting department, following internal rules of each Group company and accompanying regulations that prescribe details, arranges to have each transaction approved by an authorized person as designated in the authorization regulation on a transaction-to-transaction basis so that the Group can minimize credit risk. Counterparties to those transactions are limited to financial institutions with high credit rating.

Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. With regard to performing trade receivables, loss allowance is recognized by estimating the expected credit losses based on historical credit loss experience and forward-looking information for the age of each trade receivables.

Measurement of expected credit losses on lease and other receivables

When credit risk related to lease and other receivables has not increased significantly since the initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating the 12-month expected credit losses collectively based upon both historical credit loss experience and forward-looking information.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

Measurement of the expected credit losses on other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating the 12-month expected credit losses.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

(c) Quantitative and qualitative information on the amounts arising from expected credit losses
For the year ended March 31, 2016

Loss allowance for trade receivables

	Millions of yen
	Lifetime expected credit loss
	Collective
Balance as of April 1, 2015	¥ 67,002
Increase during the year	28,442
Decrease during the year (reversal)	(13,575)
Decrease during the year (intended use)	(18,010)
Other (unwinding of discounts and exchange differences)	146
Balance as of March 31, 2016	64,005
Increase during the year	29,147
Decrease during the year (reversal)	(8,958)
Decrease during the year (intended use)	(18,630)
Other (unwinding of discounts and exchange differences)	(1,627)
Balance as of March 31, 2017	¥ 63,937

	Millions of U.S. dollars
	Lifetime expected credit loss
	Collective
Balance as of March 31, 2016	$ 571
Increase during the year	260
Decrease during the year (reversal)	(80)
Decrease during the year (intended use)	(166)
Other (unwinding of discounts and exchange differences)	(15)
Balance as of March 31, 2017	$ 570

Notes: 1. Loss allowance and reversal of loss allowance are recorded in "selling, general and administrative expenses" in the consolidated statement of income. Fair value of trade and other receivables is described in "Note 32. Fair value of financial instruments."
2. There is no contractual, uncollected balance for financial assets written off during the fiscal year ended March 31, 2016 and 2017 respectively, for which collecting efforts are still being made.
3. There are no significant loss allowances for lease receivables, other receivables and other investments (debt securities).

(d) Maximum exposure to credit risks
The Group's maximum exposure to credit risks is as follows:
The Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement. On the other hand, the Group's maximum credit risk exposure (net) represents the amount of the maximum exposure with respect to credit risks reflecting the mitigation effect of the collateral held or other credit enhancement.

Maximum exposure for trade receivables

For the year ended March 31, 2016

	Millions of yen			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	¥1,345,378	¥10,291	¥67,960	¥1,423,629
Expected loss rate	1.0%	14.9%	71.5%	—
Loss allowance	13,906	1,538	48,561	64,005

For the year ended March 31, 2017

	Millions of yen			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	¥1,503,542	¥10,111	¥69,954	¥1,583,608
Expected loss rate	1.0%	11.9%	68.9%	—
Loss allowance	14,504	1,207	48,226	63,937

	Millions of U.S. dollars			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	$13,402	$90	$624	$14,115
Expected loss rate	1.0%	11.9%	68.9%	—
Loss allowance	129	11	430	570

Note: There is no collateral and other credit enhancement owned by the Group.

ii. Liquidity risk management

The Group is exposed to liquidity risk that the Group may be unable to meet the obligations such as notes and trade payables.

The Group finances necessary funds through bank borrowings and bond issuances, in the context of its capital expenditure project mainly to conduct telecommunications businesses. Any excess funds incurred are invested in short-term deposits etc.

Most of the trade and other payables are payable within one year. The Group's current liabilities including such trade payables are exposed to liquidity risk at the time of settlement, however, the Group avoids the risk using methods such as monthly financial planning review conducted by each Group company. In addition, to manage liquidity risk, the Group aims for continuously stable cash management through monitoring account activity by preparing monthly cash flow projection, and maintains liquidity at certain level. At March 31, 2017, the Group has short-term deposits etc. which is considered to be readily convertible into cash to address liquidity risk. Please refer to "Note 14. Cash and cash equivalents" for details.

Long-term financing is conducted following approval by the Board of Directors of the annual financial plan prepared by the finance and accounting department. The Group minimizes its liquidity risk by entering into a number of long- and short-term unextended commitment line contracts with domestic dominant financial institutions and leading financial institutions in foreign countries in addition to uncommitted credit facilities.

(a) Maturity analysis

Following tables represent analysis of the Group's non-derivative financial liabilities and derivative financial liabilities to be settled on a net basis by category based on respective remaining periods to contractual maturity at the end of each fiscal year. Amounts shown in the tables below are contractual undiscounted cash flows.

As of March 31, 2016

	Millions of yen							
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	¥ 426,172	¥ 426,172	¥418,937	¥ 1,648	¥ 866	¥ 506	¥ 436	¥ 3,779
Short-term borrowings	22,105	22,105	22,105	—	—	—	—	—
Long-term borrowings	816,917	826,715	52,951	36,388	195,912	55,887	110,270	375,306
Bonds payable	214,613	226,434	28,031	22,450	12,130	61,728	40,671	61,425
Preference share	95,000	104,775	—	—	104,775	—	—	—
Lease payment	86,652	90,289	26,220	19,896	16,365	13,909	9,952	3,948
Sub total	1,661,459	1,696,491	548,245	80,382	330,047	132,031	161,328	444,458
Derivative financial liabilities (Note)								
Exchange contracts	174	174	162	7	4	2	—	—
Interest rate swaps	9,080	9,080	—	—	1,130	—	1,990	5,960
Sub total	9,254	9,254	162	7	1,134	2	1,990	5,960
Total	¥1,670,713	¥1,705,745	¥548,406	¥80,390	¥331,181	¥132,032	¥163,317	¥450,418

Note: Credits and debts resulted from derivative transactions are presented on a net basis.

As of March 31, 2017

	Millions of yen							
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	¥ 537,830	¥ 537,830	¥530,560	¥ 2,058	¥ 519	¥ 497	¥ 447	¥ 3,749
Short-term borrowings	1,883	1,883	1,883	—	—	—	—	—
Long-term borrowings	775,848	780,584	38,214	196,325	56,212	110,273	47,687	331,873
Bonds payable	189,747	198,454	22,469	12,149	61,740	40,671	442	60,984
Preference share	95,000	104,775	—	104,775	—	—	—	—
Lease payment	89,171	92,917	25,867	22,017	19,317	14,723	7,614	3,378
Sub total	1,689,480	1,716,443	618,994	337,325	137,788	166,163	56,190	399,984
Derivative financial liabilities (Note)								
Exchange contracts	15	15	9	5	1	—	—	—
Interest rate swaps	7,183	7,183	—	568	—	1,355	—	5,260
Sub total	7,198	7,198	9	573	1	1,355	—	5,260
Total	¥1,696,678	¥1,723,641	¥619,002	¥337,898	¥137,789	¥167,518	¥56,190	¥405,244

	Millions of U.S. dollars							
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	$ 4,794	$ 4,794	$4,729	$ 18	$ 5	$ 4	$ 4	$ 33
Short-term borrowings	17	17	17	—	—	—	—	—
Long-term borrowings	6,915	6,958	341	1,750	501	983	425	2,958
Bonds payable	1,691	1,769	200	108	550	363	4	544
Preference share	847	934	—	934	—	—	—	—
Lease payment	795	828	231	196	172	131	68	30
Sub total	15,059	15,299	5,517	3,007	1,228	1,481	501	3,565
Derivative financial liabilities (Note)								
Exchange contracts	0	0	0	0	0	—	—	—
Interest rate swaps	64	64	—	5	—	12	—	47
Sub total	64	64	0	5	0	12	—	47
Total	$15,123	$15,364	$5,517	$3,012	$1,228	$1,493	$501	$3,612

Note: Credits and debts resulted from derivative transactions are presented on a net basis.

iii. Market risk management

Market risk management consists of (a) Exchange risk management, (b) Interest rate risk management and (c) Price risk management of equity instruments.

(a) Exchange risk

The Group is exposed to exchange rate fluctuation risk ("exchange risk") resulted from translating foreign currency denominated trade receivables arising from transactions that the Group conducted using non-functional currencies into their functional currencies at the exchange rate prevailing at the end of reporting period.

The Group also operates in foreign countries. Currently, the Group is developing international businesses through capital contribution and establishment of joint ventures in Asia (Singapore and China etc.), North America and Europe etc. As a result of these international operating activities, the Group is exposed to various exchange risks primarily related to U.S. dollar and Hong Kong dollar.

Certain subsidiary hedges exchange fluctuation risk by adopting forward exchange contracts as derivative transactions. The purpose is to fix the exchange fluctuation for broadcasting right related to foreign program. For derivative transactions, the Company develops implementation plans on a transaction-to-transaction basis following internal rules approved by the Board of Directors, and obtains approval as stipulated in the authorization regulation, before conducting the transactions. The Group's policy is to use derivative transactions only to avoid risk and conduct no speculative transactions in order to gain trading profits.

(i) Sensitivity analysis of exchange rate

Sensitivity analysis of the impact of the 10% appreciation of Japanese yen against U.S. dollar and Hong Kong dollar at the end of each fiscal year against profit before tax of the Group is as follows.

This analysis is on presumption that all other variables (balance, interest etc.) are held constant, and the sensitivity analysis below does not contain impacts of translation of financial instruments denominated in functional currencies, and impacts of translation of revenues and expenses, assets and liabilities of foreign operations into presentation currency.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Profit before tax			
U.S. dollar	¥(3,305)	¥(3,592)	$(32)
Hong Kong dollar	(846)	(802)	(7)
Total	¥(4,151)	¥(4,394)	$(39)

At the end of each fiscal year, impact against the Group's profit or loss, in cases where Japanese yen depreciated 10% against U.S. dollar and Hong Kong dollar, would be equal and opposite figures presented above on presumption that all other variables are held constant.

(ii) Derivatives (forward foreign exchange contracts)

Details of major exchange contracts existed at March 31, 2016 and 2017 are as follows:

Derivatives designated as hedges

Certain subsidiaries of the Group is to apply hedge accounting to foreign exchange risk.

	Millions of yen								Millions of U.S. dollars			
	2016				2017				2017			
	Contractual amount		Fair value		Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Forward foreign exchange contracts	¥2,129	¥1,546	¥235	¥22	¥5,716	¥4,119	¥432	¥15	$51	$37	$4	$0

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Carrying amount	¥ 213	¥ 417	$ 4
Contractual amount	2,129	5,716	51
Maturity date	April 2016~ April 2019	April 2017~ November 2022	April 2017~ November 2022
Hedge ratio (Note 1)	1	1	1
Change in intrinsic value of outstanding hedging instrument	(611)	204	2
Change in value of hedge item used to determine hedge effectiveness	611	(204)	(2)

Notes: 1. Since the Group is engaged in the foreign exchange contracts in the same currency as the purchase transaction of contents to occur in the future with a high possibility, hedge ratio of foreign exchange contracts is one-to-one.
2. The Group does not have non-effective portion of the hedge.

Derivatives not designated as hedges

	Millions of yen								Millions of U.S. dollars			
	2016				2017				2017			
	Contractual amount		Fair value		Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Forward foreign exchange contracts	¥2,766	¥—	¥—	¥152	¥2,633	¥—	¥22	¥—	$23	$—	$0	$—

(b) Interest rate risk

Interest rate risk is defined as the risk that market interest rate fluctuation results in changes in fair value of financial instruments or future cash flows arising from financial instruments. Interest rate risk exposure of the Group mainly relates to payables such as borrowings or bonds, and receivables such as interest-bearing deposits. As amount of interest is influenced by market interest rate fluctuation, the Group is exposed to interest rate risk resulting from changes in future cash flows of interest.

The Group finances funds through bond issuance at fixed interest rate in order to avoid future interest payment increase, primarily resulting from rising interest rate.

Certain subsidiaries stabilize their cash flows by using interest rate swap transactions to minimize interest rate risk on borrowings.

(i) Sensitivity analysis of interest rate

Sensitivity analysis of the impact of the 1% increase of interest rate at the end of each fiscal year against profit before tax of the Group is as follows. This analysis is on presumption that all other variables (balance, exchange rate etc.) are held constant.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Profit before tax	¥(0)	¥(15)	$(0)

Amounts shown in parentheses represent negative impact against profit of the Group.

(ii) Derivatives (interest swap contracts)

In interest swap contracts, the Group enters into agreements to exchange the differences between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Using these contracts, the Group minimizes its risk of cash flows fluctuation arising from floating rate borrowings

Derivatives designated as hedges

	Millions of yen								Millions of U.S. dollars			
	2016				2017				2017			
	Contractual amount		Fair value		Contractual amount		Fair value		Contractual amount		Fair value	
As of March 31	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate swap	¥330,000	¥330,000	¥—	¥9,080	¥330,000	¥330,000	¥—	¥7,183	$2,941	$2,941	$—	$64

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Carrying amount	¥ (9,080)	¥ (7,183)	$ (64)
Contractual amount	330,000	330,000	2,941
Maturity dare	December 2018~ December 2025	December 2018~ December 2025	December 2018~ December 2025
Hedge ratio (Note 1)	1	1	1
Change in intrinsic value of outstanding hedging instrument	(6,421)	1,897	17
Change in value of hedge item used to determine hedge effectiveness	—	—	—

Notes: 1. Since the Group runs the borrowing (hedged item) and interest rate swap transaction (hedging instrument) in the same amount, hedge ratio of interest rate swap transaction is one-to-one.
2. The Group does not have any non-effective portion of the hedge.

(c) Price risk management of equity instruments

Price risk of equity instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to such price risk as it holds equity instruments.

To manage price risk arising from those equity instruments, the corporate finance and accounting department documents policies of investment in the equity instruments and the entire Group complies with those policies. For material investments, it is obliged to report to and obtain approval from the Board of Directors in a timely manner. To manage those equity instruments, the Group continuously reviews its holdings through monitoring market value and financial condition of the issuer (counterparty) taking into account the market condition and the relationship with the counterparty.

(i) Sensitivity analysis of price of equity instruments

Sensitivity analysis of the impact of the 10% decrease of price of equity instruments at the end of each fiscal year against other comprehensive income of the Group (before tax effect) is as follows:

This analysis is on presumption that all other variables (balance, exchange rate etc.) are held constant.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Accumulated other comprehensive income (before tax effect)	¥(1,924)	¥(6,934)	$(62)

Amounts shown in parentheses represent negative impact against other comprehensive income of the Group.

(2) Capital management

The Group seeks to realize sustainable medium- and long-term growth and maximize its corporate value. To achieve those objectives, the Group's basic policy for equity risk management is to maintain adequate equity structure while monitoring capital cost, along with maintaining current fund-raising capability and ensuring financial soundness. Major performance benchmarks used by the Group to manage its equity are Ratio of equity attributable to owners of the parent and debt / equity ratio ("D/E ratio").

Ratio of equity attributable to owners of the parent and D/E ratio at the end of each fiscal year are as follows:

As of March 31	Unit	2016	2017
Ratio of equity attributable to owners of the parent (Note 1)	%	56.3	56.7
D/E ratio (debt/equity ratio) (Note 2)	ratio	0.37	0.32

Notes: 1. Ratio of equity attributable to owners of the parent: Equity attributable to owners of the parent/Total assets × 100
2. D/E ratio (debt/equity ratio): Interest bearing debt/Equity attributable to owners of the parent
As of March 31, 2017, there is no material capital controls applicable to the Group (excluding general rules such as the Companies Act etc.).

(3) Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities of the Group is as follows:

As of March 31, 2016

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Other long-term financial assets	¥ 69,125	¥43,503	¥181	¥ 112,809
Current assets:				
Trade and other receivables	1,357,820	—	—	1,357,820
Other short-term financial assets	14,912	—	54	14,966
Cash and cash equivalents	192,200	—	—	192,200
Total	¥1,634,057	¥43,503	¥235	¥1,677,795

	Millions of yen			
	Carrying amount			
	Financial liabilities at amortized cost	Financial liabilities at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Total
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	¥ 956,800	¥—	¥ —	¥ 956,800
Other long-term financial liabilities	165,698	—	9,093	174,791
Current liabilities:				
Borrowings and bonds payable	96,836	—	—	96,836
Trade and other payables	426,172	—	—	426,172
Other short-term financial liabilities	24,875	—	162	25,037
Total	¥1,670,381	¥—	¥9,254	¥1,679,635

As of March 31, 2017

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Other long-term financial assets	¥ 90,006	¥92,797	¥278	¥ 183,081
Current assets:				
Trade and other receivables	1,518,070	—	—	1,518,070
Other short-term financial assets	16,793	—	176	16,968
Cash and cash equivalents	226,607	—	—	226,607
Total	¥1,851,476	¥92,797	¥454	¥1,944,726

	Millions of yen			
	Carrying amount			
	Financial liabilities at amortized cost	Financial liabilities at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Total
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	¥ 909,673	¥—	¥ —	¥ 909,673
Other long-term financial liabilities	169,604	—	7,189	176,794
Current liabilities:				
Borrowings and bonds payable	57,805	—	—	57,805
Trade and other payables	537,830	—	—	537,830
Other short-term financial liabilities	24,364	—	9	24,373
Total	¥1,699,278	¥—	¥7,198	¥1,706,475

	Millions of U.S. dollars			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Other long-term financial assets	$ 802	$827	$ 2	$ 1,632
Current assets:				
Trade and other receivables	13,531	—	—	13,531
Other short-term financial assets	150	—	2	151
Cash and cash equivalents	2,020	—	—	2,020
Total	$16,503	$827	$ 4	$17,334

	Millions of U.S. dollars			
	Carrying amount			
	Financial liabilities at amortized cost	Financial liabilities at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Total
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	$ 8,108	$—	$ —	$ 8,108
Other long-term financial liabilities	1,512	—	64	1,576
Current liabilities:				
Borrowings and bonds payable	515	—	—	515
Trade and other payables	4,794	—	—	4,794
Other short-term financial liabilities	217	—	0	217
Total	$15,146	$—	$64	$15,211

(4) Financial assets at fair value through other comprehensive income

The Group owns the equity instruments above as investment to maintain and strengthen the business relationship with investees, and therefore classifies them as financial assets at fair value through other comprehensive income.

i. The analysis and fair value by description of financial assets at fair value through other comprehensive income

The analysis and dividends received related to financial assets at fair value through other comprehensive income are as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Fair value			
Listed equities	¥19,243	¥69,336	$618
Unlisted equities	24,260	23,460	209
Total	¥43,503	¥92,797	$827

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Dividends received			
Listed equities	¥ 209	¥169	$2
Unlisted equities	1,167	597	5
Total	¥1,376	¥766	$7

Major description of investments in financial assets at fair value through other comprehensive income is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Listed equities			
TOYOTA MOTOR CORPORATION	¥ —	¥48,303	$431
GREE, Inc.	4,944	5,608	50
PIA Corporation	2,018	2,896	26
East Japan Railway Company	—	2,896	26
COLOPL, Inc.	6,128	2,632	23
Japan Airport Terminal Co., Ltd.	2,436	2,354	21
SPACE SHOWER NETWORKS INC.	614	1,025	9
Internet Initiative Japan Inc.	971	844	8
Other	2,133	2,781	25
Sub total	19,243	69,336	618
Unlisted equities			
COMMUNITY NETWORK CENTER INCORPORATED	5,629	5,330	48
A-Fund, L.P.	5,578	4,859	43
Other	13,054	13,271	118
Sub total	24,260	23,460	209
Total	¥43,503	¥92,797	$827

ii. Financial assets at fair value through other comprehensive income disposed during the period

The Group sells its financial assets at fair value through other comprehensive income as a result of periodic review of portfolio and for the management of risk assets. Fair value at the disposal date, accumulated gains/losses arising from sale and dividends received are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Fair value at the disposal date	¥ 509	¥35	$ 0
Accumulated gains/losses arising from sale	(139)	65	1
Dividends received	0	—	—

iii. Reclassification to retained earnings

The Group reclassifies accumulated gains or losses arising from changes in the fair value of financial assets at fair value through other comprehensive income into retained earnings, when it disposes the investments, etc. Accumulated gains or losses, net of tax, reclassified from other comprehensive income into retained earnings are ¥1,437 million and ¥112 million (U.S.$1 million), respectively, for the years ended March 31, 2016 and 2017.

32. Fair Value of Financial Instruments

The financial instruments that are measured at fair value are classified into 3 levels of fair value hierarchy according to the observability and significance of the inputs used for measurement. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Group determines the hierarchy of the levels on the basis of the lowest level input that is significant to the fair value measurement.

(1) The fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

i. The hierarchy of the fair value

The following table presents the classification by fair value hierarchy of the financial assets and financial liabilities recognized at fair value on the consolidated statement of financial position.

As of March 31, 2016

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	¥19,243	¥ —	¥24,260	¥43,503
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	235	—	235
Interest rate swaps	—	0	—	0
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	174	—	174
Interest rate swaps	—	9,080	—	9,080

As of March 31, 2017

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	¥69,336	¥ —	¥23,460	¥92,797
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	454	—	454
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	15	—	15
Interest rate swaps	—	7,183	—	7,183

	Millions of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	$618	$—	$209	$827
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	4	—	4
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	0	—	0
Interest rate swaps	—	64	—	64

Any significant transfers of the financial instruments between levels are evaluated at each period end. There was no significant transfer of the financial instruments between levels for the years ended March 31, 2016 and 2017.

ii. Measurement method of the fair value of financial assets and financial liabilities

(a) Equities

Listed equities are based on the prices on exchange and within level 1 of fair value hierarchy.

Unlisted equities are calculated by the valuation technique based on the discounted future cash flows, valuation technique based on the market prices of the comparative companies, valuation technique based on the net asset value and other valuation techniques, and are within the level 3 of fair value hierarchy. Unobservable input such as discount rates and valuation multiples are used for fair value measurements of unlisted equities, adjusted for certain illiquidity discounts and non-controlling interest discounts, if necessary.

(b) Derivatives

(i) Exchange contracts

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to exchange contracts are classified as level 2 of fair value hierarchy.

(ii) Interest rate swaps

Interest rate swaps are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk. The financial assets and financial liabilities related to interest rate swaps are classified as the level 2 of fair value hierarchy.

iii. Reconciliation of level 3

The following table presents the movement of financial instruments within level 3 for the year ended March, 31, 2016.

	Millions of yen
	Financial assets at fair value through other comprehensive income
	Equities
As of April 1, 2015	¥26,845
Acquisition	1,691
Loss recognized on other comprehensive income	(3,085)
Sale	(90)
Other	(1,101)
As of March 31, 2016	¥24,260

The following table presents the movement of financial instruments within level 3 for the year ended March, 31, 2017.

	Millions of yen
	Financial assets at fair value through other comprehensive income
	Equities
As of April 1, 2016	¥24,260
Acquisition	1,817
Loss recognized on other comprehensive income	(821)
Sale	(39)
Other	(1,757)
As of March 31, 2017	¥23,460

	Millions of U.S. dollars
	Financial assets at fair value through other comprehensive income
	Equities
As of March 31, 2016	$216
Acquisition	16
Gain recognized on other comprehensive income	(7)
Sale	(0)
Other	(16)
As of March 31, 2017	$209

iv. Evaluation process of level 3

Fair value measurements of unlisted equities are performed by a management department independent from sales departments in accordance with the prescribed rules. Fair value measurements including fair value models are examined for the adequacy by periodically evaluating the business descriptions and the availability of business plans of the companies issuing the equities, as well as comparative listed companies.

v. Quantitative information related to assets classified as level 3

Information related to evaluation technique and significant unobservable inputs of assets measured at fair value on a recurring basis classified as level 3 is as follows:

As of March 31, 2016

	Fair value			
	Millions of yen	Valuation technique	Unobservable inputs	Range
Equities	¥24,260	Income approach	Discount rate	4.7%

As of March 31, 2017

	Fair value				
	Millions of yen	Millions of U.S. dollars	Valuation technique	Unobservable inputs	Range
Equities	¥23,460	$209	Income approach	Discount rate	4.6%

vi. Sensitivity analysis related to the changes in significant unobservable inputs

For financial instruments classified as level 3, no significant changes in fair value are expected to occur as a result of changing unobservable inputs to other alternative assumptions that are considered reasonable.

(2) The fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value

i. The hierarchy of the fair value

The following are the fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value. The financial assets and financial liabilities that are measured at amortized cost are included.

As of March 31, 2016

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	¥ 3,003	¥ 3,168	¥ —	¥ —	¥ 3,168
Lease receivables	30,606	—	—	28,868	28,868
Financial liabilities					
Borrowing and bonds payable					
Borrowings	816,917	—	824,665	—	824,665
Bonds payables	214,613	223,717	—	—	223,717
Other financial liabilities					
Lease payments	86,652	—	88,760	—	88,760
Preference share	95,000	—	100,759	—	100,759

Notes: 1. Borrowings, bonds payable and lease payments in the table above contain their current portion.
2. Short-term financial assets and short-term financial liabilities are not included in the table above because their fair values are similar to the carrying amounts.

As of March 31, 2017

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	¥ 3,002	¥ 3,117	¥ —	¥ —	¥ 3,117
Lease receivables	58,263	—	—	56,853	56,853
Financial liabilities					
Borrowing and bonds payable					
Borrowings	775,848	—	779,639	—	779,639
Bonds payables	189,747	195,975	50	—	196,025
Other financial liabilities					
Lease payments	89,171	—	91,119	—	91,119
Preference share	95,000	—	102,134	—	102,134

Notes: 1. Borrowings, bonds payable and lease payments in the table above contain their current portion.
2. Short-term financial assets and short-term financial liabilities are not included in the table above because their fair values are similar to the carrying amounts.

	Millions of U.S. dollars				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	$ 27	$ 28	$ —	$ —	$ 28
Lease receivables	519	—	—	507	507
Financial liabilities					
Borrowing and bonds payable					
Borrowings	6,915	—	6,949	—	6,949
Bonds payables	1,691	1,747	0	—	1,747
Other financial liabilities					
Lease payments	795	—	812	—	812
Preference share	847	—	910	—	910

Notes: 1. Borrowings, bonds payable and lease payments in the table above contain their current portion.
2. Short-term financial assets and short-term financial liabilities are not included in the table above because their fair values are similar to the carrying amounts.

ii. Measurement method of the fair value of financial assets and financial liabilities

(a) Government bonds

The fair value of government bonds is estimated based on quoted price. Government bonds are classified as level 1 of fair value hierarchy.

(b) Lease receivables

Fair value of lease receivables is measured at the present value of total expected lease receivables, discounted by the rate of interest to be used when the lessor newly contracts a similar lease transaction. Inputs of lease receivables are not based on observable market data. Therefore, the levels of the fair value hierarchy are classified as level 3. The discount rate is 8.1% as of March 31, 2016 and 6.9% as of March 31, 2017.

(c) Borrowings

For borrowings with variable interest rates, the carrying amount is used as fair value, as the rates reflect the market interest rate within a short term and there is no significant change expected in the Group entities' credit conditions after financing. For borrowings with fixed interest rates, fair value is estimated by discounting the total of principal and interest using the current interest rate adjusted for the remaining maturity period of the borrowings and credit risk. Borrowings are classified as level 2 of fair value hierarchy.

(d) Bonds payables

For bonds payable with quoted price, the fair value is estimated based on quoted price. For bonds payable without quoted price, the fair value is calculated by the present value of future cash flows discounted using the interest rate adjusted for the remaining maturity period and credit risk. Bonds payables with quoted price are classified as level 1 of fair value hierarchy and bonds payables without quoted price are classified as level 2 of fair value hierarchy.

(e) Lease payments

The fair value of lease obligations is estimated by the future cash flows discounted using the interest rate of a borrowing with the identical remaining maturity period and conditions. Lease payments are classified as level 2 of fair value hierarchy.

(f) Preference share

Under IFRS, a certain type of preference share is treated as financial liabilities because the Group has an obligation to deliver cash to holders of preference share. The fair value of the preference share is calculated by the present value of future cash flows discounted using the interest rate adjusted for the remaining maturity period and credit risk. Preferred stock is classified as level 2 of fair value hierarchy.

33. Commitments

(1) Purchase commitments

As of March 31, 2016 and 2017, the Group's commitments to purchase property, plant and equipment, intangible assets and other are as follows.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Property, plant and equipment	¥141,199	¥162,294	$1,447
Intangible assets	26,023	37,432	334
Total	¥167,222	¥199,726	$1,780

Note: These amounts above don't reflect contents of all contracts that the Group is expected to enter into in the future.

(2) Lease commitments

The Group enters into lease contracts for property, plant and equipment in the ordinary course of business. Gross minimum lease payments under non-cancellable lease contracts are set out in "Note 36. Lease."

34. Earnings Per Share

(1) Basic earnings per share

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

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Profit for the year attributable to owners of the parent	¥ 494,878	¥ 546,658	$4,873
Number of weighted average common stocks outstanding (Thousands of shares)	2,502,821	2,466,294	—
Basic earnings per share (Yen and U.S. dollar)	197.73	221.65	1.98

(2) Diluted earnings per share

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

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Profit for the year attributable to owners of the parent	¥494,878	¥546,658	$4,873
Adjustment of profit	—	—	—
Profit used in calculation of diluted earnings per share	494,878	546,658	4,873

	Thousands of shares	
For the year ended March 31	2016	2017
Number of weighted average common stocks outstanding	2,502,821	2,466,294
Effect of dilutive potential common stocks		
BIP trust and ESOP trust	268	591
Number of weighted average common stocks during the year	2,503,089	2,466,885

	Yen		U.S. dollar
For the year ended March 31	2016	2017	2017
Diluted earnings per share	¥197.71	¥221.60	$1.98

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

2. During the first quarter of the fiscal year ending March 31, 2017, the Group finalized the provisional accounting treatment for business combinations. As a result, figures as of March 31,2016 reflect the revision of the initially allocated amounts of acquisition price.

35. Contingent Liabilities

Guarantees

	Millions of yen	
As of March 31	2016	2017
Contingent liabilities for cable system supply contract	¥5,634	¥5,610
(of which, denominated in foreign currencies)	(U.S.$50 million)	(U.S.$50 million)
Total	¥5,634	¥5,610

36. Lease

(1) Lease as a lessee

i. Finance lease

Finance lease of the Group mainly relates to in-home customer premises equipment for CATV and communication.

(a) Future gross minimum lease payments

Future gross minimum lease payments of the leased assets recognized based on finance lease contracts, their present value and future finance costs by due date are as follows:

	Future gross minimum lease payments			Present value of future gross minimum lease payments		
	Millions of yen		Millions of U.S. dollars	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017	2016	2017	2017
Within one year	¥26,296	¥25,935	$231	¥24,875	¥24,364	$217
Over one year to five years	60,263	62,874	560	57,905	60,598	540
Over five years	3,949	4,276	38	3,871	4,209	38
Total	¥90,508	¥93,086	$830	¥86,652	¥89,171	$795
Less: Future finance cost (Note)	¥ 3,856	¥ 3,914	$ 35			
Present value of lease obligation	86,652	89,171	795			

Note: Difference between future gross minimum lease payments and their present value represents interest portion of the finance lease.

(b) Details of the lease contracts

Some of the Group's lease contracts contain terms of renewal or purchase options. However, the Group does not have any lease contracts that contain sublease contracts or contingent rents and escalation clauses, provision in a contract for increasing the contracted price, and restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.

Fair values of the Group's lease obligations are set out in "Note 32. Fair value of financial instruments."

ii. Operating lease

Operating lease of the Group mainly relates to lease of land and buildings for base station.

(a) Gross minimum lease payments and contingent rent

For the years ended March 31, 2016 and 2017, gross minimum lease payments and contingent rents of cancellable or non-cancellable operating leases recognized as expenses are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Gross minimum lease payments	¥122,869	¥128,685	$1,147
Contingent rents	13	128	1
Total	¥122,882	¥128,813	$1,148

Lease payments are included in "Costs of sales" or "Selling, general and administrative expenses" in the consolidated statement of income.

(b) Unexpired lease payments under non-cancellable operating lease

At the end of each fiscal year, analysis of future gross minimum lease payments under non-cancellable operating leases of the Group by due date is as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Within one year	¥16,221	¥14,196	$127
Over one year to five years	21,755	21,815	194
Over five years	8,903	7,722	69
Total	¥46,879	¥43,733	$390

(c) Details of the lease contracts

Some of the lease contracts contain terms of renewal. However, the Group does not have any lease contracts that contain purchase option, sublease contracts, escalation clauses (provision in a contract for increasing the contracted price) and restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.

(2) Lease as a lessor

i. Finance lease

One of the company's Consolidated subsidiaries, KDDI Summit Global Myanmar Co., Ltd. operates telecommunication business in Myanmar jointly with Myanmar Posts & Telecommunications (MPT), a government organization in Myanmar. KDDI Summit Global Myanmar Co., Ltd. leases telecommunication equipment to MPT classified as finance lease in the joint operation.

Future gross minimum lease payments receivable

Future gross lease payments receivable under the finance leases held by the Group and their present value and future finance income are as follows:

	Future gross minimum lease payments			Present value of future gross minimum lease payments		
	Millions of yen		Millions of U.S. dollars	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017	2016	2017	2017
Within one year	¥ 7,436	¥15,069	$134	¥ 5,609	¥11,590	$103
Over one year to five years	26,298	50,407	449	22,338	43,408	387
Over five years	2,817	3,459	31	2,659	3,264	29
Total	¥36,552	¥68,935	$614	¥30,606	¥58,263	$519
Less: Future finance income	¥ 5,946	¥10,672	$ 95			
Net investment in the lease	30,606	58,263	519			
Less: Present value of unguaranteed residual value	—	—	—			
Present value of lease obligation	30,606	58,263	519			

37. Non-cash Transactions

For the years ended March 31, 2016 and 2017, non-cash transactions, i.e. financial transactions that do not require the use of cash and cash equivalents, comprise acquisition of property, plant and equipment resulted from new finance leases of ¥46,744 million and ¥39,542 million (U.S.$352 million), respectively.

38. Major Subsidiaries

(1) Organizational structure

Major subsidiaries of the Group are as follows. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Company name	Segment	Location	Key business	The proportion of voting rights (%) As of March 31, 2016	As of March 31, 2017
Okinawa Cellular Telephone Company	Personal Services	Naha-shi, Okinawa	Telecommunications services (au mobile phone services)	51.5	51.5
Okinawa Telecommunication Network Co., Inc.	Personal Services	Naha-shi, Okinawa	Telecommunications services under Telecommunications Business Act	53.8 (50.7)	54.2 (51.1)
Jupiter Telecommunications Co., Ltd. (Note 1)	Personal Services	Chiyoda-ku, Tokyo	Management of CATV operators and broadcasting service providers	50.0	50.0
J:COM West Co., Ltd.	Personal Services	Chuo-ku, Osaka	Management of CATV (broadcasting and telecommunication business)	92.6 (92.6)	92.7 (92.7)
J:COM East Co., Ltd.	Personal Services	Chiyoda-ku, Tokyo	Management of CATV (broadcasting and telecommunication business)	100.0 (100.0)	100.0 (100.0)
UQ Communications Inc. (Note 2)	Personal Services	Minato-ku, Tokyo	Wireless broadband services	32.3	32.3
BIGLOBE Inc.	Personal Services	Shinagawa-ku, Tokyo	Telecommunications services under Telecommunications Business Act	—	100.0
Wire and Wireless Co., Ltd.	Personal Services	Chuo-ku, Tokyo	Wireless broadband services	95.2	95.2
Chubu Telecommunications Co., Inc.	Personal Services Business Services	Naka-ku, Nagoya-shi, Aichi	Telecommunications services under Telecommunications Business Act	80.5	80.5
KDDI financial Service Corporation	Value Services	Minato-ku, Tokyo	Credit card services and payment agency services	90.0	90.0
Syn.Holdings, Inc	Value Services	Minato-ku, Tokyo	Holding company of internet service companies	91.1	78.0
Jupiter Shop Channel Co., Ltd.	Value Services	Chuo-ku, Tokyo	Mail order services	55.0 (50.0)	55.0 (50.0)
WebMoney Corporation	Value Services	Minato-ku, Tokyo	Issuance and sales of server based e-money	100.0	100.0
mediba Inc.	Value Services	Shibuya-ku, Tokyo	Planning, production and sales of advertisements for mobile internet	51.0	51.0
KDDI Commerce Forward CORPORATION	Value Services	Shibuya-ku, Tokyo	Management of commerce services	—	100.0
KDDI Matomete Office Corporation	Business Services	Shibuya-ku, Tokyo	IT support services for small and medium-sized companies	95.0	95.0
Japan Internet Exchange Co., Ltd.	Business Services	Chiyoda-ku, Tokyo	Exchange port providing services for intenet service providers	56.8	63.8 (6.9)
KDDI Engineering Corporation	Other	Shibuya-ku, Tokyo	Construction, maintenance and operation support for communication equipment	100.0	100.0
KDDI Evolva, Inc.	Other	Shinjuku-ku, Tokyo	Call center, temporary personnel services	100.0	100.0
Kokusai Cable Ship Co.,Ltd.	Other	Kawasaki-shi, Kanagawa	Construction and maintenance of submarine cable	100.0	100.0
KDDI Research, Inc.	Other	Fujimino-shi, Saitama	Technology research and product development related to telecommunication services	91.7	91.7
Japan Telecommunication Engineering Service Co., Ltd.	Other	Shinjuku-ku, Tokyo	Design, construction, operation support and maintenance for communication equipment	74.3	74.3
KDDI America, Inc.	Global Services	New York, NY U.S.A.	Diversified Telecommunications services in US	100.0	100.0
KDDI Europe Limited	Global Services	London, U.K.	Diversified Telecommunications services in Europe	100.0 (4.2)	100.0 (4.2)
KDDI Singapore Pte Ltd	Global Services	Singapore	Diversified Telecommunications services in Singapore	100.0	100.0
KDDI Summit Global Singapore Pte. Ltd.	Global Services	Singapore	Holding Company	50.1	50.1
KDDI Summit Global Myammar Co., Ltd.	Global Services	Yangon, Myammar	Telecommunication business in collaboration with Myanma Posts & Telecommunications (MPT)	100.0 (100.0)	100.0 (100.0)
KDDI China Corporation	Global Services	Beijing, China	Sales, maintenance and operation of communication equipment in China	85.1	85.1
CDNetworks Co., Ltd. (Note 3)	Global Services	Seoul, Korea	Contents derivery network services	97.8	—
KDDI Korea Corporation	Global Services	Seoul, Korea	Diversified Telecommunications services in Korea	82.4	82.4
TELEHOUSE International Corporation of America	Global Services	New Castle, DE U.S.A	Data center services in US	70.8 (2.3)	70.8 (2.3)
TELEHOUSE Holdings Limited	Global Services	London, U.K.	Holding Company	100.0	100.0
TELEHOUSE International Corporation of Europe Ltd.	Global Services	London, U.K.	Data center services in Europe	92.8 (92.8)	92.8 (92.8)
Mobicom Corporation LLC	Global Services	Ulaanbaatar, Mongolia	Diversified Telecommunications services in Mongolia	63.9 (63.9)	63.9 (63.9)

Numbers in parentheses represent indirect voting rights.

Notes: 1. The Group does not own majority of voting rights of Jupiter Telecommunications Co., Ltd. ("Jupiter Telecom"). However, the Group owns 50% of the voting rights of Jupiter Telecom and has the power to govern its financial and operating policies. Accordingly, Jupiter Telecom is controlled by the Group and included in the consolidated financial statements.

2. The Group does not own majority of voting rights of UQ Communications Inc. ("UQ"). However, UQ is consolidated by the Group because UQ is considered to be controlled by the Group on the grounds that the Group is the largest shareholder of UQ, the Group's directors became majority of the board members and they have the executive power in the UQ's Board of Directors, and the operations of UQ are significantly dependent on the Company.

3. The Group sold all the shares of CDNetworks Co., Ltd. in the year ended March 31, 2017. The loss of ¥3,055 million related to this loss of control is recorded in "Other non-operating profit and loss" in the consolidated statement of income.

(2) Financial statements of subsidiaries with material non-controlling interest for the Group

i. Jupiter Telecommunication Co Ltd. (“Jupiter telecom”)

As of March 31	2016	2017
The proportion of ownership interests held by non-controlling interests	50.0%	50.0%

The proportion of ownership interests by non-controlling interests held equals the voting rights by non-controlling interests.

Amounts before adjustments to internal transactions of the Group are as follows:

(a) Consolidated statements of financial position

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Current assets	¥144,709	¥173,094	$1,543
Non-current assets	961,927	965,376	8,605
Current liabilities	118,725	131,885	1,176
Non-current liabilities	703,603	702,134	6,258
Total equity	¥284,308	¥304,451	$2,714

Amounts equivalent to the interests in total equity of Jupiter Telecom attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Interests attributable to owners of the parent	¥ 95,284	¥109,752	$ 978
Non-controlling interests	189,024	194,699	1,735
Total	¥284,308	¥304,451	$2,714

(b) Consolidated statements of income and comprehensive income

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Revenue	¥560,577	¥739,275	$6,589
Profit for the year before income tax	94,502	124,472	1,109
Income taxes	27,362	39,468	352
Profit, net of tax	67,140	85,004	758
Other comprehensive income	(4,801)	1,700	15
Total comprehensive income	¥ 62,339	¥ 86,704	$ 773

Amounts equivalent to the profit for the year and comprehensive income attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Profit for the year attributable to owners of the parent	¥34,392	¥42,141	$376
Profit for the year attributable to non-controlling interests	32,748	42,863	382
Sub total	67,140	85,004	758
Other comprehensive income attributable to owners of the parent	(2,436)	800	7
Other comprehensive income attributable to non-controlling interests	(2,365)	900	8
Sub total	(4,801)	1,700	15
Total comprehensive income attributable to owners of the parent	31,957	42,941	383
Total comprehensive income attributable to non-controlling interests	30,383	43,763	390
Total	¥62,339	¥86,704	$773

For the years ended March 31, 2016 and 2017, dividends paid by Jupiter Telecom to non-controlling interests were ¥28,470 million and ¥39,153 million, respectively.

(c) Consolidated Statement of cash flows

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Cash flows from operating activities (net)	¥ 129,183	¥175,324	$1,563
Cash flows from investing activities (net)	(167,928)	(73,762)	(657)
Cash flows from financing activities (net)	(10,959)	(86,432)	(770)
Increase (decrease) of cash and cash equivalents	(49,722)	15,131	135

ii. UQ Communications

As of March 31	2016	2017
The proportion of ownership interests held by non-controlling interests	67.7%	67.7%

The proportion of ownership interests by non-controlling interests held equals the voting rights by non-controlling interests.

Amounts before adjustments to internal transactions of the Group are as follows:

(a) Statements of financial position

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Current assets	¥ 32,516	¥ 36,821	$ 328
Non-current assets	204,431	264,894	2,361
Current liabilities	90,637	170,370	1,519
Non-current liabilities	196,816	129,596	1,155
Total equity (Note)	¥ (50,505)	¥ 1,750	$ 16

Note: Under J-GAAP, preferred shares issued by UQ communications were accounted for as equity transactions. Under IFRSs, some of these preferred shares are accounted for as financial liabilities (non-current liabilities). As a result, total equity of UQ as of March 31, 2016 became negative under IFRSs.

Amounts equivalent to the interests in total equity of UQ Communications attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen		Millions of U.S. dollars
As of March 31	2016	2017	2017
Interests attributable to owners of the parent	¥ 5,846	¥ 20,741	$ 185
Non-controlling interests	(56,351)	(18,991)	(169)
Total	¥(50,505)	¥ 1,750	$ 16

(b) Statement of income and comprehensive income

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Revenue	¥191,984	¥241,010	$2,148
Profit for the year before income tax	43,838	46,877	418
Income taxes	4,841	(5,678)	(51)
Profit, net of tax	38,997	52,555	468
Other comprehensive income	—	—	—
Total comprehensive income	¥ 38,997	¥ 52,555	$ 468

Amounts equivalent to the interests of net profit and comprehensive income attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Profit for the year attributable to owners of the parent	¥13,069	¥15,195	$135
Profit for the year attributable to non-controlling interests	25,928	37,361	333
Sub total	38,997	52,555	468
Other comprehensive income attributable to owners of the parent	—	—	—
Other comprehensive income attributable to non-controlling interests	—	—	—
Sub total	—	—	—
Total comprehensive income attributable to owners of the parent	13,069	15,195	135
Total comprehensive income attributable to non-controlling interests	25,928	37,361	333
Total	¥38,997	¥52,555	$468

(c) Statement of cash flows

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Cash flows from operating activities (net)	¥ 71,423	¥ 79,025	¥ 704
Cash flows from investing activities (net)	(56,236)	(59,869)	(534)
Cash flows from financing activities (net)	(15,252)	(19,255)	(172)
Increase (decrease) of cash and cash equivalents	(65)	(99)	(1)

39. Related Party Transactions

(1) Related party transactions

For the year ended March 31, 2016:

There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

For the year ended March 31, 2017:

There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

(2) Remuneration of key management

Remuneration of key management is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2016	2017	2017
Short-term employee benefits	¥554	¥598	$5
Share-based payment	111	110	1
Total	¥665	¥708	$6

Remuneration of key management represents remuneration to directors of the Company, including external directors.

40. Subsequent Events

Cancellation of treasury stocks

At the Board of Directors meeting held on May 11, 2017, the Company approved the item related to the cancellation of treasury stocks based on Article 178 of the Company act and executed the cancellation. Details are as follows.

(1) Type of shares to be canceled: Common stocks

(2) Number of shares to be canceled: 33,280,732 shares (1.27% of the total number of issued shares prior to cancellation)

(3) Date of cancellation: May 17, 2017

Note: After the cancellation, the number of treasury stocks will be 5% of the total number of issued shares.
Total number of issued shares after the cancellation: 2,587,213,525 shares
Total number of treasury stocks after the cancellation: 129,360,676 shares

Acquisition of treasury stocks

At the Board of Directors meeting held on May 11, 2017, the Company approved the item related to the acquisition of its treasury stocks based on Article 156 of the Company Act, which is applicable in accordance with Article 165, Paragraph 3 of the same law.

(1) Reason for acquisition of treasury stock
The Company decided to acquire its own shares with the aim of improving capital efficiency to response to changes in the business environment and shareholders' benefit.

(2) Details of the acquisition of treasury stocks
(a) Type of shares to be acquired: Common stocks
(b) Number of shares to be acquired: 41,000,000 (maximum)
(c) Acquisition period: May 12, 2017 to September 22, 2017
(d) Total value of shares to be acquired: ¥100 billion (maximum)

(3) Method of acquisition: Market purchases in the Tokyo Stock Exchange

41. Approval of the Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2017 have been approved by the Board of Directors on June 22, 2017.

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 statement of financial position as at March 31, 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 International Financial Reporting Standards, 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, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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 2 (3) to the consolidated financial statements.

PricewaterhouseCoopers Kyoto

PricewaterhouseCoopers Kyoto
Kyoto, Japan

June 22, 2017