



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

## Financial Statements Summary for the Six Months Ended September 30, 2011 [ Japan GAAP ]

October 24, 2011

Company Name **KDDI CORPORATION**  
 Stock Listing Tokyo Stock Exchange-First Section  
 Code No. 9433 URL <http://www.kddi.com>  
 Representative Takashi Tanaka, President  
 Scheduled date for filing of quarterly report October 31, 2011  
 Scheduled date for dividend payment November 21, 2011  
 Quarterly earnings supplementary explanatory documents: Yes  
 Quarterly earnings presentation: Yes (for institutional investors and analysts)

(Amount Unit : Millions of yen, unless otherwise stated)  
 (Amounts are rounded down to nearest million yen)

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2011 (April 1, 2011 – September 30, 2011)

(1) Consolidated Results of Operation (Percentage represents comparison change to the corresponding previous quarterly period)

|                                     | Operating Revenues |       | Operating Income |       | Ordinary Income |       | Net Income |       |
|-------------------------------------|--------------------|-------|------------------|-------|-----------------|-------|------------|-------|
|                                     |                    | %     |                  | %     |                 | %     |            | %     |
| Six months ended September 30, 2011 | 1,743,287          | 1.4   | 266,746          | 7.6   | 252,405         | 7.8   | 140,138    | 2.3   |
| Six months ended September 30, 2010 | 1,718,437          | (0.3) | 247,855          | (1.2) | 234,041         | (3.1) | 136,974    | (5.7) |

(Note) Consolidated Statements of Comprehensive Income

Six months ended September 30, 2011: 151,487 million yen; 14.5% Six months ended September 30, 2010: 132,254 million yen; - %

|                                     | Net Income per Share |  | Diluted Net Income per Share |  |
|-------------------------------------|----------------------|--|------------------------------|--|
|                                     | Yen                  |  | Yen                          |  |
| Six months ended September 30, 2011 | 33,006.14            |  | 33,004.57                    |  |
| Six months ended September 30, 2010 | 30,752.37            |  | -                            |  |

### (2) Consolidated Financial Position

|                          | Total Assets | Net Assets | Equity Ratio |
|--------------------------|--------------|------------|--------------|
|                          |              |            | %            |
| As of September 30, 2011 | 3,915,899    | 2,291,814  | 56.7         |
| As of March 31, 2011     | 3,778,918    | 2,171,839  | 55.7         |

(Reference) Shareholder's Equity As of September 30, 2011: 2,218,714 million yen As of March 31, 2011: 2,103,331 million yen

### 2. Dividends

|                                       | Dividends per Share         |                             |                             |                 |           |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------|-----------|
|                                       | 1 <sup>st</sup> Quarter End | 2 <sup>nd</sup> Quarter End | 3 <sup>rd</sup> Quarter End | Fiscal Year End | Total     |
|                                       | Yen                         | Yen                         | Yen                         | Yen             | Yen       |
| Year ended March 31, 2011             | -                           | 6,500.00                    | -                           | 7,500.00        | 14,000.00 |
| Year ending March 31, 2012            | -                           | 7,500.00                    | -                           | -               | -         |
| Year ending March 31, 2012 (forecast) | -                           | -                           | -                           | 7,500.00        | 15,000.00 |

Note: Changes in the latest forecasts released: None

### 3. Consolidated Financial Results Forecast for Year Ending March 31, 2012 (April 1, 2011 – March 31, 2012)

(Percentage represents comparison to previous fiscal year)

|                    | Operating Revenues |     | Operating Income |     | Ordinary Income |     | Net Income |       | Net Income per Share |  |
|--------------------|--------------------|-----|------------------|-----|-----------------|-----|------------|-------|----------------------|--|
|                    |                    | %   |                  | %   |                 | %   |            | %     | Yen                  |  |
| Entire Fiscal Year | 3,460,000          | 0.7 | 475,000          | 0.7 | 450,000         | 2.1 | 250,000    | (2.0) | 58,881.14            |  |

Note: Changes in the latest forecasts released: None

#### 4. Other

- (1) Changes in significant consolidated subsidiaries during the six months ended September 30, 2011 : None
- (2) Application of accounting methods which are exceptional for quarterly consolidated financial statements : None
- (3) Changes in accounting policies, accounting estimates and restatement of corrections
  - 1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations : Yes
  - 2) Other changes in accounting policies : None
  - 3) Changes in accounting estimates : None
  - 4) restatement of corrections : None

Note: Please refer to P.9 “Notes Regarding Summary Information (Others)” for details.

- (4) Numbers of Outstanding Shares (common shares)
  - 1) Number of shares outstanding (inclusive of treasury stock)

|  |                          |           |
|--|--------------------------|-----------|
|  | As of September 30, 2011 | 4,484,818 |
|  | As of March 31, 2011     | 4,484,818 |
  - 2) Number of treasury stock

|  |                          |         |
|--|--------------------------|---------|
|  | As of September 30, 2011 | 238,976 |
|  | As of March 31, 2011     | 238,976 |
  - 3) Number of weighted average common shares outstanding (cumulative for all quarters)

|  |   |           |
|--|---|-----------|
|  | For the six months ended September 30, 2011 | 4,245,842 |
|  | For the six months ended September 30, 2010 | 4,454,113 |

#### Indication of quarterly review procedure implementation status

This quarterly earnings report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

#### Explanation for Appropriate Use of Forecasts and Other Notes

The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI Corporation (hereafter: the “Company”) and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.8 “Qualitative Information on Consolidated Financial Results Forecast” of the Attachment for the assumptions used and other notes.

## **[the Attachment]**

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\* The Company holds an earnings presentation for investors as below. Documents distributed at the presentation are scheduled to be posted on our website at the same time as the release of the financial statements summary. Videos and main Q&As are planned to be posted immediately after the presentation.

- Monday, October 24, 2011- Earnings presentation for institutional investors and analysts

\* In addition to the above earnings presentation, the Company holds conferences on its business and results for individual investors. Please check our website for the schedule and details.

# **1. Qualitative Information / Consolidated Financial Statements, etc.**

## **(1) Qualitative Information on Consolidated Financial Results**

### **1) Results Overview**

**For the six months ended September 30, 2011**

(Amount unit: Millions of yen)

|  | Six months ended<br>September 30, 2010 | Six months ended<br>September 30, 2011 | Increase<br>(Decrease) | Increase<br>(Decrease)% |
|--|--|--|------------------------|-------------------------|
| Operating Revenues                                   | 1,718,437                              | 1,743,287                              | 24,850                 | 1.4                     |
| Operating Expenses                                   | 1,470,581                              | 1,476,541                              | 5,959                  | 0.4                     |
| Operating Income                                     | 247,855                                | 266,746                                | 18,890                 | 7.6                     |
| Non-operating Income (Expense)                       | (13,813)                               | (14,340)                               | (527)                  | -                       |
| Ordinary Income                                      | 234,041                                | 252,405                                | 18,363                 | 7.8                     |
| Extraordinary Income (Loss)                          | 5,376                                  | (726)                                  | (6,102)                | -                       |
| Income before Income Taxes and<br>Minority Interests | 239,417                                | 251,678                                | 12,260                 | 5.1                     |
| Total Income Taxes                                   | 98,526                                 | 107,290                                | 8,763                  | 8.9                     |
| Income before Minority Interests                     | 140,890                                | 144,388                                | 3,497                  | 2.5                     |
| Minority Interests in Income                         | 3,916                                  | 4,249                                  | 333                    | 8.5                     |
| Net Income   | 136,974                                | 140,138                                | 3,164                  | 2.3                     |

Operating revenues for the six months ended September 30, 2011 amounted to ¥1,743,287 million, 1.4% increase year on year, mainly due to the increase in revenues brought by the increase in the number of terminal sales in the Mobile Business, and the increase in revenues of group companies in the Fixed-line Business, despite the decline in voice ARPU (Average Revenue per Unit) caused by the uptake of the Simple Course in the Mobile Business.

Operating income was up 7.6% year on year to ¥266,746 million as operating expenses declined due to network streamlining in the Fixed-line Business. Ordinary income was up 7.8% year on year to ¥252,405 million. As for extraordinary income (loss), we have booked gain on sales of investment securities as extraordinary income for the six months ended September 30, 2010, while loss on the Great East Japan Earthquake was booked as extraordinary loss for the six months ended September 30, 2011. As a result, net income for the six months ended September 30, 2011 came to ¥140,138 million, 2.3% increase year on year.

#### **Overview of Economic Conditions**

In the global economy, the trend toward deceleration strengthened during the period under review, and there is a growing sense of uncertainty about the future. The sovereign problems in the EU, including Greece and other countries, have intensified, and it is possible that global financial instability could spread. In the U.S., business sentiment worsened due to sluggish employment conditions and contracting consumer spending. In China and other emerging countries, meanwhile, concerns about inflation led to successive monetary tightening measures, and the pace of growth weakened.

In Japan, the economy fell into a slump following the Great East Japan Earthquake, but it began to recover during the period under review due to the restoration of the damaged supply chain and to improvement in corporate and consumer sentiment. Nonetheless, in addition to the unusual conditions in the global economy and the continued strength of the yen, the domestic industrial base underwent further hollowing out as corporations increased overseas investment. These factors had an adverse effect on employment, and there is cause for concern about a downturn in business conditions.

#### **Industry Trends**

In the mobile communications market, competition for customers is intensifying through means such as offering more affordable pricing plans; providing a diverse range of tablets including smartphones, tablet-type terminals, and ebook terminals; and establishing a complete lineup of downloadable content such as music and videos. In the fixed-line communications market, the expansion of broadband services, centered on FTTH, is accompanied by an ongoing convergence between fixed-line and mobile communications broadcasting. As a result, competition between services is entering a new phase.

#### **KDDI's Position**

The Company steadily implemented its medium to long term strategies-the 3M Strategy and the Global Strategy-targeting the realization of the three commitments: "More Connected" "More Diverse Values" "More Global". 3M stands for Multi-use, Multi-network, and Multi-device. We want to provide a variety of content

and services to customers through an optimal network that can be used anytime and anywhere, with a variety of devices, including smartphones and tablets.

In the Mobile Business, we undertook a variety of initiatives in order to expand our customer base. Such initiatives included enhancing our diverse lineup of terminals, including smartphone models that other companies do not have; reinforcing our network by launching “au Wi-Fi SPOT” and other services; and working to expand our applications and content through such initiatives as forming a cooperation agreement with Facebook Inc. and enhancing our “LISMO!” service.

In our Fixed-line Business, we worked to expand access lines, centered on FTTH services, while enhancing solution services for corporate clients. The Company also strove to bolster its ability to support corporate clients’ international business development by increasing its overseas locations.

In both businesses, we sought to forge partnerships with numerous companies in a variety of fields.

In July 2011, 10 companies—the Company and Sharp Corporation, DAIKIN INDUSTRIES, LTD., the Tokyo Electric Power Company, Incorporated, Toshiba Corporation, NEC Corporation, Panasonic Corporation, Hitachi, Ltd., Mitsubishi Motors Corporation, and Mitsubishi Electric Corporation—formed the HEMS (Home Energy Management System) Alliance to establish an HEMS market and encourage its proliferation. This alliance will consider issues shared by respective companies, including smart appliance control via HEMS applications, the development and distribution of HEMS applications, and the creation of the structures needed for smart appliance maintenance. At the same time, the alliance will work to resolve issues with a view to the establishment of an HEMS market that gives first priority to “safety.” As part of these considerations, the alliance will also collaborate as appropriate with the Smart Community Alliance and other organizations and housing manufacturers as it seeks to drive broad-based HEMS proliferation.

## 2) Results by Business Segment

### - Results Summary

#### For the three months ended September 30, 2011

(Amount unit: Millions of yen)

|                         | Six months ended<br>September 30, 2010 | Six months ended<br>September 30, 2011 | Increase<br>(Decrease) | Increase<br>(Decrease) % |
|-------------------------|--|--|------------------------|--------------------------|
| Mobile Business         |  |  |                        |                          |
| Operating Revenues      | 1,305,155                              | 1,332,204                              | 27,048                 | 2.1                      |
| Operating Expenses      | 1,057,490                              | 1,101,147                              | 43,657                 | 4.1                      |
| Operating Income        | 247,665                                | 231,056                                | (16,608)               | (6.7)                    |
| Fixed-line Business     |  |  |                        |                          |
| Operating Revenues      | 438,484                                | 447,298                                | 8,814                  | 2.0                      |
| Operating Expenses      | 442,152                                | 415,247                                | (26,905)               | (6.1)                    |
| Operating Income (Loss) | (3,668)                                | 32,051                                 | 35,719                 | -                        |
| Other Business          |  |  |                        |                          |
| Operating Revenues      | 57,478                                 | 51,975                                 | (5,502)                | (9.6)                    |
| Operating Expenses      | 53,875                                 | 48,612                                 | (5,262)                | (9.8)                    |
| Operating Income        | 3,602                                  | 3,362                                  | (240)                  | (6.7)                    |

### - Subscriptions of Major Services

(Unit : Thousand line)

|                                 | As of September 30,<br>2010 | As of September 30,<br>2011 | Increase<br>(Decrease) | Increase<br>(Decrease) % |
|---------------------------------|-----------------------------|-----------------------------|------------------------|--------------------------|
| au <sup>1</sup>                 | 32,291                      | 33,659                      | 1,368                  | 4.2                      |
| CDMA 1X WIN                     | 27,989                      | 31,507                      | 3,518                  | 12.6                     |
| (Ref.) UQ WiMAX                 | 337                         | 1,237                       | 900                    | 267.1                    |
| FTTH                            | 1,741                       | 2,070                       | 329                    | 18.9                     |
| Metal-plus                      | 2,702                       | 2,384                       | (318)                  | (11.8)                   |
| Cable-plus phone <sup>2</sup>   | 1,152                       | 1,679                       | 527                    | 45.7                     |
| CATV <sup>3</sup>               | 1,042                       | 1,123                       | 81                     | 7.8                      |
| Fixed access lines <sup>4</sup> | 6,220                       | 6,747                       | 527                    | 8.5                      |

Notes: 1. Inclusive of module-type contracts

2. Inclusive of wholesales to “J:COM PHONE Plus” from the fiscal year ending March 31, 2012.

3. Number of households with at least one contract via broadcasting, internet, or telephone

4. Total access lines of FTTH, direct-revenue telephony (Metal-plus, Cable-plus phone), and CATV subs. excluding crossover.

## **Mobile Business**

Operating revenues for the six months ended September 30, 2011 amounted to ¥1,332,204 million, 2.1% increase year on year. Contributing factors include the increase in revenue brought by the increase in the number of terminal sales, despite the decline in voice ARPU (Average Revenue per Unit) caused by the uptake of the Simple Course. Operating income amounted ¥231,056 million, down 6.7% year on year, due to the increase in handsets procurement cost that led the rise in operating expenses.

## **Overall**

- The number of “au” mobile phone subscriptions was 33.659 million as of September 30, 2011.
- The Company has confirmed reports that battery packs on the au mobile phones “W52CA” and “EXILIM-Keitai W53CA” (made by Casio Computer Co., Ltd.) and “Mobile Hi-Vision CAM Wooo (HIY01)” (made by Hitachi Consumer Electronics Co., Ltd.) have the potential to overheat and expand, and could generate smoke or melt, if the separator inside the battery packs is damaged due to an external force and a short-circuit occurs within the battery pack during subsequent use. Consequently, we have introduced measures to replace any such battery packs with battery packs for which countermeasures have been implemented. We apologize sincerely for any inconvenience that this may cause to our customers.

## **Mobile Terminals**

- The Company began offering the waterproof and dustproof “Windows® Phone IS12T” smartphone, the first in Japan to include Windows® Phone 7.5, as well as the “Mi-Look” mobile phone equipped with a pedometer that looks after you, and a variety of other terminals. In addition to reading and editing Microsoft® Office documents, the “Windows® Phone IS12T” can store and share data through Windows Live SkyDrive, a free-of-charge cloud service operated by Microsoft. It is an attractive smartphone employing the abundant applications and technology of Internet Explorer® 9, the latest web browser for PCs, to realize Internet capabilities. The “Mi-Look” pedometer that looks after you enables the watching over of the everyday lives of important family members and can be simply operated even by elderly people who are less comfortable with device operations.

Targeting corporate customers, the Companies has launched the “EIS01PT” Android™-based business smartphone with security functions, international roaming capabilities and other functions needed for business use.

< Products released for the three months ended September 30, 2011 >

|                                   |  |
|-----------------------------------|--|
| IS series (Smartphones)           | “G’zOne IS11CA,” “Windows® Phone IS12T,” “REGZA Phone IS11T,” “MIRACH IS11PT,” “EIS01PT” |
| au mobile phones (Feature phones) | “S007,” “T007,” “Mi-Look” (a pedometer that looks after you)                             |
| Digital photo frame               | “PHOTO-U2 SP03”  |

- On September 20, 2011, the Companies began providing a new e-mail application (@ezweb.ne.jp) for Android™ smartphones. This application is available on “Xperia™ acro IS11S” and “HTC EVO WiMAX ISW11HT” models, and will be steadily included as standard in future au smartphone models. Intuitive for smartphone users, this application offers an easy-to-use interface and can send/receive mail via Wi-Fi and WiMAX networks.
- The Companies’ autumn and winter lineup includes six new “IS series” models, three new au mobile phones, one new tablet and one new data communications terminal. Four of the six smartphones in the new “IS series” are WiMAX-enabled high-speed communication models with tethering capability. This wave of products includes a wide assortment of models with dual-core CPUs that enable a smooth operating feel and standard functions in Japan that are waterproof and compatible with the Osaifu-Keitai services and infrared communications. For its range of au mobile phones, the Companies released waterproof and dustproof slim models that incorporate high-end camera with high-speed startup and fast continuous shooting features and models featuring elegant and sophisticated designs. Also, for business customers the Companies released models that have an assortment of security functions. The Further, the Companies released mobile Wi-Fi routers compatible with both 3G and WiMAX as well as business tablets that have a waterproof, dustproof and shock-resistant design.

## **Consumer Services**

- On September 1, 2011, we began providing two new au mobile phone pricing plans, “Plan W simple” and “Plan W,” for customers who place frequent international calls. These plans are designed to reduce charges on overseas calls placed from Japan use au mobile phones. In addition, we made calls inside Japan between au mobile phones free of charge (except between 9pm and 1am) and made all C-mail within Japan free of charge, the first time this has been done for au mobile phones.

On the same day, the Companies made it possible to place international calls from au mobile phones by dialing the “010” prefix. This enables the inexpensive and convenient use of au mobile phones by foreign exchange students whose parents or other family members live overseas and by people who frequently call overseas on business.

- The Companies launched a new pricing plan, “Plan Z Simple,” on September 28, 2011. “Plan Z Simple” allows users in Japan to call other au mobile phones within Japan for free between the hours of 1am and 9pm for a basic monthly rate of ¥980 (including tax)<sup>Note</sup>. Also, domestic C-mail messages between au mobile phone users are always free, 24 hours a day.

Note: Under “Everybody Discount” contract

- From the second half of September 2011, we began offering a “LISMO Player” upgrade for au smartphones, as well as expanded “LISMO!” functionality. This upgrade enables “Chaku-Uta-Full<sup>®</sup>,” “Chaku-Uta-Full-Plus<sup>®</sup>” and video clips to be transferred simply using a microSD memory card. Also, revisions mainly of the core functions allow subscribers who are changing from conventional au feature phones to smartphones to easily carry over information from their au mobile phone. As a result, we have made the “LISMO Player (Ver.2.0)” even more intuitive to use.
- In regard to the number of spots for “au Wi-Fi SPOT” service, a public wireless LAN service that KDDI has offered since June 30, 2011, the installation of about 30,000 spots has already been completed, and the Company continues to increase the number of spots, targeting 100,000 spots by March 31, 2012.

### **Corporate Services**

- The Company entered a business alliance with Branddialog, Inc., on August 2, 2011, to launch the “KDDI Knowledge Suite.” As the Company’s first service for its proprietary “KDDI MULTI CLOUD” service, the “KDDI Knowledge Suite” is a highly convenient business application that links groupware with sales support and customer management, which enables workers to operate more efficiently by allowing them to use schedules and telephone memos even when away from their desks.

### **Others**

- In line with the launch of models compatible with the UMTS<sup>Note</sup> communications format, we began offering access to UMTS networks in our “GLOBAL PASSPORT” international roaming service. Access to UMTS networks, which cover 127 countries and regions, including the United States, China, South Korea and France, enables high-speed packet communications at the same rates as existing services. On September 1, 2011, we added 13 telecommunications companies to the base of carriers with which we offer the “Kaigai Double-Teigaku” flat-rate international packet service. This addition adds seven countries and regions to our “Kaigai Double-Teigaku” service area, raising the total to 31.

Note: Acronym for Universal Mobile Telecommunications System. Developed according to IMT-2000, UMTS is a component of 3G specifications and employs W-CDMA.

### **Main Services in the Third Quarter and Beyond**

- On October 14, 2011, the Companies began offering the “iPhone 4S” (made by Apple Inc.). You can use iPhone 4S on the Companies’ 3G network, so you can enjoy the incredible features of iPhone 4S anywhere, anytime.
- On October 13, 2011, the Companies began offering compatibility with EZweb content via au smartphones, thereby making its smartphones more convenient than ever before. Also, on October 19, 2011, the Companies added social linking functionality and PC compatibility to the “au one Market” application market for au Android<sup>®</sup> smartphones.
- In October 2011, the Companies will add a video calling menu to “Skype<sup>™</sup> | au,” an au smartphone. As a result, by simply downloading the Skype for Android application, subscribers can enjoy video calls with other au mobile phone subscribers, as well as people on PCs, tablets and televisions.
- In November 2011, the Company will begin offering “KDDI 3LM Security,” a security management service developed by Three Laws of Mobility, Inc. for corporate customers that use au Android<sup>™</sup> devices. The new service will maintain the characteristic open environment of Android<sup>™</sup> while providing robust security functionality, allowing customers to take advantage of such corporate services as the “KDDI MULTI CLOUD” cloud-sourcing service.
- From mid-November 2011 onward, the Companies will offer a “Guarantee Security Pack,” which proves comprehensive safety and security support for smartphones, an “au one Photo Air powered by Eye-Fi” service to automatically back up photos and an “au one Friends Note” integrated communication service.

- In response to the increasing number of digital consumer electronics products that are equipped with communication functions, the Company is offering an alliance-type communication service, “Link → au,” which provides au communication services for the brand name products of business partners. One product incorporating “Link → au,” the “Reader” 3G + Wi-Fi® model “PRS-G1” ebook reader by Sony Marketing (Japan) Inc., will go on sale from November 25.
- In late November 2011, Sony Marketing (Japan) will begin offering its “Attach WiFi” tethering service, which uses the 3G au telecommunications network. This service will enable customers to enjoy simple Wi-Fi access on a host of devices.

### **Fixed-line Business**

Operating revenues for the six months ended September 30, 2011 amounted to ¥447,298 million, 2.0% increase year on year, due to the increase in revenues of group companies, etc.

Operating income amounted to ¥32,051 million, representing a ¥35,719 million increase year on year, due to the decrease in operating expenses of the Company as a result of network streamlining conducted in the Fixed-line Business.

### **Overall**

- The number of FTTH service subscriptions, consisting of “au HIKARI” and services of consolidated subsidiaries (Chubu Telecommunications Co., Inc.’s “Commuf@-hikari,” Okinawa Cellular Telephone Company’s “au HIKARI Chura” and Okinawa Telecommunication Network Co., Inc.’s “Hikarifuru”) reached 2.070 million as of September 30, 2011.
- As of September 30, 2011, the number of “Metal-plus” subscriptions totaled 2.384 million.
- For “Cable-plus phone,” alliances with cable television companies grew steadily, reaching 120 companies and its subscriptions expanded to 1.679 million as of September 30, 2011.
- Consolidated subsidiary JCN Group, which oversees 18 cable companies primarily in the Tokyo metropolitan area, had 1.123 million cable television subscriptions as of September 30, 2011.

### **Consumer Services**

- “au HIKARI Home,” a FTTH service for detached houses, expanded its service areas to Miyagi and Fukushima prefectures, the service started from August 1, 2011. “au HIKARI Home” became available in 25 prefectures<sup>Note</sup> in Japan.

Note: Hokkaido, Miyagi, Fukushima, Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, Gunma, Yamanashi, Niigata, Ishikawa, Okayama, Hiroshima, Kagawa, Ehime, Kochi, Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, and Kagoshima prefectures.

- On September 1, 2011, the Company began offering the “Guarantee Total Support” service, which provides customers using our “au one net” Internet connectivity service with support from expert operators for various problems related to Internet use. Specialized operators use the telephone and remote operations to provide “Guarantee Total Support,” which can be added to the “au one net” support service to help resolve issues involving Internet network equipment connectivity, settings and methods of use.

### **Corporate Services**

- On September 13, 2011, the Company and its subsidiary KDDI Web Communications Inc. participated in Google’s new “Getting Japanese Business Online” as a business partner in Japan. Aimed at promoting ICT use among small and medium-sized Japanese businesses, the project supports the creation and operation of websites for small and medium-sized businesses and promotes the use of IT in business. The Company will support small and medium-sized companies’ efforts to construct IT environments through its membership-based “KDDI Matomete Office” service, providing preferential services and robust IT environment configuration support and for small and medium-sized companies using “Getting Japanese Business Online.”

### **Main Services in the Third Quarter and Beyond**

- In October 2011, CDN Networks Co., Ltd., became a consolidated subsidiary of KDDI, which acquired 85.5% of CDN Networks’ common shares. CDN Networks, which is a global provider of Contents Network Delivery services<sup>Note</sup> (CDN services), is highly competitive in Asia, where the Internet-related market is growing steadily. Moving forward, we will provide new value by combining a high-quality Internet network and CDN services.

Note: These services achieve higher-speed Internet communications by temporarily caching and distributing content using servers that are installed closer to the end user.



## **Other Business**

Operating revenues for the six months ended September 30, 2011 decreased 9.6% year on year to ¥51,975 million. Operating income decreased 6.7% year on year to ¥3,362 million.

### **3) Status of Major Affiliates**

Equity-method affiliate Jibun Bank Corporation is promoting increased customer convenience via a number of services. From July, Jibun Bank increased customer convenience by enabling the use of a service for real-time settlement from Jibun Bank accounts, the “Jibun Bank Payment service,” through “au one toto.” Targeting individual customers, on October 11, 2011, the bank also began offering yuan-denominated foreign currency deposits via the Internet.

- Notes:
- 1 “Wi-Fi” is a registered trademark of Wi-Fi Alliance®.
  - 2 “EXILIM-Keitai” and “G’zOne” are registered trademarks of Casio Computer Co., Ltd.
  - 3 “Wooo” is a registered trademark of Hitachi Consumer Electronics Co., Ltd.
  - 4 “Windows® Phone,” “Microsoft®,” “Windows Live®,” and “Internet Explorer®” are registered trademarks or trademarks of Microsoft Corporation.
  - 5 “Android” and “Google” are trademarks of Google Inc.
  - 6 “REGZA Phone” is a registered trademark of Toshiba Corporation.
  - 7 “Xperia” is a trademark or a registered trademark of Sony Ericsson Mobile Communications AB.
  - 8 HTC EVO is a trademark or a registered trademark of HTC Corporation.
  - 9 WiMAX is a registered trademark of WiMAX Forum.
  - 10 “Osaifu-Keitai” is a registered trademark of NTT DOCOMO, INC.
  - 11 iPhone is a trademark of Apple Inc. The trademark iPhone is used with a license from iPhone K.K.
  - 12 “Skype” and “Skype au” are trademarks of Skype Limited.
  - 13 “Reader” is a trademark of Sony Corporation.

## **(2) Qualitative Information on Consolidated Financial Position**

Consolidated total assets stood at ¥3,915,899 million, an increase of ¥136,981 million from March 31, 2011. This increase was primarily attributable to factors such as increases in securities (commercial papers, etc.) and accounts receivable-trade.

Total liabilities amounted to ¥1,624,085 million, an increase of ¥17,006 million from March 31, 2011. Major factor contributing to this increase was increase in income taxes payable.

An increase in retained earnings resulted net asset to amount to ¥2,291,814 million.

As a result, the shareholders’ equity ratio rose from 55.7% as of March 31, 2011, to 56.7%.

The following describes the cash flow situation for the six months ended September 30, 2011.

(Amount unit: Millions of yen)

|   | Six months ended<br>September 30, 2010 | Six months ended<br>September 30, 2011 | Increase<br>(Decrease) |
|---|--|--|------------------------|
| Net cash provided by (used in) operating activities         | 340,650                                | 360,051                                | 19,401                 |
| Net cash provided by (used in) investing activities         | (203,714)                              | (183,787)                              | 19,926                 |
| Free cash flows   | 136,935                                | 176,264                                | 39,328                 |
| Net cash provided by (used in) financing activities         | (93,959)                               | (83,065)                               | 10,893                 |
| Effect of exchange rate change on cash and cash equivalents | (1,167)                                | 89                                     | 1,256                  |
| Net increase (decrease) in cash and cash equivalents        | 41,808                                 | 93,287                                 | 51,479                 |
| Cash and cash equivalents at beginning of period            | 165,476                                | 159,869                                | (5,607)                |
| Cash and cash equivalents at end of period                  | 207,285                                | 253,157                                | 45,872                 |

Note: Free cash flows are calculated as the sum of “Net cash provided by (used in) operating activities” and “Net cash provided by (used in) investing activities.”

Net cash provided by (used in) operating activities provided net cash of ¥360,051 million largely due to ¥251,678 million of income before income taxes and minority interests, ¥203,150 million of depreciation and amortization, and ¥33,386 million of income taxes refund (returned difference between taxes paid and taxes due in the fiscal year ended March 31, 2011).

Net cash provided by (used in) investing activities used net cash of ¥183,787 million mainly due to ¥129,667 million in payments for purchase of property, plant and equipment and ¥28,684 million in payments for purchase of intangible assets.

Net cash provided by (used in) financial activities used net cash of ¥83,065 million largely due to ¥48,173 million in repayment of long-term loans payable and ¥31,847 million in payments for cash dividends paid.

As a result, Cash and cash equivalents as of September 30, 2011, increased ¥93,287 million from March 31,

2011, to ¥253,157 million.

### **(3) Qualitative Information on Consolidated Financial Results Forecast**

#### **1. Outlook for the Fiscal Year Ending March 31, 2012**

##### **Overview**

We will promote our mission as a telecommunication company that supports a lifeline through construction of telecommunication infrastructure network that can be recovered quickly in case of major natural disasters and major typhoons, and creation of more minutes BCP (Business Continuity Plan) upon the experiences of the Great East Japan Earthquake.

The Companies has formalized “three commitments” to respond quickly to changes in the operating environment, while at the same time growing sustainably and taking the lead in meeting emerging needs.

- **“More connected”** -- We will aim to achieve multi-network connectivity by organically linking networks owned by the Companies, including mobile phone, FTTH, CATV and WiMAX networks, and various devices. We will also provide a high-speed communication environment and attractive content optimized for multi-device access. At the same time, the Companies will enable multi-use services tailored to regional lifestyle and individual customer preferences, thereby making ourselves “more connected” to consumer.
- **“More global”** -- Overseas, many countries are experiencing robust economic growth. Meanwhile, Internet diffusion in numerous emerging markets continues to lag. The Companies are working to meet the needs of markets around the world by developing communication-related businesses tailored to individual countries’ cultural and socioeconomic conditions, and is working toward global information and telecommunication technology (ICT) and building communication environments to this end.
- **“More diverse values”** -- The ongoing proliferation of Internet technologies, led by IP connectivity, are spawning ICT needs in a broadening host of fields, including medicine, health, education, government and the environment. By taking a more active part in various corporate initiatives and lifestyle aspects, the Companies aim to add a host of further value to customers.

##### **Mobile Business**

We will strive to recover au service momentum, enhance customer satisfaction and meet diverse customer needs. At the same time, we will work to expand our handset lineup, develop and offer advanced new services and content, expand our service area and raise service quality. In particular, we will focus on iPhone and on smartphones with enhanced communication features and functions that are standard in Japan. Through the “au + WIMAX” service, we also plan to offer the fastest communication speeds in Japan to various terminals, including smartphones, Wi-Fi routers and other data communication devices, and tablets. By enhancing our overall product lineup in this way, we will strive to deliver a more optimal mobile communication environment and expand our business domain. The Companies will strive to improve convenience by providing services based on the ideas of fixed-mobile convergence.

We also aim to make steady progress in reorganizing the 800MHz band. Through the above-mentioned initiatives, we expect to gradually reduce the churn rate, achieve a net increase in MNP (Mobile Number Portability), boost our share of the net increase, and raise data ARPU.

##### **Fixed-line Business**

In the Fixed-line Business, we aim to bolster both revenues and profits. Along with efforts to promote sales of FTTH services such as “au HIKARI,” “Commuf@-hikari,” and “au HIKARI Chura,” the Companies will seek ties with cable television companies with the goal of expanding its access lines such as “Cable-plus phone” and cable television services provided by JCN Group.

With respect to corporate clients, the Companies aim to contribute to business development of customers in Japan and overseas by providing network services and various cloud services such as virtual data center as one-stop service to support clouding of corporate IT system, as well as offering BCP solutions using smartphone and tablet terminals etc.

Through these initiatives, we will continue working to lower network access costs.

##### **Full-Year Results**

The estimated consolidated financial results for the year ending March 2012 for full-year basis disclosed in the Financial Statements Summary for the year ended March 2011 were as follows; Operating Revenues:

¥3,460,000 million, Operating Income: ¥475,000 million, Ordinary Income: ¥450,000 million, Net Income: ¥250,000 million. There is no change to these figures.

Notes: 1 WiMAX is a registered trademark of WiMAX Forum.

2 “Wi-Fi” is a registered trademark of Wi-Fi Alliance®.

## **2. Business Risks**

As the Companies pursue its business, there are various risks involved. The Companies take every effort to reduce these risks by preventing and hedging them. However, there are various uncertainties which could have negative impacts on the Companies’ brand image, liability, financial position and/or earnings performance such as;

- subscription growth trends out of line with the Companies expectations due to competition, rival technologies and rapid market shifts
- breach of obligations regarding communications security and protection of customer privacy
- natural disasters, accidents and power restrictions caused by earthquake, tsunami, typhoon, etc.
- revision or repeal of laws and ordinances governing telecommunications, together with related government policies
- general legal and regulatory, litigation and patents, personnel retention and training, retirement benefits, asset-impairment accounting, telecommunications sector consolidation and business restructuring in the Companies

## **2. Notes Regarding Summary Information (Others)**

### **Changes in Accounting Policies, Accounting Estimates and Restatement of Corrections**

(Change in Accounting Policies resulting from the Revision of the Accounting Standards and Other Regulations)

From the three months ended June 30, 2011, we have applied the “Accounting Standard for Earning Per Share” (Accounting Standards Board of Japan [ASBJ] Statement No.2 of June 30, 2010), the “Guidance on Accounting Standard for Earning Per Share” (ASBJ Guidance No.4 of June 30, 2010), and the “Practical Solution on Accounting for Earnings Per Share” (ASBJ PITF No.9 of June 30, 2010).

To calculate diluted net income per share of the quarter, we have changed the method to include potential services offered by the employees in the fair valuation of stock options of payment when exercising the right regarding stock options whose rights are secured after certain period of employment.

There is no impact on diluted net income per share for the six months ended September 30, 2010 as a result of this change.

[Additional Information]

(Application of the “Accounting Standard for Accounting Changes and Error Corrections” and others)

For the accounting changes and error corrections made in after the beginning of the year ending March 31, 2012, we have applied the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24 of December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 of December 4, 2009).

### **3. Consolidated Financial Statements**

#### **(1) Consolidated Balance Sheets**

(Amount unit: Millions of yen)

|   | As of March 31, 2011 | As of September 30, 2011 |
|---|----------------------|--------------------------|
| <b>Assets</b>   |                      |                          |
| Noncurrent assets                                     |                      |                          |
| Noncurrent assets-telecommunications business         |                      |                          |
| Property, plant and equipment                         |                      |                          |
| Machinery, net  | 628,415              | 601,574                  |
| Antenna facilities, net                               | 353,461              | 351,193                  |
| Local line facilities, net                            | 125,212              | 130,577                  |
| Long-distance line facilities, net                    | 10,002               | 8,654                    |
| Engineering facilities, net                           | 27,198               | 26,460                   |
| Submarine line facilities, net                        | 9,536                | 8,385                    |
| Buildings, net  | 214,217              | 206,456                  |
| Structures, net                                       | 32,446               | 31,680                   |
| Land  | 242,197              | 241,737                  |
| Construction in progress                              | 75,236               | 92,688                   |
| Other tangible assets, net                            | 34,187               | 31,631                   |
| Total property, plant and equipment                   | 1,752,112            | 1,731,039                |
| Intangible assets                                     |                      |                          |
| Right of using facilities                             | 9,120                | 9,968                    |
| Software  | 191,719              | 175,759                  |
| Goodwill  | 17,563               | 14,695                   |
| Other intangible assets                               | 10,223               | 9,991                    |
| Total intangible assets                               | 228,626              | 210,414                  |
| Total noncurrent assets-telecommunications business   | 1,980,738            | 1,941,454                |
| Incidental business facilities                        |                      |                          |
| Property, plant and equipment                         | 120,709              | 125,192                  |
| Intangible assets                                     | 62,301               | 80,236                   |
| Total noncurrent assets-incidental business           | 183,010              | 205,428                  |
| Investments and other assets                          |                      |                          |
| Investment securities                                 | 73,898               | 93,187                   |
| Stocks of subsidiaries and affiliates                 | 356,887              | 351,988                  |
| Investments in capital of subsidiaries and affiliates | 182                  | 198                      |
| Long-term prepaid expenses                            | 82,240               | 83,964                   |
| Deferred tax assets                                   | 128,686              | 116,026                  |
| Other investment and other assets                     | 49,278               | 50,109                   |
| Allowance for doubtful accounts                       | (8,103)              | (8,629)                  |
| Total investments and other assets                    | 683,069              | 686,844                  |
| Total noncurrent assets                               | 2,846,819            | 2,833,727                |

(Amount unit: Millions of yen)

|   | As of March 31, 2011 | As of September 30, 2011 |
|---|----------------------|--------------------------|
| <b>Current assets</b>                                 |                      |                          |
| Cash and deposits                                     | 136,921              | 95,907                   |
| Notes and accounts receivable-trade                   | 573,508              | 625,998                  |
| Accounts receivable-other                             | 68,190               | 39,908                   |
| Short-term investment securities                      | 25,201               | 160,998                  |
| Supplies  | 58,352               | 69,199                   |
| Prepaid expenses                                      | 14,316               | 31,905                   |
| Deferred tax assets                                   | 64,079               | 66,133                   |
| Other current assets                                  | 5,296                | 5,712                    |
| Allowance for doubtful accounts                       | (13,767)             | (13,590)                 |
| <b>Total current assets</b>                           | <b>932,098</b>       | <b>1,082,172</b>         |
| <b>Total assets</b>                                   | <b>3,778,918</b>     | <b>3,915,899</b>         |
| <b>Liabilities</b>                                    |                      |                          |
| <b>Noncurrent liabilities</b>                         |                      |                          |
| Bonds payable   | 414,978              | 389,985                  |
| Long-term loans payable                               | 414,187              | 410,071                  |
| Provision for retirement benefits                     | 18,656               | 19,316                   |
| Provision for point card certificates                 | 85,197               | 87,479                   |
| Other noncurrent liabilities                          | 66,780               | 70,692                   |
| <b>Total noncurrent liabilities</b>                   | <b>999,800</b>       | <b>977,545</b>           |
| <b>Current liabilities</b>                            |                      |                          |
| Current portion of noncurrent liabilities             | 138,799              | 121,535                  |
| Notes and accounts payable-trade                      | 65,598               | 60,621                   |
| Short-term loans payable                              | 1,304                | 1,064                    |
| Accounts payable-other                                | 192,402              | 203,559                  |
| Accrued expenses                                      | 14,253               | 16,489                   |
| Income taxes payable                                  | 57,764               | 101,258                  |
| Advances received                                     | 72,437               | 73,833                   |
| Provision for bonuses                                 | 19,519               | 16,473                   |
| Provision for loss on the Great East Japan Earthquake | 16,282               | 11,987                   |
| Other current liabilities                             | 28,913               | 39,717                   |
| <b>Total current liabilities</b>                      | <b>607,278</b>       | <b>646,539</b>           |
| <b>Total liabilities</b>                              | <b>1,607,078</b>     | <b>1,624,085</b>         |

(Amount unit: Millions of yen)

|   | As of March 31, 2011 | As of September 30, 2011 |
|---|----------------------|--------------------------|
| Net assets  |                      |                          |
| Shareholders' equity                                  |                      |                          |
| Capital stock   | 141,851              | 141,851                  |
| Capital surplus                                       | 367,091              | 367,091                  |
| Retained earnings                                     | 1,704,170            | 1,812,465                |
| Treasury stock  | (125,244)            | (125,244)                |
| Total shareholders' equity                            | 2,087,869            | 2,196,164                |
| Accumulated other comprehensive income                |                      |                          |
| Valuation difference on available-for-sale securities | 28,612               | 35,808                   |
| Deferred gains or losses on hedges                    | 32                   | (606)                    |
| Foreign currency translation adjustment               | (13,182)             | (12,653)                 |
| Total accumulated other comprehensive income          | 15,461               | 22,549                   |
| Subscription rights to shares                         | 1,504                | 1,164                    |
| Minority interests                                    | 67,002               | 71,935                   |
| Total net assets                                      | 2,171,839            | 2,291,814                |
| Total liabilities and net assets                      | 3,778,918            | 3,915,899                |

## (2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Income)

(Amount unit: Millions of yen)

|   | Six months ended<br>September 30, 2010 | Six months ended<br>September 30, 2011 |
|---|--|--|
| <b>Operating income and loss from telecommunications</b>  |  |  |
| Operating revenue   |  |  |
| Total operating revenue                                   | 1,275,362                              | 1,203,062                              |
| Operating expenses  |  |  |
| Business expenses   | 328,503                                | 317,408                                |
| Operating expenses  | 69                                     | 26                                     |
| Facilities maintenance expenses                           | 152,387                                | 149,074                                |
| Common expenses   | 1,121                                  | 1,321                                  |
| Administrative expenses                                   | 34,846                                 | 35,058                                 |
| Experiment and research expenses                          | 3,078                                  | 2,650                                  |
| Depreciation  | 204,319                                | 189,307                                |
| Noncurrent assets retirement cost                         | 5,552                                  | 7,037                                  |
| Communication facility fee                                | 202,900                                | 178,048                                |
| Taxes and dues  | 15,047                                 | 22,336                                 |
| Total operating expenses                                  | 947,827                                | 902,268                                |
| Net operating income from telecommunications              | 327,534                                | 300,793                                |
| <b>Operating income and loss from incidental business</b> |  |  |
| Operating revenue   | 443,075                                | 540,225                                |
| Operating expenses  | 522,753                                | 574,272                                |
| Net operating loss from incidental business               | (79,678)                               | (34,047)                               |
| Operating income  | 247,855                                | 266,746                                |
| <b>Non-operating income</b>                               |  |  |
| Interest income   | 274                                    | 450                                    |
| Dividends income  | 913                                    | 902                                    |
| Miscellaneous income                                      | 3,381                                  | 4,802                                  |
| Total non-operating income                                | 4,569                                  | 6,154                                  |
| <b>Non-operating expenses</b>                             |  |  |
| Interest expenses   | 7,301                                  | 6,666                                  |
| Equity in losses of affiliates                            | 7,588                                  | 8,114                                  |
| Miscellaneous expenses                                    | 3,493                                  | 5,714                                  |
| Total non-operating expenses                              | 18,383                                 | 20,495                                 |
| Ordinary income   | 234,041                                | 252,405                                |
| <b>Extraordinary income</b>                               |  |  |
| Gain on transfer from business divestitures               | -                                      | 3,615                                  |
| Gain on sales of noncurrent assets                        | 1,004                                  | -                                      |
| Gain on sales of investment securities                    | 5,617                                  | -                                      |
| Gain on reversal of subscription rights to shares         | 424                                    | 467                                    |
| Total extraordinary income                                | 7,046                                  | 4,082                                  |

(Amount unit: Millions of yen)

|   | Six months ended<br>September 30, 2010 | Six months ended<br>September 30, 2011 |
|---|--|--|
| Extraordinary loss  |  |  |
| Loss on sales of noncurrent assets  | -                                      | 581                                    |
| Loss on valuation of investment securities  | 372                                    | 286                                    |
| Loss on sales of stocks of subsidiaries and affiliates                                    | 176                                    | -                                      |
| Loss on adjustment for changes of accounting<br>standard for asset retirement obligations | 1,120                                  | -                                      |
| Loss on the Great East Japan Earthquake   | -                                      | 3,940                                  |
| Total extraordinary losses  | 1,670                                  | 4,809                                  |
| Income before income taxes and minority interests   | 239,417                                | 251,678                                |
| Income taxes-current  | 85,637                                 | 100,836                                |
| Income taxes-deferred   | 12,889                                 | 6,453                                  |
| Total income taxes  | 98,526                                 | 107,290                                |
| Income before minority interests  | 140,890                                | 144,388                                |
| Minority interests in income  | 3,916                                  | 4,249                                  |
| Net income  | 136,974                                | 140,138                                |



## (2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Comprehensive Income)

(Amount unit: Millions of yen)

|  | Six months ended<br>September 30, 2010 | Six months ended<br>September 30, 2011 |
|--|--|--|
| Income before minority interests   | 140,890                                | 144,388                                |
| Other comprehensive income   |  |  |
| Valuation difference on available-for-sale securities                                  | (4,469)                                | 6,884                                  |
| Foreign currency translation adjustment  | (4,325)                                | 595                                    |
| Share of other comprehensive income of associates<br>accounted for using equity method | 158                                    | (381)                                  |
| Total other comprehensive income   | (8,636)                                | 7,099                                  |
| Comprehensive income   | 132,254                                | 151,487                                |
| (Comprehensive income attributable to)   |  |  |
| Comprehensive income attributable to owners of the parent                              | 129,215                                | 147,226                                |
| Comprehensive income attributable to minority interests                                | 3,039                                  | 4,261                                  |

**(3) Consolidated Statements of Cash Flows**

(Amount unit: Millions of yen)

|  | Six months ended<br>September 30, 2010 | Six months ended<br>September 30, 2011 |
|--|--|--|
| Net cash provided by (used in) operating activities                          |  |  |
| Income before income taxes and minority interests                            | 239,417                                | 251,678                                |
| Depreciation and amortization  | 216,447                                | 203,150                                |
| Amortization of goodwill   | 5,913                                  | 7,692                                  |
| Loss (gain) on sales of noncurrent assets                                    | (1,002)                                | 497                                    |
| Loss on retirement of noncurrent assets                                      | 3,120                                  | 5,336                                  |
| Increase (decrease) in provision for loss on the Great East Japan Earthquake | -                                      | (4,295)                                |
| Gain on transfer from business divestitures                                  | -                                      | (3,615)                                |
| Increase (decrease) in allowance for doubtful accounts                       | 184                                    | 300                                    |
| Increase (decrease) in provision for retirement benefits                     | 185                                    | 575                                    |
| Interest and dividends income  | (1,188)                                | (1,352)                                |
| Interest expenses  | 7,301                                  | 6,666                                  |
| Equity in (earnings) losses of affiliates                                    | 7,588                                  | 8,114                                  |
| Loss (gain) on sales of investment securities                                | (5,617)                                | (123)                                  |
| Loss (gain) on sales of stocks of subsidiaries and affiliates                | 176                                    | -                                      |
| Loss (gain) on valuation of investment securities                            | 372                                    | 286                                    |
| Increase (decrease) in provision for point card certificates                 | 3,246                                  | 2,281                                  |
| Decrease (increase) in prepaid pension costs                                 | (959)                                  | 979                                    |
| Decrease (increase) in prepaid expenses                                      | (14,474)                               | (19,295)                               |
| Decrease (increase) in notes and accounts receivable-trade                   | 35,424                                 | (46,539)                               |
| Decrease (increase) in inventories   | (14,672)                               | (10,945)                               |
| Increase (decrease) in notes and accounts payable-trade                      | (4,448)                                | (4,936)                                |
| Increase (decrease) in accounts payable-other                                | (61,909)                               | (13,640)                               |
| Increase (decrease) in accrued expenses                                      | (672)                                  | 1,735                                  |
| Increase (decrease) in advances received                                     | 455                                    | 1,327                                  |
| Other, net   | (2,830)                                | 2,660                                  |
| Subtotal   | 412,060                                | 388,541                                |
| Interest and dividends income received                                       | 3,238                                  | 4,490                                  |
| Interest expenses paid   | (7,020)                                | (6,645)                                |
| Income taxes paid  | (67,628)                               | (59,721)                               |
| Income taxes refund  | -                                      | 33,386                                 |
| Net cash provided by (used in) operating activities                          | 340,650                                | 360,051                                |

(Amount unit: Millions of yen)

|  | Six months ended<br>September 30, 2010 | Six months ended<br>September 30, 2011 |
|--|--|--|
| <b>Net cash provided by (used in) investing activities</b>   |  |  |
| Purchase of property, plant and equipment  | (163,705)                              | (129,667)                              |
| Proceeds from sales of property, plant and equipment   | 770                                    | 406                                    |
| Purchase of intangible assets  | (42,460)                               | (28,684)                               |
| Purchase of investment securities  | (684)                                  | (1,641)                                |
| Proceeds from sales of investment securities   | 15,767                                 | 427                                    |
| Payments for business divestitures   | -                                      | (1,000)                                |
| Purchase of stocks of subsidiaries and affiliates  | (1,691)                                | (515)                                  |
| Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation               | (577)                                  | (14,153)                               |
| Proceeds from purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation | -                                      | 831                                    |
| Payments for sales of investments in subsidiaries and affiliates resulting in change in scope of consolidation     | (810)                                  | -                                      |
| Purchase of long-term prepaid expenses   | (9,709)                                | (9,641)                                |
| Other, net   | (612)                                  | (149)                                  |
| Net cash provided by (used in) investing activities  | (203,714)                              | (183,787)                              |
| <b>Net cash provided by (used in) financing activities</b>   |  |  |
| Net increase (decrease) in short-term loans payable  | (99,646)                               | 766                                    |
| Proceeds from long-term loans payable  | 50,000                                 | -                                      |
| Repayment of long-term loans payable   | (10,302)                               | (48,173)                               |
| Proceeds from issuance of bonds  | 40,000                                 | -                                      |
| Redemption of bonds  | (43,000)                               | -                                      |
| Purchase of treasury stock   | -                                      | (30)                                   |
| Cash dividends paid  | (28,945)                               | (31,847)                               |
| Cash dividends paid to minority shareholders   | (586)                                  | (674)                                  |
| Proceeds from stock issuance to minority shareholders  | 979                                    | 10                                     |
| Other, net   | (2,458)                                | (3,117)                                |
| Net cash provided by (used in) financing activities  | (93,959)                               | (83,065)                               |
| Effect of exchange rate change on cash and cash equivalents  | (1,167)                                | 89                                     |
| Net increase (decrease) in cash and cash equivalents   | 41,808                                 | 93,287                                 |
| Cash and cash equivalents at beginning of period   | 165,476                                | 159,869                                |
| Cash and cash equivalents at end of period   | 207,285                                | 253,157                                |

**(4) Going Concern Assumption**

None

**(5) Segment Information, etc.**

(Segment Information)

For the six months ended September 30, 2010 (April 1, 2010 to September 30, 2010)

## 1. Information on sales and income (loss) by business segment reported

(Amount unit: Millions of yen)

|                                | Business segments reported |                     |           | Other Business <sup>1</sup> | Total     | Elimination and Corporate <sup>2</sup> | Consolidation <sup>3</sup> |
|--------------------------------|----------------------------|---------------------|-----------|-----------------------------|-----------|--|----------------------------|
|                                | Mobile Business            | Fixed-line Business | Subtotal  |                             |           |  |                            |
| Sales                          |                            |                     |           |                             |           |  |                            |
| Outside Sales                  | 1,299,929                  | 393,607             | 1,693,537 | 24,900                      | 1,718,437 | -                                      | 1,718,437                  |
| Intersegment Sales or Transfer | 5,226                      | 44,876              | 50,102    | 32,577                      | 82,680    | (82,680)                               | -                          |
| Total                          | 1,305,155                  | 438,484             | 1,743,639 | 57,478                      | 1,801,118 | (82,680)                               | 1,718,437                  |
| Operating Income (Loss)        | 247,665                    | (3,668)             | 243,996   | 3,602                       | 247,599   | 255                                    | 247,855                    |

Notes: 1. The "Other Business" category incorporates operations not included in business segments reported, including call center business, research and technological development, and other operations.

2. Adjustment of segment income (loss) refers to elimination of intersegment transactions.

3. Operating income (loss) for segment is adjusted on operating income on the quarterly consolidated statements of income.

## 2. Information concerning impairment loss on noncurrent assets, goodwill and other items by business segment

(Material impairment loss on noncurrent assets)

None

(Material changes in goodwill)

No significant items to be reported.

(Material profit from negative goodwill)

No significant items to be reported.

For the six months ended September 30, 2011 (April 1, 2011 to September 30, 2011)

1. Information on sales and income (loss) by business segment reported

(Amount unit: Millions of yen)

|                                | Business segments reported |                     |           | Other Business <sup>1</sup> | Total     | Elimination and Corporate <sup>2</sup> | Consolidation <sup>3</sup> |
|--------------------------------|----------------------------|---------------------|-----------|-----------------------------|-----------|--|----------------------------|
|                                | Mobile Business            | Fixed-line Business | Subtotal  |                             |           |  |                            |
| Sales                          |                            |                     |           |                             |           |  |                            |
| Outside Sales                  | 1,326,809                  | 399,795             | 1,726,605 | 16,682                      | 1,743,287 | -                                      | 1,743,287                  |
| Intersegment Sales or Transfer | 5,395                      | 47,502              | 52,898    | 35,292                      | 88,190    | (88,190)                               | -                          |
| Total                          | 1,332,204                  | 447,298             | 1,779,503 | 51,975                      | 1,831,478 | (88,190)                               | 1,743,287                  |
| Operating Income               | 231,056                    | 32,051              | 263,108   | 3,362                       | 266,470   | 275                                    | 266,746                    |

Notes: 1. The “Other Business” category incorporates operations not included in business segments reported, including call center business, research and technological development, and other operations.

2. Adjustment of segment income refers to elimination of intersegment transactions.

3. Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on noncurrent assets, goodwill and other items by business segment

(Material impairment loss on noncurrent assets)

No significant items to be reported.

(Material changes in goodwill)

In the “Mobile Business” segment, the Company acquired stocks of WebMoney Corporation, which became a subsidiary of the Company.

For the six months ended September 30, 2011, the increase in goodwill that resulted from this acquisition was ¥16,494 million.

The purchase price allocation has not been completed, and consequently this provisional accounting treatment was implemented in accordance with the reasonable information that was available at the time when the consolidated financial statements as of September 30, 2011 were prepared.

(Material profit from negative goodwill)

No significant items to be reported.

**(6) Material Changes in Shareholders’ Equity**

No significant items to be reported.