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 Nine Months ended December 31, 2013 [ Japan GAAP ]

January 30, 2014

| | | | |
|---|---|---|---|
| Company name | **KDDI CORPORATION** | | |
| Stock exchange listing | Tokyo First Section | | |
| Securities code | 9433 | URL | http://www.kddi.com |
| Representative | Takashi Tanaka, President | | |

Quarterly statement filing date (as planned) February 5, 2014

Dividend payable date (as planned) —

Supplemental material of quarterly results: Yes

Convening briefing of quarterly results: 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 Nine Months ended December 31, 2013 (April 1, 2013 to December 31, 2013)

### (1) Consolidated Operating Results

(Percentage represents comparison change to the corresponding previous quarterly period)

| | Operating Revenues | | Operating Income | | Ordinary Income | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| | | % | | % | | % | | % |
| Nine months ended December 31, 2013 | 3,179,899 | 17.3 | 533,248 | 34.8 | 538,591 | 36.7 | 268,653 | 49.0 |
| Nine months ended December 31, 2012 | 2,710,577 | 2.5 | 395,573 | 3.0 | 393,955 | 8.0 | 180,247 | (7.3) |

Note: Comprehensive Income
Nine months ended December 31, 2013: 317,881 million yen; 73.2% Nine months ended December 31, 2012: 183,570 million yen; (10.7%)

| | Net Income per Share | Diluted Net Income per Share |
|---|---|---|
| | Yen | Yen |
| Nine months ended December 31, 2013 | 336.28 | - |
| Nine months ended December 31, 2012 | 235.81 | 215.94 |

### (2) Consolidated Financial Positions

| | Total Assets | Net Assets | Equity Ratio |
|---|---|---|---|
| | | | % |
| As of December 31, 2013 | 4,843,082 | 2,865,940 | 54.8 |
| As of March 31, 2013 | 4,084,999 | 2,323,363 | 55.1 |

Reference: Shareholder's Equity As of December 31, 2013: 2,656,222 million yen As of March 31, 2013: 2,249,794 million yen

## 2. Dividends

| | Dividends per Share | | | | |
|---|---|---|---|---|---|
| | 1st Quarter End | 2nd Quarter End | 3rd Quarter End | Fiscal Year End | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2013 | - | 8,500.00 | - | 95.00 | - |
| Year ending March 31, 2014 | - | 60.00 | - | | |
| Year ending March 31, 2014 (forecast) | | | | 70.00 | 130.00 |

Notes: 1. Changes in the latest forecasts released: Yes
2. Dividend for the year ended March 31, 2013 took into account a 1:100 stock split on common stock with an effective date of October 1, 2012. Dividend for the year ending March 31, 2014 took into account a 1:2 stock split on common stock with an effective date of April 1, 2013.

## 3. Consolidated Financial Results Forecast for Year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(Percentage represents comparison to previous fiscal year)

| | Operating Revenues | | Operating Income | | Ordinary Income | | Net Income | | Net Income per Share |
|---|---|---|---|---|---|---|---|---|---|
| | | % | | % | | % | | % | Yen |
| Entire Fiscal Year | 4,280,000 | 16.9 | 660,000 | 28.7 | 658,000 | 27.9 | 318,000 | 31.7 | 380.85 |

Note: Changes in the latest forecasts released: Yes

Notes

(1) Changes in significant consolidated subsidiaries during the nine months ended December 31, 2013 : Yes
Number of subsidiaries newly consolidated：three companies
Jupiter Telecommunications Co., Ltd., J:COM West Co., Ltd., J:COM East Co., Ltd.
Number of subsidiaries excluded from the scope of consolidation：one company
JAPAN CABLENET LIMITED

Note: Please refer to page 17 “2. Notes Regarding Summary Information (Notes)” for details.

(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 : None
2) Other changes in accounting policies : None
3) Changes in accounting estimates : None
4) Restatement of corrections : None

(4) Numbers of Outstanding Shares (Common Stock)

| | | |
|---|---|---|
| 1) Number of shares outstanding (inclusive of treasury stock) | As of December 31, 2013 | 896,963,600 |
| | As of March 31, 2013 | 896,963,600 |
| 2) Number of treasury stock | As of December 31, 2013 | 61,984,515 |
| | As of March 31, 2013 | 132,538,800 |
| 3) Number of weighted average common stock outstanding (cumulative for all quarters) | For the nine months ended December 31, 2013 | 798,906,013 |
| | For the nine months ended December 31, 2012 | 764,366,846 |

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

1. 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.16 “1. Qualitative Information / Consolidated Financial Statements, etc. (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results” under [the Attachment] for the assumptions used and other notes.

2. The Company conducted a 1:100 stock split on common stock, with an effective date of October 1, 2012. And the Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013. As a result, net income per share, diluted net income per share, and numbers of outstanding shares have been calculated as if the stock split was conducted at the beginning of the previous (consolidated) fiscal year.

3. The Company holds a convening briefing of quarterly results for institutional investors and analysts in Thursday, January 30, 2014. Documents distributed at the briefing 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 briefing.
In addition to the above convening briefing, the Company holds conferences on its business and results for individual investors. Please check our website for the schedule and details.

# [the Attachment]

## Index of the Attachment

## Glossary

| | |
|---|---|
| **ARPU** | ARPU is an abbreviation for Average Revenue Per Unit. Indicates monthly revenue per subscriber. Calculated for both voice and data services. |
| **ADSL** | ADSL is an abbreviation for Asymmetric Digital Subscriber Line, which provides data communications via high bandwidths not used in telephone voice transmission. ADSL provides data communications via a pair of copper lines generally used for telephone communication. Asymmetric expresses the difference in speed between inbound and outbound communications. Also, network quality and speed deteriorates as distance from the base station increases. (Between 6km and 7km from the base station is considered to be the limit.) |
| **CATV** | Cable television (CATV) is refers to service involving the distribution of television programs over cables (coaxial and optical fiber) laid by cable television companies. In addition to terrestrial television stations' channels, numerous pay channels are broadcast in this manner. CATV is also offered in apartment complexes and as a service solution in areas with poor reception. In addition to television broadcasts, CATV cables can be used for Internet and telephone services. |
| **FTTH** | FTTH is an abbreviation for Fiber to the Home. This method provides access via optical fiber from the telecommunications carrier's facilities to a subscriber's home. Although "home" originally referred to an individual's private dwelling, FTTH is also used in a general sense to indicate access via optical fiber. |
| **ICT** | ICT is an abbreviation for Information and Communication Technology. Whereas the use of "IT" was common in the past, as the Internet has become more ubiquitous use of the term "ICT" has grown to express the extensive added value that has resulted through the connection not only of computer systems but also a variety of other systems into communications networks. |
| **LTE** | LTE, an abbreviation for Long Term Evolution, is a technology for wireless telecommunications. Enabling the sophisticated development of third-generation mobile phone data communications, LTE wireless communications technology is positioned as 3.9G, as it immediately precedes the next-generation communication standard, IMT-Advanced. However, in December 2010 the International Telecommunication Union (ITU) began generally recognizing LTE as 4G, so telecommunications providers in Europe, the United States and other countries began referring to LTE services as 4G. |
| **MNP** | MNP is an abbreviation for Mobile Number Portability. This refers to the system whereby subscribers can keep the same phone number when switching to a different telecommunications carriers. |
| **MVNO** | MVNO is an abbreviation for Mobile Virtual Network Operator. An MVNO is an operator that provides services via wireless communications infrastructure borrowed from other telecommunications carriers. |
| **WiMAX** | WiMAX, an abbreviation for Worldwide Interoperability for Microwave Access, is a wireless communications technology. Faster and capable of transmitting over longer distances than wireless LAN, WiMAX was envisaged for use as the "last mile" of subscriber phone lines (as an alternative to telephone lines). Thereafter, WiMAX enhanced in the interest of mobility toward the 802.16e standard to meet the need for handovers and moving at high speed become commonly known as "mobile WiMAX." |

# 1. Qualitative Information / Consolidated Financial Statements, etc.
## (1) Explanation on Financial Results

### 1) Results Overview

**Industry Trends**

The Japanese telecommunications market is rapidly shifting from conventional mobile handsets to “smart devices,” such as smartphones and tablets. Furthermore, communication networks are becoming faster with the use of LTE (Long Term Evolution). As a result, an environment is emerging in which customers have convenient access to the Internet and digital content from a host of devices and locations.

The shift toward smart devices is driving an increase in communications revenues and providing opportunities to generate revenues from services, content and other non-communications sources. At the same time, however, this surge has brought to the fore the question of how to efficiently handle the accompanying sharp rise in mobile data traffic—an issue telecommunications carriers share. Also, as telecommunications carriers’ handset offerings grow increasingly similar, in the mobile communications field the emphasis is moving toward competition based on high-speed networks using LTE and fees and services. In the area of fixed-line communications, business is shifting from ADSL to FTTH, and the market is expanding for fixed-line broadband—including Internet offerings through CATV.

**KDDI’s Position**

・The Company has established the “3M Strategy (multi-network, multi-device, multi-use) ” as the business strategy for leveraging its strengths as a company that operates both mobile and fixed-line businesses and has begun the full-scale implementation of this strategy and raise customer satisfaction and maximize revenue. We are promoting the policies of “Advance and Develop 3M Strategy” and ”Implement Global Strategy,” as we view the consolidated fiscal year under review as the first year in a new phase of full-scale growth.

・Through the “3M Strategy,” the Company aims to expand and strengthen the customer base via “au Smart Value,” which offers a set-purchase discount on smartphones and fixed-line communications. At the same time, we have been working to raise value ARPU through “au Smart Pass,” which offers unlimited app use for a fixed price.

Furthermore, since May 2013 we have been working to expand the smartphone user base through “au Smart Support” and by enhancing “au Smart Pass.” Customer satisfaction levels have risen accordingly, and we anticipate further growth in the customer base and increases in ARPU.

・In the main mobile communications area, we have begun offering “au 4G LTE,” a unique communication service that provides ultra-high speeds from anywhere, on three frequencies. These include the 800MHz base band, as well as the 2.1GHz and 1.5GHz bands.

The 800MHz band that is the base for “au 4G LTE” is sometimes referred to as the “platinum band” because this frequency has radio properties that are optimal for mobile communications. These properties can be leveraged to provide an optimal LTE environment. At the same time, we have carefully studied and are introducing detailed measures to address situations in which customers are unable to make everyday connections when desired. As to communication speeds, throughout Japan the service also enables downlink speeds of up to 75Mbps*[1]. In the 2.1GHz band, we also provide a service offering download speeds of up to 150Mbps*[1].By March 31, 2014, for 800MHz LTE we expect to expand the actual population coverage ratio to 99%. We are progressing steadily toward that goal; as of December 31, 2013, this figure was already at 98.7%. Furthermore, overseas we also provide international roaming service via LTE. We offer this service in South Korea, Hong Kong, Singapore, and the United States, and have become the first Japanese carrier to offer the service in France.

In this manner, based on the strength of the LTE network we are promoting the overall enhancement of “au 4G LTE,” including handsets, charges, services, and support.

・On December 2, 2013, the Company transferred all its shares in JAPAN CABLENET LIMITED ("JCN") *2, a consolidated subsidiary of the Company, to consolidated subsidiary Jupiter Telecommunications Co., Ltd. ("J:COM"), making JCN a consolidated subsidiary of J:COM. The companies are moving forward with preparations to merge in April 2014. This merge will further enhance the KDDI Group's cable business and augment its "3M Strategy."

・The Company has begun participating in megasolar projects as a way of helping to reduce its environmental impact through the promotion and expansion of clean and safe renewable energy. By contributing to reduced $CO_2$ emissions, the Company intends to take responsibility for the large amount of electricity it uses as a telecommunications carrier and secure diverse sources of electricity for use in the event of disaster. On November 18, 2013, the Company began operating its first megasolar system on the site of its former Kitaura receiving station (in the city of Namegata, Ibaraki Prefecture). On January 24, 2014, we began generating electricity at a site neighboring the KDDI Yamata transmitting station, as well. In the current fiscal year, we also plan to commence operations at the KDDI Oyama network center.

*1 The maximum communication speed varies depending on areas or terminals used. The communication speed is not the actual communication speed, but the maximum value based on the technical standards. The actual speed may fall short of the maximum for various reasons, including the customer's communication environment and traffic conditions.

*2 On November 1, 2013, Japan CABLENET LIMITED merged with JAPAN CABLENET HOLDINGS LIMITED, with the latter becoming the surviving company and renamed to JAPAN CABLENET LIMITED.

## Financial Results

### For the Nine months ended December 31, 2013

(Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 | Increase (Decrease) | Increase (Decrease)% |
|---|---|---|---|---|
| Operating Revenues | 2,710,577 | 3,179,899 | 469,322 | 17.3 |
| Operating Expenses | 2,315,003 | 2,646,650 | 331,646 | 14.3 |
| Operating Income | 395,573 | 533,248 | 137,675 | 34.8 |
| Non-operating Income (Expenses) | (1,618) | 5,342 | 6,960 | - |
| Ordinary Income | 393,955 | 538,591 | 144,635 | 36.7 |
| Extraordinary Income (Expenses) | (87,693) | (32,110) | 55,583 | - |
| Income before Income Taxes and Minority Interests | 306,261 | 506,481 | 200,219 | 65.4 |
| Total Income Taxes | 120,281 | 212,011 | 91,730 | 76.3 |
| Income before Minority Interests | 185,980 | 294,469 | 108,489 | 58.3 |
| Minority Interests in Income | 5,732 | 25,815 | 20,083 | 350.3 |
| Net Income | 180,247 | 268,653 | 88,406 | 49.0 |

During the nine months ended December 31, 2013, operating revenues amounted to ¥3,179,899 million, up 17.3% year on year. This rise stemmed from higher data communications revenues, owing to a steady increase in customers using "au Smart Value", and to the ongoing shift toward smartphones, revenues from terminal sales, as well as contributions to earnings of J:COM, as this company was included in the scope of consolidation.

Operating expenses increased 14.3% year on year, to ¥2,646,650 million. Although mobile handset migration expenses (such as point expenses and outsourcing expenses) that were of the preceding fiscal year decreased owing to the conclusion of service on the former 800MHz frequency, expenses increased due to sales commission and terminal procurement in line with the shift to smartphones and the inclusion of J:COM in the scope of consolidation.

As a result, operating income surged 34.8% year on year, to ¥533,248 million.

Ordinary income jumped 36.7% year on year, to ¥538,591 million, owing to such factors as improved performance at equity-method affiliates and the yen to depreciate.

In the preceding fiscal year, the Company posted an extraordinary loss of ¥88,819 million stemming from impairment loss and loss on retirement of noncurrent assets, due to the discontinuation of use of former 800 MHz facilities. During the current fiscal year, the Company recorded a substantially smaller extraordinary loss, of ¥39,542 million, arising from a loss on step acquisitions from the purchase of additional shares in J:COM.

As a result, net income for the nine months ended December 31, 2013, was up 49.0% year on year, to ¥268,653 million.

**- Subscriptions of Major Services**

| **Cumulative subscriptions** | Unit | Year ended March 31, 2013 | | | | Year ending March 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|
| | | As of 1st Quarter | As of 2nd Quarter | As of 3rd Quarter | As of 4th Quarter | As of 1st Quarter | As of 2nd Quarter | As of 3rd Quarter |
| au subscriptions ***1** | (Thousand) | 35,675 | 36,110 | 36,817 | 37,709 | 38,378 | 39,045 | 39,617 |
| (Ref.) UQ WiMAX | (Thousand) | 2,906 | 3,624 | 3,929 | 4,084 | 4,222 | 4,275 | 4,157 |
| FTTH subscriptions | (Thousand) | 2,439 | 2,607 | 2,757 | 2,870 | 2,997 | 3,092 | 3,165 |
| Cable-plus phone Subscriptions | (Thousand) | 2,295 | 2,481 | 2,679 | 2,851 | 3,040 | 3,202 | 3,362 |
| CATV subscriptions ***2 *3** | (Thousand) | 1,159 | 1,180 | 1,235 | 1,238 | 5,031 | 5,057 | 5,090 |

*1.Inclusive of module-type contracts

*2.Total Number of Subscribing Households (Number of households with at least one contract via broadcasting, internet or telephone)

*3.Year ended March 31, 2013: JCN, Year ending March 31, 2014: J:COM + JCN

[Reference]

・For “Cable-plus phone,” alliances with cable television companies grew steadily, reaching 100 CATV companies, 189 channels as of December 31, 2013.

・With regard to consolidated subsidiaries handling the cable television business, as of December 31, 2013, the J:COM Group provides cable television via 70 channels in the Sapporo, Sendai, Kanto, Kansai, and Kyushu areas, and offers high-speed Internet connectivity, telephone, and other services.

## 2) Results by Business Segment

### Personal Services

The Personal Services segment provides mobile and fixed-line communications services for individual customers. In addition to providing mobile communications services, chiefly under the "au" brand, and selling mobile handsets, in fixed-line communications, our services include in-home Internet, telephone, and video channel (TV services). In addition to these convenient FTTH services, which are branded "au HIKARI," we provide CATV and other services.

In the fiscal year ending March 31, 2014, the Company is working to expand the lineup for handsets compatible with "au 4G LTE" and increase the number of customers who use these services. In addition, based on our "3M Strategy" we will expand sales of mobile, FTTH and CATV services through "au Smart Value," increase the number of allied companies, and augment our services. In these ways, we are working to enable customers to use our services more conveniently and securely.

Operating performance in the Personal Services segment for the Nine months ended December 31, 2013 is described below.

### Results

**For the Nine months ended December 31, 2013** (Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 | Increase (Decrease) | Increase (Decrease)% |
|---|---|---|---|---|
| Operating Revenues | 2,107,683 | 2,489,638 | 381,954 | 18.1 |
| Operating Expenses | 1,815,869 | 2,084,248 | 268,379 | 14.8 |
| Operating Income | 291,813 | 405,389 | 113,575 | 38.9 |

During the nine months ended December 31, 2013, operating revenues amounted to ¥2,489,638 million, up 18.1% year on year. This rise stemmed from higher data communications revenues, owing to a steady increase in customers using "au Smart Value" and to the ongoing shift toward smartphones, revenues from terminal sales, as well as contributions to earnings of J:COM, as this company was included in the scope of consolidation.

Operating expenses increased 14.8% year on year, to ¥2,084,248 million. Although mobile handset migration expenses (such as point expenses and outsourcing expenses) that were of the preceding fiscal year decreased owing to the conclusion of service on the former 800MHz frequency, expenses increased sales commission and terminal procurement in line with the shift to smartphones, in line with the inclusion of J:COM in the scope of consolidation.

As a result, operating income was up 38.9% year on year, to ¥405,389 million.

### Overview of Operations

**<The "3M Strategy" and Other Key Initiatives>**

**au Smart Value**

As of December 31, 2013, the number of au subscriptions using "au Smart Value" numbered 6.11 million, and households using this service came to 3.21 million. In addition, the number of "au Smart Value" allied companies increased steadily. As of December 31, 2013, this number was seven for FTTH (including the company) and 121 CATV companies, 209 channels (including 22 CATV companies, 22 channels allied with STNet, Incorporated).

**<Trends in Principal Performance Indicators>**

**[Mobile]**

**au Net Additions/MNP Net Additions**

During the third quarter under review, au net additions[*1] totaled 572,000 subscriptions[*2]. Furthermore, MNP net additions[*3] amounted to 184,000 subscriptions[*2], putting us in the No.1 position for 27 consecutive months[*4].

The primary reason was the low trend in churn rate, in addition to increase the number of new smartphone subscriptions by “au Smart Value”.

*1: New subscribers minus churn

*2: Total for the Personal Services and Business Services segments

*3: The difference between the number of subscribers acquired and lost due to Mobile Number Portability

*4: The 27-months period from October 2011 through December 2013

**au Churn Rate**

The churn rate during the third quarter was 0.71%, the lowest level in the industry.

**au ARPU**

During the third quarter, au ARPU was down ¥30 year on year, to ¥4,190. This figure represented a slowdown in the rate of year-on-year decline, compared with a ¥130 year-on-year decrease in the first quarter and a ¥60 year-on-year reduction in the second quarter.

We are making steady progress toward our goal of turning au ARPU positive year on year by the fourth quarter of the current fiscal year.

・Voice ARPU was down ¥130 year on year, to ¥1,890. Main reasons for this decline were a decrease in basic charges stemming from a shift to lower-rate plans and to the reduction of access charges.

・Data ARPU was up ¥350 year on year, to ¥3,230. The primary factor was an ongoing increase in smartphone subscriptions, which deliver high data ARPU.

・The amount of discount applied was ¥930, up ¥250 year on year. This rise was attributable mainly to the increased use of “Maitsuki Discount (Monthly Discount)” pricing in line with the increase in smartphone sales.

**au Handset Sales**

During the third quarter, au handset sales were down 1.41%, to 2.79 million.

**[Fixed Line]**

**FTTH Subscriptions**

During the third quarter, the number of FTTH subscriptions increased by 295,000 from March 31, 2013, to 3.12 million. This rise was attributable mainly to new subscriptions acquired when customers subscribed to “au Smart Value,” as well as the impact of lower churn.

**< Main Services >**

・In October 2013, we began expanding our handset lineup with the addition of au 2013 Winter 12 new models: six Android smartphones including an au-original branded model and models that are popular in Japan and overseas, as well as two au mobile phones.

・From December 1, 2013, we reinforced “au Smart Value” through the introduction of “au Smart Value mine,” which extends benefits of au smartphones to customers living alone. Employing a mobile router compatible with the ultra-high speed “WiMAX2+” service, usage charges are discounted if customers enter into service agreements as a set along with an au smartphone.

・J.D. Power Asia Pacific, Inc., conducted a “JD Power Asia Pacific 2013 Japan Mobile Phone Service Satisfaction Study$^{SM}$,” which ranked au highest in overall customer satisfaction among mobile phone service providers for the second year, following on from fiscal 2012.

* Targeting individual users of mobile phones nationwide, this survey was designed to clarify mobile phone service satisfaction levels by evaluating the customer experience in six factors; “handsets,” “service provision,” “network quality/coverage area,” “fees,” “handset purchasing experience” and “customer care.”

**< Main Services in the Fourth Quarter and Beyond>**

・In the first quarter of the fiscal year ending March 31, 2015, we will introduce a “Data Share” service.“Data Share” will allow customers to enjoy a host of services freely on their device of choice, sharing monthly data traffic among “4G LTE”-compatible smartphones and tablets for a reasonable monthly charge.

<Reference> Business data

[**Mobile**]

| **Cumulative subscriptions** | | Unit | Year ended March 31, 2013 | | | | | Year ending March 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | As of 1st Quarter | As of 2nd Quarter | As of 3rd Quarter | As of 4th Quarter | Fiscal year | As of 1st Quarter | As of 2nd Quarter | As of 3rd Quarter |
| **au subscriptions*1** | | (Thousand) | 30,580 | 30,947 | 31,516 | 32,189 | - | 32,717 | 33,206 | 33,582 |
| of smartphone | | (Thousand) | 7,209 | 8,527 | 10,168 | 11,862 | - | 13,002 | 13,984 | 14,741 |
| **au Smartvalue** | **au subscriptions** | (Thousand) | 1,330 | 2,000 | 2,850 | 3,860 | - | 4,630 | 5,400 | 6,110 |
| | **Households *2** | (Thousand) | 820 | 1,200 | 1,660 | 2,120 | - | 2,490 | 2,860 | 3,210 |

| **Indicators** | Unit | Year ended March 31, 2013 | | | | | Year ending March 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | The 1st Quarter | The 2nd Quarter | The 3rd Quarter | The 4th Quarter | Fiscal year | The 1st Quarter | The 2nd Quarter | The 3rd Quarter |
| **au ARPU** | (Yen) | 4,240 | 4,240 | 4,220 | 4,030 | 4,180 | 4,110 | 4,180 | 4,190 |
| **Voice ARPU** | (Yen) | 2,040 | 2,030 | 2,020 | 1,830 | 1,980 | 1,890 | 1,920 | 1,890 |
| **Data ARPU** | (Yen) | 2,720 | 2,790 | 2,880 | 3,000 | 2,850 | 3,110 | 3,180 | 3,230 |
| **Amount of discount applied** | (Yen) | (520) | (580) | (680) | (800) | (650) | (890) | (920) | (930) |
| **au Churn rate** | (%) | 0.61 | 0.65 | 0.58 | 0.67 | 0.63 | 0.56 | 0.67 | 0.71 |
| **au handset sales*3** | (Thousand) | 2,740 | 2,620 | 2,830 | 2,880 | 11,080 | 2,370 | 2,630 | 2,790 |
| of smartphone | (Thousand) | 1,670 | 1,810 | 2,300 | 2,340 | 8,110 | 1,820 | 1,980 | 2,120 |
| **au handset shipments*4** | (Thousand) | 2,560 | 2,410 | 2,970 | 2,720 | 10,660 | 2,220 | 2,520 | 3,180 |

**[Fixed Line]**

| **Cumulative subscriptions** | Unit | Year ended March 31, 2013 | | | | | Year ending March 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | As of 1st Quarter | As of 2nd Quarter | As of 3rd Quarter | As of 4th Quarter | Fiscal year | As of 1st Quarter | As of 2nd Quarter | As of 3rd Quarter |
| **FTTH subscriptions*5** | (Thousand) | 2,394 | 2,561 | 2,711 | 2,822 | - | 2,950 | 3,045 | 3,117 |
| **Cable-plus phone subscriptions** | (Thousand) | 2,295 | 2,481 | 2,679 | 2,851 | - | 3,040 | 3,202 | 3,362 |
| **CATV subscriptions*6 *7** | (Thousand) | 1,159 | 1,180 | 1,235 | 1,238 | - | 5,031 | 5,057 | 5,090 |

*1.Inclusive of module-type contracts

*2.Total of KDDI Group and affiliated fixed-line companies

*3.Number of units sold to users (new + upgrade)

*4.Number of units shipped to retailers from the company

*5.The total for “au HIKARI” (excluding “au HIKARI Business”), “Commufa-hikari,” “au HIKARI Chura,” and “Hikarifuru”

*6.Total Number of Subscribing Households (Number of households with at least one contract via broadcasting, internet or telephone)

*7.Year ended March 31, 2013: JCN, Year ending March 31, 2014: JCN + J:COM

## Value Services

In the Value Services segment, the Company provides individual customers with content, settlement and other services. This segment also works to reinforce multi-device and multi-network initiatives, developing an environment in which customers can use value-added services more conveniently.

During the current fiscal year, with the concept of “Lots of luck is coming your way,” “au Smart Pass” will be improved substantially to realize the “Smart Relations Concept” of “enhancing the relation between smartphones and real life.”

Operating performance in the Value Services segment for the Nine months ended December 31, 2013 is described below.

### Results

**For the Nine months ended December 31, 2013** (Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 | Increase (Decrease) | Increase (Decrease)% |
|---|---|---|---|---|
| Operating Revenues | 104,948 | 154,406 | 49,457 | 47.1 |
| Operating Expenses | 73,912 | 113,495 | 39,582 | 53.6 |
| Operating Income | 31,036 | 40,911 | 9,875 | 31.8 |

During the nine months ended December 31, 2013, operating revenues totaled ¥154,406 million, up 47.1% year on year. Contributing to this rise was a favorable increase in the number of “au Smart Pass” members and the addition of program distribution revenue from J:COM, owing to the inclusion of that company in the scope of consolidation.

Operating expenses grew 53.6% year on year, to ¥113,495 million, due to an increase in cost of sales and expenses stemming from the inclusion of J:COM in the scope of consolidation.

As a result, operating income was up 31.8% year on year, to ¥40,911 million.

### Overview of Operations

**<The “3M Strategy” and Other Key Initiatives>**

**au Smart Pass**

As of December 31, 2013, “au Smart Pass” members numbered 8.88 million, an increase of 3.14 million from March 31, 2013. In the third quarter, the Company expanded various benefits for customers, including the provision of coupons through business alliances with such companies as Isetan Mitsukoshi Holdings Ltd., Origami Inc., H.I.S. Co., Ltd., and Ikyu Corporation, as well as advanced reservations for the Rolling Stones Japan tour. We also disseminated information via the “au Smart Pass” timeline format.

**<Trends in Principal Performance Indicators>**

**Value ARPU**

During the third quarter, Value ARPU was up ¥50 year on year, to ¥290. Chief reasons for this increase was a steady increase in the number of members to content services, centered on “au Smart Pass,” “Video Pass,” and the effect of introducing charges for “au Smart Pass” for iOS in May.

**< Main Services >**

・On October 16, 2013, we commenced advanced exclusive distribution via the “Book Pass” eBook store of original novels published by GENTOSHA INC.

・On October 29, 2013, the Company began working with COLOPL, Inc., to make use of big data on location information and provide dynamic tourism research reports to local municipalities and tourist associations, providing these reports free of charge to Iwate, Miyagi and Fukushima prefectures. This effort to understand the movement of people, which has changed significantly since the Great East Japan Earthquake, is aimed at promoting tourism in these prefectures.

*Positioning information big data refers to data from positioning and attribute (gender, age group) information that the Company has obtained from au smartphone users with their permission and converted in such a way that the information is not attributable to any particular person.

・On November 26, 2013, we launched a flower course in “au Omakase Shopping,” a curation-type regular purchasing scheme. This new course is provided in collaboration with Park Corporation, which offers the “Aoyama Flower Market” throughout Japan.

<Reference> Business data

| **Cumulative subscriptions** | Unit | Year ended March 31,2013 | | | | | Year ending March 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | As of 1st Quarter | As of 2nd Quarter | As of 3rd Quarter | As of 4th Quarter | Fiscal year | As of 1st Quarter | As of 2nd Quarter | As of 3rd Quarter |
| au Smart Pass subs | (Thousand) | 1,470 | 2,430 | 3,980 | 5,740 | - | 6,820 | 7,990 | 8,880 |

| **Indicators** | Unit | Year ended March 31, 2013 | | | | | Year ending March 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | The 1st Quarter | The 2nd Quarter | The 3rd Quarter | The 4th Quarter | Fiscal year | The 1st Quarter | The 2nd Quarter | The 3rd Quarter |
| Value ARPU* | (Yen) | 250 | 240 | 240 | 250 | 250 | 260 | 280 | 290 |

* Value ARPU= Value services segment revenues of "in-house and cooperative services + settlement commissions + advertising"÷ Personal services segment's no. of au subscriptions (average no. of subscriptions for the period, excluding modules)

## Business Services

In the Business Services segment, we provide a cloud solution that seamlessly utilizes networks and applications across smartphones, tablets and other mobile devices, to a wide range of corporate customers, from small and medium-sized to large companies. In the current fiscal year, we will proactively promote a corporate “3M Strategy” in an effort to expand our customer base. Specifically, we will focus on expanding services for small and medium-sized corporate customers and reinforcing our sales structure. In addition, we will work to expand our service offerings to meet the myriad needs of corporate customers who are advancing overseas.

Operating performance in the Business Services segment for the Nine months ended December 31, 2013 is described below.

### Results

**For the Nine months ended December 31, 2013** (Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 | Increase (Decrease) | Increase (Decrease)% |
|---|---|---|---|---|
| Operating Revenues | 470,271 | 490,899 | 20,628 | 4.4 |
| Operating Expenses | 410,159 | 418,491 | 8,332 | 2.0 |
| Operating Income | 60,111 | 72,408 | 12,296 | 20.5 |

During the nine months ended December 31, 2013, operating revenues rose 4.4% year on year, to ¥490,899 million. Although fixed-line communications revenues decreased, data communications revenues and revenues from terminal sales grew as a result of increased sales of smartphones and tablets, and solution sales such as cloud-related business and IT outsourcing rose.

Operating expenses expanded 2.0% year on year, to ¥418,491 million. We recorded a decrease in mobile handset migration expenses (such as point expenses and sales commissions) that were of the preceding fiscal year, owing to the conclusion of service on the former 800MHz frequency. However, sales commissions on new mobile handset purchases and handset procurement costs grew, and the cost of solution sales increased.

As a result, operating income was up 20.5% year on year, to ¥72,408 million.

### Overview of Operations

**<The “3M Strategy” and Other Key Initiatives>**

・The Company is providing its offerings of solution services for corporate customers, aiming to provide a seamless combination of devices, networks and applications that can be used with peace of mind and are optimized for business settings, whether at the office or on the go. Through the provision of “Smart Value for Business,” the Company’s 3M service for corporate customers, the Company is working to boost sales of smartphones and tablets and expand its customer base.

・To provide broad-based support for business expansion by small and medium-sized corporate customers, “KDDI MATOMETE OFFICE CORPORATION” began nationwide operations in April 2013, providing a total sales and support structure designed to provide customers with optimal office environments. Through this company, we are working to enhance customers’ business efficiency by providing close regional contact.

**< Main Services >**

・J.D. Power Asia Pacific, Inc., conducted a “JD Power Asia Pacific 2013 Japan Mobile Phone Service Satisfaction Study$^{SM}$,” which ranked au highest in overall customer satisfaction in the large corporate market.

Note: This study, which targeted large companies throughout Japan with 1,000 or more employees, indicates the level of corporate satisfaction with network services by evaluating four factors: “service content/quality,” “response to outages and trouble,” “sales and implementation response,” and “cost.”

・On November 1, 2013, the Company began providing the cloud-based groupware services “Google Apps™ for Business” and “Office 365 with KDDI” to offer work style reforms to customers. These services are provided under agreements that combine KDDI smart devices with targeted fixed-line communications services, offering special rates by applying “Smart Value for Business.”

- In response to growing demand for data centers to meet increasing needs for cloud and disaster recovery, on October 1, 2013, we began operating a second wing at “TELEHOUSE TOKYO Tama.” On this second wing, the amount of electricity available per rack has been increased to 10KVA. The wing provides a high-performance and flexible collocation environment, is located on a site with excellent earthquake and disaster preparedness measures, and employs seismic isolation systems, suiting it for customers’ disaster recovery and business continuity planning needs.

- In December 2013, the Company increased its investment ratio (including indirect holdings) in LAC Co.,Ltd, a leading company in the field of network security solutions, from 5.3% to 31.1%. In this manner, the Company is reinforcing business and capital alliances with the aim of expanding its security solutions services business for corporate customers.

## Global Services

The Global Services segment offers the one-stop provision of ICT solutions to corporate customers, centered on our “TELEHOUSE” data centers. In addition, KDDI Group is working aggressively to expand consumer businesses, such as Internet operations in emerging countries and MVNO operations targeting immigrants in the United States. Furthermore, we provide a voice business to more than 600 communications companies around the world. During the current fiscal year, as one of the Company’s pillars of growth we will leverage the expertise we have cultivated in Japan and overseas to accelerate our expansion of businesses, particularly in the fast-growing Asian region.

Operating performance in the Global Services segment for the Nine months ended December 31, 2013 is described below.

### Results

**For the Nine months ended December 31, 2013** (Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 | Increase (Decrease) | Increase (Decrease)% |
|---|---|---|---|---|
| Operating Revenues | 148,533 | 189,159 | 40,626 | 27.4 |
| Operating Expenses | 143,163 | 180,840 | 37,677 | 26.3 |
| Operating Income | 5,370 | 8,318 | 2,948 | 54.9 |

During the nine months ended December 31, 2013, operating revenue increased 27.4% year on year, to ¥189,159 million and operating income increased 54.9% year on year, to ¥8,318 million, mainly due to the increase in revenues and income overseas subsidiaries such as TELEHOUSE International Corporation of Europe Ltd.,
Locus Telecommunications, Inc., DMX Technologies Group Limited.

### Overview of Operations

**<Effort Global Strategy>**

・We are expanding our number of locations for “TELEHOUSE,” the Company’s global data center that is widely regarded by customers around the world for its reliability and high service quality. As of December 31, 2013, our number of “TELEHOUSE” locations totaled 42, in 24 cities in 13 regions, including Japan. (Of these, overseas locations numbered 24, in 15 cities in 12 regions.)

On November 1, 2013, we opened and commenced service at “TELEHOUSE Shanghai Jinqiao,” our second location in Shanghai, China. As a result, the Company’s total data center floor space in three cities in Greater China (Beijing, Hong Kong and Shanghai) measures more than 75,000 square meters, some of the most extensive offered by a foreign company. In addition to aggressively expanding the number of locations, we offer highly reliable services that meet the TELEHOUSE global standard. We also provide a wide variety of solution services according to customer demand, including operations, monitoring and BCP.

・In the U.S. MVNO business, we moved forward with initiatives to maximize sales synergies and operational efficiencies with Locus Communications, Inc., and Total Call International Inc. In October 2013, Locus received the “Oboshi Award,” a special award in the “2013 CRM Best Practices Awards[*1],” which are presented to companies or other organizations for successes in CRM[*2]. Locus received high marks for its efforts to improve service content and operations by analyzing customer feedback.

*1.Sponsor: CRM Association Japan

*2.Customer relationship management: Management approach aimed at building long-term relationships between companies and customers

### 3) Status of Major Affiliates

<UQ Communications Inc.>

On October 31, 2013, UQ Communications Inc., an equity-method affiliate of the Company, began providing the “WiMAX 2+” ultra-high speed mobile broadband service, which provides downlink speeds of up to 110Mbps. This service aims to meet growing demand for faster mobile broadband services, making society more convenient. This service will commence in an area encircled by the No. 7 Ring Road. By March 31, 2014, we expect to augment the service area to include the Tokyo, Nagoya, and Osaka areas, and to encompass all of Japan by March 31, 2015.

On June 11, 2013, UQ Communications was announced as having earned the No. 1 customer service ranking for its UQ WiMAX service in the “2013 Japan Mobile Data Service Satisfaction Survey℠” conducted by J.D. Power Asia Pacific, Inc. This ranking demonstrates high customer regard for our WiMAX services, which offer low communication charges and no limits on speed. Following this award, UQ Communications received top overall customer satisfaction awards from other organizations, as well: The “RBB Today Mobile Award 2013 Carrier Division (Data Communications)” and the “Fiscal 2014 Oricon Customer Satisfaction Ranking™ (Mobile Data Communications Ranking Division).” WiMAX service providers also monopolized the top three overall satisfaction rankings in the “Kakaku.com Provider Satisfaction Ranking 2013 (Mobile Division),” pointing to the high regard that WiMAX services are accorded in the mobile Internet market.

<Jibun Bank Corporation >

On October 15, 2013, Jibun Bank Corporation, an equity-method affiliate, began providing the “Foreign Currency Step Up Time Deposit”—a deposit with a foreign currency mechanism. On November 10, 2013, we also began offering the “‘Jibun Bank Special’ Bank of Tokyo-Mitsubishi UFJ Net Home Loan.”

Furthermore, on November 5, 2013, Jibun Bank received an “Honorable Mention for Disruptive Business Model” with high regards for its smartphone-centered business model from BAI, a U.S. banking and financial industry organization, becoming the first Japanese bank to receive this award.

Notes: 1 “Android” “Google” “Google Apps” is a trademark or a registered trademark of Google Inc.
2 “Office 365” is a trademark or a registered trademark of Microsoft Corporation.
3 “Wi-Fi” is a registered trademark of Wi-Fi Alliance®.

## (2) Explanation on Financial Position

### 1. Financial Position

Consolidated total assets amounted to ¥4,843,082 million as of December 31, 2013, up ¥758,083 million from March 31, 2013. This increase was mainly attributable to the rise in incidental business facilities stemming from the inclusion of J:COM in the scope of consolidation.

Total liabilities amounted to ¥1,977,141 million, an increase of ¥215,505 million from March 31, 2013. Although the Company completed its conversion of convertible bond-type bonds with subscription rights to shares, thereby reducing the amount of bonds, long-term loans payable increased. Net assets increased ¥542,577 million from March 31, 2013, to ¥2,865,940 million. The primary reasons for this increase were mainly retained earnings and lower treasury stock.

As a result, the shareholders' equity ratio decreased from 55.1% as of March 31, 2013, to 54.8%.

### 2. Cash Flows

(Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 | Increase (Decrease) |
|---|---|---|---|
| Net cash provided by (used in) operating activities | 291,345 | 579,102 | 287,756 |
| Net cash provided by (used in) investing activities | (335,159) | (347,157) | (11,997) |
| Free cash flows | (43,813) | 231,945 | 275,759 |
| Net cash provided by (used in) financing activities | (36,960) | (114,722) | (77,762) |
| Effect of exchange rate change on cash and cash equivalents | 302 | 2,535 | 2,232 |
| Net increase (decrease) in cash and cash equivalents | (80,471) | 119,757 | 200,229 |
| Cash and cash equivalents at beginning of period | 174,191 | 87,288 | (86,903) |
| Increase in cash and cash equivalents resulting from merger | - | 569 | 569 |
| Cash and cash equivalents at end of period | 93,719 | 207,616 | 113,896 |

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."

Operating activities provided net cash of ¥579,102 million. This includes ¥506,481 million of income before income taxes and minority interests, ¥347,428 million of depreciation and amortization, and ¥196,876 million of income taxes paid.

Investing activities used net cash of ¥347,157 million. This includes ¥281,392 million of purchase of property, plant and equipment, ¥47,505 million in payments for purchase of intangible assets, and ¥43,001 million in payments for purchase of long-term prepaid expenses.

Financial activities used net cash of ¥114,722 million. This includes ¥128,965 million in net decrease in short-term loans payable, ¥177,007 million in net proceeds from long-term loans payable, ¥90,000 million in redemption of bonds, and ¥85,314 million in payments cash dividends.

As a result, cash and cash equivalents as of December 31, 2013, increased by ¥120,327 million from March 31, 2013, to ¥207,616 million.

## (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results

**Revision of Full-Year Results Estimation**

The estimated consolidated financial results for the year ending March 31, 2014 for full-year basis disclosed in the Financial Statements Summary for the six month ended September 30, 2013 (disclosed on October 28, 2013) is revised as follows.

(Amount unit: Millions of yen)

| | Operating revenues | Operating income | Ordinary income | Net income |
|---|---|---|---|---|
| Previous estimation as of October 28, 2013 (A) | 4,140,000 | 630,000 | 620,000 | 295,000 |
| Revised estimation (B) | 4,280,000 | 660,000 | 658,000 | 318,000 |
| Increase (Decrease) (B-A) | 140,000 | 30,000 | 38,000 | 23,000 |
| Increase (Decrease) % | 3.4 | 4.8 | 6.1 | 7.8 |
| (ref) Full-year results for previous FY | 3,662,288 | 512,669 | 514,421 | 241,469 |

**Reasons for the Revision of Full-Year Results Estimation**

We have revised our operating revenue forecast upward because mobile communications revenues are growing faster than initially expected due to rises in au ARPU and the number of au subscriptions. Due to these higher revenues, we have also revised upward our forecasts for operating income, ordinary income, and net income.

**Revision of Dividend Estimation**

The Company recognizes returning profits to shareholders as one of its most important management objectives. Accordingly, we follow a fundamental policy of maintaining stable dividends, while remaining financially robust.

To express our appreciation for the ongoing support of our shareholders and taking into overall consideration business developments aimed at increasing operating results going forward, we plan to increase the year-end dividend as follows.

(Amount unit: Yen)

| | 2nd Quarter End | Fiscal Year End | Total |
|---|---|---|---|
| Year ending March 31, 2014 (forecast) as of October 28, 2013 | - | 60 | 120 |
| Revised estimation | - | 70 | 130 |
| Year ending March 31, 2014 | 60 | - | - |
| (ref) Year ended March 31, 2013 | 8,500*1 | 95*2 | - |

*1 This figure is prior to a 1:100 stock split on common stock with an effective date of October 1, 2012, and a 1:2 stock split on common stock with an effective date of April 1, 2013.
Taking these stock splits into account, the amount would be ¥42.5.

*2 This figure is prior to a 1:2 stock split on common stock with an effective date of April 1, 2013.
Taking this stock split into account, the amount would be ¥47.5.

* These figures are estimates based on information available to the Company as of the date of release of these materials. Accordingly, actual results could differ from these estimates due to a variety of factors.

## 2. Notes Regarding Summary Information (Notes)

### Changes in significant consolidated subsidiaries during the Nine months ended December 31, 2013

During the first quarter, the Company acquired through public tender an additional share in Jupiter Telecommunications Co., Ltd. and, in accordance with effective control standards, brought this company and its 19 subsidiaries into the scope of consolidation.

Of these, the following three companies are considered significant subsidiaries (specified subsidiaries).

Number of subsidiaries newly consolidated：three companies

Jupiter Telecommunications Co., Ltd., J:COM West Co., Ltd., J:COM East Co., Ltd.

During the third quarter, JAPAN CABLENET LIMITED merged with JAPAN CABLENET HOLDINGS LIMITED, with the latter becoming the surviving company and JAPAN CABLENET LIMITED the absorbed company.

Company excluded: one company

JAPAN CABLENET LIMITED

(The surviving company, JAPAN CABLENET HOLDINGS LIMITED, has been renamed JAPAN CABLENET LIMITED.)

# 3. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Amount unit: Millions of yen)

| | As of March 31, 2013 | As of December 31, 2013 |
|---|---|---|
| Assets | | |
| Noncurrent assets | | |
| Noncurrent assets-telecommunications business | | |
| Property, plant and equipment | | |
| Machinery, net | 591,635 | 617,894 |
| Antenna facilities, net | 333,020 | 334,351 |
| Local line facilities, net | 127,925 | 127,530 |
| Long-distance line facilities, net | 4,037 | 3,845 |
| Engineering facilities, net | 24,429 | 23,324 |
| Submarine line facilities, net | 5,124 | 4,423 |
| Buildings, net | 162,446 | 164,488 |
| Structures, net | 27,867 | 26,219 |
| Land | 247,892 | 248,036 |
| Construction in progress | 116,760 | 140,964 |
| Other tangible assets, net | 26,397 | 24,873 |
| Total property, plant and equipment | 1,667,538 | 1,715,952 |
| Intangible assets | | |
| Right of using facilities | 10,141 | 10,718 |
| Software | 172,510 | 156,743 |
| Goodwill | 19,580 | 20,060 |
| Other intangible assets | 8,027 | 7,674 |
| Total intangible assets | 210,260 | 195,196 |
| Total noncurrent assets-telecommunications business | 1,877,799 | 1,911,148 |
| Incidental business facilities | | |
| Property, plant and equipment | 162,419 | 356,498 |
| Intangible assets | 93,813 | 551,375 |
| Total noncurrent assets-incidental business | 256,233 | 907,874 |
| Investments and other assets | | |
| Investment securities | 81,787 | 95,144 |
| Stocks of subsidiaries and affiliates | 348,169 | 37,256 |
| Investments in capital of subsidiaries and affiliates | 219 | 271 |
| Long-term prepaid expenses | 118,863 | 247,958 |
| Deferred tax assets | 114,577 | 87,904 |
| Other investment and other assets | 47,497 | 51,306 |
| Allowance for doubtful accounts | (11,015) | (9,402) |
| Total investments and other assets | 700,097 | 510,439 |
| Total noncurrent assets | 2,834,129 | 3,329,462 |
| Current assets | | |
| Cash and deposits | 96,952 | 217,745 |
| Notes and accounts receivable-trade | 971,244 | 1,043,943 |
| Accounts receivable-other | 61,477 | 64,892 |
| Short-term investment securities | 231 | 248 |
| Supplies | 56,942 | 94,932 |
| Deferred tax assets | 58,768 | 48,031 |
| Other current assets | 25,524 | 64,883 |
| Allowance for doubtful accounts | (20,271) | (21,056) |
| Total current assets | 1,250,869 | 1,513,619 |
| Total assets | 4,084,999 | 4,843,082 |

(Amount unit: Millions of yen)

| | As of March 31, 2013 | As of December 31, 2013 |
|---|---|---|
| Liabilities | | |
| Noncurrent liabilities | | |
| Bonds payable | 259,997 | 204,998 |
| Convertible bond-type bonds with subscription rights to shares | 200,666 | - |
| Long-term loans payable | 244,727 | 563,246 |
| Provision for retirement benefits | 13,509 | 17,430 |
| Provision for point service program | 91,582 | 81,940 |
| Other noncurrent liabilities | 73,955 | 162,278 |
| Total noncurrent liabilities | 884,439 | 1,029,895 |
| Current liabilities | | |
| Current portion of noncurrent liabilities | 176,436 | 157,411 |
| Notes and accounts payable-trade | 82,753 | 136,256 |
| Short-term loans payable | 88,256 | 85,104 |
| Accounts payable-other | 287,084 | 333,569 |
| Accrued expenses | 22,999 | 25,147 |
| Income taxes payable | 104,773 | 92,744 |
| Advances received | 62,807 | 60,376 |
| Provision for bonuses | 20,765 | 10,812 |
| Other current liabilities | 31,318 | 45,822 |
| Total current liabilities | 877,195 | 947,245 |
| Total liabilities | 1,761,635 | 1,977,141 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 141,851 | 141,851 |
| Capital surplus | 367,144 | 385,942 |
| Retained earnings | 2,055,586 | 2,238,345 |
| Treasury stock | (346,001) | (161,819) |
| Total shareholders' equity | 2,218,581 | 2,604,320 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 38,882 | 47,101 |
| Deferred gains or losses on hedges | (1,598) | (1,319) |
| Foreign currency translation adjustment | (6,070) | 6,119 |
| Total accumulated other comprehensive income | 31,213 | 51,901 |
| Subscription rights to shares | 574 | (16) |
| Minority interests | 72,994 | 209,734 |
| Total net assets | 2,323,363 | 2,865,940 |
| Total liabilities and net assets | 4,084,999 | 4,843,082 |

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

(Consolidated Statements of Income)

(Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
|---|---|---|
| Operating income and loss from telecommunications | | |
| Operating revenue | | |
| Total operating revenue | 1,818,938 | 1,941,210 |
| Operating expenses | | |
| Business expenses | 501,443 | 490,957 |
| Operating expenses | 32 | 30 |
| Facilities maintenance expenses | 203,301 | 192,125 |
| Common expenses | 1,641 | 1,936 |
| Administrative expenses | 55,321 | 60,926 |
| Experiment and research expenses | 4,458 | 4,826 |
| Depreciation | 276,112 | 266,731 |
| Noncurrent assets retirement cost | 10,058 | 18,330 |
| Communication facility fee | 282,404 | 276,219 |
| Taxes and dues | 32,361 | 32,919 |
| Total operating expenses | 1,367,136 | 1,345,002 |
| Net operating income from telecommunications | 451,802 | 596,208 |
| Operating income and loss from incidental business | | |
| Operating revenue | 891,638 | 1,238,688 |
| Operating expenses | 947,867 | 1,301,647 |
| Net operating loss from incidental business | (56,228) | (62,959) |
| Operating income | 395,573 | 533,248 |
| Non-operating income | | |
| Interest income | 576 | 575 |
| Dividends income | 1,892 | 1,821 |
| Equity in earnings of affiliates | 1,842 | 4,505 |
| Foreign exchange gains | 1,482 | 5,113 |
| Miscellaneous income | 7,151 | 7,664 |
| Total non-operating income | 12,945 | 19,680 |
| Non-operating expenses | | |
| Interest expenses | 8,681 | 8,818 |
| Miscellaneous expenses | 5,882 | 5,519 |
| Total non-operating expenses | 14,563 | 14,338 |
| Ordinary income | 393,955 | 538,591 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 297 | - |
| Gain on sales of investment securities | 319 | 6,864 |
| Gain on reversal of subscription rights to shares | 509 | - |
| Contribution for construction | - | 568 |
| Total extraordinary income | 1,125 | 7,432 |
| Extraordinary loss | | |
| Loss on sales of noncurrent assets | - | 295 |
| Impairment loss | 68,454 | - |
| Loss on retirement of noncurrent assets | 19,954 | - |
| Loss on valuation of investment securities | 410 | 221 |
| Loss on step acquisitions | - | 38,457 |
| Reduction entry of contribution for construction | - | 567 |
| Total extraordinary losses | 88,819 | 39,542 |
| Income before income taxes and minority interests | 306,261 | 506,481 |

(Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
|---|---|---|
| Income taxes-current | 128,024 | 181,107 |
| Income taxes-deferred | (7,742) | 30,904 |
| Total income taxes | 120,281 | 212,011 |
| Income before minority interests | 185,980 | 294,469 |
| Minority interests in income | 5,732 | 25,815 |
| Net income | 180,247 | 268,653 |

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

(Consolidated Statements of Comprehensive Income)

(Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
|---|---|---|
| Income before minority interests | 185,980 | 294,469 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (2,827) | 9,093 |
| Deferred gains or losses on hedges | - | 206 |
| Foreign currency translation adjustment | 517 | 14,446 |
| Share of other comprehensive income of associates accounted for using equity method | (99) | (335) |
| Total other comprehensive income | (2,409) | 23,411 |
| Comprehensive income | 183,570 | 317,881 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of the parent | 178,362 | 289,342 |
| Comprehensive income attributable to minority interests | 5,208 | 28,539 |

## (3) Consolidated Statements of Cash Flows

(Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 306,261 | 506,481 |
| Depreciation and amortization | 301,444 | 347,428 |
| Impairment loss | 68,454 | - |
| Amortization of goodwill | 12,239 | 21,590 |
| Loss (gain) on sales of noncurrent assets | (280) | 281 |
| Loss on retirement of noncurrent assets | 7,468 | 16,075 |
| Loss on step acquisitions | - | 38,457 |
| Increase (decrease) in allowance for doubtful accounts | 4,962 | (1,518) |
| Increase (decrease) in provision for retirement benefits | (2,990) | 3,708 |
| Interest and dividends income | (2,468) | (2,397) |
| Interest expenses | 8,681 | 8,863 |
| Equity in (earnings) losses of affiliates | (1,842) | (4,505) |
| Loss (gain) on sales of investment securities | (323) | (6,882) |
| Loss (gain) on valuation of investment securities | 411 | 221 |
| Increase (decrease) in provision for point service program | (58) | (9,642) |
| Decrease (increase) in prepaid pension costs | 1,382 | 2,982 |
| Decrease (increase) in notes and accounts receivable-trade | (120,011) | (49,164) |
| Decrease (increase) in inventories | (9,605) | (36,422) |
| Increase (decrease) in notes and accounts payable-trade | (18,258) | 46,608 |
| Increase (decrease) in accounts payable-other | (19,412) | (51,588) |
| Increase (decrease) in accrued expenses | 2,044 | (1,112) |
| Increase (decrease) in advances received | (455) | (10,184) |
| Other, net | (26,893) | (37,825) |
| Subtotal | 510,751 | 781,458 |
| Interest and dividends income received | 6,887 | 4,048 |
| Interest expenses paid | (9,257) | (9,528) |
| Income taxes paid | (217,035) | (196,876) |
| Net cash provided by (used in) operating activities | 291,345 | 579,102 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (219,613) | (281,392) |
| Proceeds from sales of property, plant and equipment | 458 | 264 |
| Purchase of intangible assets | (79,019) | (47,505) |
| Purchase of investment securities | (1,284) | (3,667) |
| Proceeds from sales of investment securities | 4,371 | 17,021 |
| Purchase of stocks of subsidiaries and affiliates | (5,242) | (6,227) |
| Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation | (2,403) | (18,913) |
| Proceeds from purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation | - | 16,271 |
| Proceeds from sales of stocks of subsidiaries and affiliates | - | 18,818 |
| Purchase of long-term prepaid expenses | (32,221) | (43,001) |
| Other, net | (204) | 1,176 |
| Net cash provided by (used in) investing activities | (335,159) | (347,157) |

(Amount unit: Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
|---|---|---|
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | 79,567 | (128,965) |
| Proceeds from long-term loans payable | 24,000 | 310,000 |
| Repayment of long-term loans payable | (4,593) | (132,992) |
| Proceeds from issuance of bonds | - | 30,000 |
| Redemption of bonds | (65,000) | (90,000) |
| Purchase of treasury stock | - | (17) |
| Cash dividends paid | (64,516) | (85,314) |
| Cash dividends paid to minority shareholders | (1,364) | (1,648) |
| Proceeds from stock issuance to minority shareholders | 218 | 18 |
| Other, net | (5,272) | (15,803) |
| Net cash provided by (used in) financing activities | (36,960) | (114,722) |
| Effect of exchange rate change on cash and cash equivalents | 302 | 2,535 |
| Net increase (decrease) in cash and cash equivalents | (80,471) | 119,757 |
| Cash and cash equivalents at beginning of period | 174,191 | 87,288 |
| Increase in cash and cash equivalents resulting from merger | - | 569 |
| Cash and cash equivalents at end of period | 93,719 | 207,616 |

## (4) Notes Regarding Consolidated Financial Statements

### (Going Concern Assumption)

None

### (Material Changes in Shareholders' Equity)

Mainly, in conjunction with the conversion of convertible bond-type bonds with subscription rights to shares during the nine months ended December 31 2013, treasury stock was reduced by 184,182 million yen to 161,819 million yen at the end of the nine-month period.

### (Segment Information, etc.)

(Segment Information)

I For the nine months ended December 31, 2012 (April 1, 2012 to December 31, 2012)

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

(Amount unit: Millions of yen)

| | Reportable Segments | | | | | Other (Note 1) | Total | Elimination and Corporate (Note 2) | Consoli-dation (Note 3) |
|---|---|---|---|---|---|---|---|---|---|
| | Personal Services | Value Services | Business Services | Global Services | Subtotal | | | | |
| Sales | | | | | | | | | |
| Outside Sales | 2,052,153 | 81,418 | 420,260 | 124,758 | 2,678,590 | 31,986 | 2,710,577 | - | 2,710,577 |
| Intersegment Sales or Transfer | 55,529 | 23,530 | 50,010 | 23,775 | 152,845 | 75,778 | 228,624 | (228,624) | - |
| Total | 2,107,683 | 104,948 | 470,271 | 148,533 | 2,831,436 | 107,765 | 2,939,201 | (228,624) | 2,710,577 |
| Segment Income | 291,813 | 31,036 | 60,111 | 5,370 | 388,331 | 7,677 | 396,009 | (435) | 395,573 |

Notes: 1. The "Other" category incorporates operations not included in reportable business segments, including equipment construction and maintenance, call center business, research and technological development, and other operations.
2. Adjustment of segment income refers to elimination of intersegment transactions.
3. Segment income is adjusted to operating income on the quarterly consolidated statements of income.

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

(Material impairment loss on noncurrent assets)

No significant items to be reported.

(Material changes in goodwill)

No significant items to be reported.

(Material profit from negative goodwill)

No significant items to be reported.

Ⅱ For the nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)

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

(Amount unit: Millions of yen)

| | Reportable Segments | | | | | Other (Note 1) | Total | Elimination and Corporate (Note 2) | Consolidation (Note 3) |
|---|---|---|---|---|---|---|---|---|---|
| | Personal Services | Value Services | Business Services | Global Services | Subtotal | | | | |
| Sales | | | | | | | | | |
| Outside Sales | 2,431,239 | 118,951 | 434,090 | 163,238 | 3,147,520 | 32,378 | 3,179,899 | - | 3,179,899 |
| Intersegment Sales or Transfer | 58,398 | 35,454 | 56,809 | 25,921 | 176,583 | 69,652 | 246,236 | (246,236) | - |
| Total | 2,489,638 | 154,406 | 490,899 | 189,159 | 3,324,104 | 102,031 | 3,426,135 | (246,236) | 3,179,899 |
| Segment Income | 405,389 | 40,911 | 72,408 | 8,318 | 527,027 | 6,520 | 533,548 | (299) | 533,248 |

Notes: 1. The “Other” category incorporates operations not included in reportable business segments, including equipment construction and maintenance, call center business, research and technological development, and other operations.
2. Adjustment of segment income refers to elimination of intersegment transactions.
3. Segment income is adjusted to operating income on the quarterly consolidated statements of income.

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

(Material impairment loss on noncurrent assets)

No significant items to be reported.

(Material changes in goodwill)

No significant items to be reported.

(Material profit from negative goodwill)

No significant items to be reported.