Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of shareholders residing outside Japan. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

NOTICE OF THE 28TH ANNUAL MEETING OF SHAREHOLDERS

KDDI Corporation

TABLE OF CONTENTS

The "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are provided to shareholders on the Company's Web site (http://www.kddi.com/english/corporate/ir/shareholder/meeting/20120620/index.html), pursuant to the provisions of laws and regulations as well as Article 14 of the Company's Articles of Incorporation. The "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by Auditors and Accounting Auditors in preparing the Reports of Audit.

MESSAGE FROM THE PRESIDENT

To our shareholders,
Firstly, we would like to thank our shareholders for the continued interest and support for our company.
We enclose a copy of the KDDI Group's notice of the 28th Annual Meeting of Shareholders. We hope you will find the booklet informative and helpful.

During the fiscal year, while making steps toward 3M Strategy ("Multi-Network," "Multi-Device" and "Multi-Use"), we have provided a range of devices such as smartphones and tablets as well as various contents including music, video clips, ebooks and others. We also successfully offered attractive pricing plans by organically linking these devices and contents with our networks such as FTTH and public wireless LAN. In this way, we have been proactively working to regain the momentum for au businesses and improve the earnings structure of the fixed-line business.

We at the KDDI Group reaffirm the significance of our mission as a communications services provider that sustains the development of the society and economy, and strive to improve the reliability of our networks while constantly responding to rapidly growing data traffic.
We will continue to provide our customers with services and values they truly need through an optimal network available anytime and anywhere, aiming to become a company that can deliver inspiration, security, happiness and smiles of gratitude to people around the world.
Once again, we would like to thank all our shareholders for the continuous support and confidence in our company.

Sincerely,

Takashi Tanaka
President

TSE Code: 9433
May 29, 2012

To our shareholders:

KDDI Corporation
10-10, Iidabashi 3-chome, Chiyoda-ku, Tokyo
(Headquarters: 3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo)
Takashi Tanaka, President

NOTICE OF THE 28TH ANNUAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 28th Annual Meeting of Shareholders of KDDI Corporation ("the Company") to be held as stated below.

If you are unable to attend the meeting, you may exercise your voting rights by mail or via the Internet. After reviewing the attached Reference Documents for the Meeting of Shareholders, indicate your approval or disapproval of the proposals on the enclosed Exercise of Voting Rights form and return it to the Company to arrive **no later than 5:30 p.m. on Tuesday, June 19, 2012,** or vote at the Exercise of Voting Rights Web site (http://www.evote.jp/).

1. Date and Time: Wednesday, June 20, 2012, at 10 a.m. Reception for attendees begins at 9 a.m.

2. Place: Shinagawa Prince Hotel, Annex Tower, 5F, "Prince Hall"
10-30, Takanawa 4-chome, Minato-ku, Tokyo

3. Agenda:

Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 28th fiscal year from April 1, 2011 to March 31, 2012 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditor and the Board of Auditors
2. Non-Consolidated Financial Statements for the 28th fiscal year from April 1, 2011 to March 31, 2012

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Partial Changes to Articles of Incorporation
Proposal 3: Election of 12 Directors
Proposal 4: Election of 4 Auditors
Proposal 5: Revision of Remuneration Amount for Auditors

[The Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and Audit Reports to be attached to this Notice appear on pages 17 through 56.]

4. Other matters concerning the Meeting:

Please refer to the Guide to the Exercise of Voting Rights on the following pages.

- Attendees are kindly requested to submit their Exercise of Voting Rights form to the receptionist on the day of the meeting.
- Of the documents attached to the Notice of the 28th Annual Meeting of Shareholders, the "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are provided to shareholders on the Company's Web site (http://www.kddi.com/english/corporate/ir/shareholder/meeting/20120620/index.html), pursuant to the provisions of laws and regulations as well as Article 14 of the Company's Articles of Incorporation. The "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by Auditors and Accounting Auditors in preparing the Reports of Audit.
- Any amendments to the Reference Documents for the Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements will be disclosed on the Company's Web site (http://www.kddi.com/english/index.html).

Guide to the Exercise of Voting Rights

* Please note that the Exercise of Voting Rights Web site, the QR-Code and the phone number for inquiries are available in Japanese language only.

Voting rights at meeting of shareholders are principal rights of shareholders. Please exercise your voting rights after reviewing the Reference Documents for the Meeting of Shareholders listed on pages 7 through 16.
You may exercise your voting rights by one of the following three methods.

1. By attending the shareholders' meeting
   Please fill out your Exercise of Voting Rights form and submit it to the receptionist of the meeting. You are also required to bring this Notice to the meeting.

2. By submitting Exercise of Voting Rights form by mail
   Please indicate your approval or disapproval to each of the proposals and return it to the Company to arrive no later than 5:30 p.m. on Tuesday, June 19, 2012.

3. By exercising voting rights via the Internet
   If you are not able to attend the shareholders' meeting, you may exercise your voting rights via the Internet. Please read the detailed instructions on the following pages.

How to Vote via the Internet

1 Please access the Exercise of Voting Rights Web site (http://www.evote.jp/) designated by the Company.
2 You will be required to enter the log-in ID and temporary password shown on your Exercise of Voting Rights form.
3 Please change the assigned temporary password to a new one you selected and exercise your voting rights following the on-screen instructions.

Please accept the following before exercising your voting rights by mail or via the Internet.

1. Validity of Voting Rights When Exercised Both by Form and via the Internet
   If you have exercised your voting rights both by submitting the Exercise of Voting Rights form and via the Internet, those exercised via the Internet will be taken as valid.

2. Validity of Voting Rights When Exercised Multiple Times
   If you have exercised your voting rights multiple times on the Internet, only the final vote will be taken as valid. If you have exercised your voting rights both on the Web site for computers (including smartphones) and on the Web site for mobile phones, only the final vote will be taken as valid.

3. Guide to the Exercise of Voting Rights via the Internet
   If you decide to use the Internet to exercise your voting rights, please read the following in advance.
   If you intend to attend the meeting in person, voting by mailing the Exercise of Voting Rights form or via the Internet is unnecessary.

   (1) The Exercise of Voting Rights Web Site
   i. The exercise of voting rights via the Internet is possible only by accessing the Exercise of Voting Rights Web site (http://www.evote.jp/) designated by the Company with a computer, smartphone or a mobile phone (EZweb, i-mode or Yahoo! Keitai)*. (Please note that this website is not available from 2 a.m. to 5 a.m. daily.)
   ii. The exercise of voting rights with a computer or smartphone may be disabled by certain Internet settings such as the use of a firewall, antivirus software, or a proxy server when accessing the Internet.
   iii. The exercise of voting rights with a mobile phone is possible either through the EZweb, i-mode, or Yahoo! Keitai service. For security reasons, you cannot vote through a model of phone that does not allow encrypted transmission (SSL transmission) or transmission of the phone ID information.
   If your mobile phone has a QR-Code reader, you can access the Exercise of Voting Rights Web site by reading the QR-Code provided here.

iv. Although we accept the exercise of voting rights via the Internet until 5:30 p.m. on Tuesday, June 19, 2012, we recommend voting as early as possible. If you have any questions, please contact our help desk.
* i-mode, Yahoo! and QR-Code are trademarks or registered trademarks of NTT DoCoMo Inc., Yahoo! Inc. and DENSO WAVE INCORPORATED, respectively.

(2) Exercising Your Voting Rights via the Internet

i. At the voting Web site (http://www.evote.jp/), use the log-in ID and temporary password indicated on your Exercise of Voting Rights form and follow the on-screen instructions to enter your approval or disapproval of each proposal.

ii. To prevent illegal access by a third party other than those qualified shareholders ("spoofing") and manipulation of voting details, you will be asked to change your temporary password in using the site.

iii. Every time a meeting of shareholders is convoked, a new log-in ID and temporary password will be issued.

(3) Multiple Exercises of Voting Rights

i. Please note that, if you have exercised your voting rights both by mailing the Exercise of Voting Rights form and via the Internet, only the vote exercised via the Internet will be taken as valid.

ii. If you have exercised your voting rights multiple times on the Internet, only the final vote will be considered as valid. If you have exercised your voting rights redundantly with a computer, smartphone and a mobile phone, only the final vote will be taken as valid.

(4) Costs Incurred in Accessing the Exercise of Voting Rights Site

The costs incurred when accessing the Exercise of Voting Rights site, including Internet access fees and telephone rates, will be the responsibility of the shareholder. Similarly, fees required to use mobile phones, such as packet transmission fees, will also be the responsibility of the shareholder.

(5) Receiving the Notice of Meeting of Shareholders

Shareholders may, if they wish, receive the notice of meeting of shareholders by e-mail, beginning with the next meeting, by taking the necessary procedure on the Exercise of Voting Rights Web site with a computer or a smartphone. (This service is not available with a mobile phone, and a mobile phone address for text messages cannot be designated as the e-mail address for receiving the notice.)

For inquiries about the system or other matters, please contact:

Securities Business Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation
Phone: (0120) 173-027 (Toll Free) Available from 9 a.m. to 9 p.m.

Reference Documents for the Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

Details pertaining to the appropriation of surplus are as follows.

(1) Matters relating to year-end dividends

The Company recognizes that the distribution of profits to shareholders is a major managerial issue and makes it a basic policy to maintain a sound financial position and the stable payment of dividends. With this policy, the Company intends to increase the consolidated payout ratio to the 25–30% range while taking into account investments for the sustainable growth of the future.

Regarding the year-end dividends for the fiscal year under review, we propose to increase it by ¥1,000 per share from the previous year-end dividends, to express our appreciation to shareholders for their continuous support as well as the need to expand our businesses to enhance business performance in the future.

i. Type of dividends
   Cash

ii. Dividend amount to be allocated
   Per share of common stock: ¥8,500
   Total dividends: ¥32,485,402,000

iii. Effective date of dividends from surplus
   June 21, 2012

(2) Other matters relating to the appropriation of surplus

We propose the following internal reserves to strengthen the management foundation in preparation for the aggressive development of operations in the future.

Item and amount of increase in surplus:
General reserve: ¥183,300,000,000
Item and amount of decrease in surplus:
Retained earnings brought forward: ¥183,300,000,000

Proposal 2: Partial Changes to Articles of Incorporation

This proposal partially amends the current Articles of Incorporation. The reasons for the proposal and description of the changes are as follows.

1. Reason for Proposal

(1) As a result of the enforcement of the "Law for Partial Revision of the Broadcast Act etc." (Act No. 65 of 2010 Law), the Act on Broadcast on Telecommunications Services was integrated under the Broadcast Act. Accordingly, we would like to partially revise the wording of Article 2 (Purpose) of the current articles of incorporation.

(2) Taking into consideration the intent of the "Action Plan for Consolidating Trading Units" that was announced by all domestic stock exchanges of Japan on November 27, 2007, the Company resolved at the meeting of the Board of Directors held on April 25, 2012, to conduct a 1:100 share split with an effective date of October 1, 2012; to adopt a share-trading-unit system whereby one share-trading unit of stock is 100 shares; and, in accordance with the provisions of the Companies Act, to make changes to Article 6 (Total Number of Authorized Shares) of the current articles of incorporation and newly establish Article 7 (Share-Trading Unit). (The number of investment units will not actually change following the implementation of the aforementioned share split and the adoption of the share-trading-unit system.)

In conjunction with the above revisions, we would like to newly establish Article 8 (Rights Concerning Shares Less Than One Unit) and Article 9 (Adding to Holdings of Shares Less Than One Unit) of the proposed revised version of the articles of incorporation; and to make necessary changes to Article 12 (Record Date of Annual Meeting of Shareholders) of the current articles of incorporation.

(3) Considering the enhancement of corporate governance to be an important management challenge, the Company elects Outside Directors and Outside Auditors. Looking to invite suitably capable persons as Outside Directors and Outside Auditors in the future as well, and to ensure that these roles are performed as expected to the fullest extent, in accordance with the provisions of the Companies Act, we would like to newly establish Article 29 (Limitation-of-Liability Contracts with Outside Directors) and Article 37 (Limitation-of-Liability Contracts with Outside Auditors) of the proposed revised version of the articles of incorporation. The Company has obtained the consent of each Auditor to propose the new establishment of the aforementioned Article 29 of the proposed revised version of the articles of incorporation.

(4) In addition, we would like to revise the numbering of the other articles as required by the new establishment of articles.

2. Description of Changes
The changes are as follows.

(Changes are underlined.)

Present	Proposed articles
Chapter 1 General Provisions	Chapter 1 General Provisions
Article 1 (Details omitted)	Article 1 (Not changed)
Article 2 (Purpose) The purpose of the Company shall be to engage in the following businesses. (1) to (26) (Details omitted) (27) Broadcasting services under the Act on Broadcast on Telecommunications Services (28) to (31) (Details omitted)	Article 2 (Purpose) The purpose of the Company shall be to engage in the following businesses. (1) to (26) (Not changed) (27) Broadcasting services under the Broadcast Act (28) to (31) (Not changed)
Article 3 to Article 5 (Details omitted)	Article 3 to Article 5 (Not changed)
Chapter 2 Shares	Chapter 2 Shares
Article 6 to Article 7 (Details omitted)	Article 6 to Article 7 (Not changed)
(Newly established)	Article 8 (Rights Concerning Shares Less Than One Unit) Shareholders of the Company can only exercise the following rights and no others with respect to shares less than one unit that they hold. (1) Rights prescribed in each item of Article 189, Paragraph 2, of the Companies Act; (2) Rights to make request under Article 166, Paragraph 1, of the Companies Act; (3) The rights to receive allocation of shares offered and to subscribe for new shares offered in proportion to the number of shares held; and (4) The rights to make request stipulated in the following article.
(Newly established)	Article 9 (Adding to Holdings of Shares Less Than One Unit) As provided for in the Share Handling Regulations, shareholders of the Company may demand that the Company sell to them a number of shares that together with their holding of shares less than one unit will constitute one unit.
Article 8 to Article 10 (Details omitted)	Article 10 to 12 (Not changed)
Chapter 3 Meeting of Shareholders	Chapter 3 Meeting of Shareholders
Article 11 (Details omitted)	Article 13 (Not changed)

Present	Proposed articles
Article 12 (Record Date of Annual Meeting of Shareholders) 1. The Company shall deem shareholders whose names appear in the latest Registry of Shareholders on March 31st of every year to be the shareholders entitled to exercise their rights in the Annual Meeting of Shareholders for that respective year. 2. Notwithstanding the preceding paragraph, where deemed necessary, the Company, by the resolution of the Board of Directors and by issuing prior public notice, shall be entitled to deem any shareholder or registered pledgee of shares whose name appears in the latest Registry of Shareholders on a certain date to be one of the shareholders or registered pledgees of shares entitled to exercise their rights.	Article 14 (Record Date of Annual Meeting of Shareholders) 1. The Company shall deem shareholders whose names appear in the latest Registry of Shareholders on March 31st of every year as shareholders with voting rights to be the shareholders entitled to exercise their rights in the Annual Meeting of Shareholders for that respective year. 2. Notwithstanding the preceding paragraph, where deemed necessary, the Company, by the resolution of the Board of Directors and by issuing prior public notice, shall be entitled to deem any shareholder or registered pledgee of shares whose name appears in the latest Registry of Shareholders on a certain date to be one of the shareholders or registered pledgees of shares entitled to exercise their rights.
Article 13 to Article 17 (Details omitted)	Article 15 to 19 (Not changed)
Chapter 4 Directors and Board of Directors	Chapter 4 Directors and Board of Directors
Article 18 to Article 26 (Details omitted)	Article 20 to Article 28 (Not changed)
(Newly established)	Article 29 (Limitation-of-Liability Contracts with Outside Directors) Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into individual contracts with each Outside Director limiting the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of the liability for damage based on said contracts is the amount prescribed in laws and regulations.
Chapter 5 Auditors and Board of Auditors	Chapter 5 Auditors and Board of Auditors

Present	Proposed articles
Article 27 to Article 33 (Details omitted)	Article 30 to Article 36 (Not changed)
(Newly established)	Article 37 (Limitation-of-Liability Contracts with Outside Auditors) Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into individual contracts with each Outside Auditor limiting the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of the liability for damage based on said contracts is the amount prescribed in laws and regulations.
Chapter 6 Accounts	Chapter 6 Accounts
Article 34 to Article 37 (Details omitted)	Article 38 to Article 41 (Not changed)
Supplementary Provisions Article 1 The effective date for the changes to Article 6, the new establishment of Article 7 and the necessary renumbering of the other existing articles shall be October 1, 2012.	Supplementary Provisions Article 1 The effective date for the changes to Article 6, the new establishment of Article 7 to Article 9 and the necessary renumbering of the other existing articles shall be October 1, 2012.
Article 2 (Details omitted)	Article 2 (Not changed)

Proposal 3: Election of 12 Directors

The term of office of all 12 Directors will expire at the conclusion of this Annual Meeting of Shareholders. Therefore, we propose that 12 Directors be elected.

The candidates for Directors are as follows.

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held
1	Tadashi Onodera (February 3, 1948)	June 1989: Member of the Board June 1995: Associate Senior Vice President, Member of the Board June 1997: Executive Vice President, Member of the Board June 2001: President June 2005: President and Chairman December 2010: Chairman (Current position)	399 shares
2	Kanichiro Aritomi (October 12, 1947)	July 2007: President, the Foundation for MultiMedia Communications August 2009: Special Advisor June 2010: Vice Chairman (Current position)	28 shares
3	Takashi Tanaka (February 26, 1957)	June 2007: Associate Senior Vice President, Member of the Board June 2010: Senior Vice President, Member of the Board December 2010: President (Current position)	40 shares
4	Hirofumi Morozumi (May 2, 1956)	June 1995: Member of the Board June 2001: Vice President April 2003: Associate Senior Vice President June 2003: Associate Senior Vice President, Member of the Board June 2007: Senior Vice President, Member of the Board March 2010: Director of Jupiter Telecommunications Co., Ltd. (Current position) April 2010: General Manager, Corporate Sector (Current position) June 2010: Executive Vice President, Member of the Board (Current position)	45 shares
5	Makoto Takahashi (October 24, 1961)	June 2007: Associate Senior Vice President, Member of the Board March 2010: Director of Jupiter Telecommunications Co., Ltd. (Current position) June 2010: Senior Vice President, Member of the Board (Current position) April 2011: General Manager, Business Development Sector (Current position)	30 shares

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held
6	Yoshiharu Shimatani (October 28, 1950)	June 2009: Associate Senior Vice President, Member of the Board April 2011: General Manager, Technology Sector (Current position) June 2011: Senior Vice President, Member of the Board (Current position)	21 shares
7	Yuzo Ishikawa (October 19, 1956)	June 2000: Member of the Board June 2001: Vice President June 2010: Associate Senior Vice President, Member of the Board April 2011: General Manager, Consumer Business, Solution Business, Global Business and Product Sector, (Current position) June 2011: Senior Vice President, Member of the Board (Current position)	44 shares
8	Masahiro Inoue (November 7, 1952)	June 2010: Associate Senior Vice President, Member of the Board (Current position) April 2011: General Manager, Technology Sector, (Engineering and Operations) (Current position)	15 shares
9	Hideo Yuasa (August 3, 1955)	June 2010: Associate Senior Vice President, Member of the Board (Current position) April 2011: President, Chubu Telecommunications Co., Inc. (Current position)	13 shares
10	Hiromu Naratani (February 6, 1952)	June 2010: Associate Senior Vice President, Member of the Board (Current position) April 2011: General Manager, Corporate Communications Sector (Current position)	19 shares
11	Makoto Kawamura (August 13, 1949)	June 2001: Director of KYOCERA Corporation June 2005: President and Representative Director of KYOCERA Corporation April 2009: Chairman of the Board and Representative Director of KYOCERA Corporation (Current position) June 2009: Member of the Board (Current position)	3 shares
12	Shinichi Sasaki (December 18, 1946)	June 2001: Director of Toyota Motor Corporation June 2003: Managing Officer of Toyota Motor Corporation June 2005: Senior Managing Director of Toyota Motor Corporation June 2009: Member of the Board (Current position) Executive Vice President of Toyota Motor Corporation (Current position)	0 shares

Notes:

1. The following candidates for Director have special interests in the Company.
   - Hideo Yuasa is the President of Chubu Telecommunications Co., Inc., which is in a competitive relationship with the Company in the telecommunications industry and has business transactions with the Company.
   - Makoto Kawamura is the Chairman of the Board and Representative Director of KYOCERA Corporation, which has business transactions with the Company.
   - Shinichi Sasaki is the Executive Vice President of Toyota Motor Corporation, which has business transactions with the Company.
2. There are no special interests between the Company and the canditdates other than those mentioned above.
3. Makoto Kawamura and Shinichi Sasaki are candidates for Outside Director.
4. The candidates for Outside Director are nominated due to their abundant experience in business management and their ability to bring a wide range of insights to the supervision of the Company's business activities.
5. As of the conclusion of this Meeting, Makoto Kawamura and Sasaki Shinichi will have served as Outside Directors for 3 years.
6. Subject to approval of Proposal 2, we will enter into limitaion-of-liability contracts with Outside Directors to the effect that the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act shall be limited to the amount prescribed in law and regulations pursuant to Article 427, Paragraph 1 of the Act.

Proposal 4: Election of 4 Auditors

The term of office of Auditors Yoshinari Sanpei, Masayuki Yoshinaga, Yoshihiko Nishikawa and Katsuaki Watanabe will expire at the conclusion of this Annual Meeting of Shareholders except Auditor Masataka Iki. Therefore, we propose that 4 Auditors be elected. For the selection of candidates for Outside Auditors, persons with ability and insight to audit appropriately from an independent position of the Directors will be selected. Upon submission of this proposal, the approval of the Board of Auditors has been obtained.

The candidates for Auditors are as follows.

Candidate No.	Name (Date of Birth)	Career Summary, Position in the Company and Important Concurrent Positions	Company Shares Held
1	Yoshinari Sanpei (February 3, 1952)	October 2008: Vice President April 2010: General Manager, Corporate Sector, General Administration & Human Resources Division June 2010: Standing Statutory Auditor (Current position)	5 shares
2	Takeshi Abe (June 25, 1950) (New appointment)	August 2005: Director-General of Land and Water Bureau, Ministry of Land, Infrastructure, Transport and Tourism July 2006: Executive Officer, Development Bank of Japan July 2008: Executive Director of Real Estate Transaction Improvement Organization June 2011 Executive Officer of The Japan Economic Research Institute (Current position)	0 shares
3	Kishichiro Amae (December 26, 1943) (New appointment)	November 2006: Ambassador for Kansai Region, Special Assistant to the Minister for Foreign Affairs January 2009: President of Kyoto International Conference Center	0 shares
4	Yukihisa Hirano (February 25, 1938) (New appointment)	May 1998: President & CEO of Central Japan International Airport Company, Limited June 2007: Chairman of Central Japan International Airport Company, Limited June 2009: Outside Director of BROTHER INDUSTRIES, LTD. (Current position) June 2011: Chief Executive Advisor of Central Japan International Airport Company, Limited (Current position)	0 shares

Notes: 1. Takeshi Abe, Kishichiro Amae and Yukihisa Hirano are candidates for Outside Auditor. They are also canditates for independent auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

2. (1) Takeshi Abe, a candidate for an Outside Auditor, is the Executive Officer of The Japan Economic Research Institute, which has business transactions with the Company for telecommunications services. Values of the transactions with the institute account for less than 0.1% of the Company's non-consolidated operating revenue. The corresponding figure to the consolidated operating revenue is not available, but is not likely to differ widely from the non-consolidated figure in light of the ratio of the Company's non-consolidated operating revenue to the consolidated operating revenue as well as the business relationships between the Company and the institute. Therefore, the

appointment will not exert an influence on the independence of Outside Auditors.

(2) Kishichiro Amae, a candidate for an Outside Auditor, experienced the President and other positions of Kyoto International Conference Center, which used to have business transactions with the Company for telecommunications services. Values of the transactions with the center account for less than 0.1% of the Company's non-consolidated operating revenue. The corresponding figure to the consolidated operating revenue is not available, but is not likely to differ widely from the non-consolidated figure in light of the ratio of the Company's non-consolidated operating revenue to the consolidated operating revenue as well as the business relationships between the Company and the center. Therefore, the appointment will not exert an influence on the independence of Outside Auditors.

(3) Yukihisa Hirano, a candidate for an Outside Auditor, is the Director of BROTHER INDUSTRIES, LTD., and the Chief Executive Advisor of Central Japan International Airport Company, Limited. The two companies have business transactions with the Company for telecommunications services. Values of the transactions with each of the two companies respectively account for less than 0.1% of the Company's non-consolidated operating revenue. The corresponding figures to the consolidated operating revenue are not available, but are not likely to differ widely from the non-consolidated figure in light of the ratio of the Company's non-consolidated operating revenue to the consolidated operating revenue as well as the business relationships between the Company and the two companies. Therefore, the appointment will not exert an influence on the independence of Outside Auditors.

3. There are no special interests between the Company and the canditdates other than those mentioned above.
4. Proposal for the appointment of these candidates for Outside Auditors is made because of their abundant experience and insight into business and ability to perform appropriate audits.
5. Takeshi Abe has worked over long years in governent administration and as officers and directors of various bodies, and has abundant experience and wide-ranging knowledge accumulated from his involvement in these businesses. Therefore, he is judged to be able to appropriately perform the duties of an Outside Auditor.
6. Kishichiro Amae has not directly been involved in corporate management, but due to his long-term, abundant experiene as a diplomat and work in various bodies, he is judged to be able to appropriately perform the duties of an Outside Auditor.
7. Yukihisa Hirano has abundant experience and knowledge in corporate management. Therefore, he is judged to be able to appropriately perform the duties of an Outside Auditor.
8. Subject to approval of Proposal 2, we will enter into limitaion-of-liability contracts with Outside Auditors to the effect that the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act shall be limited to the amount prescribed in laws and regulations pursuant to Article 427, Paragraph 1 of the Act.

Proposal 5: Revision of Remuneration Amount for Auditors

The maximum annual remuneration for Auditors was set at ¥84 million by a resolution of the 25th Annual Meeting of Shareholders held on June 18, 2009. There is a proposal to revise the maximum annual amount to ¥100 million in order to bring highly independent, competent people qualified for Outside Auditors and ensure Auditors fully play the expected role.

Moreover, if Proposal 4 is approved without modification, the number of Auditors will be 5 as it is at present.

Thank you for your attention

(Documents Appended to the Notice of the 28th Annual Meeting of Shareholders)
BUSINESS REPORT
(April 1, 2011 to March 31, 2012)

1. Current Status of the Corporate Group

(1) Business Developments and Results

1) Overall Conditions

	Previous fiscal year (April 1, 2010- March 31, 2011)	Fiscal year under review (April 1, 2011- March 31, 2012)	Year-on-year change	
	Amount	Amount	Amount	Percentage
Operating revenue	Million yen 3,434,545	Million yen 3,572,098	Million yen 137,552	% 4.0
Operating income	471,911	477,647	5,736	1.2
Ordinary income	440,676	451,178	10,501	2.4
Net income	255,122	238,604	-16,517	-6.5

The KDDI Group reported operating revenue of ¥3,572,098 million for the fiscal year ended March 31, 2012, an increase of 4.0% from the previous year. This was mainly due to an increase in the number of terminal sales in the Mobile Business despite a decline in voice Average Revenue per Unit (ARPU), as well as an increase in revenue of group companies in the Fixed-line Business. Similarly, operating income increased by 1.2% year on year to ¥477,647 million and ordinary income by 2.4% year on year to ¥451,178 million, reflecting strong profit growth in the Fixed-line Business which offset decreased profit in the Mobile Business. Extraordinary profit substantially improved during the fiscal year under review reflecting a decline in impairment loss and a reversal of the provision for loss on the Great East Japan Earthquake. However, income taxes increased this fiscal year due to a reversal of deferred tax assets in conjunction with a reduction in the corporation tax rate, although they decreased in the previous year due to a loss on liquidation of four intermediary holding companies that held the shares of Jupiter Telecommunications Co., Ltd. As a result, net income decreased by 6.5% year on year to ¥238,604 million for the fiscal year under review.

[Overview of Economic Conditions]

The debt problems in Europe continue to be a major risk factor for the global economy. In the Euro zone, the pace of economic recovery has apparently slowed, against a backdrop of higher unemployment rates, banks' reluctance to lend, and fiscal austerity measures imposed by governments. In contrast, the U.S. economy has been recovering at a moderate pace and is expected to maintain this trend, while it appears that the employment situation will continue to improve and monetary easing measures will also gradually take effect. Likewise, economic conditions in emerging countries are likely to improve gradually as the concerns over inflation subsided, and the effect of loosening monetary policy and increases in domestic demand have become more noticeable.

The economy in Japan is still struggling but is expected to stage a modest recovery, supported by reconstruction-related demand after the earthquake and a range of policy measures such as subsidies for environmentally-friendly cars. For the time being, we should keep an eye on the downside risks such as electricity supply shortages and high crude oil prices as well as global economic trends.

[Industry Trends]

The mobile communications market has been experiencing intensifying competition; while mobile devices including smartphones and tablets are growing increasingly popular and diversified, mobile phone carriers are forced to take steps to expand their customer base by offering lower rates with more device choices and content services such as music, video clips and ebooks. Meanwhile, the fixed-line communications market is entering a new phase of competition; carriers are now offering their services by combining fixed-line and mobile communications services and also integrating telecommunications and broadcasting services.

[Position of KDDI]

We have been steadily implementing the 3M Strategy and the Global Strategy, the medium- to long-term strategies aiming to realize our three business visions of “More Connected”, “More Diverse Values”, and “More Global”. The 3M strategy, in which 3M stands for Multi-network, Multi-device and Multi-use, is a business growth strategy that sets out our goal of establishing an environment that enables our customers to seamlessly use various content and services with a range of devices including smartphones and tablets through an optimal network available anytime and anywhere.

In January 2012, we announced the Smart Passport Concept, which is the first phase of the 3M strategy. The concept has three key factors: “au Smart Value,” an FMC discount service that we offer in cooperation with FTTH/CATV companies; “au Smart Pass,” which offers a package of more than 500 applications and cloud-based services; and “au ID,” which enables the seamless use of these services on multiple devices. This concept aims to maximize value-added ARPU by expanding FTTH sales, enhancing linked acquisition of smartphones within a family, and promoting cloud-based content services. Under a new slogan “New Freedom,” we will further advance the Smart Passport Concept and provide our customers with new value that will be realized by the 3M strategy.

In the Mobile Business, our efforts to expand the customer base include enhancing the lineup of handset models including smartphones under our own brand and improving the applications and content by building a collaborative relationship with Facebook Inc. and expanding our LISMO service. We have also been working to strengthen our networks and at the same time, reduce costs. For example, we expanded “au Wi-Fi SPOT,” a public wireless LAN service, in order to address the network’s rapidly growing data traffic. We also began to provide “Wi-Fi HOME SPOT (CUBE),” a wireless router for home use, and introduced EV-DO Advanced to increase the quality of communications in congested areas.

In the Fixed-line Business, we have worked to expand access lines centered on FTTH services. In addition, we have strengthened our support system and solution services for corporate clients who are looking to operating international businesses by making effective use of our overseas office network. We have also established partnerships with companies in various fields in both businesses.

2) Business Conditions

Business conditions by segment are as follows:

[Mobile Business]

Operating revenue for the fiscal year ended March 31, 2012 increased by 5.3% year on year to ¥2,727,012 million, reflecting an increase in the number of terminal sales despite a decline in voice ARPU due to the increased penetration of “Maitsuki Discount (monthly discount)” and “Simple Course” services. Operating income decreased by 4.5% year on year to ¥419,190 million, due to an increase in sales cost of handsets associated with the increase in the number of terminal sales.

Major Topics

<Overall>

- The number of subscriptions to au mobile phones reached 35,109 thousand as of March 31, 2012.
- On January 16, 2012, we introduced a new au brand mark under our new slogan “New Freedom.”
- On March 1, 2012, we launched “au Smart Pass” and “au Smart Value” services.
  “au Smart Pass” offers unlimited download access to over 500 applications and other features such as discount coupons and point-collections, storage of photos and videos, and security and support functions for ¥390 per month (including tax). This service enables the users of smartphones, from beginners to advanced users, to freely and safely enjoy their favorite applications and services. The number of subscriptions to “au Smart Pass” surpassed 500 thousand as of March 27, 2012.
  “au Smart Value” is a service that combines mobile and fixed-line communications. By subscribing to designated fixed-line communications services (FTTH, CATV), au customers can receive a discount of ¥1,480 (including tax)* on their monthly smartphone usage charges for up to two years. This service is available to the above subscribers and their family members who live in the same household.
  * After two years, the discount will be ¥980.
- Along with the reorganization of 800MHz bandwidth, which is used by au mobile phones, we plan to terminate services for the mobile models that are not compatible with the new bandwidth on July 22, 2012. Customers who have such models will be offered incentives when they upgrade their handsets, including free and discounted handset models. As a result of our continuous efforts to provide this information to our customers, the transition has been going smoothly.

<Mobile Handsets>

- On October 14, 2011, we started selling the “iPhone 4S” (Apple Inc.). Customers can enjoy the features of iPhone 4S by connecting to our 3G network anytime, anywhere.
- We launched 24 new smartphone models. These include the INFOBAR series, high-speed communication models equipped with WiMAX and tethering, and waterproof models.
- We launched 13 new conventional mobile phone models. These include models that can easily be used by people who are not technically minded as well as waterproof models specifically designed for ease of use with sophisticated appearance.
- In addition to those mentioned above, we launched 8 new models of communication devices such as tablets and mobile Wi-Fi routers.
- We also launched some new handset accessories in October 2011, including “iida and NAVA” series for smartphones by collaborating with a leading Italian stationery maker NAVA, and “au +1 collection” (launched in January 2012), a large collection of handset accessories mainly designed under au brand. The “au +1 collection” accessories are available at au shops, and au points can be used to purchase them.

<Products released for the year ended March 31, 2012>

Smartphones	iPhone	“iPhone 4S”
	IS Series	“INFOBAR A01,” “INFOBAR C01,” “GALAXY S II WiMAX ISW11SC,” “OptimusX IS11LG,” “MOTOROLA PHOTON ISW11M,” “DIGNO ISW11K,” “Windows® Phone IS12T” etc.
Feature phones	au	“Simple Phone K010,” “Mi-Look,” “URBANO AFFARE”
Other communication devices		“MOTOROLA XOOM™ Wi-Fi TBi11M,” “PHOTO-U2 SP03,” “Wi-Fi WALKER DATA08W,” “ETBW11AA”
Accessories	INFOBAR	“Accessories for INFOBAR A01/C01”
	Collaboration with brands	“iida & NAVA” series
	Others	“au + 1 collection” series

<Pricing Plans>

- On September 1, 2011, we launched two new pricing plans “Plan W simple” and “Plan W” for customers who make frequent international calls. These plans also allow au users to make free mobile phone calls (except between 9 pm and 1am) and send free C-mails (SMS: a short message service) to other au users within Japan. This was the first initiative for au mobile phone services. In addition, on the same day, it became possible to make international calls from au mobile phones by using the prefix “010.”
- On September 28, 2011, we launched a new pricing plan “Plan Z Simple.” This plan allows au users to make free mobile phone calls (except between 9 pm and 1am) and send free C-mails to other au users within Japan for a basic monthly rate of ¥980 (including tax)*.
  * Subject to subscription to “Everybody Discount” in advance.
- On December 1, 2011, we launched a new pricing plan “WIN Single Flat WiMAX (Simple).” This plan offers download speeds of up to 40Mbps in WiMAX service areas as well as in our existing wide range of 3G network. For customers who subscribe to this plan when purchasing applicable models (DATA08W and DATA01), “WIN Single Flat Cost-Saving Discount” is automatically applied to their monthly fees, offering a discounted rate of ¥4,410 per month (including tax)* for up to 25 months.
  * Subject to subscription to “Everybody Discount Single” or “WIN Single Set Discount” in advance.

<Consumer Services>

- On November 18, 2011, we began to offer the “Anshin Security Pack” that provides a complete security support package for the users of Android™ smartphones. This package includes a remote locking function at the loss of smartphones; “VirusBuster Mobile for au” that protects handsets from harmful sites and applications; and “Remote Support” that offers remote operations and settings by operators. We are the first domestic mobile phone carrier to introduce the remote support for Android™ smartphones.
- On March 1, 2012, we launched the revamped “au Point Program” offered on au mobile phones. The program has been upgraded by increasing options to use collected points and altering conditions to earn points. Customers can use their au points to purchase goods and content on a variety of shopping sites.

<Corporate Services>

- On August 2, 2011, we launched the “KDDI Knowledge Suite” by collaborating with our affiliate company, branddialog, inc. This is a convenient, all-in-one business solution package offered for the first time as part of “KDDI MULTI CLOUD” applications. The KDDI Knowledge Suite integrates groupware, sales support and customer management on one platform, and enhances the efficiency of business tasks outside office such as organizing schedules and using the telephone message function.

- On November 22, 2011, we launched the "KDDI 3LM Security," a security management service developed by Three Laws of Mobility, Inc. specifically for corporate customers who use au Android™ devices. This service features robust security functions that were not available at previous application levels.

<Other Services>

- On June 30, 2011, we launched the public wireless LAN service "au Wi-Fi SPOT," and the number of spots available with this service surpassed 100,000 as of the end of March 2012. Customers who subscribe to the "IS Flat" or "Plan F (IS) Simple/Plan F (IS)" can use this service from au smartphones at no additional charge. This service has been used by a large number of customers. In addition, in February 2012, we started to rent "Wi-Fi HOME SPOT (CUBE)" for an indoor wireless LAN service that offers high-speed wireless LAN communications at home. The "Wi-Fi HOME SPOT (CUBE)" is a home-use wireless LAN router that can be connected to home broadband. One special feature is that the initial setting of Wi-Fi can be made with an au smartphone just by pressing a single button. In addition, other Wi-Fi compatible devices, such as PCs and game machines, can also be easily used. In the future, we will expand our wireless LAN services under the name "au Wi-Fi," which will cover both "Wi-Fi HOME SPOT" and "au Wi-Fi SPOT" services.
- In late January 2012, we began to roll out mobile NFC* (Type A/B) service in stages. As a result, the use of NFC services with mobile phones became possible for the first time in Japan. With this NFC-enabled mobile phone, users can use settlement services; coupons, membership cards and other card services; and information acquisition and exchange. Furthermore, this type of mobile phones can be used overseas as well, such as for shopping and transportation-related services.
  * Near field communication: ISO international standards for near field wireless communications. Compatible with Type A/B and FeliCa®. Contactless IC card functions, reader/writer functions, inter-device communications functions, etc., can be used.
- "Emergency Report Mail" delivers emergency messages to au mobile phones in specific areas. On January 31, 2012, in cooperation with national and municipal entities, we began to provide "disaster and evacuation information" to inform au users of various warnings and evacuation information on disasters. On March 30, 2012, we also began to provide "tsunami warnings" announced by the Japan Meteorological Agency. From end of May 2012, we will offer the "Disaster Voice Delivery Service" for IS03 and later Android™ smartphones. Even when it is difficult to make a phone call due to congested voice networks, this service will be able to deliver voice messages about personal safety and related topics. In addition to the "Disaster Message Board" service, the "au Disaster Countermeasure" applications have been available since December 23, 2011. In this way, we are providing "security and safety" to customers who use au Android™ smartphones.
- On February 1, 2012, we established the "KDDI Open Innovation Fund," a corporate venture capital fund that will support promising startup companies (the total investment in the fund will be ¥5.0 billion). Through the fund, we will invest in promising startup companies in Japan and overseas. In addition, through cooperative activities, we will support service development, provide cloud platforms, and cooperate in promotional initiatives. We will foster the development of high-quality applications and services and, in conjunction with the "KDDI ∞ Labo" incubation program, we will support the growth of startup companies. Furthermore, we will provide through "au Smart Pass" the innovative applications and services that are developed through this fund. In this way, we will provide customers with new experiences and value that are realized by the 3M strategy.

[Fixed-line Business]
Operating revenue for the fiscal year ended March 31, 2012 increased by 2.0% year on year to ¥915,536 million, reflecting an increase in revenue from group companies which offset a decline in voice revenue of the KDDI Corporation. Operating income increased sharply by 122.7% year on year to ¥53,431 million, due to a decrease in operating expenses of the Company as a result of network streamlining conducted in the previous year.

Major Topics

<Overall>

- The number of subscriptions to our FTTH services reached 2,268 thousand as of March 31, 2012. The FTTH services consist of "au HIKARI" and other services offered by our consolidated subsidiaries including "Commufa-hikari" by Chubu Telecommunications Co., Inc., "au HIKARI Chura" by Okinawa Cellular Telephone Company, and "Hikarifuru" by Okinawa Telecommunication Network Co., Inc.
- The number of subscriptions to "Metal-plus" reached 2,189 thousand as of March 31, 2012.
- The number of subscriptions to "Cable-plus Phone" increased to 2,074 thousand with 118 partner cable TV companies as of March 31, 2012. This is as a result of our continuous efforts to expand partnerships with new cable TV companies.
- The number of subscriptions to cable TV services offered by JCN Group, our consolidated subsidiary, reached 1,142 thousand as of March 31, 2012. The group currently operates 18 cable TV stations mainly in the Tokyo metropolitan area.

<Consumer Services>

- Since June 1, 2011, we have been steadily expanding the service areas of "au HIKARI Home," an FTTH service for individual houses, to Hokkaido, Tohoku, Chugoku, Shikoku and Kyushu regions. Furthermore, on February 14, 2012, we began to provide customers who newly subscribed to "au HIKARI Home" with the "Aterm BL900HW," a new home gateway with built-in high-speed wireless LAN that delivers a maximum speed of 450 Mbps (theoretical speed), the fastest wireless speed currently available in Japan.
- On September 1, 2011, we launched "Anshin Total Support" for customers who use our internet-access service "au one net." In this service, expert operators assist customers by telephone or remote controls for problems relating to the connection, setting and use of network equipment.
  In addition, on November 24, 2011, we launched "Anshin Net Security," a comprehensive security service that offers various security functions, including anti-virus, anti-spyware and anti-phishing solutions as well as web filtering that limits access to harmful websites, at a reasonable price.

<Corporate Services>

- On June 28, 2011, we launched "KDDI MULTI CLOUD," a new brand of cloud services targeting corporate customers. This service aims to provide simple solutions in order to create an optimal working environment for corporate customers, by seamlessly integrating smart devices and applications and utilizing our existing "high quality" and "highly credible" networks and data centers as one platform.
- On September 13, 2011, we participated in Google's "Getting Your Business Online" program with our consolidated subsidiary KDDI Web Communications Inc. as a business partner in Japan. This program aims to promote the use of information and communication technology (ICT) among small-to-medium scale companies, by providing them with support for website development and operations and encouraging the use of IT in their businesses. We continue to offer strong support for these companies with our membership program "KDDI Matomete Office" that assists successful establishment of office IT environments.

- In October 2011, we acquired 85.5% of the common stock of CDNetworks Co., Ltd which subsequently became our consolidated subsidiary. CDNetworks is a Korea-based company primarily engaged in the content delivery network (CDN)* services in the global market. Adding CDN services to our service lineup, we will pursue synergies from this acquisition such as network and facility cost reductions. Furthermore, on February 1, 2012, as a consequence of the acquisition, we launched "KDDI Global Content Accelerator," a CDN service that accelerates the performance of websites and web applications and dramatically increases their reliability and scalability.
  * CDN is aimed at enhancing the performance of Internet communications, by temporarily caching and delivering web content from its server located closer to the end user network.
- In December 2011, we began providing services at the "TELEHOUSE HONG KONG CCC," a large-scale data center in Hong Kong with a total floor space of 36,000 square meters that meets the TELEHOUSE global standards. In January 2012, we also began providing services at the "TELEHOUSE FRANKFURT," a data center in Frankfurt, Germany with a total floor space of 67,000 square meters. After the opening of these data centers, we have 22 overseas TELEHOUSE data centers in 11 regions and 14 cities.

[Other Business]

Operating revenue for the fiscal year ended March 31, 2012 decreased by 6.5% year on year to ¥106,873 million. Operating income decreased by 49.6% year on year to ¥4,298 million.

3) Major Equity-method Affiliates

UQ Communications Inc.	UQ Communications Inc. recorded 2,265,700 subscriptions (topped 2 million subscriptions on February 26, 2012) and 19,714 base stations as of March 31, 2012. Its service area covered 100 million people as of January 24, 2012. Moreover, it has been extended to include Tokyo subways and the areas alongside principal railroad lines throughout the country, including the Tokyo metropolitan area, Chubu and Kansai, so that WiMAX services can be used in stations and on trains. In addition, we are working to increase the convenience of WiMAX services by providing smartphones, tablets and other devices equipped with WiMax.
Jupiter Telecommunications Co., Ltd.	In April 2011, Jupiter Telecommunications Co., Ltd. ("J:COM") began rolling out "J:COM PHONE Plus," which uses the Company's telecommunication networks and J:COM's cable TV networks, in J:COM's service areas. From March 15, 2012, the backbone circuits linking the service areas of J:COM in five major metropolitan areas in Japan will be migrated to our consolidated IP core network in stages, thereby enhancing the performance and reliability of J:COM's network. We will start from the Sapporo-Tokyo line and then move on to other areas: it is planned that about 70% of traffic will be migrated in 2012, and the entire migration will be complete in 2013.
Jibun Bank Corporation	Jibun Bank Corporation retained 1.36 million accounts (up 160,000 accounts from the previous fiscal year) and ¥349.7 billion in deposits (up ¥126.3 billion from the end of the previous fiscal year) as of the end of March, 2012. Since July 2011, the bank has enhanced customer convenience by enabling the use of "Jibun Bank Settlement," a real-time settlement service with Jibun Bank accounts, through "au one toto." In addition, on October 11, 2011, the bank started RMB-denominated foreign currency deposits via the Internet, targeting individual customers.
au Insurance Company, Limited	au Insurance Company, Limited started its services on May 25, 2011. It offers "My Smart Insurance (standard accident insurance)" including bicycle plans and leisure plans. In addition, on November 29, 2011, it launched "My Smart Insurance World (overseas travel insurance)" for a premium of ¥500 per day.

Notes:
- "Smart Value" is a registered trademark of Energy Management Corporation.
- "Wi-Fi" is a registered trademark of Wi-Fi Alliance®.
- "iPhone" is a trademark of Apple Inc. The iPhone trademark is used under license from Aiphone K.K.
- "Android" is a trademark or a registered trademark of Google Inc.
- "WiMAX" is a trademark or a registered trademark of WiMAX Forum.
- "GALAXY S" is a trademark or a registered trademark of SAMSUNG ELECTRONICS Co., Ltd.
- "MOTOROLA PHOTON" and "MOTOROLA XOOM" are registered trademarks of Motorola Trademark Holdings, LLC.
- "DIGNO" is a registered trademark of Kyocera Corporation.
- "Windows® Phone" is a registered trademark or a trademark of Microsoft Corporation.
- "Felica" is a registered trademark of Sony Corporation.
- "Felica" is a contactless IC card technology developed by Sony Corporation.

(2) Issues Facing the Corporate Group

[Overall]

We will continue to make efforts to fulfill our role and responsibility as a communications service provider at the time of large-scale disasters such as the Great East Japan Earthquake and devastating typhoons, by providing a lifeline to deal with the aftermath of such disasters. Our efforts include establishing a communications infrastructure network that can recover quickly from a disaster, and implementing effective business continuity plans (BCPs) to prepare for unseen disasters.

With respect to the five major accidents occurred in the period from April 2011 to February 2012, we have been directed by the Ministry of Internal Affairs and Communications as well as the MIC liaison committee to promptly formulate sufficient countermeasures including recurrence prevention measures, and to report the implementation progress of such measures and future initiatives. Accordingly, we have established an investigative committee, which is led by the president. Since then, we have been proactively working on to implement a complete overhaul to prevent a recurrence, and formulate and implement improvement measures.

We would like to express our sincere apologies for causing trouble and concern for our customers and related parties as a result of these accidents. We will continue to implement sufficient measures to improve our reliability and provide a comfortable communications environment for our customers.

In order to achieve sustainable growth and lead a new era of telecommunications while promptly responding to changes in the operating environment, we formulate the following "Three Commitments":

"More Connected"

We aim to provide "multi-network" connectivity by organically linking our networks including mobile phone, FTTH, CATV and WiMAX networks; "multi-device" access which enables users to access a high-speed communications environment and attractive content optimized for various devices; and "multi-use" services tailored to individual customer preferences, thereby making ourselves "more connected" to our customers.

"More Diverse Values"

The advancement of IP technologies used for the Internet and other networks has expanded the application range of ICT in every field of medicine, health, education, government administration, the environment and so on. We aim to offer diverse values for our customers by taking a more active part in various corporate activities and lifestyle aspects.

"More Global"

Japan is currently facing a declining birth rate, ageing population and decreasing domestic demand while at the same time globalization is proceeding rapidly. Under such circumstances, we aim to establish ICT environments in countries around the world to support globalization, by offering communications-related services and expanding new markets in these countries taking into consideration their cultural and socioeconomic conditions.

Aiming to fulfill the above three commitments, we will continue to work on the following initiatives:

- To advance total customer satisfaction (TCS) initiatives that will heighten the level of satisfaction among all stakeholders, thereby enhancing our corporate value and brand power.
- To reinforce our risk management system with rigorous information management and compliance.
- To actively implement environment conservation activities such as energy/resource saving, recycling, and green purchasing, in order to create a society with a rich sense of humanity

that focuses on a harmony with the global environment.

- To actively contribute to the development of a rich communication-based society under the mission of our CSR activities that is to support social and economic activities in all areas by providing secure and convenient information communications services.

To realize these initiatives, we will advance the full-scale implementation of the 3M strategy (Multi-network, Multi-device, and Multi-use), which will enable customers to select a device of their own preference and enjoy a variety of content through an optimal network available anytime and anywhere.
Under the Smart Passport Concept, the first phase of the 3M Strategy, we launched “au Smart Pass” and “au Smart Value” in March 2012 which have earned the satisfaction of many customers. Aiming to increase customer value by leveraging the 3M strategy as one of our strengths, we will continue to improve and enhance our networks, handsets and services.
In addition, from the fiscal year ending March 31, 2013, we will reclassify the existing segments, the Mobile Business and Fixed-line Business, into four new categories based on a management approach that focuses on the management resource allocation and performance levels.

< Personal Services >
With the Smart Passport Concept as its core strategy, the Personal Services segment will expand through “au Smart Value” the sales of the Group’s FTTH services, “au HIKARI,” “Commufa-hikari,” and “au HIKARI Chura.” At the same time, the segment will strengthen its relationships with cable TV companies and electric-power related communications companies. The segment aims to expand the au customer base, achieve gains in revenues and profits, and maximize the number of FMC IDs* x FMC ARPU.
In addition, the segment will develop an extensive handset lineup including smartphones with enhanced communication functionality equipped with all popular functions in Japan; high-speed smartphones equipped with au + WiMAX; Wi-Fi routers and other data communications devices; and tablet terminals. The segment will also develop and provide innovative new services and content, while expanding service areas and enhancing the quality of communications. The segment aims to provide a comfortable communications environment at higher speeds than ever before by introducing LTE.
* Number of IDs for subscribers to both fixed-line and mobile.

< Value Services >
The Value Services segment will provide cloud-based content services for multiple devices and operating systems, linking with “au Smart Pass” that centers on entertainment services. At the same time, by establishing an open service platform and providing support for startup companies, the segment will enhance the attractiveness of its services and achieve linked acquisitions of service subscriptions. In this way, the segment will strive to maximize value-added ARPU.

< Business Services >
The Business Services segment will develop the “KDDI MULTI CLOUD” brand for corporate customers, provide cloud solutions that seamlessly integrate across the range from smartphones and tablets to networks, data centers and applications, and propose a work style reform to customers. In addition, through the provision of “Smart Value for Business,” a 3M service for small and medium-sized companies, the segment will strive to increase the number of KDDI customers.

< Global Services >
In addition to expanding “TELEHOUSE” data centers, the Global Services segment will strengthen its system to provide one-stop services for optimal, high-value-added ICT solutions, by leveraging the services of consolidated subsidiaries, CDNetworks and DMX.

In addition, the segment will work to increase its customer base including non-Japanese companies, and expand consumer businesses such as Internet broadband operations in emerging countries and MVNO operations in the US.

(3) Changes in Assets and Profit and Loss

1) Changes in Assets and Profit and Loss of the Corporate Group

(millions of yen unless otherwise indicated)

		25th fiscal year (FY2009.3)	26th fiscal year (FY2010.3)	27th fiscal year (FY2011.3)	28th fiscal year (FY2012.3)
Operating revenue		3,497,509	3,442,146	3,434,545	3,572,098
	Telecommunications business	2,720,674	2,606,165	2,489,403	2,394,135
	Incidental business	776,834	835,981	945,142	1,177,962
Operating income		443,207	443,862	471,911	477,647
Ordinary income		440,455	422,870	440,676	451,178
Net income		222,736	212,764	255,122	238,604
Net income per share (yen)		49,973.11	47,768.01	58,149.78	58,115.98
Total assets		3,429,132	3,819,536	3,778,918	4,004,009
Liabilities		1,547,803	1,741,086	1,607,078	1,875,384
Net Assets		1,881,329	2,078,450	2,171,839	2,128,624

2) Changes in Assets and Profit and Loss of the Company

(millions of yen unless otherwise indicated)

		25th fiscal year (FY2009.3)	26th fiscal year (FY2010.3)	27th fiscal year (FY2011.3)	28th fiscal year (FY2012.3)
Operating revenue		3,307,007	3,211,347	3,138,742	3,273,536
	Telecommunications business	2,627,677	2,509,640	2,371,432	2,278,652
	Incidental business	679,329	701,707	767,310	994,883
Operating income		428,117	414,075	428,269	432,440
Ordinary income		432,602	410,485	422,929	434,575
Net income		226,739	214,650	256,823	249,836
Net income per share (yen)		50,871.27	48,191,55	58,537.60	60,851.69
Total assets		3,319,977	3,666,458	3,644,330	3,851,891
Liabilities		1,497,827	1,671,162	1,551,512	1,787,043
Net Assets		1,822,149	1,995,296	2,092,818	2,064,847

(4) Financing Activities of the Corporate Group

During the fiscal year under review, the Company issued convertible bond-type bonds with subscription right to share in December 2011, totaling ¥201,000 million, for the purpose of financing the repurchase of its common stock.

(5) Capital Investments of the Corporate Group

During the fiscal year under review, the Group efficiently carried out capital investments for the purpose of providing services that satisfy customers and improving reliability.
The Group's total amount of capital investments in telecommunications facilities completed and used for its business during the fiscal year under review was ¥387,679 million.
Principal capital investments by segment are as follows:

1) Mobile Business
   In the Mobile Business, the Group carried out capital investments in construction of new and additional wireless base stations and switching equipment due to the reorganization of frequencies and increased data traffic. As a result, the amount of capital investments for the fiscal year under review was ¥252,853 million.
2) Fixed-line Business
   In the Fixed-line Business, the Group carried out capital investments in expansion of the optical fiber infrastructure for FTTH services including "au HIKARI." As a result, the amount of capital investments for the fiscal year under review was ¥124,160 million.

(6) Principal Businesses of the Corporate Group (As of March 31, 2012)

The Group is comprised of the Company, 118 consolidated subsidiaries and 24 affiliates. The Group's main businesses are the Mobile Business which provides mobile communications services (voice and data), etc., and the Fixed-line Business which provides broadband services (FTTH, cable television, etc.), domestic and international telecommunications services, etc.

Business segment	Principal service
Mobile Business	Mobile communication services (voice and data), sales of mobile devices, content business, etc.
Fixed-line Business	Broadband services (FTTH, cable television, etc.), domestic and international telecommunications services, data center services, ICT solution services, etc.
Other Business	Call center service, research and advanced development, etc.

(7) Offices of the Company (As of March 31, 2012)

(Head office)	Headquarters (Tokyo)
(Regional offices)	Hokkaido (Hokkaido), Tohoku (Miyagi), Kita-Kanto (Saitama), Minami-Kanto (Kanagawa), Chubu (Aichi), Hokuriku (Ishikawa), Kansai (Osaka), Chugoku (Hiroshima), Shikoku (Kagawa), Kyushu (Fukuoka)
(Branch offices, etc.)	19 branch offices, 107 branches, 5 customer service centers, etc.
(Technical centers, etc.)	22 technical centers and engineering support centers 3 cable landing stations, 1 satellite earth station, 1 transmitting station
(Overseas offices)	Geneva, Beijing, Shanghai

(8) **Principal Subsidiaries** (As of March 31, 2012)

1) Businesses in Principal Subsidiaries

Company name	Location	Capital	Ratio of capital contribution	Principal business
Okinawa Cellular Telephone Company	Okinawa	Million yen 1,414	% 51.5	au mobile communication services
KDDI Technical & Engineering Service Corporation*	Tokyo	1,500	100.0	Construction, maintenance and operation support for communications facilities
KDDI Evolva Inc.	Tokyo	588	100.0	Call center outsourcing service and temporary staff service
Japan Cablenet Limited	Tokyo	34,872	(95.6)	Operation and management of cable TV companies
Chubu Telecommunications Co., Inc.	Aichi	38,816	80.5	Fixed-line telecommunications services in Chubu region
KDDI R&D Laboratories Inc.	Saitama	2,283	91.7	Technological research and product development relating to information communications
KDDI America, Inc.	USA	Thousand US$ 84,400	100.0	Telecommunications services in the US
KDDI Europe Limited	UK	Thousand STG£ 42,512	(100.0)	Telecommunications services in Europe
TELEHOUSE International Corp. of America Ltd.	USA	Thousand US$ 4	(66.2)	Data center services in the US
Telehouse International Corp. of Europe Ltd.	UK	Thousand STG£ 47,167	(84.5)	Data center services in Europe
KDDI China Corporation	China	Thousand RMB 13,446	85.1	Sales, maintenance and operation of telecommunications equipment in China
DMX Technologies Group Limited	Bermuda	Thousand US$ 57,637	51.3	System integration services in China, Hong Kong and other areas
KDDI Korea Corporation	Korea	Thousand W 16,425,005	82.4	Telecommunications services in Korea
KDDI Singapore Pte Ltd.	Singapore	Thousand S$ 10,254	100.0	Telecommunications services in Singapore

Note: The figures in brackets indicate the ratios of capital contribution that include the ownership by subsidiaries.

* Changed its trade name to KDDI Engineering Corporation as of April 1, 2012.

2) Results of Business Combinations

There are 118 consolidated subsidiaries, including the 14 principal subsidiaries presented above, and 21 equity-method affiliates.

Consolidated operating revenue for the fiscal year under review was up 4.0% year on year to ¥3,572,098 million, and consolidated net income decreased 6.5% year on year to ¥238,604 million.

(9) Employees (As of March 31, 2012)

1) Employees of the Corporate Group

Business segment	No. of employees
Mobile Business	7,420
Fixed-line Business	10,414
Other Business	1,846
Total	19,680

2) Employees of the Company

No. of employees	Year-on-year increase	Average age	Average length of service
11,194	153	40.7	16.1 years

Note: No. of employees does not include 1,895 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2012)

Creditor	Loans outstanding
	Millions of yen
Development Bank of Japan, Inc.	70,811
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	30,000
Mizuho Corporate Bank, Ltd.	29,000
Mitsubishi UFJ Trust and Banking Corporation	26,000
The Sumitomo Trust and Banking Co., Ltd.*	25,000

*Trade name changed to Sumitomo Mitsui Trust Bank, Limited on April 1, 2012.

2. **Shares** (As of March 31, 2012)

(1) Total Number of Authorized Shares 7,000,000 shares

(2) Total Number of Issued Shares 4,484,818 shares (including 663,006 shares of treasury stock)

(3) Number of Shareholders 63,266 (decrease of 2,593 from the previous year-end)

(4) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
KYOCERA Corporation	572,677	14.98
Toyota Motor Corporation	497,488	13.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	198,051	5.18
Japan Trustee Services Bank, Ltd. (Trust Account)	196,256	5.13
State Street Bank & Trust Company	163,488	4.27
Mutual Aid Association of Japan Post	54,128	1.41
State Street Bank & Trust Company 505223	44,626	1.16
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	43,886	1.14
Japan Trustee Services Bank, Ltd. (Trust Account 9)	41,008	1.07
Japan Trustee Services Bank, Ltd. (Trust Account 4)	38,711	1.01

Note: Although the Company holds 663,006 shares of treasury stock, it is excluded from the list of principal shareholders presented above. The shareholding ratio is calculated after deducting shares of treasury stock.

3. Directors and Auditors

(1) Names and Other Details of Directors and Auditors (As of March 31, 2012)

Position	Name	Responsibilities in the Company and important concurrent positions
Chairman	Tadashi Onodera	
Vice Chairman	Kanichiro Aritomi	
President	Takashi Tanaka	
Executive Vice President, Member of the Board	Hirofumi Morozumi	General Manager, Corporate Sector Director of Jupiter Telecommunications Co., Ltd.
Senior Vice President, Member of the Board	Makoto Takahashi	General Manager, Business Development Sector Director of Jupiter Telecommunications Co., Ltd.
Senior Vice President, Member of the Board	Yoshiharu Shimatani	General Manager, Technology Sector
Senior Vice President, Member of the Board	Yuzo Ishikawa	Consumer Business, Solution Business, Global Business and Product Sector
Associate Senior Vice President, Member of the Board	Masahiro Inoue	Associate General Manager, Technology Sector Engineering and Operations
Associate Senior Vice President, Member of the Board	Hideo Yuasa	President, Chubu Telecommunication Co., Inc.
Associate Senior Vice President, Member of the Board	Hiromu Naratani	General Manager, Corporate & Marketing Communications Sector
Member of the Board	Makoto Kawamura	Chairman of the Board and Representative Director of KYOCERA Corporation
Member of the Board	Shinichi Sasaki	Executive Vice President and Representative Director of Toyota Motor Corporation
Standing Statutory Auditor	Masataka Iki	
Standing Statutory Auditor	Yoshinari Sanpei	
Standing Statutory Auditor	Masayuki Yoshinaga	
Statutory Auditor	Yoshihiko Nishikawa	Full-time Corporate Auditor of KYOCERA Corporation
Statutory Auditor	Katsuaki Watanabe	Senior Advisor of Toyota Motor Corporation

Notes:
1. Director Tsunehisa Katsumata retired as of the conclusion of the 27th Annual Meeting of Shareholders held on June 16, 2011.
2. Directors Makoto Kawamura and Shinichi Sasaki are Outside Directors.
3. Standing Statutory Auditor Masayuki Yoshinaga and Auditors Yoshihiko Nishikawa and Katsuaki Watanabe are Outside Auditors. Katsuaki Watanabe was the Vice-Chairman and Representative Director of Toyota Motor Corporation until the conclusion of that company's 107th Ordinary General Shareholders' Meeting held on June 17, 2011.
4. Standing Statutory Auditor Masayuki Yoshinaga is an independent director/auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

(2) Remunerations to Directors and Auditors

1) Amounts of Remunerations to Directors and Auditors

		No. of Directors/Auditors	Remuneration
			Millions of yen
Directors	Outside Directors	3	18
	Others	10	517
Auditors	Outside Auditors	3	34
	Others	2	47

Notes:
1. The above-stated remuneration for Directors includes amounts for one Director who retired at the conclusion of the 27th Annual Meeting of Shareholders, held on June 16, 2011.
2. The maximum monthly remuneration for Directors was set at ¥40 million by a resolution of the 17th Annual Meeting of Shareholders held on June 26, 2001. This does not include employee salaries for Directors who concurrently serve as employees. Furthermore, Directors may receive additional annual remuneration up to ¥40 million in the form of stock acquisition rights issued as stock options, as decided by a resolution of the 22nd Annual Meeting of Shareholders held on June 15, 2006.
3. The maximum annual remuneration for Auditors was set at ¥84 million by a resolution of the 25th Annual Meeting of Shareholders held on June 18, 2009. This amount was calculated based on the Company’s fiscal year.
4. Remuneration amounts for Directors include variable performance-based bonuses up to 0.1% of consolidated net income for the fiscal year under review, as determined by a resolution of the 27th Annual Meeting of Shareholders held on June 16, 2011.
   Ten Directors (excluding Outside Directors): ¥130.56 million
5. Remuneration amounts for Directors include stock acquisition rights granted to seven Directors by a resolution made at the meeting of the Board of Directors held on July 23, 2009.
6. In addition to the above, the settlement payment of retirement allowance to Directors in connection with the abolishment of the executive retirement bonus system was determined at the 20th Annual Meeting of Shareholders held on June 24, 2004.

2) Policy on Decision of Content of Remunerations

The policy on decision of the content of remunerations for Directors and Auditors are determined as follows.

a. Policy on remuneration for Directors
   Remuneration for Directors consists of fixed-amount salaries and executive bonuses taking into consideration their role and responsibility to improve the Group’s business performance every fiscal year as well as to enhance its corporate value over the mid-to-long term. Fixed-amount salaries are determined based on their professional ranking and the management environment, while executive bonuses are determined based on the business results of the KDDI Group and Directors’ responsible departments, as well as their individual performance during the fiscal year. In addition, these bonuses are given under the variable performance based compensation scheme up to 0.1% of consolidated net income of the relevant fiscal year, in order to clarify the management responsibility of Directors and provide incentives to boost their motivation to achieve higher business performance. This variable range was determined taking into consideration their role and responsibility towards the Group’s goal of achieving sustainable growth and leading a new era of telecommunications while promptly responding to changes in the operating environment.

b. Policy on remuneration for Auditors
   Remuneration for Auditors is based on discussions with Auditors and is only a fixed-amount salary that is not linked to the business results of the Company.

(3) Outside Directors and Outside Auditors

1) Important Concurrent Positions at Other Entities and the Relationship between the Company and Those Entities

· Director Makoto Kawamura is the Chairman of the Board and Representative Director of KYOCERA Corporation and Statutory Auditor Yoshihiko Nishikawa is a Corporate Auditor of that company. KYOCERA Corporation has business transactions with the Company.

· Director Shinichi Sasaki is the Executive Vice President and Representative Director of Toyota Motor Corporation, and Katsuaki Watanabe is the Senior Advisor* of that company. Toyota Motor Corporation has business transactions with the Company.

* Katsuaki Watanabe was the Vice-Chairman and Representative Director of Toyota Motor Corporation until the conclusion of that company's 107th Ordinary General Shareholders' Meeting held on June 17, 2011.

2) Principal Activities during the Fiscal Year Under Review

a. Attendance at meetings of the Board of Directors and meetings of the Board of Auditors

(Directors)

· In his post as Director, Makoto Kawamura attended ten of the ten meetings of the Board of Directors.

· In his post as Director, Shinichi Sasaki attended nine of the ten meetings of the Board of Directors.

(Auditors)

· In his post as Auditor, Masayuki Yoshinaga attended nine of the ten meetings of the Board of Directors and seven of the eight meetings of the Board of Auditors.

· In his post as Auditor, Yoshihiko Nishikawa attended ten of the ten meetings of the Board of Directors and eight of the eight meetings of the Board of Auditors.

· In his post as Auditor, Katsuaki Watanabe attended nine of the ten meetings of the Board of Directors and seven of the eight meetings of the Board of Auditors.

b. The Outside Directors attended meetings of the Board of Directors as indicated above. At these meetings, they provided their viewpoints by voicing opinions based on their expertise and experience, asking questions to clarify points, etc.

The Outside Auditors attended meetings of the Board of Directors and the Board of Auditors as indicated above. At these meetings, they provided their viewpoints by voicing opinions based on their expertise and experience, asking questions to clarify points, etc.

4. Stock Acquisition Rights Issued by the Company

Stock Acquisition Rights Held by Officers of the Company as of March 31, 2012

[Based on a resolution of the Board of Directors at a meeting held on July 22, 2008]

1) Number of Stock Acquisition Rights 53 units
2) Type and Number of Shares to be Issued Upon Exercise of Stock Acquisition Rights
53 shares of common stock
(1 share per stock acquisition right)
3) Issue Price of Stock Acquisition Rights ¥106,718 per unit
4) Exercise Price of Stock Acquisition Rights ¥649,000 per unit
5) Exercise Period of Stock Acquisition Rights October 1, 2010 to September 30, 2012
6) Conditions to Exercise Stock Acquisition Rights

(i) Holders of stock acquisition rights must be directors, officers, advisors, auditors or employees of the Company or subsidiaries of the Company, etc. at the time such rights are exercised. However, in cases where holders of stock acquisition rights retire due to expiration of their respective terms of office, reaching the mandatory retirement age, or other such legitimate reasons, within the exercise period of stock acquisition rights, the exercise of stock acquisition rights will be permitted provided they are exercised within six months from the start of the relevant period or the retirement date, whichever is later.

(ii) In cases where holders of stock acquisition rights die, the exercise of stock acquisition rights by their heirs will be permitted up to the maximum number of shares that the original holders could exercise at the time of death provided they are exercised within six months of death (and on or before the last day of the exercise period of stock acquisition rights).

(iii) Holders of stock acquisition rights may exercise their rights under conditions other than (i) and (ii) above in cases that are specially recognized by the Stock Option Committee of the Company.

7) Stock Acquisition Rights Held by Directors and Auditors of the Company

	No. of stock acquisition rights	No. of holders
Directors (excluding Outside Directors)	53	4
Outside Directors	−	−
Auditors	−	−

[Based on a resolution of the Board of Directors at a meeting held on July 23, 2009]

1) Number of Stock Acquisition Rights 40 units
2) Type and Number of Shares to be Issued Upon Exercise of Stock Acquisition Rights
40 shares of common stock
(1 share per stock acquisition right)
3) Issue Price of Stock Acquisition Rights ¥111,281 per unit
4) Exercise Price of Stock Acquisition Rights ¥539,000 per unit
5) Exercise Period of Stock Acquisition Rights October 1, 2011 to September 30, 2013
6) Conditions to Exercise Stock Acquisition Rights
Same as 6) of [Based on a resolution of the Board of Directors at a meeting held on July 22, 2008]
7) Stock Acquisition Rights Held by Directors and Auditors of the Company

	No. of stock acquisition rights	No. of holders
Directors (excluding Outside Directors)	40	3
Outside Directors	−	−
Auditors	−	−

5. Accounting Auditor

(1) Name of Accounting Auditor

Category	Name	Remarks
Accounting auditor	Kyoto Audit Corporation	Appointed on June 20, 2007

(2) Remunerations Paid to Accounting Auditor

Name	1) Amount of remunerations to be paid to accounting auditor for the fiscal year under review	2) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries
	Millions of yen	Millions of yen
Kyoto Audit Corporation	374	735

Note: In the audit agreement between the Company and accounting auditor, the amount of remunerations for audit under the Companies Act is not clearly distinguished from remunerations under the Financial Instruments and Exchange Act. Therefore, the amount described in 1) above is the total of these two kinds of amounts.

(3) Non-audit Services

The Company commissions and pays compensation for financial surveys, etc. to Kyoto Audit Corporation.

(4) Policy on Decision to Dismiss or not Reappoint Accounting Auditor

When the Board of Auditors of the Company has judged that there are reasons for dismissal as provided for in Article 340, Paragraph 1 of the Companies Act, and recognized that the conduct of proper audits is difficult because of the occurrence of events, etc. that damage the eligibility and independence of accounting auditor, the Board of Auditors, based on the Board of Auditors Rules, shall request that the Board of Directors submit a supplementary proposal for the “Dismissal of Accounting Auditor” or “Non-reappointment of Accounting Auditor” to a meeting of shareholders, and the Board of Directors shall deliberate such requests. Alternatively, when the Board of Directors has recognized that the conduct of proper audits is difficult because of the occurrence of events, etc. that damage the eligibility and independence of accounting auditor, the Board of Directors shall, after obtaining the consent of the Board of Auditors, submit a proposal for the “Dismissal of Accounting Auditor” or “Non-reappointment of Accounting Auditor” to a meeting of shareholders.

(5) Outline of Liability Limitation Agreement

An agreement between the accounting auditor and the Company as provided for in Article 427, Paragraph 1 of the Companies Act has not been concluded.

(6) Audits of Financial Statements of the Company’s Subsidiaries by Certified Public Accountants or Audit Corporations Other Than the Accounting Auditor of the Company

Overseas subsidiaries of the Company are audited by audit corporations or certified public accountants other than the accounting auditor of the Company.

6. Systems for Ensuring the Appropriate Business Operations

The Basic Policy for Constructing an Internal Control System of the Company established in accordance with Article 362, Paragraph 5 of the Companies Act, which was resolved at a meeting of the Board of Directors, is as follows.
Based on this resolution, the Company aims to ensure the fair, transparent and efficient execution of its corporate duties and aims to improve its corporate quality and maintain an effective system for internal controls.

[Corporate Governance]

1. The Board of Directors

(1) The Board of Directors is composed of both internal and outside Directors, who determine important legal matters as stipulated by laws and ordinances based on the Board's regulations and agenda standards. In addition, the Board of Directors oversees the competent execution of business duties by the Directors themselves.
(2) Information pertaining to the execution of business duties by the Directors must be stored and managed appropriately in accordance with internal regulations.

2. System for executing business operations

The Executive Officers' System aims to clarify both the delegation of authority and responsibility system, as well as ensure that operations are executed effectively and efficiently. The Corporate Management Committee, which is composed of Directors and Executive Officers, shall discuss and determine important matters pertaining to the execution of operations, as well as discussing and determining the Board's agenda items, based on the Corporate Management Committee regulations.

3. System for ensuring the effective execution of business duties by Auditors

(1) Auditors shall attend the meetings of the Board of Directors, and additionally, may attend the principle internal meetings of the Company.
(2) Directors and Internal Auditing Division aim to collaborate with Auditors by providing timely and appropriate information necessary for them to execute their business duties, as well as by exchanging opinions and ideas.
(3) The Auditing Office is established to support the business duties of the Auditors, and the opinion of the Auditor must be sought in determining personnel matters relating to employees engaged therein.

[Compliance]

**1. All Directors should continuously maintain high ethical standards in accordance with the basic principles set forth in the "KDDI Action Guideline," which should be complied with, and aim to execute their business duties properly.
Furthermore, firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.**

2. The Company shall aim to ensure compliance is maintained by linking appropriately with the following types of organizational systems.

(1) Each KDDI Group company shall make efforts to promptly identify and resolve any serious violation of laws and ordinances or other compliance-related matters or incidents, at KDDI Group company meetings pertaining to business ethics.
(2) The Company shall aim to appropriately operate a compliance-related internal reporting system established both internally and externally to the company.
(3) The Company shall strive to improve the understanding and awareness of compliance through both internal and external training and internal enhancement activities.

[Risk Management for Achieving Business Objectives Fairly and Efficiently]

All divisions and their Directors shall cooperate based on various meetings participated in by Directors, as well as the Risk Management Division which regularly identifies and uniformly manages risk information. The KDDI Group's risk should be managed appropriately in accordance with internal regulations, and efforts should be made to achieve business objectives fairly and efficiently

Execution of these efforts shall be led by the person responsible for internal control in each division, and they shall be promoted autonomously.

1. Risk management system

(1) The Company shall stringently conduct business risk analyses and business activity prioritization and appropriately formulate business strategies and business plans at meetings pertaining to business strategy, with the objective of continuous growth for the KDDI Group. To achieve this, business risk should be monitored monthly at meetings pertaining to performance management, and this performance should be managed thoroughly.

(2) The Company shall regard all its stakeholders as customers, and all Directors should become involved in efforts towards TCS (Total Customer Satisfaction) activities that aim to improve the level of satisfaction. To promote this, efforts should also be made at meetings pertaining to TCS to evaluate and improve TCS activities, and to respond promptly and appropriately to customer demands and complaints.
In addition, the various laws and ordinances regarding product safety should be complied with, in order to provide customers with stable, safe, high-quality products and services. Information about products and services should be provided in an easy-to-understand format and indicated appropriately, so that customers can select and use the most appropriate product and/or service.
The whole company shall make efforts to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base.

(3) The Company shall strive to further enhance the Group's PR and IR activities, ensuring the transparency of KDDI Group management and gaining the understanding and trust of all its stakeholders. The KDDI Group's business risk shall be fairly identified and disclosed in a timely and appropriate manner at meetings pertaining to information disclosure. In addition, CSR reports shall be created and disclosed, centering on those divisions promoting CSR, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

(4) The Company shall examine measures for minimizing the risk of business interruptions as much as possible, and shall formulate a Business Continuity Plan (BCP), in order to respond to events which could have serious and long-term effects on corporate business.

2. System for promoting enhancement of the quality of business operations

(1) In accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, the Company shall implement documentation, assessment and improvement of the state of company-wide internal control and of important business processes on a consolidated basis, with the aim of further improving the reliability of financial reporting.

(2) The Company shall aim to maintain and enhance the systems necessary to improve the quality of the business operations of the KDDI Group, including enhancement of the effectiveness and efficiency of business operations and appropriate acquisition, safekeeping and disposal of assets.

3. System as a telecommunications carrier

(1) Protecting the privacy of communications
Protecting the privacy of communications is at the very root of the KDDI Group's corporate management, and the Group will abide by this.

(2) Information security
The Company aims to manage the company's total information assets, including

preventing leaks of customer information and cyber-terrorism of networks for telecommunications services, by formulating measures at meetings pertaining to information security to ensure this security in cooperation with the Directors.

(3) Recovering networks and services in times of disaster
In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, measures will be implemented to improve network reliability and prevent the halting of services.
In order to facilitate a prompt recovery in times of emergency or disaster, a Disaster Response Headquarters shall be established as expeditiously as possible.

[Internal Audits]
Internal audits are conducted for all aspects of business of the KDDI Group, and the adequacy and effectiveness of the internal control system is verified regularly. The results of internal audits are reported to the President with added suggestions for points that can be improved or revised, and a report is also made to the Auditors.

[Systems for Ensuring Appropriate Business Operations of the Corporate Group]
The Company aims to further establish and maintain group management systems, as well as provide support and management for the construction of internal control systems for each Group company and support the efficient and appropriate operation of these systems, thus ensuring appropriate business operations across the entire KDDI Group.

Consolidated Financial Statements

Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2012		(Reference) As of March 31, 2011	
(Assets)				
I Noncurrent assets		2,867,126		2,846,819
A Noncurrent assets-telecommunications business		1,966,317		1,980,738
(1) Property, plant and equipment*		1,747,955		1,752,112
1 Machinery	2,755,669		2,653,301	
Accumulated depreciation	2,174,551	581,117	2,024,885	628,415
2 Antenna facilities	623,595		593,481	
Accumulated depreciation	275,285	348,310	240,019	353,461
3 Local line facilities	376,392		354,061	
Accumulated depreciation	245,619	130,772	228,849	125,212
4 Long-distance line facilities	104,491		106,804	
Accumulated depreciation	99,010	5,480	96,802	10,002
5 Engineering facilities	64,422		64,175	
Accumulated depreciation	38,692	25,730	36,977	27,198
6 Submarine line facilities	52,390		55,103	
Accumulated depreciation	45,870	6,519	45,567	9,536
7 Buildings	426,503		421,992	
Accumulated depreciation	221,118	205,384	207,774	214,217
8 Structures	80,587		79,377	
Accumulated depreciation	49,599	30,987	46,931	32,446
9 Land		249,239		242,197
10 Construction in progress		132,822		75,236
11 Other tangible assets*	123,860		116,963	
Accumulated depreciation	92,270	31,589	82,776	34,187
(2) Intangible assets		218,361		228,626
1 Right of using facilities		10,577		9,120
2 Software		175,084		191,719
3 Goodwill		22,331		17,563
4 Other intangible assets		10,369		10,223

Account item	As of March 31, 2012		(Reference) As of March 31, 2011	
(Liabilities)				
I Noncurrent liabilities		1,034,733		999,800
1 Bonds payable		349,991		414,978
2 Convertible bond-type bonds with subscription rights to shares		200,916		–
3 Long-term loans payable		301,286		414,187
4 Provision for retirement benefits		18,743		18,656
5 Provision for point card certificates		91,453		85,197
6 Other noncurrent liabilities		72,342		66,780
II Current liabilities		840,650		607,278
1 Current portion of noncurrent liabilities		184,112		138,799
2 Notes and accounts payable-Trade		90,661		65,598
3 Short-term loans payable		1,486		1,304
4 Accounts payable-other		273,119		192,402
5 Accrued expenses		20,370		14,253
6 Income taxes payable		149,773		57,764
7 Advances received		63,937		72,437
8 Provision for bonuses		20,077		19,519
9 Provision for loss on the Great East Japan Earthquake		1,992		16,282
10 Other current liabilities		35,119		28,913
Total liabilities		1,875,384		1,607,078

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

(Unit: Millions of yen)

Account item	As of March 31, 2012		(Reference) As of March 31, 2011		Account item	As of March 31, 2012		(Reference) As of March 31, 2011	
B Incidental business facilities		227,435		183,010	(Net assets)				
(1) Property, plant and equipment*	259,155		231,868						
Accumulated depreciation	123,384	135,770	111,158	120,709					
(2) Intangible assets		91,664		62,301	I Shareholders' equity		2,041,879		2,087,869
C Investments and other assets		673,373		683,069	1 Capital stock		141,851		141,851
1 Investment securities		86,614		73,898	2 Capital surplus		367,104		367,091
2 Stocks of subsidiaries and					3 Retained earnings		1,879,087		1,704,170
affiliates		351,815		356,887	4 Treasury stock		(346,163)		(125,244)
3 Investments in capital of subsidiaries and affiliates		185		182					
4 Long-term prepaid expenses		91,272		82,240	II Accumulated other				
5 Deferred tax assets		104,829		128,686	comprehensive income		18,866		15,461
6 Other investments and other					1 Valuation difference on				
assets		47,777		49,278	available-for-sale securities		36,442		28,612
Allowance for doubtful accounts		(9,120)		(8,103)	2 Deferred gains or losses on				
II Current assets		1,136,882		932,098	hedges		(676)		32
1 Cash and deposits		100,037		136,921	3 Foreign currency translation				
2 Notes and accounts					adjustment		(16,899)		(13,182)
receivable-trade		760,890		573,508					
3 Accounts receivable-other		66,286		35,486					
4 Income taxes receivable		–		32,703	III Subscription rights to shares		1,128		1,504
5 Short-term investment securities		80,188		25,201					
6 Supplies		65,232		58,352	IV Minority interests		66,749		67,002
7 Deferred tax assets		57,781		64,079					
8 Other current assets		21,427		19,612					
Allowance for doubtful accounts		(14,960)		(13,767)					
					Total net assets		2,128,624		2,171,839
Total assets		4,004,009		3,778,918	**Total liabilities and net assets**		4,004,009		3,778,918

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

Consolidated Statements of Income

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2012	(Reference) The fiscal year ended March 31, 2011
I Operating income and loss from telecommunications		
(1) Operating revenue	2,394,135	2,489,403
(2) Operating expenses	1,844,791	1,884,891
1 Business expenses	667,748	653,017
2 Operating expenses	51	117
3 Facilities maintenance expenses	301,304	305,697
4 Common expenses	2,605	2,297
5 Administrative expenses	71,210	70,927
6 Experiment and research expenses	7,676	8,866
7 Depreciation	389,007	423,447
8 Noncurrent assets retirement cost	16,226	18,540
9 Communication facility fee	347,227	362,480
10 Taxes and dues	41,731	39,500
Net operating income from telecommunication	549,344	604,511
II Operating income and loss from incidental business		
(1) Operating revenue	1,177,962	945,142
(2) Operating expenses	1,249,658	1,077,742
Net operating loss from incidental business	(71,696)	(132,599)
Operating income	477,647	471,911
III Non-operating income	13,315	10,034
1 Interest income	965	640
2 Dividends income	1,719	1,527
3 Gain on investments in silent partnership	654	978
4 Miscellaneous income	9,975	6,888
IV Non-operating expenses	39,785	41,269
1 Interest expenses	12,891	14,160
2 Equity in losses of affiliates	18,297	19,948
3 Miscellaneous expenses	8,595	7,159
Ordinary income	451,178	440,676
V Extraordinary income	18,442	7,918
1 Gain on sales of noncurrent assets	170	1,314
2 Gain on sales of investment securities	137	5,618
3 Gain on negative goodwill	235	534
4 Gain on reversal of subscription rights to shares	493	450
5 Dividends due to liquidation of silent partnership contract	6,976	–
6 Reversal of provision for loss on the Great East Japan Earthquake	6,814	–
7 Gain on transfer from business divestitures	3,615	–

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2012	(Reference) The fiscal year ended March 31, 2011
VI Extraordinary loss	15,201	103,335
1 Loss on sales of noncurrent assets	676	–
2 Impairment loss	9,946	52,141
3 Loss on retirement of noncurrent assets	–	31,816
4 Loss on valuation of investment securities	504	368
5 Loss on sales of stocks of subsidiaries and affiliates	–	176
6 Loss on adjustment for changes of accounting standard for asset retirement obligations	–	1,242
7 Loss on the Great East Japan Earthquake	4,073	17,590
Income before income taxes and minority interests	454,419	345,259
Income taxes-current	177,278	102,617
Income taxes-deferred	30,282	(21,380)
Income before minority interests	246,858	264,022
Minority interests in income	8,254	8,900
Net income	238,604	255,122

Consolidated Statements of Changes in Net Assets

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of current period	141,851	367,091	1,704,170	(125,244)	2,087,869
Changes of items during the fiscal year					
Dividends from surplus			(63,687)		(63,687)
Net income			238,604		238,604
Purchase of treasury stock				(220,969)	(220,969)
Disposal of treasury stock		12		50	62
Net changes of items other than shareholders' equity					–
Total changes of items during the fiscal year	–	12	174,917	(220,919)	(45,989)
Balance at the end of current period	141,851	367,104	1,879,087	(346,163)	2,041,879

(Unit: Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of current period	28,612	32	(13,182)	15,461	1,504	67,002	2,171,839
Changes of items during the fiscal year							
Dividends from surplus				–			(63,687)
Net income				–			238,604
Purchase of treasury stock				–			(220,969)
Disposal of treasury stock				–			62
Net changes of items other than shareholders' equity	7,830	(708)	(3,716)	3,404	(376)	(253)	2,775
Total changes of items during the fiscal year	7,830	(708)	(3,716)	3,404	(376)	(253)	(43,214)
Balance at the end of current period	36,442	(676)	(16,899)	18,866	1,128	66,749	2,128,624

(Reference) The fiscal year ended March 31, 2011

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of previous period	141,851	367,091	1,506,951	(25,244)	1,990,650
Changes of items during the fiscal year					
Dividends from surplus			(57,903)		(57,903)
Net income			255,122		255,122
Purchase of treasury stock				(99,999)	(99,999)
Net changes of items other than shareholders' equity					–
Total changes of items during the fiscal year	–	–	197,218	(99,999)	97,218
Balance at the end of previous period	141,851	367,091	1,704,170	(125,244)	2,087,869

(Unit: Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of previous period	34,326	–	(7,250)	27,076	1,606	59,117	2,078,450
Changes of items during the fiscal year							
Dividends from surplus				–			(57,903)
Net income				–			255,122
Purchase of treasury stock				–			(99,999)
Net changes of items other than shareholders' equity	(5,714)	32	(5,932)	(11,614)	(101)	7,885	(3,830)
Total changes of items during the fiscal year	(5,714)	32	(5,932)	(11,614)	(101)	7,885	93,388
Balance at the end of previous period	28,612	32	(13,182)	15,461	1,504	67,002	2,171,839

(Note) Amounts of items listed in the consolidated financial statements and others are rounded down to the nearest million yen.

(Reference)

Consolidated Statements of Cash Flows (Summary)

(Unit: Millions of yen)

Item	The fiscal year ended March 31, 2012	The fiscal year ended March 31, 2011
Net cash provided by (used in) operating activities	725,886	717,353
Net cash provided by (used in) investing activities	(484,507)	(440,545)
Free cash flow *	241,379	276,807
Net cash provided by (used in) financing activities	(225,931)	(279,998)
Effect of exchange rate change on cash and cash equivalents	(1,125)	(2,416)
Net increase (decrease) in cash and cash equivalents	14,322	(5,607)
Cash and cash equivalents at the beginning of the fiscal year	159,869	165,476
Cash and cash equivalents at the end of the fiscal year	174,191	159,869

* 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 ¥725,886 million largely due to ¥454,419 million of income before income taxes and minority interests, ¥417,886 million of depreciation, ¥207,033 million of increase in notes and accounts receivable-trade, ¥62,003 million of increase in accounts payable-other, ¥23,441 million of increase in notes and accounts payable-trade, ¥88,625 million of income taxes paid, and ¥33,386 million of income taxes refund, etc.
Investing activities used net cash of ¥484,507 million mainly due to ¥318,870 million for purchase of property, plant and equipment, ¥75,914 million for purchase of intangible assets, and ¥57,530 million for purchase of stocks of subsidiaries and affiliates, etc.
Financing activities used net cash of ¥225,931 million. This includes ¥201,000 million for proceeds from issuance of convertible bond-type bonds with subscription rights to shares, ¥220,969 million for purchase of treasury stock, and ¥133,750 million for repayment of long-term loans payable, and ¥63,689 million for cash dividends paid, etc.

Status of Profit and Loss by Business

(Unit: Millions of yen)

The fiscal year ended March 31, 2012	Mobile Business	Fixed-line Business	Other Business	Consolidated
Operating revenue	2,727,012	915,536	106,873	3,572,098
Year-on-year increase (decrease)	5.3%	2.0%	(6.5)%	4.0%
Operating income	419,190	53,431	4,298	477,647
Year-on-year increase (decrease)	(4.5)%	122.7%	(49.6)%	1.2%
Capital investment (paid)	304,175	115,582	1,810	421,567
Depreciation	302,880	113,715	1,669	417,886

(Note) The consolidated amounts stated above don't match the sums of each business because the amounts of consolidation adjustment, etc. have been omitted.

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2012		(Reference) As of March 31, 2011		Account item	As of March 31, 2012		(Reference) As of March 31, 2011	
(Assets)					(Liabilities)				
I Noncurrent assets		2,799,229		2,778,595					
A Noncurrent assets-									
telecommunications business		1,828,467		1,858,323					
(1) Property, plant and equipment*		1,627,746		1,638,018	I Noncurrent liabilities		991,967		964,075
1 Machinery	2,693,628		2,592,394		1 Bonds payable		349,991		414,978
Accumulated depreciation	2,131,133	562,495	1,983,895	608,498	2 Convertible bond-type bonds				
2 Antenna facilities	613,706		584,749		with subscription rights to				
Accumulated depreciation	271,568	342,137	236,886	347,863	shares		200,916		–
3 Terminal facilities	11,121		12,548		3 Long-term loans payable		297,517		407,311
Accumulated depreciation	8,297	2,824	9,461	3,086	4 Lease obligations		206		1,046
4 Local line facilities	191,884		182,499		5 Provision for retirement				
Accumulated depreciation	130,713	61,171	123,650	58,849	benefits		15,571		15,697
5 Long-distance line facilities	101,058		103,369		6 Provision for point card				
Accumulated depreciation	95,773	5,284	93,627	9,741	certificates		89,677		83,446
6 Engineering facilities	61,479		61,319		7 Provision for warranties for				
Accumulated depreciation	37,595	23,883	35,977	25,341	completed construction		2,569		3,732
7 Submarine line facilities	54,328		57,041		8 Asset retirement obligations		1,865		1,955
Accumulated depreciation	47,138	7,190	46,747	10,294	9 Other noncurrent liabilities		33,652		35,907
8 Buildings	406,580		402,291						
Accumulated depreciation	210,573	196,007	197,927	204,363					
9 Structures	78,068		76,907						
Accumulated depreciation	47,704	30,364	45,099	31,807	II Current liabilities		795,076		587,436
10 Machinery and equipment	11,635		11,654		1 Current portion of noncurrent				
Accumulated depreciation	11,341	293	11,000	654	liabilities		174,791		125,574
11 Vehicles	1,054		1,054		2 Accounts payable-trade		75,500		53,813
Accumulated depreciation	694	360	550	503	3 Short-term loans payable		56,393		46,222
12 Tools, furniture and fixtures	79,216		75,721		4 Lease obligations		839		1,270
Accumulated depreciation	57,660	21,556	51,912	23,809	5 Accounts payable-other		245,587		235,182
13 Land		246,942		239,900	6 Accrued expenses		5,877		5,377
14 Lease assets	4,829		4,829		7 Income taxes payable		140,858		143
Accumulated depreciation	3,833	996	2,623	2,206	8 Advances received		59,321		67,539
15 Construction in progress		126,237		71,097	9 Deposits received		17,200		19,238
(2) Intangible assets		200,720		220,304	10 Provision for bonuses		15,651		15,509
1 Right of using submarine					11 Provision for directors'				
line facilities		4,949		4,543	bonuses		135		86
2 Right of using facilities		10,457		8,988	12 Provision for loss on the				
3 Software		173,835		190,819	Great East Japan Earthquake		1,992		16,270
4 Goodwill		7,752		12,182	13 Asset retirement obligations		925		1,206
5 Patent right		1		1					
6 Leasehold right		1,426		1,420					
7 Other intangible assets		2,297		2,348					
					Total liabilities		1,787,043		1,551,512

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

(Unit: Millions of yen)

Account item	As of March 31, 2012		(Reference) As of March 31, 2011	
B Incidental business facilities		25,551		12,461
(1) Property, plant and equipment*	25,102		14,700	
Accumulated depreciation	10,180	14,921	9,316	5,384
(2) Intangible assets		10,629		7,076
C Investments and other assets		945,210		907,810
1 Investment securities		82,939		72,948
2 Stocks of subsidiaries and affiliates		590,620		524,429
3 Investments in capital		434		1,025
4 Investments in capital of subsidiaries and affiliates		5,659		1,658
5 Long-term loans receivable		208		210
6 Long-term loans receivable from subsidiaries and affiliates		44,270		68,462
7 Long-term prepaid expenses		90,208		81,447
8 Deferred tax assets		99,064		123,832
9 Other investments and other assets		40,576		41,560
Allowance for doubtful accounts		(8,772)		(7,765)
II Current assets		1,052,662		865,735
1 Cash and deposits		55,257		112,633
2 Notes receivable-trade		30		29
3 Accounts receivable-trade		707,175		527,560
4 Accounts receivable-other		39,677		26,661
5 Income taxes receivable		–		32,691
6 Short-term investment securities		80,000		25,000
7 Supplies		61,018		54,100
8 Prepaid expenses		12,253		11,060
9 Deferred tax assets		50,986		54,703
10 Short-term loans receivable from subsidiaries and affiliates		56,073		30,643
11 Other current assets		3,454		3,343
Allowance for doubtful accounts		(13,266)		(12,693)
Total assets		3,851,891		3,644,330

Account item	As of March 31, 2012		(Reference) As of March 31, 2011	
(Net assets)				
I Shareholders' equity		2,028,002		2,062,760
1 Capital stock		141,851		141,851
2 Capital surplus		367,104		367,091
(1) Legal capital surplus	305,676		305,676	
(2) Other capital surplus	61,427		61,415	
3 Retained earnings		1,865,210		1,679,061
(1) Legal retained earnings	11,752		11,752	
(2) Other retained earnings				
Reserve for advanced depreciation of noncurrent assets	627		579	
Reserve for special depreciation	1,080		228	
General reserve	1,570,933		1,381,033	
Retained earnings brought forward	280,815		285,467	
4 Treasury stock		(346,163)		(125,244)
II Valuation and translation adjustments		35,807		28,647
1 Valuation difference on available-for-sale securities		35,807		28,647
III Subscription rights to shares		1,037		1,410
Total net assets		2,064,847		2,092,818
Total liabilities and net assets		3,851,891		3,644,330

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

Non-Consolidated Statements of Income

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2012	(Reference) The fiscal year ended March 31, 2011
I Operating income and loss from telecommunications		
(1) Operating revenue	2,278,652	2,371,432
(2) Operating expenses	1,760,183	1,793,198
1 Business expenses	595,968	573,806
2 Operating expenses	43	107
3 Facilities maintenance expenses	288,280	288,932
4 Common expenses	2,617	2,234
5 Administrative expenses	67,381	67,620
6 Experiment and research expenses	8,080	9,277
7 Depreciation	368,569	403,696
8 Noncurrent assets retirement cost	15,369	21,867
9 Communication facility fee	374,044	388,035
10 Taxes and dues	39,827	37,622
Net operating income from telecommunications	518,469	578,233
II Operating income and loss from incidental business		
(1) Operating revenue	994,883	767,310
(2) Operating expenses	1,080,912	917,274
Net operating loss from incidental business	(86,029)	(149,964)
Operating income	432,440	428,269
III Non-operating income	19,743	12,049
1 Interest income	1,770	1,619
2 Interest on securities	170	111
3 Dividends income	9,792	3,964
4 Miscellaneous income	8,010	6,353
IV Non-operating expenses	17,608	17,390
1 Interest expenses	6,626	7,314
2 Interest on bonds	6,005	6,374
3 Miscellaneous expenses	4,976	3,701
Ordinary income	434,575	422,929
V Extraordinary income	19,627	2,318
1 Gain on sales of noncurrent assets	171	1,313
2 Gain on sales of investment securities	137	–
3 Gain on sales of subsidiaries and affiliates' stocks	–	190
4 Gain on negative goodwill	123	364
5 Gain on reversal of subscription rights to shares	493	450
6 Gain on share exchanges	4,909	–
7 Dividends due to liquidation of silent partnership contract	6,976	–
8 Gain on reversal of provision for loss on the Great East Japan Earthquake	6,814	–

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2012	(Reference) The fiscal year ended March 31, 2011
VI Extraordinary loss	13,692	143,341
1 Loss on sales of noncurrent assets	657	–
2 Impairment loss	8,515	51,565
3 Loss on retirement of noncurrent assets	–	31,054
4 Loss on valuation of investment securities	469	368
5 Loss on sales of stocks of subsidiaries and affiliates	–	815
6 Loss on liquidation of subsidiaries	–	40,858
7 Loss on adjustment for changes of accounting standard for asset retirement obligations	–	1,120
8 Loss on the Great East Japan Earthquake	4,049	17,557
Income before income taxes	440,510	281,906
Income taxes-current	162,284	40,434
Income taxes-deferred	28,389	(15,351)
Net income	249,836	256,823

Non-Consolidated Statements of Changes in Net Assets

The fiscal year ended March 31, 2012

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,851	305,676	61,415	11,752	579	228	1,381,033	285,467
Changes of items during the fiscal year								
Dividends from surplus								(63,687)
Reserve for special depreciation						977		(977)
Reversal of reserve for special depreciation						(125)		125
Provision of reserve for advanced depreciation of noncurrent assets					48			(48)
Provision of general reserve							189,900	(189,900)
Net income								249,836
Purchase of treasury stock								
Disposal of treasury stock			12					
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	12	–	48	852	189,900	(4,652)
Balance at the end of current period	141,851	305,676	61,427	11,752	627	1,080	1,570,933	280,815

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(125,244)	2,062,760	28,647	1,410	2,092,818
Changes of items during the fiscal year					
Dividends from surplus		(63,687)			(63,687)
Reserve for special depreciation		–			–
Reversal of reserve for special depreciation		–			–
Provision of reserve for advanced depreciation of noncurrent assets		–			–
Provision of general reserve		–			–
Net income		249,836			249,836
Purchase of treasury stock	(220,969)	(220,969)			(220,969)
Disposal of treasury stock	50	62			62
Net changes of items other than shareholders' equity		–	7,159	(372)	6,787
Total changes of items during the fiscal year	(220,919)	(34,758)	7,159	(372)	(27,970)
Balance at the end of current period	(346,163)	2,028,002	35,807	1,037	2,064,847

(Reference) The fiscal year ended March 31, 2011

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	General reserve	Retained earnings brought forward
Balance at the beginning of previous period	141,851	305,676	61,415	11,752	–	417	1,232,933	235,037
Changes of items during the fiscal year								
Dividends from surplus								(57,903)
Reversal of reserve for special depreciation						(189)		189
Provision of reserve for advanced depreciation of noncurrent assets					579			(579)
Provision of general reserve							148,100	(148,100)
Net income								256,823
Purchase of treasury stock								
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	–	–	579	(189)	148,100	50,430
Balance at the end of previous period	141,851	305,676	61,415	11,752	579	228	1,381,033	285,467

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at the beginning of previous period	(25,244)	1,963,839	29,981	1,475	1,995,296
Changes of items during the fiscal year					
Dividends from surplus		(57,903)			(57,903)
Reversal of reserve for special depreciation		–			–
Provision of reserve for advanced depreciation of noncurrent assets		–			–
Provision of general reserve		–			–
Net income		256,823			256,823
Purchase of treasury stock	(99,999)	(99,999)			(99,999)
Net changes of items other than shareholders' equity		–	(1,333)	(64)	(1,398)
Total changes of items during the fiscal year	(99,999)	98,920	(1,333)	(64)	97,521
Balance at the end of previous period	(125,244)	2,062,760	28,647	1,410	2,092,818

(Note) Amounts of items listed in the non-consolidated financial statements and others are rounded down to the nearest million yen.

Independent Auditor's Report (Consolidated)

Independent Auditors' Report
(English Translation)

April 20, 2012

To the Board of Directors of
KDDI Corporation

Kyoto Audit Corporation
Minamoto Nakamura, CPA
Designated and Engagement Partner
Toshimitsu Wakayama, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act of Japan, the consolidated financial statements of KDDI Corporation ("the Company") and its subsidiaries which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net equity and the notes to the consolidated financial statements for the 28th fiscal year from April 1, 2011 to March 31, 2012.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with accounting principles generally accepted in Japan. This responsibility includes implementing and maintaining internal control deemed necessary by management relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers the Company's internal control relevant to the preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2012 and the consolidated results for the year then ended in conformity with accounting principles generally accepted in Japan.

Other Matters
We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notice to Readers:

The original consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net equity and the notes to the consolidated financial statements are written in Japanese.

Independent Auditor's Report (Non-Consolidated)

Independent Auditors' Report
(English Translation)

April 20, 2012

To the Board of Directors of
KDDI Corporation

Kyoto Audit Corporation
Minamoto Nakamura, CPA
Designated and Engagement Partner
Toshimitsu Wakayama, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, the financial statements of KDDI Corporation ("the Company") which consist of the balance sheet, the statement of income, the statement of changes in net equity, the notes to the financial statements and the supplementary schedules thereof for the 28th fiscal year from April 1, 2011 to March 31, 2012.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of the financial statements and supplementary schedules thereof that give a true and fair view in accordance with accounting principles generally accepted in Japan. This responsibility includes implementing and maintaining internal control deemed necessary by management relevant to the preparation and fair presentation of the financial statements and supplementary schedules thereof that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements and supplementary schedules thereof based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supplementary schedules thereof are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and supplementary schedules thereof. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and supplementary schedules thereof, whether due to fraud or error. In making those risk assessment, the auditor considers the Company's internal control relevant to the preparation of the financial statements and supplementary schedules thereof that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and supplementary schedules thereof.
We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

Opinion
In our opinion, the financial statements and supplementary schedules thereof present fairly, in all material respects, financial position of the Company as of March 31, 2012 and the results for the year then ended in conformity with accounting principles generally accepted in Japan.

Other Matters
We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notice to Readers:
The original financial statements, which consist of the balance sheet, the statement of income, the statement of changes in net equity, the notes to the financial statements and the supplementary schedules thereof are written in Japanese.

Board of Auditors' Report

Board of Auditors' Report

The Board of Auditors of KDDI Corporation ("the Company") hereby submits its audit report regarding the performance of duties of the Directors during the 28th fiscal year from April 1, 2011 to March 31, 2012, which has been prepared through discussions based on the audit reports prepared by each of the Auditors.

1. Audit Method and Details by Auditors and the Board of Auditors
   The Board of Auditors has established audit policies, plans and other matters for the fiscal year under review, received reports from each Auditor about the status of implementation and results of audits as well as reports from the Directors and Accounting Auditors about the status of execution of their duties, and requested them to provide explanation when needed.
   In accordance with the "Internal Auditing Rules" established by the Board of Auditors as well as the audit policies and plans for the fiscal year under review, each Auditor has closely communicated with Directors, relevant personnel of the Internal Audit Department and other employees in order to collect necessary information and improve the auditing environment. The Auditors have also attended the Board of Directors meetings and other important meetings, received reports from the Directors and employees about the status of execution of their duties, and requested them to provide explanation when needed. The Auditors have reviewed important authorized documents and examined the status of business operations and financial position of the Company and its principle offices.
   In addition, with respect to the Company's internal control system established in accordance with Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act as a system to "ensure the compliance of execution of duties by Directors with laws, regulations and the Articles of Incorporation" and to "ensure compliance of the execution of business operations by a corporation" as described in the Business Report, the Board of Auditors has received reports on a regular basis about the resolutions of the Board of Directors regarding the improvement of the internal control system as well as its structure and implementation status, and requested explanation and provided advice when needed.
   Furthermore, the Board of Auditors has received reports from the Directors and the Kyoto Audit Corporation about the evaluation and the status of audits of internal control over financial reporting, and requested them to provide explanation when needed.
   The Board of Auditors has closely communicated and exchanged information with the Directors and Auditors of the Company's subsidiaries, and received reports from them about the status of their business operations. In the manner explained above, the Board of Auditors has examined the Business Report and the supplementary schedules prepared for the fiscal year under review.
   The Board of Auditors has supervised and verified whether the Accounting Auditors maintain their independence and performed appropriate audits, by receiving reports from them on the status of execution of their duties and requesting them to provide explanation when needed. In addition, the Board of Auditors has received confirmation from the Accounting Auditors that the "systems necessary to ensure that duties are executed properly" (matters set forth in each item of Article 131 of the Ordinance on Accounting of Companies) had been developed in accordance with the "Quality Control Standards for Auditing" (Business Accounting Council; October 28, 2005) and other standards, and requested them to provide explanation when needed.
   Based on the above method, the Board of Auditors has examined the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the notes to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements) for the fiscal year under review.

2. Audit Results
   (1) Audit results regarding the Business Report and the supplementary schedules
      a. In our opinion, the Business Report and the supplementary schedules fairly represent the Company’s conditions in accordance with applicable laws and regulations and the Articles of Incorporation.
      b. We found no evidence of wrongful action or material violation of laws, regulations or the Articles of Incorporation by any of Directors of the Company in executing their duties.
      c. In our opinion, the resolutions of the Board of Directors regarding the Company’s internal control system are fair and reasonable. We found no issues or concerns regarding the reports on the internal control system described in the Business Report as well as the status of execution of duties by the Directors.
   (2) Audit results regarding the non-consolidated financial statements and the supplementary schedules
   In our opinion, the audit method employed and the results reported by Kyoto Audit Corporation are fair and reasonable.
   (3) Audit results regarding the consolidated financial statements
   In our opinion, the audit method employed and the results reported by Kyoto Audit Corporation are fair and reasonable.

April 25, 2012

Standing Statutory Auditor, Masataka Iki
Standing Statutory Auditor, Yoshinari Sanpei
Standing Statutory Auditor (Outside Auditor), Masayuki Yoshinaga
Outside Auditor, Yoshihiko Nishikawa
Outside Auditor, Katsuaki Watanabe

Notice to Readers:

The original financial statements, which consist of the balance sheet, the statement of income, the statement of changes in net equity, the notes to the financial statements and the supplementary schedules, and the original consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net equity and the notes to the consolidated financial statements thereof are written in Japanese.

To Shareholders

Internet Disclosure of the Notice of Convocation of the 28th Annual Meeting of Shareholders

Notes for Consolidated Financial Statements
Notes for Non-Consolidated Financial Statements
(from April 1, 2011 to March 31, 2012)

KDDI Corporation

In accordance with the applicable laws and regulations, and the provisions of Article 14 of the Company's Articles of Incorporation, the aforesaid information is deemed to have been provided to the shareholders by being available at the Company's following website: (http://www.kddi.com/english/corporate/ir/shareholder/meeting/20120620/index.html).

"Notes for Consolidated Financial Statements" and "Notes for Non-Consolidated Financial Statements" are part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by Auditors and Accounting Auditor in the preparation of the Report of Independent Auditors.

Notes for Consolidated Financial Statements

(Notes to Important Items That Form the Basis of Preparing Consolidated Financial Statements, etc.)

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries of KDDI Corporation ("the Company")

- Number of consolidated subsidiaries: 118
- Principal consolidated subsidiaries:
  Okinawa Cellular Telephone Company, KDDI Technical & Engineering Service Corporation*, KDDI Evolva Inc, Japan Cablenet Limited, Chubu Telecommunications Co., Inc., KDDI R&D Laboratories, Inc., KDDI AMERICA, Inc., KDDI Europe Ltd., TELEHOUSE International Corp. of America Ltd., Telehouse International Corp. of Europe Ltd., KDDI China Corporation, DMX Technologies Group Limited, KDDI Korea Corporation, KDDI Singapore Pte., Ltd.
  - * KDDI Technical & Engineering Service Corporation changed its name to KDDI Engineering Corporation as of April 1, 2012.

(2) Special purpose companies
Overview of special purpose companies and transactions made through those companies, and the transaction amounts are stated in "Special Purpose Companies."

2. Application of equity method

(1) Numbers of non-consolidated subsidiaries and affiliates accounted for by the equity method and names of principal affiliates

- Number of affiliates under the equity method: 21
- Principal affiliates:
  Jupiter Telecommunications Co., Ltd., Kyocera Communication Systems Co., Ltd., UQ Communications Inc., TEPCO OPTICAL NETWORK ENGINEERING INC., Jibun Bank Corporation, Mobaoku Co., Ltd., and MOBICOM Corporation

(2) Names, etc. of non-consolidated subsidiaries and affiliates not accounted for by the equity method

(Affiliates)	• Principal affiliate:	CJSC Vostoktelecom
	• Reasons for not being accounted by the equity method:	Because of its small scale of business, the net income and retained earnings (the amounts equivalent to the Company's interest in the companies) of the above company did not significantly affect the consolidated financial statements under review.

(3) Special note in regard to procedures for applying the equity method
For non-consolidated subsidiaries and affiliates accounted for by the equity method whose fiscal year ends differ from that of the consolidated fiscal year under review, their financial statements with such year ends were used for the consolidated financial statements under review.

3. Changes in the scope of consolidation and the scope of application of the equity method

(1) Scope of consolidation

(Newly added)	• 16 companies due to stock acquisition HKCOLO. NET Limited, WebMoney Corporation, Evolva Business Support Inc., Nobot Inc., CDNetworks Co., Ltd. and its 9 subsidiaries, Telehouse Deutschland GmbH, Kleyer Real Estate

- 1 company due to additional purchase of owned shares
  Japan Internet Exchange Co., Ltd.
- 3 companies due to new establishment
  KKBOX International Limited, TELEHOUSE BEIJING BDA Co., Ltd., KDDI Open Innovation Fund L.P.

(Removed)
- 5 companies due to liquidation
  KDDI International Holdings, LLC, KDDI International Holdings2, LLC, KDDI International Holdings3, LLC, KDDI Global Media, LP, MediaFLO Broadcast Planning Incorporated
- 2 companies due to merger
  Kawagoe Cable Vision Co., Ltd. and KMN Corporation are excluded from the scope of consolidation as the former was merged by JCN KANTO LIMITED, and the latter by CABLE TELTVISION TOKYO, LTD.

(2) Scope of application of the equity method

(Newly added)
- 2 companies due to stock acquisition
  branddialog, inc., Alliance Internet Co., Ltd.

(Removed)
- 1 company due to becoming a subsidiary as a result of additional purchase of shares
  Japan Internet Exchange Co., Ltd.

4. Fiscal years of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year end of 74 companies, including KDDI AMERICA, Inc., KDDI Europe Ltd., is December 31 of each year. For the preparation of consolidated financial statements, the Company uses their financial statements as of December 31 and makes adjustments as necessary for consolidation in relation to significant transactions during the period between their year-end date and the Company's consolidated year-end date.

5. Accounting policies

(1) Valuation standards and methods for major assets

1) Short-term investment securities
- Bonds intended to be held to maturity: amortized cost method (straight-line method)
- Other securities
  a): Other securities for which market quotations are available are stated at fair value prevailing at the balance sheet date. Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.
  b): Other securities for which market quotations are not available are valued at cost mainly determined by the moving-average method.

2) Inventories

Supplies

Stated at cost determined by the moving-average method (the method of write-downs based on the decrease in profitability is applied in order to calculate the inventory value on the balance sheet).

(2) Depreciation and amortization of major assets

1) Property, plant and equipment other than lease assets

The Company: Machinery: declining-balance method
Property, plant and equipment other than machinery: straight-line method

Consolidated subsidiaries: Mainly straight-line method

Useful lives of major assets are as follows:

Machinery: 9 years

Antenna facilities, Local line facilities, Long-distance line facilities, Engineering facilities, Buildings, and Structures: 5 to 38 years

2) Intangible assets other than leased assets: straight-line method
Software for internal use is amortized under the straight-line method over the expected useful lives (5 years).

3) Lease assets
Lease assets under financial lease transactions that do not transfer ownership rights of the assets to the lessees are depreciated and amortized under the straight-line method based on the lease term as the useful life and residual value of zero.
Of finance lease transactions that do not transfer the ownership rights of the assets to the lessees, the lease transactions whose inception date is on or before March 31, 2008 are continuously accounted for by a method similar to that applicable to ordinary operating leases transactions.

4) Long-term prepaid expenses: Straight-line method

(3) Principle for calculation of significant allowances

1) Allowance for doubtful accounts
To prepare for uncollectible credits, general allowance is recorded based on the actual bad debt ratio, and specific allowance is recorded based on the amount deemed to be uncollectible considering the individual collectability.

2) Provision for retirement benefits
To prepare for the retirement of employees, the Company records the amount to be accrued as of March 31, 2012 based on projected benefit obligations, estimated value of plan assets and retirement benefit trust assets as of March 31, 2012.
Prior service cost is amortized on a straight-line basis over the average remaining service period of employees (14 years) in the year in which it arises and unrecognized actuarial differences are amortized on a straight-line basis over the average remaining service period of employees (14 years) from the year following that in which they arise.

3) Provision for point card certificates
In order to prepare for the future cost generating from the utilization of points that customers have earned under the point services such as “au Point Program,” the Company records based on its past experience the amount considered to be appropriate to cover future utilization of the points during or after the next fiscal year.

4) Provision for bonuses
To allow for the payment of bonuses to employees, the Company records the estimated amounts of bonuses to be paid based on the internal standards.

5) Provision for loss on the Great East Japan Earthquake
The estimated amount for recovery of assets damaged by the Great East Japan Earthquake that occurred on March 11, 2011 is recorded.

(4) Other important matters for the basis of preparing consolidated financial statements

1) Accounting method for deferred assets
Bond issuance cost: recorded as expenses when incurred

2) Valuation standards for foreign currency transaction of important assets and liabilities
All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the balance sheet date. Gains and losses on such foreign spot exchanges are included in net profit or loss for the fiscal year under review. All assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Revenues and expenses for the year are translated into Japanese yen at the average exchange rate during the fiscal year under review, and translation adjustments are included in “Foreign currency translation adjustment” and “Minority interests” under “Net assets.”

3) Amortization method and term for goodwill
Goodwill is amortized under the straight-line method over a period of 5 to 20 years.

However, minimal amounts of goodwill are recognized as expenses during the fiscal year under review.

4) Accounting method for consumption taxes, etc.
Consumption taxes are accounted for using the net method of reporting.

6. Application of the Rules for telecommunications business accounting

Consolidated financial statements of the Company are prepared based on the "Company Calculation Rules" (Ordinance of the Ministry of Justice No. 13 of February 7, 2006), and in accordance with these regulations and the "Rules for Telecommunications Business Accounting" (Ordinance of Ministry of Posts and Telecommunications No. 26, 1985).

(Note to Changes in Presentation)

(Consolidated Balance Sheets)

"Income taxes receivable" listed in the year ended March 31, 2011 has been included in "Accounts receivable-other" as it has become less significant from this fiscal year. As a result, ¥69 million was recorded as income taxes receivable on the consolidated balance sheets for the fiscal year under review.

(Note to Changes in Accounting Estimates)

Since August 2006, the Company and Okinawa Cellular Telephone Company have offered a service that enables users to carry-over unused talk time. The service allows a specified amount of the free talk time that is included in the basic monthly rate to be carried-over indefinitely.
The Company and Okinawa Cellular Telephone Company have estimated the amount of each month's unused free talk time that is expected to be used in the future, deferred the recognition of that amount as revenue, and recorded that amount in the advances received account. However, from this fiscal year, a sufficient quantity of historical results for the estimation of the amount of unused free talk time that is expected to lapse in the future has been accumulated, and more detailed estimates of that amount have become possible. Accordingly, the amount of unused free talk time that is expected to lapse in the future is deducted from the amount of deferred revenue.
As a result, from this fiscal year, this change has had the effect of increasing revenues from telecommunications business, operating income, ordinary income, and income before income taxes and minority interests by ¥10,361 million.

(Additional Information)

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

For the accounting changes and error corrections that have been made since the beginning of the fiscal year under review, 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).

(Impact from the change in the corporation tax rate, etc.)

Following the promulgation issued on December 2, 2011 of the "Law to Revise the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure" (Law No. 114 of 2011), and the "Act on Special Measures for Securing the Financial Resources to Implement the Restoration from the Tohoku Earthquake" (Law No.117 of 2011), the corporation tax rate was reduced and a special reconstruction corporation tax was instituted effective from the fiscal year starting on and after April 1, 2012.
Accordingly, the effective statutory tax rate used to measure deferred tax assets and liabilities has been changed from the previous 40.6% to 38.0% for temporary differences expected to be eliminated during the period from the fiscal year starting on April 1, 2012 to the fiscal year starting on April 1, 2014; and to 35.6% for temporary differences expected to be eliminated in the fiscal year starting on

April 1, 2015 and thereafter.
As a result of this tax rate change, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by ¥12,006 million, valuation difference on available for-sale securities increased by ¥2,762 million, and income taxes-deferred increased by ¥14,769 million.

(Consolidated Balance Sheets)

1. Assets pledged as collateral

Assets pledged as collateral and secured liabilities:

Machinery	¥387 million
Local line facilities	¥319 million
Engineering facilities	¥18 million
Submarine line facilities	¥6 million
Buildings	¥164 million
Other tangible assets	¥76 million
Investment securities	¥694 million
Other investments and other assets	¥171 million
Cash and deposits	¥877 million
Short-term investment securities	¥188 million
Total	¥2,904 million

(assets denominated in foreign currencies included: US$11 million)

Corresponding liabilities:

Long-term loans payable	¥1,224 million
Current portion of noncurrent liabilities	¥372 million
Notes and accounts payable- trade	¥32 million
Short-term loans payable	¥1,485 million
Total	¥3,114 million

(liabilities denominated in foreign currencies included: US$20 million)

In compliance with Article 4 of the Supplementary Provisions to the "Law Concerning the Rationalization of Regulations in the Telecommunications Field", the total assets of the Company have been pledged as general collateral for the corporate bonds issued.

Bonds	¥20,000 million

In accordance with Article 14, Paragraph 1 of the Act on Settlement of Funds, assets held in trust as security deposits are as follows.

Investment securities	¥3,005 million
Cash and deposits	¥2,000 million

2. Contingent liabilities

(1) Guarantor for loans	¥156,935 million
(2) Contingent liabilities for cable system supply contract	¥4,109 million
(3) Contingent liabilities resulting from the liquidation of Minex Corporation	¥377 million
(4) Contingent liabilities for notes receivable-trade discounted	¥297 million

(Consolidated Statements of Changes in Net Assets)

1. Total number and type of shares outstanding and total number and type of treasury stock

(Unit: Shares)

	As of April 1, 2011	Increase during the fiscal year ended March 31, 2012	Decrease during the fiscal year ended March 31, 2012	As of March 31, 2012
Shares outstanding				
Common stock	4,484,818	–	–	4,484,818
Total	4,484,818	–	–	4,484,818
Treasury stock				
Common stock	238,976	424,126	96	663,006
Total	238,976	424,126	96	663,006

(The reason of the above changes)
The increase in common stock was resulted from the Company's acquisition of its own shares in accordance with the resolution at a meeting of the Board of Directors.
The decrease in common stock was resulted from the exercise of subscription rights to stock option.

2. Dividends

(1) Cash dividends payments

Resolution	Type of shares	Total dividends	Dividends per share	Record date	Effective date
June 16, 2011 Annual meeting of shareholders	Common stock	¥31,843 million	¥7,500	March 31, 2011	June 17, 2011
October 24, 2011 Meeting of the Board of Directors	Common stock	¥31,843 million	¥7,500	September 30, 2011	November 21, 2011
Total		¥63,687 million			

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

As a proposal of the annual meeting of shareholders to be held on June 20, 2012, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends ¥32,485 million
2) Dividends per share ¥8,500
3) Record date March 31, 2012
4) Effective date June 21, 2012

The dividends shall be paid from retained earnings.

3. The class and number of shares for subscription rights (excluding those whose exercise period has not yet commenced) at the end of the fiscal year under review.

Common stock 358,497 shares*

* The figure includes the subscription rights on 348,979 shares (upper limit) attached to the convertible bond-type bonds.

(Financial Instruments)

1. Status of financial instruments

(1) Policy for measures relating to financial instruments

In light of plans for capital investments primarily for conducting telecommunications business, the KDDI Group raises the funds it requires through bank loans and bonds issuance. The Group manages temporary fund surpluses through financial assets that have high levels of safety. Further, the Group raises short-term working capital through bank loans. Regarding derivatives policy, the Group adheres to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.

(2) Details of financial instruments, associated risk, and risk management system

Trade receivables such as “notes and accounts receivable-trade” and “accounts receivable-other” are exposed to credit risk in relation to customers and trading partners. For such risk, the Group has established a system that manages the due dates and balances of each customer and trading partner as well as conducts analysis of their credit status, based on the criteria of each of the Group’s companies for managing credit exposure.

The Group is exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the shares of companies with which the Group has operational relationships, and periodic analysis of market values is reported to the Board of Directors.

Almost all trade payables such as “notes and accounts payable-trade,” “accounts payable-other,” “accrued expenses” and “income taxes payable” have payment due dates within one year. Those trade payables are exposed to liquidity risk at the time of settlement. However, the Group reduces that risk by having each company review fund-raising plans every month.

Among loans payable, short-term loans payable are primarily for fund raising related to sales transactions, and long-term loans payable are primarily for fund raising related to capital investments and other investments and financing. Loans payable with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce fluctuation risk for interest payable and fix interest expenses when it enters into long-term loans at variable interest rates, based on the premise that requirements for special treatment of interest rate swaps are met in relation to evaluation of the effectiveness of hedges, the Group uses interest rate swap transactions as a hedging method on an individual contract basis in principle.

As for the market risk pertaining to transactions, the Group uses derivative transactions for the purpose of avoiding risks existing in assets and liabilities in the consolidated balance sheets, and interest transactions bear interest rate fluctuation risk.

Furthermore, the Group determines that there is small credit risk resulting from default of contracts with financial institutions because the Group’s derivative transactions are conducted with the financial institutions with high credit ratings.

Based on the internal regulations and their supplemental provisions of each company of the Group, derivative transactions shall be conducted between the finance/accounting divisions and the financial institutions with high credit ratings, subject to obtaining approval for each derivative transaction by authorized persons stipulated in the relevant authorization regulations.

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

The market values of financial products include prices based on market prices, or reasonably estimated prices if there are no market prices. Since the calculation of market values involves fluctuating factors, these values are subject to change when different assumptions are used.

2. Market value of financial instruments

Amounts recognized in the consolidated balance sheet, market values, and the differences between them as of March 31, 2012, are as shown below. Moreover, items for which it is extremely difficult to determine market values are not included in the following table (see Note 2).

(Amount unit: Millions of yen)

	Book value	Market value	Difference
1) Cash and deposits	100,037	100,037	–
2) Notes and accounts receivable-trade	760,890		
Allowance for doubtful accounts *1	(14,960)		
	745,929	745,929	–
3) Accounts receivable-other	66,286	66,286	–
4) Short-term investment securities	80,188	80,188	–
5) Investment securities			
Bonds intended to be held to maturity	3,005	3,137	132
Other securities	72,374	72,374	–
6) Stocks of subsidiaries and affiliates	326,297	189,567	(136,729)
Total assets	1,394,118	1,257,521	(136,597)
7) Notes and accounts payable-trade	90,661	90,661	–
8) Short-term loans payable	1,486	1,486	–
9) Accounts payable-other	273,119	273,119	–
10) Accrued expenses	20,370	20,370	–
11) Income taxes payable	149,773	149,773	–
12) Bonds payable *2	414,988	427,727	12,738
13) Convertible bond-type bonds with subscription rights to shares	200,916	214,500	13,583
14) Long-term loans payable *2	414,163	419,340	5,176
Total liabilities	1,565,480	1,596,979	31,498

*1: Allowance for doubtful accounts relating to “2) Notes and accounts receivable-trade” is deducted.

*2: This includes “bonds payable” and “long-term loans payable” under “current portion of noncurrent liabilities”.

Note 1: Method for calculation of the market value of financial instruments, and notes to short-term investment securities

1) Cash and deposits, 2) Notes and accounts receivable-trade, 3) Accounts receivable-other, and 4) Short-term investment securities

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the book values are used. Further, because the credit risk is extremely difficult to determine on an individual basis for notes and accounts receivable-trade, allowance for doubtful accounts is regarded as credit risk and the book value is calculated accordingly.

5) Investment securities and 6) Stocks of subsidiaries and affiliates

With respect to the market values, the market prices at the stock exchanges are used.

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

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

12) Bonds payable, 13) Convertible bond-type bonds with subscription rights to shares, and 14) Long-term loans payable

The market values of bonds payable Convertible bond-type bonds with subscription rights to shares are calculated based on a market price. The market value of long-term loans payable is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest. However, long-term loans payable with variable interest rates are based on the condition that interest rates are revised periodically, and their market values are almost the same as their book values; therefore, the book values are used.

Note 2: Financial instruments of which it is extremely difficult to determine market value

(Amount unit: Millions of yen)

	Book value
Investment securities Unlisted equity securities	11,234
Stocks of subsidiaries and affiliates Unlisted equity securities	25,517
Investments in capital of subsidiaries and affiliates	185

Because their market values are not available and extremely difficult to determine, they are not included in the above table.

(Special Purpose Companies)

1. Overview of special purpose companies and transactions made through such companies

The Company has securitized real estate in order to improve its financial position by reducing interest-bearing debt. This securitization was conducted using special purpose companies ("SPCs"), a particular type of limited liability company.

In this securitization, the Company leased back the real estate that was transferred.

As of November 30, 2011, the Company acquired beneficial interest in trust on land, buildings, etc., from Aobadai Estate Y.K., which is a special purpose company. Accordingly, the silent partnership in which the said special purpose company performed as an operator was terminated, and the Company who was an investor of such silent partnership received dividends upon termination of the partnership. The investment in the silent partnership was settled in December 2011.

2. Amounts of transactions with SPCs during the fiscal year under review (from April 1, 2011 to March 31, 2012)

(Amount unit: Millions of yen)

	Amounts of major transactions/ balance as of March 31, 2012	Major income and loss	
		Items	Amounts
Acquired real estate properties (Note 1)	14,993	–	–
Long-term accounts receivable	–	–	–
Investments in silent partnership	–	Dividends Dividends due to liquidation of silent partnership contract	654 6,976
Lease transaction (lease back)	–	Lease payments (Note 2)	1,112

Note 1: The transaction amount relating to the acquired properties was recorded with the actual acquisition cost.

Note 2: The Company paid rent from April 1, 2011 to November 30, 2011 during the fiscal year under review.

(Per Share Information)

1. Net assets per share	¥539,206.73
2. Net income per share	¥58,115.98

(Business Combination)

Business Combination due to acquisition

1. Overview of business combination

(1) Name of acquired company	WebMoney Corporation
(2) Business activities of acquired company	Issuance and sale of server-managed electronic money
(3) Main reason for the business combination	Targeting the realization of "Multi-use" under the 3M strategy (Multi-network, Multi-device, and Multi-use), the Company acquired shares of WebMoney and made it a consolidated subsidiary in order to enhance its settlement platform.
(4) Date of business combination	July 19, 2011 (Date of commencement of TOB settlement)
(5) Legal form of business combination	Acquisition of shares
(6) Name of company after business combination	WebMoney Corporation
(7) % of voting rights acquired	97.2%
(8) Main factors in determination of acquirer	Because the type of consideration was cash, the Company, which provided the cash, was determined to be the acquirer.

2. Period for which the acquired company's results are included in the consolidated statements of income under review

   Since the acquisition date was set on July 1, 2011, the business results for the period from July 1, 2011 to March 31, 2012 were included.

3. Breakdown of acquisition cost of the acquired company

Consideration for acquisition	¥19,103 million
Costs directly incurred for acquisition	¥248 million
Acquisition cost	¥19,352 million

4. Amount of goodwill recognized, basis for recognition and amortization method/period

   (1) Amount of goodwill ¥16,344 million

   (2) Basis for recognition of goodwill

   Potential growth of earnings can be expected as a result of operational developments of the acquired company in the future.

   (3) Method and period for amortization of goodwill

   Straight-line amortization over a period of 13 years.

5. Amounts and breakdown for assets acquired and liabilities assumed on the date of the business combination

Noncurrent assets	¥3,401 million
Current assets	¥17,901 million
Total assets	¥21,302 million
Current liabilities	¥18,208 million
Total liabilities	¥18,208 million

6. Approximate amount of the effect on the consolidated statements of income for the fiscal year under review assuming that the business combination had been completed at the beginning of the fiscal year

   The approximate amount of the effect has been omitted because it is not material.

(Other Notes)

(Consolidated Statements of Income)

1. Gain on sales of noncurrent assets ¥170 million

   Gain on sales of noncurrent assets consists of gain on sales of real estate of ¥62 million due to the sale of idle land, etc. and gain on sales of other facilities of ¥107 million.

2. Gain on reversal of provision for loss on the Great East Japan Earthquake ¥6,814 million

   Due to reevaluation, etc., of the details and scope of repairs accompanying the progress of on-site investigations and restoration work on the disaster-stricken region, this estimate has been changed, and the provision has been reversed.

3. Loss on sales of noncurrent assets ¥676 million

   Loss on sales of noncurrent assets consists of loss on sales of real estate of ¥597 million due to the sale of idle land, etc. and loss on sales of other facilities of ¥79 million.

4. Impairment loss ¥9,946 million

   During the fiscal year under review, the KDDI Group recorded impairment loss mainly on the following assets and asset groups.

   (Amount unit: Millions of yen)

Location	Purpose of use	Item	Impairment loss
KDDI Corporation Domestic transmission line facilities, idle assets, etc. (Tokyo, etc.)	Telecommunications business	Local line facilities, long-distance line facilities, etc.	8,515

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

   As a result, during the fiscal year under review, for assets with declining utilization rates including some domestic transmission systems as well as idle assets, the KDDI Group reduced their book values to recoverable values. This reduction is recognized as impairment loss of ¥8,515 million under extraordinary loss, consisting of ¥4,454 million for local line facilities, ¥1,940 million for long-distance line facilities and ¥2,119 million for others.

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

   In addition, the KDDI Group also recorded impairment loss of ¥1,431 million arising from some of its subsidiaries.

5. Loss on the Great East Japan Earthquake ¥4,073 million

   It includes the cost of handset replacement of victims and other recovery costs of the Great East Japan Earthquake that occurred on March 31, 2011.

Note: Amounts of items listed in the consolidated financial statements and others are rounded down to the nearest million yen.

Notes for Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for major assets

(1) Short-term investment securities

Stocks of subsidiaries and affiliates

Valued at cost determined by the moving-average method

Other securities

Other securities for which market quotations are available are stated at fair value prevailing at the balance sheet date. Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.

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

(2) Inventories

Supplies

Stated at cost determined by the moving-average method (the method of write-downs based on the decrease in profitability is applied in order to calculate the inventory value on the balance sheet).

2. Depreciation and amortization of noncurrent assets

Property, plant and equipment other than lease assets

Machinery: declining-balance method

Property, plant and equipment other than machinery: straight-line method

Useful lives of major assets are as follows:

Machinery: 9 years

Antenna facilities, Local line facilities, Long-distance line facilities, Buildings, Structures, and Tools, furniture and fixtures: 5 to 38 years

Intangible assets: straight-line method

Software for internal use is amortized under the straight-line method over the expected useful lives (5 years).

Lease assets

Lease assets under financial lease transactions that do not transfer ownership rights of the assets to the lessees are depreciated and amortized under the straight-line method based on the lease term as the useful life and residual value of zero.

Of finance lease transactions that do not transfer the ownership rights of the assets to the lessees, the lease transactions whose inception date is on or before March 31, 2008 are continuously accounted for by a method similar to that applicable to ordinary operating leases.

Long-term prepaid expenses: Straight-line method

3. Principle for calculation of significant allowances

Allowance for doubtful accounts

To prepare for uncollectible credits, general allowance is recorded based on the actual bad debt ratio, and specific allowance is recorded based on the amount deemed to be uncollectible considering the individual collectability.

Provision for retirement benefits

To prepare for the retirement of employees, the Company records the amount to be accrued as of March 31, 2012 based on projected benefit obligations, estimated value of plan assets and retirement benefit trust assets as of March 31, 2012.

Prior service cost is amortized on a straight-line basis over the average remaining service period of employees (14 years) in the year in which it arises and unrecognized actuarial differences are amortized on a straight-line basis over the average remaining service period of employees (14 years) from the year following that in which they arise.

Provision for point card certificates

In order to prepare for the future cost generating from the utilization of points that customers have earned under the point services such as “au Point Program,” the Company records based on its past experience the amount considered to be appropriate to cover future utilization of the points during or after the next fiscal year.

Provision for warranties for completed construction

To prepare for the cost of a guarantee against defects pertaining to construction work for a submarine cable system for which delivery has been completed, a provision is recorded based on an estimate of a warranty without charge during the term of the guarantee.

Provision for bonuses

To allow for the payment of bonuses to employees, the Company records the estimated amounts of bonuses to be paid based on the internal standards.

Provision for directors’ bonuses

To allow for the payment of bonuses to board members, the Company records the estimated amounts of bonuses to be paid.

Provision for loss on the Great East Japan Earthquake

The estimated amount for recovery of assets damaged by the Great East Japan Earthquake that occurred on March 11, 2011 is recorded.

4. Other important matters for the preparation of non-consolidated financial statements

1) Accounting method for deferred assets

Bond issuance cost: recorded as expenses when incurred

2) Accounting method for consumption taxes

Consumption taxes are accounted for using the net method of reporting.

(Changes in Accounting Estimates)

Since August 2006, the Company has offered a service that enables users to carry-over unused talk time. The service allows a specified amount of the free talk time that is included in the basic monthly rate to be carried-over indefinitely.

The Company has estimated the amount of each month’s unused free talk time that is expected to be used in the future, deferred the recognition of that amount as revenue, and recorded that amount in the advances received account. However, from this fiscal year, a sufficient quantity of historical results for the estimation of the amount of unused free talk time that is expected to lapse in the future has been accumulated, and more detailed estimates of that amount have become possible. Accordingly, the amount of unused free talk time that is expected to lapse in the future is deducted from the amount of deferred revenue.

As a result, from this fiscal year, this change has had the effect of increasing revenues from telecommunications business, operating income, ordinary income, and income before income taxes by ¥10,198 million

(Additional Information)

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

For the accounting changes and error corrections that have been made since the beginning of the fiscal year under review, 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).

(Non-Consolidated Balance Sheets)

1. Assets pledged as collateral

In compliance with Article 4 of the Supplementary Provisions to the "Law Concerning the Rationalization of Regulations in the Telecommunications Field," the total assets of the Company have been pledged as general collateral for the corporate bonds issued.

Bonds	¥20,000 million

2. Contingent liabilities, etc.

(1) Guarantor for loans	¥157,588 million
(2) Management support promise note for loans	¥2,590 million
(3) As a guarantor for office lease contract	¥6,183 million
(4) Contingent liabilities for cable system supply contract	¥4,109 million
(5) Contingent liabilities resulting from the liquidation of Minex Corporation	¥377 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥44,270 million
Short-term monetary claims	¥70,636 million
Long-term monetary liabilities	¥443 million
Short-term monetary liabilities	¥76,588 million

4. Reduction entry amount of noncurrent assets

Reduction entry amount of noncurrent assets (cumulative total)	¥– million (¥16,178 million)

5. Total committed lines of credit and loans receivables outstanding

The Company provides financial assistance to and deposits surplus funds among its subsidiaries and affiliates in order to carry out efficient financing and management of funds within the Group. The total committed lines of credit and loans receivables outstanding in these activities are as follows.

Total committed lines of credit	¥40,852 million
Loans receivables outstanding	¥28,950 million
Remaining portion of credit line	¥11,902 million

The above activities are implemented taking into consideration the financial positions and fund raising status of the subsidiaries and affiliates.

(Non-Consolidated Statements of Income)

1. Transactions with subsidiaries and affiliates

Operating income from subsidiaries and affiliates	¥81,614 million
Operating expenses to subsidiaries and affiliates	¥182,706 million
Non-operating transactions with subsidiaries and affiliates	¥10,594 million

2. Gain on sales of noncurrent assets ¥171 million
   Gain on sales of noncurrent assets consists of gain on sales of real estate of ¥62 million due to the sale of idle land, etc. and gain on sales of other facilities of ¥108 million.

3. Gain on reversal of provision for loss on the Great East Japan Earthquake ¥6,814 million
   Due to reevaluation, etc., of the details and scope of repairs accompanying the progress of on-site investigations and restoration work on the disaster-stricken region, this estimate has been changed, and the provision has been reversed.

4. Loss on sales of noncurrent assets ¥657 million
   Loss on sales of noncurrent assets consists of loss on sales of real estate of ¥597 million due to the sale of idle land, etc. and loss on sales of other facilities of ¥59 million.

5. Impairment loss ¥8,515 million
   During the fiscal year under review, the Company recorded impairment loss mainly on the following assets and asset groups.

(Amount unit: Millions of yen)

Location	Purpose of use	Item	Impairment loss
Domestic transmission line facilities, idle assets, etc. (Tokyo, etc.)	Telecommunications business	Local line facilities, long-distance line facilities, etc.	8,515

The Company calculates impairment losses by grouping assets based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or asset groups.
As a result, during the fiscal year under review, for assets with declining utilization rates including some domestic transmission systems as well as idle assets, the Company reduced their book values to recoverable values. This reduction is recognized as impairment loss of ¥8,515 million under extraordinary loss, consisting of ¥4,454 million for local line facilities, ¥1,940 million for long-distance line facilities and ¥2,119 million for others.
Further, the recoverable values for the said assets are estimated based on the net selling price. The calculation of market value is based on appraised values and other factors. The value of assets that are difficult to sell or convert to other uses is set at ¥0.

6. Loss on the Great East Japan Earthquake ¥4,049 million
   It includes the cost of handset replacement of victims and other recovery costs of the Great East Japan Earthquake that occurred on March 31, 2011.

(Non-Consolidated Statements of Changes in Net Assets)

1. Total number and type of shares outstanding and total number and type of treasury stock

(Unit: Shares)

	As of April 1, 2011	Increase during the fiscal year ended March 31, 2012	Decrease during the fiscal year ended March 31, 2012	As of March 31, 2012
Shares outstanding				
Common stock	4,484,818	–	–	4,484,818
Total	4,484,818	–	–	4,484,818
Treasury stock				
Common stock	238,976	424,126	96	663,006
Total	238,976	424,126	96	663,006

(The reason of the above changes)
The increase in common stock was resulted from the Company's acquisition of its own shares in accordance with the resolution at a meeting of the Board of Directors.
The decrease in common stock was resulted from the exercise of subscription rights to stock option.

2. Dividends

(1) Cash dividends payments

Resolution	Type of shares	Total dividends	Dividends per share	Record date	Effective date
June 16, 2011 Annual meeting of shareholders	Common stock	¥31,843 million	¥7,500	March 31, 2011	June 17, 2011
October 24, 2011 Meeting of the Board of Directors	Common stock	¥31,843 million	¥7,500	September 30, 2011	November 21, 2011
Total		¥63,687 million			

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

As a proposal of the annual meeting of shareholders to be held on June 20, 2012, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends ¥32,485 million
2) Dividends per share ¥8,500
3) Record date March 31, 2012
4) Effective date June 21, 2012

The dividends shall be paid from retained earnings.

3. The class and number of shares for subscription rights (excluding those whose exercise period has not yet commenced) at the end of the fiscal year under review.

Common stock 358,497 shares*

* The figure includes the subscription rights on 348,979 shares (upper limit) attached to the convertible bond-type bonds.

(Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

(Amount unit: Millions of yen)

Deferred tax assets:	Provision for retirement benefits	3,257
	Provision for bonus payment	6,654
	Excess amount of allowance for doubtful accounts, etc.	9,338
	Provision for point service program	34,036
	Denial of accrued expenses	2,605
	Excess amount of depreciation and amortization	38,520
	Denial of loss on retirement of noncurrent assets	2,252
	Denial of loss on valuation of inventories	1,177
	Accrued enterprise taxes	9,993
	Denial of impairment loss	44,074
	Denial of advances received	20,228
	Loss on valuation of investment securities	3,647
	Provision for loss on the Great East Japan Earthquake	758
	Other	1,669
	Deferred tax assets subtotal	178,216
	Valuation allowance	(6,173)
Total deferred tax assets		172,042
Deferred tax liabilities:	Reserve for special depreciation	(637)
	Valuation difference on available-for-sale securities	(19,662)
	Gain on share exchanges	(1,692)
Total deferred tax liabilities		(21,991)
Net deferred tax assets		150,050

(Additional information)

(Impact from the change in the corporation tax rate, etc.)

Following the promulgation issued on December 2, 2011 of the “Law to Revise the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure” (Law No. 114 of 2011), and the “Act on Special Measures for Securing the Financial Resources to Implement the Restoration from the Tohoku Earthquake” (Law No.117 of 2011), the corporation tax rate was reduced and a special reconstruction corporation tax was instituted effective from the fiscal year starting on and after April 1, 2012.

Accordingly, the effective statutory tax rate used to measure deferred tax assets and liabilities has been changed from the previous 40.6% to 38.0% for temporary differences expected to be eliminated during the period from the fiscal year starting on April 1, 2012 to the fiscal year starting on April 1, 2014; and to 35.6% for temporary differences expected to be eliminated in the fiscal year starting on April 1, 2015 and thereafter.

As a result of this tax rate change, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by ¥10,873 million, valuation difference on available for-sale securities increased by ¥2,761 million, and income taxes-deferred increased by ¥13,634 million.

(Noncurrent Assets used under Leases)

Of finance lease transactions that do not transfer the ownership rights of the assets to the lessees, the lease transactions whose inception date is on or before March 31, 2008 are accounted for by a method similar to that applicable to ordinary operating lease transactions.

1. Acquisition cost equivalent, accumulated depreciation equivalent, and book value equivalent as of fiscal year end of leased property

(Amount unit: Millions of yen)

	Acquisition cost equivalent	Accumulated depreciation equivalent	Book value equivalent as of fiscal year end 2012
Vehicles	4	3	0
Tools, furniture and fixtures	132	121	10
Other	10	9	0
Total	146	134	12

The above acquisition cost equivalent is calculated using the inclusive-of-interest method.

2. Lease commitments

Within 1 year	¥8 million
Over 1 year	¥4 million
Total	¥12 million

Lease commitments equivalent is calculated using the inclusive-of-interest method.

3. Lease payments and depreciation equivalent

Lease payments	¥805 million
Depreciation equivalent	¥805 million

4. Method of calculating depreciation equivalent
Lease assets are depreciated and amortized under the straight-line method based on the lease term as the useful life and residual value of zero.

(Financial Instruments)

1. Status of financial instruments
   (1) Policy for measures relating to financial instruments
   In light of plans for capital investments primarily for conducting telecommunications business, the Company raises the funds it requires through bank loans and bonds issuance. The Company manages temporary fund surpluses through financial assets that have high levels of safety. Further, the Company raises short-term working capital through bank loans. Regarding derivatives policy, the Company adheres to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.
   (2) Details of financial instruments, associated risk, and risk management system
   Trade receivables such as “notes and accounts receivable-trade” and “accounts receivable-other” are exposed to credit risk in relation to customers and trading partners. For such risk, the company has established a system that manages the due dates and balances of each customer and trading partner as well as conducts analysis of their credit status, based on the Company’s criteria for managing credit exposure.
   The Company is exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the shares of companies with which the Company has operational

relationships, and periodic analysis of market values is reported to the Board of Directors.
Almost all trade payables such as “notes and accounts payable-trade,” “accounts payable-other,” “accrued expenses” and “income taxes payable” have payment due dates within one year. Those trade payables are exposed to liquidity risk at the time of settlement. However, the Company reduces that risk by having each company review fund-raising plans every month.

Among loans payable, short-term loans payable are primarily for fund raising related to sales transactions, and long-term loans payable are primarily for fund raising related to capital investments and other investments and financing. Loans payable with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce fluctuation risk for interest payable and fix interest expenses when it enters into long-term loans at variable interest rates, based on the premise that requirements for special treatment of interest rate swaps are met in relation to evaluation of the effectiveness of hedges, the Company uses interest rate swap transactions as a hedging method on an individual contract basis in principle.

As for the market risk pertaining to transactions, the Company uses derivative transactions for the purpose of avoiding risks existing in assets and liabilities in the consolidated balance sheets, and interest transactions bear interest rate fluctuation risk.

Furthermore, the Company determines that there is small credit risk resulting from default of contracts with financial institutions because the Company’s derivative transactions are conducted with the financial institutions with high credit ratings.

Based on the internal regulations and their supplemental provisions of the Company, derivative transactions shall be conducted between the finance/accounting divisions and the financial institutions with high credit ratings, subject to obtaining approval for each derivative transaction by authorized persons stipulated in the relevant authorization regulations.

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

The market values of financial products include prices based on market prices, or reasonably estimated prices if there are no market prices. Since the calculation of market values involves fluctuating factors, these values are subject to change when different assumptions are used.

2. Market value of financial instruments

Amounts recognized in the non-consolidated balance sheet, market values, and the differences between them as of March 31, 2012 are as shown below. Moreover, items for which it is extremely difficult to determine market values are not included in the following table (see Note 2).

(Amount unit: Millions of yen)

	Book value	Market value	Difference
1) Cash and deposits	55,257	55,257	–
2) Accounts receivable-trade	707,175		
Allowance for doubtful accounts *1	(13,266)		
	693,909	693,909	–
3) Accounts receivable-other	39,677	39,677	–
4) Short-term investment securities	80,000	80,000	–
5) Investment securities Other securities	72,144	72,144	–
6) Short-term loans receivable from subsidiaries and affiliates *2	28,950	28,950	–
7) Stocks of subsidiaries and affiliates	349,088	224,069	(125,019)
8) Long-term loans receivable from subsidiaries and affiliates *3	71,393	72,281	887
Total assets	1,390,421	1,266,290	(124,131)
9) Accounts payable-trade	75,500	75,500	–
10) Short-term loans payable	56,393	56,393	–
11) Accounts payable-other	245,587	245,587	–
12) Accrued expenses	5,877	5,877	–
13) Income taxes payable	140,858	140,858	–
14) Deposits received	17,200	17,200	–
15) Bonds payable *4	414,988	427,727	12,738
16) Convertible bond-type bonds with subscription rights to shares	200,916	214,500	13,583
17) Long-term loans payable *4	407,311	412,660	5,349
Total liabilities	1,564,634	1,596,305	31,671

*1. Allowance for doubtful accounts relating to “2) Accounts receivable-trade” is deducted.

*2. This excludes the current portion of “long-term loans receivable from subsidiaries and affiliates” under “current assets.”

*3. This includes the current portion of “long-term loans receivable from subsidiaries and affiliates” under “current assets.”

*4. This includes the current portion of “bonds payable” and “long-term loans payable” under “noncurrent liabilities.”

Note 1: Method for calculation of the market value of financial instruments, and notes to short-term investment securities

1) Cash and deposits, 2) Accounts receivable-trade, 3) Accounts receivable-other, 4) Short-term investment securities, and 6) Short-term loans receivable from subsidiaries and affiliates

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the book values are used. Further, because the credit risk is extremely difficult to determine on an individual basis for notes and accounts receivable-trade, allowance for doubtful accounts is regarded as credit risk and the book value is calculated accordingly.

5) Investment securities and 7) Stocks of subsidiaries and affiliates

With respect to the market values, the market prices at the stock exchanges are used.

8) Long-term loans receivable from subsidiaries and affiliates

The market value of long-term loans receivable from subsidiaries and affiliates is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest.

9) Accounts payable-trade, 10) Short-term loans payable, 11) Accounts payable-other, 12) Accrued expenses, 13) Income taxes payable, and 14) Deposits received

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

15) Bonds payable, 16) Convertible bond-type bonds with subscription rights to shares, and 17) Long-term loans payable

The market values of bonds payable and convertible bond-type bonds with subscription rights to shares are calculated based on a market price. The market value of long-term loans payable is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest. However, long-term loans payable with variable interest rates are based on the condition that interest rates are revised periodically and their market values are almost the same as their book values; therefore, the book values are used.

Note 2: Financial instruments of which it is extremely difficult to determine market value

(Amount unit: Millions of yen)

	Book value
Investment securities Unlisted equity securities	10,795
Stocks of subsidiaries and affiliates Unlisted equity securities	241,531

Because their market values are not available and extremely difficult to determine, they are not included in the above table.

(Note to equity in net income (losses) of affiliates and others)

Amount of investments in affiliates	¥390,473 million
Amount of investments in affiliates based on equity method	¥351,957 million
Amount of equity in net losses of affiliates based on equity method	¥18,297 million

（Transactions with Related Parties）

Subsidiaries and affiliates, etc.

(Amount unit: Millions of yen)

Type	Company Name	Office	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	Japan Cablenet Limited	Chuo-ku, Tokyo	34,872	Operation support for CATV companies	Possession Direct 22.8 % Indirect 72.7 %
Subsidiary	Chubu Telecommunications Co., Inc.	Naka-ku, Nagoya city, Aichi	38,816	Telecommunications business in accordance with Telecommunications Business Act	Possession Direct 80.5 %
Affiliate	UQ Communications Inc.	Minato-ku, Tokyo	23,925	Wireless broadband services	Possession Direct 32.3 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2012
Financial support Sharing of concurrent positions by board members	Lending of loans (Note 1)	1,250	Long-term loans receivable from subsidiaries and affiliates	13,000
			Short-term loans receivable from subsidiaries and affiliates	26,150
	Receiving of interests	324	Accounts receivable-other	6
Financial support Sharing of concurrent positions by board members	Lending of loans (Note 1)	(2,750)	Long-term loans receivable from subsidiaries and affiliates	15,000
			Short-term loans receivable from subsidiaries and affiliates	26,000
	Receiving of interests	285	Accounts receivable-other	1
Debt guarantee of loans Sharing of concurrent positions by board members	Debt guarantee (Note 2)	156,700	–	–
	Receiving of guarantee fee	495	Accounts receivable-other	132

Terms and conditions of transactions, and policies on such terms and conditions

Note 1: For the lending of loans to Japan Cablenet Limited and Chubu Telecommunications Co., Inc., loan periods are determined based on the nature of each company's funding requirements, and interest rates are reasonably determined based on the loan periods considering market interest rates.

The Company does not receive any collateral or the like because the lending is carried out for the purpose of efficient management of funds within the Group.

Note 2: The debt guarantee for UQ Communications Inc. is to guarantee their bank borrowings, and the amount shown in "Amounts of Transaction" is the outstanding balance as of the fiscal year end.

(Per Share Information)

1. Net assets per share	¥540,008.17
2. Net income per share	¥60,851.69

(Application of Restrictions on Maximum Dividend Payments)

The Company is subject to restrictions on maximum dividend payments.

Note: Amounts of items listed in the non-consolidated financial statements and others are rounded down to the nearest million yen.