NOTICE OF THE 32ND ANNUAL SHAREHOLDERS MEETING

KDDI Corporation

TABLE OF CONTENTS

"Systems for Ensuring the Appropriate Business Operations of the Business Report," 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/stock-rating/meeting/20160622/), pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation. "Systems for Ensuring the Appropriate Business Operations of the Business Report," is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. 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 Audit & Supervisory Board Members 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.
In light of the recent earthquake centered on Kumamoto and Oita prefectures, we would also like to extend to the victims of this disaster and their families our heartfelt sympathies. The KDDI Group will continue to make every effort to contribute to the reconstruction of the affected areas.

We enclose a copy of the KDDI Group’s notice of the 32nd Annual Shareholders Meeting.

In the 32nd fiscal year, the final year of the medium-term management plan, the Company pushed forward with the “3M Strategy” (multi-network, multi-device, multi-use) that forms the central pillar of its strategy. The Company also worked to achieve sustainable growth in its business by preparing for the growth to be targeted in the next medium-term business plan through such initiatives as commencing “au WALLET Market,” reinforcing its settlement and financial businesses so as to expand au’s economic zone , and by promoting business in developing countries such as Myanmar as part of its global strategy.

Turning to the results for the 32nd fiscal year, due to the steady advance of our 3M Strategy and our global strategy we were able to achieve our medium-term management plan target of three consecutive terms of double-digit growth in operating income and a consolidated dividend payout ratio of more than 30%. This was possible because of the understanding and support of all our shareholders, and I would like to express my deep appreciation for this.

We will continue to contribute to the development of the society through all business activities, while aiming at further enhancing the enterprise value through sustainable earning growth and the enhancement of shareholder returns.

Once again, we would like to thank all our shareholders for the continuous support and confidence in our company.

Sincerely,

Takashi Tanaka
President, Representative Director

TSE Code: 9433
May 31, 2016

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, Representative Director

NOTICE OF THE 32ND ANNUAL SHAREHOLDERS MEETING

You are cordially invited to attend the 32nd Annual Shareholders Meeting 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 Shareholders Meeting, 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 21, 2016,** or vote at the Exercise of Voting Rights Web site (http://www.evote.jp/).

1. Date and Time: Wednesday, June 22, 2016, at 10:00 a.m. Reception for attendees begins at 9:00 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 32nd fiscal year from April 1, 2015 to March 31, 2016 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditors and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 32nd fiscal year from April 1, 2015 to March 31, 2016

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Partial Changes to Articles of Incorporation
Proposal 3: Election of 14 Directors
Proposal 4: Election of 4 Audit & Supervisory Board Members
Proposal 5: Revision of Remuneration Amount for Audit & Supervisory Board Members

[The Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and Audit Reports to be attached to this Notice appear on pages 24 through 61.]

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 32nd Annual Shareholders Meeting, "Systems for Ensuring the Appropriate Business Operations of the Business Report," 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/stock-rating/meeting/20160622/), pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation. "Systems for Ensuring the Appropriate Business Operations of the Business Report," is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. 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 Audit & Supervisory Board Members and Accounting Auditors in preparing the Reports of Audit.
- Any amendments to the Reference Documents for the Shareholders Meeting, 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 the shareholders meeting are principal rights of shareholders. Please exercise your voting rights after reviewing the Reference Documents for the Shareholders Meeting listed on pages 6 through 20. 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. (A personal seal will not be required.)

Date and Time:	Wednesday, June 22, 2016, at 10:00 a.m. Reception for attendees begins at 9:00 a.m.
Place:	Shinagawa Prince Hotel, Annex Tower, 5F, "Prince Hall" 10-30, Takanawa 4-chome, Minato-ku, Tokyo

2. By submitting Exercise of Voting Rights form by mail

   Please indicate your approval or disapproval to each of the proposals and post it to the Company without postage stamp.

   Exercise due date: To be received no later than 5:30 p.m. on Tuesday, June 21, 2016

3. By exercising voting rights via the Internet

   Please read the detailed instructions on the following page.

   Exercise due date: No later than 5:30 p.m. on Tuesday, June 21, 2016

   [For institutional investors]

   Provided that an application to use the platform has been submitted beforehand, institutional investors may use the electronic platform for exercising voting rights operated by ICJ, Inc.

<How to exercise voting rights via the Internet>

Exercise due date: No later than 5:30 p.m. on Tuesday, June 21, 2016

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.

* The Exercise of Voting Rights Web site will be unavailable during the hours of 2:00 to 5:00 a.m. due to maintenance and inspection.
* If you have exercised your voting rights both by submitting the Exercise of Voting Rights form by mail and via the Internet, those exercised via the Internet will be taken as valid.
* If you have exercised your voting rights multiple times on the Internet, only the final vote will be taken as valid.
* The Exercise of Voting Rights Web site may be disabled by certain Internet settings, or by the service to which you subscribe or the model of the device you use to access the Web site.
* The costs incurred when accessing the Exercise of Voting Rights Web site, including Internet access fees and communication expenses, will be the responsibility of the shareholder.
* If you wish to receive the Notice of the Shareholders Meeting by e-mail, beginning with the next meeting, please visit the Exercise of Voting Rights Web site using either a personal computer or a smartphone and following the instructions that the Web site provides. (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:

Please use the contact number below if you have any difficulties when voting by the Internet using a personal computer, smartphone or cellular phone.

Securities Business Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation
Phone: (0120) 173-027 (Toll Free)
Available from Mondays to Fridays (excluding holidays) 9:00 a.m. to 9:00 p.m.

Reference Documents for the Shareholders Meeting

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, while considering investment for sustainable growth, the Company intends to maintain the consolidated payout ratio to more than 30%.

   Regarding the year-end dividends for the fiscal year under review, we propose to increase it by ¥5.00 per share (taking into consideration the 1:3 stock split that came into effect on April 1, 2015) 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.

   Going forward, while paying attention to the need for continued investment in sustainable growth, our policy is to raise the dividend payout ratio by 5 percentage points and maintain it at 35% plus.

(1) Type of dividends

Cash

(2) Dividend amount to be allocated

Per share of common stock ····· ¥35.00

Total dividends ··················· ¥87,192,264,075

(3) Effective date of dividends from surplus

June 23, 2016

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:	¥237,300,000,000
Item and amount of decrease in surplus	
Retained earnings brought forward	¥237,300,000,000

Proposal 2: Partial Changes to Articles of Incorporation

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

1. Reason for Proposal

In preparation for the future expansion of the product sales business, we will add "sale of alcoholic beverages" to the business purposes listed in Article 2 of the current Articles of Incorporation.

2. Description of Changes

The changes are as follows.

(Changes are underlined.)

Present	Proposed articles
Article 1. (Details omitted)	Article 1. (Not changed)
Article 2. (Purpose) The purpose of the Company shall be to engage in the following businesses:	Article 2. (Purpose) The purpose of the Company shall be to engage in the following businesses:
(1) to (32) (Details omitted)	(1) to (32) (Not changed)
(Newly established)	<u>(33) Sale of alcoholic beverages; and</u>
<u>(33)</u> All business that are incidental to or related to those mentioned in the preceding items, and other necessary business to achieve the purpose for each of the foregoing items.	<u>(34)</u> All business that are incidental to or related to those mentioned in the preceding items, and other necessary business to achieve the purpose for each of the foregoing items.
Article 3. to Article 41. (Details omitted)	Article 3. to Article 41. (Not changed)

Proposal 3: Election of 14 Directors

The term of office of all 13 Directors will expire at the conclusion of this Annual Shareholders Meeting. With a view to strengthening and enhancing the business foundation, we propose that the number of Outside Directors be increased by one person to ensure that the Company has 14 Directors.
The candidates for Directors are as follows.

Candidate No.	Name	Right to represent	Independent	Outside	Execution of Business	(Other reference)
1	Tadashi Onodera Reappointment					Chairman of Board of Directors Member of Nomination Advisory Committee Member of Remuneration Advisory Committee
2	Takashi Tanaka Reappointment	○			○	Member of Nomination Advisory Committee Member of Remuneration Advisory Committee
3	Hirofumi Morozumi Reappointment	○			○	
4	Makoto Takahashi Reappointment	○			○	
5	Yuzo Ishikawa Reappointment	○			○	
6	Hidehiko Tajima Reappointment				○	
7	Yoshiaki Uchida Reappointment				○	
8	Takashi Shoji New appointment				○	
9	Shinichi Muramoto New appointment				○	
10	Tetsuo Kuba Reappointment			○		Vice Chairman of Nomination Advisory Committee Chairman of Remuneration Advisory Committee Board of Directors' meetings Attended 11 of 12 meetings (92%)
11	Nobuyori Kodaira Reappointment			○		Chairman of Nomination Advisory Committee Vice Chairman of Remuneration Advisory Committee Board of Directors' meetings Attended 12 of 12 meetings (100%)

Candidate No.	Name	Right to represent	Independent	Outside	Execution of Business	(Other reference)
12	Shinji Fukukawa Reappointment		○	○		Member of Nomination Advisory Committee Member of Remuneration Advisory Committee Board of Directors' meetings Attended 12 of 12 meetings (100%)
13	Kuniko Tanabe Reappointment		○	○		Member of Nomination Advisory Committee Member of Remuneration Advisory Committee Board of Directors' meetings Attended 10 of 10 meetings (100%)
14	Yoshiaki Nemoto New appointment		○	○		Member of Nomination Advisory Committee (scheduled) Member of Remuneration Advisory Committee (scheduled)

Note: In the above table, the status of the candidates for reappointment is shown as of the date of posting, while for the new candidates for election their scheduled status is shown, as approved.

Candidate No. 1	Tadashi Onodera (February 3, 1948)	Number of the Company's shares held 241,200

Reappointment

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 1989:	Director
June 1995:	Managing Executive Officer, Director
June 1997:	Executive Vice President, Representative Director
June 2001:	President, Representative Director
June 2005:	President and Chairman, Representative Director
December 2010:	Chairman, Representative Director
June 2013:	Director of KYOCERA Corporation (Current position)
June 2014:	Director of Daiwa Securities Group Inc.(Current position)
June 2015:	Chairman (Current position)

Reason for nominating the candidate for Director

Tadashi Onodera has been a Director of the Company since its beginnings as KDDI Corporation and, as the President and Representative Director of the Company between 2001 and 2010, carried out the mandate of shareholders and took responsibility for steering the management. Since 2013 he has served as Outside Director for other listed companies and has extensive experience as a manager. In 2015 he also moved away from execution of business operations, and we believe he is ideally suited to a role in which he overlooks the Company's management, for which reason he has again been selected as a candidate for Director.

Candidate No. 2	Takashi Tanaka (February 26, 1957)	Number of the Company's shares held 53,200

Reappointment

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2007:	Managing Executive Officer, Director
June 2010:	Senior Managing Executive Officer, Representative Director
December 2010:	President, Representative Director (Current position)
June 2013:	General Manager, Corporate & Marketing Communications Sector (Current position)

Reason for nominating the candidate for Director

Since assuming the role of President and Representative Director of the Company in 2010, Takashi Tanaka has carried out the mandate of shareholders and taken responsibility for steering the Company's management. In 2013 he published the medium-term plan and put in place a system for the whole company to pull together to enhance corporate value by executing this plan, fulfilling the public pledge to achieve sustainable earnings growth and raise returns to shareholders. We believe he is ideally suited to the role of CEO of the Company, for which reason he has again been selected as a candidate for Director.

Candidate No. 3	Hirofumi Morozumi	(May 2, 1956)	Number of the Company's shares held 28,400

Reappointment

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 1995:	Director
June 2001:	Executive Officer
April 2003:	Managing Executive Officer
June 2003:	Managing Executive Officer, Director
June 2007:	Senior Managing Executive Officer, Director
April 2010:	General Manager, Corporate Sector (Current position)
June 2010:	Executive Vice President, Representative Director (Current position)

Reason for nominating the candidate for Director

Hirofumi Morozumi has abundant experience primarily in business administration in the Corporate Sector, but also has much experience in operating divisions and since 2010 has served as Executive Vice President and Representative Director. Due to his superior knowledge of general management and investor relations activities, he has again been selected as a candidate for Director.

Candidate No. 4	Makoto Takahashi	(October 24, 1961)	Number of the Company's shares held 25,000

Reappointment

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2007:	Managing Executive Officer, Director
June 2010:	Senior Managing Executive Officer, Representative Director (Current position)
April 2016:	General Manager, Value Business Sector and Management Strategy Sector (Current position)

Reason for nominating the candidate for Director

Makoto Takahashi has abundant experience in the Value Business Sector, primarily in promoting new businesses and has been involved in collaborations and M&A over a variety of industries. For his superior knowledge, which is vital for the expansion of au's economic zone, he has again been selected as a candidate for Director.

Candidate No. 5	Yuzo Ishikawa (October 19, 1956)	Number of the Company's shares held 37,200

Reappointment

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2000:	Director
June 2001:	Executive Officer
June 2010:	Managing Executive Officer, Director
June 2011:	Senior Managing Executive Officer, Director
June 2014:	Senior Managing Executive Officer, Representative Director (Current position)
April 2015:	General Manager, Consumer Business Sector, Business Headquarters, Solution Business Sector, Media and CATV Business Division and Product & Customer Service Sector (Current position)

Reason for nominating the candidate for Director

Yuzo Ishikawa has abundant experience in the communications business, primarily in sales. As well as the steady implementation of operations across a wide range of business areas including the core Consumer Business Sector, he has superior knowledge that is indispensable for the sustainable growth of the domestic communications business, for which reason he has again been selected as a candidate for Director.

Candidate No. 6	Hidehiko Tajima (February 3, 1954)	Number of the Company's shares held 12,500

Reappointment

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2010:	Executive Officer
April 2013:	Managing Executive Officer
June 2013:	Managing Executive Officer, Director (Current position)
April 2016:	General Manager, Global Business Sector (Current position)

Reason for nominating the candidate for Director

Hidehiko Tajima has abundant experience in the Global Business Sector and the procurement division, including executing the entry into the Myanmar communications market and steadily operating the TELEHOUSE business. His knowledge is vital for the growth of the Global Business Sector and accordingly he has again been selected as a candidate for Director.

Candidate No. 7	Yoshiaki Uchida (September 14, 1956)	Number of the Company's shares held 11,700

Reappointment

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2013:	Executive Officer
April 2014:	Managing Executive Officer
June 2014:	Managing Executive Officer, Director (Current position)
April 2016:	General Manager, Technology Sector (Current position)

Reason for nominating the candidate for Director

Yoshiaki Uchida has abundant experience in all areas of technology, including the construction and operation of networks, which is the foundation of the communications business, as well as in the careful implementation of various other operations related to technology. His knowledge is crucial for the secure management and sophistication of the communications business, and for which reason he has again been selected as a candidate for Director.

Candidate No. 8	Takashi Shoji (September 26, 1958)	Number of the Company's shares held 9,600

New appointment

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2010:	Executive Officer
April 2011:	General Manager, Solution Business Sector (Current position)
April 2014:	Managing Executive Officer (Current position)

Reason for nominating the candidate for Director

Takashi Shoji has abundant experience in the Solution Business Sector, and as the General Manager of the Solution Business Sector he has a track record in such initiatives as reconfiguring the organization and expanding services to match the demands of the business environment. Due to his superior knowledge of business management he has been selected as a candidate for Director.

Candidate No. 9	Shinichi Muramoto (March 2, 1960)	Number of the Company's shares held 7,600

New appointment

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2010:	Executive Officer
April 2016:	Managing Executive Officer, Deputy General Manager, Corporate Sector (Current position)

Reason for nominating the candidate for Director

Shinichi Muramoto has abundant experience in the General Administration and Human Resources division, and as the person in charge of the division he has a track record in reforming human resources and remuneration systems so as to enhance corporate value. Due to his superior knowledge of business management, he has been selected as a candidate for Director.

Candidate No. 10	Tetsuo Kuba (February 2, 1954)	Number of the Company's shares held 7,500

Reappointment

Outside Director

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2008:	Director and Senior Managing Executive Officer of KYOCERA Corporation
April 2009:	President and Representative Director, President and Executive Officer of KYOCERA Corporation
April 2013:	Chairman of the Board and Representative Director of KYOCERA Corporation (Current position)
June 2013:	Director (Current position)

Reason for nominating the candidate for Director

Tetsuo Kuba has abundant experience and superior knowledge stemming from his roles as managers in listed companies. We wish to leverage this experience and knowledge in the supervision of the Company's business activities and in its decision making. Accordingly he has again been selected as a candidate for Director.

Candidate No. 11	Nobuyori Kodaira (March 18, 1949)	Number of the Company's shares held 0

Reappointment

Outside Director

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2010:	Senior Managing Director of Toyota Motor Corporation
June 2011:	Director and Senior Managing Officer of Toyota Motor Corporation
June 2012:	Executive Vice President of Toyota Motor Corporation (Current position)
June 2013:	Director (Current position)
June 2015:	Aichi Steel Corporation, Audit & Supervisory Board Member (Current position)

Reason for nominating the candidate for Director

Nobuyori Kodaira has abundant experience and superior knowledge stemming from his roles as manager in listed companies. We wish to leverage this experience and knowledge in the supervision of the Company's business activities and in its decision making. Accordingly he has again been selected as a candidate for Director.

Candidate No. 12	Shinji Fukukawa (March 8, 1932)	Number of the Company's shares held 4,800

Reappointment

Outside Director

Independent Director

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 1988:	Retired as Vice-Minister of Ministry of International Trade and Industry
December 1988:	Senior Advisor of Global Industrial and Social Progress Research Institute (Current position)
November 2002:	Chairman of Japan Industrial Partners, Inc. (Current position)
November 2003:	Administrative Director of Toyo University (Current position)
December 2012:	Chairman of Toyo University (Current position)
June 2014:	Director (Current position)

Reason for nominating the candidate for Director

Shinji Fukukawa has abundant experience and superior knowledge he has gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. We wish to leverage this experience and knowledge to contribute to the enhancement of the Company's corporate value. Accordingly he has again been selected as a candidate for Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has again been nominated as an Independent Director.

Candidate No. 13	Kuniko Tanabe (April 1, 1945)	Number of the Company's shares held 900

Reappointment

Outside Director

Independent Director

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

March 1973:	Registered as attorney at law
February 1982:	Joined Tanabe & Partners Partner (Current position)
June 2003:	Audit & Supervisory Board Member of DAIDO METAL CO., LTD. (Current position)
June 2015:	Director (Current position)

Reason for nominating the candidate for Director

Kuniko Tanabe has no experience of direct involvement in company management, but she has abundant experience and superior knowledge, cultivated as the partner at a law office. From the perspective of leveraging this knowledge and experience to contribute to the sustainable growth of the Company, she has again been selected as a candidate for Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has again been nominated as an Independent Director.

Candidate No. 14	Yoshiaki Nemoto (December 2, 1945)	Number of the Company's shares held 0

New appointment

Outside Director

Independent Director

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 1995:	Professor, Graduate School of Information Sciences, Tohoku University
April 2000:	Head of Information Synergy Center, Tohoku University
April 2004:	Councillor of Educational Research Board, Tohoku University
April 2008:	Director, Tohoku University
April 2012:	Director General of Resilient ICT Research Center, the National Institute of Information and Communications Technology (NICT)

Reason for nominating the candidate for Director

Yoshiaki Nemoto has no experience of direct involvement in company management, but he has a high level of knowledge in information processing, communications and network engineering, which is directly relevant to the business of the Company, as well as a deep understanding of disaster prevention that is valuable for the operation of our business. From the perspective of leveraging this knowledge and experience to enhance the corporate value of the Company, he has been selected as a candidate for Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been nominated as an Independent Director.

Notes: 1. Tetsuo Kuba, Nobuyori Kodaira, Shinji Fukukawa, Kuniko Tanabe and Yoshiaki Nemoto are candidates for Outside Directors.

2. Shinji Fukukawa, Kuniko Tanabe and Yoshiaki Nemoto are candidates for independent director pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
3. The following candidates for Directors have special interests in the Company.
   - Tetsuo Kuba is the Chairman of the Board and Representative Director of KYOCERA Corporation, which has business transactions with the Company.
   - Nobuyori Kodaira is the Executive Vice President of Toyota Motor Corporation, which has business transactions with the Company.
4. There are no special interests between the Company and the candidates other than those mentioned above.
5. We have entered into contracts for Limitation of Liability with Tadashi Onodera, Tetsuo Kuba, Nobuyori Kodaira, Shinji Fukukawa and Kuniko Tanabe 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. In the event that their reelections are approved, we plan to continue these agreements. We also plan to enter into the same agreement with Yoshiaki Nemoto.
6. The term of office of Tetsuo Kuba and Nobuyori Kodaira as Outside Director shall be 3 years at the conclusion of this Annual Shareholders Meeting.
7. The term of office of Shinji Fukukawa as Outside Director shall be 2 years at the conclusion of this Annual Shareholders Meeting.
8. The term of office of Kuniko Tanabe as Outside Director shall be 1 year at the conclusion of this Annual Shareholders Meeting.
9. The numbers of the Company Shares held by each candidate for Directors stated above are the numbers that were held as of March 31, 2016.

Proposal 4: Election of 4 Audit & Supervisory Board Members

Excluding Audit & Supervisory Board Member Hiroshi Kobayashi (whose term of office will expire at the end of the 34th Annual Shareholders Meeting) the terms of office of Audit & Supervisory Board Members Yoshinari Sanpei, Takeshi Abe, Kishichiro Amae and Yukihisa Hirano will expire at the end of this Annual Shareholders Meeting and we therefore propose that 4 Audit & Supervisory Board Members be elected.
Moreover, when selecting candidates for Audit & Supervisory Board Members, our benchmark is a person who has the ability and the knowledge to conduct audits appropriately and independently of Directors. The approval of the Audit & Supervisory Board to submit this resolution has already been obtained.
The candidates for Audit & Supervisory Board Member are as follows.

Candidate No. 1	Kouichi Ishizu (May 19, 1955)	Number of the Company's shares held 10,600
New appointment	**Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions** April 2014: Executive Officer January 2016: Corporate Management Division, Corporate Sector April 2016: Standing Advisor (Current position) **Reason for nominating the candidate for Director** Kouichi Ishizu has abundant experience and knowledge in a variety of areas such as business planning, corporate planning, business administration, public relations, consumer sales and customer service. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been selected as a candidate for Audit & Supervisory Board Member. Furthermore, Kouichi Ishizu is scheduled to be nominated as a full-time Audit & Supervisory Board Member.	

Candidate No. 2	Akira Yamashita (March 10, 1956)	Number of the Company's shares held 0
New appointment Outside Audit & Supervisory Board Member Independent Auditor	**Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions** July 2009: Vice Director-General, Kinki Regional Development Bureau, MLIT October 2011: Advisor, Tokyo Gas Co., Ltd. June 2014: Executive Director, Japan Construction Information Center Foundation (JACIC) (Current position) **Reason for nominating the candidate for Director** Akira Yamashita has no experience of direct involvement in company management, but he has cultivated, abundant experience and knowledge gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been selected as a candidate for Audit & Supervisory Board Member. Moreover, Akira Yamashita is scheduled to be nominated as a full-time Audit & Supervisory Board Member. Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he is scheduled to be nominated as an Independent Director.	

Candidate No. 3	Kakuji Takano (April 7, 1940)	Number of the Company's shares held 0

New appointment

Outside Audit & Supervisory Board Member

Independent Auditor

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

May 1981:	Founded Takano Sogo Accounting Firm
October 2008:	Councillor, Kanagawa Institute of Technology, Ikutoku School (Current position)
July 2010:	Senior representative, Takano Sogo Accounting Firm and Takano Sogo Group (Current position)
May 2014:	Auditor-secretary, Tokyo Medical and Dental Cooperative (Current position)
June 2014:	Auditor, Sourcenext Co., Ltd. (Current position)

Reason for nominating the candidate for Director

Kakuji Takano has abundant experience as a Certified Public Accountant, as the representative of an accountancy firm and as an Audit & Supervisory Board Member for other companies, in addition to which he has cultivated extensive experience and knowledge in the execution of business at various organizations. From the perspective of leveraging this primarily accounting-related knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been selected as candidate for Audit & Supervisory Board Member. Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he is scheduled to be nominated as an Independent Director.

Candidate No. 4	Nobuaki Katoh (November 3, 1948)	Number of the Company's shares held 0

New appointment

Outside Audit & Supervisory Board Member

Independent Auditor

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2008:	President & CEO, Denso Corporation
June 2011:	Audit & Supervisory Board Member, Toyota Boshoku Corporation (Current position)
June 2015:	Chairman, Denso Corporation (Current position)

Reason for nominating the candidate for Director

Nobuaki Katoh has abundant experience as a director of listed companies, and has cultivated, extensive experience and knowledge as an auditor and through execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been selected as candidate for Audit & Supervisory Board Member. Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he is scheduled to be nominated as an Independent Director.

Notes: 1. Akira Yamashita, Kakuji Takano and Nobuaki Katoh are candidates for Outside Audit & Supervisory Board Members. In addition, they are candidates for independent director/auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

2. Denso Corporation, of which Nobuaki Katoh is Chairman, concluded a plea bargain with the U.S. Department of Justice in January 2012 on the basis that the sale of certain automotive components infringed U.S. antitrust laws.

3.

(1) Akira Yamashita is an Executive Director of the Japan Construction Information Center Foundation, which has commercial relationships with the Company in relation to the provision of services in the telecommunications business, but these transactions account for less than 0.1% of operating revenue for the Company on a parent basis. Moreover, while the exact ratio in comparison to the Company's consolidated revenue is unclear, considering the ratio of parent to consolidated operating revenue and the relationship between the two businesses, we believe it is unlikely that the consolidated ratio diverges significantly from the ratio for the parent. Accordingly, we consider it to have no influence on the independence of Outside Auditors.

(2) Kakuji Takano is the Senior Representative of the Takano Sogo Accounting Firm and Takano Sogo Group, which has commercial relationships with the Company in relation to the provision of services in the telecommunications business, but these transactions account for less than 0.1% of operating revenue for the Company on a parent basis. Moreover, while the exact ratio in comparison to the Company's consolidated revenue is unclear, considering the ratio of parent to consolidated operating revenue and the relationship between the two businesses, we believe it is unlikely that the consolidated ratio diverges significantly from the ratio for the parent. Accordingly, we consider it to have no influence on the independence of Outside Auditors.

(3) Nobuaki Katoh is the Chairman of Denso Corporation. Denso Corporation has commercial relationships with the Company in relation to the provision of services in the telecommunications business, but these transactions account for less than 0.1% of operating revenue for the Company on a parent basis. Moreover, while the exact ratio in comparison to the Company's consolidated revenue is unclear, considering the ratio of parent to consolidated operating revenue and the relationship between the Company and Denso Corporation, we believe it is unlikely that the consolidated ratio diverges significantly from the ratio for the parent. Accordingly, we consider it to have no influence on the independence of Outside Auditors.

4. There are no special interests between the Company and the candidates other than those mentioned above.

5. The Company has entered into Limitation of Liability contracts with each Audit & Supervisory Board Member 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.

6. The numbers of the Company Shares held by each candidate for Audit & Supervisory Board Members stated above are the numbers that were held as of March 31, 2016.

Proposal 5: Revision of Remuneration Amount for Audit & Supervisory Board Members

The maximum annual remuneration for Audit & Supervisory Board members was set at ¥100 million by a resolution of the 28th Annual Shareholders Meeting held on June 20, 2012. Currently, this maximum monthly remuneration still stands, and there is a proposal to revise the maximum annual amount to ¥130 million in order to attract competent individuals as Audit & Supervisory Board members and to provide ample scope for them to display their abilities.

If Proposal 4 is approved as proposed, the number of Audit & Supervisory Board members will be 5, the same number as currently.

(Reference) Information on the Guiding Principles of the Corporate Governance Code

Policy and Procedure for the nomination of Director and Audit & Supervisory Board member candidates by the Board of Directors
Philosophy regarding the balance of knowledge, experience and ability of the Board of Directors as well as its diversity and scale
The nomination of Director and Audit & Supervisory Board member candidates involves deliberation by the Nomination Advisory Committee following a selection of candidates based on the below-stated policy. In addition, Audit & Supervisory Board member candidates are approved by the Board of Directors following approval by the Audit & Supervisory Board.
The Company believes that the overall Board of Directors should include members with advanced specialized knowledge and diverse perspectives when making decisions including matters that are important from a management perspective and matters that legally require supervision. Accordingly, in principle the board includes the following members.

Candidates for Director
・People with specialized knowledge and experience in various fields of business
・People who have a shareholder perspective and possess management knowledge
・People who are highly independent and have specialized knowledge appropriate to a supervisor
Currently, one woman candidate has been appointed as an independent outside director.
The Company recognizes the need to appropriately limit the size of the Board of Directors in order to achieve both management effectiveness and speed. Accordingly, the Articles of Incorporation limit the number of the members to 20.

Candidates for Audit & Supervisory Board Member
People who are able to supervise overall management from a perspective independent from directors and who have the extensive experience and broad-ranging insight to enhance audit appropriateness.

Nomination Advisory Committee composition
Chairman: Nobuyori Kodaira (Outside Director)
Vice Chairman: Tetsuo Kuba (Outside Director)
Members of the Committee: Shinji Fukukawa (Outside Director), Kuniko Tanabe (Outside Director), Tadashi Onodera, Takashi Tanaka

Decision Standards for Independence of Outside Directors/Auditors
In addition to the outside directors/auditors requirements in the Companies Act and the independence standards provided by the financial instruments exchange, the Company has formulated its own standards. Specifically, these standards state that people hailing from business partners making up 1% or more of the Company's consolidated net sales or orders placed are not independent.

Policies and Procedures for Determining Remuneration for Directors and Audit & Supervisory Board Members
To clarify directors' management responsibilities and enhance incentives for business improvement, at the 27th Annual Shareholders Meeting on June 16, 2011, a system was introduced to link executive bonuses from fiscal 2011 to the business results of the KDDI Group within 0.1% of consolidated net income during the applicable fiscal year.
In addition, at the 31st Annual Shareholders Meeting on June 17, 2015, the introduction of a stock compensation plan was approved, and this system commenced operation on September 1, 2015. The percentage of remuneration that is performance-linked increased as a result. The KDDI Group sets director remuneration systems and levels in a manner that allows it to respond swiftly to environmental changes while taking into account directors' responsibilities for the management targets of achieving sustainable growth and increased corporate value over the medium to long term.
Remuneration for directors consists of fixed-amount salaries and performance-linked executive bonuses and stock remuneration provided that they are responsible for improving business results every fiscal year, as well as medium- to long-term corporate value. Fixed-amount salaries are based on such factors as directors' professional ranking and the management environment. Executive bonuses and stock remuneration paid are based on the KDDI Group's level of achievement of its performance targets for each fiscal year, as well as on individual directors' roles.
Remuneration of Audit & Supervisory Board members is determined after consultation with the members. These members receive fixed-amount salaries that is not affected by fluctuations in the Company's operating

performance.
To ensure the transparency and fairness of executive remuneration systems and levels, the Company has established a Remuneration Advisory Committee to conduct deliberations and provide advice to the Board of Directors in accordance with the request thereof. The chair, vice-chair and half or more of the members of this committee are outside directors.

Remuneration Advisory Committee composition
Chairman: Tetsuo Kuba (Outside Director)
Vice Chairman: Nobuyori Kodaira (Outside Director)
Member of Committee: Shinji Fukukawa (Outside Director), Kuniko Tanabe (Outside Director), Tadashi Onodera, Takashi Tanaka

Policy on transactions between related parties
In accordance with the Companies Act, the Company requires competitive or conflict-of-interest transactions by directors to be approved by and reported to the Board of Directors.
Individual transactions with major shareholders are conducted in accordance with “”IX. Appropriate Accounting and Adherence to Agreements,” one of the basic principles of the “KDDI Code of Business Conduct.”
In line with this principle, such transactions are decided upon in the same manner as other transactions, through internal requests for decision, rather than by setting special standards. In addition, internal requests for decision are checked by Audit & Supervisory Board members.
Representative directors of Kyocera Corporation and Toyota Motor Corporation, which are major shareholders of the Company, serve as outside directors of the Company. Accordingly, we strike a balance between comprehensive approval by the Board of Directors and internal requests for decisions on individual transactions.

Analysis/ Evaluation of the Board of Directors’ Effectiveness
The Board of Directors of the Company discusses its effectiveness and works to improve its effectiveness.
In the 32nd fiscal year, The Company uses questionnaires to evaluate its Board of Directors in order to obtain an objective understanding of the Company’s situation by eliciting the opinions of outside directors and part-time Audit & Supervisory Board members who have the knowledge and experience that enables them to make comparisons of Boards of Directors at listed companies and who understand actual conditions at the Company’s Board of Directors.
As a result, through spirited discussion including proactive opinions and advice from inside and outside executives, the Company’s Board of Directors conducts decision-making and receives evaluations that the monitoring of annual and other plans is sufficient.
The Company believes its Board of Directors is functioning effectively.
However, we have received opinions stating “The strategy for medium-to long-term growth requires more extensive discussion” and “Receiving information on matters for deliberation in advance would allow for more appropriate deliberations.”
Based on these comments, the Company is working to enhance the effectiveness of its Board of Directors and make ongoing improvements.

Basic Views and Guidelines on Corporate Governance
As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operator our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.
Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders, including customers, shareholders, business partners, employees, and local communities and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and bountiful communications-oriented society.
We recognize reinforcing corporate governance as important to achieving sustainable growth and increased corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the “Corporate Governance Code” defined by the financial instruments exchange. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making.
In addition to our corporate credo and mission statement, we have formulated the “KDDI Group Philosophy,” which defines perspectives, values, and code of conduct that officers and employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.
By proactively adhering to Japan’s Corporate Governance Code and practicing the “KDDI Group Philosophy,” which we consider inseparable from the standpoint of corporate management, we will endeavor to enhance

corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increased corporate value over the medium to long term.

(Documents Appended to the Notice of the 32nd Annual Shareholders Meeting)
BUSINESS REPORT
(April 1, 2015 to March 31, 2016)

1. Current Status of the Corporate Group

(1) Business Developments and Results

Adoption of IFRSs

The Company and its subsidiaries (together referred to as "the Group") have transitioned from Japanese GAAP to International Financial Reporting Standards ("IFRSs") from the 32nd fiscal year. We believe this move will make our financial reporting more internationally comparable as we expand our global business, as well as making the financial information we provide more useful to our stakeholders.

1) Overall Conditions

Operating revenues:

¥4,466,135 million (increased 4.6% year on year)

Operating revenues increased due to increases in mobile communications revenues and revenues from handset sales.

Operating income:

¥833,358 million (increased 25.2% year on year)

Operating income increased mainly due to increased sales despite increases in handset marketing costs and sales commissions.

Profit for the year attributable to owners of the parent:

¥494,465 million (increased 24.9% year on year)

Profit for the year attributable to owners of the parent increased primarily due to an increase in operating income despite an effect of foreign exchange losses and other reason.

Note: The year-on-year comparisons present comparisons with performance figures in conformity with IFRS for the 31st fiscal year.

[Overview of Economic Conditions]

Looking at the global economy, conditions in the United States remain in a recovery phase, mainly in terms of internal demand, as the employment situation continues to improve. Europe is also experiencing a gradual recovery, owing to firm personal consumption. Conversely, in China and other developing economies in Asia, and in resource countries and so forth, there is a risk of subdued business confidence. We will need to continue monitoring global economic trends, including increasing uncertainty in the global economy and fluctuations in financial and capital markets.

The Japanese economy continues to recover modestly, driven by firm capital investment and employment, although some companies are growing cautious because of concerns of a downturn in performance due to a stall in personal consumption and the yen's continued appreciation.

[Industry Trends and Position of the Company]

The Japanese telecommunications market continues to shift from conventional mobile handsets to "smart devices," such as smartphones and tablets. Against this backdrop, the services mobile phone operators offer are growing more similar, and MVNO*1 operators are increasingly promoting inexpensive SIM*2 services. Furthermore, to secure new sources of earnings, telecommunications carriers are expanding their operations in domains other than telecommunications services, and their business strategies are entering an era of major change. In addition, the business environment for the overall telecommunications market is entering a new phase, with the Ministry of Internal Affairs and Communications making new demands of mobile phone operators and formulating guidelines (applied from April 1, 2016) based on its "policy for reducing smartphone rates and normalizing handset sales."

In response to these changes in the business environment, the Company is working to further augment its competitive advantage and grow its business over the medium to long term by promoting its "3M Strategy" and "Global Strategy."

In Japan, based on the "3M Strategy" the Company is boosting its "distinctively au" credentials on several fronts, including networks, terminals, services, customer support, and usage fees. We are working to expand our customer base and promoting a multi-device and multi-use shift. In the multi-device area, in addition to "au Smart Value" and smartphone proliferation we are promoting the use of tablets and other devices as an impetus for growth. In multi-use, we expanded the "au economic zone" by expanding the physical product sales business and strengthening the financial and settlement business, and in April 2016, we entered the electric power retailing business. Membership increased steadily for “au WALLET prepaid card,” operated by the Company’s consolidated subsidiary WebMoney Corporation, and “au WALLET credit card,” operated by the Company’s consolidated subsidiary KDDI Financial Service Corporation, with the number of valid cards issued*3 reaching approximately 1.8 million in total. In line with these multi-device and multi-use promotions, we have introduced two key performance indicators (KPIs): “au ARPA,”*4 with ARPA standing for average revenue per account, for revenues generated per user across multiple devices, and “value ARPA” per au customer.

Overseas, we are reinforcing our foundations for ICT business targeting corporate customers, such as data centers, and striving to pursue such growth opportunities as the telecommunication business in Myanmar.

In other areas, in March 2016, the Company was selected as a “Nadeshiko Issue”*5 for the fourth consecutive year as a company that promotes active roles for women. Furthermore, on the same day the Company was also selected for the “Diversity Management Selection 100,”*6 winning double awards for the first time in its history.

Furthermore, in April 2016, the Company was selected as the leading company or “best advertiser” in the “Corporate Commercial Popularity Ranking” of the CM Research Center for the second consecutive year starting in fiscal 2015.

*1. An abbreviation for “mobile virtual network operator,” which is a wireless communications service provider using wireless communications infrastructure leased from other mobile service providers, etc.

*2. SIM cards provided by MVNOs, which includes communications services provided by MVNOs in a broad sense.

*3. Number of issued cards – number of cancelled cards

*4. Monthly revenue per mobile subscriber (excluding prepaid services and MVNOs)

*5. joint effort by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select companies that are attractive because of their proactive efforts to promote active roles for women.

*6. An initiative in which the Ministry of Economy, Trade and Industry awards companies that have increased their corporate value through diversity-oriented management.

2) Business Conditions by Segment

Personal Services	
Operating Revenues	¥3,503,255 million
(increased 5.2% year on year)	
Operating revenues increased owing to increases in mobile communications revenues and revenues from handset sales through promotion of 3M Strategy.	
Operating Income	¥656,584 million
(increased 20.1% year on year)	
Operating income increased mainly due to an increase in operating revenues despite increases in handset marketing costs and sales commissions.	

TOPICS

Steady growth in "au Smart Value"

"au Smart Value" has gained the backing of many customers and number of members increased steady, with 11.55 million au subscribers and 5.72 million households as of March 31, 2016. Meanwhile, the number of "au Smart Value" affiliates and affiliated services are also steadily increasing.

Expansion of voice call service

In September 2015, we added the "Unlimited Calling Plan S," which allows unlimited free domestic calls up to five minutes per call*, to the "Unlimited Voice & Data Freedom" flat-rate domestic calling plan. The "Unlimited Voice & Data Freedom" thus allows customers to choose from varied combinations according to their needs.

* This is not applicable to some calls. A calling charge of ¥20/30 seconds is charged separately for any call that exceeds five minutes.

* If a two-year contract (automatically renewed) is cancelled, a contact cancellation fee of ¥9,500 is charged (excluding the renewal period).

* The indicated amounts exclude tax.

Launch of product sales business through "au WALLET Market"

In August 2015, we started the "au WALLET Market," which leverages au shops that are the largest contact point between customers and au. au shop staff introduce to customers coming in, and offer assistance for purchasing, goods that meet their preferences and subscription items including grocery and supplies, depending on the life stage, so they can have a safe shopping experience, even if they have never shopped online.

Launch of handsets that meet customer needs

During the fiscal year under review, we provided "TORQUE," the world's first*1 seawater*2 resistant smartphone, "DIGNO®rafre," the world's first*3 smartphone that can be washed with hand soap*4, "AQUOS K," an au VoLTE mobile phone, "mamorino Watch," the Japan's first*5 watch designed for children capable of voice calls to support children's safety, "Qua phone," a smartphone of au original brand series "Qua," and "Qua tab," a tablet thereof, etc. in addition to launching "iPhone 6s" and "iPhone 6s Plus," to appeal to various generations and meet different needs.

*1 For smartphones released as of March 31, 2015 according to NEO MARKETING INC.

*2 KYOCERA Corporation's proprietary durability tests were conducted, which is not a guarantee against all types of seawater.

*3 For smartphones released as of November 1, 2015 according to NEO MARKETING INC.

*4 Waterproof performance equivalent to IPX5/8; KYOCERA Corporation's proprietary durability tests were conducted, which is not a guarantee against all types of hand soap.

*5 As a wristwatch-type communication device for children capable of voice calls as of March 16, 2016 according to ZTE

Corporation

UQ mobile brand MVNO Services

In October 2015, UQ communications Inc., a consolidated subsidiary of the Company, merged with KDDI VALUE ENABLER CORPORATION, which had provided “UQ mobile” brand MVNO services utilizing au’s lines.

After the merger, it launched new rate plans, “Pittari Plan,” a monthly charge of which is ¥2,980 (excluding tax) or more including communication fees and a smartphone cost, in February 2016, which enables customers to get good deals on new smartphones.

Value Services

Operating Revenues	¥271,763 million
(increased 14.3% year on year)	
Operating revenues increased because of increases in the number of subscribers using the “au Smart Pass” service, etc. and revenue of KDDI Financial Service Corporation (hereinafter “KFS”) as well as the consolidation of Jupiter Shop Channel Co., Ltd. (hereinafter “JSC”).	
Operating Income	¥73,803 million
(increased 40.1% year on year)	
Operating income increased primarily due to increased operating revenues despite increases in expenses associated with increased revenue of KFS and JSC becoming a consolidated subsidiary of the Company.	

TOPICS

Making “au Smart Pass” and Other Membership Services More Attractive

The number of subscribers using the “au Smart Pass” service as of March 31, 2016 increased by 1.58 million from March 31, 2015 to 14.47 million. For the “Video Pass,” from August 2015, we collaborated to produce the Japan’s first[*1] original content in the video distribution business that is linked to a regular television broadcast utilizing big data of a telecommunications carrier[*2]. Furthermore, we have started providing “Video Coins” and “Uta Coins” that can be used to purchase videos and music, respectively, as a measure to give back to “Video Pass” and “Uta Pass” subscribers.

*1. As of August 20, 2015 according to the Company

*2. Limited to the statistical analysis data on which customers agreed through the terms of use for the “Video Pass,” “auID,” etc. (exclusive of personally identifiable information)

Challenge to new commerce service

Since August 2015, the Company has started a new online shopping service “au WALLET Market Powered by LUXA” where customers can easily purchase selected items and experiences using smartphones, personal computers, and tablets, collaborating with LUXA, Inc., its consolidated subsidiary. Through this service, we offer products and extraordinary experiences, such as exclusive restaurants and stage tickets, in time-limited sales.

Expansion of financing business

In the financing business, we entered into a capital and business tie-up with LIFENET INSURANCE COMPANY in May 2015. With this alliance we entered the Internet life insurance field, adding to our existing initiatives in Internet banking (Jibun Bank) and Internet general insurance (au Insurance).

Development of new business

In March 2016, Jupiter Telecommunications Co., Ltd. (J:COM), a consolidated subsidiary of the Company, acquired 50% of shares in Jupiter Shop Channel Co., Ltd. (JSC), which is the Japan’s largest TV home shopping company. Along with this, the Company acquired 5% of shares in JSC from Sumitomo Corporation. Through this capital injection, we will achieve the continued enhancement of corporate value of the Group, such as by taking on a new service that combines smartphones and TV home shopping.

Attempts with startups

Under a “concept of cooperation with local governments,” in cooperation with local governments, “KDDI ∞ Labo” provides support for companies recommended by the governments to create innovation in rural areas. In May and October 2015, we and City of Osaka jointly hosted pitch contests, “MeetUP!.” We also held events, in cooperation with Ishinomaki City, Hiroshima Prefecture and Fukuoka City, in November and December 2015 and January 2016, respectively. Excellent companies selected from those cities, then, took the rostrum at DemoDay held in Tokyo. Furthermore, together with Ossia, Inc. with which the Company concluded a capital alliance in January 2015*, the Company worked on joint development of a wireless charging system. The results were exhibited as reference at the CES (Consumer Electronics Show) 2016 in January 2016.

* The Company invested in Ossia, Inc. through a corporate venture fund, KDDI Open Innovation Fund, which is operated by Global Brain Corporation.

Business Services	
Operating Revenues	¥632,032 million
(decreased 4.1% year on year)	
Operating revenues decreased due to decreases in mobile and fixed-line communications revenues despite an increase in solution sales such as IT outsourcing services.	
Operating Income	¥61,436 million
(decreased 19.0% year on year)	
Operating income decreased primarily due to decreased operating revenues despite decreases in sales commissions, communication facility fees, and other expenses.	

TOPICS

Addition of cloud service functions

We have been working on strengthening the “KDDI Cloud Platform Service,” a foundation of cloud computing for corporate customers and started providing “object storage” from September 2015. This offers the flexibility to allow limitless storage of data, which has been growing explosively, and 99.999999999999 (14-nine)% robustness*. The service also enables safet data transfers.

* A figure that indicates that strored data will not be lost or destroyed. The difference between this figure and 100% represents that probability of data loss within one year.

Won the Best Product Award, etc. in the “MCPC* award 2015”!

Systems employing the Company’s mobile services won the Mobile Technology Award, Mobile Public Award, Mobile Small- and Medium-Sized Company Award, and Best Product Award in the “MCPC award 2015.”

The “MCPC award,” comprising the “User Division” and “Provider Division,” commends successful cases in areas such as “enhancing operational efficiency,” “improving operating performance,” “increasing customer satisfaction,” and “promoting social contribution” by introducing a mobile system. Through these efforts, the award aims to further promote the spread of mobile computing.

* Mobile Computing Promotion Consortium

Global Services	
Operating Revenues	¥294,409 million
(increased 5.5% year on year)	
Operating revenues increased due to increases in revenues from the Myanmar telecommunications business, data center business, and other business.	
Operating Income	¥32,145 million
Operating income increased primarily due to loss on business of an overseas subsidiary (DMX Technologies Group Limited) recorded in the previous fiscal year and an increase in operating revenues.	

TOPICS

Promotion of telecommunications business in emerging countries

In the Myanmar telecommunications business, we worked to enhance network quality by increasing the number of mobile phone base stations, reinforcing the operating structure, expanding the service area in line with customer traffic, and other means. We also strengthened points of contact with customers, such as by expanding our brand shops, including regional bases, systemizing our call center, and developing a content portal website.

As a result, the number of mobile phone subscribers has increased to more than 19 million which exceeds three times of the number at the time of signing a joint business agreement in July 2014 and has remained at a higher level than expected.

Furthermore, MobiCom Corporation LLC, a comprehensive communication service provider with the largest share of mobile phone subscribers in Mongolia, became a consolidated subsidiary of the Company in March 2016.

3) Major Equity-method Affiliates

Jibun Bank Corporation

As for Jibun Bank Corporation, which is accounted for using equity method by the Company, the number of accounts reached 2 million, and the balance on Jibun Bank card loans (the total balance of "Jibun Loan" and "Cash One") exceeded ¥100 billion, in September 2015. Furthermore, as part of a vigorous business expansion, on December 1, 2015, Jibun Bank became the first Japanese bank*1 to provide home loans that can be concluded over the Internet using a smartphone or PC to complete all steps from application to contract.

From March 14, 2016, KDDI launched "Jibun Bank toto", enabling consumers to purchase tickets for the sports lotteries "BIG" and "toto" operated by JAPAN SPORT COUNCIL. In conjunction with this, we launched "Term Deposit with BIG," Japan's first*2 term deposit offering a "BIG" ticket in addition to the payment of interest at the completion of the deposit term.

Going forward, Jibun Bank will continue working to enhance its product and service offerings to meet diverse customer needs and enhance convenience.

*1. Based on a study of procedures conducted by Jibun Bank (as of October 28, 2015) for entering into home loan agreements at 139 members of the Japanese Bankers Association, excluding foreign banks.

*2. As of March 14, 2016, study by Jibun Bank

- "iPhone" is a registered trademark of Apple Inc. in the U.S. and other countries. The trademark of iPhone was used under license from AIPHONE CO., LTD.
- "DIGNO" and "TORQUE" are registered trademarks of KYOCERA Corporation.
- "AQUOS" is a registered trademark of Sharp Corporation.
- Other company and product names are registered trademarks or trademarks of their respective companies.

4) Efforts toward Continued Enhancement of Corporate Value

CSR

A project in which an ecological survey of endangered species, dolphins living in murky rivers such as the Ganges, were conducted using sound and audio technology for underwater robots, which KDDI R&D Laboratories, Inc. jointly developed with the University of Tokyo and Kyushu Institute of Technology was evaluated for its contribution to biodiversity conservation activities and won the "FUJISANKEI COMMUNICATIONS GROUP Prize" for the 25th Global Environment Award.

In July 2015, the Company provided an "experimental class of disaster training using smartphones" to high school students in cooperation with Yamanashi Prefectural Education Center. The students learned their respective social roles at the time of disaster through experiences where collecting and transmitting accurate information rapidly ensured their own safety (self-assistance) and led to assistance of socially vulnerable groups including elderly and children, injured persons, etc. (mutual assistance). This was evaluated as a case where industry, government and academia worked on social issues such as regional disaster and information literacy of high school students in cooperation and won the "Encouragement Prize" at the ICT Dream Contest.

KDDI Foundation

KDDI Foundation conducts various social contribution activities including grant activities for research that contributes to the development of the information and communication society and students learning abroad and from abroad and international cooperation with developing countries.

As cooperation with developing countries, it constructed 10 schools so far in rural Cambodia and offered education support programs on computer skills and English. In 2015, it newly started an enrichment program including art and music classes. Furthermore, it newly started an education support program including computer skills and English in Myanmar.

Other than education support programs, in 2015, it conducted projects such as internet connection projects at hospitals, schools, etc. in peripheral regions via satellite communication in Mongolia, and a bus traffic control system development project in Vietnam.

For the latest activities by KDDI Foundation, please see its website (http://blog.kddi-foundation.or.jp/).

(2) Issues Facing the Corporate Group

1) Medium- to Long-Term Management Strategies

The telecommunications industry is experiencing dramatic environmental changes including expansion of low-cost SIM services by MVNOs while products and services offered by carriers are becoming similar such as by the start of their services that offer discount to their subscribers of both mobile and fixed-line communications. The scope, which was the telecommunications field only, is expanding to include fields peripheral to it and, what is more, those other than it, and we are in an age where we compete not only with existing carriers but with companies in other industries. It is expected that this trend will be accelerated as IoT*, which relates to all industrial fields, progresses.

While responding quickly to these changes in the business environment, the Company has established the following new policies for the next three years to achieve sustainable growth.

■ **Business Management Policy**

"Transform into business that provides customer experience value"

Transform into business that provides experience value exceeding customer expectations at all customer contact points.

■ **Business strategy**

Target "sustainable growth in the domestic telecommunications business" and to establish new growth pillars by "maximizing the au economic zone" and "aggressively developing global business."

■ **Financial targets**

Aim to achieve both sustainable profit growth and enhanced shareholder returns.

Medium-term targets from the fiscal years ended March 31, 2017 to 2019 are as follows:

[Profit growth targets]
- Consolidated operating income: CAGR (compound annual growth rate) 7%
- Total transaction amount in au economic zone: Over ¥2 trillion
- M&As for growth: Cumulative total for three years around ¥500 billion

[Shareholder return targets]
- Increase dividend payout ratio from the previous "over 30%" to "over 35%"
- Purchase treasury stock depending on the balance with growth investments
- Aim to keep the number of treasury stock at around 5% of total number of issued stock, and retire excess over the rate

2) Issues to Be Addressed

In line with the Group's new business strategy, we will address issues toward sustainable growth as follows:

■ **Sustainable growth in the domestic telecommunications business**

For the domestic telecommunications business, which is the Company's business foundation, we will work towards sustainable growth, maximizing "ID×ARPA." To maximize "ID×ARPA," we will promote "multi-device" including further penetration of smartphones and tablets, and response to IoT devices as well as refine "characteristics of au" and enhance the "au" brand to be chosen by customers through increasing customer experience value.

■ **Maximization of au economic zone**

In addition to the traditional telecommunications service, we will comprehensively offer "au life design" including settlement, product sales, energy, and financing services and aim to expand the "au economic zone," leveraging our domestic telecommunications business foundation and generating synergies.

The Company provides product sales service through "au WALLET Market," and we will strengthen the links between services even further using contact points such as au shops and our customer base, which are our strengths. We will combine our entry into the energy business with "au denki” and others, as well as our establishment of the finance business to build a cyclical business model for the “au economic zone” centered on au WALLET.

■ **Aggressive development of global business**

The Company’s consolidated subsidiary, KDDI Summit Global Myanmar Co., Ltd., is currently working with Myanma Posts & Telecommunications (MPT), the country’s nationally operated telecommunications partner, in the Myanmar telecommunications business. Here, the Company will use the business experience and technological capabilities it has cultivated in Japan and overseas to contribute to the country’s economic and industrial development and improving the lives of its citizens, while making a focused effort to build these operations so into an important future pillar for its global business.

In data center and other ICT businesses for corporate customers as well, the Company will continue to reinforce its infrastructure in order to expand its global business.

* An abbreviation for Internet of Things; Indicates a concept that everything has communication functions and connects to the network, sends data collected by sensors, utilizes data on cloud computing, or automatically controls something based on such data.

(3) Changes in Assets and Profit and Loss

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

(Items that contain "/" are displaying "Japanese GAAP / IFRS" accounting items.)

(millions of yen unless otherwise indicated)

	29th fiscal year (FY2013.3)	30th fiscal year (FY2014.3)	31st fiscal year (FY2015.3)		32nd fiscal year (FY2016.3)
	Japan GAAP			IFRS	
Operating revenues	3,662,288	4,333,628	4,573,142	4,270,094	4,466,135
Telecommunications business	2,432,726	2,609,157	2,734,554	–	–
Incidental business	1,229,562	1,724,471	1,838,587	–	–
Operating income	512,669	663,245	741,298	665,719	833,358
Ordinary income	514,421	662,887	752,402	–	–
Net income / Profit for the year attributable to owners of the parent	241,469	322,038	427,931	395,805	494,465
Net income per share / Basic earnings per share (yen)	105.30	132.87	170.84	158.01	197.56
Total assets	4,084,999	4,945,756	5,250,364	5,626,725	5,807,249
Liabilities / Total liabilities	1,761,635	2,028,767	2,011,615	2,403,713	2,297,792
Net assets / Total equity	2,323,363	2,916,989	3,238,748	3,223,012	3,509,458

Notes: 1. Figures in conformity with Japan GAAP were rounded down to the nearest million yen, and those in conformity with IFRS were rounded up or down to the nearest million yen.

2. The Company conducted a 1:100 share split on common stock as of October 1, 2012, a 1:2 share split on common stock as of April 1, 2013 and a 1:3 share split on common stock as of April 1, 2015. Net income per share and basic earnings per share for the 31st fiscal year are calculated as if the share splits were conducted at the beginning of the 29th fiscal year.

3. Concerning the calcuation of basic earnings per share of the 32nd fiscal year, shares of treasury stock were counted as being 201,421,255 shares, which includes the Company's shares owned by the Officer Remuneration BIP Trust and the Stock Grant ESOP Trust (1,738,000 shares).

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

(millions of yen unless otherwise indicated)

	29th fiscal year (FY2013.3)	30th fiscal year (FY2014.3)	31st fiscal year (FY2015.3)	32nd fiscal year (FY2016.3)
	Japan GAAP			
Operating revenues	3,366,079	3,585,292	3,728,416	3,827,164
Telecommunications business	2,332,637	2,457,256	2,538,123	2,598,729
Incidental business	1,033,441	1,128,036	1,190,292	1,228,435
Operating income	465,145	542,110	614,811	613,950
Ordinary income	472,883	573,727	635,405	649,714
Profit	231,348	356,004	403,263	445,681
Earnings per share (yen)	100.89	146.88	160.99	178.07
Total assets	3,910,233	4,014,992	4,317,272	4,379,181
Liabilities	1,678,657	1,303,419	1,363,002	1,196,533
Net assets	2,231,575	2,711,573	2,954,269	3,182,649

Notes: 1 Figures for the 29th fiscal year and 30th fiscal year were rounded down to the nearest million yen, and those for the 31st fiscal year and 32nd fiscal year were rounded up or down to the nearest million yen.

2. The Company conducted a 1:100 share split on common stock as of October 1, 2012, a 1:2 share split on common stock as of April 1, 2013 and a 1:3 share split on common stock as of April 1, 2015. Net income per share is calculated as if the share splits were conducted at the beginning of the 29th fiscal year.

3. Concerning the calcuation of net income per share of the 32nd fiscal year, shares of treasury stock were counted as being 201,421,255 shares, which includes the Company's shares owned by the Officer Remuneration BIP Trust and the Stock Grant ESOP Trust (1,738,000 shares).

(4) Financing Activities of the Corporate Group

During the fiscal year under review, we borrowed long- and short-term loans from financial institutions totaling ¥204,000 million to be used as a part of funds for the redemption of bonds, loan repayments, capital investments and investments.

(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 total amount of capital investments in telecommunications facilities completed and used for businesses of the Group during the fiscal year under review was ¥500,490 million.

Our principal capital investments are as follows:

1) Mobile-related facilities

The Group carried out capital investments in construction of new and additional wireless base stations and switching equipment due to the expansion of LTE services and the increase in data traffic.

2) Fixed-line-related facilities

We expanded the fixed-line communication network in response to the increase in mobile communications data traffic and installed new facilities/expanded existing facilities related to FTTH and cable television.

(6) Principal Businesses of the Corporate Group (As of March 31, 2016)

The Group comprises the Company, 164 consolidated subsidiaries (Japan: 87 companies, overseas: 77 companies) and 34 equity-method affiliates (25 in Japan and 9 overseas).

The businesses of the Group are classified into segments in accordance with the type of service and the customer attributes. The principal services of each segment are presented below.

Business segment	Principal service
Personal Services	Communications services for households and individuals (au mobile phone, FTTH, CATV), etc.
Value Services	Various financial and commerce services, various applications, distribution of videos and music, and advertisement distribution
Business Services	For companies communications services (ICT solution, data center)
Global Services	Communications services for companies and individuals overseas (ICT solution, data center)

(7) Offices of the Company (As of March 31, 2016)

(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.)	21 branch offices, 98 branches, 5 customer service centers, etc.
(Technical centers, etc.)	18 technical/engineering support centers 3 technology maintenance centers, 1 transmitting station
(Overseas offices)	Geneva, Beijing, Shanghai

(8) Principal Subsidiaries (As of March 31, 2016)

1) Businesses in Principal Subsidiaries

Company name	Location	Capital	Ratio of capital contribution	Principal business
Okinawa Cellular Telephone Company	Okinawa	Million yen 1,415	% 51.5	au mobile communication services
Jupiter Telecommunications Co., Ltd.	Tokyo	37,550	50.0	Operation and management of cable TV companies and program distribution companies
UQ Communications Inc.	Tokyo	71,425	32.3	Wireless broadband services
Chubu Telecommunications Co., Inc.	Aichi	38,816	80.5	Telecommunications services in Chubu region
KDDI FINANCIAL SERVICE CORPORATION	Tokyo	5,245	90.0	Credit card business, settlement agency business
Syn. Holding, Inc.	Tokyo	100	91.1	Holding company of an Internet services company
Jupiter Shop Channel Co., Ltd.	Tokyo	4,400	(55.0)	Television shopping business
KDDI MATOMETE OFFICE CORPORATION	Tokyo	1,000	95.0	Supporting IT environment for small and medium-sized companies
KDDI Engineering Corporation	Tokyo	1,500	100.0	Construction, maintenance and operation support for communications facilities
KDDI Evolva Inc.	Tokyo	100	100.0	Call center service and temporary staff service
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 Corporation of America	USA	Thousand US$ 5	(70.8)	Data center services in the US
TELEHOUSE International Corporation of Europe Ltd	UK	Thousand STG£ 47,167	(92.8)	Data center services in Europe
KDDI China Corporation	China	Thousand RMB 13,446	85.1	Sales, maintenance and operation of telecommunications equipment in China
KDDI Summit Global Myanmar Co., Ltd.	Myanmar	Thousand US$ 200,000	(100.0)	Telecommunications services in partnership with a state-run postal and telecommunications business entity in Myanmar (MPT)
CDNetworks Co., Ltd.,	Korea	Thousand W 7,150,000	97.8	Provision of contents delivery network (CDN)
KDDI Singapore Pte Ltd	Singapore	Thousand S$ 10,255	100.0	Telecommunications services in Singapore

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

2) Changes in Business Combinations

On March 14, 2016 the Group acquired 55% of the shares of Jupiter Shop Channel Co., Ltd., Jupiter Shop Channel Co., Ltd. has become a consolidated subsidiary of the Company.

(9) Employees (As of March 31, 2016)

1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	15,564
Value Services	2,305
Business Services	4,659
Global Services	5,090
Others	4,216
Total	31,834

2) Employees of the Company

No. of employees	Year-on-year increase	Average age	Average length of service
10,775	104	42.0	17.3 years

Note: No. of employees does not include 2,405 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2016)

Creditor	Loans outstanding
	Millions of yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	118,000
Development Bank of Japan, Inc.	92,723
Mizuho Bank, Ltd.	83,000
Sumitomo Mitsui Banking Corporation	66,000
Mitsubishi UFJ Trust and Banking Corporation	35,500

2. **Shares** (As of March 31, 2016)

On April 1, 2015, the Company conducted a 1:3 share split on common stock.

(1) Total Number of Authorized Shares 4,200,000,000 shares

Note: Following the stock split that came into effect on April 1, 2015, the total number of authorized shares increased by 2,800,000,000 shares.

(2) Total Number of Issued Shares 2,690,890,800 shares (including 199,683,255 shares of treasury stock)

Note: Following the stock split that came into effect on April 1, 2015, the total number of issued shares increased by 1,793,927,200 shares.

(3) Number of Shareholders 63,155 (increase of 5,919 from the previous year-end)

(4) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
KYOCERA Corporation	335,096,000	13.45
Toyota Motor Corporation	298,492,800	11.98
The Master Trust Bank of Japan, Ltd. (Trust Account)	155,040,700	6.22
Japan Trustee Services Bank, Ltd. (Trust Account)	128,185,000	5.14
State Street Bank & Trust Company	73,749,531	2.96
State Street Bank & Trust Company 505223	37,105,703	1.48
Japan Trustee Services Bank, Ltd. (Trust Account 4)	28,363,900	1.13
State Street Bank West Client-Treaty 505234	26,797,450	1.07
Japan Trustee Services Bank, Ltd. (Trust Account 9)	25,228,300	1.01
State Street Bank & Trust Client Omnibus Account OM02 505002	25,109,401	1.00

Note: Although the Company holds 199,683,255 shares of treasury stock, it is excluded from the list of principal shareholders presented above. The shareholding ratio is calculated after deducting the shares of treasury stock. The shares of treasury stock does not include the Company's shares owned by the Officer Remuneration BIP Trust and the Stock Grant ESOP Trust (1,738,000 shares).

3. Directors and Audit & Supervisory Board Members

(1) Names and Other Details of Directors and Audit & Supervisory Board Members

(As of March 31, 2016)

Position	Name	Responsibilities in the Company and important concurrent positions
Chairman, Director	Tadashi Onodera	Director of KYOCERA Corporation Director of Daiwa Securities Group Inc.
President, Representative Director	Takashi Tanaka	General Manager, Corporate & Marketing Communications Sector
Executive Vice President, Representative Director	Hirofumi Morozumi	General Manager, Corporate Sector
Senior Vice President, Representative Director	Makoto Takahashi	General Manager, Value Business Sector and Global Business Sector
Senior Vice President, Representative Director	Yuzo Ishikawa	General Manager, Consumer Business, Business Headquarters, Solution Business, Media and CATV Business Division and Product & Customer Service Sector
Associate Senior Vice President, Director	Masahiro Inoue	Associate General Manager, Technology Sector Engineering and Operations
Associate Senior Vice President, Director	Tsutomu Fukuzaki	General Manager, Consumer Marketing Division and Consumer Sales Division
Associate Senior Vice President, Director	Hidehiko Tajima	General Manager, Global Consumer Business Division Global Business Sector
Associate Senior Vice President, Director	Yoshiaki Uchida	General Manager, Technical Planning Division Technology Sector
Director	Tetsuo Kuba	Chairman of the Board and Representative Director of KYOCERA Corporation
Director	Nobuyori Kodaira	Executive Vice President and Representative Director of Toyota Motor Corporation Audit & Supervisory Board Member of Aichi Steel Corporation
Director	Shinji Fukukawa	Chairman of Toyo University
* Director	Kuniko Tanabe	Partner of Tanabe & Partners Audit & Supervisory Board Member of DAIDO METAL CO., LTD.
Full-time Audit & Supervisory Board Member	Yoshinari Sanpei	
Full-time Audit & Supervisory Board Member	Hiroshi Kobayashi	
Full-time Audit & Supervisory Board Member	Takeshi Abe	
Audit & Supervisory Board Member	Kishichiro Amae	Director of Konoike Transport Co., Ltd.
Audit & Supervisory Board Member	Yukihisa Hirano	Director of BROTHER INDUSTRIES, LTD.

Notes: 1. Director with * is a new Director who was elected at the 31st Annual Shareholders Meeting held on June 17, 2015.
2. Director Hideo Yuasa retired as of the conclusion of the 31st Annual Shareholders Meeting held on June 17, 2015.
3. Each of Directors Tetsuo Kuba, Nobuyori Kodaira, Shinji Fukukawa and Kuniko Tanabe is an Outside Director.
4. Each of full-time Audit & Supervisory Board Members Takeshi Abe, Audit & Supervisory Board Members Kishichiro Amae and Yukihisa Hirano is an Outside Audit & Supervisory Board Member.
5. Each of Directors Shinji Fukukawa and Kuniko Tanabe, full-time Audit & Supervisory Board Member Takeshi Abe, Audit & Supervisory Board Members Kishichiro Amae and Yukihisa Hirano 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 Audit & Supervisory Board Members

1) Amounts of Executive Salaries to Directors and Audit & Supervisory Board Members

Category		Total amount of Executive Salaries (Millions of yen)	Number to be paid	Total amount of Executive Salaries by type (Millions of yen)	
				Executive Bonuses	Stock Remuneration
Directors	Outside Directors	44	4	–	–
	Others	622	10	140	111
	Total	665	14	140	111
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	43	3	–	–
	Others	47	2	–	–
	Total	90	5	–	–

Notes:
1. The above-stated remuneration for Directors includes amounts for one Director who retired at the conclusion of the 31st Annual Shareholders Meeting held on June 17, 2015. The number of Directors to be paid executive bonuses and stock remuneration is nine, excluding the said Director.
2. The maximum executive salaries for Directors was set at ¥50 million by a resolution of the 30th Annual Shareholders Meeting held on June 18, 2014.
3. The maximum annual executive salaries for Audit & Supervisory Board Members was set at ¥100 million by a resolution of the 28th Annual Shareholders Meeting held on June 20, 2012. This amount is calculated based on the Company's fiscal year.
4. Executive bonuses for Directors are 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 Shareholders Meeting held on June 16, 2011.
5. The decision to introduce the performance-linked stock-type incentive program for Directors (Officers' Remuneration BIP Trust) was resolved at the 31st Annual Shareholders Meeting held on June 17, 2015.
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 Shareholders Meeting held on June 24, 2004.

2) Policy on Decision of Content of Remunerations

The Company has established policies on determining remuneration for Directors and Audit & Supervisory Board Members, as follows. The Company has also formed a Remuneration Advisory Committee which is to act as a body that, in response to the request of the Board of Directors, deliberates on matters of executive compensation schemes and levels, and provides advice in that regard, with the aim of ensuring transparency and objectivity regarding such matters. The Chairman of the Remuneration Advisory Committee, and a majority of its members, are Outside Directors.

a. Policy on remuneration for Directors
   Remuneration for Directors consists of fixed-amount salaries, executive bonuses and stock remuneration 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 and stock remuneration paid 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 Audit & Supervisory Board Members
   Remuneration for Audit & Supervisory Board Members is based on discussions within the Members and is only a fixed-amount salary that is not linked to the business results of the Company.

(3) Outline of Contracts for Limitation of Liability

Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for Limitation of Liability between ten persons including Director Tadashi Onodera, each of the Outside Directors and Outside Audit & Supervisory Board Members as provided for in Article 423, Paragraph 1 of the Companies Act.

The maximum amount of the liability for damage based on said contracts is the amount prescribed in applicable laws and regulations.

(4) Outside Directors and Outside Audit & Supervisory Board Members

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

- Director Tetsuo Kuba is the Chairman of the Board and Representative Director of KYOCERA Corporation. KYOCERA Corporation has business transactions with the Company.
- Director Nobuyori Kodaira is the Executive Vice President and Representative Director of Toyota Motor Corporation and Audit & Supervisory Board Member of Aichi Steel Corporation. Toyota Motor Corporation and Aichi Steel Corporation have business transactions with the Company.
- Director Kuniko Tanabe is Partner of Tanabe & Partners and Audit & Supervisory Board Member of DAIDO METAL CO., LTD. Tanabe & Partners and DAIDO METAL CO., LTD have business transactions with the Company.
- Audit & Supervisory Board Member Kishichiro Amae is the Director of Konoike Transport Co., Ltd. Konoike Transport Co., Ltd. has business transactions with the Company.
- Audit & Supervisory Board Member Yukihisa Hirano is the Director of BROTHER INDUSTRIES, LTD. BROTHER INDUSTRIES, LTD. has business transactions with the Company.

2) Principal Activities during the Fiscal Year Under Review

a. Attendance at meetings of the Board of Directors and meetings of the Audit & Supervisory Board

(Directors)

- Director Tetsuo Kuba attended eleven of the twelve meetings of the Board of Directors.
- Director Nobuyori Kodaira attended twelve of the twelve meetings of the Board of Directors.
- Director Shinji Fukukawa attended twelve of the twelve meetings of the Board of Directors.
- Director Kuniko Tanabe attended ten of the ten meetings of the Board of Directors.

* The attendance record of Director Kuniko Tanabe began after her appointment as new Director at the 31st Annual Shareholders Meeting held on June 17, 2015.

(Audit & Supervisory Board Members)

- Audit & Supervisory Board Member Takeshi Abe attended twelve of the twelve meetings of the Board of Directors and twelve of the twelve meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Kishichiro Amae attended eleven of the twelve meetings of the Board of Directors and eleven of the twelve meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Yukihisa Hirano attended twelve of the twelve meetings of the Board of Directors and twelve of the twelve meetings of the Audit & Supervisory Board.

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 Audit & Supervisory Board Members attended meetings of the Board of Directors and the Audit & Supervisory Board 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. Accounting Auditor

(1) Name of Accounting Auditor

Category	Name	Remarks
Accounting auditor	PricewaterhouseCoopers Kyoto	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
PricewaterhouseCoopers Kyoto	450	651

Notes: 1. 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.

2. The Audit & Supervisory Board has checked the audit plan, audit details, the number of man-hours required to conduct the audit and the price per man-hour as well as having compared previous historical figures to planned figures in order to consider the reasonableness of the remuneration. As a result it has determined that the decision of Representative Directors with regard to the remuneration of the independent auditor was reasonable and approves the same.

(3) Non-audit Services

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

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

When the Audit & Supervisory Board 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 Audit & Supervisory Board, based on the Audit & Supervisory Board’s Rules, shall submit a supplementary proposal for the “Dismissal of Accounting Auditor” or “Non-reappointment of Accounting Auditor” to a shareholders meeting.

(5) Outline of Contracts for Limitation of Liability

The Company has not concluded the contract between the accounting auditor under the provisions of Article 427, Paragraph 1 of the Companies Act.

(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.

5. An Overview of the Operating Status of Systems for Ensuring the Appropriate Business Operations

The Company's "Systems for Ensuring the Appropriate Business Operations" is posted on the Company's website. No changes have been made from the content in last year's Business Report.

In accordance with the provisions of Article 362, Paragraph 4, Item 6 of the Companies Act, the Company passed a resolution approving the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. Based on this, the Company strives to ensure fair, transparent and efficient execution of its corporate duties and to increase corporate quality.

1. Corporate Governance

(1) The Board of Directors

The Company holds meetings of the Board of Directors based on the Board of Directors Rules and agenda standards of the Board of Directors.

In fiscal 2015 the Board of Directors met 12 times to discuss important matters as set down by laws and regulations, in addition to which it worked to supervise and ensure the appropriate execution of duties by Directors.

Information pertaining to the execution of business duties by the Directors is stored and managed appropriately in accordance with Board of Directors Rules.

(2) System for executing business operations

1) Regarding the execution of business operations, the Company has adopted an executive officer system with the aim of clarifying both the delegation of authority and responsibility system, based on Administrative Officer / Executive Officer Rules.

2) The Corporate Management Committee shall discuss and determine important matters pertaining to the execution of business operations, based on the Corporate Management Committee rules.
In fiscal 2015, the Corporate Management Committee met 15 times to discuss and determine important matters for management.

(3) System for ensuring the effective execution of business duties by Audit & Supervisory Board Members

1) In addition to attending meetings of the Board of Directors, the Company's Audit & Supervisory Board Members attend the main internal meetings, such as those of the Corporate Management Committee, the Disclosure Committee, the KDDI Group Business Ethics Committee and the Information Security Committee.

2) In fiscal 2015 regular meetings to exchange opinions with the representative directors, informal gatherings between representative directors and part-time Audit & Supervisory Board Members, and one-on-one meetings with Directors numbered 11 in total. In addition there were exchanges of opinion with the Directors of the 31 domestic and overseas Group companies and with the internal audit division (eight times annually), with the aim fostering cooperation by having executives supply information to and exchange opinions with Audit & Supervisory Board Members.
With regard to other important matters reported to management, on each occasion these were relayed to Audit & Supervisory Board Members.

3) The Auditing Office was established to support the business duties of the Audit & Supervisory Board Members. With regard to Office staff, the Personnel Department gives due consideration to the opinion of the Audit & Supervisory Board Members and ensures that there is a full complement of personnel.

4) In December 2015 the rules for processing internal reports were revised with the effect of making it clear that persons making a report to Audit & Supervisory Board Members would not be penalized for doing so.

5) Expenses incurred by Audit & Supervisory Board Members in the execution of their duties for which expense claims are received are paid as appropriate.

2. Compliance

(1) KDDI Action Guideline formulation and awareness

The Company has formulated the "KDDI Action Guideline," basic rules with which all Directors and employees should comply, however, in order to reflect the changes in the current business environment, it was revised in April 2016.

(2) Dealing with antisocial forces

The Company held investigative meetings on antisocial forces twice in 2015 and checked the status of operations.

(3) KDDI's business ethics activities

In order that each KDDI Group company may promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents, KDDI Group companies hold regular Business Ethics Committee meetings and report on the results of business ethics activities for the entity holding the meeting, as well as approving policy for activities during the next fiscal year.

(4) Internal Reporting System

For the appropriate operation of the internal reporting system, in addition to publicizing reporting hotlines throughout the KDDI group, during business ethics month, group companies conduct activities to raise awareness, such as placing posters within offices.

(5) Internal and external training and internal enhancement activities related to compliance

In order to raise the awareness of compliance amongst employees, various training programs are implemented for managers, administrators and general employees.

3. Risk Management for Achieving Business Objectives Fairly and Efficiently

(1) Monitoring for business risk and thoroughly managing results

At the Corporate Management Committee, important issues including the business risk of each case are deliberated and decided.

In addition, while giving consideration to the matters decided at the Corporate Management Committee, monitoring of business risks is carried out constantly and from the viewpoint of earnings management, profitability review meetings are held monthly.

(2) Constructing and operating a “persons responsible for internal control” structure

The Company has nominated a person responsible for internal control in each division and each Group company, who autonomously promote risk management to allow the reasonable and efficient achievement of management targets.

1) Drawing up and implementing risk management policies

When deliberating and deciding important matters related to execution of business at the Corporate Management Committee, the risk management activity policies and operational status are reported twice a year. In fiscal 2015 an External Investigating Committee was set up to deal with the DMX case and this Committee submitting suggestions for preventing a recurrence. It also reports on solutions and the status of implementation.

2) Risk inspection

Under the supervision of the Corporate Risk Management Division, each division and Group companies implement risk inspections three times a year, at the beginning of the year, at the end of the first half and the end of the second half in order to check important risk issues and the status of responses to the same.

3) Securing the reliability of financial reporting

Internal control assessments aimed at ensuring the reliability of financial reporting are conducted in accordance with an internal control report system based on the Financial Instruments and Exchange Act with the aim of improved resolution of improprieties.

4) Activities to improve quality of business operations

The Company implements activities in each company to improve the quality of business operations of the KDDI Group, such as effectiveness and efficiency of business operations, while each division establishes targets and the entire company works together to improve business processes.

(3) Initiatives as a Telecommunications Carrier:

1) Protecting the privacy of communications

With regard to “privacy of communications” the Company approaches the issue of protecting this privacy from a variety of angles, such as structures, business processes and systems. In case of occurrence of problems, the Company appropriately deals with such problems in accordance with laws and regulations, and the Company is working on considering and implementing measures to prevent a recurrence.

2) Information security

In order to prevent leaks of customer information and cyber-terrorism against networks for telecommunication services, the Information Security Committee meets six times a year to plan and promote the information security measures of the KDDI Group.

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, the Company has formulated a Business Continuity Plan (BCP).

In fiscal 2015, as well as revising the BCP for the whole company, the Company also carried out various types of exercise based on the assumption of a state of emergency in preparation the occurrence of a disaster.

4. Initiatives relating to working together with stakeholders

(1) Initiatives to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base

1) Total Customer Satisfaction (TCS) activities

The Company regards all of its stakeholders as customers and its Total Customer Satisfaction (TCS) Committee meets once a month as a rule to promote TCS activities, seeking to improve customer satisfaction by having all Directors and employees respond promptly and appropriately to customer requests and complaints.

In fiscal 2015, the Consumer, Solutions and technical issues were discussed, improvement measures were considered and subsequently implemented.

2) Provision of appropriate information to customers

In order to provide customers with the appropriate information for them to be able to appropriately choose and use products and services, in addition to having a Creative Administration Office within the Company to manage marketing and novelty goods for consumers, in cases where there is a risk that the Act against Unjustifiable Premiums and Misleading Representations has been infringed, the Company prepares and operates the internal structure and the flow of reports.

(2) Enhancing the KDDI Group's PR and IR

The Company's "basic IR Policy," which provides the direction to the Company's IR activities, has been set out by the Board of Directors and is available on the corporate website, having been amended in September 2015.

We will strive to further improve the KDDI Group's PR and IR activities by providing investment meetings for individual investors, analysts and institutional investors in Japan and overseas and by providing various IR materials on the corporate website.

(3) Disclosure of information related to the business risks and CSR initiatives of the KDDI Group

The Company holds meetings of its Disclosure Committee four times a year, and deliberates on matters concerning information disclosure.

Moreover, the Company gathered together non-financial information related to the environment, society and governance in a report that was released in August 2015.

5. Systems for Ensuring Appropriate Business Operations of the Corporate Group

(1) Expanding the "Persons responsible for internal control" systems to the whole of the KDDI Group

In April 2014 we enlarged the "persons responsible for internal control" system to include Group companies throughout Japan as well as key supervising locations overseas. The Company will construct from this a structure that allows unified risk management for the whole of the Group.

(2) System for appropriate and timely reports from Group companies

All companies of the Group and the Company hold the Risk Management Liaison Meeting twice a year, where risk information is thoroughly reported.

Rules for Group companies reporting accidents and the like to the Company have been stipulated for each company.

(3) Risk management at Group companies

Persons responsible for internal control at Group companies carry out inspections related to important risks at each company, exposing the issues and managing the response while also reporting the results of the inspection to the head office.

(4) KDDI Group Business Ethics Activities

At the Business Ethics Committee meetings, held in principle twice-yearly by each company of the KDDI Group, participants share information on compliance problems as well as the status of accident occurrence and measures for dealing with them.

6. Internal Audits

The Corporate Management Committee decides the internal audit plan for the whole operations of the KDDI Group and internal audits were implemented based on this plan.

Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial Position

(Unit: Millions of yen)

Account item	As of March 31, 2016	(Reference) As of March 31, 2015
Assets		
Non-current assets:	4,067,847	3,951,491
Property, plant and equipment	2,485,948	2,541,099
Goodwill	493,733	343,136
Intangible assets	728,020	699,332
Investments accounted for using the equity method	71,011	61,621
Other long-term financial assets	112,809	97,824
Retirement benefit assets	–	26,035
Deferred tax assets	103,388	110,988
Other non-current assets	72,938	71,457
Current assets:	1,739,403	1,675,235
Inventories	79,626	75,837
Trade and other receivables	1,357,820	1,231,095
Other short-term financial assets	14,966	9,023
Income tax receivables	8,142	242
Other current assets	86,648	82,719
Cash and cash equivalents	192,200	276,317
Total assets	5,807,249	5,626,725

Account item	As of March 31, 2016	(Reference) As of March 31, 2015
Liabilities		
Non-current liabilities:	1,339,244	1,213,523
Borrowings and bonds payable	956,800	846,701
Other long-term financial liabilities	174,791	148,367
Retirement benefit liabilities	20,255	14,826
Deferred tax liabilities	26,464	35,921
Provisions	7,635	7,129
Other non-current liabilities	153,299	160,578
Current liabilities:	958,548	1,190,190
Borrowings and bonds payable	96,836	149,760
Trade and other payables	426,172	535,489
Other short-term financial liabilities	25,037	20,698
Income taxes payables	120,818	165,402
Provisions	20,390	11,311
Other current liabilities	269,294	307,530
Total liabilities	2,297,792	2,403,713
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	368,245	369,722
Treasury stock	(210,861)	(161,822)
Retained earnings	2,995,422	2,686,824
Accumulated other comprehensive income	13,570	27,462
Total equity attributable to owners of the parent	3,308,228	3,064,038
Non-controlling interests	201,230	158,974
Total equity	3,509,458	3,223,012
Total liabilities and equity	5,807,249	5,626,725

(Note) Amounts of items are rounded to the nearest million yen.

Consolidated Statement of Income

(Unit: Millions of yen)

Account item	For the fiscal year ended March 31, 2016	(Reference) For the fiscal year ended March 31, 2015
Operating revenue	4,466,135	4,270,094
Cost of sales	2,540,338	2,511,226
Gross profit	1,925,797	1,758,868
Selling, general and administrative expenses	1,106,798	1,106,444
Other income	12,866	13,069
Other expense	3,677	4,697
Share of profit of investments accounted for using the equity method	5,170	4,923
Operating income	833,358	665,719
Finance income	1,848	8,216
Finance cost	19,638	15,602
Other non-operating profit and loss	3,616	4,533
Profit for the year before income tax	819,185	662,867
Income tax	253,649	243,343
Profit for the year	565,536	419,524
Profit for the year attributable to:		
Owners of the parent	494,465	395,805
Non-controlling interests	71,071	23,719
Profit for the year	565,536	419,524

(Note) Amounts of items are rounded to the nearest million yen.

Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2016

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total		
As of April 1, 2015	141,852	369,722	(161,822)	2,686,824	27,462	3,064,038	158,974	3,223,012
Comprehensive income								
Profit for the year	–	–	–	494,465	–	494,465	71,071	565,536
Other comprehensive income	–	–	–	–	(36,890)	(36,890)	(3,004)	(39,894)
Total comprehensive income	–	–	–	494,465	(36,890)	457,575	68,066	525,641
Transactions with owners and other transactions								
Cash dividends	–	–	–	(162,860)	–	(162,860)	(29,860)	(192,720)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(22,998)	22,998	–	–	–
Purchase and disposal of treasury stock	–	(1,010)	(49,039)	–	–	(50,050)	–	(50,050)
Changes due to business combination	–	–	–	–	–	–	16,803	16,803
Changes in interests in subsidiaries	–	(1,846)	–	–	–	(1,846)	(12,754)	(14,599)
Other	–	1,379	–	(8)	–	1,371	–	1,371
Total transactions with owners and other transactions	–	(1,477)	(49,039)	(185,867)	22,998	(213,385)	(25,811)	(239,195)
As of March 31, 2016	141,852	368,245	(210,861)	2,995,422	13,570	3,308,228	201,230	3,509,458

(Reference) For the fiscal year ended March 31, 2015

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total		
As of April 1, 2014	141,852	385,945	(161,822)	2,374,381	43,589	2,783,946	128,644	2,912,589
Comprehensive income								
Profit for the year	–	–	–	395,805	–	395,805	23,719	419,524
Other comprehensive income	–	–	–	–	25,757	25,757	523	26,280
Total comprehensive income	–	–	–	395,805	25,757	421,562	24,241	445,804
Transactions with owners and other transactions								
Cash dividends	–	–	–	(125,247)	–	(125,247)	(6,841)	(132,087)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	41,885	(41,885)	–	–	–
Purchase and disposal of treasury stock	–	–	(0)	–	–	(0)	–	(0)
Changes in interests in subsidiaries	–	(16,194)	–	–	–	(16,194)	13,534	(2,660)
Other	–	(29)	–	–	–	(29)	(604)	(633)
Total transactions with owners and other transactions	–	(16,223)	(0)	(83,362)	(41,885)	(141,470)	6,089	(135,381)
As of March 31, 2015	141,852	369,722	(161,822)	2,686,824	27,462	3,064,038	158,974	3,223,012

(Note) Amounts of items are rounded to the nearest million yen.

(Reference)

Consolidated Statement of Cash Flows (Summary)

(Unit: Millions of yen)

Item	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2015
Net cash provided by (used in) operating activities	884,538	968,752
Net cash provided by (used in) investing activities	(667,917)	(635,745)
Free cash flows *1	216,621	333,006
Net cash provided by (used in) financing activities	(299,003)	(310,528)
Effect of exchange rate changes on cash and cash equivalents	(1,848)	4,107
Net increase (decrease) in cash and cash equivalents	(84,230)	26,585
Cash and cash equivalents at the beginning of the period	276,317	249,732
Cash and cash equivalents at the end of period *2	192,087	276,317

*1 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.”

*2 The difference in the amount of “cash and cash equivalents” between consolidated statement of financial position and consolidated statement of cash flows represents bank overdrafts.

(Note) Amounts of items are rounded to the nearest million yen.

Operating activities provided net cash of ¥884,538 million. This includes ¥819,185 million of profit for the year before income tax, ¥532,062 million of depreciation and amortization, ¥291,998 million of income taxes paid, and ¥144,329 million of increase in trade and other receivables.
Investing activities used net cash of ¥667,917 million. This includes ¥343,290 million of purchase of property, plant and equipment, ¥192,510 million for purchase of intangible assets and ¥127,045 million acquisition of control over subsidiaries.
Financial activities used net cash of ¥299,003 million. This includes ¥213,464 million in payments from redemption of bonds and repayment of long-term borrowings, ¥162,834 million in cash dividends paid and ¥50,019 million in payment from purchase of treasury stock and ¥184,000 million of proceeds from issuance of bonds and long-term borrowings.
As a result, the total amount of cash and cash equivalents as of March 31, 2016, decreased ¥84,230 million from March 31, 2015, to ¥192,087 million.

Non-Consolidated Financial Statements (Japan GAAP)

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2016		(Reference) As of March 31, 2015		Account item	As of March 31, 2016		(Reference) As of March 31, 2015	
(Assets)					(Liabilities)				
I Noncurrent assets		2,902,817		2,937,388					
A Noncurrent assets-									
telecommunications business		1,774,598		1,856,274					
(1) Property, plant and equipment*		1,554,992		1,643,487	I Noncurrent liabilities		561,661		577,003
1 Machinery	2,253,485		2,240,338		1 Bonds payable		190,000		215,000
Accumulated depreciation	1,669,413	584,072	1,606,564	633,774	2 Long-term loans payable		277,110		257,970
2 Antenna facilities	678,527		655,330		3 Lease obligations		10		40
Accumulated depreciation	358,595	319,932	314,961	340,369	4 Provision for retirement				
3 Terminal facilities	8,642		9,015		benefits		10,688		15,008
Accumulated depreciation	6,994	1,647	7,123	1,891	5 Provision for point service				
4 Local line facilities	197,134		194,276		program		64,705		67,314
Accumulated depreciation	156,990	40,144	150,752	43,524	6 Provision for warranties for				
5 Long-distance line facilities	100,276		100,587		completed construction		5,195		5,499
Accumulated depreciation	94,392	5,884	94,842	5,745	7 Asset retirement obligations		785		737
6 Engineering facilities	61,143		60,889		8 Other noncurrent liabilities		13,168		15,435
Accumulated depreciation	43,740	17,404	42,295	18,594					
7 Submarine line facilities	46,824		48,269						
Accumulated depreciation	44,630	2,193	45,469	2,800					
8 Buildings	366,949		349,332						
Accumulated depreciation	212,576	154,373	206,176	143,157					
9 Structures	81,097		79,788						
Accumulated depreciation	58,135	22,962	55,408	24,380	II Current liabilities		634,871		786,000
10 Machinery and equipment	5,874		5,869		1 Current portion of noncurrent				
Accumulated depreciation	5,767	107	5,789	80	liabilities		49,860		110,820
11 Vehicles	1,164		1,135		2 Accounts payable-trade		50,137		70,034
Accumulated depreciation	1,030	134	980	154	3 Short-term loans payable		128,521		98,540
12 Tools, furniture and fixtures	78,915		77,856		4 Lease obligations		8		18
Accumulated depreciation	60,554	18,361	60,286	17,571	5 Accounts payable-other		253,954		306,596
13 Land		244,663		245,388	6 Accrued expenses		6,267		6,618
14 Lease assets	43		106		7 Income taxes payable		82,374		128,076
Accumulated depreciation	26	17	51	55	8 Advances received		29,840		34,276
15 Construction in progress		143,098		166,006	9 Deposits received		14,354		11,521
(2) Intangible assets		219,606		212,787	10 Provision for bonuses		16,577		18,432
1 Right of using submarine					11 Provision for directors'				
line facilities		3,577		3,925	bonuses		145		154
2 Right of using facilities		10,697		12,346	12 Asset retirement obligations		2,833		916
3 Software		202,814		193,696					
4 Patent right		0		0					
5 Leasehold right		1,427		1,426					
6 Other intangible assets		1,091		1,393					
					Total liabilities		1,196,533		1,363,002

(Unit: Millions of yen)

Account item	As of March 31, 2016		(Reference) As of March 31, 2015		Account item	As of March 31, 2016		(Reference) As of March 31, 2015	
B Incidental business facilities		44,358		45,564	(Net assets)				
(1) Property, plant and equipment*	53,314		53,007						
Accumulated depreciation	24,612	28,702	21,216	31,791					
(2) Intangible assets		15,656		13,774					
C Investments and other assets		1,083,861		1,035,550	I Shareholders' equity		3,168,841		2,936,098
1 Investment securities		38,758		40,797	1 Capital stock		141,852		141,852
2 Stocks of subsidiaries and					2 Capital surplus		388,555		385,943
affiliates		662,990		623,435	(1) Legal capital surplus	305,676		305,676	
3 Investments in capital		59		59	(2) Other capital surplus	82,879		80,266	
4 Investments in capital of					3 Retained earnings		2,852,886		2,570,126
subsidiaries and affiliates		6,231		11,629	(1) Legal retained earnings	11,752		11,752	
5 Long-term loans receivable		4		5	(2) Other retained earnings				
6 Long-term loans receivable					Reserve for advanced				
from subsidiaries and					depreciation of noncurrent				
affiliates		152,085		132,092	assets	677		660	
7 Long-term prepaid expenses		115,548		105,458	Reserve for special				
8 Deferred tax assets		80,109		93,872	depreciation	1,806		2,300	
9 Other investment and other					General reserve	2,317,434		2,111,234	
assets		37,997		37,707	Retained earnings brought				
Allowance for doubtful accounts		(9,920)		(9,504)	forward	521,217		444,180	
II Current assets		1,476,365		1,379,883	4 Treasury stock		(214,452)		(161,822)
1 Cash and deposits		56,859		60,102					
2 Notes receivable-trade		10		18					
3 Accounts receivable-trade		1,186,106		1,097,541					
4 Accounts receivable-other		38,511		48,197	II Valuation and translation				
5 Securities		–		20,000	adjustments		13,808		18,171
6 Supplies		68,356		68,000	1 Valuation difference on				
7 Advance payments - trade		5		31	available-for-sale securities		13,808		18,171
8 Prepaid expenses		26,031		19,549					
9 Deferred tax assets		28,636		37,121					
10 Short-term loans receivable									
from subsidiaries and									
affiliates		83,839		44,559					
11 Other current assets		4,299		4,669					
Allowance for doubtful accounts		(16,288)		(19,903)					
					Total net assets		3,182,649		2,954,269
Total assets		4,379,181		4,317,272	**Total liabilities and net assets**		4,379,181		4,317,272

* 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.

(Note) Amounts of items are rounded to the nearest million yen.

Non-Consolidated Statements of Income

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2016	(Reference) The fiscal year ended March 31, 2015
I Operating income and loss from telecommunications		
(1) Operating revenue	2,598,729	2,538,123
(2) Operating expenses	1,831,740	1,780,258
1 Business expenses	552,810	569,114
2 Operating expenses	36	40
3 Facilities maintenance expenses	262,494	258,615
4 Common expenses	2,372	2,325
5 Administrative expenses	79,896	73,650
6 Experiment and research expenses	7,111	6,980
7 Depreciation	352,139	359,134
8 Noncurrent assets retirement cost	38,738	23,825
9 Communication facility fee	495,339	447,674
10 Taxes and dues	40,805	38,901
Net operating income from telecommunications	766,989	757,866
II Operating income and loss from incidental business		
(1) Operating revenue	1,228,435	1,190,292
(2) Operating expenses	1,381,475	1,333,347
Net operating loss from incidental business	153,040	143,054
Operating income	613,950	614,811
III Non-operating income	45,834	29,947
1 Interest income	1,300	1,105
2 Interest on securities	16	28
3 Dividends income	32,073	11,913
4 Foreign exchange gains	–	5,743
5 Miscellaneous income	12,445	11,159
IV Non-operating expenses	10,069	9,354
1 Interest expenses	2,104	3,226
2 Interest on bonds	3,109	3,750
3 Foreign exchange losses	2,837	–
4 Miscellaneous expenses	2,020	2,378
Ordinary income	649,714	635,405
V Extraordinary income	1,334	52,340
1 Gain on sales of noncurrent assets	150	222
2 Gain on sales of investment securities	824	51,409
3 Contribution for construction	360	709

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2016	(Reference) The fiscal year ended March 31, 2015
VI Extraordinary loss	7,514	65,648
1 Loss on sales of noncurrent assets	504	421
2 Impairment loss	5,650	41,800
3 Loss on retirement of noncurrent assets	103	11,792
4 Loss on valuation of investment securities	897	229
5 Loss on valuation of stocks of subsidiaries and affiliates	–	10,697
6 Reduction entry of contribution for construction	360	709
Profit before income taxes	643,534	622,097
Income taxes-current	173,523	206,732
Income taxes for prior periods	–	6,874
Income taxes-deferred	24,330	5,228
Profit	445,681	403,263

(Note) Amounts of items are rounded to the nearest million yen.

Non-Consolidated Statements of Changes in Net Equity

The fiscal year ended March 31, 2016

(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	141,852	305,676	80,266	11,752	660	2,300	2,111,234	444,180
Changes of items during the fiscal year								
Dividends from surplus								(162,921)
Reversal of reserve for special depreciation						(535)		535
Adjustment to surplus due to change in tax rate						42		(42)
Adjustment to reserve due to change in tax rate					17			(17)
Provision of general reserve							206,200	(206,200)
Profit								445,681
Purchase of treasury stock								
Disposal of treasury stock			2,612					
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	2,612	–	17	(494)	206,200	77,037
Balance at the end of current period	141,852	305,676	82,879	11,752	677	1,806	2,317,434	521,217

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(161,822)	2,936,098	18,171	2,954,269
Changes of items during the fiscal year				
Dividends from surplus		(162,921)		(162,921)
Reversal of reserve for special depreciation		–		–
Adjustment to surplus due to change in tax rate		–		–
Adjustment to reserve due to change in tax rate		–		–
Provision of general reserve		–		–
Profit		445,681		445,681
Purchase of treasury stock	(55,121)	(55,121)		(55,121)
Disposal of treasury stock	2,492	5,104		5,104
Net changes of items other than shareholders' equity			(4,363)	(4,363)
Total changes of items during the fiscal year	(52,630)	232,742	(4,363)	228,379
Balance at the end of current period	(214,452)	3,168,841	13,808	3,182,649

(Reference) The fiscal year ended March 31, 2015

(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	141,852	305,676	80,266	11,752	628	2,681	1,905,934	380,702
Cumulative effects of changes in accounting policies								(9,587)
Restated balance	141,852	305,676	80,266	11,752	628	2,681	1,905,934	371,115
Changes of items during the fiscal year								
Dividends from surplus								(125,247)
Provision of reserve for special depreciation						21		(21)
Reversal of reserve for special depreciation						(509)		509
Adjustment to surplus due to change in tax rate						107		(107)
Adjustment to reserve due to change in tax rate					32			(32)
Provision of general reserve							205,300	(205,300)
Profit								403,263
Purchase of treasury stock								
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	–	–	32	(381)	205,300	73,065
Balance at the end of current period	141,852	305,676	80,266	11,752	660	2,300	2,111,234	444,180

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(161,822)	2,667,670	43,903	2,711,573
Cumulative effects of changes in accounting policies		(9,587)		(9,587)
Restated balance	(161,822)	2,658,083	43,903	2,701,986
Changes of items during the fiscal year				
Dividends from surplus		(125,247)		(125,247)
Provision of reserve for special depreciation		–		–
Reversal of reserve for special depreciation		–		–
Adjustment to surplus due to change in tax rate		–		–
Adjustment to reserve due to change in tax rate		–		–
Provision of general reserve		–		–
Profit		403,263		403,263
Purchase of treasury stock	(0)	(0)		(0)
Net changes of items other than shareholders' equity			(25,732)	(25,732)
Total changes of items during the fiscal year	(0)	278,016	(25,732)	252,283
Balance at the end of current period	(161,822)	2,936,098	18,171	2,954,269

(Note) Amounts of items are rounded to the nearest million yen.

Independent Auditor's Report (Consolidated)

Independent Auditors' Report
(English Translation)

May 9, 2016

To the Board of Directors of
KDDI Corporation

PricewaterhouseCoopers Kyoto
Yukihiro Matsunaga, CPA
Designated and Engagement Partner
Minamoto Nakamura, CPA
Designated and Engagement Partner
Satomitsu 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 statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements for the 32nd fiscal year from April 1, 2015 to March 31, 2016.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies, which permits companies to omit some disclosure items required under the designated IFRS in preparing consolidated financial statements. 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 referred to above, which were prepared with some disclosure items required under the designated IFRS omitted pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies, present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2016 and the consolidated results for the year.

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 statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements are written in Japanese.

Independent Auditor's Report (Non-Consolidated)

Independent Auditors' Report
(English Translation)

May 9, 2016

To the Board of Directors of
KDDI Corporation

PricewaterhouseCoopers Kyoto
Yukihiro Matsunaga, CPA
Designated and Engagement Partner
Minamoto Nakamura, CPA
Designated and Engagement Partner
Satomitsu 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 32nd fiscal year from April 1, 2015 to March 31, 2016.

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, 2016 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.

Audit & Supervisory Board's Report

Audit & Supervisory Board's Report

The Audit & Supervisory Board of KDDI Corporation ("the Company") hereby submits its audit report regarding the performance of duties of the Directors during the 32nd fiscal year from April 1, 2015 to March 31, 2016, which has been prepared through discussions based on the audit reports prepared by each of the Audit & Supervisory Board Members.

1. Audit Method and Details by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) The Audit & Supervisory Board has established audit policies, plans and other matters for the fiscal year under review, received reports from each Audit & Supervisory Board Member 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.

(2) In accordance with the "Internal Auditing Rules" established by the Audit & Supervisory Board as well as the audit policies and plans for the fiscal year under review, each Audit & Supervisory Board Member 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, and performed audits in the following manner;

a. The Audit & Supervisory Board Members have 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 Audit & Supervisory Board Members have reviewed important authorized documents and examined the status of business operations and financial position of the Company and its principle offices. Furthermore, the Audit & Supervisory Board has closely communicated and exchanged information with the Directors and Audit & Supervisory Board Members of the Company's subsidiaries, and received reports from them about the status of their business operations.

b. 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 and regulations and the Articles of Incorporation" and to "ensure appropriate business operations by the corporate group consisting of the Company and its subsidiaries" as described in the Business Report, the Audit & Supervisory Board 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 Audit & Supervisory Board has received reports from the Directors and the PricewaterhouseCoopers Kyoto about the evaluation and the status of audits of internal control over financial reporting, and requested them to provide explanation when needed.

c. The Audit & Supervisory Board 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 Audit & Supervisory Board 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 Audit & Supervisory Board has examined the Business Report and the supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net equity and the notes to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity 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 and 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) In our opinion, the audit method employed and the results reported by PricewaterhouseCoopers Kyoto are fair and reasonable.

(3) Audit results regarding the consolidated financial statements

In our opinion, the audit method employed and the results reported by PricewaterhouseCoopers Kyoto are fair and reasonable.

May 12, 2016

Full-time Audit & Supervisory Board Member,	Yoshinari Sanpei
Full-time Audit & Supervisory Board Member,	Hiroshi Kobayashi
Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member),	Takeshi Abe
Outside Audit & Supervisory Board Member,	Kishichiro Amae
Outside Audit & Supervisory Board Member,	Yukihisa Hirano

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 statement of financial position,, the consolidated statement of income, the consolidated statement of changes in 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 32nd Annual Shareholders Meeting

Systems for Ensuring the Appropriate Business Operations
Notes to Consolidated Financial Statements
Notes to Non-Consolidated Financial Statements
(from April 1, 2015 to March 31, 2016)

KDDI Corporation

"Systems for Ensuring the Appropriate Business Operations of the Business Report," 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/stock-rating/meeting/20160622/), pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation. "Systems for Ensuring the Appropriate Business Operations of the Business Report," is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. 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 Audit & Supervisory Board Members and Accounting Auditors in preparing the Reports of Audit.

Systems for Ensuring the Appropriate Business Operations

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, KDDI passed the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. The Company aims to ensure fair, transparent and efficient execution of its corporate duties and to maintain an effective system for internal controls.

1. Corporate Governance

(1) The Board of Directors

The Board of Directors is composed of both internal and outside Directors, who determine important legal matters as stipulated by laws and regulations based on the Board of Directors Rules and agenda standards. In addition, the Board of Directors oversees the competent execution of business duties by the Directors themselves.

Information pertaining to the execution of business duties by the Directors must be stored and managed appropriately in accordance with internal rules.

(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 of Directors agenda items, based on the Corporate Management Committee rules.

(3) System for ensuring the effective execution of business duties by Audit & Supervisory Board Members

1) Audit & Supervisory Board Members shall attend the meetings of the Board of Directors, and additionally, measures shall be taken to enable their attendance at the principle internal meetings of the Company.

2) Directors and Internal Auditing Division aim to collaborate with Audit & Supervisory Board Members by providing timely and appropriate information necessary for them to execute their business duties, as well as by exchanging opinions and ideas.

3) The Audit & Supervisory Board Member's Office was established to support the business duties of the Audit & Supervisory Board Members; in order to ensure appropriate staffing levels due consideration shall be given to aptitude, the number of personnel required, etc., and the opinion of the Audit & Supervisory Board Members.

4) Measures shall be taken to ensure that persons making reports to Audit & Supervisory Board Members are not given disadvantageous treatment due to making such reports.

5) Expenses necessary to enable effective execution of business duties by Audit & Supervisory Board Members shall be ensured.

2. Compliance

(1) All Directors and employees 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.

(2) Firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.

(3) Each KDDI Group company shall make efforts to promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents, at KDDI Group company meetings pertaining to business ethics.

(4) The Company shall aim to appropriately operate a compliance-related internal reporting system established both internally and externally to the company.

(5) The Company shall strive to improve the understanding and awareness of compliance through both internal and external training and internal enhancement activities.

3. Risk Management for Achieving Business Objectives Fairly and Efficiently

(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 participated in by Directors, 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) In each Division a person shall be appointed as the person responsible for internal control, and this person shall autonomously promote the following initiatives so that business objectives may be achieved fairly and efficiently.
   1) All Divisions and their Directors shall work in cooperation with the Risk Management Division, which regularly identifies and uniformly manages risk information. The KDDI Group's risks shall be managed appropriately and in accordance with internal regulations, and efforts shall be made to achieve business objectives fairly and efficiently.
   2) The Company shall examine and formulate measures for minimizing the risk to business as much as possible, in order to respond to events which could have serious and long-term effects on corporate business.
   3) 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.
   4) 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) As a telecommunications carrier, the Company shall implement the following initiatives:
   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 and employees.
   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, the Company shall formulate a Business Continuity Plan (BCP) and implement measures 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.

4. Initiatives relating to working together with stakeholders

(1) 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.
   1) By regarding all stakeholders as customers, and through the prompt and appropriate response to customer needs and complaints, all Directors, Executive Officers and Employees shall engage in Total Customer Satisfaction (TCS) activities that aim to improve the level of customer satisfaction. To promote these activities, efforts shall also be made at meetings pertaining to TCS to evaluate and improve TCS activities.
   2) In addition to providing customers with safe, secure, high-quality products and services in compliance with the pertinent laws and regulations, 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.
(2) In order to gain the understanding and trust of all stakeholders, transparency of KDDI Group management shall be ensured, and efforts shall be made to further enhance the PR and IR activities of the KDDI Group.
(3) 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 (sustainability reports) shall be created and disclosed, centering on those departments promoting CSR, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

5. Systems for Ensuring Appropriate Business Operations of the Corporate Group

(1) The Company shall allocate persons responsible for internal control for the KDDI Group to each Group company, and they shall ensure appropriate business operations of the whole Group.

(2) Based on the rules for managing subsidiaries, the Company shall develop a system for appropriate and timely reporting from subsidiaries, and shall aim for collaboration with subsidiaries.
(3) The Company shall manage risks appropriately and shall strive to achieve business objectives fairly and efficiently.
(4) The Company shall make efforts to promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents at subsidiaries through KDDI Group company meetings pertaining to business ethics, and all employees of subsidiaries shall continuously maintain high ethical standards in accordance with the basic principles set forth in the "KDDI Action Guideline" and ensure a system under which they execute their business duties properly.

6. 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, Representative Director with added suggestions for points that can be improved or revised, and a report is also made to the Audit & Supervisory Board Members.

* Note: Pursuant to the Act for Partial Revision of the Corporation Act (Act No. 90 of 2014) and the Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act, Etc. (Ordinance of the Ministry of Justice No. 6 of 2015), taking effect on May 1, 2015, the content herein was partially revised upon resolution by a meeting of the Board of Directors held on April 14, 2015. Accordingly, the systems as described above incorporate those revisions. The revisions involve changes to the wording, in order to specifically and clearly describe the KDDI Group's systems for ensuring appropriate business operations and its systems for audits, in accordance with our review of the KDDI Group's prevailing circumstances and revisions to laws and regulations.

Notes for Consolidated Financial Statements

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

1. Standard for preparation of consolidated financial statements
   The consolidated financial statements are prepared in accordance with the designated international accounting standards (hereinafter "IFRS") pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. These consolidated financial statements omit part of the disclosure items required under IFRS, in compliance with the latter sentence of the aforementioned paragraph.
   The Group has adopted IFRS effective the fiscal year ended March 31, 2016, and the date of transition to IFRS (hereinafter "Transition Date") is April 1, 2014.

2. Scope of consolidation
   - Number of consolidated subsidiaries: 164
   - Principal consolidated subsidiaries:
     Okinawa Cellular Telephone Company, Jupiter Telecommunications Co., Ltd., UQ Communications Inc. (Note), Chubu Telecommunications Co., Inc., KDDI FINANCIAL SERVICE CORPORATION, Syn. Holding, Inc., Jupiter Shop Channel Co., Ltd., KDDI MATOMETE OFFICE CORPORATION, KDDI Engineering Corporation, KDDI Evolva Inc., KDDI R&D Laboratories, Inc., KDDI America, Inc., KDDI Europe Limited, TELEHOUSE International Corporation of America, TELEHOUSE International Corporation of Europe Ltd, KDDI China Corporation, KDDI Summit Global Myanmar Co., Ltd., CDNetworks Co., Ltd., KDDI Singapore Pte Ltd, MobiCom Corporation LLC

   Names of principal companies newly made consolidated subsidiaries and reasons for new consolidation
   - Jupiter Shop Channel Co., Ltd, two holding companies that own that company and two subsidiaries of that company: Due to new stock acquisition
   - MobiCom Corporation LLC and eight subsidiaries of that company: Due to additional purchase.

   Note: UQ Communications Inc. had been accounted for by the equity method under Japanese GAAP. Under IFRS, however, the Company is deemed to have substantial control over that company. As a result, that company is included as a consolidated subsidiary under IFRS.

3. Application of equity method
   - Number of affiliates accounted for by the equity method: 34
   - Principal affiliates:
     Kyocera Communication Systems Co., Ltd., Jibun Bank Corporation, KKBOX Inc., LAC Co., Ltd.

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

5. Accounting policies
   (1) Valuation standards and methods for financial assets and financial liabilities
   1) Financial assets
   (a) Recognition and measurement of financial assets
   The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset at fair value through profit or loss is recognized as profit or loss.
   (b) Classification of non-derivative financial assets
   Classification and measurement model of non-derivative financial assets are summarized as

follows. The Group classifies financial assets as subsequently measured at amortized cost or measured at fair value. This classification depends on whether a financial asset is a debt instrument or an equity instrument.

Debt instruments

(i) Financial assets at amortized cost

A financial asset classified as a debt instrument is subsequently measured at amortized cost if both of the following conditions are met:

• The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(ii) Financial assets at fair value through profit or loss

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

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

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

Equity instruments

(i) Financial assets at fair value through profit or loss

Changes in fair value of the Group's investments in equity instruments are recognized in profit or loss, except for where the Group makes an irrevocable election at initial recognition to present changes in the fair value in other comprehensive income.

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

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

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

Dividends from financial assets at fair value through other comprehensive income are recognized as "finance income" in profit or loss.

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

(c) Derecognition of financial assets

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

(d) Reclassification

Only when the Group changes its business model for managing financial assets, the Group reclassifies all affected investments in debt instruments.

2) Non-derivative financial liabilities
   (a) Recognition and measurement of financial liabilities
      The Group recognizes financial debt when the Group becomes a party to the contractual provisions of the instruments.
   (b) Classification of financial liabilities
      (i) Financial liabilities at amortized cost
         A financial liability other than those at fair value through profit or loss is classified as a financial liability at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.
      (ii) Financial liabilities at fair value through profit or loss
         A financial liability at fair value through profit or loss is initially measured at fair value. After initial recognition, the financial liability is measured at fair value with subsequent changes recognized as profit or loss.
   (c) Derecognition of financial liabilities
      The Group derecognizes a financial liability when the financial liability is distinguished, i.e. when the contractual obligation is discharged or cancelled or expired.
   (d) Preference shares
      Preference shares are classified as equity or financial liabilities based on their substances of contractual arrangements, not on their legal forms. Preference shares mandatorily redeemable on a particular date are classified as financial liabilities. Preference shares classified as liabilities are measured at amortized cost in the consolidated statement of financial position and the dividends on these preference shares are recognized as interest expense and presented as financial cost in the consolidated statement of income.

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

4) Impairment of financial assets
   The Group recognizes impairment loss of financial assets based on its evaluation at the end of each reporting period whether there is a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are recognized as provision for doubtful receivables. On the other hand, when there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as provision for doubtful receivables. Whether credit risk is significantly increased or not is determined based on the changes in default risk. To determine if there is a change in default risk, following factors are considered. However, trade receivables' expected credit losses are recognized over their remaining lives since inception simply based on historical credit loss experience.
   - External credit rating of the financial asset
   - Downgrade of internal credit rating (internal credit rating system with mapping to external rating is more reliable)
   - Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
   - Reduced financial support from the parent company or associated companies
   - Delinquencies

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

5) Derivatives and hedge accounting
   Derivatives are initially recognized at fair value as of the date in which the derivative contracts are entered into. After initial recognition, derivatives are remeasured at fair value at the end of each reporting period.
   The Group utilizes derivatives consisting of exchange contracts and interest swaps to reduce foreign currency risk and interest rate risk etc.
   The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
   The Group designates derivatives as cash flow hedge (hedges of a particular risk associated with a

recognized asset or liability or a highly probable forecast transaction).
At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, along with their risk management objectives and strategies to conduct various hedge transactions.
At the inception of the hedge and on an ongoing basis, the Group assess whether the derivative used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item. Specially, when the Group assess whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:
(i) there is an economic relationship between the hedged item and the hedging instrument
(ii) the effect of credit risk does not dominate the value changes that result from that economic relationship;
(iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.
The hedge of effectiveness is assessed about whether the hedge is expected to be effective for future hedging periods.
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in gain or loss. Cumulative gain or loss recognized through other comprehensive income is transferred to gain or loss on the same period that the cash flows of hedged items affects gain or loss.
If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (rebalancing).
After rebalancing, in cases where no longer meet the requirements of hedge accounting or hedging instruments are expired, sold, terminated or exercised, hedge accounting will be discontinued. In the case that the hedge accounting is discontinued, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, accumulated amount of gains or losses recorded in equity is transferred to gain or loss.
Aggregated fair values of hedging instrument derivatives whose maturities are over 12 months are classified as non-current assets or liabilities, and those whose maturities are less than 12 months are classified as current assets or liabilities.

(2) Valuation standards and methods for inventories
Inventories mainly consist of mobile handsets and materials / work in progress related to construction. Inventories are measured at the lower of cost and net realizable value. The cost is generally calculated using the moving average method and comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated cost to sell.

(3) Valuation standards and methods for property, plant and equipment and intangible assets, and depreciation and amortization thereof
1) Property, plant and equipment
(a) Recognition and measurement
Property, plant, and equipment of the Group is measured on a historical cost basis and is stated at cost less accumulated depreciation and impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration, as well as borrowing costs eligible for capitalization.
In cases where components of property, plant, and equipment have different useful lives, each component is recorded as a separate property, plant, and equipment item.
Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.
(b) Depreciation and useful lives
Property, plant and equipment is depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

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

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

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

2) Intangible assets

(a) Recognition and measurement

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

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

Internally generated expenditures on research activities are recognized as an expense when incurred. Expenditures on development activities eligible for capitalization are capitalized, and those not eligible for capitalization are recognized as an expense when incurred.

(b) Amortization and useful lives

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

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

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

3) Goodwill

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

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

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

4) Lease assets

(a) Assets subject to lease

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

(b) Classification of leases

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

(c) Finance leases

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

(d) Operating leases

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

5) Impairment of property, plant and equipment, intangible assets and goodwill

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

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

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

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

(4) Calculation of significant provisions

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

The provisions recognized by the Group are mainly provisions for point service programs. Provisions for point service programs provide for the future cost generated from the utilization of points that subscribers have earned under the point services such as "au WALLET Point Program." Specifically, points, etc. that are awarded at times of use of "au WALLET prepaid card" or at times of use of apps or merchandise services provided by other companies are recorded under provision for point service program in liabilities. The measurement of the provision for point service program is based on the amount that can be expected to be used in the future in light of the results of point utilization in past fiscal years.

(5) Accounting for retirement benefits

1) Defined benefit plans

The Group primarily adopts defined benefit plans.

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

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

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

2) Defined contribution plans

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

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

(6) Revenue recognition

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

1) Mobile communications services and sale of mobile handsets

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

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

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

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

(a) Indirect sales

As the Group considers distributors as a principal in a transaction, revenue from the sale of mobile handsets is recognized when mobile handsets are delivered to distributors at the time when risks and rewards of ownership are deemed to be transferred. Certain commission fees paid to distributors are deducted from revenue from the sale of mobile handsets.

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

(b) Direct sales

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

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

2) Fixed-line telecommunications services

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

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

3) Contents service

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

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

The Group evaluates whether revenue from information fee should be presented on net basis or gross basis by judging each transaction based on the above criteria. Revenue through settlement agency business, revenue through advertising businesses, and revenue through settlement agency business are presented on net basis because the Group is considered as agency or an agent.

4) Solution service

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

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

5) CATV business

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

The Group distributes programs directly to respective satellite broadcasting subscriber through agreements with satellite broadcasting operators. Each satellite broadcasting subscriber pays subscriptions on a monthly basis to the Group under a subscription contract which is automatically extended every month.

Revenue from program distribution, including such subscription income, is recorded in the period over which the services are provided to the cable television operators, satellite broadcasting operators and IPTV operators etc.

6) Global data center business

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

(7) Translation of major assets and liabilities denominated in foreign currencies into Japanese yen

1) Functional currency and presentation currency

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

2) Foreign currency transactions

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

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

3) Foreign operations

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill, identified assets and liabilities, and their fair value adjustments resulting from the acquisition of the foreign operations, are translated into presentation currency at the exchange rate prevailing at the fiscal year end date. Income and expenses of foreign operations are translated into Japanese yen, the presentation currency, at the average exchange rate for the period, unless there is significant change in the exchange rate during the period. Exchange differences arising from translation of foreign operations' financial statements are recognized as other comprehensive income. In cases of disposition of whole interests of foreign operations, and certain interests involving loss of control or significant influence, exchange differences are accounted for as profit or loss on disposal of foreign operations.

(8) Accounting method for consumption taxes

Consumption taxes are accounted for using the net method of reporting. Non-deductible consumption taxes relating to assets are accounted for as an expense in the fiscal year under review.

(Consolidated Statement of Financial Position)

1. Allowance for doubtful accounts directly deducted from assets

Other long-term financial assets	¥45,360 million
Trade and other receivables	¥19,048 million
Total	¥64,408 million

2. Accumulated depreciation of property, plant and equipment

¥3,446,358 million

3. Assets pledged as collateral and secured liabilities

(The Company)

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

(Consolidated subsidiaries)

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

Debt instruments	¥3,003 million

Other assets pledged as collateral:

Communication equipment	¥23 million
Buildings and structures	¥78 million
Other property, plant and equipment	¥0 million
Other short-term financial assets	¥369 million
Stocks of subsidiaries and affiliates (Note)	¥768 million
Total	¥1,238 million

(assets denominated in foreign currencies included: US$3 million and other)

Corresponding liabilities:

Long-term loans payable (Note)	¥19,785 million
Current portion of noncurrent liabilities	¥162 million
Short-term loans payable	¥1,967 million
Total	¥21,914 million

(liabilities denominated in foreign currencies included: US$17 million)

Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on the balance of bank borrowings of ¥19,490 million by that company as of March 31, 2016.

Borrowings from various financial institutions are carried out accompanying acquisitions, etc. in some

subsidiaries of the Group. Such borrowings require compliance with the financial covenants of maintenance of shareholder investment, maintenance of net assets and maintenance of a balance sheet in surplus. The balance payable on loans with financial covenants as of March 31, 2016 was ¥489,287 million.
Apart from these, financial covenants that have significant effects on the financial activities of the Group are not attached to the borrowings and bonds payable.

4. Contingent liabilities
   Contingent liabilities existing in cable system supply contract ¥5,634 million

(Consolidated Statement of Changes in Equity)

1. Class and number of shares outstanding as of March 31, 2016
   Common stock 2,690,890,800 shares

2. Dividends
   (1) Cash dividends paid, etc.

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 17, 2015 Annual shareholders meeting	Common stock	¥75,148 million	¥90	March 31, 2015	June 18, 2015
November 5, 2015 Meeting of the Board of Directors	Common stock	¥87,712 million	¥35	September 30, 2015	December 7, 2015

Note: The aggregate amount of dividends that was determined by a resolution at the Board of Directors meeting held on November 5, 2015 does not include the dividend of ¥61 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

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

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
June 22, 2016 Annual shareholders meeting	Common stock	¥87,131 million	Retained earnings	¥35	March 31, 2016	June 23, 2016

Note 1: This dividend is not recognized until it is approved at the annual shareholders meeting. It also does not have an effect on income taxes payable.
Note 2: The aggregate amount of dividends that was determined by a resolution at the Board of Directors meeting held on June 22, 2016 does not include the dividend of ¥61 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(Financial Instruments)

1. Status of financial instruments

The operating activities of the Group are subject to the effects of the business environment and the financial market environment. Financial instruments that are held or underwritten in the process of operating activities are exposed to unique risks. The risks include (1) credit risk, (2) liquidity risk, and (3) market risk. The Group constructs management systems inside the Group and conducts risk management to minimize the effects on the Group's financial position and operating results by using financial instruments. Specifically, the Group manages these risks using the following methods:

(1) Credit risk

Credit risks are the risk of financial losses arising in the Group when a counterparty of a financial asset held by the Group defaults on contractual obligations. Specifically, the Group is exposed to the following credit risks. Firstly, trade and other receivables are exposed to the credit risk of customers and trading partners. Secondly, the debt securities etc. that the Group holds mainly for surplus investment and the securities etc. that the Group holds for strategic purposes are exposed to the issuer's credit risk. Thirdly, derivative transactions that the Group conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

Concerning trade receivables, the Group has established a system that manages the due dates and balances of each customer and trading partner and conducts analysis of their credit status, based on the criteria of each of the Group's companies for managing credit exposure. Specifically, trade receivables that remain outstanding for a prescribed period from the time they were realized are considered to be in default and accordingly recognized as impairment losses. The allowance for doubtful accounts for trade receivables are recorded by estimating the expected credit loss of the operating claim based on past credit loss according to the age of claims, dividing claims into the classes of mobile and fixed-line.

Concerning claims of the Group, the Group does not bear credit risk that is excessively concentrated on a specific trading partner or the group to which that trading partner belongs.

Concerning credit risk, the Group determines that there is small credit risk resulting from default of contracts by counterparties because the counterparties with which the Group conducts derivative transactions are financial institutions with high credit ratings. Moreover, with regard to cash-surplus and derivative transactions, to prevent the credit risk of counterparties from arising, the finance/accounting divisions conduct such transactions only with financial institutions with high credit ratings based on the internal rules and their supplemental provisions of each company of the Group, subject to obtaining approval for each transaction by authorized persons stipulated in the relevant authorization rules.

(2) Liquidity risk

The Group is exposed to the liquidity risk that it will have difficulty with fulfillment of the obligations of notes and accounts payable-trade.

The Group, primarily in accordance with its capital investment plan for carrying out telecommunications business, procures necessary funds through bank loans and issuance of corporate bonds. When surplus funds are generated, the Group operates on short-term savings, etc.

With respect to trade and other payables, almost all of them have payment due dates within one year. Those trade payables and other current liabilities are exposed to liquidity risk at the time of settlement. However, the Group avoids that risk by having each company review monthly cash flow plans. In addition, as a way of controlling the Group's liquidity risks, the Group manages account activity schedules through such methods as monthly fund-raising plans and works on managing a constantly stable financial position such as by ensuring a prescribed level of on-hand liquidity.

The finance/accounting divisions create annual funding plans, and after these have been approved at a Board of Directors meeting, long-term financing is carried out. In addition, the Group has concluded several unexecuted long-term and short-term commitment line agreements with major Japanese and global financial institutions, and it plans to utilize these in conjunction with borrowing limits not commitment based to reduce liquidity risks.

(3) Market risk

The following risks exist regarding market risk: (a) foreign exchange risk, (b) interest risk, and (c) price risk on equity instruments.

(a) Foreign exchange risk

The Group is exposed to the fluctuation risk of foreign exchange markets when exchanging foreign-currency denominated trade receivables, etc. that arise from transactions conducted in currencies other than the functional currency into the functional currency using the exchange rate of the date of the end of the reporting period.

The Group also carries out operating activities overseas, and currently, it is carrying out international business development through such activities as making investments and establishing joint ventures in Asian countries such as Singapore and China, the United States, and Europe. As a result of carrying out these international business activities, the Group is exposed to various foreign exchange risks, mainly foreign exchange risk that arises in relation to the U.S. dollar and the British pound.

The Group conducts hedges for fluctuation risks on foreign exchange that are identified monthly for each currency. For derivative transactions, in the Company, execution plans are formulated on an individual transaction basis in accordance with internal company rules that have been approved at a Board of Directors meeting and then the derivative transactions are executed after approval is obtained for the derivative transaction by authorized persons stipulated in the relevant authorization rules. The Group makes sure there is a check function working as a system for execution and control by ensuring that within an organization, the place that executes the transaction is separate from the place that controls the transaction. In the consolidated subsidiaries, the execution of transactions will be subject to either decision at the Board of Directors meeting or decision by the president depending on the amount (maximum risk amount). The Group uses derivative transactions only for the purpose of avoiding risk and makes it a policy never to perform speculative transactions such as seeking to obtain a net gain on trading.

(b) Interest risk

Interest risk is defined as the risk of the fluctuation of either the fair value of financial instrument or future cash flows arising from the financial instrument due to the fluctuation of market interest rates. The Group's exposure to interest risk is mainly related to payables such as loans payable or bonds payable, or receivables such as interest bearing deposits. As the amounts of interest are subject to the effects of fluctuation in market interest rates, the Group is exposed to interest risk from the fluctuation of future cash flows by interest rate fluctuation.

The Group conducts financing by mainly issuing bonds at fixed interest rates to constrain the increase in the amount of future interest payable due to a rise in interest rates.

In addition some consolidated subsidiaries work to stabilize cash flows by using interest rate swap transactions to constrain the fluctuation risk of interest payable on long-term loans payable.

(c) Price risk on equity instruments

Price risk on equity instruments is the risk of fluctuation of the fair price or the value of the future cash flows of a financial product by changes to market price (excluding fluctuation caused by interest risk or foreign exchange risk). The Group holds equity instruments and is therefore exposed to the risk of their price fluctuation.

The finance/accounting divisions of Head Office maintain manuals describing the policy on investments in equity instruments in order to control the price risk arising from these equity instruments and these manuals are complied with throughout the entire Group. It is mandatory that reports and approvals are conducted at Board of Directors meetings for important matters relating to investments in a timely manner. The Group continuously reviews the status of holdings by regularly ascertaining the market price and financial position of the issuer (trading-partner company) and considering the market conditions and the relationship with the trading-partner company.

2. Fair value of financial instruments

(1) Book values and fair values of financial instruments

Book values and fair values of financial instruments are as shown below.

1) Financial instruments at fair value

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Other financial assets			
Financial assets at fair value through other comprehensive income			
Stocks	43,503	43,503	–
Financial assets at fair value through profit or loss			
Derivatives			
Exchange contracts	235	235	–
Interest swaps	0	0	–
Total	43,739	43,739	–
Financial liabilities:			
Other financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivatives			
Exchange contracts	174	174	–
Interest swaps	9,080	9,080	–
Total	9,254	9,254	–

2) Financial instruments at amortized cost

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Other financial assets			
Japanese government bonds	3,003	3,168	165
Outstanding lease receivable	30,606	28,868	(1,738)
Total	33,608	32,035	(1,573)
Financial liabilities:			
Borrowings and bonds payable			
Borrowings payable	816,917	824,665	7,748
Bonds payable	214,613	223,717	9,104
Other long-term financial liabilities			
Lease obligations	86,652	88,760	2,109
Preference shares	95,000	100,759	5,759
Total	1,213,182	1,237,902	24,720

Note 1: Borrowings payable, bonds payable and lease obligations include the current portion.

Note 2: Short-term financial assets and financial liabilities are not included in the above table because they have book values that approximate the respective fair values.

(2) Methods of measuring fair value

1) Financial instruments at fair value

(i) Stocks

Fair value of listed stocks is based on the price on the securities exchange.

Fair value of unlisted stocks is calculated using valuation techniques based on a discounted value of future cash flows, valuation techniques based on the market price of a similar company, valuation techniques based on the value of net assets, or other valuation techniques. With the measurement of fair value of unlisted stocks, inputs that are unobservable, such as discount rates or valuation multiples, may be used, and when necessary, prescribed non-current discounts or non-controlling interests discounts may be taken into consideration.

(ii) Derivatives

(a) Exchange contracts

The fair value of foreign exchange forward contracts is calculated by discounting the value calculated using forward exchange rates current on the balance sheet date by the current value.

(b) Interest swaps

Concerning the fair value of interest swaps, the value of future cash flows is calculated using the current value that has been discounted by an interest rate that takes into consideration the period until the maturity date and the credit risk.

2) Financial instruments at amortized cost

(i) Japanese government bonds

The fair value of Japanese government bonds is calculated based on the market price.

(ii) Outstanding lease receivables

Concerning the fair value of lease receivables, the aggregate total value of lease payments that would be received in the worst-case scenario is calculated based on the current price that has been discounted using the interest rate in the case when the lease transaction is newly conducted under the same conditions.

(iii) Borrowings payable

For borrowings with floating interest rates, the book value is deemed to be the fair value since the interest rate reflects the market interest rate over the short term and because there is deemed to be no significant fluctuation in the credit state of the group company after borrowing.

For borrowings with fixed interest rates, the fair value is calculated using the method of discounting the sum of principal and interest by a rate that takes into consideration the remaining period and credit risk of those borrowings.

(iv) Bonds payable

The fair value of bonds is based on the market price for those having market prices or calculated using the method of discounting the sum of principal and interest by a rate that takes into consideration the remaining period and credit risk of those bonds.

(v) Lease obligations

The fair value of lease obligations is calculated using a method of discounting the estimated value of future cash flows using the interest rate in the case where the lease is executed under the same conditions for the same period as the remaining period.

(vi) Preference shares

Among the preference shares issued by the Group, those with future obligations to deliver cash to the holders of preference shares are accounted for under IFRS as financial liabilities. For the fair value of those preference shares, the value of future cash flows is calculated using the current value discounted by a rate that takes into consideration the period until maturity and the credit risk.

(Per Share Information)

1. Equity attributable to owners of the parent per share	¥1,328.89
2. Basic earnings per share	¥197.56

Note: In the calculation of per share information, the Company's stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.
For the fiscal year under review, the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year owned by the trusts is 1,738,000 shares.

(Other Notes)

(Impairment loss)

The Group recognized impairment loss of ¥5,873 million for the year ended March 31, 2016. The Group mainly recognized impairment loss for the following assets and asset groups:

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Communication facilities, idle assets, etc. (Tokyo, etc.)	Mainly Telecommunications business	Local line facilities, buildings, etc.	2,889

For assets with declining utilization rates including some transit routes and idle assets, the book value has

been reduced to recoverable amount. The said reduction is recognized as an impairment loss of ¥2,889 million, recorded as cost of sales in the consolidated statement of income. This consists of ¥1,264 million for local line facilities, ¥355 million for buildings, and ¥1,270 million for others.
The recoverable amount of these assets was estimated based on the fair value less costs of disposal. Because these assets were difficult to sell or convert to other uses, the fair value was minimal.

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Certain services in the Fixed-line Business (Tokyo, etc.)	Telecommunications business	Machinery, etc.	1,703

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

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

(Business combinations)

Jupiter Shop Channel Co., Ltd.

(i) Overview of business combination

On March 14, 2016, the Company's consolidated subsidiary Jupiter Telecommunications Co., Ltd. (hereinafter "J:COM") acquired 100% of shares of special purpose companies (BCJ-9 Co., Ltd. and BCJ-10 Co., Ltd.) that held shares of Jupiter Shop Channel Co., Ltd. (hereinafter "Shop Channel") from an investment fund, for which Bain Capital Partners LP (Head Office: Massachusetts, United States) performs investment advice. As a result, because J:COM holds 50% of the voting rights of Shop Channel and has the power to govern the financial and operating policies of that company, it is deemed that the Company has control over that company, and the Company has made that company a consolidated subsidiary.

On the same day, the Company acquired 5% of Shop Channel shares, which were held by Sumitomo Corporation.

As a result of the above, the Group holds 55% of Shop Channel shares.

(ii) Reason for execution of business combination

By way of this capital contribution, the Company, J:COM, Sumitomo Corporation, and Shop Channel, while utilizing their respective management resources, are working as four companies to bring about synergy. In the future, by developing new shopping channel programs and reaching new customer layers by utilizing the parallel forces of television and Internet, the aim is achieve further expansion of Shop Channel's business.

(iii) Name and business description of acquired company

Name	Jupiter Shop Channel Co., Ltd.
Establishment date	November 22, 1996
Location	Kokkan-building, 4-1, Shinkawa 1-chome, Chuo-ku, Tokyo
Representative	Atsushi Shinohara, President and CEO
Description of business	Direct marketing business centered on the operation of Shop Channel, delivering teleshopping through media channels including CATV broadcast, satellite broadcast, internet, and mail-order catalogs.
Paid-in capital	¥4,400 million (as of March 31, 2016)

BCJ-9 Co, Ltd. and BCJ-10 Co., Ltd. are intermediate holding companies established for the purpose of holding the shares of Shop Channel.

(iv) The percentages of voting equity interests acquired are as follows:

BCJ-9 Co, Ltd. and BCJ-10 Co., Ltd.	100%
Shop Channel	55%

(v) Controlling interest acquisition date

March 14, 2016

(vi) Acquisition price and its breakdown

(Unit: Millions of yen)

		Controlling interest acquisition date (March 14, 2016)
Payment in cash		85,488
Total consideration for acquisition	A	85,488

The acquisition-related costs relating to this business combination amounted to ¥764 million, which was recorded in selling, general and administrative expenses.

(vii) Fair values of assets/liabilities, non-controlling interests and goodwill on controlling interest acquisition date

			(Unit: Millions of yen) Controlling interest acquisition date (March 14, 2016)
Non-current assets			
Property, plant and equipment	(Note) 1		4,300
Intangible assets	(Note) 1		10,582
Other			3,456
Total non-current assets			18,338
Current assets			
Trade and other receivables	(Note) 2		5,345
Cash and cash equivalents			16,199
Other			6,437
Total current assets			27,981
Total assets			46,319
Non-current liabilities			
Borrowings and bonds payable			66,363
Other			2,154
Total Non-current liabilities			68,517
Current liabilities			
Borrowings and bonds payable			1,148
Trade and other payables			9,918
Other			6,729
Total current liabilities			17,795
Total liabilities			86,312
Net assets		B	(39,993)
Non-controlling interests	(Note) 3	C	11,121
Goodwill	(Note) 4	A−(B−C)	136,603

The price for the acquisition was based on the fair value on the controlling interest acquisition date and it was apportioned to the acquired assets and the undertaken liabilities. As this apportionment has not been completed, the above amount is the provisional fair value based on best estimates at the current time. When additional information is obtained relating to the circumstances and status that existed at the time of controlling interest acquisition date and evaluation is made based on that, there may be a revision of the above amount within one year from the controlling interest acquisition date.

(Note) 1. Components of property, plant and equipment and non-current intangible assets:
Property, plant and equipment was mainly buildings, and broadcasting facilities while the non-current intangible assets was mainly software.

(Note) 2. Fair value of acquired receivables, contractual amounts receivable and estimated uncollectable accounts
Of the ¥5,345 million fair value of acquired trade receivables and other receivables (mainly accounts receivable - trade, total contractual amounts was ¥5,345 million and there was no estimated uncollectable accounts.

(Note) 3. Non-controlling interests
Non-controlling interests is measured by multiplying the separable net assets of the acquired company on the controlling interest acquisition date by the non-controlling interest percentage after the business combination.

(Note) 4. Goodwill
Goodwill reflects the excess earning power and synergy with existing business that can be expected through future business development. No amount of the amount recognized can be included in tax deductible expenses.

(viii) Purchase for controlling interest acquisition of subsidiary

	(Unit: Millions of yen) Controlling interest acquisition date (March 14, 2016)
Cash component of acquisition price	(85,488)
Cash and cash equivalents held by acquired company at the time of controlling interest acquisition	16,199
Total cash payment for controlling interest acquisition of subsidiary	(69,289)

(ix) Net sales and net income of acquired company

The net sales and net income of the acquired company after the controlling interest acquisition date that has been recognized in the consolidated statement of income for the fiscal year ended March 31, 2016 was ¥12,545 million, and ¥1,044 million, respectively.

(x) Effect on consolidated results if business combination hypothetically occurred at beginning of the fiscal year (pro forma information)

If the business combination had hypothetically been conducted on the starting date of the current consolidated fiscal year, net sales and net income in the consolidated statement of income for the fiscal year ended March 31 2016 would have been ¥4,590,080 million and ¥581,096 million, respectively. This pro forma information is provided as reference and it is not included in the audit attestation.

Note: Amounts are rounded to the nearest million yen.

Notes for Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for major assets

   (1) Securities

   Stocks of subsidiaries and affiliates

   Valued at cost determined by the moving-average method

   Available-for-sale securities

   Available-for-sale 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.

   Available-for-sale 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:	mainly 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, buildings, local line facilities, engineering facilities and structures:	10 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.

   Long-term prepaid expenses: straight-line method

3. Principle for calculation of allowances

   Allowance for doubtful accounts

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

   Provision for retirement benefits

   To prepare for the payments of retirement benefits to employees, the Company records the amount to be accrued as of March 31, 2016 based on projected benefit obligations and estimated value of plan assets as of March 31, 2016.

   When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2016.

   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 service program

   In order to prepare for the future cost generated from the utilization of points that customers have earned under the point services such as “au Wallet 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.

4. Other important matters for the basis of preparing non-consolidated financial statements
   (1) Accounting method for deferred assets
   Bond issuance expenses: recorded as expenses when incurred
   (2) Accounting method for consumption taxes
   Consumption taxes are accounted for using the net method of reporting.
   Non-deductible consumption taxes relating to assets are accounted for as an expense in the fiscal year under review.
   (3) The accounting treatment for unrecognized actuarial differences and unrecognized prior service costs in the non-consolidated financial statements is different from that in the consolidated financial statements.

(Changes in Presentation)

1. Application of Accounting Standard for Business Combinations, etc.
   Effective from the fiscal year under review, the Company has applied the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the non-consolidated financial statements for the fiscal year to which the date of business combination belongs.
   Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the fiscal year under review.
   This change has no impact on the non-consolidated financial statements for the fiscal year under review.

(Non-Consolidated Balance Sheets)

1. Assets pledged as collateral
   (1) Assets pledged as collateral are as follows:
   Stocks of subsidiaries and affiliates ¥768million
   Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on the balance of bank borrowings of ¥19,490 million by that company as of March 31, 2016.

   (2) 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	¥24,734 million
(2) Guarantor for office lease contract	¥6,253 million
(3) Contingent liabilities for cable system supply contract	¥5,634 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥152,085 million
Short-term monetary claims	¥124,136 million
Long-term monetary liabilities	¥411 million
Short-term monetary liabilities	¥165,072 million

4. Reduction entry amount of noncurrent assets

Reduction entry amount attributable to aid for construction cost (cumulative total)	¥15,811 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	¥153,591 million
Loans receivables outstanding	¥78,223 million
Remaining portion of credit line	¥75,368 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	¥197,101 million
Operating expenses to subsidiaries and affiliates	¥376,439 million
Non-operating transactions with subsidiaries and affiliates	¥36,019 million

2. Impairment loss ¥5,650 million
   In the year ended March 31, 2016, the Company mainly recognized impairment loss for the following assets and asset group.
   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 groups of assets.

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Communication facilities, idle assets, etc. (Tokyo, etc.)	Mainly Telecommunications business	Local line facilities, buildings, etc.	3,977

In the year ended March 31, 2016, for assets with declining utilization rates, including some transit routes in Japan, and idle assets, the book value has been reduced to recoverable value. The said reduction is recognized as an impairment loss of ¥3,977 million, an extraordinary loss. This consists of ¥2,219 million for local line facilities, ¥442 million for buildings, and ¥1,316 million for others.

Further, the recoverable amount of these assets is estimated based on the net selling price. The calculation of market value is based on reasonable estimate, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Certain services in the Fixed-line Business (Tokyo, etc.)	Telecommunications business	Machinery, etc.	1,673

In the year ended March 31, 2016, due to the declining of revenue, the future recovery of investments in certain services in the Fixed-line Business was determined to be unlikely and the book value has been reduced to recoverable amount. The said reduction is recognized as an impairment loss of ¥1,673 million, an extraordinary loss. This consists of ¥880 million for machinery, and ¥793 million for others.

The recoverable amount of these assets is estimated at their value in use, with future cash flows discounted at a rate of 6.05%.

(Non-Consolidated Statements of Changes in Net Assets)

1. Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2015	Increase during the fiscal year ended March 31, 2016	Decrease during the fiscal year ended March 31, 2016	As of March 31, 2016
Shares outstanding				
Common stock	896,963,600	1,793,927,200	–	2,690,890,800
Total	896,963,600	1,793,927,200	–	2,690,890,800
Treasury stock				
Common stock	61,984,994	140,561,261	1,125,000	201,421,255
Total	61,984,994	140,561,261	1,125,000	201,421,255

(The reason of the above changes)

1. The increase of 1,793,927,200 common shares in shares outstanding was due to a three-for-one share split (effective date: April 1, 2015).
2. The increase of 140,561,261 common shares in treasury stock was due to increases of 123,969,988 shares relating to the three-for-one share split (effective date: April 1, 2015), 16,584,700 shares due to the purchase of treasury stock based on a decision at the Board of Directors meeting dated February 9, 2016, and 6,573 shares due to repurchases of shares in quantities less than the trading unit.
3. The decrease of 1,125,000 common shares in treasury stock was due to the contribution of treasury stock to KDDI Foundation.
4. Included in the number of shares in treasury stock displayed above are 1,738,000 shares held by the executive compensation BIP trust and a stock-granting ESOP trust.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 17, 2015 Annual shareholders meeting	Common stock	¥75,148 million	¥90	March 31, 2015	June 18, 2015
November 5, 2015 Meeting of the Board of Directors	Common stock	¥87,773 million	¥35	September 30, 2015	December 7, 2015
Total		¥162,921 million			

Note: The total amount of dividends decided by the Board of Directors meeting on November 5, 2015 includes a dividend of ¥61 million for the Company’s shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(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 shareholders meeting to be held on June 22, 2016, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends	¥87,192 million
2) Dividends per share	¥35
3) Record date	March 31, 2016
4) Effective date	June 23, 2016

Notes 1: The dividends shall be paid from retained earnings.

2. The total amount of dividends includes a dividend of ¥61 million for the Company’s shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

(Unit: Millions of yen)

Deferred tax assets:	Provision for retirement benefits	2,027
	Provision for bonuses	5,751
	Excess amount of allowance for doubtful accounts, etc.	9,459
	Provision for point service program	19,929
	Denial of accrued expenses	3,982
	Excess amount of depreciation and amortization	23,101
	Denial of loss on retirement of noncurrent assets	3,870
	Denial of loss on valuation of inventories	2,911
	Accrued enterprise taxes	5,100
	Denial of impairment loss	31,734
	Denial of advances received	7,043
	Loss on valuation of investment securities	165
	Loss on valuation of stocks of subsidiaries and affiliates	11,231
	Other	1,131
	Deferred tax assets subtotal	127,434
	Valuation allowance	(9,690)
Total deferred tax assets		117,745
Deferred tax liabilities:	Reserve for special depreciation	(800)
	Valuation difference on available-for-sale securities	(6,448)
	Gain on exchange from business combination	(1,455)
	Other	(298)
Total deferred tax liabilities		(9,000)
Net deferred tax assets		108,744

(Additional Information)

1. Revision to amounts of deferred tax assets and deferred tax liabilities due to the change in the rate of income taxes
   "The Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act for Partial Revisions of the Local Tax Act, etc." (Act No. 13 of 2016) came into effect on March 29, 2016. In accordance with this, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities in the fiscal year under review (limited to items eliminated on or after April 1, 2016) has been changed from the previous fiscal year's rate of 32.3% to 30.8% for items expected to be collected or paid in the period from April 1, 2016 to March 31, 2018, and to 30.6% for items expected to be collected or paid on or after April 1, 2018. As a result, deferred tax assets (net of deferred tax liabilities) decreased by ¥5,928 million and income taxes – deferred, recorded in the current fiscal year, increased by that same amount.

(Financial Instruments)

1. Status of financial instruments
   (1) Policy 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 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 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 reviewing 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 on the non-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 rules 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 rules.
   (3) Supplementary explanation of items relating to the market value of financial instruments
   The market values of financial instruments 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, 2016 are as shown below. Items for which it is extremely difficult to determine market values are not included in the following table (see Note 2).

(Unit: Millions of yen)

	Book value	Market value	Difference
1) Cash and deposits	56,859	56,859	–
2) Accounts receivable-trade	1,186,106		
Allowance for doubtful accounts *1	(16,288)		
	1,169,818	1,169,818	–
3) Accounts receivable-other	38,511	38,511	–
4) Investment securities			
Available-for-sale securities	19,060	19,060	–
5) Short-term loans receivable from subsidiaries and affiliates *2	78,223	78,223	–
6) Stocks of subsidiaries and affiliates	5,677	51,820	46,142
7) Long-term loans receivable from subsidiaries and affiliates *3	157,701	157,927	226
Total assets	1,525,850	1,572,219	46,369
8) Accounts payable-trade	50,137	50,137	–
9) Short-term loans payable	128,521	128,521	–
10) Accounts payable-other	253,954	253,954	–
11) Accrued expenses	6,267	6,267	–
12) Income taxes payable	82,374	82,374	–
13) Deposits received	14,354	14,354	–
14) Bonds payable *4	215,000	223,717	8,717
15) Long-term loans payable *4	301,970	304,712	2,742
Total liabilities	1,052,578	1,064,037	11,459

*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 securities

1) Cash and deposits, 2) Accounts receivable-trade, 3) Accounts receivable-other, and 5) 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 accounts receivable-trade, allowance for doubtful accounts is regarded as credit risk and the market value is calculated accordingly.

4) 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) 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.

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

14) Bonds payable, and 15) Long-term loans payable

The market values of bonds payable 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

(Unit: Millions of yen)

	Book value
Investment securities Unlisted equity securities	19,698
Stocks of subsidiaries and affiliates Unlisted equity securities*	657,313
Investments in capital of subsidiaries and affiliates	6,231

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

(Equity in net income (losses) of affiliates and others)

Amount of investments in affiliates	¥23,856 million
Amount of investments in affiliates based on equity method	¥71,011 million
Amount of equity in net income of affiliates based on equity method	¥5,170 million

Note: Amount of investments in affiliates based on equity method and amount of equity in net income of affiliates based on equity method have been prepared in accordance with IFRS pursuant to the provisions of Article 120 of the Ordinance on Accounting of Companies.

(Transactions with Related Parties)

Subsidiaries and affiliates, etc.

(Unit: Millions of yen)

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Affiliate	UQ Communications Inc.	Minato-ku, Tokyo	71,425	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, 2016
Financial support Sharing of concurrent positions by board members	Lending of funds (Note 1)	134,251	Long-term loans receivable from subsidiaries and associates	95,300
			Short-term loans receivable from subsidiaries and associates	31,752
	Receipt of interests	510	Accounts receivable-other	98

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

Note 1: Borrowing periods are set to match the characteristics of the demand for funds, and interest rates are set in a rational manner taking into account market interest rates on borrowings for the corresponding period. As these transactions are performed in the interest of efficient funding within the group, no collateral is provided or received.

(Per Share Information)

1. Net assets per share	¥1,278.44
2. Net income per share	¥178.07

Note: In the calculation of per share information, the Company's stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.
For the fiscal year under review, the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year owned by the trusts is 1,738,000 shares.

(Application of Restrictions on Maximum Dividend Payments)

The Company is subject to restrictions on maximum dividend payments.

Note: Amounts are rounded to the nearest million yen.