Designing The Future

KDDI

Integrated Report 2015

KDDI Group Mission Statement

"The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society."

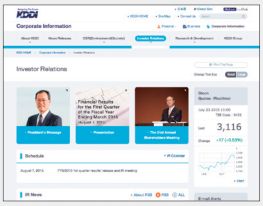
KDDI strives to achieve sustainable growth by conducting its operations thoroughly in accordance with the "KDDI Group Philosophy." ▶ P.26

Editorial Policy: Disclosure of Financial and Non-Financial Information

This report is based on multiple guidelines and frameworks, including the principles outlined by the International Integrated Reporting Council (IIRC), providing basic information, financial data, management strategy descriptions, and environmental, social, and governance (ESG) data considered particularly necessary for investors.

Additional corporate social responsibility (CSR) and research & development (R&D) information that is not contained in this report can be found on the Company's website.

Financial Information



WEB Investor Relations

- Summary of Financial Statements
- Business Risks

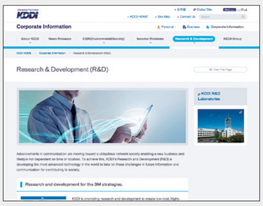
http://www.kddi.com/english/corporate/ir/

Non-Financial Information

WEB CSR (Environment & Society)

- Integrated Report 2015 (Detailed ESG Version) (Including details on corporate governance)

http://www.kddi.com/english/corporate/csr/



WEB Research & Development (R&D)

http://www.kddi.com/english/corporate/r-and-d/

Disclaimer Regarding Forward-Looking Statements

Statements contained in this report concerning KDDI's plans, strategies, beliefs, expectations, or projections about the future, and other statements other than those of historical fact, are forward-looking statements based on management's assumptions in light of information currently available and involve risks and uncertainties. Actual results may differ materially from these statements. Potential risks and uncertainties include, but are not limited to, domestic and overseas economic conditions; fluctuations in currency exchange rates, particularly those affecting the U.S. dollar, euro, and other overseas currencies in which KDDI or KDDI Group companies do business; and the ability of KDDI and KDDI Group companies to continue developing and marketing services that enable them to secure new customers in the communications market—a market characterized by rapid technological advances, the steady introduction of new services, and intense price competition.

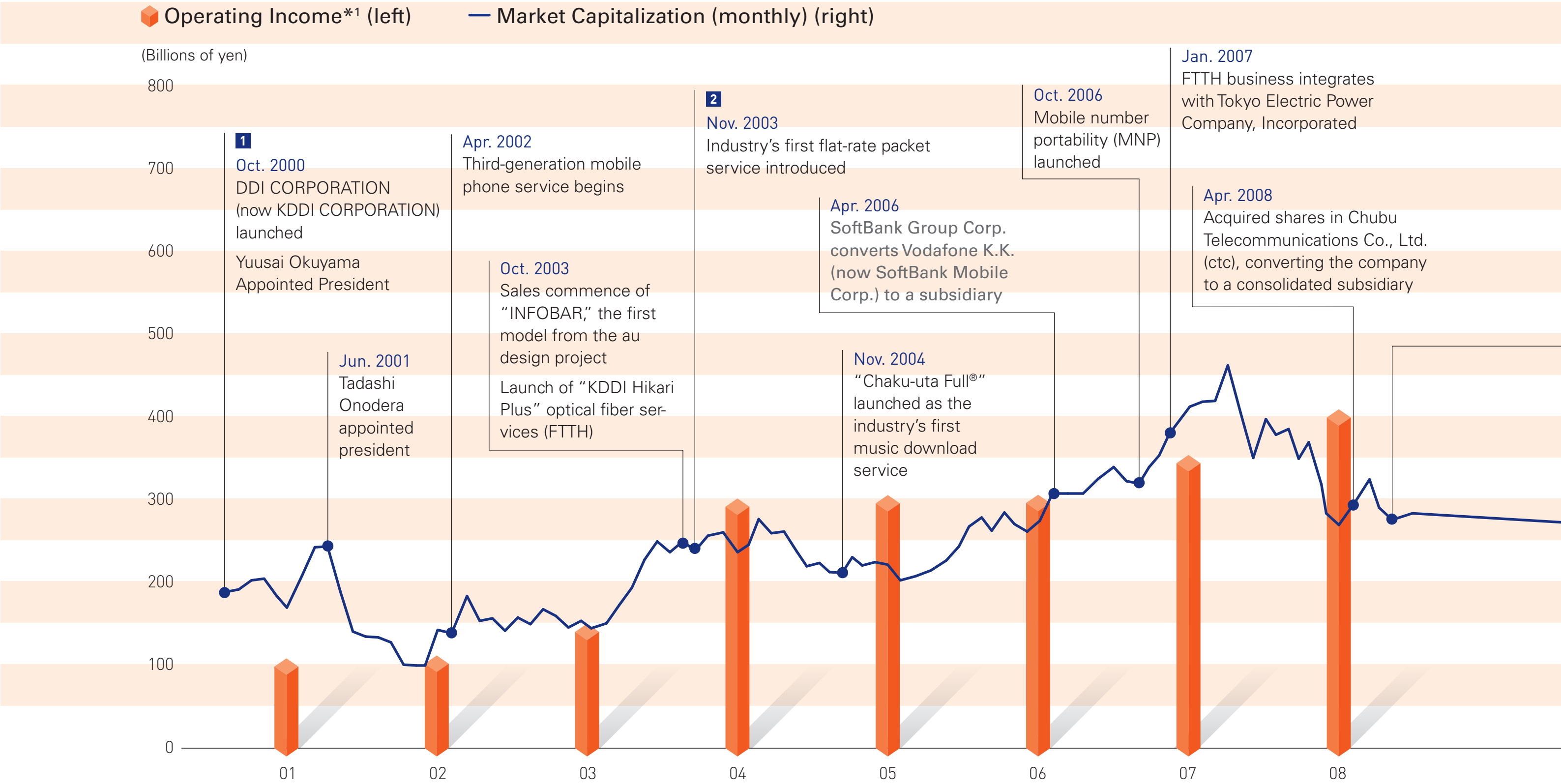
Contents

Sustained Expansion of Corporate Value

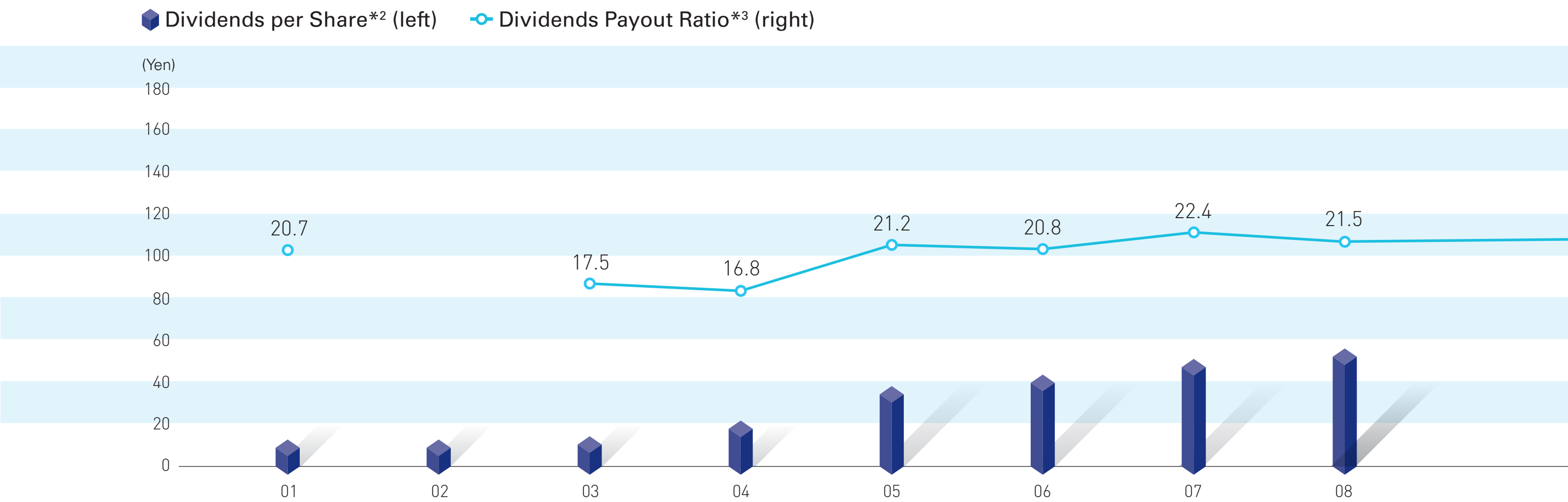
1 DDI CORPORATION, KDD Corporation, and IDO CORPORATION merge and form a new company. The trade name of the new entity is DDI CORPORATION, and it operates under the new KDDI corporate brand in November 2002.

2 Using the CDMA2000 1x EV-DO method, we launched "CDMA 1X WIN," which enables data communications with downlink speeds of up to 2.4Mbps. At the same time, we introduced the industry's first fixed-rate packet service.

3 The iPhone is added to the au smartphone lineup, contributing significantly to a rise in au momentum.



*1 Operating income shown for fiscal years ended March 31



*2 Values are adjusted following stock splits conducted with effective dates of October 1, 2012, and April 1, 2013. Figures for previous fiscal years have been retroactively adjusted.
*3 The dividends payout ratio is not shown for the fiscal year ended March 31, 2002, as a net loss was recorded.

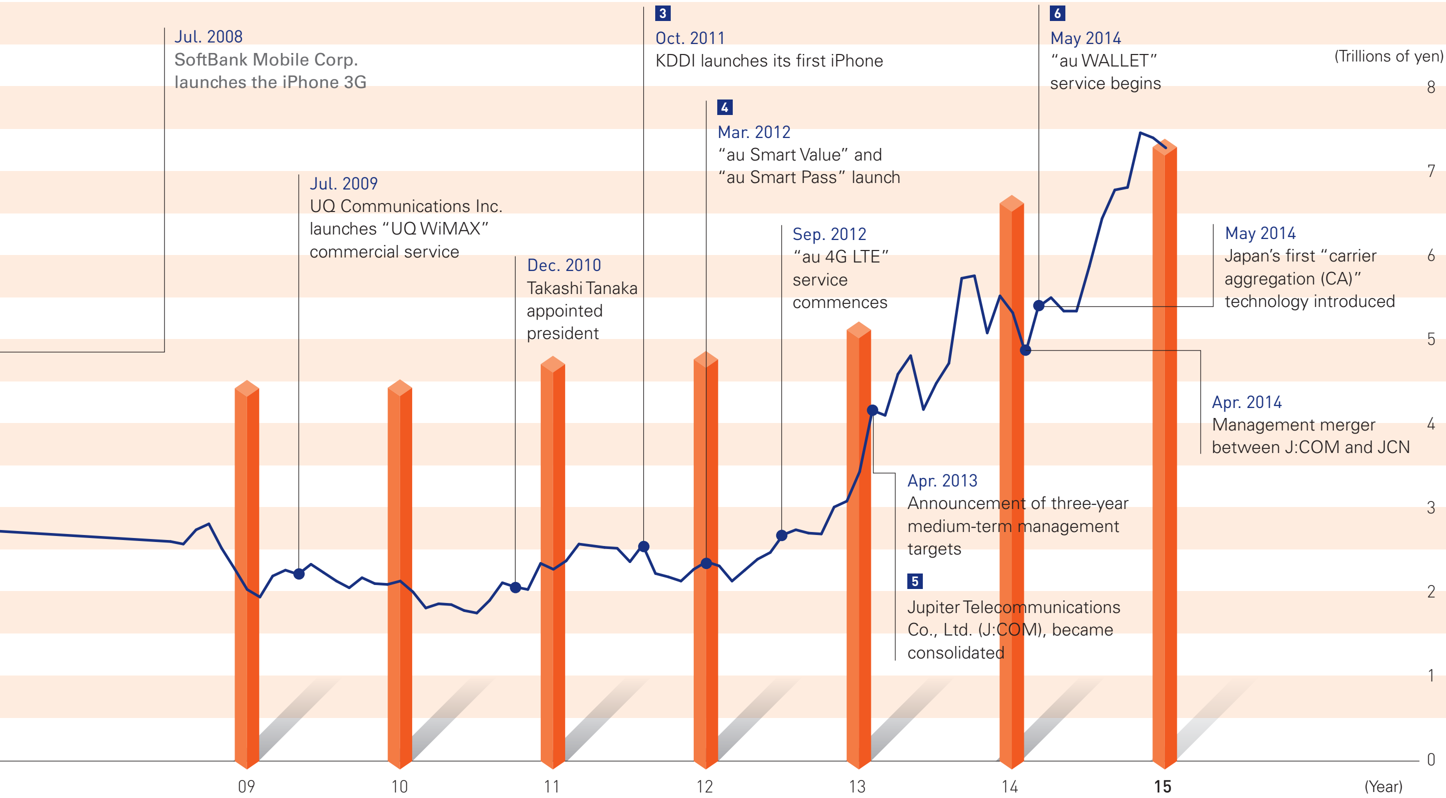
auスマートバリュー
auスマートパス

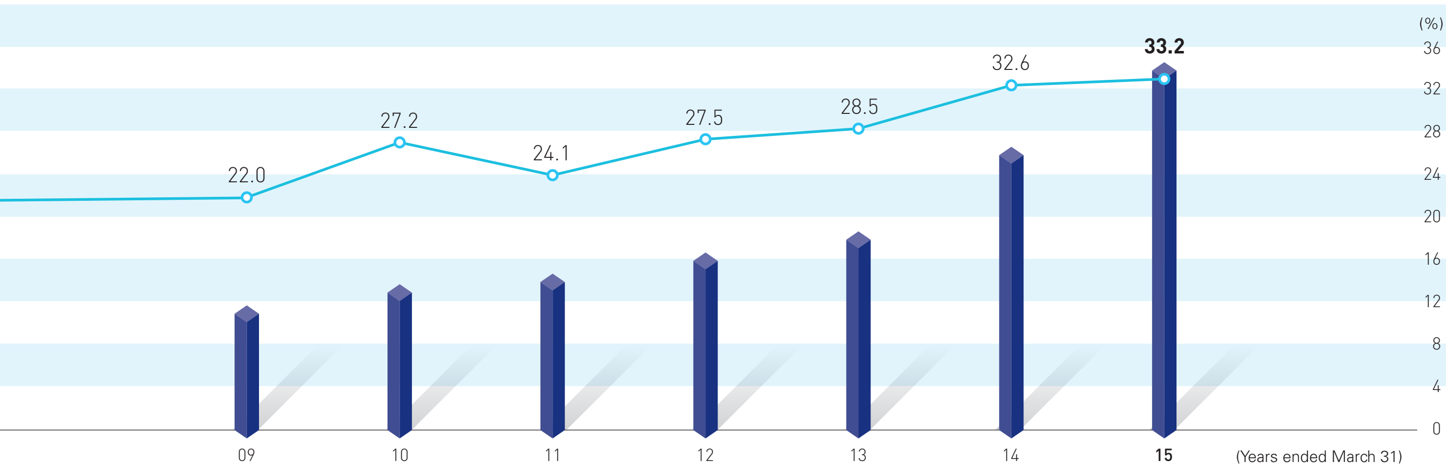
4 KDDI leads the industry in introducing new value, including bundled services combining smartphones and fixed-line broadband and a platform service that provides safe and convenient smartphone access.

もっと、あなたに響くこと。
J:COM

5 Jupiter Telecommunications Co., Ltd. (J:COM), which has a majority market share, is included in KDDI's scope of consolidation, further strengthening the Company's customer base in the fixed-line broadband arena. This move boosts KDDI's consolidated operating performance in the fiscal year ended March 31, 2014.

6 Commencement of "au WALLET," a new e-money service that gives users access to a settlement function that also works at physical shops





Consolidated Financial Highlights

(Years ended March 31)

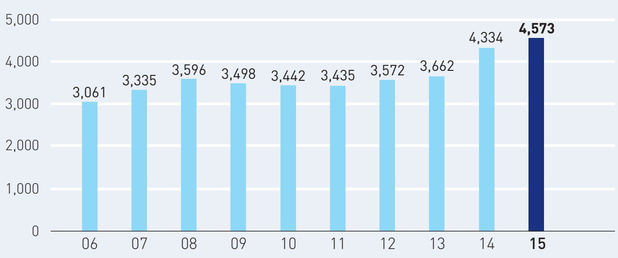
Consolidated	2006	2007	2008	2009
Operating Revenues	¥3,060,814	¥3,335,260	¥3,596,284	¥3,497,509
Operating Income	296,596	344,701	400,452	443,207
Net Income	190,569	186,747	217,786	222,736
EBITDA*2	654,409	691,699	769,209	904,030
Operating Margin	9.7%	10.3%	11.1%	12.7%
EBITDA Margin	21.4%	20.7%	21.4%	25.8%
Capital Expenditures	414,726	438,463	517,002	575,072
Depreciation	335,739	325,149	351,269	434,623
Interest-Bearing Debt	770,692	620,471	571,945	874,951
Equity Ratio	51.8%	54.1%	58.5%	53.7%
Return on Equity (ROE)	15.5%	13.3%	13.6%	12.6%
Return on Assets (ROA)	11.9%	13.0%	14.1%	14.1%
Net Cash Provided by (Used in) Operating Activities	575,531	738,703	545,234	712,231
Net Cash Provided by (Used in) Investing Activities	(435,923)	(442,218)	(557,688)	(775,470)
Free Cash Flows*3	139,608	296,485	(12,454)	(63,240)
Net Cash Provided by (Used in) Financing Activities	(256,935)	(258,919)	(104,410)	191,490
Earnings per Share*4 (yen)	75.09	70.84	81.35	83.29
Dividends per Share*5 (yen)	40.0	47.5	52.5	55.0
Dividend Payout Ratio*6	20.8%	22.4%	21.5%	22.0%
Number of Consolidated Employees (people)	14,021	14,358	15,865	16,967
Number of Female Managers (people)	30	33	44	47
Number of Foreign Employees (people)*7	—	—	27	29
CO_2 Emissions (t)*8	782,724.7	964,579.8	1,028,159.9	1,061,746.4
Power Consumption (MWh)*9	1,406,839	1,734,940	1,849,970	1,910,356

*1 U.S. dollar amounts are translated into yen, for convenience only, at the rate of ¥120.17 = U.S.$1 on March 31, 2015.
*2 From the fiscal year ended March 31, 2013, the EBITDA calculation formula has been changed.
Until the fiscal year ended March 31, 2012: EBITDA = Operating income + depreciation + noncurrent assets retirement cost
From the fiscal year ended March 31, 2013: EBITDA = Operating income + depreciation + amortization of goodwill + noncurrent assets retirement cost
*3 Free cash flows = Net cash provided by (used in) operating activities + net cash provided by (used in) investing activities
*4 Values are adjusted following stock splits conducted with effective dates of October 1, 2012, April 1, 2013, and April 1 2015.
Figures for previous fiscal years have been retroactively adjusted.

Operating Revenues

▶ P. 38

YOY **+5.5%**



Operating Income

▶ P. 38

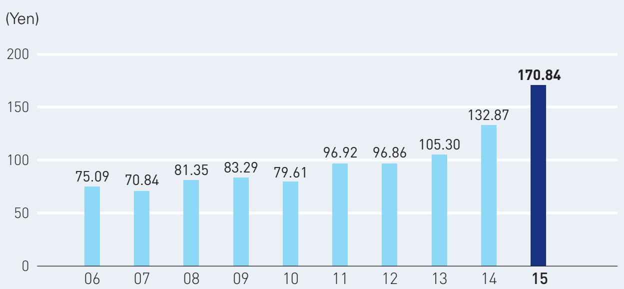
YOY **+11.8%**

					Millions of yen	Millions of U.S. dollars*1
2010	2011	2012	2013	2014	2015	2015
¥3,442,147	¥3,434,546	¥3,572,098	¥3,662,289	¥4,333,628	¥4,573,142	$38,056
443,862	471,912	477,648	512,669	663,245	741,299	6,169
212,764	255,122	238,605	241,470	322,038	427,931	3,561
927,253	936,315	908,499	959,571	1,186,069	1,292,597	10,756
12.9%	13.7%	13.4%	14.0%	15.3%	16.2%	16.2%
26.9%	27.3%	25.4%	26.2%	27.4%	28.3%	28.3%
518,034	443,677	421,568	467,020	571,799	576,197	4,795
460,940	449,318	417,886	406,726	470,098	494,570	4,116
1,096,778	979,630	1,046,754	977,563	1,084,966	1,002,214	8,340
52.8%	55.7%	51.5%	55.1%	55.1%	57.3%	57.3%
11.0%	12.4%	11.5%	11.2%	13.0%	14.9%	14.9%
12.2%	12.4%	12.3%	12.7%	14.7%	14.5%	14.5%
739,992	717,354	725,886	523,908	772,207	962,249	8,007
(924,442)	(440,546)	(484,507)	(472,992)	(546,257)	(674,520)	(5,613)
(184,450)	276,808	241,379	50,916	225,950	287,729	2,394
149,239	(279,998)	(225,931)	(140,249)	(105,644)	(224,862)	(1,871)
79.61	96.92	96.86	105.30	132.87	170.84	1.42
65.0	70.0	80.0	90.0	130.0	170.0	1.41
27.2%	24.1%	27.5%	28.5%	32.6%	33.2%	33.2%
18,301	18,418	19,680	20,238	27,073	28,172	28,172
59	92	113	124	140	177	177
35	45	50	70	102	123	123
1,181,403.0	1,108,282.3	1,218,658.6	1,049,422.3	939,501.7	1,044,357	1,044,357
2,126,440	1,995,042	2,190,787	1,885,703	1,686,480	1,873,293	1,873,293

*5 Values are adjusted following stock splits conducted with effective dates of October 1, 2012 and April 1, 2013. Figures for previous fiscal years have been retroactively adjusted.
*6 Figure for the fiscal year ended March 31, 2006, is on a non-consolidated basis. Figures from the fiscal year ended March 31, 2007, are on a consolidated basis.
*7 Non-consolidated basis. Not disclosed until the fiscal year ended March 31, 2007
*8 Calculated based on non-consolidated power and fuel consumption
*9 Non-consolidated basis

Earnings per Share

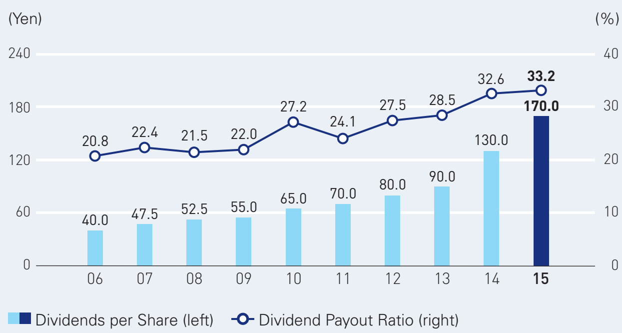
YOY +28.6%



Dividends per Share

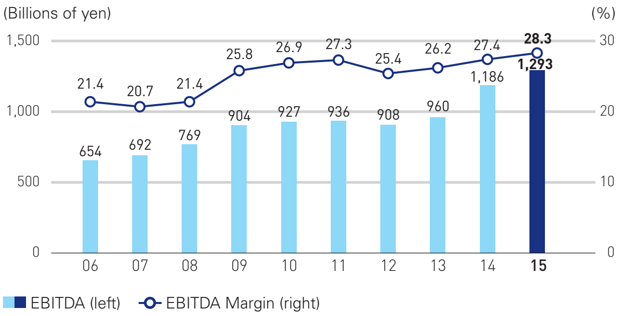
▶ P. 38

YOY +¥40.0



EBITDA

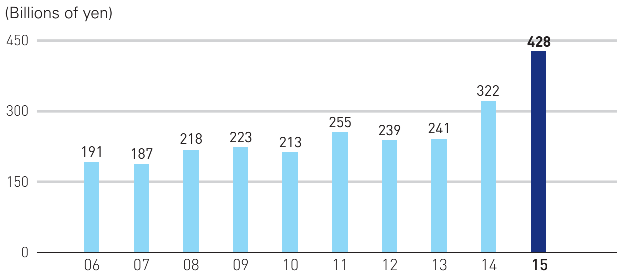
YOY **+9.0%**



Net Income

▶ P. 38

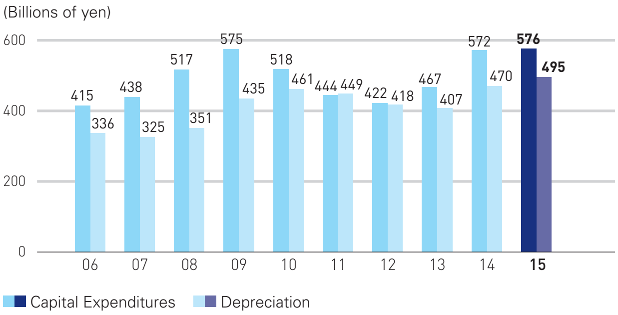
YOY **+32.9%**



Capital Expenditures

▶ P. 40

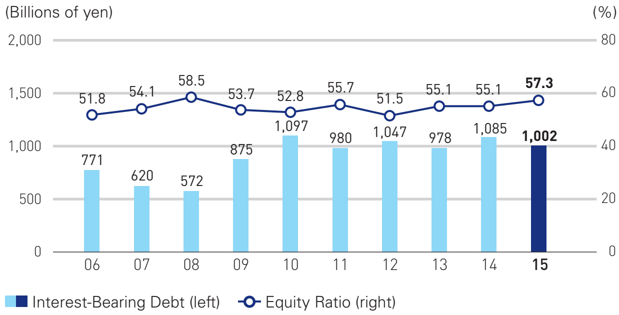
¥576.2 billion



Interest-Bearing Debt

▶ P. 39

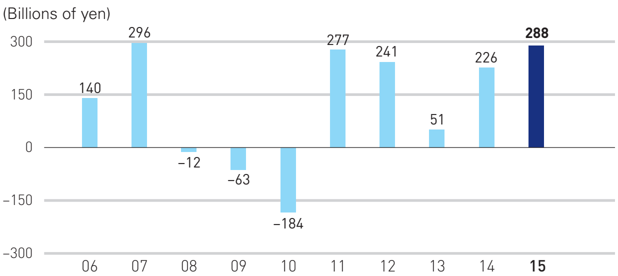
YOY **−7.6%**



Free Cash Flows

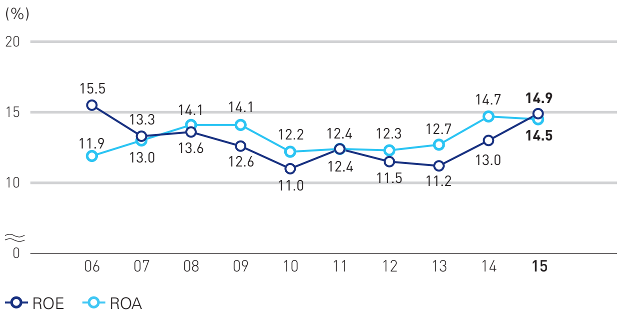
▶ P. 40

YOY **+27.3%**



Return on Equity (ROE)

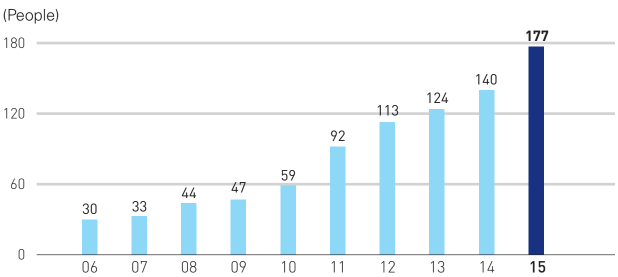
YOY **+1.9pt**



Number of Female Managers

▶ P. 26

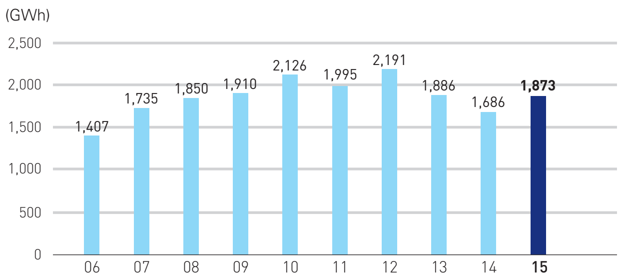
YOY **+26.4%**



Power Consumption

▶ P. 24

YOY **+11.1%**



Financial Highlights by Segment

(Years ended March 31)

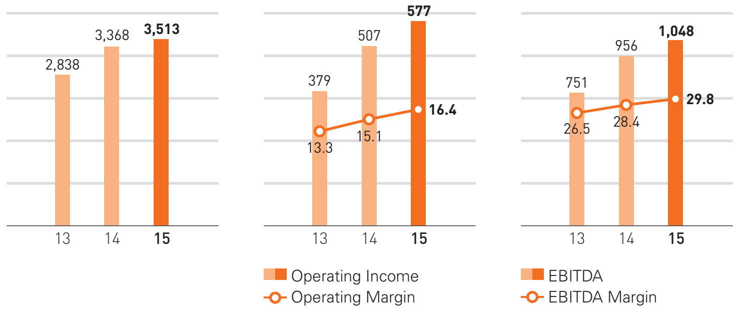
Operating Revenues (Billions of yen) | Operating Income (Billions of yen / %) | EBITDA (Billions of yen / %)

Personal Services Segment

▶ P. 41

Provision of communications services for individuals

This segment provides mobile and fixed-line communications services to individual customers. The segment's main activities are the provision of "au" brand mobile communications services and the sale of mobile handsets. In addition, in fixed-line communications we provide "au HIKARI" brand FTTH services, and J:COM provides CATV services.

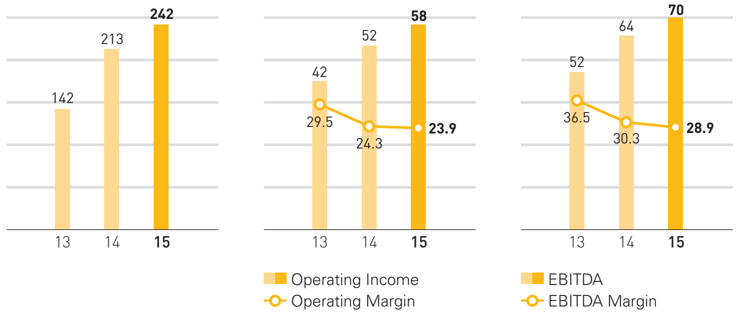


Value Services Segment

▶ P. 42

Provision of content and settlement services for individuals

In this segment, we provide individual customers with "au Smart Pass" and a diverse range of other online services, including music, video, and e-books, as well as developing a financial services / commerce business. Based on two settlement platforms, "carrier billing" and "au WALLET," we are working to expand the value-added economic zone.

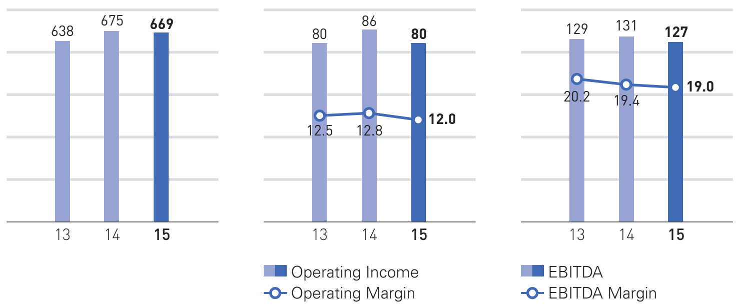


Business Services Segment

▶ P. 43

Provision of communications and solution / cloud services for companies

In this segment, which targets corporate customers ranging from small and medium-sized businesses to major corporations, we provide various solution-based services, including mobile and fixed-line communications and data centers.

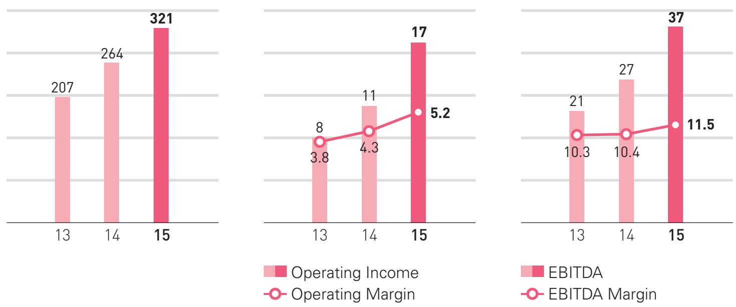


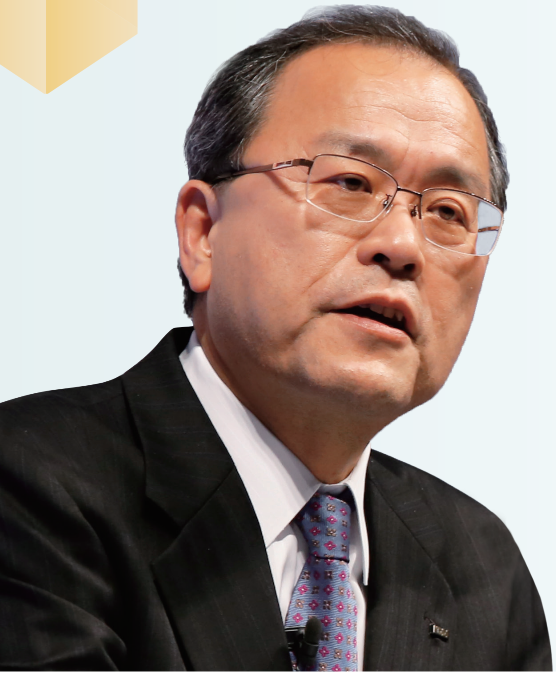
Global Services Segment

▶ P. 43

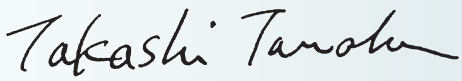
Overseas provision of communications for companies and individuals, as well solution / cloud services

Centered on our "TELEHOUSE" data centers, this segment provides corporate customers with one-stop ICT solutions via our global ICT business. We also entered the telecommunications business in Myanmar and are developing global consumer businesses, such as the MVNO business targeting immigrants in the United States.





We aim to enhance corporate value still further by taking on new fields of business, continuing to increase profits, and augmenting shareholder returns.



Takashi Tanaka
President, KDDI CORPORTATION

THEME 01 Ending the Second Year toward our Medium-Term Targets

KDDI is positioning the three-year period from the fiscal year ended March 31, 2014, to the fiscal year ending March 31, 2016, as a time of "full-scale income growth." As such, we have set the medium-term management target of achieving "double-digit growth in consolidated operating income."

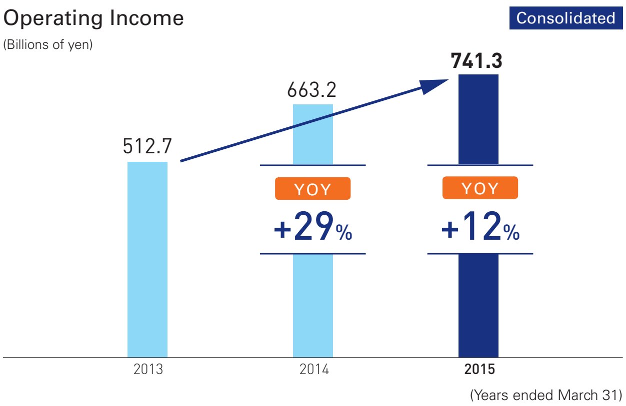
The fiscal year ended March 31, 2015, was the second year for this medium-term management target, and during this time we concentrated on sustaining "au momentum" in the domestic mobile business. Furthermore, based on a policy of "targeting the next growth stage," we made steady inroads on new initiatives, such as launching "au WALLET" and commencing "telecommunications business in Myanmar."

On the performance front, an increase in mobile communications revenues and lower sales commissions absorbed higher up-front costs to invest in new businesses. As a result, consolidated operating income grew 11.8% year on year, to ¥741.3 billion, for our second consecutive year of double-digit growth.

Highlights of Performance in FY2015.3

- Operating Income: Achieved Double-Digit Growth for Two Consecutive Fiscal Years
- Business Development toward a New Growth Stage

Operating Income



- Operating income +12% YOY
- Maintained au momentum
- New business development in Japan and overseas

Reversal in au ARPU and Favorable au Net Additions for the Year

Our medium-term management target of achieving sustainable income growth hinges on increasing mobile communications revenues in the Personal Services segment, which accounts for more than 70% of consolidated operating revenues. During the first year of our medium-term management targets, the fiscal year ended March 31, 2014, the net increase in subscriber numbers was favorable, but au average revenue per unit (ARPU) trended downward for the fiscal year as a whole. Looking ahead to changes in the market environment, we made a commitment to turn au ARPU around in the fiscal year ended March 31, 2015.

Our introduction of the "Unlimited Voice & Tiered Data" rate plan, which had not been included in our initial expectations, caused revenues to drop, but a rise in the smartphone penetration rate led to robust increases in data ARPU. In addition, by controlling the amount of the "Maitsuki Discount (Monthly Discount)," we succeeded in turning around au ARPU for the fiscal year. As of March 31, 2015, KDDI's smartphone penetration rate was 54% (50% if limited to LTE). Going forward, we expect this rate to rise to more than 70%, commensurate with levels in the United States and South Korea.

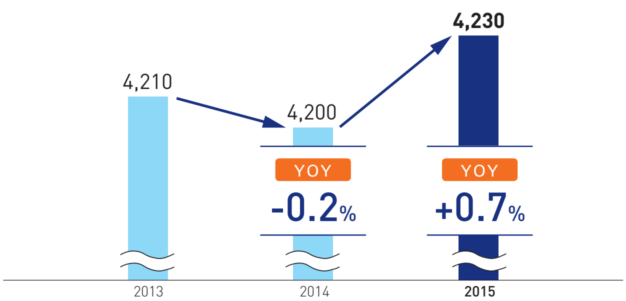
Also, au net additions were favorable from the start of the fiscal year, and fourth-quarter results were particularly solid. During that three months, we recorded net additions of 1.1 million, bringing total net additions for the year to 2.96 million, up 5.1% from the fiscal year ended March 31, 2014.

au ARPU

Reversal of Downward Trend on au ARPU, due to Smartphone Penetration

au ARPU* — Personal

(Yen)

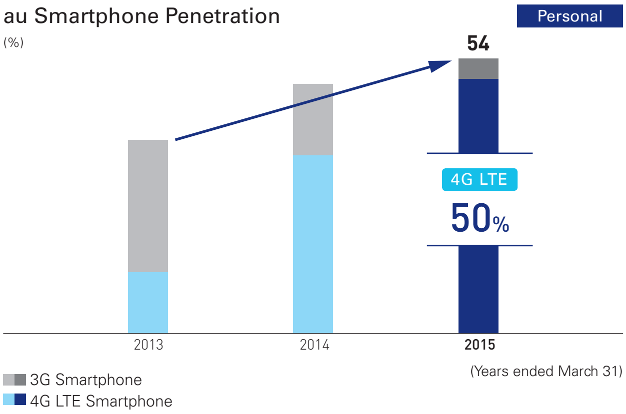


* Including amount of discount applied

(Years ended March 31)

au Smartphone Penetration — Personal

(%)



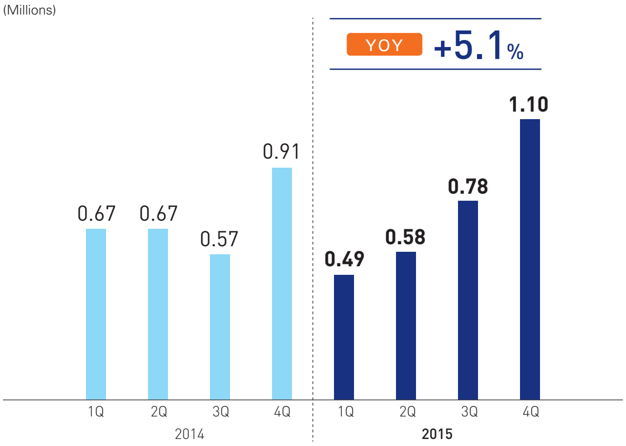
(Years ended March 31)

au Net Additions

Year on Year +5.1%

Quarterly Basis — Consolidated

(Millions)



(Years ended March 31)

A Changing Environment for the Communications Industry

The Japanese communications market experienced a number of major changes in the fiscal year ended March 31, 2015.

First, NTT East and NTT West announced a shift to wholesaling fiber access service. Our competitors began offering discounts on bundled sets of mobile and fixed-line services.

Second was the announcement of new government guidelines on removing the subscriber identity module (SIM) lock on devices sold from May 2015.

The third change was the expansion of the mobile virtual network operator (MVNO) market. As we expect new companies to continue entering this market, in September 2014 we established KDDI VALUE ENABLER CORPORATION (KVE), which will work with partners interested in developing their mobile businesses. In promoting the MVNO business, KVE will provide business partners with access to au's high-quality network. By helping to develop and invigorate the MVNO market, KVE will generate revenues for the KDDI Group and increase the number of people who use smart devices.

Maintaining and Augmenting Mobile Competitiveness

In the fiscal year ended March 31, 2015, stock market participants voiced two major concerns for KDDI.

The first was the renewal of stiff sales competition among the three major mobile communications companies that commenced in the fourth quarter of the fiscal year ended March 31, 2014. The second concern was about a potential downturn in au momentum now that competitors have also begun offering discounts on bundled sets of mobile and fixed-line services.

We see neither of these circumstances as a cause for concern, as growth has flattened in none of the key performance indicators (KPIs) we use for measuring au momentum (churn rate, MNP net additions, and au net additions). In the fiscal year ended March 31, 2015, each carrier stepped up efforts to retain customers and prevent them shifting to rival companies, so the competitive environment was more stable than in the fiscal year ended March 31, 2014.

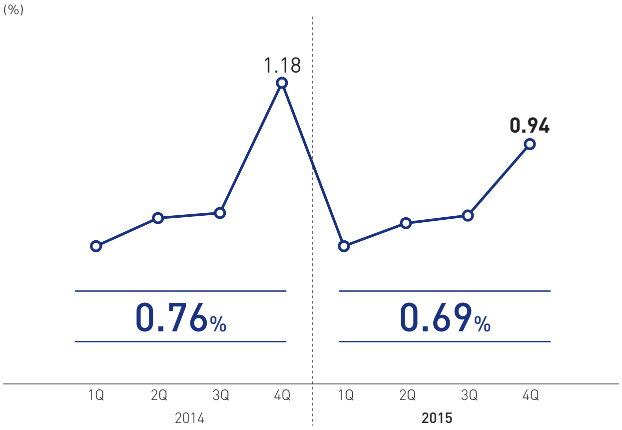
au Churn Rate

Improved YOY

Quarterly Basis

Personal

(%)



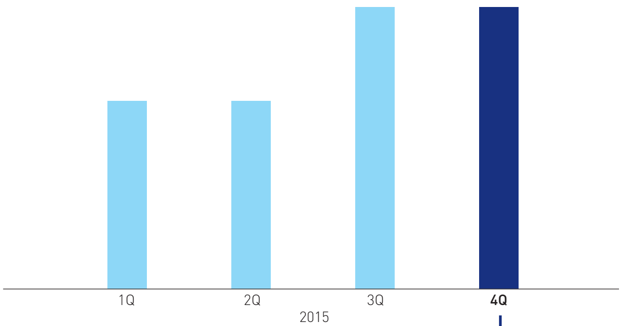
(Years ended March 31)

MNP Net Additions

- Remained Favorable in 4Q
- In March at Highest Level for Year

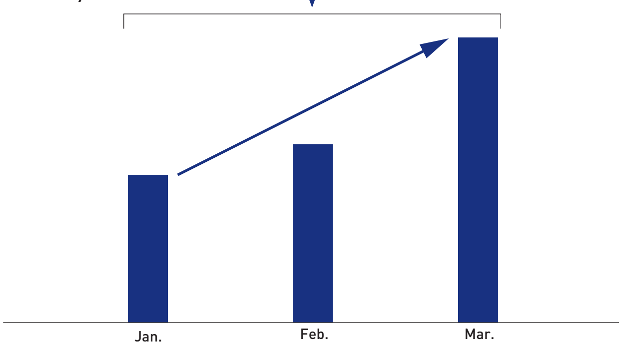
Quarterly Basis

Consolidated



(Years ended March 31)

Monthly Basis



At KDDI, 50% of au smartphone subscribers and 60% of "au HIKARI" (FTTH) subscribers subscribe to "au Smart Value" (bundled services), which have a low churn rate. From this robust customer base and through sales measures utilizing our sales channels for mobile and fixed-line communications, we will continue to maintain and augment our competitiveness.

au Smart Value

Penetration now More than Half of KDDI Group's Service Subscribers

Personal

Penetration for au Smartphone Subscribers*1

Penetration for au HIKARI (FTTH) Subscribers*2

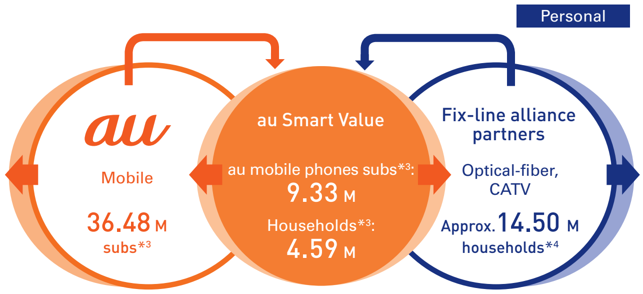
(As of March 31, 2015)

*1 Percentage of au Smart Value for au smartphone subscribers
*2 Percentage of au Smart Value for au HIKARI subscribers

Bundled Services Sales Method

Mutual Cross-Selling with Allied Partners

Personal



*3 As of March 31, 2015
*4 Number of households for which au Smart Value was available on September 30, 2014 (based on KDDI's calculations)

Introducing New Rate Plans

In the fiscal year ended March 31, 2015, each carrier expanded their selections of data usage plans in response to the growing number of smartphone users, aiming to bolster revenues to match growing data traffic per smartphone with new "flat-rate voice + tiered data" plans. In August 2014, KDDI also introduced a new rate plan.

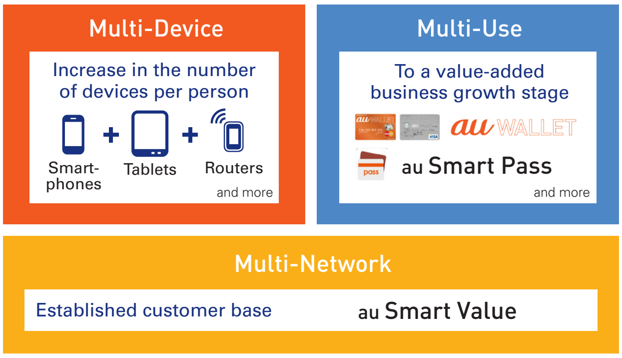
We also worked to encourage the shift to smartphones by offering smartphones designed especially for seniors and juniors, where smartphone usage is relatively low, and rate plans that are discounted more than typical plans.

THEME 02

Targeting the Next Growth Stage

As we worked to maintain momentum in the mobile business and achieve steady earnings growth, we positioned the fiscal year ended March 31, 2015, as a year for "targeting the next growth stage." In Japan, we pursued the pillars of our "3M Strategy" (multi-network, multi-device, multi-use) for domestic business. As part of our "Global Strategy," we undertook such initiatives as commencing "telecommunications business in Myanmar."

Promoting the 3M Strategy



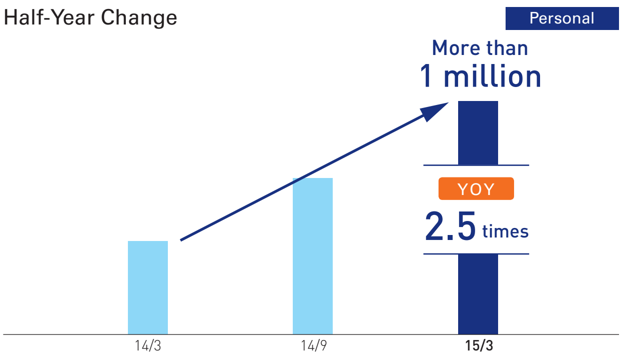
Expanding au ARPA by Promoting Multi-Device Services

Since we announced our "3M Strategy," au ARPU has risen in tandem with the migration from feature phones to smartphones, and we have boosted mobile communications revenues by increasing the number of subscriptions (IDs) to bundled sets of fixed-line and mobile services.

Meanwhile, in the fiscal year ended March 31, 2015, we made a major move to promote multi-device services. Thanks to a sales campaign bundling smartphones and tablets, as of March 31, 2015, our cumulative number of tablet customers had risen to 2.5 times the level one year earlier.

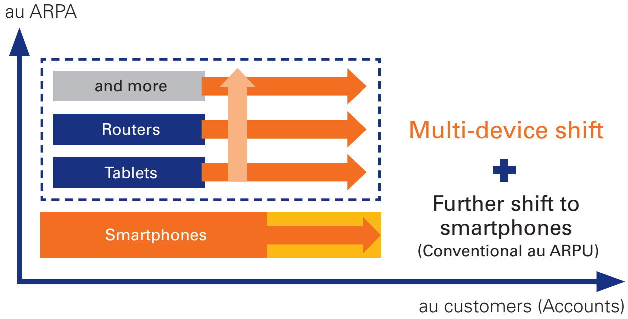
Cumulative Tablet Subscriptions

In an Expansionary Phase Due to Trend toward Multi-Device Usage



From "ARPU" to "ARPA"

Aiming to Maximize au ARPA by Promoting Multi-Device

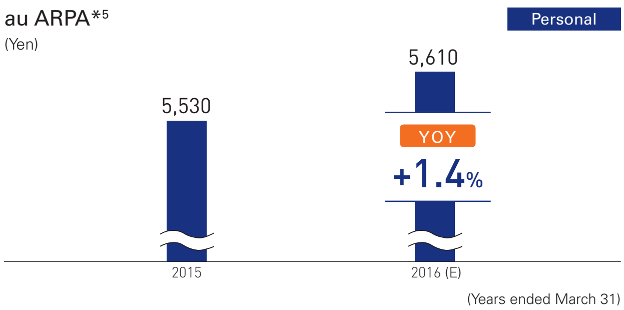


As part of this full-fledged promotion of multi-device services, we changed one of our KPIs that had been based on mobile services—au ARPU. We adopted the measure of "au average revenue per account (ARPA)," which reflects tablet and other multi-device revenues.

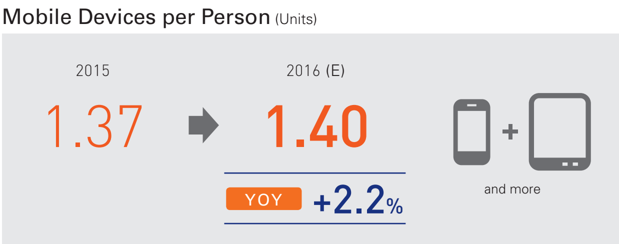
Going forward, by further promotion of our multi-device services we aim to expand revenues per customer rather than revenues per device.

au ARPA and Mobile Devices per Person

Further Drive of Growth by Increasing the Number of Mobile Devices per Person



*5 Mobile communications revenue, excluding MVNO and prepaid ÷ au customers



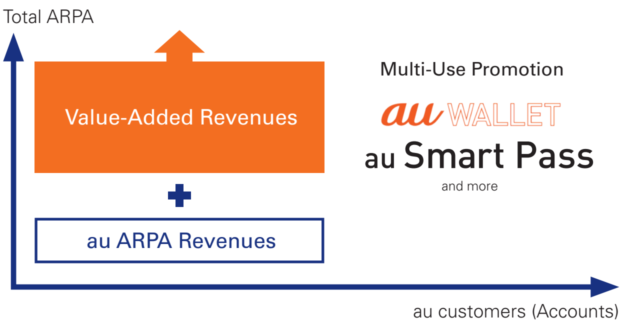
MANAGEMENT MESSAGE

Expanding Value ARPA by Promoting Multi-Use

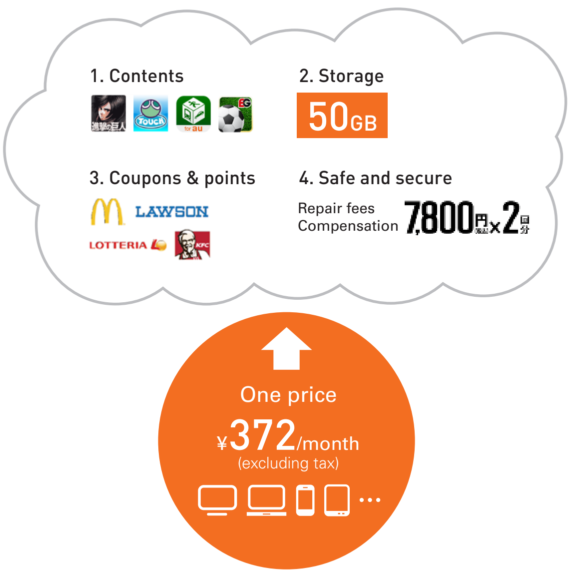
KDDI is moving aggressively to expand value-added revenues in non-communications domains by promoting the "multi-use" of the 3M strategy. Our focus going forward will be on further augmenting "value-added ARPA," or value-added sales per au customer. In Japan, carrier billing has gained traction as a settlement method for mobile content services. To date, we have leveraged this settlement platform by encouraging an expansion in "au Smart Pass" subscribers, centered on value-added sales of online services. In addition to generating value-added sales, "au Smart Pass" plays an important role in providing a contact point with customers that is instrumental in upselling services offering unlimited access to music, movies, e-books, and other content. As of March 31, 2015, the number of "au Smart Pass" members had risen to 12.89 million, and value-added sales had grown to ¥124.9 billion.

Expanding Value-Added Revenues

Aiming to Increase Value-Added ARPA through Multi-Use



au Smart Pass



au Smart Pass Members

In addition to "au Smart Pass" and other online services, on May 21, 2014, we launched the "au WALLET" service—a new settlement platform for generating value-added sales of offline services. "au WALLET" is a prepaid e-money card that makes use of "au ID," an authentication key, to access various au network services, and provides a settlement function that allows for use at physical shops as well.

A tie-up with MasterCard® means that "au WALLET" can be used at approximately 38.1 million stores worldwide. Also, because of its link to carrier billing, charging is convenient. By quickly increasing the penetration rate among au customers and establishing "au WALLET" as a settlement platform for offline services, we aim for the transaction volume of our two major settlement platforms—"au Simple Payment" (carrier billing) and "au WALLET"—to reach ¥1 trillion by the fiscal year ending March 31, 2017.

au WALLET

Expanding Businesses in Financial and Settlement Services

Promoting Our Global Strategy

Simultaneous to expanding the "au economic zone" in our domestic business, we are concentrating on another pillar of our growth strategy for the future: global business. In this category, we have signed a joint business agreement with Myanma Posts & Telecommunications (MPT) and are commencing the telecommunications business in Myanmar.

In Myanmar, we are increasing communications quality and extending the service area in key cities. We are also expanding call centers and making other moves to fortify our base for the communications business. Efforts to attract customers through various promotions and enhancing sales channels are steadily bearing fruit. In the seven months since we began joint business with MPT in September 2014, cumulative sales of SIM cards exceeded 8 million.

In addition to contributing to the development of Myanmar's economy and industry, as well as to the lives of the country's citizens, we are building these operations into a pillar of our growth strategy.

Telecommunications Business in Myanmar

Seven Months Since the Joint Business Launch, SIM Card Sales Totaled More than 8 Million

Sales network enhancement

- Establishment of brand booth in Yangon Airport
- Expansion of sales network through directly operated shops, specialized shops, etc.

Network quality improvements

- Steadily rolling out high-speed 3G data communications in principal cities

MPT brand booth, which opened in Yangon Airport in March 2015

THEME 03

Cash Flow Allocation and Shareholder Returns

Capital Expenditures and Free Cash Flows

Capital expenditures during the fiscal year ended March 31, 2015, were essentially in line with our plans, at ¥576.2 billion, up 0.8% from the fiscal year ended March 31,2014. In addition to ongoing investment to expand our LTE service area and enhance communications quality, we invested in Jupiter Telecommunications Co., Ltd. (J:COM), which was included in the scope of consolidation in the fiscal year ended March 31, 2014, and in our data center business, which is performing favorably.

In the fiscal year ending March 31, 2016, we forecast capital expenditures totaling ¥600.0 billion. This includes ¥65.0 billion from the impact of including UQ Communications Inc. in the scope of consolidation associated with our planned transition to International Financial Reporting Standards (IFRS). (See page 47.) As we have completed the process of configuring the LTE area to some degree, excluding the impact of the UQ consolidation we are planning a year-on-year decrease in capital expenditures.

Free cash flows for the fiscal year ended March 31, 2015, amounted to ¥287.7 billion, up ¥61.8 billion from the previous year's level, attributable to the rise in EBITDA. We expect to continue generating cash on a stable basis in line with income expansion, and intend to aggressively invest these funds in growth areas (M&As) to generate new growth.

Policy on Shareholder Returns

We plan to continue increasing our returns to shareholders, which focus on augmenting earnings per share (EPS) through sustainable growth and our commitment to raising dividends to meet our commitment of a dividend payout ratio in excess of 30%. The dividend for the fiscal year ended March 31, 2015, amounted to ¥170* per share, up ¥40 from the previous year. This figure amounted to a consolidated dividend payout ratio of 33.2% and represented the 13th consecutive fiscal year of dividend increases. In the fiscal year ending March 31, 2016, the final year of our current medium-term management targets, we remain committed to a consolidated dividend payout ratio of more than 30%, and expect to raise dividends steadily as we achieve a synergy with higher EPS as income rises.

* Not taking into account the three-for-one stock split conducted with an effective date of April 1, 2015

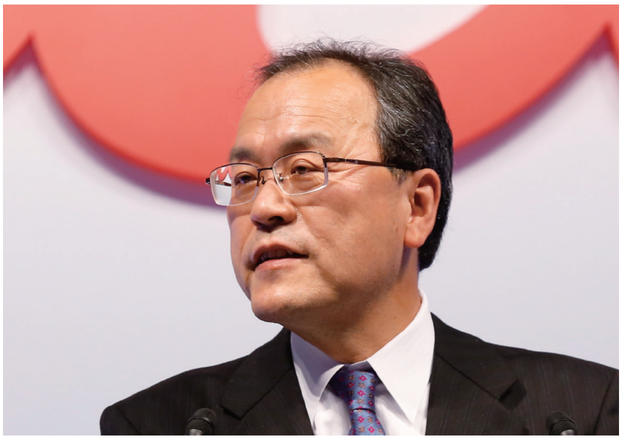
Shareholder Returns

	2014	2015	2016 (E)
Earnings per Share (EPS)	YOY +26%	YOY +29%	YOY +14%
Dividend Payout Ratio	32.6%	33.2%	33.2%

(Years ended March 31)

THEME 04 Introducing IFRS

The KDDI Group has decided to adopt International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2016. We believe that 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 investors and other stakeholders.



THEME 05 The Importance of the KDDI Group Philosophy as the Basis of Our Conduct as a Corporate Citizen

In the "KDDI Group Philosophy," KDDI describes the perspectives that employees should share and expresses a code of conduct. Respecting the individual characters of each of our employees goes without saying, but company management cannot work smoothly if employees have disparate visions and senses of ethics.

As a company that provides social infrastructure, our societal mission is to deliver stable telecommunications services regardless of conditions. As our business derives from utilizing radio waves—an important asset shared by all citizens—we must do our utmost to fulfill our attendant responsibilities by uniting the hearts of our employees and behaving as one.

Aiming for human welfare as well as the development of society, on a daily basis we think what value we can provide to society as individuals or as a corporate citizen. The KDDI Group Philosophy is the framework for sharing this value and strengthening trust. I see this as the essence of CSR management.

THEME 06 In Closing

The fiscal year ending March 31, 2016, will be the last of the three years for which I made a public pledge to meet our medium-term management targets, one of which was to post double-digit growth in consolidated operating income. This will be the year when we put in place the pillars for the next growth stage.

To respond quickly to changes in our operating environment, achieve sustained growth, and remain at the forefront of change, we will further entrench our growth strategies: the "3M Strategy" and the "Global Strategy." We will also strive to provide highly reliable networks, as well as high-value-added products and services. In these ways, we intend to enhance corporate value even further.

STRATEGY

The Japanese Telecommunications Market and KDDI

Characteristics of the Japanese Mobile Telecommunications Market

Mobile

As of March 31, 2015, cumulative mobile communication subscriptions in Japan totaled 150 million*1, up 5.4% year on year.

Smartphone subscriptions increased, due mainly to the transition from feature phones, boosting the smartphone penetration rate to 60.6%*2 on a household basis as of March 2015. As the penetration rate is still low in comparison with countries that are more advanced in this respect, such as the United States and South Korea, we expect the rate to grow further.

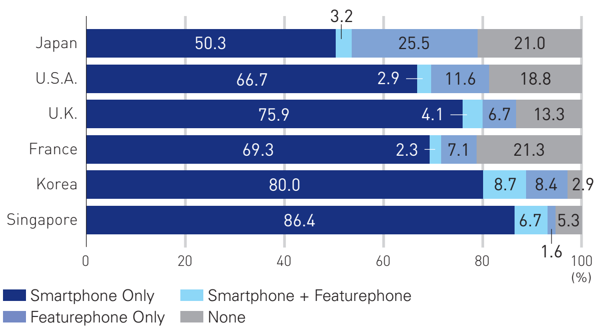
The Japanese market is characterized by the advancement of LTE networks, which enable high-speed data communications, leading to the creation of communications environments that facilitate diverse services and are independent of handset and location. Against this backdrop, the trend toward "multi-devices," in which a customer may also own a tablet or Wi-Fi router, is gaining traction, so the Japanese mobile telecommunications market is projected to continue expanding.

Furthermore, advances in networks and handsets are making mobile usage environments more convenient, and the scale of the mobile content and mobile commerce markets is increasing. This scenario points to further opportunities to generate revenues.

*1 Source: Official Announcement of Quarterly Data on the Number of Telecommunications Service Subscriptions and Market Shares (FY 2014 Q4 (End of March 2015)), Ministry of Internal Affairs and Communications

*2 Source: Results of a consumer trend survey conducted in March 2015 by the Cabinet Office of Japan

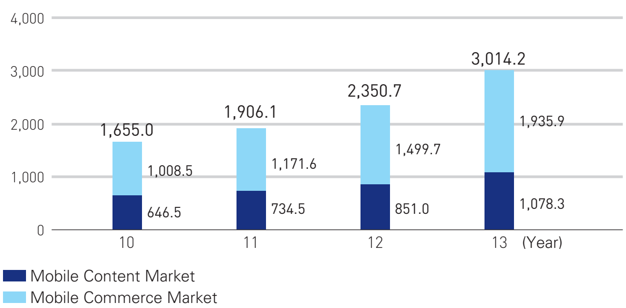
Smartphone Ownership by Country



Source: *2014 White Paper on Information and Communications in Japan*, Ministry of Internal Affairs and Communications

Scale of the Mobile Content and Mobile Commerce Markets

(Billions of yen)



Source: Mobile Content Forum

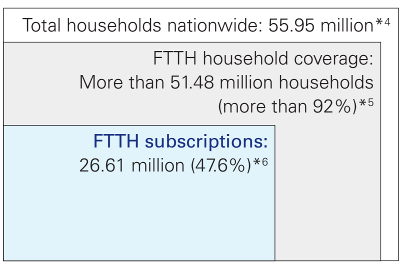
Fixed-Line Broadband

The nationwide FTTH household coverage ratio is more than 90% and "homes passed*3" is more than 70%, indicating that high-speed broadband environments are essentially in place nationwide.

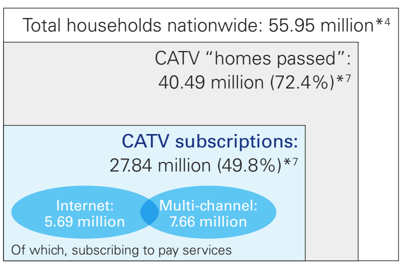
As of March 31, 2015, fixed-line broadband service subscriptions numbered 36.80 million, up 2.7% from the preceding fiscal year.

Fixed-line broadband service penetration is almost at 70%. Amid a gradual market expansion, in March 2015 regional NTT companies began wholesaling fiber access services (FTTH).

FTTH

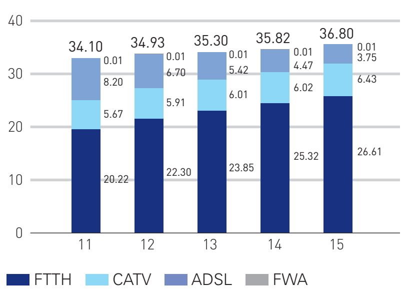


CATV



Number of Broadband Subscriptions*6

(Million subs)



(Years ended March 31)

*3 In regions where the installation of CATV facilities is permitted, households in areas where installation of transit routes is complete

*4 Source: Ministry of Internal Affairs and Communications (as of January 1, 2015)

*5 Source: *Information NTT East Japan: Overall Management (2014)*: Telecommunications Facilities: Access Going Optical. As of March 31, 2015, Nippon Telegraph and Telephone East Corporation (NTT East)'s FTTH household coverage ratio is 95% and Nippon Telegraph and Telephone West Corporation (NTT West)'s is approximately 92%.

*6 Source: Ministry of Internal Affairs and Communications (as of March 31, 2015)

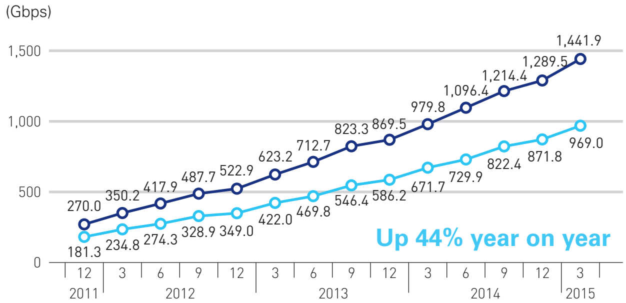
*7 Source: *Hoso Journal*, December 2014 edition (as of September 31, 2014)

Growth in Mobile Traffic

Due to the proliferation of smartphones and tablets, mobile traffic in Japan is growing at a rapid pace, with average monthly traffic recently rising at 44% year on year.

In particular, average traffic during the peak hours for mobile customers (11–12pm) is up by around 50% per year. This situation poses a dilemma for mobile telecommunications companies, which are working to efficiently absorb this increase in mobile traffic while restraining capital expenditures and maintaining stable network operations.

Total Mobile Traffic in Japan (Monthly)



Average Monthly Traffic　Traffic during Peak Hours (Average Traffic 11–12pm)

Source: "The State of Mobile Communications Traffic in Japan," Ministry of Internal Affairs and Communications (March 2015)

Allocation of Bandwidth among Japan's Mobile Telecommunications Operators

	KDDI Group (au + UQ WiMAX)	NTT DOCOMO	SoftBank
3.5GHz (Slated to commence operations in 2016)	40MHz	40MHz	40MHz
2.6GHz	50MHz UQ WiMAX		30MHz
2.1GHz	40MHz	40MHz	40MHz
1.7GHz		40MHz	30MHz
1.5GHz	20MHz	30MHz	20MHz
800-900MHz	30MHz	30MHz	30MHz
700MHz	20MHz	20MHz	20MHz
Total Bandwidth	**200MHz**	**200MHz**	**210MHz**

* As of July 1, 2015

STRATEGY

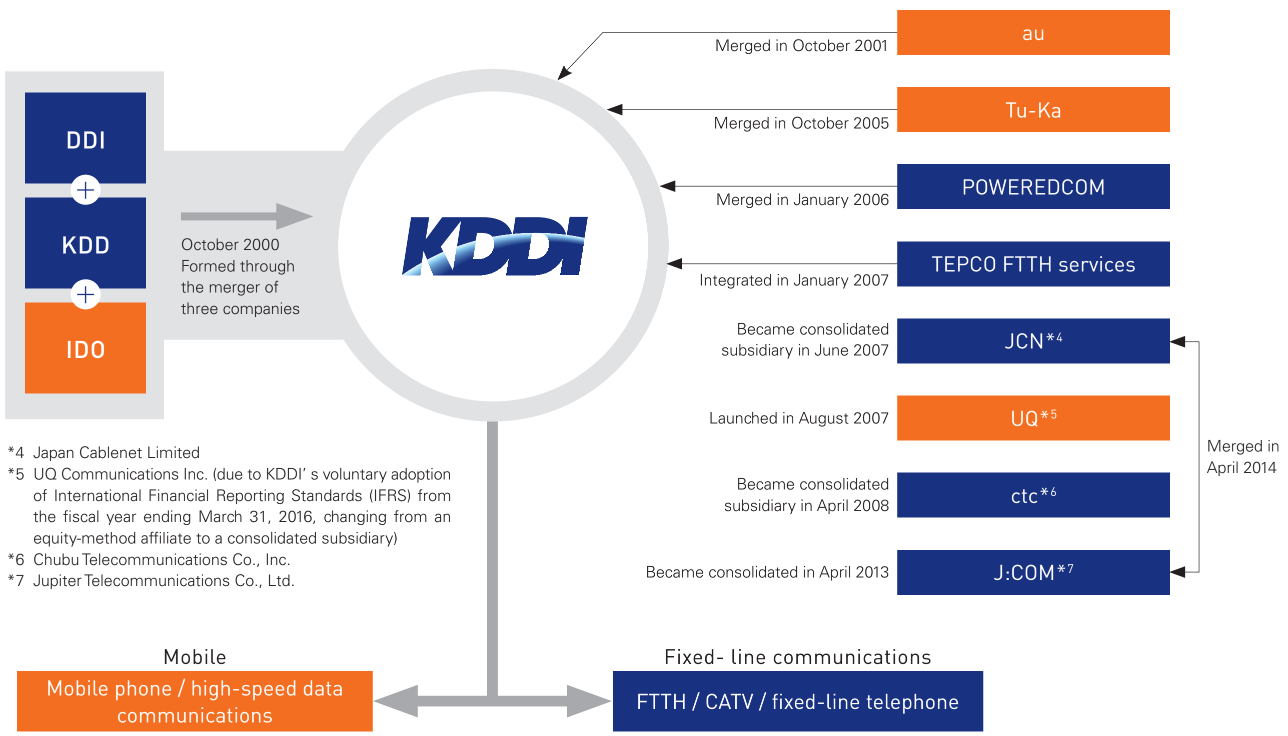
KDDI's Status

Leveraging the KDDI Group's Comprehensive Mobile and Fixed-Line Capabilities

The KDDI CORPORATION was established in October 2000 through the merger of DDI CORPORATION, a long-distance communications company; KDD Corporation, an international communications company; and IDO CORPORATION, which provided mobile communications. Thereafter, we expanded our business through mergers in both the mobile and fixed-line businesses.

As a result, KDDI has amassed a host of access lines. In the mobile category, these include 3G/LTE and WiMAX networks. In the fixed-line category, we have FTTH and CATV. The KDDI Group's customer base includes approximately 53 million mobile subscriptions*1 and around 8.5 million fixed-line broadband subscriptions*2. We are leveraging this situation by promoting the "3M Strategy*3."

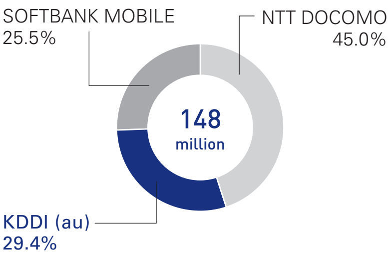
*1 Total for au + UQ
*2 Total for FTTH + CATV pay multi-channel
*3 3M stands for Multi-network, Multi-device, and Multi-use. Our growth strategy calls for the establishment of an environment that seamlessly provides a variety of content and services to customers through an optimal network that can be used anytime and anywhere, with a variety of devices, including smartphones and tablets.



*4 Japan Cablenet Limited
*5 UQ Communications Inc. (due to KDDI' s voluntary adoption of International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2016, changing from an equity-method affiliate to a consolidated subsidiary)
*6 Chubu Telecommunications Co., Inc.
*7 Jupiter Telecommunications Co., Ltd.

Share of Mobile Communication Subscriptions*8

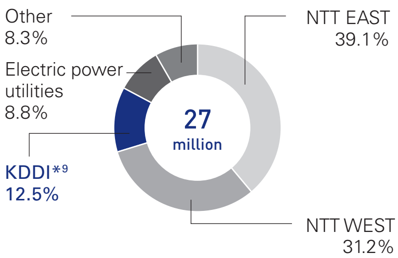
(As of March 31, 2015)



Source: Prepared by KDDI based on Telecommunications Carriers Association's data
*8 Share among NTT DOCOMO, INC. (NTT DOCOMO), SoftBank Mobile Corp. (SOFTBANK MOBILE), and KDDI (au)

Share of FTTH Subscriptions

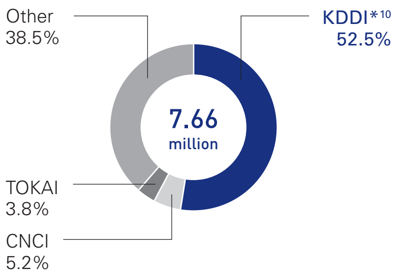
(As of March 31, 2015)



Source: Prepared by KDDI based on Ministry of Internal Affairs and Communication's data
*9 KDDI + ctc + OKINAWA CELLULAR TELEPHONE COMPANY (Okinawa Cellular)

Share of Pay Multi-Channel CATV Subscriptions

(As of September 30, 2014)



Source: Prepared by KDDI based on *Hoso Journal* (December 2014 issue)
*10 J:COM + JCN

Principal Businesses of the KDDI Group

▶ Mobile

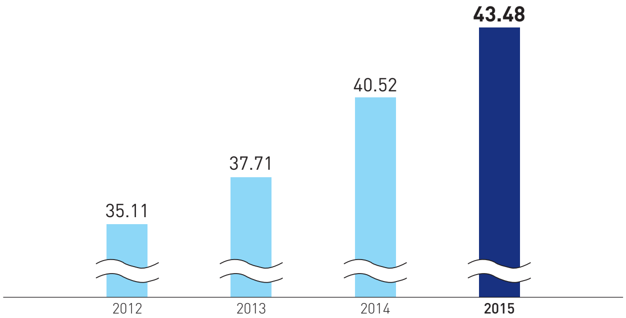
As of March 31, 2015, au mobile subscriptions numbered 43.48 million, up 7.3% year on year and accounting for a 29.4% share of the mobile market, which has three major carriers.

Of this figure, in the Personal Services segment, which accounts for more than 70% of KDDI's consolidated operating revenues, smartphone penetration had risen to 54% (50% if limited to LTE).

UQ Communications Inc., an equity-method affiliate that provides WiMAX service and "WiMAX 2+" (compatible with TD-LTE) service using 50MHz bandwidth of frequency in the 2.6GHz band, reinforced its lineup of devices compatible with "WiMAX 2+," boosting its subscriptions significantly. As a result, as of March 31, 2015, its subscriptions totaled 9.54 million, a 137.8% year-on-year increase.

Cumulative au Subscriptions*11

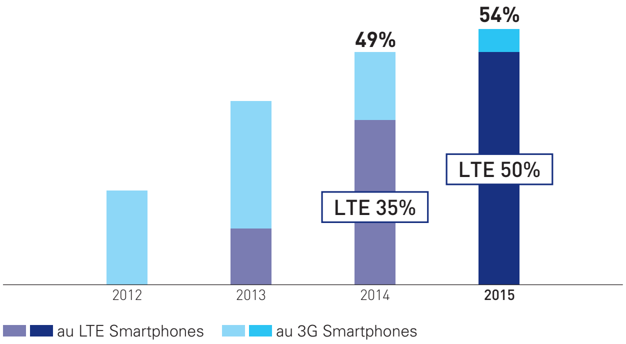
(Million subs)



(Years ended March 31)

*11 KDDI + Okinawa Cellular

au Smartphone Penetration*12 (Personal Services)



(Years ended March 31)

*12 (au LTE smartphones + au 3G smartphones) ÷ (au subscriptions minus data-only terminals, tablets, and modules)

▶ Fixed-Line Broadband

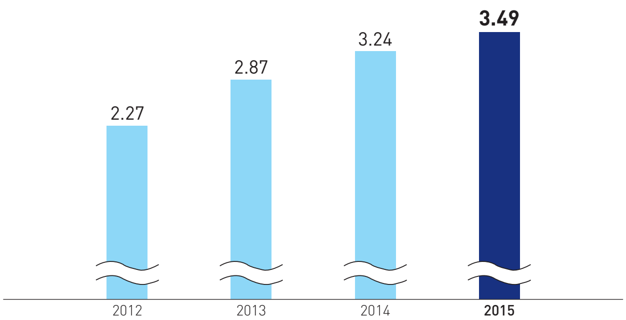
As of March 31, 2015, FTTH subscriptions stood at 3.49 million, up 7.7% year on year and accounting for a market share of 12.5%.

In CATV, the industry's largest company and a consolidated subsidiary, J:COM, merged with the second-largest, JCN. Consequently, KDDI's market share led the industry. With the birth of the newly combined J:COM, household subscriptions numbered 5.05 million for the fiscal year ended March 31, 2015, giving KDDI a market share in multichannel services exceeding 50%.

By cross-selling FTTH and CATV services to the au customer base, we expect our customer base to continue growing.

Cumulative FTTH Subscriptions*9

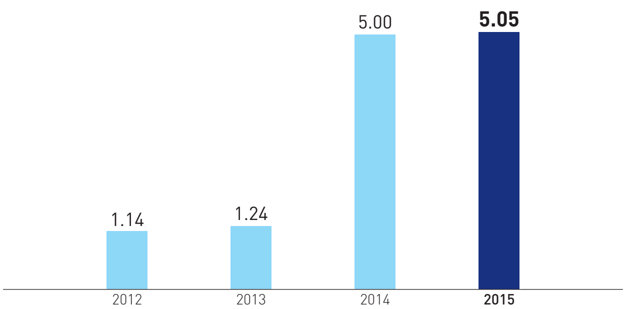
(Million subs)



(Years ended March 31)

Cumulative Pay Multi-Channel CATV Subscriptions*13

(Million subs)



(Years ended March 31)

*13 JCN only for the fiscal years ended March 31, 2012 and 2013. J:COM + JCN for the fiscal year ended March 31, 2014. In line with the inclusion of JCN into the scope of J:COM's consolidation in December 2013, the method of calculating the total number of subscribing households has been unified to J:COM's standard.

SPECIAL FEATURE

Targeting the New Growth Stage

We are putting in place the pillars for sustainable new growth by further developing our “3M Strategy” and “Global Strategy.”

FEATURE 1

▶ P.21

Developing the “3M Strategy”

Launch of the “au WALLET” Service

As part of our promotion of the “3M Strategy,” in May 2014 we launched “au WALLET,” a new platform service aimed at boosting value-added revenues through offline services. As part of our efforts to create new revenue sources to boost value-added revenues, we set up a settlement platform for offline services, such as issuing a prepaid e-money card with a settlement function that enables use in physical shops as well.

au WALLET

FEATURE 2

▶ P.22

Developing the “Global Strategy”

Entry into the Telecommunications Business in Myanmar

As one aspect of our “global strategy,” we entered the telecommunications business in Myanmar. By leveraging the experience and sophisticated technologies we have accumulated as a comprehensive telecommunications carrier, we aim to contribute toward the development of Myanmar’s economy and industry, as well as to the lives of the country’s citizens. At the same time, we will focus on this business as a pillar of our growth strategy.

MPT
Moving Myanmar Forward

FEATURE 1

Launch of the “au WALLET” Service

Creating a New Source of Revenues with “au WALLET”

As part of our efforts to add sources of value-added service revenues to communications revenues, in the fiscal year ended March 31, 2015, we began working to augment conventional carrier billing (= “au Simple Payment”) for generating revenues by adding offline service transactions (i.e., at physical shops). On May 21, 2014, we launched the “au WALLET” service as a settlement platform for generating these revenues with the “au ID.” An “au ID” serves as an authentication key that allows customers to use various au network services. “au WALLET” acts as a prepaid e-money service with a settlement function for use at physical shops. A tie-up with MasterCard® means that “au WALLET” can be used at roughly 38.1 million stores worldwide. By forging a link with carrier billing, which has extremely high recovery rates, and the added convenience of charging, we have overcome the hurdle of age restrictions associated with credit cards, as well as e-money cards being limited to certain shops. As well as making settlements possible in a wealth of scenarios, the new service enables customers to accumulate points that they can apply toward further purchases, thereby heightening convenience still further.

Cumulative “au WALLET” applications have significantly outpaced our initial expectations. In the first nine months after service launch, applications topped 10 million, reaching 11.2 million as of March 31, 2015.

Meeting demand from customers wanting to use the service for more expensive purchases, in November 2014 we added a credit function, launching the “au WALLET” credit card service.

In the fiscal year ended March 31, 2015, combined transaction volumes, in other words, for our conventional carrier billing service, “au Simple Payment,” and the new “au WALLET” service came to approximately ¥380 billion.

The settlement business is expected to continue expanding, with transaction volume more than doubling in the fiscal year ending March 31, 2016, to ¥850 billion.

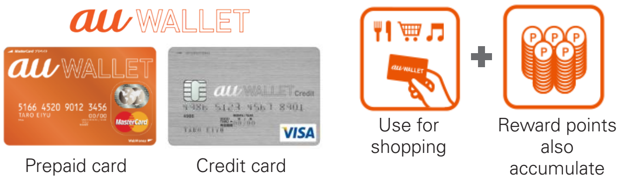
Boosting Value ARPA in Line with Increases in Gross Merchandise Value

In the fiscal year ended March 31, 2015, value ARPA—value-added revenues sales per au customer—amounted to ¥420. Of this amount, KDDI services such as “au Smart Pass” accounted for ¥310, and settlement commissions from the two settlement platforms (“au Simple Payment” + “au WALLET”) the remaining ¥110.

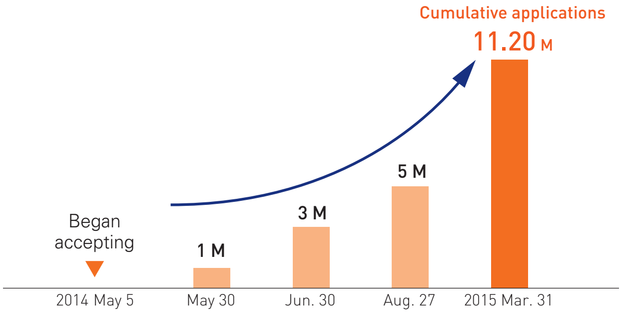
As commission revenues rise in line with higher transaction volumes, we expect value ARPA to grow 19% year on year in the fiscal year ending March 31, 2016, to ¥500.

“au WALLET”

Expanding Businesses in Financial and Settlement Services

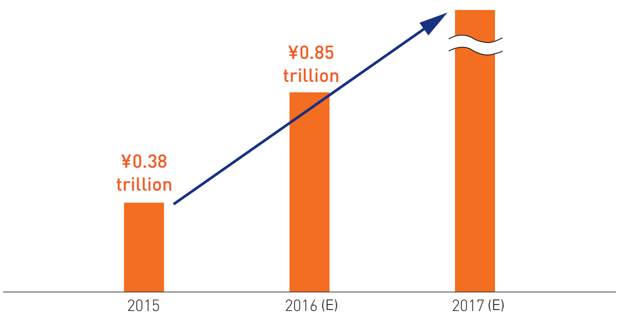


Cumulative “au WALLET” Applications*1



*1 Prepaid card only

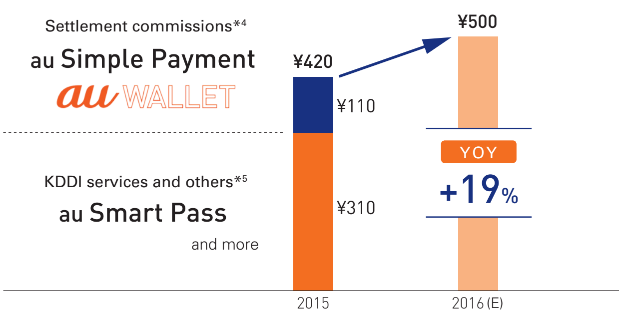
Gross Merchandise Value*2



(Years ended March 31)

*2 Total amount in circulation, including from KDDI’s own services such as “au Simple Payment (Online Carrier Billing)” and “au WALLET”

Value-Added ARPA*3



(Years ended March 31)

*3 Value-Added ARPA = Value-Added ARPA revenues (Settlement commissions + KDDI services and others) ÷ au customers

*4 Settlement commissions = Settlement commissions revenue of au Simple Payment (carrier billing) and au WALLET

*5 KDDI services and others = Sales from KDDI services (such as “au Smart Pass” and product sales) and advertising revenues, etc.

FEATURE 2

Developing the "Global Strategy"

Entry into the Telecommunications Business in Myanmar

Developing the Telecommunications Business in Myanmar

In June 2014, KDDI and Sumitomo Corporation jointly established KDDI Summit Global Myanmar Co., Ltd. (KSGM), as a Yangon-based consolidated KDDI subsidiary to develop the telecommunications business in Myanmar.

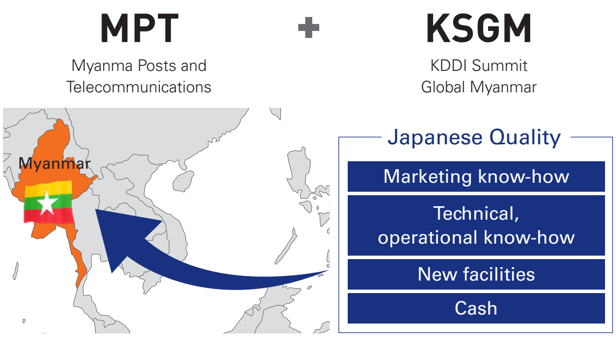
At the end of 2013, the mobile phone penetration rate among Myanmar's population of more than 50 million was only 10%, much lower than its ASEAN neighbors, and optical fiber networks and facilities were weak. Recognizing that economic growth and open markets would require development of the telecommunications and ICT industries, the government of Myanmar set a target to achieve a smartphone penetration rate of 80% by the end of 2016.

Anticipating substantial future subscriber growth in Myanmar's telecommunications market, KSGM and Myanma Posts & Telecommunications (MPT) are jointly providing telecommunications services that should contribute to economic and industrial growth in Myanmar, as well as to the lives of the country's citizens.

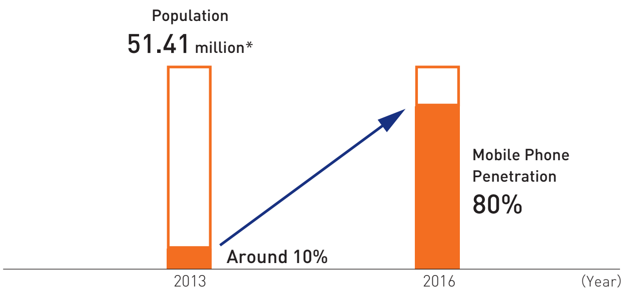
Entry into the Telecommunications Business in Myanmar

Contributing to Development of Telecommunications in Myanmar through a Joint Business with MPT

KDDI's Role



Mobile Phone Penetration Target Provided by the Government of Myanmar



* According to an announcement by the Ministry of Immigration and Population of Myanmar

Achieving Competitiveness through Joint Operations

KSGM and MPT have entered into a business cooperation contract (BCC) to leverage each other's resources. By taking advantage of KDDI's experience and sophisticated technological expertise as a comprehensive telecommunications carrier, Sumitomo's long-standing business experience in Myanmar, and MPT's nationwide networks and customer base, we expect to enjoy a major competitive advantage.

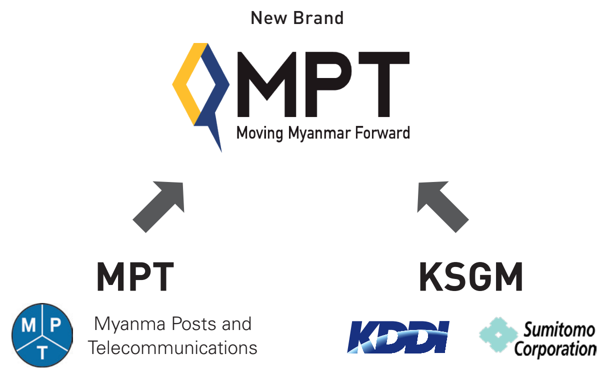
Working with MPT, KSGM aims to provide "Japanese-quality" communications services across all domains, including mobile, fixed-line, and Internet. As a result, the company intends to become an optimal communications operator in Myanmar, which is slated for major growth.

Enjoying Success in the Initial Year of Joint Operations

Since the start of joint operations in September 2014, communications service quality has improved in Myanmar's principal cities, the service area has expanded, and we have augmented local call centers. In addition to reinforcing these communications infrastructures, on the sales front we have enhanced sales channels at directly operated and specialized shops, as well as run various subscriber promotion campaigns. To build our brand, we have announced a joint business operating structure and a new brand logo.

Through these initiatives, in the seven months since joint business began cumulative SIM card sales exceeded 8 million. Through ongoing improvements in communications quality and steady sales channel enhancements, we aim to become the telecommunications service provider of choice for customers in Myanmar.

New Brand Unveiled in September 2014



KDDI's Material Issues for CSR

Among the numerous issues KDDI faces in relation to its businesses, it has identified four material issues for CSR as being those of highest concern to society and initiatives that KDDI needs to focus on to achieve sustainable growth that is in harmony with society.

In this integrated report, in addition to the **Four Material Issues for CSR**, we introduce certain ESG information that is of particular importance to investors.

For more detailed ESG information not included in this report, please refer to the following website.

▶ http://www.kddi.com/english/corporate/csr/report/2015/

Four Material Issues for CSR

Material Issue (Environment)

Initiatives to conserve the global environment

- Climate change
- Biodiversity
- Reducing the environmental impact of products and services
- Reducing waste and shifting to recycling

Material Issue (Society)

Vitalizing the Company by developing a diverse workforce

- Diversity and inclusion
- Promoting diverse working styles
- Low birthrate and aging society
- Occupational safety and health

Material Issue (Society)

Creating a safe and secure information and communications society

- Safe and secure information and communications services and products
- Supporting the healthy upbringing of young people (measures against harmful information, etc.)
- Erasing the digital divide for seniors

Material Issue (Governance)

Offering reliable information and communications services

- Providing reliable information and communications services
- Response to major disasters

ESG

Environment

Principal KPI:

By FY2016, lower electric power consumption per subscriber by 15 % compared with FY2011

Society

Principal KPI:

By the end of FY 2015, female line managers to account for 7 % of the total

Principal KPIs:

For KDDI Mobile Phone Learning Classes, achieve a junior course satisfaction level of 90 points

Achieve a senior course understanding level of 80 % in FY2014

Governance

Principal KPI:

100 % improvement on issues identified in disaster response training

Environment

Material Issue Initiatives to Conserve the Global Environment

As a telecommunications company, KDDI has the important responsibility of providing uninterrupted communications services around the clock, 365 days a year. To ensure this capability, we are introducing tribrid base stations powered by renewable energy and extending their battery life to 24 hours. As well as addressing the risk of power outages, this move reduces the amount of electricity required to operate base station facilities and data centers, which should lead to higher profits.

Furthermore, amid ongoing global warming such initiatives cut greenhouse gas emissions. As a result, in addition to ensuring high levels of ongoing service quality, these efforts prepare for future environmental risk.

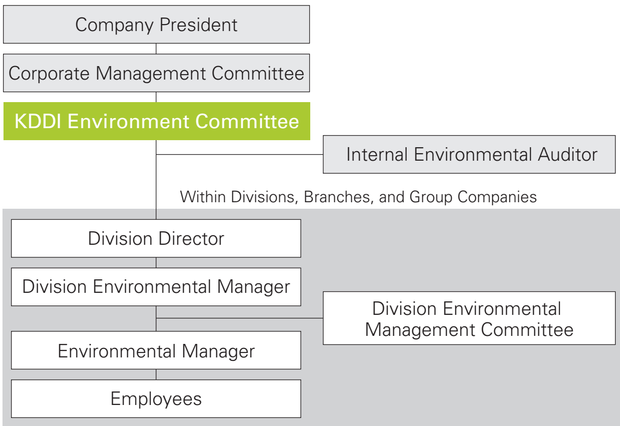
Principal KPI: By FY2016, lower electric power consumption per subscriber*1 by 15 % compared with FY2011

KDDI's Environmental Management Regime

The KDDI Group has formed an environmental management system centered on the KDDI Environment Committee. Comprising members from each division, branch, Group company, and related organization, the committee promotes efficient environmental preservation activities throughout the Group. KDDI has acquired ISO 14001 certification for this management system.

As of March 31, 2015, this certification had been obtained for KDDI, 20 of its 33 Group companies in Japan (61%), one overseas consolidated company, and four affiliated organizations.

KDDI Group's Environmental Management Regime



Third Medium-Term Environmental Conservation Plan "KDDI GREEN PLAN 2012–2016"

As its five-year environmental preservation plan beginning in FY2012, KDDI has formulated the "KDDI GREEN PLAN 2012–2016," its third Medium-Term Environmental Conservation Plan. This plan introduces three material issues, "low-carbon society," "recycling-oriented society," and "biodiversity," and sets specific targets for each. To reach these goals, we are promoting 3G Actions ("Green of ICT," "Green by ICT," and "Green with customers and employees (Green Road Project)") to enhance our contribution to environmental preservation.

Specific Targets for Material Issues

Material Issues	Targets
Low-Carbon Society	(1) By FY2016, reduce electric power consumption by 30%, compared with the level if energy-saving measures had not been implemented. (2) By FY2016, lower electric power consumption per subscriber*1 by 15%, compared with FY2011. (3) By the end of FY2012, increase the number of tribrid base stations to 100.
Recycling-Oriented Society	(1) Achieve zero emissions*2 for retired telecommunications facilities. (2) Achieve material recycling ratio of 99.8% or more for used mobile phone handsets. (3) Achieve a material recycling ratio for general waste of 90% or more at KDDI-owned buildings and in the headquarters building.
Biodiversity	(1) Pursue activities based on our action guidelines for preservation of biodiversity.

*1 Total for au + FTTH
*2 "Zero emissions" is defined as a final processing ratio of 1% or less.

Progress on the Third Medium-Term Environmental Conservation Plan

We are working toward specific targets to be achieved by FY2016 under the Third Medium-Term Environmental Conservation Plan that we formulated in FY2012. As of March 31, 2015, we recognized that meeting our goal to "achieve a material recycling ratio for general waste of 90% or more at KDDI-owned buildings and in the headquarters building" would be problematic, as meeting this target is dependent on the facility specifications and processing areas of waste-processing contractors. However, we are on track toward our other goals, including one to increase our number of tribrid base stations to 100—a target we had already met as of March 31, 2013.

"Green of ICT"
Reducing Electric Power Consumption in Base Stations Undertaking Disaster Measure Initiatives

The dense blanket of au mobile phone base stations covering Japan accounts for 60% of the total energy consumed by KDDI. Accordingly, we are placing topmost priority on initiatives to reduce the electricity that base stations consume.

In March 2011, when the Great East Japan Earthquake struck, some 77% of the base stations that ceased to operate in the aftermath of the earthquake (in six Tohoku prefectures, as of March 12, 2011) did so because of power outages. Clearly, disaster preparedness measures that address power outages are a pressing topic.

To address this issue, KDDI is installing tribrid base stations and extending base station battery life to 24 hours. We are moving forward with this initiative, which has the dual benefit of reducing environmental impact and serving as a disaster countermeasure.

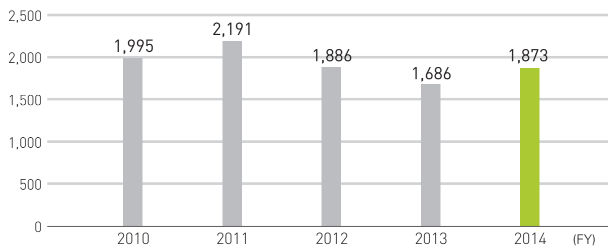
Tribrid base stations employ tribrid power control technology that uses three types of power efficiently according to the time of day and changes in the weather. This technology combines typical commercial electric power with generation from solar panels and batteries charged with nighttime power. Compared with base stations that use only conventional electric power, tribrid base stations have been confirmed to reduce annual CO_2 emissions by as much as 30%. As of March 31, 2015, we have 100 of these base stations in operation around Japan.

Serving as backup in case power is interrupted, KDDI had installed batteries with life extended to 24 hours at 2,200 base stations as of March 31, 2015. These batteries are in place mainly in prefectural and municipal government offices and train stations serving more than 100,000 passengers per day. We plan to continue installing these batteries after measuring their effect on reducing environmental impact.

Tribrid base station

Power Consumption Trends

(GWh)



Responding to Scope 3 Emissions through Efforts throughout the Supply Chain

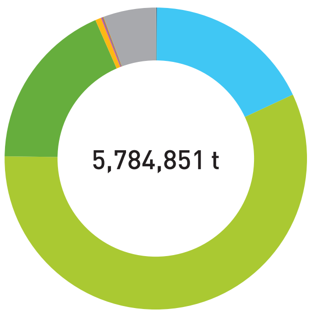
To quantify and disclose environmental impact, KDDI regularly conducts life-cycle assessments (LCA) of its products and services to determine the amount of CO_2 generated at each stage of operations—from manufacturing and use to disposal or recycling. In recent years, efforts to visualize (determine, manage and report information on) emissions throughout a company's supply chain have gained momentum, and guidelines*1 have been formulated for this purpose. Based on these guidelines, we have been calculating greenhouse gas emissions throughout the supply chain since FY2012.

For business activities in FY2014, Scope 3 greenhouse gas emissions accounted for 81.95% of the total (which includes Scope 1, 2, and 3 emissions). During the year, measurement clarified that our Category 1 and Category 2 emissions were representing an increasing share of the total. Accordingly, we will continue to analyze these two key categories and undertake efforts to reduce these emissions.

To increase the reliability of our Scope 3 calculations, we have received third-party verification*2 by the Waseda University Environmental Research Institute. We will push ahead with efforts to identify Scope 1, 2, and 3 CO_2 emissions and undertake measures to reduce our environmental impact.

*1 Green Value Chain Platform
*2 Third-party verification by the Waseda University Environmental Research Institute (FY2014)

Calculation Results for CO_2 Emissions in FY2014



Scope 1	0.08%
Scope 2	17.97%
Scope 3	81.95%
Category 1	57.16%
Category 2	18.21%
Category 3	0.60%
Category 4	0.12%
Category 5	0.01%
Category 6	0.08%
Category 7	0.09%
Category 8	0.02%
Category 9	0.00%
Category 10	0.00%
Category 11	5.62%
Category 12	0.03%
Category 13	0.00%
Category 14	0.00%
Category 15	0.00%
Total	100.00%

Please refer to our Integrated Report 2015 (Detailed ESG Version) for detailed environmental information.

http://www.kddi.com/english/corporate/csr/report/2015/

- Environmental statistics and other data
- Recycling-oriented society
- Biodiversity
- Technological development to reduce environmental impact

Material Issue Vitalizing the Company by Developing a Diverse Workforce

Promoting diversity is one aspect of KDDI's management strategy for achieving sustainable corporate growth. Accordingly, we focus on recruiting and training human resources. Rather than trying to force people to be the same, we respect the individuality of employees, striving to create an organization and environment that harnesses their individual capabilities.

KDDI recognizes the importance of conducting its business from the perspective of women, who account for around half of its customers. To achieve this aim, we focus on cultivating and promoting female leaders.

Through initiatives like these, we will pull together as a Group to ensure we are the company of choice for our customers.

Principal KPI: By the end of FY2015, female line managers to account for **7**% of the total

KDDI and the KDDI Group Philosophy

KDDI's management is thoroughly based on the Company's corporate philosophy, the "KDDI Group Philosophy."

When formulating this philosophy, top-level executives and departmental leaders gathered to earnestly deliberate on what sort of company KDDI aspired to become, the management philosophy that top management needed to maintain to achieve this goal, and the working styles and values that employee behavior needed to exhibit.

To ensure that all employees share the "KDDI Group Philosophy" in their works, we hold study sessions planned and conducted by employees themselves, as well as various other awareness activities. Sharing the Company's directions and values in this manner is aimed at achieving individual employee growth and sustainable development of the Company.

The KDDI Group Philosophy
http://www.kddi.com/english/corporate/csr/kddi/philosophy/

Cultivating and Promoting Female Leaders

Since FY2012, we have focused on cultivating female leaders, aiming to provide a place for them to participate in corporate decision-making and therefore reinforcing our power as a company. Specifically, we have set a goal for FY2015 of promoting 90 women to positions as line managers*1 (with female line managers then accounting for 7% of the total). To this end, we launched a program for promoting female line managers in FY2012, and have since conducted programs involving workplace training, group training, study sessions, and communication with role models. At group training sessions, the president and other Board members participate in roundtables, providing evaluations on presentations.

To further augment our female leadership efforts, in FY2015 we will introduce a new initiative involving general managers in mentoring and coaching.

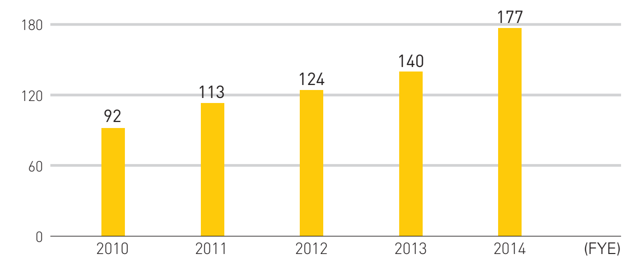
We are working to cultivate female managers, and these activities serve as the foundation which we are building upon with the promotion of female leaders. The number of female managers at KDDI rose for the ninth consecutive fiscal year, to 177 as of March 31, 2015.

Principal KPIs
(As of March 31, 2015)

Female managers	177
Female line managers*2	74
Female executives	1

*1 Organizational leaders with the authority to conduct personnel evaluations
*2 Including workers on loan

Number of Female Managers



VOICE

Executive Interview

Nanae Saishoji
Administrative Officer
Deputy General Manager, Corporate Management Division, Corporate Sector

KDDI considers activities to promote the professional advancement of women a management issue and is undertaking serious and forward-looking initiatives on this front. These are having an effect, by raising awareness within the Company—even among women themselves—and the number of female line managers is increasing every year as a result. We see this as a major success. Nevertheless, with our focus on "embracing diversity," we need to conduct more activities focused on women if we are to resolve the many issues we still face.

KDDI has set the numerical target for 2015 of having 90 female line managers, which would then account for 7% of the total. In addition to skill enhancement and career development programs, we are introducing telecommuting and making an active effort to support a balance between working and raising children. Still, there are few female line managers around us, so surely there are many female employees who feel uncertain whether they could become managers themselves.

In an age that embraces female empowerment, I aim my best to work enthusiastically and serve as a role model to aspiring female line managers and encourage their efforts to advance their careers.

Note: Ms. Saishoji was appointed as KDDI's first female executive in April 2014.

Selected as a "Nadeshiko Brand" for the Third Consecutive Year

KDDI has set a specific target for the number of women to be promoted by FY2015, and is cultivating and promoting female leaders. We also promote flexible working styles in an active effort to support a balance between work and home life. As an evaluation of such initiatives, in FY2014 we were named a "Nadeshiko Brand" for the third consecutive year, a designation conferred on listed companies that take proactive steps to promote women.

The "Nadeshiko Brand" is a joint effort by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select and introduce companies that are attractive because of their proactive efforts to encourage the success of women. KDDI has been a "Nadeshiko Brand" since FY2012.

We plan to continue encouraging the professional advancement of women, and believe management that incorporates a female viewpoint will lead to increased customer satisfaction.

NADESHIKO BRAND 2015

Establishing a System of Executive Assistants

As a method of providing instruction on management techniques, in FY2011 we introduced a new job title, "executive assistant," for people who serve as assistants to directors. The executive assistants sit in on all meetings attended by their superiors, learning their management approaches from up close. We appointed 11 people to this new position in FY2014, with 32 people having had this experience as of March 31, 2015. Following their experience as assistants, these employees are appointed to line manager positions in various departments.

By giving employees the opportunity to learn management techniques directly from the Company's directors, we are cultivating the human resources needed for the KDDI of tomorrow.

Mission Grade

The Mission Grade System that we introduced for managers in FY2013 clarifies the management roles of line managers and the professional roles of managers in non-line positions, setting their rank in accordance with the size of their roles. Rather than being evaluated on past operating performance, under this system the rank is defined according to their responsibility, authority, and degree of influence on the basis of current job performance. Our compensation system is designed to reward employees in accordance with their level of contribution.

Global Human Resources Cultivation

In response to the rapid wave of globalization, the KDDI Group is placing an emphasis on cultivating employees who have been locally hired overseas.

We position an understanding of the KDDI Group Philosophy as the basis for training. We also provide training on practical skills as needed according to employees' positions and skills, including understanding of services, through Practical Level Training. Mid-Level Management Training aims to cultivate an understanding of business strategies and augment management skills, and Senior Management Training cultivates human resources for leadership roles as location managers.

Through our Global Human Resources Exchange Program, we also provide employees hired overseas with opportunities to work for a certain period of time at our headquarters. This program aims to encourage personnel interaction between overseas locations and headquarters.

Twice during FY2014, we invited the management teams of overseas subsidiaries to Tokyo. They attended Global Management Meetings (GMMs) lasting approximately one week, including individual concentrated study sessions.

The Overseas Subsidiary Business Ethics Committee met at the GMM in February 2015. At the meeting, management emphasized the importance to overseas management of reinforcing governance in such areas as graft, bribery, and anti-corruption.

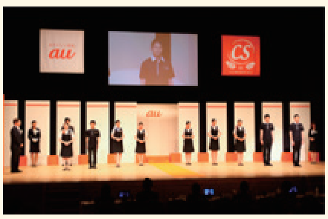
Supporting the Cultivation of Human Resources at Partner Companies

Holding the "au CS AWARDS" in Pursuit of High-Quality Customer Service

KDDI has held the "au CS AWARDS" in various locations across Japan every year since 2004. Aimed at achieving higher levels of customer satisfaction, these awards are designed to enhance the customer service skills of au shop staff.

During last year's awards, we held a customer service competition themed on "sharing practical skills—acquisitions offering a value proposal."

The most recent awards aimed to further promote examples of good customer service. Superior au shop staff shared their ideas about everyday customer service with presentations entitled "My Best Success so Far." By sharing this expertise, participants honed their customer service skills and gained additional tools for maximizing customer satisfaction.



au shop staff demonstrating their customer service skills

Material Issue Creating a Safe and Secure Information and Communications Society

Rapid advances in ICT, including the proliferation of mobile phones and smartphones, are making society more convenient. At the same time, they can lead to trouble for children and widen the digital divide among seniors.

The Company holds KDDI Mobile Phone Learning Classes in an effort to increase literacy through awareness activities. We are also working to improve the quality of these classes by setting key indicators for participant satisfaction and understanding.

Principal KPIs: For KDDI Mobile Phone Learning Classes, achieve a junior course satisfaction level of **90** points

Achieve a senior course understanding level of **80** % in FY2014

KDDI Mobile Phone Learning Class Safety and Security Seminars

KDDI, Okinawa Cellular, and KDDI Group Welfare Association* have been conducting KDDI Mobile Phone Learning Class safety and security seminars throughout Japan since FY2005 as a way to educate children on the safe and secure use of mobile phones and smartphones. The classes provide necessary information on rules and etiquette and teach children how to identify and protect themselves from trouble.

Principal KPIs
(Results for FY2014)

Class satisfaction among juniors
91.6pt

Class satisfaction among seniors
82.7%

By vigorously promoting mobile phone classes for juniors, encouraging participation by elementary, junior high school, and high school student, as well as their guardians and teachers, in FY2014 these classes were held 3,283 times, representing a 3% year-on-year increase, and attended by some 570,000 people. From the time classes began in FY2005 through to the end of March 2015, we had conducted these classes 13,179 times, for some 2.38 million people.

KDDI employees also served as instructors in classes for seniors, holding courses at regional institutions by liaising with municipal authorities. They lend each participant an au Simple Phone or smartphone and project onto a screen images of people actually performing operations, helping participants learn the basics of how to operate mobile phones and smartphones, gaining experience in sending e-mail and using the Internet.

In FY2014, we held these classes 200 times, for approximately 3,600 participants. Attendees made such comments as "I would like more detail on using these devices," and we are now revising our program in response.

In FY2015, we plan to introduce a tablet course and will continue to listen carefully to participants' comments as we help seniors learn how to use mobile phones, smartphones, and tablets enjoyably, safely, and securely.

* In FY2014, KDDI and Okinawa Cellular held classes at elementary schools in collaboration with the KDDI Group Welfare Association.

KDDI Mobile Phone Learning Class safety and security seminar

Providing Safe and Secure Products

KDDI offers a range of models tailored to a variety of specific customer needs, supporting their safety and security on the product front. For example, au's first junior smartphone, the "miraie," features a wide range of functions to ensure children can enjoy safe, secure smartphone use, and a durable design. The "BASIO," the first au smartphone for seniors, offers user-friendly operations that are simple even for first-time users. Targeting a mobile phone designed to closely meet the needs of a variety of customers, KDDI provides the "Simple Phone K012", which offers such features as one-touch dialing to registered numbers, an easy-to-see screen display, and user-friendly design.


miraie


BASIO


Simple Phone K012

Governance

Material Issue

Offering Reliable Information and Communications Services

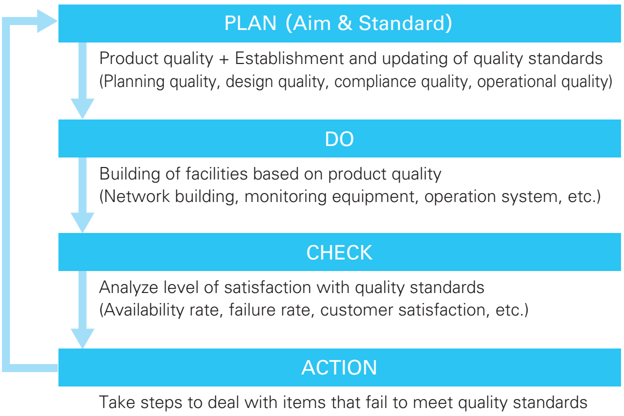
Communications services are a lifeline for an advanced information society. Accordingly, KDDI places paramount importance on research dedicated to offering and improving reliable information and communications services.

We have formulated a robust corporate governance structure to ensure our ability to facilitate communications and to respond flexibly in the face of unforeseen circumstances.

Principal KPI: 100 % improvement on issues identified in disaster response training

Providing Reliable Communications Services

KDDI owns an array of telecommunications facilities including optical cables and mobile phone base stations, which it maintains and operates via technical centers situated throughout Japan. At operations centers scattered across the country, we conduct centralized monitoring of telecommunications conditions 24 hours a day, 365 days a year. In the event of an outage, these centers control communications as appropriate, communicating with operational departments throughout Japan. With regard to communications service quality, we configure, analyze, and improve our facility operating system in line with the stringent standards that we have set for ourselves. In this manner, we strive to provide reliable communications services of consistently high quality.



Introducing 4G LTE-Capable Emergency-Use Wide-Zone Base Stations

KDDI has installed and begun operating emergency-use wide-zone base stations as part of its disaster backup procedures in preparedness for an earthquake striking below the Tokyo metropolitan area. The base stations support voice communications (1x), 3G communications (EVDO), and LTE communications (4G LTE), allowing provision of mobile phone services such as voice calls and data transmission should an earthquake directly hit the capital. These are the first 4G LTE-compatible wide-zone base stations in Japan.

Ten base stations have been constructed, covering an area from Chiba (in Chiba Prefecture) to the east to Kawaguchi (in Saitama Prefecture) to the north, Tachikawa (in Tokyo), and Kawasaki (in Kanagawa Prefecture) to the west. Furthermore, learning from our experience with the Great East Japan Earthquake in March 2011, the backhaul line (connected to the core network) in the wide-zone base station now has a dual structure of microwave radio and fiber optic cable.

We will study wide-zone base stations based on damage assumptions in each region of Japan in the event of disaster, not just in the Tokyo metropolitan area.


One of the wide-zone base station antennas on the roof of the KDDI Building in Shinjuku

Business Continuity Plan (BCP) for Large-Scale Disasters

Following the Great East Japan Earthquake, we established a Companywide Disaster Response Project, and in October 2011 formulated a BCP for Large-Scale Disasters. This plan establishes detailed rules for each phase of response to a disaster, from initial action through to full restoration. We are also creating satellite network links to principal bases throughout Japan in preparation for a scenario in which all fixed-line and mobile circuits cease to function. We have identified personnel who will, in the event of a disaster, be dispatched quickly to provide support at emergency shelters, and have stockpiled the equipment necessary for this eventuality. In addition to these measures to shore up our structure, we are proactively conducting disaster response training throughout Japan that focuses on initial disaster response.

In February 2015, the Disaster Response Office spearheaded efforts by countermeasure offices to link communications equipment from all divisions and branches throughout Japan as part of disaster response training in anticipation of an earthquake directly underneath the Tokyo metropolitan area. As well as employing a completely “blind” method of training in which participants are not told what sort of disaster to expect until just before the training begins, training was conducted assuming total disruption of communications immediately after the disaster, with the disaster response meeting held under a communications environment consisting only of satellite networks.

The training was held for approximately 300 emergency participants. At the start of the training, they responded as information about the disaster began to unravel and considered new damage assumptions that were disclosed as time went on, lending the training a sense of reality.

We will reflect in future BCPs the issues and areas for improvement that became apparent as a result of this training, building the foundations for more robust disaster response going forward.

Corporate Governance

Executive Members (As of June 17, 2015)

Directors

Tadashi Onodera
Chairman

- '01.6 President
- '05.6 President and Chairman
- '10.12 Chairman (Current position)
- '13.6 Director, Kyocera Corporation (Current position)
- '14.6 Director, Daiwa Securities Group Inc. (Current position)

Takashi Tanaka*
President

- '07.6 Associate Senior Vice President, Director
- '10.6 Senior Vice President, Director
- '10.12 President (Current position)
- '13.6 General Manager, Corporate & Marketing Communications Sector (Current position)

Hirofumi Morozumi*
Executive Vice President, Director

- '03.6 Associate Senior Vice President, Director
- '07.6 Senior Vice President, Director
- '10.4 General Manager, Corporate Sector (Current position)
- '10.6 Executive Vice President, Director (Current position)

Makoto Takahashi*
Senior Managing Executive Officer, Director

- '07.6 Associate Senior Vice President, Director
- '10.6 Senior Vice President, Director (Current position)
- '15.4 General Manager, Value Business Sector, and Global Business Sector (Current position)

Yuzo Ishikawa*
Senior Managing Executive Officer, Director

- '10.6 Associate Senior Vice President, Director
- '11.6 Senior Vice President, Director
- '14.6 Senior Managing Executive Officer, Director (Current position)
- '15.4 General Manager, Consumer Business Sector, Business Management, Solution Business, Media and CATV Business, and Product & Customer Service Sector (Current position)

Masahiro Inoue
Managing Executive Officer, Director

- '10.6 Managing Executive Officer, Director (Current position)
- '11.4 Deputy General Manager, Technology Sector, Engineering and Operations (Current position)

Tsutomu Fukuzaki
Managing Executive Officer, Director

- '06.10 Vice President
- '12.4 Associate Senior Vice President
- '13.6 Managing Executive Officer, Director (Current position)
- '15.4 Deputy General Manager, Consumer Business Sector, General Manager, Consumer Marketing Division and Consumer Sales Division (Current position)

Hidehiko Tajima
Managing Executive Officer, Director

- '10.4 Vice President
- '13.4 Associate Senior Vice President
- '13.6 Managing Executive Officer, Director (Current position)
- '15.4 General Manager, Global Business Sector (Current position)

Yoshiaki Uchida
Managing Executive Officer, Director

- '13.4 Vice President
- '14.4 Associate Senior Vice President, General Manager, Technology Sector, Technical Planning Division (Current position)
- '14.6 Managing Executive Officer, Director (Current position)

Tetsuo Kuba
Director

- '08.6 Director and Senior Managing Executive Officer of Kyocera Corporation
- '09.4 President and Representative Director, President and Executive Officer of Kyocera Corporation
- '13.4 Chairman of the Board and Representative Director of Kyocera Corporation (Current position)
- '13.6 Director of KDDI (Current position)

Nobuyori Kodaira
Director

- '10.6 Senior Managing Director of Toyota Motor Corporation
- '11.6 Director and Senior Managing Officer of Toyota Motor Corporation
- '12.6 Executive Vice President of Toyota Motor Corporation (Current position)
- '13.6 Director of KDDI (Current position)

Shinji Fukukawa
Director

- '88.6 Retired as Vice-Minister of Ministry of International Trade and Industry
- '88.12 Senior Advisor of Global Industrial and Social Progress Research Institute (Current position)
- '02.11 Chairman of Japan Industrial Partners, Inc. (Current position)
- '03.11 Administrative Director of Toyo University (Current position)
- '12.12 Chairman of Toyo University (Current position)
- '14.6 Director of KDDI (Current position)

Kuniko Tanabe
Director

- '73.3 Registered as attorney at law
- '82.2 Joined Tanabe & Partners, Partner (Current position)
- '03.6 Audit & Supervisory Board Member of DAIDO METAL CO., LTD. (Current position)
- '11.6 Corporate Auditor of Disco Corporation
- '15.6 Director (Current position)

Audit & Supervisory Board Members

Audit & Supervisory Board Members

- Yoshinari Sanpei
- Hiroshi Kobayashi
- Takeshi Abe

Outside Audit & Supervisory Board Members

- Kishichiro Amae
- Yukihisa Hirano

Outside directors
Independent directors
* Directors with representative rights

Basic Stance on Corporate Governance

KDDI considers strengthening corporate governance to be a vital issue in terms of enhancing corporate value for shareholders, and is working to improve management efficiency and transparency.

With regard to business execution, an executive officer system was introduced in June 2001 to assign authority, clarify responsibilities, and ensure that operations are conducted effectively and efficiently. The Company is also working to systematize internal decision-making flow with a view to ensuring timely management decisions.

KDDI is making active efforts to vitalize the Annual General Meeting of Shareholders and ensure smooth exercise of voting rights. Convocation announcements are issued early (the target being three weeks prior to the meeting), and the Company strives to avoid scheduling the meeting on days when many other companies hold their shareholders' meetings. KDDI also allows shareholders to exercise their voting rights via PC and mobile phone platforms.

The Board of Directors, which includes outside directors and independent outside directors, makes decisions regarding important matters as prescribed by relevant statutes, and oversees the execution of business by directors and other managers to ensure proper conduct.

The agenda items for the Board of Directors, as well as important matters relating to the execution of business, are decided by the Corporate Management Committee, composed of directors and executive officers. The Board of Directors also has the right to appoint and dismiss executive officers. Furthermore, we have established the Remuneration Advisory Committee to advise the Board of Directors on executive remuneration.

Auditors attend meetings of the Board of Directors, as well as other important internal meetings. The Board of Directors and the Internal Audit Division provide, in an appropriate and timely manner, all data necessary for the execution of auditors' duties, the exchange of opinions, and collaboration with auditors. The Board also periodically listens to reports from the accounting auditor on the annual accounting audit plan, progress, and the results of accounting audits. It also makes recommendations and conducts exchanges of opinions as necessary.

All KDDI Group operations are subject to internal audits to regularly assess the appropriateness and effectiveness of internal controls. The results of internal audits are reported to the president and to auditors, along with recommendations for improvement and correction of problem areas.

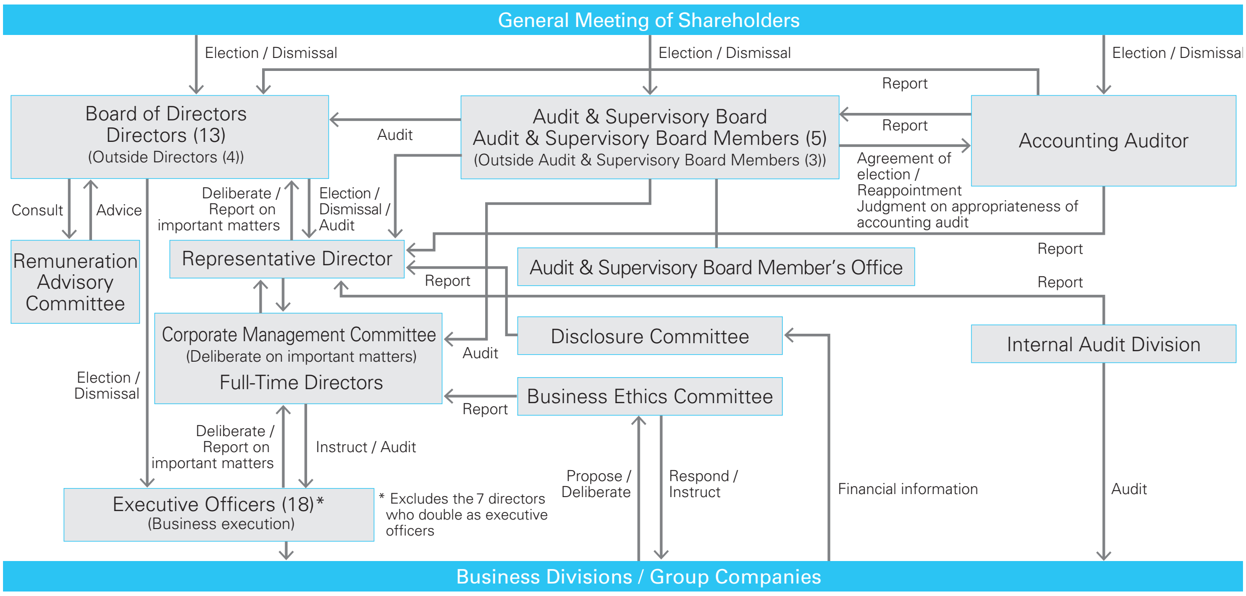
KDDI also has a Business Ethics Committee, which makes decisions on compliance-related issues, and a Disclosure Committee, which oversees disclosure of information. By bringing together the various systems and frameworks for managing each Group company, KDDI is working to enhance governance across the entire Group.

Response to Japan's Corporate Governance Code

We understand the gist of the Corporate Governance Code to be that a company must be accountable to its stakeholders and be proactive in its corporate governance, ensuring that decision-making is transparent and fair, as well as swift and decisive.

Based on this understanding, KDDI engages in dialogue with its shareholders and other stakeholders, monitors public trends, and considers and responds to needs through optimal corporate governance.

Corporate Governance Framework (As of June 17, 2015)



Changes in the Corporate Governance Framework

(Year)

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
President		Yuusai Okuyama*1	From June 2001 Tadashi Onodera									From December 2010 Takashi Tanaka					
Separation of management and execution*2	Directors	53*3	13	12	11	→	→	→	→	→	10	13	12	→	→	13	Now 13 people
Management transparency*2	Outside directors			2	3	→	→	4	3	→	→	→	2	→	→	3	Now 4 people
	Independent directors															1	Now 2 people
Assurance of diversity*2	Female executives																Now 1 person
Transparency in executive remuneration				Introduction of a stock option system in 2002									Remuneration Advisory Committee established in 2011				Introduction of stock compensation plan for executives in 2015
KDDI Group Philosophy		Enactment in October 2000												Start of a revision project in 2012	Revised, started promotion activities in 2013		

*1 Appointed president of DDI in December 1993. Became president of KDDI in October 2000.
*2 Number of people at the conclusion of each Annual General Meeting of Shareholders
*3 Number of people at the conclusion of an Extraordinary Meeting of Shareholders convened in October 2000

Reasons for Appointment as Outside Executive Members

Name	Reason for selection as an outside director of the Company (If designated as an independent director, reason for this designation)	Principal activities in FY2014
Tetsuo Kuba	Mr. Kuba was appointed because of his demonstrated effectiveness in the management of one of the Company's principal shareholders, his extensive experience as a director of other companies, and the perspective rooted in broad-based insight that he brings to supervising the Company's business activities.	Board of Directors' meetings Attended 8 of 8 meetings
Nobuyori Kodaira	Mr. Kodaira was appointed because of his demonstrated effectiveness in the management of one of the Company's principal shareholders, his extensive experience as a director and auditor of other companies, and the perspective rooted in broad-based insight that he brings to supervising the Company's business activities.	Board of Directors' meetings Attended 7 of 8 meetings
Shinji Fukukawa **(Independent director)**	Mr. Fukukawa was appointed to apply the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations to supervising the Company's business activities. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an director, and have appointed him as an independent director.	Board of Directors' meetings Attended 7 of 7 meetings * Following new appointment as director at the 30th Annual General Meeting of Shareholders
Kuniko Tanabe **(Independent director)**	Although Ms. Tanabe has not been involved in company management as a director in the past, she was elected to incorporate the extensive experience and wide knowledge she has gained as a partner at a law office in the supervision of the Company's business activities. Given her career history, we judge that no danger exists of conflicts of interest with general shareholders, consider her appropriate as an director, and have appointed her as an independent director.	—

Name	Reason for selection as an outside Audit & Supervisory Board member of the Company (If designated as an independent auditor, reason for this designation)	Principal activities in FY2014
Takeshi Abe **(Independent auditor)**	Mr. Abe was appointed because of the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Mr. Abe's tenure as executive officer at the Development Bank of Japan, Inc., was short. A substantial amount of time has passed since he retired from that position, and he currently receives no benefits from that organization. Given this experience, and the fact that he hails primarily from organizations involved in administrative operations, we recognize that he has scant relationship with KDDI. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an auditor, and have appointed him as an independent auditor.	Board of Directors' meetings Attended 7 of 8 meetings Audit & Supervisory Board meetings Attended 7 of 8 meetings
Kishichiro Amae **(Independent auditor)**	Mr. Amae has extensive experience gained through many years as a diplomat and in the execution of operations at various organizations, etc. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an auditor, and have appointed him as an independent auditor.	Board of Directors' meetings Attended 8 of 8 meetings Audit & Supervisory Board meetings Attended 8 of 8 meetings
Yukihisa Hirano **(Independent auditor)**	Mr. Hirano has extensive experience and expertise as a corporate manager. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. A significant amount of time has passed since Mr. Hirano retired from his position as president of Toyota Motor Corporation, and he currently receives no benefits from that organization. In addition, after retiring he served as president of the Central Japan International Airport Co., Ltd., and we recognize that he currently has no relationship with Toyota Motor Corporation. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an auditor, and have appointed him as an independent auditor.	Board of Directors' meetings Attended 8 of 8 meetings Audit & Supervisory Board meetings Attended 8 of 8 meetings

Amounts of Remuneration and Methods of Determining Remuneration

Directors

Remuneration for directors consists of fixed-amount salaries and executive bonuses 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 their professional ranking and the management environment. Executive bonuses are based on the business results of the KDDI Group, representing their sector and the individual's performance during the fiscal year.

To clarify management responsibilities and enhance incentives for business improvement, executive bonuses after FY2011 have been linked to the business results of the KDDI Group within 0.1% of consolidated net income in the fiscal year. This linking has been set by taking into account the responsibility of directors to sustain continuous growth and to lead the new age while swiftly reacting to environmental changes within the Group.

Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members is based on discussions with Audit & Supervisory Board Members and is only a flat-rate salary that is not linked to the business results of the KDDI Group.

Remuneration Advisory Committee

The Company has formed a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors in order to maintain both transparency and objectivity on the system of and the level of remuneration for executives. More than half of its members are outside directors (six people, including four outside directors, the president, and the chairman).

Remuneration for Executive Members (FY2014)

Executive classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)		Number of corresponding executives
		Basic remuneration	Bonus	
Directors (Excluding Outside Directors)	536	387	148	11
Outside Directors	27	27	—	3
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	47	47	—	3
Outside Audit & Supervisory Board Members	40	40	—	3

Notes:
* Individual remuneration is not disclosed, as no director received compensation of more than ¥100 million.
* The maximum monthly remuneration for directors is ¥50 million.
Furthermore, directors may receive up to an additional ¥40 million of annual remuneration in the form of stock acquisition rights.
* The maximum annual remuneration for members of the Audit & Supervisory Board is ¥100 million (based on the Company's business year).
* Remuneration amounts include directors' bonuses, which were defined as being linked to performance and no more than 0.1% of consolidated net income.
* In addition to the above, directors received a retirement allowance in connection with the cancellation of the executive retirement bonus system.

Status of Measures and Policies Providing Incentives for Directors

In addition to introducing a remuneration plan linked with consolidated operating performance and a system of stock acquisition rights, in September 2015 KDDI will introduce a stock compensation plan for executives. This plan targets directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors, and part-time directors).

The plan has a clear link between remuneration for directors and other executives, operating performance, and the share price, and is intended to heighten their awareness of contributing to increases in operating performance and corporate value over the medium to long term. Under the plan, each fiscal year executives will be granted the right to acquire a certain number of shares depending on their rank, achievement level of operating performance, and key performance indicators. At the conclusion of the trust period, the accumulated shares will be transferred to the executives. These shares may not be acquired during an executive's tenure as director.

Note: A decision was reached at the 22nd Annual General Meeting of Shareholders, held on June 15, 2006, to introduce a plan for issuing stock acquisition rights to serve as an incentive for executing operations and increasing operating performance, with an upper limit of ¥40 million per year. However, no stock acquisition rights have been allocated based on this plan since FY2010.

Risk Management and Internal Controls

KDDI's Risk Management and Internal Control Systems

KDDI has established a system to centralize the management of risks, which it defines as factors that have the potential to block the achievement of management objectives. The Corporate Risk Management Division is the core of this system.

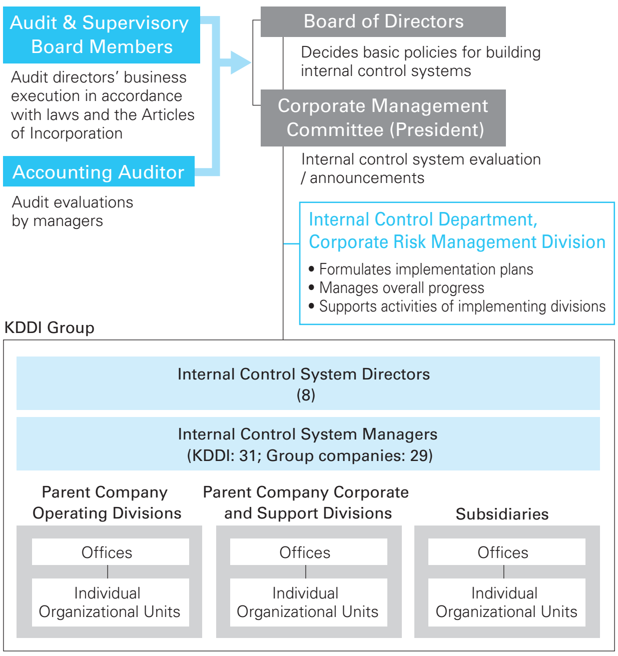
To ensure the sustainable growth of the entire Group, we are promoting risk management initiatives that encompass risk management Groupwide, including KDDI and its subsidiaries.

KDDI and its Group companies have respectively appointed 31 and 29 Internal Control System Managers, as well as eight Internal Control System Directors, to oversee their activities. This structure forms the basis for our internal control system and its operation, as well as risk management activities. We also promote operational quality enhancement activities to realize a corporate constitution that prevents risks from materializing.

In order to realize our management objectives with certainty, in FY2014 we designated 32 items as significant risks, reflecting on issues that have come to the fore in the past and changes in our operating environment, such as the provision of high-quality networks, the increasing similarity of our products and services to those of our competitors, and new business domains. We worked to foresee risks, reduce significant risks, support operational improvements, and conduct internal audits.

Furthermore, we are undertaking Companywide initiatives to improve the quality of our operations, thereby cultivating a corporate culture that prevents risks from materializing.

Internal Control Systems

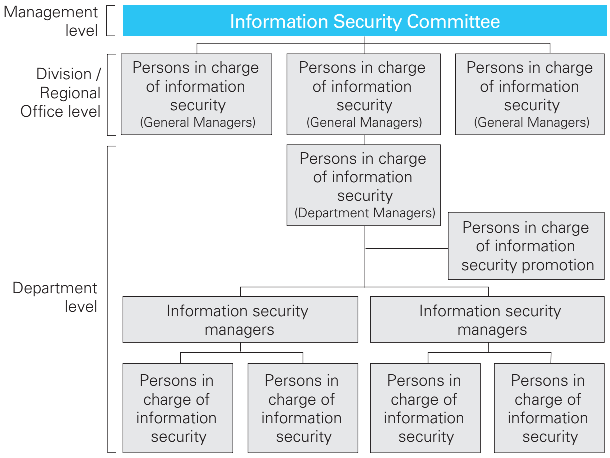


Strengthening Information Security

KDDI is reinforcing its information security to prevent any leakage of the information it retains for some 43.48 million au customers, as well as numerous other individual and corporate customers.

KDDI has established and administers an Information Security Committee composed of management-level employees, along with the heads of the sales, technology, and corporate administrative divisions. This committee is part of a structure that carefully recognizes the status of information security controls for the entire Company, and readily implements measures to enhance information security at KDDI itself and throughout the Group.

Security Management Structure



In April 2009, we acquired information security management system (ISMS) certification*1 (ISO/IEC 27001) for the entire Company. Since then, we have continued to implement measures to improve information security centered on the maintenance of these systems. In FY2012, we formulated regulations for KDDI Group companies based on the KDDI Group Information Security Standards that we formulated in FY2011. Since FY2013, we have continued working to strengthen information security and governance at KDDI Group companies through the appropriate execution of Group company regulations and application of a plan–do–check–act (PDCA) cycle, as well as appropriately auditing its status.

*1 This is a third-party certification system for information security systems. It was established with the goal of contributing to widespread improvements in information security and encouraging companies to target levels of information security that can be trusted around the world.

ISMS Certification at KDDI

Registration Number	Organization	Initial Registration
IS 95253	KDDI CORPORATION*2	June 7, 2005
IS 76406	KDDI CORPORATION (Operations Division)*3	July 4, 2003
IS 85329	KDDI CORPORATION (Information Systems Division)	September 28, 2004

*2 Includes corporate, technology and sales, and customer support divisions, as well as KDDI KYOSAIKAI (now, KDDI Group Welfare Association), KDDI Health Insurance Union, KDDI Pension Fund, KDDI Research Institute, Inc., and KDDI MATOMETE OFFICE CORPORATION

*3 Includes Japan Telecommunication Engineering Service Co., Ltd.

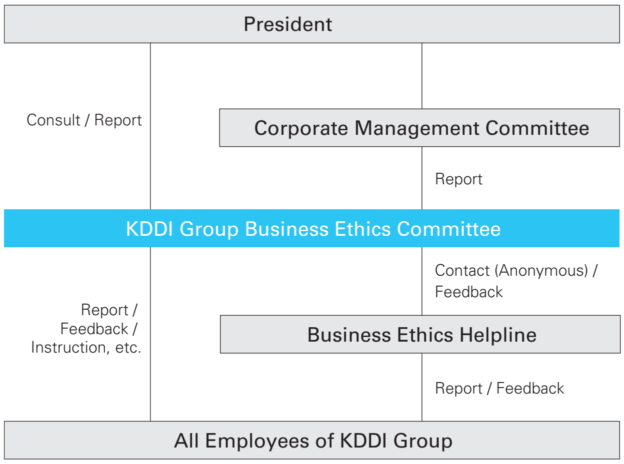
Compliance

Basic Stance on Compliance

KDDI is improving and reinforcing its compliance structures, based on its belief that compliance with the law—including strict observance of the privacy of communications by telecommunications providers as established in the Telecommunications Business Law—is fundamental to business operations. In addition to establishing the KDDI Code of Business Conduct to ensure that all employees maintain a high sense of ethics and execute their duties appropriately, we are undertaking the following efforts to raise compliance awareness.

- Conducting activities to instill our corporate philosophy, the KDDI Group Philosophy
- Cultivating a sense of organizational togetherness and improving communications
- Performing activities to detect early on, analyze, and prevent violations
- Blocking any relationships with anti-social forces

Compliance Framework



KDDI Group Compliance Promotion System

We have put in place the KDDI Group Business Ethics Committee, headed by the chairman of KDDI, to deliberate and make decisions on compliance-related items. The committee meets semi-annually to ascertain the situation at each company and support the establishment and reinforcement of compliance structures.

KDDI Group Business Ethics Committee Framework

The KDDI Group Business Ethics Committee also formulates policies for educational activities and, in the event a compliance violation occurs, discloses information outside the Company and deliberates on measures to prevent recurrence.

The status of the committee's activities is made available to all employees via the intranet.

Business Ethics Helpline

KDDI established the Business Ethics Helpline to serve as a contact point for all employees with questions or concerns about business ethics and legal compliance. By establishing a contact point in collaboration with external experts, the Company is creating an environment in which it is easy for employees to report concerns. Furthermore, we have established internal regulations in response to the Whistle-Blower Protection Act, enacted in Japan in April 2006, and actively conduct educational activities on this topic.

In FY2014, the helpline received 23 reports, including inquiries. Internal investigations were conducted primarily by the KDDI Group with regard to the issues reported, and information regarding reporters was kept confidential. When problems were uncovered, steps were taken to rectify the situation, including proposing improvements and instituting measures to prevent recurrence.

People who make use of the whistle-blowing system were not subjected to disadvantageous treatment.

Basic Policy for Eliminating Anti-Social Forces and Status of Implementation

Our Basic Policy for the Creation of Internal Systems takes a firm stand on countering anti-social forces. In addition to rules defining initiatives for blocking off any relations with such forces, the KDDI Code of Business Conduct, which defines basic principles to be followed and enforced by all executives and employees, takes a firm stance against anti-social forces, rejecting any requests for illicit funds and refusing to comply with any demands.

Disclosure and IR

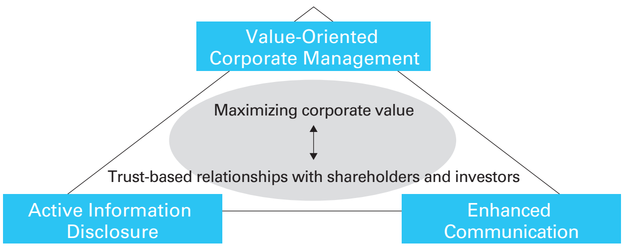
The company is fully committed to undertaking fair and timely disclosure in an easily understandable manner of any information that could have a material bearing on the investment decisions of investors. Such disclosure is conducted on an ongoing basis, and is focused on the requirements of shareholders and investors. The Company's policy in this regard is in line with the Financial Instruments and Exchange Act and the Securities Listing Regulations of Tokyo Stock Exchange, Inc., governing the timely disclosure of information concerning the issuers of publicly listed securities. KDDI discloses its basic IR policy* on its website, explaining such matters as fundamental thinking regarding IR activities and the system for disclosing pertinent information. In particular, KDDI has set up a Disclosure Committee that concentrates on determining what information should be disclosed with the goal of improving business transparency and supplying appropriate information to the public.

KDDI takes the opinions expressed by shareholders and investors seriously, communicating them not only to management but also to employees in general. Such opinions are considered an extremely valuable reference in the formation of business and management strategies.

* Approved at a Board of Directors' meeting held on March 15, 2015

IR Basic Policy

KDDI's IR program is aimed at increasing the level of satisfaction among shareholders and investors through ongoing, proactive, and fulfilling dialogue, and enhancing trust in KDDI's management.



IR Activity Guidelines

Through IR based on the activity guidelines outlined below, we strive to build long-term, trust-based relationships with shareholders and investors, as well as maximize our corporate value.

Three IR Activity Guidelines

- Open IR Activities
  We value interactive dialogue with our shareholders and investors as well as ensuring accountability to our shareholders and investors through honest and fair information disclosure.
- Proactive IR Activities
  By always incorporating new ideas into our IR activities, we strive to make KDDI known to more people and promote further knowledge of the Company.
- Organized IR Activities
  Under the leadership of management, all of our officers and employees, including those of Group companies, engage in organized IR activities to further increase corporate value.

IR Activities in FY2014

Enhancing Communication

Earnings presentation meetings were held quarterly to allow management to directly communicate the Company's results. KDDI also held individual and small group meetings with investors from Japan and overseas, and participated in various conferences and seminars for individual investors sponsored by securities companies for better communication.

Also, timely feedback was provided to management based on opinions and requests from shareholders and investors.

As a positive evaluation of our efforts, we received the "Award from Securities Analysts for Excellence in Corporate Disclosure" for the ninth time and for the third consecutive year.

Results of IR Activities in FY2014

(Times)

Individual meetings with institutional investors	949
Financial results briefings	4
Overseas road shows	13
Seminars for individual investors	33

Enhancing IR Tools

KDDI provides webcasts of its results presentations on its website, and also posts an English-language version of its results presentations. Earnings reports and other types of disclosure documents are made available through the website, with information tailored for use on multiple devices, including various Web browsers, smartphones, and tablets.

KDDI's IR activities earned strong praise during the year. We were recognized through the receipt of the "Internet IR Best Company Award in 2014," by Daiwa Investor Relations Co., Ltd. As well, we ranked third in the "Gomez IR Website Overall Ranking 2014" by Morningstar, Inc., and fourth of all listed companies in Japan for the HP Depth Ranking by Nikko Investor Relations Co., Ltd.

PERFORMANCE ANALYSIS

FINANCIALS

CORPORATE OVERVIEW

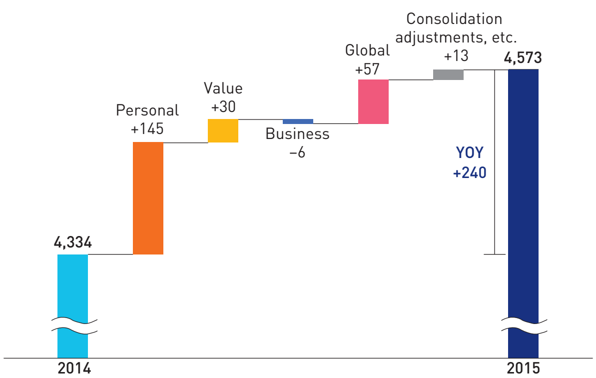
Performance Analysis for the Fiscal Year Ended March 31, 2015

Analysis of Statements of Income

Operating Revenues

Mobile communications revenues increased due to a rise in au subscriptions and the reversal of au ARPU year on year. Revenues from terminal sales and revenues from overseas subsidiaries also rose. As a result, consolidated operating revenues expanded 5.5% year on year, to ¥4,573.1 billion.

(Billions of yen)

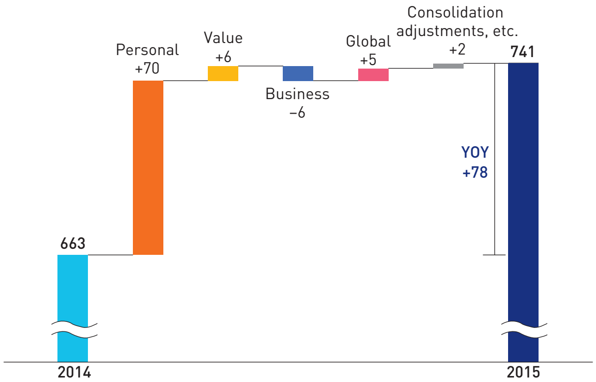


(Years ended March 31)

Operating Income

Mobile communications revenues rose and au sales commissions declined in the Personal Services segment, absorbing the cost of up-front investments in new businesses such as "au WALLET" and higher depreciation. Consolidated operating income consequently increased 11.8%, to ¥741.3 billion.

(Billions of yen)



(Years ended March 31)

Net Income

During the year, KDDI recorded higher operating income, equity-method investment income, and extraordinary income from a gain on sales of investment securities. The Company posted an extraordinary loss stemming from impairment loss and loss on business of overseas subsidiaries. These factors led to a 32.9% year-on-year increase in net income, to ¥427.9 billion.

Dividends per Share

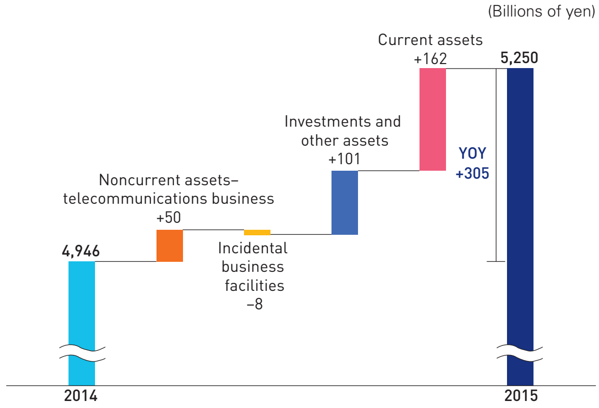
We awarded full-year dividends per share of ¥170, up ¥40 year on year, amounting to a consolidated dividend payout ratio of 33.2%. Our dividend policy is to maintain the consolidated dividend payout ratio at a level above 30% while taking into consideration the investments necessary to achieve growth and ensure stable business operations, and we plan to continue raising dividends through synergy between a higher consolidated dividend payout ratio and increasing earnings per share in line with higher operating income.

Analysis of Balance Sheets

Total Assets

YOY
¥**304.6** billion up
¥5,250.4 billion

Ongoing investment in LTE facilities, combined with rises in long-term loans receivable from subsidiaries and associates and higher installment sales receivables of au mobile phone handsets, boosted total assets ¥304.6 billion year on year, to ¥5,250.4 billion.

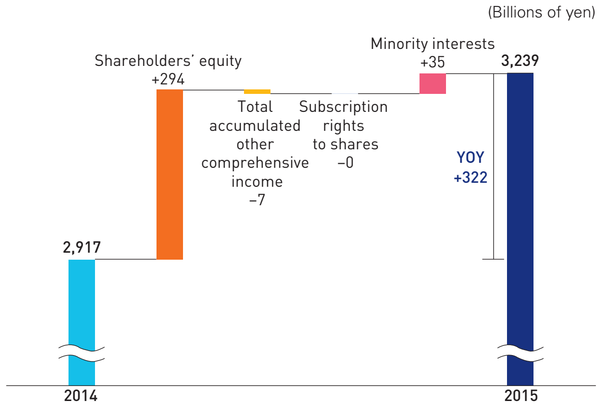


(Years ended March 31)

Total Net Assets

YOY
¥**321.8** billion up
¥3,238.7 billion

Due to increased retained earnings and minority interests, among other factors, total net assets rose ¥321.8 billion year on year, to ¥3,238.7 billion.



(Years ended March 31)

Interest-Bearing Debt

YOY
¥**82.8** billion down
¥1,002.2 billion

Interest-bearing debt decreased ¥82.8 billion year on year, to ¥1,002.2 billion, mainly because of our efforts to pay down short-term bonds payable and loans payable.

D/E Ratio

YOY
0.07 pt. down
0.33 times

The reduction in interest-bearing debt, coupled with higher retained earnings, led to an increase in shareholders' equity. As a result, the D/E ratio dropped 0.07 percentage point, to 0.33 times.

Analysis of Capital Expenditures and Cash Flows

Capital Expenditures

Mobile
YOY
¥11.2 billion up
¥385.2 billion

Fixed-Line, etc.
YOY
¥6.8 billion down
¥191.0 billion

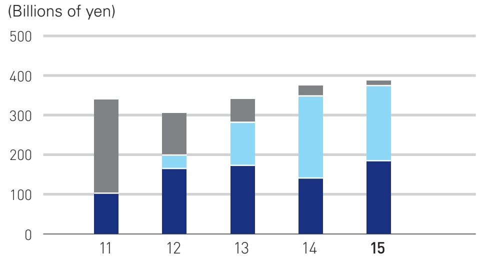
Consolidated capital expenditures rose ¥4.4 billion compared with the fiscal year ended March 31, 2014, to ¥576.2 billion.

Capital expenditures in the mobile business were up ¥11.2 billion, to ¥385.2 billion, as we expanded the LTE service area and invested in carrier aggregation for "LTE-Advanced," the next-generation high-speed LTE communications standard, and the next-generation voice calling service, "au VoLTE."

In the fixed-line business, capital expenditures fell ¥6.8 billion year on year, to ¥191.0 billion. This spending went toward the expansion of fixed-line communications networks to handle the ongoing increase in mobile data traffic, as well as for new and expanded FTTH and CATV facilities.

Mobile

(Billions of yen)

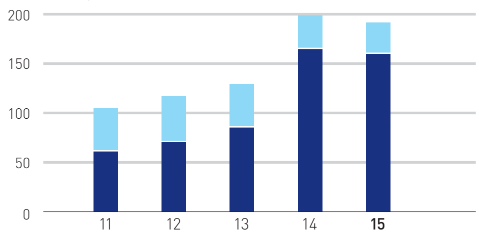


	11	12	13	14	15
3G	236	105	57	27	11
LTE	—	34	110	206	191
Common equipment	103	165	172	141	184
Total	339	304	338	374	385

(Years ended March 31)

Fixed-Line, etc.

(Billions of yen)



	11	12	13	14	15
FTTH	43	46	43	33	31
Other	62	71	86	165	160
Total	105	117	129	198	191

(Years ended March 31)

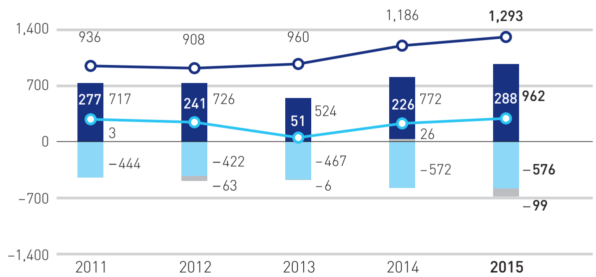
Cash Flows

Free Cash Flows
YOY
¥61.8 billion up
¥287.7 billion

Net cash provided by operating activities came to ¥962.2 billion, ¥190.0 billion more than in the previous year, affected by higher income before income taxes and minority interests and an increase in depreciation and amortization. Net cash used in investing activities totaled ¥674.5 billion, up ¥128.3 billion, mainly due to a rise in loans receivable from subsidiaries and affiliates. Free cash flows—the total of operating and investing cash flows—amounted to ¥287.7 billion, up ¥61.8 billion, mainly because of EBITDA expansion.

Cash Flows

(Billions of yen)



(Years ended March 31)
Free Cash Flows
Net Cash Provided by (Used in) Operating Activities
Capital Expenditures
Other, Net Cash Provided by (Used in) Investing Activities
EBITDA

Performance Analysis for the Fiscal Year Ended March 31, 2015 by Segment

Personal Services Segment

Overview of Operations

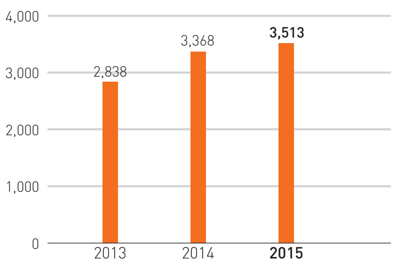
During the fiscal year ended March 31, 2015, operating revenues increased 4.3%, to ¥3,513.3 billion. This rise stemmed from higher mobile communications revenues, as ongoing au momentum led to increases in the number of subscribers and a reversal of au ARPU year on year. Also, revenues from terminal sales grew, thanks to higher unit sales.

Meanwhile, operating expenses increased 2.6%, to ¥2,935.9 billion. Although sales commissions dropped as the competitive environment stabilized, higher unit sales boosted handset procurement costs, and depreciation and amortization grew in line with the expansion in LTE facilities.

Operating income consequently increased 13.8% year on year, to ¥577.4 billion.

Operating Revenues

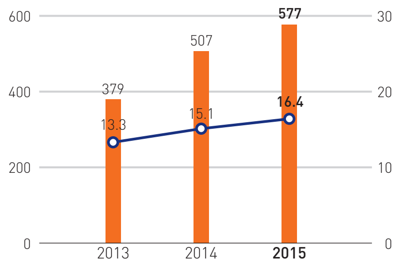
(Billions of yen)



(Years ended March 31)

Operating Income / Operating Margin

(Billions of yen) (%)



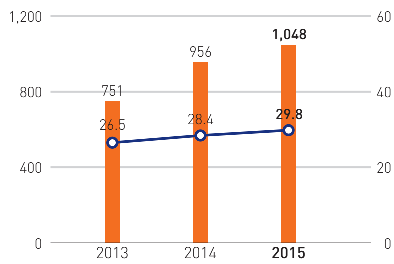
(Years ended March 31)

Operating Income (left)

Operating Margin (right)

EBITDA / EBITDA Margin

(Billions of yen) (%)



(Years ended March 31)

EBITDA (left)

EBITDA Margin (right)

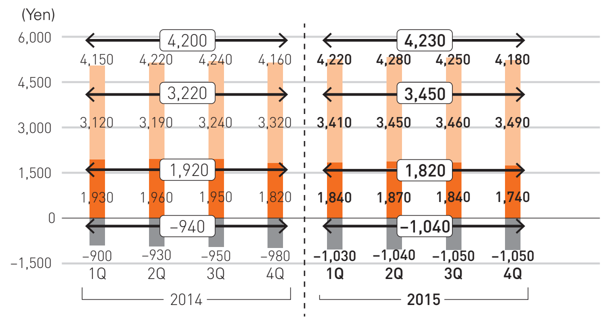
au ARPU

Voice ARPU declined ¥100 year on year, to ¥1,820, affected by the August 2014 introduction of the "Unlimited Voice & Tiered Data" rate plan.

Data ARPU was up ¥230 year on year, to ¥3,450, owing mainly to the increased smartphone penetration rate.

The amount of discount applied was ¥1,040, up ¥100 year on year. This rise was attributable mainly to increased discounts to bolster the penetration rate for "au Smart Value." However, our efforts to control "Maitsuki Discount (Monthly Discount)" levels caused this discount to make up a smaller proportion of the amount of discount applied, leaving levels essentially unchanged.

Owing to these factors, au ARPU rose ¥30 year on year, to ¥4,230, achieving a year-on-year reversal of au ARPU.



(Years ended March 31)

Data ARPU

Voice ARPU (before application of discount)

Amount of Discount Applied (total discount effect of "au Smart Value" and "Maitsuki Discount (Monthly discount)")

Value Services Segment

Overview of Operations

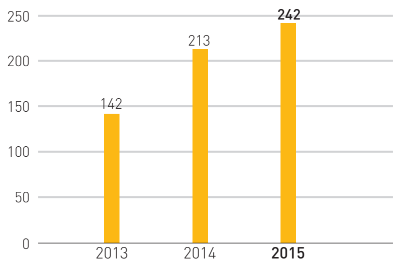
During the fiscal year ended March 31, 2015, operating revenues in this segment rose 14.0%, to ¥242.3 billion. In addition to a steady increase in "au Smart Pass" members, settlement commission grew via carrier billing (= "au Simple Payment"), and the business launch of KDDI Financial Service Corporation boosted revenues through the launch of a new settlement agency business.

Operating expenses, meanwhile, rose 14.6% year on year, to ¥184.4 billion, due to higher content procurement costs as we augmented content services centered on "au Smart Pass." We also generated costs associated with the launch of "au WALLET."

As a result, operating income rose 12.4% during the fiscal year ended March 31, 2015, to ¥58.0 billion.

Operating Revenues

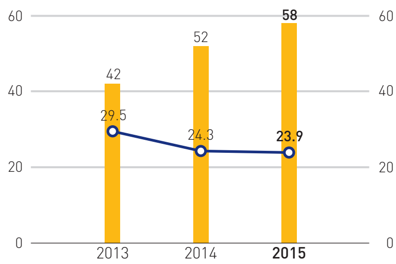
(Billions of yen)



(Years ended March 31)

Operating Income / Operating Margin

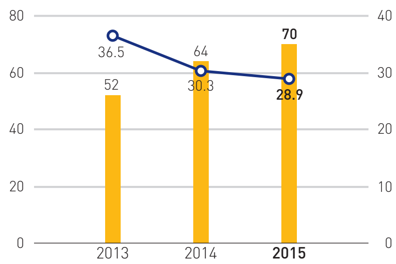
(Billions of yen) (%)



(Years ended March 31)
Operating Income (left)
Operating Margin (right)

EBITDA / EBITDA Margin

(Billions of yen) (%)

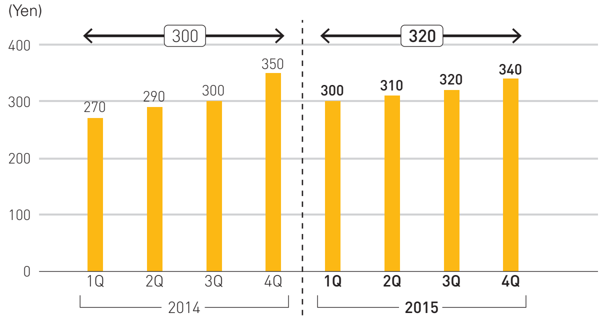


(Years ended March 31)
EBITDA (left)
EBITDA Margin (right)

Value ARPU

In the fiscal year ended March 31, 2015, value ARPU grew ¥20, to ¥320. Contributing to this rise were a steady increase in the number of "au Smart Pass" members and expansion in the settlement and advertising businesses centered on smartphone carrier billing (= "au Simple Payment").

(Yen)



(Years ended March 31)

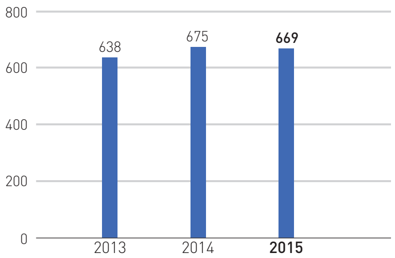
Business Services Segment

Overview of Operations

Operating revenues in this segment dipped 0.8% year on year, to ¥669.2 billion. Solution sales such as cloud-related business and IT outsourcing rose, and sales also grew for services from consolidated subsidiary KDDI MATOMETE OFFICE CORPORATION targeting small and medium-sized companies. However, the introduction of flat-rate voice communications caused mobile communications revenues to decrease.

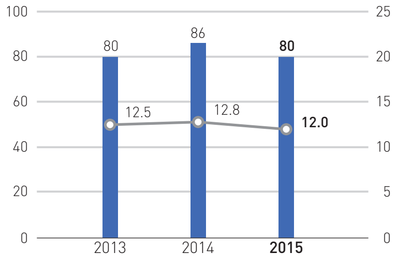
Operating expenses, however, edged up 0.1%, to ¥588.8 billion, as sales commissions fell but handset procurement costs increased, as did depreciation and amortization associated with the expansion of LTE facilities. Consequently, operating income was down 7.0% year on year, to ¥80.4 billion.

Operating Revenues
(Billions of yen)



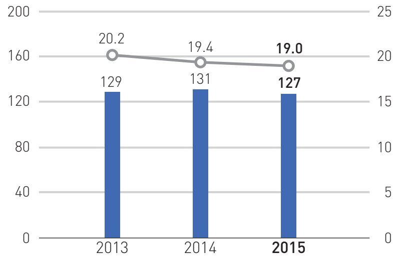
(Years ended March 31)

Operating Income / Operating Margin
(Billions of yen) (%)



(Years ended March 31)
Operating Income (left)
Operating Margin (right)

EBITDA / EBITDA Margin
(Billions of yen) (%)



(Years ended March 31)
EBITDA (left)
EBITDA Margin (right)

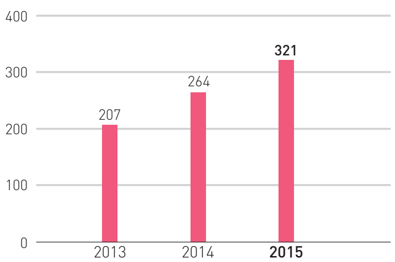
Global Services Segment

Overview of Operations

In this segment, operating revenues and expenses both grew. These increases were due to the extension of the performance period to 15 months, with the exception of certain consolidated subsidiaries, in line with our voluntary shift to International Financial Reporting Standards (IFRS) in the fiscal year ending March 31, 2016.

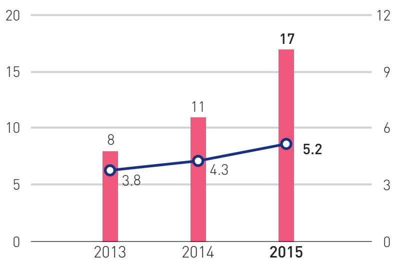
Excluding the impact of these changes, operating revenues were up 21.6% year on year, to ¥320.6 billion. Contributing factors included higher performance from existing businesses, such as our "TELEHOUSE" brand of data centers and expanded MVNO business in the United States. The commencement of the telecommunications business in Myanmar also contributed to revenues. As a result, operating income was up 47.3%, to ¥16.8 billion.

Operating Revenues
(Billions of yen)



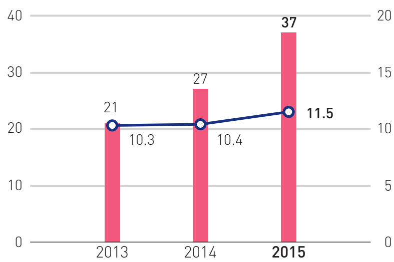
(Years ended March 31)

Operating Income / Operating Margin
(Billions of yen) (%)



(Years ended March 31)
Operating Income (left)
Operating Margin (right)

EBITDA / EBITDA Margin
(Billions of yen) (%)



(Years ended March 31)
EBITDA (left)
EBITDA Margin (right)

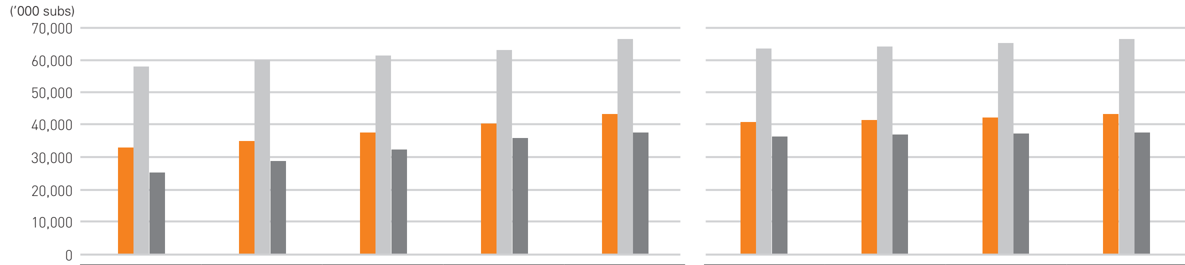
PERFORMANCE ANALYSIS

Market Overview

(Years ended March 31)

Mobile Communications Market Data

Number of Total Subscribers



	2011	2012	2013	2014	2015	2015 1Q	2015 2Q	2015 3Q	2015 4Q
au	32,999	35,109	37,709	40,522	43,478	41,016	41,596	42,378	43,478
NTT DOCOMO	58,010	60,130	61,536	63,105	66,596	63,566	64,295	65,274	66,596
SOFTBANK MOBILE	25,409	28,949	32,480	35,925	37,766	36,482	37,047	37,401	37,766
Total	116,418	124,188	131,725	139,552	147,840	141,064	142,938	145,054	147,840

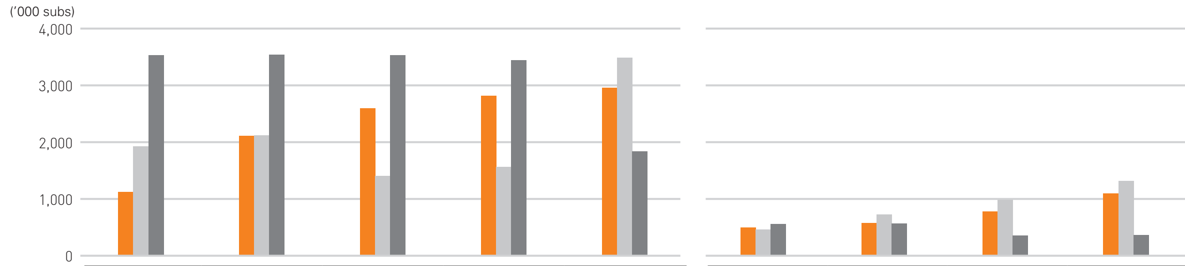
Source: Data prepared by KDDI based on materials from the Telecommunications Carriers Association

Share of Cumulative Subscriptions*1

(%)

	2011	2012	2013	2014	2015	2015 1Q	2015 2Q	2015 3Q	2015 4Q
au	28.3	28.3	28.6	29.0	29.4	29.1	29.1	29.2	29.4
NTT DOCOMO	49.8	48.4	46.7	45.2	45.0	45.1	45.0	45.0	45.0
SOFTBANK MOBILE	21.8	23.3	24.7	25.7	25.5	25.9	25.9	25.8	25.5

Net Additions



	2011	2012	2013	2014	2015	2015 1Q	2015 2Q	2015 3Q	2015 4Q
au	1,127	2,110	2,600	2,813	2,956	494	580	782	1,100
NTT DOCOMO	1,928	2,120	1,407	1,569	3,490	461	729	979	1,322
SOFTBANK MOBILE	3,532	3,540	3,531	3,445	1,841	557	565	355	365
Total	6,586	7,770	7,537	7,827	8,288	1,512	1,874	2,116	2,786

Source: Data prepared by KDDI based on materials from the Telecommunications Carriers Association

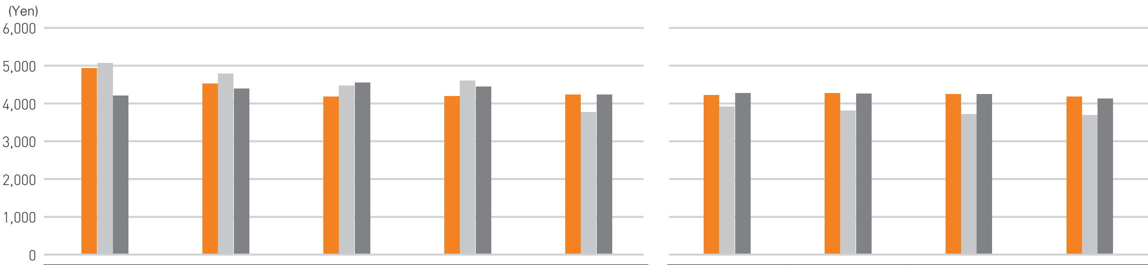
Share of Net Additions*1

(%)

	2011	2012	2013	2014	2015	2015 1Q	2015 2Q	2015 3Q	2015 4Q
au	17.1	27.2	34.5	35.9	35.7	32.7	31.0	37.0	39.5
NTT DOCOMO	29.3	27.3	18.7	20.0	42.1	30.5	38.9	46.3	47.4
SOFTBANK MOBILE	53.6	45.6	46.8	44.0	22.2	36.9	30.1	16.8	13.1

*1 Share among NTT DOCOMO, SOFTBANK MOBILE, and KDDI

ARPU (Average Revenue per Unit)



	2011	2012	2013	2014	2015	2015 1Q	2015 2Q	2015 3Q	2015 4Q
au *2	4,940	4,530	4,180	4,200	4,230	4,220	4,280	4,250	4,180
NTT DOCOMO*3	5,070	4,790	4,480	4,610	3,780	3,920	3,810	3,720	3,700
SOFTBANK MOBILE*4	4,210	4,400	4,550	4,450	4,230	4,280	4,260	4,250	4,130

Source: Data prepared by KDDI from individual companies' materials

*2 Excludes module-type terminals. On a consolidated basis (Mobile Communications segment) through the fiscal year ended March 31, 2012. From the fiscal year ended March 31, 2012, based on the Personal Services segment. au changed its definition of ARPU from the fiscal year ended March 31, 2014.

*3 NTT DOCOMO changed its definition of ARPU from the fiscal year ended March 31, 2012, and figures for the fiscal year ended March 31, 2011, have been revised to reflect this change. As this definition was changed again in the fiscal year ended March 31, 2015, performance figures for the fiscal years ended March 31, 2013 and 2014, have also been revised.

*4 After applying the "Maitsuki Discount (Monthly Discount)" and excluding module-type terminals from the fiscal year ended March 31, 2012. From the fiscal year ended March 31, 2013, method of calculation changed to International Financial Reporting Standards.

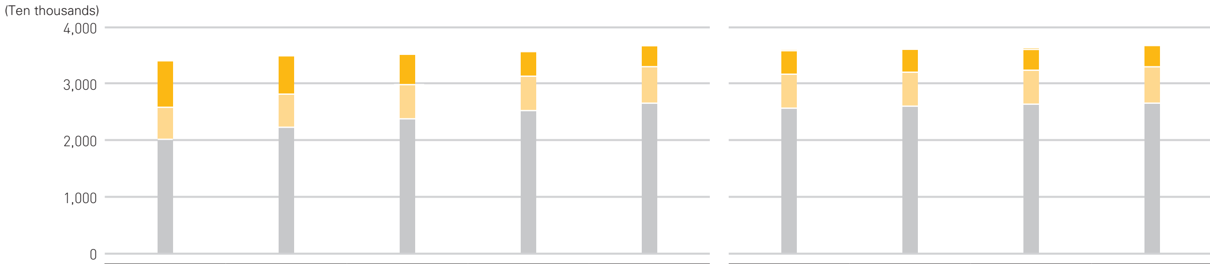
Churn Rate

	2011	2012	2013	2014	2015	2015 1Q	2015 2Q	2015 3Q	2015 4Q
au *2	0.73	0.62	0.63	0.76	0.69	0.54	0.63	0.66	0.94
NTT DOCOMO	0.47	0.60	0.82	0.87	0.71	0.67	0.62	0.70	0.84
SOFTBANK MOBILE	0.98	1.12	1.09	1.27	1.33	1.11	1.27	1.34	1.57

Source: Data prepared by KDDI from individual companies' materials

Fixed-Line Communications Market Data

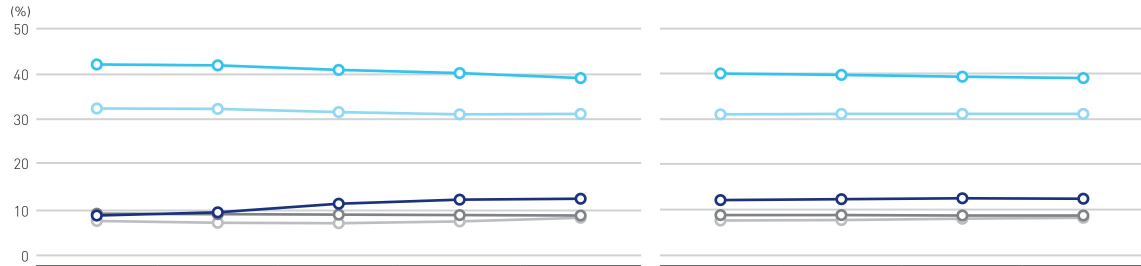
Number of Broadband Subscriptions



	2011	2012	2013	2014	2015	2015 1Q	2015 2Q	2015 3Q	2015 4Q
FTTH	2,022	2,230	2,385	2,532	2,661	2,571	2,600	2,638	2,661
CATV	567	591	601	602	643	599	597	595	643
ADSL	820	670	542	447	375	424	407	392	375
FWA	1	1	1	1	1	1	1	1	1
Total	3,410	3,493	3,530	3,582	3,680	3,595	3,605	3,626	3,680

Source: Ministry of Internal Affairs and Communications

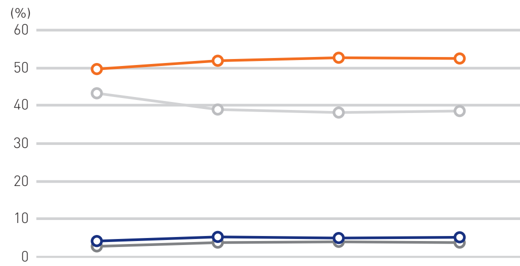
Share of FTTH Subscriptions



	2011	2012	2013	2014	2015	2015 1Q	2015 2Q	2015 3Q	2015 4Q
KDDI	8.8	9.5	11.4	12.3	12.5	12.2	12.4	12.6	12.5
NTT EAST	42.1	41.9	40.9	40.2	39.1	40.1	39.8	39.4	39.1
NTT WEST	32.4	32.3	31.6	31.1	31.2	31.1	31.2	31.2	31.2
Electric power utilities	9.2	9.1	9.0	8.9	8.8	8.9	8.9	8.8	8.8
Other	7.6	7.2	7.1	7.5	8.3	7.7	7.8	8.1	8.3

Source: Ministry of Internal Affairs and Communications

Share of Pay Multi-Channel CATV Subscriptions



	2011	2012	2013	2014
J:COM + JCN	49.7	51.9	52.7	52.5
J:COM	38.3	40.6	40.9	40.6
JCN	11.4	11.3	11.8	11.9
CNCI	4.2	5.3	5.0	5.2
TOKAI	2.8	3.8	4.0	3.8
Other	43.3	39.0	38.2	38.6

Source: Data prepared by KDDI based on *Hoso Journal*

Column

KDDI will voluntarily adopt International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2016. Here, we explain the impact this will have.

Adopting IFRS in the Fiscal Year Ending March 31, 2016

QUESTION 01

Why adopt IFRS?

A growing number of Japanese companies are adopting IFRS. By also doing so, KDDI will increase the international comparability of its financial information. We believe this move will enable us to provide financial statements that are more useful to investors and various other stakeholders. Consequently, we have decided to introduce IFRS from the fiscal year ending March 31, 2016.

QUESTION 02

What are the major differences between IFRS and accounting principles generally accepted in Japan ("Japanese GAAP") used to date?

There are five major changes from Japanese GAAP that will result from the adoption of IFRS.

Category	Japanese GAAP	IFRS
(1) Of sales commissions, expenses corresponding to discounts on handsets	Recorded as operating expenses	Subtracted from operating revenues (revenues from terminal sales)
(2) Goodwill	Amortized in equal installments	Installment amortization halted, impairment test performed each fiscal year
(3) Method of depreciating noncurrent assets	Machinery is mainly depreciated using the declining-balance method, and other noncurrent assets are depreciated using the straight-line method.	Service life is determined by estimating years of useful life and then depreciating these assets using the straight-line method.
(4) Scope of consolidation	Companies in which KDDI owns more than 50% of voting rights and companies in which KDDI owns 40–50% of voting rights and that satisfy certain conditions related to control are included in the scope of consolidation.	As this determination is made on the basis of substantive control, including potential voting rights, UQ Communications Inc., which is an equity-method affiliate under Japanese GAAP, will be included in the scope of consolidation under IFRS.
(5) Handling extraordinary income and losses	Extraordinary income and losses are presented. Gain on sales of securities and other extraordinary income, as well as impairment losses and other extraordinary losses, are added to ordinary income for reflection in income before income taxes.	• Extraordinary income and expenses will no longer be presented. • Impairment losses and other items that are extraordinary losses under Japanese GAAP will mainly be counted as operating expenses (cost of sales). • Gain on sales of securities will be included in comprehensive income.

Financial Section

Consolidated Balance Sheets

KDDI Corporation and its Subsidiaries
As of March 31, 2014 and 2015

	Millions of yen 2014	Millions of yen 2015	Millions of U.S. dollars (Note 1) 2015
ASSETS			
Current Assets			
Cash and deposits (Notes 4, 5, 8)	¥ 222,051	¥ 264,240	$ 2,199
Accounts receivable (Note 5)	1,163,218	1,254,560	10,440
Short-term investment securities (Notes 4, 5, 7, 8)	274	20,320	169
Inventories	86,060	79,233	659
Deferred tax assets (Note 14)	51,353	47,190	393
Prepaid expenses and other current assets	44,177	64,830	539
Allowance for doubtful accounts (Note 5)	(21,533)	(22,436)	(187)
Total Current Assets	1,545,599	1,707,937	14,213
Property, Plant and Equipment			
Machinery, antenna facilities, terminal facilities, local line facilities, long-distance line facilities, engineering facilities, submarine line facilities (Note 8)	3,578,081	3,670,143	30,541
Buildings and structures (Note 8)	928,954	958,250	7,974
Machinery and tools (Note 8)	312,002	330,599	2,751
Land	256,506	256,391	2,134
Construction in progress	169,867	186,457	1,552
Other property, plant and equipment (Note 8)	112,353	111,731	930
	5,357,762	5,513,571	45,881
Accumulated depreciation	(3,219,754)	(3,355,588)	(27,924)
Net Property, Plant and Equipment	2,138,009	2,157,982	17,958
Investments and Other Assets			
Investment securities (Notes 5, 7, 8)	91,509	50,595	421
Investments in affiliates (Notes 5, 8)	41,755	61,453	511
Long-term loans receivable from subsidiaries and associates	—	95,300	793
Intangible assets	405,662	442,541	3,683
Goodwill	337,457	322,025	2,680
Deferred tax assets (Note 14)	79,315	92,774	772
Net defined benefit asset	20,103	26,035	217
Other assets	295,924	338,452	2,816
Allowance for doubtful accounts	(9,576)	(44,729)	(372)
Total Investments and Other Assets	1,262,149	1,384,445	11,521
Total Assets	¥ 4,945,757	¥ 5,250,365	$ 43,691

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
LIABILITIES AND NET ASSETS			
Current Liabilities			
Short-term loans payable and current portion of noncurrent liabilities (Notes 5, 8)	¥ 328,722	¥ 136,929	$ 1,139
Accounts payable (Notes 5, 6, 8)	436,244	510,848	4,251
Income taxes payable (Note 5)	125,365	164,332	1,367
Accrued expenses (Note 5)	26,732	30,417	253
Provision for bonuses	28,771	26,843	223
Other current liabilities	103,103	88,886	740
Total Current Liabilities	1,048,937	958,254	7,974
Noncurrent Liabilities			
Long-term loans payable (Notes 5, 6, 8)	518,698	609,318	5,070
Bonds payable (Notes 5, 8)	204,999	215,000	1,789
Provision for point service program	76,338	75,245	626
Net defined benefit liability (Notes 3, 15)	17,340	14,826	123
Provision for retirement benefits and other noncurrent liabilities (Notes 5, 15)	162,456	138,972	1,156
Total Noncurrent Liabilities	979,831	1,053,362	8,766
Total Liabilities	2,028,767	2,011,616	16,740
Net Assets			
Shareholders' Equity			
Capital stock:			
Authorized-1,400,000,000 and 1,400,000,000 shares at March 31, 2014 and 2015, respectively			
Issued-896,963,600 and 896,963,600 shares at March 31, 2014 and 2015, respectively	141,852	141,852	1,180
Capital surplus	385,943	385,943	3,212
Retained earnings	2,291,730	2,586,144	21,521
Treasury stock:			
Number of treasury stock—61,984,948 and 61,984,994 shares at March 31, 2014 and 2015, respectively	(161,822)	(161,822)	(1,347)
Total Shareholders' Equity	2,657,703	2,952,116	24,566
Accumulated Other Comprehensive Income			
Valuation difference on available for-sale securities	45,731	21,117	176
Deferred gain or loss on hedges	(1,585)	(1,993)	(17)
Foreign currency translation adjustments	15,189	22,648	188
Remeasurements of defined benefit plans	6,352	16,685	139
Total Accumulated Other Comprehensive Income	65,688	58,457	486
Subscription Rights to Shares	40	34	0
Minority Interests	193,559	228,141	1,898
Total Net Assets	2,916,990	3,238,749	26,951
Total Liabilities and Net Assets	¥4,945,757	¥5,250,365	$43,691

Consolidated Statements of Income

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Operating Revenues			
Revenues from telecommunications business	¥2,609,157	¥2,734,555	$22,756
Sales of mobile terminals and other	1,724,471	1,838,588	15,300
Total Operating Revenues	4,333,628	4,573,142	38,056
Operating Expenses			
Business expenses	684,469	733,092	6,100
Depreciation	362,057	383,639	3,192
Communication facility fee	364,320	392,130	3,263
Cost of sales of mobile terminals and other	1,843,902	1,895,756	15,776
Other (Note 13)	415,636	427,228	3,555
Total Operating Expenses	3,670,383	3,831,843	31,887
Operating Income	663,245	741,299	6,169
Other Expenses (Income)			
Interest expenses	12,019	12,273	102
Interest income	(742)	(976)	(8)
Dividends income	(1,845)	(1,829)	(15)
Equity in losses of affiliates	741	—	—
Equity in income of affiliates	—	(5,802)	(48)
Loss on valuation of investment securities	270	532	4
Gain on sales of investment securities	(6,866)	(51,588)	(429)
Gain on sales of noncurrent assets (Note 11)	(300)	(224)	(2)
Loss on sales of noncurrent assets (Note 11)	378	498	4
Impairment loss (Note 10)	8,696	42,116	350
Loss on retirement of noncurrent assets (Note 11)	—	12,160	101
Loss on business of overseas subsidiaries (Note 12)	—	33,799	281
Other, net (Note 22)	30,266	(19,603)	(163)
Total Other Expenses	42,616	21,355	178
Income before Income Taxes and Minority Interests	620,629	719,944	5,991
Income Taxes (Note 14):			
Current	232,538	265,429	2,209
Income taxes for prior periods	—	6,874	57
Deferred	32,233	(1,953)	(16)
Total Income Taxes	264,771	270,350	2,250
Income before Minority Interests	355,858	449,593	3,741
Minority Interests in Income	33,819	21,662	180
Net Income	¥ 322,038	¥ 427,931	$ 3,561

	Yen		U.S. dollars (Note 1)
	2014	2015	2015
Per Share Data (Note 21)			
Net income	¥132.87	¥170.84	$1.42
Cash dividends	130.00	170.00	1.41

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income (Note 16)

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Income before Minority Interests	¥355,858	¥449,593	$3,741
Other Comprehensive Income			
Valuation difference on available-for-sale securities	7,499	(25,825)	(215)
Deferred gains or losses on hedges	41	(1,811)	(15)
Foreign currency translation adjustments	25,444	5,851	49
Remeasurements of defined benefit plans, net of tax	—	10,333	86
Share of other comprehensive income of associates accounted for using equity method	(483)	4,307	36
Total Other Comprehensive Income	32,501	(7,146)	(59)
Comprehensive Income	388,359	442,447	3,682
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	350,161	420,700	3,501
Comprehensive income attributable to minority interests	¥ 38,198	¥ 21,747	$ 181

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Note 18)

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Shareholders' Equity			
Capital Stock			
Balance at the beginning of the period	¥ 141,852	¥ 141,852	$ 1,180
Restated balance	141,852	141,852	1,180
Balance at the end of the period	141,852	141,852	1,180
Capital Surplus			
Balance at the beginning of the period	367,145	385,943	3,212
Restated balance	367,145	385,943	3,212
Changes of items during the period			
Disposal of treasury stock	18,281	—	—
Other	517	—	—
Total changes of items during the period	18,798	—	—
Balance at the end of the period	385,943	385,943	3,212
Retained Earnings			
Balance at the beginning of the period	2,055,587	2,291,730	19,071
Cumulative effects of changes in accounting policies	—	(8,271)	(69)
Restated balance	2,055,587	2,283,459	19,002
Changes of items during the period			
Dividends from surplus	(85,895)	(125,247)	(1,042)
Net income	322,038	427,931	3,561
Total changes of items during the period	236,143	302,685	2,519
Balance at the end of the period	2,291,730	2,586,144	21,521
Treasury Stock			
Balance at the beginning of the period	(346,002)	(161,822)	(1,347)
Restated balance	(346,002)	(161,822)	(1,347)
Changes of items during the period			
Purchase of treasury stock	(20)	(0)	(0)
Disposal of treasury stock	184,200	—	—
Total changes of items during the period	184,180	(0)	(0)
Balance at the end of the period	(161,822)	(161,822)	(1,347)
Total Shareholders' Equity			
Balance at the beginning of the period	2,218,581	2,657,703	22,116
Cumulative effects of changes in accounting policies	—	(8,271)	(69)
Restated balance	2,218,581	2,649,432	22,047
Changes of items during the period			
Dividends from surplus	(85,895)	(125,247)	(1,042)
Net income	322,038	427,931	3,561
Purchase of treasury stock	(20)	(0)	(0)
Disposal of treasury stock	202,481	—	—
Other	517	—	—
Total changes of items during the period	439,121	302,684	2,519
Balance at the end of the period	¥2,657,703	¥2,952,116	$24,566

Consolidated Statements of Changes in Net Assets (continued) (Note 18)

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Accumulated Other Comprehensive Income			
Valuation Difference on Available-for-sale Securities			
Balance at the beginning of the period	¥ 38,882	¥ 45,731	$ 381
Restated balance	38,882	45,731	381
Changes of items during the period			
Net changes of items other than shareholders' equity	6,849	(24,614)	(205)
Total changes of items during the period	6,849	(24,614)	(205)
Balance at the end of the period	45,731	21,117	176
Deferred Gain or Loss on Hedges			
Balance at the beginning of the period	(1,598)	(1,585)	(13)
Restated balance	(1,598)	(1,585)	(13)
Changes of items during the period			
Net changes of items other than shareholders' equity	13	(408)	(3)
Total changes of items during the period	13	(408)	(3)
Balance at the end of the period	(1,585)	(1,993)	(17)
Foreign Currency Translation Adjustments			
Balance at the beginning of the period	(6,071)	15,189	126
Restated balance	(6,071)	15,189	126
Changes of items during the period			
Net changes of items other than shareholders' equity	21,260	7,458	62
Total changes of items during the period	21,260	7,458	62
Balance at the end of the period	15,189	22,648	188
Remeasurements of Defined Benefit Plans			
Balance at the beginning of the period	—	6,352	53
Restated balance	—	6,352	53
Changes of items during the period			
Net changes of items other than shareholders' equity	6,352	10,333	86
Total changes of items during the period	6,352	10,333	86
Balance at the end of the period	6,352	16,685	139
Total Accumulated Other Comprehensive Income			
Balance at the beginning of the period	31,213	65,688	547
Restated balance	31,213	65,688	547
Changes of items during the period			
Net changes of items other than shareholders' equity	34,475	(7,231)	(60)
Total changes of items during the period	34,475	(7,231)	(60)
Balance at the end of the period	65,688	58,457	486
Subscription Rights to Shares			
Balance at the beginning of the period	574	40	0
Restated balance	574	40	0
Changes of items during the period			
Net changes of items other than shareholders' equity	(534)	(6)	(0)
Total changes of items during the period	(534)	(6)	(0)
Balance at the end of the period	40	34	0
Minority Interests			
Balance at the beginning of the period	72,995	193,559	1,611
Restated balance	72,995	193,559	1,611
Changes of items during the period			
Net changes of items other than shareholders' equity	120,564	34,582	288
Total changes of items during the period	120,564	34,582	288
Balance at the end of the period	193,559	228,141	1,898
Total Net Assets			
Balance at the beginning of the period	2,323,363	2,916,990	24,274
Cumulative effects of changes in accounting policies	—	(8,271)	(69)
Restated balance	2,323,363	2,908,719	24,205
Changes of items during the period			
Dividends from surplus	(85,895)	(125,247)	(1,042)
Net income	322,038	427,931	3,561
Purchase of treasury stock	(20)	(0)	(0)
Disposal of treasury stock	202,481	—	—
Other	517	—	—
Net changes of items other than shareholders' equity	154,505	27,346	228
Total changes of items during the period	593,626	330,030	2,746
Balance at the end of the period	¥2,916,990	¥3,238,749	$26,951

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

KDDI Corporation and its Subsidiaries
Fiscal years ended March 31, 2014 and 2015

	Millions of yen		Millions of U.S. dollars (Note 1)
	2014	2015	2015
Net Cash Provided by (Used in) Operating Activities			
Income before income taxes and minority interests	¥ 620,629	¥ 719,944	$ 5,991
Depreciation and amortization	470,098	494,570	4,116
Impairment loss	8,696	42,116	350
Amortization of goodwill	28,255	28,134	234
Loss (gain) on sales of noncurrent assets	79	290	2
Loss on retirement of noncurrent assets	24,774	39,093	325
Loss on step acquisitions	38,458	—	—
Increase (decrease) in allowance for doubtful accounts	(994)	31,786	265
Increase (decrease) in provision for retirement benefits	(13,735)	—	—
Decrease (increase) in net defined benefit asset	(20,103)	(5,931)	(49)
Increase (decrease) in net defined benefit liability	17,340	(2,514)	(21)
Interest and dividends income	(2,587)	(2,805)	(23)
Interest expenses	12,019	12,273	102
Equity in losses (earnings) of affiliates	741	(5,802)	(48)
Loss (gain) on sales of investment securities	(6,866)	(51,588)	(429)
Loss (gain) on sales of subsidiaries' and affiliates' stocks	—	(1,237)	(10)
Loss (gain) on valuation of investment securities	278	532	4
Increase (decrease) in provision for point service program	(15,245)	(8,620)	(72)
Change in assets and liabilities			
Decrease (increase) in prepaid pension costs	5,285	—	—
Decrease (increase) in notes and accounts receivable-trade	(95,834)	(131,955)	(1,098)
Decrease (increase) in inventories	(25,941)	6,132	51
Increase (decrease) in notes and accounts payable-trade	(3,789)	14,694	122
Increase (decrease) in accounts payable-other	(42,062)	43,327	361
Increase (decrease) in accrued expenses	(2,254)	1,383	12
Increase (decrease) in advances received	(16,409)	(16,870)	(140)
Other, net	19,274	(4,485)	(37)
Subtotal	1,000,106	1,202,465	10,006
Interest and dividends income received	4,773	6,146	51
Interest expenses paid	(11,183)	(10,004)	(83)
Income taxes paid	(221,489)	(236,358)	(1,967)
Net Cash Provided by (Used in) Operating Activities	772,207	962,249	8,007
Net Cash Provided by (Used in) Investing Activities			
Purchase of property, plant and equipment	(438,329)	(391,220)	(3,256)
Proceeds from sales of property, plant and equipment	993	1,518	13
Purchase of intangible assets	(70,945)	(129,952)	(1,081)
Purchase of investment securities	(2,579)	(3,798)	(32)
Proceeds from sales of investment securities	17,041	53,514	445
Purchase of stocks of subsidiaries and affiliates	(8,256)	(29,743)	(248)
Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation (Note 22)	(19,840)	(7,210)	(60)
Proceeds from purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	16,272	—	—
Proceeds from sales of subsidiaries and affiliates	18,807	1,393	12
Purchase of long-term prepaid expenses	(62,688)	(59,373)	(494)
Payments for transfer of business	—	(6,000)	(50)
Net decrease (increase) in short-term loans receivable from subsidiaries and affiliates	—	(11,153)	(93)
Payments of long-term loans receivable from subsidiaries and affiliates	—	(95,300)	(793)
Other, net	3,268	2,804	23
Net Cash Provided by (Used in) Investing Activities	(546,257)	(674,520)	(5,613)
Net Cash Provided by (Used in) Financing Activities			
Net increase (decrease) in short-term loans payable	(119,029)	(92,480)	(770)
Proceeds from long-term loans payable	350,000	184,000	1,531
Repayment of long-term loans payable	(142,250)	(120,020)	(999)
Proceeds from issuance of bonds	30,000	30,000	250
Redemption of bonds	(90,000)	(95,000)	(791)
Purchase of treasury stock	(20)	(0)	(0)
Cash dividends paid	(85,886)	(125,226)	(1,042)
Cash dividends paid to minority shareholders	(27,346)	(6,865)	(57)
Proceeds from stock issuance to minority shareholders	19	25,154	209
Other, net	(21,132)	(24,424)	(203)
Net Cash Provided by (Used in) Financing Activities	(105,644)	(224,862)	(1,871)
Effect of Exchange Rate Change on Cash and Cash Equivalents	4,365	3,505	29
Net Increase (Decrease) in Cash and Cash Equivalents	124,672	66,372	552
Cash and Cash Equivalents at Beginning of the Year	87,289	212,530	1,769
Increase in Cash and Cash Equivalents Resulting from Merger	570	—	—
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	—	(2,966)	(25)
Cash and Cash Equivalents at End of the Year (Note 4)	¥ 212,530	¥ 275,936	$ 2,296

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

KDDI Corporation and its Subsidiaries
Fiscal year ended March 31, 2015

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements are prepared based on the consolidated financial statements disclosed in Japan for domestic reporting purposes.

KDDI CORPORATION (the "Company") prepares these consolidated financial statements in accordance with the Financial Instruments and Exchange Law, Corporate Law and Japanese Telecommunications Business Law and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to accounting and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements disclosed in Japan have been reclassified and adjusted in order to make it easier for overseas readers to comprehend. In addition, certain reclassifications and adjustments have been made in the consolidated financial statements as of and for the fiscal year ended March 31, 2014 to conform to the classifications and presentations used in the consolidated financial statements for the fiscal year ended March 31, 2015.

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥120.17=U.S.$1, the approximate exchange rate on March 31, 2015. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be readily converted into U.S. dollars at this rate or any other rate.

The Company's consolidated financial statements for the fiscal year ended March 31, 2015 include the Company and its 147 subsidiaries, comprising of; Okinawa Cellular Telephone Company, Jupiter Telecommunications Co., Ltd., Chubu Telecommunications Co., INC., KDDI FINANCIAL SERVICE CORPORATION, Syn. Holding, Inc., KDDI MATOMETE OFFICE CORPORATION, KDDI Engineering Corporation, KDDI Evolva Inc., KDDI R&D Laboratories Inc., KDDI America, Inc., KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., KDDI Summit Global Myanmar Co., Ltd., and other subsidiaries.

During the fiscal year ended March 31, 2015, the following changes occurred.

Added (Consolidated):
- 1 company due to stock acquisition
  Natasha, Inc.
- 2 companies due to additional stock acquisition, increasing the Company's holdings and its conversion to a consolidated subsidiary
  nanapi Inc., Jupiter Satellite Broadcasting Co., Ltd.
- 11 companies due to new establishment
  KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., KKBOX Malaysia Sdn. Bhd., KDDI Number 2 Fund for New Business Cultivation, KDDI Summit Global Myanmar Co., Ltd., KDDI VALUE ENABLER CORPORATION, OKINAWA VALUE ENABLER CORPORATION, KDDI PRECEDE CORPORATION, Syn. Holding, Inc., KDDI US Holding, Inc., Total Call International, LLC, CDNetworks Singapore PTE. LTD.

Removed (Consolidated):
- 4 companies due to liquidation
  KDDI Eastern Europe Ltd., LTI Global, Inc., Open Network Entertainment, Inc., UBIK Japan Corporation
- 6 companies due to merger
  JAPAN CABLENET LIMITED, Technology Networks Inc., J:COM Finance Co., Ltd., J:COM Kumagaya Ltd., YourGolf Online Inc., Total Call International, Inc.
- 9 companies due to factors such as increases in capital through third-party allocation, therefore reducing the Company's equity and thus becoming equity-method affiliates
  KKBOX Inc. and 8 subsidiaries of KKBOX Inc.

The number of affiliates accounted for using the equity-method of accounting was 31, such as Kyocera Communication Systems Co., Ltd., UQ Communications Inc., Jibun Bank Corporation, KKBOX Inc., Mobaoku Co., Ltd., and MOBICOM Corporation.

During the fiscal year ended March 31, 2015, the following changes occurred.

Added (Equity Method):
- 3 companies due to stock acquisition
  Data4C's Kabushiki Kaisha, Jorte Inc., VASILY, Inc.
- 1 company due to additional stock acquisition
  TOLOT Inc.
- 1 company due to increase in capital through third-party allocation, reducing the Company's equity, and resulting in equity-method affiliate
  KKBOX Inc.

Removed (Equity Method):
- 1 company due to additional stock acquisition, resulting in consolidated subsidiary
  Jupiter Satellite Broadcasting Co., Ltd.
- 1 company due to reduced ownership
  Efun Technology Entertainment Co., Ltd.

2. Significant Accounting Policies

a. Basis of Consolidation and Accounting for Investments in Affiliated Companies

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (the "Companies").

All significant intercompany transactions and accounts are eliminated.

The consolidated financial statements include the financial statements of subsidiaries whose fiscal year-end is different from that of the Company, March 31. Among consolidated subsidiaries, the fiscal year-end of 44 companies, including KDDI China Corporation, is December 31 of each year. For the preparation of consolidated financial statements, 21 companies, including KDDI China Corporation, prepare financial statements based on the provisional accounts as of the Company's fiscal year-end date. The remaining 23 companies use financial statements as of December 31 and make necessary adjustments for consolidation in relation to significant transactions or events that occurred between the fiscal year-end date of the subsidiaries and that of the Company.

In the past, the consolidated financial statements were prepared on the basis of the fiscal year-end date for these consolidated subsidiaries, as long as the difference between their fiscal year-end date and the Company's fiscal year-end date did not exceed three months. However, in accordance with the scheduled transition to International Financial Reporting Standards from the fiscal year ending March 31, 2016, 21 companies, including KDDI China Corporation, changed to prepare financial statements based on the provisional accounts as of the Company's fiscal year-end date. In addition, for the reasons stated above, for the fiscal year ended March 31, 2015, the fiscal year-end date for 25 companies, including KDDI America, Inc., has changed from December 31 to March 31. The income for these subsidiaries from January 1, 2014 to March 31, 2014 was adjusted through consolidated income statements, and their accounting period for the fiscal year ended March 31, 2015 is 15 months. For these subsidiaries, during the period from January 1, 2014 to March 31, 2014, total net sales amounted to ¥41,883 million (U.S.$349 million), operating income ¥2,775 million (U.S.$23 million) and income before income taxes and minority interests ¥2,968million (U.S.$25 million).

Investments in certain affiliates are accounted for using the equity method. Consolidated net income includes the Company's equity in current earnings of such companies. The Company's investments in these companies at cost adjusted for such share of profit or loss.

Additionally, investments in non-consolidated subsidiary (ATTRACT INC.) and affiliates (Funeven Limited) are accounted for using cost method as the effect of application of the equity method is immaterial.

b. Revenue Recognition

For telecommunications services, revenues are recognized mainly on the basis of minutes of traffic processed and contracted fees earned. Revenues from sales of products and systems are recognized on fulfillment of contractual obligations, which is generally on shipment basis. Revenues from rentals and other services are recognized proportionately over the contract period or as services are rendered.

c. Cash and Cash Equivalents

Cash and cash equivalents in the accompanying consolidated statements of cash flows consist of cash on hand, demand deposits and highly liquid short-term investments with maturity of three months or less at the time of purchase, which are subject to an insignificant risk of change in value.

d. Inventories

Inventories are stated at cost. Cost is determined by the moving average method. Inventories consist primarily of mobile terminals. The method of write downs based on the decrease in profitability is applied in order to calculate the inventory value in the balance sheet.

e. Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

All assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Revenues and expenses for the year are translated into Japanese yen at the average exchange rate during the year and translation adjustments are included in "Foreign currency translation adjustments" and "Minority interests" of "Net assets."

f. Property, Plant and Equipment and Depreciation (except for leased assets)

Property, plant and equipment are stated at cost. Assets are depreciated over their estimated useful lives by applying mainly the declining balance method to machinery owned by the Company, and by the straight-line method to property, plant and equipment other than machinery owned by the Companies.

The main useful lives are as follows:

Machinery: 9 years

Antenna facilities, Buildings, Structures, Local line facilities, Engineering facilities: 10 to 38 years

g. Intangible Assets (except for leased assets)

Amortization of intangible assets (except for leased assets) is calculated using the straight-line method over the estimated useful lives of the respective assets.

Goodwill is amortized using the straight-line method over a period of 5 to 20 years. An immaterial amount of goodwill was expensed for the fiscal year ended March 31, 2015.

Research and development costs are expensed as incurred.

Internal use of software included in intangible assets is amortized using the straight-line method over the estimated useful lives (5 years). Customer-related assets are amortized over 8 to 29 years, and assets related to program supply are amortized over 22 years.

h. Other Assets

Long-term prepaid expenses are amortized using the straight –line method.

i. Financial Instruments

(1) Securities

Bonds intended to be held to maturity are stated at amortized cost (straight-line method).

Available-for-sale securities for which market quotations are available are stated at fair value prevailing at the balance sheet date with unrealized gain and loss, and net of applicable deferred tax assets/liabilities are directly reported as a separate component of "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 mainly determined by the moving average method.

(2) Derivatives
Derivatives are used to hedge against interest rate fluctuation risks based on the Companies' policy.

Major hedging instruments are interest rate swaps and hedged items are loans.

The interest rate swaps used to hedge interest rate fluctuations are measured at fair values and unrealized gains or losses are presented in the accompanying consolidated statements of comprehensive income.

The interest rate swaps meeting the requirement of exceptional treatment under Japanese GAAP are not measured at fair value and the differences between payment amount and receipt amount are included in the interest expense or income.

j. Income Taxes
Income taxes of the Companies consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. Deferred tax assets and liabilities are determined based on the timing differences between the financial reporting and the tax bases of assets and liabilities, using the enacted tax rates in effect for the year in which the differences are expected to reverse.

k. Lease
Leased assets related to finance leases that do not transfer ownership rights are amortized using the straight-line method based on the lease terms as the useful lives and residual value of zero.

l. Net Income per Share
Net income per share is computed based on the average number of shares outstanding during the year.

m. Allowance for Doubtful Accounts
The Companies record allowance for doubtful accounts based on the actual bad debt ratio and then lost individual allowance is accrued against specific account that is deemed to be uncollectible.

n. Provisions
(1) Provision for point service program
The Companies record provisions for the future costs to be incurred in connection with point service programs such as the "au Wallet Point Program". Under these programs customers earn points based on criteria of the specific programs to be utilized at a future date. The Companies' reserve is based on historical experience of points earned and utilized by customers.

(2) Provision for bonuses
To prepare for the payment of bonuses to employees, the Companies record the estimated amounts of bonuses to be paid.

o. Retirement Benefits (Defined Benefit Plan)
(1) Method of attributing expected retirement benefits to periods
When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2015.

(2) Amortization of prior service cost and actuarial gains and losses
Prior service cost is amortized on a straight-line basis over the average remaining service lives of employees (14 years) in the year in which it arises.

Actuarial gains and losses are amortized on a straight-line basis over the average remaining service lives of employees (14 years) from the year following that in which they arise.

p. Others
(1) Accounting method for consumption taxes
Consumption taxes and local consumption taxes are excluded from transaction amounts.

Non-deductible consumption taxes relating to the assets are expensed as incurred.

(2) Bond issuance costs
Bond issuance costs are expensed as incurred.

3. Accounting Changes and Others

a. Changes in Accounting Policies
Adoption of Accounting Standard for Retirement Benefits
Concerning the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Implementation Guidance for the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), the Company has applied the text in Paragraph 35 of the Accounting Standard for Retirement Benefits and the text in Paragraph 67 of the "Implementation Guidance for the Accounting Standard for Retirement Benefits" from the first quarter of the fiscal year ended March 31, 2015, revising its method of calculating retirement benefit obligations and prior service costs. The method of attributing expected benefit has been changed from a straight-line basis to a benefit formula basis. Also, the method of determining the discount rate has been changed from one of using as the basis for calculation the yield on Japanese government bonds for a number of years corresponding to the average remaining service period to a method based on the use of multiple corporate bond yields set for each expected retirement benefit period.

Regarding the application of the Accounting Standard for Retirement Benefits, in accordance with the transitional treatment stipulated in Paragraph 37, from the beginning of the fiscal year ended March 31, 2015, the amount of change resulting from the method of calculating retirement benefit obligations and prior service costs is added to or deducted from retained earnings.

As a result, net defined benefit asset decreased ¥11,210 million (U.S.$93 million) at the beginning of the fiscal year ended March 31, 2015, net defined benefit liability increased ¥1,336 million (U.S.$11 million), and retained earnings decreased ¥8,271 million (U.S.$69 million). Furthermore, operating income and income before income taxes and minority interests increased ¥1,449 million (U.S.$12 million).

The amount of financial impact on per share information is included in "21. Per Share Information".

b. Changes in Presentation

Retirement benefits

Following the revision of "Implementation Guidance for the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), the Company has changed the method of presentation in the notes with regard to the retirement benefits under the multi-employer pension plan and, accordingly, reclassified the consolidated financial statements for the previous fiscal year. The detail of the reclassification of the consolidated financial statements and the amounts of major line items in the consolidated financial statements for the previous fiscal year are described in "15. Retirement Benefits".

Consolidated Statements of Cash Flows

"Loss (gain) on sales of investment securities" included in "Other, net" under "net cash provided by operating activities" in the previous fiscal year is reported as a separate item from the fiscal year ended March 31, 2015 because of an increase of its significance. The consolidated financial statements for the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, ¥6,866 million (U.S.$57 million) that was recorded as "Other, net" under "net cash provided by operating activities" in consolidated statements of cash flows in the previous fiscal year is reclassified as "Loss (gain) on sales of investment securities".

c. Accounting Standards Issued but Not Yet Adopted

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10) and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4).

Under these revised accounting standards, the accounting treatment for change in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary in the case of additional acquisition of shares in a subsidiary and acquisition-related costs were revised. In addition, the presentation method of net income was revised as well as the revision of "minority interests" to "non-controlling interests", and the treatment of finalization of provisional accounting was revised. These revised accounting standards are scheduled to be applied from the beginning of the fiscal year ending March 31, 2016 and the treatment of finalization of provisional accounting will be applied to business combinations that will take place from the beginning of the fiscal year ending March 31, 2016.

However, the Companies will not adopt these revised standards since the Companies are scheduled to prepare consolidated financial statements in accordance with International Financial Reporting Standards from the first quarter of the fiscal year ending March 31, 2016.

4. Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents comprise the following:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Cash and deposits	¥222,051	¥264,240	$2,199
Short-term investment securities	274	20,320	169
Total	222,324	284,560	2,368
Time deposits due beyond three months	(9,794)	(8,625)	(72)
Cash and cash equivalents	¥212,530	¥275,936	$2,296

5. Financial Instruments

1. Status of Financial Instruments

(1) Policy for measures relating to financial instruments

In light of plans for capital investment, primarily for conducting telecommunications business, the Companies raise the funds it requires through bank loans and bonds issuance. The Companies manage temporary fund surpluses through financial assets that have high levels of safety. Further, the Companies raise short-term working capital through bank loans. The Company's derivatives policy requires the Company to adhere to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.

(2) Details of financial instruments and associated risk and risk management policy

Trade receivables—trade notes and accounts receivable and other accounts receivable—are exposed to credit risk in relation to customers and trading partners. For such risk, pursuant to criteria for managing credit exposure, the Companies have systems to manage due dates and balances of each customer and trading partner as well as the analysis of credit status.

The Companies are exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the investments in entities with which the Companies closely have operational relationships, and periodic analysis of market values is reported to the Board of Directors.

Almost all trade payables—trade notes and accounts payable, other accounts payable and accrued expenses—have payment due dates within one year.

Those trade payables are exposed to liquidity risk at time of settlement. However, the Companies reduce that risk by reviewing each fund-raising plan every month. Operating obligations denominated in foreign currencies are recognized as balances of currency-specific claims and obligations. Foreign exchange forward transactions are used on hedging instruments in response to obligations deemed subject to foreign exchange fluctuation risk.

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 investment and financing. Loans payable with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce interest rate fluctuation risk, the Companies enter into interest rate swap transactions on a contract basis. The Companies assess the effectiveness of those contracts that meet the criteria for exceptional treatment for each reporting period.

The Company considers market risk when conducting derivative transactions and only transacts with financial institutions with high credibility. The credit risk from breach of contract by one of these financial institutions is low.

In order to conduct derivative transactions, based on internal regulations of each subsidiary and regulations stipulating associated details, finance or accounting divisions must receive approval from those with final-approval authority as stipulated by authority-related regulations through consultation via an internal memo for each derivative transaction and only conduct transactions with financial institutions with high credit ratings.

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

The market values of financial instruments include prices based on market prices, or, if there are no market prices available, they include reasonably estimated prices. These estimates include assumptions that effect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

2. Market Value of Financial Instruments

Amounts recognized in the consolidated balance sheets, market values and the differences between them on March 31, 2014 and 2015 are as shown below. Items for which market values are not readily determinable are not included in the following table (see (Note 2)).

At March 31, 2014

Millions of yen

	Book value	Market value	Difference
(1) Cash and deposits	¥ 222,051	¥ 222,051	¥ —
(2) Accounts receivable	1,163,218		
Less: Allowance for doubtful accounts*1	(21,533)		
	¥1,141,685	¥1,141,685	¥ —
(3) Short-term investment securities	274	274	
(4) Investment securities			—
Bonds intended to be held to maturity	3,004	3,180	176
Other securities	71,371	71,371	(987)
(5) Investments in affiliates	5,280	4,293	—
(6) Long-term loans receivable from subsidiaries and associates	—	—	—
Total asset accounts	¥1,443,664	¥1,442,853	¥ (811)
(7) Accounts payable	87,232	87,232	—
(8) Short-term loans payable	95,256	95,256	—
(9) Accounts payable-other	349,012	349,012	—
(10) Accrued expenses	26,732	26,732	—
(11) Income taxes payable	125,365	125,365	—
(12) Bonds payable*2	299,998	310,191	10,193
(13) Long-term loans payable*2	638,707	643,471	4,765
Total liability accounts	¥1,622,302	¥1,637,259	¥14,957
Total derivative accounts*3	¥ 901	¥ 901	¥ —

*1. Allowance for doubtful accounts were deducted from accounts receivable.
*2. These items include current portion of bonds payable and long-term loans payable, respectively.
*3. Net claims and obligations arising from derivative transactions are stated at their net amounts.

At March 31, 2015

	Millions of yen			Millions of U.S. dollars		
	Book value	Market value	Difference	Book value	Market value	Difference
(1) Cash and deposits	¥ 264,240	¥ 264,240	¥ —	$ 2,199	$ 2,199	$—
(2) Accounts receivable	1,254,560			10,440		
Less: Allowance for doubtful accounts*1	(22,436)			(187)		
	¥1,232,124	¥1,232,124	¥ —	$10,253	$10,253	$—
(3) Short-term investment securities	20,320	20,320	—	169	169	—
(4) Investment securities						
Bonds intended to be held to maturity	3,003	3,164	160	25	26	1
Other securities	24,700	24,700	—	206	206	—
(5) Investments in affiliates	5,282	7,897	2,615	44	66	22
(6) Long-term loans receivable from subsidiaries and associates	95,300	95,444	144	793	794	1
Total asset accounts	¥1,644,970	¥1,647,889	¥ 2,919	$13,689	$13,713	$24
(7) Accounts payable	101,739	101,739	—	847	847	—
(8) Short-term loans payable	3,140	3,140	—	26	26	—
(9) Accounts payable-other	409,109	409,109	—	3,404	3,404	—
(10) Accrued expenses	30,417	30,417	—	253	253	—
(11) Income taxes payable	164,332	164,332	—	1,367	1,367	—
(12) Bonds payable*2	235,000	244,319	9,319	1,956	2,033	78
(13) Long-term loans payable*2	702,688	704,501	1,813	5,847	5,863	15
Total liability accounts	¥1,646,425	¥1,657,557	¥11,132	$13,701	$13,793	$93
Total derivative accounts*3	¥ 842	¥ 842	¥ —	$ 7	$ 7	$—

*1. Allowance for doubtful accounts were deducted from accounts receivable.
*2. These items include current portion of bonds payable and long-term loans payable, respectively.
*3. Net claims and obligations arising from derivative transactions are stated at their net amounts.

Note 1: Calculation of the market value of financial instruments and items relating to short-term investment securities and derivative transactions

Assets

1) Cash and deposits, 2) Accounts receivable, 3) Short-term investment securities

As the settlement periods of the above items were short and their market values were almost the same as their book values, the relevant book values were used. Further, as the credit risks to accounts receivable were not readily determinable on an individual basis, allowances for doubtful accounts were regarded as credit risks and the book values were calculated accordingly.

4) Investment securities, 5) Investments in affiliates

In relation to the market value of investment securities, for shares the market prices of exchanges were used. Further, for information on investment securities categorized according to holding purpose, refer to the "7. Marketable Securities and Other Investments."

6) Long-term loans receivable from subsidiaries and affiliates

The market value of long-term loans receivable from subsidiaries and affiliates was calculated by applying a discount rate to the total of principal and interest. That discount rate was based on the assumed interest rate if a similar new loan was entered into.

Liabilities

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

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

12) Bonds payable, 13) Long-term loans payable

The market values of bonds payable were calculated based on trading reference data. The market values of long-term loans payable were calculated by applying a discount rate to the total of principal and interest. That discount rate was based on the assumed interest rate if a similar new loan was entered into. As long-term loans payable with variable interest rates was based on the condition that interest rates were revised periodically, their market values were almost the same as their book values; the relevant book values were used.

Derivative transactions

Please see "6. Derivatives."

Note 2: Financial instruments of which market values were not readily determinable

	Millions of yen		Millions of U.S. dollars
	Book value		Book value
	2014	2015	2015
Investment securities			
Unlisted equity securities, etc.	¥17,134	¥22,892	$190
Investments in affiliates			
Unlisted equity securities	36,200	55,878	465
Investments in capital of subsidiaries and affiliates	274	293	2

As the above financial instruments did not have readily determinable market values and it was particulaly difficult to estimate their market values, they were not included in the above table.

Note 3: Planned redemption amounts of monetary assets and short-term investment securities with monetary assets and maturity dates after the balance sheet date

	Millions of yen		Millions of yen		Millions of U.S. dollars	
	Within 1 year	Over 1 year	Within 1 year	Over 1 year	Within 1 year	Over 1 year
	2014		2015		2015	
Cash and deposits	¥ 222,051	¥ —	¥ 264,240	¥ —	$ 2,199	$ —
Accounts receivable	1,013,856	149,362	1,028,399	226,161	8,558	1,882
Securities	—	—	20,000	—	166	—
Short-term investment securities	—	3,004	—	3,003	—	25
Long-term loans receivable from subsidiaries and associates	—	—	—	95,300	—	793
Total	¥1,235,907	¥152,366	¥1,312,639	¥324,465	$10,923	$2,700

Note 4: Planned repayment amounts after the balance sheet date for bonds payable and long-term loans payable with monetary assets and maturity dates

At March 31, 2014

	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥ 95,256	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	95,000	20,000	25,000	20,000	10,000	130,000
Long-term loans payable	120,009	93,370	25,630	34,370	100,120	265,208
Total	¥310,264	¥113,370	¥50,630	¥54,370	¥110,120	¥395,208

At March 31, 2015

	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥ 3,140	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	20,000	25,000	20,000	10,000	60,000	100,000
Long-term loans payable	93,370	25,630	35,370	195,120	31,072	322,126
Total	¥116,510	¥50,630	¥55,370	¥205,120	¥91,072	¥422,126

	Millions of U.S. dollars					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	$ 26	$ —	$ —	$ —	$ —	$ —
Bonds payable	166	208	166	83	499	832
Long-term loans payable	777	213	294	1,624	259	2,681
Total	$970	$421	$461	$1,707	$758	$3,513

6. Derivatives

Derivative transactions to which hedge accounting has not been applied

(1) Currency-related transactions

At March 31, 2014

No significant items to be reported.

At March 31, 2015

No significant items to be reported.

(2) Interest rate-related transactions

At March 31, 2014

No significant items to be reported.

At March 31, 2015

No significant items to be reported.

Derivative transactions to which hedge accounting has been applied

(1) Currency-related transactions

At March 31, 2014

Millions of yen

Method of hedge accounting	Type of transaction		Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Allocation for forward exchange contracts	Forward exchange contract Buying					
		USD	Accounts payable	¥1,686	¥ —	Note 2
		USD	Future transactions	2,551	1,030	763
		EUR	Future transactions	348	235	137
Total				¥4,585	¥1,264	¥901

At March 31, 2015

Millions of yen

Method of hedge accounting	Type of transaction		Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Allocation for forward exchange contracts	Forward exchange contract Buying					
		USD	Accounts payable	¥5,084	¥ —	Note 2
		USD	Future transactions	3,488	2,622	842
		EUR	Future transactions	14	9	(0)
Total				¥8,585	¥2,631	¥842

Millions of U.S. dollars

Method of hedge accounting	Type of transaction		Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Allocation for forward exchange contracts	Forward exchange contract Buying					
		USD	Accounts payable	$42	$ —	Note 2
		USD	Future transactions	29	22	7
		EUR	Future transactions	0	0	(0)
Total				$71	$ 22	$7

Notes: 1. Fair values are calculated based on prices offered by financial institutions.
2. Allocation for forward exchange contracts are accounted for together with accounts payable designated as the hedge item. Therefore, their fair values are included in the fair value of the accounts payable.

(2) Interest rate-related transactions

At March 31, 2014

Millions of yen

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Exceptional treatment for interest rate swap	Interest rate swap Receive Float/ Pay Fixed	Long-term loans payable	¥10,000	¥ —	Note 2
Total			¥10,000	¥ —	—

At March 31, 2015

Millions of yen

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Exceptional treatment for interest rate swap	Interest rate swap Receive Float/ Pay Fixed	Long-term loans payable	¥330,000	¥ —	Note 2
Total			¥330,000	¥ —	—

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
					Millions of U.S. dollars
Exceptional treatment for interest rate swap	Interest rate swap Receive Float/ Pay Fixed	Long-term loans payable	$2,746	$ —	Note 2
Total			$2,746	$ —	—

Notes: 1. Fair values are calculated based on prices offered by financial institutions.
2. Exceptional treatment for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

7. Marketable Securities and Other Investments

At March 31, 2014

Market value and net unrealized gain or loss of quoted securities were as follows:

Bonds intended to be held to maturity

		Book value	Actual value	Difference
				Millions of yen
Bonds for which market value exceeds book value on consolidated balance sheets	National bonds and local bonds, etc.	¥3,004	¥3,180	¥176
	Bonds	—	—	—
	Others	—	—	—
	Subtotal	¥3,004	¥3,180	¥176
Bonds for which market value does not exceed book value on consolidated balance sheets	National bonds and local bonds, etc.	¥ —	¥ —	¥ —
	Bonds	—	—	—
	Others	—	—	—
	Subtotal	¥ —	¥ —	¥ —
Total		¥3,004	¥3,180	¥176

Other securities

		Book value	Acquisition cost	Difference
				Millions of yen
Securities for which book value of consolidated balance sheets exceeds acquisition cost	Stock	¥71,506	¥5,007	¥66,499
	Bonds	—	—	—
	Others	88	63	25
	Subtotal	¥71,594	¥5,070	¥66,524
Securities for which book value of consolidated balance sheets does not exceed acquisition cost	Stock	¥ 30	¥ 35	¥ (5)
	Bonds	—	—	—
	Others	21	21	(0)
	Subtotal	¥ 50	¥ 56	¥ (6)
Total		¥71,645	¥5,126	¥66,518

Regarding unlisted equity securities, whose book value was ¥17,134 million for the year ended March 31, 2014, as it was recognized that these did not have market values and the market values were not readily determinable, they were not included in the chart above.

Other securities sold

	Amount of sale	Total gain on sale	Total loss on sale
			Millions of yen
Stock	¥10,145	¥6,884	¥0

Impairment of investment securities

For the fiscal year ended March 31, 2014, the Companies recognized an impairment of ¥142 million on investment securities (other securities).

For securities in which the market value at the end of the period had dropped markedly in comparison to their acquisition cost the Company recognized an impairment loss.

At March 31, 2015

Market value and net unrealized gain or loss of quoted securities were as follows:

Bonds intended to be held to maturity

		Millions of yen			Millions of U.S. dollars		
		Book value	Actual value	Difference	Book value	Actual value	Difference
Bonds for which market value exceeds book value on consolidated balance sheets	National bonds and local bonds, etc.	¥3,003	¥3,164	¥160	$25	$26	$ 1
	Bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	Subtotal	¥3,003	¥3,164	¥160	$25	$26	$ 1
Bonds for which market value does not exceed book value on consolidated balance sheets	National bonds and local bonds, etc.	¥ —	¥ —	¥ —	$—	$—	$—
	Bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	Subtotal	¥ —	¥ —	¥ —	$—	$—	$—
Total		¥3,003	¥3,164	¥160	$25	$26	$ 1

Other securities

		Millions of yen			Millions of U.S. dollars		
		Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities for which book value of consolidated balance sheets exceeds acquisition cost	Stock	¥24,795	¥ 3,679	¥21,116	$206	$ 31	$176
	Bonds	—	—	—	—	—	—
	Others	50	36	14	0	0	0
	Subtotal	¥24,845	¥ 3,715	¥21,130	$207	$ 31	$176
Securities for which book value of consolidated balance sheets does not exceed acquisition cost	Stock	¥ 175	¥ 186	¥ (11)	$ 1	$ 2	$ (0)
	Bonds	—	—	—	—	—	—
	Others	20,000	20,000	—	166	166	(0)
	Subtotal	¥20,175	¥20,186	¥ (11)	$168	$168	$ (0)
Total		¥45,020	¥23,901	¥21,118	$375	$199	$176

Regarding unlisted equity securities, whose book value was ¥22,892 million (U.S.$190 million) for the year ended March 31, 2015, as it was recognized that these did not have market values and the market values were not readily determinable, they were not included in the chart above.

Other securities sold

	Millions of yen			Millions of U.S. dollars		
	Amount of sale	Total gain on sale	Total loss on sale	Amount of sale	Total gain on sale	Total loss on sale
Stock	¥53,695	¥51,610	¥—	$447	$429	$—

Impairment of investment securities

For the fiscal year ended March 31, 2015, the Companies recognized an impairment of ¥532 million (U.S.$4 million) on investment securities (other securities).

For securities in which the market value at the end of the period had dropped markedly in comparison to their acquisition cost the Company recognized an impairment loss.

8. Short-Term Loans and Long-Term Debt

Short-term loans at March 31, 2014 and 2015 were ¥95,256 million and ¥3,140 million (U.S.$26 million), respectively, and the annual average interest rates applicable to these loans for the fiscal years ended March 31, 2014 and 2015 were 0.29% and 4.46%, respectively.

Long-term debt at March 31, 2014 and 2015 consists of the following:

		Millions of yen		Millions of U.S. dollars
		2014	2015	2015
Unsecured straight bonds				
Year ended March 31, 2014	(Interest rates per annum: 0.713%–2.046%)			
	(Due: years ending March 31, 2015–2024)	¥279,998	¥ —	$ —
Year ended March 31, 2015	(Interest rates per annum: 0.669%–2.046%)			
	(Due: years ending March 31, 2016–2025)	—	215,000	1,789
General secured bonds (Note)				
Year ended March 31, 2014	(Interest rate per annum: 3.20%)			
	(Due: year ending March 31, 2018)	20,000	—	—
Year ended March 31, 2015	(Interest rate per annum: 3.20%)			
	(Due: year ending March 31, 2018)	—	20,000	166
Total bonds		¥299,998	¥235,000	$1,956
Loans from banks				
Year ended March 31, 2014	(Average rates per annum: 0.73%)			
	(Due: years ending March 31, 2015–2026)	638,707	—	—
Year ended March 31, 2015	(Average rates per annum: 0.71%)			
	(Due: years ending March 31, 2016–2026)	—	702,688	5,847
Other interest-bearing debt		51,006	61,386	511
Subtotal		¥989,711	¥999,074	$8,314
Less, amount due within one year		233,504	133,828	1,114
Total long-term debt		¥756,208	¥865,246	$7,200

Note: The Company has secured overall assets as general collateral for the corporate bonds.

Summary of annual maturities of long-term debt subsequent to March 31, 2015 were as follows:

	Millions of yen	Millions of U.S. dollars
Fiscal year ending March 31	2015	2015
2016	¥133,828	$1,114
2017	64,810	539
2018	65,417	544
2019	212,787	1,771
2020 and thereafter	522,233	4,346
Total	¥999,074	$8,314

Pledged assets

The following table summarizes the book value of assets pledged as collateral for short-term loans and long-term debt, including current maturities of long-term debt of the subsidiaries at March 31, 2014 and 2015. In addition, the Company had secured overall assets as general collateral for the corporate bonds.

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Machinery, etc.	¥ 372	¥ 253	$ 2
Buildings and structures	130	113	1
Other property, plant and equipment	1,009	12	0
Investment securities	892	664	6
Stocks of subsidiaries and affiliates	768	768	6
Other investments and other assets	78	122	1
Cash and deposits	200	0	0
Short-term investment securities	274	320	3
Total	¥3,722	¥2,252	$19

(Assets denominated in foreign currencies included U.S.$12 million at March 31, 2014 and U.S.$9 million at March 31, 2015.)

Certain subsidiaries deposited their assets as guarantee under the requirement of fund settlement in Japanese laws. Deposited assets and its book values as of the respective fiscal year-end were as follows.

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Investment securities	¥3,004	¥3,003	$25
Cash and deposits	2,500	—	—

Summary of annual maturities of long-term debt subsequent to March 31, 2014 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Long-term loans payable	¥22,874	¥21,328	$177
Short-term loans payable and current portion of noncurrent liabilities	3,652	3,100	26
Accounts payable	202	—	—
Total	¥26,728	¥24,428	$203

(Liabilities denominated in foreign currencies included U.S.$22 million at March 31, 2014 and U.S.$24 million at March 31, 2015.)

Note: The share of Kagoshima Mega Solar Power Corporation that has been accounted for under equity method was pledged for its bank loan.

9. Contingent Liabilities

At March 31, 2014 and 2015, the Companies' contingent liabilities were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Contingent liabilities existing in cable system supply contract	¥ 5,146	¥ 6,009	$ 50
As a guarantor for			
Loan of UQ Communications Inc., etc.	117,700	57,400	478
Forward exchange contracts of Discovery Japan, Inc.	3,689	—	—
Total	¥126,535	¥63,409	$528

(Contingent liabilities denominated in foreign currencies included U.S.$97 million and others at March 31, 2014 and U.S.$50 million at March 31, 2015.)

10. Impairment Loss

The Companies calculate 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.

The Companies mainly recognized impairment loss for the following assets and asset group.

For the fiscal year ended March 31, 2014

Due to declining utilization rates and idle assets, an impairment loss of ¥8,542 million was recognized for domestic transmission system. This amount consists of ¥7,229 million for local line facilities, ¥939 million for machinery and ¥373 million for others.

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

In addition, impairment loss of ¥154 million on business assets in certain subsidiaries was recognized as impairment loss. This amount consists of ¥87 million for software, ¥29 million for structures and ¥38 million for others.

For the fiscal year ended March 31, 2015

- The Companies drew up a plan to shift the 2GHz band to LTE broadband in order to reinforce its competitiveness in mobile communications services, rendering certain facilities non-performing. Facilities not part of this conversion were determined to be idle assets that were expected to have no future value. An impairment loss of ¥5,775 million (U.S.$48 million) was recorded for these assets, which consists of ¥4,550 million (U.S.$38 million) for machinery and ¥1,224 million (U.S.$10 million) for antenna facilities.

  The recoverable value of these assets is estimated based on their net selling price. Because these assets are difficult to convert to other uses, the net selling price is set at ¥0.
- For assets with declining utilization rates, including some communication facilities, and idle assets, the book value has been reduced to recoverable value. This resulted in recognition of an impairment loss of ¥32,556 million (U.S.$271 million), which consists of ¥23,364 million (U.S.$194 million) for machinery, ¥5,496 million (U.S.$46 million) for local line facilities, and ¥3,697 million (U.S.$31 million) for others.

  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.
- Due to changes in the market environment and other factors, the future recovery of investments in certain services in the Fixed-line Business was determined to be unlikely. Accordingly, it became possible to prepare a system for managing the incoming and outgoing cash flows generated by these assets and determine earnings and expenses. Accordingly, the grouping of these assets was changed to an independent asset group. The recoverable amount of these assets was reduced to their book value, resulting in an impairment loss of ¥3,469 million (U.S.$29 million). This amount consists of ¥2,840 million (U.S.$24 million) for machinery and ¥629 million (U.S.$5 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 6.38%.

  An additional impairment loss of ¥316 million (U.S.$3 million) was recorded for certain subsidiaries. This amount consists of ¥117 million (U.S.$1 million) for software, ¥66 million (U.S.$1 million) for machinery and ¥133 million (U.S.$1 million) for others.

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
The Company:			
Domestic transmission line facilities and idle assets, etc.	¥8,542	¥ —	$ —
2GHz band idle assets, etc.	—	5,775	48
Communication facilities, idle assets, etc.	—	32,556	271
Certain services in the Fixed-line Business	—	3,469	29
Consolidated subsidiaries:			
Business assets, etc.	154	316	3
Total	¥8,696	¥42,116	$350

11. Gain and Loss on Sales and Retirement of Noncurrent Assets

Gain and loss on sales and retirement of noncurrent assets for the fiscal years ended March 31, 2014 and 2015 were as follow:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Gain on Sales of Noncurrent Assets			
Gain on disposal of long-distance line facilities	¥ —	¥ 138	$ 1
Gain on sales of real estate accompanying disposal of land, etc.	9	82	1
Gain on sale of other facilities, etc.	291	5	0
Total	¥300	¥ 224	$ 2
Loss on Sales of Noncurrent Assets			
Loss on disposal of facility usage rights	¥ —	¥ 420	$ 3
Loss on disposal of real estate accompanying disposal of land, etc.	7	—	—
Loss on disposal of other facilities, etc.	371	78	1
Total	¥378	¥ 498	$ 4
Loss on Retirement of Noncurrent Assets			
Disposal cost related to the discontinuation of service cooperation on mobile SNS*	¥ —	¥8,626	$ 72
Disposal cost related to the disposal of Metal-plus telephone service and other facilities	—	2,853	24
Others	—	680	6
Total	¥ —	¥12,160	$101

* An abbreviation for social networking service

12. Loss on Business of Overseas Subsidiaries

On February 3, 2015, both the CEO (Executive Director and Chief Executive Officer) and CFO (Chief Financial Officer) of DMX Technologies Group Limited ("DMX"), an overseas consolidated subsidiary of the Company, were arrested by the Hong Kong Police Force due to suspected violation of local laws. Upon learning of these arrests, DMX newly assigned CEO and CFO, replacing those arrested, respectively, has established an investigation committee, and has been conducting investigations regarding the facts related to the incidents and the causes of the incidents.

During the investigations, it has been discovered that there is a doubt as to the soundness of assets, such as "Other assets" (Accounts receivable to clients), "Supplies", "Property, plant and equipment" and "Intangible assets", which all relate to transactions between DMX and some of its specific clients or vendors. Considering those findings, the Company recognized a loss on business of overseas subsidiaries in its consolidated financial statements, as a possible future loss attributed to the incidents.

Therefore, income before income taxes and minority interests decreased ¥33,799 million (U.S.$281 million).

A breakdown of the loss on business of overseas subsidiaries is as follows:

	Millions of yen	Millions of U.S. dollars
	2015	2015
Provision for allowance for doubtful accounts	¥30,900	$257
Loss on valuation of inventory	1,446	12
Loss on retirement of noncurrent assets	1,453	12
Total	¥33,799	$281

13. Research and Development Expenses

Research and development expenses were ¥24,086 million and ¥20,628 million (U.S.$172 million) for the fiscal years ended March 31, 2014 and 2015, respectively.

14. Income Taxes

At March 31, 2014 and 2015, significant components of deferred tax assets and liabilities were summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Deferred tax assets			
Depreciation and amortization	¥ 26,070	¥ 27,187	$ 226
Allowance for doubtful accounts	12,426	11,616	97
Disposal of fixed assets	6,279	3,182	26
Inventory write down	2,096	2,732	23
Impairment loss	39,594	41,576	346
Net defined benefit liability	1,057	292	2
Provision for bonuses	10,588	9,520	79
Accrued expenses	6,005	8,019	67
Net operating loss carried forward	2,016	3,640	30
Unrealized profits	22,443	23,391	195
Provision for point service program	27,167	22,222	185
Accrued enterprise taxes payable	8,510	12,084	101
Advances received	14,469	9,586	80
Deferred income	9,293	8,607	72
Loss on valuation of stocks of subsidiaries and affiliates	9,507	11,690	97
Loss on business of overseas subsidiaries	—	10,917	91
Other	7,256	3,141	26
Gross deferred tax assets	204,777	209,402	1,743
Valuation allowance	(14,806)	(24,191)	(201)
Total deferred tax assets	¥ 189,971	¥185,211	$1,541
Deferred tax liabilities			
Special depreciation reserve	¥ (3,052)	¥ (2,684)	$ (22)
Valuation difference on other securities	(24,217)	(8,530)	(71)
Retained earnings for overseas affiliates	(4,501)	(6,516)	(54)
Gain on transfer from business divestitures	(1,692)	(1,558)	(13)
Identifiable intangible assets	(66,047)	(56,139)	(467)
Net defined benefit assets	(2,249)	(3,691)	(31)
Other	(7,037)	(5,699)	(47)
Total deferred tax liabilities	¥(108,795)	¥ (84,818)	$ (706)
Net deferred tax assets	¥ 81,176	¥100,393	$ 835

The following table summarizes significant components of the differences between the statutory tax rate and the effective tax rate for the fiscal years ended March 31, 2014 and 2015

	2014	2015
Statutory tax rate	38.0%	35.6%
Adjustments:		
Permanently non-deductible items including entertainment expenses	0.2	0.1
Inhabitant tax on per capital levy	0.1	0.1
Tax credit for research and development expenses	(0.1)	(1.8)
Goodwill amortization	1.7	1.4
Permanently non-deductible items including dividend income	(0.2)	(0.0)
Valuation allowance	0.7	(0.3)
Effect of change in tax rate	1.0	1.3
Loss on step acquisitions	2.4	—
Loss on business of overseas subsidiaries	—	1.7
Other	(1.1)	(0.4)
Effective tax rate	42.7%	37.6%

Changes in the corporate tax rate

The "Act on Partial Revision of the Income Tax Act" (Act No. 9 of 2015) and the "Act on Partial Revision of the Local Tax Act" (Act No. 2 of 2015) were promulgated on March 31, 2015, lowering the corporate tax rate for the fiscal years beginning on or after April 1, 2015. Accordingly, the statutory effective tax rate used for calculating deferred income tax assets and deferred income tax liabilities is slated to fall from 35.6% to 33.0% for the fiscal year beginning April 1, 2015, resulting in a temporary difference in assets or liabilities extinguished. The rate is scheduled to drop further to 32.3% in the fiscal year beginning April 1, 2016, again resulting in a temporary difference in assets or liabilities extinguished.

This change in the tax rate had the effect of reducing deferred tax assets (net of deferred tax liabilities) by ¥8,093 million (U.S.$67 million), with income taxes–deferred increasing by ¥8,849 million (U.S.$74 million).

Income taxes for prior periods

On June 25, 2014, the Company received a notice of correction from the Tokyo Regional Taxation Bureau involving a discrepancy in the useful life of the steel towers used for the telecommunications business over the five fiscal years ended March 31, 2009 through 2013.

Objecting to this correction, on December 10, 2014, the Company submitted an application for review to the National Tax Tribunal. This notice of correction corresponds to additional taxes of ¥6,874 million (U.S.$57 million), including income tax, residence tax, business tax, and other ancillary taxes. This amount has been included on the consolidated statements of income for the fiscal year ended March 31, 2015 as "Income taxes for prior periods."

Due to the application of tax-effect accounting, the Company has posted income taxes-deferred of ¥5,650 million (U.S.$47 million) in accordance with the above-stated excessive depreciation.

15. Retirement Benefits

1. Outline of Retirement Benefit Plans

The Companies have defined benefit pension plans, retirement lump-sum plans (unfunded) and defined contribution pension plans for the benefit payments of employees.

The Company and certain domestic consolidated subsidiaries apply the pension point systems under which pension benefits are calculated based on the accumulated points allocated to employees according to their class of positions and salaries.

Certain subsidiaries have adopted multi-employer pension plans of the Kanto IT Software Pension Fund and the Sumitomo Rengo Corporation Pension Fund, which are defined benefit type of pension plans. Contributions to the said pension plans are recognized as net pension costs as well as contribution of the defined contribution plans.

Further, net defined liabilities and net pension expenses of retirement lump-sum plans which certain subsidiaries operate are calculated using the simplified method.

2. Defined Benefit Plans

Change in benefit obligations

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Defined benefit obligation at beginning of year	¥309,628	¥317,744	$2,644
Cumulative effects of changes in accounting policies	—	12,546	104
Restated balance	309,628	330,290	2,749
Service cost	10,697	12,057	100
Interest cost	6,148	3,650	30
Actuarial (gain) loss	2,696	17,740	148
Benefit paid	(11,582)	(12,358)	(103)
Other	156	(1,430)	(12)
Defined benefit obligations at end of year	¥317,744	¥349,949	$2,912

Note: Certain subsidiaries applied the simplified method in calculating the defined benefit obligations.

Change in plan assets

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Plan assets at beginning of year	¥299,375	¥320,507	$2,667
Expected return on plan assets	5,822	6,410	53
Actuarial (gain) loss	18,269	29,407	245
Companies' contributions	15,211	15,379	128
Termination of retirement benefit trust	(8,439)	—	—
Benefits paid	(9,740)	(10,545)	(88)
Other	9	—	—
Plan assets at end of year	¥320,507	¥361,157	$3,005

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Reconciliation of defined benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset in the balance sheet

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Defined benefit obligations (funded)	¥ 301,821	¥ 335,123	$ 2,789
Plan assets	(320,507)	(361,157)	(3,005)
	(18,686)	(26,035)	(217)
Defined benefit obligations (unfunded)	15,923	14,826	123
Net liability (asset) recognized in the balance sheet	(2,763)	(11,209)	(93)
Net defined benefit liability	17,340	14,826	123
Net defined benefit asset	(20,103)	(26,035)	(217)
Net liability (asset) recognized in the balance sheet	¥ (2,763)	¥ (11,209)	$ (93)

Retirement benefit expenses

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Service cost	¥10,697	¥12,057	$100
Interest cost	6,148	3,650	30
Expected return on plan assets	(5,822)	(6,410)	(53)
Amortization of actuarial (gain) loss	2,992	1,940	16
Amortization of prior service costs	1,191	1,191	10
Net retirement benefit expenses	¥15,207	¥12,428	$103

Note: Certain subsidiaries applied the simplified method in calculating the defined benefit obligations.

Remeasurements of defined benefit plans, net of tax before income tax effect adjustment

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Prior service costs	¥—	¥ 1,191	$ 10
Actuarial (gain) loss	—	13,606	113
Other	—	(6)	0
Total	¥—	¥14,791	$123

Remeasurements of defined benefit plans before income tax effect adjustment

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Unrecognized prior service costs	¥ (4,922)	¥ (3,731)	$ (31)
Unrecognized actuarial (gain) loss	14,683	28,103	234
Total	¥ 9,761	¥24,372	$203

Plan assets

a. Ratios of major asset components to total plan assets

	2014	2015
Bonds	62%	63%
Equity securities	15%	15%
Others	23%	22%
Total	100%	100%

b. Assumption of long-term expected rate of return on plan assets

The Companies consider the allocation of the current and future plan assets as well as the rate of long-term expected return at present and in the future comprising from the various assets in determining long-term expected rate of plan assets.

Basis of calculation of actuarial assumption
Basis of actuarial assumption at the end of the year

	2014	2015
Discount rate	2.0%	1.3%
Long term expected rate of return on plan assets	2.0%	2.0%

3. Defined Contribution Plans

The amount to be paid by the Companies to the defined contribution plans including the multi-employer pension plans is ¥3,113 million (U.S.$26 million)

4. Multi-employer Benefit Plans

Items relating to overall funded status of pension plan;

The Kanto IT Software Pension Fund

	Millions of yen		Millions of U.S. dollars
	At March 31, 2013*1	At March 31, 2014*1	At March 31, 2014*1
Plan assets	¥222,957	¥252,294	$2,099
Total amount of actuarial liability and minimum actuarial reserve for calculating pension plan financing*2	206,135	227,331	1,892
Balance*3	¥ 16,821	¥ 24,963	$ 208

The Sumisho Rengo Corporate Pension Fund

	Millions of yen		Millions of U.S. dollars
	At March 31, 2013*1	At March 31, 2014*1	At March 31, 2014*1
Plan assets	¥31,351	¥27,214	$226
Total amount of actuarial liability and minimum actuarial reserve for calculating pension plan financing*2	30,323	25,928	216
Balance*3	¥ 1,028	¥ 1,286	$ 11

Percentage of total pension plan accounted for by contribution from those subsidiaries.
The Kanto IT Software Pension Fund

At March 31, 2014	At March 31, 2015
1.1%*4	1.2%*4

The Sumisho Rengo Corporate Pension Fund

At March 31, 2013	At March 31, 2014
43.4%*4	49.4%*4

Notes: *1. Items relating to overall funded status of pension plan are based on the latest information available as of the fiscal year-end.
*2. "Total amount of actuarial liability and minimum actuarial reserve for calculating pension plan financing" was reported as "benefit obligation based" in the previous fiscal year.
*3. The Kanto IT Software Pension Fund
At March 31, 2013
The principle factors relating to the balance were composed of shortage of ¥10,082 million and general reserve of ¥26,904 million. For the said pension plan, prior service cost was amortized through amortization of principal and interest using the straight-line method over a period of 20 years (at March 31, 2013).

At March 31, 2014
The principle factors relating to the balance were composed of other reserve of ¥19,333 million (U.S.$161 million) and general reserve of ¥5,630 million (U.S.$47 million). For the said pension plan, prior service cost was amortized through amortization of principal and interest using the straight-line method over a period of 20 years (at March 31, 2014).

The Rengo Corporation Pension Fund
At March 31, 2013
The principle factors relating to the balance were composed of general reserve of ¥2,468 million, unamortized prior service costs of ¥1,440 million. For the said pension plan, prior service cost was amortized through amortization of principal and interest using the straight-line method over a period of 4 years and 6 months (from October 1, 2009 to March 31, 2014).

At March 31, 2014
The principle factors relating to the balance was general reserve of ¥1,286 million (U.S.$11 million).

*4. The percentage does not match the actual amount contributed by those subsidiaries.

16. Consolidated Statements of Comprehensive Income

The comprehensive income for the fiscal years ended March 31, 2014 and 2015 were as follows.

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Valuation difference on available-for-sale securities			
Amount recognized in the period	¥19,759	¥ 10,093	$ 84
Amount of recycling	(8,215)	(51,493)	(429)
Before income tax effect adjustment	11,544	(41,400)	(345)
Amount of income tax effect	(4,045)	15,575	130
Valuation difference on available-for-sale securities, net of tax effect	¥ 7,499	¥ (25,825)	$(215)
Deferred gains or losses on hedges			
Amount recognized in the period	¥ 599	¥ (1,977)	$ (16)
Amount of recycling	(529)	(799)	(7)
Before income tax effect adjustment	70	(2,776)	(23)
Amount of income tax effect	(29)	965	8
Deferred gains or losses on hedges	¥ 41	¥ (1,811)	$ (15)
Foreign currency translation adjustments			
Amount recognized in the period	¥25,444	¥ 7,239	$ 60
Amount of recycling	—	(1,389)	(12)
Before income tax effect adjustment	25,444	5,851	49
Amount of income tax effect	—	—	—
Foreign currency translation adjustments, net of tax effect	¥25,444	¥ 5,851	$ 49
Remeasurements of defined benefit plans, net of tax			
Amount recognized in the period	¥ —	¥ 11,660	$ 97
Amount of recycling	—	3,131	26
Before income tax effect adjustment	—	14,791	123
Amount of income tax effect	—	(4,459)	(37)
Remeasurements of defined benefit plans, net of tax	¥ —	¥ 10,333	$ 86
Share of other comprehensive income of associates accounted for using equity method			
Amount recognized in the period	¥ 46	¥ 4,238	$ 35
Amount of recycling	(529)	69	1
Share of other comprehensive income of associates accounted for using equity method, net of tax effect	¥ (483)	¥ 4,307	$ 36
Total other comprehensive income	¥32,501	¥ (7,146)	$ (59)

17. Stock Options

DMX Technologies Group Limited ("DMX"), ScaleOut Inc. ("ScaleOut") and Bitcellar, Inc. ("Bitcellar"), consolidated subsidiaries of the Company, adopted their own stock option systems.

DMX granted stock options to Members of the Board of Directors and employees of DMX and its group companies. ScaleOut granted stock options to Members of the Board of Directors. Bitcellar granted stock options to Members of the Board of Directors and employees of Bitcellar.

Due to the nullification of rights, gain on reversal of subscription rights for the fiscal year ended March 31, 2014 was ¥101 million. There was no such gain to be reported for the fiscal year ended March 31, 2015.

Estimation of fair value of stock options

ScaleOut and Bitcellar are unlisted companies and consequently, the fair value of the 1st stock option of ScaleOut granted in January 2013 and the 3rd stock option of Bitcellar granted in April 2014 were estimated by computing the intrinsic value.

Valuation of stock price per share which is the basis of estimation of this intrinsic value, is based on the price calculated using the discounted cash flow method.

The total intrinsic value of options was ¥0 as at March 31, 2015.

Estimation of number of stock options to be vested

The number of stock options to be vested was estimated based on the number of forfeited shares calculated using employee turnover rate for the corresponding period.

Scale of stock options and changes in the scale

The following lists the number of shares calculated for the number of stock options that existed in the fiscal year ended March 31, 2015.

(1) Number of stock options

DMX

	Shares	
	April 2008 Stock Option	November 2008 Stock Option
Before vested		
Beginning of period	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
Unvested	—	—
After vested		
Beginning of period	3,886,858	9,461,000
Vested	—	—
Exercised	—	1,990,000
Expired	—	—
Exercisable	3,886,858	7,471,000

ScaleOut

	Shares
	January 2013 1st Stock Option
Before vested	
Beginning of period	—
Granted	—
Forfeited	—
Vested	—
Unvested	—
After vested	
Beginning of period	95
Vested	—
Exercised	—
Expired	—
Exercisable	95

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Bitcellar

	Shares
	April 2014 3rd Stock Option
Before vested	
Beginning of period	—
Granted	1,592
Forfeited	—
Vested	—
Unvested	1,592
After vested	
Beginning of period	—
Vested	—
Exercised	—
Expired	—
Exercisable	—

(2) Unit value and exercise period of respective stock options

DMX

		April 2008 Stock Option		November 2008 Stock Option	
		Singapore dollars	U.S. dollars	Singapore dollars	U.S. dollars
Exercise price		SGD 0.2260	$0.16	SGD 0.0930	$0.07
Average share price at exercise		—	—	0.1870	0.14
Fair value unit price (Date of grant)		0.2500	0.18	0.0900	0.07
Exercise period	From	April 24, 2009		November 27, 2009	
	To	April 26, 2018		November 28, 2018	

Note: Exchange rate of Singapore dollars into Japanese yen and U.S. dollars were made as follows: SGD1=¥87.35, U.S.$1=¥120.17

ScaleOut

		January 2013 1st Stock Option	January 2013 1st Stock Option
		Yen	U.S. dollars
Exercise price		¥200,000	$1,664.31
Average share price at exercise		—	—
Fair value unit price (Date of grant)		—	—
Exercise period	From	January 2, 2013	
	To	January 1,2020	

Bitcellar

		April 2014 3rd Stock Option	April 2014 3rd Stock Option
		Yen	U.S. dollars
Exercise price		¥26,549	$220.93
Average share price at exercise		—	—
Fair value unit price (Date of grant)		—	—
Exercise period	From	May 1, 2016	
	To	April 30,2024	

18. Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2014

(1) Total number and type of shares and treasury stock outstanding

	As of April 1, 2013	Increase during the fiscal year ended March 31, 2014	Decrease during the fiscal year ended March 31, 2014	As of March 31, 2014
Shares outstanding				
Common stock	448,481,800	448,481,800	—	896,963,600
Total	448,481,800	448,481,800	—	896,963,600
Treasury stock				
Common stock	66,269,400	66,273,882	70,558,334	61,984,948
Total	66,269,400	66,273,882	70,558,334	61,984,948

Notes 1. The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013.
2. The increase of 448,481,800 shares during the fiscal year was due to split on common stock.
3. The increase of 66,273,882 shares in the Company's common stock was due to split on common stock 66,269,400 Shares and due to purchase of share less than one unit 4,482 shares.
4. The decrease of 70,558,334 shares in the Company's common stock resulted from the exercise of stock options 761,800 shares, the exercise of convertible bonds with subscription warrants 69,795,731 shares and the sales of 803 fractional shares less than one investment unit.

(2) Subscription warrants and own share option

	Breakdown of subscription warrants	Types of shares subject to subscription warrants	Number of shares subject to subscription warrants: As of April 1, 2013	Increase during the fiscal year ended March 31, 2014	Decrease during the fiscal year ended March 31, 2014	As of March 31, 2014	Balance as of March 31, 2014 (Millions of yen)
The Company (parent company)	Subscription warrants as stock options	—		—			¥—
	Zero Coupon Convertible Bonds due 2015 (Issued on December 14, 2011)[Note]	Common stock	34,897,923 shares Upper limit	34,897,923 shares Upper limit	69,795,731	—	—
Consolidated subsidiaries	Subscription warrants as stock options	—		—			40
Total		—	—	—	—	—	¥40

Notes: Zero Coupon Convertible Bonds due 2015 (issued on December 14, 2011)
1. Convertible bond-type bonds with subscription rights to shares were not accounted for separately.
2. The number of shares reserved for subscription warrants was based on the number of shares that would be needed in the event that stock options were exercised.
3. The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013.
4. The increase in the number of shares was due to split on common stock.

(3) Dividends

1. Cash dividends payments

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
June 19, 2013 Annual meeting of shareholders	Common stock	¥36,310	¥95	March 31, 2013	June 20, 2013
October 28, 2013 Meeting of the Board of Directors	Common stock	¥49,585	¥60	September 30, 2013	November 27, 2013

2. Dividend payment recognized during the fiscal year ended March 31, 2014 but effective on the next fiscal year ending March 31, 2015

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividends per share	Record date	Effective date
June 18, 2014 Annual meeting of shareholders	Common stock	¥58,449	Retained earnings	¥70	March 31, 2014	June 19, 2014

Note: The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013. Dividends per share were calculated including the effect on this stock split.

For the fiscal year ended March 31, 2015

(1) Total number and type of shares and treasury stock outstanding

	As of April 1, 2014	Increase during the fiscal year ended March 31, 2015	Decrease during the fiscal year ended March 31, 2015	As of March 31, 2015
Shares outstanding				
Common stock	896,963,600	—	—	896,963,600
Total	896,963,600	—	—	896,963,600
Treasury stock				
Common stock	61,984,948	46	—	61,984,994
Total	61,984,948	46	—	61,984,994

Note: The increase of 46 shares in the Company's holdings of its own shares of common stock is due to purchase of share less than one unit 46 shares.

(2) Subscription warrants and own share option

<table>
<tr><th rowspan="2"></th><th rowspan="2">Breakdown of subscription warrants</th><th rowspan="2">Types of shares subject to subscription warrants</th><th colspan="4">Number of shares subject to subscription warrants</th><th colspan="2">Balance as of March 31, 2015</th></tr>
<tr><th>As of April 1, 2014</th><th>Increase during the fiscal year ended March 31, 2015</th><th>Decrease during the fiscal year ended March 31, 2015</th><th>As of March 31, 2015</th><th>Millions of yen</th><th>Millions of U.S. dollars</th></tr>
<tr><td>The Company (parent company)</td><td>Subscription warrants as stock options</td><td>—</td><td colspan="4">—</td><td>¥—</td><td>$—</td></tr>
<tr><td></td><td>Zero Coupon Convertible Bonds due 2015 (Issued on December 14, 2011)</td><td>—</td><td colspan="4">—</td><td>—</td><td>—</td></tr>
<tr><td>Consolidated subsidiaries</td><td>Subscription warrants as stock options</td><td>—</td><td colspan="4">—</td><td>34</td><td>0</td></tr>
<tr><td>Total</td><td></td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>¥34</td><td>$0</td></tr>
</table>

(3) Dividends

1. Cash dividends payments

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
June 18, 2014 Annual meeting of shareholders	Common stock	¥58,449	¥70	March 31, 2014	June 19, 2014
October 31, 2014 Meeting of the Board of Directors	Common stock	¥66,798	¥80	September 30, 2014	December 3, 2014

Resolution	Type of shares	Total dividends (Millions of U.S. dollars)	Dividends per share	Record date	Effective date
June 18, 2014 Annual meeting of shareholders	Common stock	$486	$0.58	March 31, 2014	June 19, 2014
October 31, 2014 Meeting of the Board of Directors	Common stock	$556	$0.67	September 30, 2014	December 3, 2014

2. Dividend payment recognized during the fiscal year ended March 31, 2015 but effective on the next fiscal year ending March 31, 2016

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividends per share	Record date	Effective date
June 17, 2015 Annual meeting of shareholders	Common stock	¥75,148	Retained earnings	¥90	March 31, 2015	June 18, 2015

Resolution	Type of shares	Total dividends (Millions of U.S. dollars)	Dividend resource	Dividends per share	Record date	Effective date
June 17, 2015 Annual meeting of shareholders	Common stock	$625	Retained earnings	$0.75	March 31, 2015	June 18, 2015

19. Related Party Transaction

For the fiscal year ended March 31, 2014
Transactions with related parties
Affiliates of the Company

Millions of yen

Type	Company Name	Head Office	Capital Stock	Business Objective	Percentage for Possession of Voting Rights	Relationship with Related Party	Contents of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2014
Equity-method affiliate	UQ Communi-cations Inc.	Minato-ku, Tokyo	71,425	Wireless broadband service	Direct ownership interest of 32.3%	Guarantee of loans, Concurrent director	Guarantee	¥117,700	—	¥—
							Receiving fee for the guarantee	¥256	Accounts receivable	¥58

For the fiscal year ended March 31, 2015
Transactions with related parties
Affiliates of the Company

Millions of yen / (Millions of U.S. dollars)

Type	Company Name	Head Office	Capital Stock	Business Objective	Percentage for Possession of Voting Rights	Relationship with Related Party	Contents of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2015
Equity-method affiliate	UQ Communi-cations Inc.	Minato-ku, Tokyo	71,425	Wireless broadband service	Direct ownership interest of 32.3%	Guarantee of loans, Concurrent director	Loans*1	¥94,271 (U.S.$784)	Long-term loans receivable from subsidiaries and associates	¥95,300 (U.S.$793)
									Short-term loans receivable from subsidiaries and associates	¥11,153 (U.S.$93)
							Receiving interest	¥156 (U.S.$1)	Accounts receivable-other	¥99 (U.S.$1)
							Guarantee*1	¥57,400 (U.S.$478)	—	— —
							Receiving fee for the guarantee	¥200 (U.S.$2)	Accounts receivable	¥28 (U.S.$0)

Notes: *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.
*2. Guarantee amounts for bank borrowings as of the end of the fiscal year are shown in the transaction column.

20. Segment Information

Segment information for the fiscal years ended March 31, 2014 and 2015 were as follows:

1. Outline of Reportable Business Segments

The reportable business segments are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc., to evaluate regularly in determining how to allocate resources and assess their business performance.

The Company has formulated the "3M Strategy", a growth strategy for domestic business, and the "Global Strategy," aimed at expanding overseas business, on the basis of its three commitments: "More Connected," "More Diverse Values," and "More Global." To aid in promoting these strategies, the Company categorizes its business into four reportable categories: "Personal Services," "Value Services," "Business Services" and "Global Services."

In "Personal Services," the Companies provide households and individual customers with mobile handset sales and other services in addition to a variety of communications services. In "Value Services," we provide households and individual customers with various financial services, various applications, videos and music. In "Business Services," we provide various types of communication services, mobile handset sales, data center services, various types of ICT solution/cloud services, and other services for corporate customers. In "Global Services," we provide various types of communications services, data center services, various types of ICT solution/cloud services, and other services for companies and individuals overseas.

2. Method of Calculating Sales and Income (Loss), Identifiable Assets and Other Items by Reportable Business Segment

Accounting method for reportable business segment is the same as presented in "1. Basis of Presenting Consolidated Financial Statements."

Income by reportable business segments is calculated based on operating income.

Intersegment trading prices are calculated based on third-party trading prices or determined by negotiating prices that take overall costs into consideration.

Assets are not allocated to reportable business segments.

3. Information on Sales and Income (Loss), Identifiable Assets and Other Items by Reportable Business Segment

For the fiscal year ended March 31, 2014

Millions of yen

	Reportable Business Segments								
	Personal Services	Value Services	Business Services	Global Services	Subtotal	Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consolidated
Sales									
Outside sales	¥3,288,658	¥164,629	¥598,385	¥228,968	¥4,280,640	¥ 52,988	¥4,333,628	¥ —	¥4,333,628
Intersegment sales	79,193	47,894	76,527	34,657	238,270	97,030	335,300	(335,300)	—
Total	¥3,367,851	¥212,522	¥674,912	¥263,625	¥4,518,910	¥150,019	¥4,668,929	¥(335,300)	¥4,333,628
Income by business segment	¥ 507,184	¥ 51,607	¥ 86,464	¥ 11,408	¥ 656,663	¥ 7,093	¥ 663,756	¥ (511)	¥ 663,245
Other items									
Depreciation (Note 3)	403,610	9,897	42,990	12,170	468,667	1,455	470,122	(24)	470,098
Amortization of goodwill	22,465	2,021	—	3,635	28,120	134	28,255	—	28,255

Notes: 1. The "Other" category incorporates operations not included in reportable business segments, including call center business, research and technological development and other operations.
2. Adjustment of segment income refers to elimination of intersegment transactions.
3. Inclusive of long-term prepaid expenses.

For the fiscal year ended March 31, 2015

Millions of yen

	Reportable Business Segments								
	Personal Services	Value Services	Business Services	Global Services (Note 4)	Subtotal	Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consolidated
Sales									
Outside sales	¥3,426,648	¥179,708	¥587,485	¥287,942	¥4,481,782	¥ 91,360	¥4,573,142	¥ —	¥4,573,142
Intersegment sales	86,646	62,629	81,708	32,678	263,662	96,149	359,811	(359,811)	—
Total	¥3,513,294	¥242,337	¥669,193	¥320,620	¥4,745,444	¥187,509	¥4,932,953	¥(359,811)	¥4,573,142
Income by business segment	¥ 577,417	¥ 57,984	¥ 80,371	¥ 16,806	¥ 732,578	¥ 8,996	¥ 741,574	¥ (275)	¥ 741,299
Other items									
Depreciation (Note 3)	423,929	8,984	45,221	14,802	492,936	1,650	494,587	(17)	494,570
Amortization of goodwill	20,195	2,500	3	5,257	27,955	179	28,134	—	28,134

	Reportable Business Segments								Millions of U.S. dollars
	Personal Services	Value Services	Business Services	Global Services (Note 4)	Subtotal	Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consolidated
Sales									
Outside sales	$28,515	$1,495	$4,889	$2,396	$37,295	$ 760	$38,056	$ —	$38,056
Intersegment sales	721	521	680	272	2,194	800	2,994	(2,994)	—
Total	$29,236	$2,017	$5,569	$2,668	$39,489	$1,560	$41,050	$(2,994)	$38,056
Income by business segment	$ 4,805	$ 483	$ 669	$ 140	$ 6,096	$ 75	$ 6,171	$ (2)	$ 6,169
Other items									
Depreciation (Note 3)	3,528	75	376	123	4,102	14	4,116	0	4,116
Amortization of goodwill	168	21	0	44	233	1	234	0	234

Notes: 1. The "Other" category incorporates operations not included in reportable business segments, including call center business, research and technological development, and other operations.
2. Adjustment of segment income refers to elimination of intersegment transactions.
3. Inclusive of long-term prepaid expenses.
4. As mentioned in "2. Significant Accounting Policies", in the past, the consolidated financial statements were prepared on the basis of the fiscal year-end date for these consolidated subsidiaries, as long as the difference between their fiscal year-end date and the Company's fiscal year-end date did not exceed three months. However, in accordance with the scheduled transition to International Financial Reporting Standards from the fiscal year ending March 31, 2016, 21 companies, including KDDI China Corporation, changed to prepare financial statements based on the provisional accounts as of the Company's fiscal year-end date. In addition, for the reasons stated above, for the fiscal year ended March 31, 2015, the fiscal year-end date for 25 companies, including KDDI America, Inc., has changed from December 31 to March 31. The income for these subsidiaries from January 1, 2014 to March 31, 2014 was adjusted through consolidated income statements, and their accounting period for the fiscal year ended March 31, 2015 is 15 months. For these subsidiaries, during the period from January 1, 2014 to March 31, 2014, total net sales amounted to ¥42,594 million (U.S.$354 million), and segment income was ¥2,775 million (U.S.$23 million).

4. Relative Information

(1) Products and services information

Products and services information was not shown since the same information was disclosed in the segment information.

(2) Geographic segment information

(a) Sales

Sales information by geographic segment was not shown since sales in Japan accounted for over 90% of operating revenues on the consolidated statements of income.

(b) Property, plant and equipment

Property, plant and equipment information by geographic segment was not shown since property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

(3) Information by major clients

Information by major clients was not presented since no individual clients accounted for greater than 10% of operating revenues on the consolidated statements of income.

5. Information on Impairment Loss on Property, Plant, and Equipment by Business Segment

For the fiscal year ended March 31, 2014

The Companies do not allocate impairment losses to reportable business segments. During the period, the Companies recorded an impairment loss of ¥8,696 million.

For the fiscal year ended March 31, 2015

The Companies do not allocate impairment losses to reportable business segments. During the period, the Companies recorded an impairment loss of ¥42,116 million (U.S.$350 million).

6. Information on Amortization of Goodwill and Unamortized Balance by Business Segment

For the fiscal year ended March 31, 2014

						Millions of yen
	Personal Services	Value Services	Business Services	Global Services	Other	Total
Amortization of goodwill	¥ 22,465	¥ 2,021	¥—	¥ 3,635	¥ 134	¥ 28,255
Year-end balance	290,312	18,420	—	26,708	2,017	337,457

For the fiscal year ended March 31, 2015

	Personal Services	Value Services	Business Services	Global Services	Other	Total
						Millions of yen
Amortization of goodwill	¥ 20,195	¥ 2,500	¥ 3	¥ 5,257	¥ 179	¥ 28,134
Year-end balance	271,363	25,886	—	22,939	1,838	322,025

	Personal Services	Value Services	Business Services	Global Services	Other	Total
						Millions of U.S. dollars
Amortization of goodwill	$ 168	$ 21	$0	$ 44	$ 1	$ 234
Year-end balance	2,258	215	—	191	15	2,680

7. Information on Negative Goodwill by Business Segment

For the fiscal years ended March 31, 2014 and 2015
No significant items to be reported.

21. Per Share Information

	2014	2015	2015
	Yen		U.S. dollars
Net assets per share	¥1,087.21	¥1,201.86	$10.00
Net income per share	132.87	170.84	1.42

* The following shows the basis of calculating net income per share and diluted net income per share for the fiscal years ended March 31, 2014 and 2015.

	2014	2015	2015
	Millions of yen		Millions of U.S. dollars
Net income for the fiscal year	¥322,038	¥427,931	$3,561
Monetary value not related to common stockholders	—	—	—
Net income related to common stock	322,038	427,931	3,561
Number of weighted average common shares outstanding during the fiscal year (shares)	2,423,772,648	2,504,935,944	—

Notes: 1. The Company conducted a 1:3 stock split on common stock, with an effective date of April 1, 2015.
Total net assets per share and net income per share have been calculated as if the stock split was conducted at the beginning of the previous consolidated fiscal year.
2. For the fiscal years ended March 31, 2014 and March 31, 2015, diluted net income per share is not shown as dilutive shares do not exist.
3. As mentioned in "3. Accounting Changes and Others," the Accounting Standard for Retirement Benefits was applied, in accordance with the provisions on transitional implementation indicated in Paragraph 37 of the Accounting Standard for Retirement Benefits. As a result, net assets per share at the end of the fiscal year decreased by ¥2.94 (U.S.$0.02), net income per share at the end of the fiscal year increased by ¥0.36 (U.S.$0.00)

22. Others

1. Reduction Entry Due to Subsidies, etc.
Cumulative reduction entry due to subsidies, etc., for the acquisition of property, plant and equipment as of March 31, 2014 and 2015 were ¥23,060 million and ¥21,255 million (U.S.$177 million).

2. Notes Relating to Affiliates
The following table summarizes the amounts relating to affiliates as of March 31, 2014 and 2015.

	2014	2015	2015
	Millions of yen		Millions of U.S. dollars
Investments in affiliates	¥41,480	¥61,161	$509
Other investments in affiliates	274	293	2

3. Supplemental Information of Cash Flow Statement

1) Non-monetary transactions

The following tables summarize the major non-cash transactions for the fiscal years ended March 31, 2014 and 2015.
Amount of assets and obligations related to finance lease transactions entered by the Companies

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Finance lease assets	¥16,856	¥34,784	$289
Finance lease obligations	17,464	34,910	291

Exercise of subscription rights to shares on Zero Coupon Convertible Bonds

	Millions of yen		Millions of U.S. dollars
	2014	2015	2015
Marginal gain on disposal of treasury stock	¥ 18,308	¥—	$—
Decrease in amount of treasury stock	182,209	—	—
Decrease in amount of Zero Coupon Convertible Bonds	¥200,517	¥—	$—

2) Assets and liabilities of newly consolidated subsidiaries

For the fiscal year ended March 31, 2014

Jupiter Telecommunications Co., Ltd. ("J:COM") was newly consolidated as the result of the acquisition of the additional shares and establishing effective control.

The following table summarizes the breakdown of assets acquired and liabilities assumed existed at the time of consolidation.

	Millions of yen
Current assets	¥ 125,900
Noncurrent assets	548,288
Goodwill	219,735
Current liabilities	(138,156)
Noncurrent liabilities	(176,473)
Minority interests	(217,834)
Subscription rights to shares	(143)
Valuation under the equity method prior to acquisition	(319,722)
Loss on step acquisition from the purchase of additional shares	38,458
Amount paid for the acquisition of shares of J:COM	80,053
Cash and cash equivalent of J:COM	(96,325)
Net amount paid for the acquisition of J:COM	¥ (16,272)

For the fiscal year ended March 31, 2015

No significant items to be reported.

4. Lease Payment

1) As a lessee

For the fiscal years ended March 31, 2014 and 2015

1. Finance leases

Finance leases without a transfer of ownership

Details of lease assets

Property, plant and equipment

Primarily set-top boxes in the CATV business

Depreciation for lease assets

The depreciation method is described in "2. Significant Accounting Policies."

2. Operating leases

No significant items to be reported.

2) As a lessor

For the fiscal years ended March 31, 2014 and 2015

Finance leases

No transaction

23. Significant Subsequent Event

Stock Split

The Company decided at a Board of Directors' meeting on January 30, 2015 to conduct a stock split. The details are as follows.

1. Purpose of Stock Split

The purpose of the stock split is to increase the liquidity of the Company's stock and expand its investor base by reducing the price of share-trading units.

2. Outline of Stock Split

(1) Method of stock split

The stock split shall have a record date of Tuesday, March 31, 2015 and shall involve the splitting of common stocks held by shareholders whose names are recorded in the latest Registry of Shareholders on the record date at a ratio of 1:3.

(2) Number of increase in shares by stock split

1) Total number of issued shares before stock split
896,963,600 shares
2) Number of increase in shares by stock split
1,793,927,200 shares
3) Total number of issued shares after stock split
2,690,890,800 shares
4) Total number of authorized shares after stock split
4,200,000,000 shares

(3) Schedule of stock split

1) Public notice date of the record date Monday, March 16, 2015
2) Record date Tuesday, March 31, 2015
3) Effective date Wednesday, April 1, 2015

3. Others

(1) Changes in capital

The stock split does not result in changes in capital.

(2) Share information

Information on the impact of this stock split is included in the "21. Per Share Information section."

Disposal of Treasury Stock through a Third-Party Allocation to Support KDDI Foundation's Social Contribution Activities

The Company decided at a Board of Directors' meeting on April 14, 2015 to dispose of treasury stock, in order to support the social contribution activities of KDDI Foundation (hereafter, the "Foundation"). This disposal of treasury stock was approved at the Company's 31st Annual Shareholders' Meeting (hereafter, the "Annual Shareholders' Meeting"), which was held on June 17, 2015.

1. About the Foundation

(1) The Foundation's mission

The Foundation strives to pass on to society the benefits of information and communications technology (ICT) in Japan and overseas. The Foundation's mission is to contribute to harmonious and sound global development through ICT, and to contribute to the sustainable development of international society through activities to further the public interest.

2. About the Disposal of Treasury Stock

Purpose of the Disposal

1) Number of shares for disposal	1,125,000 shares of common stock
2) Disposal price	¥1 per share
3) Amount raised	¥1,125,000
4) Subscription or disposal method	Disposal through third-party allocation
5) Disposal recipient (planned)	The Master Trust Bank of Japan, Ltd.
6) Date of disposal	To be determined
7) Other	The date and other items related to this disposal of treasury stock will be resolved at the Board of Directors' meeting following the Annual Shareholders' meeting.

3. Objective of and Reason for the Disposal

The Company promotes social contribution activities that leverage its technologies and human resources, both in Japan and overseas, in the aim of contributing to society's happiness by encouraging fulfilling lives for people around the world in a sustainable manner.

The Foundation's mission is to "contribute through ICT to harmonious and healthy global development." In accordance with this mission, the Foundation conducts activities to further the public interest, including grant activities, international cooperation activities, and activities promoting the spread of ICT. By performing these activities in a stable and sustained manner, the Foundation furthers the Company's goal of contributing to society's happiness.

To support the Foundation's social contribution activities, the Company intends to establish a third party benefit trust (hereinafter, the "Trust") with Mitsubishi UFJ Trust and Banking Corporation as trustee, The Master Trust Bank of Japan, Ltd., as joint trustee, and the Foundation as beneficiary, with the Trust to acquire the Company's shares. The Trust will deliver trust income on allotment, etc., of the Company's shares to the Foundation, which will use this trust income as the source of funding for its activities, as well as to conduct future activities.

This disposal of treasury stock is intended for the establishment of the Trust, thereby providing a source of funds for the Foundation's social contribution activities.

4. Amount of Funds Raised, Their Use and Expected Payment Period

(1) Amount of funds raised

1) Total amount of money paid	¥1,125,000
2) Estimated issuance expenses	¥0
3) Estimated amount after deductions	¥1,125,000

(2) Specific use of funds raised

The estimated amount after deductions mentioned above is mainly used as miscellaneous expenses, including attorneys' fees needed to structure the scheme.

Introduction of a Stock Compensation Plan for Executives

The Company decided at a Board of Directors meeting on April 14, 2015, to introduce a new stock compensation plan (hereafter, the "Plan") for directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors and part-time directors) that have entered into engagement agreements with the Company (hereafter, "Directors and Other Executives"). The Plan was resolved at the Annual Shareholders Meeting held on June 17, 2015.

1. Objective for Introducing the Plan

(1) The plan is being considered for introduction in order to clarify the link between compensation for Directors and Other Executives with shareholder value and to increase their awareness of contributing to increases in operating performance and corporate value over the medium to long term.

(2) Introduction of the Plan for Directors and Other Executives is subject to approval at the Annual Shareholders' Meeting.

(3) The Plan employs a framework referred to as the executive compensation BIP (Board Incentive Plan) trust (hereafter, "BIP Trust"). BIP Trust is an executive incentive plan modeled on the U.S. performance share and restricted stock systems. BIP Trust provides Directors and Other Executives with the Company's shares based on their position and the attainment level of operating performance targets.

Note Board Incentive Plan® is a registered trademark of Mitsubishi UFJ Trust and Banking Corporation.

2. Overview for Introducing the Plan

(1) Overview of the Plan

During the three-year period of the Plan (hereinafter, the "Target Period"), which is to begin in the fiscal year ending March 31, 2016 and end in the fiscal year ending March 31, 2018, monies contributed by the Company are to be used to acquire the Company's shares via the Trust, providing a stock compensation plan under which the Company's shares are to be provided to Directors and Other Executives upon retirement according to such factors as their attainment level of operating performance targets and positions.

(2) Annual Shareholders' Meeting Approval of the Proposal to Introduce the Plan

The Annual Shareholders' Meeting shall resolve the amount of monies to be contributed to the Trust, the upper limit on the number of shares to be acquired by the Trust and other necessary items.

(3) People Eligible for the Plan

Directors and Other Executives who satisfy the beneficiary conditions upon retirement shall, after undergoing the prescribed procedure for defining beneficiaries, receive from the Trust a number of the Company's shares corresponding to the number of points determined at retirement.

(4) Trust Period

The trust period shall be for three years, from September 1, 2015 (planned) to August 31, 2018 (planned). Directors and Other Executives who may satisfy beneficiary conditions and are in their appointment period at the conclusion of this period shall not thereafter receive points allocated to Directors and Other Executives. However, the Trust's trust period may be extended for up to 15 years, and during this time the Directors and Other Executives may retire and receive delivery of the Company's shares.

In the event that a proposal to continue the Trust is raised at an Annual Shareholders' Meeting three years hence and, provided that the Target Period and trust period are extended within the scope of approval by Annual Shareholders' Meeting resolution, points shall continue to be allocated to Directors and Other Executives during the extended trust period.

(5) Number of Shares Delivered to Directors and Other Executives

The number of Company shares delivered to Directors and Other Executives shall be according to such factors as their attainment level of operating performance targets and position during the fiscal year ending at the end of March during each year of the Target Period.

(6) Total Trust Balance Contributed to the Trust and the Total Number of Shares Acquired by the Trust

The total amount of trust money contributed to the Trust during the trust period and the total number of shares acquired by the Trust shall be subject to the upper limits described below, upon approval by Annual Shareholders Meeting resolution.

Upper limit on the total amount of trust money contributed to the Trust: ¥1,396 million*

* This amount is the total amount of funds for acquiring shares by the Trust, trust compensation and trust expenses.

Upper limit on the total number of shares acquired by the Trust: 600,000 shares

The upper limit on the total amount of trust money contributed to the Trust shall be calculated by taking into consideration fixed compensation and performance-linked bonuses of the Company's current Directors and Other Executives, plus trust compensation and trust expenses.

The upper limit on the total number of shares acquired shall be determined by referencing the current share price, taking into consideration the upper limit on the total amount of trust money described above.

(7) Method for Acquiring the Company's Shares by the Trust
The initial Company shares acquired by the Trust are expected to be acquired by the Company through the disposal of treasury stock or in the stock market, within the scope of the number of shares acquired and funds to acquire shares described in (6) above. The Company shall decide and disclose details of the acquisition method following the Annual Shareholders' Meeting resolution.

If the possibility of a shortfall arises in the number of shares within the Trust corresponding to points for Directors and Other Executives during the trust period and if the possibility of a shortfall arises in the amount of money in trust assets for the payment of trust compensation and trust expenses, additional funds shall be added to the Trust, within the scope of the upper limit on trust money described in (6) above.

(8) Method and Period for Delivering Shares to Directors and Other Executives
When the Company's Directors and Other Executives retire, they may, after satisfying the beneficiary conditions and undergoing the prescribed procedure for defining beneficiaries, receive after retirement delivery from the trust a number of the Company's shares corresponding to their number of points at retirement.

(9) Exercise of Voting Rights in the Company's Shares within the Trust
In order to maintain management neutrality, during the trust period no voting rights shall be exercised on the Company's shares within the Trust (the Company's shares prior to delivery to the Company's Directors and Other Executives as described in (5) above).

(10) Handling the Allocation of Surplus Funds for the Company's Shares within the Trust
The allocation of surplus funds to the Company's shares within the Trust shall be received by the Trust and applied to trust compensation and trust expenses for the Trust. If residual funds remain at conclusion after being applied toward trust compensation and trust expenses, these funds shall be donated to an organization having no interest-based relationship with the Company or its executives or provided to Directors and Other Executives.

(11) Handling at Conclusion of the Trust Period
If residual shares exist at the conclusion of the trust period due to operating performance targets having not been met during the Target Period (except for shares planned for delivery upon retirement to Directors and Other Executives who may satisfy beneficiary conditions who have not retired as of the conclusion of the trust period), upon conclusion of the trust period or conclusion of the extension period during which the trust period has been extended in accordance with the first paragraph of (4) above, as a shareholder return measure the Trust expects to made a gratuitous conveyance of these residual shares and retire them by resolution of the Board of Directors.

Introduction of a Stock Compensation Plan for Managers

The Company decided at a Board of Directors' meeting on April 14, 2015 to introduce a stock-granting ESOP trust (hereinafter, "ESOP Trust") as an incentive plan for managers aimed at enhancing the Company's corporate value over the medium to long term. The Company will decide the date of establishment of this trust, as well as its period, the share acquisition period, the total value of shares to be acquired and other details once this information has been decided.

1. Objective for Introducing the ESOP Trust

This ESOP Trust is being introduced as an incentive plan to further promote operational execution and enhance corporate value over the medium to long term by increasing awareness among the Company's managers of operating performance and stock price.

2. Overview of the ESOP Trust

The ESOP Trust is a trust-type incentive plan for employees modeled on the U.S. employee stock ownership plan (ESOP) system. The ESOP trust acquires the Company's shares and delivers them to employees in accordance with operating performance achievement levels and their positions.

The Company will establish this trust by contributing the cash to acquire the Company's shares and specifying as the plan's beneficiaries those selected managers who satisfy certain conditions. Based on share delivery regulations prepared in advance, this trust will acquire a number of the Company's shares that is expected to be delivered to the Company's managers. Thereafter, in accordance with the share delivery regulations, at the trust's conclusion the trust will deliver to managers a number of shares in accordance with operating performance achievement levels and their positions. Managers will incur no burden, as the Company will contribute all the cash for purchasing the shares to be acquired by the trust.

The introduction of this trust is expected to increase managers' working incentive, promoting operational execution from the perspective of contributing to operating performance over the medium to long term.

Voting rights on the shares that make up the trust's assets are not to be exercised during the trust period.

Report of Independent Auditors

KDDI Corporation and its Subsidiaries

Independent Auditor's Report

To the Board of Directors of KDDI CORPORATION

We have audited the accompanying consolidated financial statements of KDDI CORPORATION and its subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KDDI CORPORATION and its subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Kyoto

PricewaterhouseCoopers Kyoto
Kyoto, Japan

June 18, 2015

Corporate Overview

(As of March 31, 2015)

Company Name:	KDDI CORPORATION
Date of Establishment:	June 1, 1984
Business Objective:	Telecommunications business
Head Office:	Garden Air Tower, 10-10, Iidabashi 3-chome, Chiyoda-ku, Tokyo 102-8460, Japan
Registered Place of Business:	3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-8003, Japan
Representative Director:	Takashi Tanaka, President
Capital:	¥141,851 million
Number of Employees:	28,172 (consolidated)

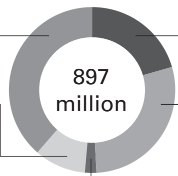
Stock Information

(As of March 31, 2015)

SE Code:	9433
Number of Shares Authorized:	1,400,000,000 shares
Number of Shares Issued and Outstanding*1:	896,963,600 shares
Number of Shareholders:	57,236 shareholders

*1 On April 1, 2015, the Company conducted a stock split at a ratio of 1:3. Since April 1, total number of issued shares has been 2,690,890,800 shares.

Breakdown of Shareholding by Investor Type



Major Shareholders

Name of corporate entity	Number of shares held	Ratio of controlling share*2 (%)	Ratio of voting (%)
Kyocera Corporation	114,535,400	12.76	13.71
Toyota Motor Corporation	99,497,600	11.09	11.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	47,155,700	5.25	5.64
Japan Trustee Services Bank, Ltd. (Trust Account)	36,139,400	4.02	4.32
State Street Bank & Trust Co.	23,984,784	2.67	2.87
State Street Bank & Trust Co. 505223	15,255,622	1.70	1.82
JP Morgan Chase Bank 380055	11,035,481	1.23	1.32
State Street Bank & Trust Client Omnibus Account OM02 505002	10,141,490	1.13	1.21
Japan Trustee Services Bank, Ltd. (Trust Account4)	8,908,200	0.99	1.06
State Street Bank & Trust Co. 505225	8,565,875	0.95	1.02

*2 Controlling shares are calculated including treasury stocks (61,984,994 shares). KDDI excludes treasury stocks from the list of major shareholders above.

Investor Relations Department, Corporate Management Division

URL: http://www.kddi.com/english/corporate/ir/

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This report is printed on "KDDI Environmentally Friendly Recycled Paper" made from recycled paper collected at au shops and other locations.	This report is printed using ink in which a portion of the harmful petroleum solvents normally included in ink has been replaced with soybean oil and other vegetable oils.	This report is printed using a waterless printing method that does not use developing solution or dampening solution and does not produce waste liquids.

KDDI CORPORATION

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