Designing The Future

あたらしい自由。

INTEGRATED REPORT 2016

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."

Practicing the KDDI Group Philosophy to achieve sustainable growth and increased corporate value

As a telecommunications operator that provides social infrastructure, KDDI has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operator, our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.

Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders, including customers, shareholders, business partners, employees, and local communities and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and truly connected society.

In addition to our corporate credo and mission statement, we have formulated the "KDDI Group Philosophy," which defines perspectives, values, and code of conduct that officers and employees should share. We conduct activities to promote awareness of this philosophy throughout KDDI Group.

By proactively practicing the KDDI Group Philosophy, KDDI aims to achieve sustainable growth and increased corporate value over the medium to long term.

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, including Integrated Report 2016 (Detailed ESG Version), which contains expanded information about non-financial information from both environmental and social aspects.

KDDI has applied International Financial Reporting Standards (IFRS) since the fiscal year ended March 31, 2016. For this report, unless otherwise stated, figures up to the fiscal year ended March 31, 2014, are based on Japanese GAAP and figures for the fiscal year ended March 31, 2015, onward are based on IFRS.

Contents

Financial Information

WEB Investor Relations
- Summary of Financial Statements
- Corporate Governance
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http://www.kddi.com/english/corporate/ir/

Non-Financial Information

WEB CSR (Environment & Society)
- Integrated Report 2016 (Detailed ESG Version)

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

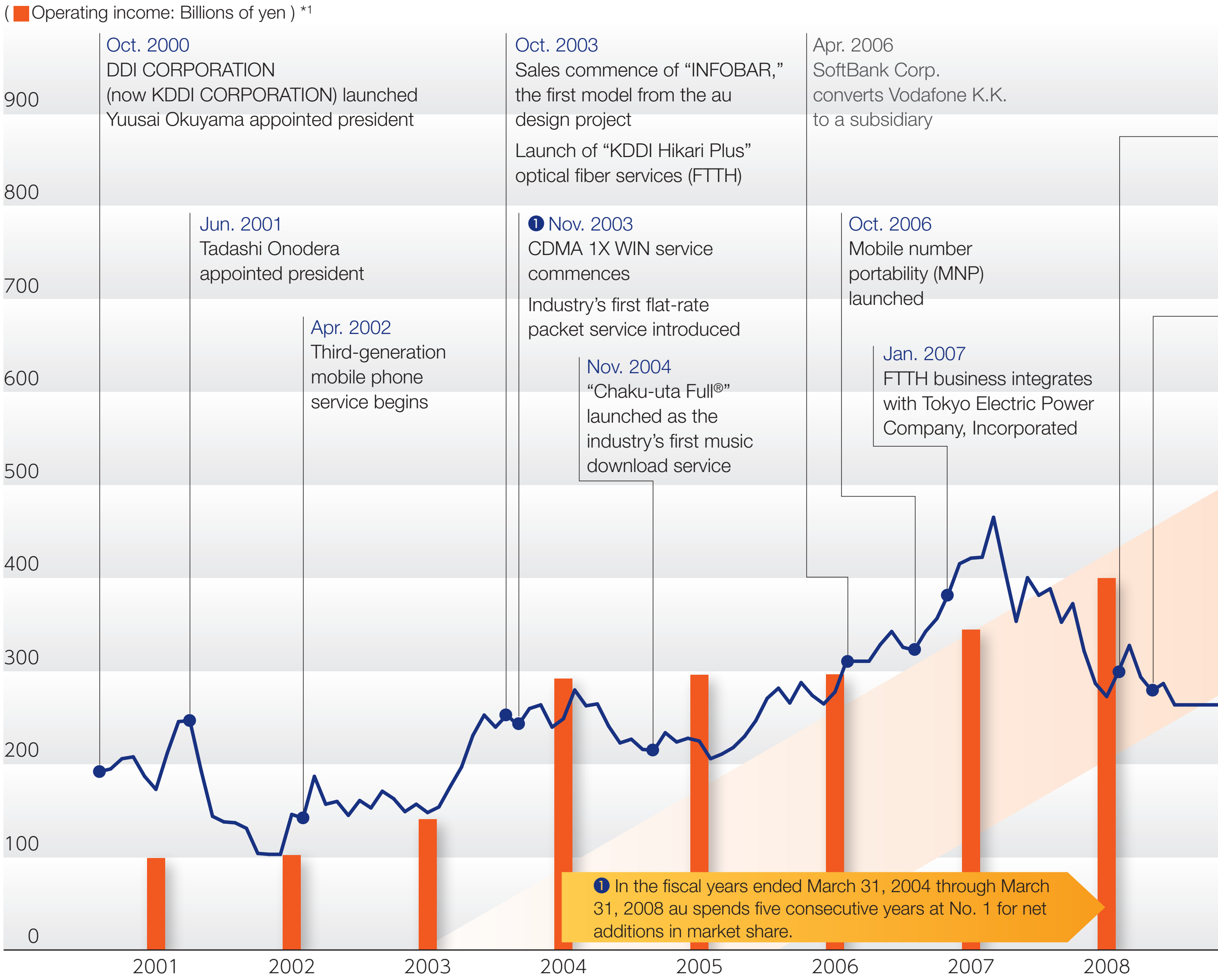
WEB Research & Development (R&D)

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

Disclaimer Regarding Forward-Looking Statements

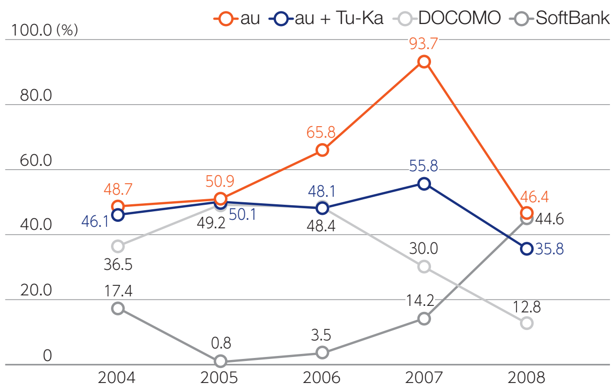
Statements contained in this report concerning KDDI's plans, strategies, beliefs, expectations, or projections about the future, and other statements other than those of historical fact, are forward-looking statements based on management's assumptions in light of information currently available and involve 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.

The Source of KDDI's Value



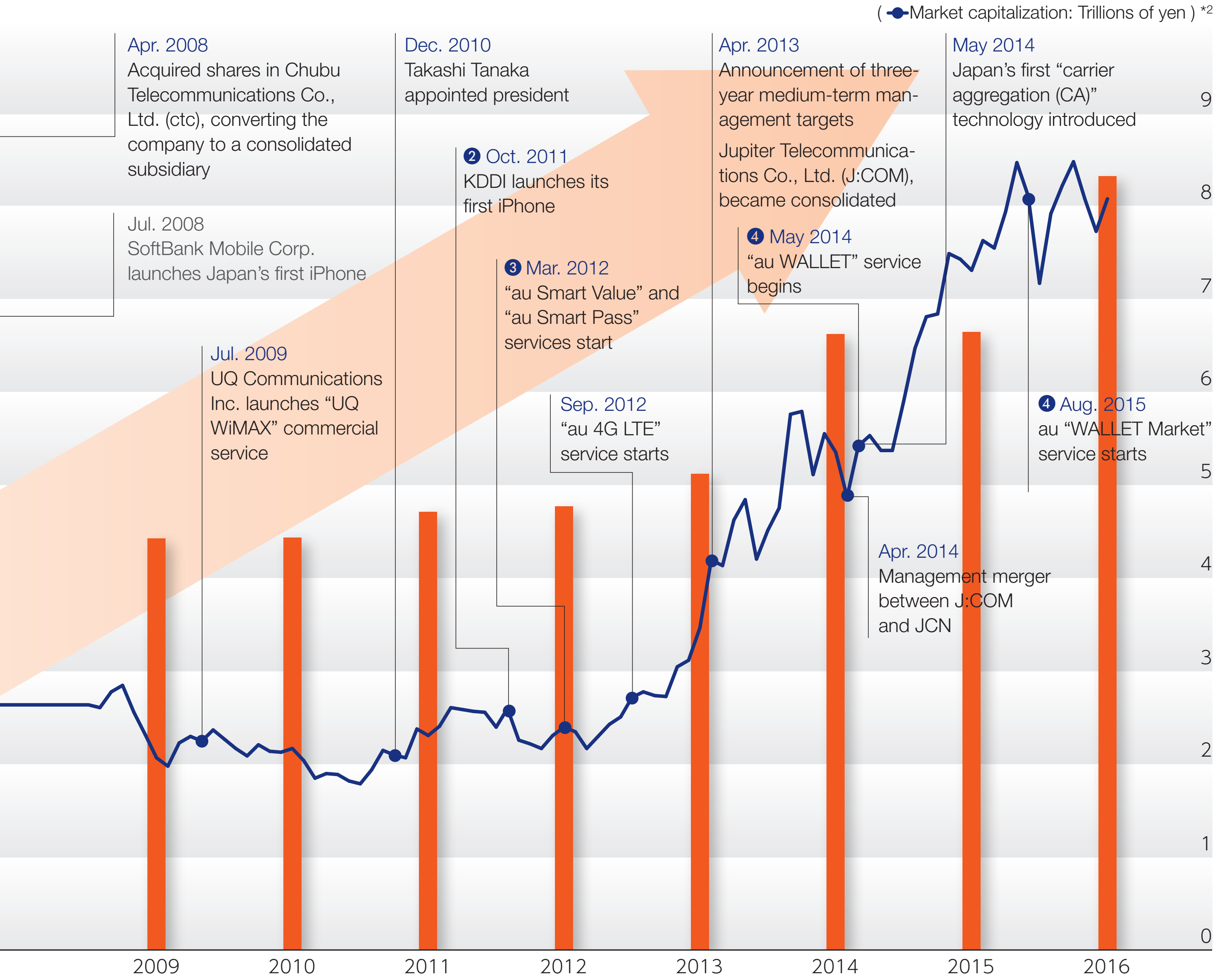
*1 Results for fiscal years ended March 31
*2 On a closing price basis for the end of October 2000 to the end of March 2016

Net additions in mobile market share (Years ended March 31)

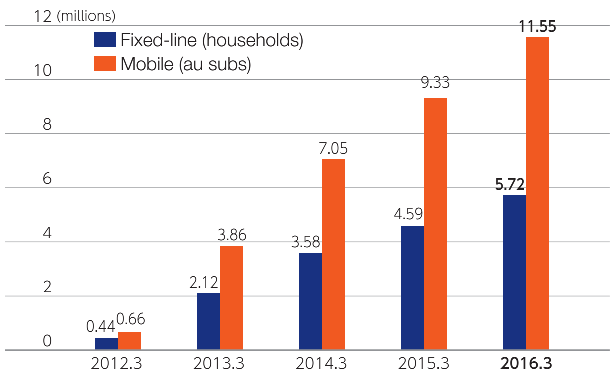


❶ KDDI leads competitors in rolling out advanced services, launching "CDMA 1X WIN," a third-generation mobile phone service using the CDMA2000 1xEV-DO method, and simultaneously introducing the industry's first fixed-rate packet service, among other initiatives. From the fiscal year ended March 31, 2004, au remained No. 1 in net additions share for five consecutive years.

❷ KDDI launches its first iPhone. In the fiscal year ended March 31, 2012, we offered the industry's richest line up of smartphones, raising our net market share in mobile and expanding data ARPU, significantly improving au's momentum.



Number of "au Smart Value" Subscriptions



3 au leads the industry in introducing bundled services combining smartphones and fixed-line broadband. In addition to the appeal of being able to use smartphones at inexpensive rates, this enables us to add affiliated fixed-line mobile operators to au's sales channel, and subscriber numbers are steadily increasing.

4 In addition to offering "au WALLET," an e-money service with a settlement function that allows use at physical shops, in August 2015 we also rolled out "au WALLET Market," a new shopping service utilizing our au shops, as we made steady progress in our efforts to maximize the "au economic zone."

Consolidated Financial Highlights*1

(Years ended March 31)

Consolidated	2007	2008	2009	2010
Operating Revenues/Operating Revenue	¥3,335,260	¥3,596,284	¥3,497,509	¥3,442,147
Operating Income	344,701	400,452	443,207	443,862
Operating Margin	10.3%	11.1%	12.7%	12.9%
EBITDA*3	691,699	769,209	904,030	927,253
EBITDA Margin	20.7%	21.4%	25.8%	26.9%
Net Income/Profit for the Year Attributable to Owners of the Parent	186,747	217,786	222,736	212,764
Capital Expenditures	438,463	517,002	575,072	518,034
Depreciation	325,149	351,269	434,623	460,940
Interest-Bearing Debt	620,471	571,945	874,951	1,096,778
Equity Ratio/Ratio of Equity Attributable to Owners of the Parent	54.1%	58.5%	53.7%	52.8%
Return on Equity/Ratio of Return on Equity, Profit Attributable to Owners of the Parent (ROE)	13.3%	13.6%	12.6%	11.0%
Return on Assets/Ratio of Return on Total Assets (ROA)	13.0%	14.1%	14.1%	12.2%
Earnings per Share/Net Basic Earnings per Share*4 (yen/U.S. dollar)	70.84	81.35	83.29	79.61
Dividends per Share*4 (yen/U.S. dollar)	15.83	17.50	18.33	21.67
Dividend Payout Ratio	22.4%	21.5%	22.0%	27.2%
Net Cash Provided by (Used in) Operating Activities	738,703	545,234	712,231	739,992
Net Cash Provided by (Used in) Investing Activities	(442,218)	(557,688)	(775,470)	(924,442)
Free Cash Flows*5	296,485	(12,454)	(63,240)	(184,450)
Net Cash Provided by (Used in) Financing Activities	(258,919)	(104,410)	191,490	149,239
Number of Consolidated Employees*6 (people)	14,358	15,865	16,967	18,301
Number of Female Managers (people)	33	44	47	59
Number of Consolidated Foreign Employees (people)*7	—	—	—	—
CO_2 Emissions (t)*8	964,579.8	1,028,159.9	1,061,746.4	1,181,403.0
Power Consumption (MWh)*9	1,734,940	1,849,970	1,910,356	2,126,440

*1 Since the fiscal year ended March 31, 2016, International Financial Reporting Standards (IFRS) have been applied. Results for the year ended March 31, 2015, also conformed to IFRS. In the event of a difference between Japanese GAAP and IFRS, it will be shown as "Japanese standard/IFRS."

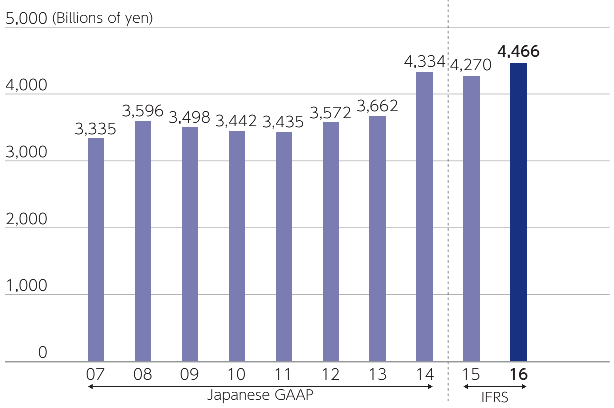
*2 Yen amounts are translated into U.S. dollar, for convenience only, at the rate of ¥112.68 = U.S.$1 on March 31, 2016.

*3 From the fiscal year ended March 31, 2013 and in the fiscal year ended March 31, 2015, the EBITDA calculation formula has been changed.
Until the fiscal year ended March 31, 2012: EBITDA = Operating income + depreciation + noncurrent assets retirement cost
From then until the fiscal year ended March 31, 2014: EBITDA = Operating income + depreciation + amortization of goodwill + noncurrent assets retirement cost
Since the fiscal year ended March 31, 2015: EBITDA = Operating income + depreciation + noncurrent assets retirement cost + impairment loss

Operating Revenues/ Operating Revenue

P.48

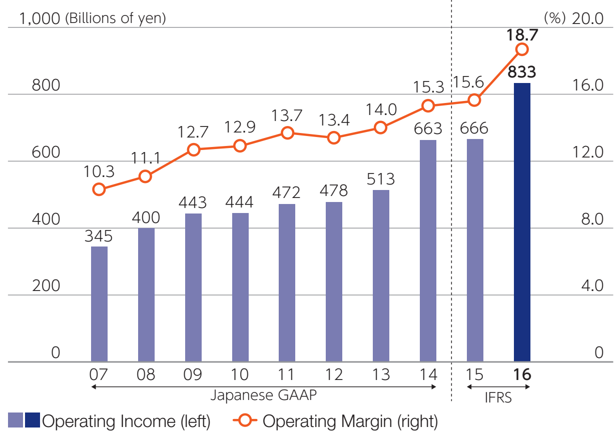
YOY +4.6%



Operating Income

P.48

YOY +25.2%

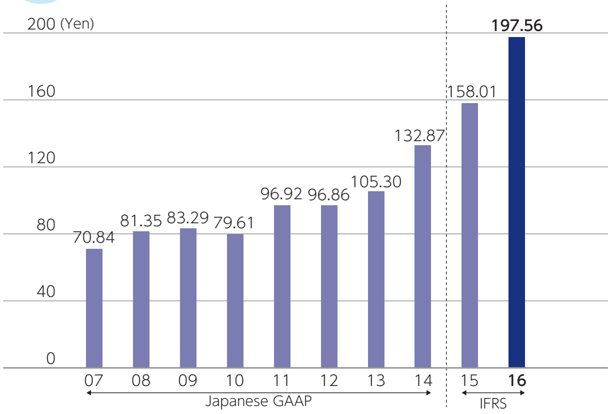


Japanese GAAP				IFRS		
					Millions of yen	Millions of U.S. dollars*2
2011	2012	2013	2014	2015	2016	2016
¥3,434,546	¥3,572,098	¥3,662,289	¥4,333,628	¥4,270,094	¥4,466,135	$39,636
471,912	477,648	512,669	663,245	665,719	833,358	7,396
13.7%	13.4%	14.0%	15.3%	15.6%	18.7%	
936,315	908,499	959,571	1,186,069	1,284,553	1,410,971	12,522
27.3%	25.4%	26.2%	27.4%	30.1%	31.6%	
255,122	238,605	241,470	322,038	395,805	494,465	4,388
443,677	421,568	467,020	571,799	667,714	531,434	4,716
449,318	417,886	406,726	470,098	518,708	531,667	4,718
979,630	1,046,754	977,563	1,084,966	1,154,116	1,235,287	10,963
55.7%	51.5%	55.1%	55.1%	54.5%	57.0%	
12.4%	11.5%	11.2%	13.0%	13.5%	15.5%	
12.4%	12.3%	12.7%	14.7%	12.1%	14.6%	
96.92	96.86	105.30	132.87	158.01	197.56	1.75
23.33	26.67	30.00	43.33	56.67	70.00	0.62
24.1%	27.5%	28.5%	32.6%	35.9%	35.4%	
717,354	725,886	523,908	772,207	968,752	884,538	7,850
(440,546)	(484,507)	(472,992)	(546,257)	(635,745)	(667,917)	(5,928)
276,808	241,379	50,916	225,950	333,006	216,621	1,922
(279,998)	(225,931)	(140,249)	(105,643)	(310,528)	(299,003)	(2,654)
18,418	19,680	20,238	27,073	28,172	31,834	
92	113	124	140	177	251	
—	—	—	2,630	2,624	4,380	
1,108,282.3	1,218,658.6	1,049,422.3	939,501.7	1,044,357	1,081,553	
1,995,042	2,190,787	1,885,703	1,686,480	1,873,293	1,939,115	

*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.
*5 Free cash flows = Net cash provided by (used in) operating activities + net cash provided by (used in) investing activities
*6 Japanese GAAP until the fiscal year ended March 31, 2015
*7 Including KDDI employees on loan outside of the company in addition to full-time KDDI employees
*8 Calculated based on non-consolidated power and fuel consumption
*9 Non-consolidated basis

Earnings per Share/ Net Basic Earnings per Share (EPS)

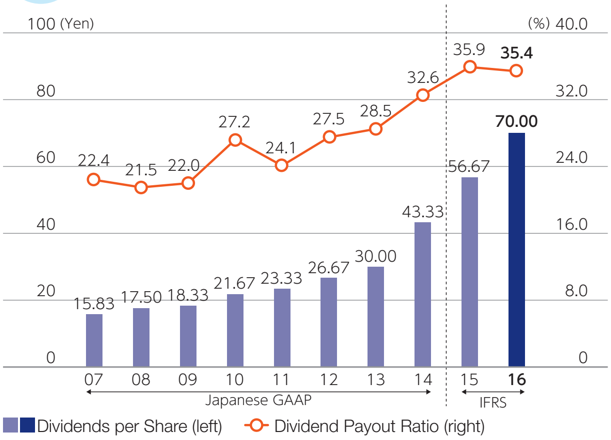
YOY +25.0%



Dividends per Share

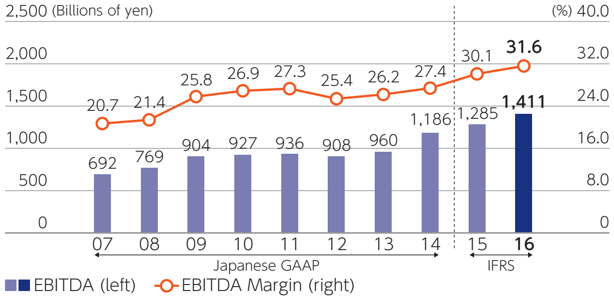
P.48

YOY +¥13.33



EBITDA

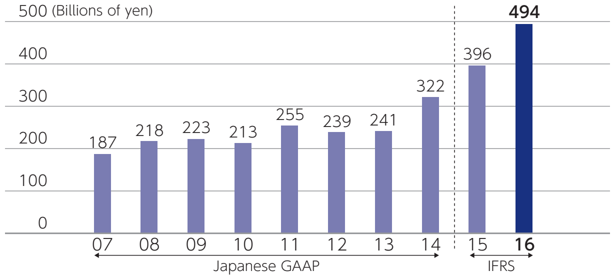
YOY +9.8%



Net Income/Profit for the Year Attributable to Owners of the Parent

P.48

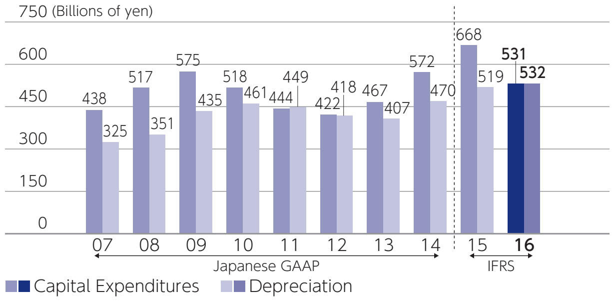
YOY +24.9%



Capital Expenditures

P.50

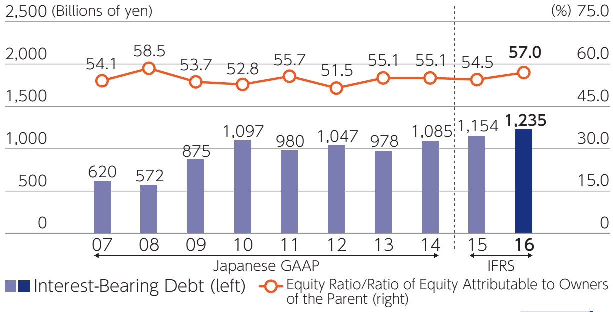
¥531.4 billion



Interest-Bearing Debt

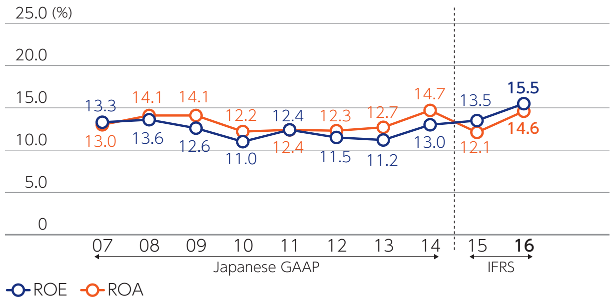
P.49

YOY +7.0%



ROE

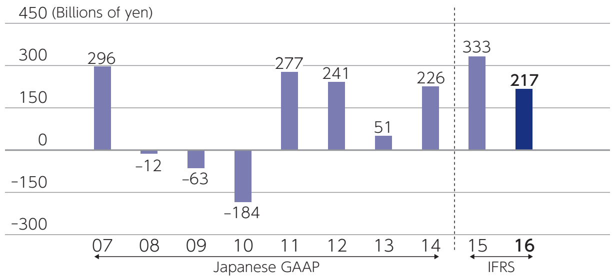
YOY +2.0pt



Free Cash Flows

P.50

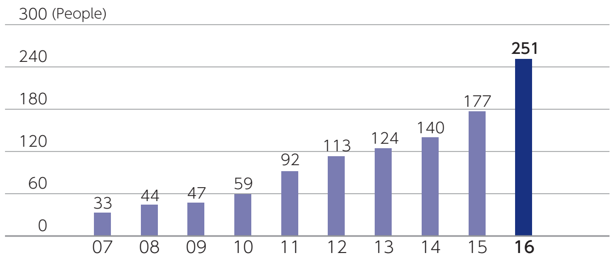
YOY –34.9%



Number of Female Managers

P.32

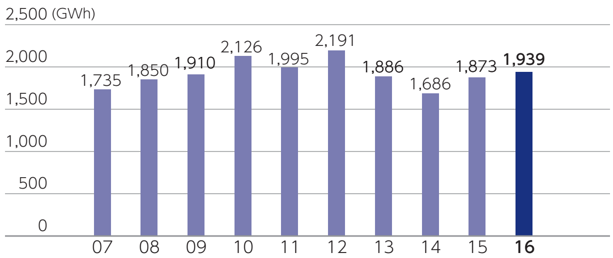
YOY +41.8%



Power Consumption

P.36

YOY +3.5%



Our Strategic Focus

KDDI's Business Model

Since the merger of the three companies in October 2000, KDDI has leveraged its strengths as a general telecommunications carrier providing both mobile and fixed-line services to grow its business steadily.

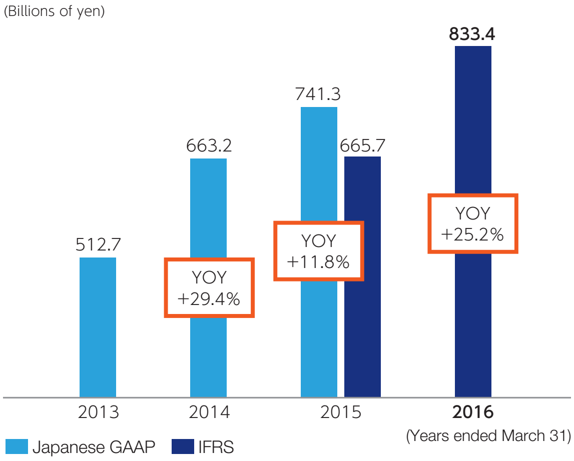
Furthermore, as we announced in our new medium-term targets in May 2016, we will continue aiming to "achieve continuous growth and enhance shareholder return." To deliver on this target, KDDI will work to optimize the allocation of its "capitals" across its four business segments.

Previous Medium-Term Targets (Fiscal years ended March 31, 2014 – March 31, 2016) P.11

Steadily Achieved Targets

Continuous Growth

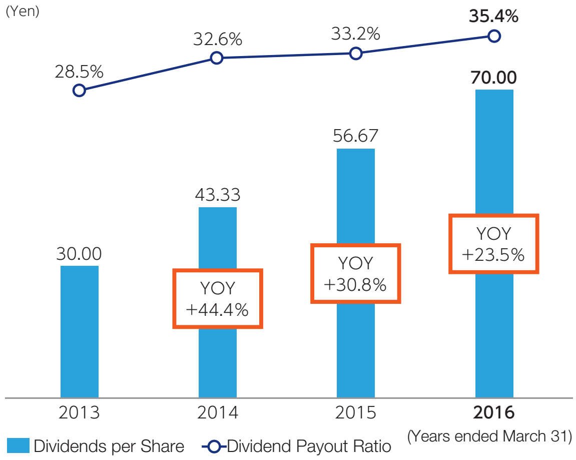
Double-digit growth in operating income every year



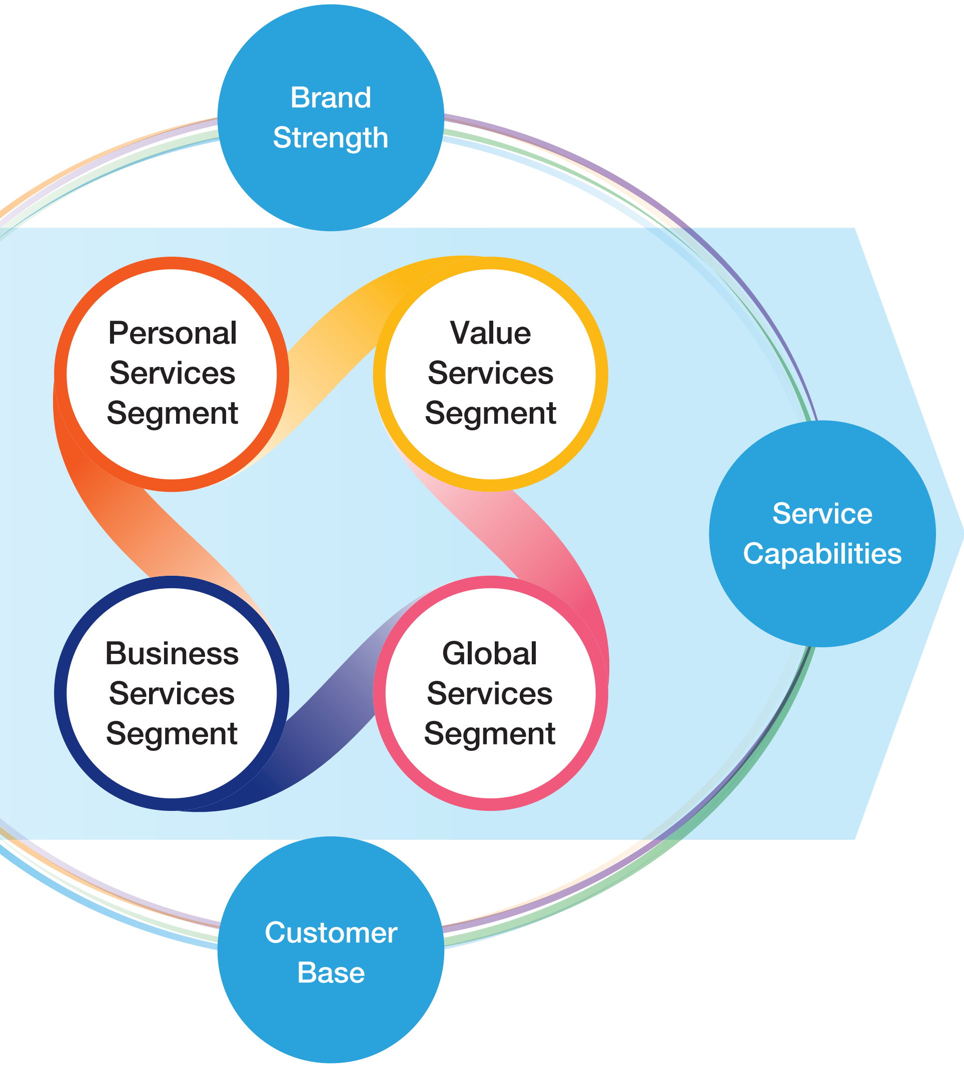
* Comparisons are based on Japanese GAAP for FY2014.3 and FY2015.3, FY2016.3 is based on IFRS

Enhance Shareholder Return

Dividend payout ratio of above 30%



* Figures are adjusted to reflect stock split
* Dividend payout ratios are displayed using Japanese GAAP through FY2015.3 and IFRS for FY2016.3



OUTPUT

Financial capital
Generating cash flow P.15

Manufactured capital
Offering reliable information and communications services P.31

Entering non-telecommunications fields P.18

Intellectual capital
Strengthening the au brand P.45

Human capital P.32
Promoting diversity

Cultivating the next generation of leaders

Social and relationship capital
Creating a safe and secure information and communications society P.34

Contributing to economic development in Myanmar P.20

New Medium-Term Targets (Fiscal years ended March 31, 2017 – March 31, 2019) P.12

Continue aiming to achieve continuous growth and enhance shareholder return

Continuous Growth
Aim for an average annual operating income growth rate of 7%

Enhance Shareholder Return
Lift dividend payout ratio from above 30% to above 35%

Profit Growth	
Operating income	Target operating income; CAGR of 7%
Gross merchandise value of "au Economic Zone"	Over ¥2 trillion by the fiscal year ending March 31, 2019
M&A for growth	Approx. ¥500 billion over three years

Shareholder Returns	
Dividend payout ratio	Lift payout ratio from "above 30%" to "above 35%"
Repurchase own shares	Implement after growth investment
Cancellation of treasury stock	Limit the amount of those treasury stock to approx. 5% of our total issued shares, and will cancel any treasury stock held in excess of this limit

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

Takashi Tanaka
President, KDDI CORPORATION

Review of the Fiscal Year Ended March 31, 2016

KDDI positioned the three-year period from the fiscal year ended March 31, 2014, to the fiscal year ended March 31, 2016, as a time of "full-scale income growth." As the pillar of our domestic business strategy, we promoted and deepened our "3M Strategy" (multi-network, multi-device, multi-use) while pursuing our "Global Strategy."

As we promoted and deepened the "3M Strategy," growth in the domestic business was driven by a strong increase in mobile communications revenues as a result of a rise in au ARPU amid the shift from feature phones to smartphones. We also expanded our customer base through "au Smart Value" services (discount bundled mobile and fixed-line services) and "au Smart Pass" services (value-added services for au smartphones) as components of our "3M Strategy." At the same time, we also focused on establishing new avenues for growth, such as by promoting "au WALLET" as a platform for increasing value-added sales as a new source of earnings in non-communications domains.

On advancing the "Global Strategy," KDDI has begun to take on new growth opportunities, including "entering the telecommunications business in Myanmar," in addition to fortifying the corporate ICT business foundation, centered on data centers developing in many countries around the world.

As a result of these initiatives, KDDI achieved the medium-term targets set out in April 2013 for achieving "double-digit growth in operating income" each fiscal year and a "dividend payout ratio above 30%" by the fiscal year ended March 31, 2016. Moreover, KDDI increased dividends per share (DPS) in the double digits each fiscal year, reflecting profit growth and hikes in the dividend payout ratio.

We decided to buy back ¥100 billion of our own shares as an expression of gratitude for the support of our shareholders as we endeavored to achieve these medium-term targets over the past three years.

Targets for FY2014.3 to FY2016.3

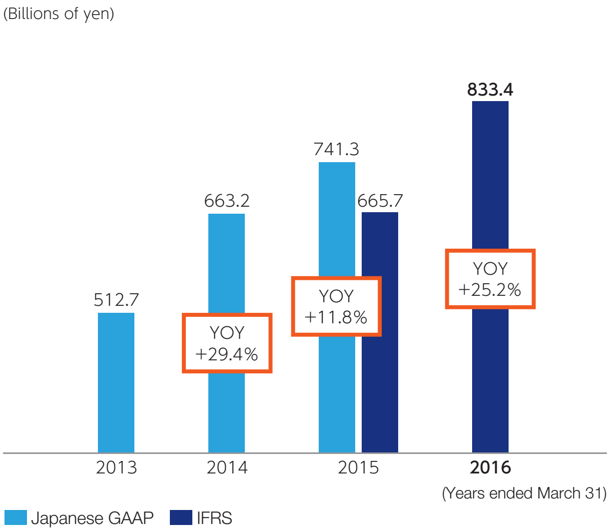
"Continuing to increase profits,
and augmenting shareholder returns"

Business growth by promoting the 3M Strategy

au Smart Value   au Smart Pass

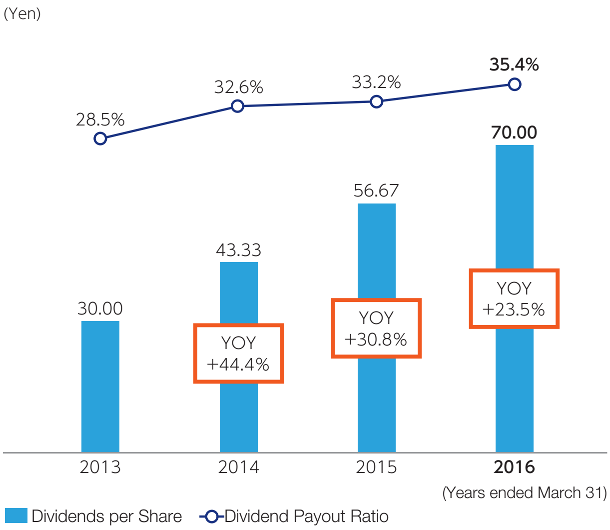
Profit growth	Operating Income	**Double digit growth every fiscal year**
	EPS	**Sharp growth accompanying profit growth**
Shareholder returns	Dividend payout ratio	**Above 30%**
	Repurchase own shares	**Considered as a management option**

Operating Income



* Comparisons are based on Japanese GAAP for FY2014.3 and FY2015.3, FY2016.3 is based on IFRS

Dividends per Share/Dividend Payout Ratio



* Figures are adjusted to reflect stock split
* Dividend payout ratios are displayed using Japanese GAAP through FY2015.3 and IFRS for FY2016.3

New Medium-Term Target – Looking toward FY2019.3 –

[Business Management Direction]

In the domestic telecommunications market, business conditions are becoming more challenging as the products and services of our competitors, such as discounts for bundled mobile and fixed-line communications services, have become increasingly homogenized with our own products and services, and as inexpensive SIM card services provided by mobile virtual network operators (MVNOs) gain popularity. Over the longer term, we must also grapple with the risk of a shrinking market amid low birthrates, an aging society, and a declining population in Japan.

KDDI has continued to grow steadily despite challenging competitive conditions against an expanding mobile phone market in Japan. We must “evolve” with a sense of urgency, instead of taking the well-worn path in business, while rapidly responding to changes in the business environment.

With this in mind, KDDI has created a new business management direction for the next three years, one that aims at “evolve into a business that provides customer experience value.”

In an environment of maturing markets and products and services becoming increasingly similar, KDDI must be the preferred choice of customers. To be such a company, KDDI must quickly roll out products and services that exceed customer expectations in all fields, while thoroughly refining its strengths.

KDDI aims to transform into a “Life Design Company” that constantly provides customers with valuable experiences through these initiatives.

[Business Strategy]

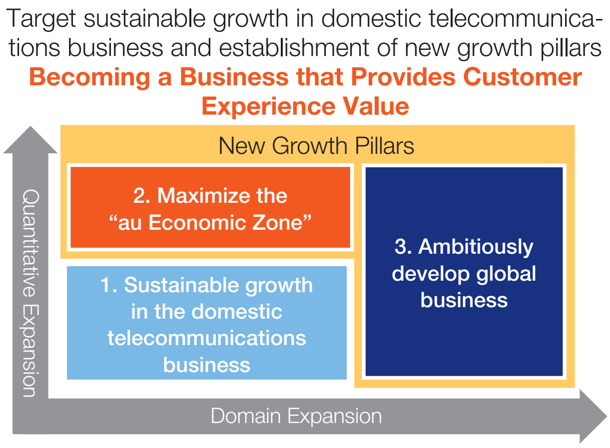
Based on this policy, KDDI will pursue growth via three business strategies that aim at (1) sustainable grow the domestic telecommunications business; (2) to maximize the “au Economic Zone;” and, (3) ambitiously develop global business.

1. Sustainable growth in the domestic telecommunications business

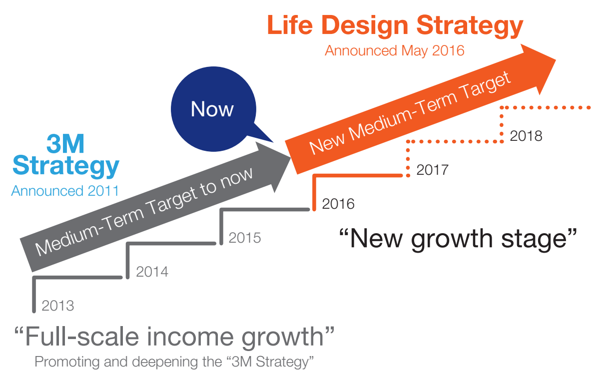
In the domestic telecommunications business, KDDI aims to maximize “IDs (number of au customers) x ARPA (Average

New Direction for the Next Three Years

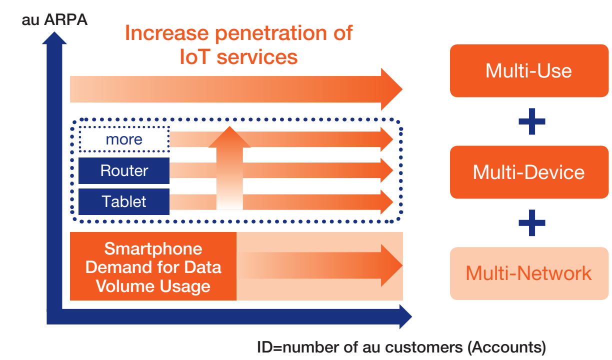
Business Strategy



Reform the “Life Design Company”



Promote Multi-Device and Multi-Use to Maximize “ID×ARPA”



Revenue per Account)” by continuing to promote the “3M Strategy.” Customer turnover among the three major domestic telecommunications providers has declined substantially as a result of handsets, rates and networks becoming more similar, and due to guidelines issued by the Ministry of Internal Affairs and Communications advising carriers to refrain from the excessive discounting of handset sales. We accordingly believe it will be difficult to increase the number of IDs. With the robust customer base we have built up, we must now focus more than ever on ARPA, or the amount of revenues per customer.

KDDI is promoting “Multi-Device” services that encourage the spread of tablets and routers to maximize “ID x ARPA,” in addition to readying for Internet of Things (IoT) devices in the upcoming IoT era. With regard to IoT, KDDI is eyeing the creation of new business opportunities by promoting “Multi-Use” as a way to provide valuable new experiences combined with other services.

KDDI aims to achieve sustainable growth in consolidated earnings in its core businesses by maximizing “ID x ARPA” through the promotion of “Multi-Devices” and “Multi-Use” while benefitting from a decline in churn rates and sales expenses in accordance with less turnover of customers.

2. Maximize the “au Economic Zone”

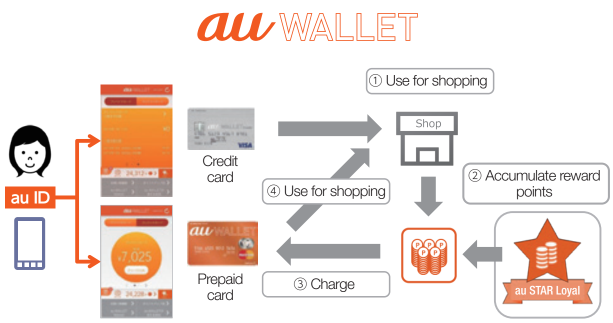
KDDI aims to establish a new source of growth in Japan by maximizing the “au Economic Zone.” As the domestic telecommunications business transitions from being a strong driver of profit growth to a more stable growth period, we intend to create new sources of earnings from our domestic telecommunications business platform amid a maturing telecommunications market in Japan and tight prospects for major growth in IDs.

The “au Economic Zone” represents the scale of economic activity outside the telecommunications domain, ranging from online content to offline real store transactions for au customers, as well as commerce and financial services that tie it all together. In Japan, carrier billing has become a common means for paying for online mobile content services. In addition to its online settlement platform “au Simple Payment” (online carrier billing,) KDDI launched two new settlement platforms to capture value-added revenues offline: the au WALLET prepaid card (in May 2014) and the au WALLET credit card (in October 2014). If customers start using their au WALLET credit card to pay not only for their au communications services, but also electricity bills and financial services, it is likely to become their main credit card for purchasing food and daily necessities, and could lead to further increases in transaction amounts and the creation of a loyalty point ecosystem. Through au WALLET, we aim to build a circulation model for WALLET points to make purchases of various services and products in actual stores.

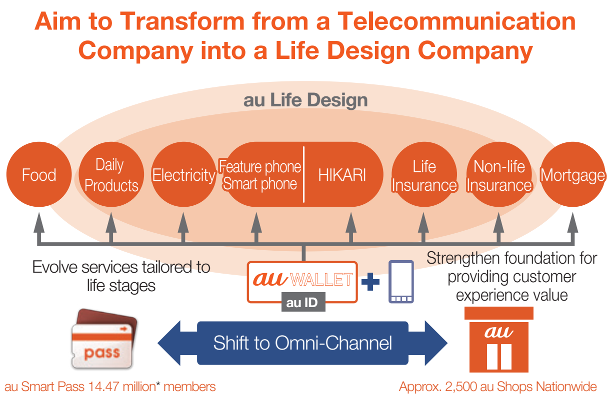
The solid au customer base consists of contracts with individuals that have passed rigorous identification procedures. We aim to maximize the “au Economic Zone” on this customer base by (1) providing two major payment platforms (i.e., “au Simple Payment” and au WALLET) that are easy for anyone to use, (2) effectively utilizing big data and a data management platform (DMP), and (3) comprehensively proposing “au Life Design” in tune with the life stage of customers by providing them with shopping, energy and financial services.

In addition, KDDI is taking an omni-channel approach to strengthen contact points with customers, by enhancing its “au Smart Pass” for online services and “au shop” for offline services at real stores.

Through these efforts, we aim to achieve total transaction volumes in excess of ¥2 trillion in the “au Economic Zone” by the fiscal year ending March 31, 2019.



Life Design Strategy



* As of March 31, 2016

3. Ambitiously develop global business

Taking into account long-term issues facing the domestic telecommunications market of declining birthrates, an aging society and a shrinking population, it is vital that KDDI create new avenues for growth in global businesses. In a bid to achieve sustainable profit growth, KDDI is accelerating a push to "ambitiously develop global business."

KDDI's global operations consist of the global consumer business, which primarily entails mobile phone operations for individual customers in emerging countries, and the global ICT business, which provides overseas corporate customers with high-bandwidth, highly reliable networks that span the entire world, as well as systems integration services for ICT environments with data centers at their core.

In the "global consumer business," KDDI aims to put the Myanmar telecommunications business on a growth trajectory through joint operations by consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (KSGM) and Myanma Posts & Telecommunications (MPT). At the same time, KDDI will ambitiously develop peripheral businesses by fully leveraging its resources accumulated both inside and outside Japan, including its business experience and technological capabilities. We aim to contribute to the advancement of Myanmar's economy and industry while improving the livelihoods of its citizens, at the same time focusing on establishing the business as a growth pillar in our global operations.

In addition to this business in Myanmar, in March 2016, KDDI consolidated MobiCom Corporation LLC, which has the largest number of mobile phone subscribers in Mongolia. We anticipate further growth at MobiCom as the introduction of LTE in May 2016 becomes a growth driver and the company takes advantage of KDDI's expertise in the consumer business.

In both Myanmar and Mongolia, KDDI aims to be the No. 1 telecommunications carrier as the first choice of local customers. We will continue to seek out new business opportunities in emerging countries with growth potential.

In the "global ICT business," KDDI "TELEHOUSE" brand of data centers are found in 48 locations spread across 24 cities and 13 countries and regions of the world. In the data center business, KDDI aims to continue solidifying its business foundation as a premium data center operator by leveraging high-connectivity, that fulfills the needs of corporate customers, by concentrating resources at competitive data centers in Europe in particular.

In both the "global consumer business" and the "global ICT business," we aim to strengthen earnings potential and expand business scale in a bid to accelerate growth.

Developing the Telecommunications Business in Myanmar and Mongolia

MPT Moving Myanmar Forward

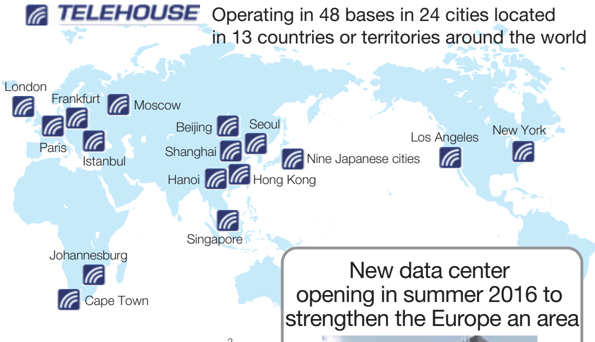
Upgraded store network to bolster competitiveness/ Improve network quality


MobiCom

Launched 4G LTE service to accelerate growth


Transform to a Premium Data Center Operator Utilizing Prolific Connectivity

TELEHOUSE Operating in 48 bases in 24 cities located in 13 countries or territories around the world



Total floor space 447,000m²
(As of March 31, 2016)

New data center opening in summer 2016 to strengthen the Europe an area

Docklands North Two

London expansion
23,000m²

[Financial Targets]

With the understanding that it is still a growth company, KDDI has taken a long-term view on achieving sustainable profit growth and enhancing shareholder returns.

Our targets for profit growth are to achieve average annual growth of 7% in operating income and gross merchandise value in excess of ¥2 trillion in the “au Economic Zone.” As for business growth, we plan to invest a total of ¥500 billion in M&A over a three-year period.

KDDI will take into account growth opportunities and risk factors when making investment decisions in M&A for business growth, centered on its new growth strategies of maximizing the “au Economic Zone” and “ambitiously developing global business”. Our basic approach to maximizing the “au Economic Zone” centers on collaboration with partners that can leverage synergies with au in non-telecommunications domains. In “ambitiously developing global business”, we are targeting medium and long-term growth opportunities in mainly emerging markets projected for economic development going forward, instead of industrialized countries where markets have already matured.

Regarding shareholder returns, KDDI has a basic policy of maintaining financial soundness and continuing to pay stable dividends. For the coming three years, KDDI has increased its targeted dividend payout ratio from “above 30%” to “above 35%”. We plan to continue increasing dividends as EPS expands alongside continued profit growth. In the fiscal year ending March 31, 2017, KDDI plans to distribute an annual dividend of ¥80 per share, an increase of ¥10 per share compared with the previous fiscal year, in light of its higher new medium-term target for the dividend payout ratio. We accordingly intend to implement a double-digit increase in dividends per share for the sixth straight fiscal year, which will also be the 15th consecutive year of dividend increases.

KDDI buys back its own shares after growth investments. KDDI has disclosed it will buy back ¥100 billion of its own shares in the fiscal year ending March 31, 2017. KDDI aims to limit treasury stock to 5% of total shares outstanding, and will cancel any shares in excess of this amount. On May 18, 2016, KDDI already cancelled 2.62% of its treasury stock.

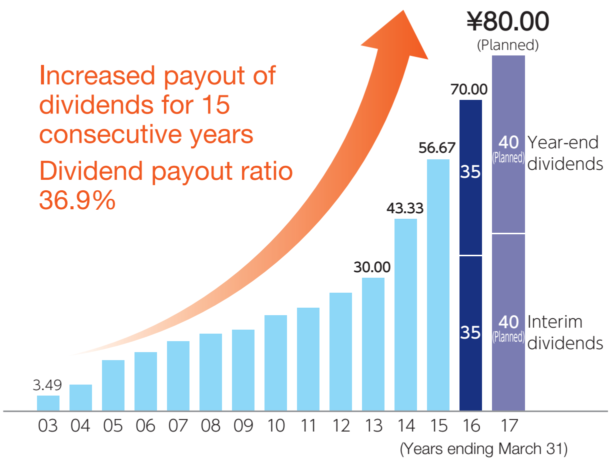
Financial Targets for the Next Three Years

“Achieve continuous growth and enhance shareholder returns”

Profit growth	Operating Income	Target operating income; CAGR 7%
	Gross Merchandise Value of “au Economic Zone”	Over ¥2 trillion by the fiscal year ending March 31, 2019
	M&A for growth	Approx. ¥500 billion over three years
Shareholder returns	Dividend payout ratio	Lift payout ratio from “above 30%” to “above 35%”
	Repurchase own shares	Implement after growth investment
	Cancellation of treasury stock	Limit the amount of treasury stock to 5% of total shares outstanding, and will cancel any shares in excess of this limit

Annual Dividends per Share

Plan to increase dividends in FY2017.3



* Figures adjusted to reflect stock split. (Figures are rounded down to within three decimal places)

The "KDDI Group Philosophy" Defines Our Behavior as a Corporation in Our Pursuit of Sustainable Growth

The "KDDI Group Philosophy" defines the code of conduct that should be followed and the common values that should be shared by all employees at the KDDI group.

By following the "KDDI Group Philosophy," KDDI aims to be a company appreciated and trusted by all of its stakeholders. As a telecommunications carrier managing social infrastructure that must work under all sorts of conditions, 24 hours a day, 365 days a year, KDDI is charged with the vital mission of providing reliable communications services to society. The telecommunications business could not exist without being able to borrow radio waves and other valuable assets that belong to the public. We would not be able to fulfill this responsibility in its entirety without all of our employees working together in unison in both mind and body. We are aware of our social responsibility to help solve problems faced by society with high aspirations. The "KDDI Group Philosophy" defines our corporate posture and how our employees should tackle issues at work.

As we have ambitiously developed global business in recent years, it has been essential that all of our employees take action with a shared set of values to generate synergies and strengthen ties between each business division. After revision of the "KDDI Group Philosophy" in 2013, KDDI has provided continued training courses to employees inside and outside Japan to spread the philosophy.

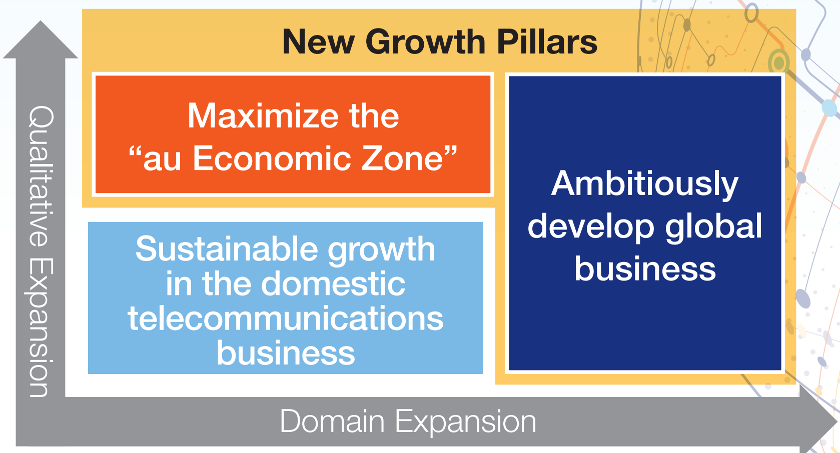
We will pursue our mission as a group of employees that share in the "KDDI Group Philosophy."

In Conclusion

For the fiscal year ending March 31, 2017, the first fiscal year of the new medium-term business plan, KDDI has set targets for growth in both sales and profits with operating revenue of ¥4.7 trillion (up 5.2% year on year), operating income of ¥885 billion (up 6.2%), and net income attributable to owners of the parent of ¥540 billion (up 9.2%).

We are determined to evolve into a "Life Design Company" that leads the new era while realizing sustainable growth and rapidly responding to changes in the business environment. With a stronger sense of urgency, we will make a concerted effort companywide in our aim to continue improving corporate value.

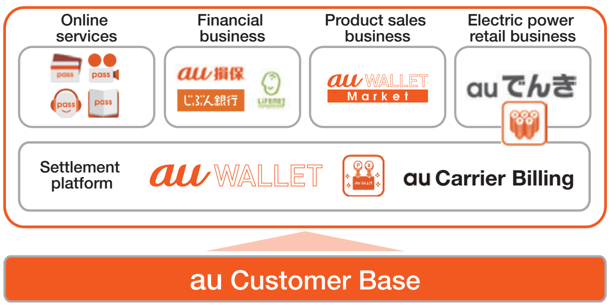
Establishing new growth pillars



1. Maximize the "au Economic Zone"

KDDI aims for maximization of the "au Economic Zone" as a new growth pillar in Japan amid maturation of the domestic telecommunications market and the unlikelihood of a significant increase in the number of subscribers.
In addition to sustainable growth in the domestic telecommunications business we will generate new revenues on the domestic telecommunications business base.

Expand and strengthen the au Economic Zone



2. Ambitiously develop global business

KDDI is ambitiously developing global business to establish a new growth pillar in anticipation of the market contraction expected with the decrease in population caused by the low birthrate and rapid aging of society, which is a long-term issue confronting the domestic telecommunications business.
We are aiming to expand our global business base, primarily in the consumer business centered on mobile, and in the ICT business targeting the corporate market.

1. Maximize the “au Economic Zone”*

* The “au Economic Zone” refers to a new economic zone, built on au’s customer base, that includes online content, offline convenience stores and settlement at physical stores, as well as commerce and financial services that extend across both online and offline environments.

Establishing a Payment Platform

In May 2014, we launched the “au WALLET” prepaid card service as a platform for generating revenues by augmenting revenue from conventional online carrier billing (= “au Simple Payment”) with offline service transactions (i.e. at physical shops); this was followed by the launch of the “au WALLET” credit card in October of the same year. As of the end of March, 2016, the number of valid “au WALLET” cards issued (prepaid cards and credit cards) reached 17.9 million, a number that continues to grow steadily.

Expand “au WALLET”

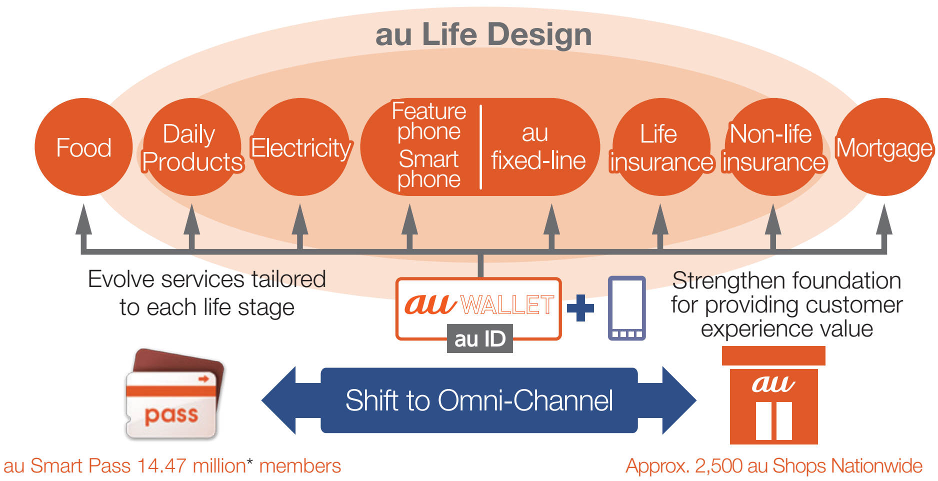
Prepaid card   Credit card

Transformation From a Telecommunications Company into a Life Design Company

In addition to our conventional telecommunications services, we are working to maximize synergies and expand the “au Economic Zone,” utilizing our existing domestic telecommunications business and settlement platform to provide a wide variety of services to customers at every stage of their lives under the banner of “au Life Design.”

In “au Life Design” KDDI provides food and daily products sold through “au WALLET Market,” a commerce business involving actual stores (au Shops), and “au WALLET Market powered by LUXA” online to provide a wide variety of products and services related to daily life. Moreover, in conjunction with the liberalization of the electricity retail market in April 2016, we started “au Denki,” a service that provides electric power we get from power companies in each region. Furthermore, with companies in which we have invested, KDDI also handles financial products as an agent for life insurance, non-life insurance and mortgage products through “au Insurances” and “au Mortgage.” In providing these products, we believe we will create new business opportunities in the coming age by leveraging our strength as a telecommunications operator, and by combining IoT and services.

Transforming to a “Life Design Company”



* As of March 31, 2016

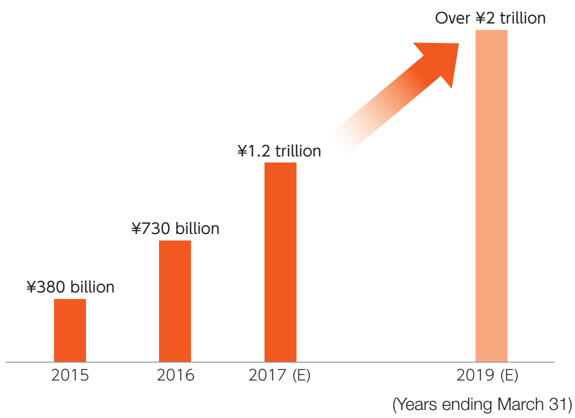
Contact with Various Customers

One of our strengths is our contact points with our customers. As of the end of March 2016, there were over 14.47 million members of our online contact point, “au Smart Pass,” as well as 2,500 au shops nationwide providing offline touch points, and we will work to advance an omni-channel approach by further strengthening and linking these touch points. In March 2016, we also consolidated Jupiter Shop Channel Co., Ltd., Japan’s largest television shopping firm, building further opportunities for new customer touch points.

Leveraging these unique contact points with customers, KDDI can in addition to au communications services, make proposals targeted toward customers tastes and interests for all sorts of products and services, including electricity, finance and commerce, as part of “au Life Design.” Bundling electricity and financial services with communications services as with the successful example of “au Smart Value” (discounts for bundled mobile and fixed-line communications services) raises expectations of a low churn rate, which is a feature of bundled services. If payment is made through “au WALLET Credit Card” and this becomes the customer’s main card, it can also be expected to build a circulation model for WALLET points and increase their transaction volume.

By strengthening these and other services, and building a circulating model for the WALLET points customers given to customers when they use our settlement platform, we aim to expand the total volume of transactions in the “au Economic Zone” from ¥730.0 billion in the fiscal year ended March 31, 2016, to ¥1.2 trillion in the fiscal year ending March 31, 2017, and onto ¥2 trillion in the fiscal year ending March 31, 2019, the final target year of our medium-term management plan.

Total transaction volumes in the “au Economic Zone”*1



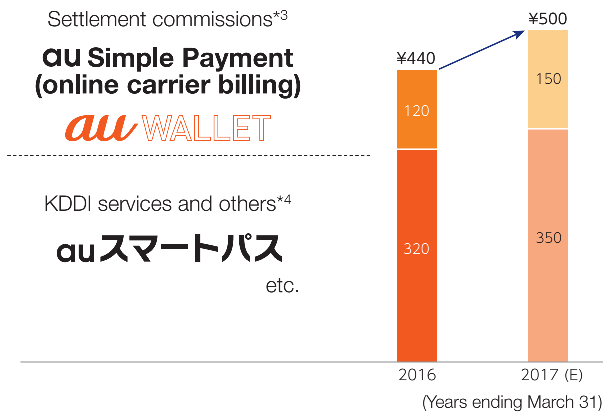
*1 Total amount indicated includes “au Simple Payment (online carrier billing)” and “au WALLET” in addition to the scale of economic activities from commerce, energy, finance and the like from au’s customer base

Expansion of Value-Added ARPA with Growth of the “au Economic Zone”

In the fiscal year ended March 31, 2016, value ARPA—value-added revenues sales per au customer—amounted to ¥440. Of this amount, KDDI services such as “au Smart Pass” accounted for ¥320, and settlement commissions from the two settlement platforms (“au Carrier Billing” + “au WALLET”) the remaining ¥120.

With the expansion of the “au Economic Zone,” “au WALLET” settlement fee revenue and revenue from “au WALLET Market” and other services will also increase, and we expect “value-added ARPA” in the fiscal year ending March 31, 2017 to rise 13.6% year on year to ¥500.

Value-Added ARPA*2



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

*3 Settlement commissions = Settlement commissions revenue of “au Simple Payment” (online carrier billing) and “au WALLET”

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

2. Ambitiously develop global business

Global Consumer Business

As of 2013, penetration of mobile phones had reached 94.4% worldwide where there had been just 12.1% in 2000. However, when it came to ownership of several SIM cards, the penetration rate was at just 48%* of the population worldwide, a rate that is expected to rise as 1.5 billion* new mobile users are added through the year 2020.

We are working to advance the international telecommunications business centered on mobile as an axis of growth for our global business.

* Source: 2015 White Paper on Information and Communications in Japan, Ministry of Internal Affairs and Communications

Myanmar: moving ahead with further improvements in network quality and reliability.

The telecommunications business in Myanmar, operated jointly by KDDI's subsidiary KSGM and MPT, adds mobile phone base stations, strengthens operations and improves network quality by expanding coverage areas, and service is now available in every state, with population coverage reaching 96% (as of March 2016). Future efforts will include additional expansion of coverage, enhanced communications quality, and a stronger customer support structure, combining with the expansion of highly convenient services to meet the strong demand for data.

Mongolia: Launched 4G LTE

In March 2016, KDDI acquired additional shares in MobiCom Corporation, which holds the top market share of subscribers in the Mongolian mobile phone market, and made it a consolidated subsidiary. The strength of MobiCom Corporation lies in its brand value, built on a customer reputation for security and reliability, and in the high quality of service it provides. In May 2016, it began offering 4G LTE service, as well as "MobiPlay," a video service utilizing a high-speed internet environment. We will continue to expand the area for 4G LTE and other services, contributing to the growth of a telecommunications society in Mongolia.

Utilizing the technology and expertise we have gained at home and abroad, with their strengths in quality and reliability, we will commit resources primarily to emerging countries with large populations and fast-growing economies and areas mainly where latent demand exists for upgrading the business model from 3G to 4G, contributing to improve quality of life and economic growth in the countries in which we invest.

Global ICT Business TELEHOUSE

Under the TELEHOUSE brand, KDDI deploys data centers in 48 locations spread across 24cities and 13 countries and regions of the world. TELEHOUSE, which began business in the U.S. in the 1980s, has a total floor area of 447,000m^2 across its data centers as of the end of March 2016. In the U.K., TELEHOUSE LONDON is moving to expand, with Docklands North Two (23,000m^2), a green data center utilizing the latest environmental technology, expected to open this summer.

In this age when the cloud is everything, data centers must address the conflicting issues of both high demand for electric power and concern for the environment. At the same time, providing the connection to carriers, ISPs and cloud service providers is one of the most essential criteria for customers when selecting a data center. To continue to be the first choice of customers, we will continue to expand the scope of our business as a premium data center operator, leveraging the high quality of our connectivity in the primary regional hubs where our customers deploy business.

Telehouse History (Excluding within Japan)

	1980's	1990's	2000's	2010's
US	1989 New York/Teleport	1997 New York/Broadway 1998 Los Angeles		2011 New York/Chelsea
Europe		1990 London/Docklands North 1996 Paris/Jeuneurs 1997 London/Metro 1999 London/Docklands East Paris/Voltaire	2009 Paris/Magny	2010 London/Docklands West 2011 Istanbul 2012 Frankfurt Moscow 2016 London/Docklands North Two
Asia			2000 Hong Kong Seoul 2008 Beijing/BEZ Singapore	2010 Hanoi Shanghai/Zhangjiang 2011 Hong Kong/CCC 2013 Beijing/BDA Shanghai/Jinqiao
Africa			2009 Cape Town	2010 Johannesburg

Governance

Reinforcing corporate governance is an important priority for achieving sustainable growth and increased corporate value over the medium to long term. KDDI is in accordance with the tenets of the "Corporate Governance Code" defined by the Financial Instruments Exchange Act. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making.

KDDI's Material Issues for CSR

KDDI has identified four material issues for CSR as priority tasks to be addressed.
Among the numerous issues we face in relation to our businesses, we identified those of highest concern to society and initiatives that we need to focus on to achieve sustainable growth that is in harmony with society.
For more detailed ESG information not included in this report, please refer to the following website.
http://www.kddi.com/english/corporate/csr/

Material Issue

Offering reliable information and communications services

- Provision of reliable information and communications services
- Response to and actions to be taken in the event of large-scale disasters

Material Issue

Vitalizing the Company by developing a diverse workforce

- Diversity
- Promoting diverse work styles
- Low childbirth and aging society
- Occupational safety and health

Material Issue

Creating a safe and secure information and communications society

- Safe and secure information and communications services and products
- Support for secured development of youth (e.g. measures against harmful content)
- Closing the digital divide for seniors

Material Issue

Initiatives to conserve the global environment

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

Governance

P31 **[Material Issue] Offering Reliable Information and Communications Services**

KPI:
Improvement on issues identified in disaster response training
Target: 100% → Result: 100%

Society

P32 **[Material Issue] Vitalizing the Company by Developing a Diverse Workforce**

KPI:
Number of female line managers (ratio of female line managers)
Target: 90 (7%) → Result: 94 (7.1%)

P34 **[Material Issue] Creating a Safe and Secure Information and Communications Society**

KPI:
KDDI Smartphone and Mobile Phone Safety Classes
Junior Course Satisfaction Level
Target: 90 points → Result: 93.5 points
Senior Course Understanding Level
Target: 83% → Result: 83.1%

Environment

P35 **[Material Issue] Initiatives to Conserve the Global Environment**

KPI:
Reduce Electric Power Consumption by the Fiscal Year Ending March 31, 2017 (compared with the level if energy-saving measures had not been implemented)
Target: 30% → Making progress on the basis of attaining the target

Executive Members

(As of June 22, 2016)

Directors

Tadashi Onodera

Chairman

Number of the Company's shares held: 241,200

Feb. 1948 Born
June 2001 President
June 2005 President and Chairman
Dec. 2010 Chairman
June 2013 Director, Kyocera Corporation (Current position)
June 2014 Director, Daiwa Securities Group Inc. (Current position)
June 2015 Chairman (Current position)

Takashi Tanaka*

President

Number of the Company's shares held: 53,200

Feb. 1957 Born
June 2007 Managing Executive Officer, Director
June 2010 Senior Managing Executive Officer, Director
Dec. 2010 President (Current position)
June 2013 General Manager, Corporate & Marketing Communications Sector (Current position)

Hirofumi Morozumi*

Executive Vice President, Director

Number of the Company's shares held: 28,400

May 1956 Born
June 2003 Managing Executive Officer, Director
June 2007 Senior Managing Executive Officer, Director
Apr. 2010 General Manager, Corporate Sector (Current position)
June 2010 Executive Vice President, Director (Current position)

Makoto Takahashi*

Executive Vice President, Director

Number of the Company's shares held: 25,000

Oct. 1961 Born
June 2007 Managing Executive Officer, Director
June 2010 Senior Managing Executive Officer, Director
Apr. 2016 General Manager, Value Business Sector, and Corporate Strategy Planning Division (Current position)
June 2016 Executive Vice President, Director (Current position)

Yuzo Ishikawa*

Executive Vice President, Director

Number of the Company's shares held: 37,200

Oct. 1956 Born
June 2010 Managing Executive Officer, Director
June 2011 Senior Managing Executive Officer, Director
June 2014 Senior Managing Executive Officer, Director
Apr. 2015 General Manager, Consumer Business Sector, Business Management, Solution Business, Media and CATV Business, and Product & Customer Service Sector (Current position)
June 2016 Executive Vice President, Director (Current position)

Hidehiko Tajima

Senior Managing Executive Officer, Director

Number of the Company's shares held: 12,500

Feb. 1954 Born
Apr. 2010 Executive Officer
Apr. 2013 Managing Executive Officer
June 2013 Managing Executive Officer, Director
Apr. 2016 General Manager, Global Business Sector (Current position)
June 2016 Senior Managing Executive Officer, Director (Current position)

Yoshiaki Uchida

Senior Managing Executive Officer, Director

Number of the Company's shares held: 11,700

Sept. 1956 Born
Apr. 2013 Executive Officer
Apr. 2014 Managing Executive Officer
June 2014 Managing Executive Officer, Director
Apr. 2016 General Manager, Technology Sector (Current position)
June 2016 Senior Managing Executive Officer, Director (Current position)

Takashi Shoji

Managing Executive Officer, Director

Number of the Company's shares held: 9,600

Sept. 1958 Born
Oct. 2010 Executive Officer
Apr. 2011 General Manager, Solution Business Sector (Current position)
Apr. 2014 Managing Executive Officer
June 2016 Managing Executive Officer, Director (Current position)

Shinichi Muramoto

Managing Executive Officer, Director

Number of the Company's shares held: 7,600

Mar. 1960 Born
Oct. 2010 Executive Officer
Apr. 2016 Managing Executive Officer Deputy General Manager, Corporate Sector (Current position)
June 2016 Managing Executive Officer, Director (Current position)

Tetsuo Kuba
Director

Number of the Company's shares held: 7,500

Feb. 1954 Born
June 2008 Director and Senior Managing Executive Officer of Kyocera Corporation
Apr. 2009 President and Representative Director, President and Executive Officer of Kyocera Corporation
Apr. 2013 Chairman of the Board and Representative Director of Kyocera Corporation (Current position)
June 2013 Director of KDDI (Current position)

Nobuyori Kodaira
Director

Number of the Company's shares held: 0

Mar. 1949 Born
June 2010 Senior Managing Director of Toyota Motor Corporation
June 2011 Director and Senior Managing Officer of Toyota Motor Corporation
June 2012 Executive Vice President of Toyota Motor Corporation
June 2013 Director of KDDI (Current position)
June 2016 Member of the Board of Directors of Toyota Motor Corporation (Current position)

Shinji Fukukawa
Director

Number of the Company's shares held: 4,800

Mar. 1932 Born
June 1988 Retired as Vice-Minister of Ministry of International Trade and Industry
Dec. 1988 Senior Advisor of Global Industrial and Social Progress Research Institute (Current position)
Nov. 2002 Chairman of Japan Industrial Partners, Inc. (Current position)
Nov. 2003 Administrative Director of Toyo University (Current position)
Dec. 2012 Chairman of Toyo University (Current position)
June 2014 Director of KDDI (Current position)

Kuniko Tanabe
Director

Number of the Company's shares held: 900

Apr. 1945 Born
Mar. 1973 Registered as attorney at law
Feb. 1982 Joined Tanabe & Partners, Partner (Current position)
June 2003 Audit & Supervisory Board Member of DAIDO METAL CO., LTD. (Current position)
June 2015 Director of KDDI (Current position)

Yoshiaki Nemoto
Director

Number of the Company's shares held: 0

Dec. 1945 Born
Apr. 1995 Professor, Graduate School of Information Sciences, Tohoku University
Apr. 2000 Head of Information Synergy Center, Tohoku University
Apr. 2004 Councillor of Educational Research Board, Tohoku University
Apr. 2008 Director, Tohoku University
Apr. 2012 Director General of Resilient ICT Research Center, the National Institute of Information and Communications Technology (NICT)
June 2016 Director of KDDI (Current position)

Audit & Supervisory Board Members

Hiroshi Kobayashi
Audit & Supervisory Board Member

Number of the Company's shares held: 10,800

Kouichi Ishizu
Audit & Supervisory Board Member

Number of the Company's shares held: 10,600

Akira Yamashita
Audit & Supervisory Board Member

Number of the Company's shares held: 0

Kakuji Takano
Audit & Supervisory Board Member

Number of the Company's shares held: 0

Nobuaki Katoh
Audit & Supervisory Board Member

Number of the Company's shares held: 0

* Directors with representative rights

Outside directors and Audit & Supervisory Board members

Independent directors and Audit & Supervisory Board members

Composition of Directors and Advisory Committees

Name	Newly appointed	Representative right	Independent	Outside	Execution of business	Nomination Advisory Committee	Remuneration Advisory Committee	Other
Tadashi Onodera						○	○	Chairman of Board of Directors
Takashi Tanaka		○			○	○	○	
Hirofumi Morozumi		○			○			
Makoto Takahashi		○			○			
Yuzo Ishikawa		○			○			
Hidehiko Tajima					○			
Yoshiaki Uchida					○			
Takashi Shoji	○				○			
Shinichi Muramoto	○				○			
Tetsuo Kuba				○		○	○	Chairman of Remuneration Advisory Committee Vice Chairman of Nomination Advisory Committee
Nobuyori Kodaira				○		○	○	Chairman of Nomination Advisory Committee Vice Chairman of Remuneration Advisory Committee
Shinji Fukukawa			○	○		○	○	
Kuniko Tanabe			○	○		○	○	
Yoshiaki Nemoto	○		○	○		○	○	

Basic Views on Corporate Governance

As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operator, our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.

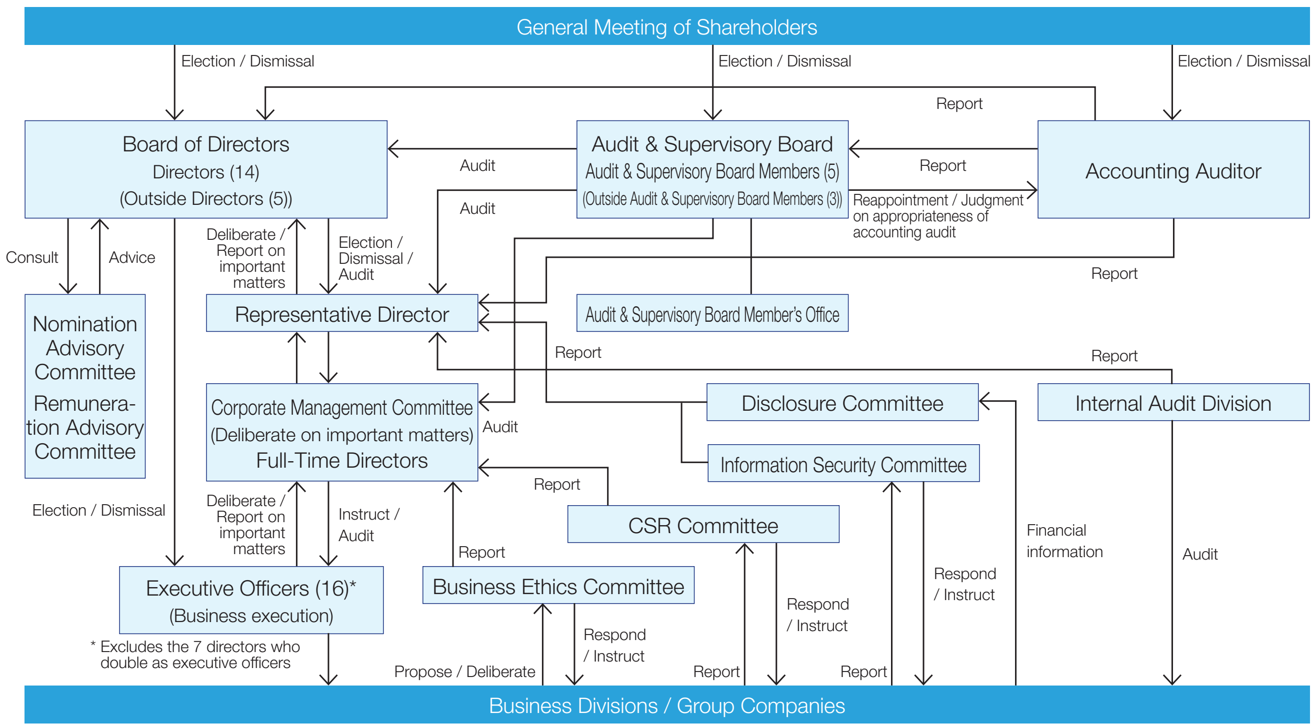
Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders, including customers, shareholders, business partners, employees, and local communities and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and truly connected society.

We recognize reinforcing corporate governance as important to achieving sustainable growth and increased corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the “Corporate Governance Code” defined by the Financial Instruments Exchange Act. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making.

In addition to our corporate credo and mission statement, we have formulated the “KDDI Group Philosophy,” which defines perspectives, values, and code of conduct that officers and employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.

By proactively adhering to Japan’s Corporate Governance Code and practicing the KDDI Group Philosophy, which we consider inseparable from the standpoint of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increased corporate value over the medium to long term.

Corporate Governance Framework (As of June 22, 2016)



Reasons for Adoption of Current Corporate Governance System

The Company is a company with an Audit & Supervisory Board. From the perspective of the “proper and efficient business execution” and “appropriate auditing and supervision functions” expected of corporate governance, the Company has appointed multiple outside directors and has adopted an Audit & Supervisory Board and other systems that include a majority of outside Audit & Supervisory Board members.

Regarding “proper and efficient business execution,” the Company believes swift decision-making by the Board of Directors, centered on internal directors, points to a high level of efficiency. With respect to “appropriate auditing and supervision functions,” the Company believes that its auditing and supervision functions are functioning appropriately, as outside executives—including independent executives—perform checks of the bodies performing business execution from diverse perspectives. In particular, Audit & Supervisory Board members have no Board of Directors voting rights, enabling them to audit the execution of duties by directors objectively. Furthermore, we believe independent outside auditors are able to conduct audits from a perspective independent from other members of the management team.

Changes in the Corporate Governance Framework

(Year)

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
President		Yuusai Okuyama*1	From June 2001 Tadashi Onodera										From December 2010 Takashi Tanaka					
Directors*2	Number of directors	53*3	13	12	11						10	13	12			13		Now 14 people
	Number of outside directors			2	3			4	3				2			3	4	Now 5 people
	Number of independent directors															1	2	Now 3 people
Assurance of diversity*2	Number of female directors																1	Now 1 person
Establishment of Advisory Committee													Remuneration Advisory Committee established in 2011				Nomination Advisory Committee established in 2015	
Transparency in executive remuneration				Introduction of a stock option system in 2002									Remuneration Advisory Committee established in 2011 Introduction of a performance-based bonus system for executives in 2011				Introduction of stock compensation plan for directors in 2015	
KDDI Group Philosophy		Enactment in October 2000												Revision project from 2012 to 2013	Revised, continued promotion activities from 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 Officers and Principal Activities

Name	Reason for appointment as an outside director of the Company	Principal activities
Tetsuo Kuba	Mr. Kuba has abundant experience and superior knowledge stemming from his roles as managers in listed companies. We wish to leverage this experience and knowledge in the supervision of the Company's business activities and in its decision making. Accordingly he has again been appointed as a director.	Attended 11 of the 12 meetings of the Board of Directors (92%)
Nobuyori Kodaira	Mr. Kodaira has abundant experience and superior knowledge stemming from his roles as manager in listed companies. We wish to leverage this experience and knowledge in the supervision of the Company's business activities and in its decision making. Accordingly he has again been appointed as a director.	Attended 12 of the 12 meetings of the Board of Directors (100%)
Shinji Fukukawa	Mr. Fukukawa has abundant experience and superior knowledge he has gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. We wish to leverage this experience and knowledge to contribute to the enhancement of the Company's corporate value. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent director.	Attended 12 of the 12 meetings of the Board of Directors (100%)
Kuniko Tanabe	Ms. Tanabe has abundant experience and superior knowledge, cultivated as the partner at a law office. From the perspective of leveraging this knowledge and experience to contribute to the sustainable growth of the Company, she has again been appointed as a director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has been appointed as an independent director.	Attended 10 of the 10 meetings of the Board of Directors (100%)
Yoshiaki Nemoto	Mr. Nemoto has a high level of knowledge in information processing, communications and network engineering, which is directly relevant to the business of the Company, as well as a deep understanding of disaster prevention that is valuable for the operation of our business. From the perspective of leveraging this knowledge and experience to enhance the corporate value of the Company, he has been appointed as a director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent director.	—

Name	Reason for appointment as an outside Audit & Supervisory Board member of the Company	Principal activities
Akira Yamashita	Mr. Yamashita has cultivated, abundant experience and knowledge gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly has been appointed as an independent auditor.	—
Kakuji Takano	Mr. Takano has abundant experience as a Certified Public Accountant, as the representative of an accountancy firm and as an auditor for other companies, in addition to which he has cultivated extensive experience and knowledge in the execution of business at various organizations. From the perspective of leveraging this primarily accounting-related knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	—
Nobuaki Katoh	Mr. Katoh has abundant experience as a director of listed companies, and has extensive experience and knowledge as an auditor and through execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, has been appointed as an Audit & Supervisory Board member. Furthermore, with his background we judge there to be no risk of a conflict of interest with general shareholders and accordingly has been appointed as an independent auditor.	—

Advisory Committee

KDDI has formed a Nomination Advisory Committee and a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors to maintain both transparency and objectivity on the system of nomination of executive candidates and Audit & Supervisory Board member candidates and the level of remuneration for executives.

The Chairman, Vice Chairman and half or more of the members of these committees are outside directors.

Policy and Procedures for Determining Nomination as Directors or Audit & Supervisory Board Members

The nomination of director and Audit & Supervisory Board member candidates involves deliberation by the Nomination Advisory Committee following a selection of candidates based on the below-stated standard. In addition, Audit & Supervisory Board member candidates are approved by the Board of Directors following approval by the Audit & Supervisory Board.

Directors Candidates

People who satisfy any of the following:

- Specialist knowledge or experience in various fields of business
- A shareholder's perspective and management knowledge
- Highly degree of independence and specialist knowledge appropriate for supervising

Audit & Supervisory Board Member Candidates

- People who are able to supervise overall management from a perspective independent from directors and who have the extensive experience and broad-ranging insight to enhance audit appropriateness.

Decision Standards for Independence of Outside Executives

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

Policy on Transactions Between Related Parties

In accordance with the Companies Act, the Company requires competitive or conflict-of-interest transactions by directors to be approved by and reported to the Board of Directors.

Individual transactions with major shareholders are conducted in accordance with "Appropriate Accounting and Adherence to Agreements," one of the basic principles of the KDDI Code of Business Conduct. In line with this principle, such transactions are decided upon in the same manner as other transactions, through internal requests for decision, rather than by setting special standards. In addition, internal requests for decision are checked by Audit & Supervisory Board members.

The representative director of Kyocera Corporation, which is a major shareholder of the Company, serves as outside director of the Company. Accordingly, we strike a balance between comprehensive approval by the Board of Directors and internal requests for decisions on individual transactions.

Matters for Resolution by the Board of Directors

At KDDI, Board of Directors resolutions determine:

- Matters prescribed by the Companies Act or other laws and regulations,
- Matters prescribed by the Articles of Incorporation,
- Matters delegated for resolution at the general shareholder meeting, and
- Other important management-related matters.

For other important management-related matters, their importance is determined according to such factors as the scale of money, business, assets, and investment involved.

These decision standards for importance are not permanent. Rather, they are reviewed appropriately in accordance with changes in the legal system and the environment in which the Company operates, with the aim of ensuring management speed and effectiveness.

Analysis and Evaluation of the Effectiveness of the Board of Directors

The Board of Directors conducts an evaluation and discussion every year of its effectiveness aimed at helping to improve its effectiveness.

In the fiscal year ended March 31, 2016, the Company used questionnaires to evaluate its Board of Directors in order to obtain an objective understanding of the Company's situation by eliciting the opinions of outside directors and part-time Audit & Supervisory Board members who have the knowledge and experience that enables them to make comparisons of Boards of Directors at listed companies and who understand actual conditions at the Company's Board of Directors.

As a result, through spirited discussion including proactive opinions and advice from inside and outside executives, the Company's Board of Directors conducted decision-making and received evaluations based on objective and multifaceted perspectives. Accordingly, the Company believes its Board of Directors is functioning effectively.

However, while we believe that the monitoring of annual and other plans is sufficient, we have received opinions stating "The strategy for medium-to long-term growth requires more extensive discussion" and "Receiving information on matters for deliberation in advance would allow for more appropriate deliberations."

Based on these comments, the Company is working to enhance the effectiveness of its Board of Directors and make ongoing improvements.

Policy on Strategic Shareholdings

KDDI believes that participating in tie-ups with a variety of companies is essential to providing its customers with increasingly diverse and advanced services.

To this end, our basic policy is to engage in cross-shareholdings after comprehensively judging that such holdings will contribute to KDDI's business and support the sustainable growth and increased corporate value of the entire KDDI Group over the medium to long term.

Accordingly, if determined to be necessary given such factors as the scale and importance of these holdings, the purpose and rationality of such holdings is explained to the Board of Directors.

There are no cross-shareholdings between KDDI and its investors for the sake of holding each other's shares. (However, there may be some cross-shareholding for form's sake if the company invested in has acquired the Company's shares on the open market).

Standards for Ensuring Appropriate Exercise of Voting Rights on Strategic Shareholdings

Given the extensiveness and diversity of the KDDI Group's businesses, we believe that setting uniform standards throughout the Company could impair the corporate value of companies issuing such shares, as well as of the KDDI Group. For this reason, while respecting the intentions of share-issuing companies we set as our standard for exercising voting rights the sustainable growth and increased corporate value of the entire KDDI Group over the medium to long term, taking into overall consideration such factors as periodic business results and the results of dialogue with issuing companies.

To guard against decisions skewed toward short-term business interests, we have created a process for exercising voting rights that involves checks by the management team, thereby ensuring that management decisions are made from a companywide perspective.

Executive Remuneration

To clarify directors' management responsibilities and enhance incentives for business improvement, at the 27th Annual Shareholders Meeting on June 16, 2011, a system was introduced to link executive bonuses from the fiscal year ended March 31, 2012, onward to the business results of the KDDI Group within 0.1% of consolidated net income during the applicable fiscal year.

In addition, at the 31st Annual Shareholders Meeting on June 17, 2015, the introduction of a stock compensation plan was approved, and this system commenced operation on September 1, 2015. The percentage of remuneration that is performance-linked increased as a result. The KDDI Group sets director remuneration systems and levels in a manner that allows it to respond swiftly to environmental changes while taking into account directors' responsibilities for the management targets of achieving sustainable growth and increased corporate value over the medium to long term.

Note: A decision was reached at the 22nd Annual Shareholders Meeting, 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 the fiscal year ended March 31, 2011.

Policy for Determining Compensation of Directors and Audit & Supervisory Board Members

The Remuneration Advisory Committee discusses compensation for directors and Audit & Supervisory Board members to maintain both transparency and objectivity of the system of and the level of remuneration for executives.

Directors

Remuneration for directors consists of fixed-amount salaries and performance-linked executive bonuses and stock remuneration provided that they are responsible for improving business results every fiscal year, as well as medium- to long-term corporate value. Fixed-amount salaries are based on such factors as directors' professional ranking and the management environment. Executive bonuses and stock remuneration are based on the KDDI Group's level of achievement of its performance targets for each fiscal year, as well as on individual directors' roles.

Audit & Supervisory Board Members

Remuneration of Audit & Supervisory Board members is determined in consultation with Audit & Supervisory Board members. These members receive fixed compensation that is not affected by fluctuations in the Company's operating performance.

Remuneration for Executive Members

Total remuneration by executive classification, number of recipients, and total remuneration by type

Executive classification		Total remuneration (millions of yen)	Number of recipients (people)	Total remuneration by type (millions of yen)		
				Basic remuneration	Bonus	Stock compensation
Directors	Outside Directors	44	4	44	—	—
	Directors other than the above	622	10	370	140	111
	Total	665	14	414	140	111
Audit & Supervisory Board members	Audit & Supervisory Board members	43	3	43	—	—
	Audit & Supervisory Board members other than the above	47	2	47	—	—
	Total	90	5	90	—	—

* The maximum monthly remuneration for directors is ¥50 million.
* The maximum annual remuneration for the Audit & Supervisory Board members is ¥100 million (based on the Company's business year).
* Remuneration amounts include bonuses for directors (except for outside directors), introduced in June 2011 and that were defined as being linked to performance and no more than 0.1% of net income attributable to owners of the parent.
* A stock compensation plan for directors was introduced in September 2015.
* In addition to the above, directors and Audit & Supervisory Board members received a retirement allowance in connection with the cancellation of the executive retirement bonus system.

Total remuneration of persons receiving total remuneration of ¥100 million or more

Name	Executive classification	Company classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)		
				Basic remuneration	Bonus	Stock compensation
Takashi Tanaka	Directors	KDDI	119	70	27	22

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 executives and 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 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

KDDI Code of Business Conduct (Basic Principles)
http://www.kddi.com/english/corporate/kddi/philosophy/principle/

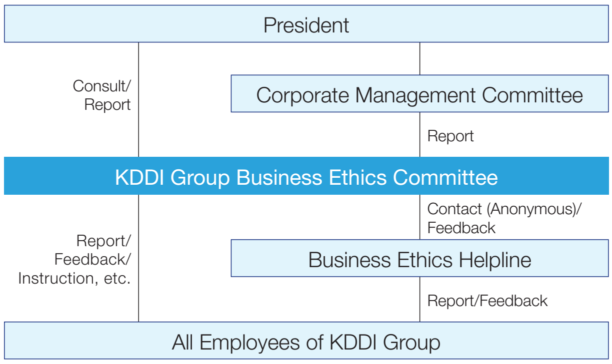
Compliance Promotion System

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.

Compliance Framework



Rules for Processing Internal Reports (Business Ethics Helpline)

KDDI established the Business Ethics Helpline in 2006 to serve as a contact point for all employees of KDDI, KDDI Group companies, and business partners who have questions or concerns about business ethics and legal compliance. The helpline can receive reports through an internal contact point or an external contact point established in collaboration with external experts. Furthermore, we have established internal regulations in response to the Whistle-Blower Protection Act, enacted in Japan in April 2006, and have made it possible to make reports anonymously. We actively conduct educational activities on how to use the helpline.

In the fiscal year ended March 31, 2016, the helpline received 27 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.

KDDI Group Tax Compliance and Anti-Avoidance Initiatives

The KDDI Group pursues the enhancement of customer satisfaction and profit and also strives to fulfill its corporate responsibility by maintaining and enhancing its international tax compliance. Specifically, we comply with international rules and tax related laws and regulations in each country and region, and pay tax appropriately.

In addition, steps are being taken in various countries, including Japan, to respond to tax revisions related to base erosion and profit shifting (BEPS) in accordance with various BEPS plans and KDDI pays taxes that match its economic activities, place of value creation and area in which taxes are paid.

KDDI strives to file appropriate tax returns and pays taxes complying with local tax systems in the respective companies in which it does business while preventing transfer of tax sources to countries or regions that excessively reduce tax burdens or do not levy taxes (so-called tax havens).

In the fiscal year ended March 31, 2016, KDDI paid ¥253,649 million in corporate income tax, a tax rate of 31.0% against income before income taxes.

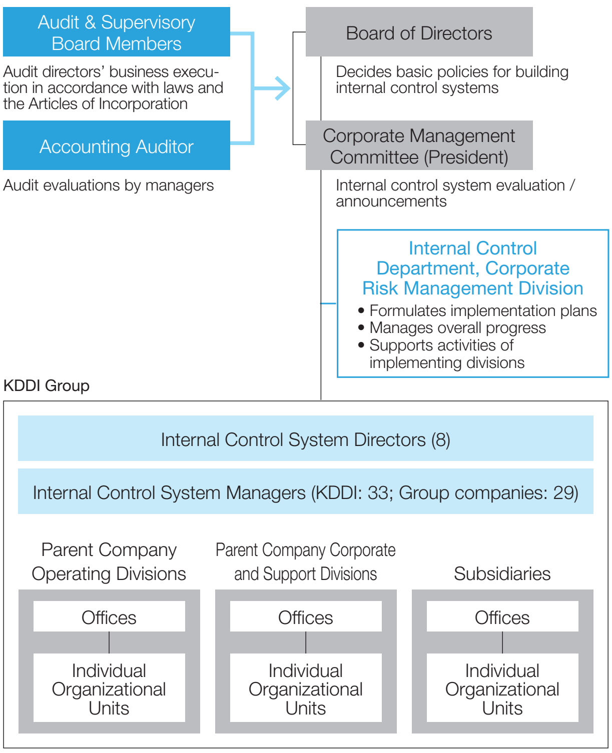
KDDI's Risk Management and Internal Control Systems

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 realize sustainable growth across the entire Group, KDDI and its Group companies, including subsidiaries and other affiliates, operate and maintain a Groupwide internal control system, and engage in 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 the fiscal year ended March 31, 2016, 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 homogeneity of our products and services to those of our competitors, and new business domains. We worked to foresee risks and reduce significant risks and conducted internal audits as a risk approach.

Internal Control Systems



Response to Internal Control Reporting System

To ensure trust in financial reporting, KDDI and the main Group companies in and outside of Japan have constructed an internal control system and conducted internal control system assessments as a response to the internal control reporting system applicable under the Financial Instruments and Exchange Act that has been in place since the fiscal year ended March 31, 2009. Assessment results are summarized in an internal control report, which was submitted to the prime minister in June 2016 and disclosed to investors.

Protection of Intellectual Property

KDDI has formulated the creation and protection of the company's intellectual properties and respect for others' intellectual properties as a basic principal under the KDDI Code of Business Conduct.

Furthermore, KDDI has also determined Intellectual Property Handling Regulations for the appropriate management and utilization of its commercial property rights, including inventions, ideas, designs, and trademarks, copyrights on software and other materials, and technological expertise and other rights protected under the Unfair Competition Prevention Act.

As of the end of March 2016, KDDI owns about 2,000 patents in Japan and about 250 overseas due to its research and development to accelerate communication speeds through such means as LTE and 5G, and for security technologies protecting personal information as part of efforts to deliver to customers faster, higher quality, safer and more secure communication services. Looking ahead, we will strengthen our intellectual property to increase competitiveness in Japan and overseas.

Strengthening Information Security

KDDI is reinforcing its information security to prevent any leakage of the information it retains for some 45.91 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.

In April 2009, we acquired information security management system (ISMS) certification* (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 the fiscal year ended March 31, 2013, we formulated regulations for KDDI Group companies based on the KDDI Group Information Security Standards that we formulated in the fiscal year ended March 31, 2012. Since the fiscal year ended March 31, 2014, 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.

* 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.

Disclosure and IR

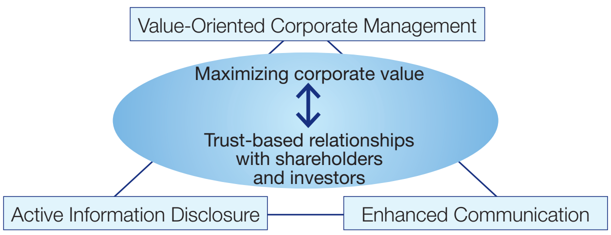
The Company is fully committed to undertaking fair and timely disclosure in an easily understandable manner of any information that could have a material bearing on the investment decisions of investors. Such disclosure is conducted on an ongoing basis, and is focused on the requirements of shareholders 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 IR Basic Policy*1 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.

*1 IR Basic Policy is an item for resolution by the Board of Directors.

IR Basic Policy

KDDI places top management priority on building a trusting relationship with its shareholders and investors, ensuring value-oriented corporate management, active information disclosure, and enhanced communication.



Three IR Activity Guidelines

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

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 the Fiscal Year Ended March 31, 2016

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.

In recognition of these initiatives, KDDI was ranked No. 1 in the Best IR Professionals Communications Category and No. 2 in the Best IR Companies Communications Category in Institutional Investor magazine's Best IR Company Rankings 2016.

Results of IR Activities in the Fiscal Year Ended March 31, 2016

(Times)

Individual meetings with institutional investors	977
Financial results briefings	4
Overseas road shows	11
Seminars for individual investors*2	62

*2 Includes seminars for individual investor sales staff of securities companies

Active Information Disclosure

KDDI provides webcasts of its results presentations on its website, and also posts an English-language version of its results presentations. Earnings reports, financial statements and operational data, information related to corporate governance, and other types of disclosure documents are made available. Information is prepared for use on multiple devices, including various web browsers, smartphones, and tablets.

KDDI's IR activities earned strong praise during the fiscal year ended March 31, 2016. We were recognized through the receipt of the "Internet IR Best Company Award in 2015," by Daiwa Investor Relations Co., Ltd. We also ranked third in the "Gomez IR Website Overall Ranking 2015" by Morningstar, Inc., and fifth of all listed companies in Japan for the HP Depth Ranking by Nikko Investor Relations Co., Ltd.

[Material Issue] Offering Reliable Information and Communications Services

In an advanced information society, communications services are the most important lifeline, and the disruption of those services due to natural disaster or cyber-terrorism can be a major factor behind a downturn in society and the economy itself. To continue providing reliable communications services 24 hours a day, 365 days a year, KDDI has decided on a business continuity plan (BCP) for responding to large-scale disasters and built a robust infrastructure to detect, analyze and defend against cyber-attacks.

KPI for the Fiscal Year Ended March 31, 2016

Improvement on issues identified in disaster response training

Target: **100**% ▶ Result: **100**%

Service Quality Management Structure

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.

PLAN (Aim & Standard)

Product quality + Establishment and updating of quality standards (Planning quality, design quality, compliance quality, operational quality)

DO

Building of facilities based on product quality (Network building, monitoring equipment, operation system, etc.)

CHECK

Analyze level of satisfaction with quality standards (Availability rate, failure rate, customer satisfaction, etc.)

ACTION

Take steps to deal with items that fail to meet quality standards

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 includes various measures designed to "confirm the safety of employees and their families" and to "carry out the Company's responsibility of continuing telecommunications services as a designated public institution." Specifically, the 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 March 2016, 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 "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. The training will help us to build a more robust foundation for disaster response measures by shedding light on issues and points for improvement that will be reflected in our BCP for Large-Scale Disasters in the future.

Disaster response training using communications equipment to link all divisions and branches nationwide

[Material Issue] Vitalizing the Company by Developing a Diverse Workforce

To achieve sustainable corporate growth amidst accelerating globalization in response to declining population brought about by a declining birthrate and rapid and aging, and other dramatic changes in the business environment, KDDI is working to create a corporate culture in which employees of diverse individual characteristics and values, including gender, age and nationality, can respect and understand one another.

KDDI also believes that the professional advancement of women is essential to responding flexibly to diversifying customer needs and changing markets and we focus on cultivating and promoting female leaders, while offering diverse working arrangements to support their professional advancement in a variety of ways.

KPI for the Year Ended March 31, 2016

Number of Female Line Managers
(Ratio of female line managers)

Target: 90 (7%)

Result: 94 (7.1%)

KDDI's Management

With the goal of transforming into a "Life Design Company", as set forth in our new Medium-Term Targets for the fiscal years ending March 31, 2017 to 2019, KDDI has established four frameworks, one of which is to build a stronger workforce. This includes utilization of diverse human resources, and promoting the professional advancement of women is one of those goals.

Building a stronger workforce	Introduction of talent management
	Shift of key personnel to strategically important divisions
	Global human resource cultivation
	Utilization of diverse human resources

Approach to Human Resource Development

To achieve the world KDDI envisions for its business, it is essential that we strengthen our business foundations, as well as take on the challenge of creating new value unique to KDDI centered around information and communications.

In human resource development, we make a variety of training programs available to provide opportunities for employee growth. As KDDI believes that individuals who are strongly driven toward self-directed growth and becoming agents of change, are more inclined towards self-development, rather than taking a passive approach.

For newly hired college graduates, we consider the first three years a time for developing their foundations as KDDI team members, and we require them to attend training once a year. Induction training focuses on learning the basics. Following job assignments, second year training primarily focuses on logical thinking, the foundation for the methods and concepts behind their work. Finally, third year training is designed to enhance practical skills associated with the ability to take action.

Cultivating and Promoting Female Leaders

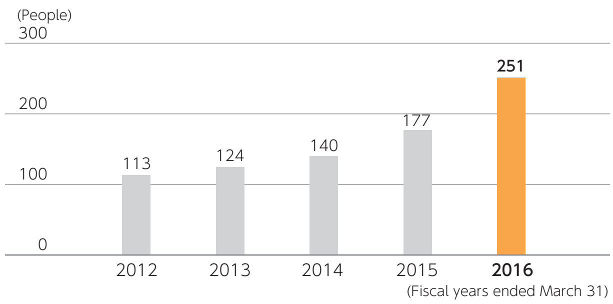
Since the fiscal year ended March 31, 2013, we have focused on cultivating female leaders, aiming to provide a place for them to participate in corporate decision-making and thereby reinforcing our power as a company.

Specifically, we set a goal for the fiscal year ended March 31, 2016 of promoting a total of 90 women to positions as line managers[*1] (with female line managers then accounting for 7% of the total). To this end, we implemented a program for promoting female line managers from the fiscal year ended March 31, 2013 to the fiscal year ended March 31, 2015, and conducted programs involving workplace training, group training, study sessions and communication with role models. In group training sessions, the president and other Board members participated in roundtables, providing evaluations of presentations. As a result, we achieved our KPI, with 94 female line managers as of the end of March, 2016 (a ratio of female line managers of 7.1%), and we have since established a new goal of promoting a total of 200 women to line management positions by the fiscal year ending March 31, 2021.

Status as of March 31, 2016	
Number of female managers[*2]	251
Number of female line managers[*1]	94
Female officers[*3]	1

We are also expanding our initiatives to cultivate female managers, which serve as the foundation for developing female leaders. The number of female managers is 251, as of March 31, 2016, an increase for the 10th consecutive fiscal year. Beginning in the fiscal year ending March 31, 2017, we also began a program that aims to build a career pipeline by targeting junior female employees for possible promotion to management positions. We are advancing programs designed to produce female leaders with the goal of cultivating and promoting female executives and leaders.

Number of Female Managers



Selected as a “Nadeshiko Brand” for the Fourth Consecutive Year

In the fiscal year ended March 31, 2016, KDDI was selected as a “Nadeshiko Brand” for the fourth consecutive year, following the fiscal years ended March 31, 2013, 2014, and 2015. This designation is conferred on listed companies that take proactive steps to encourage the success of women. We were also designated by the Ministry of Economy, Trade and Industry (METI) for inclusion in its Diversity Management Selection 100, which, along with the “Nadeshiko Brand” award, marks KDDI’s first double award.

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 the fiscal year ended March 31, 2013.

The Diversity Management Selection 100 is an award conferred by METI on companies that enhance corporate value by embracing diversity in management, and has been offered since the fiscal year ended March 31, 2013. In the fiscal year ended March 31, 2016, METI began the New Diversity Management Selection 100, establishing new priorities including innovation in working styles, expanded fields of work, and the participation of foreigners in the workplace.

Also, in this program we also conduct e-learning course to help female leaders fulfill their potential.

*1 Organizational leaders with the authority to conduct personnel evaluations
*2 Including KDDI employees on loan outside of the company in addition to full-time KDDI employees
*3 Outside Directors

Establishing a System of Executive Assistants

As a method of providing instruction on management techniques, in the fiscal year ended March 31, 2013 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. As of the fiscal year ended March 31, 2016, 43 people had experience as an executive assistant, including 11 employed as executive assistants in the fiscal year ended March 31, 2016.

Following their experience as assistants, these employees are appointed to line managers 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.

Global Cultivation of Top-Level Executives and Next-Generation Executives

In the second half of the fiscal year ended March 31, 2016, we also began our new Global Intensive Program (GIP) and Global Intensive Program Junior (GIPJr.) for executive training. The goal of the program is to develop executives capable of managing our global business in global locations.

Participants in the GIP program spend six months away from their work, engaged in training overseas and in Japan. Upon completion of that training, they are assigned to new divisions and duties. Training for employees under the GIPJr. program takes place in Japan in parallel with their duties, requiring strong time management skills.

In the fiscal year ended March 31, 2016, a total of 15 employees participated in the training, 5 in the GIP program and 10 in GIPJr., learning the skills required for global personnel. Based on the results, we doubled the number of participants for the fiscal year ending March 31, 2017, and expanded training and preparation periods under the programs.

Supporting the Cultivation of Human Resources at Partner Companies

Holding the “au CS AWARDS”

The “au CS AWARDS” are held in various locations across Japan every year. The award program started in 2004 and is designed to achieve a higher level of customer satisfaction with au shops by enhancing the customer service skills of au shop staff.

The awards for the fiscal year ended March 31, 2016 were held around the theme of “My best customer service experience ever.” Outstanding au shop staff shared their ideas about everyday customer service with the goal of spreading positive examples of customer service, and by turning the entire venue into an opportunity for learning, gained additional ideas that will help to maximize customer satisfaction.

For the fiscal year ending March 31, 2017, the event is scheduled to be held around the theme of “Presenting and learning practical customer service skills to create the best purchasing experience for the customer.”

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 smartphones and mobile phones, are making society more convenient. At the same time, they can lead to trouble for children and other issues continue to be a concern, such as widening the digital divide among seniors.

By providing safe, secure, enjoyable products and services to all customers, including socially vulnerable groups such as children and seniors, KDDI aims to be the company of choice.

KPI for the Fiscal Year Ended March 31, 2016

KDDI Smartphone and Mobile Phone Safety Classes

Junior Course Satisfaction Level
Target: 90 points ▶ Result: 93.5 points

Senior Course Understanding Level
Target: 83 points ▶ Result: 83.1 points

KDDI Smartphone and Mobile Phone Safety Classes

KDDI, Okinawa Cellular, and KDDI Group Welfare Association* have been conducting "KDDI Smartphone and Mobile Phone Safety Classes" throughout Japan since the fiscal year ended March 31, 2006 as a way to educate children on the safe and secure use of smartphones and mobile phones. The classes provide necessary information on rules and etiquette and teach children how to identify and protect themselves from trouble.

In the fiscal year ended March 31, 2016, we held 3,834 classes for elementary, junior high school, and high school students, as well as their guardians and teachers, representing a 17% year-on-year increase, and some 680,000 people attended the classes. From the time classes began in FY2005 through to the end of the fiscal year ended March 31, 2016, we had conducted these classes 17,013 times, for some 3.05 million people.

Children's use of smartphones, mobile phones, and the Internet for communications is becoming more sophisticated and diverse year by year. KDDI reevaluates its programs on an annual basis, using video explanations and updating materials and other content to incorporate learning materials that will further stimulate children's awareness.

In our programs for seniors, we also offer a Smartphone Course for Seniors and a Tablet Course for Seniors targeting people mainly under the age of 70 who either did not own a smartphone or who had a smartphone but did not know how to use it.

For these courses, KDDI employees serve as instructors, holding classes at regional facilities in coordination with municipal authorities. Each participant on the courses is loaned an au smartphone or tablet, and images of people actually performing the various operations are projected onto a screen, helping participants to learn the basics of operating smartphones and tablets and gain experience in sending e-mail and using the Internet. In the fiscal year ended March 31, 2016, these classes were held 202 times, with approximately 3,200 people participating. Based on requests from many of the participants, in the fiscal year ending March 31, 2017 we plan to establish a new "Disaster Readiness Course" as well.

We will continue to listen carefully to participants' comments as we help seniors learn how to use smartphones and mobile phones enjoyably, safely, and securely.

Mobile phone class held in cooperation between industry, academia and government


KDDI Smartphone and Mobile Phone Safety Class for seniors

* In the fiscal year ended March 31, 2016, KDDI and Okinawa Cellular held classes at elementary and junior high schools in collaboration with the KDDI Group Welfare Association

Approach to Digital Inclusion

Under the government's "i-Japan Strategy 2015" announced in 2009, "digital inclusion" is defined as "a society in which digital technologies are accepted like air and water, without resistance, creating a condition of digital inclusion throughout the economy and society."

In line with this concept, KDDI focuses its activities on the following three pivot points, as it works to play a role in ensuring that ICT becomes a natural part of society, enabling users to lead secure, safe, comfortable lives without being actively aware of digital technologies.

1. **Developing easy-to-use products and services**
   We aim to provide products and services that can easily be used by people with disabilities, seniors, and others.
2. **Creating a secure, safe environment**
   In addition to maintaining the communications environment, we will examine ways to make systems and rate plans easier to use.
3. **Acquiring skills for comfortable acceptance of ICT**
   We will conduct IT training and awareness programs aimed at contributing to improved consumer information literacy.

[Material Issue] Initiatives to Conserve the Global Environment

As a telecommunications company, KDDI has the important responsibility of providing uninterrupted communications services 24 hours a day, 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. This move reduces the amount of electricity required to operate base station facilities and data centers, which should lead to higher profits.

Furthermore, there are ongoing initiatives against global warming to cut greenhouse gas emissions. As a result, in addition to ensuring ongoing service quality, these efforts prepare for future environmental risk.

KPI for the Fiscal Year Ending March 31, 2017

Reduce Electric Power Consumption by the Fiscal Year Ending March 31, 2017 (compared with the level if energy-saving measures had not been implemented)

Target: 30%

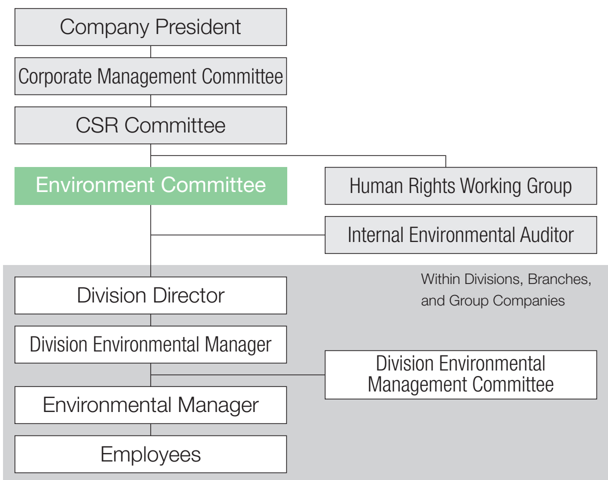
Making progress on the basis of attaining the target

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.

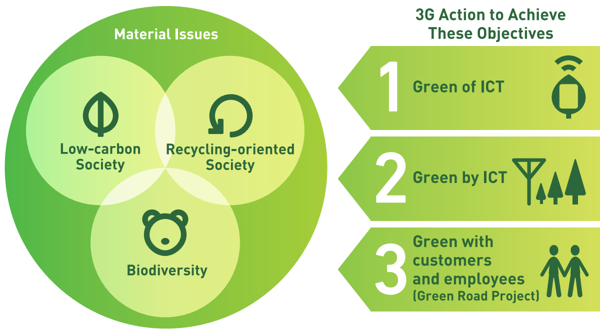
As of March 31, 2016, this certification had been obtained for KDDI, 20 of its 83 consolidated subsidiaries in Japan (24%), one overseas consolidated subsidiary, and four affiliated organizations.

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 the fiscal year ended March 31, 2013, 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.



KDDI GREEN PLAN 2012-2016

Specific Targets for Material Issues

Material Issues	Targets
Low-Carbon Society	(1) By the fiscal year ending March 31, 2017, reduce electric power consumption by 30%, compared with the level if energy-saving measures had not been implemented. (2) By the fiscal year ending March 31, 2017, lower electric power consumption per subscriber*1 by 15%, compared with the fiscal year ending March 31, 2012. (3) By the end of the fiscal year ending March 31, 2013, 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 the fiscal year ending March 31, 2017 under the Third Medium-Term Environmental Conservation Plan that we formulated in the fiscal year ended March 31, 2013. As of March 31, 2016, 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.

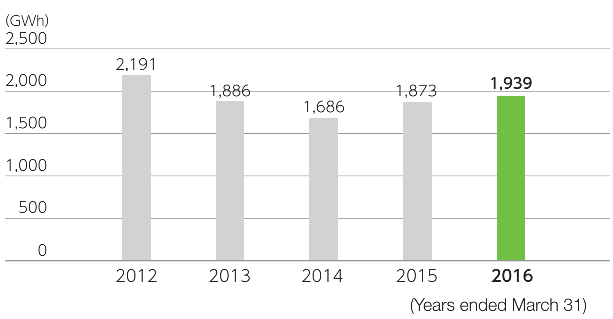
To address this issue, KDDI is installing tribrid base stations and extending base station battery life to 24 hours. We are moving forward with this initiative, which has the dual benefit of reducing environmental impact and serving as a disaster countermeasure.

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, 2016, 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, 2016. 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



Responding to Scope 1, 2 and 3 Emissions through Efforts throughout the Supply Chain

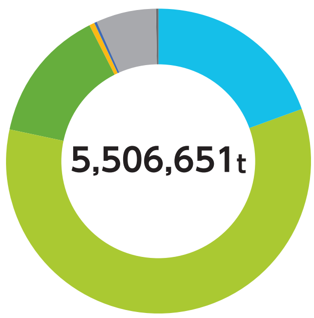
To quantify and disclose environmental impact, KDDI regularly conducts life-cycle assessments (LCA) of its products and services to determine the amount of CO_2 generated at each stage of operations—from manufacturing and use to disposal or recycling*[1]. In recent years, efforts to visualize (determine, manage and report information on) emissions throughout a company's supply chain have gained momentum, and guidelines*[2] have been formulated for this purpose. Based on these guidelines, we have been calculating greenhouse gas emissions throughout the supply chain since the fiscal year ended March 31, 2013. For business activities in the fiscal year ended March 31, 2016, Scope 3 greenhouse gas emissions accounted for 80.36% of the total (which includes Scope 1, 2, and 3 emissions), lower compared to the previous fiscal year in each category. During the year, measurement clarified that our Category 1 and Category 2 emissions continued to represent an increasing share of the total. Accordingly, we will continue undertake efforts to reduce these emissions. To increase the reliability of our Scope 1 and 2 calculations, we have received third-party verification by Lloyd's Register Quality Assurance Limited.

Moreover, to increase the reliability of our Scope 3 calculations, we have received third-party verification 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 Environmental impact during disposal and recycling is included in environmental impact at manufacturing.
*2 Green Value Chain Platform

Calculation Results for CO_2 Emissions in the fiscal year ended March 31, 2016



Scope 1	0.10%
Scope 2	19.54%
Scope 3	80.36%
Category 1	58.78%
Category 2	14.10%
Category 3	0.64%
Category 4	0.13%
Category 5	0.01%
Category 6	0.09%
Category 7	0.08%
Category 8	0.02%
Category 9	0.00%
Category10	0.00%
Category11	6.47%
Category12	0.02%
Category13	0.00%
Category14	0.00%
Category15	0.00%
Total	100.00%

Performance Section

The Japanese Telecommunications Market and KDDI

Characteristics of the Japanese Mobile Telecommunications Market

Mobile

As of March 31, 2016, cumulative mobile communication subscriptions in Japan totaled 156.48 million*1, up 4.3% year on year.

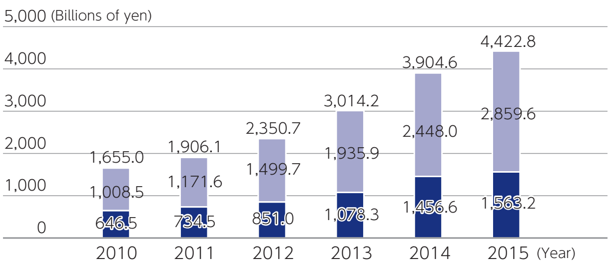
The mobile market continues to expand, driven by the shift from feature phones to smartphones and the trend towards single users owning multiple devices.

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. As these trends continue, telecommunications carriers are gradually expanding their operations in domains other than telecommunication services to foster new earnings streams.

Meanwhile, Japan's mobile market environment is changing with the new entry of MVNOs*2, who procure networks from telecommunications carriers that have received bandwidth allocation. As of March 31, 2016, the number of MVNO service contracts stood at 12.69 million,*1 up 32.5% from a year earlier, and MVNO's share of the mobile telecommunications market had grown to 7.8%. The number of contracts is expected to continue expanding to meet the target of around 15 million by 2016 set by the Ministry of Internal Affairs and Communications' "Mobile Creation Plan" announced in October 2014.

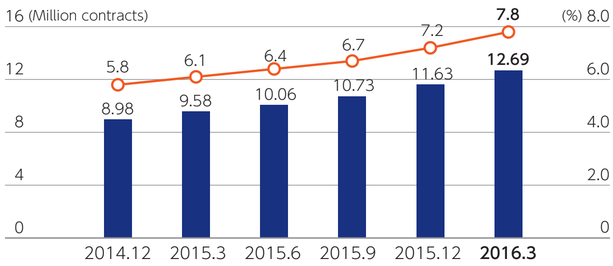
*1 Source: Official Announcement of Quarterly Data on the Number of Telecommunications Service Subscriptions and Market Shares (FY 2014 Q4 (End of March 2016)), Ministry of Internal Affairs and Communications
*2 MVNO: Mobile Virtual Network Operator

》Scale of the Mobile Content and Mobile Commerce Markets



■Mobile Content Market ■Mobile Commerce Market
Source: Mobile Content Forum

》Number of MVNO Contracts and Market Share*1, 3



■Number of contracts (left) -○-Market share (right)
*3 Excluding MVNOs that are MNOs (Mobile Network Operators)

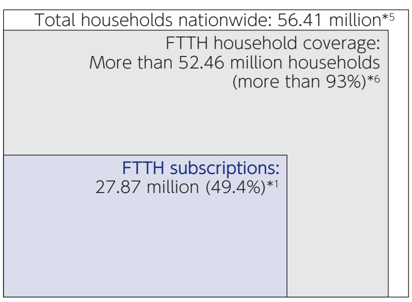
Fixed-Line Broadband

The nationwide FTTH household coverage ratio is more than 90% and "homes passed*4" is more than 70%, indicating that high-speed broadband environments are essentially in place nationwide.

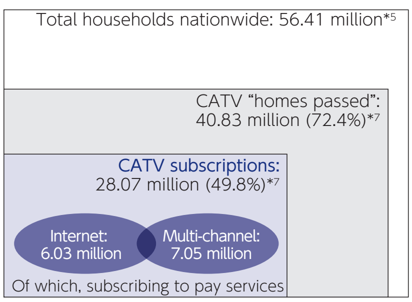
As of March 31, 2016, fixed-line broadband service subscriptions numbered 37.81 million*1, up 2.8% from the previous fiscal year.

Although fixed-line broadband service penetration has reached around 70%, the market continues to expand gradually, driven by the entry of new operators using the wholesaling fiber access service of NTT East and NTT West that started in March 2015 and sales of discount bundled mobile and fixed-line services by telecommunications carriers.

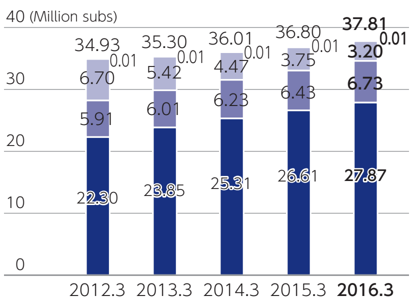
》FTTH



》CATV



》Number of Broadband Subscriptions*1



■FTTH ■CATV ■ADSL ■FWA

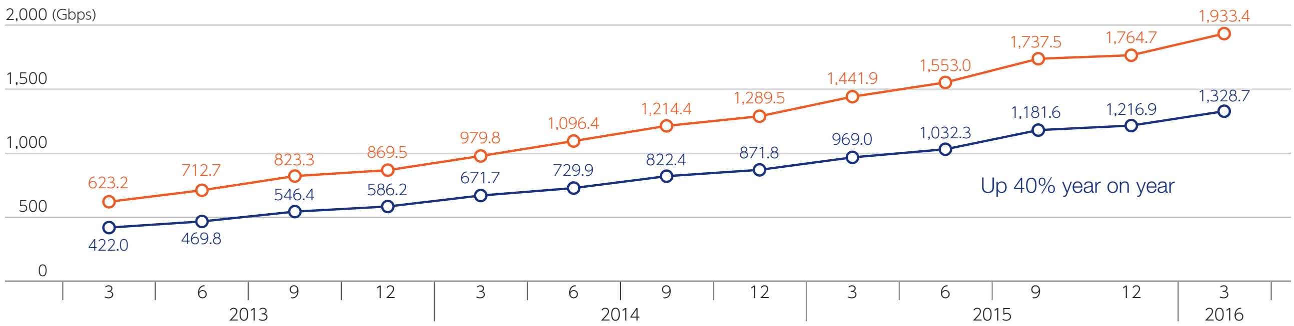
*4 In regions where the installation of CATV facilities is permitted, households in areas where installation of transit routes is complete
*5 Source: Ministry of Internal Affairs and Communications, Population, Population Trends, and Number of Households based on Residents Register (as of January 1, 2015)
*6 Source: *Information NTT East Japan: Overall Management (2015)*: Telecommunications Facilities: Access Going Optical. As of March 31, 2016, 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 93% (estimated).
*7 *Hoso Journal*, December 2015 edition (as of September 31, 2015)

Growth in Mobile Traffic

Due to the proliferation of smartphones and tablets, along with the increased performance of devices and advances in telecommunications technology, mobile traffic in Japan is growing at a rapid pace, with average monthly traffic recently rising at about 40% year on year.

In particular, average traffic during the peak hours for mobile customers 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 Peak hour traffic

Source: "The State of Mobile Communications Traffic in Japan," Ministry of Internal Affairs and Communications (March 2016)

Allocation of Bandwidth among Japan's Mobile Telecommunications Operators

		KDDI Group au + UQ WiMAX	NTT DOCOMO	SoftBank Group*8
3.5GHz (Band 42)	TD-LTE	40MHz	40MHz	40MHz
2.6GHz (Band 41)	TD-LTE WiMAX	50MHz*9 UQ WiMAX		30MHz*10 Wireless City Planning
2.1GHz (Band 1)	FD-LTE	20MHz ×2	20MHz ×2	20MHz ×2
1.7GHz (Band 3)	FD-LTE		20MHz*11 ×2	15MHz ×2
1.5GHz (Band 11)	FD-LTE	10MHz ×2	15MHz ×2	10MHz ×2
900MHz (Band 8)	FD-LTE			15MHz ×2
800MHz (Band 18/19/26)	FD-LTE	15MHz ×2	15MHz ×2	
700MHz (Band 28)	FD-LTE	10MHz ×2	10MHz ×2	10MHz ×2
Total Bandwidth		**200MHz**	**200MHz**	**210MHz**

As of March 31, 2016

*8 SoftBank Corp. + Wireless City Planning

*9 Currently, a 40MHz section is used for WiMAX 2+ (TD-LTE) and a 10MHz section is used for WiMAX.

*10 TD-LTE

*11 Only in Tokyo, Nagoya, and Osaka

The Japanese Telecommunications Market and KDDI

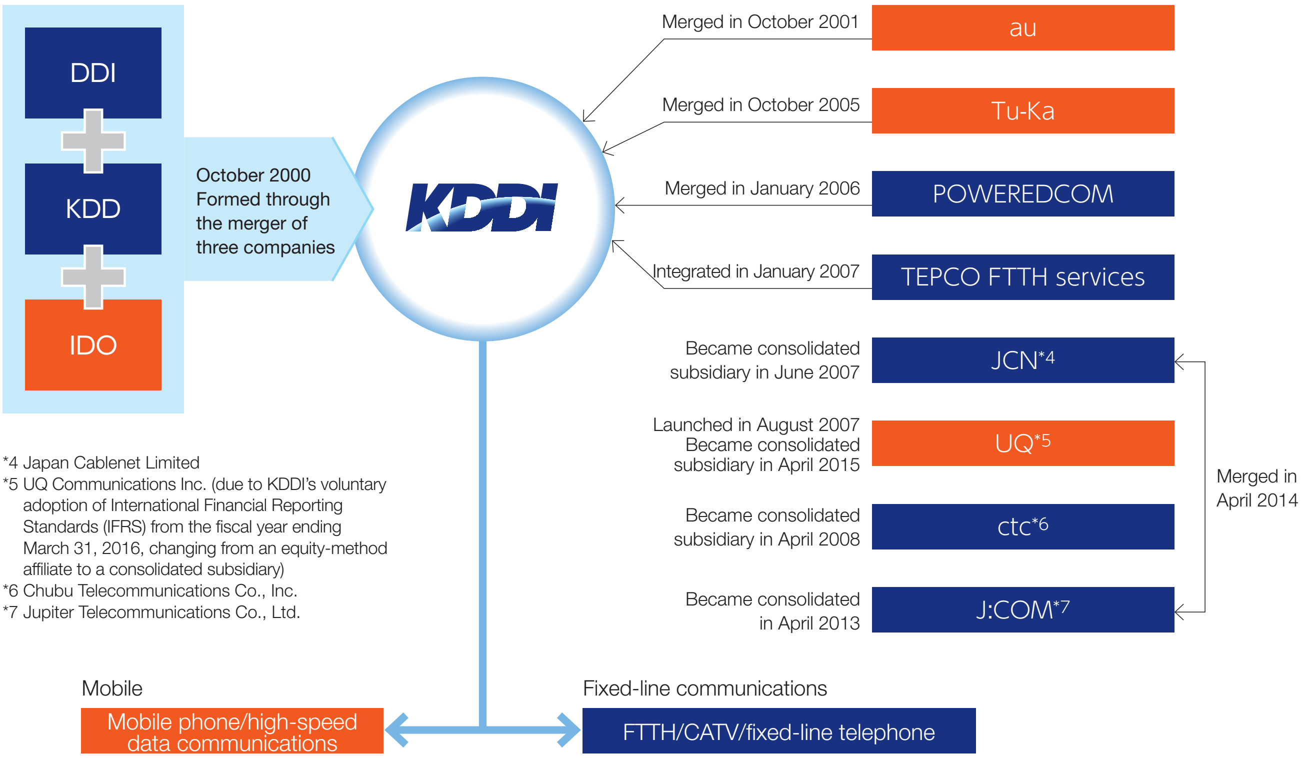
KDDI's Domestic Status

KDDI Group's History

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.

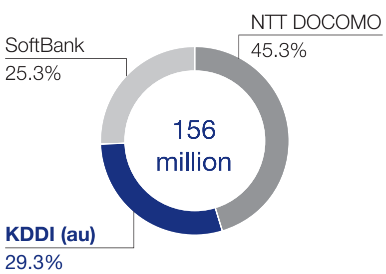
As a result, KDDI has amassed a host of access lines. In the mobile category, these include 3G/4G LTE and WiMAX networks. In the fixed-line category, we have FTTH and CATV. The KDDI Group's customer base includes approximately 64 million mobile subscriptions*1 and around 8.8 million fixed-line broadband subscriptions*2. We are leveraging this situation by promoting the "3M Strategy*3."

*1 Total for au + UQ (as of March 31, 2016)
*2 Total for FTTH + RGU households (as of March 31, 2016)
*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.



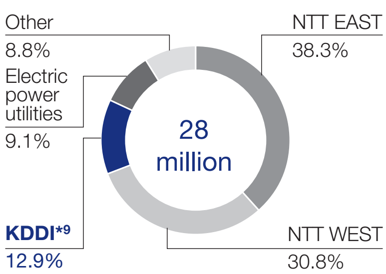
*4 Japan Cablenet Limited
*5 UQ Communications Inc. (due to KDDI's voluntary adoption of International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2016, changing from an equity-method affiliate to a consolidated subsidiary)
*6 Chubu Telecommunications Co., Inc.
*7 Jupiter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

〉〉 Share of Mobile Communication Subscriptions*8 (As of March 31, 2016)



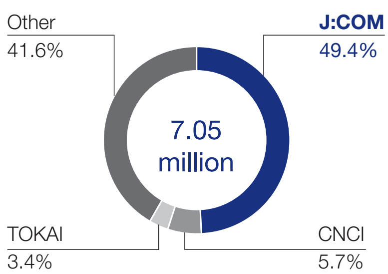
Source: Prepared by KDDI based on Telecommunications Carriers Association's data
*8 Share among NTT DOCOMO, INC. (NTT DOCOMO), SoftBank Corp. (SoftBank), and KDDI (au)

〉〉 Share of FTTH Subscriptions (As of March 31, 2016)



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, 2015)



Source: Prepared by KDDI based on *Hoso Journal* (December 2015 issue)

Principal Businesses of the KDDI Group

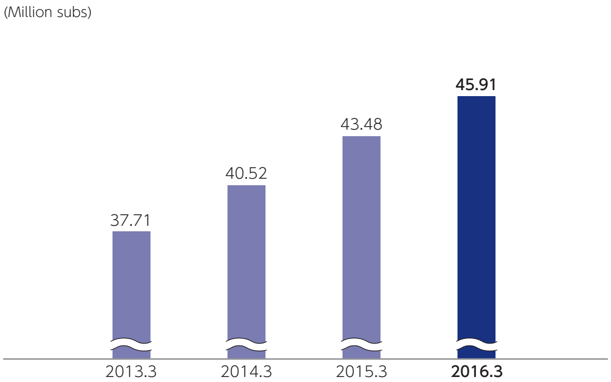
●Mobile

As of March 31, 2016, au mobile subscriptions numbered 45.91 million, up 5.6% year on year and accounting for a 29.3% 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 revenue, smartphone penetration had risen to 58% (56% if limited to LTE).

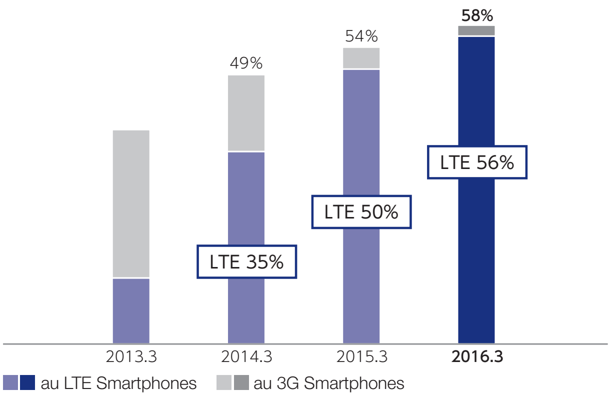
UQ that provides WiMAX and WiMAX 2+ service (TD-LTE) had a total of 18.05 million subscriptions as of March 31, 2016, an increase of 89.1% year on year. Moreover, in October 2015 UQ also started operations as an MVNO under the name UQ mobile, and is working to expand its customer base in the MVNO market.

〉〉Cumulative au Subscriptions*10



*10 KDDI + Okinawa Cellular

〉〉au Smartphone Penetration*11 (Personal Services)



*11 au smartphones/general handsets (smartphones and feature phones (including prepaid))

●Fixed-Line Broadband

As of March 31, 2016, the cumulative number of FTTH subscriptions stood at 3.75 million, up 7.6% year on year and accounting for a market share of 12.9%.

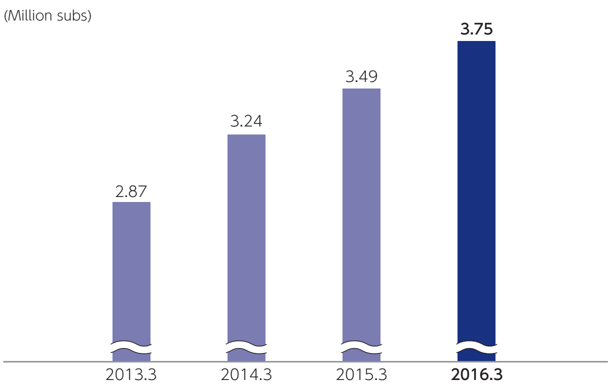
In CATV services, the number of RGU households*12 as of March 31, 2016 stood at 5.05 million, up 3.5% year on year.

KDDI's share of pay multi-channel CATV subscriptions as of September 30, 2015 stood at around 50%.

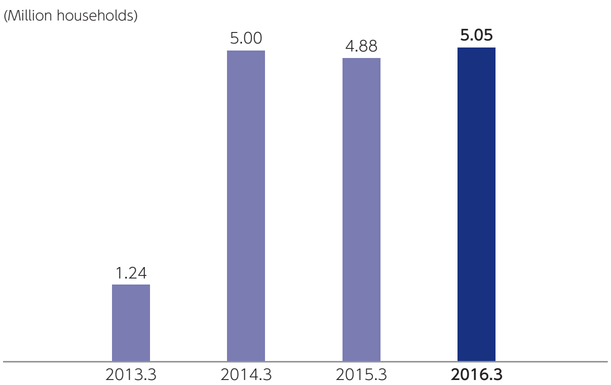
By cross-selling FTTH and CATV services to the au customer base, we expect our customer base to continue growing stronger and expanding.

*12 RGU: Revenue Generating Units. Each household's subscription to CATV, high-speed Internet connection, and telephony services each represent one RGU respectively.

〉〉FTTH Subscriptions*9 (Cumulative)



〉〉Number of RGU Households*13



*13 JCN only for the fiscal year ended March 31, 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. From the fiscal year ended March 31, 2015 onward, the definition was changed from "Number of Subscribing Households" to "Number of RGU Households". Households on the number of subscribing households basis in the fiscal year ended March 31, 2015 was 5.05 million.

Performance Highlights by Segment for the Fiscal Year Ended March 31, 2016

The KDDI Group is developing "3M Strategy" as a growth strategy for domestic business and "Global Strategy" for expanding business overseas. The KDDI Group has four reporting segments: "Personal Services", "Value Services", "Business Services" and "Global Services" for driving this strategy.

Business Outline

Personal Services Segment


P.44

Provision of communications services for individuals and more

This segment provides mobile and fixed-line communications services for individual customers. In addition to providing mobile communications services, chiefly under the "au" brand, and selling mobile handsets, in fixed-line communications, our services include "au HIKARI" brand FTTH services, CATV services and other services. The segment is also working to expand the provision of "au WALLET Market" that makes use of au shops, and in April 2016 it entered the electric power retailing business.

Value Services Segment


P.46

Provision of content and settlement services for individuals and more

This segment provides individual customers with content, settlement and other value-added services. The segment will make "au Smart Pass" and other subscription services more attractive, boost its commerce business with "au WALLET Market powered by LUXA," and strengthen the finance business, which will include insurance and housing loans from April 2016 to maximize the "au Economic Zone" to contribute to higher merchandise value and increased value ARPA.

Business Services Segment


P.47

Provision of communications and solution/cloud services for companies and more

This segment provides diverse solutions, including cloud services that seamlessly utilize networks and applications across smartphones, tablets and other mobile devices, to a wide range of corporate customers, ranging from small and medium-sized businesses to major corporations.

Global Services Segment


P.47

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

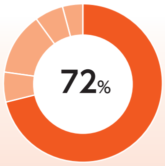
This segment offers the one-stop provision of ICT solutions to corporate customers, centered on our "TELEHOUSE" data centers. In addition, we are working aggressively to expand customer businesses, such as the telecommunications business in Myanmar and Mongolia.

Others

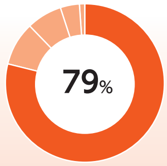
Includes network facilities operation and maintenance, call center service, research and development

In addition to construction of equipment supporting network services and call center operations, this domain also engages in ICT research and development.

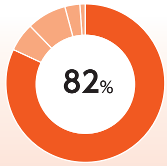
Operating Revenue	Operating Income	EBITDA



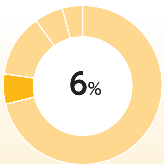
¥3,503.3 billion
YOY 5.2% up



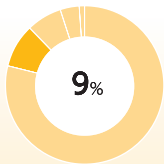
¥656.6 billion
Operating Margin 18.7%
YOY 20.1% up



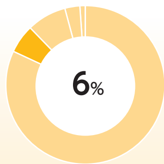
¥1,162.7 billion
EBITDA Margin 33.2%
YOY 7.6% up



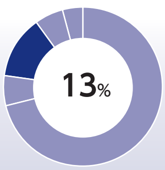
¥271.8 billion
YOY 14.3% up



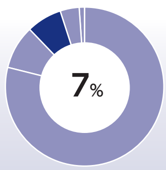
¥73.8 billion
Operating Margin 27.2%
YOY 40.1% up



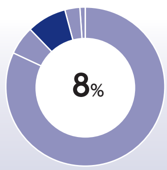
¥85.5 billion
EBITDA Margin 31.5%
YOY 21.0% up



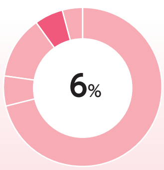
¥632.0 billion
YOY 4.1% down



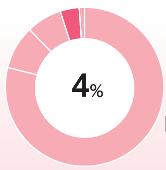
¥61.4 billion
Operating Margin 9.7%
YOY 19.0% down



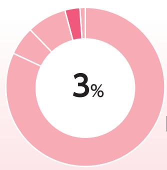
¥109.5 billion
EBITDA Margin 17.3%
YOY 15.2% down



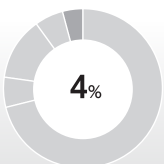
¥294.4 billion
YOY 5.5% up



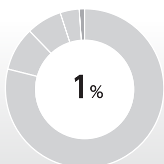
¥32.1 billion
Operating Margin 10.9%
YOY ¥47.4 billion up



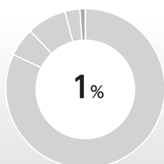
¥44.4 billion
EBITDA Margin 15.1%
YOY ¥45.4 billion up



¥173.5 billion
YOY 7.5% down



¥10.3 billion
Operating Margin 5.9%
YOY 5.7% down



¥12.1 billion
EBITDA Margin 7.0%
YOY 5.6% down

* The composition ratio is calculated based on the simple sum of the sales for each segment as being 100%.

Personal Services Segment

Key Initiatives

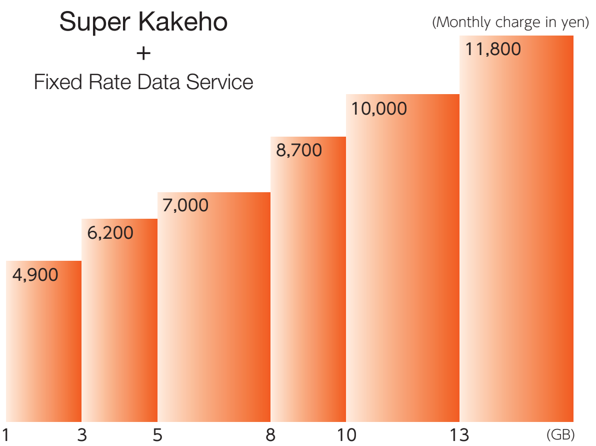
"au Smart Value" Expanding Steadily

As of the end of March 2016 the number of subscriptions to "au Smart Value" had increased by 2.22 million year on year, to 11.55 million, while household subscriptions (fixed-line) increased by 1.13 million year on year to 5.72 million. The number of "au Smart Value" allied companies also held steady, with seven companies (including KDDI) offering FTTH, and 143 CATV companies with 238 stations (including 25 CATV companies and 25 channels allied with STNet, Inc.).

Expansion of Pricing Plans

Beginning September 2015, we added Super Kakeho (Unlimited Calling Plan S), allowing unlimited free domestic calling*1 for calls of five minutes or less to the "Unlimited Voice & Data Freedom rate plan."

Since the introduction of the plan, smartphone penetration rates have risen, along with the ratio of subscribers choosing fixed-rate voice plans and data plans above 5GB, all of which contributed to boosting au ARPA.



(Note) Total amount for Super Kakeho (¥1,700/month when Everybody Discount* applied) + Fixed Rate Data Service + LTE NET (¥300/month).
* Automatically renewed every two years. Early cancellation will incur a cancellation charge of ¥9,500 (except during the renewal period).

Promoting Multi-Device Services

In the fiscal year ended March 31, 2016, we launched 22 models of devices*2 to meet the needs of customers of all ages.

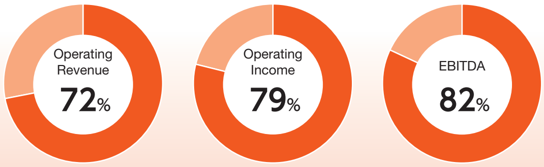
In general handsets (smartphones and feature phones), we offered 16 models, included iPhone 6s and iPhone 6s Plus; the TORQUE, the world's first*3 salt water-resistant*4 model; the DIGNO rafre, the world's first*5 hand soap-washable*6 smartphone; the AQUOS K, an au VoLTE compatible feature phone; and the Qua phone, a smartphone from the original Qua brand series from au.

To promote multi-device services, we also offered a strong lineup of tablets, introducing a total of five models, including the iPad Pro and the Qua tab, as well as the mamorino Watch, a children's watch-type mobile phone. P.45

iPhone 6s/ iPhone 6s Plus | TORQUE | DIGNO rafre | AQUOS K

mamorino Watch | Qua phone | Qua tab

*1 Some calls not eligible. Each call in excess of five minutes will incur a separate charge of ¥20 yen for each 30 seconds over five minutes.
*2 Personal Services segment base
*3 For smartphones released as of March 31, 2015. According to research by NEO MARKETING INC.
*4 Based on the Kyocera Corporation-defined durability test. This does not guarantee salt water resistance in all conditions.
*5 For smartphones released as of November 1, 2015. According to research by NEO MARKETING INC.
*6 IPX5/8 water resistance. We also implemented the Kyocera Corporation-defined durability test. (We do not guarantee the phone can be washed with all hand soaps.)



Start of “au WALLET Market” Product Sales Business

In August 2015, KDDI began a new shopping service, “au WALLET Market” at its au shops, the primary touchpoint connecting au and its customers. The service was subsequently expanded to 2,500 shops nationwide in December 2015.

“au WALLET Market” is a new proposal-style shopping service that enables visitors of au shops of easily make purchases. This offers effective use of customer wait times*7 and enables shop staff to introduce products and subscription items to customers based on their life stages and preferences.

Utilizing its base of approximately 38 million subscribers*8, and by also strengthening its tie-ups with the electricity, financial services and other businesses, KDDI is building a circular model for its “au Economic Zone” centered around au WALLET.

*7 Weekday average 22 minutes, weekend average 25 minutes (average at au shops nationwide between April 1 and May 23, 2016, excluding directly operated shops).
*8 As of the end of March 2016. Based on the Personal Services segment.

UQ Mobile (MVNO) Service

In October 2015, UQ Communications, a consolidated subsidiary of KDDI, merged with KDDI VALUE ENABLER CORPORATION, which had offered UQ Mobile MVNO services using the au network.

In February 2016, UQ began working to expand its share of the MVNO market by launching a new “Pittari Plan” rate plan, combining communication fees and smartphone handset fees for as little as ¥2,980 a month (excluding tax). In October 2015, it expanded service compatibility with “WiMAX 2+” (TD-LTE), which offers download speeds of up to 220 Mbps*9 nationwide*10, and the service enjoys high customer satisfaction.

*9 Transmission speed shown is the maximum speed based on technical specifications. Transmission speed may drop depending on equipment used, the communications environment and network congestion.
*10 Excluding some areas.

Enhancing the Value of the au Brand

As differentiating ourselves from other companies becomes more difficult, enhancing brand value is indispensable for ensuring more of our customers continue to support us. KDDI is advancing efforts to improve the quality of our contact points with all of our customers, not only through our products and services, but in everything such as advertising and customer contact. Among these efforts, in advertising, we were named Brand of the Year in the CM Research Center’s 2015 TV Commercial Favorability Ranking, our second consecutive year as the No. 1 preferred commercial, and earning us the Best Advertiser award.

Solving Social Issues Through Business

Providing Safe and Secure Products and Services

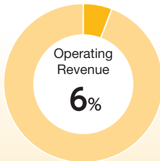
KDDI is engaged in a variety of initiatives intended to ensure that a wide range of customers, from children to seniors, can use our services safely and securely.

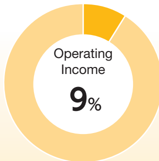
In products, we launched the mamorino Watch, Japan’s first*11 children’s watch-type mobile phone. The watch offers security features that allow parents to confirm the location of their children and prevent them from becoming lost. This is part of our efforts to provide products that both children and their parents can use comfortably and with peace of mind. For “BASIO” a smartphone for seniors, the home screen has an easy-to-see display and dedicated hard buttons are included for the phone and email as part of efforts to ensure this can be easily operable for seniors who are using a smartphone for the first time.

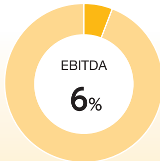
In services, we began offering a Net Skills Diagnostic service, a way of helping children use the internet safely and securely by acquiring knowledge and having the proper environment in place. The service determines a child’s internet literacy and offers remedies based on the results.

*11 Wrist watch-shaped communication device for children. As of March 16, 2016. Researched by ZTE.

Value Services Segment







Key Initiatives

Making "au Smart Pass" and Other Membership Services More Attractive

As of the end of March 2016, "au Smart Pass" members numbered 14.47 million, an increase of 1.58 million from March 31, 2015. In our "Video Pass" service, in August 2015 we became the first communications carrier*1 in the Japanese video distribution business to utilize big data*2 to begin co-production of original content tied to terrestrial broadcast programming. We have also begun providing "Video Coins" and "Uta Coins" that can be used to pay for video rentals or to purchase music, as a way of giving something back to "Video Pass" and "Uta Pass" members.

*1 As of August 20, 2015. Research by KDDI.
*2 Limited to statistical analysis data (not including information that could identify an individual) for which customer consent has been obtained through "Video Pass," "au ID" and other end user agreements.

Taking on New Commerce Services

In a collaboration with LUXA, Inc., a consolidated subsidiary, in August 2015 KDDI began offering a new internet shopping service called "au WALLET Market powered by LUXA," in which carefully selected products and experiences are easily available for purchase via smartphones, personal computers and tablets. In addition to product sales, the service offers unique products such as fine dining and theater tickets through limited-time sales.

Cultivating New Services

In March 2016, J:COM acquired 50% of the shares of Jupiter Shop Channel (Shop Channel), the country's largest television shopping business.

At the same time, KDDI acquired 5% of the shares in Shop Channel held by Sumitomo Corporation. With this investment, we will offer a new service combining the smartphone with television shopping, as we work to achieve sustained improvement in the KDDI Group's corporate value.

Expanding the Financing Business

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

Beginning in April 2016, we have restructured some financial products provided by companies in which we have invested under the au brand, and have begun offering in-shop support by qualified staff at our au shops, as well as discounts for packages that combine these products with au communication services as part of our effort to expand the "au Economic Zone."

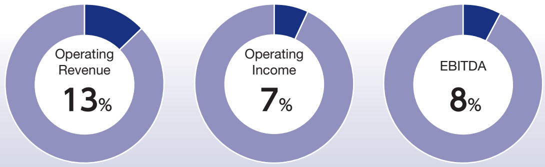
Solving Social Issues Through Business

Active Support Using Twitter®

With the widespread use of smartphones and the sudden growth in the number of social media users, customer concerns and complaints previously invisible are now taking the form of "tweets", and widely proliferated.

Instead of waiting for customer inquiries by phone or at our au shops, we are using Twitter®, one of the most powerful SNS platforms, to dynamically seek out and approach customers about their concerns and complaints, an initiative known as "Active Support." We may be able to solve issues by answering "tweets" not intended as inquiries with responses such as, "We saw your tweet and may be able to assist you. Please tell us more." This service has received strong recognition from outside the company, because by responding on an open platform such as social media, we can reach out to many other customers at the same time, resolving their concerns and complaints as well.

Business Services Segment



Key Initiatives

Addition of Cloud Service Functions

As part of our efforts to enhance our "KDDI Cloud Platform Service," a cloud platform for corporate customers, we began providing Object Storage in September 2015. This offers the flexibility to allow unlimited storage of data, which may explosive grow, with 99.999999999999%*3 (14-nines) robustness, and enables us to provide customers with highly reliable communication services.

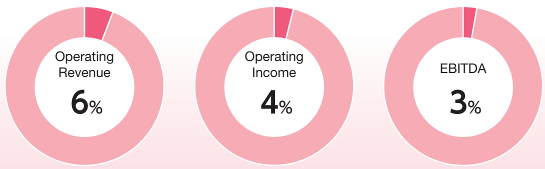
*3 A figure that indicates that stored data will not be lost or destroyed. The difference between this figure and 100% represents the probability of data loss within one year.

Solving Social Issues Through Business

Initiatives with Corporate Customers

The KDDI ENTERPRISE USERS' GROUP is an organization run by corporate customers of KDDI's services. KDDI provides office support for the group's activities, where members from different industries gather to hold seminars, site visits and workshops, working to interact, study and build friendships. These activities also provide an opportunity for us to reflect the opinions of the members in improvements to KDDI services and new product development.

Global Services Segment



Key Initiatives

Promoting the Telecommunications Business in Emerging Countries

In the telecommunications business in Myanmar, we have enhanced customer touchpoints. We worked to improve network quality by adding mobile phone base stations, strengthening network operations, and expanding area coverage in line with customer flow. We also worked to enhance customer contact points by expanding brand shops, including regional locations, systemizing call center operations, and launching a new content portal site.

As a result, by March 31, 2016, the number of mobile phone subscribers had increased by 3 times in the period since we signed the joint business agreement in July 2014, to more than 19 million, at higher than planned levels.

In March 2016, we also consolidated MobiCom Corporation LLC, which has a top share of domestic mobile communication subscriptions in Mongolia.

Solving Social Issues Through Business

Initiatives in Mongolia

In Mongolia, construction of a fiber network is in progress, and installation of a 33,000 km backbone network has been completed. However, broadband internet is not available in villages distant from connection points to that network, and over 30 villages have difficulty just connecting to the internet.

In 2015, the KDDI Foundation, working with the Mongolia Information Technology, Post and Telecommunication Authority, introduced a pilot program to offer satellite-based broadband internet connectivity to three villages along the country's border. Following construction of the network, the speed of exchange of information between village offices, hospitals, schools and relevant central government institutions has improved dramatically, contributing to maintaining and enhancing life in these villages. KDDI plans to consider expanding this effort.

Ceremony marking the opening of services in Tsagaannuur village in northern Mongolia.

Performance Analysis for the Fiscal Year Ended March 31, 2016

Analysis of Consolidated Statement of Income

Operating Revenue

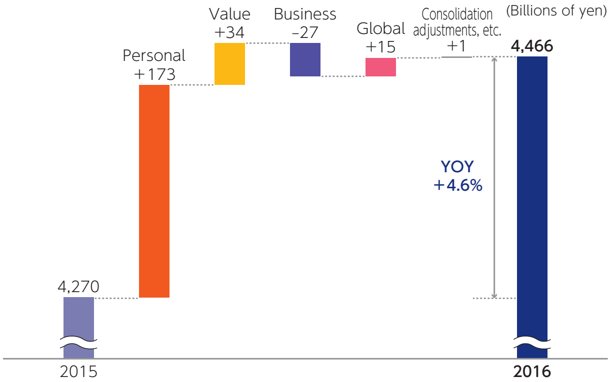
(Years ended March 31)

YOY

4.6% up

¥4,466.1 billion

Total ARPA revenues rose due to increases in au ARPA and value-added ARPA. In addition, fixed-line communications revenues increased, along with higher revenues from terminal sales, overseas subsidiaries and other sources. As a result, consolidated operating revenue rose 4.6% year on year, to ¥4,466.1 billion.



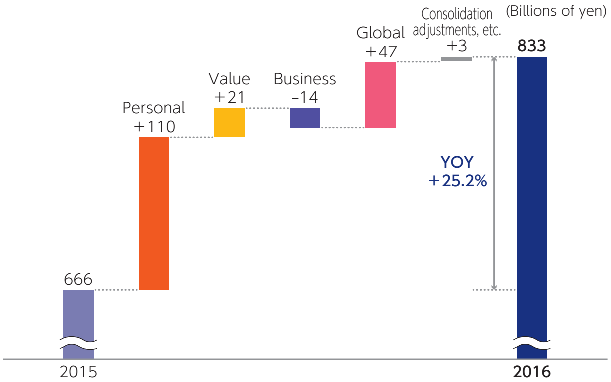
Operating Income

YOY

25.2% up

¥833.4 billion

Consolidated operating income increased 25.2% year on year to ¥833.4 billion. This was mainly owing to positive contributions to earnings from increased operating revenue including higher total ARPA revenues and a decline in the loss on impairment and disposal of equipment recorded in the previous fiscal year. These factors absorbed increases in au sales commissions and depreciation.



Profit for the Year Attributable to Owners of the Parent

YOY

24.9% up

¥494.5 billion

The higher consolidated operating income absorbed the impacts of increases in income tax and profit for the year attributable to non-controlling interests. As a result, profit for the year attributable to owners of the parent rose 24.9% year on year to ¥494.5 billion.

Dividends per Share

YOY

¥13.33 up*

¥70.00

Full-year dividends per share were ¥70, up ¥13.33* year on year, representing a consolidated dividend payout ratio of 35.4%. Our dividend policy is to maintain the consolidated dividend payout ratio at a level above 35%, 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.

* After adjusting for a stock split.

Analysis of Consolidated Statement of Financial Position

Total Assets

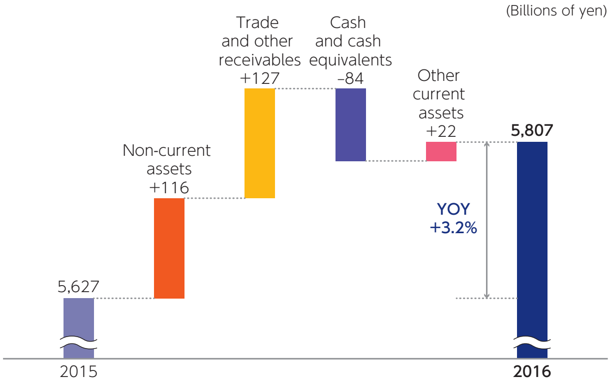
(Years ended March 31)

YOY

¥180.5 billion up

¥5,807.2 billion

Total assets were ¥5,807.2 billion, an increase of ¥180.5 billion from the previous fiscal year-end. This increase was mainly due to expansion of the "au WALLET" credit card business and higher installment sales receivables of au mobile phone handsets, as well as an increase in assets in connection with the conversion of Jupiter Shop Channel Co., Ltd. into a new consolidated subsidiary.



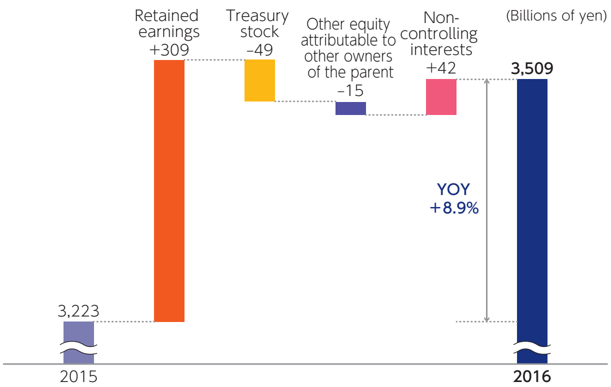
Total Equity

YOY

¥286.4 billion up

¥3,509.5 billion

Total equity was ¥3,509.5 billion, an increase of ¥286.4 billion, mainly due to increased retained earnings associated with an increase in profit for the year, and an increase in non-controlling interests.



Interest-Bearing Debt

YOY

¥81.2 billion up

¥1,235.3 billion

Interest-bearing debt was ¥1,235.3 billion an increase of ¥81.2 billion from the previous fiscal year-end, mainly due to an increase in long-term borrowings in connection with the acquisition of shares of Jupiter Shop Channel Co., Ltd.

D/E Ratio

YOY

0.01 point down

0.37 times

Equity attributable to owners of the parent increased mainly due to higher retained earnings, despite the increase in interest-bearing debt. As a result, the D/E ratio declined 0.01 percentage point from the previous fiscal year, to 0.37 times.

Analysis of Capital Expenditures and Cash Flows

Capital Expenditures

(Years ended March 31)

Consolidated capital expenditures decreased ¥136.3 billion compared with the fiscal year ended March 31, 2015, to ¥531.4 billion.

Mobile

YOY **¥141.1 billion down**

¥338.0 billion

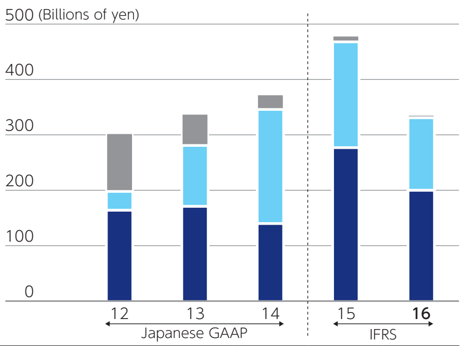
Capital expenditures in the mobile business were down ¥141.1 billion, to ¥338.0 billion, mostly due to a decline in investment in expanding service areas after the population coverage ratio of the 4G LTE (800 MHz) area surpassed 99%. This was despite the continued execution of investment primarily in wireless base stations and new and expanded switching equipment, to address data traffic.

Fixed-Line, and others

YOY **¥4.8 billion up**

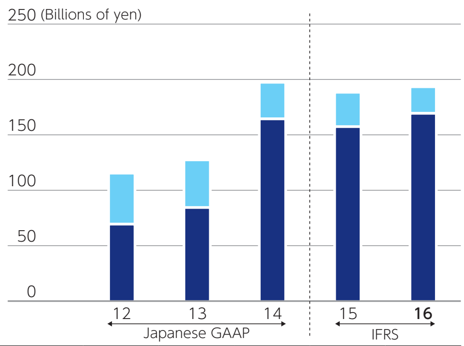
¥193.4 billion

In the fixed-line business, capital expenditures rose ¥4.8 billion year on year, to ¥193.4 billion. This was the result of continued spending on the expansion of fixed-line communications networks to handle the ongoing increase in mobile data traffic, as well as on new and expanded FTTH and CATV facilities.



	12	13	14	15	16
3G	105	57	27	11	**5**
LTE	34	110	206	191	**131**
Common equipment*	165	172	141	278	**201**
Total	304	338	374	479	**338**

* Includes the capital expenditures of UQ, which was converted into a consolidated subsidiary in conjunction with the voluntary adoption of International Financial Reporting Standards (IFRS).



	12	13	14	15	16
FTTH	46	43	33	31	**24**
Others	71	86	165	158	**170**
Total	117	129	198	189	**193**

Cash Flows

(Years ended March 31)

Free Cash Flows

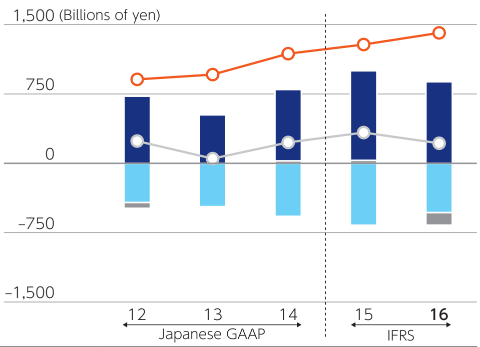
YOY **¥116.4 billion down**

¥216.6 billion

Net cash provided by operating activities was ¥884.5 billion, ¥84.2 billion less than in the previous fiscal year. This decrease partly reflects changes in receivables and payables and an increase in income tax paid, despite increases in profit for the period before income tax and depreciation and amortization.

Net cash used in investing activities was ¥667.9 billion, ¥32.2 billion more than in the previous fiscal year. Cash was used mainly for the acquisition of shares of Jupiter Shop Channel Co., Ltd.

Free cash flows—the total of operating and investing cash flows—amounted to ¥216.6 billion, down ¥116.4 billion from the previous fiscal year.



	12	13	14	15	16
Free Cash Flows	241	51	226	333	**217**
Net Cash Provided by (Used in) Operating Activities	726	524	772	969	**885**
Capital Expenditures	–422	–467	–572	–668	**–531**
Other, Net Cash Provided by (Used in) Investing Activities	–63	–6	26	32	**–136**
EBITDA	908	960	1,186	1,285	**1,411**

Performance Analysis by Segment for the Fiscal Year Ended March 31, 2016

Personal Services Segment

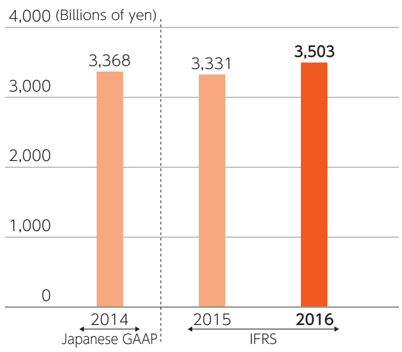
(Years ended March 31)

Overview of Operations

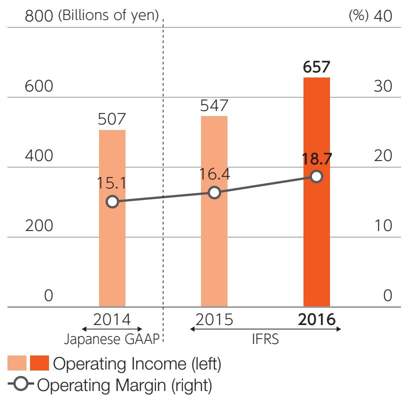
In the fiscal year ended March 31, 2016, operating revenue increased 5.2% year on year to ¥3,503.3 billion. This increase was underpinned by higher au ARPA revenues in line with an increase in au ARPA due to the promotion of multi-device services. Other contributing factors included an increase in revenues from terminal sales.

Meanwhile, operating income rose 20.1% year on year to ¥656.6 billion mainly due to the higher revenue, which outweighed an increase in sales commissions accompanying intensified competition for customers centered on mobile number portability (MNP), higher handset procurement costs in line with an increase in the sales volume of terminals, and an increase in depreciation and amortization.

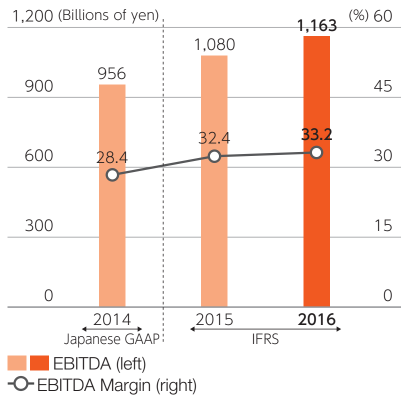
Operating Revenue



Operating Income/Operating Margin

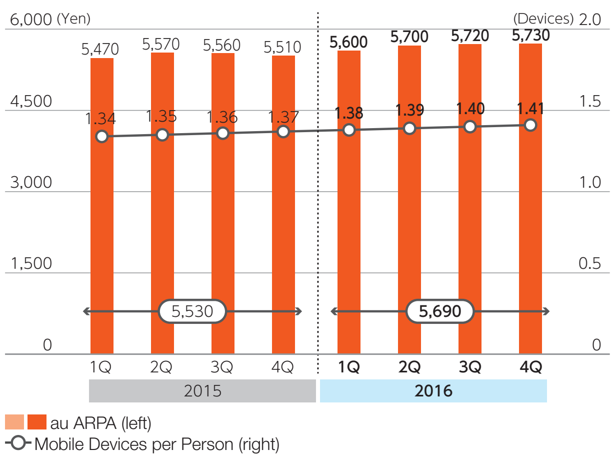


EBITDA/EBITDA Margin



au ARPA/Mobile Devices per Person

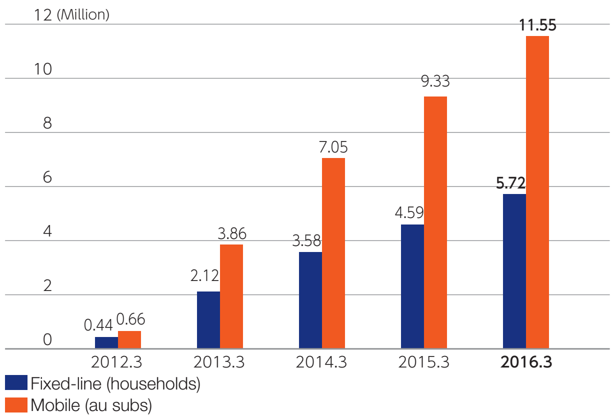
au ARPA rose ¥160 year on year, to ¥5,690, partly due to an increase in the number of devices per customer, owing to the promotion of multi-device services through sales of smartphones bundled with tablets, mobile routers and other devices. Also, the smartphone penetration rate increased 3.9 percentage points to 58.2% reflecting a shift from feature phones to smartphones.



Number of “au Smart Value” Subscriptions

“au Smart Value” has continued to expand its customer base through mutual cross-selling of mobile and fixed-line services.

Looking at the number of au Smart Value subscriptions, the number of mobile subscriptions increased 2.22 million to 11.55 million, while the number of subscriptions among fixed-lined broadband households rose 1.13 million to 5.72 million. These increases partly reflected an extension of the applicable conditions for “au Smart Value” along with an increase in allied partners.



Value Services Segment

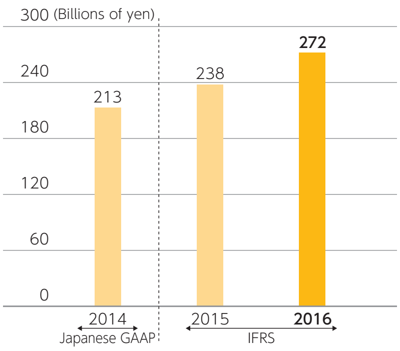
(Years ended March 31)

Overview of Operations

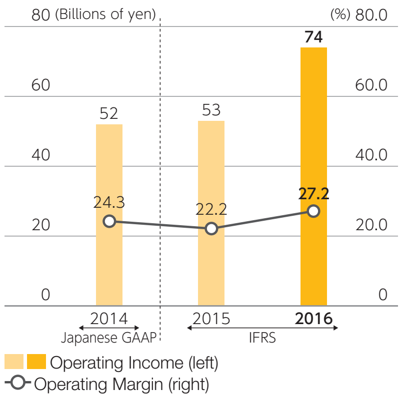
In the fiscal year ended March 31, 2016, operating revenue rose 14.3% year on year to ¥271.8 billion. This was mainly owing to an increase in value-added ARPA revenues in line with an increase in settlement commissions centered on "au WALLET," in addition to an increase in the number of members online services such as "au Smart Pass."

Meanwhile, operating income increased 40.1% to ¥73.8 billion. The main contributing factor was the increase in operating revenue, which exceeded a higher cost of goods incurred in connection with the launch of the "au WALLET Market" service and the conversion of Jupiter Shop Channel Co., Ltd. into a new consolidated subsidiary.

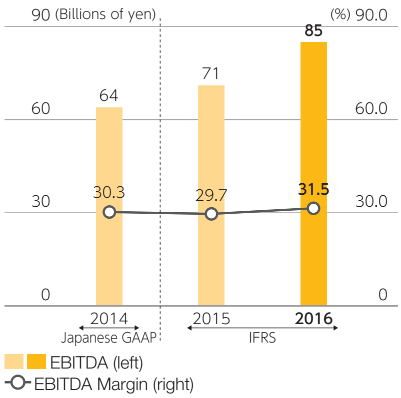
Operating Revenue



Operating Income/Operating Margin

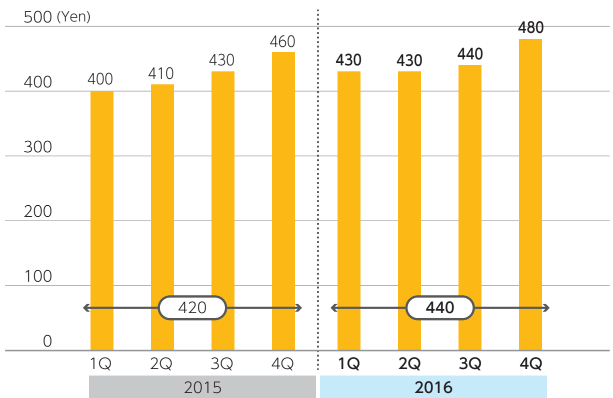


EBITDA/EBITDA Margin



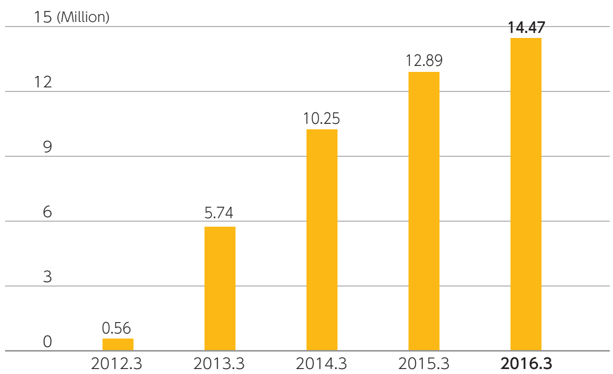
Value-Added ARPA

In the fiscal year ended March 31, 2016, value-added ARPA grew ¥20 year on year to ¥440. The main factors behind this increase were a steady increase in the number of "au Smart Pass" members, as well as higher settlement commissions from "au Simple Payment" and "au WALLET," and increased revenues from sales of products in the "au WALLET Market."



Number of "au Smart Pass" Members

The number of "au Smart Pass" members rose 12.3% from the previous fiscal year-end to 14.47 million members. This was mainly due to proactive initiatives in line with customer needs, such as "au Smart Pass Day," which commenced in March 2015, and repair services for iPhone and iPad.



Business Services Segment

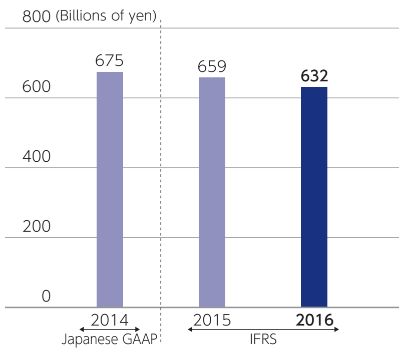
(Years ended March 31)

Overview of Operations

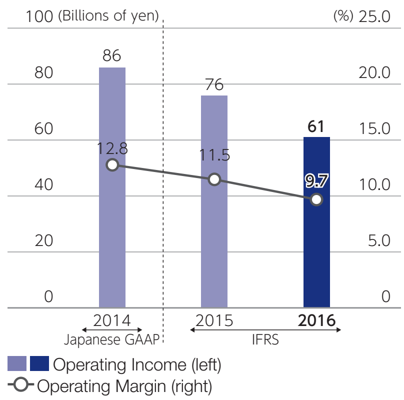
In the fiscal year ended March 31, 2016, operating revenue in this segment decreased 4.1% year on year to ¥632.0 billion. Solution sales such as cloud-related business and IT outsourcing rose, and sales also grew for services from consolidated subsidiary “KDDI MATOMETE OFFICE CORPORATION” targeting small and medium-sized companies. However, the introduction of flat-rate voice communications caused mobile communications revenues to decrease.

Meanwhile, sales commissions, access charges and other expenses declined, despite an increase in handset procurement costs. As a result, operating income declined 19.0% year on year to ¥61.4 billion.

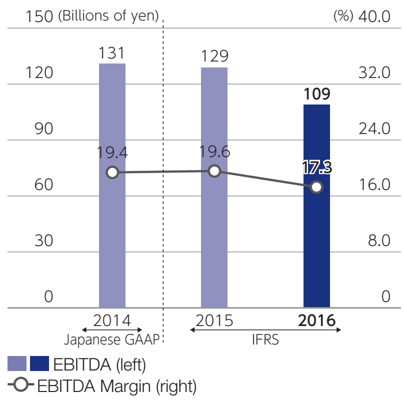
Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin



Global Services Segment

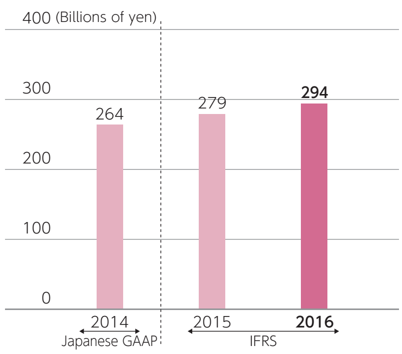
(Years ended March 31)

Overview of Operations

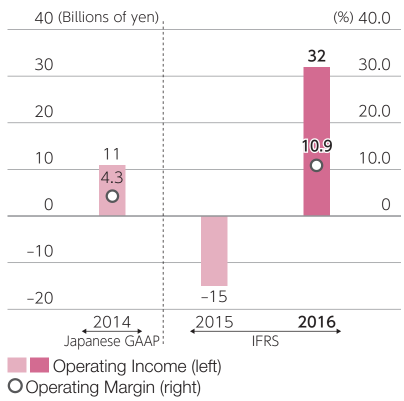
In the fiscal year ended March 31, 2016, operating revenue was up 5.5% year on year, to ¥294.4 billion. The main contributing factor was higher revenue from the telecommunications business in Myanmar and our “TELEHOUSE” brand of data centers.

Operating income was ¥32.1 billion, a change of ¥47.4 billion from an operating loss in the previous fiscal year. This partly reflected the absence of a loss on business of overseas subsidiaries incurred in the fiscal year ended March 31, 2015.

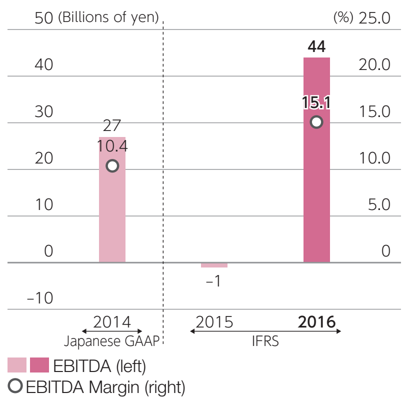
Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin



Consolidated Financial Statements

Consolidated Statement of Financial Position

KDDI Corporation and its Subsidiaries

As of March 31	Notes	Millions of yen As of date of transition to IFRSs (April 1, 2014)	2015	2016	Millions of U.S. dollars 2016
Assets					
Non-current assets:					
Property, plant and equipment	6, 8	¥2,465,583	¥2,541,099	¥2,485,948	$22,062
Goodwill	4, 7, 8	329,783	343,136	493,733	4,382
Intangible assets	7, 8	665,068	699,332	728,020	6,461
Investments accounted for using the equity method	9	41,798	61,621	71,011	630
Other long-term financial assets	12, 31, 32	134,893	97,824	112,809	1,001
Retirement benefit assets	17	7,476	26,035	—	—
Deferred tax assets	16	95,353	110,988	103,388	918
Other non-current assets	13	57,387	71,457	72,938	647
Total non-current assets		3,797,340	3,951,491	4,067,847	36,101
Current assets:					
Inventories	10	83,776	75,837	79,626	707
Trade and other receivables	11, 31	1,127,209	1,231,095	1,357,820	12,050
Other short-term financial assets	12, 31, 32	11,069	9,023	14,966	133
Income tax receivables		9,626	242	8,142	72
Other current assets	13	70,725	82,719	86,648	769
Cash and cash equivalents	4, 14	249,732	276,317	192,200	1,706
Total current assets		1,552,137	1,675,235	1,739,403	15,437
Total assets		¥5,349,478	¥5,626,725	¥5,807,249	$51,538

As of March 31	Notes	Millions of yen As of date of transition to IFRSs (April 1, 2014)	2015	2016	Millions of U.S. dollars 2016
Liabilities and Equity					
Liabilities					
Non-current liabilities:					
Borrowings and bonds payable	15, 31, 32	¥ 779,454	¥ 846,701	¥ 956,800	$ 8,491
Other long-term financial liabilities	19, 31, 32	131,138	148,367	174,791	1,551
Retirement benefit liabilities	17	17,261	14,826	20,255	180
Deferred tax liabilities	16	48,142	35,921	26,464	235
Provisions	20	7,925	7,129	7,635	68
Other non-current liabilities	21	150,282	160,578	153,299	1,360
Total non-current liabilities		1,134,204	1,213,523	1,339,244	11,885
Current liabilities:					
Borrowings and bonds payable	15, 31, 32	370,349	149,760	96,836	859
Trade and other payables	18, 31	494,605	535,489	426,172	3,782
Other short-term financial liabilities	19, 31, 32	18,706	20,698	25,037	222
Income taxes payables		126,169	165,402	120,818	1,072
Provisions	20	1,290	11,311	20,390	181
Other current liabilities	21	291,565	307,530	269,294	2,390
Total current liabilities		1,302,684	1,190,190	958,548	8,507
Total liabilities		2,436,888	2,403,713	2,297,792	20,392
Equity					
Equity attributable to owners of the parent					
Common stock	23	141,852	141,852	141,852	1,259
Capital surplus	22, 23	385,945	369,722	368,245	3,268
Treasury stock	23	(161,822)	(161,822)	(210,861)	(1,871)
Retained earnings	23	2,374,381	2,686,824	2,995,422	26,583
Accumulated other comprehensive income	23	43,589	27,462	13,570	120
Total equity attributable to owners of the parent		2,783,946	3,064,038	3,308,228	29,359
Non-controlling interests		128,644	158,974	201,230	1,786
Total equity		2,912,589	3,223,012	3,509,458	31,145
Total liabilities and equity		¥5,349,478	¥5,626,725	¥5,807,249	$51,538

Note: The notes 1 to 42 are an integral part of these consolidated financial statements.

Consolidated Statement of Income

KDDI Corporation and its Subsidiaries

		Millions of yen		Millions of U.S. dollars
For year ended March 31	Notes	2015	2016	2016
Operating revenue	25	¥4,270,094	¥4,466,135	$39,636
Cost of sales	26	2,511,226	2,540,338	22,545
Gross profit		1,758,868	1,925,797	17,091
Selling, general and administrative expenses	26	1,106,444	1,106,798	9,822
Other income	27	13,069	12,866	114
Other expense	27	4,697	3,677	33
Share of profit of investments accounted for using the equity method	9	4,923	5,170	46
Operating income		665,719	833,358	7,396
Finance income	28	8,216	1,848	16
Finance cost	28	15,602	19,638	174
Other non-operating profit	29	4,533	3,616	32
Profit for the year before income tax		662,867	819,185	7,270
Income tax	16	243,343	253,649	2,251
Profit for the year		¥ 419,524	¥ 565,536	$ 5,019
Profit for the year attributable to:				
Owners of the parent		¥ 395,805	¥ 494,465	$ 4,388
Non-controlling interests		23,719	71,071	631
Profit for the year		¥ 419,524	¥ 565,536	$ 5,019
Earnings per share attributable to owners of the parent	34			
Basic earnings per share (yen)		¥158.01	¥197.56	$2
Diluted earnings per share (yen)		158.01	197.54	2

Note: The notes 1 to 42 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

KDDI Corporation and its Subsidiaries

For year ended March 31	Notes	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Profit for the year		¥419,524	¥565,536	$5,019
Other comprehensive income				
Items that will not be transferred subsequently to profit or loss				
Remeasurements of defined benefit pension plans	17, 30	8,613	(24,393)	(216)
Changes measured in fair value of financial assets through other comprehensive income	30, 31	6,881	(3,256)	(29)
Share of other comprehensive income of investments accounted for using the equity method	9, 30	1, 221	3,239	29
Total		16,714	(24,410)	(217)
Items that may be subsequently reclassified to profit or loss				
Changes in fair value of cash flow hedge	30, 31	(1,881)	(4,909)	(44)
Translation differences on foreign operations	30	9,622	(11,009)	(98)
Share of other comprehensive income of investments accounted for using the equity method	9, 30	1,824	434	4
Total		9,566	(15,485)	(137)
Total other comprehensive income		26,280	(39,894)	(354)
Total comprehensive income for the year		¥445,804	¥525,641	$4,665
Total comprehensive income for the year attributable to:				
Owners of the parent		¥421,562	¥457,575	$4,061
Non-controlling interests		24,241	68,066	604
Total		¥445,804	¥525,641	$4,665

Notes: 1. Items in the statement above are disclosed net of tax.
2. Income taxes related to each component of other comprehensive income are disclosed in “Note 16. Deferred tax and income taxes.”
3. The notes 1 to 42 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

KDDI Corporation and its Subsidiaries

		Millions of yen							
		Equity attributable to owners of the parent							
For year ended March 31	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2014		¥141,852	¥385,945	¥(161,822)	¥2,374,381	¥ 43,589	¥2,783,946	¥128,644	¥2,912,589
Comprehensive income									
Profit for the year		—	—	—	395,805	—	395,805	23,719	419,524
Other comprehensive income		—	—	—	—	25,757	25,757	523	26,280
Total comprehensive income		—	—	—	395,805	25,757	421,562	24,241	445,804
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(125,247)	—	(125,247)	(6,841)	(132,087)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	41,885	(41,885)	—	—	—
Purchase and disposal of treasury stock	23	—	—	(0)	—	—	(0)	—	(0)
Changes in interests in subsidiaries		—	(16,194)	—	—	—	(16,194)	13,534	(2,660)
Other		—	(29)	—	—	—	(29)	(604)	(633)
Total transactions with owners and other transactions		—	(16,223)	(0)	(83,362)	(41,885)	(141,470)	6,089	(135,381)
As of April 1, 2015		141,852	369,722	(161,822)	2,686,824	27,462	3,064,038	158,974	3,223,012
Comprehensive income									
Profit for the year		—	—	—	494,465	—	494,465	71,071	565,536
Other comprehensive income		—	—	—	—	(36,890)	(36,890)	(3,004)	(39,894)
Total comprehensive income		—	—	—	494,465	(36,890)	457,575	68,066	525,641
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(162,860)	—	(162,860)	(29,860)	(192, 720)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(22,998)	22,998	—	—	—
Purchase and disposal of treasury stock	23	—	(1,010)	(49,039)	—	—	(50,050)	—	(50,050)
Changes due to business combination		—	—	—	—	—	—	16,803	16,803
Changes in interests in subsidiaries		—	(1,846)	—	—	—	(1,846)	(12,754)	(14,599)
Other		—	1,379	—	(8)	—	1,371	—	1,371
Total transactions with owners and other transactions		—	(1,477)	(49,039)	(185,867)	22,998	(213,385)	(25,811)	(239,195)
As of March 31, 2016		¥141,852	¥368,245	¥(210,861)	¥2,995,422	¥ 13,570	¥3,308,228	¥201,230	¥3,509,458

		Millions of U.S. dollars							
		Equity attributable to owners of the parent							
For year ended March 31	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2015		$1,259	$3,281	$(1,436)	$23,845	$ 244	$27,192	$1,411	$28,603
Comprehensive income									
Profit for the year		—	—	—	4,388	—	4,388	631	5,019
Other comprehensive income		—	—	—	—	(327)	(327)	(27)	(354)
Total comprehensive income		—	—	—	4,388	(327)	4,061	604	4,665
Transactions with owners and other transactions									
Cash dividends	24	—	—	—	(1,445)	—	(1,445)	(265)	(1,710)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	(204)	204	—	—	—
Purchase and disposal of treasury stock	23	—	(9)	(435)	—	—	(444)	—	(444)
Changes due to business combination		—	—	—	—	—	—	149	149
Changes in interests in subsidiaries		—	(16)	—	—	—	(16)	(113)	(130)
Other		—	12	—	(0)	—	12	—	12
Total transactions with owners and other transactions		—	(13)	(435)	(1,650)	204	(1,894)	(229)	(2,123)
As of March 31, 2016		$1,259	$3,268	$(1,871)	$26,583	$ 120	$29,359	$1,786	$31,145

Note: The notes 1 to 42 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

KDDI Corporation and its Subsidiaries

For year ended March 31	Notes	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Cash flows from operating activities				
Profit for the period before income tax		¥ 662,867	¥ 819,185	$ 7,270
Depreciation and amortization	6, 7	518,831	532,062	4,722
Impairment loss	8	54,748	5,873	52
Share of (profit) loss of investments accounted for using the equity method	9	(4,923)	(5,170)	(46)
Loss (gain) on sales of non-current assets		334	461	4
Interest and dividends income	28	(2,180)	(1,831)	(16)
Interest expenses	28	15,170	13,325	118
(Increase) decrease in trade and other receivables		(107,980)	(144,329)	(1,281)
Increase (decrease) in trade and other payables		62,047	(47,932)	(425)
(Increase) decrease in inventories		8,914	1,140	10
(Increase) decrease in retirement benefit assets		(18,559)	26,035	231
Increase (decrease) in retirement benefit liabilities		(2,435)	5,429	48
Other		27,688	(15,320)	(136)
Cash generated from operations		1,214,522	1,188,926	10,551
Interest and dividends received		5,626	2,986	26
Interest paid		(11,221)	(15,587)	(138)
Income tax paid		(249,510)	(291,998)	(2,591)
Income taxes refund		9,335	212	2
Net cash provided by (used in) operating activities		968,752	884,538	7,850
Cash flows from investing activities				
Purchase of property, plant and equipment		(482,497)	(343,290)	(3,047)
Proceeds from sales of property, plant and equipment		1,475	1,289	11
Purchase of intangible assets		(189,085)	(192,510)	(1,708)
Purchase of other financial assets		(3,798)	(1,691)	(15)
Proceeds from sales/redemption of other financial assets		53,515	548	5
Acquisition of control over subsidiaries	4	(7,108)	(127,045)	(1,127)
Purchase of stocks of associates		(3,125)	(5,377)	(48)
Decrease from loss of control over subsidiaries		(2,808)	—	—
Other		(2,315)	159	1
Net cash provided by (used in) investing activities		(635,745)	(667,917)	(5,928)
Cash flows from financing activities				
Net increase (decrease) of short-term borrowings		(92,480)	17,316	154
Proceeds from issuance of bonds and long-term borrowings		214,000	184,000	1,633
Payments from redemption of bonds and repayments of long-term borrowings		(275,320)	(213,464)	(1,894)
Repayments of lease obligations		(24,607)	(26,382)	(234)
Payments from purchase of subsidiaries' equity from non-controlling interests		(26,613)	(17,693)	(157)
Proceeds from stock issuance to non-controlling interests		26,547	212	2
Payments from purchase of treasury stock	23	(0)	(50,019)	(444)
Cash dividends paid		(125,226)	(162,834)	(1,445)
Cash dividends paid to non-controlling interests		(6,828)	(30,140)	(267)
Other		(0)	1	0
Net cash provided by (used in) financing activities		(310,528)	(299,003)	(2,654)
Effect of exchange rate changes on cash and cash equivalents		4,107	(1,848)	(16)
Net increase (decrease) in cash and cash equivalents		26,585	(84,230)	(748)
Cash and cash equivalents at the beginning of the year	14	249,732	276,317	2,452
Cash and cash equivalents at the end of the year	14	¥ 276,317	¥ 192,087	$ 1,705

Note: The notes 1 to 42 are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

KDDI Corporation and its Subsidiaries

1. Reporting Entity

KDDI CORPORATION ("the Company") was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company's consolidated financial statements as of and for the year ended March 31, 2016 comprise the Company and its consolidated subsidiaries ("the Group") and the Group's interests in associates and joint ventures. The Company is the ultimate parent company of the Group.

The Group's major business and activities are "Personal Services," "Value Services," "Business Services" and "Global Services." For the details, please refer to "(1) Outline of reporting segment" of "Note 5. Segment information."

2. Basis of Preparation

(1) Compliance of consolidated financial statements with International Financial Reporting Standards ("IFRSs") and first-time adoption

The Group's consolidated financial statements have been prepared in accordance with IFRSs as prescribed in Article 93 of Ordinance on Consolidated Financial Statements as they satisfy the requirement of a "specific company" set forth in Article 1-2 of Ordinance on Consolidated Financial Statements.

The Group has applied IFRSs from the fiscal year ended March 31, 2016, and the consolidated financial statements for the year ended March 31, 2016 are the first consolidated financial statements under IFRSs. Date of transition to IFRSs is April 1, 2014, and the Group applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") for transition to IFRSs. The method of first-time adoption of IFRSs the Group has applied and the effect of the transition to IFRSs on the Group's financial position, result of operations, and cash flows is provided in "Note 41. First-time adoption of IFRSs."

The Group's accounting policies comply with IFRSs effective at April 1, 2015, excluding IFRSs which have not been early adopted and exemptions permitted by IFRS 1 and elected by the Group.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared under the historical cost basis except for the following significant items on the consolidated statement of financial position:

- Derivative assets and derivative liabilities (measured at fair value)
- Financial assets or financial liabilities at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Assets and liabilities related to defined benefit plan (measured at the present value of the defined benefit obligations, net of the fair value of the plan asset)

(3) Presentation currency and unit of currency

The Group's consolidated financial statements are presented in Japanese yen, which is the currency of the primary economic environment of the Company's business activities ("functional currency"), and are rounded to the nearest million yen.

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 ¥112.68=U.S.$1, the approximate exchange rate on March 31, 2016. 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.

(4) Use of estimates and judgement

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on the management's best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of the estimates or assumptions, however, actual results may differ from those estimates and assumptions.

The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years. Estimates that may have a risk of significant adjustment of carrying amounts of assets and/or liabilities in the subsequent fiscal years and the underlying assumptions are as follows:

i. Estimates of useful lives of property, plant and equipment, intangible assets, finance lease assets

Property, plant and equipment is depreciated primarily using the straight-line method, based on the estimated useful life that reflects the period in which the asset's future economic benefits are expected to be consumed. The depreciation charge for the period could increase if an item of property, plant and equipment becomes obsolete or repurposed in the future and the estimated useful life becomes shorter.

Intangible asset with a finite useful life is amortized on a straight-line basis to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Estimated useful life of the customer relationships acquired in a business combination is determined based on the cancellation rate. The intangible assets related to the customer relationships are amortized over the useful life. Should actual useful life in the future be less than the original estimate, due to changes in the business environment etc., there is a risk that amortization expenses for the reporting period may increase.

The content and amount related to estimates of useful lives and residual values of property, plant and equipment, intangible assets, finance lease assets are described in "Note 3. Significant accounting policies (5) Property, plant &equipment, (7) Intangible asset" and (8) Leases, "Note 6. Property, plant and equipment," "Note 7. Goodwill and intangible assets."

ii. Impairment of property, plant and equipment and intangible assets including goodwill

The Group conducts impairment tests to property, plant and equipment and intangible assets including goodwill. Calculations of recoverable amounts used in impairment tests are based on assumptions set using such factors as an asset's useful life, future cash flows, pre-tax discount rates and long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The method for calculating recoverable amounts is described in "Note 3. Significant accounting policies (9) Impairment of property, plant and equipment, goodwill and intangible assets" and "Note 8. Impairment of property, plant and equipment, goodwill and intangible assets."

iii. Evaluation of inventories

Inventories are measured at historical cost. However, when the net realizable value ("NRV") at the reporting date falls below the cost, inventories are subsequently measured based on NRV, with the difference in value between the cost and NRV, booked as cost of sales. Slow-moving inventories and those outside the normal operating cycle are calculated at NRV that reflects future demand and market trends. The Group may experience losses in cases where NRV drops as a result of deterioration in the market environment against the forecast.

The content and amount related to evaluation of inventories are described in "Note 3. Significant accounting policies (15) Inventories" and "Note 10. Inventories."

iv. Recoverability of deferred tax assets

In recognizing deferred tax assets, when judging the possibility of the future taxable income, the Group estimates the timing and amount of future taxable income based on the business plan.

The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. If there are differences between the actual amounts and estimated amounts, this may have a material impact on the consolidated financial statements in future periods.

The content and amount related to deferred tax assets are described in "Note 3. Significant accounting policies (25) Income taxes" and "Note 16. Deferred tax and income taxes."

v. Measurement of defined benefit obligations

The Group has in place various post-retirement benefit plans, including defined benefits plans. The present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates. The Group obtains advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables.

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions and related sensitivity analysis are described in "Note 3. Significant accounting policies (16) Employee benefits" and "Note 17. Employee benefits."

vi. Collectability of trade and other receivables

The Group has estimated the collectability of trade and other receivables based on the credit risk. Fluctuations in credit risk of customer receivables may have a significant effect on the amounts of recognizing the allowance for receivables on the consolidated financial statements in future periods.

The content and amount related to collectability of trade and other receivables are described in "Note 3. Significant accounting policies (12) Impairment of financial assets" and "Note 31. Financial instruments."

vii. Valuation technique of financial assets at fair value without quoted prices in active markets

The Group has used valuation techniques to estimate the unobservable inputs in the market when assessing the fair value of certain financial instruments. Unobservable input may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods if it becomes necessary to review.

The content and amount related to fair value of financial assets are described in "Note 3. Significant accounting policies (11) Financial instruments and (13) Derivatives and hedge accounting" and "Note 32. Fair value of financial instruments."

viii. Provisions

The Group recognizes provisions, including provisions for point program, in the consolidated statement of financial position. These provisions are recognized based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the current year end date. Expenditures necessary for settling the obligations are calculated by taking all possible future results into account; however, they may be affected by unexpected events or changes in conditions which may have a material impact on the Group's consolidated financial statements in future periods.

The nature and amount of recognised provisions are described in "Note 3. Significant accounting policies (17) Provisions" and "Note 20. Provisions."

(5) Application of new standards and interpretations

There is no standard and interpretation newly applied from the fiscal year ending March 31, 2016. The Group has early adopted IFRS 9 "Financial instruments" (issued in November 2009 and amended in July 2014) from the date of transition to IFRSs.

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the consolidated financial statements are not mandatory for the fiscal year ended March 31, 2016. They have not been early adopted by the Group.

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and amendments
IFRS 15	Revenue from contracts with customers	January 1, 2018	fiscal year ending March 31, 2019	IFRS 15 describes that revision of current accounting standard for revenue recognition and disclosure. Specifically, IFRS15 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
IFRS16	Lease	January 1, 2019	fiscal year ending March 31, 2020	IFRS 16 describes that revision of current accounting standard for lease and disclosure. Specifically, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months as principal.
IAS1 (Revised)	Presentation of Financial Statements	January 1, 2016	fiscal year ending March 31, 2017	The amendments to IAS 1 are designed to further encourage companies to apply professional judgments in determining what information to disclose in their financial statements.
IAS7 (Revised)	Statement of cash flows	January 1, 2017	fiscal year ending March 31, 2018	The amendments to IAS 7 are designed to introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
IAS12 (Revised)	Income taxes	January 1, 2017	fiscal year ending March 31, 2018	The amendments to IAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base.
IAS16 IAS38 (Revised)	Property, Plant and Equipment Intangible Assets	January 1, 2016	fiscal year ending March 31, 2017	The amendments to IAS 16 and IAS 38 are designed to clarify permissible depreciation and amortization methods.
IFRS11 (Revised)	Joint arrangements	January 1, 2016	fiscal year ending March 31, 2017	The amendments to IFRS 11 are designed to clarify accounting for the acquisition of interest in joint operations.
IAS19 (Revised)	Employee benefit	January 1, 2016	fiscal year ending March 31, 2017	The amendment to IAS19 clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country.

All the standards and amendments above will be reflected to the consolidated financial statements for the relevant fiscal year described above. The Company is currently evaluating the impact of the application and estimate is currently not available.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements, including the statement of financial position as of the date of transition to IFRSs, are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

Subsidiaries are all entities over which the Group has control. An entity is consolidated as the Group controls it when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control is obtained and deconsolidated from the date when control is lost.

Intragroup balances and transactions, and unrealized gain or loss arising from intragroup transactions are eliminated in preparation of the consolidated financial statements.

The accounting policies of subsidiaries have been changed to conform to the Group's accounting policies, when necessary.

(b) Changes in ownership interest in a subsidiary that do not result in a change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for by the Group as equity transactions. The difference between fair value of any consideration paid and the proportion acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value on the date when control is lost, with the changes in the carrying amount recognized in profit or loss. The fair value will be the initial carrying amount when the retained interests are subsequently accounted for as associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Unification of reporting period

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

ii. Associates

Associates are entities over which the Group does not have control but has significant influence over the financial and operating policies through participation in the decision-making of those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, investment in an associate is initially recorded at cost and its amount is adjusted to recognize the Group's share of the profit or loss and other comprehensive income of the associate from the date on which it has significant influence until the date when it ceases to have the significant influence is lost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognized in other comprehensive income is reclassified to profit or loss, where appropriate. When the Company's share of losses in an associate equals or exceeds its carrying amount of interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's investment in associates includes goodwill recognized on acquisition. Accordingly, goodwill is not recognized and not tested for impairment separately. Gross amount of investments in associates is tested for impairment as a single asset. Specifically, the Group evaluates whether there is objective evidence which indicates that the investment may be impaired or not on a quarterly basis. When objective evidence that the investments in associates are impaired exists, those investments are tested for impairment.

Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The accounting policies of associates have been changed to conform to the Group's accounting policies, when necessary.

iii. Joint arrangements

The Group enters into joint arrangements when the Group has joint control of a business or entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

For the purpose of accounting, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint agreement whereby parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

When a joint arrangement is classified as a joint operation, the Group's share of the assets, liabilities, revenue and expenses in relation to the arrangement are recorded directly in the financial statements. On the other hand, when a joint arrangement is classified as a joint venture, net assets related to the arrangement are recorded in the financial statements using the equity method.

(2) Business combination

The Group accounts for business combination by applying the acquisition method. Consideration transferred to acquire subsidiaries is fair values of the assets transferred, the liabilities incurred by former owners of the acquiree and the equity interests issued by the Group. Consideration transferred also includes fair values of any assets or liabilities resulting from a contingent consideration arrangement. Each identifiable asset acquired, liability and contingent liability assumed in a business combination is generally measured at its acquisition-date fair value.

Non-controlling interests are identified separately from those of the Group and are measured as the non-controlling shareholders' proportionate share of the acquiree's identifiable net assets. For each acquisition, the Group recognizes acquiree's non-controlling interests either at fair value or as the non-controlling interest's proportionate share of the amount recognized for acquiree's identifiable net assets.

Acquisition-related costs, including finder's fees, legal, due-diligence and other professional fees, are charged to expense when incurred.

Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets acquired, such excess is recorded as goodwill. Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquire is less than the fair value of acquired subsidiary's net asset, such difference is recognized directly in profit or loss as a bargain purchase.

If the initial accounting for a business combination is not complete by the end of the reporting period in which the business combination occurs, the Group recognizes in its financial statements provisional amounts for the items for which the accounting is incomplete. Subsequently, the Group retrospectively adjusts the provisional amounts recognized on the date when control is obtained as measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the date when control is obtained and, if known, would have affected the amounts recognized for the business combination. However, the measurement period shall not exceed one year from the date when control is obtained.

The Group applies exemption of IFRS 1 and does not retrospectively apply IFRS 3 "Business Combination" for the business combinations that occurred before April 1, 2014 (the date of transition to IFRSs). Goodwill resulted from the business combinations that occurred before the date of transition to IFRSs is recorded at its carrying amount that is taken over from the amount previously recognized under former accounting standards (Japanese GAAP) on the date of transition to IFRSs and tested for impairment.

(3) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The board of directors that makes strategic decisions has been identified by the Group as the chief operating decision-maker.

(4) Foreign currency translation

i. Functional currency and presentation currency

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

ii. Foreign currency transactions

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

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

iii. Foreign operations

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill, identified assets and liabilities, and their fair value adjustments resulting from the acquisition of the foreign operations, are translated into presentation currency at the exchange rate prevailing at the fiscal year end date. Income and expenses of foreign operations are translated into Japanese yen, the presentation currency, at the average exchange rate for the period, unless there is significant change in the exchange rate during the period.

Exchange differences arising from translation of foreign operations' financial statements are recognized as other comprehensive income. In cases of disposition of whole interests of foreign operations, and certain interests involving loss of control or significant influence, exchange differences are accounted for as profit or loss on disposal of foreign operations.

The Group applies exemption of IFRS 1 and all cumulative exchange differences as of the date of transition to IFRSs are reclassified to retained earnings

(5) Property, plant and equipment

i. Recognition and measurement

Property, plant, and equipment of the Group is measured on a historical cost basis and is stated at cost less accumulated depreciation and impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration, as well as borrowing costs eligible for capitalization.

In cases where components of property, plant, and equipment have different useful lives, each component is recorded as a separate property, plant, and equipment item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.

ii. Depreciation and useful lives

Property, plant and equipment is depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

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

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

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

(6) Goodwill

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

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

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. Instead, it is tested for impairment annually and if events or changes in circumstances indicate a potential impairment. For the impairment, please refer to "Note 3. Significant accounting policies (9) Impairment of property, plant and equipment, goodwill and intangible assets."

(7) Intangible assets

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

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

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

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

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

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

(8) Lease

i. Assets subject to lease

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

ii. Classification of lease

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

iii. Finance lease

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

iv. Operating lease

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

(9) Impairment of property, plant and equipment, goodwill and intangible assets

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

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

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

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

(10) Non-current assets held for sale or disposal group

An asset or group of assets of which the carrying amount is expected to be recovered primarily through a sales transaction rather than through continuing use is classified into "Assets held for sale." To qualify for classification as "non-current assets held for sale," the sale of a non-current asset must be highly probable and it must be available for immediate sale in its present condition. Also, management must be committed to a plan to sell the asset in which the sale is to be completed within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, and the criteria set out above are met, all assets and liabilities of the subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets held for sale is measured at the lower of its "carrying amount" and "fair value less cost to sell." Property, plant and equipment and intangible assets classified as "assets held for sale" are not depreciated or amortized.

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset at fair value through profit or loss is recognized as profit or loss.

(b) Classification of non-derivative financial assets

Classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets as subsequently measured at amortized cost or measured at fair value. This classification depends on whether a financial asset is a debt instrument or an equity instrument.

Debt instruments

(i) Financial assets at amortized cost

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

- The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

Equity instruments

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

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

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

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

The Group makes an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Dividends from financial assets at fair value through other comprehensive income are recognized as "finance income" in profit or loss.

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

(c) Derecognition of financial assets

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

(d) Reclassification

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

ii. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

The Group recognizes financial debt when the Group becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

(i) Financial liabilities at amortized cost

A financial liability other than those at fair value through profit or loss is classified as a financial liability at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

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

A financial liability at fair value through profit or loss is initially measured at fair value. After initial recognition, the financial liability is measured at fair value with subsequent changes recognized as profit or loss.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when the financial liability is distinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

(d) Preference shares

Preference shares are classified as equity or financial liabilities based on their substances of contractual arrangements, not on their legal forms. Preference shares mandatorily redeemable on a particular date are classified as financial liabilities. Preference shares classified as liabilities are measured at amortized cost in the consolidated statement of financial position and the dividends on these preference shares are recognized as interest expense and presented as financial cost in the consolidated statement of income.

iii. Presentation of financial assets and liabilities

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

(12) Impairment of financial assets

The Group recognizes impairment loss of financial assets based on its evaluation at the end of each reporting period whether there is a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are recognized as provision for doubtful receivables. On the other hand, when there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as provision for doubtful receivables. Whether credit risk is significantly increased or not is determined based on the changes in default risk. To determine if there is a change in default risk, following factors are considered. However, trade receivables' expected credit losses are recognized over their remaining lives since inception simply based on historical credit loss experience.

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
- Reduced financial support from the parent company or associated companies
- Delinquencies (Overdue information)

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

(13) Derivatives and hedge accounting

Derivatives are initially recognized at fair value as of the date in which the derivative contracts are entered into. After initial recognition, derivatives are remeasured at fair value at the end of each reporting period.

The Group utilizes derivatives consisting of exchange contracts and interest swaps to reduce foreign currency risk and interest rate risk etc.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates derivatives as cash flow hedge (hedges to the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, along with their risk management objectives and strategies to conduct various hedge transactions.

At the inception of the hedge and on an ongoing basis, the Group assess whether the derivative used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item.

Specially, when the Group assess whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:

(i) There is an economic relationship between the hedged item and the hedging instrument

(ii) The effect of credit risk does not dominate the value changes that result from that economic relationship;

(iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The hedge of effectiveness is assessed about whether the hedge is expected to be effective for future hedging periods.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in gain or loss. Cumulative gain or loss recognized through other comprehensive income is transferred to gain or loss on the same period that the cash flows of hedged items affects gain or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (rebalancing).

After rebalancing, in cases where no longer meet the requirements of hedge accounting or hedging instruments are expired, sold, terminated or exercised, hedge accounting will be discontinued.

In the case that the hedge accounting is discontinued, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, accumulated amount of gains or losses recorded in equity is transferred to profit or loss.

Aggregated fair values of hedging instrument derivatives whose maturities are over 12 months are classified as non-current assets or liabilities, and those whose maturities are less than 12 months are classified as current assets or liabilities.

(14) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within in current liabilities.

(15) Inventories

Inventories mainly consist of mobile handsets and materials/work in progress related to construction.

Inventories are measured at the lower of cost and net realizable value. The cost is generally calculated using the moving average method and comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated cost to sell.

(16) Employee benefits

i. Defined benefit plans

The Group primarily adopts defined benefit plans.

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

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

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

ii. Defined contribution plans

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

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

iii. Short-term employee benefits

Short-term employee benefits are recognized as an expense on an undiscounted basis at the time when the service is rendered. Bonus and paid annual leave accruals are recognized as a liability in the amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.

(17) Provisions

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

(18) Share-based payment

i. Stock options

The Group has equity-settled stock option plans as incentive plans for its directors and employees. Stock options are measured at fair value at the grant date, which is calculated using the Black-Scholes or other models.

The fair value of stock options at the grant date is recognized as an expense over the vesting period, based on the estimated number of stock options that are expected to vest, with corresponding amount recognized as increase in equity.

ii. Executive compensation BIP trust and stock-granting ESOP trust

The Group has introduced the executive compensation BIP (Board Incentive Plan) trust and a stock-granting ESOP (Employee Stock Ownership Plan) trust. These plans are accounted for as equity-settled share based payment and the shares of the Company held by the trust are included in treasury stock. The fair value of the shares of the Company at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Company granted is determined by adjusting the market value, taking into account the expected dividend yield of the shares.

(19) Equity

i. Common stock

Common stocks are classified as equity. Proceeds from the Company's issuance of common stocks are included in common stock and capital surplus and its direct issue costs are deducted from capital surplus.

ii. Treasury stock

When the Group acquires treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Group sells treasury stocks, differences between the carrying amount and the consideration received upon sale are recognized as capital surplus.

(20) Revenue

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

i. Mobile communications services and sale of mobile handsets

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

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

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

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

(a) Indirect sales

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

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

(b) Direct sales

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

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

ii. Fixed-line telecommunications services

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

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

iii. Contents service

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

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

The Group evaluates whether revenue from information fee should be presented on net basis or gross basis by judging each transaction based on the above criteria. Specifically, as the Group has the primary obligation and takes a credit risk for the contents service, revenue from the contents service the Group plans and develops by participating principally is presented on gross basis. On the other hand, as the Group does not have the primary obligation and take a credit risk for the contents service, revenue from the contents service the Group provides on the platform of the Group and does not participate principally is presented on net basis as the commission income.

The Group considered it is the agent for payment agency services, advertisement services and certain content service described above because it earns commission income based on pre-determined rate and solely provide a platform for its customers to transact or place advertisement. Therefore, revenue from these services is presented on a net basis.

iv. Solution service

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

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

v. CATV business

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

The Group also distributes programs directly to respective satellite broadcasting subscriber through agreements with satellite broadcasting operators. Each satellite broadcasting subscriber pays subscriptions on a monthly basis to the Group under a subscription contract which is automatically extended every month. Revenue from program distribution, including such subscription income, is recorded in the period over which the services are provided to the cable television operators, satellite broadcasting operators and IPTV operators.

vi. Global data center business

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

(21) Sales commission fees

The Group pays sales commission fees when distributors sell the Group's mobile handsets to customers, or acquire and retain telecommunications service agreements. Commission fees paid to acquire and retain the telecommunications service agreements are recognized as selling, general and administrative expenses when incurred. Commission fees related to the sale of mobile handsets are deducted from the revenues from the sale of mobile handsets.

(22) Finance income and costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment (shareholders' right) is established. Interest income is recognized as incurred using the effective interest method.

Finance costs mainly comprise interest expense, exchange losses and changes in fair value of financial assets at fair value through profit or loss. Interest expense is recognized as incurred when incurred using the effective interest method.

(23) Other non-operating income and loss

Other non-operating profit and loss includes gain and loss on investment activities. Specifically, gain and loss on step acquisitions, gain and loss on sales of stocks of subsidiaries and associates and gain and loss on deemed disposal are included.

(24) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of an asset, which takes a considerable period of time before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period they incurred.

(25) Income taxes

Income taxes are composed of current and deferred taxes and recognized in profit or loss, except for taxes related to items that are recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities on the current year's taxable income, plus adjustments to the amount paid in prior years. To determine the current tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in the countries in which the Group operates and earns taxable income or losses.

Deferred tax assets and liabilities are, using asset and liability method, recognized on temporary differences between the carrying amounts of assets and liabilities on the consolidated financial statements and their tax basis, and tax loss carryforwards and tax credits. However, no deferred tax assets and liabilities are recognized on following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities related to transactions other than business combination, that affects neither the accounting profit nor the taxable profit (loss); and
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on all deductible temporary differences, unused tax loss carryforwards and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized on taxable temporary differences. Carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to realize all or part of the benefit of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(26) Dividends
For the purpose of the consolidated financial statements, dividends to owners of the parent company are recognized as a liability for the period over which the dividends are approved by the owners of the parent company.

(27) Earnings per share
The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to common stock.

Basic earnings per share is calculated by dividing profit for the year attributable to common stockholders of the parent by the weighted average number of common stocks outstanding during the reporting period, adjusted for the number of treasury stocks acquired.

For the purpose of calculating diluted earnings per share, net profit attributable to owners of the parent and the weighted average number of common stocks outstanding, adjusted for the number of treasury stocks, are further adjusted based on the assumption that all dilutive potential common stocks are fully converted. Potential common stocks of the Group are related to BIP trust and ESOP trust.

4. Business Combinations

Jupiter Shop Channel Co., Ltd.

i. Overview of business combination
On March 14, 2016, Jupiter Telecommunications Co., Ltd. (hereinafter J:COM), a subsidiary of the Group acquired all of the shares of special purpose entities (BCJ-9 and BCJ-10) that hold the shares of Jupiter Shop Channel Co., Ltd. (hereinafter Shop Channel) from an investment fund to which Bain Capital Partners, LP (head office: Massachusetts, USA) provides investment advice. As a result, it was determined that J:COM obtained the control over Shop Channel after this acquisition whereby it became a consolidated subsidiary of J:COM, on the grounds that J:COM's ownership of voting shares in Shop Channel became 50%, and J:COM has an influence on the financial and business policy of Shop Channel.

On the same date, the Company acquired 5% of shares in Shop Channel held by Sumitomo Corporation (hereinafter Sumitomo).

As result, the Group's ownership of the shares in Shop Channel became 55%.

ii. Main objectives of business combination
This business combination is expected to elicit synergies between the Companies, J:COM, Sumitomo and Shop Channel while making use of each business resources. Going forward, we plan to work with Shop Channel to help it reach a new customer base through the development of new television shopping programs, as well as via television and the Internet.

iii. Name and business description of the acquiree

Company Name	Jupiter Shop Channel Co., Ltd. (hereinafter:),
Establishment Date	November 22, 1996
Head Office	Kokkan-building, 1-14-1, Shinkawa, Chuo-ku, Tokyo
President and name	CEO Atsushi Shinohara
Description of Business	Direct marketing business Centered on the operation of Shop Channel, delivering teleshopping through media channels including CATV broadcast, satellite broadcast, internet, and mail-order catalogues.
Paid-in Capital	4.4 billion yen as of March 31, 2016

BCJ-9 and BCJ-10 are immediate holding companies which were founded to hold the shares of Shop Channel.

iv. The proportion of acquired equity interest with voting rights
BCJ-9 and BCJ-10 100%
Shop Channel 55%

v. Acquisition date
March 14, 2016

vi. Consideration transferred and its components

		Millions of yen	Millions of U.S. dollars
As of acquisition date March 14	Note	2016	2016
Cash payment		¥85,488	$759
Total consideration transferred	A	¥85,488	$759

¥764 million (U.S.$7 million) of acquisition-related costs for the business combination is recognized as selling, general and administrative expenses.

vii. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

As of acquisition date March 14	Notes	Millions of yen 2016	Millions of U.S. dollars 2016
Non-current assets			
Property, plant and equipment (Note 1)		¥ 4,300	$ 38
Intangible assets (Note 1)		10,582	94
Other non-current assets		3,456	31
Total non-current assets		18,338	163
Current assets			
Trade and other receivables (Note 2)		5,345	47
Cash and cash equivalents		16,199	144
Other current assets		6,437	57
Total non-current assets		27,981	248
Total assets		¥ 46,319	$ 411
Non-current liabilities			
Borrowings and bonds payable		¥ 66,363	$ 589
Other non-current liabilities		2,154	19
Total non-current liabilities		68,517	608
Current liabilities			
Borrowings and bonds payable		1,148	10
Trade and other payables		9,918	88
Other current liabilities		6,729	60
Total current liabilities		17,795	158
Total liabilities		¥ 86,312	$ 766
Net assets	B	¥ (39,993)	$ (355)
Non-controlling interests (Note 3)	C	¥ 11,121	$ 99
Provisional goodwill (Note 4)	A – (B – C)	136,603	1,212

Consideration transferred is allocated to the acquired assets and assumed liabilities on the basis of fair value on the acquisition date. Since the allocation has not been completed, the above amounts, which are provisional fair values based on the best estimate at present, are subject to change when additional information related to facts and circumstances that existed as of the acquisition date, may be obtained and evaluated.

Notes: 1. The analysis of Property, plant and equipment and intangible assets
The main components of property, plant and equipment are buildings and broadcast facilities, and that of intangible assets is software.
2. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected
As for the fair value of ¥5,345 million (U.S.$47 million) of acquired receivables and other receivables (account receivable ¥3,828 million (U.S.$34 million), other receivable etc. ¥1,518 million (U.S.$13 million)), the total amount of contracts is ¥5,345 million (U.S.$47 million) and the estimate of the contractual cash flows not expected to be collected at the acquisition date is none.
3. Non-controlling interests
Non-controlling interests are measured based on the proportionate non-controlling interests after business combination in the identifiable net assets of the acquiree on the acquisition date.
4. Goodwill
Goodwill reflects excess earning power expected from the collective human resources related to the future business development and its synergy with the existing businesses. There is no item deductible from the taxable income related to the recognized goodwill.

viii. Consideration for expenditures due to the acquisition of control over the subsidiary

As of acquisition date March 14	Millions of yen 2016	Millions of U.S. dollars 2016
Cash consideration transferred	¥(85,488)	$(759)
Cash and cash equivalents held by the acquiree at the acquisition of control	16,199	144
Cash payment for the acquisition of control over the subsidiary	(69,289)	(615)

ix. Revenue and profit for the year of the acquiree

Revenue and profit for the year of the acquiree after the acquisition date, which are recorded on the consolidated statement of income for the year ended March 31, 2016 is ¥12,545 million (U.S.$111 million) and ¥1,044 million (U.S.$9 million), respectively.

x. Consolidated revenue and consolidated profit for the year assuming that the business combination was completed at the beginning of the fiscal year (Pro forma information)

Revenue and profit for the year in pro forma information (unaudited) related to the consolidated results, assuming that the acquisition of control by business combination was effective on April 1, 2015, are ¥4,590,080 million (U.S.$40,736 million) and ¥581,096 million (U.S.$5,157 million), respectively.

5. Segment Information

(1) Outline of reporting segments

The reporting segments of the Group are units of the Group of which separate financial information is available, and which are periodically monitored for the board of directors to determine the allocation of the business resource and evaluate the performance results.

The Group has established “3M Strategy” as a growth strategy for domestic business and “Global Strategy” for expanding business overseas, based on the three business visions: “More connected!,” “More Diverse Values!,” and “More Global!.” The Group has four reporting segments: “Personal,” “Value,” “Business” and “Global” for driving the strategies above. The classification of reporting segments is the same as operating segment.

Note: 3M is named after the initial letters of “Multi-network,” “Multi-device” and “Multi-use.” Through 3M strategy, we aim to provide a communications environment that gives customers seamless access anytime anywhere at the customers’ choice (multi-use) to various contents and services including music, images, digital books and games using various devices such as smartphones, tablets, digital book terminals and PC (multi devices), via the network organically connecting cellphones, FTTH, CATV, WiMAX and Wi-Fi owned by the Group (multi-network).

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

“Value” provides individual customers with content, settlement and other value-added services. The segment also works to reinforce multi-device and multi-network initiatives.

“Business” provides diverse solutions, including cloud services that seamlessly utilize networks and applications across smartphones, tablets and other mobile devices, to a wide range of corporate customers, from small and medium-sized to large companies. For small and medium-sized corporate customers, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP, also provides a regional support network offering close contact throughout Japan.

“Global” provides the one-stop provision of ICT solutions to corporate customers, centered on our “TELEHOUSE” data centers. In addition, the KDDI Group is working aggressively to expand customer business, such as telecommunications business in Myanmar and other emerging markets. Furthermore, it provides voice and data business to more than 600 telecommunications carriers around the world.

(2) Calculation method of revenue, income or loss, assets and other items by reporting segment

Accounting treatment of reported business segments is consistent with “Note 3. Significant accounting policies.”

Income of the reporting segments is based on the operating income.

Inter segment transaction price is determined based on the price by arm’s length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reporting segments.

(3) Information related to the amount of revenue, income or loss and other items by reporting segment

The Group’s segment information is as follows:

For the year ended March 31, 2015

Millions of yen

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Value	Business	Global	Subtotal				
Revenue									
Revenue from external customers	¥3,240,571	¥175,056	¥559,553	¥246,006	¥4,221,186	¥ 48,908	¥4,270,094	¥ —	¥4,270,094
Inter-segment revenue or transfers	90,012	62,633	99,687	32,978	285,310	138,601	423,911	(423,911)	—
Total	3,330,583	237,689	659,240	278,984	4,506,496	187,509	4,694,005	(423,911)	4,270,094
Segment income (or loss)	546,739	52,681	75,855	(15,254)	660,021	10,920	670,941	(5,222)	665,719
Finance income and finance cost (Net)									(7,385)
Other non-operating profit and loss									4,533
Profit for the year before income tax									¥ 662,867
Other items									
Depreciation and amortization	453,298	8,815	44,138	12,627	518,877	1,650	520,527	(1,819)	518,708
Impairment loss	47,064	3	7,401	92	54,561	187	54,748	—	54,748
Share of profit of investments accounted for using the equity method	1,130	823	576	875	3,403	1,520	4,923	—	4,923

Notes: 1. Business segment “Other” does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.
2. Adjustment of segment income shows the elimination of inter-segment transactions.

For the year ended March 31, 2016

	Millions of yen								
	Reporting segment								
	Personal	Value	Business	Global	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consoli-dated financial statements
Revenue									
Revenue from external customers	¥3,404,547	¥197,930	¥545,692	¥262,440	¥4,410,610	¥ 55,525	¥4,466,135	¥ —	¥4,466,135
Inter-segment revenue or transfers	98,707	73,833	86,340	31,969	290,849	117,950	408,798	(408,798)	—
Total	3,503,255	271,763	632,032	294,409	4,701,459	173,474	4,874,933	(408,798)	4,466,135
Segment income (or loss)	656,584	73,803	61,436	32,145	823,968	10,294	834,262	(904)	833,358
Finance income and finance cost (Net)									(17,789)
Other non-operating profit and loss									3,616
Profit for the year before income tax									¥ 819,185
Other items									
Depreciation and amortization	468,913	10,174	42,254	10,885	532,226	1,675	533,901	(2,234)	531,667
Impairment loss	1,123	22	3,472	1,251	5,867	6	5,873	—	5,873
Share of profit of investments accounted for using the equity method	1,146	1,238	631	862	3,877	1,293	5,170	—	5,170

	Millions of U.S. dollars								
	Reporting segment								
	Personal	Value	Business	Global	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consoli-dated financial statements
Revenue									
Revenue from external customers	$30,214	$1,757	$4,843	$2,329	$39,143	$ 493	$39,636	$ —	$39,636
Inter-segment revenue or transfers	876	655	766	284	2,581	1,047	3,628	(3,628)	—
Total	31,090	2,412	5,609	2,613	41,724	1,540	43,264	(3,628)	39,636
Segment income (or loss)	5,827	655	545	285	7,312	91	7,404	(8)	7,396
Finance income and finance cost (Net)									(158)
Other non-operating profit and loss									32
Profit for the year before income tax									$ 7,270
Other items									
Depreciation and amortization	4,161	90	375	97	4,723	15	4,738	(20)	4,718
Impairment loss	10	0	31	11	52	0	52	—	52
Share of profit of investments accounted for using the equity method	10	11	6	8	34	11	46	—	46

Notes: 1. Business segment "Other" does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.
2. Adjustment of segment income shows the elimination of inter-segment transactions.

(4) Information by product and service

The Group manages the segment information based on the segment disclosed in "(1) Outline of reporting segments." Therefore, Information by product and service in the reporting segment is not collected and the disclosure is omitted.

(5) Information by region

i. Revenue

Description is omitted as the revenue from external customers in Japan accounts for most of the revenue on the consolidated statement of income.

ii. Non-current assets (excluding financial assets, deferred income tax assets and retirement benefit assets)

Description is omitted as Non-current assets located in Japan accounts for most of such assets on the consolidated statement of financial position.

(6) Information by major customer

Description is omitted as the revenue from a specific external customer is less than 10% of the revenue on the consolidated statement of income.

6. Property, Plant and Equipment

(1) Movements of property, plant and equipment

Movements of acquisition costs, accumulated depreciation and accumulated impairment loss of the property, plant and equipment are as follows:

Acquisition costs

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2014	¥4,362,854	¥559,842	¥259,972	¥ 184,821	¥439,960	¥5,807,447
Acquisition	8,516	7,223	71	519,124	6,607	541,540
Transfer from construction in progress	429,285	11,709	11	(492,282)	51,278	—
Acquisition by business combination	—	18	—	—	5	23
Disposal	(245,527)	(8,290)	(142)	(4,498)	(35,485)	(293,944)
Exchange differences	882	2,677	191	481	3,973	8,205
Other	—	—	(207)	—	—	(207)
As of March 31, 2015	4,556,009	573,178	259,896	207,645	466,337	6,063,064
Acquisition	658	11,413	—	332,806	7,663	352,540
Transfer from construction in progress	261,777	15,498	219	(350,325)	72,831	—
Acquisition by business combination	5,926	2,600	471	1,422	3,690	14,109
Disposal	(151,898)	(9,547)	(330)	(1,488)	(38,742)	(202,005)
Exchange differences	(1,902)	(3,739)	(605)	(1,911)	(6,598)	(14,754)
Other	(297)	(96)	247	—	—	(146)
As of March 31, 2016	¥4,670,274	¥589,306	¥259,898	¥ 188,149	¥505,182	¥6,212,808

	Millions of U.S. dollars					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2015	$40,433	$5,087	$2,306	$ 1,843	$4,139	$53,808
Acquisition	6	101	—	2,954	68	3,129
Transfer from construction in progress	2,323	138	2	(3,109)	646	—
Acquisition by business combination	53	23	4	13	33	125
Disposal	(1,348)	(85)	(3)	(13)	(344)	(1,793)
Exchange differences	(17)	(33)	(5)	(17)	(59)	(131)
Other	(3)	(1)	2	—	—	(1)
As of March 31, 2016	$41,447	$5,230	$2,307	$ 1,670	$4,483	$55,137

Accumulated depreciation and accumulated impairment loss

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2014	¥(2,729,962)	¥(327,610)	¥(3,536)	¥ (475)	¥(280,281)	¥(3,341,864)
Depreciation	(313,844)	(18,984)	—	—	(44,953)	(377,781)
Disposal	213,470	6,730	45	1,374	32,938	254,557
Impairment loss	(51,582)	(70)	(32)	(1,437)	(44)	(53,165)
Exchange differences	(694)	(830)	—	—	(1,886)	(3,411)
Other	—	—	32	—	(334)	(302)
As of March 31, 2015	(2,882,612)	(340,765)	(3,491)	(538)	(294,560)	(3,521,966)
Depreciation	(313,742)	(19,554)	—	—	(50,392)	(383,687)
Disposal	130,475	8,136	—	—	38,334	176,945
Impairment loss	(2,569)	(364)	(593)	(339)	(135)	(4,001)
Exchange differences	1,318	640	—	1	3,931	5,890
Other	—	(191)	—	149	—	(42)
As of March 31, 2016	¥(3,067,130)	¥(352,097)	¥(4,084)	¥ (728)	¥(302,822)	¥(3,726,860)

	Millions of U.S. dollars					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2015	$(25,582)	$(3,024)	$(31)	$ (5)	$(2,614)	$(31,256)
Depreciation	(2,784)	(174)	—	—	(447)	(3,405)
Disposal	1,158	72	—	—	340	1,570
Impairment loss	(23)	(3)	(5)	(3)	(1)	(36)
Exchange differences	12	6	—	0	35	52
Other	—	(2)	—	1	—	(0)
As of March 31, 2016	$(27,220)	$(3,125)	$(36)	$ (6)	$(2,687)	$(33,075)

Note: The depreciation of the property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in consolidated statement of financial positions.

The carrying amounts of the property, plant and equipment are as follows:

Carrying amount

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2014	¥1,632,892	¥232,232	¥256,435	¥184,346	¥159,678	¥2,465,583
As of March 31, 2015	¥1,673,397	¥232,412	¥256,405	¥207,107	¥171,777	¥2,541,099
As of March 31, 2016	¥1,603,144	¥237,209	¥255,814	¥187,421	¥202,360	¥2,485,948

	Millions of U.S. dollars					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of March 31, 2016	$14,227	$2,105	$2,270	$1,663	$1,796	$22,062

(2) Property, plant and equipment rented under finance lease

The carrying amount of finance lease assets included in property, plant and equipment (less accumulated depreciation and accumulated impairment loss) is as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
In-home customer premises equipment	¥37,305	¥47,746	¥71,358	$633
Other	7,978	8,033	8,666	77
Total	¥45,283	¥55,779	¥80,023	$710

(3) Property, plant and equipment pledged as collateral

For the amount of property, plant and equipment pledged as collateral for liabilities including borrowings, please refer to "Note 15. Borrowings and bonds payable."

(4) Property, plant and equipment with limited ownership

There is no property, plant and equipment with limited ownership.

(5) Property, plant and equipment under construction

Expenditures included in the carrying amount of property, plant and equipment under construction are presented as construction in progress in the table above.

(6) Capitalization of borrowing costs

There is no significant borrowing costs included in the acquisition costs of the property, plant and equipment as of date of transition to IFRSs, and for the years ended March 31, 2015 and 2016.

7. Goodwill and Intangible Assets

(1) Movements of goodwill and intangible assets

The movements of the acquisition costs, accumulated amortization and accumulated impairment loss of the intangible assets are as follows:

Acquisition costs

	Millions of yen					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2014	¥329,783	¥496,282	¥167,535	¥36,363	¥521,622	¥1,551,585
Individual acquisition	—	127,389	—	—	54,528	181,917
Acquisition by business combination	14,528	1	6,577	—	—	21,106
Disposal	—	(83,973)	—	—	(46,191)	(130,164)
Exchange differences	2,554	449	—	—	1,882	4,885
Other	(3,728)	(381)	—	—	—	(4,110)
As of March 31, 2015	343,136	539,767	174,112	36,363	531,841	1,625,219
Individual acquisition	—	112,277	—	—	61,569	173,846
Acquisition by business combination	153,421	4,641	—	—	12,071	170,132
Disposal	—	(102,637)	—	—	(24,857)	(127,494)
Exchange differences	(2,024)	(530)	—	—	(1,224)	(3,778)
Other	—	(578)	—	—	(962)	(1,540)
As of March 31, 2016	¥494,533	¥552,941	¥174,112	¥36,363	¥578,438	¥1,836,386

	Millions of U.S. dollars					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2015	$3,045	$4,790	$1,545	$323	$4,720	$14,423
Individual acquisition	—	996	—	—	546	1,543
Acquisition by business combination	1,362	41	—	—	107	1,510
Disposal	—	(911)	—	—	(221)	(1,131)
Exchange differences	(18)	(5)	—	—	(11)	(34)
Other	—	(5)	—	—	(9)	(14)
As of March 31, 2016	$4,389	$4,907	$1,545	$323	$5,133	$16,297

Accumulated amortization and impairment

	Millions of yen					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2014	¥ —	¥(299,854)	¥ (9,957)	¥(1,653)	¥(245,270)	¥(556,734)
Amortization	—	(83,005)	(11,926)	(1,653)	(44,343)	(140,927)
Impairment loss	—	(1,505)	—	—	(77)	(1,583)
Disposal and sales	—	79,568	—	—	37,228	116,796
Exchange differences	—	(192)	—	—	(644)	(837)
Other	—	—	—	—	533	533
As of March 31, 2015	—	(304,988)	(21,883)	(3,306)	(252,574)	(582,751)
Amortization	—	(88,112)	(12,162)	(1,653)	(46,051)	(147,978)
Impairment loss	(799)	(314)	—	—	(760)	(1,873)
Disposal and sales	—	95,107	—	—	22,346	117,453
Exchange differences	—	73	—	—	442	515
Other	—	—	—	—	0	0
As of March 31, 2016	¥(799)	¥(298,233)	¥(34,045)	¥(4,959)	¥(276,596)	¥(614,633)

	Millions of U.S. dollars					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2015	$—	$(2,707)	$(194)	$(29)	$(2,242)	$(5,172)
Amortization	—	(782)	(108)	(15)	(409)	(1,313)
Impairment loss	(7)	(3)	—	—	(7)	(17)
Disposal and sales	—	844	—	—	198	1,042
Exchange differences	—	1	—	—	4	5
Other	—	—	—	—	0	0
As of March 31, 2016	$ (7)	$(2,647)	$(302)	$(44)	$(2,455)	$(5,455)

Note: The amortization of intangible assets is included in "cost of sales" and "selling, general and administrative expenses" in Consolidated Statement of financial positions.

The carrying amounts of goodwill and intangible assets are as follows:

Carrying amount

	Millions of yen					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of April 1, 2014	¥329,783	¥196,428	¥157,578	¥34,710	¥276,352	¥ 994,851
As of March 31, 2015	¥343,136	¥234,779	¥152,229	¥33,057	¥279,267	¥1,042,468
As of March 31, 2016	¥493,733	¥254,707	¥140,066	¥31,404	¥301,842	¥1,221,754

	Millions of U.S. dollars					
		Intangible assets				
	Goodwill	Software	Customer related	Program supply related	Other	Total
As of March 31, 2016	$4,382	$2,260	$1,243	$279	$2,679	$10,843

(2) Total expenditures related to research and development expensed during the period

Research and development costs expensed as selling, general and administrative expenses for the years ended March 31, 2015 and 2016 are ¥20,628 million and ¥18,001 million (U.S.$160 million).

8. Impairment of Property, Plant and Equipment, Goodwill and Intangible Assets

(1) Recognition of impairment loss

The Group recognized impairment loss of ¥54,748 million and ¥5,873 million (U.S.$52 million) for the years ended March 31, 2015 and 2016 respectively. The Group mainly recognized impairment loss for the following assets and asset groups:

For the year ended March 31, 2015

			Millions of yen
Location	Use	Class	Impairment loss
2GHz frequency idle facilities of the Company and others (Tokyo other)	Telecommunications business	Machinery and antenna facilities	¥7,991

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 nonperforming. Facilities not part of this conversion were determined to be idle assets that were expected to have no future value. Accordingly, the book value has been reduced to recoverable amount. The impairment loss of 7,991 million yen was recorded for these assets. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in personal segment. The impairment loss consists of ¥6,766 million for machinery and ¥1,224 million for antenna facilities.

The recoverable amount of these assets was estimated based on the fair value less costs of disposal. Because these assets have old standard in their equipment and were difficult to convert to other uses, the fair value hierarchy of these assets was classified as level 3 and the fair value was minimal.

			Millions of yen
Location	Use	Class	Impairment loss
Communication facilities, and idle assets (Tokyo other)	Mainly, telecommunications business	Machinery, local line facilities, and other	¥41,729

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 ¥41,729 million. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in mainly personal segment. The impairment loss consists of ¥35,934 million for machinery, ¥2,247 million for local line facilities, and ¥3,549 million for others.

The recoverable amount of these assets was estimated based on the fair value less costs of disposal. Because these assets were difficult to sell to other uses, the fair value hierarchy of these assets was classified as level 3 and the fair value was minimal.

Location	Use	Class	Millions of yen Impairment loss
Certain services in the Fixed-line Business (Tokyo other)	Telecommunications business	Machinery and other	¥3,864

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. Their book value was reduced to the recoverable amount, resulting in an impairment loss of ¥3,864 million. The impairment loss was recorded as cost of sales in the consolidated statement of income, and recorded in mainly business segment. This amount consists of ¥3,235 million for machinery and ¥629 million for others. The recoverable amount of these assets was estimated at their value in use, with future cash flows discounted at a rate of 6.38% and at the estimated period of 5 years and the value in use was minimal.

For the year ended March 31, 2016

Location	Use	Class	Millions of yen	Millions of U.S. dollars
			Impairment loss	
Communication facilities, and idle assets (Tokyo other)	Mainly, telecommunications business	Local line facilities, buildings and other	¥2,889	$26

For assets with declining utilization rates including some transit routes and idle assets, the book value has been reduced to recoverable amount. This resulted in recognition of an impairment loss of ¥2,889 million (U.S.$26 million). The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in mainly personal segment and business segment. The impairment loss consists of ¥1,264 million (U.S.$11 million) for local line facilities, ¥355 million (U.S.$3 million) for buildings, and ¥1,270 million (U.S.$11 million) for others.

The recoverable amount of these assets was estimated based on the fair value less costs of disposal. Because these assets were difficult to sell to other uses, the fair value hierarchy of these assets was classified as level 3 and the fair value was minimal.

Location	Use	Class	Millions of yen	Millions of U.S. dollars
			Impairment loss	
Certain services in the Fixed-line Business (Tokyo other)	Telecommunications business	Machinery and other	¥1,703	$15

Due to the declining of revenue, the future recovery of investments in certain services in the Fixed-line Business was determined to be unlikely and the book value was reduced to the recoverable amount. This resulted in recognition of an impairment loss of ¥1,703 million (U.S.$15 million). The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in business segment. The impairment loss consists of ¥911 million (U.S.$8 million) for machinery and ¥793 million (U.S.$7 million) for others.

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

(2) Impairment test of cash generating units including goodwill

The Group tests for impairment of goodwill at least annually, and whenever there is an indication of impairment.

The total carrying amounts of the goodwill allocated to cash generating units or cash generating unit groups are as follows:

	Millions of yen			Millions of U.S. dollars
Cash generating unit or cash generating unit group	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of March 31, 2016	As of March 31, 2016
Jupiter telecommunication Co., Ltd.	¥275,668	¥276,890	¥276,890	$2,457
Jupiter Shop Channel Co., Ltd.	—	—	136,603	1,212
CDNetworks Co., Ltd.	14,567	16,374	14,096	125
Web money Co., Ltd.	13,004	13,004	13,004	115
Other	26,544	36,867	53,140	472
Total	¥329,783	¥343,136	¥493,733	$4,382

The recoverable amount of goodwill allocated to cash generating units or group of cash generating units is calculated using value in use.

In assessing value in use, the estimated future cash flows arisen from cash generating units or group of cash generating units are discounted to their present value. When the Group calculates the future cash flows and discount future cash flows, growth rates on different types of forecasted revenue and forecasted change to corresponding major cost such as cost of sales and pre-tax discount rates are used as significant factors.

Forecast of cash flows used as a basis to estimate future cash flows is based on the recent business plan approved by the management, and the forecast is 5 years. After 5 years, certain growth rate of profit before tax after consideration of a long-term average growth rate for the market is used.

The growth rates of estimated profit before tax in projection period which are used to calculate value in use of cash generating units are as follows. Jupiter telecommunication Co., Ltd CATV business adopts 0.7%, CDNetworks Co., Ltd. adopts 2.9%, and Web money Co., Ltd. adopts 0.7% as of the date of March 31, 2016. The growth rates used in estimated cash flows of each cash generating unit or group of cash generating units reflect the status of the country and the industry to which the CGU belongs, and does not exceed the long-term average growth rate for the market. The growth rate is not adopted as of the date of transition to IFRSs, and March 31, 2015.

The growth rate of profit before tax used to measure value in use is not adopted in calculation of value in use of Jupiter Shop Channel Co., Ltd. as of March 31, 2016.

The pre-tax discount rates which are used to calculate value in use of cash generating units or cash generating units group to which goodwill is allocated are as follows.

Cash generating unit or cash generating unit group	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of March 31, 2016
Jupiter telecommunication Co., Ltd.	2.4%	2.8%	2.9%
Jupiter Shop Channel Co., Ltd.	—	—	6.0%
CDNetworks Co., Ltd.	8.1%	6.9%	7.6%
Web money Co., Ltd.	6.3%	5.5%	5.3%
Other	1.0%~20.0%	1.2%~19.5%	1.6%~17.0%

Although goodwill has a risk of impairment when major assumptions used for impairment test change, the Group has determined that a significant impairment loss is not probable in the cash generating units or cash generating unit group regardless of the reasonable change of the growth rate and/or discount rate used for impairment test.

9. Investments Accounted for Using the Equity Method

(1) The carrying amounts of Investments accounted for using the equity method

As of March 31	Millions of yen As of date of transition to IFRSs (April 1, 2014)	2015	2016	Millions of U.S. dollars 2016
Interests in associates	¥32,532	¥47,084	¥51,962	$461
Interests in joint ventures	9,266	14,537	19,049	169
Total	¥41,798	¥61,621	¥71,011	$630

(2) Summarized financial information of associates and joint ventures

i. Associates

Profit for the year, other comprehensive income and comprehensive income of associates accounted for using the equity method are as follows. As of and for the years ended March 31, 2015 and 2016, there is not individually significant associate accounted for using the equity method.

For the year ended March 31	Millions of yen 2015	2016	Millions of U.S. dollars 2016
Profit for the year	¥4,981	¥4,458	$40
Other comprehensive income, net of tax	1,464	(126)	(1)
Total comprehensive income for the year	¥6,445	¥4,332	$38

ii. Joint ventures

Profit for the year, other comprehensive income and comprehensive income of joint ventures accounted for using the equity method is as follows. As of and for the years ended March 31, 2015 and 2016, there is not individually significant joint venture accounted for using the equity method.

For the year ended March 31	Millions of yen 2015	2016	Millions of U.S. dollars 2016
Profit for the year	¥ (58)	¥ 712	$ 6
Other comprehensive income, net of tax	1,582	3,799	34
Total comprehensive income for the year	¥1,524	¥4,511	$40

10. Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

As of March 31	Millions of yen As of date of transition to IFRSs (April 1, 2014)	2015	2016	Millions of U.S. dollars 2016
Finished goods and manufactured goods	¥82,260	¥72,103	¥77,785	$690
Work in progress	700	1,387	756	7
Other	816	2,346	1,084	10
Total	¥83,776	¥75,837	¥79,626	$707

There is no inventory to be sold after more than 12 months from the date of transition to IFRSs, and March 31, 2015 and 2016, respectively.

(2) Write down of the inventories expensed during the period

Write down of the inventories expensed during the period is as follows:

For the year ended March 31	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Write down of the inventories expensed (Note)	¥8,360	¥9,562	$85

Note: Write down is recognized as costs of sales.

(3) Inventories pledged as collateral

Inventories pledged as collateral are described in "Note 15. Borrowings and bonds payable."

11. Trade and Other Receivables

The analysis of trade and other receivables is as follows:

As of March 31	Millions of yen: As of date of transition to IFRSs (April 1, 2014)	Millions of yen: 2015	Millions of yen: 2016	Millions of U.S. dollars: 2016
Current:				
Trade receivables				
Accounts receivable—trade and notes receivable	¥1,089,335	¥1,173,201	¥1,313,655	$11,658
Account receivable—other	59,515	80,384	63,213	561
Allowance for doubtful accounts	(21,641)	(22,490)	(19,048)	(169)
Total	¥1,127,209	¥1,231,095	¥1,357,820	$12,050

Note: Accounts receivable—other is mainly consisted of the receivable related to payment agency service.

The amounts of trade and other receivables expected to be recovered after more than twelve months from the date of transition to IFRSs, and March 31, 2015 and 2016, respectively are ¥140,937 million, ¥210,533 million, and ¥193,412 million (U.S.$1,716 million).

The amount of the trade and other receivables on the consolidated statement of financial position is presented less allowance for doubtful accounts.

12. Other Financial Assets

The analysis of other financial assets is as follows:

As of March 31	Millions of yen: As of date of transition to IFRSs (April 1, 2014)	Millions of yen: 2015	Millions of yen: 2016	Millions of U.S. dollars: 2016
Non-current assets (Other long-term financial assets):				
Financial assets at fair value through profit or loss				
Derivative financial assets	¥ 463	¥ 641	¥ 181	$ 2
Financial assets at fair value through other comprehensive income				
Equity instruments				
Equities	91,999	51,544	43,503	386
Financial assets at amortized cost				
Debt instruments				
Security deposits	38,751	38,035	38,941	346
Long term accounts receivables	10,086	45,140	46,761	415
Lease receivables	—	4,683	24,997	222
Other	3,171	2,509	3,786	34
Allowance for doubtful account	(9,576)	(44,729)	(45,360)	(403)
Sub total	134,893	97,824	112,809	1,001
Current assets (Other short-term financial assets):				
Financial assets at fair value through profit or loss				
Derivative financial assets	405	202	54	0
Financial assets at amortized cost				
Debt instruments				
Short-term investment	10,483	8,625	9,138	81
Other	181	197	5,774	51
Sub total	11,069	9,023	14,966	133
Total	¥145,962	¥106,847	¥127,775	$1,134

13. Other Assets

The analysis of other non-current assets and other current assets is as follows:

As of March 31	Millions of yen: As of date of transition to IFRSs (April 1, 2014)	Millions of yen: 2015	Millions of yen: 2016	Millions of U.S. dollars: 2016
Non-current assets				
Long-term prepaid expenses	¥ 53,281	¥ 69,181	¥ 70,709	$ 628
Other	4,106	2,276	2,228	20
Sub total	57,387	71,457	72,938	647
Current assets				
Prepaid expenses	59,256	63,033	71,221	632
Consumption tax receivable	1,431	5,481	81	1
Other	10,037	14,205	15,346	136
Sub total	70,725	82,719	86,648	769
Total	¥128,112	¥154,177	¥159,586	$1,416

14. Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

As of March 31	Millions of yen: As of date of transition to IFRSs (April 1, 2014)	Millions of yen: 2015	Millions of yen: 2016	Millions of U.S. dollars: 2016
Cash in hand and deposits held at call with banks	¥151,528	¥187,333	¥188,838	$1,676
Term deposits with original maturities of three months or less	62,506	68,984	3,362	30
Certificates of deposit with original maturities of three months or less	1,000	20,000	—	—
Mutual fund with original maturities of three months or less	6,600	—	—	—
Commercial paper with original maturities of three months or less	28,098	—	—	—
Total	¥249,732	¥276,317	¥192,200	$1,706

The balance of cash and cash equivalents in the consolidated statement of cash flow is as follows:

As of March 31	Millions of yen: As of date of transition to IFRSs (April 1, 2014)	Millions of yen: 2015	Millions of yen: 2016	Millions of U.S. dollars: 2016
Cash and cash equivalents in consolidated statement of financial position	¥249,732	¥276,317	¥192,200	$1,706
Short-term borrowings (Overdrafts)	—	—	(113)	(1)
Cash and cash equivalents in consolidated statement of cash flow	¥249,732	¥276,317	¥192,087	$1,705

15. Borrowings and Bonds Payable

(1) The analysis of borrowings and bonds payable

The analysis of borrowings and bonds payable is as follows:

As of March 31	Millions of yen: As of date of transition to IFRSs (April 1, 2014)	Millions of yen: 2015	Millions of yen: 2016	Millions of U.S. dollars: 2016	Average interest rate (%) (Note)	Due (Year)
Non-current						
Bonds payable (excluding current portion)	¥ 204,556	¥214,512	¥ 189,622	$1,683	1.458%	2017~2024
Long-term borrowings (excluding current portion)	574,898	632,189	767,177	6,808	0.566%	2017~2026
Sub total	779,454	846,701	956,800	8,491	—	—
Current						
Current portion of bonds payable	94,974	20,011	24,991	222	1.045%	—
Current portion of long-term borrowings	180,120	126,610	49,739	441	1.455%	—
Short-term borrowings	95,256	3,140	22,105	196	0.633%	—
Sub total	370,349	149,760	96,836	859	—	—
Total	¥1,149,804	¥996,462	¥1,053,635	$9,351	—	—

Note: Average interest rate represents weighted average interest rate to the ending balance of the borrowings and other debts.

(2) Terms of issuing bonds payable

The summary of terms of issuing bonds payable is as follows:

			Millions of yen			Millions of U.S. dollars			
Entity	Description	Issuance date	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of March 31, 2016	As of March 31, 2016	Interest rate (%)	Collateral	Due
KDDI Corp.	5th series of unsecured notes	December 13, 2007	¥ 19,993 (19,993)	¥ —	¥ —	$ —	1.500% per year	Unsecured	December 19, 2014
KDDI Corp.	5th series of general secured notes	April 28, 1997	19,987	19,991	19,996	177	3.200% per year	General secured	April 28, 2017
KDDI Corp.	7th series of unsecured notes	May 29, 2008	19,987	20,011 (20,011)	—	—	1.730% per year	Unsecured	June 19, 2015
KDDI Corp.	9th series of unsecured notes	February 26, 2009	9,980	9,984	9,989	89	2.046% per year	Unsecured	December 20, 2018
KDDI Corp.	14th series of unsecured notes	May 29, 2009	29,998 (29,998)	—	—	—	1.278% per year	Unsecured	May 29, 2014
KDDI Corp.	15th series of unsecured notes	May 29, 2009	19,957	19,964	19,974	177	1.969% per year	Unsecured	May 29, 2019
KDDI Corp.	16th series of unsecured notes	March 4, 2010	34,983 (34,983)	—	—	—	0.713% per year	Unsecured	December 19, 2014
KDDI Corp.	17th series of unsecured notes	March 4, 2010	24,964	24,977	24,991 (24,991)	222 (222)	1.045% per year	Unsecured	December 20, 2016
KDDI Corp.	18th series of unsecured notes	March 4, 2010	39,907	39,922	39,940	354	1.573% per year	Unsecured	December 20, 2019
KDDI Corp.	19th series of unsecured notes	September 6, 2010	39,899	39,913	39,932	354	1.151% per year	Unsecured	June 19, 2020
KDDI Corp.	20th series of unsecured notes	December 13, 2013	29,875	29,885	29,901	265	0.803% per year	Unsecured	December 20, 2023
KDDI Corp.	21th series of unsecured notes	September 10, 2014	—	29,876	29,891	265	0.669% per year	Unsecured	September 20, 2024
Jupiter Telecommunications Co., Ltd.	1st series of unsecured notes	July 2, 2009	10,000 (10,000)	—	—	—	1.510% per year	Unsecured	June 30, 2014

Note: The amounts in ( ) presents the current portion of the bonds payable.

(3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral and secured liabilities are as follows:

(The Company)

As prescribed in Article 4 of Act on Arrangement of Relevant Acts Incidental for Rationalizing Regulations Related to Telecommunication Industry, Supplementary Provisions, all properties are pledged as general collateral for bonds payable.

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Bonds payable	¥19,987	¥19,991	¥19,996	$177

(Consolidated subsidiaries)

Assets set aside as issuance deposits as prescribed in Article 14, Paragraph 1 of Payment Services Act are as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Government bonds	¥3,004	¥3,003	¥3,003	$27
Term deposits (maturities of three months or more)	2,500	—	—	—
Total	¥5,504	¥3,003	¥3,003	$27

Assets pledged as collateral are as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Property, plant and equipment	¥1,511	¥ 378	¥ 101	$ 1
Stocks of subsidiaries and associates (Note)	768	768	768	7
Short term investments	1,440	1,324	583	5
Total	¥3,719	¥2,469	¥1,452	$13
(of which, assets denominated in foreign currency)	(U.S.$12 millions and other)	(U.S.$9 millions and other)	(U.S.$3 millions and other)	(3)

Obligations underlying to these assets pledged as collateral are as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Long-term borrowings(Note)	¥ 646	¥ 458	¥ 296	$ 3
Current portion of long-term borrowings	244	188	162	1
Short-term borrowings	2,284	2,912	2,105	19
Total	¥3,174	¥3,558	¥2,563	$ 23
(of which, assets denominated in foreign currency)	(U.S.$22 millions)	(U.S.$24 millions)	(U.S.$17 millions)	(17)

Note: Stocks of Kagoshima Mega Solar Power Corporation, an affiliate accounted for using the equity method, are pledged as collateral for its borrowings from financial institutions.
The amounts of borrowings as of the date of transition to IFRSs, March 31, 2015 and 2016 are ¥23,358 million, ¥20,870 million and ¥19,490 million (U.S.$173 million), respectively. These amounts are not included in long-term borrowings in the above table.

Certain subsidiaries of the Group have financed from financial institutions due to acquisitions and others. Except for certain loan agreements on insignificant amount of borrowings, these borrowings are subject to financial covenants such as maintenance of shareholder's equity, net asset and surplus of profit as prescribed in the terms of each agreement. The amounts of borrowings as of the date of transition to IFRSs and March 31, 2015 and 2016 are ¥393,485 million, ¥351,991 million and ¥489,287 million (U.S.$4,342 million), respectively.

Except for the borrowings above, there is no financial covenant on borrowings and bonds payable which has a significant effect on the Group's financial activities. For the fair value and amounts by due dates of borrowings and bonds payable, please refer to "Note 31. Financial instruments" and "Note 32. Fair value of financial instruments."

16. Deferred Tax and Income Taxes

(1) Movement by major cause of deferred tax assets and deferred tax liabilities

The balance of and the movement in recognized deferred tax assets and deferred tax liabilities are as follows:

For the year ended March 31, 2015

	Millions of yen						
	As of date of transition to IFRSs (April 1, 2014)	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2015
Deferred tax assets							
Accrued bonuses	¥ 10,720	¥ (881)	¥ —	¥ —	¥—	¥ 1	¥ 9,840
Accrued business tax	8,604	3,765	—	—	—	—	12,368
Write down of inventories	3,140	1,101	—	—	—	0	4,241
Allowance for doubtful accounts	12,345	(521)	—	—	—	10	11,834
Unrealized gain on inventories	70	78	—	—	—	—	148
Deferred points	34,511	(6,935)	—	—	—	—	27,576
Difference of useful life between accounting and tax laws	6,098	2,062	—	—	—	6	8,166
Non-deductible disposal loss on fixed assets	6,398	(1,901)	—	—	—	—	4,496
Non-deductible impairment loss	39,757	6,815	—	—	—	7	46,579
Retirement benefit liabilities	5,227	(4,136)	—	(4,225)	—	397	(2,738)
Accrued expenses	10,556	1,508	—	—	—	—	12,064
Advanced received	53,074	(9,775)	—	—	—	—	43,299
Other	38,287	5,128	1	884	(1)	33	44,333
Total	¥228,785	¥ (3,693)	¥ 1	¥ (3,341)	¥(1)	¥454	¥222,206
Deferred tax liabilities							
Retained profits of foreign related companies	¥ 2,969	¥ 519	¥ —	¥ —	¥—	¥ —	¥ 3,488
Special reserves	1,494	(369)	—	—	—	—	1,125
Appraisal gain on equity instruments	26,391	—	—	(16,232)	—	—	10,159
Difference of depreciation/amortisation method and useful life between accounting and tax laws	67,650	(11,986)	—	—	—	—	55,664
Identifiable intangible assets	68,531	(10,708)	—	—	—	—	57,824
Other	14,539	3,875	269	(18)	—	214	18,879
Total	¥181,575	¥(18,669)	¥269	¥(16,250)	¥—	¥214	¥147,139

For the year ended March 31, 2016

	Millions of yen						
	As of March 31, 2015	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2016
Deferred tax assets							
Accrued bonuses	¥ 9,840	¥ (1,128)	¥—	¥ —	¥ 254	¥ (1)	¥ 8,965
Accrued business tax	12,368	(5,401)	1	—	274	—	7,242
Write down of inventories	4,241	831	—	—	537	(0)	5,609
Allowance for doubtful accounts	11,834	(1,742)	2	—	241	(8)	10,328
Unrealized gain on inventories	148	(8)	—	—	—	—	141
Deferred points	27,576	(3,778)	—	—	—	—	23,797
Difference of useful life between accounting and tax laws	8,166	638	—	—	343	8	9,155
Non-deductible disposal loss on fixed assets	4,496	750	0	—	—	(0)	5,246
Non-deductible impairment loss	46,579	(14,031)	—	—	—	(5)	32,543
Retirement benefit liabilities	(2,738)	(1,001)	—	11,161	488	(983)	6,928
Accrued expenses	12,064	(1,546)	—	—	—	—	10,518
Advanced received	43,299	(6,303)	—	—	—	—	36,996
Other	44,333	(9,649)	(3)	1,945	1,668	(259)	38,034
Total	¥222,206	¥(42,368)	¥ 0	¥13,107	¥3,805	¥(1,249)	¥195,502
Deferred tax liabilities							
Retained profits of foreign related companies	¥ 3,488	¥ (2,225)	¥—	¥ —	¥ —	¥ —	¥ 1,263
Special reserves	1,125	(305)	—	—	—	—	820
Appraisal gain on equity instruments	10,159	39	—	(3,412)	—	—	6,787
Difference of depreciation/amortisation method and useful life between accounting and tax laws	55,664	(13,716)	—	—	—	—	41,948
Identifiable intangible assets	57,824	(7,236)	—	—	—	—	50,587
Other	18,879	(1,224)	—	(156)	5	(330)	17,173
Total	¥147,139	¥(24,667)	¥—	¥ (3,568)	¥ 5	¥ (330)	¥118,578

	Millions of U.S. dollars						
	As of March 31, 2015	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2016
Deferred tax assets							
Accrued bonuses	$ 87	$ (10)	$—	$ —	$ 2	$ (0)	$ 80
Accrued business tax	110	(48)	0	—	2	—	64
Write down of inventories	38	7	—	—	5	(0)	50
Allowance for doubtful accounts	105	(15)	0	—	2	(0)	92
Unrealized gain on inventories	1	0	—	—	—	—	1
Deferred points	245	(34)	—	—	—	—	211
Difference of useful life between accounting and tax laws	72	6	—	—	3	0	81
Non-deductible disposal loss on fixed assets	40	7	0	—	—	(0)	47
Non-deductible impairment loss	413	(125)	—	—	—	(0)	289
Retirement benefit liabilities	(24)	(9)	—	99	4	(9)	61
Accrued expenses	107	(14)	—	—	—	—	93
Advanced received	384	(56)	—	—	—	—	328
Other	393	(86)	(0)	17	15	(2)	338
Total	$1,972	$(376)	$ 0	$116	$34	$(11)	$1,735
Deferred tax liabilities							
Retained profits of foreign related companies	$ 31	$ (20)	$—	$ —	$—	$ —	$ 11
Special reserves	10	(3)	—	—	—	—	7
Appraisal gain on equity instruments	90	0	—	(30)	—	—	60
Difference of depreciation/amortisation method and useful life between accounting and tax laws	494	(122)	—	—	—	—	372
Identifiable intangible assets	513	(64)	—	—	—	—	449
Other	168	(11)	—	(1)	0	(3)	152
Total	$1,306	$(219)	$—	$ (32)	$ 0	$ (3)	$1,052

Note: "Other" includes exchange differences on foreign operations.

(2) The analysis of deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities on the consolidated statement of financial position are as follows:

As of March 31	Millions of yen As of date of transition to IFRSs (April 1, 2014)	2015	2016	Millions of U.S. dollars 2016
Deferred tax assets	¥95,353	¥110,988	¥103,388	$918
Deferred tax liabilities	48,142	35,921	26,464	235
Deferred tax assets, net	¥47,210	¥ 75,067	¥ 76,924	$683

The Group evaluates the recoverability of deferred tax assets at recognition by considering the possibility to utilize a part or all of deductible temporary differences or tax loss carryforwards for future taxable income.

The Group considers the planned reversal of deferred tax liabilities as well as expected future taxable income and tax planning for evaluating the recoverability of deferred tax assets, and recognizes deferred tax assets to the extent that future taxable income is expected.

Deferred tax assets for tax losses in certain subsidiaries are ¥1,413 million, ¥1,063 million and ¥2,308 million (U.S.$20 million), respectively, as of the date of transition to IFRSs (April 1, 2014) and as of March 31, 2015 and 2016.

All of these tax losses arose from business combinations in previous years, and the cause of these losses is temporary. All deferred tax assets related to these losses were determined recoverable as taxable income exceeding the tax losses is expected.

(3) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

As a result of evaluating the recoverability of the deferred tax assets above, the Group has not recognized deferred tax assets on certain deductible temporary differences and tax loss carryforwards. The amounts of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets are as follows:

As of March 31	Millions of yen As of date of transition to IFRSs (April 1, 2014)	2015	2016	Millions of U.S. dollars 2016
Deductible temporary differences	¥ 18,955	¥ 19,391	¥ 12,172	$ 108
Tax loss carryforwards	132,557	137,741	124,371	1,104
Total	¥151,512	¥157,132	¥136,544	$1,212

Expiration of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

As of March 31	Millions of yen As of date of transition to IFRSs (April 1, 2014)	2015	2016	Millions of U.S. dollars 2016
1st year	¥ 105	¥ —	¥ 1,248	$ 11
2nd year	—	1,728	32	0
3rd year	1,641	1,894	866	8
4th year	1,952	27,076	51,649	458
5th year and thereafter	128,858	107,044	70,575	626
Total	¥132,557	¥137,741	¥124,371	$1,104

(4) Income taxes

The analysis of income taxes is as follows:

For the year ended March 31	Millions of yen 2015	2016	Millions of U.S. dollars 2016
Current tax expenses			
Current tax expenses on the profit for the year	¥251,221	¥236,063	$2,095
Adjustments in respect of prior years (( ): refund)	7,098	(115)	(1)
Sub total	258,319	235,948	2,094
Deferred tax expenses			
Origination and reversal of temporary differences	(21,408)	15,812	140
Impact of change of tax rates (Note1,2)	6,432	1,889	17
Sub total	(14,976)	17,701	157
Total	¥243,343	¥253,649	$2,251

Notes: 1. As "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and "Act for Partial Amendment of the Council Tax Act" (Act No. 2 of 2015) were enacted by the Diet on March 31, 2015, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 35.9% to 33.5% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2015 and on April 1, 2016, and to 32.9% for temporary differences expected to be eliminated in the fiscal year beginning on and after April 1, 2017. As a result, deferred tax assets after offsetting deferred tax liabilities decreased by ¥7,160 million and deferred tax expenses increased by ¥6,432 million.

2. As "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act for Partial Amendment of the Council Tax Act, etc." (Act No. 13 of 2016) were enacted by the Diet on March 29, 2016, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 32.9% to 31.6% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2016 and on April 1, 2017, and to 31.4% for temporary differences expected to be eliminated in the fiscal year beginning on and after April 1, 2018. As a result, deferred tax assets after offsetting deferred tax liabilities decreased by ¥2,168 million (U.S.$19 million) and deferred tax expenses increased by ¥1,889 million (U.S.$17 million).

(5) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are described in "Note 30. Other comprehensive income."

(6) Reconciliation of effective tax rates

Reconciliation of statutory effective tax rates and actual tax rates for the years ended March 31, 2015 and 2016 is as follows. The actual tax rate shows the ratio of income taxes incurred by all Group companies to the profit before income tax for the year.

For the year ended March 31	2015	2016
Statutory income tax rate	35.9%	33.5%
Non-taxable dividends received	(0.0%)	(1.3%)
Impact of tax differences of foreign subsidiaries	(0.2%)	0.0%
Tax credit	(2.0%)	(0.3%)
Impact of tax rate change	1.0%	0.2%
Loss on business on overseas subsidiaries	1.8%	—
Utilisation of previously unrecognised tax loss	(0.2%)	(1.1%)
Other	0.4%	0.0%
Average actual tax rate to incur	36.7%	31.0%

17. Employee Benefits

The Group operates defined benefit pension plans and lump-sum retirement plans (unfunded) as its defined benefit plans, as well as defined contribution pension plans.

The Group and its certain consolidated subsidiaries adopt point system in their retirement benefit plans, where the amount of benefits is calculated based on the accumulated points granted in proportion to the employees' entitlement and wage ranks.

Management, operation and benefit of the assets are mainly controlled by legally independent KDDI Corporate Pension Fund (the "Fund").

In accordance with Defined Benefit Corporate Pension Act and other laws, the Group is obliged to pay contributions to the Fund which pays pension benefits. Trustee of the Fund is obliged to comply with laws, appointments by Minister of Ministry of Health, Labour and Welfare or Head of Regional Bureau of Health and Welfare, by law of the Fund and resolutions of the board of representatives, as well as to accomplish its duties related to the management and operation of the funded money. It is prohibited for the trustee to harm the appropriate management and operation of the funded money for the interest of itself or a third party other than the Fund.

(1) Defined benefit pension plans

i. The amounts on the consolidated statement of financial position

The amounts related to the defined benefit pension plans on the consolidated statement of financial position are as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Present value of the defined benefit obligations (funded)	¥ 313,031	¥ 335,123	¥ 366,349	$ 3,251
Present value of the defined benefit obligations (unfunded)	17,261	14,826	15,200	135
Fair value of plan assets	(320,507)	(361,157)	(361,295)	(3,206)
Status of the funding	¥ 9,786	¥ (11,209)	¥ 20,255	$ 180
Retirement benefit assets	¥ (7,476)	¥ (26,035)	¥ —	$ —
Retirement benefit liabilities	17,261	14,826	20,255	180
Net retirement benefit asset/liabilities	¥ 9,786	¥ (11,209)	¥ 20,255	$ 180

ii. Movement in the defined benefit obligations and plan assets

The movement in the defined benefit obligations is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
The movement in the present value of the defined benefit obligations			
Opening balance	¥330,293	¥349,949	$3,106
Current service cost	12,039	12,965	115
Interest expense	3,650	3,079	27
Sub total	345,981	365,994	3,248
Remeasurements:			
Amount from change in financial assumptions	17,748	23,257	206
Amount from change in demographic assumptions	—	3,206	28
Benefit payments	(12,359)	(12,487)	(111)
Exchange differences	21	(26)	(0)
New consolidation	—	1,605	14
Other	(1,443)	1	0
Ending balance	¥349,949	¥381,549	$3,386

The movement in the plan assets is as follows:

For the year ended March 31	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Changes in fair value of the plan assets:			
Opening balance	¥(320,507)	¥(361,157)	$(3,205)
Interest income	(5,231)	(4,574)	(41)
Remeasurements:			
Return on plan assets	(30,585)	9,090	81
Benefit payments	10,545	10,784	96
Contribution to the plans			
Contribution from employers	(15,379)	(15,436)	(137)
Ending balance	¥(361,157)	¥(361,295)	$(3,206)

The weighted average duration of the defined benefit obligations for the years ended March 31, 2015 and 2016 is 18.4 years and 17.9 years, respectively.

iii. Components of plan assets

KDDI Corporate Pension Fund manages its funded money to secure long term return required to cover the benefit of pensions and lump-sum payments over the future. Based on this, our investment policy is to basically analyse the risk/return characteristics by asset and evaluate the correlation among assets in order to invest in a diversified portfolio.

Specifically, it sets policy asset allocation with the efficient combination of various assets including equities and government and corporate bonds, designs corresponding manager structure, selects managing trustee and invests.

In accordance with the provision of Defined Benefit Corporate Pension Act, bylaw of the Fund requires to recalculate the amount of contributions at least every 5 years with a financial year end as a basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

The fair value of the plan assets as of March 31, 2015 and 2016 consists of the components below:

	Millions of yen									Millions of U.S. dollars		
	As of date of transition to IFRSs (April 1, 2014)			As of March 31, 2015			As of March 31, 2016			As of March 31, 2016		
	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total
Equities	¥ 48,940	¥ —	¥ 48,940	¥ 55,257	¥ —	¥ 55,257	¥ 54,456	¥ —	¥ 54,456	$ 483	$ —	$ 483
Debt securities	199,012	—	199,012	226,751	—	226,751	202,648	—	202,648	1,798	—	1,798
Other (Note)	13,557	58,998	72,555	16,474	62,675	79,149	42,340	61,851	104,190	376	549	925
Total	¥261,509	¥58,998	¥320,507	¥298,482	¥62,675	¥361,157	¥299,444	¥61,851	¥361,295	$2,657	$549	$3,206

Note: Other includes hedge funds, private equities and cash.

iv. The analysis of expenses related to defined benefit plans

The amount of expenses recognized related to defined benefit plans is as follows:

For the year ended March 31	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Current service cost	¥12,039	¥12,965	$115
Interest expense	3,650	3,079	27
Interest income	(5,231)	(4,574)	(41)
Total	¥10,457	¥11,470	$102

The expenses above are included in the “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

v. Actuarial assumptions

Major actuarial assumption at the end of each period is as follows:

As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016
Discount rate	1.6%	1.3%	0.7%

Other than the component above, actuarial assumptions also include expected salary growth rate, mortality and expected retirement rate.

vi. Sensitivity analysis of actuarial assumptions

The movement in the defined benefit obligations due to changes in discount rates by the ratio below at the end of each period is as follows. This analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may change.

Discount rates

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
0.5% increase	¥(22,963)	¥(24,688)	¥(27,054)	$(240)
0.5% decrease	25,921	27,871	30,559	271

Note: Amounts shown in parentheses represent decrease of defined benefit obligations.

vii. Contributions to the plan assets in the next financial year

The policy of the Group is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. The Group estimates the contributions to the plan assets for the year ending March 31, 2017 to be 16,247 million yen.

(2) Defined contribution pension plans

The amount of expenses recognized related to defined contribution pension plans is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Expenses related to defined contribution pension plans	¥1,548	¥1,785	$16

The expenses above are included in the "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

Certain Group subsidiaries participate in a multiemployer plan, Sumisho Rengo Corporation Pension Fund.

Sumisho Rengo Corporation Pension Fund is a fund-type corporate pension established in accordance with Defined Benefit Corporate Pension Act, and co-operated by multiple Sumitomo Shoji Group companies. The certain Group subsidiaries cannot calculate the reasonable amount of pension assets corresponding to the amount of their contributions, and therefore the amount of contributions is recognized as retirement benefit expenses as defined contribution pension plans. The expenses on the consolidated statement of income for the years ended March 31, 2015 and 2016 are ¥1,596 million and ¥1,573 million (U.S.$14 million), respectively.

The Group can reduce its costs and practical burden related to administration and finance operation by participating in this fund and reduce a risk to discontinue a pension plan, while the fund is co-operated by multiple companies and the Group cannot necessarily reflect its intent.

The financial position of the fund based on the latest annual report (closed by pension accounting) is as follows. The fund does not accept or succeed other funds, and does not incur benefit obligations by other employers.

(i) Status of funding in the overall plan

	Millions of yen		Millions of U.S. dollars
As of March 31	2015	2016	2016
Pension assets	¥(27,214)	¥(32,477)	$(288)
Benefit obligations for the purpose of calculating pension financials	25,928	28,252	251
Difference	(1,286)	(4,225)	(37)
Ratio of the funded pension assets	105%	115%	115%
Difference consists of:			
Surplus	(1,286)	(4,225)	(37)

(ii) Ratio of contributions by the Group to the fund

	Millions of yen		Millions of U.S. dollars
As of March 31	2015	2016	2016
Contributions by the Group	¥(1,592)	¥(1,434)	$(13)
All contributions to the fund	(3,222)	(2,392)	(21)
Ratio to the all contributions to the fund	49.41%	59.92%	59.92%

In accordance with the provision of Defined Benefit Corporate Pension Act, bylaw of the Fund requires to recalculate the amount of contributions every 5 years with a financial year end as a basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

(iii) Contributions to the multiemployer plans in the next financial year

The Group estimates the contributions to the multiemployer plans for the year ending March 31, 2017 to be 1,678 million (U.S.$15 million) yen.

18. Trade and Other Payables

The analysis of the trade and other payables is as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Current liabilities				
Accounts payable (Note)	¥383,679	¥409,765	¥316,618	$2,810
Accounts payable—trade	87,144	99,883	84,982	754
Accrued expenses	22,752	24,806	24,369	216
Other obligations	1,030	1,034	203	2
Total	¥494,605	¥535,489	¥426,172	$3,782

Note: Accounts payable is mainly consisted of the payable for capital investments and acquisition of shares.

The amounts of trade and other payables expected to be settled after more than twelve months from the date of transition to IFRSs, and March 31, 2015 and 2016, respectively are ¥6,686 million, ¥6,535 million and ¥7,235 million (U.S.$64 million).

19. Other Financial Liabilities

The analysis of other financial liabilities is as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Non-current liabilities (Other long-term financial liabilities):				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	¥ —	¥ 2,659	¥ 9,093	$ 81
Financial liabilities at amortized cost				
Preference share (Note)	95,000	95,000	95,000	843
Lease obligations	33,320	41,956	61,776	548
Long term Account Payables	2,819	8,752	8,922	79
Total	¥131,138	¥148,367	¥174,791	$1,551
Current liabilities (Other short-term financial liabilities):				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	¥ 27	¥ 0	¥ 162	$ 1
Financial liabilities at amortized cost				
Lease obligations	18,679	20,698	24,875	221
Total	¥ 18,706	¥ 20,698	¥ 25,037	$ 222

Note: A certain subsidiary of the Group issued the cumulative preference shares. The preference shares are not converted into common stock and the Group has the obligation to redeem the principal and pay the cumulative dividend in cash to the shareholders upon the request of the shareholders or on a particular date. Considering these contractual conditions, the preference shares are classified as liabilities because the Group has the contractual obligation to delivery cash under IFRS on redemption date. Related interest is included in Long term Account Payables.

20. Provisions

(1) Movements of provisions

Changes in provisions are as follows:

	Millions of yen		
	Provision for Customer Points	Other provisions	Total
As of April 1, 2014 (date of transition to IFRSs)	¥ 989	¥ 8,226	¥ 9,215
Increase during the year	11,459	6,143	17,602
Decrease during the year (intended use)	(2,274)	(751)	(3,025)
Decrease during the year (reversal)	—	(5,352)	(5,352)
As of March 31, 2015	10,174	8,267	18,441
Increase during the year	15,784	8,838	24,622
Decrease during the year (intended use)	(8,144)	(1,511)	(9,655)
Decrease during the year (reversal)	(262)	(5,121)	(5,383)
As of March 31,2016	¥17,552	¥10,473	¥28,025
Non-current liabilities	¥ —	¥ 7,635	¥ 7,635
Current liabilities	17,552	2,838	20,390

Changes in provisions are as follows:

	Millions of U.S. dollars		
	Provision for Customer Points	Other provisions	Total
As of March 31, 2015	$ 90	$ 73	$164
Increase during the year	140	78	219
Decrease during the year (intended use)	(72)	(13)	(86)
Decrease during the year (reversal)	(2)	(45)	(48)
As of March 31, 2016	$156	$ 93	$249
Non-current liabilities	$ —	$ 68	$ 68
Current liabilities	156	25	181

(2) Components of provisions

The main components of provisions of the Group are as follows.

i. Provision for customer points

The Group has operated points programs, including the au WALLET point program, and grants points to customers of the Group, for the purpose of sales promotions. In anticipation of the future use of such points by customers, the Group has recorded these points which are mainly granted by using au WALLET prepaid card, apps and product sales services provided by other companies to debt as a provision for customer points. The Group has measured the amounts of provision for customer point at an estimated amount to be used in the future based on historical experience

There is an inherent uncertainty regarding the extent of usage of such points by customers, and once the points expire, customers forfeit the right to use them.

ii. Other Provisions

Other provisions include asset retirement obligations and provision for warranties for completed construction.

21. Other Liabilities

The analysis of other liabilities is as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Non-current liabilities:				
Long-term advances received	¥144,595	¥153,338	¥146,376	$1,299
Long-term deposits payable	2,128	2,266	1,855	16
Other	3,559	4,974	5,068	45
Total	¥150,282	¥160,578	¥153,299	$1,360
Current liabilities:				
Advances received	¥192,488	¥167,251	¥143,142	$1,270
deposits payable	31,523	31,390	41,872	372
Consumption tax payable	6,639	49,275	31,322	278
Accrued bonuses	29,145	27,263	25,980	231
Other	31,769	32,350	26,979	239
Total	¥291,565	¥307,530	¥269,294	$2,390

22. Share-based Payment (Stock Grant Plans)

The Company introduced 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”).

As for the directors, the Company has adopted the Board Incentive Plan (BIP). As for the Companies’ senior management, the Company has adopted the Employee Stock Ownership Plan (ESOP).

BIP (Board Incentive Plan) is being initiated in order to link 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. This ESOP Trust is being introduced as an incentive plan to enhance corporate value over the medium to long term by increasing awareness among the Company’s managers of operating performance and stock price.

Under BIP and ESOP, the right for stock granted is vested based on achievement based of KPI (Key Performance Indicators) annually.

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2016 were ¥1,371 million (U.S.$12 million). There were no expenses for the plans recognized for the year ended March 31, 2015.

For the year ended March 31, 2016

	The number of granted (stock)	Granted date	Fair value of granted date (Note 1) (Yen)	(U.S. dollar)	Vesting conditions
BIP trust	117,394	August 7, 2015	¥3,131.83	$27.79	(Note 2)
ESOP trust	284,150	August 7, 2015	3,131.83	27.79	(Note 2)

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are basically subject to continued service from grant date to vesting date.

23. Common Stock and Other Equity Items

(1) Common stock and capital surplus

The number of authorized stock, outstanding stock, common stock and the balance of capital surplus in each consolidated fiscal year are as follows:

	Shares		Millions of yen	
	Authorized stock	Outstanding stock	Common stock	Capital surplus
Balance as of April 1, 2014	1,400,000,000	896,963,600	¥141,852	¥385,945
Increase and decrease during the period	—	—	—	(16,223)
Balance as of March 31, 2015	1,400,000,000	896,963,600	141,852	369,722
Increase and decrease during the period				
Increase due to stock split (Note 3)	2,800,000,000	1,793,927,200	—	—
Other increase and decrease during the period	—	—	—	(1,477)
Balance as of March 31, 2016	4,200,000,000	2,690,890,800	¥141,852	¥368,245

	Shares		Millions of U.S. dollars	
	Authorized stock	Outstanding stock	Common stock	Capital surplus
Balance as of March 31, 2015	1,400,000,000	896,963,600	$1,259	$3,281
Increase and decrease during the period				
Increase due to stock split (Note 3)	2,800,000,000	1,793,927,200	—	—
Other increase and decrease during the period	—	—	—	(13)
Balance as of March 31, 2016	4,200,000,000	2,690,890,800	$1,259	$3,268

Notes: 1. Common stocks are no par value.
2. Outstanding stocks are fully paid.
3. The Company conducted a 1:3 stock split on common stock, with an effective on April 1, 2015 January 30, 2015 Meeting of the Board of Directors.

The Companies Act of Japan ("the Companies Act") requires that at least 50% of the proceeds upon issuance of stocks are credited to common stock and the remainder of the proceeds is credited to capital surplus. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amount from additional paid-in capital to common stock.

(2) Treasury stock

Changes in the number of treasury stock during each consolidated fiscal year are as follows:

	Number of treasury stock (Shares)	Amount (Millions of yen)
Balance as of April 1, 2014	61,984,948	¥(161,822)
Increase and decrease during the period		
Purchase of treasury stock	46	(0)
Balance as of March 31, 2015	61,984,994	(161,822)
Increase and decrease during the period		
Increase due to stock split (Note 1)	123,969,988	—
Purchase of treasury stock (Note 2)	16,591,273	(50,019)
Disposal of treasury stock (Note 3)	(1,125,000)	979
Balance as of March 31, 2016 (Note 4)	201,421,255	¥(210,861)

Changes in the number of treasury stock during each consolidated fiscal year are as follows:

	Number of treasury stock (Shares)	Amount (Millions of U.S. dollars)
Balance as of March 31, 2015	61,984,994	$(1,436)
Increase and decrease during the period		
Increase due to stock split (Note 1)	123,969,988	—
Purchase of treasury stock (Note 2)	16,591,273	(444)
Disposal of treasury stock (Note 3)	(1,125,000)	9
Balance as of March 31, 2016 (Note 4)	201,421,255	$(1,871)

Notes: 1. The Company conducted a 1:3 stock split on common stock, with an effective on April 1, 2015 January 30, 2015 Meeting of the Board of Directors
2. Of the increase in the number of treasury stock, 16,584,700 shares were due to the purchase from the market.
3. Decrease in the number of treasury stock was due to contributions to the KDDI Foundation.
4. In the balance of treasury stock as of March 31, 2016, 1,738,000 shares of the Company owned by BIP and ESOP are included.

(3) Retained earnings

The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Changes in accumulated other comprehensive income

Changes in each component of accumulated other comprehensive income are as follows:

i. Changes in each component of accumulated other comprehensive income

For the year ended March 31, 2015:

	Millions of yen				
	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2014	¥ —	¥ 44,826	¥(1,236)	¥ —	¥ 43,589
Amount incurred during the year	9,737	7,860	374	8,619	26,589
Reclassified to consolidated statement of income	—	—	(832)	—	(832)
Transferred to retained earnings	—	(33,266)	—	(8,619)	(41,885)
Balance as of March 31, 2015	¥9,737	¥ 19,419	¥(1,694)	¥ —	¥ 27,462

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. Other comprehensive income."

For the year ended March 31, 2016:

	Millions of yen				
	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2015	¥ 9,737	¥19,419	¥ (1,694)	¥ —	¥ 27,462
Amount incurred during the year	(10,191)	(43)	(2,423)	(24,436)	(37,092)
Reclassified to consolidated statement of income	—	—	202	—	202
Transferred to retained earnings	—	(1,437)	—	24,436	22,998
Balance as of March 31, 2016	¥ (454)	¥17,939	¥ (3,915)	¥ —	¥ 13,570

For the year ended March 31, 2016:

	Millions of U.S. dollars				
	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2015	$ 86	$172	$(15)	$ —	$ 244
Amount incurred during the year	(90)	(0)	(22)	(217)	(329)
Reclassified to consolidated statement of income	—	—	2	—	2
Transferred to retained earnings	—	(13)	—	217	204
Balance as of March 31, 2016	$ (4)	$159	$(35)	$ —	$ 120

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. Other comprehensive income."

ii. The analysis of accumulated other comprehensive income

Accumulated other comprehensive income includes following items.

(a) Translation differences on foreign operations

This represents the exchange differences incurred upon consolidation of the foreign operations' financial statements denominated in foreign currencies.

(b) Changes in fair value of financial assets at fair value through other comprehensive income

This represents the valuation differences on fair value of financial assets at fair value through other comprehensive income.

(c) Changes in fair value of cash flow hedge

This represents the effective portion of changes in fair value of derivative transactions designated as cash flow hedge which is used by the Group to avoid the risk of future cash flows fluctuation.

(d) Remeasurements of defined benefit pension plan

Remeasurements of defined benefit pension plan are mainly the effects of differences between the actuarial assumptions at the beginning of the year and their actual results, and the effects of changes in actuarial assumptions.

24. Dividends

Dividends to common shareholders are as follows:

(1) Dividends paid

For the year ended March 31, 2015:

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 18, 2014 General meeting of shareholders	Common stock	¥58,449	¥70	March 31, 2014	June 19, 2014
October 31, 2014 Board of directors	Common stock	66,798	80	September 30, 2014	December 3, 2014

For the year ended March 31, 2016

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 17, 2015 General meeting of shareholders	Common stock	¥75,148	¥90	March 31, 2015	June 18, 2015
November 5, 2015 Board of directors	Common stock	87,712 (Note 2)	35 (Note 1)	September 30, 2015	December 7, 2015

Resolution	Type	Aggregate amount of dividends (Millions of U.S. dollars)	Dividends per share (U.S. dollar)	Record date	Effective date
June 17, 2015 General meeting of shareholders	Common stock	$667	$0.80	March 31, 2015	June 18, 2015
November 5, 2015 Board of directors	Common stock	778 (Note 2)	0.31 (Note 1)	September 30, 2015	December 7, 2015

Notes: 1. The Company conducted a 1:3 stock split on common stock, with an effective date of April 1, 2015. Dividends per share were calculated including the effect on this stock split.
2. Dividends ¥61 million (U.S.$1 million) of the Company's shares owned by executive compensation BIP trust and stock grants ESOP trust are not included in aggregate amount of the dividends above.

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

For the year ended March 31, 2015:

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 17, 2015 General meeting of shareholders	Common stock	¥75,148	Retained earnings	¥90	March 31, 2015	June 18, 2015

For the year ended March 31, 2016:

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 22, 2016 General meeting of shareholders	Common stock	¥87,131 (Note 2)	Retained earnings	¥35 (Note 1)	March 31, 2016	June 23, 2016

Resolution	Type	Aggregate amount of dividends (Millions of U.S. dollars)	Source of dividends	Dividends per share (U.S. dollars)	Record date	Effective date
June 22, 2016 General meeting of shareholders	Common stock	$773 (Note 2)	Retained earnings	$0.31 (Note 1)	March 31, 2016	June 23, 2016

Notes: 1. The Company conducted a 1:3 stock split on common stock, with an effective date of April 1, 2015. Dividends per share were calculated including the effect on this stock split.
2. Dividends ¥61 million (U.S.$1 million) of the Company's shares owned by executive compensation BIP trust and stock grants ESOP trust are not included in aggregate amount of the dividends above.

25. Revenue

For the details of revenue, please refer to "Note 5. Segment information."

26. Expenses by Nature

Expenses by nature that constitute cost of sales and selling, general and administrative expenses are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Handset sales cost, repair cost	¥ 774,543	¥ 821,205	$ 7,288
Depreciation and amortization	518,708	531,667	4,718
Communication equipment usage fee and rentals	407,985	404,623	3,591
Sales commission	374,334	397,879	3,531
Staff cost	356,326	377,085	3,347
Operations outsourcing	258,983	260,007	2,307
Utilities	59,891	61,461	545
Rent	58,813	61,346	544
Other (Note)	808,088	731,863	6,495
Total	¥3,617,670	¥3,647,136	$32,367

Note: Other is mainly consisted of advertising expense and maintenance costs for communication equipment, etc.

27. Other Income and Other Expense

(1) The analysis of other income

The analysis of other income is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Compensation income, etc.	¥ 2,123	¥ 3,369	$ 30
Income from recovery of bad debts	651	639	6
Subsidy income, etc.	2,452	285	3
Other	7,842	8,574	76
Total	¥13,069	¥12,866	$114

(2) The analysis of other expense

The analysis of other expense is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Loss on sale of fixed assets	¥ 564	¥ 619	$ 5
Reduction entry of land contribution for construction	709	360	3
Other	3,423	2,699	24
Total	¥4,697	¥3,677	$33

28. Finance Income and Finance Cost

(1) The analysis of finance income

The analysis of finance income is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Interest income:			
Financial assets at amortized cost	¥ 489	¥ 394	$ 3
Dividend income:			
Financial assets at fair value through other comprehensive income	1,786	1,376	12
Gain on foreign currency exchange	5,714	—	—
Other	228	79	1
Total	¥8,216	¥1,848	$16

(2) The analysis of finance cost

The analysis of finance cost is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Interest expense:			
Financial liabilities at amortized cost	¥15,103	¥12,074	$107
Financial liabilities at fair value through profit or loss			
Derivatives	67	1,251	11
Loss on foreign currency exchange	—	5,796	51
Other	431	517	5
Total	¥15,602	¥19,638	$174

29. Other Non-operating Profit

The analysis of other non-operating profit is as follows:

For the year ended March 31	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Gain on step acquisitions	¥ —	¥3,196	$28
Gain on deemed disposal of subsidiaries	3,337	420	4
Gain on sales of stocks of subsidiaries and associates	1,196	—	—
Total	¥4,533	¥3,616	$32

30. Other Comprehensive Income

Amounts arising during the year, amounts transferred to profit and tax effect included in other comprehensive income of the Group are as follows.

For the year ended March 31	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain and loss of defined benefit plan			
Gain (loss) arising during the year	¥12,837	¥(35,554)	$(316)
Tax effect	(4,225)	11,161	99
After tax effect	8,613	(24,393)	(216)
Net change in financial assets at fair value through other comprehensive income			
Gain (loss) arising during the year	9,676	(7,035)	(62)
Tax effect	(2,795)	3,779	34
After tax effect	6,881	(3,256)	(29)
Share of investments accounted for using the equity method			
Gain (loss) arising during the year	1,221	3,239	29
After tax effect	1,221	3,239	29
Total	16,714	(24,410)	(217)
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedge			
Gain (loss) arising during the year	(1,952)	(7,213)	(64)
Transferred to profit for the year	(832)	202	2
Before tax effect	(2,784)	(7,011)	(62)
Tax effect	903	2,101	19
After tax effect	(1,881)	(4,909)	(44)
Exchange differences on translating foreign operations			
Gain (loss) arising during the year	9,622	(11,009)	(98)
Transferred to profit for the year	—	—	—
Before tax effect	9,622	(11,009)	(98)
After tax effect	9,622	(11,009)	(98)
Share of investments accounted for using the equity method			
Gain (loss) arising during the year	1,302	58	1
Transferred to profit for the year	522	376	3
After tax effect	1,824	434	4
Total	9,566	(15,485)	(137)
Total other comprehensive income	¥26,280	¥(39,894)	$(354)

31. Financial Instruments

(1) Risk management

The Group's operating activities are subject to influence from the business and financial market environment. Financial instruments held or assumed in the course of business are exposed to risks inherent in those instruments. Such risks include (i) Credit risk, (ii) Liquidity risk and (iii) Market risk. The Group has a risk management program in place to minimize effects on the Group's financial position and results of operations through establishing an internal management system and using financial instruments. Specifically, the Group manages these risks by using methods as described below.

i. Credit risk management

Credit risk is the risk that a party to the Group's financial instrument will cause a financial loss for the Group by failing to discharge its contractual obligation. Specifically, the Group is exposed to the following credit risks. Trade and other receivables of the Group are exposed to the credit risk of our customers. The debt securities held for surplus investment are exposed to the issuer's credit risk. In addition, derivatives used by the Group to hedge exchange risk and interest rate risk and bank balances are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

With regard to trade receivables, the Group has a system in place for assessing credit status as well as performing term administration and balance management for each counterparty based on the credit management guidelines of each Group company. Specifically, the Group regards the trade receivables which were past a certain period of time since initial recognition as default and recognizes the impairment loss. Allowance for doubtful accounts for trade receivables is recognized by estimating the expected credit losses based on historical experience for the age of each trade receivables, after dividing into different types of trade receivables such as mobile-line telecommunications services and fixed-line telecommunications services.

The Group's receivables have no significantly concentrated credit risk exposure to any single counterparty or any group of counterparties.

The Group considers that there is substantially no credit risk resulting from counterparty default because counterparties of the Group's derivatives and bank transactions are limited to high credit quality financial institutions. For surplus investments and derivative transactions, the finance and accounting department, following internal rules of each Group company and accompanying regulations that prescribe details, arranges to have each transaction approved by an authorized person as designated in the authorization regulation on a transaction-to-transaction basis so that the Group can minimize credit risk. Counterparties to those transactions are limited to high credit quality financial institutions.

(a) Changes in allowance for doubtful accounts
Impairment of financial assets relating to trade receivables

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
As of April 1	¥30,914	¥67,002	$595
Increase during the year	65,444	28,442	252
Decrease during the year (reversal)	(13,082)	(13,575)	(120)
Decrease during the year (intended use)	(16,456)	(18,010)	(160)
Other (unwinding of discounts and exchange differences)	181	146	1
As of March 31	¥67,002	¥64,005	$568

Allowance and reversal of allowance for doubtful accounts are recorded in "selling, general and administrative expenses" in the consolidated statement of income. Fair value of trade and other receivables is described in "Note 32. Fair value of financial instruments."

(b) Exposure to credit risk of financial assets
Except for items set out below, at the end of each fiscal year, maximum exposure to credit risk of financial assets without taking into account the value of collateral is the carrying amount less impairment presented in the consolidated financial statements. The maximum exposure represents maximum amount of loss that the Group may suffer in cases where its financial assets lost their value, and it does not indicate possible loss or credit enhancement.

Maximum amount exposure of credit risk

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Debt guarantee	¥8,835	¥6,009	¥5,634	$50

ii. Liquidity risk management

The Group is exposed to liquidity risk that the Group may be unable to meet the obligations such as notes and trade payables.

The Group finances necessary funds through bank borrowings and bond issuances, in the context of its capital expenditure project mainly to conduct telecommunications businesses. Any excess funds incurred are invested in short-term deposits etc.

Most of the trade and other payables are payable within one year. The Group's current liabilities including such trade payables are exposed to liquidity risk at the time of settlement, however, the Group avoids the risk using methods such as monthly financial planning review conducted by each Group company. In addition, to manage liquidity risk, the Group aims for continuously stable cash management through monitoring account activity by preparing monthly cash flow projection, and maintains liquidity at certain level. At March 31, 2016, the Group has short-term deposits etc. which is considered to be readily convertible into cash to address liquidity risk. Please refer to "Note 14. Cash and cash equivalents" for details.

Long-term financing is conducted following approval by the Board of Directors of the annual financial plan prepared by the finance and accounting department. The Group minimizes its liquidity risk by entering into a number of long- and short-term unextended commitment line contracts with domestic dominant financial institutions and leading financial institutions in foreign countries in addition to uncommitted credit facilities.

(a) Maturity analysis

Following tables represent analysis of the Group's non-derivative financial liabilities and derivative financial liabilities to be settled on a net basis by category based on respective remaining periods to contractual maturity at the end of each fiscal year. Amounts shown in the tables below are contractual undiscounted cash flows.

As of date of transition to IFRSs (April 1, 2014)

	Millions of yen							
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	¥ 494,605	¥ 494,605	¥487,919	¥ 1,224	¥ 570	¥ 443	¥ 681	¥ 3,767
Short-term borrowings	95,256	95,260	95,260	—	—	—	—	—
Long-term borrowings	755,018	777,131	186,039	130,365	52,046	36,201	106,993	265,487
Bonds payable	299,530	317,421	98,786	23,109	27,958	22,178	12,073	133,318
Preference share	95,000	104,775	—	—	—	—	104,775	—
Lease payment	51,999	54,757	19,776	14,781	9,023	5,736	3,038	2,402
Sub total	1,791,407	1,843,949	887,779	169,480	89,597	64,558	227,560	404,974
Derivative financial liabilities (Note)								
Exchange contracts	4	4	4	—	—	—	—	—
Interest rate swaps	23	23	23	—	—	—	—	—
Sub total	27	27	27	—	—	—	—	—
Total	¥1,791,434	¥1,843,976	¥887,807	¥169,480	¥89,597	¥64,558	¥227,560	¥404,974

Note: Credits and debts resulted from derivative transactions are presented on a net basis.

As of March 31, 2015:

	Millions of yen							
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	¥ 535,489	¥ 535,489	¥528,954	¥ 1,121	¥ 512	¥ 691	¥ 436	¥ 3,775
Short-term borrowings	3,140	3,140	3,140	—	—	—	—	—
Long-term borrowings	758,799	776,721	130,672	52,338	37,491	196,992	32,611	326,618
Bonds payable	234,523	249,637	23,203	28,031	22,450	12,130	61,728	102,096
Preference share	95,000	104,775	—	—	—	104,775	—	—
Lease payment	62,655	65,077	21,701	14,974	10,570	7,999	6,181	3,650
Sub total	1,689,605	1,734,838	707,670	96,464	71,023	322,587	100,956	436,138
Derivative financial liabilities (Note)								
Exchange contracts	0	0	0	—	—	—	—	—
Interest rate swaps	2,659	2,659	—	—	—	553	—	2,106
Sub total	2,659	2,659	0	—	—	553	—	2,106
Total	¥1,692,264	¥1,737,497	¥707,670	¥96,464	¥71,023	¥323,141	¥100,956	¥438,244

Note: Credits and debts resulted from derivative transactions are presented on a net basis.

As of March 31, 2016:

	Millions of yen							
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	¥ 426,172	¥ 426,172	¥418,937	¥ 1,648	¥ 866	¥ 506	¥ 436	¥ 3,779
Short-term borrowings	22,105	22,105	22,105	—	—	—	—	—
Long-term borrowings	816,917	826,715	52,951	36,388	195,912	55,887	110,270	375,306
Bonds payable	214,613	226,434	28,031	22,450	12,130	61,728	40,671	61,425
Preference share	95,000	104,775	—	—	104,775	—	—	—
Lease payment	86,652	90,289	26,220	19,896	16,365	13,909	9,952	3,948
Sub total	1,661,459	1,696,491	548,245	80,382	330,047	132,031	161,328	444,458
Derivative financial liabilities (Note)								
Exchange contracts	174	174	162	7	4	2	—	—
Interest rate swaps	9,080	9,080	—	—	1,130	—	1,990	5,960
Sub total	9,254	9,254	162	7	1,134	2	1,990	5,960
Total	¥1,670,713	¥1,705,745	¥548,406	¥80,390	¥331,181	¥132,032	¥163,317	¥450,418

As of March 31, 2016:

	Millions of U.S. dollars							
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	$ 3,782	$ 3,782	$3,718	$ 15	$ 8	$ 4	$ 4	$ 34
Short-term borrowings	196	196	196	—	—	—	—	—
Long-term borrowings	7,250	7,337	470	323	1,739	496	979	3,331
Bonds payable	1,905	2,010	249	199	108	548	361	545
Preference share	843	930	—	—	930	—	—	—
Lease payment	769	801	233	177	145	123	88	35
Sub total	14,745	15,056	4,866	713	2,929	1,172	1,432	3,944
Derivative financial liabilities (Note)								
Exchange contracts	2	2	1	0	0	0	—	—
Interest rate swaps	81	81	—	—	10	—	18	53
Sub total	82	82	1	0	10	0	18	53
Total	$14,827	$15,138	$4,867	$713	$2,939	$1,172	$1,449	$3,997

Note: Credits and debts resulted from derivative transactions are presented on a net basis.

iii. Market risk

Market risk management consists of (a) Exchange risk management, (b) Interest rate risk management and (c) Price risk management of equity instruments.

(a) Exchange risk

The Group is exposed to exchange rate fluctuation risk ("exchange risk") resulted from translating foreign currency denominated trade receivables arising from transactions that the Group conducted using non-functional currencies into their functional currencies at the exchange rate prevailing at the end of reporting period.

The Group also operates in foreign countries. Currently, the Group is developing international businesses through capital contribution and establishment of joint ventures in Asia (Singapore and China etc.), North America and Europe etc. As a result of these international operating activities, the Group is exposed to various exchange risks primarily related to US dollar and Hong Kong dollar.

Certain subsidiary hedges exchange fluctuation risk by adopting forward exchange contracts as derivative transactions. The purpose is to fix the exchange fluctuation for broadcasting right related to foreign program. For derivative transactions, the Company develops implementation plans on a transaction-to-transaction basis following internal rules approved by the Board of Directors, and obtains approval as stipulated in the authorization regulation, before conducting the transactions. The Group's policy is to use derivative transactions only to avoid risk and conduct no speculative transactions in order to gain trading profits.

(i) Sensitivity analysis of exchange rate

Sensitivity analysis of the impact of the 10% appreciation of Japanese yen against US dollar and Hong Kong dollar at the end of each fiscal year against profit before tax of the Group is as follows.

This analysis is on presumption that all other variables (balance, interest etc.) are held constant, and the sensitivity analysis below does not contain impacts of translation of financial instruments denominated in functional currencies, and impacts of translation of revenues and expenses, assets and liabilities of foreign operations into presentation currency.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Profit before tax			
US dollar	¥(2,242)	¥(3,305)	$(29)
Hong Kong dollar	(1,065)	(846)	(8)
Total	¥(3,307)	¥(4,151)	$(37)

At the end of each fiscal year, impact against the Group's profit or loss, in cases where Japanese yen depreciated 10% against US dollar and Hong Kong dollar, would be equal and opposite figures presented above on presumption that all other variables are held constant.

(ii) Derivatives (forward foreign exchange contracts)

Details of major exchange contracts existed at the date of transition to IFRSs (April 1, 2014), March 31, 2015 and March 31, 2016 are as follows:

Derivatives designated as hedges

Certain subsidiaries of the Group is to apply hedge accounting to foreign exchange risk.

	Millions of yen						Millions of U.S. dollars	
	As of date of transition to IFRSs (April 1, 2014)		2015		2016		2016	
As of March 31	Contractual amount	Fair value	Contractual amount	Fair value	Contractual amount	Fair value	Contractual amount	Fair value
Forward foreign exchange contracts								
Assets								
Within one year	¥1,396	¥868	¥ 806	¥824	¥ 583	¥213	$ 5	$2
Over one year	1,264		2,631		1,546		14	
Total	¥2,660	¥868	¥3,437	¥824	¥2,129	¥213	$19	$2

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Carrying amount	¥ 868	¥ 824	¥ 213	$ 2
Contractual amount	2,660	3,437	2,129	19
Maturity date	April 2014~ November 2017	April 2015~ October 2018	April 2016~ April 2019	April 2016~ April 2019
Hedge ratio (Note 1)	1	1	1	1
Change in intrinsic value of outstanding hedging instrument	—	(44)	(611)	(5)
Change in value of hedge item used to determine hedge effectiveness	—	44	611	5

Notes: 1. Since the Group is engaged in the foreign exchange contracts in the same currency as the purchase transaction of contents to occur in the future with a high possibility, hedge ratio of foreign exchange contracts is one-to-one.

2. The Group have not recorded non-effective portion of the hedge.

Derivatives not designated as hedges

	Millions of yen						Millions of U.S. dollars	
	As of date of transition to IFRSs (April 1, 2014)		2015		2016		2016	
As of March 31	Contractual amount	Fair value	Contractual amount	Fair value	Contractual amount	Fair value	Contractual amount	Fair value
Forward foreign exchange contracts								
Assets								
Within one year	¥ —	¥—	¥4,975	¥18	¥ —	¥ —	$ —	$—
Over one year	—		—		—		—	
Total	¥ —	¥—	¥4,975	¥18	¥ —	¥ —	$ —	$—
Liabilities								
Within one year	¥1,686	¥ 4	¥ —	¥ —	¥2,766	¥152	$25	$ 1
Over one year	515		—		—			
Total	¥2,200	¥ 4	¥ —	¥ —	¥2,766	¥152	$25	$ 1

(b) Interest rate risk

Interest rate risk is defined as the risk that market interest rate fluctuation results in changes in fair value of financial instruments or future cash flows arising from financial instruments. Interest rate risk exposure of the Group mainly relates to payables such as borrowings or bonds, and receivables such as interest-bearing deposits. As amount of interest is influenced by market interest rate fluctuation, the Group is exposed to interest rate risk resulting from changes in future cash flows of interest.

The Group finances funds through bond issuance at fixed interest rate in order to avoid future interest payment increase, primarily resulting from rising interest rate.

Certain subsidiaries stabilize their cash flows by using interest rate swap transactions to minimize interest rate risk on borrowings.

(i) Sensitivity analysis of interest rate

Sensitivity analysis of the impact of the 1% increase of interest rate at the end of each fiscal year against profit before tax of the Group is as follows. This analysis is on presumption that all other variables (balance, exchange rate etc.) are held constant.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Profit before tax	¥(201)	¥(0)	$(0)

Amounts shown in parentheses represent negative impact against profit of the Group.

(ii) Derivatives (interest swap contracts)

In interest swap contracts, the Group enters into agreements to exchange the differences between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Using these contracts, the Group minimizes its risk of cash flows fluctuation arising from floating rate borrowings

Derivatives designated as hedges

	Millions of yen						Millions of U.S. dollars	
	As of date of transition to IFRSs (April 1, 2014)		2015		2016		2016	
As of March 31	Contractual amount	Fair value	Contractual amount	Fair value	Contractual amount	Fair value	Contractual amount	Fair value
Interest rate swap contracts								
Asset								
Within one year	¥10,000	¥23	¥ —	¥2,659	¥ —	¥9,080	$ —	$81
Over one year	—		330,000		330,000		2,929	
Total	¥10,000	¥23	¥330,000	¥2,659	¥330,000	¥9,080	$2,929	$81

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Carrying amount	¥ (23)	¥ (2,659)	¥ (9,080)	$ (81)
Contractual amount	10,000	330,000	330,000	2,929
Maturity dare	April 2014	December 2018~ December 2025	December 2018~ December 2025	December 2018~ December 2025
Hedge ratio (Note 1)	1	1	1	1
Change in intrinsic value of outstanding hedging instrument	—	(2,636)	(6,421)	(57)
Change in value of hedge item used to determine hedge effectiveness	—	—	—	—

Notes: 1. Since the Group runs the borrowing (hedged item) and interest rate swap transaction (hedging instrument) in the same amount, hedge ratio of interest rate swap transaction is one-to-one.
2. The Group does not record non-effective portion of the hedge.

(c) Price risk management of equity instruments

Price risk of equity instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to such price risk as it holds equity instruments.

To manage price risk arising from those equity instruments, the corporate finance and accounting department documents policies of investment in the equity instruments and the entire Group complies with those policies. For material investments, it is obliged to report to and obtain approval from the Board of Directors in a timely manner. To manage those equity instruments, the Group continuously reviews its holdings through monitoring market value and financial condition of the issuer (counterparty) taking into account the market condition and the relationship with the counterparty.

(i) Sensitivity analysis of price of equity instruments

Sensitivity analysis of the impact of the 10% decrease of price of equity instruments at the end of each fiscal year against other comprehensive income of the Group (before tax effect) is as follows:

This analysis is on presumption that all other variables (balance, exchange rate etc.) are held constant.

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Accumulated other comprehensive income (before tax effect)	¥(2,470)	¥(1,924)	$(17)

Amounts shown in parentheses represent negative impact against other comprehensive income of the Group.

(2) Capital management

The Group seeks to realize sustainable medium- and long-term growth and maximize its corporate value. To achieve those objectives, the Group's basic policy for equity risk management is to maintain adequate equity structure while monitoring capital cost, along with maintaining current fund-raising capability and ensuring financial soundness. Major performance benchmarks used by the Group to manage its equity are Ratio of equity attributable to owners of the parent and debt / equity ratio ("D/E ratio").

Ratio of equity attributable to owners of the parent and D/E ratio at the end of each fiscal year are as follows:

As of March 31	Unit	As of date of transition to IFRSs (April 1, 2014)	2015	2016
Ratio of equity attributable to owners of the parent (Note 1)	%	52.0	54.5	57.0
D/E ratio (debt/equity ratio) (Note 2)	ratio	0.47	0.38	0.37

Notes: 1. Ratio of equity attributable to owners of the parent: Equity attributable to owners of the parent/Total assets ×100
2. D/E ratio (debt/equity ratio): Interest bearing debt/Equity attributable to owners of the parent
As of March 31, 2016, there is no material capital controls applicable to the Group (excluding general rules such as the Companies Act etc.).

(3) Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities of the Group is as follows:

As of date of transition to IFRSs (April 1, 2014)

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Other long-term financial assets	¥ 42,432	¥91,999	¥463	¥ 134,893
Current assets:				
Trade and other receivables	1,127,209	—	—	1,127,209
Other short-term financial assets	10,663	—	405	11,069
Cash and cash equivalents	249,732	—	—	249,732
Total	¥1,430,036	¥91,999	¥869	¥1,522,903

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	¥ 779,454	¥—	¥ —	¥ 779,454
Other long-term financial liabilities	131,138	—	—	131,138
Current liabilities:				
Borrowings and bonds payable	370,349	—	—	370,349
Trade and other payables	494,605	—	—	494,605
Other short-term financial liabilities	18,679	—	27	18,706
Total	¥1,794,226	¥—	¥27	¥1,794,253

As of March 31, 2015

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Other long-term financial assets	¥ 45,639	¥51,544	¥641	¥ 97,824
Current assets:				
Trade and other receivables	1,231,095	—	—	1,231,095
Other short-term financial assets	8,821	—	202	9,023
Cash and cash equivalents	276,317	—	—	276,317
Total	¥1,561,873	¥51,544	¥843	¥1,614,259

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	¥ 846,701	¥—	¥ —	¥ 846,701
Other long-term financial liabilities	145,709	—	2,659	148,367
Current liabilities:				
Borrowings and bonds payable	149,760	—	—	149,760
Trade and other payables	535,489	—	—	535,489
Other short-term financial liabilities	20,698	—	0	20,698
Total	¥1,698,357	¥—	¥2,659	¥1,701,016

As of March 31, 2016

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Other long-term financial assets	¥ 69,125	¥43,503	¥181	¥ 112,809
Current assets:				
Trade and other receivables	1,357,820	—	—	1,357,820
Other short-term financial assets	14,912	—	54	14,966
Cash and cash equivalents	192,200	—	—	192,200
Total	¥1,634,057	¥43,503	¥235	¥1,677,795

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	¥ 956,800	¥—	¥ —	¥ 956,800
Other long-term financial liabilities	165,698	—	9,093	174,791
Current liabilities:				
Borrowings and bonds payable	96,836	—	—	96,836
Trade and other payables	426,172	—	—	426,172
Other short-term financial liabilities	24,875	—	162	25,037
Total	¥1,670,381	¥—	¥9,254	¥1,679,635

As of March 31, 2016

	Millions of U.S. dollars			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Other long-term financial assets	$ 613	$386	$ 2	$ 1,001
Current assets:				
Trade and other receivables	12,050	—	—	12,050
Other short-term financial assets	132	—	0	133
Cash and cash equivalents	1,706	—	—	1,706
Total	$14,502	$386	$ 2	$14,890

	Millions of U.S. dollars			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	$ 8,491	$—	$ —	$ 8,491
Other long-term financial liabilities	1,471	—	81	1,551
Current liabilities:				
Borrowings and bonds payable	859	—	—	859
Trade and other payables	3,782	—	—	3,782
Other short-term financial liabilities	221	—	1	222
Total	$14,824	$—	$82	$14,906

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

The Group owns the equity instruments above as investment to maintain and strengthen the business relationship with investees, and therefore classifies them as financial assets at fair value through other comprehensive income.

i. The analysis and fair value by description of financial assets at fair value through other comprehensive income

The analysis and dividends received related to financial assets at fair value through other comprehensive income are as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Fair value				
Listed equities	¥71,384	¥24,699	¥19,243	$171
Unlisted equities	20,615	26,845	24,260	215
Total	¥91,999	¥51,544	¥43,503	$386

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Dividends received			
Listed equities	¥1,607	¥ 209	$ 2
Unlisted equities	179	1,167	10
Total	¥1,786	¥1,376	$12

Major description of investments in financial assets at fair value through other comprehensive income is as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Listed equities				
COLOPLA, Inc.	¥13,795	¥ 6,680	¥ 6,128	$ 54
GREE, Inc.	13,831	6,607	4,944	44
Japan Airport Terminal Co. Ltd.	1,633	4,434	2,436	22
PIA Corporation	1,209	2,321	2,018	18
Internet Initiative Japan Inc.	1,046	836	971	9
Immarsat plc	27,056	—	—	—
Other	12,814	3,821	2,746	24
Sub total	71,384	24,699	19,243	171
Unlisted equities				
COMMUNITY NETWORK CENTER INCORPORATED	6,575	5,369	5,629	50
A-Fund, L.P.	1,875	5,674	5,578	50
Other	12,165	15,802	13,054	116
Sub total	20,615	26,845	24,260	215
Total	¥91,999	¥51,544	¥43,503	$386

ii. Financial assets at fair value through other comprehensive income disposed during the period

The Group sells its financial assets at fair value through other comprehensive income as a result of periodic review of portfolio and for the management of risk assets. Fair value at the disposal date, accumulated gains / losses arising from sale and dividends received are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Fair value at the disposal date	¥53,361	¥509	$ 5
Accumulated gains/losses arising from sale	51,588	(139)	(1)
Dividends received	1,532	0	0

iii. Reclassification to retained earnings

The Group reclassifies accumulated gains or losses arising from changes in the fair value of financial assets at fair value through other comprehensive income into retained earnings, when it disposes the investments, etc. Accumulated gains or losses, net of tax, reclassified from other comprehensive income into retained earnings are ¥33,266 million and ¥1,437 million (U.S.$13 million), respectively, for the years ended March 31, 2015 and 2016.

32. Fair Value of Financial Instruments

The financial instruments that are measured at fair value are classified into 3 levels of fair value hierarchy according to the observability and significance of the inputs used for measurement. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Group determines the hierarchy of the levels on the basis of the lowest level input that is significant to the fair value measurement.

(1) The fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

i. The hierarchy of the fair value

The following table presents the classification by fair value hierarchy of the financial assets and financial liabilities recognized at fair value on the consolidated statement of financial position.

As of date of transition to IFRSs (April 1, 2014)

	Millions of yen			
	Level1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	¥71,384	¥ —	¥20,615	¥91,999
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	869	—	869
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	4	—	4
Interest rate swaps	—	23	—	23

As of March 31, 2015

	Millions of yen			
	Level1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	¥24,699	¥ —	¥26,845	¥51,544
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	843	—	843
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	0	—	0
Interest rate swaps	—	2,659	—	2,659

As of March 31, 2016

	Millions of yen			
	Level1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	¥19,243	¥—	¥24,260	¥43,503
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	235	—	235
Interest rate swaps	—	0	—	0
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	174	—	174
Interest rate swaps	—	9,080	—	9,080

As of March 31, 2016

	Millions of U.S. dollars			
	Level1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Other financial assets				
Financial assets at fair value through other comprehensive income				
Equities	$219	$—	$215	$386
Financial assets at fair value through profit or loss				
Derivatives				
Exchange contracts	—	2	—	2
Interest rate swaps	—	0	—	0
Financial liabilities:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
Exchange contracts	—	2	—	2
Interest rate swaps	—	81	—	81

Any significant transfers of the financial instruments between levels are evaluated at each period end. There was no significant transfer of the financial instruments between levels for the years ended March 31, 2015 and 2016.

ii. Measurement method of the fair value of financial assets and financial liabilities

(a) Equities

Listed equities are based on the prices on exchange and within level 1 of fair value hierarchy.

Unlisted equities are calculated by the valuation technique based on the discounted future cash flows, valuation technique based on the market prices of the comparative companies, valuation technique based on the net asset value and other valuation techniques, and are within the level 3 of fair value hierarchy. Unobservable input such as discount rates and valuation multiples are used for fair value measurements of unlisted equities, adjusted for certain illiquidity discounts and non-controlling interest discounts, if necessary.

(b) Derivatives

(i) Exchange contracts

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to exchange contracts are classified as level 2 of fair value hierarchy.

(ii) Interest rate swaps

Interest rate swaps are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk. The financial assets and financial liabilities related to interest rate swaps are classified as the level 2 of fair value hierarchy.

iii. Reconciliation of level 3

The following table presents the movement of financial instruments within level 3 for the year ended March, 31, 2015.

	Millions of yen Financial assets at fair value through other comprehensive income
As of April 1, 2014	¥20,615
Acquisition	2,892
Gain recognized on other comprehensive income	4,006
Sale	(240)
Other	(427)
As of March 31, 2015	¥26,845

The following table presents the movement of financial instruments within level 3 for the year ended March, 31, 2016.

	Millions of yen Financial assets at fair value through other comprehensive income
As of April 1, 2015	¥26,845
Acquisition	1,691
Gain recognized on other comprehensive income	(3,085)
Sale	(90)
Other	(1,101)
As of March 31, 2016	¥24,260

	Millions of U.S. dollars Financial assets at fair value through other comprehensive income
As of April 1, 2015	$238
Acquisition	15
Gain recognized on other comprehensive income	(27)
Sale	(1)
Other	(10)
As of March 31, 2016	$215

iv. Evaluation process of level 3

Fair value measurements of unlisted equities are performed by a management department independent from sales departments in accordance with the prescribed rules. Fair value measurements including fair value models are examined for the adequacy by periodically evaluating the business descriptions and the availability of business plans of the companies issuing the equities, as well as comparative listed companies.

v. Quantitative information related to assets classified as level 3

Information related to evaluation technique and significant unobservable inputs of assets measured at fair value on a recurring basis classified as level 3 is as follows:

As of date of transition to IFRSs (April 1, 2014)

	Fair value (Millions of yen)	Valuation technique	Unobservable inputs	Range
Equities	¥20,615	Income approach	Discount rate	5.2%

As of March 31, 2015

	Fair value (Millions of yen)	Valuation technique	Unobservable inputs	Range
Equities	¥26,845	Income approach	Discount rate	5.3%

As of March 31, 2016

	Fair value				
	Millions of yen	Millions of U.S. dollars	Valuation technique	Unobservable inputs	Range
Equities	¥24,260	$215	Income approach	Discount rate	4.7%

vi. Sensitivity analysis related to the changes in significant unobservable inputs

For financial instruments classified as level 3, no significant changes in fair value are expected to occur as a result of changing unobservable inputs to other alternative assumptions that are considered reasonable.

(2) The fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value

i. The hierarchy of the fair value

The following are the fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value. The financial assets and financial liabilities that are measured at amortized cost are included.

As of date of transition to IFRSs (April 1, 2014)

	Millions of yen				
	Carrying amount	Fair value			
		Level1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	¥ 3,004	¥ 3,180	¥ —	¥—	¥ 3,180
Financial liabilities					
Borrowing and bonds payable					
Borrowings	755,018	—	761,544	—	761,544
Bonds payables	299,530	300,159	10,032	—	310,191
Other financial liabilities					
Lease payments	51,999	—	53,142	—	53,142
Preference share	95,000	—	96,620	—	96,620

Notes: 1. Borrowings, bonds payable and lease payments in the table above contain their current portion.
2. Short-term financial assets and short-term financial liabilities are not included in the table above because their fair values are similar to the carrying amounts.

As of March 31, 2015

	Millions of yen				
	Carrying amount	Fair value			
		Level1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	¥ 3,003	¥ 3,164	¥ —	¥—	¥ 3,164
Financial liabilities					
Borrowing and bonds payable					
Borrowings	758,799	—	762,531	—	762,531
Bonds payables	234,523	244,319	—	—	244,319
Other financial liabilities					
Lease payments	62,655	—	64,242	—	64,242
Preference share	95,000	—	98,640	—	98,640

Notes: 1. Borrowings, bonds payable and lease payments in the table above contain their current portion.
2. Short-term financial assets and short-term financial liabilities are not included in the table above because their fair values are similar to the carrying amounts.

As of March 31, 2016

	Millions of yen				
	Carrying amount	Fair value			
		Level1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	¥ 3,003	¥ 3,168	¥ —	¥ —	¥ 3,168
Lease receivables	30,606	—	—	28,868	28,868
Financial liabilities					
Borrowing and bonds payable					
Borrowings	816,917	—	824,665	—	824,665
Bonds payables	214,613	223,717	—	—	223,717
Other financial liabilities					
Lease payments	86,652	—	88,760	—	88,760
Preference share	95,000	—	100,759	—	100,759

	Millions of U.S. dollars				
	Carrying amount	Fair value			
		Level1	Level 2	Level 3	Total
Financial assets					
Other financial assets					
Government bonds	$ 27	$ 28	$ —	$ —	$ 28
Lease receivables	272	—	—	256	256
Financial liabilities					
Borrowing and bonds payable					
Borrowings	7,250	—	7,319	—	7,319
Bonds payables	1,905	1,985	—	—	1,985
Other financial liabilities					
Lease payments	769	—	788	—	788
Preference share	843	—	894	—	894

Notes: 1. Borrowings, bonds payable and lease payments in the table above contain their current portion.
2. Short-term financial assets and short-term financial liabilities are not included in the table above because their fair values are similar to the carrying amounts.

ii. Measurement method of the fair value of financial assets and financial liabilities

(a) Government bonds
The fair value of government bonds is estimated based on quoted price. Government bonds are classified as level 1 of fair value hierarchy.

(b) Lease receivables
Fair value of lease receivables is measured at the present value of total expected lease receivables, discounted by the rate of interest to be used when the lessor newly contracts a similar lease transaction. Inputs of lease receivables are not based on observable market data. Therefore, the levels of the fair value hierarchy are classified as level 3. The discount rate is 8.1% as of March 31, 2016.

(c) Borrowings
For borrowings with variable interest rates, the carrying amount is used as fair value, as the rates reflect the market interest rate within a short term and there is no significant change expected in the Group entities' credit conditions after financing. For borrowings with fixed interest rates, fair value is estimated by discounting the total of principal and interest using the current interest rate adjusted for the remaining maturity period of the borrowings and credit risk. Borrowings are classified as level 2 of fair value hierarchy.

(d) Bonds payables
For bonds payable with quoted price, the fair value is estimated based on quoted price. For bonds payable without quoted price, the fair value is calculated by the present value of future cash flows discounted using the interest rate adjusted for the remaining maturity period and credit risk. Bonds payables with quoted price are classified as level 1 of fair value hierarchy and bonds payables without quoted price are classified as level 2 of fair value hierarchy.

(e) Lease payments
The fair value of lease obligations is estimated by the future cash flows discounted using the interest rate of a borrowing with the identical remaining maturity period and conditions. Lease payments are classified as level 2 of fair value hierarchy.

(f) Preference share
Under IFRS, a certain type of preference share is treated as financial liabilities because the Group has an obligation to deliver cash to holders of preference share. The fair value of the preference share is calculated by the present value of future cash flows discounted using the interest rate adjusted for the remaining maturity period and credit risk. Preferred stock is classified as level 2 of fair value hierarchy.

33. Commitments

(1) Purchase commitments
As of April 1, 2014 (the date of transition to IFRSs), March 31, 2015 and March 31, 2016, commitments to purchase property, plant and equipment, intangible assets, inventories and services amounted to ¥486,907 million, ¥536,942 million and ¥546,839 million (U.S.$4,853 million), respectively. Those commitments consist of outstanding commitments mainly related to purchase of communication equipment and mobile handsets. The amount of purchase commitments above does not represent all purchase commitments expected in the future.

(2) Lease commitments
The Group enters into lease contracts for property, plant and equipment in the ordinary course of business. Gross minimum lease payments under non-cancellable lease contracts are set out in "Note 36. Lease."

34. Earnings per Share

(1) Basic earnings per share
Basic earnings per share and its calculation basis are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Profit for the year attributable to owners of the parent	¥ 395,805	¥ 494,465	$4,388
Number of weighted average common stocks outstanding (Thousands of shares)	2,504,936	2,502,821	—
Basic earnings per share (Yen and U.S. dollar)	158.01	197.56	1.75

(2) Diluted earnings per share

Diluted earnings per share and its calculation basis are as follows:

For the year ended March 31	Millions of yen 2015	Millions of yen 2016	Millions of U.S. dollars 2016
Profit for the year attributable to owners of the parent	¥395,805	¥494,465	$4,388
Adjustment of profit	—	—	—
Profit used in calculation of diluted earnings per share	395,805	494,465	4,388

For the year ended March 31	Thousands of shares 2015	Thousands of shares 2016
Number of weighted average common stocks outstanding	2,504,936	2,502,821
Effect of dilutive potential common stocks		
BIP trust and ESOP trust	—	268
Number of weighted average common stocks during the year	2,504,936	2,503,089

For the year ended March 31	Yen 2015	Yen 2016	U.S. dollar 2016
Diluted earnings per share	¥158.01	¥197.54	$1.75

Notes: 1. The Company conducted a 1:3 stock split on common stock with the effective date of April 1, 2015.
As a result, the basic earnings per share and the diluted earnings per share have been calculated as if the stock split was conducted at the beginning of the previous fiscal year.
2. In the calculation of basic earnings per share and diluted earnings per share, the Company's stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks is deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

35. Contingent Liabilities

Guarantees

As of March 31	Millions of yen: As of date of transition to IFRSs (April 1, 2014)	2015	2016
Guarantee for foreign exchange contracts			
Discovery Japan, Inc.	¥3,689	¥ —	$ —
(of which, denominated in foreign currencies)	(U.S.$47 million)	(—)	(—)
Contingent liabilities for cable system supply contract	5,146	6,009	5,634
(of which, denominated in foreign currencies)	(U.S.$50 million)	(U.S.$50 million)	(U.S.$50 million)
Total	¥8,835	¥6,009	$5,634

36. Lease

(1) Lease as a lessee

i. Finance lease

Finance lease of the Group mainly relates to in-home customer premises equipment for CATV and communication.

(a) Future gross minimum lease payments

Future gross minimum lease payments of the leased assets recognized based on finance lease contracts, their present value and future finance costs by due date are as follows:

	Future gross minimum lease payments				Present value of future gross minimum lease payments			
	Millions of yen			Millions of U.S. dollars	Millions of yen			Millions of U.S. dollars
	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of March 31, 2016	As of March 31, 2016	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of March 31, 2016	As of March 31, 2016
Within one year	¥19,777	¥21,701	¥26,296	$233	¥18,679	¥20,698	¥24,875	$221
Over one year to five years	32,724	39,953	60,263	535	31,050	38,408	57,905	514
Over five years	2,402	3,650	3,949	35	2,270	3,548	3,871	34
Total	¥54,903	¥65,305	¥90,508	$803	¥51,999	¥62,655	¥86,652	$769
Less: Future finance cost (Note)	¥ 2,904	¥ 2,650	¥ 3,856	$ 34				
Present value of lease obligation	51,999	62,655	86,652	769				

Note: Difference between future gross minimum lease payments and their present value represents interest portion of the finance lease.

(b) Details of the lease contracts

Some of the Group's lease contracts contain terms of renewal or purchase options. However, the Group does not have any lease contracts that contain sublease contracts or contingent rents and escalation clauses, provision in a contract for increasing the contracted price, and restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.

Fair values of the Group's lease obligations are set out in "Note 32. Fair value of financial instruments."

ii. Operating lease

Operating lease of the Group mainly relates to lease of land and buildings for base station.

(a) Gross minimum lease payments and contingent rent

For the years ended March 31, 2015 and 2016, gross minimum lease payments and contingent rents of cancellable or non-cancellable operating leases recognized as expenses are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Gross minimum lease payments	¥118,142	¥122,869	$1,090
Contingent rents	—	13	0
Total	¥118,142	¥122,882	$1,091

Lease payments are included in “Costs of sales” or “Selling, general and administrative expenses” in the consolidated statement of income.

(b) Future gross minimum lease payments under non-cancellable operating lease

At the end of each fiscal year, analysis of future gross minimum lease payments under non-cancellable operating leases of the Group by due date is as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Within one year	¥ 7,329	¥15,095	¥16,221	$144
Over one year to five years	16,735	27,750	21,755	193
Over five years	2,482	7,290	8,903	79
Total	¥26,546	¥50,135	¥46,879	$416

(c) Details of the lease contracts

Some of the lease contracts contain terms of renewal. However, the Group does not have any lease contracts that contain purchase option, sublease contracts, escalation clauses (provision in a contract for increasing the contracted price) and restrictions imposed by lease arrangements, such as those concerning dividends, additional debt and further leasing.

(2) Lease as a lessor

i. Finance lease

The Group leases communication equipment and other classified as finance lease under contracts.

Future gross minimum lease payments receivable

Future gross lease payments receivable under the finance leases held by the Group and their present value and future finance income are as follows:

	Future gross minimum lease payments				Present value of future gross minimum lease payments			
	Millions of yen			Millions of U.S. dollars	Millions of yen			Millions of U.S. dollars
	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of March 31, 2016	As of March 31, 2016	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of March 31, 2016	As of March 31, 2016
Within one year	¥—	¥1,300	¥ 7,436	$ 66	¥—	¥ 957	¥ 5,609	$ 50
Over one year to five years	—	4,627	26,298	233	—	3,828	22,338	198
Over five years	—	1,008	2,817	25	—	952	2,659	24
Total	¥—	¥6,935	¥36,552	$324	¥—	¥5,737	¥30,606	$272
Less: Future finance income	¥—	¥1,198	¥ 5,946	$ 53				
Net investment in the lease	—	5,737	30,606	272				
Less: Present value of unguaranteed residual value	—	—	—	—				
Present value of lease obligation	—	5,737	30,606	272				

37. Non-cash Transactions

For the years ended March 31, 2015 and 2016, non-cash transactions, i.e. financial transactions that do not require the use of cash and cash equivalents, comprise acquisition of property, plant and equipment resulted from new finance leases of ¥31,260 million and ¥46,744 million (U.S.$415 million), respectively.

38. Major Subsidiaries

(1) Organizational structure

Major subsidiaries of the Group are as follows. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Company name	Segment	Location	Key business	The proportion of voting rights (%) As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of March 31, 2016
Okinawa Cellular Telephone Company	Personal Services	Naha-shi, Okinawa	Telecommunications services (au mobile phone services)	51.5	51.5	51.5
Okinawa Telecommunication Network Co., Inc.	Personal Services	Naha-shi, Okinawa	Telecommunications services under Telecommunications Business Act	53.7 (50.6)	53.8 (50.7)	53.8 (50.7)
Jupiter Telecommunications Co., Ltd. (Note 1)	Personal Services	Chiyoda-ku, Tokyo	Management of CATV operators and broadcasting service providers	50.0	50.0	50.0
J:COM West Co., Ltd.	Personal Services	Chuo-ku, Osaka	Management of CATV (broadcasting and telecommunication business)	92.6 (92.6)	92.6 (92.6)	92.6 (92.6)
J:COM East Co., Ltd.	Personal Services	Chiyoda-ku, Tokyo	Management of CATV (broadcasting and telecommunication business)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)
UQ Communications Inc. (Note 2)	Personal Services	Minato-ku, Tokyo	Wireless broadband services	32.3	32.3	32.3
Chubu Telecommunications Co., Inc.	Personal Services Business Services	Naka-ku, Nagoya-shi, Aichi	Telecommunications services under Telecommunications Business Act	80.5	80.5	80.5
KDDI financial Service Corporation	Value Services	Minato-ku, Tokyo	Credit card services and payment agency services	—	90.0	90.0
Syn.Holdings, Inc	Value Services	Minato-ku, Tokyo	Holding company of internet service companies	—	100.0	91.1
Jupiter Shop Channel Co., Ltd.	Value Services	Chuo-ku, Tokyo	Mail order services	—	—	55.0 (50.0)
KDDI Matomete Office Corporation	Business Services	Shibuya-ku, Tokyo	IT support services for small and medium-sized companies	95.0	95.0	95.0
KDDI Engineering Corporation	Other	Shibuya-ku, Tokyo	Construction, maintenance and operation support for communication equipment	100.0	100.0	100.0
KDDI Evolva Inc	Other	Shinjuku-ku, Tokyo	Call center, temporary personnel services	100.0	100.0	100.0
Wire and Wireless Co., Ltd.	Personal Services	Chuo-ku, Tokyo	Wireless broadband services	95.2	95.2	95.2
WebMoney Corporation	Value Services	Minato-ku, Tokyo	Issuance and sales of server based e-money	100.0	100.0	100.0
mediba Inc.	Value Services	Shibuya-ku, Tokyo	Planning, production and sales of advertisements for mobile internet	51.0	51.0	51.0
Kokusai Cable Ship Co.,Ltd.	Other	Kawasaki-shi, Kanagawa	Construction and maintenance of submarine cable	100.0	100.0	100.0
KDDI R&D Laboratories, Inc.	Other	Fujimino-shi, Saitama	Technology research and product development related to telecommunication services	91.7	91.7	91.7
Japan Telecommunication Engineering Service Co., Ltd.	Other	Shinjuku-ku, Tokyo	Design, construction, operation support and maintenance for communication equipment	74.3	74.3	74.3
Japan Internet Exchange Co., Ltd.	Business Services	Chiyoda-ku, Tokyo	Exchange port providing services for internet service providers	50.7	52.1	56.8
KDDI America, Inc.	Global Services	New York, NY, U.S.A.	Diversified Telecommunications services in US	100.0	100.0	100.0
KDDI Europe Limited	Global Services	London, U.K.	Diversified Telecommunications services in Europe	100.0 (4.2)	100.0 (4.2)	100.0 (4.2)
KDDI Singapore Pte Ltd.	Global Services	Singapore	Diversified Telecommunications services in Singapore	100.0	100.0	100.0
KDDI Summit Global Singapore Pte. Ltd.	Global Services	Singapore	Holding Company	—	50.1	50.1
KDDI Summit Global Myammar Co., Ltd.	Global Services	Yangon, Myanmar	Telecommunication business in collaboration with Myanmar Posts & Telecommunications (MPT)	—	100.0 (100.0)	100.0 (100.0)
KDDI China Corporation	Global Services	Beijing, China	Sales, maintenance and operation of communication equipment in China	85.1	85.1	85.1
CDNetworks Co., Ltd.	Global Services	Seoul, Korea	Contents delivery network services	97.8	97.8	97.8
KDDI Korea Corporation	Global Services	Seoul, Korea	Diversified Telecommunications services in Korea	82.4	82.4	82.4
TELEHOUSE International Corporation of America.	Global Services	New Castle, DE, U.S.A	Data center services in US	70.8 (2.3)	70.8 (2.3)	70.8 (2.3)
TELEHOUSE Holdings Limited	Global Services	London, U.K.	Holding Company	100.0	100.0	100.0
TELEHOUSE International Corporation of Europe Ltd.	Global Services	London, U.K.	Data center services in Europe	86.8 (86.8)	92.8 (92.8)	92.8 (92.8)
MobiCom Corporation LLC	Global Services	Ulaanbaatar, Mongolia	Diversified Telecommunications services in Mongolia	30.0 (30.0)	30.0 (30.0)	63.9 (63.9)

Numbers in parentheses represent indirect voting rights.

Notes: 1. The Group does not own majority of voting rights of Jupiter Telecommunications Co., Ltd. ("Jupiter Telecom"). However, the Group owns 50% of the voting rights of Jupiter Telecom and has the power to govern its financial and operating policies. Accordingly, Jupiter Telecom is controlled by the Group and included in the consolidated financial statements.

2. The Group does not own majority of voting rights of UQ Communications Inc. ("UQ"). However, UQ is consolidated by the Group because UQ is considered to be controlled by the Group on the grounds that the Group is the largest shareholder of UQ, and substantially controls UQ because the Group's directors have the executive power in the UQ's Board of Directors although they comprise only half of the board members (Note), and the operations of UQ are significantly dependent on the Company.

(Note) Since the fiscal year ended March 31, 2015, the Group's directors became majority of the board members.

(2) Financial statements of subsidiaries with material non-controlling interest for the Group

i. Jupiter Telecommunication Co Ltd. ("Jupiter telecom").

As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016
The proportion of ownership interests held by non-controlling interests	50.0%	50.0%	50.0%

The proportion of ownership interests by non-controlling interests held equals the voting rights by non-controlling interests.

Amounts before adjustments to internal transactions of the Group are as follows:

(a) Consolidated statements of financial position

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Current assets	¥190,996	¥181,706	¥144,709	$1,284
Non-current assets	730,362	737,020	884,550	7,850
Current liabilities	218,802	172,645	118,725	1,054
Non-current liabilities	522,976	521,412	667,628	5,925
Total equity	¥179,579	224,668	242,907	2,156

Amounts equivalent to the interests in total equity of Jupiter Telecom attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Interests attributable to owners of the parent	¥ 60,912	¥ 84,002	¥ 90,867	$ 806
Non-controlling interests	118,667	140,666	152,040	1,349
Total	¥179,579	¥224,668	¥242,907	$2,156

(b) Consolidated statements of income and comprehensive income

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Revenue	¥516,413	¥560,577	$4,975
Profit for the year before income tax	91,995	95,277	846
Income taxes	31,467	29,516	262
Profit, net of tax	60,528	65,761	584
Other comprehensive income	(1,534)	(4,801)	(43)
Total comprehensive income	¥ 58,994	¥ 60,961	$ 541

Amounts equivalent to the profit for the year and comprehensive income attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Profit for the year attributable to owners of the parent	¥29,812	¥33,979	$302
Profit for the year attributable to non-controlling interests	30,716	31,783	282
Sub total	60,528	65,761	584
Other comprehensive income attributable to owners of the parent	(717)	(2,436)	(22)
Other comprehensive income attributable to non-controlling interests	(817)	(2,365)	(21)
Sub total	(1,534)	(4,801)	(43)
Total comprehensive income attributable to owners of the parent	29,095	31,543	280
Total comprehensive income attributable to non-controlling interests	29,899	29,418	261
Total	¥58,994	¥60,961	$541

For the years ended March 31, 2015 and 2016, dividends paid by Jupiter Telecom to non-controlling interests were 5,117 million yen and 28,470 million yen, respectively.

(c) Consolidated Statement of cash flows

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Cash flows from operating activities (net)	¥149,438	¥ 129,183	$ 1,146
Cash flows from investing activities (net)	(62,290)	(167,928)	(1,490)
Cash flows from financing activities (net)	(91,001)	(10,959)	(97)
Increase (decrease) of cash and cash equivalents	(3,868)	(49,722)	(441)

ii. UQ Communications

As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016
The proportion of ownership interests held by non-controlling interests	67.7	67.7	67.7

The proportion of ownership interests by non-controlling interests held equals the voting rights by non-controlling interests.

Amounts before adjustments to internal transactions of the Group are as follows:

(a) Statements of financial position

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Current assets	¥ 53,974	¥ 27,315	¥ 32,516	$ 289
Non-current assets	93,112	174,140	204,431	1,814
Current liabilities	83,959	71,900	90,637	804
Non-current liabilities	154,803	218,757	196,816	1,747
Total equity (Note)	¥(91,677)	¥ (89,202)	¥ (50,505)	$ (448)

Note: Under J-GAAP, preferred shares issued by UQ communications were accounted for as equity transactions. Under IFRSs, some of these preferred shares are accounted for as financial liabilities (non-current liabilities).
As a result, total equity of UQ became negative under IFRSs.

Amounts equivalent to the interests in total equity of UQ Communications attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen			Millions of U.S. dollars
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015	2016	2016
Interests attributable to owners of the parent	¥(24,297)	¥(17,409)	¥ 5,846	$ 52
Non-controlling interests	(67,380)	(71,793)	(56,351)	(500)
Total	¥(91,677)	¥(89,202)	¥(50,505)	$(448)

(b) Statement of income and comprehensive income

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Revenue	¥128,867	¥191,984	$1,704
Profit for the year before income tax	2,839	43,838	389
Income taxes	65	4,841	43
Profit, net of tax	2,774	38,997	346
Other comprehensive income	—	—	—
Total comprehensive income	¥ 2,774	¥ 38,997	$ 346

Amounts equivalent to the interests of net profit and comprehensive income attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Profit for the year attributable to owners of the parent	¥ 895	¥13,069	$116
Profit for the year attributable to non-controlling interests	1,879	25,928	230
Sub total	2,774	38,997	346
Other comprehensive income attributable to owners of the parent	—	—	—
Other comprehensive income attributable to non-controlling interests	—	—	—
Sub total	—	—	—
Total comprehensive income attributable to owners of the parent	895	13,069	116
Total comprehensive income attributable to non-controlling interests	1,879	25,928	230
Total	¥2,774	¥38,997	$346

(c) Statement of cash flows

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Cash flows from operating activities (net)	¥ 18,779	¥ 71,423	$ 634
Cash flows from investing activities (net)	(101,224)	(56,236)	(499)
Cash flows from financing activities (net)	45,957	(15,252)	(135)
Increase (decrease) of cash and cash equivalents	(36,487)	(65)	(1)

39. Related Party Transactions

(1) Related party transactions

As of the date of transitions to IFRSs (April 1, 2014):

There are no significant related party balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

For the year ended March 31, 2015:

There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

For the year ended March 31, 2016:

There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

(2) Remuneration of key management

Remuneration of key management is as follows:

	Millions of yen		Millions of U.S. dollars
For the year ended March 31	2015	2016	2016
Short-term employee benefits	¥564	¥554	$5
Share-based payment	—	111	1
Total	¥564	¥665	$6

Remuneration of key management represents remuneration to directors of the Company, including external directors.

40. Subsequent Events

Cancellation of treasury stocks

At the Board of Directors meeting held on May 12, 2016, the Company approved the item related to the cancellation of treasury stocks based on Article 178 of the Company act and executed the cancellation. Details are as follows.

(1) Type of shares to be canceled: Common stocks

(2) Number of shares to be canceled: 70,396,543 shares (2.62% of the total number of issued shares prior to cancellation)

(3) Date of cancellation: May 18, 2016

Note: Number of issued shares after cancellation: 2,620,494,257 shares

Acquisition of treasury stocks

At the Board of Directors meeting held on May 12, 2016, the Company approved the item related to the acquisition of its treasury stocks based on Article 156 of the Company Act, which is applicable in accordance with Article 165, Paragraph 3 of the same law.

(1) Reason for acquisition of treasury stock
The Company decided to acquire its own shares with the aim of improving capital efficiency to response to changes in the business environment and shareholders' benefit.

(2) Details of the acquisition of treasury stocks
(a) Type of shares to be acquired: Common stocks
(b) Number of shares to be acquired: 38,000,000 (maximum)
(c) Acquisition period: May 13, 2016 to September 23, 2016
(d) Total value of shares to be acquired: ¥100 billion (maximum)

(3) Method of acquisition: Market purchases in the Tokyo Stock Exchange

41. First-time Adoption of IFRSs

(1) Transition to financial reporting under IFRSs

In principle, IFRSs requires first-time adopters to apply standards required by IFRSs retrospectively. As exceptions, IFRS 1 prohibits retrospective application of some aspects, which shall be applied prospectively from the date of transition to IFRSs. The exemptions applied to the Group are as follows:

i. Accounting estimates

Accounting estimates used for preparing the consolidated financial statements under IFRSs are consistent with the estimates used for preparing the consolidated financial statements under Japanese GAAP, and do not reflect revision arising from the new information acquired thereafter.

ii. Non-controlling interests

The following requirements of IFRS 10 "Consolidated Financial Statements" are applied prospectively from the date of transition to IFRSs.

- the requirement that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance; and
- the requirements for accounting for changes in the ownership interest in a subsidiary that do not result in a loss of control.

IFRS 1 specifies optional exemptions for certain requirements in IFRSs. The details of the exemptions adopted by the Group are as follows:

i. Business combinations

In accordance with the exemption from requirements under IFRSs on business combinations that occurred before the date of transition to IFRSs, the Group has not applied them retrospectively to business combinations that occurred before the date of transition to IFRSs. The amounts of goodwill at the date of transition to IFRSs are recognized at those carrying amounts that are taken over from the amount previously recognized under Japanese GAAP.

ii. Exchange differences on translating foreign operations

Cumulative exchange differences on translating foreign operations are regarded as zero at the date of transition to IFRSs.

iii. Designation of financial instruments

The Group designates equity instruments as the financial assets of which changes in fair value are presented as other comprehensive income at the date of transition to IFRSs.

iv. Share-based payments

IFRS 2 has not been retrospectively applied to share-based payments vested before the date of transition to IFRSs.

v. Borrowing costs

A first-time adopter may commence capitalization of borrowing costs relating to qualifying assets at the date of transition to IFRSs. The Group adopts this exemption.

vi. Lease

A first-time adopter may evaluate whether an arrangement contains lease or not at the date of transition to IFRSs. The Group adopts this exemption and evaluates it based on facts and circumstances existing at that date.

The Group reconciles the consolidated financial statements previously disclosed under Japanese GAAP to the consolidated financial statements under IFRSs, as necessary. The disclosure of reconciliation required upon first-time adoption of IFRSs is as follows.

"Reclassification" presents the items not affecting retained earnings and comprehensive income due to the reclassification of line items. Reclassification for each item is presented in a separate table from other adjustments in "(5) Notes for reclassification." "Differences in the scope of consolidation" presents the differences from the change in the scope of consolidation under IFRSs from Japanese GAAP. "Unification of reporting period" presents the effect of changing the closing dates of subsidiaries and affiliates when they were previously different from that of the Company, and the effect of conforming the reporting period by preparing provisional financial statements. "Differences in recognition and measurement" presents the items affecting retained earnings and comprehensive income due to change to IFRSs.

The amounts shown in the following tables (2) ~ (4) "Adjustment to equity" and "Adjustment to comprehensive income" and (5) Reclassification table "a ~ c" are rounded to the nearest million yen.

(2) Adjustment to equity as of April 1, 2014 (at the date of transition to IFRSs)

Items on the consolidated statement of financial position

	Millions of yen					
	Japanese GAAP after reclassification (Note 1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (Note 2)	IFRS
Assets						
Non-current assets						
Property, plant and equipment	¥2,138,009	¥ 84,037	¥(2,422)	¥245,959	B	¥2,465,583
Goodwill	337,457	—	(2,030)	(5,645)	H	329,783
Intangible assets	644,964	7,468	(393)	13,029	B, D, H	665,068
Investments accounted for using the equity method	41,755	—	1	42	F, G, H	41,798
Other long-term financial assets	131,348	162	(13)	3,396	E	134,893
Retirement benefit assets	8,893	—	—	(1,417)		7,476
Deferred tax assets	136,005	—	222	(40,875)	J	95,353
Other non-current assets	7,207	(40)	(183)	50,403	D, E	57,387
Total non-current assets	3,445,638	91,627	(4,818)	264,894		3,797,340
Current assets						
Inventories	86,876	182	588	(3,871)	D	83,776
Trade and other receivables	1,131,795	(1,177)	(2,668)	(742)	D	1,127,209
Other short-term financial assets	10,388	—	681	—		11,069
Income tax receivable	9,626	—	—	—		9,626
Other current assets	43,031	4,660	2,149	20,886	D	70,725
Cash and cash equivalents	212,530	36,869	333	—		249,732
Total current assets	1,494,247	40,533	1,084	16,273		1,552,137
Total assets	¥4,939,885	¥132,160	¥(3,734)	¥281,167		¥5,349,478
Liabilities						
Non-current liabilities						
Borrowings and bonds payable	¥ 723,697	¥ 57,400	¥ —	¥ (1,642)	E	¥ 779,454
Other long-term financial liabilities	33,798	807	1	96,532	E	131,138
Retirement benefit liabilities	18,676	—	3	(1,417)		17,261
Deferred tax liabilities	50,338	3	(2,321)	123	J	48,142
Provisions	7,933	—	(8)	—		7,925
Other non-current liabilities	71,345	(24,484)	(716)	104,136	D	150,282
Total non-current liabilities	905,787	33,726	(3,041)	197,732		1,134,204
Current liabilities						
Borrowings and bonds payable	310,264	60,300	0	(215)	E	370,349
Trade and other payables	452,536	8,702	(1,403)	34,770	D, I	494,605
Other short-term financial liabilities	18,485	188	(4)	37		18,706
Income taxes payables	126,074	107	(53)	41		126,169
Provisions	76,640	—	(1)	(75,349)	D	1,290
Other current liabilities	141,164	267	(1,214)	151,348	D, F	291,565
Total current liabilities	1,125,163	69,564	(2,675)	110,632		1,302,684
Total liabilities	2,030,950	103,290	(5,715)	308,364		2,436,888
Equity						
Equity attributable to owners of the parent						
Common stock	141,852	—	—	—		141,852
Capital surplus	385,982	—	—	(37)	E, G, H	385,945
Treasury stock	(161,822)	—	—	—		(161,822)
Retained earnings	2,283,459	1,250	4,866	84,805	B~J	2,374,381
Accumulated other comprehensive income	65,688	—	(2,523)	(19,576)	E, F, G	43,589
Total equity attributable to owners of the parent	2,715,160	1,250	2,343	65,192		2,783,946
Non-controlling interests	193,775	27,620	(362)	(92,390)		128,644
Total equity	2,908,935	28,870	1,981	(27,197)		2,912,589
Total liabilities and equity	¥4,939,885	¥132,160	¥(3,734)	¥281,167		¥5,349,478

Notes: 1. The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in "(5) Notes for reclassification."
2. The details are presented in "(8) Notes for differences in recognition and measurement."

(3) Adjustment to equity as of March 31, 2015

Items on the consolidated statement of financial position

	Millions of yen					
	Japanese GAAP after reclassification (Note 1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (Note 2)	IFRS
Assets						
Non-current assets						
Property, plant and equipment	¥2,157,982	¥159,083	¥—	¥224,033	B	¥2,541,099
Goodwill	322,025	—	—	21,111	A, H	343,136
Intangible assets	685,385	9,213	—	4,733	B, D, H	699,332
Investments accounted for using the equity method	61,453	22,435	—	(22,267)	F, G, H	61,621
Other long-term financial assets	189,710	(95,118)	—	3,232	E	97,824
Retirement benefit assets	26,035	—	—	—		26,035
Deferred tax assets	139,964	—	—	(28,975)	J	110,988
Other non-current assets	7,064	0	—	64,393	D, E	71,457
Total non-current assets	3,589,618	95,614	—	266,259		3,951,491
Current assets						
Inventories	81,579	282	—	(6,024)	D	75,837
Trade and other receivables	1,231,327	(232)	—	—		1,231,095
Other short-term financial assets	20,176	(11,153)	—	—		9,023
Income tax receivable	242	—	—	—		242
Other current assets	51,486	8,016	—	23,217	D	82,719
Cash and cash equivalents	275,936	381	—	—		276,317
Total current assets	1,660,747	(2,706)	—	17,194		1,675,235
Total assets	¥5,250,365	¥ 92,908	¥—	¥283,453		¥5,626,725
Liabilities						
Non-current liabilities						
Borrowings and bonds payable	¥ 824,318	¥ 24,000	¥—	¥ (1,617)	E	¥ 846,701
Other long-term financial liabilities	48,974	1,028	—	98,366	E	148,367
Retirement benefit liabilities	14,826	—	—	—		14,826
Deferred tax liabilities	39,571	1	—	(3,651)	J	35,921
Provisions	7,129	—	—	—		7,129
Other non-current liabilities	43,299	(168)	—	117,448	D	160,578
Total non-current liabilities	978,116	24,861	—	210,546		1,213,523
Current liabilities						
Borrowings and bonds payable	116,510	33,400	—	(150)	E	149,760
Trade and other payables	485,517	6,994	—	42,977	D, I	535,489
Other short-term financial liabilities	20,419	241	—	38		20,698
Income taxes payables	165,046	159	—	197		165,402
Provisions	76,402	—	—	(65,090)	D	11,311
Other current liabilities	169,606	301	—	137,623	D, F	307,530
Total current liabilities	1,033,500	41,094	—	115,596		1,190,190
Total liabilities	2,011,616	65,955	—	326,142		2,403,713
Equity						
Equity attributable to owners of the parent						
Common stock	141,852	—	—	—		141,852
Capital surplus	385,977	—	—	(16,255)	E, G, H	369,722
Treasury stock	(161,822)	—	—	—		(161,822)
Retained earnings	2,586,144	(2,420)	—	103,101	A~J	2,686,824
Accumulated other comprehensive income	58,457	—	—	(30,996)	E, F, G	27,462
Total equity attributable to owners of the parent	3,010,608	(2,420)	—	55,850		3,064,038
Non-controlling interests	228,141	29,373	—	(98,540)		158,974
Total equity	3,238,749	26,952	—	(42,690)		3,223,012
Total liabilities and equity	¥5,250,365	¥ 92,908	¥—	¥283,453		¥5,626,725

Notes: 1. The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in “(5) Notes for reclassification.”
2. The details are presented in “(8) Notes for differences in recognition and measurement.”

(4) Adjustment to comprehensive income for the year ended March 31, 2015

Items on the consolidated statement of income

	Millions of yen					
	Japanese GAAP after reclassification (Note 1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (Note 2)	IFRS
Operating revenue	¥4,573,142	¥(24,101)	¥(43,157)	¥(235,791)	D	¥4,270,094
Cost of sales	2,565,341	(56,914)	(36,209)	39,008	B, D, F, I	2,511,226
Gross profit	2,007,801	32,813	(6,948)	(274,799)		1,758,868
Selling, general and administrative expenses	1,320,848	31,270	(2,998)	(242,676)	A, B, D, E, F, H, I, J	1,106,444
Other income	14,345	40	(46)	(1,271)	B, E, H	13,069
Other expense	39,032	22	(32)	(34,324)	B, H	4,697
Share of profit (loss) of investments accounted for using the equity method	5,802	(1,881)	0	1,002	G	4,923
Operating income	668,069	(320)	(3,963)	1,932		665,719
Finance income	59,978	(329)	(347)	(51,085)	E	8,216
Finance cost	12,936	1,079	(337)	1,924	E	15,602
Other non-operating profit and loss	4,833	—	(300)	—		4,533
Profit before income tax	719,944	(1,728)	(4,273)	(51,077)	A, B, D~J	662,867
Income taxes	270,350	63	(963)	(26,108)		243,343
Profit for the year	¥ 449,593	¥ (1,791)	¥ (3,310)	¥ (24,969)		¥ 419,524
Profit for the year attributable to:						
Owner of the parent	¥ 427,931	¥ (3,670)	¥ (3,028)	¥ (25,428)		¥ 395,805
Minority interests	21,662	1,879	(281)	459		23,719
Profit for the year	¥ 449,593	¥ (1,791)	¥ (3,310)	¥ (24,969)		¥ 419,524

Notes: 1. The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in "(5) Notes for reclassification."
2. The details are presented in "(8) Notes for differences in recognition and measurement."

Items on the consolidated statement of comprehensive income

	Millions of yen						
Japanese GAAP line items	Japanese GAAP	Differences in the scope of consolidation	Change of closing date and other	Differences in recognition and measurement	Note (Note)	IFRS	Line items under IFRS
Income before minority interests	¥449,593	¥(1,791)	¥(3,310)	¥(24,969)		¥419,524	Profit for the year
Other comprehensive income							Other comprehensive income, net of tax
Valuation difference on available-for-sale securities	(25,825)	—	0	32,706	E	6,881	Changes in fair value of financial assets at fair value through other comprehensive income
Deferred gains or losses on hedges	(1,811)	—	—	(70)		(1,881)	Changes in fair value of cash flow hedge
Foreign currency translation adjustments	5,851	—	2,933	838		9,622	Exchange differences on translating foreign operations
Remeasurements of defined benefit plans, net of tax	10,333	—	11	(1,731)	F	8,613	Remeasurements of defined benefit plans, net of tax
Share of other comprehensive income of investments accounted for using the equity method	4,307	—	—	(1,262)	G	3,045	Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(7,146)	—	2,945	30,482	E, F, G	26,280	Total other comprehensive income, net of tax
Total comprehensive income	¥442,447	¥(1,791)	¥ (365)	¥ 5,513		¥445,803	Total comprehensive income
Attributable to:							Attributable to:
Owner of the parent	¥420,700	¥(3,670)	¥ (268)	¥ 4,800		¥421,562	Owner of the parent
Minority interests	21,747	1,879	(97)	713		24,241	Minority interests

Note: The details are presented in "(8) Notes for differences in recognition and measurement."

(5) Notes for reclassification

Certain reclassification has been made in the following line items to comply with the provisions of IFRSs, resulting in no impacts on retained earnings and comprehensive income.

a. Under Japanese GAAP, the Group previously disclosed its fixed assets by classifying them into fixed assets in telecommunications business and fixed assets in incidental business according to the form of “Rules for Telecommunications Business Accounting” (Ministry of Posts and Telecommunications Ordinance No. 26, 1985). Upon adoption of IFRSs, all property, plant and equipment are presented in a single line item as non-current assets.

b. Investments in related companies, which were included in stocks of affiliates under Japanese GAAP, are presented separately as investments accounted for using the equity method under IFRSs.

c. Deferred tax assets and liabilities, which were presented as current item under Japanese GAAP, are presented as non-current item under IFRSs.

d. Under Japanese GAAP, time deposits etc. were presented as cash and deposits. However, cash and deposits that have original maturity over 3 months and restricted cash and deposits are included in other short-term financial assets.

e. Receivables, such as notes and trade receivables, and deposits included in other current assets, which were presented separately under Japanese GAAP, are presented as trade and other receivables under IFRSs.

f. Bonds payables and long-term borrowings, which were presented separately under Japanese GAAP, are presented as borrowings and bonds payable (non-current) under IFRSs. In addition, short-term borrowings, current portion of long-term borrowings and current portion of bonds payable, which were presented separately under Japanese GAAP are presented as borrowings and bonds payable (current) under IFRSs.

g. Payables, such as notes and trade payable and accrued expenses included in other current liabilities, which were presented separately under Japanese GAAP, are presented as trade and other payables under IFRSs.

h. Under Japanese GAAP, provision for the Group’s point service programs was presented as non-current item because it is uncertain when the customers utilize their points, however, under IFRSs, provision for those programs is presented as current item because the customers can utilize their points at any time without any condition.

i. Under Japanese GAAP, the Group disclosed its operating income and operating expenses by classifying them into telecommunications business and incidental business according to the form of “Rules for Telecommunications Business Accounting” (Ministry of Posts and Telecommunications Ordinance No. 26, 1985). Under IFRSs, they are aggregated and presented as revenue, cost of sales, and selling, general and administrative expenses.

j. In the amounts previously presented as non-operating income and expenses under Japanese GAAP, financial items such as interest income and expenses are presented as finance income and finance costs under IFRSs.

k. In the amounts previously presented as extraordinary income and loss under Japanese GAAP, gain and loss on sales of stocks of subsidiaries and associates and gain and loss on change in equity are presented as other non-operating profit and loss under IFRSs. Impairment loss, loss on business on overseas subsidiaries, gain and loss on sales of non-current assets and loss on disposal of non-current assets etc. which were previously presented as extraordinary income and loss under Japanese GAAP, are presented as cost of sales, selling, general and administrative expenses, and other income and expenses under IFRSs.

   Gain and loss on valuation of investment securities and gain and loss on sales of investment securities which were previously presented as extraordinary income and loss under Japanese GAAP, are reclassified to finance income and finance cost in the following reclassification tables.

l. In addition, certain aggregation and separate presentation have been done to conform to line items under IFRSs.

a. Reclassification for consolidated statement of financial position as of April 1, 2014 (at the date of transition to IFRSs)

Japanese GAAP line items	Millions of yen: Japanese GAAP before reclassification	Millions of yen: Reclassification	Millions of yen: Japanese GAAP after reclassification	Line items under IFRSs
Assets				Assets
Fixed assets				Non-current assets
Property, plant and equipment				
Property, plant and equipment in telecommunications business				
Machinery, net	¥ 650,596	¥ (650,596)	¥ —	
Antenna equipment, net	342,372	(342,372)	—	
Local line facilities, net	120,662	(120,662)	—	
Long-distance line facilities, net	4,582	(4,582)	—	
Engineering facilities, net	23,451	(23,451)	—	
Submarine line facilities, net	3,158	(3,158)	—	
Buildings, net	162,438	(162,438)	—	
Structures, net	26,065	(26,065)	—	
Land	247,866	(247,866)	—	
Construction in progress	156,710	(156,710)	—	
Other property, plant and equipment, net	26,831	(26,831)	—	
Property, plant and equipment, net in incidental business	373,277	(373,277)	—	
		2,138,009	2,138,009	Property, plant and equipment
Intangible fixed assets				
Intangible fixed assets in telecommunications business				
Rights to use facilities	11,164	(11,164)	—	
Software	157,035	(157,035)	—	
Goodwill	21,048	(21,048)	—	
Other intangible fixed assets	8,672	(8,672)	—	
Intangible fixed assets in incidental business	545,200	(545,200)	—	
		337,457	337,457	Goodwill
		644,964	644,964	Intangible assets
Investments and other assets				
Investment securities	91,509	(91,509)	—	
Shares in related companies	41,480	274	41,755	Investments accounted for using the equity method
Investment in related companies	274	(274)	—	
Long-term prepaid expenses	245,185	(245,185)	—	
Retirement benefit assets	8,893	—	8,893	Retirement benefit assets
Deferred tax assets	84,653	51,353	136,005	Deferred tax assets
Other investments and other assets	50,739	(50,739)	—	
Allowance for doubtful accounts	(9,576)	9,576	—	
		131,348	131,348	Other long-term financial assets
		7,207	7,207	Other non-current assets
Total fixed assets	3,394,286	51,353	3,445,638	Total non-current assets
Current assets				Current assets
Cash and deposits	222,051	(9,520)	212,530	Cash and cash equivalents
Accounts receivable—trade and notes receivable	1,094,920	36,875	1,131,795	Trade and other receivables
Other receivables	68,298	(68,298)	—	
Securities	274	(274)	—	
Supplies	86,060	816	86,876	Inventories
Deferred tax assets	51,353	(51,353)	—	
Other current assets	44,177	(44,177)	—	
Allowance for doubtful accounts	(21,533)	21,533	—	
		10,388	10,388	Other short-term financial assets
		9,626	9,626	Income tax receivable
		43,031	43,031	Other current assets
Total current assets	1,545,599	(51,353)	1,494,247	Total current assets
Total assets	¥4,939,885	¥ —	¥4,939,885	Total assets

Japanese GAAP line items	Millions of yen Japanese GAAP before reclassification	 Reclassification	 Japanese GAAP after reclassification	Line items under IFRS
Liabilities				Liabilities
Fixed liabilities				Non-current liabilities
Bonds payable	¥ 204,999	¥(204,999)	¥ —	
Long-term borrowings	518,698	(518,698)	—	
		723,697	723,697	Borrowings and bonds payable
Retirement benefit liabilities	18,676	—	18,676	Retirement benefit liabilities
Provision for point service program	76,338	(76,338)	—	
Other fixed liabilities	163,302	(163,302)	—	
		33,798	33,798	Other long-term financial liabilities
		50,338	50,338	Deferred tax liabilities
		7,933	7,933	Provisions
		71,345	71,345	Other non-current liabilities
Total fixed liabilities	982,013	(76,226)	905,787	Total non-current liabilities
Current liabilities				Current liabilities
Current portion of fixed liabilities	233,466	76,798	310,264	Borrowings and bonds payable
Notes payable and accounts payable-trade	87,232	365,304	452,536	Trade and other payables
Short-term borrowings	95,256	(95,256)	—	
Accounts payable, other	349,012	(349,012)	—	
Accrued expenses	26,732	(26,732)	—	
Income taxes payables	125,365	709	126,074	Income taxes payables
Advances received	55,254	(55,254)	—	
Allowance for bonuses	28,771	(28,771)	—	
Other current liabilities	47,848	(47,848)	—	
		18,485	18,485	Other short-term financial liabilities
		76,640	76,640	Provisions
		141,164	141,164	Other current liabilities
Total current liabilities	1,048,937	76,226	1,125,163	Total current liabilities
Total liabilities	2,030,950	—	2,030,950	Total liabilities
Net assets				Equity
Shareholders' equity				Equity attributable to owners of the parent
Capital stock	141,852	—	141,852	Common stock
Capital surplus	385,943	40	385,982	Capital surplus
Retained earnings	2,283,459	—	2,283,459	Retained earnings
Treasury stock	(161,822)	—	(161,822)	Treasury stock
Accumulated other comprehensive income				
Valuation difference on available for-sale securities	45,731	(45,731)	—	
Deferred gain or loss on hedges	(1,585)	1,585	—	
Foreign currency translation adjustments	15,189	(15,189)	—	
Remeasurements of retirement benefit plans	6,352	(6,352)	—	
		65,688	65,688	Accumulated other comprehensive income
			2,715,160	Total equity attributable to owners of the parent
Subscription rights	40	(40)	—	
Minority interests	193,775	—	193,775	Non-controlling interests
Total net assets	2,908,935	—	2,908,935	Total equity
Liabilities and total net assets	¥4,939,885	¥ —	¥4,939,885	Total liabilities and equity

b. Reclassification for consolidated statement of financial position as of March 31, 2015

Japanese GAAP line items	Japanese GAAP before reclassification (Millions of yen)	Reclassification (Millions of yen)	Japanese GAAP after reclassification (Millions of yen)	Line items under IFRS
Assets				Assets
Fixed assets				Non-current assets
Property, plant and equipment				
Property, plant and equipment in telecommunications business				
Machinery, net	¥ 653,448	¥(653,448)	¥ —	
Antenna equipment, net	346,349	(346,349)	—	
Local line facilities, net	113,720	(113,720)	—	
Long-distance line facilities, net	5,843	(5,843)	—	
Engineering facilities, net	20,361	(20,361)	—	
Submarine line facilities, net	2,397	(2,397)	—	
Buildings, net	155,845	(155,845)	—	
Structures, net	24,859	(24,859)	—	
Land	247,779	(247,779)	—	
Construction in progress	177,912	(177,912)	—	
Other property, plant and equipment, net	28,084	(28,084)	—	
Property, plant and equipment, net in Incidental business	381,384	(381,384)	—	
		2,157,982	2,157,982	Property, plant and equipment
Intangible fixed assets				
Intangible fixed assets in telecommunications business				
Rights to use facilities	12,449	(12,449)	—	
Software	196,808	(196,808)	—	
Goodwill	18,314	(18,314)	—	
Other intangible fixed assets	7,991	(7,991)	—	
Intangible fixed assets in incidental business	529,004	(529,004)	—	
		322,025	322,025	Goodwill
		685,385	685,385	Intangible assets
Investments and other assets				
Investment securities	50,595	(50,595)	—	
Shares in related companies	61,161	293	61,453	Investments accounted for using the equity method
Investment in related companies	293	(293)	—	
Long-term loans receivable from related companies	95,300	(95,300)	—	
Long-term prepaid expenses	247,985	(247,985)	—	
Retirement benefit assets	26,035	—	26,035	Retirement benefit assets
Deferred tax assets	92,774	47,190	139,964	Deferred tax assets
Other investments and other assets	90,466	(90,466)	—	
Allowance for doubtful accounts	(44,729)	44,729	—	
		189,710	189,710	Other long-term financial assets
		7,064	7,064	Other non-current assets
Total fixed assets	3,542,428	47,190	3,589,618	Total non-current assets
Current assets				Current assets
Cash and deposits	264,240	11,696	275,936	Cash and cash equivalents
Accounts receivable—trade and notes receivable	1,173,434	57,893	1,231,327	Trade and other receivables
Other receivables	81,126	(81,126)	—	
Securities	20,320	(20,320)	—	
Supplies	79,233	2,346	81,579	Inventories
Deferred tax assets	47,190	(47,190)	—	
Other current assets	64,830	(64,830)	—	
Allowance for doubtful accounts	(22,436)	22,436	—	
		20,176	20,176	Other short-term financial assets
		242	242	Income tax receivable
		51,486	51,486	Other current assets
Total current assets	1,707,937	(47,190)	1,660,747	Total current assets
Total assets	¥5,250,365	¥ —	¥5,250,365	Total assets

Japanese GAAP line items	Millions of yen Japanese GAAP before reclassification	 Reclassification	 Japanese GAAP after reclassification	Line items under IFRS
Liabilities				Liabilities
Fixed liabilities				Non-current liabilities
Bonds payable	¥ 215,000	¥(215,000)	¥ —	
Long-term borrowings	609,318	(609,318)	—	
		824,318	824,318	Borrowings and bonds payable
Retirement benefit liabilities	14,826	—	14,826	Retirement benefit liabilities
Provision for point service program	75,245	(75,245)	—	
Other fixed liabilities	138,972	(138,972)	—	
		48,974	48,974	Other long-term financial liabilities
		39,571	39,571	Deferred tax liabilities
		7,129	7,129	Provisions
		43,299	43,299	Other non-current liabilities
Total fixed liabilities	1,053,362	(75,245)	978,116	Total non-current liabilities
Current liabilities				Current liabilities
Current portion of fixed liabilities	133,789	(17,279)	116,510	Borrowings and bonds payable
Notes payable and accounts payable—trade	101,739	383,778	485,517	Trade and other payables
Short-term borrowings	3,140	(3,140)	—	
Accounts payable, other	409,109	(409,109)	—	
Accrued expenses	30,417	(30,417)	—	
Income taxes payables	164,332	714	165,046	Income taxes payables
Advances received	42,960	(42,960)	—	
Allowance for bonuses	26,843	(26,843)	—	
Other current liabilities	45,926	(45,926)	—	
		20,419	20,419	Other short-term financial liabilities
		76,402	76,402	Provisions
		169,606	169,606	Other current liabilities
Total current liabilities	958,254	75,245	1,033,500	Total current liabilities
Total liabilities	2,011,616	—	2,011,616	Total liabilities
Net assets				Equity
Shareholders' equity				Equity attributable to owners of the parent
Capital stock	141,852	—	141,852	Common stock
Capital surplus	385,943	34	385,977	Capital surplus
Retained earnings	2,586,144	—	2,586,144	Retained earnings
Treasury stock	(161,822)	—	(161,822)	Treasury stock
Accumulated other comprehensive income				
Valuation difference on available for-sale securities	21,117	(21,117)	—	
Deferred gain or loss on hedges	(1,993)	1,993	—	
Foreign currency translation adjustments	22,648	(22,648)	—	
Remeasurement of retirement benefit plans	16,685	(16,685)	—	
		58,457	58,457	Accumulated other comprehensive income
			3,010,608	Total equity attributable to owners of the parent
Subscription rights	34	(34)	—	
Minority interests	228,141	—	228,141	Non-controlling interests
Total net assets	3,238,749	—	3,238,749	Total equity
Liabilities and total net assets	¥5,250,365	¥ —	¥5,250,365	Total liabilities and equity

c. Reclassification for consolidated statement of income for the year ended March 31, 2015

	Millions of yen									
		Reclassification								
	Japanese GAAP	Reclassified to operating revenue	Reclassified to cost of sales	Reclassified to Selling, general and administrative expenses	Reclassified to other income and expense	Reclassified to equity in income of affiliates	Reclassified to financial income and cost	Reclassified to other non-operating profit and loss	sub-total	After reclassification
Japanese GAAP line items										
Operating revenues from telecommunications business	¥2,734,555	¥(2,734,555)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥(2,734,555)	¥—
Operating revenues from incidental business	1,838,588	(1,838,588)	—	—	—	—	—	—	(1,838,588)	—
Operating expenses in telecommunications business										
Business costs	733,092	—	(156,480)	(576,612)	—	—	—	—	(733,092)	—
Operational costs	43	—	(43)	—	—	—	—	—	(43)	—
Maintenance costs	270,154	—	(270,154)	—	—	—	—	—	(270,154)	—
Common costs	2,330	—	—	(2,330)	—	—	—	—	(2,330)	—
Management costs	81,974	—	(86)	(81,888)	—	—	—	—	(81,974)	—
Experiment and research expenses	6,555	—	—	(6,555)	—	—	—	—	(6,555)	—
Depreciation	383,639	—	(382,666)	(973)	—	—	—	—	(383,639)	—
Retirement of fixed assets	25,304	—	(25,303)	(1)	—	—	—	—	(25,304)	—
Communication equipment rentals	392,130	—	(392,130)	—	—	—	—	—	(392,130)	—
Taxes	40,868	—	(32,696)	(8,172)	—	—	—	—	(40,868)	—
Operating expenses in incidental business	1,895,756	—	(1,251,509)	(644,247)	—	—	—	—	(1,895,756)	—
Operating income	741,299	(4,573,142)	2,511,065	1,320,778	—	—	—	—	(741,299)	—
Non-operating revenue										
Interest income	976	—	—	—	—	—	(976)	—	(976)	—
Dividends income	1,829	—	—	—	—	—	(1,829)	—	(1,829)	—
Share of profit (loss) of investments accounted for using the equity method	5,802	—	—	—	—	(5,802)	—	—	(5,802)	—
Gain on foreign currency exchange	5,585	—	—	—	—	—	(5,585)	—	(5,585)	—
Miscellaneous income	13,412	—	—	—	(13,412)	—	—	—	(13,412)	—
Non-operating expenses										
Interest expenses	12,273	—	—	—	—	—	(12,273)	—	(12,273)	—
Miscellaneous expenditure	4,227	—	—	(69)	(4,026)	—	(131)	—	(4,227)	—
Ordinary income	752,403	(4,573,142)	2,511,065	1,320,848	(9,386)	(5,802)	4,014	—	(752,403)	—
Extraordinary income										
Gain on sales of fixed assets	224	—	—	—	(224)	—	—	—	(224)	—
Gain on sale of investment securities	51,588	—	—	—	—	—	(51,588)	—	(51,588)	—
Gain on sale of stocks of related companies	1,237	—	—	—	—	—	—	(1,237)	(1,237)	—
Gains on change in equity	3,596	—	—	—	—	—	—	(3,596)	(3,596)	—
Contribution for construction	709	—	—	—	(709)	—	—	—	(709)	—
Extraordinary loss										
Loss on sales of fixed assets	498	—	—	—	(498)	—	—	—	(498)	—
Impairment loss	42,116	—	(42,116)	—	—	—	—	—	(42,116)	—
Loss on retirement of fixed assets	12,160	—	(12,160)	—	—	—	—	—	(12,160)	—
Loss on valuation of investment securities	532	—	—	—	—	—	(532)	—	(532)	—
Reduction entry of contribution for construction	709	—	—	—	(709)	—	—	—	(709)	—
Loss on business of overseas subsidiaries	33,799	—	—	—	(33,799)	—	—	—	(33,799)	—
Income before income taxes and minority interests	¥ 719,944	¥(4,573,142)	¥ 2,565,341	¥1,320,848	¥ 24,687	¥(5,802)	¥(47,042)	¥(4,833)	¥ (719,944)	¥—
Line items under IFRS										
Operating revenue	¥—	¥4,573,142	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥4,573,142	¥4,573,142
Cost of sales	—	—	2,565,341	—	—	—	—	—	2,565,341	2,565,341
Gross profit	—	4,573,142	(2,565,341)	—	—	—	—	—	2,007,801	2,007,801
Selling, general and administrative expenses	—	—	—	1,320,848	—	—	—	—	1,320,848	1,320,848
Other income	—	—	—	—	14,345	—	—	—	14,345	14,345
Other expense	—	—	—	—	39,032	—	—	—	39,032	39,032
Share of profit (loss) of investments accounted for using the equity method	—	—	—	—	—	5,802	—	—	5,802	5,802
Operating income	—	4,573,142	(2,565,341)	(1,320,848)	(24,687)	5,802	—	—	668,069	668,069
Finance income	—	—	—	—	—	—	59,978	—	59,978	59,978
Finance cost	—	—	—	—	—	—	12,936	—	12,936	12,936
Other non-operating profit and loss	—	—	—	—	—	—	—	4,833	4,833	4,833
Profit before income tax	¥—	¥4,573,142	¥(2,565,341)	¥(1,320,848)	¥(24,687)	¥5,802	¥47,042	¥4,833	¥ 719,944	¥ 719,944

(6) Notes for differences in the scope of consolidation

Upon adoption of IFRSs, impacts resulted from the Company's review on the scope of consolidation under Japanese GAAP are presented separately in the reconciliation table.

UQ Communications Inc. ("UQ"), a provider of wireless broadband services, was accounted for using the equity method under Japanese GAAP as the Group owned 32.3% of its voting right. However, upon adoption of IFRSs, UQ was consolidated because UQ was considered to be controlled by the Group since its incorporation as the Group has the power over the UQ's board of directors on the ground that the Group was the largest shareholder of UQ, and the director from the Company has the right of representation in the UQ's board of directors although directors from the Company comprise only half of the board members (Note), and the operations of UQ are significantly dependent on the Company.

Note: Since the second quarter of the fiscal year ended March 31, 2015, the Group's directors became majority of the board members.

(7) Unification of reporting period

Under Japanese GAAP, in case closing dates of subsidiaries and investments accounted for using the equity method were inconsistent with that of the Company, the consolidated financial statements were prepared using the financial statements as of those closing dates of the subsidiaries and investments accounted for using the equity method. Under IFRSs, the reporting dates of the financial statements of the subsidiaries and investments accounted for using the equity method are consistent with that of the Company for the purpose of consolidation by changing their closing dates or by preparing provisional financial statements, unless it is impractical to do so.

Under Japanese GAAP, the financial statements of subsidiaries and investments accounted for using the equity method were also prepared as of the Company's closing date at the end of the previous fiscal year by changing their closing dates or by preparing provisional financial statements. And the income for these subsidiaries from January 1, 2014 to March 31, 2014 was adjusted through consolidated income statements under Japanese GAAP, and their accounting period for the fiscal year ended March 31, 2015 is 15 months. However, consolidated financial statements under IFRSs for the fiscal year ended March 31, 2015 were prepared using financial statements of subsidiaries and investments accounted for using the equity method whose accounting period is 12 months. This resulted in the difference between Japanese GAAP and IFRSs.

(8) Notes for differences in recognition and measurement

Key reconciliation items related to retained earnings resulting from the adoption of IFRSs are as follows:

	Millions of yen	
As of March 31	As of date of transition to IFRSs (April 1, 2014)	2015
Retained earnings under Japanese GAAP	¥2,283,459	¥2,586,144
Differences in the scope of consolidation	1,250	(2,420)
Unification of reporting period	4,866	—
Differences in recognition and measurement		
A. Goodwill	—	26,883
B. Property, plant and equipment and intangible assets	234,569	207,822
C. Cumulative exchange differences at the date of transition to IFRSs	12,784	12,784
D. Revenue recognition	(96,923)	(101,413)
E. Financial instruments	(90,334)	(92,029)
F. Employee benefits	(3,895)	11,034
G. Investments in related companies	62	1,088
H. Business combination	1,520	(7,184)
I. Levies	(21,559)	(23,020)
J. Tax	1,801	1,006
Other	(480)	1,246
Tax effects on adjustment in difference in recognition and measurement/ Increase and decrease of non-controlling interests	47,261	64,883
Total differences in recognition and measurement	84,805	103,101
Retained earnings under IFRSs	¥2,374,381	¥2,686,824

Note: Amounts presented in "A to I" and other are before tax.

Key reconciliation items related to profit before income taxes resulting from the adoption of IFRSs are as follows:

For the year ended March 31	Millions of yen 2015
Income before income taxes minority interests under Japanese GAAP	¥719,944
Differences in the scope of consolidation	(1,728)
Unification of reporting period	(4,273)
Differences in recognition and measurement	
A. Goodwill	28,158
B. Property, plant and equipment and intangible assets	(26,586)
C. Cumulative exchange differences at the date of transition to IFRSs	—
D. Revenue recognition	(4,490)
E. Financial instruments	(53,009)
F. Employee benefits	2,084
G. Investments in related companies	1,027
H. Business combination	(1,867)
I. Levies	(1,461)
J. Tax	5,193
Other	(126)
Total differences in recognition and measurement	(51,077)
Profit for the year before income tax under IFRSs	¥662,867

Details of major differences are as follows:

A. Goodwill

Under Japanese GAAP, goodwill was regularly amortized over the period in which the economic benefits were expected to be realized. Under IFRSs, goodwill is not regularly amortized.

As of April 1, 2014, goodwill was tested for impairment. As a result, no impairment loss was recognized at April 1, 2014.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	Millions of yen As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Increase of goodwill	¥—	¥26,883
Increase of retained earnings	¥—	¥26,883

(Consolidated statement of income)	Millions of yen For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	¥28,158
Increase of profit for year before income tax	¥28,158

B. Property, plant and equipment and intangible assets

k. Upon adoption of IFRSs, we reviewed depreciation method, useful lives and estimated residual value of property, plant and equipment and intangible assets. Under Japanese GAAP, declining balance method was applied to most of communication equipment (excluding leased assets), however, under IFRSs, straight-line method is applied based on our review of depreciation method. Consequently, it gives rise to difference between carrying amounts of property, plant and equipment and intangible assets under Japanese GAAP and carrying amounts of property, plant and equipment and intangible assets under IFRSs.

l. Under Japanese GAAP, certain expenditures relating to advertisement and sales promotion activities were previously capitalized and expensed over certain period of time. Under IFRSs, those expenditures are expensed when incurred under IFRSs.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	Millions of yen As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Increase of property, plant and equipment	¥243,971	¥221,627
Decrease of intangible assets	(9,402)	(13,805)
Increase of retained earnings	¥234,569	¥207,822

(Consolidated statement of income)	Millions of yen For the year ended March 31, 2015
Increase of cost of sales	¥(25,616)
Decrease of selling, general and administrative expenses	2,075
Decrease of other income	(3)
Increase of other expense	(3,042)
Decrease of profit for the year before income tax	¥(26,586)

C. Cumulative exchange differences at the date of transition to IFRSs

Under IFRSs, retained earnings increased by 12,784 million yen as a result of transfer of full amount of cumulative exchange differences relating to foreign operations at the date of transition to IFRSs (April 1, 2014) into retained earnings, by applying exemption for the first-time adoption.

D. Revenue recognition

a. Under Japanese GAAP, some commission fees related to sales of mobile handsets paid to the distributors of the mobile handsets were expensed when incurred. Under IFRSs, amount of future anticipated fees are deducted from revenues at the time of sale of the mobile handsets. Accordingly, under IFRSs, those fees are reflected to net realizable value upon measurement of inventories at the end of fiscal year.

b. Under Japanese GAAP, considerations paid to customers were expensed when incurred. Under IFRSs, those amounts are deducted from revenues at the time when the revenues are recognized, unless economic substances becoming the basis of sales and marketing activities exist.

c. Under Japanese GAAP, activation fee income, administration fee income for mobile contract and construction fee income relating fixed-line telecommunications and CATV services were recognized upon receipt of cash as revenue, however, under IFRSs, those fees are recognized over estimated average contract or usage period. Direct costs related to those fees are deferred to the extent of the amount of those fees and amortized over the respective same period.

d. Under Japanese GAAP, estimated cost generating from utilization of points granted to customers were recognized as provision for point service program and the amount of the provision were recorded in operating expenses. Under IFRSs, point service is recognized separately as goods or services to be delivered in the future and fair value of benefits to be exchanged for the points are deferred from revenues and recognized as revenues when the customers utilize those points.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	Millions of yen As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Increase of intangible assets	¥ 15,885	¥ 14,002
Increase of other non-current assets	47,193	63,359
Decrease of inventories	(2,489)	(4,392)
Decrease of trade and other receivables	(2)	—
Increase of other current assets	23,333	23,316
Increase of other non-current liabilities	(105,013)	(118,167)
Increase of trade and other payables	(13,223)	(20,305)
Decrease of provisions	75,349	65,090
Increase of other current liabilities	(137,958)	(124,317)
Decrease of retained earnings	¥ (96,923)	¥(101,413)

(Consolidated statement of income)	Millions of yen For the year ended March 31, 2015
Decrease of operating revenue	¥(230,663)
Increase of cost of sales	(1,903)
Decrease of selling, general and administrative expenses	228,076
Decrease of profit for the year before income tax	¥ (4,490)

E. Financial instruments

a. Under Japanese GAAP, commission fees related to borrowings were treated as a lump-sum expense. Under IFRSs, those fees are included in measurement of borrowings' amortized cost and charged to expense over period up to the maturity date.

b. Under Japanese GAAP, securities with no market value (non-listed stocks) were valued based on their acquisition costs and impairment losses were recorded as necessary. Under IFRSs, those securities are measured at fair value through other comprehensive income. Accordingly, under IFRSs, differences between the acquisition costs and estimated fair value are recognized as accumulated other comprehensive income.

c. Under Japanese GAAP, gain (loss) on sales and impairment loss on equity instruments such as stocks were recognized as profit or loss. Under IFRSs, it is optional to present changes in fair value of equity instruments such as stocks as other comprehensive income. If the option is selected, gain (loss) on sales and impairment loss on equity instruments such as stocks are recognized not in the consolidated statement of income, but in other comprehensive income.

d. Under Japanese GAAP, transaction costs related to issuance or acquisition of equity instruments were recognized as profit or loss. Under IFRSs, equity transaction costs are deducted directly from capital surplus.

e. Under Japanese GAAP, a certain type of preference share that the Group has issued were treated as equity, but under IFRSs, those preference share are treated as financial liabilities because the Group has an obligation to deliver cash to holders of preference share in the future.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	Millions of yen As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Increase of other long-term financial assets	¥ 4,050	¥ 3,887
Increase of other non-current assets	1,632	1,425
Decrease of borrowings and bonds payable (non-current)	1,642	1,617
Increase of other long-term financial liabilities	(96,532)	(98,366)
Decrease of borrowings and bonds payable (current)	215	150
Decrease of capital surplus (before tax)	641	641
Increase of accumulated other comprehensive income (before tax)	(1,982)	(1,384)
Decrease of retained earnings	¥(90,334)	¥(92,029)

(Consolidated statement of income)	Millions of yen For the year ended March 31, 2015
Increase of selling, general and administrative expenses	¥ (15)
Decrease of other income	(150)
Decrease of finance income	(51,608)
Increase of finance cost	(1,237)
Decrease of profit for the year before income tax	¥(53,009)

(Consolidated statement of comprehensive income)	Millions of yen For the year ended March 31, 2015
Changes measured in fair value of financial assets through other comprehensive income	¥32,706
Increase of other comprehensive income	¥32,706

F. Employee benefits

a. Upon adoption of IFRSs, unused paid holiday is recognized as a liability, which was not required under Japanese GAAP.

b. Under Japanese GAAP, actuarial gains and losses on retirement benefit obligations relating to defined benefit plans were recognized as other comprehensive income when incurred and charged to expense over certain period. Under IFRSs, actuarial gains and losses are recognized as other comprehensive income when incurred and transferred to retained earnings immediately. Past service costs are recognized in profit or loss over a certain period not longer than fourteen years, the average remaining service periods of the employees. However, under IFRSs, the Group should recognize past service cost as an expense.

c. Difference in actuarial assumptions between Japanese GAAP and IFRSs resulted in additional recognition of retirement benefit costs.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	Millions of yen As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Decrease of investments accounted for using the equity method	¥ (112)	¥ (119)
Increase of other current liabilities	(13,452)	(13,322)
Decrease of accumulated other comprehensive income (before tax)	9,669	24,475
Increase (decrease) of retained earnings	¥ (3,895)	¥ 11,034

(Consolidated statement of income)	Millions of yen For the year ended March 31, 2015
Decrease of cost of sales	¥ 418
Decrease of selling, general and administrative expenses	1,666
Increase of profit for the year before income tax	¥2,084

(Consolidated statement of comprehensive income)	Millions of yen For the year ended March 31, 2015
Remeasurement of defined benefit plans	¥(1,731)
Decrease of other comprehensive income	¥(1,731)

G. Investments in related companies

Under Japanese GAAP, goodwill relating to investments accounted for using the equity method was amortized by the straight-line method over the period during which the economic benefits of the goodwill is expected to be realized. However, under IFRSs, goodwill is not amortized. Moreover, investments in related companies including goodwill were tested for impairment. As a result, no impairment loss was recognized for the investments in related companies including goodwill at April 1, 2014.

And there are other differences with regard to investments in related companies as a result of reclassifying their financial statements from Japanese GAAP to IFRSs when applying the equity method.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	Millions of yen As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Increase of investments accounted for using the equity method	¥ 6	¥1,033
Decrease of capital surplus (before tax)	37	37
Decrease of accumulated other comprehensive income (before tax)	18	18
Increase of retained earnings	¥62	¥1,088

(Consolidated statement of income)	Millions of yen For the year ended March 31, 2015
Increase of share of profit of investments accounted for using the equity method	¥1,027
Increase of profit for the year before income tax	¥1,027

(Consolidated statement of comprehensive income)	Millions of yen For the year ended March 31, 2015
Share of other comprehensive income of investments accounted for using the equity method	¥(1,262)
Decrease of other comprehensive income	¥(1,262)

H. Business combination

a. Under Japanese GAAP, valuable acquisition-related costs for business combination were capitalized. Under IFRSs, those costs are charged to expense as transaction costs directly attributable to the business combination when those costs are generated or services are provided.

b. Under Japanese GAAP, changes in interests in subsidiaries that do not result in a change of control (additional acquisition and partial disposal) were treated as external transactions and adjustments were made to goodwill or profit and loss. Under IFRSs, no adjustments are made to goodwill or profit and loss as those changes are accounted for as equity transactions. Instead, this results in changes in capital surplus.

c. Some customer related assets not recognized as intangible assets in the past business combination under Japanese GAAP are recognized as intangible assets which were met requirements for recognition of intangible assets under IFRSs.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	Millions of yen As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Decrease of goodwill	¥(5,645)	¥ (5,772)
Increase of intangible assets	6,970	5,208
Increase (decrease) of investments accounted for using the equity method	148	(22,858)
Decrease of capital surplus	48	16,239
Increase (decrease) of retained earnings	¥1,520	¥ (7,184)

(Consolidated statement of income)	Millions of yen For the year ended March 31, 2015
Increase of selling, general and administrative expenses	¥(1,568)
Decrease of other income	(344)
Decrease of other expense	45
Decrease of profit for the year before income tax	¥(1,867)

I. Levies
Items qualified as Levies such as property tax were recognized at the time of payment under Japanese GAAP. Under IFRSs, they are recognized on the date when an obligation event occurs.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	Millions of yen As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Increase of trade and other payables	¥(21,559)	¥(23,020)
Decrease of retained earnings	¥(21,559)	¥(23,020)

(Consolidated statement of income)	Millions of yen For the year ended March 31, 2015
Increase of cost of sales	¥ (526)
Increase of selling, general and administrative expenses	(935)
Decrease of profit for the year before income tax	¥(1,461)

J. Tax
a. Following the occurrence of temporary differences arising from adjustments to other items in the statement of financial position, e.g. review of depreciation method, examination was conducted for the probability of taxable income from deductible temporary differences according to IFRSs. Deferred tax assets are recognized on the portion of the taxable income that is considered to be recoverable.
b. Under Japanese GAAP, value-added tax in size-based corporate tax was included in operating expense. Under IFRSs, such tax is included in income taxes.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	Millions of yen As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Increase of deferred tax assets	¥1,692	¥1,489
Decrease (increase) of deferred tax liabilities	108	(483)
Increase of retained earnings	¥1,801	¥1,006

(Consolidated statement of income)	Millions of yen For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	¥5,193
Increase of profit for the year before income tax	¥5,193

(9) Notes to cash flow adjustments
For the year ended March 31, 2015

(Consolidated statement of cash flows)	Cash flows from operating activities	Millions of yen Cash flows from investing activities	Cash flows from financing activities
Japanese GAAP	¥962,249	¥(674,520)	¥(224,862)
Differences in the scope of consolidation	12,836	11,173	(60,496)
Unification of reporting period	(4,309)	3,229	(14)
Differences in recognition and measurement	(2,024)	24,373	(25,157)
IFRSs	¥968,752	¥(635,745)	¥(310,528)

Key differences in reclassifications within cash flow statements are as follows:
a. Under Japanese GAAP, cash flows from sales of subsidiary's stock not resulting in loss of control was included in "Cash flows from investing activities," but under IFRSs, included in "Cash flows from financing activities."
b. Under Japanese GAAP, cash possessed by the subsidiary was included in "Increase in cash and cash equivalents resulting from merger," but under IFRSs, included in "Cash flows from investing activities."

42. Approval of the Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2016 have been approved by the Board of Directors on June 23, 2016.

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 statement of financial position as at March 31, 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity 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 International Financial Reporting Standards, 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, 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 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 2 (3) to the consolidated financial statements.

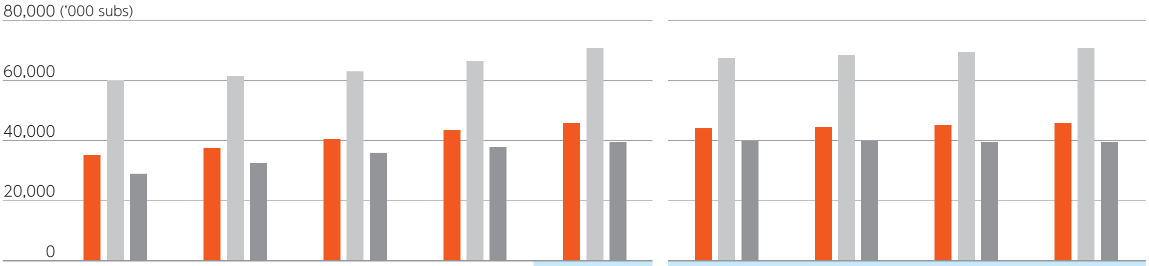
PricewaterhouseCoopers Kyoto

PricewaterhouseCoopers Kyoto
Kyoto, Japan

June 23, 2016

Mobile Communications Market Data

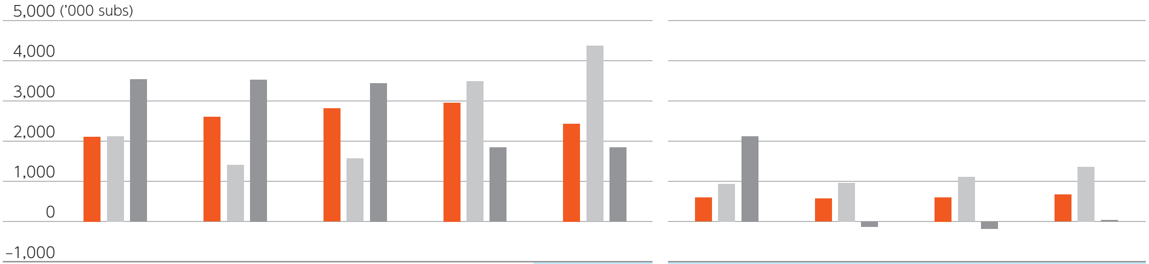
Number of Total Subscribers (Share of Cumulative Subscriptions*1)



	2012.3	2013.3	2014.3	2015.3	2016.3	2015.6	2015.9	2015.12	2016.3
au	35,109 (28.3%)	37,709 (28.6%)	40,522 (29.0%)	43,478 (29.4%)	**45,910 (29.3%)**	**44,074 (29.1%)**	**44,640 (29.2%)**	**45,241 (29.3%)**	**45,910 (29.3%)**
NTT DOCOMO	60,130 (48.4%)	61,536 (46.7%)	63,105 (45.2%)	66,596 (45.0%)	**70,964 (45.3%)**	**67,532 (44.6%)**	**68,494 (44.8%)**	**69,602 (45.1%)**	**70,964 (45.3%)**
SoftBank	28,949 (23.3%)	32,480 (24.7%)	35,925 (25.7%)	37,766 (25.5%)	**39,608 (25.3%)**	**39,887 (26.3%)**	**39,761 (26.0%)**	**39,577 (25.6%)**	**39,608 (25.3%)**
Total	124,188	131,725	139,552	147,840	**156,481**	**151,493**	**152,895**	**154,419**	**156,481**

*1 Share among NTT DOCOMO, INC., SoftBank Corp., and KDDI (au)
Source: Data prepared by KDDI based on materials from the Telecommunications Carriers Association

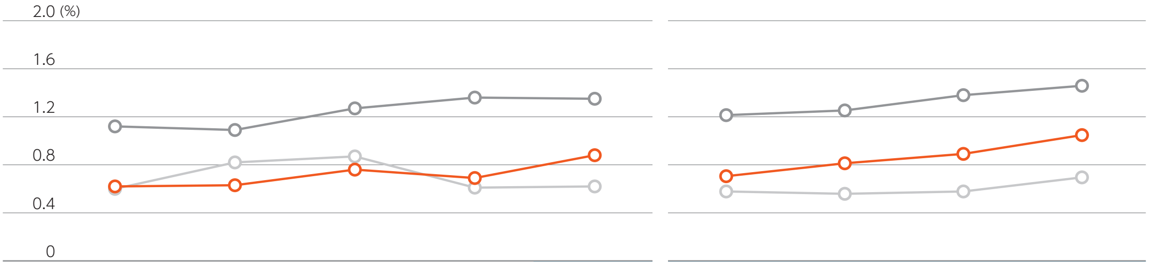
Net Additions (Share of Net Additions*1)



	2012.3	2013.3	2014.3	2015.3	2016.3	2015.6	2015.9	2015.12	2016.3
au	2,110 (27.2%)	2,600 (34.5%)	2,813 (35.9%)	2,956 (35.7%)	**2,432 (28.1%)**	**596 (16.3%)**	**566 (40.4%)**	**600 (39.4%)**	**669 (32.4%)**
NTT DOCOMO	2,120 (27.3%)	1,407 (18.7%)	1,569 (20.0%)	3,490 (42.1%)	**4,368 (50.5%)**	**936 (25.6%)**	**962 (68.6%)**	**1,108 (72.7%)**	**1,362 (66.1%)**
SoftBank	3,540 (45.6%)	3,531 (46.8%)	3,445 (44.0%)	1,841 (22.2%)	**1,841 (21.3%)**	**2,121 (58.1%)**	**–127 (–9.0%)**	**–184 (–12.0%)**	**31 (1.5%)**
Total	7,770	7,537	7,827	8,288	**8,641**	**3,653**	**1,402**	**1,525**	**2,061**

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

Churn Rate

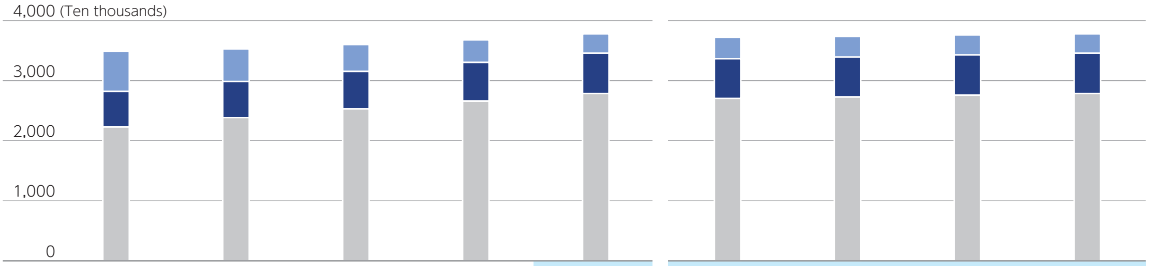


	2012.3	2013.3	2014.3	2015.3	2016.3	2015.6	2015.9	2015.12	2016.3
au*2	0.62	0.63	0.76	0.69	**0.88**	**0.72**	**0.83**	**0.91**	**1.07**
NTT DOCOMO*3	0.60	0.82	0.87	0.61	**0.62**	**0.59**	**0.57**	**0.60**	**0.71**
SoftBank*3	1.12	1.09	1.27	1.36	**1.35**	**1.24**	**1.28**	**1.41**	**1.49**

*2 For conventional mobile terminals (smartphones and feature phones) (Personal Services)
*3 From the fiscal year ended March 31, 2016, the definition of the churn rate has been revised. Accordingly, results for the fiscal year ended March 31, 2015 have been restated to reflect the new definition.
Source: Data prepared by KDDI from individual companies' materials

Fixed-Line Communications Market Data

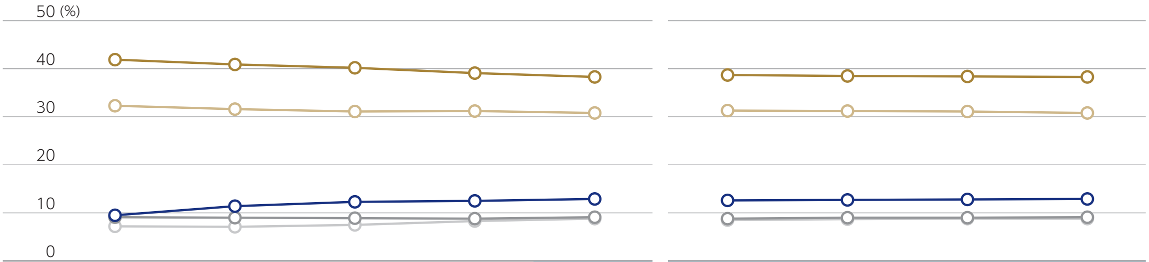
Number of Broadband Subscriptions



	2012.3	2013.3	2014.3	2015.3	2016.3	2015.6	2015.9	2015.12	2016.3
FTTH	2,230	2,385	2,531	2,661	**2,787**	**2,704**	**2,729**	**2,758**	**2,787**
CATV	591	601	623	643	**673**	**661**	**665**	**671**	**673**
ADSL	670	542	447	375	**320**	**358**	**344**	**332**	**320**
FWA	1	1	1	1	**1**	**1**	**1**	**1**	**1**
Total	3,493	3,530	3,601	3,680	**3,781**	**3,724**	**3,739**	**3,761**	**3,781**

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

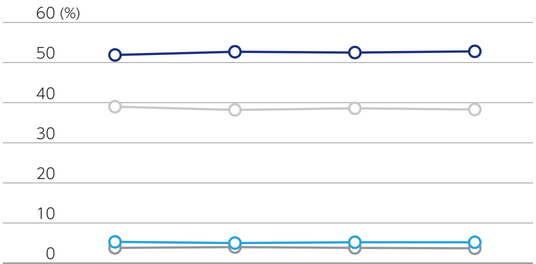
Share of FTTH Subscriptions



	2012.3	2013.3	2014.3	2015.3	2016.3	2015.6	2015.9	2015.12	2016.3
KDDI	9.5	11.4	12.2	12.5	**12.9**	**12.6**	**12.7**	**12.8**	**12.9**
NTT EAST	41.9	40.9	40.2	39.1	**38.3**	**38.7**	**38.5**	**38.4**	**38.3**
NTT WEST	32.3	31.6	31.1	31.2	**30.8**	**31.3**	**31.2**	**31.1**	**30.8**
Electric power utilities	9.1	9.0	8.9	8.8	**9.1**	**8.8**	**9.0**	**9.0**	**9.1**
Other	7.2	7.1	7.5	8.4	**8.8**	**8.5**	**8.7**	**8.8**	**8.8**

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

Share of Pay Multi-Channel CATV Subscriptions



	2012.3	2013.3	2014.3	2015.3
J:COM	**51.9**	**52.7**	**52.5**	**52.8**
CNCI	5.3	5.0	5.2	5.2
TOKAI	3.8	4.0	3.8	3.7
Other	39.0	38.2	38.6	38.3

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

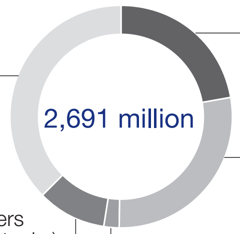
Corporate Overview
(As of March 31, 2016)

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:	¥141,852 million
Number of Employees:	31,834 (consolidated)

Stock Information
(As of March 31, 2016)

SE Code:	9433
Number of Shares Authorized:	4,200,000,000 shares
Number of Shares Issued and Outstanding:	2,690,890,800 shares
Number of Shareholders:	63,155 shareholders

Breakdown of Shareholding by Investor Type



Major Shareholders

Name of Corporate Entity	Number of Shares Held	Ratio of Controlling Share* (%)	Ratio of Voting* (%)
Kyocera Corporation	335,096,000	12.45	13.45
Toyota Motor Corporation	298,492,800	11.09	11.98
The Master Trust Bank of Japan, Ltd. (Trust Account)	155,040,700	5.76	6.22
Japan Trustee Services Bank, Ltd. (Trust Account)	128,185,000	4.76	5.14
State Street Bank & Trust Co.	73,749,531	2.74	2.96
State Street Bank & Trust Co. 505223	37,105,703	1.37	1.48
Japan Trustee Services Bank, Ltd. (Trust Account 4)	28,363,900	1.05	1.13
State Street Bank West Client – Treaty 505234	26,797,450	0.99	1.07
Japan Trustee Services Bank, Ltd. (Trust Account 9)	25,228,300	0.93	1.01
State Street Bank & Trust Client Omnibus Account OM02 505002	25,109,401	0.93	1.00

* Controlling shares are calculated including treasury stocks (199,683,255). In addition, regarding the ratio of voting, KDDI excludes treasury stocks from the list of major shareholders. Moreover, treasury stock does not include the Company's shares (1,738,000 shares) held in an executive remuneration Board Incentive Plan Trust account and Employee Stock Ownership Plan Trust account.

Investor Relations Department, Corporate Management Division
URL: http://www.kddi.com/english/corporate/ir/

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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.

Printing

Waterless Printing. Naturally

This report is printed using a waterless printing method that does not use developing solution or dampening solution and does not produce waste liquids.

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