Performance Analysis for the Fiscal Year Ended March 31, 2017

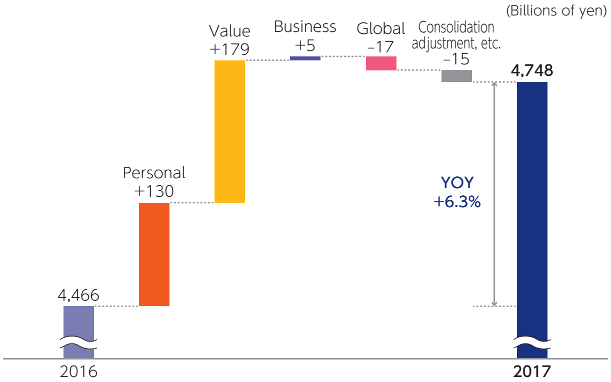
Analysis of the Consolidated Statement of Income

(Years ended March 31)

Operating Revenue

YOY **Up 6.3%** ¥4,748.3 billion

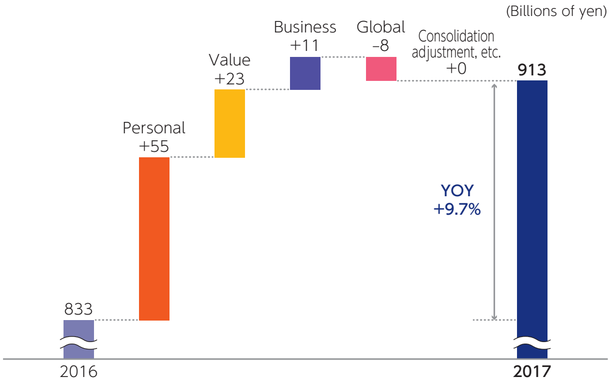
In the Personal Services segment, mobile communications revenues increased, along with sales for services in the life design business such as "au Denki" and "au WALLET Market." In the Value Services segment, value-added ARPA revenues increased, along with a boost to sales from the consolidation of Jupiter Shop Channel Co., Ltd. As a result, consolidated operating revenue rose 6.3% year on year to ¥4,748.3 billion.



Operating Income

YOY **Up 9.7%** ¥913.0 billion

Consolidated operating income rose 9.7% year on year to ¥913.0 billion. In addition to increases in mobile communications revenues and value-added ARPA revenues, the impact of a reduction in handset procurement cost and other effects absorbed impairment losses on certain idle assets related to 3G services and increases in outsourcing expenses, among others.



Profit for the Year Attributable to Owners of the Parent

YOY **Up 10.5%** ¥546.7 billion

The higher consolidated operating income absorbed an increase in profit for the year attributable to non-controlling interests and other non-operating losses due to the liquidation of certain unprofitable overseas operations. As a result, profit for the year attributable to owners of the parent rose 10.5% year on year to ¥546.7 billion.

Dividends per Share

YOY **Up ¥15** ¥85

We awarded full-year dividends per share of ¥85, up ¥15 year on year, amounting to a consolidated dividend payout ratio of 38.3%. 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.

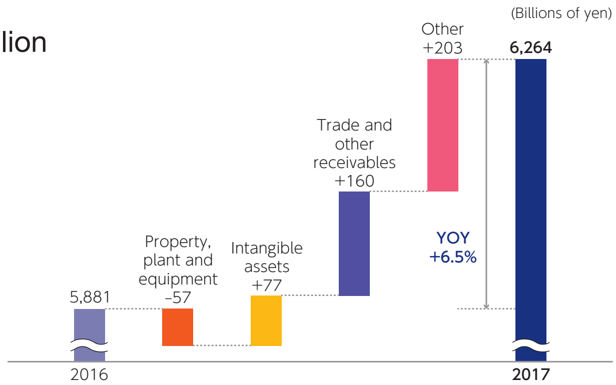
Analysis of the Consolidated Statement of Financial Position

(Years ended March 31)

Total Assets

YOY **Up ¥383.2 billion** ¥6,263.8 billion

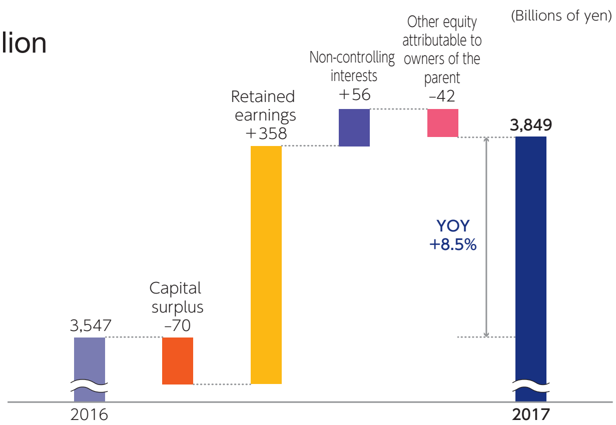
Total assets were ¥6,263.8 billion, an increase of ¥383.2 billion from the previous fiscal year-end despite a decrease in property, plant and equipment. The increase reflects an increase in assets associated with the consolidation of BIGLOBE Inc. and others, as well as expansion of the "au WALLET" credit card business and an increase in installment sales receivables of au mobile phone handsets.



Total Equity

YOY **Up ¥302.3 billion** ¥3,849.1 billion

Total equity was ¥3,849.1 billion, up ¥302.3 billion, mainly due to an increase in retained earnings associated with the increase in profit, which outweighed a decline in capital surplus due to the cancellation of treasury stock.



Interest-Bearing Debt

YOY **Down ¥83.6 billion**
¥1,151.6 billion

Interest-bearing debt decreased ¥83.6 billion year on year to ¥1,151.6 billion, mainly because of our efforts to repay borrowings and bonds payable.

D/E Ratio

YOY **Down 0.05 of a point**
0.32 times

Equity attributable to owners of the parent increased in line with the decrease in interest-bearing debt and increase in retained earnings. As a result, the D/E ratio declined 0.05 of a point from the previous fiscal year to 0.32 times.

Analysis of Capital Expenditures and Cash Flows

(Years ended March 31)

Capital Expenditures (Payment Basis)

Consolidated capital expenditures decreased ¥12.1 billion compared with the fiscal year ended March 31, 2016 to ¥519.4 billion.

Mobile YOY **Down ¥13.0 billion**

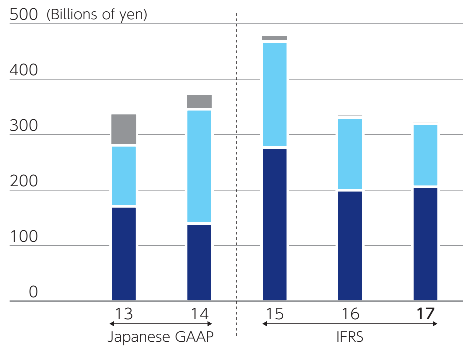
¥325.0 billion

Capital expenditures in the mobile business were down ¥13.0 billion to ¥325.0 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 increasing data traffic.

Fixed-Line and others YOY **Up ¥0.9 billion**

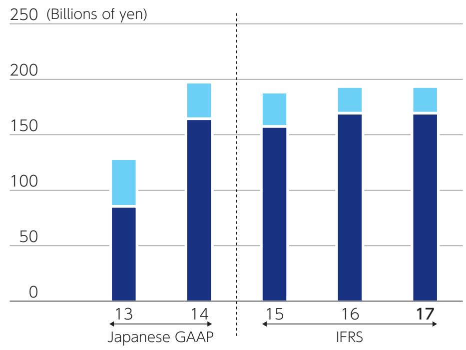
¥194.3 billion

In the fixed-line business, capital expenditures remained level year on year at ¥194.3 billion. This was the result of continued spending on the expansion of fixed-line communications networks to handle the increase in mobile and other data traffic, as well as continued investment related to FTTH facilities.



	13	14	15	16	17
3G	57	27	11	5	**4**
LTE	110	206	191	131	**114**
Common equipment*	172	141	278	201	**207**
Total	338	374	479	338	**325**

* Includes the capital expenditures of UQ Communications Inc. from the fiscal year ended March 31, 2015 onward in conjunction with the voluntary adoption of International Financial Reporting Standards (IFRS).



	13	14	15	16	17
FTTH	43	33	31	24	**24**
Other	86	165	158	170	**170**
Total	129	198	189	193	**194**

Cash Flows

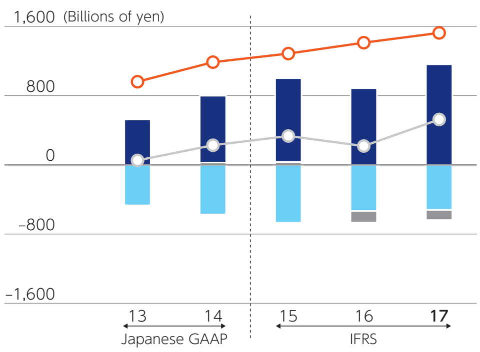
Free Cash Flows YOY **Up ¥307.2 billion**

¥523.8 billion

Net cash provided by operating activities was ¥1,161.1 billion, ¥276.5 billion more than the previous fiscal year. The increase mainly reflects increases in EBITDA and in trade and other payables.

Net cash used in investing activities was ¥637.2 billion, ¥30.7 billion less than in the previous fiscal year. The decrease mainly reflects decreases in capital expenditures and acquisitions of control over subsidiaries.

As a result, free cash flows—the total of operating and investing cash flows—amounted to ¥523.8 billion, up ¥307.2 billion from the previous fiscal year.



	13	14	15	16	17
Free Cash Flows	51	226	333	217	**524**
Net Cash Provided by (Used in) Operating Activities	524	772	969	885	**1,161**
Capital Expenditures	–467	–572	–668	–531	**–519**
Other, Net Cash Provided by (Used in) Investing Activities	–6	26	32	–136	**–118**
EBITDA	960	1,186	1,285	1,411	**1,524**

Personal Services Segment

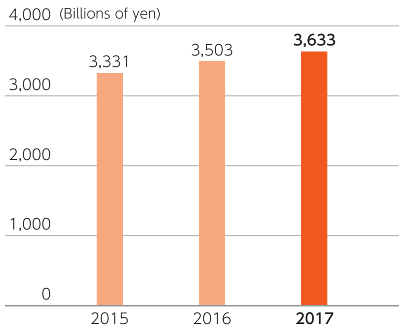
(Years ended March 31)

Overview of Operations

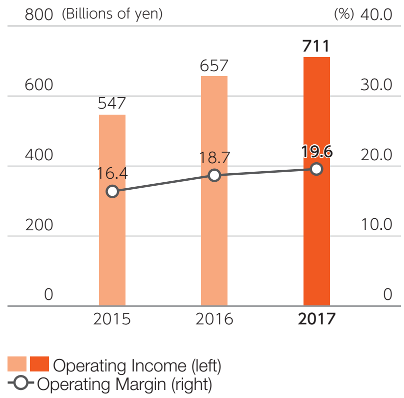
In the fiscal year ended March 31, 2017, operating revenue increased 3.7% year on year to ¥3,633.0 billion. This increase mainly reflected an increase in mobile communications revenues and an increase in sales of services in the life design business, such as "au Denki" and "au WALLET Market."

Meanwhile, operating income rose 8.3% year on year to ¥711.1 billion, reflecting a decrease in handset procurement cost, despite conducting impairment of certain idle assets related to 3G services.

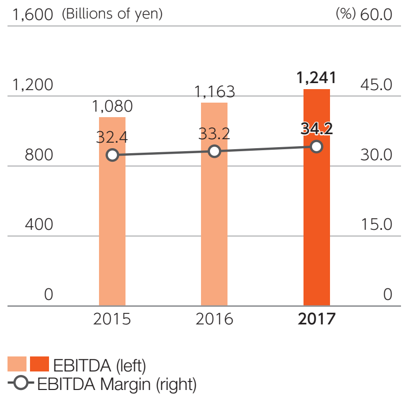
Operating Revenue



Operating Income/ Operating Margin

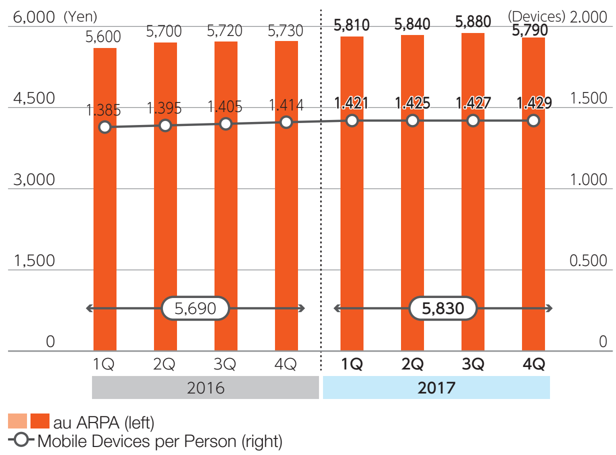


EBITDA/ EBITDA Margin



au ARPA/Mobile Devices per Person

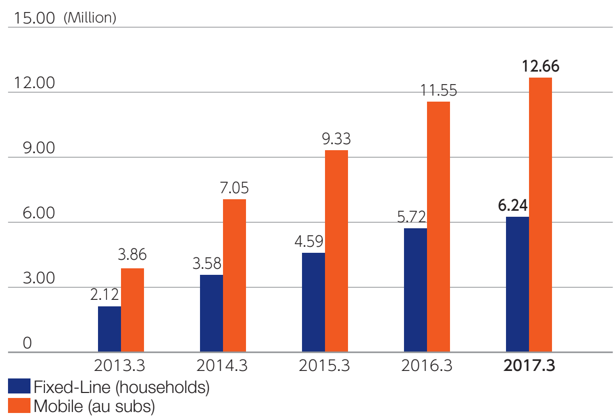
au ARPA rose ¥140 year on year to ¥5,830, partly due to an increase in the number of mobile devices per person and a 3.6 point increase in the smartphone penetration rate from the end of the previous fiscal year to 61.8%.



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. The churn rate for "au Smart Value" subscriptions is comparatively lower than the rate for standalone au smartphone subscriptions, contributing to stronger retention.

Looking at the number of "au Smart Value" subscriptions, the number of mobile subscriptions increased 1.11 million from the end of the previous fiscal year to 12.66 million, mainly reflecting the increase in "au Smart Value" affiliate partners, while the number of subscriptions among fixed-lined broadband households rose 0.52 million to 6.24 million.



Value Services Segment

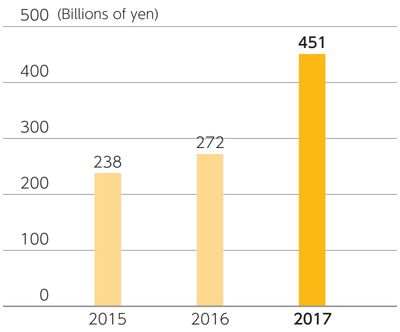
(Years ended March 31)

Overview of Operations

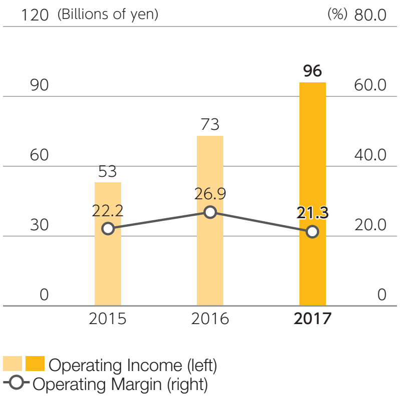
In the fiscal year ended March 31, 2017, operating revenue rose 66.0% year on year to ¥451.1 billion. The increase mainly reflected an increase in value-added ARPA revenues due to an increase in the number of "au Smart Pass" members and an increase in "au WALLET" settlement commissions. A further factor was an increase in sales associated with the consolidation of Jupiter Shop Channel Co., Ltd.

Meanwhile, operating income increased 31.3% year on year to ¥95.9 billion, reflecting the impact of consolidating Jupiter Shop Channel Co., Ltd. as well as organic profit growth.

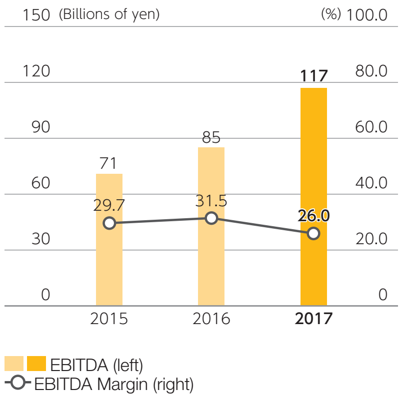
Operating Revenue



Operating Income/ Operating Margin

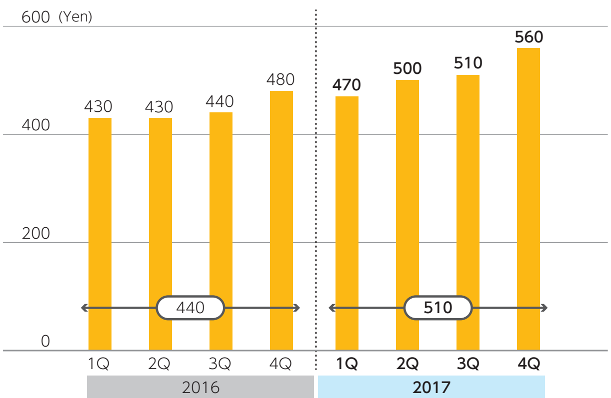


EBITDA/ EBITDA Margin



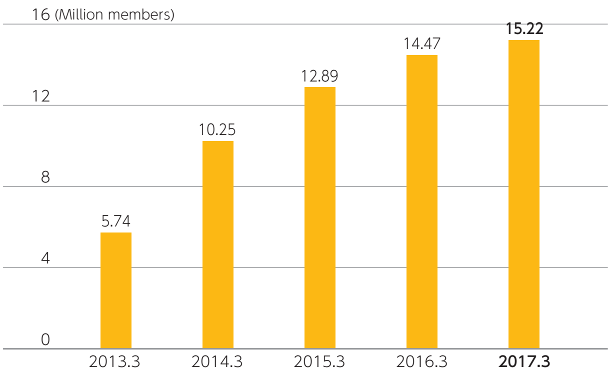
Value-Added ARPA

In the fiscal year ended March 31, 2017, value-added ARPA grew ¥70 year on year to ¥510. The main factors behind this increase were steady growth in the number of members of online services such as "au Smart Pass," along with an increase from growth in "au WALLET Market" and "au WALLET" settlement commissions.



Number of "au Smart Pass" and "au Smart Pass Premium" Members

The number of members rose 5.2%, or 750,000, from the previous fiscal year-end to ¥15.22 million members. The increase reflects growth in support from customers for "au Smart Pass" security services and special offers for members, as well as the launch of "au Smart Pass Premium" in January 2017 as an advanced version of "au Smart Pass" designed to enhance customer experience value even further.



Business Services Segment

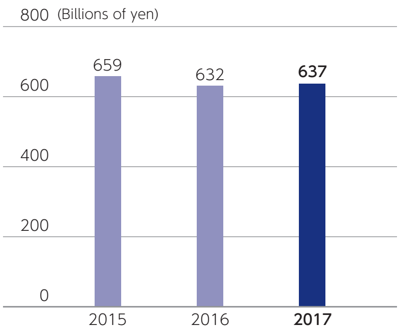
(Years ended March 31)

Overview of Operations

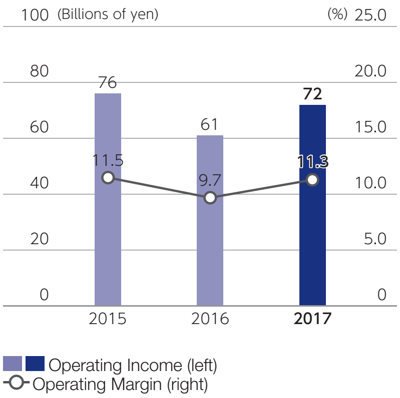
In the fiscal year ended March 31, 2017, operating revenue in this segment increased 0.8% year on year to ¥637.3 billion, as higher revenues from terminal sales and higher sales at consolidated subsidiaries, such as KDDI MATOMETE OFFICE CORPORATION, absorbed a decrease in mobile communications revenues associated with the introduction of flat rate voice communications.

Meanwhile, operating income increased 17.4% year on year to ¥72.1 billion, mainly reflecting a decrease in access charges, although the cost of solutions devices and sales commissions increased.

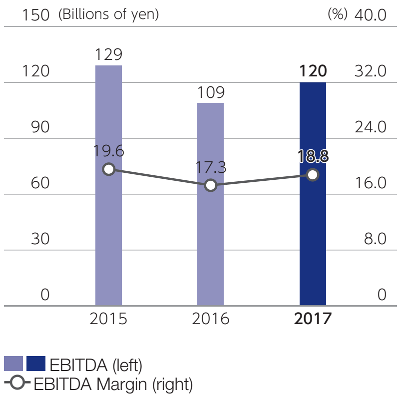
Operating Revenue



Operating Income/ Operating Margin



EBITDA/ EBITDA Margin



Global Services Segment

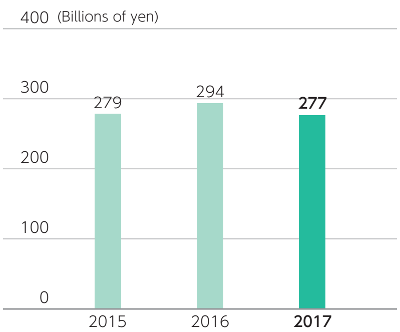
(Years ended March 31)

Overview of Operations

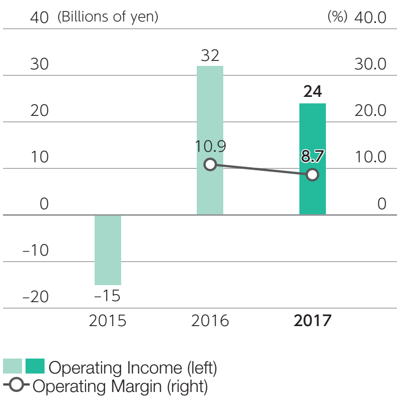
In the fiscal year ended March 31, 2017, operating revenue declined 5.8% year on year to ¥277.2 billion. The main contributing factor was foreign exchange effects due to the yen's appreciation as well as a decline in revenues associated with the liquidation of unprofitable operations in the U.S. consumer business, which continued from the previous fiscal year.

Operating income declined 24.9% year on year to ¥24.2 billion, also reflecting the foreign exchange effect and the impact of liquidating operations.

Operating Revenue



Operating Income/ Operating Margin



EBITDA/ EBITDA Margin