This translation is to be used solely as a reference and the consolidated financial statements in this release are unaudited.

Financial Statements Summary for the Three-month period ended June 30, 2015 [IFRS]

August 7, 2015

Company name	**KDDI CORPORATION**		
Stock exchange listing	Tokyo First Section		
Securities code	9433	URL	http://www.kddi.com
Representative	Takashi Tanaka, President		

Quarterly statement filing date (as planned)	August 12, 2015
Dividend payable date (as planned)	—
Supplemental material of quarterly results:	Yes
Convening briefing of quarterly results:	Yes (for institutional investors and analysts)

(Amount Unit : Millions of yen, unless otherwise stated)
(Amounts are rounded off to nearest million yen)

1. Consolidated Financial Results for the Three-month period ended June 30, 2015 (April 1, 2015 to June 30, 2015)

(1) Consolidated Operating Results

（Percentage represents comparison change to the corresponding previous quarterly period）

	Operating revenue	%	Operating income	%	Profit for the period before income tax	%	Profit for the period	%	Profit for the period attributable to owners of the parent	%	Total comprehensive income for the period	%
Three-month period ended June 30, 2015	1,046,577	7.1	230,998	19.3	229,898	20.7	155,784	31.2	143,949	29.2	160,084	36.8
Three-month period ended June 30, 2014	977,413	-	193,642	-	190,481	-	118,696	-	111,384	-	117,020	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three-month period ended June 30, 2015	57.47	-
Three-month period ended June 30, 2014	44.47	-

(2) Consolidated Financial Positions

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
				%
As of June 30, 2015	5,558,485	3,278,232	3,137,156	56.4
As of March 31, 2015	5,626,725	3,223,012	3,064,038	54.5

2. Dividends

	Dividends per share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	-	80.00	-	90.00	170.00
Year ending March 31, 2016	-				
Year ending March 31, 2016 (forecast)		35.00	-	30.00	65.00

Note: Changes in the latest forecasts released: None

3. Consolidated Financial Results Forecast for Year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

（Percentage represents comparison to previous fiscal year）

	Operating revenue	%	Operating income	%	Profit for the year attributable to owners of the parent	%	Basic earnings per share
							Yen
Entire Fiscal Year	4,400,000	-	820,000	-	490,000	-	195.61

Notes: 1. Changes in the latest forecasts released: None
2. Forecast of consolidated business results for the six-month period ending September 30, 2015 is not prepared.

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation) during the three-month period ended June 30, 2015 : None

(2) Changes in accounting policies and estimates

1) Changes in accounting policies required under IFRSs : None
2) Other changes in accounting policies : None
3) Changes in accounting estimates : None

(3) Numbers of Outstanding Shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of June 30, 2015	2,690,890,800
	As of March 31, 2015	2,690,890,800
2) Number of treasury stock	As of June 30, 2015	185,961,555
	As of March 31, 2015	185,954,844
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the three-month period ended June 30, 2015	2,504,929,267
	For the three-month period ended June 30, 2014	2,504,935,956

Indication of Quarterly Review Procedure Implementation Status

This quarterly earnings report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

Explanation for Appropriate Use of Forecasts and Other Notes

1. The Company has adopted IFRSs from the first quarter of the fiscal year ending March 31, 2016. For information about the differences in financial figures between IFRSs and Japanese GAAP, please refer to "3. Condensed Interim Consolidated Financial Statements, (7) Notes to Condensed Interim Consolidated Financial Statements, 5. First-time adoption of IFRSs" on P.49.

2. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI Corporation (hereafter: the "Company") and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.16 "1. Qualitative Information / Consolidated Financial Statements, etc. (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results" under [the Attachment] for the assumptions used and other notes.

3. The Company conducted a 1:3 stock split on common stock with an effective date of April 1, 2015. As a result, basic earnings per share, diluted earnings per share and numbers of shares outstanding have been calculated as if the stock split was conducted at the beginning of the previous fiscal year.

4. The Company holds a convening briefing of quarterly results for institutional investors and analysts in Friday, August 7, 2015. Documents distributed at the briefing are scheduled to be posted on our website at the same time as the release of the financial statements summary. Videos and main Q&As are planned to be posted immediately after the briefing.
In addition to the above convening briefing, the Company holds conferences on its business and results for individual investors. Please check our website for the schedule and details.

[the Attachment]

Index of the Attachment

Glossary

ARPA	ARPA is an abbreviation for Average Revenue Per Account. Indicates monthly revenue per mobile subscriber (excluding prepaid and MVNO). au ARPA indicates communications revenues per person, and value ARPA describes value-added revenue per person.
CA	CA is an abbreviation for Carrier Aggregation. With “LTE-Advanced,” a next-generation communications technology, CA makes simultaneous use of multiple bandwidths, aggregating them to conduct data communication, thereby increasing the maximum downlink communication speed. Using multiple frequency ranges in different propagation environments has the benefits of augmenting communications quality and dispersing the load efficiently across multiple frequencies.
CATV	Cable television (CATV) is refers to service involving the distribution of television programs over cables (coaxial and optical fiber) laid by cable television companies. In addition to terrestrial television stations’ channels, numerous pay channels are broadcast in this manner. CATV is also offered in apartment complexes and as a service solution in areas with poor reception. In addition to television broadcasts, CATV cables can be used for Internet and telephone services.
FTTH	FTTH is an abbreviation for Fiber to the Home. This method provides access via optical fiber from the telecommunications carrier’s facilities to a subscriber’s home. Although “home” originally referred to an individual’s private dwelling, FTTH is also used in a general sense to indicate access via optical fiber.
ICT	ICT is an abbreviation for Information and Communication Technology. Whereas the use of “IT” was common in the past, as the Internet has become more ubiquitous use of the term “ICT” has grown to express the extensive added value that has resulted through the connection not only of computer systems but also a variety of other systems into communications networks.
LTE	LTE, an abbreviation for Long Term Evolution, is a technology for wireless telecommunications. Enabling the sophisticated development of third-generation mobile phone data communications, LTE wireless communications technology is positioned as 3.9G, as it immediately precedes the next-generation communication standard, IMT-Advanced. However, in December 2010 the International Telecommunication Union (ITU) began generally recognizing LTE as 4G, so telecommunications providers in Europe, the United States and other countries began referring to LTE services as 4G.
MVNO	MVNO is an abbreviation for Mobile Virtual Network Operator. An MVNO is an operator that provides services via wireless communications infrastructure borrowed from other telecommunications carriers.
VoLTE	VoLTE, an abbreviation for Voice over LTE, is a voice communication technology that uses the LTE high-speed communications standard. Using LTE enables clear, easy-to-hear voice communication. In addition, the technology allows simultaneous voice and data communication, so the customer can browse the Web and send and receive e-mail while talking on the phone.
WiMAX 2+	WiMAX 2+ is a broadband wireless access (BWA) service provided by UQ Communications Inc. By using bandwidth more efficiently than conventional mobile WiMAX, WiMAX 2+ enables higher communication speeds, using the 20MHz band in the 2.6GHz frequency to achieve maximum downlink speeds of 110Mbps and uplink speeds of up to 10Mbps. In spring of 015, we launched a service that enables maximum uplink speeds of 220Mbps by using CA, which aggregates two 20MHz bands in the 2.6GHz frequency. The service is also compatible with the “TD-LTE” format.

1. Qualitative Information / Consolidated Financial Statements, etc.

Adoption of IFRSs

The Company and its subsidiaries (together referred to as "the Group") have transitioned from Japanese GAAP to International Financial Reporting Standards ("IFRSs") from the first quarter of the fiscal year under review (transition date : April 1, 2014). We believe this move will make our financial reporting more internationally comparable as we expand our global business, as well as making the financial information we provide more useful to investors and other stakeholders.

For details of adjustments made in line with the shift from Japanese GAAP to IFRSs, please see "3. Condensed Interim Consolidated Financial Statements, (7) Notes to Condensed Interim Financial Statements, 5. First-time adoption" on page 49.

(1) Explanation on Financial Results

1) Results Overview

Industry Trends and KDDI's Position

The Japanese telecommunications market is shifting from conventional mobile handsets to "smart devices," such as smartphones and tablets. Furthermore, communications networks are becoming faster with the use of LTE. On the other hand, telecommunications carriers are introducing rate plans tailored to customers' needs, and services and handsets are appearing ever more similar.

In addition, the market is characterized by a multi-device shift, in which users own multiple smart devices, and MVNO operators are entering the market. Against this backdrop, the overall competitive environment for telecommunications is entering a new phase, with the NTT Group offering discounts on bundled sets of fixed-line and mobile services by "wholesaling fiber access service," and SIM unlocking has begun.

Under these conditions, the Company continues to boost its "distinctively au" credentials on several fronts, including networks, terminals, services, support, and usage fees. We are working to expand our customer base and promoting a full-fledged multi-device shift.

By promoting multi-use among our solid customer base, we are working aggressively to expand value-added revenues. In addition to our "au Simple Payment" offering and "au Smart Pass" and other online services that use this billing, we have made a new start with "au WALLET" to generate value-added revenues through offline services. Through these two settlement platforms, "au Simple Payment" and "au WALLET," we aim to boost gross merchandise value to more than ¥1 trillion by the fiscal year ending March 31, 2017. In line with these multi-device and multi-use promotions, we have introduced two key performance indicators (KPIs): "au ARPA," with ARPA standing for average revenue per account, for revenues generated per user across multiple devices, and "value ARPA" per au customer. We will work to maximize both types of ARPA.

In addition to growth in our domestic business, we are taking on a number of new growth opportunities in our global business.

Financial Results

For the three-month period ended June 30, 2015 (Amount unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating revenue	977,413	1,046,577	69,164	7.1
Cost of sales	529,042	570,531	41,489	7.8
Gross profit	448,371	476,046	27,675	6.2
Selling, general and administrative expenses	257,088	247,857	(9,232)	(3.6)
Other income and expense (Net)	1,273	1,590	317	24.9
Share of profit(loss) of investments accounted for using the equity method	1,086	1,218	132	12.2
Operating income	193,642	230,998	37,356	19.3
Finance income and cost (Net)	(3,161)	(1,621)	1,540	－
Other non-operating profit and loss (Net)	－	521	521	－
Profit for the period before income tax	190,481	229,898	39,417	20.7
Income tax	71,785	74,115	2,330	3.2
Profit for the period	118,696	155,784	37,087	31.2
Attributable to owners of the parent	111,384	143,949	32,564	29.2
Attributable to non-controlling interests	7,312	11,835	4,523	61.9

During the three-month period ended June 30, 2015, operating revenue rose 7.1%, to ¥1,046,577 million, as an increase in au subscriptions and a rise in the smartphone penetration rate boosted data communications revenues, and revenues from terminal sales expanded.
Operating income increased 19.3%, to ¥230,998 million, due to an increase of operating revenue although handset procurement costs rose.
Profit for the period rose 31.2%, to ¥155,784 million, due to higher operating income and the effect of foreign exchange gains.

- Subscriptions of Major Services

Cumulative subscriptions	Unit	Year ended March 31, 2015				Year ending March 31, 2016
		As of 1Q	As of 2Q	As of 3Q	As of 4Q	As of 1Q
au subscriptions	(Thousand)	41,016	41,596	42,378	43,478	44,074
(Ref.) UQ WiMAX	(Thousand)	4,153	5,124	7,153	9,543	11,241
FTTH subscriptions	(Thousand)	3,240	3,344	3,412	3,485	3,559
CATV subscriptions *1	(Thousand)	4,838	4,851	4,872	4,883	4,938

* Total number of subscriber households. From the fiscal year ending March 31, 2016, the definition of target households has been revised, and figures for the year ended March 31, 2015, have been retroactively adjusted to reflect this new definition. Households subscribing only to services that rebroadcast terrestrial digital broadcasts, BS digital broadcasts have been excluded.

[Reference]

With regard to consolidated subsidiaries handling the cable television business, as of June 30, 2015, the J:COM Group provides cable television via 74 channels in the Sapporo, Sendai, Kanto, Kansai, and Kyushu areas, and offers cable television, high-speed Internet connectivity, telephone, and other service

2) Results by Business Segment

Personal Services

The Personal Services 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 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.

In the current fiscal year, we will continue working to expand sales of mobile, FTTH, and CATV services by leveraging “au Smart Value,” which based on our “3M Strategy” offers discounted monthly au mobile phone usage fees for customers who subscribe to au mobile phone/smartphone services as well as fixed-line communications services. We also aim to increase our number of allied companies. Furthermore, by providing services such as “au WALLET,” which combines the Internet and physical worlds, we will expand our service offerings and endeavor to offer customers services that are more convenient and reliable.

To promote our “Multi-Device Strategy,” we will work to expand au ARPA revenues by increasing the number of devices per customer.

Operating performance in the Personal Services segment for the three-month period ended June 30, 2015 is described below.

Results

For the three-month period ended June 30, 2015 (Amount unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	750,652	814,576	63,925	8.5
Operating Income	153,386	179,213	25,828	16.8

During the three-month period ended June 30, 2015, operating revenue rose 8.5%, to ¥814,576 million, as an increase in au subscriptions and a rise in the smartphone penetration rate boosted data communications revenues, while revenues from terminal sales rose because of an increase in unit handset sales.

Despite higher handset procurement costs, operating income grew 16.8% year on year, to ¥179,213 million, due to higher operating revenue.

Overview of Operations

< Progress on Key Initiatives >

[Mobile]

au Net Additions

For the three-month period ended June 30, 2015, au net additions* totaled 519,000 subscriptions. The primary reasons were an increase in the number of new smartphone subscriptions by “au Smart Value” and new tablet, router, and other subscriptions in line with our multi-device promotion.

* New subscribers minus churn

au Smart Value

As of June 30, 2015, the number of au subscriptions totaled 9.84 million, and households using this service came to 4.84 million. Also, we are steadily increasing the number of allied companies for “au Smart Value.” As of June 30, 2015, this number was 7 companies for FTTH (including the Company) and 139 CATV companies, 233 channels (including 24 companies, 24 channels allied with STNet, Incorporated).

au ARPA

au ARPA in the first quarter was up ¥130 year on year, to ¥5,600. Also, as a result of promoting the multi-device shift, the number of devices per user increased by 0.04, to 1.38 devices.

au Handset Sales

During the first quarter, au handset sales were 2.05 million.

[Fixed Line]

FTTH Subscriptions

As of June 30, 2015, the number of FTTH subscriptions increased by 73,000 from March 31, 2015, to 3.508 million. This rise was attributable mainly to new subscriptions acquired when customers subscribed to “au Smart Value,” as well as the impact of lower churn.

< Key Initiatives>

Promoting the Multi-Device Strategy

・For smartphones, we provide “au VoLTE,” which offers high-speed communications for iPhone 6 / iPhone 6 Plus. For Android handsets, we offer two high-speed communications networks: “au VoLTE” and carrier aggregation, which combines “WiMAX 2+” (downlink speeds of up to 220Mbps[*1]) and “4G LTE” (downlink speeds of up to 225Mbps[*1]). We have also launched five models, including our original isai vivid model and a standard high-spec Xperia™Z4. We have also commenced sales of a router.

・On May 26, we introduced a new “Nuisance call signal.” This dedicated device works with fixed-line telephones and lights with different colors to alert customers to the danger level of incoming bank transfer scam and other nuisance calls and automatically block calls. This device requires no Internet connection and can be easily connected to a telephone in use. This service is part of a proactive initiative to counter nuisance calls, particularly bank transfer scams.

・On June 11, we began offering “data sharing”, which allows the sharing of data capacity among devices registered to the same person, such as 4G LTE smartphones / mobile phones and 4G LTE tablets / PCs. Combined with “Data Gift,” which enables the gifting of data volume among family members, we are working to make data communications even more convenient by tailoring them to individual customers’ usage patterns.

・UQ Communications, a consolidated subsidiary of KDDI, was announced to have earned the No. 1 customer service ranking for its UQ WiMAX service in the “2015 Japan Mobile Data Service Satisfaction Survey℠[*2]” conducted by J.D. Power Asia Pacific, Inc. This was UQ Communications’ third consecutive year to top this ranking.

*1 The speeds mentioned are the maximum speeds by technical standards and do not represent actual usage speeds. Even if a customer is within the service area, speed may slow down significantly depending on the usage environment and traffic status. This is a best-effort service.

*2 Source: J.D. Power Asia Pacific 2013–2015 Japan Mobile Data Service Satisfaction Survey℠. The 2015 survey is based on responses from 2,750 individual users of dedicated data communications devices.

<Reference> Business data (Personal)

[Mobile]

Cumulative subscriptions		Unit	Year ended March 31, 2015					Year ending March 31, 2016
			As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q
au subscriptions		(Thousand)	34,498	34,955	35,590	36,482	-	37.001
Mobile devices per person		(Units)	1.34	1.35	1.36	1.37	-	1.38
au smart value	**au subscriptions**	(Thousand)	7,590	8,160	8,530	9,330	-	9,840
	Households *1	(Thousand)	3,840	4,130	4,270	4,590	-	4,840

Indicators	Unit	Year ended March 31, 2015					Year ending March 31, 2016
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q
au ARPA*2	(Yen)	5,470	5,570	5,560	5,510	5,530	5,600
au Churn rate	(%)	0.54	0.63	0.66	0.94	0.69	0.72
au handset sales*3	(Thousand)	1,830	2,430	2,720	2,870	9,850	2,050
of smartphone	(Thousand)	1,380	1,930	2,300	2,360	7,970	1,600
au handset shipments*4	(Thousand)	1,660	2,250	3,020	2,750	9,670	1,940

[Fixed Line]

Cumulative subscriptions	Unit	Year ended March 31, 2015					Year ending March 31, 2016
		As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q
FTTH subscriptions*5	(Thousand)	3,221	3,296	3,362	3,435	-	3,508
CATV subscriptions*7	(Thousand)	4,838	4,851	4,872	4,883	-	4,938

*1.Total of the Companies and affiliated fixed-line companies
*2.Based on the Personal Services segment. Mobile communications revenue, excluding MVNO and prepaid ÷ au customers
*3.Number of units sold to users (new + upgrade)
*4.Number of units shipped to retailers from the company
*5.The total for “au HIKARI” (excluding “au HIKARI Business”), “Commufa-hikari,” “au HIKARI Chura,” and “Hikarifuru”
*6.Total number of subscriber households. From the fiscal year ending March 31, 2016, the definition of target households has been revised, and figures for the year ended March 31, 2015, have been retroactively adjusted to reflect this new definition.
Content of revision: Households subscribing only to services that rebroadcast terrestrial digital broadcasts have been excluded.

Value Services

In the Value Services segment, the Company provides individual customers with content, settlement and other value-added services. The segment also works to reinforce multi-device and multi-network usage initiatives. During the year ending March 31, 2016, we will work to expand the au economic zone by making “au Smart Pass” and other membership services more attractive, as well as by strengthening our commerce and financing businesses. We expect these efforts to contribute to higher transaction volumes and increased value ARPA. Operating performance in the Value Services segment for the three-month period ended June 30, 2015 is described below.

Results

For the three-month period ended June 30, 2015 (Amount unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	53,923	61,795	7,872	14.6
Operating Income	16,409	18,365	1,957	11.9

During the three-month period ended June 30, 2015, operating revenue rose ¥14.6%, to ¥61,795 million, as the increasing smartphone penetration rate pushed up “au Smart Pass” revenues and due to revenue from the new settlement agency business from KDDI Financial Service Corporation (hereafter, “KFS”).

Thanks to the operating revenue increase, operating income grew 11.9% year on year, to ¥18,365 million, even though expenses increased in tandem with the rise in KFS revenues.

Overview of Operations

<Progress on Key Initiatives>

Value ARPA

During the first quarter, value ARPA was up ¥30 year on year, to ¥430.
The main factors behind this increase were the steady increase in the number of members to “au Smart Pass,” as well as higher commission revenue from “au WALLET” and “au Simple Payment.”

< Key Initiatives >

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

As of June 30, 2015, “au Smart Pass” members numbered 13.19 million, an increase of 300,000 from March 31, 2015.
In the first quarter, twice each month on “au Smart Pass days*,” the 2nd and 22nd, numerous winners were given vouchers for convenience store products and invitations to popular fireworks festivals around Japan.
In April 2015, we also began distributing coupons via “au Travel” as one of a number of ways for increasing membership benefits.

Expanding the au Economic Zone

- We acquired outstanding shares in LUXA, Inc., which operates “LUXA”, a select outlet e-commerce website, converting this company to a consolidated subsidiary in May 2015. Strengthening our capital ties in this manner will enable us to maximize LUXA’s various assets and offer customers a new shopping experience.
- On May 22, 2015, KDDI entered into a capital and business tie-up with LIFENET INSURANCE COMPANY. Under this agreement, we aim to expand our offerings in the financial domain and provide customers with new service offerings combined with au products and services.
- To make “au WALLET” use more advantageous to customers and make shopping more enjoyable, we are forging increasing ties with various companies as “Point-up Stores.” During the first quarter, we concentrated on adding regional supermarkets and other companies with close community ties. As a result, as of June 30,

2015, the number of “Point-up Stores” amounted to approximately 25,000 shops operated by 42 companies.

・The “au WALLET Credit Card” business is being developed by KDDI Financial Service Corporation, a consolidated subsidiary of the Company. The number of cards issued increased steadily in the first quarter, and the MasterCard® brand was added to the “au WALLET Credit Card.”

* On these days, we offer special benefits to “au Smart Pass” users. For example, on these days we significantly increase discount percentages, number of winners, and point accumulation rates, in addition to regular “au Smart Pass” membership benefits.

Cultivating New Services

・In April 2015, we began offering the “Smaho de Dock” self-health check service on a trial basis for six municipalities and one corporate health insurance associations. We expect to expand the trial service to include 15 municipalities and three corporate health insurance associations [*1] by March 31, 2016. This service uses a specialized testing kit to sample minute quantities of blood, which are then sent to a dedicated testing center. Approximately one week later, testing results and comments on these results from a medical standpoint[*2] are provided on the Web.

*1 As of June 2015

*2 Comments based on results from a medical standpoint are provided by a physician supervisor.

Nurturing Ventures

・As a new initiative from “KDDI ∞ Labo,” our incubation program targeting startup companies with revolutionary service ideas, we introduced a “regionally linked configuration.” This configuration links up regional startup support organizations, making “KDDI ∞ Labo” assets available to companies these organizations recommend, thereby supporting efforts to spark regional innovation. The first phase of this initiative, “KDDI ∞ Labo x OIH Osaka Pitch,” began on May 31, 2015.

<Reference> Business data (Value)

Cumulative subscriptions	Unit	Year ended March 31, 2015					Year ending March 31, 2016
		As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q
au Smart Pass subscriptions	(Thousand)	10,700	11,400	12,050	12,890	-	13,190

Indicators	Unit	Year ended March 31, 2015					Year ending March 31, 2016
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q
Value ARPA*	(Yen)	400	410	430	460	420	430

* Value-added ARPA revenues in the Value Services segment (“au Simple Payment” and “au WALLET” settlement commissions + Sales from KDDI services, such as, “au Smart Pass,” product sales, and advertising revenues, etc.) ÷ au customers

Business Services

In the Business Services segment, we provide 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.

In the current fiscal year, we will proactively promote a corporate “3M Strategy” in an effort to expand our customer base. Specifically, we will focus on increasing services for small and medium-sized corporate customers and reinforcing our sales structure. In addition, we will augment our service offerings to meet the myriad needs related to advancing overseas.

Operating performance in the Business Services segment for the three-month period ended June 30, 2015, is described below.

Results

For the three-month period ended June 30, 2015 (Amount unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	159,045	151,184	(7,862)	(4.9)
Operating Income	20,262	20,081	(181)	(0.9)

During the three-month period ended June 30, 2015, operating revenue declined 4.9%, to ¥151,184 million, due to lower mobile and fixed line communications revenues, although solution sales such as IT outsourcing rose.

Operating income slipped 0.9% year on year, to ¥20,081 million despite lower sales commissions and communications facility fees, due to the drop in operating revenue.

Overview of Operations

Providing Solutions

・On June 30, 2015, for “KDDI Wide Area Virtual Switch 2,” a next-generation broad-area network service employing SDN*1 technology we introduced a “virtual network function” that allows networks to be flexibly added, integrated, and divided. We also added an “extended Ethernet format” access menu, the first in Japan that allows customers to flexibly adjust their own areas. Through these moves, we accelerated the speed and minimized the cost of businesses.

・In collaboration with Misawa Homes Co., Ltd., and Misawa Homes Institute of Research and Development Co., Ltd., we developed “GAINET,” a damage-level assessment device for quickly determining the extent of damage to a building in the event of an earthquake. This is the first damage-level assessment device in Japan*2 to be mass-produced for detached homes.

*1 An acronym for Software-Defined Networking. With this technology, software is used for the integrated control of physically dispersed equipment, enabling network flexibility and providing added value.

*2 Study by Misawa Homes Co., Ltd.

Global Services

The Global Services 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 telecommunications business in Myanmar and other emerging countries and MVNO operations in the United States. Furthermore, we provide voice and data business to more than 600 telecommunications carriers around the world.

During the current fiscal year, as one of the Company’s pillars of growth we aim to accelerate expansion by increasing our scale of operations and reinforcing our management foundation.

Operating performance in the Global Services segment for the three-month period ended June 30, 2015 is described below.

Results

For the three-month period ended June 30, 2015 (Amount unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	69,168	76,765	7,597	11.0
Operating Income	3,582	11,302	7,720	215.5

During the three-month period ended June 30, 2015, operating revenue grew 11.0% year on year, to ¥76,765 million. This rise stemmed from higher revenue due to the start of the telecommunications business in Myanmar, as well as higher revenues from existing businesses, such as the data center business.

Operating income surged 215.5% year on year, to ¥11,302 million, boosted by higher operating revenue.

Overview of Operations

Promoting Telecommunications Business in Myanmar

During the first quarter, we worked to enhance communication quality by augmenting networks, strengthen promotion by expanding brand shops and sponsoring events, and improve customer support.

In addition, the data communications discount campaign that we ran in March 2015 was well-received, so we extended the campaign period and strove to augment customer convenience.

As a result, the number of mobile phone subscribers doubled in the period since we signed the joint business agreement in July 2014, to more than 14 million, with revenues and profits both outpacing planned levels.

Going forward, KDDI plans to further enhance levels of network quality, bolster customer support, introduce easy-to-use rate systems, and augment services for corporate customers. Through these initiatives, we aim to please our customers in Myanmar and become a best-in-class telecommunications operator.

3) Status of Major Affiliates, etc

<Jibun Bank Corporation>

On May 14, 2015, Jibun Bank Corporation which is accounted for using the equity method began providing a new benefit program through “Premium Bank for au,” a tie-up with KDDI and Okinawa Cellular Telephone Company. “Premium Bank for au*” is an account program that offers a number of convenient financial services for au customers. Under this new benefit program, salaries or bonuses can be deposited with Jibun Bank, and used to pay au usage fees or accessed using the “au WALLET Credit Card,” with WALLET points accumulating each month according the account’s yen deposit balance and various transactions conducted. We also ran a “Login Point Accumulation Campaign,” whereby WALLET points accumulated according to the number of days customers logged on using their “Jibun Bank smartphone app”.

Furthermore, on June 14, 2015, the bank began providing a “smartphone authentication service” on the “Jibun Bank smartphone app” to prevent damage due to fraudulent Internet banking fund transfers.

* “Premium Bank for au” can be used both by customers who open new accounts and those with existing accounts. To use this service, customers must register their “au ID” on the Jibun Bank website.

Notes:
* The service name “4G LTE” conforms to the statement of the International Telecommunication Union (ITU) that has approved LTE to be called “4G.
* “iPhone” is a trademark of Apple Inc. in the United States and other countries. The iPhone trademwark is used with a license from Aiphone K.K.
* “Android” is a trademark or registered trademark of Google Inc.
* “Xperia” is a trademark or registered trademark of Sony Ericsson Mobile Communications AB.
* “Wi-Fi®” is a registered trademark of the Wi-Fi Alliance.
*Other company and product names are registered trademarks or trademarks of their respective companies.

(2) Explanation on Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2015	As of June 30, 2015	Increase (Decrease)	Increase (Decrease)%
Non-current assets	3,951,491	3,931,206	(20,285)	(0.5)
Current assets	1,675,235	1,627,280	(47,955)	(2.9)
Total assets	5,626,725	5,558,485	(68,240)	(1.2)
Non-current liabilities	1,213,523	1,183,704	(29,819)	(2.5)
Current liabilities	1,190,190	1,096,550	(93,640)	(7.9)
Total liabilities	2,403,713	2,280,254	(123,460)	(5.1)
Total equity	3,223,012	3,278,232	55,220	1.7

(Assets)

Total assets amounted to ¥5,558,485 million as of June 30, 2015, down ¥68,240 million from their level on March 31, 2015. Although other current assets increased, cash and cash equivalents and property, plant and equipment fell.

(Liabilities)

Total liabilities amounted to ¥2,280,254 million as of June 30, 2015, down ¥123,460 million from March 31, 2015, due to decreases in trade and other payables, and income taxes payables, although borrowings and bonds payable increased.

(Equity)

Net equity amounted to ¥3,278,232 million, due to increased retained earnings. As a result, ratio of equity attributable to owners of the parent to total assets increased from 54.5% as of March 31, 2015, to 56.4%.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2015	Increase (Decrease)
Net cash provided by (used in) operating activities	136,390	80,907	(55,483)
Net cash provided by (used in) investing activities	(167,060)	(161,042)	6,017
Free cash flows (Note)	(30,670)	(80,136)	(49,466)
Net cash provided by (used in) financing activities	(54,415)	1,827	56,242
Effect of exchange rate changes on cash and cash equivalents	(152)	664	815
Net increase (decrease) in cash and cash equivalents	(85,236)	(77,645)	7,591
Cash and cash equivalents at the beginning of the period	249,732	276,317	26,585
Cash and cash equivalents at the end of period	164,496	198,672	34,177

Note Free cash flows are calculated as the sum of "net cash provided by (used in) operating activities" and "net cash provided by (used in) investing activities."

Operating activities provided net cash of ¥80,907 million. This includes ¥229,898 million of profits for the period before income tax, ¥131,307 million of depreciation and amortization, ¥86,403 million of decrease in trade and other payables, and ¥167,434 million of income taxes paid.

Investing activities used net cash of ¥161,042 million. This includes ¥87,816 million of purchase of property, plant and equipment and ¥64,839 million for purchase of intangible assets.

Financial activities provided net cash of ¥1,827 million. This includes ¥166,210 million for net increase of short-term borrowings, ¥53,740 million in payments from redemption of bonds and repayment of long-term borrowings, ¥74,518 million in cash dividends paid, and ¥29,388 in cash dividends paid to non-controlling interests.

As a result, the total amount of cash and cash equivalents as of June 30, 2015, decreased ¥77,645 million from March 31, 2015, to ¥198,672 million.

(3) Explanation Regarding Future Forecast Information of Consolidated Financial Results

The estimated consolidated financial results for the year ending March 31, 2016 for full-year basis disclosed in the Financial Statements Summary for the year ended March 31, 2015 (disclosed on May 12, 2015) were as follows;

Operating Revenue: ¥4,400,000 million, Operating Income: ¥820,000 million, Profit for the year attributable to owners of the parent: ¥490,000 million. There is no change to these figures.

The Company has not prepared consolidated business forecasts for the six-month period ending September 30, 2015 because the rapidly changing operating environment, characterized by competition among telecommunication carriers, means it is difficult to make forecasts for this period.

2. Notes Regarding Summary Information (Notes)

(1) Changes in significant consolidated subsidiaries during the three-month period ended June 30, 2015

None

UQ Communications Inc. (hereafter "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 on the grounds that the Group was the largest shareholder of UQ, and substantially controlled UQ as 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 (*), and the operations of UQ are significantly dependent on the Company.

*Since the second quarter of the fiscal year ended March 31, 2015, the Group's directors became majority of the board members.

(2) Changes in accounting policies and estimates

None

3. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of June 30, 2015
Assets			
Non-current assets :			
Property, plant and equipment	2,465,583	2,541,099	2,517,847
Goodwill	329,783	343,136	349,718
Intangible assets	665,068	699,332	702,493
Investments accounted for using the equity method	41,798	61,621	65,499
Other long-term financial assets	134,430	97,183	100,667
Retirement benefit assets	7,476	26,035	27,091
Deferred tax assets	95,353	110,988	95,952
Other non-current assets	57,850	72,098	71,939
Total non-current assets	3,797,340	3,951,491	3,931,206
Current assets :			
Inventories	83,776	75,837	84,382
Trade and other receivables	1,127,209	1,231,095	1,223,824
Other short-term financial assets	10,663	8,821	9,428
Other current assets	80,757	83,164	110,926
Cash and cash equivalents	249,732	276,317	198,719
Total current assets	1,552,137	1,675,235	1,627,280
Total assets	5,349,478	5,626,725	5,558,485

(Unit: Millions of yen)

	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of June 30, 2015
Liabilities and Equity			
Liabilities			
Non-current liabilities :			
Borrowings and bonds payable	779,454	846,701	812,106
Other long-term financial liabilities	131,138	145,709	151,968
Retirement benefit liabilities	17,261	14,826	14,882
Deferred tax liabilities	48,142	35,921	37,010
Other non-current liabilities	158,207	170,367	167,738
Total non-current liabilities	1,134,204	1,213,523	1,183,704
Current liabilities :			
Borrowings and bonds payable	370,349	149,760	296,930
Trade and other payables	494,605	535,489	418,565
Other short-term financial liabilities	18,679	20,698	22,238
Income taxes payables	126,169	165,402	53,358
Other current liabilities	292,882	318,841	305,458
Total current liabilities	1,302,684	1,190,190	1,096,550
Total liabilities	2,436,888	2,403,713	2,280,254
Equity			
Equity attributable to owners of the parent			
Common stock	141,852	141,852	141,852
Capital surplus	385,945	369,722	370,024
Treasury stock	(161,822)	(161,822)	(161,841)
Retained earnings	2,374,381	2,686,824	2,755,647
Accumulated other comprehensive income	43,589	27,462	31,475
Total equity attributable to owners of the parent	2,783,946	3,064,038	3,137,156
Non-controlling interests	128,644	158,974	141,075
Total equity	2,912,589	3,223,012	3,278,232
Total liabilities and equity	5,349,478	5,626,725	5,558,485

(2) Condensed Interim Consolidated Statement of Income

(Unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2015
Operating revenue	977,413	1,046,577
Cost of sales	529,042	570,531
Gross profit	448,371	476,046
Selling, general and administrative expenses	257,088	247,857
Other income	2,114	2,268
Other expense	841	678
Share of profit of investments accounted for using the equity method	1,086	1,218
Operating income	193,642	230,998
Finance income	1,212	1,635
Finance cost	4,373	3,256
Other non-operating profit and loss	−	521
Profit for the period before income tax	190,481	229,898
Income tax	71,785	74,115
Profit for the period	118,696	155,784
Profit for the period attributable to:		
Owners of the parent	111,384	143,949
Non-controlling interests	7,312	11,835
Profit for the period	118,696	155,784
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	44.47	57.47
Diluted earnings per share (yen)	−	−

(Note) Diluted earnings per share is not presented as the Group does not have dilutive potential ordinary shares.

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2015
Profit for the period	118,696	155,784
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	(323)	(141)
Share of other comprehensive income of investments accounted for using the equity method	315	(858)
Total	(8)	(998)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(157)	117
Translation differences on foreign operations	(867)	4,510
Share of other comprehensive income of investments accounted for using the equity method	(643)	672
Total	(1,668)	5,299
Total other comprehensive income	(1,676)	4,301
Total comprehensive income for the period	117,020	160,084
Total comprehensive income for the period attributable to:		
Owners of the parent	110,379	147,992
Non-controlling interests	6,641	12,092
Total	117,020	160,084

Items in the statement above are presented net of tax.

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the three-month period ended June 30, 2014

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	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 period	–	–	–	111,384	–	111,384	7,312	118,696
Other comprehensive income	–	–	–	–	(1,006)	(1,006)	(670)	(1,676)
Total comprehensive income	–	–	–	111,384	(1,006)	110,379	6,641	117,020
Transactions with owners and other transactions								
Cash dividends	–	–	–	(58,449)	–	(58,449)	(6,176)	(64,625)
Changes in interests in subsidiaries	–	148	–	–	–	148	(287)	(139)
Total transactions with owners and other transactions	–	148	–	(58,449)	–	(58,301)	(6,463)	(64,764)
As of June 30, 2014	141,852	386,093	(161,822)	2,427,317	42,584	2,836,024	128,822	2,964,846

For the three-month period ended June 30, 2015

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
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 period	–	–	–	143,949	–	143,949	11,835	155,784
Other comprehensive income	–	–	–	–	4,043	4,043	257	4,301
Total comprehensive income	–	–	–	143,949	4,043	147,992	12,092	160,084
Transactions with owners and other transactions								
Cash dividends	–	–	–	(75,148)	–	(75,148)	(29,426)	(104,575)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	30	(30)	–	–	–
Purchase and disposal of treasury stock	–	–	(19)	–	–	(19)	–	(19)
Changes in interests in subsidiaries	–	293	–	–	–	293	(565)	(271)
Other	–	8	–	(8)	–	–	–	–
Total transactions with owners and other transactions	–	302	(19)	(75,126)	(30)	(74,873)	(29,991)	(104,865)
As of June 30, 2015	141,852	370,024	(161,841)	2,755,647	31,475	3,137,156	141,075	3,278,232

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(5) Condensed Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June30, 2015
Cash flows from operating activities		
Profit for the period before income tax	190,481	229,898
Depreciation and amortization	126,941	131,307
Share of profit(loss) of investments accounted for using the equity method	(1,086)	(1,218)
Loss (gain) on sales of non-current assets	106	(21)
Loss (gain) on retirement of non-current assets	10,217	5,253
Interest and dividends income	(1,210)	(365)
Interest expenses	3,926	3,129
(Increase) decrease in trade and other receivables	36,934	8,663
Increase (decrease) in trade and other payables	(43,625)	(86,403)
(Increase) decrease in inventories	(9,833)	(8,362)
(Increase) decrease in retirement benefit assets	(1,236)	(1,056)
Increase (decrease) in retirement benefit liabilities	(1,403)	56
Other	(40,224)	(30,044)
Cash generated from operations	269,989	250,837
Interest and dividends received	3,687	1,009
Interest paid	(3,734)	(3,505)
Income tax paid	(133,552)	(167,434)
Net cash provided by (used in) operating activities	136,390	80,907

(Unit: Millions of yen)

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2015
Cash flows from investing activities		
Purchase of property, plant and equipment	(110,722)	(87,816)
Proceeds from sales of property, plant and equipment	452	585
Purchase of intangible assets	(52,955)	(64,839)
Purchase of other financial assets	(2,025)	(584)
Proceeds from sales/redemption of other financial assets	−	77
Acquisition of control over subsidiaries	−	(4,959)
Purchase of stocks of associates	(1,423)	(3,040)
Other	(386)	(466)
Net cash provided by (used in) investing activities	(167,060)	(161,042)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	25,993	166,210
Proceeds from issuance of bonds and long-term borrowings	55,000	−
Payments from redemption of bonds and repayment of long-term borrowings	(65,421)	(53,740)
Payment from purchase of subsidiaries' equity from non-controlling interests	(201)	(309)
Payment from purchase of treasury stock	−	(19)
Cash dividends paid	(57,865)	(74,518)
Cash dividends paid to non-controlling interests	(6,174)	(29,388)
Other	(5,747)	(6,410)
Net cash provided by (used in) financing activities	(54,415)	1,827
Effect of exchange rate changes on cash and cash equivalents	(152)	664
Net increase (decrease) in cash and cash Equivalents	(85,236)	(77,645)
Cash and cash equivalents at the beginning of the period	249,732	276,317
Cash and cash equivalents at the end of the period (Note)	164,496	198,672

(Note) The difference in the amount of “cash and cash equivalents” between condensed interim consolidated statement of financial position and condensed interim consolidated statement of cash flows represents bank overdrafts.

(6) Going Concern Assumption

None

(7) Notes to Condensed Interim Consolidated Financial Statements

1. Reporting entity

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, Sinjuku-ku, Tokyo, Japan. The Company's condensed interim consolidated financial statements as of and for the three-month period ended June 30, 2015 comprise 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 segments" of "Note 4. Segment information."

2. Basis of preparation

(1) Compliance of condensed interim consolidated financial statements with IFRSs and first-time adoption

The Group's condensed interim consolidated financial statements have been prepared in accordance with IAS 34 of IFRSs as prescribed in Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), hereinafter referred to as "Ordinance on Quarterly Consolidated Financial Statements" as they satisfy the requirement of a "specific company" set forth in Article 1-2 of Ordinance on Quarterly Consolidated Financial Statements.

The Group has applied IFRSs from April 1, 2015, and the condensed interim consolidated financial statements as of and for the three-month period ended June 30, 2015 are the first condensed interim 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 are provided in "Note 5. First-time adoption of IFRSs."

(2) Basis of measurement

The Group's condensed interim 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 condensed interim 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.

(4) Use of estimates and judgement

The preparation of condensed interim 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:

- Estimates of fair value of the assets acquired and liabilities assumed by business combinations ("Note 3. Significant accounting policies (2)")
- Estimates of useful lives and residual values of property, plant and equipment, intangible assets and finance lease assets("Note 3. Significant accounting policies (5)～(8)"), impairment of property, plant and equipment and intangible assets including goodwill("Note 3. Significant accounting policies (9")
- Evaluation of inventories ("Note 3. Significant accounting policies (14)")
- Recoverability of deferred tax assets ("Note 3. Significant accounting policies (24)")
- Measurement of defined benefit obligations ("Note 3. Significant accounting policies (15)")
- Collectability of trade and other receivables ("Note 3. Significant accounting policies (11)")
- Measurement method of the fair value of financial assets and liabilities ("Note 3. Significant accounting policies (10) (12)")

(5) Application of new standards and interpretations

There is no standard and interpretation newly applied from the three month period ended June 30, 2015.

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 submission date of this condensed interim consolidated financial statements are not mandatory as of June 30, 2015. 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.

The standard above will be reflected to the condensed interim consolidated financial statements for the relevant fiscal year described above. The Group is currently evaluating the impact of its application and the estimate is currently not available.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim 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 condensed interim consolidated financial statements.

The accounting policies of subsidiaries have been adjusted 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 directly 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 condensed interim 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., newly established during the previous fiscal year, 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 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 separately and not tested for impairment. Investments in associates are tested for impairment as a single asset against whole investments accounted for using the equity method. 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 adjusted to conform to the Group’s accounting policies, when necessary.

iii. Joint arrangements

The Group enters into joint arrangements when the Group jointly operates a business with third parties, or jointly owns entities with third parties under joint venture agreements. 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 (see Note 3(1)ii).

(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 condensed interim 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 condensed interim 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

Land and construction in progress are not depreciated. Other 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. 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
Other	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, intangible assets and goodwill.”

(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
Other	5－20 years

The amortization methods and 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) Leases

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 specific assets or groups of specific assets, and the right to use the assets is given under such agreement.

ii. Classification of leases

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

iii. Finance leases

In finance lease transactions, leased assets are recognized as an asset in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the aggregated minimum lease payments, each determined at the inception of the lease, less accumulated depreciation and impairment losses. Lease obligations are recognized as ”Other short-term financial liabilities” and “Other long-term financial liabilities” in the condensed interim 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 condensed interim 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 leases

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, intangible assets and goodwill

The Group determines every reporting period 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 property, plant and equipment and Intangible 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) Financial instruments

i. 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.

ii. 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.

(a) 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 condensed interim 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.

(b) Equity instruments

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

Changes in fair value of the Group's 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 condensed interim 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.

iii. 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.

iv. Presentation of financial assets and liabilities

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

(11) 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
- Reduced financial support from the parent company or associated companies
- Delinquencies

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

(12) Derivatives and hedge accounting

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

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

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

The Group designates derivatives as cash flow hedge (hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, along with their risk management objectives and strategies to conduct various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group assess whether the derivative used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item. Specially, when the Group assess whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:

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

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

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

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

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

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

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

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

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

(13) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, 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 condensed interim consolidated statement of financial position, bank overdrafts are shown within in current liabilities.

(14) 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.

(15) 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 net profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest). Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, and prior 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.

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

ii. Defined contribution plans

Certain subsidiaries of the Group adopt defined contribution plans. Contribution to the defined contribution plans is recognized as gain or loss for the period over which employees provide services.

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 an 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.

(16) Provisions

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

(17) Share-based payment

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 conclusively, with corresponding amount recognized as increase in equity.

(18) 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.

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

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

The business flows of the above transactions consist of "Indirect sales" where the Group sells mobile handsets to distributors and enters into communications service contracts with customers through the distributors, and "Direct sales" where the Group 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

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 when mobile handsets are delivered to distributors.

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

(b) Direct sales

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

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

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 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 from the membership fees is recognized over the qualifying period of the membership.

The Group may act as an agency or an agent in a transaction. To report revenue from such transactions, the Group determines whether it should present the gross amount of the consideration received from customers, or the net amount of the consideration received from customers less commission and other fees paid to a third party. However, either presentation on gross basis or net basis does not impact gross profit or profit for the year.

iv. Solution service

Revenue from solution services primarily consists of revenues from equipment sales, engineering, management and domestic 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 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.

(20) 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 inccured. Commission fees related to the sale of mobile handsets are deducted from the revenues from the sale of mobile handsets.

(21) 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 when incurred using the effective interest method. Dividend income is recognized by the Group 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.

(22) Other non-operating income and loss

Other non-operating profit and loss includes gain and loss on sales of stocks of subsidiaries and associates and gain and loss on change in equity.

(23) 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.

(24) 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 gains 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 condensed interim consolidated financial statements and their tax bases, 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 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, in principle, 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.

Income tax expense on condensed interim consolidated statement of income is calculated based on the profit for the period before income tax using the estimated weighted average annual income tax rate expected for the full financial year.

(25) Dividends

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.

(26) Earnings per share

The Group discloses basic 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. Diluted earnings per share is not presented as the Group does not have dilutive potential ordinary shares.

4. 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.

* “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 and MVNO operations in the United States. Furthermore, it provides voice and data business to more than 600 telecommunications carriers around the world.

(2) Calculation method of revenue and income or loss 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 and income or loss by reporting segment

The Group’s segment information is as follows:

For the three-month period ended June 30, 2014

(Unit: Millions of yen)

	Reporting segment								
	Personal	Value	Business	Global	Sub-total	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the condensed interim consolidated financial statements
Revenue									
Revenue from external customers	729,774	41,900	135,587	61,245	968,505	8,908	977,413	–	977,413
Inter-segment revenue or transfers	20,878	12,023	23,458	7,923	64,283	31,141	95,424	(95,424)	–
Total	750,652	53,923	159,045	69,168	1,032,788	40,049	1,072,837	(95,424)	977,413
Segment income	153,386	16,409	20,262	3,582	193,638	1,341	194,979	(1,337)	193,642
Finance income and finance cost (Net)									(3,161)
Other non-operating profit and loss									–
Profit for the three month period before income tax									190,481

(Note 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.

(Note 2) Adjustment of segment income shows the elimination of inter-segment transactions.

For the three-month period ended June 30, 2015

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the condensed interim consolidated financial statements
	Personal	Value	Business	Global	Sub-total				
Revenue									
Revenue from external customers	791,226	44,137	129,039	68,712	1,033,114	13,463	1,046,577	–	1,046,577
Inter-segment revenue or transfers	23,350	17,658	22,145	8,053	71,205	28,305	99,511	(99,511)	–
Total	814,576	61,795	151,184	76,765	1,104,319	41,768	1,146,087	(99,511)	1,046,577
Segment income	179,213	18,365	20,081	11,302	228,962	2,066	231,028	(31)	230,998
Finance income and finance cost (Net)									(1,621)
Other non-operating profit and loss									521
Profit for the three month period before income tax									229,898

(Note 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.

(Note 2) Adjustment of segment income shows the elimination of inter-segment transactions.

5. 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.

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 "7) 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)~(6) "Adjustment to equity" and "Adjustment to comprehensive income" and (7) Reclassification table "a~e" 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

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	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	130,885	162	(13)	3,396	E	134,430
Retirement benefit assets	8,893	−	−	(1,417)		7,476
Deferred tax assets	136,005	−	222	(40,875)	J	95,353
Other non-current assets	7,670	(40)	(183)	50,403	D, E	57,850
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	9,982	−	681	−		10,663
Other current assets	53,063	4,660	2,149	20,886	D	80,757
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
Other non-current liabilities	79,278	(24,484)	(724)	104,136	D	158,207
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	18,458	188	(4)	37		18,679
Income taxes payables	126,074	107	(53)	41		126,169
Other current liabilities	217,831	267	(1,215)	75,999	D,F	292,882
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

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (7) Notes for Reclassification

*2: Presented in (10) Notes for differences in recognition and measurement.

(3) Adjustment to equity as of June 30, 2014

Items on the consolidated statement of financial position

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (*2)	IFRS
Assets						
Non-current assets						
Property, plant and equipment	2,134,236	104,049	43	238,959	B	2,477,287
Goodwill	329,951	−	306	(168)	A,H	330,089
Intangible assets	657,554	9,029	(121)	10,154	B,D,H	676,616
Investments accounted for using the equity method	41,302	−	0	194	F,G,H	41,496
Other long-term financial assets	132,135	165	25	3,111	E	135,435
Retirement benefit assets	9,007	−	−	(295)	F	8,712
Deferred tax assets	124,950	−	253	(34,806)	J	90,397
Other non-current assets	7,603	0	(30)	59,487	D,E	67,060
Total non-current assets	3,436,737	113,243	476	276,636		3,827,091
Current assets						
Inventories	99,543	170	548	(6,774)	D	93,487
Trade and other receivables	1,093,712	(371)	(2,318)	(1,786)	D	1,089,237
Other short-term financial assets	10,922	−	437	−		11,359
Other current assets	82,385	9,709	259	9,735	D,I	102,088
Cash and cash equivalents	162,180	1,992	324	−		164,496
Total current assets	1,448,741	11,501	(752)	1,176		1,460,666
Total assets	4,885,478	124,743	(275)	277,812		5,287,758
Liabilities						
Non-current liabilities						
Borrowings and bonds payable	728,358	57,400	125	(1,573)	E	784,309
Other long-term financial liabilities	37,945	757	5	96,990	E	135,696
Retirement benefit liabilities	15,857	−	1	−		15,858
Deferred tax liabilities	48,561	1	(2,469)	2,385	J	48,478
Other non-current liabilities	78,399	(24,625)	(450)	114,638	D	167,962
Total non-current liabilities	909,119	33,533	(2,788)	212,439		1,152,303
Current liabilities						
Borrowings and bonds payable	333,115	48,300	(125)	(199)	E	381,091
Trade and other payables	386,415	14,685	1,109	19,633	D,I	421,842
Other short-term financial liabilities	19,190	185	(2)	37		19,410
Income taxes payables	60,847	69	205	52		61,172
Other current liabilities	215,576	456	(4,152)	75,214	D,F	287,093
Total current liabilities	1,015,142	63,695	(2,966)	94,738		1,170,609
Total liabilities	1,924,261	97,228	(5,754)	307,177		2,322,912
Equity						
Equity attributable to owners of the parent						
Common stock	141,852	−	−	−		141,852
Capital surplus	385,982	−	−	110	E,G,H	386,093
Treasury stock	(161,822)	−	−	−		(161,822)
Retained earnings	2,338,525	631	5,674	82,486	A~J	2,427,317
Accumulated other comprehensive income	62,710	−	(24)	(20,102)	E,F,G	42,584
Total equity attributable to owners of the parent	2,767,247	631	5,651	62,495		2,836,024
Non-controlling interests	193,969	26,884	(172)	(91,859)		128,822
Total equity	2,961,217	27,515	5,479	(29,365)		2,964,846
Total liabilities and equity	4,885,478	124,743	(275)	277,812		5,287,758

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (7) Notes for Reclassification.

*2: Presented in (10) Notes for differences in recognition and measurement.

(4) Adjustment to equity as of March 31, 2015

Items on the consolidated statement of financial position

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	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	189,069	(95,118)	−	3,232	E	97,183
Retirement benefit assets	26,035	−	−	−		26,035
Deferred tax assets	139,964	−	−	(28,975)	J	110,988
Other non-current assets	7,705	0	−	64,393	D,E	72,098
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	19,974	(11,153)	−	−		8,821
Other current assets	51,930	8,016	−	23,217	D	83,164
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	46,315	1,028	−	98,366	E	145,709
Retirement benefit liabilities	14,826	−	−	−		14,826
Deferred tax liabilities	39,571	1	−	(3,651)	J	35,921
Other non-current liabilities	53,087	(168)	−	117,448	D	170,367
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
Other current liabilities	246,007	301	−	72,533	D,F	318,841
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

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (7) Notes for Reclassification.

*2: Presented in (10) Notes for differences in recognition and measurement.

(5) Adjustment to comprehensive income for the three-month period ended June 30, 2014

Items on the consolidated statement of income

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (*2)	IFRS
Operating revenue	1,020,552	(2,360)	2,647	(43,426)	D	977,413
Cost of sales	526,622	(7,972)	2,294	8,099	B,D,F,I	529,042
Gross profit	493,930	5,612	354	(51,525)		448,371
Selling, general and administrative expenses	299,155	6,643	795	(49,505)	A,B,D~F,H~J	257,088
Other income	2,319	(21)	(1)	(183)	B	2,114
Other expense	904	5	24	(92)	B	841
Share of profit(loss) of investments accounted for using the equity method	765	141	0	180	G	1,086
Operating income	196,955	(916)	(467)	(1,931)		193,642
Finance income	1,238	(52)	(18)	44	E	1,212
Finance cost	3,489	346	(91)	629	E	4,373
Profit before income tax	194,705	(1,314)	(393)	(2,517)	A,B,D~J	190,481
Income taxes	73,880	5	(79)	(2,021)		71,785
Profit for the period	120,825	(1,319)	(314)	(496)		118,696
Profit for the period attributable to:						
Owner of the parent	113,514	(619)	(345)	(1,165)		111,384
Minority interests	7,310	(699)	31	669		7,312
Profit for the period	120,825	(1,319)	(314)	(496)		118,696

Items on the consolidated statement of comprehensive income

(Unit: 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	IFRS	Line items under IFRS
Income before minority interests	120,825	(1,319)	(314)	(496)		118,696	Profit for the period
Other comprehensive income							Other comprehensive income, net of tax
Valuation difference on available-for sale securities	(235)	−	3	(92)	E	(323)	Changes in fair value of financial assets at fair value through other comprehensive income
Deferred gains or losses on hedges	(200)	−	−	43		(157)	Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	(3,553)	−	2,686	−		(867)	Exchange differences on translating foreign operations
Remeasurements of defined benefit plans, net of tax	519	−	22	(541)	F	−	Remeasurements of defined benefit plans, net of tax
Share of other comprehensive income of investments accounted for using the equity method	(347)	−	−	19	G	(328)	Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(3,817)	−	2,711	(570)	E,F,G	(1,676)	Total other comprehensive income, net of tax
Total comprehensive income	117,008	(1,319)	2,397	(1,066)		117,020	Total comprehensive income
Attributable to:							Attributable to:
Owner of the parent	110,536	(619)	2,241	(1,778)		110,379	Owner of the parent
Minority interests	6,472	(699)	156	712		6,641	Minority interests

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (7) Notes for Reclassification.

*2: Presented in (10) Notes for differences in recognition and measurement.

(6) Adjustment to comprehensive income for the year ended March 31, 2015

Items on the consolidated statement of income

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	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~F,H~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

Items on the consolidated statement of comprehensive income

(Unit: 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	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)	Net 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

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (7) Notes for Reclassification.

*2: Presented in (10) Notes for differences in recognition and measurement.

(7) 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. Provision for point service program, which was presented as non-current item under Japanese GAAP, is presented as current item under IFRSs
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 are presented as other non-operating profit and loss under IFRSs. Gain and loss on disposal of non-current assets and impairment loss etc. which were previously presented as extraordinary income and loss, are presented as cost of sales, selling, general and administrative expenses, and other income and expenses under IFRSs.

l. In addition, certain aggregation and separate presentation have been done to conform to line items under IFRSs.

The following tables show the details of above line items for reclassification.

(7) Reclassification

a. Reclassification for consolidated statement of financial position as of April 1, 2014 (at the date of transition to IFRSs)

(Unit: Millions of yen)

Japanese GAAP line items	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
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 asset 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	−	
		130,885	130,885	Other long-term financial assets
		7,670	7,670	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	−	
		9,982	9,982	Other short-term financial assets
		53,063	53,063	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

(Unit: Millions of yen)

Japanese GAAP line items	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
		79,278	79,278	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)	−	
		18,458	18,458	Other short-term financial liabilities
		217,831	217,831	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)	−	
Remeasurement 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

(7) Reclassification

b. Reclassification for consolidated statement of financial position as of June 30, 2014

(Unit: Millions of yen)

	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Japanese GAAP line items				
Assets				Assets
Fixed assets				Non-current assets
Property, plant and equipment				
Property, plant and equipment in telecommunications business				
Machinery, net	660,436	(660,436)	−	
Antenna equipment, net	346,386	(346,386)	−	
Local line facilities, net	120,647	(120,647)	−	
Long-distance line facilities, net	4,850	(4,850)	−	
Engineering facilities, net	23,084	(23,084)	−	
Submarine line facilities, net	2,960	(2,960)	−	
Buildings, net	159,714	(159,714)	−	
Structures, net	25,685	(25,685)	−	
Land	247,869	(247,869)	−	
Construction in progress	147,049	(147,049)	−	
Other property, plant and equipment, net	26,384	(26,384)	−	
Property, plant and equipment, net in Incidental business	369,172	(369,172)	−	
		2,134,236	2,134,236	Property, plant and equipment
Intangible fixed assets				
Intangible fixed assets in telecommunications business				
Rights to use facilities	11,865	(11,865)	−	
Software	168,939	(168,939)	−	
Goodwill	19,523	(19,523)	−	
Other intangible fixed assets	8,411	(8,411)	−	
Intangible fixed asset in Incidental business	535,877	(535,877)	−	
		329,951	329,951	Goodwill
		657,554	657,554	Intangible assets
Investments and other assets				
Investment securities	93,144	(93,144)	−	
Shares in related companies	41,041	260	41,302	Investments accounted for using the equity method
Investment in related companies	260	(260)	−	
Long-term prepaid expenses	248,524	(248,524)	−	
Retirement benefit assets	9,007	−	9,007	Retirement benefit assets
Deferred tax assets	84,554	40,396	124,950	Deferred tax assets
Other investments and other assets	50,695	(50,695)	−	
Allowance for doubtful accounts	(9,737)	9,737	−	
		132,135	132,135	Other long-term financial assets
		7,603	7,603	Other non-current assets
Total fixed assets	3,396,341	40,396	3,436,737	Total non-current assets
Current assets				Current assets
Cash and deposits	172,658	(10,478)	162,180	Cash and cash equivalents
Accounts receivable-trade and notes receivable	1,052,937	40,775	1,093,712	Trade and other receivables
Other receivables	67,740	(67,740)	−	
Securities	263	(263)	−	
Supplies	97,913	1,629	99,543	Inventories
Prepaid expenses	64,746	(64,746)	−	
Deferred tax assets	40,396	(40,396)	−	
Other current assets	12,977	(12,977)	−	
Allowance for doubtful accounts	(20,493)	20,493	−	
		10,922	10,922	Other short-term financial assets
		82,385	82,385	Other current assets
Total current assets	1,489,137	(40,396)	1,448,741	Total current assets
Total assets	4,885,478	−	4,885,478	Total assets

(Unit: Millions of yen)

Japanese GAAP line items	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Liabilities				Liabilities
Fixed liabilities				Non-current liabilities
Bonds payable	185,000	(185,000)	−	
Long-term borrowings	543,358	(543,358)	−	
		728,358	728,358	Borrowings and bonds payable
Retirement benefit liabilities	15,857	−	15,857	Retirement benefit liabilities
Provision for point service program	74,811	(74,811)	−	
Other fixed liabilities	164,852	(164,852)	−	
		37,945	37,945	Other long-term financial liabilities
		48,561	48,561	Deferred tax liabilities
		78,399	78,399	Other non-current liabilities
Total fixed liabilities	983,878	(74,759)	909,119	Total non-current liabilities
Current liabilities				Current liabilities
Current portion of fixed liabilities	219,116	113,998	333,115	Borrowings and bonds payable
Notes payable and accounts payable-trade	78,569	307,846	386,415	Trade and other payables
Short-term borrowings	133,188	(133,188)	−	
Accounts payable, other	308,113	(308,113)	−	
Accrued expenses	27,100	(27,100)	−	
Income taxes payables	60,667	180	60,847	Income taxes payables
Advances received	54,199	(54,199)	−	
Allowance for bonuses	10,995	(10,995)	−	
Other current liabilities	48,436	(48,436)	−	
		19,190	19,190	Other short-term financial liabilities
		215,576	215,576	Other current liabilities
Total current liabilities	940,383	74,759	1,015,142	Total current liabilities
Total liabilities	1,924,261	−	1,924,261	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	2,338,525	−	2,338,525	Retained earnings
Treasury stock	(161,822)	−	(161,822)	Treasury stock
Accumulated other comprehensive income				
Valuation difference on available for-sale securities	45,810	(45,810)	−	
Deferred gain or loss on hedges	(1,966)	1,966	−	
Foreign currency translation adjustments	11,998	(11,998)	−	
Remeasurement of retirement benefit plans	6,868	(6,868)	−	
		62,710	62,710	Accumulated other comprehensive income
			2,767,247	Total equity attributable to owners of the parent
Subscription rights	40	(40)	−	
Minority interests	193,969	−	193,969	Non-controlling interests
Total net assets	2,961,217	−	2,961,217	Total equity
Liabilities and total net assets	4,885,478	−	4,885,478	Total liabilities and equity

(7) Reclassification

c. Reclassification for consolidated statement of financial position as of March 31, 2015

(Unit: Millions of yen)

	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Japanese GAAP line items				
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 asset 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	−	
		189,069	189,069	Other long-term financial assets
		7,705	7,705	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	−	
		19,974	19,974	Other short-term financial assets
		51,930	51,930	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

(Unit: Millions of yen)

Japanese GAAP line items	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)	−	
		46,315	46,315	Other long-term financial liabilities
		39,571	39,571	Deferred tax liabilities
		53,087	53,087	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
		246,007	246,007	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

(7) Reclassification

d. Reclassification for consolidated statement of income for the three-month period ended June 30, 2014

(Unit: Millions of yen)

	Japanese GAAP	Reclassification								After reclassificaton
		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	
Japanese GAAP line items										
Operating revenues from telecommunications business	662,859	(662,859)	－	－	－	－	－	－	(662,859)	－
Operating revenues from incidental business	357,693	(357,693)	－	－	－	－	－	－	(357,693)	－
Operating expenses in telecommunications business										
Business costs	169,978	－	(30,439)	(139,539)	－	－	－	－	(169,978)	－
Operational costs	11	－	(11)	－	－	－	－	－	(11)	－
Maintenance costs	65,170	－	(65,170)	－	－	－	－	－	(65,170)	－
Common costs	674	－	－	(674)	－	－	－	－	(674)	－
Management costs	19,116	－	(30)	(19,086)	－	－	－	－	(19,116)	－
Experiment and research expenses	1,381	－	－	(1,381)	－	－	－	－	(1,381)	－
Depreciation	89,714	－	(89,532)	(182)	－	－	－	－	(89,714)	－
Retirement of fixed assets	8,674	－	(8,674)	－	－	－	－	－	(8,674)	－
Communication equipment rentals	94,392	－	(94,392)	－	－	－	－	－	(94,392)	－
Taxes	11,194	－	(8,223)	(2,971)	－	－	－	－	(11,194)	－
Operating expenses in incidental business	365,459	－	(230,152)	(135,307)	－	－	－	－	(365,459)	－
Operating income	194,791	(1,020,552)	526,622	299,139	－	－	－	－	(194,791)	－
Non-operating revenue										
Interest income	208	－	－	－	－	－	(208)	－	(208)	－
Dividends income	1,030	－	－	－	－	－	(1,030)	－	(1,030)	－
Share of profit(loss) of investments accounted for using the equity method	765	－	－	－	－	(765)	－	－	(765)	－
Miscellaneous income	2,319	－	－	－	(2,319)	－	－	－	(2,319)	－
Non-operating expenses										
Interest expenses	3,098	－	－	－	－	－	(3,098)	－	(3,098)	－
Miscellaneous expenditure	1,310	－	－	(16)	(904)	－	(391)	－	(1,310)	－
Ordinary income	194,705	(1,020,552)	526,622	299,155	(1,415)	(765)	2,251	－	(194,705)	－
Income before income taxes and minority interests	194,705	(1,020,552)	526,622	299,155	(1,415)	(765)	2,251	－	(194,705)	－
Line items under IFRS										
Operating revenue	－	1,020,552	－	－	－	－	－	－	1,020,552	1,020,552
Cost of sales	－	－	526,622	－	－	－	－	－	526,622	526,622
Gross profit	－	1,020,552	(526,622)	－	－	－	－	－	493,930	493,930
Selling, general and administrative expenses	－	－	－	299,155	－	－	－	－	299,155	299,155
Other income	－	－	－	－	2,319	－	－	－	2,319	2,319
Other expense	－	－	－	－	904	－	－	－	904	904
Share of profit(loss) of investments accounted for using the equity method	－	－	－	－	－	765	－	－	765	765
Operating income	－	1,020,552	(526,622)	(299,155)	1,415	765	－	－	196,955	196,955
Finance income	－	－	－	－	－	－	1,238	－	1,238	1,238
Finance cost	－	－	－	－	－	－	3,489	－	3,489	3,489
Profit before income tax	－	1,020,552	(526,622)	(299,155)	1,415	765	(2,251)	－	194,705	194,705

(7) Reclassification

e. Reclassification for consolidated statement of income for the year ended March 31, 2015

(Unit: Millions of yen)

	Japanese GAAP	Reclassification								After reclassificaton
		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	
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)	—
Loss on retirement of fixed assets	—	—	—	—	—	—	—	—	—	—
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

(8) 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 on the grounds that the Group was the largest shareholder of UQ, and substantially controlled UQ as 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 (*), and the operations of UQ are significantly dependent on the Company.

*Since the second quarter of the fiscal year ended March 31, 2015, the Group's directors became majority of the board members.

(9) 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.

(10) Notes for differences in recognition and measurement

Key reconciliation items related to retained earnings resulting from the adoption of IFRSs are as follows:

* Amounts presented in “A to J” and other are before tax.

(Unit: Millions of yen)

	As of date of transition to IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Retained earnings under Japanese GAAP	2,283,459	2,338,525	2,586,144
Differences in the scope of consolidation	1,250	631	(2,420)
Unification of reporting period	4,866	5,674	－
Differences in recognition and measurement			
A. Goodwill	－	5,478	26,883
B. Property, plant and equipment and intangible assets	234,569	225,236	207,822
C. Cumulative exchange differences at the date of transition to IFRSs	12,784	12,784	12,784
D. Revenue recognition	(96,923)	(103,878)	(101,413)
E. Financial instruments	(90,334)	(90,931)	(92,029)
F. Employee benefits	(3,895)	(2,984)	11,034
G. Investments in related companies	62	279	1,088
H. Business combination	1,520	899	(7,184)
I. Levies	(21,559)	(16,173)	(23,020)
J. Tax	1,801	1,747	1,006
Other	(480)	(58)	1,246
Tax effects on adjustment in difference in recognition and measurement / Increase and decrease of non-controlling interests	47,261	50,089	64,883
Total differences in recognition and measurement	84,805	82,486	103,101
Retained earnings under IFRSs	2,374,381	2,427,317	2,686,824

Key reconciliation items related to profit before income taxes resulting from the adoption of IFRSs are as follows:

(Unit: Millions of yen)

	For the three-month period ended June 30, 2014	For the year ended March 31, 2015
Income before income taxes and minority interests under Japanese GAAP	194,705	719,944
Differences in the scope of consolidation	(1,314)	(1,728)
Unification of reporting period	(393)	(4,273)
Differences in recognition and measurement		
A. Goodwill	6,631	28,158
B. Property, plant and equipment and intangible assets	(8,891)	(26,586)
C. Cumulative exchange differences at the date of transition to IFRSs	–	–
D. Revenue recognition	(6,955)	(4,490)
E. Financial instruments	(503)	(53,009)
F. Employee benefits	876	2,084
G. Investments in related companies	217	1,027
H. Business combination	(487)	(1,867)
I. Levies	5,386	(1,461)
J. Tax	1,271	5,193
Other	(62)	(126)
Total differences in recognition and measurement	(2,517)	(51,077)
Profit for the period (year) before income tax under IFRSs	190,481	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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of the date of transition of IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Increase of goodwill	−	5,478	26,883
Increase of retained earnings	−	5,478	26,883

(Unit: Millions of yen)

(Consolidated statement of income)	For the three-month period ended June 30, 2014	For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	6,631	28,158
Increase of profit for the period (year) before income tax	6,631	28,158

B. Property, plant and equipment and intangible assets

a. 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.

b. 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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Increase of property, plant and equipment	243,971	236,907	221,627
Decrease of intangible assets	(9,402)	(11,671)	(13,805)
Increase of retained earnings	234,569	225,236	207,822

(Unit: Millions of yen)

(Consolidated statement of income)	For the three-month period ended June 30,2014	For the year ended March 31, 2015
Increase of cost of sales	(8,854)	(25,616)
Decrease of selling, general and administrative expenses	649	2,075
Decrease of other income	(4)	(3)
Increase of other expense	(682)	(3,042)
Decrease of profit for the period (year) before income tax	(8,891)	(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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Increase of intangible assets	15,885	15,415	14,002
Increase of other non-current assets	47,193	58,159	63,359
Decrease of inventories	(2,489)	(5,006)	(4,392)
Decrease of trade and other receivables	(2)	(1,693)	−
Increase of other current assets	23,333	23,894	23,316
Increase of other non-current liabilities	(105,013)	(115,218)	(118,167)
Increase of trade and other payables	(13,223)	(17,244)	(20,305)
Increase of other current liabilities	(62,609)	(62,185)	(59,226)
Decrease of retained earnings	(96,923)	(103,878)	(101,413)

(Unit: Millions of yen)

(Consolidated statement of income)	For the three-month period ended June 30,2014	For the year ended March 31, 2015
Decrease of operating revenue	(41,750)	(230,663)
Increase of cost of sales	(2,988)	(1,903)
Decrease of selling, general and administrative expenses	37,784	228,076
Decrease of profit for the period (year) before income tax	(6,955)	(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 borrowing‘s 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 not recognized in the consolidated statement of 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 preferred stocks that the Group has issued were treated as capital, but under IFRS, those preferred stocks are treated as financial liabilities because the Group has an obligation to deliver cash to holders of preferred stocks in the future.

Impacts from those differences are summarized as follows:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Increase of other long-term financial assets	4,050	3,762	3,887
Increase of other non-current assets	1,632	1,550	1,425
Decrease of borrowings and bonds payable (non-current)	1,642	1,573	1,617
Increase of other long-term financial liabilities	(96,532)	(96,989)	(98,366)
Decrease of borrowings and bonds payable (current)	215	199	150
Decrease of capital surplus (before tax)	641	641	641
Increase of accumulated other comprehensive income (before tax)	(1,982)	(1,666)	(1,384)
Decrease of retained earnings	(90,334)	(90,931)	(92,029)

(Unit: Millions of yen)

(Consolidated statement of income)	For the three-month period ended June 30, 2014	For the year ended March 31, 2015
Decrease (increase) of selling, general and administrative expenses	3	(15)
Decrease of other income	–	(150)
Decrease of finance income	(4)	(51,608)
Increase of finance cost	(502)	(1,237)
Decrease of profit for the period (year) before income tax	(503)	(53,009)

(Unit: Millions of yen)

(Consolidated statement of comprehensive income)	For the three month period ended June 30, 2014	For the year ended March 31, 2015
Changes measured in fair value of financial assets through other comprehensive income	(92)	32,706
Increase (decrease) of other comprehensive income	(92)	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 IFRS, 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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Decrease of investments accounted for using the equity method	(112)	(145)	(119)
Decrease of retirement benefit assets	–	(295)	–
Increase of other current liabilities	(13,452)	(13,065)	(13,322)
Decrease of accumulated other comprehensive income (before tax)	9,669	10,521	24,475
Increase (decrease) of retained earnings	(3,895)	(2,984)	11,034

(Unit: Millions of yen)

(Consolidated statement of income)	For the three-month period ended June 30, 2014	For the year ended March 31, 2015
Decrease of cost of sales	106	418
Decrease of selling, general and administrative expenses	770	1,666
Increase of profit for the period (year) before income tax	876	2,084

(Unit: Millions of yen)

(Consolidated statement of comprehensive income)	For the three month period ended June 30, 2014	For the year ended March 31, 2015
Remeasurement of defined benefit plans	(541)	(1,731)
Decrease of other comprehensive income	(541)	(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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Increase of investments accounted for using the equity method	6	223	1,033
Decrease of capital surplus (before tax)	37	37	37
Decrease of accumulated other comprehensive income (before tax)	18	18	18
Increase of retained earnings	62	279	1,088

(Unit: Millions of yen)

(Consolidated statement of income)	For the three-month period ended June 30, 2014	For the year ended March 31, 2015
Increase of share of profit of investments accounted for using the equity method	217	1,027
Increase of profit for the period (year) before income tax	217	1,027

(Unit: Millions of yen)

(Consolidated statement of comprehensive income)	For the three month period ended June 30, 2014	For the year ended March 31, 2015
Share of other comprehensive income of investments accounted for using the equity method	19	(1,262)
Increase(decrease) of other comprehensive income	19	(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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Decrease of goodwill	(5,645)	(5,646)	(5,772)
Increase of intangible assets	6,970	6,529	5,208
Increase (decrease) of investments accounted for using the equity method	148	116	(22,858)
Decrease (increase) of capital surplus	48	(100)	16,239
Increase (decrease) of retained earnings	1,520	899	(7,184)

(Unit: Millions of yen)

(Consolidated statement of income)	For the three-month period ended June 30, 2014	For the year ended March 31, 2015
Increase of selling, general and administrative expenses	(487)	(1,568)
Decrease of other income	−	(344)
Decrease of other expense	−	45
Decrease of profit for the period (year) before income tax	(487)	(1,867)

I. Levies

Items qualified as Levies such as property tax were recognized at the time of payment under Japanese GAAP. Under IFRS, they are recognized on the date when an obligation event occurs.

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Decrease of other current assets	–	(13,682)	–
Increase of trade and other payables	(21,559)	(2,491)	(23,020)
Decrease of retained earnings	(21,559)	(16,173)	(23,020)

(Unit: Millions of yen)

(Consolidated statement of income)	For the three-month period ended June 30, 2014	For the year ended March 31, 2015
Decrease (increase) of cost of sales	5,073	(526)
Decrease (increase) of selling, general and administrative expenses	313	(935)
Increase (decrease) of profit for the period (year) before income tax	5,386	(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.

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of June 30, 2014	As of March 31, 2015
Increase of deferred tax assets	1,692	1,759	1,489
Decrease(Increase) of deferred tax liabilities	108	(12)	(483)
Increase of retained earnings	1,801	1,747	1,006

(Unit: Millions of yen)

(Consolidated statement of income)	For the three-month period ended June 30, 2014	For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	1,271	5,193
Increase of profit for the period (year) before income tax	1,271	5,193

(11) Notes to cash flow adjustments

For the year ended June 30, 2014

(Unit: Millions of yen)

(Consolidated Statement of Cash Flows)	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
Japanese GAAP	143,752	(151,065)	(42,387)
Differences in the scope of consolidation	(5,425)	(17,405)	(12,047)
Unification of reporting period	(1,214)	676	30
Differences in recognition and measurement	(723)	734	(11)
IFRSs	136,390	(167,060)	(54,415)

For the year ended March 31, 2015

(Unit: Millions of yen)

(Consolidated Statement of Cash Flows)	Cash flows from operating activities	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 recognition and measurement 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”.