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 nine-month period ended December 31, 2016 [IFRS]

February 2, 2017

Company name:	**KDDI CORPORATION** URL http://www.kddi.com
Stock listing:	Tokyo Stock Exchange - First Section
Code number:	9433
Representative:	Takashi Tanaka, President
Scheduled date of quarterly report filing:	February 7, 2017
Scheduled date of dividend payment:	—
Supplemental materials of quarterly results:	Yes
Presentation for 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 nine-month period ended December 31, 2016 (April 1, 2016 - December 31, 2016)

(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	
		%		%		%		%		%		%
Nine-month period ended December 31, 2016	3,522,219	6.8	775,737	15.4	766,293	15.7	551,252	20.9	471,398	15.4	529,681	17.9
Nine-month period ended December 31, 2015	3,299,031	3.8	672,442	11.0	662,370	9.0	456,032	16.9	408,486	13.4	449,243	9.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine -month period ended December 31, 2016	190.92	190.89
Nine -month period ended December 31, 2015	163.04	163.04

(2) Consolidated Financial Position

	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 December 31, 2016	6,100,890	3,756,499	3,482,762	57.1
As of March 31, 2016	5,880,623	3,546,856	3,308,642	56.3

Note: During the first quarter of the fiscal year ending March 31, 2017, the KDDI Group finalized the provisional accounting treatment for business combinations, which was carried out in the fourth quarter of the fiscal year ended March 31, 2016. As a result, figures as of March 31,2016 reflect the revision of the initially allocated amounts of acquisition price.

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, 2016	-	35.00	-	35.00	70.00
Year ending March 31, 2017	-	40.00			
Year ending March 31, 2017 (forecast)			-	45.00	85.00

Note: Changes in the latest forecasts released : Yes

3. Consolidated Financial Results Forecast for Year ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(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	4,700,000	5.2	910,000	9.3	540,000	9.1	219.70

Note: Changes in the latest forecasts released: Yes

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation) during the nine-month period ended December 31, 2016 : 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 December 31, 2016	2,620,494,257
	As of March 31, 2016	2,690,890,800
2) Number of treasury stock	As of December 31, 2016	162,641,633
	As of March 31, 2016	201,421,255
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the nine-month period ended December 31, 2016	2,469,107,169
	For the nine-month period ended December 31, 2015	2,505,429,253

Note: The 1,704,121 shares of KDDI's stock owned by the executive compensation BIP Trust account and the stock-granting ESOP Trust account are included in the total number of treasury stock as of December 31, 2016.

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 forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI 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.

2. On February 2, 2017, KDDI will hold a financial result briefing for the institutional investors and analysts. The briefing will be webcasted and the presentation materials and Q&A summary will be also posted on our website. In addition to the above, KDDI holds the briefing and the presentations on our business for the individual investors. For the schedule and details, please check our website.

[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.
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.
IoT	IoT is an abbreviation for Internet of Things. It refers to all manner of things possessing communication functions and being connected to the Internet, the sending of data collected by sensors, the use of data on a cloud platform, and automatic control based on this data.
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.

1. Qualitative Information / Consolidated Financial Statements, etc.

(1) Explanation of Financial Results

1) Results Overview

Industry Trends and KDDI's Position

The Japanese telecommunications market continues to shift from mobile handsets to "smart devices," such as smartphones and tablets. Against this backdrop, the services mobile phone operators offer are growing more similar, and MVNO operators are increasingly promoting inexpensive SIM services. Furthermore, to secure new sources of earnings, telecommunications carriers are expanding their operations in domains other than telecommunications services, and their business strategies are entering an era of major change in which they are looking ahead to competition with non-telecommunications carriers. In addition, the business environment for the overall telecommunications market is entering a new phase, with statutory changes such as requests from Ministry of Internal Affairs to mobile-service operators and guideline based on its "policy for reducing smartphone rates and normalizing handset sales" as well as developments in technology such as the Internet of Things (IoT) and artificial intelligence (AI).

In response to these changes in the business environment, KDDI is working to become the preferred choice of customers by transforming into a business that provides experience value surpassing customer expectations by emphasizing the "customer's perspective" and "innovation."

In Japan, KDDI aims to transform from a telecommunications company into a "Life Design Company" to establish new avenues for growth in the non-telecommunications domain. In addition to the traditional telecommunication services, we will offer comprehensive "Life design" services including content, settlement, physical product sales, energy, and financial services. Our aim is to expand the "au economic zone" as a new economic zone in the non-telecommunications domain, building on top of our au customer base. Moreover, in the telecommunications domain, we will work to expand the average revenue per account, or "ARPA," and maximize "au customer numbers × ARPA" by stepping up our initiatives to popularize smartphones and tablets and strengthen our response to the IoT, and creating new experience value by linking various devices and other means. In January 2017, we made BIGLOBE Inc. a wholly owned subsidiary, thereby expanding our customer base.

Overseas, KDDI's consolidated subsidiary, KDDI Summit Global Myanmar Co., Ltd., is currently working with Myanmar Posts & Telecommunications (MPT), the country's nationally operated telecommunications partner, in the Myanmar telecommunications business. We will make a focused effort to build this operation into a pillar of our global business. In addition, we will seek further growth in MobiCom Corporation LLC in Mongolia, which was made a consolidated subsidiary in March 2016, with its introduction of LTE services in May. MobiCom is a comprehensive communication service provider with the top share of mobile phone subscribers in Mongolia. Furthermore, in data center and other ICT businesses for corporate customers as well, KDDI will continue to reinforce its infrastructure to expand its global business.

Financial Results

For the nine-month period ended December 31, 2016

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2015	Nine -month period ended December 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating revenue	3,299,031	3,522,219	223,188	6.8
Cost of sales	1,841,627	1,913,810	72,183	3.9
Gross profit	1,457,404	1,608,410	151,006	10.4
Selling, general and administrative expenses	795,376	838,540	43,165	5.4
Other income and expense (Net)	6,733	3,107	(3,626)	(53.9)
Share of profit(loss) of investments accounted for using the equity method	3,680	2,760	(919)	(25.0)
Operating income	672,442	775,737	103,295	15.4
Finance income and cost (Net)	(10,492)	(7,013)	3,478	—
Other non-operating profit and loss (Net)	420	(2,431)	(2,851)	—
Profit for the period before income tax	662,370	766,293	103,923	15.7
Income tax	206,338	215,041	8,703	4.2
Profit for the period	456,032	551,252	95,220	20.9
Attributable to owners of the parent	408,486	471,398	62,912	15.4
Attributable to non-controlling interests	47,546	79,854	32,308	68.0

During the nine-month period ended December 31, 2016, operating revenue rose 6.8% to ¥3,522,219 million, reflecting steady progress in the domestic telecommunications business driven by an increase in mobile communications revenues and revenues from handset sales, as well as the impact of the conversion of Jupiter Shop Channel Co., Ltd. (hereinafter “Shop Channel”) into a new consolidated subsidiary in order to maximize the “au economic zone.”

Operating income increased 15.4% to ¥775,737 million due to a decrease of handset procurement costs and sales commissions, despite an increase in costs associated with the conversion of Shop Channel into a new consolidated subsidiary.

Profit for the period attributable to owners of the parent rose 15.4% to ¥471,398 million due to the increase in operating income.

Subscriptions of Major Services

Cumulative subscriptions	Unit	Year ended March 31, 2016				Year ending March 31, 2017		
		As of 1Q	As of 2Q	As of 3Q	As of 4Q	As of 1Q	As of 2Q	As of 3Q
au subscriptions	(Thousand)	44,074	44,640	45,241	45,910	46,590	47,237	47,829
(Ref.) UQ WiMAX	(Thousand)	11,241	13,159	15,689	18,048	19,815	21,626	23,296
FTTH subscriptions	(Thousand)	3,559	3,625	3,695	3,750	3,804	3,844	3,875
CATV subscriptions*	(Thousand)	4,938	4,979	5,025	5,052	5,213	5,245	5,277

*The J:COM Group, a consolidated subsidiary handling the cable television business, provides CATV service via 75 channels in the Sapporo, SendKanto, Kansai, and Kyushu areas as of December 31, 2016 as well as high-speed Internet connectivity, telephone and other services.

2) Results by Business Segment

Personal Services

The Personal Services segment mainly provides mobile and fixed-line communications services for individual customers in Japan. In addition to providing mobile communications services, chiefly under the “au” brand, and selling multi-devices such as various smartphones and tablets, in fixed-line communications, our services include in-home Internet, telephone, and TV services. In addition to these convenient FTTH services, which are branded “au HIKARI,” we provide CATV and other services. Moreover, the KDDI Group organically links Wi-Fi into its multi-network to efficiently create a high quality social infrastructure and provide a seamless communication environment.

In the telecommunications domain, in the current fiscal year, we will continue working to expand sales of mobile, FTTH, and CATV services by leveraging “au Smart Value,” which offers discounted monthly au mobile phone usage fees for customers who subscribe to au mobile phone/smartphone services as well as eligible fixed-line communications services. We will also aim to increase our number of allied companies. Meanwhile, in the expanding MVNO market we will aim to increase our customer base, mainly by offering UQ mobile (MVNO) services provided by our consolidated subsidiary UQ Communications Inc. using au lines.

In the non-telecommunications domain, where we aim to expand by transforming into a “Life Design Company,” we are taking steps to maximize the “au economic zone.” These include expanding the “au WALLET Market,” which maximizes the potential of au shops to serve as customer contact points, provision of “au Denki” services, and provision of an exclusive points exchange website for “au STAR” members.

Operating performance in the Personal Services segment for the nine-month period ended December 31, 2016 is described below.

Results

For the nine-month period ended December 31, 2016

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	2,598,676	2,704,909	106,232	4.1
Operating Income	525,003	606,867	81,865	15.6

During the nine-month period ended December 31, 2016, operating revenue rose 4.1% to ¥2,704,909 million, mainly due to increases in mobile communications revenues and revenues from electricity sales associated with the start of provision of “au Denki.”.

Operating income grew 15.6% year on year to ¥606,867 million due to a decrease of handset procurement costs and sales commissions, despite an increase in procurement costs for electricity sales and other factors.

Overview of Operations

< Progress on Key Initiatives >

[Mobile]

au Net Additions

For the third quarter, au net additions* totaled 37,000 subscriptions.

The primary factors were an increase in the number of new smartphone subscriptions through “au Smart Value,” as well as new tablet, router, and other subscriptions through our multi-device promotion. These factors absorbed the suppression of the MNO market due to the effect of the task force and other factors.

* New subscribers minus churn

au Smart Value

As of December 31, 2016, the number of au subscriptions totaled 12.32 million, and households using this service came to 6.12 million. Also, we are steadily increasing the number of allied companies for “au Smart Value.” As of December 31, 2016, this number was 7 companies for FTTH (including KDDI) and 144 CATV companies, 242 channels (including 26 CATV companies, 26 channels allied with STNet, Incorporated).

au ARPA

au ARPA in the third quarter was up ¥160 year on year to ¥5,880. Also, as a result of promoting the multi-device shift, the number of devices per user increased by 0.022 to 1.427 devices.

au Handset Sales

During the third quarter, au handset sales were 2.46 million units.

[Fixed Line]

FTTH Subscriptions

As of December 31, 2016, the cumulative number of FTTH subscriptions increased by 125,000 from March 31, 2016, to 3.824 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>

Expanding the Customer Base

・On January 31, 2017, KDDI made BIGLOBE Inc. a wholly owned subsidiary. BIGLOBE Inc. mainly operates an Internet connection service using fixed lines, as well as a mobile communications business. KDDI and BIGLOBE Inc. will leverage their respective customer bases and operational expertise to expand beyond the domain of telecommunications, using their synergies to expand their operations in non-telecommunications domains such as settlements and logistics.

・On December 25, 2016, the total number of households subscribing to the “Cable-plus Phone” and “J:COM PHONE Plus” fixed-line telephone services provided in collaboration with cable television (CATV) stations throughout Japan exceeded 5 million.

Initiatives Based on Increasing Customer Experience Value

・On November 29, 2016, KDDI launched “Gift Selection,” an exclusive point exchange website for members within the “au STAR” free subscriber program for expressing appreciation to loyal customers. “Gift Selection” was launched in response to customer feedback expressing a desire to make effective use of their accumulated points. It comprises two categories: provision of the priceless “experience value” that can only be realized with au and provision of “products” that are rigorously selected by au.

・On December 28, 2016, KDDI opened the store “au SENDAI,” which is directly operated by KDDI. The store has the largest area of our directly operated stores to date, which it utilizes to house an on-site café, the “BLUE LEAF CAFÉ.” It also serves as a venue for event workshops, combining communications and lifestyles, including initiatives to support the Tohoku area, in a new store format. We will continue to propose stores that are welcoming to various customers through directly operated stores nationwide as a “Life Design Company.”

Augmenting Services

・During the third quarter, KDDI launched four smartphones, one tablet, and one smartwatch.

“isai Beat” is the fifth generation in the “isai” series of smartphones. It features the latest, highest-performance audio technology, offering users a superior sound quality digital music lifestyle experience.

Meanwhile, the “Xperia™ XZ” is the first “Xperia” smartphone to feature a triple sensor camera for high-speed autofocus that enables users to capture beautiful photo opportunities with ease.

・On November 9, 2016, KDDI launched “Super Kakeho”, offering 4G LTE feature phone users easy-to-use plans starting at ¥1,500 per month, and the “Two-Step Data Flat Z” flat-rate data service available from ¥0.

・In December 2016, KDDI started providing “Cable Plus Hikari Wholesale” to CATV stations throughout Japan, offering an optional service for transmitting telephone and CATV broadcasts. Using these services, CATV stations can offer their customers high-speed optical Internet with 1 Gbps upload and download, telephone, and broadcast services.

Strengthening UQ mobile

・UQ Communications Inc. launched nine smartphones and two routers during the third quarter.

The "AQUOS L" is an energy-efficient smartphone equipped with the talking AI function "Emopa" and water and dust resistance. The "HUAWEI P9 lite PREMIUM" is a full HD premium model smartphone with a 5.2-inch screen, compatible with WiMAX 2+ for download speeds of up to 220 Mbps and equipped with a large-capacity battery. "Speed Wi-Fi NEXT WX03" is a mobile Wi-Fi router compliant with 4×4 MIMO technology and carrier aggregation technologies, capable of ultra-high-speed mobile communications with download speeds of up to 440 Mbps.

<Reference>

Business data (Personal)

[**Mobile**]

Cumulative subscriptions		Unit	Year ended March 31, 2016					Year ending March 31, 2017		
			As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2 Q	As of 3 Q
au subscriptions		(Thousand)	37,001	37,435	37,844	38,236	—	38,457	38,575	38,611
	au accounts[*1]	(Thousand)	25,726	25,708	25,688	25,679	—	25,575	25,456	25,302
	MVNO subscriptions[*2]	(Thousand)	16	27	62	106	—	163	241	357
Number of mobile IDs		(Thousand)	25,743	25,734	25,750	25,785	—	25,738	25,697	25,659
Mobile devices per person		(Units)	1.385	1.395	1.405	1.414	—	1.421	1.425	1.427
au Smart Value	**au subscriptions**	(Thousand)	9,840	10,370	10,920	11,550	—	11,830	12,120	12,320
	Households[*3]	(Thousand)	4,840	5,140	5,450	5,720	—	5,850	6,010	6,120

Indicators	Unit	Year ended March 31, 2016					Year ending March 31, 2017		
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2Q	3Q
au ARPA[*4]	(Yen)	5,600	5,700	5,720	5,730	5,690	5,810	5,840	5,880
au Churn rate	(%)	0.72	0.83	0.91	1.07	0.88	0.77	0.72	0.78
au handset sales[*5]	(Thousand)	2,050	2,300	2,600	2,430	9,380	1,930	2,080	2,460
of smartphone	(Thousand)	1,600	1,810	2,200	2,010	7,620	1,610	1,770	2,040
au handset shipments[*6]	(Thousand)	1,940	2,250	2,640	2,270	9,100	1,800	2,120	2,490

[Fixed Line]

Cumulative subscriptions	Unit	Year ended March 31, 2016					Year ending March 31, 2017		
		As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	AS of 2Q	AS of 3Q
FTTH subscriptions[*7]	(Thousand)	3,508	3,573	3,643	3,699	—	3,752	3,793	3,824
CATV subscriptions	(Thousand)	4,938	4,979	5,025	5,052	—	5,213	5,245	5,277

*1. Number of au subscriptions excluding multiple subscriptions under the same identical name (smartphones, feature phones (excluding prepaid phones), tablets, routers and modules)

*2. Based on MVNO services provided by consolidated subsidiaries (Excluding certain services. Including services using networks of other operators)

*3. Total of the Companies and affiliated fixed-line companies

*4. Based on the Personal Services segment. au ARPA revenues ÷ au accounts

*5. Number of units sold to users (new + upgrade)

*6. Number of units shipped to retailers from KDDI

*7. The total for “au HIKARI” (excluding “au HIKARI Business”), “Commufa-hikari,” “au HIKARI Chura,” and “Hikarifuru”

Value Services

In the Value Services segment, KDDI is providing content, settlement, and other value-added services and taking various steps to “maximize the au economic zone” and “expand business in new business domains” with the aim of transforming into a “Life Design Company. ”

During the current fiscal year, KDDI has been working to increase transaction volumes and value ARPA by strengthening its commerce and financing businesses. We also stepped up our efforts in new business domains with a focus on increasing customer experience value by making use of the data management platform (DMP) that we have built to date. Furthermore, we will also strengthen the global development of our content business by building new partnerships with overseas carriers and others, leveraging the experience we have built up in our domestic content business.

Operating performance in the Value Services segment for the nine-month period ended December 31, 2016 is described below.

Results

For the nine-month period ended December 31, 2016

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	191,389	329,804	138,415	72.3
Operating Income	56,402	80,597	24,195	42.9

During the nine-month period ended December 31, 2016, operating revenue rose 72.3% to ¥329,804 million, mainly reflecting the impact of converting Shop Channel into a new consolidated subsidiary and an increase in usage of “au Smart Pass.”

Thanks to the operating revenue increase, operating income grew 42.9% year on year to ¥80,597 million, even though expenses increased in tandem with the conversion of Shop Channel into a new consolidated subsidiary.

Overview of Operations

<Progress on Key Initiatives>

Value ARPA

During the third quarter, value ARPA was up ¥70 year on year, to ¥510. The main factors behind this increase were the steady increase in the number of members to “au Smart Pass,” as well as higher settlement commission revenue from “au WALLET” and an increase in revenue from physical product sales on “au WALLET Market.”

< Key Initiatives >

Expanding the “au Economic Zone”

・On December 28, 2016, KDDI established KDDI Commerce Forward CORPORATION, which took over the operations of “au Shopping Mall,” jointly with DeNA Co., Ltd., and “DeNA Shopping,” which had been operated by DeNA Co., Ltd. KDDI Commerce Forward CORPORATION will leverage the accumulated expertise of both operations and synergies with KDDI’s services such as “au Smart Pass” to further reinforce the commerce business and drive maximization of the “au economic zone.”

・In October 2016, the “au WALLET credit card” became compliant with Apple Inc.’s Apply Pay service. Through this new initiative we will expand the scope of use for “au WALLET credit card.”

・KDDI revamped “au Life Insurance” and launched “au Life Insurance with a premium refund benefit” and “au Lifestyle Insurance” to provide coverage of risk of long-term inability to work due to illness or injury on December 1, 2016.

* An “au ID” is required when subscribing to insurance products. Refund of insurance premiums is conditional upon use of a prescribed telecommunications service based on the contract terms and conditions for au (LTE) or au (WIN) telecommunications services. Corporate and prepaid subscriptions are not eligible.

Cultivating New Services Based on Improving Customer Experience Value

・The number of members for the “au Smart Pass” services for au smartphones has exceeded 15 million*. “au Smart Pass” has provided various special member benefits such as a fault exchange service for user safety and security as well as unlimited access to apps. Furthermore, we have partnered with the entertainment information website “uP!!!” to further enhance special member benefits such as invitations to live concerts and exclusive member-only backstage tours. We will continue working to enhance and expand services even further to provide smartphone users with a safer, more secure experience along with greater benefits and convenience.
・KDDI has concluded a supporting company contract for the Japan national team with the Japan Football Association. Moreover, with cooperation from KDDI Research, Inc., we have applied “free perspective image generation technology” to publish special images enabling viewers to see goal scenes from Japanese team matches in 3D on the sports Internet media platform “SPORTS BULL,” which we operate jointly with K.K. Undotsushinsha. We will continue striving to utilize technologies, such as virtual reality and augmented reality, to provide new sports-viewing experiences.
* As of November 30, 2016

Initiatives to Expand the Content Business Globally

・On December 22, 2016, KDDI concluded a business collaboration agreement in the area of the content business in the Socialist Republic of Vietnam (hereinafter “Vietnam”) with MobiFone Telecom Corporation (hereinafter “Mobifone”), a telecommunications carrier in Vietnam. KDDI and MobiFone have jointly developed and are now providing the “MobiFone NEXT” app, offering functions that enable users to top up their credit balance using QR codes, a first in Vietnam*, buy content provided by MobiFone with a single click, and play roulette to win bonus data, among others. Through “MobiFone NEXT,” KDDI will leverage the experience and technical skills it has built up through the Japanese content business, such as “au Smart Pass” and “au WALLET” to help strengthen the content business even further and bring greater satisfaction to MobiFone customers.

* Vietnam's first app for topping up a prepaid card by reading the QR code with the smartphone's camera, eliminating the need to manually enter scratch card numbers. (As of December 22, 2016. Researched by MobiFone.)

<Reference>
Business data (Value)

Cumulative subscriptions	Unit	Year ended March 31, 2016					Year ending March 31, 2017		
		As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2Q	As of 3Q
au Smart Pass Subscriptions	(Thousand)	13,190	13,610	14,020	14,470	-	14,640	14,870	15,070

Indicators	Unit	Year ended March 31, 2016					Year ending March 31, 2017		
		1Q	2Q	3Q	4Q	Fiscal year	1Q	2Q	3Q
Value ARPA*	(Yen)	430	430	440	480	440	470	500	510

* 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 accounts

Business Services

In the Business Services segment, we provide smartphones, tablets and other mobile devices as well as diverse solutions such as networks, applications and cloud services 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.

During the current fiscal year, we will contribute even more to the development and expansion of our corporate customers' businesses, and we are now working on business innovation with the goal of being our customers preferred choice as a true business partner.

Operating performance in the Business Services segment for the nine-month period ended December 31, 2016, is described below.

Results

For the nine-month period ended December 31, 2016

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	462,417	465,323	2,905	0.6
Operating Income	59,550	61,088	1,538	2.6

During the nine-month period ended December 31, 2016, operating revenue increased 0.6% to ¥465,323 million, mainly due to higher revenues from handset sales and an increase in solution sales such as IT outsourcing, despite lower communications revenues.

Despite an increase in sales commissions and handset procurement costs, operating income rose 2.6% year on year to ¥61,088 million, mainly due to a decline in communications facility fees.

Overview of Operations

Strengthening Initiatives for the IoT

・In December 2016, KDDI started providing the Internet of Things (IoT) cloud service "KDDI IoT Cloud Creator" for corporate customers and the IoT line service "KDDI IoT Connect Air." "KDDI IoT Cloud Creator" is an IoT cloud service for systems and applications in customers' IoT businesses covering development, construction, and all aspects from operation start to improvements. Customers can use the system to make a small-scale start on an IoT business in as little as two weeks. "KDDI IoT Connect Air" is an IoT line service featuring a simple, low-cost charge plan especially for IoT. KDDI will use its strong background with over 15 years of experience in dealing with M2M and IoT projects to continue providing various IoT solutions as a business partner for its customers.

External Evaluation

In October 2016, KDDI secured the top ranking for overall satisfaction in J.D. Power's 2016 Network Service Satisfaction Study <large enterprise market>. We also received a high evaluation in many categories, achieving top ranking in three customer satisfaction studies in the second quarter.

* Source: 2016 Japan Company Network Service Satisfaction Study on japan.jdpower.com. Based on 635 responses received from 443 companies with 1,000 or more employees on a survey regarding fixed-line telecommunications service providers offering network services for corporate customers. (Up to two service evaluations received from each company)

Global Services

The Global Services segment is working aggressively to expand customer businesses in Myanmar and other emerging countries, and to provide one-stop ICT solutions to corporate customers, centered on our high connectivity "TELEHOUSE" data centers. Furthermore, we provide voice and data business to more than 600 telecommunications carriers around the world.

During the current fiscal year, we will focus on expanding our scale, mainly in the consumer business, which is one of the segment's growth pillars. We will also achieve steady and stable growth in the voice and data business for global ICT companies and telecommunications carriers. Despite the effects of the yen's recent sharp appreciation, we aim to achieve steady business growth on a local currency basis.

Operating performance in the Global Services segment for the nine-month period ended December 31, 2016 is described below.

Results

For the nine-month period ended December 31, 2016

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	223,130	203,878	(19,251)	(8.6)
Operating Income	25,594	20,505	(5,089)	(19.9)

During the nine-month period ended December 31, 2016, operating revenue declined by 8.6% year on year to ¥203,878 million. This reflected the impact of the yen's appreciation, as well as a decline in revenue due to the liquidation of low-profitability businesses in the U.S. consumer business that has been continuing since last year.

Operating income decreased by 19.9% year on year to ¥20,505 million, reflecting the decline in operating revenue.

Overview of Operations

Promoting Telecommunications Business in Myanmar

・The cumulative number of mobile subscribers as of December 31, 2016 was approximately 23 million, representing strong progress and a more than three-fold increase since the conclusion of the joint business agreement in July 2014.
In October 2016, we launched a 4G service (LTE in the 2.1 GHz bandwidth in certain indoor areas in Yangon and Naypyidaw. The Myanmar government plans to allocate a new 1.8 GHz bandwidth in 2017, and Myanma Posts and Telecommunications is currently preparing for a full-scale rollout of LTE services using this bandwidth.

Advancing the Global ICT Business

・TELEHOUSE EUROPE started providing services at a fifth data center, TELEHOUSE LONDON Docklands North Two, in London, U.K. in November 2016.
・KDDI VIET NAM CORPORATION signed MOUs with the respective industrial park infrastructure development companies for the Vietnam government's designated large-scale industrial parks, the Dong Van III Industrial Park in November 2016 and the Phu My 3 Specialized Industrial Park in December 2016, regarding the IT infrastructure environment setup operations for Japanese companies. These MOUs have made it possible for local customers to use optimal IT equipment, IT infrastructure, and various business operation systems for their business activities and achieve smooth operation start-up through on-site IT consulting.
・In November 2016, KDDI Myanmar Co., Ltd. obtained Cisco Gold Certified Partner status (hereinafter "Gold Certified Partner"), the highest status under the partner scheme, becoming the first company in Myanmar to do so. Gold Certified Partner certification is only given to partners who have multiple experts with certified technician qualifications, and who can provide outstanding service quality and support such as support 24 hours a day 365 days a year.

3) Status of Major Affiliates, etc

<Jibun Bank Corporation>

On November 29, 2016, KDDI's equity-method affiliate Jibun Bank Corporation (hereinafter "Jibun Bank") started providing an "au STAR Jibun Bank Special Offer" that gives away "WALLET Points" each month to members of the "au STAR" membership program provided by KDDI and Okinawa Cellular Telephone Company. The "au STAR Jibun Bank Special Offer" allocates "WALLET points" every month to "au STAR" members that hold Jibun Bank accounts depending on the number of years that they have been au subscribers and their usage of Jibun Bank. In providing this special offer, Jibun Bank aims to further increase the convenience and satisfaction for au customers using Jibun Bank.

Notes:

* Xperia is a trademark or registered trademark of Sony Mobile Communications Inc.
* The service name "4G LTE" conforms to the statement of the International Telecommunication Union (ITU) that has approved LTE to be called 4G.
* "AQUOS" and "Emopa" are trademarks of Sharp Corporation.
* "Apple", "Apple Pay" are trademarks of Apple Inc. registered in the U.S. and other countries.
* Other company and product names are registered trademarks or trademarks of their respective companies.

(2) Explanation of Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2016	As of December 31, 2016	Increase (Decrease)	Increase (Decrease) %
Non-current assets	4,141,220	4,138,827	(2,393)	(0.1)
Current assets	1,739,403	1,962,063	222,660	12.8
Total assets	5,880,623	6,100,890	220,267	3.7
Non-current liabilities	1,375,219	1,318,979	(56,240)	(4.1)
Current liabilities	958,548	1,025,412	66,864	7.0
Total liabilities	2,333,767	2,344,391	10,624	0.5
Total equity	3,546,856	3,756,499	209,643	5.9

Note: During the first quarter of the fiscal year ending March 31, 2017, the KDDI Group finalizedthe provisional accounting treatment for business combinations. As a result, figures for the fiscal yearended March 31, 2016 reflect the revision of the initially allocated amounts of acquisitio n price.

(Assets)

Total assets amounted to ¥6,100,890 million as of December 31, 2016, up ¥220,267 million from their level on March 31, 2016. Although property, plant and equipment decreased, trade and other receivables, cash and cash equivalents, and other long-term financial assets increased.

(Liabilities)

Total liabilities amounted to ¥2,344,391 million as of December 31, 2016, up ¥10,624 million from March 31, 2016 due to increases in trade and other payables, although borrowings and bonds payable, income taxes payables, other non-current liabilities decreased.

(Equity)

Net equity amounted to ¥3,756,499 million, due to increased retained earnings. As a result, the ratio of equity attributable to owners of the parent to total assets increased from 56.3% as of March 31, 2016, to 57.1%.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2015	Nine-month period ended December 31, 2016	Increase (Decrease)
Net cash provided by (used in) operating activities	623,476	880,576	257,100
Net cash provided by (used in) investing activities	(425,326)	(385,221)	40,105
Free cash flows (Note)	198,150	495,355	297,205
Net cash provided by (used in) financing activities	(294,230)	(417,438)	(123,207)
Effect of exchange rate changes on cash and cash equivalents	(554)	(5,635)	(5,081)
Net increase (decrease) in cash and cash equivalents	(96,634)	72,282	168,916
Cash and cash equivalents at the beginning of the period	276,317	192,087	(84,230)
Cash and cash equivalents at the end of period	179,683	264,369	84,686

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 ¥880,576 million. This includes ¥766,293 million of profit for the period before income tax, ¥410,321 million of depreciation and amortization, ¥142,875 million of increase in trade and other receivables and ¥237,385 million in income taxes paid.

Investing activities used net cash of ¥385,221 million. This includes ¥192,016 million of purchase of property, plant and equipment, ¥104,291 million for purchase of intangible assets, ¥54,015 million for purchase of purchase of other financial assets.

Financial activities used net cash of ¥417,438 million. This includes ¥60,590 million in payments from redemption of bonds and repayment of long-term borrowings, ¥100,000 million in payments from purchase of treasury stock, ¥184,763 million in cash dividends paid and ¥41,044 million in cash dividends paid to non-controlling interests.

As a result, the total amount of cash and cash equivalents as of December 31, 2016, increased ¥72,282 million from March 31, 2016 to ¥264,369 million.

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

Revision of Full-Year Results Estimation

The full-year consolidated financial results estimation for the year ending March 31, 2017 has been revised from that disclosed in the Financial Statements Summary for the six-month period ended September 30, 2016 (disclosed on November 1, 2016) as follows.

(Amount unit: Millions of yen)

	Operating revenue	Operating income	Profit for the year attributable to owners of the parent
Previous estimation as of November 1, 2016 (A)	4,700,000	885,000	540,000
Revised estimation (B)	4,700,000	910,000	540,000
Increase (Decrease) (B-A)	—	25,000	—
Increase (Decrease) %	—	2.8	—
(Ref.) Full-year results for the year ended March 31, 2016	4,466,135	832,583	494,878

Reason for the Revision of the Full-Year Results Estimation

KDDI has revised its financial results estimation because its operating income is expected to be higher than initially estimated mainly due to the cost of sales for handsets is declining more than anticipated in consequence of requests from Ministry of Internal Affairs to mobile-service operators and guideline based on its “policy for reducing smartphone rates and normalizing handset sales”.

Revision of Dividend Estimation

KDDI recognizes returning profits to shareholders as one of its most important management objectives. Accordingly, we follow a fundamental policy of maintaining stable dividends, while remaining financially robust.

To express our appreciation for the ongoing support of our shareholders and taking into overall consideration business developments aimed at increasing operating results going forward, we plan to increase the year-end dividend as follows.

(Amount unit: Yen)

	2nd Quarter End	Fiscal Year End	Total
Year ending March 31, 2017 (forecast) as of November 1, 2016	—	40	80
Revised estimation	—	45	85
Year ending March 31, 2017	40	—	—
(Ref.) Year ended March 31, 2016	35	35	70

* These figures are estimates based on information available to KDDI as of the date of release of these materials. Accordingly, actual results could differ from these estimates due to a variety of factors.

2. Notes Regarding Summary Information (Notes)

(1) Changes in significant consolidated subsidiaries during the nine-month period ended December 31, 2016

None

(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 March 31, 2016	As of December 31, 2016
Assets		
Non-current assets :		
Property, plant and equipment	2,485,728	2,414,893
Goodwill	449,707	453,903
Intangible assets	845,640	830,511
Investments accounted for using the equity method	71,011	91,587
Other long-term financial assets	112,809	179,012
Deferred tax assets	103,388	100,544
Other non-current assets	72,938	68,377
Total non-current assets	4,141,220	4,138,827
Current assets :		
Inventories	79,626	76,426
Trade and other receivables	1,357,820	1,478,438
Other short-term financial assets	14,966	17,808
Income tax receivables	8,142	5,740
Other current assets	86,648	119,199
Cash and cash equivalents	192,200	264,452
Total current assets	1,739,403	1,962,063
Total assets	5,880,623	6,100,890

	As of March 31, 2016	As of December 31, 2016
		(Unit: Millions of yen)
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	956,800	909,692
Other long-term financial liabilities	174,791	175,854
Retirement benefit liabilities	20,255	18,699
Deferred tax liabilities	62,440	63,254
Provisions	7,635	7,334
Other non-current liabilities	153,299	144,147
Total non-current liabilities	1,375,219	1,318,979
Current liabilities :		
Borrowings and bonds payable	96,836	71,956
Trade and other payables	426,172	544,396
Other short-term financial liabilities	25,037	24,166
Income taxes payables	120,818	96,171
Provisions	20,390	21,711
Other current liabilities	269,294	267,011
Total current liabilities	958,548	1,025,412
Total liabilities	2,333,767	2,344,391
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	368,245	297,768
Treasury stock	(210,861)	(237,015)
Retained earnings	2,995,836	3,281,885
Accumulated other comprehensive income	13,570	(1,728)
Total equity attributable to owners of the parent	3,308,642	3,482,762
Non-controlling interests	238,214	273,737
Total equity	3,546,856	3,756,499
Total liabilities and equity	5,880,623	6,100,890

(2) Condensed Interim Consolidated Statement of Income

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2015	For the nine-month period ended December 31, 2016
Operating revenue	3,299,031	3,522,219
Cost of sales	1,841,627	1,913,810
Gross profit	1,457,404	1,608,410
Selling, general and administrative expenses	795,376	838,540
Other income	8,743	7,638
Other expense	2,009	4,531
Share of profit of investments accounted for using the equity method	3,680	2,760
Operating income	672,442	775,737
Finance income	906	1,366
Finance cost	11,398	8,379
Other non-operating profit and loss	420	(2,431)
Profit for the period before income tax	662,370	766,293
Income tax	206,338	215,041
Profit for the period	456,032	551,252
Profit for the period attributable to:		
Owners of the parent	408,486	471,398
Non-controlling interests	47,546	79,854
Profit for the period	456,032	551,252
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	163.04	190.92
Diluted earnings per share (yen)	163.04	190.89

(Unit: Millions of yen)

	For the three-month period ended December 31, 2015	For the three-month period ended December 31, 2016
Operating revenue	1,147,276	1,220,638
Cost of sales	657,058	690,837
Gross profit	490,218	529,800
Selling, general and administrative expenses	273,435	285,873
Other income	3,866	1,920
Other expense	913	3,775
Share of profit of investments accounted for using the equity method	1,275	1,028
Operating income	221,012	243,101
Finance income	293	7,282
Finance cost	3,883	2,860
Other non-operating profit and loss	(101)	(2,384)
Profit for the period before income tax	217,320	245,139
Income tax	66,737	73,745
Profit for the period	150,582	171,394
Profit for the period attributable to:		
Owners of the parent	131,027	145,250
Non-controlling interests	19,555	26,144
Profit for the period	150,582	171,394
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	52.28	59.10
Diluted earnings per share (yen)	52.28	59.09

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the nine-month period ended December 31, 2015	For the nine-month period ended December 31, 2016
Profit for the period	456,032	551,252
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	(2,671)	1,371
Share of other comprehensive income of investments accounted for using the equity method	432	(1,349)
Total	(2,238)	21
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(2,131)	1,237
Translation differences on foreign operations	(2,870)	(21,318)
Share of other comprehensive income of investments accounted for using the equity method	450	(1,511)
Total	(4,551)	(21,592)
Total other comprehensive income	(6,789)	(21,571)
Total comprehensive income for the period	449,243	529,681
Total comprehensive income for the period attributable to:		
Owners of the parent	403,100	456,197
Non-controlling interests	46,142	73,483
Total	449,243	529,681

Items in the statement above are presented net of tax

(Unit: Millions of yen)

	For the three-month period ended December 31, 2015	For the three-month period ended December 31, 2016
Profit for the period	150,582	171,394
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	1,612	4,922
Share of other comprehensive income of investments accounted for using the equity method	583	(1,537)
Total	2,195	3,384
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(880)	2,294
Translation differences on foreign operations	(2,463)	7,655
Share of other comprehensive income of investments accounted for using the equity method	(433)	40
Total	(3,776)	9,989
Total other comprehensive income	(1,581)	13,373
Total comprehensive income for the period	149,001	184,768
Total comprehensive income for the period attributable to:		
Owners of the parent	130,577	157,401
Non-controlling interests	18,424	27,367
Total	149,001	184,768

Items in the statement above are presented net of tax

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the nine-month period ended December 31, 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	–	–	–	408,486	–	408,486	47,546	456,032
Other comprehensive income	–	–	–	–	(5,385)	(5,385)	(1,404)	(6,789)
Total comprehensive income	–	–	–	408,486	(5,385)	403,100	46,142	449,243
Transactions with owners and other transactions								
Cash dividends	–	–	–	(162,860)	–	(162,860)	(30,071)	(192,931)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(206)	206	–	–	–
Purchase and disposal of treasury stock	–	(978)	960	–	–	(17)	–	(17)
Changes in interests in subsidiaries	–	(2,971)	–	–	–	(2,971)	(2,086)	(5,057)
Other	–	497	–	(8)	–	488	–	488
Total transactions with owners and other transactions	–	(3,453)	960	(163,075)	206	(165,361)	(32,157)	(197,518)
As of December 31, 2015	141,852	366,269	(160,862)	2,932,235	22,283	3,301,777	172,960	3,474,737

For the nine-month period ended December 31, 2016

(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, 2016	141,852	368,245	(210,861)	2,995,836	13,570	3,308,642	238,214	3,546,856
Comprehensive income								
Profit for the period	–	–	–	471,398	–	471,398	79,854	551,252
Other comprehensive income	–	–	–	–	(15,201)	(15,201)	(6,370)	(21,571)
Total comprehensive income	–	–	–	471,398	(15,201)	456,197	73,483	529,681
Transactions with owners and other transactions								
Cash dividends	–	–	–	(185,446)	–	(185,446)	(40,201)	(225,648)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	98	(98)	–	–	–
Purchase and disposal of treasury stock	–	(57)	(100,000)	–	–	(100,056)	–	(100,056)
Retirement of treasury stock	–	(73,804)	73,804	–	–	–	–	–
Changes in interests in subsidiaries	–	2,905	–	–	–	2,905	1,019	3,923
Other	–	479	42	–	–	521	1,222	1,743
Total transactions with owners and other transactions	–	(70,478)	(26,153)	(185,349)	(98)	(282,077)	(37,961)	(320,038)
As of December 31, 2016	141,852	297,768	(237,015)	3,281,885	(1,728)	3,482,762	273,737	3,756,499

(5) Condensed Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the nine-month Period ended December 31, 2015	For the nine-month Period ended December 31, 2016
Cash flows from operating activities		
Profit for the period before income tax	662,370	766,293
Depreciation and amortization	399,777	410,321
Share of profit(loss) of investments accounted for using the equity method	(3,680)	(2,760)
Loss (gain) on sales of non-current assets	166	57
Interest and dividends income	(889)	(1,085)
Interest expenses	8,819	8,141
(Increase) decrease in trade and other receivables	(95,751)	(142,875)
Increase (decrease) in trade and other payables	(12,646)	97,540
(Increase) decrease in inventories	(13,910)	2,526
(Increase) decrease in retirement benefit assets	(3,203)	—
Increase (decrease) in retirement benefit liabilities	125	(1,556)
Other	(15,854)	(14,255)
Cash generated from operations	925,324	1,122,345
Interest and dividends received	1,813	3,380
Interest paid	(12,628)	(7,765)
Income tax paid	(291,033)	(237,385)
Net cash provided by (used in) operating activities	623,476	880,576

(Unit: Millions of yen)

		For the nine-month period ended December 31, 2015	For the nine-month period ended December 31, 2016
Cash flows from investing activities			
Purchase of property, plant and equipment		(229,818)	(192,016)
Proceeds from sales of property, plant and equipment		1,254	338
Purchase of intangible assets		(137,692)	(104,291)
Purchase of other financial assets		(1,156)	(54,015)
Proceeds from sales/redemption of other financial assets		440	77
Acquisition of control over subsidiaries		(51,658)	(14,101)
Purchase of stocks of associates		(5,652)	(23,073)
Other		(1,043)	1,861
Net cash provided by (used in) investing activities		(425,326)	(385,221)
Cash flows from financing activities			
Net increase (decrease) of short-term borrowings		25,647	(19,890)
Proceeds from issuance of bonds and long-term borrowings		44,000	7,000
Payments from redemption of bonds and repayment of long-term borrowings		(145,279)	(60,590)
Repayments of lease obligations		(19,895)	(21,881)
Payment from purchase of subsidiaries' equity from non-controlling interests		(6,390)	(1,154)
Proceeds from stock issuance to non-controlling interests		1	4,852
Payment from purchase of treasury stock		(19)	(100,000)
Cash dividends paid		(162,157)	(184,763)
Cash dividends paid to non-controlling interests		(30,138)	(41,044)
Other		0	31
Net cash provided by (used in) financing activities		(294,230)	(417,438)
Effect of exchange rate changes on cash and cash equivalents		(554)	(5,635)
Net increase (decrease) in cash and cash equivalents		(96,634)	72,282
Cash and cash equivalents at the beginning of the period		276,317	192,087
Cash and cash equivalents at the end of the period	(Note)	179,683	264,369

(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

KDDI Corporation(hereafter: “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 nine-month period ended December 31, 2016 comprise the Company and its consolidated subsidiaries (together referred to as “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 5. Segment information.”

2. Basis of preparation

(1) Compliance of condensed interim consolidated financial statements with IFRSs

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 condensed interim consolidated financial statements, which do not contain all the information required in annual consolidated financial statements, should be read in conjunction with the annual consolidated financial statements for the previous fiscal year ended March 31, 2016.

(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 condensed interim 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, 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.

The judgments, estimates and assumptions that have significant impact on the amount in the condensed interim consolidated financial statements as of and for the nine month period ended December 31, 2016 are consistent with those described in the annual consolidated financial statements for the previous fiscal year ended March 31, 2016 in principle.

(5) Application of new standards and interpretations

The Group newly adopted the following standards from the three-month period ended June 30, 2016.

- IAS1 (Revised) : Presentation of Financial Statements
- IAS16 (Revised) : Property, Plant and Equipment, IAS38 (Revised): Intangible Assets
- IFRS11(Revised) : Joint Arrangements
- IAS19 (Revised) : Employee Benefit

The Group has early adopted IFRS 9 "Financial Instruments" (issued in November 2009 and amended in July 2014).

(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 December 31, 2016. They have not been early adopted by the Group.

Standard	The title of standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and amendments
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	fiscal year ending March 31, 2019	IFRS 15 describes that revision of current accounting standard for revenue recognition and disclosure. Specifically, IFRS15 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
IFRS16	Lease	January 1, 2019	fiscal year ending March 31, 2020	IFRS 16 describes that revision of current accounting standard for lease and disclosure. Specifically, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months as principal.

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

3. Significant accounting policies

The significant accounting policies applied in this condensed interim consolidated financial statements for the nine-month period ended December 31, 2016 are consistent with those of the annual financial statements, as described in the consolidated financial statements for the previous fiscal year ended March 31, 2016, except that income tax expenses on condensed interim consolidated statement of income are calculated based on the estimated average annual effective income tax rate.

4. Business Combination

No significant business combinations took place during the nine-month period ended December 31, 2016.

Jupiter Shop Channel Co., Ltd. (Revision of provisional accounting)

On March 14, 2016, Jupiter Shop Channel Co., Ltd. became a consolidated subsidiary of the Group through the acquisition of the shares.

Since allocation of the consideration transferred had not been completed when the annual financial statements ended March 31, 2016 were authorized for issue, the amount of some assets and liabilities were recognized on a provisional basis.

In the three- month period ended June 30, 2016, the allocation was completed. The consideration transferred and the revised fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date are as follows.

i. Consideration transferred and its components

(Unit: Millions of yen)

		As of acquisition date (March 14, 2016)
Cash payment		85,488
Total consideration transferred	A	85,488

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

		(Unit: Millions of yen) As of acquisition date (March 14, 2016)
Non-current assets		
Property, plant and equipment		4,080
Intangible assets		128,977
Other		3,456
Total non-current assets		136,513
Current assets		
Trade and other receivables		5,345
Cash and cash equivalents		16,199
Other		6,437
Total current assets		27,981
Total assets		164,494
Non-current liabilities		
Borrowings and bonds payable		66,363
Deferred tax liabilities		38,129
Other		2,154
Total non-current liabilities		106,646
Current liabilities		
Borrowings and bonds payable		1,148
Trade and other payables		9,918
Other		6,729
Total current liabilities		17,795
Total liabilities		124,441
Net assets	B	40,052
Non-controlling interests	C	47,141
Goodwill	A - (B - C)	92,576

As a result of completion of allocation, the amount of goodwill on the acquisition date decreased by ¥44,027 million from the initial provisional amount. This is mainly due to the increase in intangible assets of ¥118,395 million, deferred tax liabilities of ¥38,129 million and non-controlling interests of ¥36,020 million.

According to the above revision, the condensed consolidated statement of financial position for the previous fiscal year and the opening retained earnings and non-controlling interest in the condensed interim consolidated statement of changes in equity for the current period are retroactively restated.

5. Segment information

(1) Outline of reporting segments

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

The Group aims to transform into a business that provides experience value surpassing customer expectations by emphasizing the “customer’s perspective” and “innovation.” Based on this policy, the Group will seek to “sustainably grow the domestic telecommunications business,” “maximize the au economic zone,” and “aggressively develop global business.”

The Group has four reportable segments based on the above strategies: Personal Services segment, Value Services segment, Business Services and Global Services segment. The Group’s reportable segments are the same as its business segments.

“Personal” mainly provides mobile and fixed-line communications services for individual customers in Japan. Mobile communications services include mobile communications services, chiefly under the “au” brand, and sales of multi-devices such as various smartphones and tablets. Fixed-line communications services include FTTH services (in-home Internet, telephone, and TV services) which are branded “au HIKARI”, CATV and other services.

Moreover, in the MVNO market, consolidated subsidiary UQ Communications Inc., provides UQ mobile services using au lines. In addition to the telecommunications domain, the Group is also working to expand the physical products service “au WALLET Market,” which makes use of au shops, as well as maximizing the “au economic zone” by providing “au denki” and other services.

“Value” provides content, settlement, commerce and other value-added services,taking various steps to “maximize the au economic zone” and “expand business in new business domains” with the aim of transforming into a “Life Design Company. ”

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

“Global” provides mobile communications services for individual customers in Myanmar and other emerging countries and global ICT solutions for corporate customers, centered on “TELEHOUSE” data centers. In addition to the above services, 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 “Significant accounting policies” stated in the annual consolidated financial statements for the previous fiscal year ended March 31, 2016.

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 nine-month period ended December 31, 2015

(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	2,526,172	136,346	396,866	199,364	3,258,747	40,284	3,299,031	—	3,299,031
Inter-segment revenue or transfers	72,504	55,043	65,552	23,766	216,865	85,657	302,522	(302,522)	—
Total	2,598,676	191,389	462,417	223,130	3,475,612	125,941	3,601,552	(302,522)	3,299,031
Segment income	525,003	56,402	59,550	25,594	666,549	6,187	672,736	(294)	672,442
Finance income and finance cost (Net)									(10,492)
Other non-operating profit and loss									420
Profit for the period before income tax									662,370

(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 nine-month period ended December 31, 2016

(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	2,629,377	272,365	397,938	183,140	3,482,820	39,399	3,522,219	—	3,522,219
Inter-segment revenue or transfers	75,531	57,439	67,385	20,738	221,093	87,054	308,148	(308,148)	—
Total	2,704,909	329,804	465,323	203,878	3,703,914	126,453	3,830,367	(308,148)	3,522,219
Segment income	606,867	80,597	61,088	20,505	769,057	7,620	776,677	(940)	775,737
Finance income and finance cost (Net)									(7,013)
Other non-operating profit and loss									(2,431)
Profit for the period before income tax									766,293

(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 December 31, 2015

(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	891,608	46,285	132,279	62,507	1,132,679	14,597	1,147,276	—	1,147,276
Inter-segment revenue or transfers	24,518	19,064	20,214	7,766	71,562	27,687	99,249	(99,249)	—
Total	916,125	65,349	152,493	70,274	1,204,240	42,285	1,246,525	(99,249)	1,147,276
Segment income	173,576	19,801	19,982	5,674	219,033	2,273	221,307	(295)	221,012
Finance income and finance cost (Net)									(3,591)
Other non-operating profit and loss									(101)
Profit for the period before income tax									217,320

(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 December 31, 2016

(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	909,501	101,669	133,890	62,994	1,208,053	12,585	1,220,638	—	1,220,638
Inter-segment revenue or transfers	25,730	18,937	23,344	7,177	75,188	29,795	104,983	(104,983)	—
Total	935,231	120,605	157,233	70,171	1,283,241	42,380	1,325,621	(104,983)	1,220,638
Segment income	183,624	29,603	21,814	5,779	240,821	2,610	243,431	(330)	243,101
Finance income and finance cost (Net)									4,423
Other non-operating profit and loss									(2,384)
Profit for the period before income tax									245,139

(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.

6. Subsequent events

Acquisition of BIGLOBE Inc.

On January 31, 2017, the Company acquired all of the shares of a special purpose entity which holds 100% of shares of BIGLOBE Inc. (hereinafter “BIGLOBE”) from Japan Industrial Partners, Inc. and others.

As a result, BIGLOBE and its consolidated subsidiaries became company’s consolidated subsidiaries on the same date.

With this conversion into a consolidated subsidiary, the Company and BIGLOBE will utilize their respective customer bases, business expertise, and so forth to expand business through synergies between the two companies, not only in the telecommunications domain, but also in non-telecommunications domains such as settlement services and product sales business.

Consideration transferred is ¥37,000 million. Due to the short period of time from the acquisition date to the reporting date of the Company's Financial Statements Summary for the nine-month period ended December 31, 2016, the initial accounting for the share acquisition has not completed and therefore the detail information of this business combination is not disclosed.