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 Year ended March 31, 2017 [IFRS]

May 11, 2017

Company name: **KDDI CORPORATION** URL http://www.kddi.com
Stock listing: Tokyo Stock Exchange - First Section
Code number: 9433
Representative: Takashi Tanaka, President
Date of general shareholders' meeting (as planned): Jun 21, 2017
Dividend payable date (as planned): Jun 22, 2017
Annual securities report filing date (as planned): Jun 22, 2017
Supplemental materials of annual results: Yes
Convening briefing of annual 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 Year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(1) Consolidated Operating Results

(Percentage represents comparison change to the corresponding previous fiscal year)

	Operating Revenues		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	
		%		%		%		%		%		%
Year ended March 31, 2017	4,748,259	6.3	912,976	9.7	895,897	9.5	642,615	13.4	546,658	10.5	622,156	18.1
Year ended March 31, 2016	4,466,135	4.6	832,583	25.1	818,410	23.5	566,914	35.1	494,878	25.0	527,020	18.2

	Basic earnings per share	Diluted earnings per share	Ratio of net income to equity, attributable to owners of the parent	Ratio of income before income tax to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	221.65	221.60	15.9	14.8	19.2
Year ended March 31, 2016	197.73	197.71	15.5	14.2	18.6

Reference: Equity in net income (losses) of affiliates
Year ended March 31, 2017 : 2,755 million yen Year ended March 31, 2016 : 5,170 million yen

(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	Equity per share attributable to owners of the parent
				%	Yen
As of March 31, 2017	6,263,826	3,849,133	3,554,423	56.7	1,446.15
As of March 31, 2016	5,880,623	3,546,856	3,308,642	56.3	1,329.05

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents
Year ended March 31, 2017	1,161,074	(637,225)	(485,784)	226,607
Year ended March 31, 2016	884,538	(667,917)	(299,003)	192,087

2. Dividends

	Dividends per Share					Total Dividends for the Year	Payout Ratio	Ratio of dividend to equity attributable to owners of the parent
	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	174,843	35.4	5.5
Year ended March 31, 2017	-	40.00	-	45.00	85.00	208,917	38.3	6.1
Year ending March 31, 2018 (forecast)	-	45.00	-	45.00	90.00		39.2	

3. Consolidated Financial Results Forecast for the Year ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(Percentage represents comparison to previous fiscal year)

	Operating Revenues		Operating Income		Profit for the Period attributable to owners of the parent		Basic earnings per share
		%		%		%	Yen
Entire Fiscal Year	4,950,000	4.2	950,000	4.1	565,000	3.4	229.88

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation): None

(2) Changes in accounting policies, accounting 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 March 31, 2017	2,620,494,257
	As of March 31, 2016	2,690,890,800
2) Number of treasury stock	As of March 31, 2017	162,641,408
	As of March 31, 2016	201,421,255
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the year ended March 31, 2017	2,466,293,571
	For the year ended March 31, 2016	2,502,821,384

Note: The 1,703,896 shares of the Company'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 March 31, 2017.

This earnings report is unaudited

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.9 "1. Consolidated Business Results (4) Outlook for the Year ending March 31, 2018" under [the Attachment] for the assumptions used and other notes.

2. During the first quarter of the fiscal year ending March 31, 2017, the KDDI Group finalized the provisional accounting treatment for business combinations. As a result, figures as of March 31, 2016 reflect the revision of the initially allocated amounts of acquisition price. Please refer to P.56 "4. Consolidated Financial Statements (7) Notes to Consolidated Financial Statements 7. Business Combination" under [the Attachment] for details

3. On May 11, 2017, KDDI will hold a financial result briefing for the institutional investors and analysts. Presentation materials will be webcasted on the same time as the release of this earnings report, and the live presentation and Q&A summary will be also posted on our website immediately after the commencement of the financial result briefing. In addition to the above, KDDI holds the briefing and the presentations on our business for the individual investors timely. For the schedule and details, please check our website.

[Attachment]

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1. Overview of Consolidated Business Results

(1) Overview of Consolidated Operating 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 and Communications ("MIC") to mobile-service operators and enforcement of guidelines by MIC 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 telecommunications 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 our au customer base. In January 2017, we merged the "au Shopping Mall" jointly operated with DeNA Co., Ltd. ("DeNA") and "DeNA Shopping," which was operated by DeNA, to launch a new brand, "Wowma!"

In the telecommunications domain, we will work to expand "au telecommunications ARPA," (Average Revenue Per Account) and "value ARPA," as well as 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 addition, we will promote the MVNO business with UQ Communications Inc., Jupiter Telecommunications Co., Ltd., and BIGLOBE Inc. ("BIGLOBE"), which became a wholly owned subsidiary in January 2017, and work to expand our number of mobile IDs as a combined measure of au and MVNOs going forward.

Overseas, KDDI's consolidated subsidiary, KDDI Summit Global Myanmar Co., Ltd., is currently working with Myanmar Posts & Telecommunications, 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 ("MobiCom") 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 year ended March 31, 2017

(Amount unit: Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)	Increase (Decrease)%
Operating revenue	4,466,135	4,748,259	282,124	6.3
Cost of sales	2,540,338	2,669,678	129,340	5.1
Gross profit	1,925,797	2,078,582	152,785	7.9
Selling, general and administrative expenses	1,107,573	1,173,562	65,989	6.0
Other income and expense (Net)	9,188	5,202	(3,986)	(43.4)
Share of profit(loss) of investments accounted for using the equity method	5,170	2,755	(2,416)	(46.7)
Operating income	832,583	912,976	80,394	9.7
Finance income and cost (Net)	(17,789)	(11,562)	6,227	—
Other non-operating profit and loss (Net)	3,616	(5,517)	(9,133)	—
Profit for the period before income tax	818,410	895,897	77,487	9.5
Income tax	251,495	253,282	1,787	0.7
Profit for the period	566,914	642,615	75,701	13.4
Attributable to owners of the parent	494,878	546,658	51,780	10.5
Attributable to non-controlling interests	72,036	95,957	23,921	33.2

During the fiscal year ended March 31, 2017, operating revenue rose 6.3% to ¥4,748,259 million, mainly due to an increase in mobile communications revenues and revenues from electricity sales associated with the start of provision of “au electricity”, as well as the impact of the conversion of Jupiter Shop Channel Co., Ltd. (“Shop Channel”) into a consolidated subsidiary in March, 2016.

Operating income increased 9.7% to ¥912,976 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 consolidated subsidiary in addition to an increase in procurement costs for electricity sales and impairment loss.

Profit for the period attributable to owners of the parent rose 10.5% to ¥546,658 million mainly due to the increase in operating income.

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 fiscal year ended March 31, 2017, we continued 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 also worked to increase our number of allied companies. Meanwhile, in the expanding MVNO market, we aimed 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 physical product sales, the “au WALLET Market,” which maximizes the potential of au shops to serve as customer contact points, provision of “au electricity” services, and provision of an exclusive points exchange website for “au STAR” members.

Operating performance in the Personal Services segment for the fiscal year ended March 31, 2017 is described below.

Results

For the year ended March 31, 2017

(Amount unit: Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	3,503,255	3,632,969	129,715	3.7
Operating Income	656,584	711,087	54,503	8.3

During the fiscal year ended March 31, 2017, operating revenue rose 3.7% to ¥3,632,969 million, mainly due to increases in mobile communications revenues and revenues from life design services such as “au electricity” and “au WALLET Market.”

Operating income grew 8.3% year on year to ¥711,087 million due to decreases in handset procurement costs and sales commissions, despite an increase in procurement costs for electricity sales, impairment loss and other.

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 fiscal year ended March 31, 2017, KDDI worked to increase transaction volumes and value ARPA by strengthening its commerce and financing businesses. In addition to enhancing "au Simple Payment," we merged the "au Shopping Mall" jointly operated with DeNA and "DeNA Shopping," which was operated by DeNA, to renew them as the new brand "Wowma!" in January 2017.

Moreover, to prepare for the rapid spread of the IoT, we made iret, Inc. into a consolidated subsidiary as it has strengths in cloud-related businesses and also established ARISE analytics as premise for a joint venture with Accenture Japan Ltd. with the goal of strengthening our capabilities in data analysis. We will continue to promote joint business with various partners based on the KDDI Group's strengths in cloud development and data analysis.

In other areas, we launched "au Smart Pass Premium" as a premium-level service within "au Smart Pass." We are working to increase customer experience value by further enhancing "special offers" and "peace of mind" through "au Everyday," which offers different special offers for each day of the week and "Recovery Support" for times when handsets become damaged.

Operating performance in the Value Services segment for the fiscal year ended March 31, 2017 is described below.

Results

For the year ended March 31, 2017

(Amount unit: Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	271,763	451,058	179,295	66.0
Operating Income	73,028	95,894	22,866	31.3

During the fiscal year ended March 31, 2017, operating revenue rose 66.0% to ¥451,058 million, mainly reflecting the impact of converting Shop Channel into a consolidated subsidiary and an increase in usage of "au Smart Pass."

Thanks to the operating revenue increase, operating income grew 31.3% year on year to ¥95,894 million, even though expenses increased in tandem with the conversion of Shop Channel into a consolidated subsidiary.

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 fiscal year ended March 31, 2017, the KDDI Group leveraged its total capabilities, stepping up its initiatives in response to the arrival of the IoT era. These efforts included supplying IoT cloud services and IoT line services for corporate customers and promoting joint efforts with TOYOTA MOTOR CORPORATION to build the platform necessary for "Connected Cars."

Looking ahead, 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 fiscal year ended March 31, 2017 is described below.

Results

For the year ended March 31, 2017

(Amount unit: Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	632,032	637,334	5,301	0.8
Operating Income	61,436	72,099	10,663	17.4

During the fiscal year ended March 31, 2017, operating revenue increased 0.8% to ¥637,334 million, mainly due to an increase in solution sales such as IT outsourcing and higher revenues from handset sales, despite lower communications revenues.

Despite an increase in cost of solution sales and sales commissions, operating income rose 17.4% year on year to ¥72,099 million, mainly due to a decline in communications facility fees.

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 fiscal year ended March 31, 2017, we focused on expanding our scale, mainly in the consumer business, as the segment's growth pillar. We also achieved steady and stable growth in the ICT solutions business and voice and data business for telecommunications carriers. In the Myanmar telecommunications business, we expanded the telecommunication network area and in October last year we introduced 4G LTE services on the 2.1 GHz band in some indoor areas. Moreover, TELEHOUSE EUROPE started full-scale operations at its state-of-the-art data center TELEHOUSE LONDON Docklands North Two in London, U.K. in November 2016.

Operating performance in the Global Services segment for the fiscal year ended March 31, 2017 is described below.

Results

For the year ended March 31, 2017

(Amount unit: Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	294,409	277,204	(17,205)	(5.8)
Operating Income	32,145	24,157	(7,988)	(24.9)

During the fiscal year ended March 31, 2017, operating revenue declined by 5.8% year on year to ¥277,204 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 24.9% year on year to ¥24,157 million, reflecting the decline in operating revenue and other.

* Company and product names are registered trademarks or trademarks of their respective companies.

(2) Overview of Consolidated Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2016	As of March 31, 2017	Increase (Decrease)
Total assets	5,880,623	6,263,826	383,203
Equity attributable to owners of the parent	3,308,642	3,554,423	245,781
Ratio of equity attributable to owners of the parent to total assets	% 56.3	% 56.7	% 0.5
Equity attributable to owners of the parent per share	Yen 1,329.05	Yen 1,446.15	Yen 117.09
Interest-bearing debt	1,235,287	1,151,650	(83,637)

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

(Assets)

Total assets amounted to ¥6,263,826 million as of March 31, 2017, up ¥383,203 million from their level on March 31, 2016. Although property, plant and equipment decreased, trade and other receivables, intangible assets and other long-term financial assets increased.

(Liabilities)

Total liabilities amounted to ¥2,414,692 million as of March 31, 2017, up ¥80,925 million from their level on March 31, 2016. Although borrowings and bonds payable decreased, trade and other payables and income taxes payables increased.

(Equity)

Total equity amounted to ¥3,849,133 million, due to increased retained earnings, despite decreased capital surplus. As a result, ratio of equity attributable to owners of the parent to total assets increased from 56.3% as of March 31, 2017, to 56.7%.

(3) Overview of Consolidated Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Net cash provided by (used in) operating activities	884,538	1,161,074	276,536
Net cash provided by (used in) investing activities	(667,917)	(637,225)	30,692
Free cash flows (Note)	216,621	523,849	307,228
Net cash provided by (used in) financing activities	(299,003)	(485,784)	(186,781)
Effect of exchange rate changes on cash and cash equivalents	(1,848)	(3,545)	(1,697)
Net increase (decrease) in cash and cash equivalents	(84,230)	34,520	118,751
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	192,087	226,607	34,520

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 ¥1,161,074 million. This includes ¥895,897 million of profits for the year before income tax, ¥545,194 million of depreciation and amortization, ¥256,066 million of income taxes paid, and ¥171,903 million of increase in trade and other receivables.

Investing activities used net cash of ¥637,225 million. This includes ¥338,749 million of purchase of property, plant and equipment, ¥180,823 million for purchase of intangible assets and ¥61,711 million acquisitions of control over subsidiaries.

Financial activities used net cash of ¥485,784 million. This includes ¥185,430 million in cash dividends paid, ¥100,000 million in payment from purchase of treasury stock and ¥74,963 million in payments from redemption of bonds and repayment of long-term borrowings.

As a result, the total amount of cash and cash equivalents as of March 31, 2017, increased ¥34,520 million from March 31, 2016, to ¥226,607 million.

(Reference) Cash Flows related indicators

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Ratio of equity attributable to owners of the parent to total assets (%)	54.5	56.3	56.7
Ratio of equity attributable to owners of the parent to total assets on a market capitalization basis (%)	121.1	127.3	114.7
Debt repayment period (year)	1.2	1.4	1.0
Interest coverage ratio (times)	86.3	56.7	124.5

Notes

- Ratio of equity attributable to owners of the parent to total assets: Equity attributable to owners of the parent / Total assets
- Ratio of equity attributable to owners of the parent to total assets on a market capitalization basis: Market capitalization / Total assets
- Debt repayment period: Interest bearing debt / Cash flows
- Interest coverage ratio: Cash flows / Interest payments

- Market capitalization is calculated by multiplying the closing stock price at fiscal year-end by the number of shares outstanding (not including treasury stock).
- Cash flows from operating activities in consolidated statement of cash flows are used for operating cash flows.
- Figures for interest-bearing debt cover the amounts of loans and bonds that are recognized in consolidated statement of financial position and liabilities upon which interest is paid.
  Further, regarding interest payments, the amount of interest expenses paid in consolidated statement of cash flows is used.
- The date for transition to IFRS is April 1, 2014, and IFRS has been adopted from the year ended March 31, 2016. Therefore, data from the year ended March 31, 2014 and earlier has not been presented.
- During the first quarter of the fiscal year ending March 31, 2017, the KDDI Group finalized the provisional accounting treatment for business combinations. As a result, figures as of March 31, 2016 reflect the revision of the initially allocated amounts of acquisition price.

(4) Outlook for the Year ending March 31, 2018

The KDDI Group is forecasting an increase in operating revenue to ¥4,950,000 million, mainly driven by an increase in mobile communications revenue as well as increases in value ARPA revenue in line with the expansion of the au economic zone, and the impact of the conversion of BIGLOBE into a consolidated subsidiary.

Operating income is forecast to increase to ¥950,000 million, mainly reflecting the increase in operating revenue in addition to curbs on sales commissions and an increase in segment profits in the Global and Business segment. Profit for the year attributable to owners of the parent is forecast to increase to ¥565,000 million.

(5) Profit Distribution

Regarding the return of profits to shareholders as one of the priorities of its business management, KDDI has a basic policy of continuing to pay stable dividends while maintaining financial soundness. The KDDI's policy is to maintain a consolidated payout ratio of more than 35% range, while taking into account investment for sustainable growth.

Regarding dividend payments for the year ended March 31, 2017, KDDI has already paid an interim cash dividend of ¥40.00 per share. In order to express gratitude to its shareholders for their constant support, and in light of an overall consideration of business development aimed at improving future business results, KDDI plans to pay an increased year-end cash dividend of ¥45.00 per share, up ¥10.00 year on year.

Further, for the year ending March 31, 2018, KDDI plans to pay out ¥45.00 per share for both the interim and year-end cash dividend, making the full-year amount ¥90.00 per share.

(6) Business Risks

As the KDDI Group pursue its business, there are various risks involved. The KDDI Group take every effort to reduce these risks by preventing and hedging them.

However, there are various uncertainties which could have negative impacts on the KDDI Group's brand image, liability, financial position and/or earnings performance such as;

- subscription growth trends out of line with the KDDI Group expectations due to competition, rival technologies and rapid changes in markets and the operating environment
- breach of obligations regarding communications security and protection of customer privacy (customer's personal information)
- natural disasters accidents and power restrictions caused by earthquake, tsunami, typhoon, etc.
- revision or repeal of laws and ordinances governing telecommunications and so forth, together with related government policies
- general legal and regulatory, litigation and patents, personnel retention and training, retirement benefits, asset-impairment accounting, telecommunications sector consolidation and business restructuring in the KDDI Group

2. The Status of the Group

The KDDI Group comprises KDDI, 165 consolidated subsidiaries (Japan: 96 companies, overseas: 69 companies), and 35 equity-method affiliates (Japan: 28 companies, overseas: 7 companies). The KDDI Group's main business lines are "Personal," "Value," "Business," "Global."

The status of KDDI, consolidated subsidiaries and equity-method affiliates within the Companies business and their relationships with segments are as shown below.

<Personal>

Principal services	For individuals and households communications services (au mobile phone, FTTH, CATV) and other.	
Major subsidiaries and affiliates	〔The parent〕 〔Consolidated subsidiaries〕	KDDI CORPORATION OKINAWA CELLULAR TELEPHONE COMPANY [JASDAQ], Jupiter Telecommunications Co., Ltd, UQ Communications Inc. BIGLOBE Inc., Chubu Telecommunications Co., INC., Wire and Wireless Co., Ltd.

<Value>

Principal services	Provision of various financial and commerce services, applications, videos, and music, as well as advertisement distribution	
Major subsidiaries and affiliates	〔The parent〕 〔Consolidated subsidiaries〕 〔Equity-method affiliates〕	KDDI CORPORATION KDDI FINANCIAL SERVICE CORPORATION, Syn. Holding, Inc., WebMoney Corporation, Jupiter Shop Channel Co.,Ltd., Jupiter Entertainment Co., Ltd. Jibun Bank Corporation, KKBOX Inc.

<Business>

Principal services	For companies communications services (ICT solution, data center)	
Major subsidiaries and affiliates	〔The parent〕 〔Consolidated subsidiaries〕 〔Equity-method affiliates〕	KDDI CORPORATION Chubu Telecommunications Co., INC. KDDI MATOMETE OFFICE CORPORATION Japan Internet Exchange Co., Ltd. LAC Co., Ltd. (listed on the JASDAQ market of the Tokyo Stock Exchange)

<Global>

Principal services	For companies and individuals overseas communications services(ICT solution, data center)	
Major subsidiaries and affiliates	〔The parent〕 〔Consolidated subsidiaries〕	KDDI CORPORATION KDDI America, Inc., KDDI Europe Limited., KDDI China Corporation, KDDI Singapore Pte Ltd, TELEHOUSE International Corporation of Europe Ltd., KDDI Summit Global Myanmar Co., Ltd., MobiCom Corporation LLC

<Others>

Principal services	Call center service, Network facilities operation and maintenance, ICT research and development	
Major subsidiaries and affiliates	〔The parent〕 〔Consolidated subsidiaries〕 〔Equity-method affiliates〕	KDDI CORPORATION KDDI Evolva Inc.,※ KDDI Engineering Corporation KDDI Research, Inc., KOKUSAI CABLE SHIP Co.,Ltd. Japan Telecommunication Engineering Service Co., Ltd. Kyocera Communication Systems Co., Ltd.

※The segment is transferred to "Business" from "Others" from the year ending March 31, 2018.

Business schematic diagram of corporate groups are shown as below

KDDI Group

Personal

KDDI CORPORATION

〔Consolidated subsidiaries〕

OKINAWA CELLULAR TELEPHONE COMPANY [JASDAQ] Jupiter Telecommunications Co., Ltd. UQ Communications Inc. BIGLOBE Inc. Chubu Telecommunications Co., INC., Wire and Wireless Co., Ltd. etc.

For individuals and households communications services and other
- ・au mobile phone
- ・FTTH
- ・CATV

Value

KDDI CORPORATION

〔Consolidated subsidiaries〕

KDDI FINANCIAL SERVICE CORPORATION, Syn. Holding, Inc. WebMoney Corporation, Jupiter Shop Channel Co., Ltd. Jupiter Entertainment Co.,Ltd.

〔Equity-method affiliates〕

Jibun Bank Corporation, KKBOX Inc. etc.

Provision of various financial and commerce services, applications, videos, and music, as well as advertisement distribution

Business

KDDI CORPORATION

〔Consolidated subsidiaries〕

Chubu Telecommunications Co., INC.
KDDI MATOMETE OFFICE CORPORATION
Japan Internet Exchange Co., Ltd.

〔Equity-method affiliates〕

LAC Co., Ltd. [JASDAQ] etc.

For companies communications services
- ・ICT solution
- ・data center

Global

KDDI CORPORTION

〔Consolidated subsidiaries〕

KDDI America, Inc., KDDI Europe Limited.
KDDI China Corporation, KDDI Singapore Pte Ltd,
Telehouse International Corporation of Europe Ltd.
KDDI Summit Global Myanmar Co.,Ltd. MobiCom Corporation LLC etc.

For companies and individuals overseas communications services

Others

〔Consolidated subsidiaries〕

KDDI Evolva Inc.,※ KDDI Engineering Corporation
KDDI Research, Inc.,
KOKUSAI CABLE SHIP Co., Ltd.
Japan Telecommunication Engineering Service Co., Ltd.

〔Equity-method affiliates〕

Kyocera Communication Systems Co., Ltd. etc.

Call center service, Network facilities operation and maintenance, ICT research and development

Customers

※The segment is transferred to "Business" from "Others" from the year ending March 31, 2018.

3. Basic Perspective on Selection of Accounting Standards

The KDDI Group has adopted IFRS from the year ending March 31, 2016 to facilitate international comparisons of its financial information and enhance disclosure, thereby making the information it supplies more useful to domestic and overseas investors, as well as its various other stakeholders.

4. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Non-current assets :		
Property, plant and equipment	2,485,728	2,428,445
Goodwill	449,707	477,873
Intangible assets	845,640	922,478
Investments accounted for using the equity method	71,011	92,371
Other long-term financial assets	112,809	183,081
Deferred tax assets	103,388	124,467
Other non-current assets	72,938	69,085
Total non-current assets	4,141,220	4,297,800
Current assets :		
Inventories	79,626	77,656
Trade and other receivables	1,357,820	1,518,070
Other short-term financial assets	14,966	16,968
Income tax receivables	8,142	10,715
Other current assets	86,648	116,009
Cash and cash equivalents	192,200	226,607
Total current assets	1,739,403	1,966,025
Total assets	5,880,623	6,263,826

(Unit: Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	956,800	909,673
Other long-term financial liabilities	174,791	176,794
Retirement benefit liabilities	20,255	21,800
Deferred tax liabilities	62,440	75,919
Provisions	7,635	7,725
Other non-current liabilities	153,299	141,290
Total non-current liabilities	1,375,219	1,333,201
Current liabilities :		
Borrowings and bonds payable	96,836	57,805
Trade and other payables	426,172	537,830
Other short-term financial liabilities	25,037	24,373
Income taxes payables	120,818	153,950
Provisions	20,390	26,887
Other current liabilities	269,294	280,646
Total current liabilities	958,548	1,081,491
Total liabilities	2,333,767	2,414,692
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	368,245	298,046
Treasury stock	(210,861)	(237,014)
Retained earnings	2,995,836	3,354,140
Accumulated other comprehensive income	13,570	(2,601)
Total equity attributable to owners of the parent	3,308,642	3,554,423
Non-controlling interests	238,214	294,710
Total equity	3,546,856	3,849,133
Total liabilities and equity	5,880,623	6,263,826

(2) Consolidated Statement of Income

(Unit: Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Operating revenue	4,466,135	4,748,259
Cost of sales	2,540,338	2,669,678
Gross profit	1,925,797	2,078,582
Selling, general and administrative expenses	1,107,573	1,173,562
Other income	12,866	11,244
Other expense	3,677	6,042
Share of profit of investments accounted for using the equity method	5,170	2,755
Operating income	832,583	912,976
Finance income	1,848	1,711
Finance cost	19,638	13,273
Other non-operating profit and loss	3,616	(5,517)
Profit for the year before income tax	818,410	895,897
Income tax	251,495	253,282
Profit for the year	566,914	642,615
Profit for the year attributable to:		
Owners of the parent	494,878	546,658
Non-controlling interests	72,036	95,957
Profit for the year	566,914	642,615
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	197.73	221.65
Diluted earnings per share(yen)	197.71	221.60

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Profit for the year	566,914	642,615
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Remeasurements of defined benefit pension plans	(24,393)	(3,083)
Changes measured in fair value of financial assets through other comprehensive income	(3,256)	(3,444)
Share of other comprehensive income of investments accounted for using the equity method	3,239	(1,635)
Total	(24,410)	(8,162)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(4,909)	1,457
Translation differences on foreign operations	(11,009)	(13,581)
Share of other comprehensive income of investments accounted for using the equity method	434	(173)
Total	(15,485)	(12,297)
Total other comprehensive income	(39,894)	(20,459)
Total comprehensive income for the year	527,020	622,156
Total comprehensive income for the year attributable to:		
Owners of the parent	457,988	527,581
Non-controlling interests	69,032	94,575
Total	527,020	622,156

Items in the statement above are presented net of tax.

(4) Consolidated Statement of Changes in Equity

For the year ended March 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, 2015	141,852	369,722	(161,822)	2,686,824	27,462	3,064,038	158,974	3,223,012
Comprehensive income								
Profit for the year	–	–	–	494,878	–	494,878	72,036	566,914
Other comprehensive income	–	–	–	–	(36,890)	(36,890)	(3,004)	(39,894)
Total comprehensive income	–	–	–	494,878	(36,890)	457,988	69,032	527,020
Transactions with owners and other transactions								
Cash dividends	–	–	–	(162,860)	–	(162,860)	(29,860)	(192,720)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(22,998)	22,998	–	–	–
Purchase and disposal of treasury stock	–	(1,010)	(49,039)	–	–	(50,050)	–	(50,050)
Changes due to business combination	–	–	–	–	–	–	52,822	52,822
Changes in interests in subsidiaries	–	(1,846)	–	–	–	(1,846)	(12,754)	(14,599)
Other	–	1,379	–	(8)	–	1,371	–	1,371
Total transactions with owners and other transactions	–	(1,477)	(49,039)	(185,867)	22,998	(213,385)	10,208	(203,176)
As of March 31, 2016	141,852	368,245	(210,861)	2,995,836	13,570	3,308,642	238,214	3,546,856

For the year ended March 31, 2017

(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 year	–	–	–	546,658	–	546,658	95,957	642,615
Other comprehensive income	–	–	–	–	(19,077)	(19,077)	(1,382)	(20,459)
Total comprehensive income	–	–	–	546,658	(19,077)	527,581	94,575	622,156
Transactions with owners and other transactions								
Cash dividends	–	–	–	(185,446)	–	(185,446)	(40,521)	(225,967)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(2,907)	2,907	–	–	–
Purchase and disposal of treasury stock	–	(57)	(100,000)	–	–	(100,056)	–	(100,056)
Retirement of treasury stock	–	(73,804)	73,804	–	–	–	–	–
Changes due to business combination	–	–	–	–	–	–	213	213
Changes in interests in subsidiaries	–	2,979	–	–	–	2,979	1,226	4,205
Other	–	683	42	–	(1)	725	1,002	1,727
Total transactions with owners and other transactions	–	(70,199)	(26,153)	(188,354)	2,907	(281,799)	(38,079)	(319,878)
As of March 31, 2017	141,852	298,046	(237,014)	3,354,140	(2,601)	3,554,423	294,710	3,849,133

(5) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from operating activities		
Profit for the year before income tax	818,410	895,897
Depreciation and amortization	532,837	545,194
Impairment loss	5,873	37,488
Share of (profit) loss of investments accounted for using the equity method	(5,170)	(2,755)
Loss (gain) on sales of non-current assets	461	137
Interest and dividends income	(1,831)	(1,705)
Interest expenses	13,325	10,872
(Increase) decrease in trade and other receivables	(144,329)	(171,903)
Increase (decrease) in trade and other payables	(47,932)	69,576
(Increase) decrease in inventories	1,140	2,064
(Increase) decrease in retirement benefit assets	26,035	–
Increase (decrease) in retirement benefit liabilities	5,429	1,545
Other	(15,320)	26,195
Cash generated from operations	1,188,926	1,412,605
Interest and dividends received	2,986	4,823
Interest paid	(15,587)	(9,330)
Income tax paid	(291,998)	(256,066)
Income tax refund	212	9,041
Net cash provided by (used in) operating activities	884,538	1,161,074

(Unit: Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from investing activities		
Purchases of property, plant and equipment	(343,290)	(338,749)
Proceeds from sales of property, plant and equipment	1,289	358
Purchases of intangible assets	(192,510)	(180,823)
Purchases of other financial assets	(1,691)	(54,165)
Proceeds from sales/redemption of other financial assets	548	357
Acquisitions of control over subsidiaries	(127,045)	(61,711)
Purchases of stocks of associates	(5,377)	(23,073)
Proceeds from sales of stocks of subsidiaries	–	18,711
Other	159	1,871
Net cash provided by (used in) investing activities	(667,917)	(637,225)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	17,316	(66,643)
Proceeds from issuance of bonds and long-term borrowings	184,000	7,000
Payments from redemption of bonds and repayments of long-term borrowings	(213,464)	(74,963)
Repayments of lease obligations	(26,382)	(29,024)
Payments from purchase of subsidiaries' equity from non-controlling interests	(17,693)	(1,583)
Proceeds from stock issuance to non-controlling interests	212	6,139
Payments from purchase of treasury stock	(50,019)	(100,000)
Cash dividends paid	(162,834)	(185,430)
Cash dividends paid to non-controlling interests	(30,140)	(41,314)
Other	1	32
Net cash provided by (used in) financing activities	(299,003)	(485,784)
Effect of exchange rate changes on cash and cash equivalents	(1,848)	(3,545)
Net increase (decrease) in cash and cash Equivalents	(84,230)	34,520
Cash and cash equivalents at the beginning of the year	276,317	192,087
Cash and cash equivalents at the end of the year (Note)	192,087	226,607

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

(6) Going Concern Assumption

None

(7) Notes to Consolidated Financial Statements

1. Reporting entity

KDDI CORPORATION ("the Company") was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Sinjuku-ku, Tokyo, Japan. The Company's consolidated financial statements as of and for the year ended March 31, 2017 comprise the Company and its consolidated subsidiaries ("the Group") and the Group's interests in associates and joint ventures. The Company is the ultimate parent company of the Group.

The Group's major business and activities are "Personal Services", "Value Services", "Business Services" and "Global Services." For the details, please refer to "(1) Outline of reporting segments" of "Note 4. Segment information."

2. Basis of preparation

(1) Compliance of consolidated financial statements with IFRSs

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

(2) Basis of measurement

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

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

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgement

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

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

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

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

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

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

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

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

The method for calculating recoverable amounts is described in "Note 3. Significant accounting policies (9) Impairment of property, plant and equipment, goodwill and intangible assets" and "Note 5. Impairment of property, plant and equipment, goodwill and intangible assets".

ⅲ. Evaluation of inventories

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

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

ⅳ. Recoverability of deferred tax assets

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

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

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

ⅴ. Measurement of defined benefit obligations

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

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

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

ⅵ. Collectability of trade and other receivables

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

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

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

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

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

ⅷ. Provisions

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

The nature and amount of recognized provisions are stated in “Note 3. Significant accounting policies (17)Provisions”.

(5) Application of new standards and interpretations

Standards and interpretations newly applied from the fiscal year ended March 31, 2017 have no material impact on the Group’s consolidated financial statements.

The Group has early adopted IFRS 9 “Financial instruments” (issued in November 2009 and amended in July 2014) from the date of transition to IFRSs.

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the consolidated financial statements are not mandatory for the fiscal year ended March 31, 2017. 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.
IAS7 (Revised)	Statement of cash flows	January 1, 2017	fiscal year ending March 31, 2018	The amendments to IAS 7 are designed to introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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
IAS12 (Revised)	Income taxes	January 1, 2017	fiscal year ending March 31, 2018	The amendments to IAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base.
IFRIC22	Foreign currency transactions and advance consideration	January 1, 2018	fiscal year ending March 31, 2019	IFRIC22 provides guidance for exchange rates when an entity pays or receives consideration in advance for foreign currency-dominated contracts

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

3. Significant accounting policies

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

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

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

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

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

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

Transactions with non-controlling interests that do not result in loss of control are accounted for by the Group as equity transactions. The difference between fair value of any consideration paid and the proportion acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests without losing control are also recorded in equity.

(c) Disposal of a subsidiary

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

(d) Unification of reporting period

The consolidated financial statements include the financial statements of subsidiaries whose closing dates are different from that of the Company. For the preparation of the consolidated financial statements, such subsidiaries prepare financial statements based on the provisional accounts as of the Company's

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

ii. Associates

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

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

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

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

iii. Joint arrangements

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

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

For the purpose of accounting, joint arrangements are classified as either joint operations or joint ventures. A joint operation is a joint agreement whereby parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

(2) Business combination

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

Non-controlling interests are identified separately from those of the Group and are measured as the non-controlling shareholders' proportionate share of the acquiree's identifiable net assets. For each acquisition, the Group recognizes the 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 assets, 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.

(3) Segment information

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

(4) Foreign currency translation

i. Functional currency and presentation currency

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

ii. Foreign currency transactions

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

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

iii. Foreign operations

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

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

(5) Property, plant and equipment

i. Recognition and measurement

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

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

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

ii. Depreciation and useful lives

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

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

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

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

iii. Derecognition

Property, plant, and equipment is derecognized on disposal. The profit or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

(6) Goodwill

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

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

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

(7) Intangible assets

The Group applies the cost method in measuring intangible assets, excluding goodwill. Those assets are carried at its 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.

Expenditure on research activities to obtain new science technology or technical knowledge and understanding is recognized as an expense when it is incurred.

Expenditure on development is recognized as intangible asset in the case where the expenditure is able to measure reliably, product or production process has commercial and technical feasibility, the expenditure probably generates future economic benefits, the Group has intention to complete the development and use or sell the asset, and has enough resources for their activities. In other cases, the expenditure is recognized as expense when it is 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. Intangible assets with indefinite useful lives are not amortized.

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

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

(8) Lease

i. Assets subject to lease

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

ii. Classification of lease

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

iii. Finance lease

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

iv. Operating lease

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

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

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

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

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

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

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

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

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

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

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

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

(b) Classification of non-derivative financial assets

Classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets at initial recognition as financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

A financial asset that meets both the following condition is classified as a financial asset measured at amortized cost.

- 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 measured 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 measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Debt instruments measured at fair value through other comprehensive income

A debt instrument that meets both the following condition is classified as a financial asset measured at fair value through other comprehensive income.

- The financial asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- 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 debt instrument measured 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 debt instrument is derecognized.

(iii) Equity instruments measured 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.

A equity instrument measured 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 instrument is derecognized or its fair value substantially decreased.

Dividends are recognized as “finance income” in profit or loss.

(iv) Financial assets measured at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset 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 measured 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 measured at fair value through profit or loss is recognized in profit or loss, and presented in “finance income” or “finance cost” in the consolidated statement of income for the reporting period in which it arises.

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

(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.

ⅱ. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

The Group recognizes financial debt when the Group becomes a party to the contractual provisions of the instruments. The measurement of financial debt is explained in (b) Classification of financial liabilities.

(b) Classification of financial liabilities

(i) Financial liabilities measured at amortized cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured 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 measured at fair value through profit or loss

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

(c) Derecognition of financial liabilities

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

(d) Preference shares

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

iii. Presentation of financial assets and liabilities

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

(12) Impairment of financial assets

The Group recognizes 12-month expected credit loss as provision for doubtful receivables (non-trade receivables) when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for such 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, the Group always measures provision for trade receivables at an amount equal to lifetime expected credit losses.

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase

in leverage

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

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

(13) Derivatives and hedge accounting

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

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

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

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

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

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

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

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

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

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

Hedge effectiveness is assessed on an ongoing basis and about whether the hedging criteria described above are met.

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 profit or loss. Cumulative profit or loss recognized through other comprehensive income is transferred to profit or loss on the same period that the cash flows of hedged items affects profit 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 profit 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 profits or losses recorded in equity is transferred to profit or loss.

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

(14) Cash and cash equivalents

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

(15) Inventories

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

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

(16) Employee benefits

i. Defined benefit plans

The Group primarily adopts defined benefit plans.

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

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

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

ii. Defined contribution plans

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

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

iii. Short-term employee benefits

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

(17) Provisions

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

(18) Share-based payment

i. Stock options

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

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

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

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

(19) Equity

i. Common stock

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

ii. Treasury stock

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

(20) Revenue

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

i. Mobile communications services and sale of mobile handsets

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

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

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

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

(a) Indirect sales

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

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

(b) Direct sales

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

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

ii. Fixed-line telecommunications services

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

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

iii. Contents service

Revenue from contents service mainly comprises revenue from information fee, revenue arising from payment agency services, revenue through advertising businesses, and agency fee on content service etc.

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

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

The Group evaluates whether revenue from information fee should be presented on net basis or gross basis by judging each transaction based on the above criteria. Specifically, when the Group has the primary obligation in driving the plan and development of contents service and takes a credit risk for such service, revenue from the contents service is presented on gross basis. When the Group does not have the primary obligation in driving the plan and development of contents service and does not take a credit risk for the contents service, the service the Group provides is the platform and is presented on net basis as the commission income.

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

iv. Solution service

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

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

v. CATV business

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

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

which the services are provided to the cable television operators, satellite broadcasting operators and IPTV operators.

vi. Global data center business

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

(21) Sales commission fees

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

(22) Finance income and costs

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

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

(23) Other non-operating profit and loss

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

(24) Borrowing costs

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

(25) Income taxes

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

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

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

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

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

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

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

(26) Dividends

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

(27) Earnings per share

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

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

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

4. 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. In addition to provision of mobile communications services chiefly under the "au" brand and sales of multi-devices such as various smartphones and tablets, in fixed-line communications services, Personal provides FTTH services (in-home Internet, telephone, and TV services) which are branded "au HIKARI", CATV and other services.

Moreover, in the MVNO market, a 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 value-added services such as contents service, settlement, and commerce, 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, income or loss, assets and other items by reporting segment

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

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

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

Assets and liabilities are not allocated to reporting segments.

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

The Group’s segment information is as follows:

For the year ended March 31, 2016

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Value	Business	Global	Sub-total				
Revenue									
Revenue from external customers	3,404,547	197,930	545,692	262,440	4,410,610	55,525	4,466,135	–	4,466,135
Inter-segment revenue or transfers	98,707	73,833	86,340	31,969	290,849	117,950	408,798	(408,798)	–
Total	3,503,255	271,763	632,032	294,409	4,701,459	173,474	4,874,933	(408,798)	4,466,135
Segment income(loss)	656,584	73,028	61,436	32,145	823,193	10,294	833,487	(904)	832,583
Finance income and finance cost (Net)									(17,789)
Other non-operating profit and loss									3,616
Profit for the year before income tax									818,410
Other items									
Depreciation and amortization	468,913	10,949	42,254	10,885	533,001	1,675	534,676	(2,234)	532,442
Impairment loss	1,123	22	3,472	1,251	5,867	6	5,873	–	5,873
Share of profit of investment accounted for using the equity method	1,146	1,238	631	862	3,877	1,293	5,170	–	5,170

(Note1) 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.

(Note2) Adjustment of segment income shows the elimination of inter-segment transactions.

(Note 3) During the first quarter of the fiscal year ending March 31, 2017, the Group finalized the provisional accounting treatment for business combinations. As a result, figures as of March 31, 2016 reflect the revision of the initially allocated amounts of acquisition price.

For the year ended March 31, 2017

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Value	Business	Global	Sub-total				
Revenue									
Revenue from external customers	3,530,144	367,359	548,041	248,967	4,694,512	53,748	4,748,259	–	4,748,259
Inter-segment revenue or transfers	102,825	83,699	89,292	28,237	304,053	122,765	426,818	(426,818)	–
Total	3,632,969	451,058	637,334	277,204	4,998,565	176,513	5,175,078	(426,818)	4,748,259
Segment income	711,087	95,894	72,099	24,157	903,237	11,451	914,688	(1,712)	912,976
Finance income and finance cost (Net)									(11,562)
Other non-operating profit and loss									(5,517)
Profit for the year before income tax									895,897
Other items									
Depreciation and amortization	468,334	20,350	44,810	12,590	546,084	1,683	547,767	(2,590)	545,177
Impairment loss	36,054	66	1,061	227	37,409	79	37,488	–	37,488
Share of profit of investment accounted for using the equity method	1,112	(389)	740	80	1,543	1,212	2,755	–	2,755

(Note1) 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.

(Note2) Adjustment of segment income shows the elimination of inter-segment transactions.

5. Impairment of property, plant and equipment, goodwill and intangible assets

The Group recognized impairment loss of 5,873 million yen and 37,488 million yen for the years ended March 31, 2016 and 2017 respectively. The Group mainly recognized impairment loss for the following assets and asset groups:

For the year ended March 31, 2016

(Unit :millions of yen)

Location	Use	Class	Impairment loss
Communication facilities, and idle assets(Tokyo other)	Mainly, telecommunications business	Local line facilities, buildings and other	2,889

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

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

(Unit :millions of yen)

Location	Use	Class	Impairment loss
Certain services in the Fixed-line Business (Tokyo other)	telecommunications business	Machinery and other	1,703

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

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

For the year ended March 31, 2017

(Unit :millions of yen)

Location	Use	Class	Impairment loss
Communication facilities, and idle assets(Tokyo other)	Mainly, telecommunications business	Machinery, Local line facilities and other	37,114

For assets with declining utilization rates including some communication facilities and idle assets, the book value has been reduced to recoverable amount. This resulted in recognition of an impairment loss of ¥37,114 million. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in mainly personal segment. The impairment loss consists of ¥34,168 million for machinery, ¥779 million for local line facilities, and ¥2,168 million for others.

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

6. Per share information

(1) Basic earnings per share

Basic earnings per share and its calculation basis are as follows:

	For the year ended March 31, 2016	For the year ended March 31, 2017
Profit for the year attributable to owners of the parent (Millions of yen)	494,878	546,658
Number of weighted average common stocks outstanding (Thousands of shares)	2,502,821	2,466,294
Basic earnings per share (Yen)	197.73	221.65

(2) Diluted earnings per share

Diluted earnings per share and its calculation basis are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Profit for the year attributable to owners of the parent	494,878	546,658
Adjustment of profit	–	–
Profit used in calculation of diluted earnings per share	494,878	546,658

(Unit: Thousands of shares)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Number of weighted average common stocks outstanding	2,502,821	2,466,294
Effect of dilutive potential common stocks		
BIP trust and ESOP trust	268	591
Number of diluted weighted average common stocks during the year	2,503,089	2,466,885

	For the year ended March 31, 2016	For the year ended March 31, 2017
Diluted earnings per share (Yen)	197.71	221.60

(Note 1) In the calculation of basic earnings per share and diluted earnings per share, the Company's stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks is deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

(Note 2) During the first quarter of the fiscal year ending March 31, 2017, the Group finalized the provisional accounting treatment for business combinations. As a result, figures as of March 31, 2016 reflect the revision of the initially allocated amounts of acquisition price.

7. Business Combination

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 55% of the voting 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 non-current assets	3,456
Total non-current assets	136,513
Current assets	
Trade and other receivables	5,345
Cash and cash equivalents	16,199
Other current assets	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 non-current liabilities		2,154
Total non-current liabilities		106,646
Current liabilities		
Borrowings and bonds payable		1,148
Trade and other payables		9,918
Other current liabilities		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 during the first quarter of the fiscal year ended March 31, 2017, 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 this revision, profit for the previous year in the consolidated statement of income increased 1,379 million. The impact on basic earnings per share was immaterial.

The consolidated statement of financial position and the consolidated statement of income for the previous fiscal year, and the opening retained earnings and non-controlling interest in the consolidated statement of changes in equity for the current period are retroactively restated.

BIGLOBE

i. Overview of business combination

On January 31, 2017, the Company acquired all of the shares of special purpose entities (“BJHD2 and BJHD3”) that hold 100% of the shares of BIGLOBE Inc. (“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.

ii. Main objectives of business combination

Upon the acquisition, the Company and BIGLOBE will utilize their respective customer base, 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.

iii. Name and business description of the acquire (as of March 31, 2017)

Company Name	BIGLOBE Inc.
Establishment Date	April, 2014
Head Office	Shinagawa Seaside Park Tower, 4-12-4, Higashi-shinagawa, Shinagawa-ku, Tokyo
President and name	CEO Takeshi Ariizumi
Description of Business	Information services using networks such as the Internet; information provider services
Paid-in Capital	8,881 million yen

BJHD2 and BJHD3 are immediate holding companies which were founded to hold the shares of BIGLOBE.

iv. The proportion of acquired equity interest with voting rights

BJHD2 and BJHD3 100%

BIGLOBE 100%

v. Acquisition date

January 31, 2017

vi. Consideration transferred and its components

		(Unit :millions of yen)
		As of acquisition date (January 31, 2017)
Cash payment		36,996
Total consideration transferred	A	36,996

¥321 million of acquisition-related costs for the business combination is recognized as selling, general and administrative expenses.

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

		(Unit :millions of yen)
		As of acquisition date (January 31, 2017)
Non-current assets		
Property, plant and equipment (Note 1)		5,115
Intangible assets (Note 1)		71,057
Other non-current assets		3,596
Total non-current assets		79,768
Current assets		
Trade and other receivables (Note 2)		16,370
Cash and cash equivalents		4,538
Other current assets		915
Total non-current assets		21,823
Total assets		101,591
Non-current liabilities		
Deferred tax liabilities		20,560
Other non-current liabilities		889
Total non-current liabilities		21,449
Current liabilities		
Borrowings and bonds payable		46,000
Trade and other payables		10,893
Other current liabilities		5,094
Total current liabilities		61,986
Total liabilities		83,435
Net assets	B	18,155
Goodwill (Note 3)	A - B	18,841

Consideration transferred is allocated to the acquired assets and assumed liabilities on the basis of fair value on the acquisition date.

(Note 1) The analysis of Property, plant and equipment and intangible assets

The main components of property, plant and equipment are buildings and machinery.

The main components of intangible assets are customer related assets, trademark and software.

(Note 2) Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected

As for the fair value of ¥16,370 million of acquired receivables and other receivables, the total amount of contracts is ¥16,370 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is none.

(Note 3) Goodwill

Goodwill reflects excess earning power expected from the collective human resources related to the future business development and its synergy with the existing businesses. There is no item deductible from the taxable income related to the recognized goodwill.

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

(Unit :millions of yen)

	As of acquisition date (January 31, 2017)
Cash consideration transferred	(36,996)
Cash and cash equivalents held by the acquiree at the acquisition of control	4,538
Cash payment for the acquisition of control over the subsidiary	(32,458)

ix. Revenue and profit for the year of the acquiree

Revenue and profit for the year of the acquiree after the acquisition date, which are recorded on the consolidated statement of income for the year ended March 31, 2017 are ¥16,309 million and ¥987 million, respectively.

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

Revenue and profit for the year in pro forma information (unaudited) related to the consolidated results, assuming that the acquisition of control by business combination was effective on April 1, 2016, are ¥ 4,798,650 million and ¥ 644,371 million, respectively.

8. Significant subsequent events

None