



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

## Financial Statements Summary for the Three Months Ended June 30, 2012 [ Japan GAAP ]

July 25, 2012

Company Name **KDDI CORPORATION**  
 Stock Listing Tokyo Stock Exchange-First Section  
 Code No. 9433 URL <http://www.kddi.com>  
 Representative Takashi Tanaka, President  
 Scheduled date for filing of quarterly report July 31, 2012  
 Quarterly earnings supplementary explanatory documents: Yes  
 Quarterly earnings presentation: Yes (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2012 (April 1, 2012 to June 30, 2012)

#### (1) Consolidated Results of Operation (Percentage represents comparison change to the corresponding previous quarterly period)

|                                  | Operating Revenues | Operating Income | Ordinary Income | Net Income    |
|----------------------------------|--------------------|------------------|-----------------|---------------|
|                                  | %                  | %                | %               | %             |
| Three months ended June 30, 2012 | 861,615 (0.4)      | 94,211 (32.8)    | 90,186 (31.9)   | 51,291 (28.7) |
| Three months ended June 30, 2011 | 864,964 (0.1)      | 140,095 8.4      | 132,448 8.1     | 71,945 0.0    |

(Note) Consolidated Statements of Comprehensive Income

Three months ended June 30, 2012: 53,444 million yen; (32.7%) Three months ended June 30, 2011: 79,374 million yen; 13.4%

|                                  | Net Income per Share | Diluted Net Income per Share |
|----------------------------------|----------------------|------------------------------|
|                                  | Yen                  | Yen                          |
| Three months ended June 30, 2012 | 13,420.61            | 12,288.39                    |
| Three months ended June 30, 2011 | 16,945.04            | -                            |

#### (2) Consolidated Financial Position

|                      | Total Assets | Net Assets | Equity Ratio |
|----------------------|--------------|------------|--------------|
|                      |              |            | %            |
| As of June 30, 2012  | 3,921,135    | 2,148,983  | 53.0         |
| As of March 31, 2012 | 4,004,009    | 2,128,624  | 51.5         |

(Reference) Shareholder's Equity As of June 30, 2012: 2,079,009 million yen As of March 31, 2012: 2,060,746 million yen

### 2. Dividends

|                                       | Dividends per Share         |                             |                             |                 |           |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------|-----------|
|                                       | 1 <sup>st</sup> Quarter End | 2 <sup>nd</sup> Quarter End | 3 <sup>rd</sup> Quarter End | Fiscal Year End | Total     |
|                                       | Yen                         | Yen                         | Yen                         | Yen             | Yen       |
| Year ended March 31, 2012             | -                           | 7,500.00                    | -                           | 8,500.00        | 16,000.00 |
| Year ending March 31, 2013            | -                           | -                           | -                           | -               | -         |
| Year ending March 31, 2013 (forecast) | -                           | 8,500.00                    | -                           | 85.00           | -         |

Note: Changes in the latest forecasts released: None

Dividend forecasts for the year ending March 31, 2013, take into account a 1:100 stock split on common stock with the effective date of October 1, 2012. If adjusted to reflect the number of shares prior to the stock split, the forecast total dividend amount will be equivalent to 17,000.00 yen (2<sup>nd</sup> quarter end: 8,500.00 yen; fiscal year end: 8,500.00 yen).

### 3. Consolidated Financial Results Forecast for Year Ending March 31, 2013 (April 1, 2012 to March 31, 2013)

(Percentage represents comparison to previous fiscal year)

|                    | Operating Revenues | Operating Income | Ordinary Income | Net Income  | Net Income per Share |
|--------------------|--------------------|------------------|-----------------|-------------|----------------------|
|                    | %                  | %                | %               | %           | Yen                  |
| Entire Fiscal Year | 3,580,000 0.2      | 500,000 4.7      | 490,000 8.6     | 250,000 4.8 | 654.14               |

Note: Changes in the latest forecasts released: None

In the indicated consolidated financial results forecast for the year ending March 31, 2013, net income per share takes into account the 1:100 stock split on common stock, with an effective date of October 1, 2012. If adjusted to reflect the number of shares prior to the stock split, net income per share will be equivalent to 65,414.00 yen.

## Notes

- (1) Changes in significant consolidated subsidiaries during the three months ended June 30, 2012 : None
- (2) Application of accounting methods which are exceptional for quarterly consolidated financial statements : None
- (3) Changes in accounting policies, accounting estimates and restatement of corrections
  - 1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations : Yes
  - 2) Other changes in accounting policies : None
  - 3) Changes in accounting estimates : Yes
  - 4) Restatement of corrections : None

Note: In accordance with article 10-5 of “Regulations concerning the terms, forms and preparation methods for quarterly consolidated financial statements.” Please refer to P.10 “Notes Regarding Summary Information (Notes) - Changes in accounting policies, accounting estimates and restatement of corrections” for details.

|   |  |  |           |
|---|--|--|-----------|
| (4) Numbers of Outstanding Shares (Common Shares)                                     |  |  |           |
| 1) Number of shares outstanding (inclusive of treasury stock)                         | As of June 30, 2012                      |  | 4,484,818 |
|   | As of March 31, 2012                     |  | 4,484,818 |
| 2) Number of treasury stock   | As of June 30, 2012                      |  | 663,006   |
|   | As of March 31, 2012                     |  | 663,006   |
| 3) Number of weighted average common shares outstanding (cumulative for all quarters) | For the three months ended June 30, 2012 |  | 3,821,812 |
|   | For the three months ended June 30, 2011 |  | 4,245,842 |

## Indication of Quarterly Review Procedure Implementation Status

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

## Explanation for Appropriate Use of Forecasts and Other Notes

The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI Corporation (hereafter: the “Company”) and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.9 “Qualitative Information on Consolidated Financial Results Forecast” under [the Attachment] for the assumptions used and other notes.

## The Stock Split

The Company resolved at a meeting of the Board of Directors held on April 25, 2012, that the common stock will be split 100 for 1, and the trading unit of the stock will be 100 shares with an effective date of October, 1, 2012. Please refer to relevant items in the forecasts for financial results and dividends in the fiscal year ending March 31, 2013.

## [the Attachment]

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\* The Company holds an earnings presentation for investors as below. Documents distributed at the presentation are scheduled to be posted on our website at the same time as the release of the financial statements summary. Videos and main Q&As are planned to be posted immediately after the presentation.

- Wednesday, July 25, 2012- Earnings presentation for institutional investors and analysts

\* In addition to the above earnings presentation, the Company holds conferences on its business and results for individual investors. Please check our website for the schedule and details.

# **1. Qualitative Information / Consolidated Financial Statements, etc.**

## **(1) Qualitative Information on Consolidated Financial Results**

### **1) Results Overview**

**For the three months ended June 30, 2012**

(Amount unit: Millions of yen)

|  | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 | Increase<br>(Decrease) | Increase<br>(Decrease)% |
|--|-------------------------------------|-------------------------------------|------------------------|-------------------------|
| Operating Revenues                                   | 864,964                             | 861,615                             | (3,348)                | (0.4)                   |
| Operating Expenses                                   | 724,868                             | 767,403                             | 42,535                 | 5.9                     |
| Operating Income                                     | 140,095                             | 94,211                              | (45,884)               | (32.8)                  |
| Non-operating Income (Expense)                       | (7,647)                             | (4,024)                             | 3,623                  | -                       |
| Ordinary Income                                      | 132,448                             | 90,186                              | (42,261)               | (31.9)                  |
| Extraordinary Income                                 | (3,975)                             | -                                   | 3,975                  | -                       |
| Income before Income Taxes and<br>Minority Interests | 128,472                             | 90,186                              | (38,285)               | (29.8)                  |
| Total Income Taxes                                   | 54,738                              | 37,283                              | (17,454)               | (31.9)                  |
| Income before Minority Interests                     | 73,733                              | 52,902                              | (20,830)               | (28.3)                  |
| Minority Interests in Income                         | 1,787                               | 1,611                               | (175)                  | (9.8)                   |
| Net Income   | 71,945                              | 51,291                              | (20,654)               | (28.7)                  |

Operating revenues for the three months ended June 30, 2012 amounted to ¥861,615 million, 0.4% slight decrease year on year, mainly due to the decrease in au communications revenues caused by Maitsuki Discount (monthly discount) by increased sales of smartphones, and the decrease in revenues of mobile terminal sales caused by the decline in handset replacement, despite the increase in FTTH revenues by the increase of FTTH subscriptions and revenues of overseas subsidiaries.

Operating expenses amounted to ¥767,403 million, 5.9% increase year on year, mainly due to the increase in sales commissions and communication facility fee by increase in revenues of FTTH and other services.

As a result, operating income was down 32.8% year on year to ¥94,211 million, ordinary income was down 31.9% year on year to ¥90,186 million, and net income was down 28.7% year on year to ¥51,291 million.

#### **Overview of Economic Conditions**

The global economy continues to be affected by major risk factors, owing to the protracted European financial crisis. Major central banks are introducing additional measures to prop up the economy through further monetary easing, but the results of these policies are temporary and are not alleviating concerns of a global economic slowdown. The U.S. economy, although relatively stable at present, will face sharp fiscal austerity unless new policy agreements are forthcoming toward year-end. Amid the potential for such constraint, which would invite a business slowdown, the economic outlook remains opaque.

The Japanese economy is showing signs of gradual recovery, supported by the growing momentum of recovery-fueled demand and other policies. However, we will need to continue monitoring such factors as electricity shortages and other risks of an economic downturn, coupled with world economic trends.

#### **Industry Trends**

In the mobile communications market, competition for customers is intensifying through means such as offering more affordable pricing plans; providing a diverse range of devices including smartphones and tablet-type terminals; and expanding a complete lineup of downloadable content such as music, videos, and ebooks. Furthermore, changes on the system front will affect the competitive environment going forward, as new frequencies are being allocated to telecommunication companies in response to growing mobile data traffic, in line with the increasing use of smartphones.

In the fixed-line communications market, in addition to the development of services that combine mobile and fixed-line aspects, market is moving toward a new stage of competition characterized by the fusion of telecommunications and broadcasting.

#### **KDDI's Position**

The Company steadily implemented its medium to long term strategies-the 3M Strategy and the Global Strategy-targeting the realization of the three commitments: "More Connected" "More Diverse Values" "More Global." 3M stands for Multi-network, Multi-device, and Multi-use. Our growth strategy calls for the establishment of an environment that seamlessly provides a variety of content and services to customers

through an optimal network that can be used anytime and anywhere, with a variety of devices, including smartphones and tablets. To take advantage of our competitive edge in owning both mobile and fixed-line networks, we are promoting the 3M Strategy to differentiate ourselves from other companies.

In accordance with the full-fledged launch of our 3M Strategy, in accordance with our internal organizational structure, from April 1, 2012 we revised our reportable business segments from the Mobile Business and the Fixed-line Business to Personal Services, Value Services, Business Services and, Global Services. We are implementing the 3M Strategy aggressively, as we work to increase the number of au subscriptions and households utilizing “au Smart Value” in the core Personal Services Segment and, in the Value Services Segment, increasing “au Smart Pass” members and expanding value-added revenues.

Meanwhile, with regard to our plans to set up designated base stations to promote the 3.9-generation mobile communications system, we submitted an application to use the 700MHz band frequency, and we received a license on June 28, 2012.

#### - Subscriptions of Major Services

(Unit : Thousand line)

|                             | As of June 30, 2011 | As of June 30, 2012 | Increase<br>(Decrease) | Increase<br>(Decrease) % |
|-----------------------------|---------------------|---------------------|------------------------|--------------------------|
| au (Note 1)                 | 33,352              | 35,675              | 2,323                  | 7.0                      |
| (Ref.) UQ WiMAX             | 1,030               | 2,906               | 1,876                  | 182.1                    |
| FTTH                        | 1,987               | 2,439               | 452                    | 22.7                     |
| Metal-plus                  | 2,465               | 2,093               | (372)                  | (15.1)                   |
| Cable-plus phone            | 1,486               | 2,295               | 809                    | 54.4                     |
| CATV (Note 2)               | 1,106               | 1,159               | 53                     | 4.8                      |
| Fixed access lines (Note 3) | 6,555               | 7,410               | 855                    | 13.0                     |

Notes: 1. Inclusive of module-type contracts

2. Number of households with at least one contract via broadcasting, internet, or telephone

3. Total access lines of FTTH, direct-revenue telephony (Metal-plus, Cable-plus phone), and CATV subs. excluding crossover.

[Reference]

- For “Cable-plus phone,” alliances with cable television companies grew steadily, reaching 92 CATV companies, 172 channels as of June 30, 2012.
- Consolidated subsidiary JCN Group, which oversees 19 channels primarily in the Tokyo metropolitan area.

## 2) Results by Business Segment

From the three months ended June 30, 2012, KDDI Group (hereafter: the “Companies”) have reclassified its reportable segments into four-“Personal Services,” “Value Services,” “Business Services,” and “Global Services.”

The business included in each segment is as follows.

| New Business Segment | Major Services                         |  |
|----------------------|--|--|
| Personal Services    | For households and individuals         | Providing communications services, mobile handset sales  |
| Value Services       | For households and individuals         | Providing content and settlement services  |
| Business Services    | For companies                          | Providing communications services, mobile handset sales, data center services, ICT solution/cloud services |
| Global Services      | For companies and individuals overseas | Providing communications services, data center services, ICT solution/cloud services                       |

Segment information for the three months ended June 30, 2011 has been revised based on above change.

## - Personal Services

### For the three months ended June 30, 2012

(Amount unit: Millions of yen)

|                    | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 | Increase<br>(Decrease) | Increase<br>(Decrease) % |
|--------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------|
| Operating Revenues | 685,712                             | 665,779                             | (19,932)               | (2.9)                    |
| Operating Expenses | 581,001                             | 600,713                             | 19,712                 | 3.4                      |
| Operating Income   | 104,711                             | 65,065                              | (39,645)               | (37.9)                   |

Operating revenues for the three months ended June 30, 2012 amounted to ¥665,779 million, 2.9% decrease year on year, mainly due to the decrease in au communications revenues caused by Maitzuki Discount by expanding smartphones subscriptions, and the decrease in revenues of mobile terminal sales caused by the decline in handset replacement, despite the increase in FTTH revenues by the increase of FTTH subscriptions.

Operating expenses amounted to ¥600,713 million, 3.4% increase year on year, mainly due to the increase in sales commissions and communication facility fee by increase in revenues of FTTH and other services.

As a result, operating income amounted ¥65,065 million, down 37.9% year on year.

### **Overall**

- From April 10, 2012, we took the industry lead in introducing “EV-DO Advanced” technology for alleviating congestion at mobile base stations, owing to the expansion of mobile data traffic, against a backdrop of the increasing use of au smartphones. By June 30, 2012, we had rolled out this technology nationwide. “EV-DO Advanced” technology monitors the degree of congestion at base stations in real time and switches au mobile phone traffic using congested base stations to those nearby that are less busy, raising customers’ effective communication speed. Introducing this functionality has enabled to stations to handle approximately 1.5 times the previous volume of data traffic and in congested locations customers’ effective communications speed has on average more than doubled\*.
  - \* Based on the results of the Company’s simulation of the degree of congestion at mobile base stations and customer usage conditions.
- On June 4, 2012, the Companies began providing the “Disaster Voice Messaging Service,” which enables customers to use au smartphones to send pre-recorded voice information via packet communication networks to confirm their safety status in the event that an emergency renders telephone communications difficult. Provided as the “au Disaster Measure Apps,” in addition to 3G networks, this service can send and receive messages using WiMAX compatible smartphones over WiMAX networks. The app also contains performance-enhancing functionality to make e-mails easier to receive if communication circuits become congested owing to a disaster. Consequently, e-mail delays are reduced by up to 90% if a disaster or other calamity strikes over a wide area. By augmenting the “au Disaster Measure Apps,” the Companies plans to provide even better security and safety going forward.
- In tandem with the July 22, 2012 allocation of au mobile phones to the 800MHz band frequency, service has been discontinued for au mobile phones with au IC cards that are incompatible with this new frequency, including “CDMA 1X” and “CDMA 1X WIN.”

### **3M Strategy**

- Service for “au Smart Value” commenced on March 1, 2012, and by May 2012 the number of au mobile phones using this service surpassed 1 million, rising to 1.33 million by the end of June. With the “au Smart Value” service, customers with au smartphones subscribing to FTTH, such as “au HIKARI” and other fixed-line communications services provided by designated CATV operators can receive a discount on their monthly au smartphone usage charges of ¥1,480 for up to two years (after two years, the discount will be ¥980, including tax). A wide-ranging base of customers has begun using this service shortly after its launch, allowing them to enjoy secure smartphone lifestyles. Going forward, we plan to increase the number of allied companies, enabling even more customers to make use of this service.

### **Mobile Terminals**

- To augment its lineup of au smartphones, in May 2012, the Companies commenced sales of the “HTC J ISW13HT” (manufacturer: HTC Corporation), the first au-brand smartphone with Android™ 4.0. HTC, which receives broad support in countries throughout the world and was the first company in the world to produce Android™ smartphones, and the Company worked together to develop an original model especially

for the Japanese market. Retaining HTC's hallmark ease of operation, this new model is customized with such functions as one-seg, Osaifu-Keitai®, infrared light communications, Wi-Fi tethering, and WiMAX communication.

- In addition, rollout of a new lineup of five new au smartphones commenced in May, 2012. All these models include Android™ 4.0, and three of the five models employ Wi-Fi tethering. These "+WiMAX" compatible smartphones enable customers to enjoy high-speed Internet connections.

< Products released for the three months ended June 30, 2012 >

|                             |                     |   |
|-----------------------------|---------------------|---|
| Smartphones                 | IS                  | "HTC J ISW13HT," "URBANO PROGRESSO,"<br>"AQUOS PHONE SERIE ISW16SH" |
| Feature phones              | au                  | "K011," "Simple Phone K012"   |
| Other communications device |                     | "REGZA Tablet AT500/26F"  |
| Accessories                 | Brand collaboration | Fashion brand collaboration cover,<br>designer collaboration cover  |
|                             | Others              | "BLACK PREMIUM" series, earphone jack accessories                   |

### **Services**

- On April 18, 2012, we began to roll out "International SMS," a short messaging service (SMS (C mail)) that allows the sending and receipt of short messages with mobile phones from overseas telecommunications companies. As a result, au smartphones and au mobile phones became able to send and receive SMS (C mail) with mobile phones from 215 overseas telecommunication companies in 117 countries and regions.
- From May 2012, the Companies made pictograph designs consistent with those of NTT DOCOMO, INC., and eAccess Ltd., thereby simplifying e-mail communications among different providers. This consistency makes e-mail communications more convenient and enjoyable.
- On June 4, 2012, we began offering the "Radio wave Support 24" service as a renewed version of the "Let's Create! au Area" service that allows customers to make "home reception quality improvement requests" and "inquiries related to area information" for au mobile phones to the au website, thereby augmenting response to home reception quality improvement requests. The response time to customers requesting home visits to check signal quality has been shortened from within 48 hours of application to within 24, in principle. Through this faster response, the Company aims to enhance area quality further.

### **Wi-Fi**

- Even after the number of au Wi-Fi SPOTs surpassed 100,000 on March 29, 2012, the Company continued its service rollout in Tokyo's Nishi Shinjuku area, as well as at Starbucks and the Skylark Group, aggressively developing service in areas where traffic is concentrated. Furthermore, in addition to Japan the au Wi-Fi SPOT service can be used in more than 100 overseas countries and regions, including in the Americas, Europe and Asia, which is convenient for customers traveling overseas on business or for pleasure. A specialized app, the "au Wi-Fi Connection Tool," can be used to simplify setup.
- Battery life, which has been a point of dissatisfaction when using Wi-Fi, has been improved on au smartphones sold from May 2012, approximately doubling the previous level. For au smartphones sold before that time, the Companies expect to make software update available in July.

### **Main Services in the Second Quarter and Beyond**

- On July 1, 2012, the Companies expanded the number of providers that make the "Kaigai Double-Teigaku" packet flat-rate service available to au mobile phone customers when using overseas roaming access. This expansion increased the number of countries and regions where "Kaigai Double-Teigaku" is available to 100.
- From July, the number of "au Smart Value" allied companies will increase substantially, gaining one new FTTH company and 33 CATV companies constituting 35 channels. As a result, as of September 2012, allied companies offering "au Smart Value" will number five FTTH companies and 74 CATV companies constituting 153 channels.

## - Value Services

### For the three months ended June 30, 2012

(Amount unit: Millions of yen)

|                    | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 | Increase<br>(Decrease) | Increase<br>(Decrease) % |
|--------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------|
| Operating Revenues | 28,396                              | 34,721                              | 6,324                  | 22.3                     |
| Operating Expenses | 17,579                              | 24,634                              | 7,054                  | 40.1                     |
| Operating Income   | 10,816                              | 10,086                              | (730)                  | (6.7)                    |

Operating revenues for the three months ended June 30, 2012 amounted to ¥34,721 million, 22.3% increase year on year, due to the increase in revenues brought by content and settlement services by WebMoney Corporation, which became a consolidated subsidiary in the year ended March 31, 2012.

Operating income amounted to ¥10,086 million, 6.7% decrease year on year, mainly due to the increase in operating expenses caused by the launch of “au Smart Pass.”

### 3M Strategy

- Members of the “au Smart Pass” service, which launched on March 1, 2012, surpassed 1 million in May 2012, reaching 1.47 million as of the end of June. “au Smart Pass” offers unlimited use of more than 500 popular apps as well as valuable coupon and point services, 10GB of storage for photos and videos, and extensive security and support, all for ¥390 per month (including tax). The service is being well received by a wide range of customers.
- The “Video Pass” service launched on May 15, 2012. This video service allows customers to choose from an extensive lineup, enjoying favorite movies anytime, anywhere. “Video Pass” users who subscribe to the unlimited viewing plan, which is available for a monthly fee of ¥590 (including tax), can view an unlimited amount of other titles from a wide range of genres, including Japanese and foreign movies, drama, anime, music, Korean popular entertainment, variety shows and original releases and watch one new movie release per month. Also available is a service plan that allows users to view new movies and other popular titles individually. PC compatibility was added on June 1, 2012.
- On May 25, 2012, the Companies began providing “au Smart Pass” recommended information and friend communication status via its website to au Android™ smartphone users, delivering recent news and other information via the “au Widget.”
- June 27, 2012 marked the launch of “Uta Pass,” a music service for au smartphones that lets subscribers listen to an unlimited amount of music content on channels spanning a variety of genres, while facilitating a shared music experience between users. The service is offered for a monthly fee of ¥315 (including tax).
- On June 29, 2012, 3rdKind Inc. and the Company entered a business alliance for collaboration in the overseas game publishing business, providing overseas games to the Japanese app market via “au Smart Pass” and other services.

### Services

- The “Jibe” application that launched in November 2011 for users of “Friends Note,” a social communication portal for Android™, topped 1 million users in May 2012.

### Other

- The Company, Kadokawa Group Holdings, Inc. (hereafter referred to as Kadokawa GHD) and Kadokawa Content Gate, Ltd. (hereafter referred to as Kadokawa CG), a Kadokawa Group company that operates the “BOOK WALKER” ebook platform, have agreed to a joint initiative to promote development of the ebook market. Based on this accord, some 5,000 titles owned by Kadokawa GHD companies will be made available via the “LISMO Book Store,” and “au Simple Payment” will be introduced for the “BOOK WALKER” ebook distribution service operated by Kadokawa CG.
- From May 8 to July 16, 2012, the eighth “Walk Project,” the “au Smart Sports Kesenuma Camellia Walk,” began with the aim of reinvigorating camellias at Kesenuma Oshima, which suffered severe damage in the Great East Japan Earthquake. Through this project, the Company donates ¥1 for each kilometer walked by a customer using “au Smart Sports Run & Walk.”

### Main Services in the Second Quarter and Beyond

- On July 3, NHN Japan Corporation (hereafter referred to as “NHN Japan”) and the Company entered into an alliance agreement aimed at spurring the growth of both companies’ businesses and enhancing user convenience. Going forward, we will strengthen coordination between the “LINE” business that NHN Japan



operates as a smartphone app for free-of-charge voice and e-mail communications and the “au Smart Pass” service that the Company operates for smartphones.

## - Business Services

### For the three months ended June 30, 2012

(Amount unit: Millions of yen)

|                    | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 | Increase<br>(Decrease) | Increase<br>(Decrease) % |
|--------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------|
| Operating Revenues | 153,335                             | 156,297                             | 2,962                  | 1.9                      |
| Operating Expenses | 132,424                             | 141,115                             | 8,690                  | 6.6                      |
| Operating Income   | 20,910                              | 15,182                              | (5,727)                | (27.4)                   |

Operating revenues for the three months ended June 30, 2012 amounted to ¥156,297 million, 1.9% increase year on year. Contributing factors include the increase in revenues brought by the increase in the number of mobile terminal sales for corporate clients.

Operating income amounted to ¥15,182 million, 27.4% decrease year on year, mainly due to the increase in handsets procurement cost and sales commission caused by the increase in handset unit sales.

### 3M Strategy

- On April 1, 2012, we began offering “Basic Pack” and “Smart Value for Business.” “Basic Pack” is a cloud application that includes mail and files storage services, offered for ¥390 per month, optimized to meet high demands from corporate customers. Customers who sign up for “Smart Value for Business,” which includes access to KDDI-designated fixed-line communications services such as “au HIKARI Business” and “Basic Pack” receive a discount on monthly usage charges of ¥1,480 for up to two years (a discount of ¥980 after two years, including tax). On May 14, 2012, we added “KDDI Wide Area Virtual Switch” and other intranet services as designated fixed-line communications services to enable use by even more customers. Using an au smartphone and the “Basic Pack” provides customers with access to necessary business information when on the road at any time, greatly improving business efficiency.
- In June 2012, we began providing “KDDI Flex Remote Access” and “KDDI ChatWork.” “KDDI Flex Remote Access,” which is a “Basic Pack” target services, enables connection via the Internet to PCs and smart devices with a single ID. This remote access service also provides customers with secure intranet access via au mobile phones and WiMAX. “KDDI ChatWork,” which will become “Basic Pack” target services, is offered through a business alliance with ChatWork Co., Ltd. “KDDI ChartWork” is a multidevice social communication service that can be used on smartphones and other devices, facilitating group chat, task management, file management and other tasks. This service resolves the issue of how to make meetings more efficient when they involve multiple locations and organizations. At the same time, the social networking function creates communication opportunities both within and outside a company, providing a new environment for business communications.

### Services

- On April 1, 2012, we began offering the “au HIKARI Business” FTTH service targeting small and medium-sized companies, providing high-speed Internet and high-quality IP telephone services.
- On April 10, 2012, we began providing “au Office Number.” This service allows customers to place calls via au mobile phones via fixed-line numbers, such as those with a 03 or 06 prefix. The service also facilitates the rapid setup of fixed-line telephone numbers even in environments where distributing fixed-line telephones is difficult. As a result, the service enables a variety of office environments and working styles. We have commenced the rollout of this service with prefixes from Japan’s major cities, including Tokyo (03 numbers) and Osaka (06 numbers), and we will expand the service area.

### Main Services in the Second Quarter and Beyond

- On July 2, 2012, we began providing a new cloud-based infrastructure service, the “KDDI Cloud Platform Service.” This service facilitates Internet and intranet connection, enable customers to make use of public and private clouds. The service usage format is available via dedicated servers and can be customized. In addition, the service provides inexpensive virtual server access, meeting a broad range of customer needs. The service is provided under an SLA that sets 99.99% availability as standard. A variety of expandability functions are also available, such as the DR option that enables the service to be deployed as a BCP measure, allowing system restoration from remote locations in the event of disaster.

**- Global Services**

**For the three months ended June 30, 2012**

(Amount unit: Millions of yen)

|                    | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 | Increase<br>(Decrease) | Increase<br>(Decrease) % |
|--------------------|-------------------------------------|-------------------------------------|------------------------|--------------------------|
| Operating Revenues | 39,096                              | 46,282                              | 7,186                  | 18.4                     |
| Operating Expenses | 37,963                              | 44,898                              | 6,934                  | 18.3                     |
| Operating Income   | 1,132                               | 1,384                               | 251                    | 22.2                     |

Operating revenues for the three months ended June 30, 2012 increased 18.4% year on year to ¥46,282 million, mainly due to the increase in revenues brought by CDNetworks Co., Ltd., which became a consolidated subsidiary in the year ended March 31, 2012, and overseas subsidiaries. Operating income increased 22.2% year on year to ¥1,384 million.

**Main Services in the Second Quarter and Beyond**

- The Companies are strengthening its data center business in the Greater China market, which includes mainland China and Hong Kong. It is a new high-quality TELEHOUSE data center that complies with TELEHOUSE global standards. The second Beijing facility will boast a floor area of 25,000 square meters. The floor area of the TELEHOUSE HONG KONG CCC facility, which opened in 2011, will be increased to 20,000 square meters. Both facilities are scheduled to begin operations in December 2012.

**3) Status of Major Affiliates**

UQ Communications Inc. (hereafter “UQ”), an equity-method affiliate of the Company, had 2.906 million subscribers and population coverage\* topped 90% as of June 30, 2012. Since commencing high-speed, high-quality service, the WiMAX service has had the highest number of net additions among all mobile phone carriers and providers of broadband wireless access in June 2012, with the number of subscribers topping 3 million on July 14. The service area is being steadily expanded so that subscribers can use WiMAX services at subway stations and within train cars. This expansion includes subways and the country’s major railway routes in the Tokyo metropolitan, Chubu and Kansai metropolitan areas. During the current term, area expansion to include the Tokyo Monorail, Yokohama Municipal Subway Green Line, Fukuoka City Subway and Keihin Kyuko Railway was completed. In addition, so that the service can be used at TOKYO SKYTREE, which opened on May 22, the tower’s Tembo Galleria and Tembo Deck have been included in the service area.

Note: Figures are calculated on the basis of whether communications are available at city, town and village government offices.

On May 1, au Insurance Company, Limited, an equity method affiliate, began underwriting “automobile insurance,” which is provided free of charge to “au Smart Pass” users.

- Notes:
- 1 “Wi-Fi” is a registered trademark of Wi-Fi Alliance®.
  - 2 “Android” “Google” are trademarks or registered trademarks of Google Inc.
  - 3 WiMAX is a trademark or a registered trademark of WiMAX Forum.
  - 4 “Osaifu-Keitai” is a registered trademark of NTT DOCOMO, INC.
  - 5 “AQUOS” is a registered trademark of Sharp Corporation.
  - 6 “REGZA” is a registered trademark of Toshiba Corporation.
  - 7 “Smart Value” is a registered trademark of Energy Management Corporation.

**(2) Qualitative Information on Consolidated Financial Position**

Consolidated total assets stood at ¥3,921,135 million, a decrease of ¥82,873 million from March 31, 2012. This decrease was primarily attributable to factors such as increases in securities (negotiable deposit, etc.) and accounts receivable-other.

Total liabilities amounted to ¥1,772,151 million, a decrease of ¥103,232 million from March 31, 2012. Major factor contributing to this decrease was decrease in income taxes payable.

An increase in retained earnings resulted net asset to amount to ¥2,148,983 million, an increase of ¥20,358 million from March 31, 2012.

As a result, the shareholders’ equity ratio increased from 51.5% as of March 31, 2012, to 53.0%.

The following describes the cash flow situation for the three months ended June 30, 2012.

(Amount unit: Millions of yen)

|   | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 | Increase<br>(Decrease) |
|---|-------------------------------------|-------------------------------------|------------------------|
| Net cash provided by (used in) operating activities         | 145,097                             | (8,590)                             | (153,687)              |
| Net cash provided by (used in) investing activities         | (77,938)                            | (101,089)                           | (23,151)               |
| Free cash flows   | 67,158                              | (109,680)                           | (176,838)              |
| Net cash provided by (used in) financing activities         | (36,298)                            | 27,302                              | 63,600                 |
| Effect of exchange rate change on cash and cash equivalents | 603                                 | 1,324                               | 720                    |
| Net increase (decrease) in cash and cash equivalents        | 31,463                              | (81,054)                            | (112,517)              |
| Cash and cash equivalents at beginning of period            | 159,869                             | 174,191                             | 14,322                 |
| Cash and cash equivalents at end of period                  | 191,333                             | 93,137                              | (98,195)               |

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 used net cash of ¥8,590 million. This includes ¥90,186 million of income before income taxes and minority interests, ¥147,769 million of income taxes paid, and ¥35,264 million of decrease in accounts payable-other.

Investing activities used net cash of ¥101,089 million. This includes ¥77,341 million of purchase of property, plant and equipment and ¥14,986 million in payments for purchase of intangible assets.

Financial activities provided net cash of ¥27,302 million. This includes ¥38,184 million in increase in short-term loans payable, ¥24,000 million in proceeds from long-term loans payable, and ¥31,999 million in repayment of payments for cash dividends paid.

As a result, cash and cash equivalents as of June 30, 2012, decreased ¥81,054 million from March 31, 2012, to ¥93,137 million.

### **(3) Qualitative Information on Consolidated Financial Results Forecast**

#### **1. Outlook for the Fiscal Year Ending March 31, 2013**

##### **Overview**

We will promote our mission as a telecommunication company that supports a lifeline through construction of telecommunication infrastructure network that can be recovered in case of major natural disasters, and creation of effective BCP upon the experiences of the Great East Japan Earthquake.

The Companies have formalized “three business visions” to respond quickly to changes in the operating environment, while at the same time growing sustainably and taking the lead in meeting emerging needs.

- **“More connected”** -- We will aim to achieve multi-network connectivity by organically linking networks owned by the Companies, including mobile phone, FTTH, CATV and WiMAX networks. We will also provide a high-speed communication environment and attractive content optimized for multi-device access. At the same time, the Company will enable multi-use services tailored to individual customer preferences, thereby making ourselves “more connected” to customer.
- **“More diverse values”** -- The ongoing proliferation of Internet technologies, led by IP connectivity, are spawning ICT needs in a broadening host of fields, including medicine, health, education, government and the environment. By taking a more active part in various corporate initiatives and lifestyle aspects, the Companies offer further value to customers.
- **“More global”** -- Although domestic demand is lackluster, due to Japan’s falling birthrate and the aging of society, globalization is accelerating. Making the world our stage, we will develop new communication-related businesses and cultivate new markets that match the needs of individual countries’ cultures and socioeconomic conditions, thereby aggressively promoting the creation of ICT environments in countries throughout the world.

To realize these visions, we will advance the full-scale implementation of the 3M strategy (Multi-network, Multi-device, Multi-use), which will enable customers to select a device the meets their own preferences and to enjoy a variety of content through an optimal network that can be used anytime and anywhere.

##### **Personal Services**

With the Smart Passport Concept as its core strategy, through “au Smart Value” the segment will work to expand sales of the Companies’ FTTH services—“au HIKARI,” “Commuf@-hikari,” and “au HIKARI Chura.” In addition, the segment will strengthen its relationships with CATV companies and electric-power related communications companies. The segment will also work to expand the au customer base, achieve gains in revenues and profits, and maximize the number of FMC IDs\* x FMC ARPU.

Moving forward, the segment will work to develop an extensive handset lineup, including smartphones with communications functions that have been enhanced, such as through the addition of functions that are standard in

Japan; high-speed smartphones utilizing au + WiMAX; Wi-Fi routers and other data communications devices; and tablets. In addition, the segment will work to provide innovative new services and work to expand service areas and further increase communications quality. The segment will also strive to provide a comfortable communications environment, at higher speeds than were previously possible, through the introduction of LTE.

\* Number of IDs for subscribers to both fixed-line and mobile.

### **Value Services**

The Value Services segment will continue to provide cloud-based content services, centered on entertainment services. These will be linked with “au Smart Pass,” for multiple devices and multiple operating systems.

At the same time, by establishing a service platform, moving toward more open services, and nurturing startup companies, the segment will work to increase the appeal of these services and achieve linked acquisitions of service subscriptions. In this way, the segment will strive to maximize Value ARPU.

### **Business Services**

The Business Services segment will develop the “KDDI MULTI CLOUD” brand for corporate customers, provide cloud solutions that seamlessly integrate across the range from smartphones and tablets to networks, data centers, and applications, and propose work style reforms to customers. In addition, through the provision of “Smart Value for Business,” 3M services for small and medium-sized companies, the segment will strive to increase the number of the Companies’ customers.

### **Global Services**

In addition to expanding “TELEHOUSE” data centers, the Global Services segment will strengthen its system for the one-stop provision to customers of optimal, high-value-added ICT solutions through the utilization of the services of consolidated subsidiaries CDNetworks and DMX. In addition, the segment will work to expand its customer base, including non-Japanese companies. In addition, the segment will also work aggressively to expand consumer businesses, such as Internet broadband operations in emerging countries and MVNO operations in the U.S.

### **Full-Year Results**

The estimated consolidated financial results for the year ending March 2013 for full-year basis disclosed in the Financial Statements Summary for the year ended March 2012 (disclosed on April 25, 2012) were as follows; Operating Revenues: ¥3,580,000 million, Operating Income: ¥500,000 million, Ordinary Income: ¥490,000 million, Net Income: ¥250,000 million. There is no change to these figures.

The Company has not prepared consolidated business forecasts for the six months ending September 30, 2012 because the rapidly changing operating environment, characterized by competition among telecommunication carriers, means it is difficult to make forecasts for this period.

- Notes: 1 WiMAX is a trademark or a registered trademark of WiMAX Forum.  
2 “Smart Value” is a registered trademark of Energy Management Corporation.  
3 “Wi-Fi” is a registered trademark of Wi-Fi Alliance®.

## **2. Business Risks**

As the Companies pursue its business, there are various risks involved. The Companies take every effort to reduce these risks by preventing and hedging them. However, there are various uncertainties which could have negative impacts on the Companies’ brand image, liability, financial position and/or earnings performance such as;

- subscription growth trends out of line with the Companies expectations due to competition, rival technologies and rapid market shifts
- breach of obligations regarding communications security and protection of customer privacy
- natural disasters, accidents and power restrictions caused by earthquake, tsunami, typhoon, etc.
- revision or repeal of laws and ordinances governing telecommunications, 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 Companies

## **2. Notes Regarding Summary Information (Notes)**

### **Changes in Accounting Policies, Accounting Estimates and Restatement of Corrections**

(Changes in Accounting Policies for Items that Are Difficult to Categorize as Changes in Accounting Estimates)  
(Change in Depreciation)

In accordance with revisions to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have revised their method of accounting for depreciation for property, plant and equipment acquired on or after April 1, 2012, in accordance with the post-revision Corporation Tax Act, from the three months ended June 30, 2012. The impact of these changes on income during the three months ended June 30, 2012, was slight.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Amount unit: Millions of yen)

|   | As of March 31, 2012 | As of June 30, 2012 |
|---|----------------------|---------------------|
| <b>Assets</b>   |                      |                     |
| Noncurrent assets                                     |                      |                     |
| Noncurrent assets-telecommunications business         |                      |                     |
| Property, plant and equipment                         |                      |                     |
| Machinery, net  | 581,117              | 579,709             |
| Antenna facilities, net                               | 348,310              | 344,574             |
| Local line facilities, net                            | 130,772              | 131,548             |
| Long-distance line facilities, net                    | 5,480                | 5,200               |
| Engineering facilities, net                           | 25,730               | 25,417              |
| Submarine line facilities, net                        | 6,519                | 6,095               |
| Buildings, net  | 205,384              | 201,817             |
| Structures, net                                       | 30,987               | 30,326              |
| Land  | 249,239              | 249,250             |
| Construction in progress                              | 132,822              | 143,371             |
| Other tangible assets, net                            | 31,589               | 30,287              |
| Total property, plant and equipment                   | 1,747,955            | 1,747,600           |
| Intangible assets                                     |                      |                     |
| Right of using facilities                             | 10,577               | 10,635              |
| Software  | 175,084              | 168,207             |
| Goodwill  | 22,331               | 21,225              |
| Other intangible assets                               | 10,369               | 10,318              |
| Total intangible assets                               | 218,361              | 210,387             |
| Total noncurrent assets-telecommunications business   | 1,966,317            | 1,957,988           |
| Incidental business facilities                        |                      |                     |
| Property, plant and equipment                         | 135,770              | 144,326             |
| Intangible assets                                     | 91,664               | 90,721              |
| Total noncurrent assets-incident business             | 227,435              | 235,048             |
| Investments and other assets                          |                      |                     |
| Investment securities                                 | 86,614               | 75,945              |
| Stocks of subsidiaries and affiliates                 | 351,815              | 351,486             |
| Investments in capital of subsidiaries and affiliates | 185                  | 190                 |
| Long-term prepaid expenses                            | 91,272               | 92,981              |
| Deferred tax assets                                   | 104,829              | 106,767             |
| Other investment and other assets                     | 47,777               | 49,287              |
| Allowance for doubtful accounts                       | (9,120)              | (9,399)             |
| Total investments and other assets                    | 673,373              | 667,259             |
| Total noncurrent assets                               | 2,867,126            | 2,860,296           |
| Current assets  |                      |                     |
| Cash and deposits                                     | 100,037              | 99,965              |
| Notes and accounts receivable-trade                   | 760,890              | 770,684             |
| Accounts receivable-other                             | 66,286               | 50,380              |
| Short-term investment securities                      | 80,188               | 204                 |
| Supplies  | 65,232               | 58,303              |
| Prepaid expenses                                      | 15,301               | 41,270              |
| Deferred tax assets                                   | 57,781               | 46,947              |

(Amount unit: Millions of yen)

|  | As of March 31, 2012 | As of June 30, 2012 |
|--|----------------------|---------------------|
| Other current assets   | 6,125                | 8,478               |
| Allowance for doubtful accounts                                | (14,960)             | (15,394)            |
| Total current assets   | 1,136,882            | 1,060,839           |
| Total assets   | 4,004,009            | 3,921,135           |
| <b>Liabilities</b>   |                      |                     |
| Noncurrent liabilities   |                      |                     |
| Bonds payable  | 349,991              | 299,996             |
| Convertible bond-type bonds with subscription rights to shares | 200,916              | 200,854             |
| Long-term loans payable  | 301,286              | 295,102             |
| Provision for retirement benefits                              | 18,743               | 17,662              |
| Provision for point service program                            | 91,453               | 92,336              |
| Other noncurrent liabilities                                   | 72,342               | 72,866              |
| Total noncurrent liabilities                                   | 1,034,733            | 978,819             |
| Current liabilities  |                      |                     |
| Current portion of noncurrent liabilities                      | 184,112              | 263,964             |
| Notes and accounts payable-trade                               | 90,661               | 76,785              |
| Short-term loans payable                                       | 1,486                | 39,763              |
| Accounts payable-other   | 273,119              | 243,149             |
| Accrued expenses   | 20,370               | 21,487              |
| Income taxes payable   | 149,773              | 25,526              |
| Advances received  | 63,937               | 66,528              |
| Provision for bonuses  | 20,077               | 8,937               |
| Provision for loss on the Great East Japan Earthquake          | 1,992                | 1,848               |
| Other current liabilities                                      | 35,119               | 45,339              |
| Total current liabilities                                      | 840,650              | 793,332             |
| Total liabilities  | 1,875,384            | 1,772,151           |
| <b>Net assets</b>  |                      |                     |
| Shareholders' equity   |                      |                     |
| Capital stock  | 141,851              | 141,851             |
| Capital surplus  | 367,104              | 367,104             |
| Retained earnings  | 1,879,087            | 1,897,893           |
| Treasury stock   | (346,163)            | (346,163)           |
| Total shareholders' equity                                     | 2,041,879            | 2,060,685           |
| Accumulated other comprehensive income                         |                      |                     |
| Valuation difference on available-for-sale securities          | 36,442               | 31,160              |
| Deferred gains or losses on hedges                             | (676)                | (1,302)             |
| Foreign currency translation adjustment                        | (16,899)             | (11,533)            |
| Total accumulated other comprehensive income                   | 18,866               | 18,323              |
| Subscription rights to shares                                  | 1,128                | 1,128               |
| Minority interests   | 66,749               | 68,846              |
| Total net assets   | 2,128,624            | 2,148,983           |
| Total liabilities and net assets                               | 4,004,009            | 3,921,135           |

## (2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Income)

(Amount unit: Millions of yen)

|   | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 |
|---|-------------------------------------|-------------------------------------|
| <b>Operating income and loss from telecommunications</b>  |                                     |                                     |
| Operating revenue   |                                     |                                     |
| Total operating revenue                                   | 600,727                             | 594,877                             |
| Operating expenses  |                                     |                                     |
| Business expenses   | 152,965                             | 170,675                             |
| Operating expenses  | 10                                  | 10                                  |
| Facilities maintenance expenses                           | 72,891                              | 71,821                              |
| Common expenses   | 691                                 | 606                                 |
| Administrative expenses                                   | 17,205                              | 17,406                              |
| Experiment and research expenses                          | 1,321                               | 1,374                               |
| Depreciation  | 93,799                              | 90,271                              |
| Noncurrent assets retirement cost                         | 2,282                               | 3,762                               |
| Communication facility fee                                | 87,875                              | 91,888                              |
| Taxes and dues  | 11,828                              | 11,313                              |
| Total operating expenses                                  | 440,872                             | 459,131                             |
| Net operating income from telecommunications              | 159,855                             | 135,746                             |
| <b>Operating income and loss from incidental business</b> |                                     |                                     |
| Operating revenue   |                                     |                                     |
|   | 264,237                             | 266,737                             |
| Operating expenses  |                                     |                                     |
|   | 283,996                             | 308,272                             |
| Net operating loss from incidental business               | (19,759)                            | (41,534)                            |
| Operating income  | 140,095                             | 94,211                              |
| Non-operating income                                      |                                     |                                     |
| Interest income   | 199                                 | 198                                 |
| Dividends income  | 561                                 | 497                                 |
| Miscellaneous income                                      | 1,865                               | 2,504                               |
| Total non-operating income                                | 2,626                               | 3,200                               |
| Non-operating expenses                                    |                                     |                                     |
| Interest expenses   | 3,357                               | 2,897                               |
| Equity in losses of affiliates                            | 4,268                               | 597                                 |
| Miscellaneous expenses                                    | 2,648                               | 3,730                               |
| Total non-operating expenses                              | 10,274                              | 7,224                               |
| Ordinary income   | 132,448                             | 90,186                              |
| Extraordinary loss  |                                     |                                     |
| Loss on sales of noncurrent assets                        | 102                                 | -                                   |
| Loss on valuation of investment securities                | 197                                 | -                                   |
| Loss on the Great East Japan Earthquake                   | 3,674                               | -                                   |
| Total extraordinary losses                                | 3,975                               | -                                   |
| Income before income taxes and minority interests         | 128,472                             | 90,186                              |
| Income taxes-current                                      | 48,504                              | 25,104                              |
| Income taxes-deferred                                     | 6,234                               | 12,179                              |

(Amount unit: Millions of yen)

|                                  | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 |
|----------------------------------|-------------------------------------|-------------------------------------|
| Total income taxes               | 54,738                              | 37,283                              |
| Income before minority interests | 73,733                              | 52,902                              |
| Minority interests in income     | 1,787                               | 1,611                               |
| Net income                       | 71,945                              | 51,291                              |



## (2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Comprehensive Income)

(Amount unit: Millions of yen)

|  | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 |
|--|-------------------------------------|-------------------------------------|
| Income before minority interests   | 73,733                              | 52,902                              |
| Other comprehensive income   |                                     |                                     |
| Valuation difference on available-for-sale securities                                  | 3,159                               | (5,830)                             |
| Foreign currency translation adjustment  | 2,260                               | 5,899                               |
| Share of other comprehensive income of associates<br>accounted for using equity method | 221                                 | 472                                 |
| Total other comprehensive income   | 5,641                               | 541                                 |
| Comprehensive income   | 79,374                              | 53,444                              |
| (Comprehensive income attributable to)   |                                     |                                     |
| Comprehensive income attributable to owners of the parent                              | 77,134                              | 50,747                              |
| Comprehensive income attributable to minority interests                                | 2,239                               | 2,696                               |

### (3) Consolidated Statements of Cash Flows

(Amount unit: Millions of yen)

|  | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 |
|--|-------------------------------------|-------------------------------------|
| Net cash provided by (used in) operating activities  |                                     |                                     |
| Income before income taxes and minority interests  | 128,472                             | 90,186                              |
| Depreciation and amortization  | 100,550                             | 98,258                              |
| Amortization of goodwill   | 2,910                               | 4,436                               |
| Loss (gain) on sales of noncurrent assets  | 95                                  | 1                                   |
| Loss on retirement of noncurrent assets  | 1,513                               | 2,784                               |
| Increase (decrease) in provision for loss on the Great East Japan Earthquake                         | (2,018)                             | (144)                               |
| Increase (decrease) in allowance for doubtful accounts   | 568                                 | 615                                 |
| Increase (decrease) in provision for retirement benefits   | 279                                 | (1,137)                             |
| Interest and dividends income  | (760)                               | (695)                               |
| Interest expenses  | 3,357                               | 2,897                               |
| Equity in (earnings) losses of affiliates  | 4,268                               | 597                                 |
| Loss (gain) on sales of investment securities  | (67)                                | 23                                  |
| Loss (gain) on valuation of investment securities  | 197                                 | 4                                   |
| Increase (decrease) in provision for point service program   | 1,500                               | 883                                 |
| Decrease (increase) in prepaid pension costs   | 493                                 | 573                                 |
| Decrease (increase) in prepaid expenses  | (29,398)                            | (25,619)                            |
| Decrease (increase) in notes and accounts receivable-trade   | (4,725)                             | 8,029                               |
| Decrease (increase) in inventories   | (11,410)                            | 7,280                               |
| Increase (decrease) in notes and accounts payable-trade  | 22,778                              | (14,912)                            |
| Increase (decrease) in accounts payable-other  | (13,308)                            | (35,264)                            |
| Increase (decrease) in accrued expenses  | 1,108                               | 1,371                               |
| Increase (decrease) in advances received   | 2,103                               | 2,670                               |
| Other, net   | (3,701)                             | (1,629)                             |
| Subtotal   | 204,807                             | 141,210                             |
| Interest and dividends income received   | 954                                 | 1,388                               |
| Interest expenses paid   | (3,434)                             | (3,421)                             |
| Income taxes paid  | (57,231)                            | (147,769)                           |
| Net cash provided by (used in) operating activities  | 145,097                             | (8,590)                             |
| Net cash provided by (used in) investing activities  |                                     |                                     |
| Purchase of property, plant and equipment  | (57,921)                            | (77,341)                            |
| Proceeds from sales of property, plant and equipment   | 177                                 | 12                                  |
| Purchase of intangible assets  | (14,075)                            | (14,986)                            |
| Purchase of investment securities  | (995)                               | (114)                               |
| Proceeds from sales of investment securities   | 376                                 | 1,358                               |
| Purchase of stocks of subsidiaries and affiliates  | (73)                                | (820)                               |
| Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation | (1,880)                             | (525)                               |
| Purchase of long-term prepaid expenses   | (4,624)                             | (7,562)                             |
| Other, net   | 1,078                               | (1,109)                             |
| Net cash provided by (used in) investing activities  | (77,938)                            | (101,089)                           |

(Amount unit: Millions of yen)

|   | Three months ended<br>June 30, 2011 | Three months ended<br>June 30, 2012 |
|---|-------------------------------------|-------------------------------------|
| Net cash provided by (used in) financing activities         |                                     |                                     |
| Net increase (decrease) in short-term loans payable         | (587)                               | 38,184                              |
| Proceeds from long-term loans payable                       | -                                   | 24,000                              |
| Repayment of long-term loans payable                        | (2,187)                             | (449)                               |
| Cash dividends paid   | (31,394)                            | (31,999)                            |
| Cash dividends paid to minority shareholders                | (620)                               | (664)                               |
| Other, net  | (1,507)                             | (1,769)                             |
| Net cash provided by (used in) financing activities         | (36,298)                            | 27,302                              |
| Effect of exchange rate change on cash and cash equivalents | 603                                 | 1,324                               |
| Net increase (decrease) in cash and cash equivalents        | 31,463                              | (81,054)                            |
| Cash and cash equivalents at beginning of period            | 159,869                             | 174,191                             |
| Cash and cash equivalents at end of period                  | 191,333                             | 93,137                              |

**(4) Going Concern Assumption**

None

**(5) Material Changes in Shareholders' Equity**

None

**(6) Segment Information, etc.**

(Segment Information)

For the three months ended June 30, 2011 (April 1, 2011 to June 30, 2011)

## 1. Information on sales and income (loss) by reportable business segment

(Amount unit: Millions of yen)

|                                   | Reportable Segments  |                   |                      |                    |          | Other<br>(Note 1) | Total   | Elimination<br>and<br>Corporate<br>(Note 2) | Consoli-<br>dation<br>(Note 3) |
|-----------------------------------|----------------------|-------------------|----------------------|--------------------|----------|-------------------|---------|---|--------------------------------|
|                                   | Personal<br>Services | Value<br>Services | Business<br>Services | Global<br>Services | Subtotal |                   |         |   |                                |
| Sales                             |                      |                   |                      |                    |          |                   |         |   |                                |
| Outside Sales                     | 666,694              | 22,178            | 135,495              | 31,901             | 856,269  | 8,694             | 864,964 | -   | 864,964                        |
| Intersegment<br>Sales or Transfer | 19,017               | 6,217             | 17,840               | 7,194              | 50,270   | 27,147            | 77,417  | (77,417)                                    | -                              |
| Total                             | 685,712              | 28,396            | 153,335              | 39,096             | 906,540  | 35,841            | 942,381 | (77,417)                                    | 864,964                        |
| Operating Income                  | 104,711              | 10,816            | 20,910               | 1,132              | 137,571  | 2,427             | 139,998 | 97  | 140,095                        |

Notes: 1. The "Other" category incorporates operations not included in reportable business segments, including equipment construction and maintenance, call center business, research and technological development, and other operations.

2. Adjustment of segment income refers to elimination of intersegment transactions.

3. Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

## 2. Information concerning impairment loss on noncurrent assets, goodwill and other items by reportable business segment

(Material impairment loss on noncurrent assets)

No significant items to be reported.

(Material changes in goodwill)

No significant items to be reported.

(Material profit from negative goodwill)

None

For the three months ended June 30, 2012 (April 1, 2012 to June 30, 2012)

1. Information on sales and income (loss) by reportable business segment

(Amount unit: Millions of yen)

|                                   | Reportable Segments  |                   |                      |                    |          | Other<br>(Note 1) | Total   | Elimination<br>and<br>Corporate<br>(Note 2) | Consoli-<br>dation<br>(Note 3) |
|-----------------------------------|----------------------|-------------------|----------------------|--------------------|----------|-------------------|---------|---|--------------------------------|
|                                   | Personal<br>Services | Value<br>Services | Business<br>Services | Global<br>Services | Subtotal |                   |         |   |                                |
| Sales                             |                      |                   |                      |                    |          |                   |         |   |                                |
| Outside Sales                     | 647,138              | 27,242            | 138,315              | 38,027             | 850,723  | 10,891            | 861,615 | -   | 861,615                        |
| Intersegment<br>Sales or Transfer | 18,640               | 7,478             | 17,981               | 8,255              | 52,357   | 25,209            | 77,566  | (77,566)                                    | -                              |
| Total                             | 665,779              | 34,721            | 156,297              | 46,282             | 903,080  | 36,101            | 939,182 | (77,566)                                    | 861,615                        |
| Operating Income                  | 65,065               | 10,086            | 15,182               | 1,384              | 91,719   | 2,562             | 94,281  | (69)  | 94,211                         |

Notes: 1. The “Other” category incorporates operations not included in reportable business segments, including equipment construction and maintenance, call center business, research and technological development, and other operations.

2. Adjustment of segment income refers to elimination of intersegment transactions.

3. Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

2. Changes in reportable business segment

From the three months ended June 30, 2012, the Companies commenced a full-scale launch of such services as “au Smart Value” and “au Smart Pass,” based on its growth strategy, the “3M Strategy<sup>Note</sup>.” In accordance with this launch, the Companies have reclassified its reportable segments into four-“Personal Services,” “Value Services,” “Business Services,” and “Global Services”-in order to manage its operating results by segments that reflect service and customer characteristics.

The business included in each segment is as follows.

In “Personal Services,” the Companies provide households and individual customers with mobile handset sales and other services in addition to a variety of communications services. In “Value Services,” we provide households and individual customers with various types of content, settlement services, and other services. In “Business Services,” we provide various types of communication services, mobile handset sales, data center services, various types of ICT solution/cloud services, and other services for corporate customers. In “Global Services,” we provide various types of communications services, data center services, various types of ICT solution/cloud services, and other services for companies and individuals overseas.

Segment information for the three months ended June 30, 2011 has been revised based on above change.

Note: 3M stands for Multi-network, Multi-device, and Multi-use. The 3M Strategy is the Company's business strategy for enabling the use of its wide-ranging content and services such as music, videos, ebooks and games. The strategy calls for these to be made available over the Companies’ organically linked mobile phone, FTTH, CATV, WiMAX, Wi-Fi, and other networks (Multi-network); to be available on a host of devices such as smartphones, tablet computers, ebook readers and PCs (Multi-device); and for them to be available for use in the manner the customer requires (Multi-use), conveniently at any place and at any time.

3. Information concerning impairment loss on noncurrent assets, goodwill and other items by reportable business segment

(Material impairment loss on noncurrent assets)

No significant items to be reported.

(Material changes in goodwill)

No significant items to be reported.

(Material profit from negative goodwill)

None

**(7) Significant Subsequent Event**

None