KDDI

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, 2014 [Japan GAAP]

April 30, 2014

Company name	**KDDI CORPORATION**		
Stock exchange listing	Tokyo First Section	Securities code	9433
Representative	Takashi Tanaka, President	URL	http://www.kddi.com
Date of general shareholders' meeting (as planned)		June 18, 2014	
Dividend payable date (as planned)		June 19, 2014	
Annual securities report filing date (as planned)		June 19, 2014	
Supplemental material 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 down to nearest million yen)

1. Consolidated Financial Results for the Year ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(1) Consolidated Operating Results

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

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
Year ended March 31, 2014	4,333,628	18.3	663,245	29.4	662,887	28.9	322,038	33.4
Year ended March 31, 2013	3,662,288	2.5	512,669	7.3	514,421	14.0	241,469	1.2

Note: Comprehensive Income
Year ended March 31, 2014 : 388,358 million yen; 47.3% Year ended March 31, 2013 : 263,579 million yen; 5.6%

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Return on Assets	Operating Income Margin
	Yen	Yen	%	%	%
Year ended March 31, 2014	398.60	-	13.0	14.7	15.3
Year ended March 31, 2013	315.90	289.26	11.2	12.7	14.0

Reference: Equity in net income (losses) of affiliates
Year ended March 31, 2014 : (740) million yen Year ended March 31, 2013 : 3,898 million yen

(2) Consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
			%	Yen
As of March 31, 2014	4,945,756	2,916,989	55.1	3,261.63
As of March 31, 2013	4,084,999	2,323,363	55.1	2,943.12

Reference: Shareholder's Equity
As of March 31, 2014 : 2,723,391 million yen As of March 31, 2013 : 2,249,794 million yen

(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, 2014	772,207	(546,257)	(105,643)	212,530
Year ended March 31, 2013	523,908	(472,992)	(140,249)	87,288

2. Dividends

	Dividends per Share					Total Dividends for the Year	Payout Ratio	Ratio of Dividends to Shareholders' Equity
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total			
	Yen	Yen	Yen	Yen	Yen		%	%
Year ended March 31, 2013	-	8,500.00	-	95.00	-	68,795	28.5	3.2
Year ended March 31, 2014	-	60.00	-	70.00	130.00	108,033	32.6	4.2
Year ending March 31, 2015 (forecast)	-	80.00	-	80.00	160.00		31.5	

1. Dividend for the year ended March 31, 2013, took into account a 1:100 stock split on common stock, with an effective date of October 1, 2012.
2. Dividend for the year ended March 31, 2014, took into account a 1:2 stock split on common stock, with an effective date of April 1, 2013.

3. Consolidated Financial Results Forecast for the Year ending March 31, 2015 (April 1, 2014 - March 31, 2015)

(Percentage represents comparison to previous fiscal year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share
		%		%		%		%	Yen
Entire Fiscal Year	4,600,000	6.1	730,000	10.1	735,000	10.9	424,000	31.7	507.80

1. Forecast of consolidated business results for the six months ending September 30, 2014 is not prepared.

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation): Yes
Number of subsidiaries newly consolidated：three companies
Jupiter Telecommunications Co., Ltd., J:COM West Co., Ltd., J:COM East Co., Ltd.
Number of subsidiaries excluded from the scope of consolidation：one company
JAPAN CABLENET LIMITED
Note: Please refer to page 32 “4. Consolidated Financial Statements (5) Notes for Consolidated Financial Statements (Basis of Presenting Consolidated Financial Statements)” for details.

(2) 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: None
4) Restatement of corrections: None
Note: Please refer to page 36 “4. Consolidated Financial Statements (5) Notes for Consolidated Financial Statements (Changes in Accounting Policies)” for details.

(3) Numbers of Outstanding Shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of March 31, 2014	896,963,600
	As of March 31, 2013	896,963,600
2) Number of treasury stock	As of March 31, 2014	61,984,948
	As of March 31, 2013	132,538,800
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the year ended March 31, 2014	807,924,216
	For the year ended March 31, 2013	764,378,162

(Reference) Summary of KDDI Corporation’s Financial Results and Financial Position

1. KDDI Corporation’s Financial Results for the Year ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(1) KDDI Corporation’s Results of Operation

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

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
Year ended March 31, 2014	3,585,292	6.5	542,110	16.5	573,727	21.3	356,004	53.9
Year ended March 31, 2013	3,366,079	2.8	465,145	7.6	472,883	8.8	231,348	(7.4)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2014	440.64	-
Year ended March 31, 2013	302.66	277.13

(2) KDDI Corporation’s Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
			%	Yen
As of March 31, 2014	4,014,992	2,711,573	67.5	3,247.48
As of March 31, 2013	3,910,233	2,231,575	57.1	2,918.65

Reference: Shareholder’s Equity
As of March 31, 2014: 2,711,573 million yen As of March 31, 2013: 2,231,085 million yen

Indication of audit procedure implementation status

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

Explanation for Appropriate Use of Forecasts and Other Notes

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI 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 page 15 “Outlook for the Year ending March 31, 2015” under【the Attachment】for the assumptions used and other notes.

2. The Company conducted a 1:100 stock split on common stock, with an effective date of October 1, 2012. And the Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013. As a result, net income per share, diluted net income per share, net assets per share and numbers of outstanding shares have been calculated as if the stock split was conducted at the beginning of the previous (consolidated) fiscal year.

3. The Company holds a convening briefing of annual results for institutional investors and analysts in Wednesday, April 30, 2014. Documents distributed at the briefing are scheduled to be posted on our website at the same time as the release of the financial statements summary. Videos and main Q&As are planned to be posted immediately after the briefing.
In addition to the above convening briefing, the Company holds conferences on its business and results for individual investors. Please check our website for the schedule and details.

【the Attachment】

Glossary

ARPU	ARPU is an abbreviation for Average Revenue Per Unit. Indicates monthly revenue per subscriber. Calculated for both voice and data services.
ADSL	ADSL is an abbreviation for Asymmetric Digital Subscriber Line, which provides data communications via high bandwidths not used in telephone voice transmission. ADSL provides data communications via a pair of copper lines generally used for telephone communication. Asymmetric expresses the difference in speed between inbound and outbound communications. Also, network quality and speed deteriorates as distance from the base station increases. (Between 6km and 7km from the base station is considered to be the limit.)
CATV	Cable television (CATV) is refers to service involving the distribution of television programs over cables (coaxial and optical fiber) laid by cable television companies. In addition to terrestrial television stations' channels, numerous pay channels are broadcast in this manner. CATV is also offered in apartment complexes and as a service solution in areas with poor reception. In addition to television broadcasts, CATV cables can be used for Internet and telephone services.
FTTH	FTTH is an abbreviation for Fiber to the Home. This method provides access via optical fiber from the telecommunications carrier's facilities to a subscriber's home. Although "home" originally referred to an individual's private dwelling, FTTH is also used in a general sense to indicate access via optical fiber.
ICT	ICT is an abbreviation for Information and Communication Technology. Whereas the use of "IT" was common in the past, as the Internet has become more ubiquitous use of the term "ICT" has grown to express the extensive added value that has resulted through the connection not only of computer systems but also a variety of other systems into communications networks.
LTE	LTE, an abbreviation for Long Term Evolution, is a technology for wireless telecommunications. Enabling the sophisticated development of third-generation mobile phone data communications, LTE wireless communications technology is positioned as 3.9G, as it immediately precedes the next-generation communication standard, IMT-Advanced. However, in December 2010 the International Telecommunication Union (ITU) began generally recognizing LTE as 4G, so telecommunications providers in Europe, the United States and other countries began referring to LTE services as 4G.
MNP	MNP is an abbreviation for Mobile Number Portability. This refers to the system whereby subscribers can keep the same phone number when switching to a different telecommunications carriers.
MVNO	MVNO is an abbreviation for Mobile Virtual Network Operator. An MVNO is an operator that provides services via wireless communications infrastructure borrowed from other telecommunications carriers.
O2O	O2O is an abbreviation for Online to Offline. This framework aims to promote product purchases at physical shops (offline) to customers obtained via mobile apps and the Internet (online).
WiMAX	WiMAX, an abbreviation for Worldwide Interoperability for Microwave Access, is a wireless communications technology. Faster and capable of transmitting over longer distances than wireless LAN, WiMAX was envisaged for use as the "last mile" of subscriber phone lines (as an alternative to telephone lines). Thereafter, WiMAX enhanced in the interest of mobility toward the 802.16e standard to meet the need for handovers and moving at high speed become commonly known as "mobile WiMAX."

1. Qualitative Information / Financial Statements, etc.

(1) Analysis on Consolidated Operating Results

1) Results Overview

Overview of Economic Conditions

Looking at the global economy, conditions remained robust in the United States, which has been one of the fastest of the developed countries to find a path to recovery, and Europe also began showing signs of a rebound. In contrast to the positive signs that are beginning to emerge in developing economies, the recovery may not necessarily be strong, as the emerging markets that have driven economic growth in the past are showing less vigor. We will need to continue monitoring global economic trends, including a future decrease in the degree of U.S. monetary easing and geopolitical risks in Ukraine.

In the Japanese economy, although uncertainty remains with regard to factors such as the impact of the consumption tax hike, corporate earnings and personal consumption are showing signs of improvement on the back of yen depreciation and rising share prices. Such indicators suggest that gradual recovery is continuing, pulling the country out of deflation and leading to economic growth under “Abenomics” policies.

Industry Trends

The Japanese telecommunications market is rapidly shifting from conventional mobile handsets to “smart devices,” such as smartphones and tablets. Furthermore, communication networks are becoming faster with the use of LTE (Long Term Evolution). As a result, an environment is emerging in which customers have convenient access to diverse services from a host of devices and locations. Also, in the mobile communications field the emphasis is moving toward carriers’ overall offerings, with competition based on high-speed networks using LTE and including services.

In the area of fixed-line communications, business is shifting from ADSL to FTTH, and the market is expanding for fixed-line broadband—including Internet offerings through CATV.

KDDI’s Position

・The Company has established the “3M Strategy (multi-network, multi-device, multi-use) ” as the business strategy for operating both mobile and fixed-line businesses and has begun the full-scale implementation of this strategy and raise customer satisfaction and maximize revenue. We are promoting the policies of “Advance and Develop 3M Strategy” and ”Implement Global Strategy,” as we view the consolidated fiscal year under review as the first year in a new phase of full-scale growth.

・The customer base is expanding steadily. Demonstrating this trend, the number of mobile phone contracts, including the Company and the Okinawa Cellular Telephone Company, surpassed 40 million in February 2014, and the number of “au Smart Pass” members exceeded 10 million in March 2014.

・Furthermore, in April 2013 the Company converted Jupiter Telecommunications Co., Ltd. (“J:COM”), Japan’s leading cable television operator, to a consolidated subsidiary. In December 2013, JAPAN CABLENET LIMITED (“JCN”), a consolidated subsidiary of the Company, became a J:COM subsidiary. On April 1, 2014, J:COM merged with JCN, thereby reinforcing the Company’s cable TV business and its “3M Strategy.”

・In the mainstay mobile communications area, we offer “au 4G LTE,” an ultra-high-speed communication service. In the service area for the 800MHz band[*1] that is the base for this service, we achieved an actual population coverage ratio[*2] of 99% in the approximately 18 months from the start of service in September 2012. This swift progress demonstrates the expansion of our telecommunication infrastructure.

・In the global arena, we are further enhancing our business model, which focuses on data centers.

・With the aim of moving to a new growth stage, in February 2014 we announced the “au WALLET Concept” in connection with a new O2O (Online to Offline) business to leverage our customer base. This May, we aim to turn this concept into reality by launching the “au WALLET” service.

*1 Maximum downlink speed of 75Mbps and maximum uplink speed of 12Mbps.The maximum communication speed varies depending on areas or terminals used. The communication speed is not the actual communication speed, but the maximum value based on the technical standards. The actual speed may fall short of the maximum for various reasons, including the customer's communication environment and traffic conditions.

*2 For calculation purposes, Japan has been divided into $500m^2$ grid squares. Actual population coverage is the coverage ratio in comparison to the total population of grid squares designated as part of KDDI’s service area.

Financial Results

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	3,662,288	4,333,628	671,339	18.3
Operating Expenses	3,149,619	3,670,383	520,763	16.5
Operating Income	512,669	663,245	150,575	29.4
Non-operating Income (Expenses)	1,752	(357)	(2,110)	-
Ordinary Income	514,421	662,887	148,465	28.9
Extraordinary Income (Expenses)	(102,709)	(42,258)	60,451	-
Income before Income Taxes and Minority Interests	411,711	620,628	208,917	50.7
Total Income Taxes	162,247	264,771	102,523	63.2
Income before Minority Interests	249,464	355,857	106,393	42.6
Minority Interests in Income	7,994	33,819	25,824	323.0
Net Income	241,469	322,038	80,568	33.4

Operating revenues for the year ended March 31, 2014, amounted to ¥4,333,628 million, up 18.3% year on year. This rise stemmed from higher data communications revenues, owing to a steady increase in customers using “au Smart Value”, and to the ongoing shift toward smartphones, revenues from terminal sales, as well as contributions to earnings of Jupiter Telecommunications Co., Ltd.(hereafter: “J:COM”), as this company was included in the scope of consolidation.

Operating expenses increased 16.5% year on year, to ¥3,670,383 million. Although mobile handset migration expenses (such as point expenses and outsourcing expenses) that were of the preceding fiscal year decreased owing to the conclusion of service on the former 800MHz frequency, expenses increased due to sales commission for stiff competition, terminal procurement in line with the shift to smartphones and the inclusion of J:COM in the scope of consolidation.

As a result, operating income surged 29.4% year on year, to ¥663,245 million.

Ordinary income increased 28.9% year on year, to ¥662,887 million, owing to such factors as deteriorated performance at equity-method affiliates.

In the preceding fiscal year, KDDI Group (hereafter: the “Companies”) posted an extraordinary loss of ¥104,860 million stemming from impairment loss and loss on retirement of noncurrent assets, due to the discontinuation of use of former 800 MHz facilities. During the current fiscal year, the Companies recorded a substantially smaller extraordinary loss, of ¥50,347 million, arising from a loss on step acquisitions from the purchase of additional shares in J:COM.

As a result, net income for the year ended March 31, 2014, jumped 33.4% year on year, to ¥322,038 million.

- **Subscriptions of Major Services**

Cumulative subscriptions	Unit	Year ended March 31, 2013				Year ended March 31, 2014			
		As of 1Q	As of 2Q	As of 3Q	As of 4Q	As of 1Q	As of 2Q	As of 3Q	As of 4Q
au subscriptions *1	(Thousand)	35,675	36,110	36,817	37,709	38,378	39,045	39,617	40,522
(Ref.) UQ WiMAX	(Thousand)	2,906	3,624	3,929	4,084	4,222	4,275	4,157	4,014
FTTH subscriptions	(Thousand)	2,439	2,607	2,757	2,870	2,997	3,092	3,165	3,236
Cable-plus phone Subscriptions	(Thousand)	2,295	2,481	2,679	2,851	3,040	3,202	3,362	3,494
CATV subscriptions *2 *3	(Thousand)	1,159	1,180	1,235	1,238	4,956	4,980	5,011	4,996

*1.Inclusive of module-type contracts

*2.Total Number of Subscribing Households (Number of households with at least one contract via broadcasting, internet or telephone)

*3.Year ended March 31, 2013: JCN, Year ended March 31, 2014: J:COM + JCN

The calculation method has been revised due to the consolidation of JCN by J:COM in December 2013. The figures have been revised to their newly defined values from the first quarter of the fiscal year ended March 31, 2014.

[Reference]

- For “Cable-plus phone,” alliances with cable television companies grew steadily, reaching 105 CATV companies, 194 channels as of March 31, 2014.
- With regard to consolidated subsidiaries handling the cable television business, as of March 31, 2014, the J:COM Group provides cable television via 70 channels in the Sapporo, Sendai, Kanto, Kansai, and Kyushu areas, and offers high-speed Internet connectivity, telephone, and other services.

2) Results by Business Segment

Personal Services

The Personal Services segment provides mobile and fixed-line communications services for individual customers. In addition to providing mobile communications services, chiefly under the “au” brand, and selling mobile handsets, in fixed-line communications, our services include in-home Internet, telephone, and video channel (TV services). In addition to these convenient FTTH services, which are branded “au HIKARI,” we provide CATV and other services.

In the fiscal year ended March 31, 2014, the Company worked to expand the lineup for handsets compatible with “au 4G LTE” and increase the number of customers who use these services. In addition, based on our “3M Strategy” we will expand sales of mobile, FTTH and CATV services through “au Smart Value,” increase the number of allied companies, and augment our services. In these ways, we are working to enable customers to use our services more conveniently and securely.

Operating performance in the Personal Services segment for the year ended March 31, 2014 is described below.

Results (Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	2,837,964	3,367,850	529,885	18.7
Operating Expenses	2,459,361	2,860,666	401,305	16.3
Operating Income	378,603	507,183	128,580	34.0

During the year ended March 31, 2014, operating revenues amounted to ¥3,367,850 million, up 18.7% year on year. This rise stemmed from higher data communications revenues, owing to a steady increase in customers using “au Smart Value” and to the ongoing shift toward smartphones, revenues from terminal sales, as well as contributions to earnings of J:COM, as this company was included in the scope of consolidation.

Operating expenses increased 16.3% year on year, to ¥2,860,666 million. Although mobile handset migration expenses (such as point expenses and outsourcing expenses) that were of the preceding fiscal year decreased owing to the conclusion of service on the former 800MHz frequency, expenses increased sales commission for stiff competition, terminal procurement in line with the shift to smartphones and the inclusion of J:COM in the scope of consolidation.

As a result, operating income was up 34.0% year on year, to ¥507,183 million.

Overview of Operations

<The “3M Strategy” and Other Key Initiatives>

au Smart Value

As of March 31, 2014, the number of au subscriptions using “au Smart Value” numbered 7.05 million, and households using this service came to 3.58 million. In addition, the number of “au Smart Value” allied companies increased steadily. As of March 31, 2014, this number was 7 companies for FTTH (including the company) and 125 CATV companies, 213 channels (including 22 CATV companies, 22 channels allied with STNet, Incorporated).

<Trends in Principal Performance Indicators>

[Mobile]

au Net Additions/MNP Net Additions

For the year ended March 31, 2014, au net additions*1 totaled 2,813,000 subscriptions*2. Furthermore, MNP net additions*3 amounted to 835,000 subscriptions*2, putting us in the No.1 position for 30 consecutive months*4.

The primary reason was the low trend in churn rate, in addition to increase the number of new smartphone subscriptions by “au Smart Value”.

*1: New subscribers minus churn

*2: Total for the Personal Services segments and Business Services segments

*3: The difference between the number of subscribers acquired and lost due to Mobile Number Portability

*4: The 30-months period from October 2011 through March 2014

au Churn Rate

The churn rate during the current fiscal year was 0.79%.

au ARPU

During the current fiscal year, au ARPU was down ¥30 year on year, to ¥4,150. However during the fourth quarter, au ARPU was up ¥90 year on year. We had achieved our goal of turning au ARPU positive year on year

・Voice ARPU was down ¥110 year on year, to ¥1,870. Main reasons for this decline were a decrease in basic charges stemming from a shift to lower-rate plans and to the reduction of access charges.

・Data ARPU was up ¥360 year on year, to ¥3,210. The primary factor was an ongoing increase in smartphone subscriptions, which deliver high data ARPU.

・The amount of discount applied was ¥930, up ¥280 year on year. This rise was attributable mainly to the increased use of "Maitsuki Discount (Monthly Discount)" pricing in line with the increase in smartphone sales.

au Handset Sales

During the current fiscal year, au handset sales were up 0.4%, to 11.12 million.

[Fixed Line]

FTTH Subscriptions

As of March 31, 2014, the number of FTTH subscriptions increased by 366,000 from March 31, 2013, to 3.18 million. This rise was attributable mainly to new subscriptions acquired when customers subscribed to "au Smart Value," as well as the impact of lower churn.

< Main Services >

・During the year, we expanded our handset lineup with the addition of the iPhone 5s/5c and 14 new Android models, including au-original branded models and models that are popular in Japan and overseas. We also steadily launched a wide-ranging variety of other communication devices, including au mobile phones, tablets, and Wi-Fi routers. All the smartphones that we introduced during the year are compatible with 800MHz band LTE (4G LTE platinum band), which delivers ultra-high speed over a wide area and easy connections, thereby providing convenient services to customers.

・From December 1, 2013, we reinforced "au Smart Value" through the introduction of "au Smart Value mine," which extends benefits of au smartphones to customers living alone. Employing a mobile router compatible with the ultra-high speed "WiMAX2+" service, usage charges are discounted if customers enter into service agreements as a set along with an au smartphone. Effective March 1, 2014, we also expanded the applicable conditions for "au Smart Value" to include customers having Internet or television service contracts with J:COM or JCN.

・J.D. Power Asia Pacific, Inc., conducted a "JD Power Asia Pacific 2013 Japan Mobile Phone Service Satisfaction Study℠," *which ranked au highest in overall customer satisfaction among mobile phone service providers for the second year, following on from fiscal 2012.

* Targeting individual users of mobile phones nationwide, this survey was designed to clarify mobile phone service satisfaction levels by evaluating the customer experience in six factors; "handsets," "service provision," "network quality/coverage area," "fees," "handset purchasing experience" and "customer care."

・Following from our April 2013 opening of "au OSAKA" (Kita-ku)—a shop the Company operates directly—in February 2014 we opened "au FUKUOKA." Our first such location in Kyushu, the shop is located on Tenjin Nishi Street in the Fukuoka city center. This addition brings the Company's number of directly operated shops to four, including KDDI Designing Studio (Harajuku, Tokyo) and "au NAGOYA" (Naka-ku).

<Reference> Business data(Personal)

[**Mobile**]

Cumulative subscriptions		Unit	Year ended March 31, 2013					Year ended March 31, 2014				
			As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2Q	As of 3 Q	As of 4 Q	Fiscal year
au subscriptions*1		(Thousand)	30,580	30,947	31,516	32,189	-	32,717	33,206	33,582	34,131	-
of smartphone		(Thousand)	7,209	8,527	10,168	11,862	-	13,002	13,984	14,741	-	-
au smartvalue	**au subscriptions**	(Thousand)	1,330	2,000	2,850	3,860	-	4,630	5,400	6,110	7,050	-
	Households *2	(Thousand)	820	1,200	1,660	2,120	-	2,490	2,860	3,210	3,580	-

Indicators	Unit	Year ended March 31, 2013					Year ended March 31, 2014				
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2Q	3 Q	4 Q	Fiscal year
au ARPU	(Yen)	4,240	4,240	4,220	4,030	4,180	4,110	4,180	4,190	4,120	4,150
Voice ARPU	(Yen)	2,040	2,030	2,020	1,830	1,980	1,890	1,920	1,890	1,770	1,870
Data ARPU	(Yen)	2,720	2,790	2,880	3,000	2,850	3,110	3,180	3,230	3,310	3,210
Amount of discount applied	(Yen)	(520)	(580)	(680)	(800)	(650)	(890)	(920)	(930)	(960)	(930)
au Churn rate	(%)	0.61	0.65	0.58	0.67	0.63	0.56	0.67	0.71	1.21	0.79
au handset sales*3	(Thousand)	2,740	2,620	2,830	2,880	11,080	2,370	2,630	2,790	3,330	11,120
of smartphone	(Thousand)	1,670	1,810	2,300	2,340	8,110	1,820	1,980	2,120	2,630	8,550
au handset shipments*4	(Thousand)	2,560	2,410	2,970	2,720	10,660	2,220	2,520	3,180	3,030	10,940

[Fixed Line]

Cumulative subscriptions	Unit	Year ended March 31, 2013					Year ended March 31, 2014				
		As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2Q	As of 3 Q	As of 4 Q	Fiscal year
FTTH subscriptions*5	(Thousand)	2,394	2,561	2,711	2,822	-	2,950	3,045	3,117	3,188	-
Cable-plus phone subscriptions	(Thousand)	2,295	2,481	2,679	2,851	-	3,040	3,202	3,362	3,494	-
CATV subscriptions*6 *7	(Thousand)	1,159	1,180	1,235	1,238	-	4,956	4,980	5,011	4,996	-

*1.Inclusive of module-type contracts

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

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

*4.Number of units shipped to retailers from the company

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

*6.Total Number of Subscribing Households (Number of households with at least one contract via broadcasting, internet or telephone)

*7.Year ended March 31, 2013: JCN, Year ended March 31, 2014: JCN + J:COM

The calculation method has been revised due to the consolidation of JCN by J:COM in December 2013. The figures have been revised to their newly defined values from the first quarter of the fiscal year ended March 31, 2014.

Value Services

In the Value Services segment, the Company provides individual customers with content, settlement and other services. This segment also works to reinforce multi-device and multi-network initiatives, developing an environment in which customers can use value-added services more conveniently.

During the current fiscal year, with the concept of “Lots of luck is coming your way,” “au Smart Pass” will be improved substantially to realize the second phase of the “3M Strategy,” the “Smart Relations Concept” of “enhancing the relation between smartphones and real life.”

Operating performance in the Value Services segment for the year ended March 31, 2014 is described below.

Results

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	141,898	212,522	70,623	49.8
Operating Expenses	100,010	160,915	60,904	60.9
Operating Income	41,887	51,607	9,719	23.2

During the year ended March 31, 2014, operating revenues totaled ¥212,522 million, up 49.8% year on year. Contributing to this rise was a favorable increase in the number of “au Smart Pass,” “Video Pass,” “Uta Pass,” “Book Pass,” members and the addition of program distribution revenue from J:COM, owing to the inclusion of that company in the scope of consolidation.

Operating expenses grew 60.9% year on year, to ¥160,915 million, due to an increase in cost of sales and expenses stemming from the inclusion of J:COM in the scope of consolidation.

As a result, operating income was up 23.2% year on year, to ¥51,607 million.

Overview of Operations

<The “3M Strategy” and Other Key Initiatives>

au Smart Pass

During the fourth quarter, the Company worked to expand its “au Smart Pass” service for au smartphones to realize the second phase of the “3M Strategy,” the “Smart Relations Concept” of “enhancing the relation between smartphones and real life.”

As the first phase of its planned collaboration with the publisher Kodansha, KDDI began providing “Attack on Titan” for au Smart Pass and offering members-only premium/sale items at the “au Shopping Mall.” We also enhanced our lineup of various services and expanded member benefits, such as a special appreciation discount campaign on films at United Cinemas Co., Ltd. As a result of these efforts, on March 17, 2014, the number of members surpassed 10 million.

As of March 31, 2014, the number of “au Smart Pass” members totaled 10.25 million, up 4.51 million from one year earlier.

<Trends in Principal Performance Indicators>

Value ARPU

During the current fiscal year, Value ARPU was up ¥40 year on year, to ¥290.

Chief reasons for this increase was a steady increase in the number of members to content services, centered on “au Smart Pass,” “Video Pass,” and the effect of introducing charges for “au Smart Pass” for iOS in May.

< Main Services >

- Since the establishment of "KDDI Open Innovation Fund" as a corporate venture fund in February 2012, the fund has invested in 17 promising venture companies in Japan and overseas. During the fourth quarter, the fund focused on "using smartphones to increase points of contact with users in the entertainment field" and "providing a new user experience," making new investments in AppBroadcast Co., Ltd., which provides "Game Gift," an integrated smartphone game media including gift items; and TSUMIKI INC., which provides the "Filmarks" social movie review service. Going forward, the Company will continue to proactively form partnerships with promising companies to provide an environment where customers can immediately enjoy the latest applications.
- We entered into capital participation with Gunosy Inc., which provides the "Gunosy" information curation service, with a business alliance commencing on March 14, 2014. We plan to provide various types of support to ensure that Gunosy services are used by a wide range of customers.

<Reference> Business data(Value)

Cumulative subscriptions	Unit	Year ended March 31,2013					Year ended March 31, 2014				
		As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year
au Smart Pass subscriptions	(Thousand)	1,470	2,430	3,980	5,740	-	6,820	7,990	8,880	10,250	-

Indicators	Unit	Year ended March 31, 2013					Year ended March 31, 2014				
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2Q	3 Q	4 Q	Fiscal year
Value ARPU*	(Yen)	250	240	240	250	250	260	280	290	330	290

* Value ARPU= Value services segment revenues of "in-house and cooperative services + settlement commissions + advertising"
÷ Personal services segment's no. of au subscriptions (average no. of subscriptions for the period, excluding modules)

Business Services

In the Business Services segment, we provide a cloud solution that seamlessly utilizes networks and applications across smartphones, tablets and other mobile devices, to a wide range of corporate customers, from small and medium-sized to large companies.

In the current fiscal year, we proactively promoted a corporate “3M Strategy” in an effort to expand our customer base. Specifically, we focused on expanding services for small and medium-sized corporate customers and reinforcing our sales structure. In addition, we worked to expand our service offerings to meet the myriad needs of corporate customers who are advancing overseas.

Operating performance in the Business Services segment for the year ended March 31, 2014 is described below.

Results

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	638,337	674,912	36,574	5.7
Operating Expenses	558,507	588,447	29,940	5.4
Operating Income	79,830	86,464	6,633	8.3

During the year ended March 31, 2014, operating revenues rose 5.7% year on year, to ¥674,912 million. Although fixed-line communications revenues decreased, data communications revenues and revenues from terminal sales grew as a result of increased sales of smartphones and tablets, and solution sales such as cloud-related business and IT outsourcing rose.

Operating expenses expanded 5.4% year on year, to ¥588,447 million. We recorded a decrease in mobile handset migration expenses (such as point expenses and sales commissions) that were of the preceding fiscal year, owing to the conclusion of service on the former 800MHz frequency. However, sales commissions on new mobile handset purchases and handset procurement costs grew, and the cost of solution sales increased.

As a result, operating income was up 8.3% year on year, to ¥86,464 million.

Overview of Operations

<The “3M Strategy” and Other Key Initiatives>

・The Company is providing its offerings of solution services for corporate customers, aiming to provide a seamless combination of devices, networks and applications that can be used with peace of mind and are optimized for business settings, whether at the office or on the go. Through the provision of “Smart Value for Business,” the Company’s 3M service for corporate customers, the Company is working to boost sales of smartphones and tablets and expand its customer base.

・To provide broad-based support for business expansion by small and medium-sized corporate customers, “KDDI MATOMETE OFFICE CORPORATION” began nationwide operations in April 2013, providing a total sales and support structure designed to provide customers with optimal office environments. Through this company, we are working to enhance customers’ business efficiency by providing close regional contact.

< Main Services >

・On November 1, 2013, the Company began providing the cloud-based groupware services “Google Apps™ for Business” and “Office 365 with KDDI” to offer work style reforms to customers. These services are provided under agreements that combine KDDI smart devices with targeted fixed-line communications services, offering special rates by applying “Smart Value for Business.”

・Amazon Web Services, Inc., provides the “Amazon Web Service” (hereinafter, “AWS”), a cloud computing service that is highly competitive globally. On February 28, 2014, we began offering a cloud service called “AWS with KDDI,” which leverages AWS. “AWS with KDDI” is a one-stop offering that spans hearings about system configuration requirements to design, configuration, and operation and maintenance (24 hours a day, 365 days a year).

・In December 26, 2013, the Company increased its investment ratio (including indirect holdings) in LAC Co.,Ltd, a leading company in the field of network security solutions, from 5.3% to 31.1%. In this manner, the Company is reinforcing business and capital alliances with the aim of expanding its security solutions services business for corporate customers.

・On February 18, 2014, we entered into an agreement with LANCERS.INC to jointly work toward business support offerings for small and medium-sized enterprises in such areas as business expansion and cost reduction. LANCERS.INC provides one of Japan's leading crowdsourcing sites, called "Lancers," that facilitates online work placement and acceptance. By integrating the physical and Internet worlds, we aim to provide solid support for small and medium-sized companies, from startup to business expansion.

Global Services

The Global Services segment offers the one-stop provision of ICT solutions to corporate customers, centered on our “TELEHOUSE” data centers. In addition, the Companies are working aggressively to expand consumer businesses, such as Internet operations in emerging countries and MVNO operations targeting immigrants in the United States. Furthermore, we provide a voice business to more than 600 communications companies around the world.

During the current fiscal year, as one of the Company’s pillars of growth we leveraged the expertise we have cultivated in Japan and overseas to accelerate our expansion of businesses, particularly in the fast-growing Asian region.

Operating performance in the Global Services segment for the year ended March 31, 2014 is described below.

Results

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	207,301	263,624	56,323	27.2
Operating Expenses	199,471	252,217	52,745	26.4
Operating Income	7,829	11,407	3,577	45.7

During the year ended March 31, 2014, operating revenue increased 27.2% year on year, to ¥263,624 million and operating income increased 45.7% year on year, to ¥11,407 million, mainly due to the increase in revenues and income overseas subsidiaries such as TELEHOUSE International Corporation of Europe Ltd., Locus Telecommunications, Inc., DMX Technologies Group Limited.

Overview of Operations

<Effort Global Strategy>

・We are expanding our number of locations for “TELEHOUSE,” the Company’s global data center that is widely regarded by customers around the world for its reliability and high service quality. As of March 31, 2014, our number of “TELEHOUSE” locations totaled 42, in 24 cities in 13 regions, including Japan. (Of these, overseas locations numbered 24, in 15 cities in 12 regions.)

On November 1, 2013, we opened and commenced service at “TELEHOUSE Shanghai Jinqiao,” our second location in Shanghai, China. As a result, the Company’s total data center floor space in three cities in Greater China (Beijing, Hong Kong and Shanghai) measures more than 75,000 square meters, some of the most extensive offered by a foreign company. In addition to aggressively expanding the number of locations, we offer highly reliable services that meet the TELEHOUSE global standard. We also provide a wide variety of solution services according to customer demand, including operations, monitoring and BCP.

・In September 2013, we began offering the “KDDI Cloud Platform Services” in Asia, the United States, and Europe. Provided through the Company’s TELEHOUSE data centers, the service makes use of a globally consistent cloud platform to enable rapid system configurations as customers expand their business overseas. The service enables the combination of KDDI’s global network with TELEHOUSE-resident customer systems.

・In the U.S. MVNO business, we moved forward with initiatives to maximize sales synergies and operational efficiencies with consolidated subsidiaries Locus Communications, Inc., and Total Call International Inc. At the same time, we promoted sales of a mobile phone service that uses U.S. government subsidies (Lifeline) and worked on the launch of low-cost, fixed-rate data plans and other new products aimed at expanding business targeting immigrants and others.

3) Status of Major Affiliates

<UQ Communications Inc.>

February 26, 2014, marked the fifth anniversary since UQ Communications Inc., an equity-method affiliate of the Company, began providing “WiMAX” service. Five years since the service began, more than 4 million customers are using the service. The service area is being steadily expanded so that subscribers can use services at stations and within train cars. This expansion includes subways, the country’s major railway routes in the Tokyo, Chubu, and Kansai metropolitan areas, and underground shopping areas. During the fiscal year, service area expansion was concluded that includes the Keio Line and all Nagoya metropolitan subway lines.

On October 31, 2013, UQ Communications began providing the “WiMAX 2+” ultra-high speed mobile broadband service, which provides downlink speeds of up to 110Mbps. This service aims to meet growing demand for faster mobile broadband services, making society more convenient. As of March 31, 2014, the service area included the Tokyo, Nagoya, and Osaka areas. We expect to expand the service area to steadily in Japan

<Jibun Bank Corporation >

On July 17, 2013, Jibun Bank Corporation, an equity-method affiliate, marked the fifth anniversary of its start of services to customers. The bank is steadily expanding its service offerings, including the commencement of over-the-counter foreign exchange margin transactions and handling deposits with a foreign currency mechanism. On March 19, 2014, the financing balance for “Jibun Loan,” the bank’s card loan, exceeded ¥30 billion.

Furthermore, on November 5, 2013, Jibun Bank received an “Honorable Mention for Disruptive Business Model” with high regards for its smartphone-centered business model from BAI, a U.S. banking and financial industry organization, becoming the first Japanese bank to receive this award. Going forward, Jibun Bank will continue providing high-quality financial services that are both convenient and safe. In these ways, Jibun Bank aims to be the No.1 financial institution in terms of customer satisfaction.

Notes: 1 The service name “4G LTE” conforms to the statement of the International Telecommunication Union that has approved LTE to be called “4G.”
2 “iPhone” is a trademark of Apple Inc.
3 The trademark “iPhone” is used with a license from Aiphone K.K.
4 “Android” “Google” “Google Apps” is a trademark or a registered trademark of Google Inc.
5 “Wi-Fi” is a registered trademark of Wi-Fi Alliance®.
6 “Attack on Titan” ©Hajime Isayama, Kodansha Ltd. /Attack on Titan Production Committee.
7 “Office 365” is a trademark or a registered trademark of Microsoft Corporation.
8 “Amazon Web Services” and “AWS” are trademarks of Amazon.com, Inc., or its affiliates.

4) Outlook for the Year ending March 31, 2015

The consolidated financial results outlook of the Companies for the year ending March 31, 2015 is as follows;

(Amount unit: Millions of yen)

	Year ended March 31, 2014	Forecast, year ending March 31, 2015	Increase (Decrease)	Increase (Decrease)%
Operating revenue	4,333,628	4,600,000	266,371	6.1
Operating income	663,245	730,000	66,754	10.1
Ordinary income	662,887	735,000	72,112	10.9
Net income	322,038	424,000	101,961	31.7

We anticipate an increase in operating revenue amounting to ¥4,600,000 million because mobile communications revenues are growing due to rises in au ARPU and the number of au subscriptions, and because revenues from terminal sales are expanding as sales of smartphones and tablets increase.
We expect operating expenses to reflect higher depreciation and amortization stemming from greater capital expenditures as well as rising communication facility fees and other au network costs. At the same time, we will work to hold down sales commissions and institute thorough cost reductions. As a result of such efforts, we anticipate increases in operating income and ordinary income, to ¥730,000 million and ¥735,000 million, respectively.
The Company forecasts net income of ¥424,000 million, reflecting the absence of the extraordinary loss reported during the fiscal year under review of a loss on step acquisition stemming from the acquisition of J:COM shares.

Because forecasting for the period is difficult due to volatile conditions in the telecommunications market related to competition among carriers, the Company has not prepared a forecast of consolidated business results for the six months ending September 30, 2014.

(2) Analysis on Consolidated Financial Position

1. Consolidated Financial Position

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)
Total assets	¥4,084,999M	¥4,945,756M	¥860,757M
Shareholder’s equity	¥2,249,794M	¥2,723,391M	¥473,596M
Equity ratio	55.1%	55.1%	(0.0)%
Net assets per share	¥2,943.12	¥3,261.63	¥318.51
Interest-bearing debt	¥977,563M	¥1,084,966M	¥107,403M

Consolidated total assets amounted to ¥4,945,756 million as of March 31, 2014, up ¥860,757 million from March 31, 2013. This increase was mainly attributable to the rise in incidental business facilities stemming from the inclusion of J:COM in the scope of consolidation.

Total liabilities amounted to ¥2,028,767 million, an increase of ¥267,131 million from March 31, 2013. Although the Company completed its conversion of convertible bond-type bonds with subscription rights to shares, thereby reducing the amount of bonds, long-term loans payable increased.

Net assets amounted to ¥2,916,989 million as of March 31, 2014. The primary reasons for this increase were mainly retained earnings and lower treasury stock.

As a result, the shareholders’ equity ratio 55.1% as of March 31, 2014 remained at the same level from March 31, 2013.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31 2013	Year ended March 31, 2014	Increase (Decrease)
Net cash provided by (used in) operating activities	523,908	772,207	248,299
Net cash provided by (used in) investing activities	(472,992)	(546,257)	(73,264)
Free cash flows(Note)	50,915	225,950	175,034
Net cash provided by (used in) financing activities	(140,249)	(105,643)	34,606
Effect of exchange rate change on cash and cash equivalents	2,430	4,365	1,934
Net increase (decrease) in cash and cash equivalents	(86,903)	124,671	211,575
Cash and cash equivalents at beginning of period	174,191	87,288	(86,903)
Increase in cash and cash equivalents resulting from merger	-	569	569
Cash and cash equivalents at end of period	87,288	212,530	125,241

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 ¥772,207 million largely due to ¥620,628 million of income before income taxes and minority interests, ¥470,098 million of depreciation, ¥95,833 million of increase in notes and accounts receivable-trade, ¥221,488 million of income taxes paid, etc.

Investing activities used net cash of ¥546,257 million mainly due to ¥438,328 million for purchase of property, plant and equipment, ¥70,945 million for purchase of intangible assets, and ¥62,688 million for purchase of Long-term prepaid expenses, etc.

Financing activities used net cash of ¥105,643 million. This includes ¥142,250 million for repayment of long-term loans payable, ¥119,029 million in net decrease in short-term loans payable, ¥90,000 million in redemption of bonds, ¥85,886 million for cash dividends paid, ¥27,345 million for cash dividends paid to minority shareholders, and ¥350,000 million for proceeds from long-term loans payable.

The sum of cash flows from operating and investing activities showed a net outflow of ¥225,950 million, up ¥175,034 million year on year.

As a result, total amount of net cash and cash equivalents as of March 31, 2014, increased ¥125,241 million from March 31, 2013, to ¥212,530 million.

3. Cash Flows Indicators

	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Shareholder's equity ratio	52.8%	55.7%	51.5%	55.1%	55.1%
Market equity ratio	56.4%	57.9%	51.2%	72.4%	100.9%
Debt repayment period (year)	1.5	1.4	1.4	1.9	1.4
Interest coverage ratio	59.7	51.1	56.3	46.7	69.1

(Note)

- Equity ratio: (Total net assets – Stock acquisition rights – Minority interests) / Total assets
- Market equity ratio: 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 statements 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 balance sheets and liabilities upon which interest is paid. Further, regarding interest payments, the amount of interest expenses paid in consolidated statements of cash flows is used.

(3) Profit Distribution

Regarding the return of profits to shareholders as one of the priorities of its business management, the Company has a basic policy of continuing to pay stable dividends while maintaining financial soundness. And the Company has been planning to increase the consolidated payout ratio to more than 30% range while considering investment for the sustainable growth remains.

Regarding dividend payments for the year ended March 31, 2014 the Company has already paid an interim cash dividend of ¥60.00 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, the Company plans to pay an increased year-end cash dividend of ¥70.00 per share, up ¥22.50[Note] year on year.

Further, for the year ending March 31, 2015 the Company plans to pay out ¥80.00 per share for both interim and year-end cash dividend, making the full-year amount ¥160.00 per share.

Going forward, the Company will work to increase the consolidated payout ratio to more than 30% while considering investment for the sustainable growth remains.

Note: The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013. Regarding the "Profit Distribution", the stock split is taken into account.

(4) 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. The Group

The Group comprises the Company, 152 consolidated subsidiaries (Japan: 76 companies, overseas: 76 companies), one unconsolidated subsidiary (Japan: 1 company) and 30 affiliates (Japan: 20 companies, overseas: 10 companies). The Group's main business lines are "Personal," "Value," "Business," "Global." Affiliates include 28 equity-method affiliates (Japan: 20 companies, overseas: 8 companies).

The status of the Company, consolidated subsidiaries and 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)
Major subsidiaries and affiliates	〔The parent〕 The Company 〔Consolidated subsidiaries〕 OKINAWA CELLULAR TELEPHONE COMPANY [JASDAQ], Jupiter Telecommunications Co., Ltd, JAPAN CABLENET LIMITED*, Chubu Telecommunications Co., INC., Wire and Wireless Co., Ltd. 〔Equity-method affiliates〕 UQ Communications Inc.

Note: On November 1, 2013, Japan CABLENET LIMITED merged with JAPAN CABLENET HOLDINGS LIMITED, with the latter becoming the surviving company and renamed to JAPAN CABLENET LIMITED. Also, JAPAN CABLENET LIMITED was extinguished, as the company underwent an absorption-type merger with Jupiter Telecommunications Co., Ltd., on April 1, 2014.

<Value>

Principal services	Provision of various applications, videos, and music, as well as advertisement distribution and electronic money services
Major subsidiaries and affiliates	〔The parent〕 The Company 〔Consolidated subsidiaries〕 mediba inc, WebMoney Corporation, KKBOX Inc. Jupiter Entertainment Co.,Ltd. J SPORTS Corporation 〔Equity-method affiliates〕 Jibun Bank Corporation

<Business>

Principal services	For companies communications services(ICT solution, data center)
Major subsidiaries and affiliates	〔The parent〕 The Company 〔Consolidated subsidiaries〕 Chubu Telecommunications Co., INC. KDDI MATOMETE OFFICE CORPORATION Japan Internet Exchange Co., Ltd.

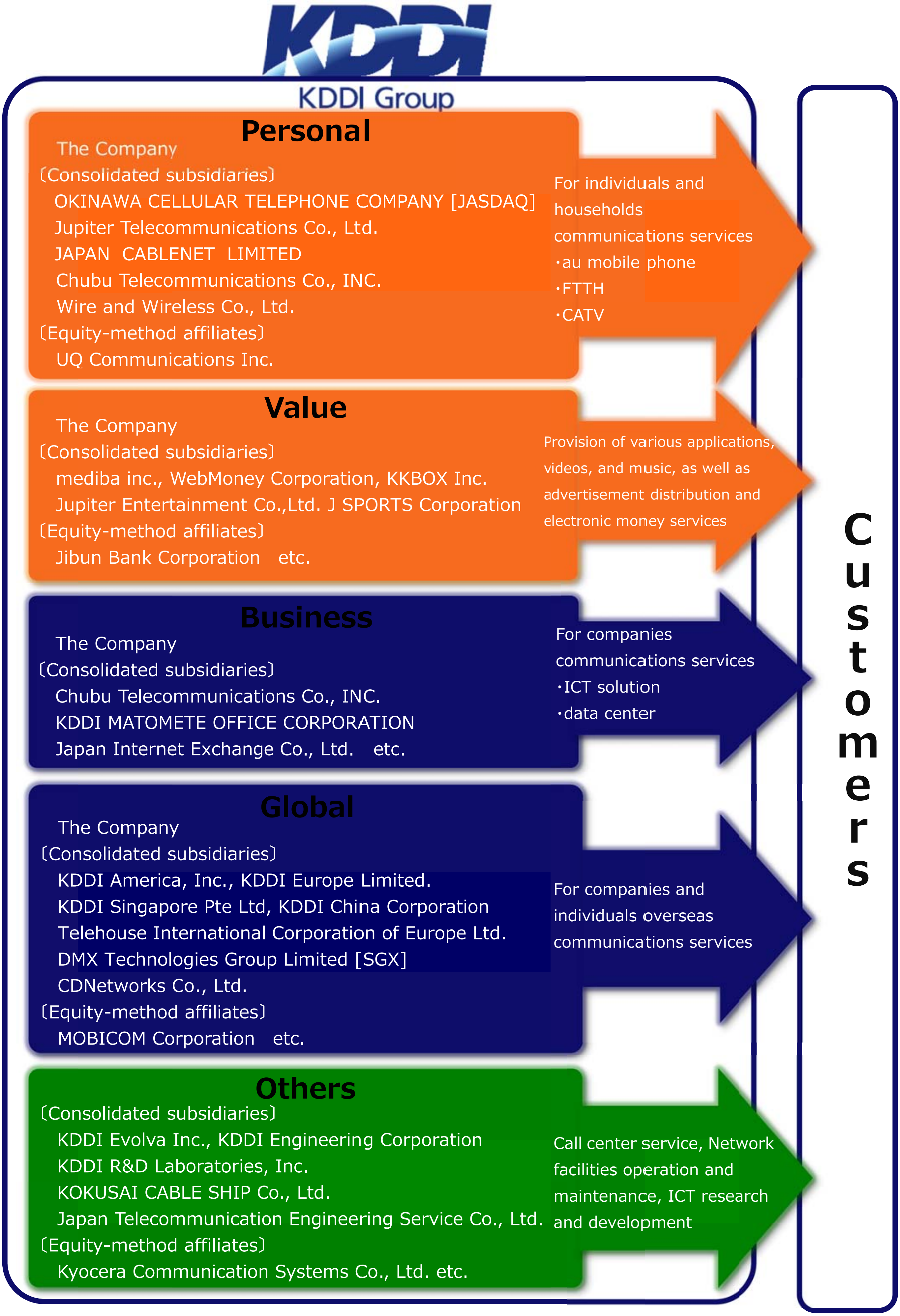
<Global>

Principal services	For companies and individuals overseas communications services(ICT solution, data center)
Major subsidiaries and affiliates	〔The parent〕 The Company 〔Consolidated subsidiaries〕 KDDI America, Inc., KDDI Europe Limited., KDDI Singapore Pte Ltd, KDDI China Corporation, Telehouse International Corporation of Europe Ltd., DMX Technologies Group Limited [SGX], CDNetworks Co., Ltd. 〔Equity-method affiliates〕 MOBICOM Corporation

<Others>

Principal services	Call center service, Network facilities operation and maintenance, ICT research and development
Major subsidiaries and affiliates	〔The parent〕 The Company 〔Consolidated subsidiaries〕 KDDI Evolva Inc., KDDI Engineering Corporation KDDI R&D Laboratories, Inc., KOKUSAI CABLE SHIP Co.,Ltd. Japan Telecommunication Engineering Service Co., Ltd. Kyocera Communication Systems Co., Ltd.

Business schematic diagram of corporate groups are shown as below



3. Management Policy

(1) Basic Management Policies

- We aim to become a company that can provide excitement, safety, happiness and smiles of gratitude to people in the world by offering highly credible networks and value-added products and services.
- The Companies will advance total customer satisfaction (TCS) initiatives that will heighten the level of satisfaction among all stakeholders.
- The Companies will emphasize cash flows and work to become a company that is attractive to its shareholders and other investors.
- The Companies will work to establish an even sounder financial position by making efficient capital investments and reducing various expenses rigorously.
- To step up information security, we are working to ensure thorough information management and compliance and reinforcing our risk management structure.
- The Companies will actively implement activities to preserve the environment—including energy saving, resource saving, recycling, and green purchasing—in order to emphasize harmony with the global environment and create a rich society that is fully in accord with human nature.
- The Companies will actively contribute to the development of a rich communications-based society in adherence with the overriding goal of its corporate social responsibility initiatives, which seek to support social and economic activities in all areas by providing secure and convenient telecommunications services.

(2) Medium-to Long-term Management Strategies

The Companies have formalized “three commitments” as our 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, and various devices. We will also provide a high-speed communication environment and attractive content optimized for multi-device access. At the same time, the companies 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”** -- Overseas, many countries are experiencing robust economic growth. Meanwhile, Internet diffusion in numerous emerging markets continues to lag. The Companies are working to meet the needs of markets around the world by developing communication-related businesses tailored to individual countries’ cultural and socioeconomic conditions, and is working toward global information and telecommunication technology (ICT) and building communication environments to this end.

To realize these visions, we will advance the full-scale implementation of the “3M strategy (Multi-network, Multi-device, Multi-use)” and “Global Strategy,” 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. We will work to enhance its networks, handsets and services and to raise customer satisfaction.

(3) Important Issues

1. Responding to changes in the competitive environment

In the mobile communications area, we have transitioned from the era of feature phones, when individual telecommunications carriers developed their own handsets, to the age of smartphones, where telecommunications carriers in countries throughout the world offer services using common handsets. Furthermore, increasingly LTE is being adopted as a global communication standard. The handsets and networks that telecommunications carriers offer are thus growing more homogenous, making competition based on differentiation difficult.

The Company led its competitors in introducing such services as “au Smart Value,” “au Smart Pass,” and “au Smart Support,” and the Company enjoys solid customer satisfaction. Nevertheless, given the environment in which we operate, we will augment our service offerings based on the “3M Strategy,” which harnesses the Company’s strengths. By concentrating on aspects that are “uniquely au,” we aim to enhance our attractiveness as customers’ brand of choice.

2. Enhancing the network

Data traffic has grown substantially in tandem with the rising popularity of smartphones. Providing a trustworthy network of high quality that offers easy connection has accordingly become a pressing issue.

In addition to increasing its number of outdoor base stations, the Company is making use of compact base stations and other equipment to ensure extensive area coverage within buildings, as well as in subways and underground shopping areas. At the same time, we will introduce leading-edge technology to increase speeds and use bandwidth efficiently, building an ultra-fast mobile network that is tough and inexpensive.

Meanwhile, the growing number of base stations places an increased importance on boosting speeds and lowering the costs of the fixed lines that connect base stations with the core network (backhaul). Going forward, the KDDI Group will continue to promote its high-speed/high-capacity optical fiber access network, combining it with the Group’s mobile network to ensure a robust ICT infrastructure.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Amount unit: Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Noncurrent assets		
Noncurrent assets-telecommunications business		
Property, plant and equipment		
Machinery[4]	2,720,146	2,289,845
Accumulated depreciation	(2,128,510)	(1,639,249)
Machinery, net	591,635	650,596
Antenna facilities	627,774	628,703
Accumulated depreciation	(294,753)	(286,331)
Antenna facilities, net	333,020	342,372
Local line facilities[4]	390,884	401,769
Accumulated depreciation	(262,959)	(281,106)
Local line facilities, net	127,925	120,662
Long-distance line facilities	103,350	103,007
Accumulated depreciation	(99,312)	(98,425)
Long-distance line facilities, net	4,037	4,582
Engineering facilities[4]	64,789	65,476
Accumulated depreciation	(40,359)	(42,024)
Engineering facilities, net	24,429	23,451
Submarine line facilities[4]	51,590	46,334
Accumulated depreciation	(46,465)	(43,176)
Submarine line facilities, net	5,124	3,157
Buildings[4]	385,585	371,535
Accumulated depreciation	(223,139)	(209,097)
Buildings, net	162,446	162,437
Structures[4]	80,155	81,233
Accumulated depreciation	(52,288)	(55,168)
Structures, net	27,867	26,065
Land	247,892	247,865
Construction in progress	116,760	156,710
Other tangible Assets[4]	113,083	112,856
Accumulated depreciation	(86,685)	(86,025)
Other tangible assets, net	26,397	26,831
Total property, plant and equipment[1]	1,667,538	1,764,732
Intangible assets		
Right of using facilities	10,141	11,164
Software	172,510	157,035
Goodwill	19,580	21,047
Other intangible assets	8,027	8,671
Total intangible assets	210,260	197,918
Total noncurrent assets-telecommunications business	1,877,799	1,962,650

(Amount unit: Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Incidental business facilities		
Property, plant and equipment		
Property, plant and equipment	307,827	852,423
Accumulated depreciation	(145,407)	(479,146)
Property, plant and equipment, net	162,419	373,276
Total property, plant and equipment[1]	162,419	373,276
Intangible assets		
Total intangible assets[1]	93,813	545,200
Total noncurrent assets-incidental business	256,233	918,476
Investments and other assets		
Investment securities[4]	81,787	91,509
Stocks of subsidiaries and affiliates[2,4]	348,169	41,480
Investments in capital of subsidiaries and affiliates[2]	219	274
Long-term prepaid expenses	118,863	245,184
Net defined benefit asset	-	20,103
Deferred tax assets	114,577	79,314
Other investment and other assets[4]	47,497	50,739
Allowance for doubtful accounts	(11,015)	(9,575)
Total investments and other assets	700,097	519,029
Total noncurrent assets	2,834,129	3,400,157
Current assets		
Cash and deposits[4]	96,952	222,050
Notes and accounts receivable-trade	971,244	1,094,919
Accounts receivable-other	61,477	68,297
Short-term investment securities[4]	231	273
Supplies	56,942	86,060
Deferred tax assets	58,768	51,352
Other current assets	25,524	44,177
Allowance for doubtful accounts	(20,271)	(21,532)
Total current assets	1,250,869	1,545,599
Total assets	4,084,999	4,945,756

(Amount unit: Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Noncurrent liabilities		
Bonds payable[4]	259,997	204,998
Convertible bond-type bonds with subscription rights to shares	200,666	-
Long-term loans payable[4]	244,727	518,697
Provision for retirement benefits	13,509	-
Net defined benefit liability	-	17,339
Provision for point service program	91,582	76,338
Other noncurrent liabilities	73,955	162,455
Total noncurrent liabilities	884,439	979,830
Current liabilities		
Current portion of noncurrent liabilities[4]	176,436	233,466
Notes and accounts payable-trade[4]	82,753	87,232
Short-term loans payable[4]	88,256	95,255
Accounts payable-other	287,084	349,011
Accrued expenses	22,999	26,732
Income taxes payable	104,773	125,364
Advances received	62,807	55,254
Provision for bonuses	20,765	28,771
Provision for loss on the Great East Japan Earthquake	49	-
Other current liabilities	31,269	47,848
Total current liabilities	877,195	1,048,936
Total liabilities	1,761,635	2,028,767
Net assets		
Shareholders' equity		
Capital stock	141,851	141,851
Capital surplus	367,144	385,942
Retained earnings	2,055,586	2,291,730
Treasury stock	(346,001)	(161,821)
Total shareholders' equity	2,218,581	2,657,702
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,882	45,731
Deferred gains or losses on hedges	(1,598)	(1,584)
Foreign currency translation adjustment	(6,070)	15,189
Remeasurements of defined benefit plans	-	6,352
Total accumulated other comprehensive income	31,213	65,688
Subscription rights to shares	574	39
Minority interests	72,994	193,558
Total net assets	2,323,363	2,916,989
Total liabilities and net assets	4,084,999	4,945,756

(2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Income)

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Operating income and loss from telecommunications		
Operating revenue		
Total operating revenue	2,432,726	2,609,157
Operating expenses		
Business expenses	671,839	684,468
Operating expenses	43	40
Facilities maintenance expenses	269,984	260,092
Common expenses	2,445	2,796
Administrative expenses	76,020	83,713
Experiment and research expenses	6,311	6,715
Depreciation	371,965	362,057
Noncurrent assets retirement cost	24,534	18,621
Communication facility fee	374,824	364,319
Taxes and dues	42,602	43,655
Total operating expenses[1]	1,840,571	1,826,481
Net operating income from telecommunications	592,154	782,675
Operating income and loss from incidental business		
Operating revenue	1,229,562	1,724,471
Operating expenses[1]	1,309,047	1,843,901
Net operating loss from incidental business	(79,485)	(119,430)
Operating income	512,669	663,245
Non-operating income		
Interest income	775	742
Dividends income	1,987	1,844
Equity in earnings of affiliates	3,898	-
Foreign exchange gains	3,376	5,144
Miscellaneous income	10,954	12,020
Total non-operating income	20,992	19,752
Non-operating expenses		
Interest expenses	11,117	12,018
Equity in losses of affiliates	-	740
Miscellaneous expenses	8,122	7,350
Total non-operating expenses	19,240	20,110
Ordinary income	514,421	662,887

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Extraordinary income		
Gain on sales of noncurrent assets[2]	588	300
Gain on sales of investment securities	1,050	6,866
Gain on reversal of subscription rights to shares	512	-
Contribution for construction	-	923
Total extraordinary income	2,150	8,089
Extraordinary loss		
Loss on sales of noncurrent assets[3]	1,078	377
Impairment loss[4]	80,549	8,695
Loss on retirement of noncurrent assets[5]	22,712	-
Loss on valuation of investment securities	519	269
Loss on step acquisitions	-	38,457
Reduction entry of contribution for construction	-	922
Loss on business of subsidiaries and associates	-	1,623
Total extraordinary losses	104,860	50,347
Income before income taxes and minority interests	411,711	620,628
Income taxes-current	173,408	232,537
Income taxes-deferred	(11,160)	32,233
Total income taxes	162,247	264,771
Income before minority interests	249,464	355,857
Minority interests in income	7,994	33,819
Net income	241,469	322,038

(2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Comprehensive Income)

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Income before minority interests	249,464	355,857
Other comprehensive income		
Valuation difference on available-for-sale securities	710	7,499
Deferred gains or losses on hedges	-	40
Foreign currency translation adjustment	12,062	25,443
Share of other comprehensive income of associates accounted for using equity method	1,341	(482)
Total other comprehensive income	14,115	32,501
Comprehensive income	263,579	388,358
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	253,816	350,161
Comprehensive income attributable to minority interests	9,763	38,197

(3) Consolidated Statements of Changes in Net Assets

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Shareholders' equity		
Capital stock		
Balance at the end of previous period	141,851	141,851
Balance at the end of current period	141,851	141,851
Capital surplus		
Balance at the end of previous period	367,104	367,144
Changes of items during the period		
Disposal of treasury stock	40	18,281
Other	-	516
Total changes of items during the period	40	18,798
Balance at the end of current period	367,144	385,942
Retained earnings		
Balance at the end of previous period	1,879,087	2,055,586
Changes of items during the period		
Dividends from surplus	(64,970)	(85,894)
Net income	241,469	322,038
Total changes of items during the period	176,498	236,143
Balance at the end of current period	2,055,586	2,291,730
Treasury stock		
Balance at the end of previous period	(346,163)	(346,001)
Changes of items during the period		
Purchase of treasury stock	(2)	(19)
Disposal of treasury stock	164	184,199
Total changes of items during the period	162	184,179
Balance at the end of current period	(346,001)	(161,821)
Total shareholders' equity		
Balance at the end of previous period	2,041,879	2,218,581
Changes of items during the period		
Dividends from surplus	(64,970)	(85,894)
Net income	241,469	322,038
Purchase of treasury stock	(2)	(19)
Disposal of treasury stock	204	202,480
Other	-	516
Total changes of items during the period	176,701	439,121
Balance at the end of current period	2,218,581	2,657,702

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	36,442	38,882
Changes of items during the period		
Net changes of items other than shareholders' equity	2,439	6,849
Total changes of items during the period	2,439	6,849
Balance at the end of current period	38,882	45,731
Deferred gains or losses on hedges		
Balance at the end of previous period	(676)	(1,598)
Changes of items during the period		
Net changes of items other than shareholders' equity	(921)	13
Total changes of items during the period	(921)	13
Balance at the end of current period	(1,598)	(1,584)
Foreign currency translation adjustment		
Balance at the end of previous period	(16,899)	(6,070)
Changes of items during the period		
Net changes of items other than shareholders' equity	10,828	21,260
Total changes of items during the period	10,828	21,260
Balance at the end of current period	(6,070)	15,189
Remeasurements of defined benefit plans		
Balance at the end of previous period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity	-	6,352
Total changes of items during the period	-	6,352
Balance at the end of current period	-	6,352
Total accumulated other comprehensive income		
Balance at the end of previous period	18,866	31,213
Changes of items during the period		
Net changes of items other than shareholders' equity	12,346	34,475
Total changes of items during the period	12,346	34,475
Balance at the end of current period	31,213	65,688
Subscription rights to shares		
Balance at the end of previous period	1,128	574
Changes of items during the period		
Net changes of items other than shareholders' equity	(554)	(534)
Total changes of items during the period	(554)	(534)
Balance at the end of current period	574	39
Minority interests		
Balance at the end of previous period	66,749	72,994
Changes of items during the period		
Net changes of items other than shareholders' equity	6,245	120,564
Total changes of items during the period	6,245	120,564
Balance at the end of current period	72,994	193,558
Total net assets		
Balance at the end of previous period	2,128,624	2,323,363
Changes of items during the period		
Dividends from surplus	(64,970)	(85,894)
Net income	241,469	322,038
Purchase of treasury stock	(2)	(19)
Disposal of treasury stock	204	202,480
Other	-	516
Net changes of items other than shareholders' equity	18,037	154,505
Total changes of items during the period	194,738	593,626
Balance at the end of current period	2,323,363	2,916,989

(4) Consolidated Statements of Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	411,711	620,628
Depreciation and amortization	406,726	470,098
Impairment loss	80,549	8,695
Amortization of goodwill	16,444	28,254
Loss (gain) on sales of noncurrent assets	534	78
Loss on retirement of noncurrent assets	23,731	24,773
Loss on step acquisitions	-	38,457
Increase (decrease) in provision for loss on the Great East Japan Earthquake	(1,943)	-
Increase (decrease) in allowance for doubtful accounts	7,000	(994)
Increase (decrease) in provision for retirement benefits	(5,237)	(13,734)
Decrease (increase) in net defined benefit asset	-	(20,103)
Increase (decrease) in net defined benefit liability	-	17,339
Interest and dividends income	(2,762)	(2,586)
Interest expenses	11,117	12,018
Equity in (earnings) losses of affiliates	(3,898)	740
Loss (gain) on valuation of investment securities	521	278
Increase (decrease) in provision for point service program	129	(15,244)
Decrease (increase) in prepaid pension costs	1,844	5,284
Decrease (increase) in notes and accounts receivable-trade	(199,531)	(95,833)
Decrease (increase) in inventories	8,613	(25,940)
Increase (decrease) in notes and accounts payable-trade	(10,289)	(3,789)
Increase (decrease) in accounts payable-other	4,871	(42,061)
Increase (decrease) in accrued expenses	1,191	(2,254)
Increase (decrease) in advances received	(2,297)	(16,409)
Other, net	(5,841)	12,407
Subtotal	743,185	1,000,106
Interest and dividends income received	10,305	4,772
Interest expenses paid	(11,224)	(11,182)
Income taxes paid	(218,357)	(221,488)
Net cash provided by (used in) operating activities	523,908	772,207

(Amount Unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(322,816)	(438,328)
Proceeds from sales of property, plant and equipment	1,948	993
Purchase of intangible assets	(92,955)	(70,945)
Purchase of investment securities	(2,158)	(2,578)
Proceeds from sales of investment securities	6,959	17,041
Purchase of stocks of subsidiaries and affiliates	(9,678)	(8,256)
Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	(2,403)	(19,840)
Proceeds from purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation[2]	-	16,271
Proceeds from sales of subsidiaries and affiliates	-	18,807
Purchase of long-term prepaid expenses	(51,321)	(62,688)
Other, net	(566)	3,267
Net cash provided by (used in) investing activities	(472,992)	(546,257)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	86,582	(119,029)
Proceeds from long-term loans payable	24,000	350,000
Repayment of long-term loans payable	(112,959)	(142,250)
Proceeds from issuance of bonds	-	30,000
Redemption of bonds	(65,000)	(90,000)
Purchase of treasury stock	(2)	(19)
Cash dividends paid	(64,973)	(85,886)
Cash dividends paid to minority shareholders	(1,371)	(27,345)
Proceeds from stock issuance to minority shareholders	256	19
Other, net	(6,781)	(21,132)
Net cash provided by (used in) financing activities	(140,249)	(105,643)
Effect of exchange rate change on cash and cash equivalents	2,430	4,365
Net increase (decrease) in cash and cash equivalents	(86,903)	124,671
Cash and cash equivalents at beginning of period	174,191	87,288
Increase in cash and cash equivalents resulting from merger	-	569
Cash and cash equivalents at end of period[1]	87,288	212,530

（5）Notes for Consolidated Financial Statements

Consolidated financial statements of the Company are prepared under the “Regulations concerning the terms, forms and preparation methods for quarterly consolidated financial statements” (Ministry of Finance Ordinance No. 28, 1976, herein after “Regulations for consolidated financial statements”), and in accordance with these regulations and the “Rules for telecommunications business accounting” (Ministry of Posts and Telecommunications Ordinance No.26, 1985.)

(Going Concern Assumption)

None

(Basis of Presenting Consolidated Financial Statements)

1. Scope of consolidation

1) Number of consolidated subsidiaries: 152

Major consolidated subsidiaries:
OKINAWA CELLULAR TELEPHONE COMPANY, Jupiter Telecommunications Co.,Ltd.,
JAPAN CABLENET LIMITED*, Chubu Telecommunications Co., INC.,
KDDI MATOMETE OFFICE CORPORATION, KDDI Engineering Corporation, KDDI Evolva Inc,
KDDI R&D Laboratories, Inc., KDDI America, Inc., KDDI Europe Limited.,
TELEHOUSE International Corporation of America, TELEHOUSE International Corporation of Europe Ltd., KDDI China Corporation, DMX Technologies Group Limited, CDNetworks Co.,Ltd.,
KDDI Singapore Pte Ltd.

(Added)

・ 1 company due to stock acquisition, increasing the Company’s holdings and on the basis of effective control standards

Jupiter Telecommunications Co.,Ltd.

・ 19 companies due to the subsidiaries of Jupiter Telecommunications Co., Ltd., which was included in the scope of consolidated subsidiaries due to stock acquisition, increasing the Company’s holdings and on the basis of effective control standards

J:COM West Co., Ltd., J:COM East Co., Ltd. and 17 companies.

・ 8 companies due to stock acquisition

Evolva Call Advance Inc., ScaleOut Inc, IP Power Systems Corp.
Cosmos Ltd., Bitcellar, Inc., UBIK do Brasil Solucoes em Tecnologia Ltda,
UBIK Japan Corporation, YourGolf Online Inc.

・ 1 company due to new establishment

KDDI FINANCIAL SERVICE CORPORATION

(Removed)

・ 2 companies due to liquidation

One Network, Inc., 1MP(HK)Limited

・ 3 companies due to merger

KDDI Okinawa Co., Ltd., JAPAN CABLENET LIMITED*, Nobot Inc.

Note: On November 1, 2013, JAPAN CABLENET LIMITED merged with JAPAN CABLENET HOLDINGS LIMITED, with the latter becoming the surviving company and renamed to JAPAN CABLENET LIMITED. Also, JAPAN CABLENET LIMITED was extinguished, due to merger with Jupiter Telecommunications Co., Ltd., on April 1, 2014.

2) Names of major non-consolidated subsidiaries and other information

Major non-consolidated subsidiary:

ATTRACT INC.

(Reasons why were not included within the scope of consolidation)

The subsidiary is not included within the scope of consolidation because it is insignificant and its total assets, sales, net incomes and retained earnings (the amounts equivalent to the Company’s interest in the companies) does not significantly affect consolidated financial statements.

2. Equity method affiliate

1) Number of equity method affiliate: 28

Major equity method affiliates:

Kyocera Communication Systems Co., Ltd., UQ Communications Inc., Jibun Bank Corporation, Mobaoku Co., Ltd., MOBICOM Corporation.

(Added)

- 12 companies due to stock acquisition

  10 equity method companies of Jupiter Telecommunications Co.,Ltd.,
  LAC Co., Ltd., Gunosy Inc.

(Removed)

- 1 company due to additional purchase, resulting in subsidiary

  Jupiter Telecommunications Co.,Ltd.

- 2 companies due to liquidation

  Safetynet Japan K.K., KDDI&BT Global Solutions Corporation

- 1 company due to stock exchange

  Microfinance International Corporation

- 1 company due to merger

  NJ Corporation

2) Non-consolidated subsidiary (ATTRACT INC.) and affiliates (CJSC Vostoktelecom etc.) are not included within the scope of the equity method. Because they are insignificant and their net incomes and retained earnings (the amounts equivalent to the Company’s interest in the companies) do not significantly affect consolidated financial statements.

3) For equity method companies with the fiscal year end that differ from the consolidated fiscal year end, the financial statements for the fiscal year of each company are used.

3. Fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, the fiscal year end of 78 companies, including KDDI America, Inc., KDDI Europe Ltd., are December 31 of each year. For the preparation of consolidated financial statements, the Companies use financial statements as of December 31 and make adjustments as necessary for consolidation in relation to significant transactions during their year-end date and the consolidated year-end date.

In addition to the above-stated items, 1 company’s settlement of accounts is provisional as of March 31, 2014.

4. Accounting policies

1) Valuation standards and methods for major assets

(1) Securities

・Bonds intended to be held to maturity: amortized cost method (straight-line method)

・Other securities

i. Other securities for which market quotations are available are stated at fair value prevailing at the balance sheet date with unrealized gains and losses, directly included in net assets. The cost of securities sold is determined by the moving-average method.

ii. Other securities for which market quotations are not available are valued at cost mainly determined by the moving-average method.

(2) Derivative Stated at fair value

(3) Inventories

Supplies

Stated at cost. Cost is determined by the moving-average method (the method of write-downs based on the decrease in profitability is applied in order to calculate the inventory value on the balance sheet).

2) Depreciation and amortization for major assets

(1) Property, plant and equipment other than leased assets

The Company: Machinery: mainly declining-balance method
Property, plant and equipment other than machinery: straight-line method
Consolidated subsidiaries: Mainly straight-line method

Useful life of principle assets is as follows:
Machinery: 9 years
Antenna facilities, Buildings, Structures, Local line facilities, Engineering facilities: 10 to 38 years

(2) Intangible assets other than leased assets: straight-line method

Software for internal use is amortized under the straight-line method over the expected useful lives (5 years). Customer-related assets are amortized over 8–17 years, and assets related to program supply are amortized over 22 years.

(3) Leased assets

Leased assets related to financial leases that do not transfer ownership rights to the lessees are amortized under the straight-line method based on the lease term as the useful life and residual value of zero.
Finance leases other than those, which are deemed to transfer the ownership rights of the leased assets to the lessees, that started before March 31, 2008, are accounted for by a method similar to that applicable to ordinary operating leases.

(4) Long-term prepaid expenses: Straight-line method

3) Significant allowances

(1) Allowance for doubtful accounts

To prepare for uncollectible credits, general allowance is recorded based on the actual bad debt ratio, and specific allowance is recorded based on the amount deemed to the uncollectible considering the collectability.

(2) Provision for point service program

In order to prepare for the future cost generating from the utilization of points that customers have earned under the point services such as “au Point Program,” based on its past experience, the Company reserves an amount considered appropriate to cover possible utilization of the points during or after the next consolidated fiscal year.

(3) Allowance for bonuses

To allow for the payment of bonuses to employees, the Company records the standard for estimated amounts of bonuses to be paid.

4) Method for Accounting for Retirement Benefits

(Method of attributing expected retirement benefits to periods)

When calculating retirement benefit obligations, the straight-line method is used for attributing expected retirement benefits to periods through March 31, 2014.

(Method of expenses for actuarial differences and prior service costs)

Unrecognized actuarial differences are amortized on a straight-line basis over the average remaining service life of employees (14 years) from the year following that in which they arise.
Prior service costs are amortized on a straight-line basis over the average remaining service life of employees (14 years) in the year in which it arises.

5) Foreign currency transaction

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.
All assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Revenues and expenses for the year are translated into Japanese yen at the average exchange rate during the year and translation adjustments are included in “Foreign currency translation adjustments” and “Minority interests” of “Net assets.”

6) Significant hedge accounting methods

(1) Hedge accounting methods

The Companies employs deferred hedge accounting. Appropriation accounting is applied to exchange contracts.

(2) Hedging instruments and hedged items

Hedging instruments: Exchange contracts, interest rate swaps

Hedged items: Monetary obligations denominated in foreign currencies, interest on borrowings with variable interest rates

(3) Hedging policy

In accordance with internal regulations, hedges are conducted with the aim of avoiding exchange rate fluctuation risks on monetary obligations denominated in foreign currencies and the risk of interest rate fluctuations on borrowings.

(4) Method of assessing hedge effectiveness

With regard to foreign exchange forward transactions, the assessment of hedging effectiveness has been omitted, as significant conditions are consistent between these transactions and hedged items, and cash flows are fixed.

On interest rate swap transactions, effectiveness is assessed by testing that the interest rate risk of hedged items diminishes.

7) Amortization of goodwill

Goodwill is amortized under the straight-line method over a period of 5 to 20 years. However, minimal amounts of goodwill are recognized as expenses for the year ended March 31, 2014.

8) Cash and cash equivalents in the consolidated cash flow statements

Cash and cash equivalents are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term highly liquid investments with a maturity of three months or less at the time of purchase and which bear lower risks from fluctuations in value.

9) Others

(1) Accounting method for consumption taxes
Consumption taxes are accounted for using the net method of reporting.
Non-deductible consumption taxes relating to assets are accounted for as an expense in the current consolidated fiscal year.

(2) Deferred assets
Bond issuance expenses: Entire amount of expenses is fully charged as incurred.

Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits)

From the year ended March 31, 2014, the Company has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Implementation Guidance for the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012) (excluding, however, the provisions found in the body text of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Implementation Guidance for the Accounting Standard for Retirement Benefits). Under the new standard, the Company revised its method of accounting for retirement benefit obligations, recording the amount deducting the plan assets from these obligations as net defined benefit liability, and accordingly, recording unrecognized actuarial differences and unrecognized prior service costs as net defined benefit liability.

With regard to the application of the Accounting Standard for Retirement Benefits, in accordance with the provisions on transitional implementation indicated in Paragraph 37 of the Accounting Standard for Retirement Benefits, the impact of these changes is included in remeasurements of defined benefit plans within accumulated other comprehensive income as of March 31, 2014.

As a result, as of March 31, 2014, the Company recorded net defined benefit asset of ¥20,103 million, net defined benefit asset of ¥17,339 million, increased accumulated other comprehensive income by ¥6,352 million, and decreased minority interests by ¥123 million.

The amount of financial impact on per share information is included in the Per Share Information section.

Changes in Presentation

(Consolidated Statements of Income)
“Compensation expenses” under non-operating expenses listed in the fiscal year ended March 31, 2013 has been included in “Miscellaneous expenses” as it has become less significant in monetary terms from the current fiscal year. The consolidated financial statements have been reclassified to reflect these changes in presentation.

As a result, ¥2,002 million that was recorded as “Compensation expenses” under non-operating expenses on the consolidated statements of income in the fiscal year ended March 31, 2013 is reclassified as “Miscellaneous expenses.”

(Consolidated Balance Sheets)

Note 1: Reduction entry due to subsidies

	As of March 31, 2013	As of March 31, 2014
Reduction entry amount due to contribution for construction (cumulative total)	¥17,909M	¥23,060M

Note 2: Notes relating to affiliates
The amounts that relate to subsidiaries and affiliates and that are included in respective items are as follows.

	As of March 31, 2013	As of March 31, 2014
Stocks of subsidiaries and affiliates	¥348,169M	¥41,480M
(of which investment in jointly controlled entities)	¥718M	-
Investments in capital of subsidiaries and affiliates	¥219M	¥274M

Note 3: Contingent liabilities

	As of March 31, 2013	As of March 31, 2014
(1) Guarantor liabilities, etc.		
[As a guarantor for loan of:]		
UQ Communications Inc. and others	¥157,962M	¥117,700M
(liabilities denominated in foreign currencies included)	KRW2,000M	-
[As a guarantor for forward exchange contracts of:]		
Discovery Japan, Inc.	-	¥3,689M
(liabilities denominated in foreign currencies included)	-	US$47M
(2) Contingent liabilities existing in cable system supply contract	¥4,702M	¥5,146M
(liabilities denominated in foreign currencies included)	US$50M	US$50M

Note 4: Assets pledged as collateral and liabilities with collateral:

(The Company)

In compliance with the provisions of Article 4 of the Supplementary Provisions to the Law Concerning the Rationalization of Regulations in the Telecommunications Field, the total assets of the Company have been pledged as general collateral for corporate bonds issued.

	As of March 31, 2013	As of March 31, 2014
Bonds	¥20,000M	¥20,000M

(Consolidated subsidiaries)

In accordance with Article 14, Paragraph 1 of the Act on Settlement of Funds, assets held in trust as security deposits are as follows.

	As of March 31, 2013	As of March 31, 2014
Investment securities	¥3,004M	¥3,004M
Cash and deposits	¥2,300M	¥2,500M

Assets pledged as other collateral

	As of March 31, 2013	As of March 31, 2014
Machinery	¥279M	¥215M
Local line facilities	¥214M	¥138M
Engineering facilities	¥16M	¥15M
Submarine line facilities	¥4M	¥2M
Buildings	¥144M	¥128M
Structures	-	¥2M
Other tangible assets	¥45M	¥1,008M
Investment securities	¥672M	¥891M
Stocks of subsidiaries and affiliates(Note)	¥767M	¥767M
Other investments and other assets	¥28M	¥77M
Cash and deposits	¥162M	¥200M
Short-term investment securities	¥231M	¥273M
Total	¥2,566M	¥3,721M
(assets denominated in foreign currencies included)	US$10M	US$11M

Corresponding liabilities

Long-term loans payable	¥894M	¥22,873M
Current portion of noncurrent liabilities	¥332M	¥254M
Notes and accounts payable-trade	¥164M	¥201M
Short-term loans payable	¥1,256M	¥3,397M
Total	¥2,648M	¥26,727M
(liabilities denominated in foreign currencies included)	US$14M	US$21M

Note: Stocks in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on bank borrowings by that company.

(Consolidated Statements of Income)

Note 1: Operating expenses include research and development expenses

Year ended March 31, 2013	Year ended March 31, 2014
¥28,880M	¥24,086M

Note 2: Gain on sales of noncurrent assets

	Year ended March 31, 2013	Year ended March 31, 2014
Gain on disposal of real estate accompanying disposal of land, etc.	¥324M	¥9M
Gain on disposal of other facilities	¥263M	¥290M
Total	¥588M	¥300M

Note 3: Loss on sales of noncurrent assets

	Year ended March 31, 2013	Year ended March 31, 2014
Loss on disposal of real estate accompanying disposal of land, etc.	¥1,050M	¥7M
Loss on disposal of other facilities, etc.	¥27M	¥370M
Total	¥1,078M	¥377M

Note 4: Impairment loss

The Companies mainly recognized impairment loss for the following assets and asset groups.

For the year ended March 31, 2013

Location	Usage for	Type	Impairment loss amount
The Company, etc. The former 800MHz frequency idle facilities (Tokyo, Nagoya, Osaka, etc.)	Telecommunications business	Buildings, Antenna facilities, Machinery, etc.	¥68,890M
The Company Domestic transmission line facilities, idle assets, etc. (Tokyo, etc.)	Telecommunications business	Local line facilities, Right of using submarine line facilities, Long-distance line facilities, etc.	¥10,038M

The Companies calculate impairment losses by grouping assets based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

In the year ended March 31, 2013, the Companies discontinued the use of former 800MHz frequency facilities in July 2012 in line with the reorganization of frequencies and drew up a plan for conversion to other frequencies on the shared portion of these facilities.

Facilities not part of this conversion were determined to be idle assets that were expected to have no future value. The book value of these assets was reduced to their recoverable value, and the decrease was recorded as an impairment loss of ¥68,890 million in extraordinary loss. This consists of ¥29,456 million for buildings, ¥17,964 million for antenna facilities, ¥17,953 million for machinery and ¥3,516 million for others.

Further, the recoverable amount for the said assets is estimated based on the net selling price. The calculation of market value is based on reasonable estimate, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

In the year ended March 31, 2013, for domestic transmission system with declining utilization rates and idle assets, the book value has been reduced to recoverable value. The said reduction is recognized as impairment loss of ¥10,038 million in extraordinary loss. This consists of ¥6,212 million for local line facilities, ¥1,105 million for right of using submarine line facilities, ¥899 million for long-distance line facilities and ¥1,820 million for others.

Further, the recoverable amount for the said assets is estimated based on the net selling price. The calculation of market value is based on appraised value and other factors, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

In addition, impairment loss of ¥1,619 million on business assets was recognized in extraordinary loss in certain subsidiaries. This consists of ¥1,049 million for machinery, ¥230 million for local line facilities, ¥339 million from others.

For the year ended March 31, 2014

Location	Usage for	Type	Impairment loss amount
The Company Domestic transmission line facilities, idle assets, etc. (Tokyo, etc.)	Mainly Telecommunications business	Local line facilities, Machinery, etc.	¥8,541M

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The Companies calculate impairment losses by grouping assets based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

As a result, in the year ended March 31, 2014, for domestic transmission system with declining utilization rates and idle assets, the book value has been reduced to recoverable value. The said reduction is recognized as impairment loss of ¥8,541 million in extraordinary loss. This consists of ¥7,229 million for local line facilities, ¥939 million for machinery, ¥373 million for others.

Further, the recoverable amount for the said assets is estimated based on the net selling price. The calculation of market value is based on appraised value and other factors, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

In addition, impairment loss of ¥154 million on business assets was recognized in extraordinary loss in certain subsidiaries. This consists of ¥87 million for software, ¥28 million for structures, ¥38 million from others.

Note 5: Loss on retirement of noncurrent assets

	Year ended March 31, 2013	Year ended March 31, 2014
Disposal Cost of former 800MHz frequency facilities	¥19,857M	-
Retirement Cost of former 800MHz frequency facilities	¥1,870M	-
Others	¥985M	-
Total	¥22,712M	-

(Consolidated Statements of Comprehensive Income)

Amount of recycling and amount of income tax effect associated with other comprehensive income

	Year ended March 31, 2013	Year ended March 31, 2014
Valuation difference on available-for-sale securities		
Amount recognized in the period	¥128M	¥19,759M
Amount of recycling	¥1,004M	(¥8,215M)
Before income tax effect adjustment	¥1,133M	¥11,544M
Amount of income tax effect	(¥422M)	(¥4,044M)
Valuation difference on available-for-sale securities	¥710M	¥7,499M
Deferred gains or losses on hedges		
Amount recognized in the period	-	¥598M
Amount of recycling	-	(¥528M)
Before income tax effect adjustment	-	¥69M
Amount of income tax effect	-	(¥29M)
Deferred gains or losses on hedges	-	¥40M
Foreign currency translation adjustment		
Amount recognized in the period	¥12,158M	¥25,443M
Amount of recycling	-	-
Before income tax effect adjustment	¥12,158M	¥25,443M
Amount of income tax effect	(¥95M)	-
Foreign currency translation adjustment	¥12,062M	¥25,443M
Share of other comprehensive income of associates accounted for using equity method		
Amount recognized in the period	¥1,220M	¥46M
Amount of recycling	¥120M	(¥528M)
associates accounted for using equity method	¥1,341M	(¥482M)
Total other comprehensive income	¥14,115M	¥32,501M

(Consolidated Statements of Changes in Net Assets)
For the year ended March 31, 2013

1. Total number and type of shares outstanding and total number and type of treasury stock

	As of March 31, 2012	Increase during the year ended March 31, 2013	Decrease during the year ended March 31, 2013	As of March 31, 2013
Shares outstanding Common stock[Note1,2]	4,484,818	443,996,982	-	448,481,800
Total	4,484,818	443,996,982	-	448,481,800
Treasury stock Common stock[Note1,3,4]	663,006	65,637,894	31,500	66,269,400
Total	663,006	65,637,894	31,500	66,269,400

Note 1: The Company conducted a 1:100 stock split on common stock, with an effective date of October 1, 2012.
2: The increase of 443,996,982 shares in the total number of issued shares of its own shares of common stock is due to split on common stock.
3: The increase of 65,637,894 shares in treasury stock of common stock is due to split on common stock 65,637,594 shares, due to purchase of share less than one unit 300 shares.
4: The decrease of 31,500 shares in treasury stock of common stock resulted from the exercise of stock options.

2. Subscription warrants and own stock option

	Breakdown of subscription warrants	Types of shares subject to subscription warrants	Number of shares subject to subscription warrants				Balance as of March 31, 2013
			As of March 31, 2012	Increase during the year ended March 31, 2013	Decrease during the year ended March 31, 2013	As of March 31, 2013	
The Company (parent company)	Subscription warrants as stock options	-	-				¥490M
	Convertible bonds due 2015 convertible bond-type bonds with subscription rights to shares (Issued on December 14, 2011)[Note]	Common stock	348,979 shares Upper limit	34,548,944 shares Upper limit	-	34,897,923 shares Upper limit	-
Consolidated subsidiaries	Subscription warrants as stock options	-	-				¥83M
Total		-	-	-	-	-	¥574M

Note: Convertible bonds due 2015 convertible bond-type bonds with subscription rights to shares (Issued on December 14, 2011)
1: Convertible bond-type bonds with subscription rights to shares are treated as straight bond.
2: The number of shares reserved for subscription warrants is the number of shares that would be needed in the event that stock options were exercised.
3: The Company conducted a 1:100 stock split on common stock, with an effective date of October 1, 2012.
4: The increase in the number of shares is due to split on common stock.

3. Dividends

(1) Cash dividends payments

Resolution	Type of shares	Total dividends	Dividends per share	Record date	Effective date
June 20, 2012 Annual meeting of shareholders	Common stock	¥32,485M	¥8,500	March 31, 2012	June 21, 2012
October 24, 2012 Meeting of the Board of Directors	Common stock	¥32,485M	¥8,500	September 30, 2012	November 20, 2012

(2) Approval of dividends payments for which the record date is in the fiscal year and the effective date is in the following fiscal year is planned as follows

Resolution	Type of shares	Total dividends	Dividend resource	Dividends per share	Record date	Effective date
June 19, 2013 Annual meeting of shareholders	Common stock	¥36,310M	Retained earnings	¥95	March 31, 2013	June 20, 2013

Note: The Company conducted a 1:100 stock split on common stock, with an effective date of October 1, 2012.
Dividends per share took into account this stock split.

For the year ended March 31, 2014

1. Total number and type of shares outstanding and total number and type of treasury stock

	As of March 31, 2013	Increase during the year ended March 31, 2014	Decrease during the year ended March 31, 2014	As of March 31, 2014
Shares outstanding Common stock[Note1,2]	448,481,800	448,481,800	-	896,963,600
Total	448,481,800	448,481,800	-	896,963,600
Treasury stock Common stock[Note1,3,4]	66,269,400	66,273,882	70,558,334	61,984,948
Total	66,269,400	66,273,882	70,558,334	61,984,948

Note 1: The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013.
2: The increase of 448,481,800 shares in the total number of issued shares of its own shares of common stock is due to split on common stock.
3: The increase of 66,273,882 shares in the Company’s holdings of its own shares of common stock is due to split on common stock 66,269,400 shares, due to purchase of share less than one unit 4,482 shares.
4: The decrease of 70,558,334 in the number of ordinary shares of treasury stock was attributable to the exercise of stock options, which accounted for 761,800 shares; the exercise of convertible bond-type bonds with subscription rights, accounting for 69,795,731 shares; and the receipt of requests for the purchase of additional shares to bring odd-lot shares to full trading units, accounting for 803 shares.

2. Subscription warrants and own stock option

	Breakdown of subscription warrants	Types of shares subject to subscription warrants	Number of shares subject to subscription warrants				Balance as of March 31, 2014
			As of March 31, 2013	Increase during the year ended March 31, 2014	Decrease during the year ended March 31, 2014	As of March 31, 2014	
The Company (parent company)	Subscription warrants as stock options	-	-				-
	Convertible bonds due 2015 convertible bond-type bonds with subscription rights to shares (Issued on December 14, 2011)[Note]	Common stock	34,897,923 shares Upper limit	34,897,923 shares Upper limit	69,795,731 shares	-	-
Consolidated subsidiaries	Subscription warrants as stock options	-	-				¥39M
Total		-	-	-	-	-	¥39M

Note: Convertible bonds due 2015 convertible bond-type bonds with subscription rights to shares (Issued on December 14, 2011)
1: Convertible bond-type bonds with subscription rights to shares are treated as straight bond.
2: Of those shares subject to subscription rights to shares, the number of shares as of April 1, 2013, and the increase in the number of shares during the fiscal year are indicated at the upper limit as if subscription rights to shares had been exercised.
3: The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013.
4: The increase in the number of shares is due to split on common stock.
5: The decrease in the number of shares is due to the exercise of rights (conversion).

3. Dividends

(1) Cash dividends payments

Resolution	Type of shares	Total dividends	Dividends per share	Record date	Effective date
June 19, 2013 Annual meeting of shareholders	Common stock	¥36,310M	¥95	March 31, 2013	June 20, 2013
October 28, 2013 Meeting of the Board of Directors[Note]	Common stock	¥49,584M	¥60	September 30, 2013	November 27, 2013

(2) Approval of dividends payments for which the record date is in the fiscal year and the effective date is in the following fiscal year is planned as follows

Resolution	Type of shares	Total dividends	Dividend resource	Dividends per share	Record date	Effective date
June 18, 2014 Annual meeting of shareholders Note	Common stock	¥58,448M	Retained earnings	¥70	March 31, 2014	June 19, 2014

Note: The Company conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013.
Dividends per share took into account this stock split.

(Consolidated Statement of Cash Flows)

Note 1: Relationship between balance of cash and cash equivalents and items presented in consolidated balance sheet

	Year ended March 31, 2013	Year ended March 31, 2014
Cash and deposits account	¥96,952M	¥222,050M
Securities account	¥231M	¥273M
Total	¥97,183M	¥222,324M
Time deposit with terms exceeding 3 months, securities with terms exceeding 3 months and deposits with collateral	(¥9,894M)	(¥9,794M)
Cash and cash equivalents	¥87,288M	¥212,530M

Note 2: Assets and liabilities of a newly consolidated subsidiary by acquisition of shares

For the year ended March 31, 2013

No significant items to be reported.

For the year ended March 31, 2014

Jupiter Telecommunications Co., Ltd. ("J:COM") :

The breakdown of assets and liabilities at the point of consolidation of J:COM as a result of the acquisition of additional shares through public tender and establishing the effective control, and the relationship between the amount of the acquisition of shares and the proceeds from purchase of the acquisition (net amount), are as follows.

Noncurrent assets	¥548,288M
Current assets	¥125,899M
Goodwill	¥219,734M
Noncurrent liabilities	(¥176,472M)
Current liabilities	(¥138,155M)
Minority interests	(¥217,834M)
Subscription rights to shares	(¥143M)
Valuation under the equity method prior to acquisition	(¥319,722M)
Loss on step acquisitions from the purchase of additional shares	¥38,457M
Amount of the acquisition of shares of J:COM	¥80,052M
Cash and cash equivalents of J:COM	(¥96,324M)
Proceeds from purchase of the acquisition of J:COM	(¥16,271M)

3: Details of major non-cash transactions

(1) Amount of assets and liabilities related to finance lease transactions

	Year ended March 31, 2013	Year ended March 31, 2014
Assets related to finance lease transaction	¥4,006M	¥16,856M
Liabilities related to finance lease transaction	¥4,283M	¥17,463M

(2) Exercise of subscription rights to shares on convertible bond-type bonds with subscription rights

	Year ended March 31, 2013	Year ended March 31, 2014
Marginal gain on disposal of treasury stock due to the exercise of subscription rights to shares	-	¥18,308M
Decrease in amount of treasury stock due to exercise of subscription rights to shares	-	¥182,208M
Decrease in amount of bonds due to exercise of subscription rights to shares	-	¥200,516M

(Lease Payment)

(As a lessee)

For the year ended March 31, 2013

1. Finance leases

   No significant items to be reported.

2. Operating leases

   No significant items to be reported.

For the year ended March 31, 2014

1. Finance leases

   Finance leases without a transfer of ownership

   Details of lease assets

   Property, plant and equipment

   Primarily set-top boxes in the CATV business

   Depreciation for lease assets

   The depreciation is described in “4.Accounting policies, b) Depreciation and amortization for major assets” of “Basis of Presenting Consolidated Financial Statements.”

2. Operating leases

   No significant items to be reported.

(As a lessor)

For the year ended March 31, 2013

Finance leases

No transaction.

For the year ended March 31, 2014

Finance leases

No transaction.

(Financial Instruments)

1. Status of financial instruments

(1) Policy for measures relating to financial instruments

In light of plans for capital investment, primarily for conducting telecommunications business, the Companies raise the funds it requires through bank loans and bonds issuance. The Companies manage temporary fund surpluses through financial assets that have high levels of safety. Further, the Companies raise short-term working capital through bank loans. Regarding derivatives policy, the Companies' adhere to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.

(2) Details of financial instruments and associated risk and risk management system

Trade receivables—trade notes and accounts receivable and other accounts receivable—are exposed to credit risk in relation to customers and trading partners. For such risk, pursuant to criteria for managing credit exposure, the Companies have systems enabling the management of due dates and balances of each customer and trading partner as well as the analysis of credit status.

The Companies are exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the shares of companies with which the Companies have operational relationships, and periodic analysis of market values is reported to the Board of Directors.

Almost all trade payables—trade notes and accounts payable, other accounts payable, and accrued expenses—have payment due dates within one year.
Those trade payables are exposed to liquidity risk at time of settlement. However, the Companies reduce that risk by having each company review fund-raising plans every month.
And operating obligations denominated in foreign currencies are recognized as balances of currency-specific claims and obligations, and foreign exchange forward transactions are used on hedging instruments in response to obligations deemed subject to foreign exchange fluctuation risk.

Among loans payable, short-term loans payable are primarily for fund raising related to sales transactions, and long-term loans payable are primarily for fund raising related to capital investment and investment and financing. Loans payable with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce fluctuation risk for interest payable and fix interest expenses when it enters into long-term loans at variable interest rates—based on the premise that requirements for special treatment of interest rate swaps are met in relation to evaluation of the effectiveness of hedges—in principle, the Companies use interest rate swap transactions as a hedging method on an individual contract basis.

In transaction-related market risk, the Group's derivative transactions have the objective of avoiding risks associated with assets and liabilities on the consolidated balance sheets. With interest rate transactions, there is a risk of interest rate fluctuations.

Moreover, in regard to credit risk, the counterparties to the Group's derivatives transactions are financial institutions with high degrees of creditworthiness, and accordingly the credit risk of nonfulfillment by counterparty is considered to be close to zero.

In order to conduct derivative transactions, based on their company's internal regulations and regulations stipulating associated details, finance or accounting divisions must receive approval from those with final-approval authority as stipulated by authority-related regulations through consultation via an internal memo for each derivative transaction and only conduct transactions with financial institutions with high credit ratings.

(3) Supplementary explanation of items relating to the market value of financial instruments

The market values of financial products include prices based on market prices, or, if there are no market prices, they include reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices.

2. Market value of financial instruments

Amounts recognized in the consolidated balance sheet, market values, and the differences are as shown below. Moreover, items for which it is extremely difficult to determine market values are not included in the following table (see (note 2)).

For the year ended March 31, 2013 (Amount unit: Millions of yen)

	Book value	Market value	Difference
1) Cash and deposits	96,952	96,952	-
2) Notes and accounts receivable-trade	971,244		
Allowance for doubtful accounts [i]	(20,271)		
	950,972	950,972	-
3) Accounts receivable-other	61,477	61,477	-
4) Short-term investment securities	231	231	-
5) Investment securities			
Bonds intended to be held to maturity	3,004	3,216	211
Other securities	66,441	66,441	-
6) Stocks of subsidiaries and affiliates	319,807	282,407	(37,400)
Total assets	1,498,888	1,461,699	(37,189)
7) Notes and accounts payable-trade	82,753	82,753	-
8) Short-term loans payable	88,256	88,256	-
9) Accounts payable-other	287,084	287,084	-
10) Accrued expenses	22,999	22,999	-
11) Income taxes payable	104,773	104,773	-
12) Bonds payable [ii]	349,996	363,243	13,247
13) Convertible bond-type bonds with subscription rights to shares	200,666	271,960	71,293
14) Long-term loans payable [ii]	325,453	330,411	4,958
Total liabilities	1,461,985	1,551,483	89,498

i: Allowance for doubtful accounts recognized in notes and accounts receivable-trade is offset.

ii: Bonds and long-term loans payable included in current portion of noncurrent liabilities are included.

For the year ended March 31, 2014 (Amount unit: Millions of yen)

	Book value	Market value	Difference
1) Cash and deposits	222,050	222,050	-
2) Notes and accounts receivable-trade	1,094,919		
Allowance for doubtful accounts [i]	(21,532)		
	1,073,387	1,073,387	-
3) Accounts receivable-other	68,297	68,297	-
4) Short-term investment securities	273	273	-
5) Investment securities			
Bonds intended to be held to maturity	3,004	3,179	175
Other securities	71,370	71,370	-
6) Stocks of subsidiaries and affiliates	5,280	4,293	(986)
Total assets	1,443,664	1,442,853	(811)
7) Notes and accounts payable-trade	87,232	87,232	-
8) Short-term loans payable	95,255	95,255	-
9) Accounts payable-other	349,011	349,011	-
10) Accrued expenses	26,732	26,732	-
11) Income taxes payable	125,364	125,364	-
12) Bonds payable [ii]	299,998	310,191	10,192
13) Convertible bond-type bonds with subscription rights to shares	-	-	-
14) Long-term loans payable [ii]	638,706	643,471	4,764
Total liabilities	1,622,301	1,637,258	14,957
Derivatives transactions [iii]	900	900	-

ⅰ: Allowance for doubtful accounts recognized in notes and accounts receivable-trade is offset.

ⅱ: Bonds and long-term loans payable included in current portion of noncurrent liabilities are included.

ⅲ: Net claims and obligations arising from derivative transactions are stated at their net amounts.

Note 1: Calculation of the market value of financial instruments and items relating to short-term investment securities and derivative transactions

Assets

1) Cash and deposits, 2) Notes and accounts receivable-trade, 3) Accounts receivable-other,

4) Short-term investment securities

Because, the settlement periods of the above items are short and their market values are almost the same as their book values, the relevant book values are used. Further, because the credit risk is extremely difficult to determine on an individual basis for notes and accounts receivable-trade, allowance for doubtful accounts is regarded as credit risk and the book value is calculated accordingly.

5) Investment securities, 6) Stock of subsidiaries and affiliates

In relation to the market value of investment securities, for shares the market prices of exchanges are used. Further, for information on investment securities categorized according to holding purpose, please see the note “Securities.”

Liabilities

7) Notes and accounts payable-trade, 8) Short-term loans payable, 9) Accounts payable-other, 10) Accrued expenses, 11) Income taxes payable

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the relevant book values are used.

12) Bonds payable, 13) Convertible bond-type bonds with subscription rights to shares
14) Long-term loans payable

The market value of bonds payable and convertible bond-type bonds with subscription rights to shares is calculated based on trading reference data. The market value of long-term loans payable is calculated by applying a discount rate to the total of principal and interest. That discount rate is based on the assumed interest rate if a similar new loan was entered into. Because long-term loans payable with variable interest rates are based on the condition that interest rates are revised periodically, their market values are almost the same as their book values, the relevant book values are used.

Derivatives transactions

Please see the note “Derivatives.”

Note 2: Financial instruments for which it is extremely difficult to determine market value

(Amount unit: Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Investment securities Unlisted equity securities	12,340	17,133
Stocks of subsidiaries and affiliates Unlisted equity securities	28,361	36,200
Investments in capital of subsidiaries and affiliates	219	274

Because it is recognized that these do not have market values and that the market values are extremely difficult to determine, they are not included in the chart above.

Note 3:Planned redemption amounts after the balance sheet date for monetary assets and short-term investment securities with monetary assets and maturity dates

For the year ended March 31, 2013

(Amount unit: Millions of yen)

	Within 1 year	Over 1 year
Cash and deposits	96,952	-
Notes and accounts receivable-trade	835,135	136,108
Accounts receivable-other	61,389	88
Investment securities	-	3,004
Total	993,477	139,201

For the year ended March 31, 2014

(Amount unit: Millions of yen)

	Within 1 year	Over 1 year
Cash and deposits	222,050	-
Notes and accounts receivable-trade	948,201	146,718
Accounts receivable-other	65,654	2,642
Investment securities	-	3,004
Total	1,235,906	152,365

Note 4: Planned repayment amounts after the balance sheet date for bonds payable, long-term loans payable

For the year ended March 31, 2013

(Amount unit: Millions of yen)

	Within 1 year	Over 1 year
Bonds payable	90,000	260,000
Convertible bond-type bonds with subscription rights to shares	-	200,000
Long-term loans payable	80,725	244,727
Total	170,725	704,727

For the year ended March 31, 2014

(Amount unit: Millions of yen)

	Within 1 year	Over 1 year
Bonds payable	95,000	205,000
Long-term loans payable	120,008	518,697
Total	215,008	723,696

(Securities)

1. Bonds intended to be held to maturity

For the year ended March 31, 2013

(Amount unit: Millions of yen)

	Types	Book value	Actual values	Unrealized Gain/loss
Bonds for which market value exceeds book value on consolidated balance sheets	(1) National bonds and local bonds, etc.	3,004	3,216	211
	(2) Bonds payable	-	-	-
	(3) Others	-	-	-
	Subtotal	3,004	3,216	211
Bonds for which market value does not exceed book value on consolidated balance sheets	(1) National bonds and local bonds, etc.	-	-	-
	(2) Bonds payable	-	-	-
	(3) Others	-	-	-
	Subtotal	-	-	-
Total		3,004	3,216	211

For the year ended March 31, 2014

(Amount unit: Millions of yen)

	Types	Book value	Actual values	Unrealized Gain/loss
Bonds for which market value exceeds book value on consolidated balance sheets	(1) National bonds and local bonds, etc.	3,004	3,179	175
	(2) Bonds payable	-	-	-
	(3) Others	-	-	-
	Subtotal	3,004	3,179	175
Bonds for which market value does not exceed book value on consolidated balance sheets	(1) National bonds and local bonds, etc.	-	-	-
	(2) Bonds payable	-	-	-
	(3) Others	-	-	-
	Subtotal	-	-	-
Total		3,004	3,179	175

2. Other securities

For the year ended March 31, 2013

(Amount unit: Millions of yen)

	Types	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost	(1)Stock	65,899	10,352	55,546
	(2)Bonds			
	i National bonds and local bonds, etc.	-	-	-
	ii Bonds payable	-	-	-
	iii Others	-	-	-
	(3)Others	86	77	8
	Subtotal	65,986	10,430	55,555
Securities for which book value of consolidated balance sheets does not exceed acquisition cost	(1)Stock	686	2,529	(1,843)
	(2)Bonds			
	i National bonds and local bonds, etc.	-	-	-
	ii Bonds payable	-	-	-
	iii Others	-	-	-
	(3)Others	-	-	-
	Subtotal	686	2,529	(1,843)
Total		66,672	12,960	53,712

Note: Because it is recognized that these do not have market values and that the market values are extremely difficult to determine, unlisted equity securities (Consolidation ¥12,340 million) is not included in the chart above.

For the year ended March 31, 2014

(Amount unit: Millions of yen)

	Types	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost	(1)Stock	71,505	5,006	66,499
	(2)Bonds			
	i National bonds and local bonds, etc.	-	-	-
	ii Bonds payable	-	-	-
	iii Others	-	-	-
	(3)Others	88	63	25
	Subtotal	71,594	5,070	66,524
Securities for which book value of consolidated balance sheets does not exceed acquisition cost	(1)Stock	29	35	(5)
	(2)Bonds			
	i National bonds and local bonds, etc.	-	-	-
	ii Bonds payable	-	-	-
	iii Others	-	-	-
	(3)Others	20	21	(0)
	Subtotal	50	56	(5)
Total		71,644	5,126	66,518

Note: Because it is recognized that these do not have market values and that the market values are extremely difficult to determine, unlisted equity securities (Consolidation ¥17,133 million) is not included in the chart above.

3. Other securities sold

For the year ended March 31, 2013

(Amount unit: Millions of yen)

Type	Amount of sale	Total gain on sale	Total loss on sale
Stock	8,456	1,050	-
Total	8,456	1,050	-

For the year ended March 31, 2014

(Amount unit: Millions of yen)

Type	Amount of sale	Total gain on sale	Total loss on sale
Stock	10,145	6,884	0
Total	10,145	6,884	0

4. Impairment of investment securities

For the year ended March 31, 2013, the Companies recognized an impairment of ¥410 million on investment securities (other securities). For the year ended March 31, 2014, the Companies recognized an impairment of ¥141 million on investment securities (other securities).

Further, regarding impairment treatment, for securities for which market value at the end of the period had dropped markedly in comparison to acquisition cost, impairment treatment was undertaken for the amount recognized as required in light of the possibility of recovery.

(Derivatives)

1. Derivatives for which hedge accounting has not been applied

1. Currency-related

For the year ended March 31, 2013

None

For the year ended March 31, 2014

No significant items to be reported.

2. Interest-related

For the year ended March 31, 2013

No significant items to be reported.

For the year ended March 31, 2014

No significant items to be reported.

2. Derivatives for which hedge accounting has been applied

(1) Currency-related

For the year ended March 31, 2013

None

For the year ended March 31, 2014

(Amount unit: Millions of yen)

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Allocation for forward exchange contracts	Forward exchange contract				
	Buy				
	USD	Accounts payable-trade	1,685	-	Note2
	USD	Future transactions	2,550	1,029	763
	EUR	Future transactions	348	234	137
Total			4,584	1,264	900

Notes: 1. Fair values are calculated, based on prices offered by financial institutions

2. Allocation for forward exchange contracts are accounted for together with accounts payable-trade designated as the hedge item. Therefore, their fair values are included in the fair value of the accounts payable-trade.

(2) Interest-related

For the year ended March 31, 2013

None.

For the year ended March 31, 2014

(Amount unit: Millions of yen)

Method of hedge accounting	Type of transaction	Hedge item	Contract amount	Contract amount of which due after one year	Fair value
Special treatment for interest rate swap	Interest rate swap				
	Receive floating, pay fixed	Long-term loans payable	10,000	-	Note2
Total			10,000	-	-

Notes: 1. Fair values are calculated, based on prices offered by financial institutions

2. Special treatment for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

(Stock Options)

1. Amount recorded as income from the nullification of rights following non-exercise

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Gain on reversal of subscription rights to shares	512	101

2. Deals and scale of the stock option granted and changes in the scale

(1) Details of the stock option granted

Company name		KDDI Corporation
		August 2009 8th Stock Option
Category and number of grantees Members of the Board Vice Presidents Executive Directors Employees Directors of wholly owned subsidiaries		 7 18 32 2,951 7
Type and number of stock granted		Common stock 1,037,800
Date of grant		August 10, 2009
Vesting conditions		1. The grantee of stock options must be, at the time of exercise of options, a director, vice president, executive director, senior advisor, auditor or employee of the Company and/or its subsidiaries. However, when there are appropriate grounds, such as resignation due to completion of term of office or reaching the age of retirement, it will be permitted for the grantee to exercise these options within six months from the start of the applicable_period or resignation or retirement, whichever is later, provided the exercise period is not exceeded. 2. In the event of the death of a stock option grantee, his or her heirs may, within six months from the date of death (until the expiration of the exercise period), exercise the options for up to the maximum number of shares of stock available as of the time of death. 3. In special cases where it is permitted by the Company's Stock Option Committee, the grantee of stock options may exercise their options under conditions different from those described in 1) and 2).
Vesting period	From To	August 10, 2009 September 30, 2011
Exercise period	From To	October 1, 2011 September 30, 2013

Note: Stock options have been converted into equivalent numbers of shares and presented accordingly. We conducted a 1:100 stock split on common stock, with an effective date of October 1, 2012 and a 1:2 stock split on common stock, with an effective date of April 1, 2013.

Company name		DMX Technologies Group Limited		
		October 2003 Stock Option	April 2008 Stock Option	November 2008 Stock Option
Category and number of grantees Members of the Board Employees		 5 56	 4 113	 6 57
Type and number of stock granted		Common stock 10,220,000	Common stock 18,000,000	Common stock 20,000,000
Date of grant		October 3, 2003	April 25, 2008	November 28, 2008
Vesting conditions		1. Based on the condition of being a director or employee of DMX Technology Group Limited or its group, rights of 50% are vested one year and two years respectively after the date of grant. 2. Other conditions are pursuant to the stock acquisition rights regulations of DMX Technologies Group Limited.		
Vesting period	From To	There are no regulations concerning vesting periods.		
Exercise period	From To	October 2, 2004 May 26, 2013	April 24, 2009 April 26, 2018	November 27, 2009 November 28, 2018

Note: Stock options have been converted into equivalent numbers of shares and presented accordingly.

Company name		Wire and Wireless Co., Ltd.
		December 2009 1st Stock Option
Category and number of grantees Members of the Board Employees Shareholders		 2 20 2
Type and number of stock granted		Common stock 2,200
Date of grant		December 1, 2009
Vesting conditions		(1) In the event that the party to whom new share subscription rights have been allocated (hereinafter, "Grantee of New Share Subscription Rights") is a director or employee of Party A, said party must also hold a position as director, auditor or employee of Party A or its subsidiary at the time these rights are exercised. However, this restriction is lifted when there are appropriate grounds, such as resignation due to completion of term of office or reaching the age of retirement, upon approval by the Board of Directors of Party A. (2) In the event of Party B's death in the period during which these new share acquisition rights may be exercised, his or her heirs may not exercise these new share subscription rights. However, this restriction is lifted if the heirs have received Board of Directors approval in advance of their attempt to exercise new share subscription rights. (3) These new share subscription rights may not be transferred, pledged or otherwise disposed of. (4) Conditions for applying tax exemption measures under Article 29-2 of the Act on Special Measures Concerning Taxation to new share subscription rights received are as follows. (i) The total amount paid in exchange for the exercise of new share subscription rights may not exceed ¥12 million during a one-year period. (ii) Shares acquired in exchange for the exercise of new share subscription rights shall be recorded via Party A in the transfer account ledger (the transfer account ledger legally prescribed for the transfer of bonds, shares, etc.; the same applies below) of the financial instruments business operator specified by Party A or the legally prescribed financial institution (hereinafter, "Specified Financial Instruments Business Operator"), or such recording shall be received or held in trust at the sales office or business office of the Specified Financial Instruments Business Operator or similar or the shares shall be held in trust.
Vesting period	From To	There are no regulations concerning vesting periods.
Exercise period	From To	December 1, 2011 October 29, 2019

Note: Stock options have been converted into equivalent numbers of shares and presented accordingly.

Company name		ScaleOut Inc
		January 2013 1st Stock Option
Category and number of grantees Members of the Board		 1
Type and number of stock granted		Common stock 95
Date of grant		January 1, 2013
Vesting conditions		Holders of subscription rights to shares may not exercise their subscription rights to shares in the event that any of the items below apply. i. If holders of subscription rights to shares have forfeited their positions as directors, employees, or advisors to the Company, its subsidiaries, or its affiliated companies (hereinafter, subsidiaries and affiliated companies provided for in the "Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc." are referred to collectively as "affiliated companies"). ii. If holders of subscription rights to shares are in receipt of a court judgment for the commencement of aid, assistance, or custody. iii. If holders of subscription rights to shares are in receipt of a decision to commence bankruptcy proceedings. iv. If holders of subscription rights to shares are directors, employees, advisors, or serve as consultants to companies that have a competitive relationship to the Company. Notwithstanding, however, holders that have received prior approval via resolution of the Company's Board of Directors. v. If holders of subscription rights to shares are in violation of laws and ordinances or the Company's internal regulations, or in the event of an act of disloyalty toward the Company. vi. If holders of subscription rights to shares are deceased. vii.If holders of subscription rights to shares are in violation of provisions of the share subscription rights allocation agreement entered into between holders of subscription rights to shares and the Company.
Vesting period	From To	There are no regulations concerning vesting periods.
Exercise period	From To	January 2, 2013 January 1, 2020

Note: 1 Scaleout Inc was included in the scope of consolidation .September 30, 2013, was deemed to be the acquisition date.

2 Stock options have been converted into equivalent numbers of shares and presented accordingly.

(2) Scale of stock options and changes in the scale

The following lists the number of shares calculated for the number of stock options that existed in the year ended March 31, 2014.

1) Number of stock options

Company name	KDDI Corporation
	August 2009 8th Stock Option
Before vested	
Beginning of period	-
Granted	-
Expired	-
Vested	-
Unvested	-
After vested	
Beginning of period	881,800
Vested	-
Exercised	761,800
Expired	120,000
Exercisable	-

Note: We conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013, and stock options have been converted into equivalent numbers of shares and presented accordingly.

Company name	DMX Technologies Group Limited		
	October 2003 Stock Option	April 2008 Stock Option	November 2008 Stock Option
Before vested			
Beginning of period	-	-	-
Granted	-	-	-
Expired	-	-	-
Vested	-	-	-
Unvested	-	-	-
After vested			
Beginning of period	3,305,544	3,886,858	11,911,000
Vested	-	-	-
Exercised	-	-	2,450,000
Expired	3,305,544	-	-
Exercisable	-	3,886,858	9,461,000

Company name	Wire and Wireless Co., Ltd.
	December 2009 1st Stock Option
Before vested	
Beginning of period	1,342
Granted	-
Expired	1,342
Vested	-
Unvested	-
After vested	
Beginning of period	-
Vested	-
Exercised	-
Expired	-
Exercisable	-

Company name	ScaleOut Inc
	January 2013 1st Stock Option
Before vested	
Beginning of period	-
Granted	-
Expired	-
Vested	-
Unvested	-
After vested	
Beginning of period	95
Vested	-
Exercised	-
Expired	-
Exercisable	95

(Note) Figures indicated in beginning of period, state balances for ScaleOut Inc.—which became a consolidated subsidiary during the fiscal year—as of the point when the company was newly consolidated.

2) Unit value

Company name	KDDI Corporation
	August 2009 8th Stock Option
Exercise price	¥2,695
Average share price at exercise	¥4,941
Fair value unit price (Date of grant)	¥556.41

Note: Stock options have been converted into equivalent numbers of price and presented accordingly. We conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013.

Company name	DMX Technologies Group Limited		
	October 2003 Stock Option	April 2008 Stock Option	November 2008 Stock Option
Exercise price	SGD 0.6778	SGD 0.2260	SGD 0.0930
Average share price at exercise	-	-	SGD 0.2450
Fair value unit price (Date of grant)	SGD 0.7900	SGD 0.2500	SGD 0.0900

Company name	Wire and Wireless Co., Ltd.
	December 2009 1st Stock Option
Exercise price	24,000
Average share price at exercise	-
Fair value unit price (Date of grant)	-

Company name	ScaleOut Inc
	January 2013 1st Stock Option
Exercise price	200,000
Average share price at exercise	-
Fair value unit price (Date of grant)	-

3. Method of estimating reasonable price for share options

Consolidated subsidiary ScaleOut Inc, is an unlisted company, and consequently the reasonable price of the January 2013 No. 1 share options of ScaleOut Inc is calculated by estimating the intrinsic value. The stock valuation method that is the basis of this intrinsic value estimate is a method in which decisions are made with reference to the price calculated in accordance with the discounted cash flow method. The total intrinsic value at the end of the consolidated fiscal year, with calculations based on the intrinsic value of the share options, is ¥0.

4. Method of estimating number of options vested

The number of options vested was calculated by estimating the number of expirations due to unvested options, based on the retirement rate in the year ended March 31, 2014.

(Income Taxes)

1. Significant components of deferred tax assets and liabilities

(Amount unit: Millions of yen)

	As of March 31, 2013	As of March 31, 2014
(Deferred tax assets)		
Depreciation and amortization	40,235	26,069
Allowance for doubtful accounts	11,587	12,426
Disposal of fixed assets	1,822	6,279
Inventory write down	2,458	2,095
Impairment loss	60,010	39,593
Reserve for retirement benefits	3,296	-
Net defined benefit liability	-	1,057
Allowance for bonus payment	8,588	10,587
Accrued expenses	4,023	6,004
Net operating loss carried forward	1,304	2,016
Unrealized profits	3,589	22,442
Reserve for point service program	34,692	27,166
Accrued enterprise taxes	7,639	8,510
Advances received	19,489	14,469
Deferred income	-	9,293
Loss on valuation of stocks of subsidiaries and affiliates	3,848	9,507
Other	7,308	7,256
Gross deferred tax assets	209,898	204,776
Valuation allowance	(8,979)	(14,805)
Net deferred tax assets	200,918	189,970
(Deferred tax liabilities)		
Special depreciation reserve	(1,737)	(3,051)
Net unrealized gains on securities	(20,191)	(24,217)
Retained earnings for overseas affiliates	(2,217)	(4,500)
Gain on transfer from business divestitures	(1,692)	(1,692)
Identifiable intangible assets	-	(66,047)
Net defined benefit asset	-	(2,249)
Other	(4,667)	(7,036)
Total deferred tax liabilities	(30,505)	(108,795)
Net deferred tax assets	170,412	81,175

2. Summary of significant differences between the statutory tax rate and the Company’s effective tax rate

	As of March 31, 2013	As of March 31, 2014
Effective statutory tax rate		38.0%
Adjustments:		
Permanently non-deductible items including dividend income	Note omitted because the	0.2
Inhabitant tax on per capita levy	difference between the	0.1
Tax credit for research and development expenses	statutory tax rate and the	(0.1)
Amortization of goodwill	Company's effective tax	1.7
Permanently non-deductible items including dividend income	rate is less than 5% of	(0.2)
Valuation allowance	the statutory tax rate.	0.7
Change of tax rate		1.0
Loss on step acquisitions		2.4
Other		(1.1)
Actual tax rate		42.7%

3. Significant components of deferred tax assets and liabilities

Revisions in amounts of deferred tax assets and deferred tax liabilities due to changes in the corporate tax rate
The "Act on Partial Revision of the Income Tax Act" (Act No. 10 of 2014) was promulgated on March 31, 2014, repealing the special reconstruction surtax from fiscal years beginning on or after April 1, 2014. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities was reduced from 38.0% to 35.6%, resulting in a temporary difference in assets or liabilities extinguished in the fiscal year beginning April 1, 2014. This change in the tax rate had the effect of reducing deferred tax assets (net of deferred tax liabilities) by ¥4,712 million, with income taxes–deferred increasing by that same amount.

(Business Combination)
(Business combination through acquisition)
I The Company acquired through public tender additional shares in Jupiter Telecommunications Co., Ltd. ("J: COM"). And in accordance with effective control standards, J: COM was converted to a consolidated subsidiary.

1. Overview of business combination

(1) Name and Business activities of acquired company

Name	Jupiter Telecommunications Co., Ltd.
Business activities	Cable TV broadcast and telecommunications business through supervision and operation of cable TV stations; Supervision of programming business for Cable TV stations and digital satellite broadcasters etc.
Operating Revenues(Note) Net income attributable to J:COM shareholders Total J:COM shareholders' equity Total assets	¥376,835M ¥41,623M ¥454,547 M ¥812,030 M

Note: As of December 31, 2012 (J: COM annual report (the 19th period))
J: COM prepares consolidated financial statements based on accounting principles generally accepted in the United States of America.

(2)Principal reasons for conducting a business combination

The Company acquired additional shares in J:COM and converted this company to a consolidated subsidiary considering for a potential business combination with consolidated subsidiary JAPAN CABLENET LIMITED,(merged with J:COM as of the date of submission of these financial statements) thereby expanding the customer base of the cable TV business, and integrating J:COM's media business with the Company's telecommunications business. These approaches are in line with efforts to increase synergies under the Company's growth strategy, the "3M Strategy."

(3)Date of business combination

April 17, 2013 (Date of commencement of TOB settlement)

(4) Legal form of business combination

Acquisition of shares

(5) Name of company after business combination

Jupiter Telecommunications Co., Ltd.

(6) Acquisition of voting rights

Voting rights held before the business combination: 31.08%

Additional voting rights acquired on the day of the business combination: 9.38%

Voting rights after the acquisition: 40.47%

NJ Corporation (merged with J:COM as of the date of submission of these financial statements), in which the Company and Sumitomo Corporation hold the same number of voting rights, acquired 553,679 shares (voting rights of 8.09%) through this tender offer. Accordingly, the Company held 4.05% of the voting rights indirectly through NJ Corporation.

(7) Main factors in determination of acquirer

Because the type of consideration was cash, the Company, which provided the cash, was determined to be the acquirer.

2. Period for which the acquired company's results are included in the consolidated statements of income

April 1, 2013 was deemed to be the acquisition date, and accordingly results for the period from April 1, 2013 to March 31, 2014 were included.

3. Acquired company’s acquisition cost and breakdown

Consideration for acquisition

Market value of J:COM’s shares held prior to the business combination	¥281,264 million
Market value of J:COM’s shares acquired on the date of the business combination	¥79,226 million
Expenses directly related to the acquisition	¥826 million
Acquisition cost	¥361,317million

Consideration for acquisition also includes an administration trust portion of ¥18,807 million attached to a securities administration trust.

4. Difference between the acquisition cost of the acquired company and the total amount of the acquisition costs arising from transactions

Loss on step acquisition ¥38,457 million

5. Amount of goodwill generated, reason for generation and amortization

(1)Amount of goodwill generated ¥219,734 million

(2) Reason for generation

Additional future earnings capacity expected as a result of future operational development by the acquired company.

(3) Amortization

Straight-line method over a period of 20 years.

6. Amount and general breakdown of assets acquired and liabilities assumed on the date of the business combination

Noncurrent assets	¥548,288 million
Current assets	¥125,899 million
Total assets	¥674,188 million
Noncurrent liabilities	¥176,472 million
Current liabilities	¥138,155 million
Total liabilities	¥314,628 million

7.Others

As indicated in the “Notice of a Tender Offer for Shares in Jupiter Telecommunications Co., Ltd.” (“(5) Policies on Restructuring following This Tender Offer (in Other Words, Items related to the Two-Step Acquisition)”) announced on October 24, 2012, by the Company and Sumitomo Corporation, all shares subject to call were acquired on August 2, 2013, and J:COM conducted a merger of NJ Corporation on November 1, 2013. Consequently, the Company’s voting rights in J:COM amount to 50%.

Goodwill of ¥35,535 million was generated as a result of the above.

(Business combination through acquisition)

II. The Company's consolidated subsidiary, Jupiter Telecommunications Co., Ltd. ("J:COM") conducted a merger with NJ Corporation ("NJ"), an equity-method affiliate of the Company, on November 1, 2013.

1. Overview of business combination

(1) Name of acquired company NJ Corporation

(2) Businesses of the acquired company Special-purpose company

Based on a shareholders agreement regarding joint operation of J:COM entered into at Board of Directors meetings of the Company and Sumitomo Corporation on October 24, 2012, NJ was established with the objective of making a tender offer jointly with the Company for common stock and subscription rights to shares issued by J:COM, with the Company and Sumitomo Corporation each having equal voting rights in NJ.

(3) Primary reasons for conducting a business combination

This business combination is one procedure in a series of transactions to acquire all issued and outstanding shares of J:COM (excluding, however, treasury stock held by J:COM), as publicized in the "Notice of a Tender Offer for Shares in Jupiter Telecommunications Co., Ltd." announced by the Company and Sumitomo Corporation on October 24, 2012.

(4) Date of the business combination November 1, 2013

(5) Legal form of the business combination

Merger with cash as consideration

(6) Name of the company following the business combination

Jupiter Telecommunications Co., Ltd.

(7) Primary grounds leading to a decision of the acquiring company

As the type of consideration is cash, the company delivering this cash—J:COM—was specified as the acquiring company.

2. Period for financial results of the acquired company included in the consolidated financial statements

From November 1, 2013, to March 31, 2014

3. Acquired company's acquisition cost and breakdown

Consideration for acquisition ¥518 million

4. Amount of goodwill generated and reason for generation

No goodwill was generated.

5. Amount and general breakdown of assets acquired and liabilities assumed on the date of the business combination

Noncurrent assets	¥161,346 million
Current assets	¥569 million
Total assets	¥161,915 million
Current liabilities	¥161,397 million
Total liabilities	¥161,397 million

6. Impact on the consolidated statements of income for the fiscal year based on the assumption that the business combination was completed on the beginning day of the fiscal year

This information has been omitted, as a rough estimate of this impact is insignificant.

(Asset Retirement Obligations)

For the year ended March 31, 2013 and the year ended March 31, 2014

No significant items to be reported.

(Estate Leases)

For the year ended March 31, 2013 and the year ended March 31, 2014

No significant items to be reported.

(Segment Information)

[Segment Information]

1. Outline of business segments reported

The business segments the Companies reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc. to evaluate regularly in determining how to allocate resources and assess their business performance.

The Company has formulated the "3M Strategy", a growth strategy for domestic business, and the "Global Strategy," aimed at expanding overseas business, on the basis of its three commitments: "More Connected," "More Diverse Values," and "More Global." To aid in promoting these strategies, the Company categorizes its business into four reportable categories: "Personal Services," "Value Services," "Business Services," and "Global Services."

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.

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 provision of various applications, videos, and music, as well as electronic money 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.

2. Method of calculating sales and income (loss), identifiable assets, and other items by business segment reported

Accounting method for business segment reported is the same as presentations on "Basis of Presenting Consolidated Financial Statements."

Income by business segments reported are calculated based on operating income.

Intersegment trading prices are calculated based on third-party trading prices or determined by negotiating prices that take overall costs into consideration.

Assets are not allocated to reportable segments.

3. Information on sales and income (loss), identifiable assets, and other items by business segment reported

For the year ended March 31, 2013

(Amount unit: Millions of yen)

	Reportable Segments					Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consoli-dation
	Personal Services	Value Services	Business Services	Global Services	Subtotal				
Sales									
Outside sales	2,763,485	109,947	572,269	174,822	3,620,525	41,762	3,662,288	-	3,662,288
Intersegment Sales	74,478	31,950	66,068	32,478	204,976	102,459	307,436	(307,436)	-
Total	2,837,964	141,898	638,337	207,301	3,825,502	144,221	3,969,724	(307,436)	3,662,288
Income by business segment	378,603	41,887	79,830	7,829	508,151	4,893	513,045	(376)	512,669
Other items									
Depreciation[3]	342,407	6,921	46,260	10,842	406,432	1,682	408,114	(1,388)	406,726
Amortization of goodwill	11,234	1,732	981	2,495	16,444	-	16,444	-	16,444

Notes: 1.The “Others” category incorporates operations not included in business segments reported, including call center business, research and technological development, and other operations.

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

3. Inclusive of long-term prepaid expenses.

For the year ended March 31, 2014

(Amount unit: Millions of yen)

	Reportable Segments					Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consoli-dation
	Personal Services	Value Services	Business Services	Global Services	Subtotal				
Sales									
Outside sales	3,288,657	164,628	598,385	228,968	4,280,640	52,988	4,333,628	-	4,333,628
Intersegment Sales	79,193	47,893	76,526	34,656	238,270	97,030	335,300	(335,300)	-
Total	3,367,850	212,522	674,912	263,624	4,518,910	150,018	4,668,928	(335,300)	4,333,628
Income by business segment	507,183	51,607	86,464	11,407	656,663	7,092	663,755	(510)	663,245
Other items									
Depreciation[3]	403,610	9,896	42,990	12,170	468,667	1,455	470,122	(24)	470,098
Amortization of goodwill	22,464	2,020	-	3,635	28,120	134	28,254	-	28,254

Notes: 1.The “Others” category incorporates operations not included in business segments reported, including call center business, research and technological development, and other operations.

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

3. Inclusive of long-term prepaid expenses

(Relative information)

For the year ended March 31, 2013

1. Products and services information

Since the Company discloses the same information in its segment information section, it has been omitted.

2. Geographic segment information

1) Sales

Sales information by geographic segment is not shown since outside sales in Japan accounted for over 90% of operating revenue on the consolidated statements of income.

2) Property, plant and equipment

Property, plant and equipment information by geographic segment is not shown since property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

3. Information by major clients

Information by major clients is not shown since outside sales for major clients accounted for less 10% of operating revenue on the consolidated statements of income.

For the year ended March 31, 2014

1. Products and services information

Since the Company discloses the same information in its segment information section, it has been omitted.

2. Geographic segment information

1) Sales

Sales information by geographic segment is not shown since outside sales in Japan accounted for over 90% of operating revenue on the consolidated statements of income.

2) Property, plant and equipment

Property, plant and equipment information by geographic segment is not shown since property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

3. Information by major clients

Information by major clients is not shown since outside sales for major clients accounted for less 10% of operating revenue on the consolidated statements of income.

(Information on impairment loss in noncurrent assets by business segment)

For the year ended March 31, 2013

The Company does not allocate impairment losses to reportable segments. During the period, the Company recorded an impairment loss of ¥80,549 million.

For the year ended March 31, 2014

The Company does not allocate impairment losses to reportable segments. During the period, the Company recorded an impairment loss of ¥8,695 million.

(Information on amortization of goodwill and unamortized balance by business segment)

For the year ended March 31, 2013

(Amount unit: Millions of yen)

	Personal Services	Value Services	Business Services	Global Services	Other	Total
Amortization of goodwill	11,234	1,732	981	2,495	-	16,444
Balance at end of period	47,172	18,156	-	21,046	-	86,376

For the year ended March 31, 2014

(Amount unit: Millions of yen)

	Personal Services	Value Services	Business Services	Global Services	Other	Total
Amortization of goodwill	22,464	2,020	-	3,635	134	28,254
Balance at end of period	290,312	18,419	-	26,708	2,016	337,457

(Information on negative goodwill by business segment)

For the year ended March 31, 2013 and the year ended March 31, 2014

No significant items to be reported.

(Related Party Transaction)

Transactions with related party

Transactions with the Company and related party

Affiliates of the Company

For the year ended March 31, 2013

(Amount unit: Millions of yen)

Type	Company Name	Head Office	Capital Stock	Business Activities or career	Percentage for Possession of Voting Rights	Relationship with Related Party	Contents of Transaction	Amount for Trans-action	Title of Account	Amount as of March 31, 2013
Equity-method Affiliate	UQ Communi-cations Inc.	Minato-ku, Tokyo	23,925	Wireless broadband service	Possession direct 32.3%	Debit guarantee of loans Interlocking directorates	Debit guarantee Note	157,800	-	-
							Receiving warrantee fee	328	Accounts receivable-other	79

Terms and conditions and policies for terms and conditions

Note: Guarantee amounts for bank borrowings as of year end are shown in the transaction column.

For the year ended March 31, 2014

(Amount unit: Millions of yen)

Type	Company Name	Head Office	Capital Stock	Business Activities or career	Percentage for Possession of Voting Rights	Relationship with Related Party	Contents of Transaction	Amount for Trans-action	Title of Account	Amount as of March 31, 2014
Equity-method Affiliate	UQ Communi-cations Inc.	Minato-ku, Tokyo	71,425	Wireless broadband service	Possession direct 32.3%	Debit guarantee of loans Interlocking directorates	Debit guarantee Note	117,700	-	-
							Receiving warrantee fee	255	Accounts receivable-other	58

Terms and conditions and policies for terms and conditions

Note: Guarantee amounts for bank borrowings as of year end are shown in the transaction column.

(Per Share Information, etc.)

[Per share information]

	Year ended March 31, 2013	Year ended March 31, 2014
Net assets per share	¥2,943.12	¥3,261.63
Net income per share	¥315.90	¥398.60
Diluted net income per share	¥289.26	-

Note: The following shows the basis of calculating net income per share.

	Year ended March 31, 2013	Year ended March 31, 2014
Net income per share		
Net income for the fiscal year	¥241,469M	¥322,038M
Monetary value not related to common stockholders	-	-
Net income related to common stock	¥241,469M	¥322,038M
Number of weighted average common shares outstanding during the fiscal year (shares)	764,378,162	807,924,216
Diluted Net Income per Share		
Adjustment of net income for the fiscal year	(¥154M)	-
Amortization of bond premium (after deduction of an amount equivalent to tax)(Note)	(¥154M)	-
Increase in number of shares of common stock	69,870,302	-
(subscription warrants)	74,455	-
(Convertible bond-type bonds with subscription rights to shares)	69,795,847	-
Overview of potential stock not included in calculation of diluted net income per share because the stock have no dilution effect	-	-

Notes: 1. The Company conducted a 1:100 stock split on common stock, with an effective date of October 1, 2012.
The Company also conducted a 1:2 stock split on common stock, with an effective date of April 1, 2013.
Total net assets per share, net income per share and diluted net income per share have been calculated as if the stock split was conducted at the beginning of the previous consolidated fiscal year.
2. This is the amount of amortization for the fiscal year (after deducting an amount equivalent to tax) of the premium resulting from the issuance of the bonds at an amount higher than the face amount.
3. For year ended March 31, 2014, diluted net income per share is not shown as dilutive shares do not exist.
4. As described in "Changes in Accounting Policies," the Accounting Standard for Retirement Benefits are applied, in accordance with the provisions on transitional implementation indicated in Paragraph 37 of the Accounting Standard for Retirement Benefits.
As a result, net assets per share at the end of the fiscal year increased by ￥7.46.

(Significant Subsequent Event)

None

5. Financial Statements

(1) Balance Sheets

(Amount unit: Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Noncurrent assets		
Noncurrent assets-telecommunications business		
Property, plant and equipment		
Machinery	2,634,085	2,210,446
Accumulated depreciation	(2,060,461)	(1,571,528)
Machinery, net	573,624	629,917
Antenna facilities	617,247	618,531
Accumulated depreciation	(290,162)	(282,131)
Antenna facilities, net	327,085	336,400
Terminal facilities	10,433	9,874
Accumulated depreciation	(7,921)	(7,684)
Terminal facilities, net	2,511	2,189
Local line facilities	192,808	192,570
Accumulated depreciation	(137,603)	(144,218)
Local line facilities, net	55,205	48,352
Long-distance line facilities	99,953	99,683
Accumulated depreciation	(96,066)	(95,226)
Long-distance line facilities, net	3,887	4,456
Engineering facilities	61,778	62,386
Accumulated depreciation	(39,162)	(40,723)
Engineering facilities, net	22,615	21,662
Submarine line facilities	53,527	48,268
Accumulated depreciation	(47,808)	(44,614)
Submarine line facilities, net	5,718	3,654
Buildings	366,255	347,967
Accumulated depreciation	(212,143)	(197,735)
Buildings, net	154,111	150,232
Structures	77,461	78,136
Accumulated depreciation	(50,168)	(52,633)
Structures, net	27,293	25,502
Machinary and equipment	7,355	6,413
Accumulated depreciation	(7,161)	(6,277)
Machinary and equipment, net	193	136
Vehicles	1,097	1,176
Accumulated depreciation	(816)	(939)
Vehicles, net	281	237
Tools, furniture and fixtures	76,206	74,423
Accumulated depreciation	(58,873)	(57,462)
Tools, furnitures and fixtures, net	17,333	16,961
Land	245,595	245,474
Lease assets	1,147	368
Accumulated depreciation	(862)	(280)
Lease assets, net	285	87
Construction in progress	108,702	150,585
Total property, plant and equipment	1,544,444	1,635,850

(Amount unit: Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Intangible assets		
Right of using submarine line facilities	3,403	4,261
Right of using facilities	10,022	11,049
Software	170,510	154,513
Goodwill	3,322	-
Patent right	0	0
Leasehold right	1,426	1,426
Other intangible assets	1,630	1,554
Total intangible assets	190,317	172,805
Total noncurrent assets-telecommunications business	1,734,761	1,808,656
Incidental business facilities		
Property, plant and equipment		
Property, plant and equipment	35,388	51,535
Accumulated depreciation	(11,538)	(17,094)
Property, plant and equipment, net	23,849	34,440
Total property, plant and equipment	23,849	34,440
Inta Intangible assets		
Total intangible assets	12,475	13,306
Total noncurrent assets-incidental business	36,325	47,747
Investments and other assets		
Investment securities	76,230	82,146
Stocks of subsidiaries and affiliates	602,083	575,703
Investments in capital	252	79
Investments in capital of subsidiaries and affiliates	8,380	10,110
Long-term loans receivable	7	6
Long-term loans receivable from subsidiaries and affiliates	28,033	36,368
Long-term prepaid expenses	116,479	120,843
Deferred tax assets	110,938	72,457
Other investment and other assets	41,266	38,284
Allowance for doubtful accounts	(10,627)	(9,259)
Total investments and other assets	973,044	926,740
Total noncurrent assets	2,744,131	2,783,144
Current assets		
Cash and deposits	52,840	55,668
Notes receivable-trade	22	30
Accounts receivable-trade	901,468	989,774
Accounts receivable-other	38,057	36,056
Supplies	50,663	74,590
Prepaid expenses	11,516	17,919
Deferred tax assets	52,091	42,886
Short-term loans receivable to subsidiaries and affiliates	71,244	28,899
Other current assets	6,777	5,098
Allowance for doubtful accounts	(18,581)	(19,076)
Total current assets	1,166,101	1,231,848
Total assets	3,910,233	4,014,992

(Amount Unit: Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Noncurrent liabilities		
Bonds payable	259,997	204,998
Convertible bond-type bonds with subscription rights to shares	200,666	-
Long-term loans payable	242,648	164,790
Lease obligations	92	57
Provision for retirement benefits	10,355	12,786
Provision for point service program	89,970	75,103
Provision for warranties for completed construction	5,409	5,544
Asset retirement obligations	2,445	1,839
Other noncurrent liabilities	31,007	13,286
Total noncurrent liabilities	842,592	478,406
Current liabilities		
Current portion of noncurrent liabilities	168,868	162,857
Accounts payable-trade	66,151	57,392
Short-term loans payable	147,315	151,516
Lease obligations	207	34
Accounts payable-other	266,537	265,722
Accrued expenses	6,409	6,809
Income taxes payable	92,683	102,886
Advances received	57,705	44,891
Deposits received	13,548	12,008
Provision for bonuses	16,180	20,511
Provision for directors' bonuses	158	193
Provision for loss on the Great East Japan Earthquake	49	-
Asset retirement obligations	248	187
Total current liabilities	836,064	825,012
Total liabilities	1,678,657	1,303,419
Net assets		
Shareholders' equity		
Capital stock	141,851	141,851
Capital surplus		
Legal capital surplus	305,676	305,676
Other capital surplus	61,468	80,266
Total capital surpluses	367,144	385,942
Retained earnings		
Legal retained earnings	11,752	11,752
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets	627	627
Reserve for special depreciation	981	2,680
General reserve	1,754,233	1,905,933
Retained earnings brought forward	263,992	380,702
Total retained earnings	2,031,587	2,301,696
Treasury stock	(346,001)	(161,821)
Total shareholders' equity	2,194,582	2,667,669

(Amount Unit: Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	36,502	43,903
Total valuation and translation adjustments	36,502	43,903
Subscription rights to shares	490	-
Total net assets	2,231,575	2,711,573
Total liabilities and net assets	3,910,233	4,014,992

(2) Statements of Income

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Operating income and loss from telecommunications		
Operating revenue		
Total operating revenue	2,332,637	2,457,256
Operating expenses		
Business expenses	613,781	568,078
Operating expenses	57	50
Facilities maintenance expenses	258,915	248,717
Common expenses	2,435	2,790
Administrative expenses	70,579	76,903
Experiment and research expenses	6,629	6,935
Depreciation	349,997	338,408
Noncurrent assets retirement cost	23,537	17,376
Communication facility fee	404,077	412,545
Taxes and dues	40,615	41,574
Total operation expenses	1,770,627	1,713,380
Net operating income from telecommunication	562,010	743,876
Operating income and loss from incidental business		
Operating revenue	1,033,441	1,128,036
Operating expenses	1,130,305	1,329,802
Net operating loss from incidental business	(96,864)	(201,766)
Operating income	465,145	542,110
Non-operating income		
Interest income	1,566	1,349
Interest on securities	35	1
Dividends income	11,944	29,136
Foreign exchange gains	3,390	4,920
Miscellaneous income	7,257	7,951
Total non-operating income	24,194	43,360
Non-operating expenses		
Interest expenses	5,321	3,543
Interest on bonds	5,709	4,513
Miscellaneous expenses	5,425	3,686
Total non-operating expenses	16,456	11,742
Ordinary income	472,883	573,727
Extraordinary income		
Gain on sales of noncurrent assets	581	291
Gain on sales of investment securities	1,006	8,216
Gain on sales of stocks of subsidiaries and affiliates	-	25,266
Gain on reversal of subscription rights to shares	512	-
Gain on exchange from business combination	-	330
Contribution for construction	-	923
Total extraordinary income	2,100	35,029

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Extraordinary loss		
Loss on sales of noncurrent assets	1,060	317
Loss on sales of stocks of subsidiaries and affiliates	-	3,713
Impairment loss	77,577	8,574
Loss on retirement of noncurrent assets	21,661	-
Loss on valuation of investment securities	517	269
Loss on valuation of stocks of subsidiaries and affiliates	1,662	15,742
Loss on exchange from business combination	-	200
Reduction entry of contribution for construction	-	922
Loss on liquidation of subsidiaries and associates	-	118
Total extraordinary losses	102,479	29,859
Income before income taxes	372,505	578,896
Income taxes-current	154,550	179,236
Income taxes-deferred	(13,393)	43,656
Total income taxes	141,156	222,892
Net income	231,348	356,004

(3) Statements of Changes in Net Assets

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Shareholders' equity		
Capital stock		
Balance at the end of previous period	141,851	141,851
Balance at the end of current period	141,851	141,851
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	305,676	305,676
Balance at the end of current period	305,676	305,676
Other capital surplus		
Balance at the end of previous period	61,427	61,468
Changes of items during the period		
Disposal of treasury stock	40	18,291
Other	-	516
Total changes of items during the period	40	18,798
Balance at the end of current period	61,468	80,266
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	11,752	11,752
Balance at the end of current period	11,752	11,752
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	627	627
Balance at the end of current period	627	627
Reserve for special depreciation		
Balance at the end of previous period	1,080	981
Changes of items during the period		
Provision of reserve for special depreciation	-	1,928
Reversal of reserve for special depreciation	(99)	(228)
Total changes of items during the period	(99)	1,699
Balance at the end of current period	981	2,680
General reserve		
Balance at the end of previous period	1,570,933	1,754,233
Changes of items during the period		
Provision of general reserve	183,300	151,700
Total changes of items during the period	183,300	151,700
Balance at the end of current period	1,754,233	1,905,933
Retained earnings brought forward		
Balance at the end of previous period	280,815	263,992
Changes of items during the period		
Dividends from surplus	(64,970)	(85,894)
Provision of reserve for special depreciation	-	(1,928)
Reversal of reserve for special depreciation	99	228
Provision of general reserve	(183,300)	(151,700)
Net income	231,348	356,004
Total changes of items during the period	(16,823)	116,709
Balance at the end of current period	263,992	380,702

(Amount unit: Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Treasury stock		
Balance at the end of previous period	(346,163)	(346,001)
Changes of items during the period		
Purchase of treasury stock	(2)	(19)
Disposal of treasury stock	164	184,199
Total changes of items during the period	162	184,179
Balance at the end of current period	(346,001)	(161,821)
Total shareholders' equity		
Balance at the end of previous period	2,028,002	2,194,582
Changes of items during the period		
Dividends from surplus	(64,970)	(85,894)
Net income	231,348	356,004
Purchase of treasury stock	(2)	(19)
Disposal of treasury stock	204	202,480
Other	-	516
Total changes of items during the period	166,580	473,087
Balance at the end of current period	2,194,582	2,667,669
Valuation and translation adjustment		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	35,807	36,502
Changes of items during the period		
Net changes of items other than shareholders' equity	695	7,400
Total changes of items during the period	695	7,400
Balance at the end of current period	36,502	43,903
Subscription rights to shares		
Balance at the end of previous period	1,037	490
Changes of items during the period		
Net changes of items other than shareholders' equity	(547)	(490)
Total changes of items during the period	(547)	(490)
Balance at the end of current period	490	-
Total net assets		
Balance at the end of previous period	2,064,847	2,231,575
Changes of items during the period		
Dividends from surplus	(64,970)	(85,894)
Net income	231,348	356,004
Purchase of treasury stock	(2)	(19)
Disposal of treasury stock	204	202,480
Other	-	516
Net changes of items other than shareholders' equity	147	6,909
Total changes of items during the period	166,728	479,997
Balance at the end of current period	2,231,575	2,711,573