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 Six Months ended September 30, 2014 [Japan GAAP]

October 31, 2014

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

Quarterly statement filing date (as planned): November 6, 2014

Dividend payable date (as planned): December 3, 2014

Supplemental material of quarterly results: Yes

Convening briefing of quarterly results: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months ended September 30, 2014 (April 1, 2014 to September 30, 2014)

(1) Consolidated Operating Results

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

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
Six months ended September 30, 2014	2,131,935	3.8	384,754	10.7	387,268	10.0	231,384	41.9
Six months ended September 30, 2013	2,053,780	18.0	347,613	50.3	352,081	55.1	163,007	104.4

Note: Comprehensive Income
Six months ended September 30, 2014: 243,153 million yen; 24.5% Six months ended September 30, 2013: 195,296 million yen; 146.5%

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2014	277.11	-
Six months ended September 30, 2013	208.47	195.30

(2) Consolidated Financial Positions

	Total Assets	Net Assets	Equity Ratio
			%
As of September 30, 2014	5,044,089	3,087,775	57.2
As of March 31, 2014	4,945,756	2,916,989	55.1

Reference: Shareholder’s Equity As of September 30, 2014: 2,885,344 million yen As of March 31, 2014: 2,723,391 million yen

2. Dividends

	Dividends per Share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	-	60.00	-	70.00	130.00
Year ending March 31, 2015	-	80.00			
Year ending March 31, 2015 (forecast)			-	80.00	160.00

Notes: Changes in the latest forecasts released: None

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

Notes: Changes in the latest forecasts released: None

Notes

(1) Changes in significant consolidated subsidiaries during the six months ended September 30, 2014 : Yes
Number of subsidiaries excluded from the scope of consolidation：one company
JAPAN CABLENET LIMITED

Note: Please refer to page 15 “2. Notes Regarding Summary Information (Notes). (1) Changes in significant consolidated subsidiaries during the six months ended September 30, 2014”.

(2) Application of accounting methods which are exceptional for quarterly consolidated financial statements : None

(3) Changes in accounting policies, accounting estimates and restatement of corrections

1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations : Yes
2) Other changes in accounting policies : None
3) Changes in accounting estimates : None
4) Restatement of corrections : None

Note: Please refer to page 15 “2. Notes Regarding Summary Information (Notes). (2) Changes in accounting policies, accounting estimates and restatement of corrections”.

(4) Numbers of Outstanding Shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of September 30, 2014	896,963,600
	As of March 31, 2014	896,963,600
2) Number of treasury stock	As of September 30, 2014	61,984,948
	As of March 31, 2014	61,984,948
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the six months ended September 30, 2014	834,978,652
	For the six months ended September 30, 2013	781,911,724

Indication of Quarterly Review Procedure Implementation Status

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

Explanation for Appropriate Use of Forecasts and Other Notes

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI Corporation (hereafter: the “Company”) and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.14 “1. Qualitative Information / Consolidated Financial Statements, etc. (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results” under [the Attachment] for the assumptions used and other notes.

2. The Company holds a convening briefing of quarterly results for institutional investors and analysts in Friday, October 31, 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.

[Attachments]

Index of Attachments

Glossary

ARPU	ARPU is an abbreviation for Average Revenue Per Unit. Indicates monthly revenue per subscriber. Calculated for both voice and data services.
CA	CA is an abbreviation for Carrier Aggregation. With “LTE-Advanced,” a next-generation communications technology, CA makes simultaneous use of multiple bandwidths, aggregating them to conduct data communication, thereby increasing the maximum downlink communication speed. Using multiple frequency ranges in different propagation environments has the benefits of augmenting communications quality and dispersing the load efficiently across multiple frequencies.
CATV	Cable television (CATV) is refers to service involving the distribution of television programs over cables (coaxial and optical fiber) laid by cable television companies. In addition to terrestrial television stations’ channels, numerous pay channels are broadcast in this manner. CATV is also offered in apartment complexes and as a service solution in areas with poor reception. In addition to television broadcasts, CATV cables can be used for Internet and telephone services.
FTTH	FTTH is an abbreviation for Fiber to the Home. This method provides access via optical fiber from the telecommunications carrier’s facilities to a subscriber’s home. Although “home” originally referred to an individual’s private dwelling, FTTH is also used in a general sense to indicate access via optical fiber.
ICT	ICT is an abbreviation for Information and Communication Technology. Whereas the use of “IT” was common in the past, as the Internet has become more ubiquitous use of the term “ICT” has grown to express the extensive added value that has resulted through the connection not only of computer systems but also a variety of other systems into communications networks.
LTE	LTE, an abbreviation for Long Term Evolution, is a technology for wireless telecommunications. Enabling the sophisticated development of third-generation mobile phone data communications, LTE wireless communications technology is positioned as 3.9G, as it immediately precedes the next-generation communication standard, IMT-Advanced. However, in December 2010 the International Telecommunication Union (ITU) began generally recognizing LTE as 4G, so telecommunications providers in Europe, the United States and other countries began referring to LTE services as 4G.
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.
WiMAX 2+	WiMAX 2+ is a broadband wireless access (BWA) service provided by UQ Communications. By using bandwidth more efficiently than conventional mobile WiMAX, WiMAX 2+ enables higher communication speeds, using the 20MHz band in the 2.6GHz frequency to achieve maximum downlink speeds of 110Mbps and uplink speeds of up to 10Mbps. From spring of 2015, we plan to launch a service that will enable maximum uplink speeds of 220Mbps by using CA, which aggregates two 20MHz bands in the 2.6GHz frequency. The service is also compatible with the “TD-LTE” format.

1. Qualitative Information / Consolidated Financial Statements, etc.

(1) Explanation on Financial Results

1) Results Overview

Industry Trends

The Japanese telecommunications market is shifting from conventional mobile handsets to “smart devices,” such as smartphones and tablets. Furthermore, communications networks are becoming faster with the use of LTE. On the other hand, those services and handsets appear ever more similar.

Given the increasing prevalence of smartphones, telecommunications carriers are introducing diverse new rate plans to meet customer needs. Meanwhile, MVNO operators are entering the market. In this sense, the competitive environment for mobile telecommunications is entering a new phase, in which carriers will cultivate the group of people they believe are likely to make the transition to smartphones.

The competitive environment for the telecommunications market as a whole is expected to change further. For example, the NTT Group has announced a shift to “wholesaling fiber access service,” or the offering of “discounts on bundled sets of fixed-line and mobile services”.

KDDI’s Position

- Aiming to move to a new growth stage, the Company is working to expand its communications and value-added revenues. To achieve this outcome, we are boosting our “distinctively au” credentials on various fronts, including networks, terminals, services, support, and usage fees. By emphasizing differentiation, the Company aims to respond to changes in the competitive environment. In addition to expansion in the Japanese market, we are taking on new growth opportunities in the global arena.
- The Company’s core LTE network boasts a population coverage ratio of more than 99%[*1] and an LTE retention rate higher than 99.9%[*2], realizing broad area coverage and easy connectivity. In May 2014, the Company introduced carrier aggregation (hereafter: “CA”) for “LTE-Advanced,” the next-generation high-speed LTE communications standard, enabling downlink communication speeds of up to 150Mbps[*3]. Since the introduction of CA, we have rapidly increased the number of base stations capable of a maximum downlink speed of 150Mbps. These base stations exceeded 10,000 on September 10, 2014, and we expect the figure to reach approximately 20,000 nationwide by the end of December. With the exception of some models, starting with summer 2014 models smartphones and tablets have been compatible[*4] both with CA and “WiMAX 2+,” which allows a maximum downlink speed of 110Mbps[*3].
- To meet diverse customer needs, on August 13, 2014, the Company introduced the new “Unlimited Voice & Data Freedom” rate plan. This plan allows customers to select a flat-rate plan that combines their selection of any one of six data quantities for domestic flat-rate voice plans and a flat-rate service for data communications.
- One new growth opportunity is “au WALLET,” which we introduced on May 21, 2014. The cumulative number of applications for “au WALLET cards” issued is rising steadily. Going forward, the Company will cultivate cooperation with numerous partners to create a new “economic zone” based on “au WALLET.”

  Also, on October 16, 2014, we unveiled the “Syn.” concept, which constitutes a plan to double the value of smartphones by seeking to create new mobile Internet experiences, and established “Syn.alliance” as a federation to realize this concept.
- In global business, on July 16, 2014, we decided to take part in a telecommunications business in the Republic of the Union of Myanmar (hereafter: “Myanmar”). At present, we are moving forward with efforts to raise the communications quality of mobile phone services in the country’s principal cities and promoting the sale of SIM cards, which are IC cards used for mobile communications. The Company looks forward to contributing the experience and technological expertise it has accumulated as a comprehensive telecommunications carrier in Japan and overseas toward the development of Myanmar’s economy and industry, as well as to the lives of the country’s citizens.

*1 Calculated on the basis of national census survey information dividing the nation into 500m2 sections. If coverage is possible in more than 50% of the locations within that grid square, the square is considered to be covered.

*2 Based on data the Company manages itself, the Company calculates the LTE retention rate as the percentage of communications that end without having been handed down from LTE to 3G (managed data from all base stations). The Company’s 800MHz LTE-compatible models are used in calculating the LTE retention rate.

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

*4 Excludes certain models. Models compatible with CA and “WiMAX2+” can be used in certain areas.

Financial Results

For the Six months ended September 30, 2014

(Amount unit: Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	2,053,780	2,131,935	78,154	3.8
Operating Expenses	1,706,167	1,747,180	41,013	2.4
Operating Income	347,613	384,754	37,140	10.7
Non-operating Income (Expenses)	4,467	2,514	(1,953)	(43.7)
Ordinary Income	352,081	387,268	35,187	10.0
Extraordinary Income (Expenses)	(31,872)	3,811	35,683	-
Income before Income Taxes and Minority Interests	320,208	391,079	70,870	22.1
Total Income Taxes	139,223	143,652	4,429	3.2
Income before Minority Interests	180,985	247,427	66,441	36.7
Minority Interests in Income	17,978	16,042	(1,935)	(10.8)
Net Income	163,007	231,384	68,377	41.9

During the six months ended September 30, 2014, operating revenues rose 3.8%, to ¥2,131,935 million. Although revenues from terminal sales declined because of a drop in unit handset sales, an increase in au subscriptions and a rise in the smartphone penetration rate boosted data communications revenues, and revenues from overseas subsidiaries expanded.

Operating expenses rose 2.4% year on year, to ¥1,747,180 million, due to such factors as an increase in the communication facility fee and higher depreciation and amortization in line with the expansion of LTE facilities, although sales commissions decreased.

As a result, operating income grew 10.7% year on year, to ¥384,754 million.

Affected by such factors as equity in earnings of affiliates, ordinary income increased 10.0% year on year, to ¥387,268 million.

Net income rose 41.9%, to ¥231,384 million as the extraordinary loss decreased.

- Subscriptions of Major Services

Cumulative subscriptions	Unit	Year ended March 31, 2014				Year ending March 31, 2015	
		As of 1Q	As of 2Q	As of 3Q	As of 4Q	As of 1Q	As of 2Q
au subscriptions	(Thousand)	38,378	39,045	39,617	40,522	41,016	41,596
(Ref.) UQ WiMAX	(Thousand)	4,222	4,275	4,157	4,014	4,153	5,124
FTTH subscriptions	(Thousand)	2,997	3,092	3,165	3,236	3,240	3,344
Cable-plus phone Subscriptions *1	(Thousand)	3,040	3,202	3,362	3,494	3,638	3,778
CATV subscriptions *2	(Thousand)	4,956	4,980	5,011	4,996	5,021	5,031

*1 Inclusive of J:COM PHONE Plus

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

[Reference]

・For “Cable-plus phone,” alliances with cable television companies grew steadily, reaching 112 CATV companies, 207 channels as of September 30, 2014.

・With regard to consolidated subsidiaries handling the cable television business, as of September 30, 2014, the J:COM Group provides cable television via 74 channels in the Sapporo, Sendai, Kanto, Kansai, and Kyushu areas, and offers high-speed Internet connectivity, telephone, and other service.

2) Results by Business Segment

Personal Services

The Personal Services segment provides mobile and fixed-line communications services for individual customers. In addition to providing mobile communications services, chiefly under the “au” brand, and selling mobile handsets, in fixed-line communications, our services include in-home Internet, telephone, and video channel (TV services). In addition to these convenient FTTH services, which are branded “au HIKARI,” we provide CATV and other services.
During the fiscal year ending March 31, 2015, we plan to increase the number of customers using our “au 4G LTE” service by bolstering our lineup of terminals compatible with CA and “WiMAX 2+;” boosting sales of mobile, FTTH, and CATV services by leveraging “au Smart Value” based on our “3M Strategy;” and by increasing our number of allied companies. Furthermore, by providing the “au WALLET” service that combines the Internet and physical worlds we will expand our service offerings and endeavor to offer customers services that are more convenient and reliable.
Operating performance in the Personal Services segment for the Six months ended September 30, 2014 is described below.

Results

For the Six months ended September 30, 2014 (Amount unit: Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	1,603,439	1,642,478	39,038	2.4
Operating Expenses	1,342,739	1,337,506	(5,232)	(0.4)
Operating Income	260,699	304,971	44,271	17.0

During the six months ended September 30, 2014, operating revenues rose 2.4%, to ¥1,642,478 million. Although revenues from terminal sales declined because of a drop in unit handset sales, an increase in au subscriptions and a rise in the smartphone penetration rate boosted data communications revenues.
Operating expenses fell 0.4%, to ¥1,337,506 million, due to lower sales commissions, despite increases in communication facility fees and depreciation accompanying the expansion in LTE facilities.
As a result, operating income expanded 17.0% year on year, to ¥304,971 million.

Overview of Operations

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

au Smart Value

As of September 30, 2014, the number of au subscriptions using “au Smart Value” numbered 8.16 million, and households using this service came to 4.13 million. In addition, the number of “au Smart Value” allied companies increased steadily. As of September 30, 2014, this number was 7 companies for FTTH (including the company) and 129 CATV companies, 223 channels (including 23 CATV companies, 23 channels allied with STNet, Incorporated).

<Trends in Principal Performance Indicators>

[Mobile]

au Net Additions

During the second quarter, au net additions* totaled 457,000 subscriptions.
The primary reason was the low trend in churn rate, in addition to increase the number of new smartphone subscriptions by “au Smart Value.”

* New subscribers minus churn

au Churn Rate

During the second quarter, we maintained a low churn rate, at 0.63%.

au ARPU

au ARPU in the second quarter was up ¥60 year on year, to ¥4,280, maintaining the positive momentum gained after reversing its downward trend in the fourth quarter of the preceding fiscal year.

・Voice ARPU was down ¥90 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 ¥260 year on year, to ¥3,450. The primary factor was an ongoing increase in smartphone subscriptions, which deliver high data ARPU.

・The amount of discount applied was ¥1,040, up ¥110 year on year. This rise was attributable mainly to higher discounts in line with increased penetration of smartphones and "au Smart Value."

au Handset Sales

During the second quarter, au handset sales were 2.43 million.

[Fixed Line]

FTTH Subscriptions

As of September 30, 2014, the number of FTTH subscriptions increased by 108,000 from March 31, 2014, to 3.29 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 second quarter, we launched an abundant variety of terminals: the "iPhone 6" and the "iPhone 6 Plus," which are compatible with CA of "au 4G LTE" and "WiMAX 2+," three Android™ smartphones, including an original au model two tablet models, and a Wi-Fi router.

・We increased the scope of "au Smart Value" applicability. In addition to people with the same family name, family members living at the same address, we added family members aged 50 or over living at different addresses. We also made "au Smart Value" available to subscribers to our new rate plan for au mobile phones, the "Unlimited Calling Plan(Mobile phone・Data)[*1].

・The number of applications for "au WALLET cards" has topped 6,600,000 [*2], and the card is being used in a variety of settings. We have expanded the scope of use for "WALLET points," which customers accumulate by using the card. The Company also began providing "Data Charge," which allows the purchase of additional data volume, made it possible to apply points toward au usage charges and give one's points to another family member[*3].

・On August 18, 2014, we established a new company, "KDDI VALUE ENABLER CORPORATION", which will be responsible for developing a mobile virtual network operator (MVNO) business. Via the MVNO business, the new company will offer diverse new services in collaboration with various partners, expanding the number of users for smartphones, tablets, and other smart devices and responding to customer needs.

*1 The "au Smart Value discount" is not available through some business partners.

*2 Number of applications as of October 20, 2014.

*3 Applies only to customers who are being billed for communication charges collectively.

<Reference> Business data (Personal)

[**Mobile**]

Cumulative subscriptions		Unit	Year ended March 31, 2014					Year ending March 31, 2015	
			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
au subscriptions		(Thousand)	32,717	33,206	33,582	34,131	-	34,498	34,955
au smartvalue	**au subscriptions**	(Thousand)	4,630	5,400	6,110	7,050	-	7,590	8,160
	Households *1	(Thousand)	2,490	2,860	3,210	3,580	-	3,840	4,130

Indicators *2	Unit	Year ended March 31, 2014					Year ending March 31, 2015	
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2 Q
au ARPU	(Yen)	4,150	4,220	4,240	4,160	4,200	4,220	4,280
Voice ARPU	(Yen)	1,930	1,960	1,950	1,820	1,920	1,840	1,870
Data ARPU	(Yen)	3,120	3,190	3,240	3,320	3,220	3,410	3,450
Amount of discount applied	(Yen)	(900)	(930)	(950)	(980)	(940)	(1,030)	(1,040)
au Churn rate	(%)	0.54	0.65	0.67	1.18	0.76	0.54	0.63
au handset sales *3	(Thousand)	2,290	2,520	2,690	3,230	10,750	1,830	2,430
of smartphone	(Thousand)	1,820	1,980	2,120	2,630	8,550	1,380	1,930
au handset shipments*4	(Thousand)	2,120	2,410	3,070	2,930	10,540	1,660	2,250

[Fixed Line]

Cumulative subscriptions	Unit	Year ended March 31, 2014					Year ending March 31, 2015	
		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
FTTH subscriptions*5	(Thousand)	2,950	3,045	3,117	3,188	-	3,221	3,296
Cable-plus phone Subscriptions*6	(Thousand)	3,040	3,202	3,362	3,494	-	3,638	3,778
CATV subscriptions*7	(Thousand)	4,956	4,980	5,011	4,996	-	5,021	5,031

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

*2.The definitions of au ARPU, au churn rate, unit au handset sales, and au handset shipments have been revised, effective from the fiscal year ending March 31, 2015.
Figures for the fiscal year ended March 31, 2014, have been adjusted in accordance with the new definitions.
Items calculated: [Before revision] Cumulative mobile subscriptions, excluding tablets and modules
[After revision] Cumulative mobile subscriptions, excluding data-only terminals, tablets, and modules

*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. Inclusive of J:COM PHONE Plus

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

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 fiscal year ending March 31, 2015, we expect to cultivate a new value chain that will emerge via the convergence of the Internet and physical worlds through links between “au Smart Pass” and “au WALLET,” thereby contributing to the expansion of value-added revenues.
Operating performance in the Value Services segment for the Six months ended September 30, 2014 is described below.

Results

For the Six months ended September 30, 2014 (Amount unit: Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	99,812	114,335	14,523	14.6
Operating Expenses	72,579	84,080	11,501	15.8
Operating Income	27,232	30,255	3,022	11.1

During the six months ended September 30, 2014, operating revenues rose 14.6% year on year, to ¥114,335 million, buoyed by increased membership to “au Smart Pass.”
Operating expenses grew 15.8%, to ¥84,080 million, stemming from increased content and member benefits, as we worked to enhance “au Smart Pass” services.
As a result, operating income rose 11.1%, to ¥30,255 million.

Overview of Operations

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

au Smart Pass

As of September 30, 2014, “au Smart Pass” members numbered 11.40 million, an increase of 1.15 million from March 31, 2014.
During the second quarter, we expanded the coupon lineup that can be used at “au WALLET” “Point-up Stores.” We introduced a “travel and lodging category” that offers discounts when making hotels and ryokan bookings and enables “WALLET points” to accumulate even more quickly than at regular shops. We also conducted a full-fledged launch of “compensation for theft or loss of an au WALLET card,” which is linked with “au WALLET.”
Furthermore, on September 5, 2014, we completely revamped the initial page of our “au Smart Pass” website, enhancing the usability of various services and benefits and making it easier to access frequently accessed tools such as news, weather, and mass transit.

Increasing ties with “au WALLET”

To make “au WALLET” use more advantageous to customers and make shopping more enjoyable, we are forging increasing ties with various companies as “Point-up Stores.”
The number of “Point-up Stores” has grown steadily, amounting to approximately 22,000 shops operated by 19 companies as of September 30, 2014.
Also, in the second quarter, we introduced links to the “au Shopping Mall,” conducting the “au Lucky Sale.” The sale offers customers an opportunity to save money and accumulate up to 40 times more “WALLET points” than usual when purchasing a variety of popular products, including home appliances, gourmet food items, and brand-name goods.

<Trends in Principal Performance Indicators>

Value ARPU

During the second quarter, Value ARPU was up ¥20 year on year, to ¥310.
The main factor behind this increase was the steady increase in the number of members to "au Smart Pass."

< Main Services >

・Now in the seventh period since the Company began providing "KDDI ∞ Labo (KDDI Mugen Labo)" as an incubator program targeting startup companies and engineers, on July 14, 2014, the Company initiated the "Partner Alliance Program." Also, we established the "KDDI Number 2 Fund for New Business Cultivation" as part of our corporate innovation fund, the "KDDI Open Innovation Fund." (The fund is managed by Global Brain Corporation and is slated to have total funding of ¥5.0 billion.)

・On October 16, 2014, we unveiled the "Syn." Concept, which seeks to create new mobile Internet experiences, doubling the value of smartphones by going beyond the scope of services, and strives to higher levels of connectivity, integration, and convenience. To realize this concept, we established the new "Syn.alliance" federation, comprising 11 leading Internet service providers operating across numerous genres and boasting the number of monthly users (more than 41 million*). We are providing capital and supporting these companies in other ways.

* The total number of unique monthly users of Syn.alliance members' services (smartphones only)
(Total includes customers using the services of multiple members)

<Reference> Business data (Value)

Cumulative subscriptions	Unit	Year ended March 31, 2014					Year ending March 31, 2015	
		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
au Smart Pass subscriptions	(Thousand)	6,820	7,990	8,880	10,250	-	10,700	11,400

Indicators	Unit	Year ended March 31, 2014					Year ending March 31, 2015	
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2Q
Value ARPU*	(Yen)	270	290	300	350	300	300	310

* Value ARPU= Value services segment revenues of "in-house and cooperative services + settlement commissions + advertising"
The definition of Value ARPU has been revised, effective from the fiscal year ending March 31, 2015.
Figures for the fiscal year ended March 31, 2014, have been adjusted in accordance with the new definitions.
Items calculated: [Before revision] Cumulative mobile subscriptions, excluding tablets and modules
[After revision] Cumulative mobile subscriptions, excluding data-only terminals, tablets, and 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 are expanding our service offerings to meet the myriad needs of corporate customers who are advancing overseas.
Operating performance in the Business Services segment for the Six months ended September 30, 2014 is described below.

Results

For the Six months ended September 30, 2014 (Amount unit: Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	322,094	327,222	5,127	1.6
Operating Expenses	271,489	286,933	15,443	5.7
Operating Income	50,605	40,288	(10,316)	(20.4)

During the six months ended September 30, 2014, operating revenues rose 1.6% year on year, to ¥327,222 million. Although fixed-line communications revenues decreased, solution sales such as cloud-related businesses and IT outsourcing rose, as did revenue from terminal sales.
Operating expenses increased 5.7%, to ¥286,933 million, as terminal procurement expenses and cost of solution sales rose.
Operating income accordingly fell 20.4%, to ¥40,288 million.

Overview of Operations

< Key Initiatives>

・We are working to expand our broad-ranging lineup of cloud services. In addition to helping corporate customers resolve the various management issues they face, such as improving operating efficiency, reinforcing security, and curtailing IT costs, such services help customers realize advanced working styles. We are further enhancing our solution proposals by offering one-stop solutions that provide a seamless combination of devices, networks, and applications that can be used with peace of mind.

・To provide broad-based support for business expansion by small and medium-sized corporate customers, our consolidated subsidiary, the "KDDI MATOMETE OFFICE GROUP," offers a regional support network offering close contact throughout Japan.

< Main Services >

・To support the business efforts of small and medium-sized companies by promoting the use of IT, on October 14, 2014, Project Nippon Inc. and KDDI Web Communications Inc.—a consolidated subsidiary of the Company—introduced the "Hajimete WEB Project." Japan Finance Corporation is also participating as a partner in the project.
The number of small and medium-sized companies in Japan currently totals around 3.85 million[*1]. Some 80%[*2] of these recognize as important management issues as the need to bolster sales capabilities and increase the number of new customers. However, the number of small companies that have created websites—one way to expand business—is only around 46%[*1]. To help resolve some of the issues that small and medium-sized enterprises face, through this project the four companies will provide coherent support spanning corporate website launches through to their effective use. Going forward, by resolving the issues that small and mediums-sized companies face, we aims to help its customers expand their businesses and support their corporate growth.

*1 As of February 2012, according to the 2014 White Paper on Small and Medium Enterprises in Japan, published by the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry

*2 Fact-Finding Survey and Survey Report on the Use of IT by Small and Medium Enterprises (September 2012), published by the Japan Chamber of Commerce and Industry

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 KDDI Group (hereafter: the “Companies”) is working aggressively to expand consumer businesses, such as MVNO operations in the United States and the mobile phone business in emerging countries. Furthermore, we provide a voice business to more than 600 telecommunications carriers around the world.
During the current fiscal year, as one of the Company’s pillars of growth we will leverage the expertise we have cultivated in Japan and overseas to augment our operations by accelerating our expansion of both the ICT and consumer businesses.
Operating performance in the Global Services segment for the Six months ended September 30, 2014 is described below.

Results

For the Six months ended September 30, 2014 (Amount unit: Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)	Increase (Decrease)%
Operating Revenues	123,256	137,916	14,660	11.9
Operating Expenses	118,542	132,688	14,146	11.9
Operating Income	4,714	5,227	513	10.9

During the six months ended September 30, 2014, operating revenues grew 11.9% year on year, to ¥137,916 million. This rise stemmed from higher revenues from the MVNO business of Locus Telecommunications, Inc., and the data center business of TELEHOUSE International Corporation of Europe Ltd.
Operating expenses increased 11.9% year on year, to ¥132,688 million, as the rise in revenues was accompanied by increased communication facility fees to overseas telecommunications carriers.
As a result, operating income increased 10.9%, to ¥5,227 million.

Overview of Operations

< Global Strategy Initiatives>

・On July 16, 2014, the Company’s consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (hereafter, “KSGM”) reached an agreement with Myanma Posts & Telecommunications (hereafter, “MPT”) to jointly undertake telecommunications operations in Myanmar, and KSGM has embarked on these operations in the country.

Shortly after concluding this agreement, KSGM began working to augment capacity in MPT’s mobile phone networks and promote area optimization increasing mobile phone service quality in the Yangon area and other major metropolitan regions.

KSGM also put its energy into sales promotion efforts, such as refreshing the brand logo, renewing the sales network, introducing campaign offering the country’s first discounts when communicating with designated people, and enhancing call center responsiveness by increasing the number of communicators. As a result, in September 2014, sales of SIM cards, which are IC cards used for mobile communications, exceeded 1 million, putting the company steadily on the path to success.

Going forward, KSGM intends to introduce various measures conceived from a customer standpoint, thereby pleasing its customers and becoming a best-in-class telecommunications operator.

3) Status of Major Affiliates

<UQ Communications Inc.>

On October 31, 2013, UQ Communications Inc., an equity-method affiliate of the Company, began providing the "WiMAX 2+" ultrahigh-speed mobile broadband service, which provides downlink speeds of up to 110Mbps. As of June 30, 2014, in addition to the Tokyo, Nagoya, and Osaka areas, the service had been expanded to include Sapporo, Sendai, Hiroshima, and Fukuoka. As of September 30, 2014, we expanded the service area to encompass all 47 of Japan's prefectures, and we are working to make the service even more convenient. To augment the service area, the Company strengthened the service area by making "WiMAX 2+" available along major train lines, at stations, and aboard trains throughout Japan. During the period under review, we began offering service along Yokohama Municipal Subway, the Tokyo Monorail, and the Toyo Rapid Railway.
Also, on August 1, 2014, we introduced the "Wi-Fi WALKER WiMAX 2+ HWD15," a mobile router compatible with "WiMAX 2+." In addition to a maximum downlink speed of 110Mbps, the "Wi-Fi WALKER WiMAX 2+ HWD15" offers a "WiMAX High Power*" function for easy connection during WiMAX communications, and provides for "au 4G LTE" communications compatible with the platinum band (800MHz). A cradle is also available that enables the device to be used as a home router while charging. The customer response has been extremely positive on this router, which provides full access to a host of highly convenient functions.

*1 The "WiMAX High Power" function has increased WiMAX transmission and reception capabilities, resulting in connections being established more easily even in weak signal areas. However, effectiveness differs, depending the user environment and signal conditions.

<Jibun Bank Corporation >

Jibun Bank Corporation, an equity method affiliate of the Company, is enjoying a steady increase in its number of accounts, thanks to a positive response for "Premium Bank for au," offered through a tie-up with KDDI and Okinawa Cellular Telephone Company, and for collaboration with "au WALLET."
Furthermore, on August 25, 2014, Jibun Bank introduced foreign exchange accounts, with a campaign augmenting "au WALLET" charges by up to 25% for customers conducting transactions from Jibun Bank. Thanks in part to the success of this campaign, Jibun Bank is seeing a steady uptick in the volume of foreign exchange transactions.

Notes: 1 The service name "4G LTE" conforms to the statement of the International Telecommunication Union (ITU) that has approved LTE to be called "4G."
2 The trademark "iPhone" is used under license from AIPHONE CO., LTD.
3 "Android" is a trademark or a registered trademark of Google Inc.
4 "Wi-Fi" is a registered trademark of Wi-Fi Alliance®.
5 Other company and product names are registered trademarks or trademarks of their respective companies.

(2) Explanation on Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2014	As of September 30, 2014	Increase (Decrease)	Increase (Decrease)%
Noncurrent assets	3,400,157	3,455,088	54,930	1.6
Current assets	1,545,599	1,589,001	43,401	2.8
Total assets	4,945,756	5,044,089	98,332	2.0
Noncurrent liabilities	979,830	960,676	(19,153)	(2.0)
Current liabilities	1,048,936	995,637	(53,299)	(5.1)
Total liabilities	2,028,767	1,956,313	(72,453)	(3.6)
Total net assets	2,916,989	3,087,775	170,786	5.9

(Assets)

Total assets amounted to ¥5,044,089 million as of September 30, 2014, up ¥98,332 million from their level on March 31, 2014. The rise was attributable to higher noncurrent assets in the telecommunications business, short-term investment securities, and prepaid expenses.

(Liabilities)

Total liabilities amounted to ¥1,956,313 million as of September 30, 2014, down ¥72,453 million from March 31, 2014, due to a decrease in short-term loans payable, although accounts payable increased.

(Net Assets)

Net assets amounted to ¥3,087,775 million, due to increased retained earnings.

As a result, the shareholders' equity ratio increased from 55.1% as of March 31, 2014, to 57.2%.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)
Net cash provided by (used in) operating activities	397,388	513,464	116,075
Net cash provided by (used in) investing activities	(224,350)	(368,214)	(143,863)
Free cash flows(Note)	173,037	145,250	(27,787)
Net cash provided by (used in) financing activities	(114,878)	(155,539)	(40,661)
Effect of exchange rate change on cash and cash equivalents	2,254	(683)	(2,938)
Net increase (decrease) in cash and cash equivalents	60,413	(10,973)	(71,387)
Cash and cash equivalents at beginning of period	87,288	212,530	125,241
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(2,907)	(2,907)
Cash and cash equivalents at end of period	147,702	198,649	50,946

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 ¥513,464 million. This includes ¥391,079 million of income before income taxes and minority interests, ¥239,608 million of depreciation and amortization, and ¥132,954 million of income taxes paid.

Investing activities used net cash of ¥368,214 million. This includes ¥203,004 million of purchase of property, plant and equipment, ¥59,394 million for purchase of intangible assets, and ¥43,296 million for payments of short-term loans receivable from subsidiaries and affiliates.

Financial activities used net cash of ¥155,539 million. This includes ¥65,000 million for proceeds from long-term loans payable, ¥89,956 million in net decrease in short-term loans payable, ¥58,433 million in cash dividends paid, ¥45,054 million for repayment of long-term loans payable.

As a result, total cash and cash equivalents as of September 30, 2014, decreased ¥13,881 million from March 31, 2014, to ¥198,649 million.

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

The estimated consolidated financial results for the year ending March 31, 2015 for full-year basis disclosed in the Financial Statements Summary for the year ended March 31, 2014 (disclosed on April 30, 2014) were as follows;

Operating Revenues: ¥4,600,000 million, Operating Income: ¥730,000 million, Ordinary Income: ¥735,000 million, Net Income: ¥424,000 million. There is no change to these figures.

2. Notes Regarding Summary Information (Notes)

(1) Changes in significant consolidated subsidiaries during the Six months ended September 30, 2014

During the three months ended June 30, 2014, the Company's subsidiary JAPAN CABLENET LIMITED underwent an absorption-type merger with another subsidiary, Jupiter Telecommunications Co., Ltd., and was extinguished.

Excluded one company: JAPAN CABLENET LIMITED

(2) Changes in accounting policies, accounting estimates and restatement of corrections

(Changes in accounting policies)

(Adoption of accounting standard for retirement benefits)

Concerning the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Implementation Guidance for the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), the Company has applied the text in Paragraph 35 of the Accounting Standard for Retirement Benefits and the text in Paragraph 67 of the "Implementation Guidance for the Accounting Standard for Retirement Benefits" from the first quarter of the fiscal year under review, revising its method of calculating retirement benefit obligations and prior service costs. The method of attributing expected benefit has been changed from a straight-line basis to a benefit formula basis. Also, the method of determining the discount rate has been changed from one of using as the basis for calculation the yield on Japanese government bonds for a number of years corresponding to the average remaining service period to a method based on the use of multiple corporate bond yields set for each expected retirement benefit period.

Regarding the application of the Accounting Standard for Retirement Benefits, in accordance with the transitional treatment stipulated in paragraph 37, from the beginning of the six month period ended September 30, 2014, under review the amount of change resulting from the method of calculating retirement benefit obligations and prior service costs is added to or deducted from retained earnings.

As a result, net defined benefit asset declined ¥11,210 million at the beginning of the six month period ended September 30, 2014, under review, net defined benefit liability increased ¥1,336 million, and retained earnings decreased ¥8,270 million. Furthermore, operating income, ordinary income, and income before income taxes and minority interests increased ¥724 million.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Amount unit: Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Noncurrent assets		
Noncurrent assets-telecommunications business		
Property, plant and equipment		
Machinery, net	650,596	678,230
Antenna facilities, net	342,372	350,497
Local line facilities, net	120,662	120,087
Long-distance line facilities, net	4,582	5,434
Engineering facilities, net	23,451	22,803
Submarine line facilities, net	3,157	2,751
Buildings, net	162,437	157,794
Structures, net	26,065	25,506
Land	247,865	247,859
Construction in progress	156,710	165,752
Other tangible assets, net	26,831	27,403
Total property, plant and equipment	1,764,732	1,804,121
Intangible assets		
Right of using facilities	11,164	12,405
Software	157,035	175,097
Goodwill	21,047	19,091
Other intangible assets	8,671	8,305
Total intangible assets	197,918	214,900
Total noncurrent assets-telecommunications business	1,962,650	2,019,021
Incidental business facilities		
Property, plant and equipment	373,276	367,999
Intangible assets	545,200	536,755
Total noncurrent assets-incidental business	918,476	904,755
Investments and other assets		
Investment securities	91,509	92,532
Stocks of subsidiaries and affiliates	41,480	54,904
Investments in capital of subsidiaries and affiliates	274	258
Long-term prepaid expenses	245,184	249,622
Net defined benefit asset	20,103	10,689
Deferred tax assets	79,314	82,761
Other investment and other assets	50,739	49,922
Allowance for doubtful accounts	(9,575)	(9,379)
Total investments and other assets	519,029	531,311
Total noncurrent assets	3,400,157	3,455,088
Current assets		
Cash and deposits	222,050	182,146
Notes and accounts receivable-trade	1,094,919	1,082,941
Accounts receivable-other	68,297	63,379
Short-term investment securities	273	27,261
Supplies	86,060	94,342
Prepaid expenses	32,688	50,847
Deferred tax assets	51,352	47,654
Other current assets	11,489	61,202
Allowance for doubtful accounts	(21,532)	(20,774)
Total current assets	1,545,599	1,589,001
Total assets	4,945,756	5,044,089

(Amount unit: Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Noncurrent liabilities		
Bonds payable	204,998	215,000
Long-term loans payable	518,697	512,469
Net defined benefit liability	17,339	15,891
Provision for point service program	76,338	79,571
Other noncurrent liabilities	162,455	137,743
Total noncurrent liabilities	979,830	960,676
Current liabilities		
Current portion of noncurrent liabilities	233,466	240,992
Notes and accounts payable-trade	87,232	136,268
Short-term loans payable	95,255	5,209
Accounts payable-other	349,011	343,100
Accrued expenses	26,732	25,851
Income taxes payable	125,364	135,472
Advances received	55,254	49,427
Provision for bonuses	28,771	23,475
Other current liabilities	47,848	35,839
Total current liabilities	1,048,936	995,637
Total liabilities	2,028,767	1,956,313
Net assets		
Shareholders' equity		
Capital stock	141,851	141,851
Capital surplus	385,942	385,942
Retained earnings	2,291,730	2,456,395
Treasury stock	(161,821)	(161,821)
Total shareholders' equity	2,657,702	2,822,368
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,731	45,643
Deferred gains or losses on hedges	(1,584)	(1,463)
Foreign currency translation adjustment	15,189	11,433
Remeasurements of defined benefit plans	6,352	7,362
Total accumulated other comprehensive income	65,688	62,976
Subscription rights to shares	39	34
Minority interests	193,558	202,397
Total net assets	2,916,989	3,087,775
Total liabilities and net assets	4,945,756	5,044,089

(2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Income)

(Amount unit: Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Operating income and loss from telecommunications		
Operating revenue		
Total operating revenue	1,280,988	1,343,195
Operating expenses		
Business expenses	325,609	347,812
Operating expenses	19	21
Facilities maintenance expenses	125,861	132,828
Common expenses	1,318	1,197
Administrative expenses	41,168	38,783
Experiment and research expenses	3,136	3,123
Depreciation	175,522	184,258
Noncurrent assets retirement cost	12,619	15,067
Communication facility fee	183,503	189,447
Taxes and dues	22,230	21,238
Total operating expenses	890,991	933,780
Net operating income from telecommunications	389,997	409,414
Operating income and loss from incidental business		
Operating revenue	772,792	788,739
Operating expenses	815,176	813,400
Net operating loss from incidental business	(42,384)	(24,660)
Operating income	347,613	384,754
Non-operating income		
Interest income	416	389
Dividends income	1,236	1,166
Equity in earnings of affiliates	3,547	2,367
Foreign exchange gains	2,526	2,204
Miscellaneous income	5,020	4,488
Total non-operating income	12,747	10,616
Non-operating expenses		
Interest expenses	5,822	6,138
Miscellaneous expenses	2,457	1,963
Total non-operating expenses	8,279	8,101
Ordinary income	352,081	387,268
Extraordinary income		
Gain on sales of investment securities	6,864	4,918
Gain on sales of subsidiaries and affiliates' stocks	-	1,237
Gain on change in equity	-	3,633
Contribution for construction	568	-
Total extraordinary income	7,432	9,789
Extraordinary loss		
Loss on sales of noncurrent assets	111	194
Impairment loss[1]	-	5,783
Loss on valuation of investment securities	167	-
Loss on step acquisitions	38,457	-
Reduction entry of contribution for construction	567	-
Total extraordinary losses	39,304	5,978
Income before income taxes and minority interests	320,208	391,079
Income taxes-current	118,029	133,686
Income taxes for prior periods[2]	-	6,879
Income taxes-deferred	21,194	3,087
Total income taxes	139,223	143,652
Income before minority interests	180,985	247,427
Minority interests in income	17,978	16,042
Net income	163,007	231,384

(2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Comprehensive Income)

(Amount unit: Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Income before minority interests	180,985	247,427
Other comprehensive income		
Valuation difference on available-for-sale securities	1,982	(346)
Deferred gains or losses on hedges	107	17
Foreign currency translation adjustment	12,464	(5,501)
Remeasurements of defined benefit plans, net of tax	-	1,016
Share of other comprehensive income of associates accounted for using equity method	(242)	540
Total other comprehensive income	14,311	(4,273)
Comprehensive income	195,296	243,153
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	174,657	228,672
Comprehensive income attributable to minority interests	20,639	14,480

(3) Consolidated Statements of Cash Flows

(Amount unit: Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	320,208	391,079
Depreciation and amortization	228,665	239,608
Impairment loss	-	5,783
Amortization of goodwill	13,987	13,284
Loss (gain) on sales of noncurrent assets	100	192
Loss on retirement of noncurrent assets	10,805	12,628
Loss on step acquisitions	38,457	-
Increase (decrease) in allowance for doubtful accounts	(1,194)	(909)
Increase (decrease) in provision for retirement benefits	1,809	-
Decrease (increase) in net defined benefit asset	-	9,413
Increase (decrease) in net defined benefit liability	-	(1,448)
Interest and dividends income	(1,652)	(1,555)
Interest expenses	5,822	6,138
Equity in (earnings) losses of affiliates	(3,547)	(2,367)
Loss (gain) on sales of investment securities	(6,864)	(4,918)
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	(1,237)
Loss (gain) on valuation of investment securities	167	5
Increase (decrease) in provision for point service program	(7,442)	(4,288)
Decrease (increase) in prepaid pension costs	1,465	-
Decrease (increase) in prepaid expenses	-	(18,892)
Decrease (increase) in notes and accounts receivable-trade	23,007	4,783
Decrease (increase) in inventories	(13,411)	(10,159)
Increase (decrease) in notes and accounts payable-trade	16,506	51,210
Increase (decrease) in accounts payable-other	(72,624)	(11,679)
Increase (decrease) in accrued expenses	(221)	(921)
Increase (decrease) in advances received	(5,205)	(7,694)
Other, net	(31,271)	(20,756)
Subtotal	517,569	647,298
Interest and dividends income received	2,691	4,257
Interest expenses paid	(5,916)	(5,137)
Income taxes paid	(116,955)	(132,954)
Net cash provided by (used in) operating activities	397,388	513,464
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(181,605)	(203,004)
Proceeds from sales of property, plant and equipment	124	621
Purchase of intangible assets	(29,624)	(59,394)
Purchase of investment securities	(2,191)	(2,374)
Proceeds from sales of investment securities	16,999	5,528
Purchase of stocks of subsidiaries and affiliates	(3,885)	(25,788)
Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	(14,853)	(3,179)
Proceeds from purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	16,271	-
Proceeds from sales of stocks of subsidiaries and affiliates	-	1,414
Purchase of long-term prepaid expenses	(26,596)	(29,834)
Payments for transfer of business	-	(6,000)
Payments of short-term loans receivable from subsidiaries and affiliates	-	(43,296)
Other, net	1,012	(2,906)
Net cash provided by (used in) investing activities	(224,350)	(368,214)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	92,727	(89,956)
Proceeds from long-term loans payable	-	65,000
Repayment of long-term loans payable	(110,815)	(45,054)
Proceeds from issuance of bonds	-	30,000
Redemption of bonds	(50,000)	(40,000)
Purchase of treasury stock	(15)	-
Cash dividends paid	(36,309)	(58,433)
Cash dividends paid to minority shareholders	(1,125)	(6,220)
Proceeds from stock issuance to minority shareholders	18	-
Other, net	(9,357)	(10,874)
Net cash provided by (used in) financing activities	(114,878)	(155,539)
Effect of exchange rate change on cash and cash equivalents	2,254	(683)
Net increase (decrease) in cash and cash equivalents	60,413	(10,973)
Cash and cash equivalents at beginning of period	87,288	212,530
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(2,907)
Cash and cash equivalents at end of period	147,702	198,649

(4) Notes Regarding Consolidated Financial Statements

(Going Concern Assumption)

None

(Consolidated Statements of Income)

*1 Impairment loss

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

For the six months ended September 30, 2014

Location	Usage for	Type	Impairment loss amount
The Company The 2GHz band idle assets (Tokyo, etc.)	Telecommunications business	Machinery, Antenna facilities	¥5,774M

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.

During the three months ended September 30, 2014, the Companies drew up a plan to shift the 2GHz band to LTE broadband in order to reinforce its competitiveness in mobile communications services, rendering certain facilities non-performing. 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. This ¥5,774 million decrease, an impairment loss, was recorded as an extraordinary loss. This amount consists of ¥4,550 million for machinery and ¥1,224 million for antenna facilities.

Further, the recoverable value of these assets is estimated based on their net selling price. Because these assets are difficult to convert to other uses, the net selling price is set at ¥0.

In addition, an impairment loss of ¥8 million was recorded for certain subsidiaries.

*2 Income taxes for prior periods

(Reassessment of excessive depreciation on steel towers used for the telecommunications business)

On June 25, 2014, the Company received a notice of correction from the Tokyo Regional Taxation Bureau involving a discrepancy in the useful life of the steel towers used for the telecommunications business over the five fiscal years ended March 31, 2009 through 2013.

On July 30, 2014, the Company submitted a written opposition to the Tokyo Regional Taxation Bureau objecting to this correction.

This notice of correction corresponds to additional taxes of ¥6,879 million, including income tax, residence tax, business tax, and other ancillary taxes. This amount has been included on the consolidated statements of income for the six months ended September 30, 2014, as “income taxes for prior periods.”

Due to the application of tax-effect accounting, the Company has posted income taxes-deferred of ¥5,650 million in accordance with the above-stated excessive depreciation.

(Material Changes in Shareholders' Equity)

None

(Segment Information, etc.)

(Segment Information)

I For the six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)

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

(Amount unit: Millions of yen)

	Reportable Segments					Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consolidation (Note 3)
	Personal Services	Value Services	Business Services	Global Services	Subtotal				
Sales									
Outside Sales	1,565,523	76,403	284,690	105,831	2,032,448	21,332	2,053,780	-	2,053,780
Intersegment Sales or Transfer	37,916	23,408	37,404	17,425	116,154	44,233	160,387	(160,387)	-
Total	1,603,439	99,812	322,094	123,256	2,148,602	65,565	2,214,168	(160,387)	2,053,780
Segment Income	260,699	27,232	50,605	4,714	343,252	4,365	347,618	(4)	347,613

Notes: 1. The "Other" category incorporates operations not included in reportable business segments, including equipment construction and maintenance, call center business, research and technological development, and other operations.
2. Adjustment of segment income refers to elimination of intersegment transactions.
3. Operating income is adjusted on operating income on the quarterly consolidated statements of income.

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

(Material impairment loss on noncurrent assets)

No significant items to be reported.

(Material changes in goodwill)

No significant items to be reported.

(Material profit from negative goodwill)

No significant items to be reported.

Ⅱ For the six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)

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

(Amount unit: Millions of yen)

	Reportable Segments					Other (Note 1)	Total	Elimination and Corporate (Note 2)	Consoli-dation (Note 3)
	Personal Services	Value Services	Business Services	Global Services	Subtotal				
Sales									
Outside Sales	1,601,784	86,286	287,840	122,064	2,097,975	33,959	2,131,935	-	2,131,935
Intersegment Sales or Transfer	40,693	28,049	39,382	15,852	123,977	48,206	172,184	(172,184)	-
Total	1,642,478	114,335	327,222	137,916	2,221,953	82,166	2,304,119	(172,184)	2,131,935
Segment Income	304,971	30,255	40,288	5,227	380,743	4,445	385,189	(434)	384,754

Notes: 1. The "Other" category incorporates operations not included in reportable business segments, including equipment construction and maintenance, call center business, research and technological development, and other operations.
2. Adjustment of segment income refers to elimination of intersegment transactions.
3. Operating income is adjusted on operating income on the quarterly consolidated statements of income.

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

(Material impairment loss on noncurrent assets)

No impairment loss was recorded by or allocated to reportable segments. An impairment loss of ¥5,783 million was not allocated to reportable segments. Material impairment loss was as follows.

During the three months ended September 30, 2014, the Companies drew up a plan to shift the 2GHz band to LTE broadband in order to reinforce its competitiveness in mobile communications services, rendering certain facilities non-performing. 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 this decrease was recorded as an impairment loss.

(Material changes in goodwill)

During the three months ended September 30, 2014, KDDI Financial Service Corporation assumed from Jibun Bank Corporation all rights and obligations related to the au Jibun card business through an absorption-type company split. The corresponding amount of goodwill generated came to ¥ 9,713 million.

A provisional amount, indicated as "Value," has been calculated and ascribed on the basis of rational information available as of September 30, 2014.

(Material profit from negative goodwill)

No significant items to be reported.