Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of shareholders residing outside Japan. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

NOTICE OF THE 30TH ANNUAL SHAREHOLDERS MEETING

KDDI Corporation

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The “Notes to Consolidated Financial Statements” and the “Notes to Non-Consolidated Financial Statements” are provided to shareholders on the Company’s Web site (http://www.kddi.com/english/corporate/ir/shareholder/meeting/20140618/index.html), pursuant to the provisions of laws and regulations as well as Article 17 of the Company’s Articles of Incorporation. The “Notes to Consolidated Financial Statements” and the “Notes to Non-Consolidated Financial Statements” are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by Audit & Supervisory Board Members and Accounting Auditors in preparing the Reports of Audit.

MESSAGE FROM THE PRESIDENT

To our shareholders,
Firstly, we would like to thank our shareholders for the continued interest and support for our company.
We enclose a copy of the KDDI Group's notice of the 30th Annual Shareholders Meeting.

At the outset of the 30th fiscal year, we considered the fiscal year as a starting point toward a new stage for the Group. Based on this recognition, we made efforts toward business growth under our basic policy to advance/embed the 3M Strategy ("Multi-Network," "Multi-Device" and "Multi-Use") and to advance the Global Strategy.

In the 30th fiscal year, operating revenues amounted to ¥4.3336 trillion, exceeding ¥4.0 trillion for the first time, and operating income was also up 29.4% to ¥663.2 billion as communication charges and value-added sales grew in addition to the consolidation of Jupiter Telecommunications Co., Ltd., which is the largest cable television operator in Japan. In addition, the number of au mobile subscribers exceeded 40 million and thus, we were able to strengthen our customer base toward further business growth.

We owe this and would like to extend appreciation to shareholders and many customers who supported us.

In the 31st fiscal year, we will start a shareholder benefit plan, which has been requested by many shareholders. We will be pleased to send you complementary tickets that can be used when you purchase an au mobile phone or smartphone in June.

We will continue to deliver inspiration, security, happiness and smiles to people around the world through all business activities to contribute to the development of the society, while aiming at further enhancing the enterprise value through sustainable earning growth and the enhancement of shareholder returns.

Once again, we would like to thank all our shareholders for the continuous support and confidence in our company.

Sincerely,

Takashi Tanaka
President, Representative Director

TSE Code: 9433
May 27, 2014

To our shareholders:

KDDI Corporation
10-10, Iidabashi 3-chome, Chiyoda-ku, Tokyo
(Headquarters: 3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo)
Takashi Tanaka, President, Representative Director

NOTICE OF THE 30TH ANNUAL SHAREHOLDERS MEETING

You are cordially invited to attend the 30th Annual Shareholders Meeting of KDDI Corporation ("the Company") to be held as stated below.

If you are unable to attend the meeting, you may exercise your voting rights by mail or via the Internet. After reviewing the attached Reference Documents for the Shareholders Meeting, indicate your approval or disapproval of the proposals on the enclosed Exercise of Voting Rights form and return it to the Company to arrive **no later than 5:30 p.m. on Tuesday, June 17, 2014**, or vote at the Exercise of Voting Rights Web site (http://www.evote.jp/).

1. Date and Time: Wednesday, June 18, 2014, at 10:00 a.m. Reception for attendees begins at 9:00 a.m.

2. Place: Shinagawa Prince Hotel, Annex Tower, 5F, "Prince Hall"
10-30, Takanawa 4-chome, Minato-ku, Tokyo

3. Agenda:

Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 30th fiscal year from April 1, 2013 to March 31, 2014 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 30th fiscal year from April 1, 2013 to March 31, 2014

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Election of 13 Directors
Proposal 3: Election of 1 Audit & Supervisory Board Member
Proposal 4: Revision of Remuneration Amount for Directors

The Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and Audit Reports to be attached to this Notice appear on pages 11 through 45.

4. Other matters concerning the Meeting:
Please refer to the Guide to the Exercise of Voting Rights on the following pages.

- Attendees are kindly requested to submit their Exercise of Voting Rights form to the receptionist on the day of the meeting.
- Of the documents attached to the Notice of the 30th Annual Shareholders Meeting, the "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are provided to shareholders on the Company's Web site (http://www.kddi.com/english/corporate/ir/shareholder/meeting/20140618/index.html), pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation. The "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited by Audit & Supervisory Board Members and Accounting Auditors in preparing the Reports of Audit.
- Any amendments to the Reference Documents for the Shareholders Meeting, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements will be disclosed on the Company's Web site (http://www.kddi.com/english/index.html).

Guide to the Exercise of Voting Rights

* Please note that the Exercise of Voting Rights Web site, the QR-Code and the phone number for inquiries are available in Japanese language only.

Voting rights at the shareholders meeting are principal rights of shareholders. Please exercise your voting rights after reviewing the Reference Documents for the Shareholders Meeting listed on pages 6 through 10. You may exercise your voting rights by one of the following three methods.

1. By attending the shareholders' meeting

   Please fill out your Exercise of Voting Rights form and submit it to the receptionist of the meeting. (A personal seal will not be required.)

Date and Time:	Wednesday, June 18, 2014, at 10:00 a.m. Reception for attendees begins at 9:00 a.m.
Place:	Shinagawa Prince Hotel, Annex Tower, 5F, "Prince Hall" 10-30, Takanawa 4-chome, Minato-ku, Tokyo

2. By submitting Exercise of Voting Rights form by mail

   Please indicate your approval or disapproval to each of the proposals and post it to the Company without postage stamp.

   Exercise due date: To be received no later than 5:30 p.m. on Tuesday, June 17, 2014

3. By exercising voting rights via the Internet

   Please read the detailed instructions on the following page.

   Exercise due date: No later than 5:30 p.m. on Tuesday, June 17, 2014

   [For institutional investors]

   Provided that an application to use the platform has been submitted beforehand, institutional investors may use the electronic platform for exercising voting rights operated by ICJ, Inc.

<How to exercise voting rights via the Internet>

Exercise due date: No later than 5:30 p.m. on Tuesday, June 17, 2014

1 Please access the Exercise of Voting Rights Web site (http://www.evote.jp/) designated by the Company.

2 You will be required to enter the log-in ID and temporary password shown on your Exercise of Voting Rights form.

3 Please change the assigned temporary password to a new one you selected and exercise your voting rights following the on-screen instructions.

* The Exercise of Voting Rights Web site will be unavailable during the hours of 2:00 to 5:00 a.m. due to maintenance and inspection.
* If you have exercised your voting rights both by submitting the Exercise of Voting Rights form by mail and via the Internet, those exercised via the Internet will be taken as valid.
* If you have exercised your voting rights multiple times on the Internet, only the final vote will be taken as valid.
* The Exercise of Voting Rights Web site may be disabled by certain Internet settings, or by the service to which you subscribe or the model of the device you use to access the Web site.
* The costs incurred when accessing the Exercise of Voting Rights Web site, including Internet access fees and communication expenses, will be the responsibility of the shareholder.
* If you wish to receive the Notice of the Shareholders Meeting by e-mail, beginning with the next meeting, please visit the Exercise of Voting Rights Web site using either a personal computer or a smartphone and following the instructions that the Web site provides. (Mobile phone address for text messages cannot be designated as the e-mail address for receiving the notice.)

For inquiries about the system or other matters, please contact:

Please use the contact number below if you have any difficulties when voting by the Internet using a personal computer, smartphone or cellular phone.

Securities Business Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation
Phone: (0120) 173-027 (Toll Free)
Available from Mondays to Fridays (excluding holidays) 9:00 a.m. to 9:00 p.m.

Reference Documents for the Shareholders Meeting

Proposals and References

Proposal 1: Appropriation of Surplus

Details pertaining to the appropriation of surplus are as follows.

(1) Matters relating to year-end dividends

The Company recognizes that the distribution of profits to shareholders is a major managerial issue and makes it a basic policy to maintain a sound financial position and the stable payment of dividends. With this policy, while considering investment for sustainable growth, the Company has intended to increase the consolidated payout ratio to more than 30%.

Regarding the year-end dividends for the fiscal year under review, we propose to increase it by ¥22.50 per share (this value takes into account the 1:2 share split conducted on April 1, 2013) from the previous year-end dividends, to express our appreciation to shareholders for their continuous support as well as the need to expand our businesses to enhance business performance in the future.

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

i. Type of dividends
Cash

ii. Dividend amount to be allocated
Per share of common stock: ¥70.00
Total dividends: ¥58,448,505,640

iii. Effective date of dividends from surplus
June 19, 2014

(2) Other matters relating to the appropriation of surplus

We propose the following internal reserves to strengthen the management foundation in preparation for the aggressive development of operations in the future.

Item and amount of increase in surplus:
General reserve: ¥205,300,000,000
Item and amount of decrease in surplus:
Retained earnings brought forward: ¥205,300,000,000

Proposal 2: Election of 13 Directors

The term of office of all 12 Directors will expire at the conclusion of this Annual Shareholders Meeting. With a view to strengthening the management foundation by adding 1 Director to the current number of Directors, we propose that 13 Directors be elected.
The candidates for Directors are as follows.

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held
1	Tadashi Onodera (February 3, 1948)	June 1989: Director June 1995: Associate Senior Vice President, Director June 1997: Executive Vice President, Representative Director June 2001: President, Representative Director June 2005: President and Chairman, Representative Director December 2010: Chairman, Representative Director (Current position) June 2013: Director of KYOCERA Corporation (Current position)	80,200 shares
2	Takashi Tanaka (February 26, 1957)	June 2007: Associate Senior Vice President, Director June 2010: Senior Vice President, Representative Director December 2010: President, Representative Director (Current position) June 2013: General Manager, Corporate & Marketing Communications Sector (Current position)	14,500 shares
3	Hirofumi Morozumi (May 2, 1956)	June 1995: Director June 2001: Vice President April 2003: Associate Senior Vice President June 2003: Associate Senior Vice President, Director June 2007: Senior Vice President, Director April 2010: General Manager, Corporate Sector (Current position) June 2010: Executive Vice President, Representative Director (Current position)	9,300 shares
4	Makoto Takahashi (October 24, 1961)	June 2007: Associate Senior Vice President, Director June 2010: Senior Vice President, Representative Director (Current position) April 2011: General Manager, Business Development Sector (Current position)	7,500 shares
5	Yuzo Ishikawa (October 19, 1956)	June 2000: Director June 2001: Vice President June 2010: Associate Senior Vice President, Director June 2011: Senior Vice President, Director (Current position) April 2012: General Manager, Consumer Business, Solution Business, Global Business and Product Sector (Current position)	11,400 shares
6	Masahiro Inoue (November 7, 1952)	June 2010: Associate Senior Vice President, Director (Current position) April 2011: Associate General Manager, Technology Sector, Engineering and Operations (Current position)	4,200 shares
7	Hideo Yuasa (August 3, 1955)	June 2010: Associate Senior Vice President, Director (Current position) April 2011: President of Chubu Telecommunications Co., Inc. (Current position)	5,400 shares

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held
8	Tsutomu Fukuzaki (January 23, 1953)	October 2006: Vice President April 2012: Associate Senior Vice President, General Manager, Consumer Sales Division (Current position) June 2013: Associate Senior Vice President, Director (Current position)	1,900 shares
9	Hidehiko Tajima (February 3, 1954)	April 2010: Vice President April 2013: Associate Senior Vice President, General Manager, Global Consumer Business Division, Global Business Sector (Current position) June 2013: Associate Senior Vice President, Director (Current position)	2,200 shares
10	Yoshiaki Uchida (September 14, 1956) (New appointment)	April 2013: Vice President April 2014: Associate Senior Vice President, General Manager, Technical Planning Division, Technology Sector (Current position)	2,800 shares
11	Tetsuo Kuba (February 2, 1954)	June 2008: Director and Senior Managing Executive Officer of KYOCERA Corporation April 2009: President and Representative Director, President and Executive Officer of KYOCERA Corporation April 2013: Chairman of the Board and Representative Director of KYOCERA Corporation (Current position) June 2013: Director (Current position)	1,000 shares
12	Nobuyori Kodaira (March 18, 1949)	June 2010: Senior Managing Director of Toyota Motor Corporation June 2011: Director and Senior Managing Officer of Toyota Motor Corporation June 2012: Executive Vice President of Toyota Motor Corporation (Current position) June 2013: Director (Current position)	0 shares
13	Shinji Fukukawa (March 8, 1932) (New appointment)	April 1955: Joined Ministry of International Trade and Industry June 1986: Vice-Minister of Ministry of International Trade and Industry June 1988: Retired as Vice-Minister of Ministry of International Trade and Industry December 1988: Senior Advisor of Global Industrial and Social Progress Research Institute (Current position) November 2002: Chairman of Japan Industrial Partners, Inc. (Current position) November 2003: Administrative Director of Toyo University (Current position) December 2011: Chairman of Jetstar Japan Co., Ltd. (Current position) December 2012: Chairman of Toyo University (Current position)	0 shares

Notes: 1. The following candidates for Directors have special interests in the Company.

- Hideo Yuasa is the President of Chubu Telecommunications Co., Inc., which is in a competitive relationship with the Company in the telecommunications industry and has business transactions with the Company.
- Tetsuo Kuba is the Chairman of the Board and Representative Director of KYOCERA Corporation, which has business transactions with the Company.
- Nobuyori Kodaira is the Executive Vice President of Toyota Motor Corporation, which has business transactions with the Company.

2. There are no special interests between the Company and the candidates other than those mentioned above.
3. Tadashi Onodera will take the office of Outside Director of Daiwa Securities Group Inc. as of the day of the Ordinary General Meeting of Shareholders of Daiwa Securities Group Inc., which is planned to be held in June 2014.
4. Tetsuo Kuba, Nobuyori Kodaira and Shinji Fukukawa are candidates for Outside Directors.
5. Shinji Fukukawa is a candidate for independent director/auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
6. The candidates for Outside Directors are nominated due to their abundant experience in business management and their ability to bring a wide range of insights to the supervision of the Company's business activities.
7. We have entered into contracts for Limitation of Liability with Tetsuo Kuba and Nobuyori Kodaira to the effect that the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act shall be limited to the amount prescribed in laws and regulations pursuant to Article 427, Paragraph 1 of the Act. In the event that their reelections are approved, we plan to continue these agreements. We also plan to enter into the said agreement with Shinji Fukukawa.
8. The term of office of Tetsuo Kuba and Nobuyori Kodaira as Outside Director shall be 1 year at the conclusion of this Annual Shareholders Meeting.
9. The numbers of Company Shares Held by the candidates for Directors stated above are the numbers that were held as of March 31, 2014.

Proposal 3: Election of 1 Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member, Masataka Iki, will expire at the conclusion of this Annual Shareholders Meeting. Therefore, we propose that 1 Audit & Supervisory Board Member be elected.
For the selection of the candidate for Audit & Supervisory Board Member, a person who can leverage abundant experience in business and insight gained from serving as an Vice President of the Company to audit appropriately was selected. Upon submission of this proposal, the approval of the Audit & Supervisory Board has been obtained.
The candidate for Audit & Supervisory Board Member is as follows.

Name (Date of Birth)	Career Summary, Position in the Company and Important Concurrent Positions		Company Shares Held
Hiroshi Kobayashi (January 16, 1953) (New appointment)	October 2009: April 2012: April 2014:	Vice President Managing Director of KDDI EUROPE Limited, Managing Director of Telehouse International Corp. of Europe Ltd. Standing Adviser (Current position)	3,600 shares

Note: There are no special interests between the Company and the candidate mentioned above.

Proposal 4: Revision of Remuneration Amount for Directors

The maximum monthly remuneration for Directors was set at ¥40 million by a resolution of the 17th Annual Shareholders Meeting held on June 26, 2001. Currently, this maximum monthly remuneration still stands, and there is a proposal to revise the maximum monthly amount, taking into consideration such factors as increased roles of Directors associated with business expansion and the need for bringing in competent and highly independent Outside Directors.

i Amount of maximum remuneration for Directors:
Up to ¥50 million

ii Start of application:
Monthly remuneration for July 2014

iii Other:
The amount of remuneration does not include, as in the past, employee salaries for Directors who concurrently serve as employees.

The number of Directors is currently 12 (including 2 Outside Directors). However, if the Proposal 2 is resolved and approved as originally proposed, the number of Directors will be 13 (including 3 Outside Directors), adding 1 Director to the current number of Directors.

Thank you for your attention

(Documents Appended to the Notice of the 30th Annual Shareholders Meeting)
BUSINESS REPORT
(April 1, 2013 to March 31, 2014)

1. Current Status of the Corporate Group

(1) Business Developments and Results

1) Overall Conditions

	Previous fiscal year (April 1, 2012- March 31, 2013)	Fiscal year under review (April 1, 2013- March 31, 2014)	Year-on-year change	
	Amount	Amount	Amount	Percentage
	Million yen	Million yen	Million yen	%
Operating revenue	3,662,288	4,333,628	671,339	18.3
Operating income	512,669	663,245	150,575	29.4
Ordinary income	514,421	662,887	148,465	28.9
Net income	241,469	322,038	80,568	33.4

Operating revenue for the fiscal year under review increased year on year. This stemmed from higher data communications revenues, owing to a steady increase in customers using "au Smart Value" and the ongoing shift toward smartphones, and also from contributions to earnings of Jupiter Telecommunications Co., Ltd. (hereafter: "J:COM"), as this company was included in the scope of consolidation as a subsidiary.

Operating income increased due to increases in operating income offsetting the increases in operating expenses, including an increase in sales commission due to intensified competition, an increase in handset procurement costs accompanying a shift toward smartphones, and an increase in costs associated with the inclusion of J:COM in the scope of consolidation as a subsidiary.

Ordinary income increased owing to such factors as deteriorated performance at equity-method affiliates. Net income rose as a result of the impairment loss and loss on retirement of noncurrent assets, due to the discontinuation of use of former 800 MHz facilities that was recorded in the previous fiscal year being less than the loss on step acquisitions from the purchase of additional shares in J:COM recorded in the current fiscal year.

[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. This recovery may not necessarily have strong legs, however, as China and other 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]

In the Japanese information and telecommunication market, a rapid transition from traditional mobile terminal devices to smart devices such as smartphones and tablets and the adoption of a high-speed communication network using the LTE[*1] standard are taking place, creating an environment in which users can use different terminals in different places to use a wide variety of services. In order to effectively compete in the mobile communications market, the overall capability as a telecommunications carrier including services in addition to the platform based on a high-speed communication network using the LTE standard is becoming increasingly important.

In addition, the broadband market is growing for both mobile and fixed-line communications as high-speed Internet access, such as FTTH and cable TV Internet access, is becoming popular also in fixed-line communications.

*1 Abbreviation for Long Term Evolution, a communication standard for speeding up the communication speed of 3G lines. It enables high-speed data communication that is comparable to household broadband lines.

[Position of KDDI]

The Company is implementing the 3M Strategy by leveraging its network for both mobile and fixed-line communications, thereby striving to maximize customer satisfaction and profit. In the fiscal year under review, we worked to advance and embed the 3M Strategy and to advance the Global Strategy toward the achievement of full-fledged growth.

More specifically, in terms of the 3M Strategy, we strived to enhance the customer base and customer satisfaction by offering unique "au Smart Value," "au Smart Pass" and "au Smart Support" services ahead of other companies.

As a result of these efforts, the total number of au mobile subscribers combining the Company and Okinawa Cellular Telephone Company exceeded 40 million in February 2014.

As for the high-speed, wide-coverage "au 4G LTE" service, we achieved an actual population coverage of 99%[*2] in the service area for the basic platinum 800MHz[*3] frequency band in March 2014. With this achievement, users can now access to high-speed communications comfortably not only along the everyday moving path such as residential streets and railways, but also in the Shinkansen, expressways, and tourist spots. In this way, we are strengthening our overall capability as a telecommunications carrier including terminal devices, charges, services and supports based on our strength in the LTE network.

In April 2013, J:COM, which is the largest MSO in Japan controlling multiple cable TV companies, became a consolidated subsidiary of the Company. J:COM has merged with Japan Cablenet Limited in April 2014 and will aim at further growth as a leading company in the cable television business.

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

*3 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 substantially fall short of the maximum for various reasons, including the customer's communication environment and traffic conditions.

2) Business Conditions by Segment

Personal Services	Operating Revenues	¥33,678,50 million	(increased 18.7% year on year)
	Operating Income	¥507,183 million	(increased 34.0% year on year)

Operating revenues for the fiscal year under review increased year on year. This 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 as a subsidiary.

Operating income increased due to increases in operating income offsetting the increases in operating expenses, including an increase in sales commission due to intensified competition, an increase in handset procurement costs accompanying a shift toward smartphones, and an increase in costs associated with the inclusion of J:COM in the scope of consolidation as a subsidiary.

Major topics

TOPICS-1 Introduction of a wide variety of communication devices

- We introduced a wide variety of communication devices in the market including not only iPhone 5s/5c and 14 new Android models of smartphones, but also au mobile phones and tablets, and Wi-Fi routers. All smartphone that we newly introduced in the market during the fiscal year under review are compatible with the 800MHz frequency band LTE standard, which provides high-speed, easy connection in wider areas, providing more comfortable services to customers.

TOPICS-2 Steady growth in "au Smart Value"

- "au Smart Value" has been supported by a large number of customers. The number of subscribers and the number of households using the service has reached 7.05 million and 3.58 million, respectively, as of March 31, 2014. The number of "au Smart Value" affiliates and affiliated services are steadily growing and we will work to make the service available to as many customers as possible.

TOPICS-3 Our mobile phone service ranked No. 1 in customer satisfaction study by J.D. Power for two consecutive years

- We have been ranked No. 1 in the overall customer satisfaction ranking for two consecutive years as per "J.D. Power Asia Pacific 2013 Japan Mobile Phone Service Satisfaction Study^{SM}" conducted by J.D. Power Asia Pacific, Inc., following the same achievement in 2012. We extend our deep gratitude to our customers for their continued support and will make continued efforts to provide better products and services aiming at further enhancing customer satisfaction.

  Source: J.D. Power Asia Pacific 2012-2013 Japan Mobile Phone Service Satisfaction Study^{SM} based on a total of 31,200 responses from mobile phone subscribers in Japan. (japan.jdpower.com)

TOPICS-4 Opening of directly managed shops in Osaka and Fukuoka

- We opened "au OSAKA" (Kita-ku, Osaka City) in April 2013 and "au Fukuoka" (Chuo-ku, Fukuoka City) in February 2014 as shops directly managed by KDDI. As a result, we now have four directly managed shops including KDDI Designing Studio (Harajuku, Tokyo) and "au NAGOYA" (Naka-ku, Nagoya City). In these shops, in addition to service counters where customers can ask for consultation in purchasing a product, signing a contract and receiving after-sales services such as repair, we have provided showrooms in which customers can experience the latest products and services to support our customers in a comprehensive manner.

Value Services	Operating Revenue	¥212,522 million	(increased 49.8% year on year)
	Operating Income	¥51,607 million	(increased 23.2% year on year)

During the fiscal year under review, operating revenue increased 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 as a subsidiary

Operating income increased due to increases in operating income offsetting the increases in operating expenses, including an increase in sales costs associated with the inclusion of J:COM in the scope of consolidation as a subsidiary

Major topics

TOPICS-1 The number of “au Smart Pass” members topped 10 million

- “au Smart Pass” provides various services including members’ special benefits such as discount coupons and opportunity to reserve event tickets ahead of others, as well as security measures, data backup and other security supports. As a result, the number of “au Smart Pass” members topped 10 million in March 2014.

TOPICS-2 Venture business support

- In order to support promising start-up companies, we established a corporate venture fund “KDDI Open Innovation Fund” in February 2012 and the fund has invested in 19 companies in total as of March 31, 2014. The fund provides development support and cooperation in promotion in addition to investment of funds so that both the carrier and the partner can together contribute to the development and provision of innovative services and applications.

Business Services	Operating Revenues	¥674,912 million	(increased 5.7% year on year)
	Operating Income	¥86,464 million	(increased 8.3% year on year)

During the fiscal year under review, operating revenues increased year on year. Data communications revenues and revenues from terminal sales grew as a result of increased sales of smartphones and tablets, and solution sales also rose.

Operating income increased due to operating income offsetting the increases in operating expenses, including an increase in sales commission and handset procurement associated with the new acquisition of mobile handsets.

Major topics

TOPICS-1 Nationwide support for small and medium-sized corporate customers

- In order to support broadly the business expansion of small and medium-sized corporate customers, we reinforced the sales framework of a consolidated subsidiary KDDI MATOMETE OFFICE CORPORATION and established local companies in Sendai, Nagoya, Osaka, and Hiroshima. We will contribute to the maximization of the business of our customers through the total support including online consulting services concerning new business formation and corporate management and marketing support.

TOPICS-2 Our corporate network service ranked No. 1 in customer satisfaction study by J.D. Power

- We have been ranked No. 1 in the overall customer satisfaction ranking in the large corporation market as per “2013 Japan Network Service Satisfaction Study℠” conducted by J.D. Power Asia Pacific, Inc.

  Source: J.D. Power Asia Pacific, Inc.’s “2013 Japan Network Service Satisfaction Study℠.” The overall ranking was based on evaluation of four factors: “service content/quality,” “response to faults and service trouble,” “sales and initial user guidance,” and “cost.”

The results were collated from 625 cases provided by 435 companies of a size of at least 1,000 employees in relation to telecommunication carriers providing network services to corporate customers. (Evaluations of a maximum of two telecommunication carriers were obtained for one company) Website: japan.jdpower.com

Global Services	Operating Revenues	¥263,624 million	(increased 27.2% year on year)
	Operating Income	¥11,407 million	(increased 45.7% year on year)

During the fiscal year under review, operating revenues and operating income increased year on year, mainly due to the increase in revenues and income overseas subsidiaries such as TELEHOUSE International Corporation of Europe Ltd., Locus Telecommunications, Inc. and DMX Technologies Group Limited.

Major topics

TOPICS-1 Further expansion of data center "TELEHOUSE"

- Regarding "TELEHOUSE" data centers, which have gained high reputation on a global basis for their reliability, service quality, etc., we opened TELEHOUSE Shanghai JinQiao, our second site in Shanghai, China, in November 2013. As a result, we have 42 TELEHOUSE sites in 24 cities in 13 regions including Japan (24 sites in 15 cities in 12 regions overseas) as of March 31, 2014.

  We will continue to provide a wide variety of solution services including operation, monitoring and BCP[*1] to respond to the needs of customers.

TOPICS-2 Expansion of MVNO[*2] business in the U.S.

- In the U.S. MVNO business, we are making efforts to create sales synergy with consolidated subsidiaries Locus Telecommunications, Inc. and Total Call International Inc. and to maximize their business efficiency. At the same time, we are working to expand business through sales promotion of mobile phone service and the introduction of new products such as data flat charges/low-price plans.

*1 An abbreviation for "business continuity plan."
BCP includes, among others, works steps for business continuity and recovery in anticipation of disasters such as earthquake.

*2 An abbreviation for "mobile virtual network operator." MVNO is a business operator that provides services by making use of wireless communications infrastructure of another mobile phone business operator under a lease arrangement.

3) Major Equity-method Affiliates

UQ Communications Inc.

UQ Communications Inc. has more than 4 million subscribers (as of March 31, 2014) after five years have passed since the commencement of its “WiMAX[*1]” services. The coverage of service areas has been steadily expanded so that subscribers can use WiMAX services at stations and within train cars. This expansion includes subways, the country’s major railway routes, and subway shopping arcades.

In addition, we started “WiMAX 2+” services with maximum downlink speeds of 110Mbps[*2] in October 2013 and launched compatible Wi-Fi routers to respond to the needs for higher-speed mobile broadband communications. We plan to expand the coverage of service areas to Tokyo, Nagoya and Osaka by the end of the fiscal year under review and to all Japan thereafter .

*1 WiMAX: Abbreviation for Worldwide Interoperability for Microwave Access, a wireless communication technology.

*2 Best-effort service with maximum uplink speed of 10 Mbps. The speeds stated here are the maximum values of the technical standards. Even within coverage areas, the actual communication speed may substantially fall short of the maximum for various reasons, including the customer's communication environment and traffic conditions.

Jibun Bank Corporation

Jibun Bank Corporation has marked its fifth anniversary in July 2013 since the commencement of its customer services. The bank is steadily expanding its services including the commencement of the handling of OTC foreign exchange margin transactions and foreign currency structured deposit services that can be used with smartphones.

Last November, the bank received an “Honorable Mention for Disruptive Business Model” for its highly-praised smartphone-centered business model from BAI, a U.S. banking and financial industry association, for the first time as a Japanese bank. The bank will continue to aim at becoming a No.1 financial institution in terms of customer satisfaction by providing high quality financial services that can achieve both convenience and safety at the same time.

(2) Issues Facing the Corporate Group

1) Medium- to Long-term Corporate Management Strategy

While swiftly responding to the changes in the business environment surrounding our Group, we are promoting the “3M Strategy” and the “Global Strategy” based on our business vision of “More Connected,” “More Diverse Values,” and “More Global,” which we call our “Three Commitments,” to achieve sustainable growth and lead a new era of telecommunications as we strive to improve customer satisfaction.

“More Connected”	We aim to make ourselves “more connected” to our customers by establishing Multi-Network connectivity that organically links networks owned by the Group, providing a Multi-Device access to a high-speed and comfortable communication environment and attractive contents, and offering Multi-Use services tailored to customers’ individual preferences.	3M Strategy
“More Diverse Values”	We aim to offer diverse values to our customers by actively engaging in various corporate activities and lifestyle aspects in medicine, health, education, the government and the environment via information and telecommunication technology (ICT).	
“More Global”	We aim to actively promote the establishment of ICT environments in countries around the world, by globally advancing communication-related businesses and exploring new markets according to their cultural and socio-economic conditions.	Global Strategy

2) Issues Facing the Company

[Responses to Changes in the Competitive Environment]

In the field of mobile communications, the times are changing from those of traditional mobile phones, which have been developed by each telecommunications carrier on its own, to those of smartphones in which telecommunications carriers all over the world use common terminal devices. In addition, the LTE is being adopted as the global communication standard and terminal devices and networks of telecommunications carriers are becoming homogeneous, which has made it difficult for us to achieve competitive differentiation. We have introduced such services as “au Smart Value,” “au Smart Pass” and “au Smart Support” ahead of other companies to the satisfaction of many customers. We will work harder to strengthen our services based on the 3M Strategy and consummate our uniqueness to develop “au” into a brand of customers’ choice.

[Network Improvement]

As the increasing use of smartphones is causing a significant overload to communication lines due to an increase in traffic, it is urgent to strengthen the mobile network to ensure high-quality, easy-to-connect communications.

We are making painstaking efforts to expand service areas including indoor spaces and subways/underground shopping arcades by increasing the capacity of outdoor base stations and using small base stations. We will also work to build an ultra-high-speed, robust and inexpensive mobile network by achieving higher speed through the introduction of state-of-the-art technologies and more efficient use of frequencies.

Meanwhile, as a result of the increase in the number of base stations, the fixed line connecting base stations with the core network (backhaul) is becoming an important factor for providing higher speed together with inexpensive services. We will put in place a high-speed, large-capacity optical fiber access network and strive to strengthen the ICT platform in conjunction with the mobile network.

(3) Changes in Assets and Profit and Loss

1) Changes in Assets and Profit and Loss of the Corporate Group

(millions of yen unless otherwise indicated)

	27th fiscal year (FY2011.3)	28th fiscal year (FY2012.3)	29th fiscal year (FY2013.3)	30th fiscal year (FY2014.3)
Operating revenues	3,434,545	3,572,098	3,662,288	4,333,628
Telecommunications business	2,489,403	2,394,135	2,432,726	2,609,157
Incidental business	945,142	1,177,962	1,229,562	1,724,471
Operating income	471,911	477,647	512,669	663,245
Ordinary income	440,676	451,178	514,421	662,887
Net income	255,122	238,604	241,469	322,038
Net income per share (yen)	290.75	290.58	315.90	398.60
Total assets	3,778,918	4,004,009	4,084,999	4,945,756
Liabilities	1,607,078	1,875,384	1,761,635	2,028,767
Net assets	2,171,839	2,128,624	2,323,363	2,916,989

* Net income per share presented above shows values that have been calculated as if the share splits conducted on October 1, 2012 and April 1, 2013 were conducted at the beginning of the 27th fiscal year.

2) Changes in Assets and Profit and Loss of the Company

(millions of yen unless otherwise indicated)

	27th fiscal year (FY2011.3)	28th fiscal year (FY2012.3)	29th fiscal year (FY2013.3)	30th fiscal year (FY2014.3)
Operating revenues	3,138,742	3,273,536	3,366,079	3,585,292
Telecommunications business	2,371,432	2,278,652	2,332,637	2,457,256
Incidental business	767,310	994,883	1,033,441	1,128,036
Operating income	428,269	432,440	465,145	542,110
Ordinary income	422,929	434,575	472,883	573,727
Net income	256,823	249,836	231,348	356,004
Net income per share (yen)	292.69	304.26	302.66	440.64
Total assets	3,644,330	3,851,891	3,910,233	4,014,992
Liabilities	1,551,512	1,787,043	1,678,657	1,303,419
Net assets	2,092,818	2,064,847	2,231,575	2,711,573

* Net income per share presented above shows values that have been calculated as if the share splits conducted on October 1, 2012 and April 1, 2013 were conducted at the beginning of the 27th fiscal year.

(4) Financing Activities of the Corporate Group

During the fiscal year under review, we issued the 20th unsecured bond issuance of ¥30 billion last December and borrowed long- and short-term loans from financial institutions totaling ¥353,158 million to be used as a part of funds for the redemption of bonds and capital investments.

(5) Capital Investments of the Corporate Group

During the fiscal year under review, the Group efficiently carried out capital investments for the purpose of providing services that satisfy customers and improving reliability.

The total amount of capital investments in telecommunications facilities completed and used for businesses of the Group during the fiscal year under review was ¥553,657 million.

Our principal capital investments are as follows:

1) Mobile-related facilities

The Group carried out capital investments in construction of new and additional wireless base stations and switching equipment due to the expansion of LTE services and the increase in data traffic.

2) Fixed-line-related facilities

We expanded the fixed-line communication network in response to the increase in mobile communications data traffic and installed new facilities/expanded existing facilities related to FTTH and cable television.

(6) Principal Businesses of the Corporate Group (As of March 31, 2014)

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). Included in our affiliates are 28 equity-method affiliates (20 in Japan and 8 overseas).

The businesses of the Group are classified into segments in accordance with the type of service and the customer attributes. The principal services of each segment are presented below.

Business segment	Principal service
Personal Services	Communications services for households and individuals (au mobile phone, FTTH, CATV)
Value Services	Provision of various applications, videos, and music, as well as advertisement distribution and settlement and electronic money services
Business Services	For companies communications services (ICT solution, data center)
Global Services	Communications services for companies overseas (ICT solution, data center); Communications services for individuals overseas

(7) Offices of the Company (As of March 31, 2014)

(Head office)	Headquarters (Tokyo)
(Regional offices)	Hokkaido (Hokkaido), Tohoku (Miyagi), Kita-Kanto (Saitama), Minami-Kanto (Kanagawa), Chubu (Aichi), Hokuriku (Ishikawa), Kansai (Osaka), Chugoku (Hiroshima), Shikoku (Kagawa), Kyushu (Fukuoka)
(Branch offices, etc.)	21 branch offices, 96 branches, 5 customer service centers, etc.
(Technical centers, etc.)	22 technical centers and engineering support centers 3 cable landing stations, 1 satellite earth station, 1 transmitting station
(Overseas offices)	Geneva, Beijing, Shanghai

(8) Principal Subsidiaries (As of March 31, 2014)

1) Businesses in Principal Subsidiaries

Company name	Location	Capital	Ratio of capital contribution	Principal business
Okinawa Cellular Telephone Company	Okinawa	Million yen 1,414	% 51.5	au mobile communication services
Jupiter Telecommunications Co., Ltd.	Tokyo	37,550	50.0	Operation and management of cable TV companies and program distribution companies
Chubu Telecommunications Co., Inc.	Aichi	38,816	80.5	Telecommunications services in Chubu region
KDDI MATOMETE OFFICE CORPORATION	Tokyo	1,000	95.0	Supporting IT environment for small and medium-sized companies
KDDI Engineering Corporation	Tokyo	1,500	100.0	Construction, maintenance and operation support for communications facilities
KDDI Evolva Inc.	Tokyo	588	100.0	Call center service and temporary staff service
KDDI R&D Laboratories Inc.	Saitama	2,283	91.7	Technological research and product development relating to information communications
KDDI America, Inc.	USA	Thousand US$ 84,400	100.0	Telecommunications services in the US
KDDI Europe Limited	UK	Thousand STG£ 42,512	(100.0)	Telecommunications services in Europe
TELEHOUSE International Corporation of America	USA	Thousand US$ 4	(70.8)	Data center services in the US
TELEHOUSE International Corporation of Europe Ltd	UK	Thousand STG£ 47,167	(86.8)	Data center services in Europe
KDDI China Corporation	China	Thousand RMB 13,446	85.1	Sales, maintenance and operation of telecommunications equipment in China
DMX Technologies Group Limited	Bermuda	Thousand US$ 58,327	51.4	System integration services in China, Hong Kong and other areas
CDNetworks Co., Ltd.,	Korea	Thousand W 7,150,000	97.8	Provision of contents delivery network (CDN)
KDDI Singapore Pte Ltd	Singapore	Thousand S$ 10,254	100.0	Telecommunications services in Singapore

Note: The figures in brackets indicate the ratios of capital contribution that include the ownership by subsidiaries.

2) Changes in Business Combinations

The Company acquired shares in Jupiter Telecommunications Co., Ltd. through public tender, which ended on April 10, 2013. And in accordance with this, Jupiter Telecommunications Co., Ltd. was converted to a consolidated subsidiary of the Company on April 17, 2013.

3) Results of Business Combinations

There are 152 consolidated subsidiaries, including the 15 principal subsidiaries presented above, and 28 equity-method affiliates.

Consolidated operating revenues for the fiscal year under review was up 18.3% year on year to ¥4,333,628 million, and consolidated net income increased 33.4% year on year to ¥322,038 million.

(9) Employees (As of March 31, 2014)

1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	14,011
Value Services	1,290
Business Services	4,707
Global Services	3,299
Others	3,766
Total	27,073

2) Employees of the Company

No. of employees	Year-on-year decrease	Average age	Average length of service
10,739	492	41.4	16.8 years

Note: No. of employees does not include 2,386 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2014)

Creditor	Loans outstanding
	Millions of yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	62,000
Development Bank of Japan, Inc.	57,383
Mizuho Bank, Ltd.	41,257
Sumitomo Mitsui Banking Corporation	28,000
Mitsubishi UFJ Trust and Banking Corporation	25,000

2. **Shares** (As of March 31, 2014)

On April 1, 2013, the Company conducted a 1:2 share split.

(1) Total Number of Authorized Shares 1,400,000,000 shares

Note: As a result of the share split on April 1, 2013, total number of authorized shares increased by 700,000,000 shares.

(2) Total Number of Issued Shares 896,963,600 shares

(including 61,984,948 shares of treasury stock)

Note: As a result of the share split on April 1, 2013, total number of issued shares increased by 448,481,800 shares.

(3) Number of Shareholders 59,016

(decrease of 580 from the previous year-end)

(4) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
KYOCERA Corporation	114,535,400	13.71
Toyota Motor Corporation	99,497,600	11.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	48,144,100	5.76
Japan Trustee Services Bank, Ltd. (Trust Account)	37,808,700	4.52
State Street Bank & Trust Company	26,113,689	3.12
State Street Bank & Trust Company 505223	15,097,446	1.80
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	13,276,743	1.59
State Street Bank & Trust Company 505225	9,166,863	1.09
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	7,937,741	0.95
BNP Paribas Securities (Japan) Limited	7,260,645	0.86

Note: Although the Company holds 61,984,948 shares of treasury stock, it is excluded from the list of principal shareholders presented above. The shareholding ratio is calculated after deducting shares of treasury stock.

3. Directors and Audit & Supervisory Board Members

(1) Names and Other Details of Directors and Audit & Supervisory Board Members

(As of March 31, 2014)

Position	Name	Responsibilities in the Company and important concurrent positions
Chairman, Representative Director	Tadashi Onodera	Director of KYOCERA Corporation
President, Representative Director	Takashi Tanaka	General Manager, Corporate & Marketing Communications Sector
Executive Vice President, Representative Director	Hirofumi Morozumi	General Manager, Corporate Sector
Senior Vice President, Representative Director	Makoto Takahashi	General Manager, Business Development Sector
Senior Vice President, Director	Yoshiharu Shimatani	General Manager, Technology Sector
Senior Vice President, Director	Yuzo Ishikawa	General Manager, Consumer Business, Solution Business, Global Business and Product Sector
Associate Senior Vice President, Director	Masahiro Inoue	Associate General Manager, Technology Sector Engineering and Operations
Associate Senior Vice President, Director	Hideo Yuasa	President of Chubu Telecommunication Co., Inc.
* Associate Senior Vice President, Director	Tsutomu Fukuzaki	General Manager, Consumer Sales Division
* Associate Senior Vice President, Director	Hidehiko Tajima	General Manager, Global Consumer Business Division, Global Business Sector
* Director	Tetsuo Kuba	Chairman of the Board and Representative Director of KYOCERA Corporation
* Director	Nobuyori Kodaira	Executive Vice President and Representative Director of Toyota Motor Corporation
Full-time Audit & Supervisory Board Member	Masataka Iki	
Full-time Audit & Supervisory Board Member	Yoshinari Sanpei	
Full-time Audit & Supervisory Board Member	Takeshi Abe	
Audit & Supervisory Board Member	Kishichiro Amae	
Audit & Supervisory Board Member	Yukihisa Hirano	Outside Director of BROTHER INDUSTRIES, LTD.

Notes:
1. Directors with * are new Directors who were elected at the 29th Annual Shareholders Meeting held on June 19, 2013.
2. Representative Director Kanichiro Aritomi and Directors Hiromu Naratani, Makoto Kawamura and Shinichi Sasaki retired as of the conclusion of the 29th Annual Shareholders Meeting held on June 19, 2013.
3. Directors Tetsuo Kuba and Nobuyori Kodaira are Outside Directors.
4. Each of full-time Audit & Supervisory Board Member Takeshi Abe, Audit & Supervisory Board Members Kishichiro Amae and Yukihisa Hirano is an independent director/auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

(2) Remunerations to Directors and Audit & Supervisory Board Members

1) Amounts of Remunerations to Directors and Audit & Supervisory Board Members

		No. of Directors/Audit & Supervisory Board Members	Remuneration
			Millions of yen
Directors	Outside Directors	4	20
	Others	12	574
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	3	40
	Others	2	47

Notes:
1. The above-stated remuneration for Directors includes amounts for two Directors who retired at the conclusion of the 29th Annual Shareholders Meeting held on June 19, 2013.
2. The maximum fixed remuneration for Directors was set at ¥40 million by a resolution of the 17th Annual Shareholders Meeting held on June 26, 2001. This does not include employee salaries for Directors who concurrently serve as employees. Furthermore, Directors may receive additional annual remuneration up to ¥40 million in the form of stock acquisition rights issued as stock options, as decided by a resolution of the 22nd Annual Shareholders Meeting held on June 15, 2006.
3. The maximum annual remuneration for Audit & Supervisory Board Members was set at ¥100 million by a resolution of the 28th Annual Shareholders Meeting held on June 20, 2012. This amount was calculated based on the Company's fiscal year.
4. Remuneration amounts for Directors include variable performance-based bonuses up to 0.1% of consolidated net income for the fiscal year under review, as determined by a resolution of the 27th Annual Shareholders Meeting held on June 16, 2011.
   Ten Directors (excluding Outside Directors): ¥188.78 million
5. In addition to the above, the settlement payment of retirement allowance to Directors in connection with the abolishment of the executive retirement bonus system was determined at the 20th Annual Shareholders Meeting held on June 24, 2004.

2) Policy on Decision of Content of Remunerations

The policy on decision of the content of remunerations for Directors and Audit & Supervisory Board Members has been determined as follows.

a. Policy on remuneration for Directors
   Remuneration for Directors consists of fixed-amount salaries and executive bonuses taking into consideration their role and responsibility to improve the Group's business performance every fiscal year as well as to enhance its corporate value over the mid-to-long term. Fixed-amount salaries are determined based on their professional ranking and the management environment, while executive bonuses are determined based on the business results of the KDDI Group and Directors' responsible departments, as well as their individual performance during the fiscal year. In addition, these bonuses are given under the variable performance based compensation scheme up to 0.1% of consolidated net income of the relevant fiscal year, in order to clarify the management responsibility of Directors and provide incentives to boost their motivation to achieve higher business performance. This variable range was determined taking into consideration their role and responsibility towards the Group's goal of achieving sustainable growth and leading a new era of telecommunications while promptly responding to changes in the operating environment.

b. Policy on remuneration for Audit & Supervisory Board Members
   Remuneration for Audit & Supervisory Board Members is based on discussions with Audit & Supervisory Board Members and is only a fixed-amount salary that is not linked to the business results of the Company.

(3) Outside Directors and Outside Audit & Supervisory Board Members

1) Important Concurrent Positions at Other Entities and the Relationship between the Company and Those Entities

- Director Tetsuo Kuba is the Chairman of the Board and Representative Director of KYOCERA Corporation. KYOCERA Corporation has business transactions with the Company.
- Director Nobuyori Kodaira is the Executive Vice President and Representative Director of Toyota Motor Corporation. Toyota Motor Corporation has business transactions with the Company.
- Audit & Supervisory Board Member Yukihisa Hirano is the Director of BROTHER INDUSTRIES, LTD. BROTHER INDUSTRIES, LTD. has business transactions with the Company.

2) Principal Activities during the Fiscal Year Under Review

a. Attendance at meetings of the Board of Directors and meetings of the Audit & Supervisory Board

(Directors)

- In his post as Director, Tetsuo Kuba attended seven of the seven meetings of the Board of Directors.
- In his post as Director, Nobuyori Kodaira attended six of the seven meetings of the Board of Directors.

* The attendance record of the Directors began after their appointment as new Directors at the 29th Annual Shareholders Meeting held on June 19, 2013.

(Audit & Supervisory Board Members)

- In his post as Audit & Supervisory Board Member, Takeshi Abe attended nine of the nine meetings of the Board of Directors and eight of the eight meetings of the Audit & Supervisory Board.
- In his post as Audit & Supervisory Board Member, Kishichiro Amae attended nine of the nine meetings of the Board of Directors and eight of the eight meetings of the Audit & Supervisory Board.
- In his post as Audit & Supervisory Board Member, Yukihisa Hirano attended nine of the nine meetings of the Board of Directors and eight of the eight meetings of the Audit & Supervisory Board.

b. The Outside Directors attended meetings of the Board of Directors as indicated above. At these meetings, they provided their viewpoints by voicing opinions based on their expertise and experience, asking questions to clarify points, etc.

The Outside Audit & Supervisory Board Members attended meetings of the Board of Directors and the Audit & Supervisory Board as indicated above. At these meetings, they provided their viewpoints by voicing opinions based on their expertise and experience, asking questions to clarify points, etc.

3) Outline of Contracts for Limitation of Liability

Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for Limitation of Liability between each of the Outside Directors and Outside Audit & Supervisory Board Members as provided for in Article 423, Paragraph 1 of the Companies Act.

The maximum amount of the liability for damage based on said contracts is the amount prescribed in laws and regulations.

4. Accounting Auditor

(1) Name of Accounting Auditor

Category	Name	Remarks
Accounting auditor	PricewaterhouseCoopers Kyoto	Appointed on June 20, 2007

(2) Remunerations Paid to Accounting Auditor

Name	1) Amount of remunerations to be paid to accounting auditor for the fiscal year under review	2) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries
	Millions of yen	Millions of yen
PricewaterhouseCoopers Kyoto	384	736

Note: In the audit agreement between the Company and accounting auditor, the amount of remunerations for audit under the Companies Act is not clearly distinguished from remunerations under the Financial Instruments and Exchange Act. Therefore, the amount described in 1) above is the total of these two kinds of amounts.

(3) Non-audit Services

The Company commissions and pays compensation for financial surveys, etc. to PricewaterhouseCoopers Kyoto.

(4) Policy on Decision to Dismiss or not Reappoint Accounting Auditor

When the Audit & Supervisory Board of the Company has judged that there are reasons for dismissal as provided for in Article 340, Paragraph 1 of the Companies Act, and recognized that the conduct of proper audits is difficult because of the occurrence of events, etc. that damage the eligibility and independence of accounting auditor, the Audit & Supervisory Board, based on the Audit & Supervisory Board's Rules, shall request that the Board of Directors submit a supplementary proposal for the "Dismissal of Accounting Auditor" or "Non-reappointment of Accounting Auditor" to a shareholders meeting, and the Board of Directors shall deliberate such requests.
Alternatively, when the Board of Directors has recognized that the conduct of proper audits is difficult because of the occurrence of events, etc. that damage the eligibility and independence of accounting auditor, the Board of Directors shall, after obtaining the consent of the Audit & Supervisory Board, submit a proposal for the "Dismissal of Accounting Auditor" or "Non-reappointment of Accounting Auditor" to a shareholders meeting.

(5) Outline of Contracts for Limitation of Liability

The Company has not concluded the contract between the accounting auditor under the provisions of Article 427, Paragraph 1 of the Companies Act.

(6) Audits of Financial Statements of the Company's Subsidiaries by Certified Public Accountants or Audit Corporations Other Than the Accounting Auditor of the Company

Overseas subsidiaries of the Company are audited by audit corporations or certified public accountants other than the accounting auditor of the Company.

5. Systems for Ensuring the Appropriate Business Operations

The Basic Policy for Constructing an Internal Control System of the Company established in accordance with Article 362, Paragraph 5 of the Companies Act, which was resolved at a meeting of the Board of Directors, is as follows.
Based on this resolution, the Company aims to ensure the fair, transparent and efficient execution of its corporate duties and aims to improve its corporate quality and maintain an effective system for internal controls.

[Corporate Governance]

1. The Board of Directors

(1) The Board of Directors is composed of both internal and outside Directors, who determine important legal matters as stipulated by laws and regulations based on the Board of Directors Rules and agenda standards. In addition, the Board of Directors oversees the competent execution of business duties by the Directors themselves.
(2) Information pertaining to the execution of business duties by the Directors must be stored and managed appropriately in accordance with internal rules.

2. System for executing business operations

The Executive Officers' System aims to clarify both the delegation of authority and responsibility system, as well as ensure that operations are executed effectively and efficiently.
The Corporate Management Committee, which is composed of Directors and Vice Presidents, shall discuss and determine important matters pertaining to the execution of operations, as well as discussing and determining the Board of Directors agenda items, based on the Corporate Management Committee rules.

3. System for ensuring the effective execution of business duties by Audit & Supervisory Board Members

(1) Audit & Supervisory Board Members shall attend the meetings of the Board of Directors, and additionally, may attend the principle internal meetings of the Company.
(2) Directors and Internal Auditing Division aim to collaborate with Audit & Supervisory Board Members by providing timely and appropriate information necessary for them to execute their business duties, as well as by exchanging opinions and ideas.
(3) Audit & Supervisory Board Member's Office is established to support the business duties of the Audit & Supervisory Board Members, and the opinion of the Audit & Supervisory Board Member must be sought in determining personnel matters relating to employees engaged therein.

[Compliance]

1. All Directors and employees should continuously maintain high ethical standards in accordance with the basic principles set forth in the "KDDI Action Guideline," which should be complied with, and aim to execute their business duties properly.
Furthermore, firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.

2. The Company shall aim to ensure compliance is maintained by linking appropriately with the following types of organizational systems.

(1) Each KDDI Group company shall make efforts to promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents, at KDDI Group company meetings pertaining to business ethics.
(2) The Company shall aim to appropriately operate a compliance-related internal reporting system established both internally and externally to the company.
(3) The Company shall strive to improve the understanding and awareness of compliance through both internal and external training and internal enhancement activities.

[Risk Management for Achieving Business Objectives Fairly and Efficiently]

All divisions and their Directors and employees shall cooperate based on various meetings participated in by Directors, as well as the Risk Management Division which regularly identifies and uniformly manages risk information. The KDDI Group's risk should be managed appropriately in accordance with internal rules, and efforts should be made to achieve business objectives fairly and efficiently.
Execution of these efforts shall be led by the person responsible for internal control in each division, and they shall be promoted autonomously.

1. Risk management system

(1) The Company shall stringently conduct business risk analyses and business activity prioritization and

appropriately formulate business strategies and business plans at meetings pertaining to business strategy, with the objective of continuous growth for the KDDI Group. To achieve this, business risk should be monitored monthly at meetings pertaining to performance management, and this performance should be managed thoroughly.

(2) The Company shall regard all its stakeholders as customers, and all Directors and employees should become involved in efforts towards TCS (Total Customer Satisfaction) activities that aim to improve the level of satisfaction. To promote this, efforts should also be made at meetings pertaining to TCS to evaluate and improve TCS activities, and to respond promptly and appropriately to customer demands and complaints.

In addition, the various laws and regulations regarding product safety should be complied with, in order to provide customers with stable, safe, high-quality products and services. Information about products and services should be provided in an easy-to-understand format and indicated appropriately, so that customers can select and use the most appropriate product and/or service.

The whole company shall make efforts to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base.

(3) The Company shall strive to further enhance the Group's PR and IR activities, ensuring the transparency of KDDI Group management and gaining the understanding and trust of all its stakeholders. The KDDI Group's business risk shall be fairly identified and disclosed in a timely and appropriate manner at meetings pertaining to information disclosure. In addition, CSR reports shall be created and disclosed, centering on those divisions promoting CSR, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

(4) The Company shall examine measures for minimizing the risk of business interruptions as much as possible, and shall formulate a Business Continuity Plan (BCP), in order to respond to events which could have serious and long-term effects on corporate business.

2. System for promoting enhancement of the quality of business operations

(1) In accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, the Company shall implement documentation, assessment and improvement of the state of company-wide internal control and of important business processes on a consolidated basis, with the aim of further improving the reliability of financial reporting.

(2) The Company shall aim to maintain and enhance the systems necessary to improve the quality of the business operations of the KDDI Group, including enhancement of the effectiveness and efficiency of business operations and appropriate acquisition, safekeeping and disposal of assets.

3. System as a telecommunications carrier

(1) Protecting the privacy of communications

Protecting the privacy of communications is at the very root of the KDDI Group's corporate management, and the Group will abide by this.

(2) Information security

The Company aims to manage the company's total information assets, including preventing leaks of customer information and cyber-terrorism of networks for telecommunications services, by formulating measures at meetings pertaining to information security to ensure this security in cooperation with the Directors and employees.

(3) Recovering networks and services in times of disaster

In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, measures will be implemented to improve network reliability and prevent the halting of services.

In order to facilitate a prompt recovery in times of emergency or disaster, a Disaster Response Headquarters shall be established as expeditiously as possible.

[Internal Audits]

Internal audits are conducted for all aspects of business of the KDDI Group, and the adequacy and effectiveness of the internal control system is verified regularly. The results of internal audits are reported to the President, Representative Director with added suggestions for points that can be improved or revised, and a report is also made to the Audit & Supervisory Board Members.

[Systems for Ensuring Appropriate Business Operations of the Corporate Group]

The Company aims to further establish and maintain group management systems, as well as provide support and management for the construction of internal control systems for each Group company and support the efficient and appropriate operation of these systems, thus ensuring appropriate business operations across the entire KDDI Group.

Consolidated Financial Statements

Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2014		(Reference) As of March 31, 2013		Account item	As of March 31, 2014		(Reference) As of March 31, 2013	
(Assets)					(Liabilities)				
I Noncurrent assets		3,400,157		2,834,129					
A Noncurrent assets-									
telecommunications business		1,926,650		1,877,799	I Noncurrent liabilities		979,830		884,439
(1) Property, plant and equipment*		1,764,732		1,667,538	1 Bonds payable		204,998		259,997
1 Machinery	2,289,845		2,720,146		2 Convertible bond-type bonds				
Accumulated depreciation	1,639,249	650,596	2,128,510	591,635	with subscription rights to				
2 Antenna facilities	628,703		627,774		shares		—		200,666
Accumulated depreciation	286,331	342,372	294,753	333,020	3 Long-term loans payable		518,697		244,727
3 Local line facilities	401,769		390,884		4 Provision for retirement				
Accumulated depreciation	281,106	120,662	262,959	127,925	benefits		—		13,509
4 Long-distance line facilities	103,007		103,350		5 Net defined benefit liability		17,339		—
Accumulated depreciation	98,425	4,582	99,312	4,037	6 Provision for point service				
5 Engineering facilities	65,476		64,789		program		76,338		91,582
Accumulated depreciation	42,024	23,451	40,359	24,429	7 Other noncurrent liabilities		162,455		73,955
6 Submarine line facilities	46,334		51,590						
Accumulated depreciation	43,176	3,157	46,465	5,124	II Current liabilities		1,048,936		877,195
7 Buildings	371,535		385,585		1 Current portion of noncurrent				
Accumulated depreciation	209,097	162,437	223,139	162,446	liabilities		233,466		176,436
8 Structures	81,233		80,155		2 Notes and accounts				
Accumulated depreciation	55,168	26,065	52,288	27,867	payable-trade		87,232		82,753
9 Land		247,865		247,892	3 Short-term loans payable		95,255		88,256
10 Construction in progress		156,710		116,760	4 Accounts payable-other		349,011		287,084
11 Other tangible assets*	112,856		113,083		5 Accrued expenses		26,732		22,999
Accumulated depreciation	86,025	26,831	86,685	26,397	6 Income taxes payable		125,364		104,773
(2) Intangible assets		197,918		210,260	7 Advances received		55,254		62,807
1 Right of using facilities		11,164		10,141	8 Provision for bonuses		28,771		20,765
2 Software		157,035		172,510	9 Provision for loss on the Great				
3 Goodwill		21,047		19,580	East Japan Earthquake		—		49
4 Other intangible assets		8,671		8,027	10 Other current liabilities		47,848		31,269
					Total liabilities		2,028,767		1,761,635

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

(Unit: Millions of yen)

Account item	As of March 31, 2014		(Reference) As of March 31, 2013		Account item	As of March 31, 2014		(Reference) As of March 31, 2013	
B Incidental business facilities		918,476		256,233	(Net assets)				
(1) Property, plant and equipment*	852,423		307,827						
Accumulated depreciation	479,146	373,276	145,407	162,419					
(2) Intangible assets		545,200		93,813	I Shareholders' equity		2,657,702		2,218,581
C Investments and other assets		519,029		700,097	1 Capital stock		141,851		141,851
1 Investment securities		91,509		81,787	2 Capital surplus		385,942		367,144
2 Stocks of subsidiaries and affiliates		41,480		348,169	3 Retained earnings		2,291,730		2,055,586
					4 Treasury stock		(161,821)		(346,001)
3 Investments in capital of subsidiaries and affiliates		274		219	II Accumulated other comprehensive income		65,688		31,213
4 Long-term prepaid expenses		245,184		118,863	1 Valuation difference on available-for-sale securities		45,731		38,882
5 Net defined benefit asset		20,103		–	2 Deferred gains or losses on hedges		(1,584)		(1,598)
6 Deferred tax assets		79,314		114,577	3 Foreign currency translation adjustment		15,189		(6,070)
7 Other investment and other assets		50,739		47,497	4 Remeasurements of defined benefit plans		6,352		–
Allowance for doubtful accounts		(9,575)		(11,015)					
II Current assets		1,545,599		1,250,869					
1 Cash and deposits		222,050		96,952					
2 Notes and accounts receivable-trade		1,094,919		971,244					
3 Accounts receivable-other		68,297		61,477	III Subscription rights to shares		39		574
4 Short-term investment securities		273		231					
5 Supplies		86,060		56,942	IV Minority interests		193,558		72,994
6 Deferred tax assets		51,352		58,768					
7 Other current assets		44,177		25,524					
Allowance for doubtful accounts		(21,532)		(20,271)	Total net assets		2,916,989		2,323,363
Total assets		4,945,756		4,084,999	**Total liabilities and net assets**		4,945,756		4,084,999

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

Consolidated Statements of Income

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2014	(Reference) The fiscal year ended March 31, 2013
I Operating income and loss from telecommunications		
(1) Operating revenue	2,609,157	2,432,726
(2) Operating expenses	1,826,481	1,840,571
1 Business expenses	684,468	671,839
2 Operating expenses	40	43
3 Facilities maintenance expenses	260,092	269,984
4 Common expenses	2,796	2,445
5 Administrative expenses	83,713	76,020
6 Experiment and research expenses	6,715	6,311
7 Depreciation	362,057	371,965
8 Noncurrent assets retirement cost	18,621	24,534
9 Communication facility fee	364,319	374,824
10 Taxes and dues	43,655	42,602
Net operating income from telecommunication	782,675	592,154
II Operating income and loss from incidental business		
(1) Operating revenue	1,724,471	1,229,562
(2) Operating expenses	1,843,901	1,309,047
Net operating income (loss) from incidental business	(119,430)	(79,485)
Operating income	663,245	512,669
III Non-operating income	19,752	20,992
1 Interest income	742	775
2 Dividends income	1,844	1,987
3 Equity in earnings of affiliates	—	3,898
4 Foreign exchange gains	5,144	3,376
5 Miscellaneous income	12,020	10,954
IV Non-operating expenses	20,110	19,240
1 Interest expenses	12,018	11,117
2 Equity in losses of affiliates	740	–
3 Miscellaneous expenses	7,350	8,122
Ordinary income	662,887	514,421
V Extraordinary income	8,089	2,150
1 Gain on sales of noncurrent assets	300	588
2 Gain on sales of investment securities	6,866	1,050
3 Gain on reversal of subscription rights to shares	—	512
4 Contribution for construction	923	–

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2014	(Reference) The fiscal year ended March 31, 2013
VI Extraordinary loss	50,347	104,860
1 Loss on sales of noncurrent assets	377	1,078
2 Impairment loss	8,695	80,549
3 Loss on retirement of noncurrent assets	—	22,712
4 Loss on valuation of investment securities	269	519
5 Loss on step acquisitions	38,457	–
6 Reduction entry of contribution for construction	922	–
7 Loss on business of subsidiaries and associates	1,623	–
Income before income taxes and minority interests	620,628	411,711
Income taxes-current	232,537	173,408
Income taxes-deferred	32,233	(11,160)
Income before minority interests	355,857	249,464
Minority interests in income	33,819	7,994
Net income	322,038	241,469

Consolidated Statements of Changes in Net Equity

The fiscal year ended March 31, 2014

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the end of previous period	141,851	367,144	2,055,586	(346,001)	2,218,581
Changes of items during the period					
Dividends from surplus			(85,894)		(85,894)
Net income			322,038		322,038
Purchase of treasury stock				(19)	(19)
Disposal of treasury stock		18,281		184,199	202,480
Other		516			516
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	18,798	236,143	184,179	439,121
Balance at the end of current period	141,851	385,942	2,291,730	(161,821)	2,657,702

(Unit: Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at the end of previous period	38,882	(1,598)	(6,070)	–	31,213	574	72,994	2,323,363
Changes of items during the period								
Dividends from surplus								(85,894)
Net income								322,038
Purchase of treasury stock								(19)
Disposal of treasury stock								202,480
Other								516
Net changes of items other than shareholders' equity	6,849	13	21,260	6,352	34,475	(534)	120,564	154,505
Total changes of items during the period	6,849	13	21,260	6,352	34,475	(534)	120,564	593,626
Balance at the end of current period	45,731	(1,584)	15,189	6,352	65,688	39	193,558	2,916,989

(Reference) The fiscal year ended March 31, 2013

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the end of previous period	141,851	367,104	1,879,087	(346,163)	2,041,879
Changes of items during the period					
Dividends from surplus			(64,970)		(64,970)
Net income			241,469		241,469
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		40		164	204
Other					
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	40	176,498	162	176,701
Balance at the end of current period	141,851	367,144	2,055,586	(346,001)	2,218,581

(Unit: Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at the end of previous period	36,442	(676)	(16,899)	–	18,866	1,128	66,749	2,128,624
Changes of items during the period								
Dividends from surplus					–			(64,970)
Net income					–			241,469
Purchase of treasury stock					–			(2)
Disposal of treasury stock					–			204
Other								
Net changes of items other than shareholders' equity	2,439	(921)	10,828	–	12,346	(554)	6,245	18,037
Total changes of items during the period	2,439	(921)	10,828	–	12,346	(554)	6,245	194,738
Balance at the end of current period	38,882	(1,598)	(6,070)	–	31,213	574	72,994	2,323,363

(Note) Amounts of items listed in the consolidated financial statements and others are rounded down to the nearest million yen.

(Reference)

Consolidated Statements of Cash Flows (Summary)

(Unit: Millions of yen)

Item	The fiscal year ended March 31, 2014	The fiscal year ended March 31, 2013
Net cash provided by (used in) operating activities	772,207	523,908
Net cash provided by (used in) investing activities	(546,257)	(472,992)
Free cash flow *	225,950	50,915
Net cash provided by (used in) financing activities	(105,643)	(140,249)
Effect of exchange rate change on cash and cash equivalents	4,365	2,430
Net increase (decrease) in cash and cash equivalents	124,671	(86,903)
Cash and cash equivalents at beginning of period	87,288	174,191
Increase in cash and cash equivalents resulting from merger	569	—
Cash and cash equivalents at end of period	212,530	87,288

* 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 and amortization, ¥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, etc.
The sum of cash flows from operating and investing activities showed a net inflow 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.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2014		(Reference) As of March 31, 2013		Account item	As of March 31, 2014		(Reference) As of March 31, 2013	
(Assets)					(Liabilities)				
I Noncurrent assets		2,783,144		2,744,131					
A Noncurrent assets-									
telecommunications business		1,808,656		1,734,761					
(1) Property, plant and equipment*		1,635,850		1,544,444	I Noncurrent liabilities		478,406		842,592
1 Machinery	2,201,446		2,634,085		1 Bonds payable		204,998		259,997
Accumulated depreciation	1,571,528	629,917	2,060,461	573,624	2 Convertible bond-type bonds				
2 Antenna facilities	618,531		617,247		with subscription rights to				
Accumulated depreciation	282,131	336,400	290,162	327,085	shares		—		200,666
3 Terminal facilities	9,874		10,433		3 Long-term loans payable		164,790		242,648
Accumulated depreciation	7,684	2,189	7,921	2,511	4 Lease obligations		57		92
4 Local line facilities	192,570		192,808		5 Provision for retirement				
Accumulated depreciation	144,218	48,352	137,603	55,205	benefits		12,786		10,355
5 Long-distance line facilities	99,683		99,953		6 Provision for point service				
Accumulated depreciation	95,226	4,456	96,066	3,887	program		75,103		89,970
6 Engineering facilities	62,386		61,778		7 Provision for warranties for				
Accumulated depreciation	40,723	21,662	39,162	22,615	completed construction		5,544		5,409
7 Submarine line facilities	48,268		53,527		8 Asset retirement obligations		1,839		2,445
Accumulated depreciation	44,614	3,654	47,808	5,718	9 Other noncurrent liabilities		13,286		31,007
8 Buildings	347,967		366,255						
Accumulated depreciation	197,735	150,232	212,143	154,111					
9 Structures	78,136		77,461						
Accumulated depreciation	52,633	25,502	50,168	27,293	II Current liabilities		825,012		836,064
10 Machinery and equipment	6,413		7,355		1 Current portion of noncurrent				
Accumulated depreciation	6,277	136	7,161	193	liabilities		162,857		168,868
11 Vehicles	1,176		1,097		2 Accounts payable-trade		57,392		66,151
Accumulated depreciation	939	237	816	281	3 Short-term loans payable		151,516		147,315
12 Tools, furniture and fixtures	74,423		76,206		4 Lease obligations		34		207
Accumulated depreciation	57,462	16,961	58,873	17,333	5 Accounts payable-other		265,722		266,537
13 Land		245,474		245,595	6 Accrued expenses		6,809		6,409
14 Lease assets	368		1,147		7 Income taxes payable		102,886		92,683
Accumulated depreciation	280	87	862	285	8 Advances received		44,891		57,705
15 Construction in progress		150,585		108,702	9 Deposits received		12,008		13,548
(2) Intangible assets		172,805		190,317	10 Provision for bonuses		20,511		16,180
1 Right of using submarine					11 Provision for directors'				
line facilities		4,261		3,403	bonuses		193		158
2 Right of using facilities		11,049		10,022	12 Provision for loss on the				
3 Software		154,513		170,510	Great East Japan Earthquake		—		49
4 Goodwill		—		3,322	13 Asset retirement obligations		187		248
5 Patent right		0		0					
6 Leasehold right		1,426		1,426					
7 Other intangible assets		1,554		1,630					
					Total liabilities		1,303,419		1,678,657

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

(Unit: Millions of yen)

Account item	As of March 31, 2014		(Reference) As of March 31, 2013		Account item	As of March 31, 2014		(Reference) As of March 31, 2013	
B Incidental business facilities		47,747		36,325	(Net assets)				
(1) Property, plant and equipment*	51,535		35,388						
Accumulated depreciation	17,094	34,440	11,538	23,849					
(2) Intangible assets		13,306		12,475					
C Investments and other assets		926,740		973,044	I Shareholders' equity		2,667,669		2,194,582
1 Investment securities		82,146		76,230	1 Capital stock		141,851		141,851
					2 Capital surplus		385,942		367,144
2 Stocks of subsidiaries and affiliates		575,703		602,083	(1) Legal capital surplus	305,676		305,676	
3 Investments in capital		79		252	(2) Other capital surplus	80,266		61,468	
					3 Retained earnings		2,301,696		2,031,587
4 Investments in capital of subsidiaries and affiliates		10,110		8,380	(1) Legal retained earnings	11,752		11,752	
5 Long-term loans receivable		6		7	(2) Other retained earnings				
6 Long-term loans receivable from subsidiaries and affiliates		36,368		28,033	Reserve for advanced depreciation of noncurrent assets	627		627	
7 Long-term prepaid expenses		120,843		116,479					
8 Deferred tax assets		72,457		110,938	Reserve for special depreciation	2,680		981	
9 Other investment and other assets		38,284		41,266	General reserve	1,905,933		1,754,233	
Allowance for doubtful accounts		(9,259)		(10,627)	Retained earnings brought forward	380,702		263,992	
II Current assets		1,231,848		1,166,101	4 Treasury stock		(161,821)		(346,001)
1 Cash and deposits		55,668		52,840					
2 Notes receivable-trade		30		22					
3 Accounts receivable-trade		989,774		901,468					
4 Accounts receivable-other		36,056		38,057	II Valuation and translation adjustments		43,903		36,502
5 Supplies		74,590		50,663					
6 Prepaid expenses		17,919		11,516	1 Valuation difference on available-for-sale securities		43,903		36,502
7 Deferred tax assets		42,886		52,091					
8 Short-term loans receivable from subsidiaries and affiliates		28,899		71,244	III Subscription rights to shares		–		490
9 Other current assets		5,098		6,777					
Allowance for doubtful accounts		(19,076)		(18,581)					
					Total net assets		2,711,573		2,231,575
Total assets		4,014,992		3,910,233	**Total liabilities and net assets**		4,014,992		3,910,233

* As for the depreciable items of property, plant and equipment, the figure in the accumulated depreciation row in the left column indicates the accumulated depreciation amount, and the same in the right column indicates the amount of each item after deducting the accumulated depreciation.

Non-Consolidated Statements of Income

(Unit: Millions of yen)

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

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2014	(Reference) The fiscal year ended March 31, 2013
VI Extraordinary loss	29,859	102,479
1 Loss on sales of noncurrent assets	317	1,060
2 Loss on sales of stocks of subsidiaries and affiliates	3,713	—
3 Impairment loss	8,574	77,577
4 Loss on retirement of noncurrent assets	–	21,661
5 Loss on valuation of investment securities	269	517
6 Loss on valuation of stocks of subsidiaries and affiliates	15,742	1,662
7 Loss on exchange from business combination	200	–
8 Reduction entry of contribution for construction	922	–
9 Loss on liquidation of subsidiaries and associates	118	–
Income before income taxes	578,896	372,505
Income taxes-current	179,236	154,550
Income taxes-deferred	43,656	(13,393)
Net income	356,004	231,348

Non-Consolidated Statements of Changes in Net Equity

The fiscal year ended March 31, 2014

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,851	305,676	61,468	11,752	627	981	1,754,233	263,992
Changes of items during the fiscal year								
Dividends from surplus								(85,894)
Provision of general reserve						1,928		(1,928)
Reversal of reserve for special depreciation						(228)		228
Provision of general reserve							151,700	(151,700)
Net income								356,004
Purchase of treasury stock								
Disposal of treasury stock			18,281					
Other			516					
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	—	—	18,798	—	—	1,699	151,700	116,709
Balance at the end of current period	141,851	305,676	80,266	11,752	627	2,680	1,905,933	380,702

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(346,001)	2,194,582	36,502	490	2,231,575
Changes of items during the fiscal year					
Dividends from surplus		(85,894)			(85,894)
Provision of reserve for special depreciation		—			—
Reversal of reserve for special depreciation		—			—
Provision of general reserve		—			—
Net income		356,004			356,004
Purchase of treasury stock	(19)	(19)			(19)
Disposal of treasury stock	184,199	202,480			202,480
Other		516			516
Net changes of items other than shareholders' equity			7,400	(490)	6,909
Total changes of items during the fiscal year	184,179	473,087	7,400	(490)	479,997
Balance at the end of current period	(161,821)	2,667,669	43,903	—	2,711,573

(Reference) The fiscal year ended March 31, 2013

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,851	305,676	61,427	11,752	627	1,080	1,570,933	280,815
Changes of items during the fiscal year								
Dividends from surplus								(64,970)
Provision of reserve for special depreciation								
Reversal of reserve for special depreciation						(99)		99
Provision of general reserve							183,300	(183,300)
Net income								231,348
Purchase of treasury stock								
Disposal of treasury stock			40					
Other								
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	—	—	40	—	—	(99)	183,300	(16,823)
Balance at the end of current period	141,851	305,676	61,468	11,752	627	981	1,754,233	263,992

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(346,163)	2,028,002	35,807	1,037	2,064,847
Changes of items during the fiscal year					
Dividends from surplus		(64,970)			(64,970)
Provision of reserve for special depreciation					
Reversal of reserve for special depreciation		—			—
Provision of general reserve		—			—
Net income		231,348			231,348
Purchase of treasury stock	(2)	(2)			(2)
Disposal of treasury stock	164	204			204
Other					
Net changes of items other than shareholders' equity		—	695	(547)	147
Total changes of items during the fiscal year	162	166,580	695	(547)	166,728
Balance at the end of current period	(346,001)	2,194,582	36,502	490	2,231,575

(Note) Amounts of items listed in the consolidated financial statements and others are rounded down to the nearest million yen.

Independent Auditor's Report (Consolidated)

<u>Independent Auditors' Report</u>
<u>(English Translation)</u>

April 24, 2014

To the Board of Directors of
KDDI Corporation

PricewaterhouseCoopers Kyoto
Yukihiro Matsunaga, CPA
Designated and Engagement Partner
Yasushi Kouzu, CPA
Designated and Engagement Partner
Minamoto Nakamura, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act of Japan, the consolidated financial statements of KDDI Corporation ("the Company") and its subsidiaries which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net equity and the notes to the consolidated financial statements for the 30th fiscal year from April 1, 2013 to March 31, 2014.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with accounting principles generally accepted in Japan. This responsibility includes implementing and maintaining internal control deemed necessary by management relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers the Company's internal control relevant to the preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2014 and the consolidated results for the year then ended in conformity with accounting principles generally accepted in Japan.

Other Matters
We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notice to Readers:

The original consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net equity and the notes to the consolidated financial statements are written in Japanese.

Independent Auditor's Report (Non-Consolidated)

Independent Auditors' Report
(English Translation)

April 24, 2014

To the Board of Directors of
KDDI Corporation

PricewaterhouseCoopers Kyoto
Yukihiro Matsunaga, CPA
Designated and Engagement Partner
Yasushi Kouzu, CPA
Designated and Engagement Partner
Minamoto Nakamura, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, the financial statements of KDDI Corporation ("the Company") which consist of the balance sheet, the statement of income, the statement of changes in net equity, the notes to the financial statements and the supplementary schedules thereof for the 30th fiscal year from April 1, 2013 to March 31, 2014.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of the financial statements and supplementary schedules thereof that give a true and fair view in accordance with accounting principles generally accepted in Japan. This responsibility includes implementing and maintaining internal control deemed necessary by management relevant to the preparation and fair presentation of the financial statements and supplementary schedules thereof that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements and supplementary schedules thereof based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supplementary schedules thereof are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and supplementary schedules thereof. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and supplementary schedules thereof, whether due to fraud or error. In making those risk assessment, the auditor considers the Company's internal control relevant to the preparation of the financial statements and supplementary schedules thereof that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and supplementary schedules thereof.
We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

Opinion
In our opinion, the financial statements and supplementary schedules thereof present fairly, in all material respects, financial position of the Company as of March 31, 2014 and the results for the year then ended in conformity with accounting principles generally accepted in Japan.

Other Matters
We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notice to Readers:

The original financial statements, which consist of the balance sheet, the statement of income, the statement of changes in net equity, the notes to the financial statements and the supplementary schedules thereof are written in Japanese.

Audit & Supervisory Board's Report

Audit & Supervisory Board's Report

The Audit & Supervisory Board of KDDI Corporation ("the Company") hereby submits its audit report regarding the performance of duties of the Directors during the 30th fiscal year from April 1, 2013 to March 31, 2014, which has been prepared through discussions based on the audit reports prepared by each of the Audit & Supervisory Board Members.

1. Audit Method and Details by Audit & Supervisory Board Members and the Audit & Supervisory Board

   The Audit & Supervisory Board has established audit policies, plans and other matters for the fiscal year under review, received reports from each Audit & Supervisory Board Member about the status of implementation and results of audits as well as reports from the Directors and Accounting Auditors about the status of execution of their duties, and requested them to provide explanation when needed.

   In accordance with the "Internal Auditing Rules" established by the Audit & Supervisory Board as well as the audit policies and plans for the fiscal year under review, each Audit & Supervisory Board Member has closely communicated with Directors, relevant personnel of the Internal Audit Department and other employees in order to collect necessary information and improve the auditing environment. The Audit & Supervisory Board Members have also attended the Board of Directors meetings and other important meetings, received reports from the Directors and employees about the status of execution of their duties, and requested them to provide explanation when needed. The Audit & Supervisory Board Members have reviewed important authorized documents and examined the status of business operations and financial position of the Company and its principle offices.

   In addition, with respect to the Company's internal control system established in accordance with Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act as a system to "ensure the compliance of execution of duties by Directors with laws and regulations and the Articles of Incorporation" and to "ensure compliance of the execution of business operations by a corporation" as described in the Business Report, the Audit & Supervisory Board has received reports on a regular basis about the resolutions of the Board of Directors regarding the improvement of the internal control system as well as its structure and implementation status, and requested explanation and provided advice when needed.

   Furthermore, the Audit & Supervisory Board has received reports from the Directors and the PricewaterhouseCoopers Kyoto about the evaluation and the status of audits of internal control over financial reporting, and requested them to provide explanation when needed.

   The Audit & Supervisory Board has closely communicated and exchanged information with the Directors and Audit & Supervisory Board Members of the Company's subsidiaries, and received reports from them about the status of their business operations. In the manner explained above, the Audit & Supervisory Board has examined the Business Report and the supplementary schedules prepared for the fiscal year under review.

   The Audit & Supervisory Board has supervised and verified whether the Accounting Auditors maintain their independence and performed appropriate audits, by receiving reports from them on the status of execution of their duties and requesting them to provide explanation when needed. In addition, the Audit & Supervisory Board has received confirmation from the Accounting Auditors that the "systems necessary to ensure that duties are executed properly" (matters set forth in each item of Article 131 of the Ordinance on Accounting of Companies) had been developed in accordance with the "Quality Control Standards for Auditing" (Business Accounting Council; October 28, 2005) and other standards, and requested them to provide explanation when needed.

   Based on the above method, the Audit & Supervisory Board has examined the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net equity and the notes to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net equity and the notes to the consolidated financial statements) for the fiscal year under review.

2. Audit Results
    (1) Audit results regarding the Business Report and the supplementary schedules
        a. In our opinion, the Business Report and the supplementary schedules fairly represent the Company's conditions in accordance with applicable laws and regulations and the Articles of Incorporation.
        b. We found no evidence of wrongful action or material violation of laws and regulations or the Articles of Incorporation by any of Directors of the Company in executing their duties.
        c. In our opinion, the resolutions of the Board of Directors regarding the Company's internal control system are fair and reasonable. We found no issues or concerns regarding the reports on the internal control system described in the Business Report as well as the status of execution of duties by the Directors.
    (2) In our opinion, the audit method employed and the results reported by PricewaterhouseCoopers Kyoto are fair and reasonable.
    (3) Audit results regarding the consolidated financial statements
        In our opinion, the audit method employed and the results reported by PricewaterhouseCoopers Kyoto are fair and reasonable.

April 30, 2014

Full-time Audit & Supervisory Board Member, Masataka Iki
Full-time Audit & Supervisory Board Member, Yoshinari Sanpei
Full-time Audit & Supervisory Board Member
(Outside Audit & Supervisory Board Member), Takeshi Abe
Outside Audit & Supervisory Board Member, Kishichiro Amae
Outside Audit & Supervisory Board Member, Yukihisa Hirano

Notice to Readers:

The original financial statements, which consist of the balance sheet, the statement of income, the statement of changes in net equity, the notes to the financial statements and the supplementary schedules, and the original consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net equity and the notes to the consolidated financial statements thereof are written in Japanese.

To Shareholders

Internet Disclosure of the Notice of Convocation of the 30th Annual Shareholders Meeting

Notes for Consolidated Financial Statements
Notes for Non-Consolidated Financial Statements
(from April 1, 2013 to March 31, 2014)

KDDI Corporation

In accordance with the applicable laws and regulations, and the provisions of Article 17 of the Company's Articles of Incorporation, the aforesaid information is deemed to have been provided to the shareholders by being available at the Company's following website:
(http://www.kddi.com/english/corporate/ir/shareholder/meeting/20140618/index.html).

"Notes for Consolidated Financial Statements" and "Notes for Non-Consolidated Financial Statements" are part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by Audit & Supervisory Board Members and Accounting Auditor in the preparation of the Report of Independent Auditors.

Notes for Consolidated Financial Statements

(Important Items That Form the Basis of Preparing Consolidated Financial Statements, etc.)

1. Scope of consolidation
   (1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries of KDDI Corporation ("the Company")
   - Number of consolidated subsidiaries: 152
   - Principal 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
     * 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) did not significantly affect consolidated financial statements.

2. Application of equity method
   (1) Numbers of non-consolidated subsidiaries and affiliates accounted for by the equity method and names of principal affiliates
   - Number of affiliates accounted for by the equity method: 28
   - Principal affiliates:
     Kyocera Communication Systems Co., Ltd., UQ Communications Inc., Jibun Bank Corporation, Mobaoku Co., Ltd., MOBICOM Corporation

   (2) Names, etc. of non-consolidated subsidiaries and affiliates not accounted for by the equity method
   - Principal affiliates:
     Non-consolidated subsidiary: ATTRACT INC.
     Affiliate: CJSC Vostoktelecom
   - Reasons for not being accounted for by the equity method:
     Because of its small scale of business, the net income/loss and retained earnings (the amounts equivalent to the Company's interest in the companies) of the above companies did not significantly affect the consolidated financial statements under review.

   (3) Special note in regard to procedures for applying the equity method
   For non-consolidated subsidiaries and affiliates accounted for by the equity method whose fiscal year ends differ from that of the consolidated fiscal year under review, their financial statements with such year ends were used for the consolidated financial statements under review.

3. Changes in the scope of consolidation and the scope of application of the equity method
   (1) Scope of consolidation
   (Newly 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.

* 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) Scope of application of the equity method

(Newly 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

4. Fiscal years of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year end of 78 companies, including KDDI America, Inc., KDDI Europe Limited, is December 31 of each year. For the preparation of consolidated financial statements, the Company uses their financial statements as of December 31 and makes adjustments as necessary for consolidation in relation to significant transactions during the period between their year-end date and the Company's consolidated year-end date.
In addition to the above-stated items, 1 company's settlement of accounts is provisional as of March 31, 2014.

5. 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)
- Available-for-sale securities

a): Available-for-sale securities for which market quotations are available are stated at fair value prevailing at the balance sheet date. Unrealized gains and losses are directly included in net assets. The cost of securities sold is determined by the moving-average method.

b): Available-for-sale 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 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 of major assets

1) Property, plant and equipment other than lease 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 lives of major assets are as follows:

Machinery: 9 years

Antenna facilities, buildings, structures, local line facilities, and engineering facilities: 10 to 38 years

2) Intangible assets other than lease 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) Lease assets
Lease assets under financial lease transactions that do not transfer ownership rights of the assets to the lessees are depreciated and amortized under the straight-line method based on the lease term as the useful life and residual value of zero.
Of finance lease transactions that do not transfer the ownership rights of the assets to the lessees, the lease transactions whose inception date is on or before March 31, 2008 are continuously accounted for by a method similar to that applicable to ordinary operating lease transactions.

4) Long-term prepaid expenses: straight-line method

(3) Principle for calculation of significant allowances

1) Allowance for doubtful accounts
To prepare for uncollectible credits, general allowance is recorded based on the actual bad debt ratio, and allowance for specific doubtful accounts is recorded based on the amount deemed to be uncollectible considering the individual collectability.

2) Provision for point service program
In order to prepare for the future cost generated from the utilization of points that customers have earned under the point services such as "au Point Program," the Company records based on its past experience the amount considered to be appropriate to cover future utilization of the points during or after the next fiscal year.

3) Provision for bonuses
To allow for the payment of bonuses to employees, the Company records the estimated amounts of bonuses to be paid based on the internal standards.

(4) Other important matters for the basis of preparing consolidated financial statements

1) Accounting method for deferred assets
Bond issuance expenses:
Recorded as expenses when incurred

2) Standards for foreign currency translation of important foreign currency-denominated assets and liabilities
All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the balance sheet date. Gains and losses on such foreign spot exchanges are included in income or loss for the fiscal year under review. All assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the spot 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 fiscal year under review, and translation adjustments are included in "Foreign currency translation adjustment" and "Minority interests" under "Net assets."

3) Significant hedge accounting methods
(1) Hedge accounting methods
The Company 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.

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 they arise.

5) Amortization method and term for goodwill
Goodwill is amortized under the straight-line method over a period of 5 to 20 years. However, small amounts of goodwill incurred during the fiscal year under review are recognized as expenses for the fiscal year.

6) 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 fiscal year under review.

6. Application of the Rules for Telecommunications Business Accounting
Consolidated financial statements of the Company are prepared based on the "Company Calculation Rules" (Ordinance of the Ministry of Justice No. 13 of February 7, 2006), and in accordance with these regulations and the "Rules for Telecommunications Business Accounting" (Ordinance of Ministry of Posts and Telecommunications No. 26 of 1985).

(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 liability of ¥17,339 million, increased accumulated other comprehensive income by ¥6,352 million, and decreased minority interests by ¥123 million.

(Changes in Presentation)

(Consolidated Statements of Income)

"Compensation expenses" under "Non-operating expenses" listed as a separate item 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.

(Consolidated Balance Sheets)

1. Assets pledged as collateral

Assets pledged as collateral and secured liabilities:

Machinery	¥215 million
Local line facilities	¥138 million
Engineering facilities	¥15 million
Submarine line facilities	¥2 million
Buildings	¥128 million
Structures	¥2 million
Other tangible assets	¥1,008 million
Investment securities	¥891 million
Stocks of subsidiaries and affiliates (Note)	¥767 million
Other investments and other assets	¥77 million
Cash and deposits	¥200 million
Short-term investment securities	¥273 million
Total	¥3,721 million

(assets denominated in foreign currencies included: US$11 million)

Corresponding liabilities:

Long-term loans payable	¥22,873 million
Current portion of noncurrent liabilities	¥254 million
Notes and accounts payable- trade	¥201 million
Short-term loans payable	¥3,397 million
Total	¥26,727 million

(liabilities denominated in foreign currencies included: US$21 million)

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

In compliance with 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 the corporate bonds issued.

Bonds	¥20,000 million

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

Investment securities	¥3,004 million
Cash and deposits	¥2,500 million

2. Contingent liabilities

(1) Guarantor for loans	¥117,700 million
(2) Guarantor for forward exchange contracts	¥3,689 million
(3) Contingent liabilities existing in cable system supply contract	¥5,146 million

3. Reduction entry amount of noncurrent assets

Reduction entry amount due to contribution for construction (cumulative total) ¥23,060 million

(Consolidated Statements of Changes in Net Assets)

1. Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2013	Increase during the fiscal year ended March 31, 2014	Decrease during the fiscal year ended March 31, 2014	As of March 31, 2014
Shares outstanding				
Common stock	448,481,800	448,481,800	–	896,963,600
Total	448,481,800	448,481,800	–	896,963,600
Treasury stock				
Common stock	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

(The reason of the above changes)

1. The increase of 448,481,800 shares in the total number of issued shares of common stock is due to a 1:2 share split (effective date: April 1, 2013).
2. The increase of 66,273,882 shares in treasury stock of common stock was attributable to a 1:2 share split (effective date: April 1, 2013), which accounted for 66,269,400 shares; and purchase of shares less than one unit, accounting for 4,482 shares.
3. The decrease of 70,558,334 in treasury stock of common 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. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 19, 2013 Annual shareholders meeting	Common stock	¥36,310 million	¥95	March 31, 2013	June 20, 2013
October 28, 2013 Meeting of the Board of Directors	Common stock	¥49,584 million	¥60	September 30, 2013	November 27, 2013
Total		¥85,894 million			

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

As a proposal of the annual shareholders meeting to be held on June 18, 2014, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends	¥58,448 million
2) Dividends per share (Note)	¥70
3) Record date	March 31, 2014
4) Effective date	June 19, 2014

The dividends shall be paid from retained earnings.

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

(Financial Instruments)

1. Status of financial instruments

(1) Policy relating to financial instruments

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

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

Trade receivables such as notes and accounts receivable-trade and accounts receivable-other are exposed to credit risk in relation to customers and trading partners. For such risk, the Group has established a system that manages the due dates and balances of each customer and trading partner as well as conducts analysis of their credit status, based on the criteria of each of the Group's companies for managing credit exposure.

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

Almost all trade payables such as notes and accounts payable-trade, accounts payable-other, accrued expenses and income taxes payable have payment due dates within one year. Those trade payables are exposed to liquidity risk at the time of settlement. However, the Group reduces 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 investments and other investments 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, the Group uses interest rate swap transactions as a hedging method on an individual contract basis in principle.

As for the market risk pertaining to transactions, the Group uses derivative transactions for the purpose of avoiding risks existing in assets and liabilities on the consolidated balance sheets, and interest transactions bear interest rate fluctuation risk.

Furthermore, the Group determines that there is small credit risk resulting from default of contracts with financial institutions because the Group's derivative transactions are conducted with the financial institutions with high credit ratings.

Based on the internal rules and their supplemental provisions of each company of the Group, derivative transactions shall be conducted between the finance/accounting divisions and the financial institutions with high credit ratings, subject to obtaining approval for each derivative transaction by authorized persons stipulated in the relevant authorization rules.

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

The market values of financial instruments include prices based on market prices, or reasonably estimated prices if there are no market prices. Since the calculation of market values involves fluctuating factors, these values are subject to change when different assumptions are used.

2. Market value of financial instruments

Amounts recognized in the consolidated balance sheet, market values, and the differences between them as of March 31, 2014, are as shown below. Items for which it is extremely difficult to determine market values are not included in the following table (see Note 2).

(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 *1	(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
Available-for-sale 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 *2	299,998	310,191	10,192
13) Long-term loans payable *2	638,706	643,471	4,764
Total liabilities	1,622,301	1,637,258	14,957
Derivatives transactions *3	900	900	–

*1: Allowance for doubtful accounts relating to 2) Notes and accounts receivable-trade is deducted.

*2: This includes bonds payable and long-term loans payable under current portion of noncurrent liabilities.

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

Note 1: Method for calculation of the market value of financial instruments, notes to securities and derivative transactions

Assets

1) Cash and deposits, 2) Notes and accounts receivable-trade, 3) Accounts receivable-other, and 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 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 market value is calculated accordingly.

5) Investment securities and 6) Stocks of subsidiaries and affiliates

With respect to the market values, the market prices at the stock exchanges are used.

Liabilities

7) Notes and accounts payable-trade, 8) Short-term loans payable, 9) Accounts payable-other, 10) Accrued expenses, and 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 book values are used.

12) Bonds payable, and 13) Long-term loans payable

The market value of bonds payable is calculated based on a market price. The market value of long-term loans payable is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest. However, long-term loans payable with variable interest rates are based on the condition that interest rates are revised periodically, and their market values are almost the same as their book values; therefore, the book values are used.

Derivatives transactions

Fair values for derivative transactions are calculated, based on prices offered by financial institutions.

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

(Unit: Millions of yen)

	Book value
Investment securities Unlisted equity securities	17,133
Stocks of subsidiaries and affiliates Unlisted equity securities	36,200
Investments in capital of subsidiaries and affiliates	274

Because their market values are not available and extremely difficult to determine, they are not included in the above table.

(Per Share Information)

1. Net assets per share ¥3,261.63
2. Net income per share ¥398.60

(Other Notes)

(Consolidated Statements of Income)

1. Gain on sales of noncurrent assets ¥300 million
   Gain on sales of noncurrent assets consists of gain on sales of real estate of ¥9 million due to the sale of land, etc. and gain on sales of other facilities of ¥290 million.

2. Loss on sales of noncurrent assets ¥377 million
   Loss on sales of noncurrent assets consists of loss on sales of real estate of ¥7 million due to the sale of land, etc. and loss on sales of other facilities of ¥370 million.

3. Impairment loss ¥8,695 million
   During the fiscal year under review, the KDDI Group recorded impairment loss mainly on the following assets and asset groups.

(Unit: Millions of yen)

Location	Purpose of use	Item	Impairment loss
KDDI Corporation Domestic transmission line facilities, idle assets, etc. (Tokyo, etc.)	Mainly telecommunications business	Local line facilities, machinery, etc.	8,541

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, and ¥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, and ¥38 million from others.

(Business Combination)

Business combination through acquisition

I The Company acquired through public tender additional shares in Jupiter Telecommunications Co., Ltd. ("J: COM") in the first quarter of the fiscal year ended March 31, 2014. And in accordance with effective control standards, J: COM was converted to a consolidated subsidiary.

1. Overview of business combination

(1) Name 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	¥376,835 million ¥41,623 million ¥454,547 million ¥812,030 million

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

(2) Main reason for the 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 Japan Cablenet Limited, consolidated subsidiary as of the date of business combination, (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) % of voting rights acquired

Voting rights held immediately 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%

As of the date of business combination, 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%). Accordingly, the Company holds 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. Breakdown of acquisition cost of the acquired company
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 ¥361,317 million
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.

<u>Business combination through acquisition</u>
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.

Note: Amounts of items listed in the consolidated financial statements and others are rounded down to the nearest million yen.

Notes for Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for major assets

   (1) Securities

   Stocks of subsidiaries and affiliates

   Valued at cost determined by the moving-average method

   Available-for-sale securities

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

   Available-for-sale securities for which market quotations are not available are valued at cost determined by the moving-average method.

   (2) Inventories

   Supplies

   Stated at cost 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 of noncurrent assets

   Property, plant and equipment other than lease assets

Machinery:	mainly declining-balance method
Property, plant and equipment other than machinery:	straight-line method

   Useful lives of major assets are as follows:

Machinery:	9 years
Antenna facilities, buildings, local line facilities, engineering facilities and structures:	10 to 38 years

   Intangible assets: straight-line method

   Software for internal use is amortized under the straight-line method over the expected useful lives (5 years).

   Lease assets

   Lease assets under financial lease transactions that do not transfer ownership rights of the assets to the lessees are depreciated and amortized under the straight-line method based on the lease term as the useful life and residual value of zero.

   Long-term prepaid expenses: straight-line method

3. Principle for calculation of allowances

   Allowance for doubtful accounts

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

   Provision for retirement benefits

   To prepare for the retirement of employees, the Company records the amount to be accrued as of March 31, 2014 based on projected benefit obligations and estimated value of plan assets as of March 31, 2014. When calculating retirement benefit obligations, the straight-line method is used for attributing expected retirement benefits to periods through March 31, 2014.

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

   Provision for point service program

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

Provision for warranties for completed construction

To prepare for the cost of a guarantee against defects pertaining to construction work for a submarine cable system for which delivery has been completed, a provision is recorded based on an estimate of a warranty without charge during the term of the guarantee.

Provision for bonuses

To allow for the payment of bonuses to employees, the Company records the estimated amounts of bonuses to be paid based on the internal standards.

Provision for directors' bonuses

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

4. Other important matters for the basis of preparing non-consolidated financial statements

(1) Accounting method for deferred assets

Bond issuance expenses: recorded as expenses when incurred

(2) 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 fiscal year under review.

(3) The accounting treatment for unrecognized actuarial differences and unrecognized prior service costs in the non-consolidated financial statements is different from that in the consolidated financial statements.

(Changes in Presentation)

(Non-Consolidated Statements of Income)

"Compensation expenses" under "Non-operating expenses" listed as a separate item 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.

(Non-Consolidated Balance Sheets)

1. Assets pledged as collateral

(1) Assets pledged as collateral are as follows:

Stocks of subsidiaries and affiliates	¥767 million

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

(2) In compliance with 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 the corporate bonds issued.

Bonds	¥20,000 million

2. Contingent liabilities, etc.

(1) Guarantor for loans	¥117,745 million
(2) Management support promise note for loans	¥120 million
(3) Guarantor for office lease contract	¥6,529 million
(4) Contingent liabilities for cable system supply contract	¥5,146 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥36,368 million
Short-term monetary claims	¥45,793 million
Long-term monetary liabilities	¥300 million
Short-term monetary liabilities	¥91,499 million

4. Reduction entry amount of noncurrent assets

Reduction entry amount attributable to aid for construction cost(cumulative total)	¥16,672 million

5. Total committed lines of credit and loans receivables outstanding
The Company provides financial assistance to and deposits surplus funds among its subsidiaries and affiliates in order to carry out efficient financing and management of funds within the Group. The total committed lines of credit and loans receivables outstanding in these activities are as follows.

Total committed lines of credit	¥29,384 million
Loans receivables outstanding	¥20,488 million
Remaining portion of credit line	¥8,895 million

The above activities are implemented taking into consideration the financial positions and fund raising status of the subsidiaries and affiliates.

(Non-Consolidated Statements of Income)

1. Transactions with subsidiaries and affiliates

Operating income from subsidiaries and affiliates	¥130,489 million
Operating expenses to subsidiaries and affiliates	¥259,597 million
Non-operating transactions with subsidiaries and affiliates	¥134,664 million

2. Gain on sales of noncurrent assets ¥291 million
Gain on sales of noncurrent assets consists of gain on sales of real estate of ¥9 million due to the sale of land, etc. and gain on sales of other facilities of ¥282 million.

3. Loss on sales of noncurrent assets ¥317 million
Loss on sales of noncurrent assets consists of loss on sales of real estate of ¥7 million due to the sale of land, etc. and loss on sales of other facilities of ¥310 million.

4. Impairment loss ¥8,574 million
During the fiscal year under review, the Company recorded impairment loss mainly on the following assets and asset groups.

(Unit: Millions of yen)

Location	Purpose of use	Item	Impairment loss
Domestic transmission line facilities, idle assets, etc. (Tokyo, etc.)	Mainly telecommunications business	Local line facilities, machinery, etc.	8,574

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

As a result, during the fiscal year under review, for assets with declining utilization rates including some domestic transmission lines as well as idle assets, the Company reduced their book values to recoverable values. This reduction is recognized as impairment loss of ¥8,574 million under extraordinary loss, consisting of ¥7,229 million for local line facilities, ¥972 million for machinery and ¥373 million for others.
Further, the recoverable values for the said assets are estimated based on the net selling price. The calculation of market value is based on appraised values and other factors. The value of assets that are difficult to sell or convert to other uses is set at ¥0.

(Non-Consolidated Statements of Changes in Net Assets)

1. Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2013	Increase during the fiscal year ended March 31, 2014	Decrease during the fiscal year ended March 31, 2014	As of March 31, 2014
Shares outstanding				
Common stock	448,481,800	448,481,800	–	896,963,600
Total	448,481,800	448,481,800	–	896,963,600
Treasury stock				
Common stock	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

(The reason of the above changes)

1. The increase of 448,481,800 shares in the total number of issued shares of common stock is due to a 1:2 share split (effective date: April 1, 2013).
2. The increase of 66,273,882 shares in treasury stock of common stock was attributable to a 1:2 share split (effective date: April 1, 2013), which accounted for 66,269,400 shares; and purchase of shares less than one unit, accounting for 4,482 shares.
3. The decrease of 70,558,334 in treasury stock of common 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. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 19, 2013 Annual shareholders meeting	Common stock	¥36,310 million	¥95	March 31, 2013	June 20, 2013
October 28, 2013 Meeting of the Board of Directors	Common stock	¥49,584 million	¥60	September 30, 2013	November 27, 2013
Total		¥85,894 million			

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

As a proposal of the annual shareholders meeting to be held on June 18, 2014, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends ¥58,448 million
2) Dividends per share (Note) ¥70
3) Record date March 31, 2014
4) Effective date June 19, 2014

The dividends shall be paid from retained earnings.

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

(Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

(Unit: Millions of yen)

Deferred tax assets:	Provision for retirement benefits	1,671
	Provision for bonuses	8,138
	Excess amount of allowance for doubtful accounts, etc.	12,023
	Provision for point service program	26,736
	Denial of accrued expenses	4,239
	Excess amount of depreciation and amortization	22,510
	Denial of loss on retirement of noncurrent assets	6,279
	Denial of loss on valuation of inventories	2,034
	Accrued enterprise taxes	7,223
	Denial of impairment loss	39,021
	Denial of advances received	14,385
	Loss on valuation of investment securities	191
	Loss on valuation of stocks of subsidiaries and affiliates	9,507
	Other	1,036
	Deferred tax assets subtotal	155,000
	Valuation allowance	(12,028)
Total deferred tax assets		142,971
Deferred tax liabilities:	Reserve for special depreciation	(1,481)
	Valuation difference on available-for-sale securities	(24,107)
	Gain on exchange from business combination	(1,692)
	Other	(347)
Total deferred tax liabilities		(27,628)
Net deferred tax assets		115,343

(Additional Information)

(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 ¥4,348 million, with income taxes–deferred increasing by that same amount.

(Financial Instruments)

1. Status of financial instruments
   (1) Policy relating to financial instruments
   In light of plans for capital investments primarily for conducting telecommunications business, the Company raises the funds it requires through bank loans and bonds issuance. The Company manages temporary fund surpluses through financial assets that have high levels of safety. Further, the Company raises short-term working capital through bank loans. Regarding derivatives policy, the Company adheres to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.
   (2) Details of financial instruments, associated risk, and risk management system
   Trade receivables such as notes and accounts receivable-trade and accounts receivable-other are exposed to credit risk in relation to customers and trading partners. For such risk, the Company has established a system that manages the due dates and balances of each customer and trading partner as well as conducts analysis of their credit status, based on the Company's criteria for managing credit exposure.
   The Company is exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the shares of companies with which the Company has operational relationships, and periodic analysis of market values is reported to the Board of Directors.
   Almost all trade payables such as notes and accounts payable-trade, accounts payable-other, accrued expenses and income taxes payable have payment due dates within one year. Those trade payables are exposed to liquidity risk at the time of settlement. However, the Company reduces that risk by reviewing fund-raising plans every month.
   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 investments and other investments 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, the Company uses interest rate swap transactions as a hedging method on an individual contract basis in principle.
   As for the market risk pertaining to transactions, the Company uses derivative transactions for the purpose of avoiding risks existing in assets and liabilities on the non-consolidated balance sheets, and interest transactions bear interest rate fluctuation risk.
   Furthermore, the Company determines that there is small credit risk resulting from default of contracts with financial institutions because the Company's derivative transactions are conducted with the financial institutions with high credit ratings.
   Based on the internal rules and their supplemental provisions of the Company, derivative transactions shall be conducted between the finance/accounting divisions and the financial institutions with high credit ratings, subject to obtaining approval for each derivative transaction by authorized persons stipulated in the relevant authorization rules.
   (3) Supplementary explanation of items relating to the market value of financial instruments
   The market values of financial instruments include prices based on market prices, or reasonably estimated prices if there are no market prices. Since the calculation of market values involves fluctuating factors, these values are subject to change when different assumptions are used.

2. Market value of financial instruments
   Amounts recognized in the non-consolidated balance sheet, market values, and the differences between them as of March 31, 2014 are as shown below. Items for which it is extremely difficult to determine market values are not included in the following table (see Note 2).

(Unit: Millions of yen)

	Book value	Market value	Difference
1) Cash and deposits	55,668	55,668	–
2) Accounts receivable-trade	989,774		
Allowance for doubtful accounts *1	(19,076)		
	970,697	970,697	–
3) Accounts receivable-other	36,056	36,056	–
4) Investment securities Available-for-sale securities	71,087	71,087	–
5) Short-term loans receivable from subsidiaries and affiliates *2	20,488	20,488	–
6) Stocks of subsidiaries and affiliates	12,709	47,521	34,811
7) Long-term loans receivable from subsidiaries and affiliates *3	44,779	44,748	(30)
Total assets	1,211,487	1,246,268	34,781
8) Accounts payable-trade	57,392	57,392	–
9) Short-term loans payable	151,516	151,516	–
10) Accounts payable-other	265,722	265,722	–
11) Accrued expenses	6,809	6,809	–
12) Income taxes payable	102,886	102,886	–
13) Deposits received	12,008	12,008	–
14) Bonds payable *4	289,998	300,159	10,160
15) Long-term loans payable *4	242,648	245,764	3,116
Total liabilities	1,128,982	1,142,260	13,277

*1. Allowance for doubtful accounts relating to 2) Accounts receivable-trade is deducted.
*2. This excludes the current portion of long-term loans receivable from subsidiaries and affiliates under current assets.
*3. This includes the current portion of long-term loans receivable from subsidiaries and affiliates under current assets.
*4. This includes the current portion of bonds payable and long-term loans payable under noncurrent liabilities.

Note 1: Method for calculation of the market value of financial instruments, and notes to securities

1) Cash and deposits, 2) Accounts receivable-trade, 3) Accounts receivable-other, and 5) Short-term loans receivable from subsidiaries and affiliates

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

4) Investment securities and 6) Stocks of subsidiaries and affiliates

With respect to the market values, the market prices at the stock exchanges are used.

7) Long-term loans receivable from subsidiaries and affiliates

The market value of long-term loans receivable from subsidiaries and affiliates is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest.

8) Accounts payable-trade, 9) Short-term loans payable, 10) Accounts payable-other, 11) Accrued expenses, 12) Income taxes payable, and 13) Deposits received

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

14) Bonds payable, and 15) Long-term loans payable

The market values of bonds payable are calculated based on a market price. The market value of long-term loans payable is calculated by applying a discount rate based on the assumed interest rate if a new loan contract was entered into for the same amount as the total of principal and interest. However, long-term loans payable with variable interest rates are based on the condition that interest rates are revised periodically and their market values are almost the same as their book values; therefore, the book values are used.

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

(Unit: Millions of yen)

	Book value
Investment securities Unlisted equity securities	11,059
Stocks of subsidiaries and affiliates Unlisted equity securities	562,994
Investments in capital of subsidiaries and affiliates	10,110

Because their market values are not available and extremely difficult to determine, they are not included in the above table.

(Equity in net income (losses) of affiliates and others)

Amount of investments in affiliates	¥37,717 million
Amount of investments in affiliates based on equity method	¥41,754 million
Amount of equity in net loss of affiliates based on equity method	¥740 million

(Transactions with Related Parties)

Subsidiaries and affiliates, etc.

(Unit: Millions of yen)

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	Jupiter Telecommunications Co., Ltd.	Chiyoda-ku, Tokyo	37,550	Operation support for CATV companies and program distribution companies	Possession Direct 50.0 %
Affiliate	UQ Communications Inc.	Minato-ku, Tokyo	71,425	Wireless broadband services	Possession Direct 32.3 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2014
Sharing of concurrent positions by board members	Sales of shares of subsidiaries Proceeds from sales Gain on sales (Note 1)	105,000 25,266	– –	– –
Debt guarantee of loans	Debt guarantee (Note 2)	117,700	–	–
Sharing of concurrent positions by board members	Receiving of guarantee fee	255	Accounts receivable-other	58

Terms and conditions of transactions, and policies on such terms and conditions

Note 1: The selling price for sales of shares of subsidiaries to Jupiter Telecommunications Co., Ltd. was determined in consideration of a stock price evaluation report by an independent third party, and the payment condition was payment by lump sum.

Note 2: The debt guarantee for UQ Communications Inc. is to guarantee their bank borrowings, and the amount shown in "Amounts of Transaction" is the outstanding balance as of the fiscal year end.

(Per Share Information)

1. Net assets per share ¥3,247.48
2. Net income per share ¥440.64

The Company conducted a 1:100 share split on common stock with an effective date of October 1, 2012. The Company also conducted a 1:2 share split on common stock with an effective date of April 1, 2013. Net assets per share and net income per share have been calculated as if the share split was conducted at the beginning of the fiscal year under review.

(Application of Restrictions on Maximum Dividend Payments)

The Company is subject to restrictions on maximum dividend payments.

Note: Amounts of items listed in the non-consolidated financial statements and others are rounded down to the nearest million yen.