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 31ST 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/stock-rating/meeting/20150617/), 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 31st Annual Shareholders Meeting.

During the 31st fiscal year, which we considered the starting point for a new stage of growth, we moved forward with efforts to implement our core 3M Strategy (multi-network, multi-device, and multi-use) and took on new challenges to grow the business, which included launching au WALLET and entering a telecommunications business in Myanmar, part of our global strategy.

Turning to the earnings for the 31st fiscal year, we succeeded in achieving double digit growth in operating income for the second consecutive year on account of an increase in communication charges and valued-added sales, which were based on the 3M Strategy. This was possible because of the constant support of all our shareholders, and I would like to express my deep appreciation for this.

We will continue to deliver inspiration, security 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 29, 2015

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 31ST ANNUAL SHAREHOLDERS MEETING

You are cordially invited to attend the 31st 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 16, 2015,** or vote at the Exercise of Voting Rights Web site (http://www.evote.jp/).

1. Date and Time: Wednesday, June 17, 2015, 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 31st fiscal year from April 1, 2014 to March 31, 2015 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 31st fiscal year from April 1, 2014 to March 31, 2015

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Partial Changes to Articles of Incorporation
Proposal 3: Election of 13 Directors
Proposal 4: Introduction of a Performance-linked Stock Compensation Plan for Directors, Executive Officers, and Administrative Officers
Proposal 5: Disposal of Treasury Shares on Beneficial Terms to Support Activities of the KDDI Foundation, etc.

[The Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and Audit Reports to be attached to this Notice appear on pages 18 through 54.]

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 31st 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/stock-rating/meeting/20150617/), 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 17. 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 17, 2015, 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 16, 2015

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 16, 2015

   [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 16, 2015

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 intends to maintain 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 ¥20.00 per share 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.

(1) Type of dividends
    Cash
(2) Dividend amount to be allocated
    Per share of common stock: ¥90.00
    Total dividends: ¥75,148,074,540
(3) Effective date of dividends from surplus
    June 18, 2015

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:	¥206,200,000,000
Item and amount of decrease in surplus:	
Retained earnings brought forward:	¥206,200,000,000

Proposal 2: Partial Changes to Articles of Incorporation

This proposal partially amends the current Articles of Incorporation. The reason for the proposal and description of the changes are as follows.

1. Reason for Proposal

(1) The partial changes will be made to add sale of medical equipment, etc. and planning, management and sale of goods in healthcare-related business to the business purpose listed in Article 2 in the current Articles of Incorporation of the Company in order to prepare for our future business development.

(2) The "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014) came into force on May 1, 2015, and the conclusion of contracts for Limitation of Liability between the Company and a Director who is not an executive director, etc. and between the Company and an Audit & Supervisory Board Member who is not an External Audit & Supervisory Board Member has been newly allowed. Accordingly, to ensure that these Directors and Audit & Supervisory Board Members can adequately fulfil the role expected of them, the Company plans to make amendments, namely proposed Article 29 (Limitation-of-Liability Contracts with Directors) and proposed Article 37 (Limitation-of-Liability Contracts with Audit & Supervisory Board Member).
Note that consent has been obtained from each Audit & Supervisory Board Member for the amendments to Article 29 of the Articles of Incorporation.

2. Description of Changes

The changes are as follows.

(Changes are underlined.)

Present	Proposed articles
Article 1. (Details omitted)	Article 1. (Not changed)
Article 2. (Purpose) The purpose of the Company shall be to engage in the following businesses:	Article 2. (Purpose) The purpose of the Company shall be to engage in the following businesses:
(1) to (31) (Details omitted)	(1) to (31) (Not changed)
(Newly established)	<u>(32) Sale of medical equipment, etc. and planning, management and sale of goods in healthcare-related business; and</u>
<u>(32)</u> All business that are incidental to or related to those mentioned in the preceding items, and other necessary business to achieve the purpose for each of the foregoing items.	<u>(33)</u> All business that are incidental to or related to those mentioned in the preceding items, and other necessary business to achieve the purpose for each of the foregoing items.
Article 3. to Article 28. (Details omitted)	Article 3. to Article 28. (Not changed)
Article 29. (Limitation-of-Liability Contracts with <u>Outside Directors</u>) Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into individual contracts with each <u>Outside Director</u> limiting the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of the liability for damage based on said contracts is the amount prescribed in laws and regulations.	Article 29. (Limitation-of-Liability Contracts with <u>Directors</u>) Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into individual contracts with each <u>Director (excluding Directors who execute business, etc.)</u> limiting the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of the liability for damage based on said contracts is the amount prescribed in laws and regulations.

Present	Proposed articles
Article 30. to Article 36. (Details omitted)	Article 30. to Article 36. (Not changed)
Article 37. (Limitation-of-Liability Contracts with Outside Audit & Supervisory Board Member) Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into individual contracts with each Outside Audit & Supervisory Board Member limiting the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of the liability for damage based on said contracts is the amount prescribed in laws and regulations.	Article 37. (Limitation-of-Liability Contracts with Audit & Supervisory Board Member) Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into individual contracts with each Audit & Supervisory Board Member (excluding Audit & Supervisory Board Members who execute business, etc.) limiting the extent of liability for damage as provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of the liability for damage based on said contracts is the amount prescribed in laws and regulations.
Article 38. to Article 41. (Details omitted)	Article 38. to Article 41. (Not changed)

Proposal 3: Election of 13 Directors

The term of office of all 13 Directors will expire at the conclusion of this Annual Shareholders Meeting. With a view to strengthening the supervisory functions, we propose that the number of Outside Directors be increased by one person and that the 13 current Directors be elected again.
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) June 2014: Director of Daiwa Securities Group Inc. (Current position)	80,300 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)	16,300 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)	9,400 shares
4	Makoto Takahashi (October 24, 1961)	June 2007: Associate Senior Vice President, Director June 2010: Senior Vice President, Representative Director (Current position) April 2015: General Manager, Value Business Sector and Global Business Sector (Current position)	8,100 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 June 2014: Senior Vice President, Representative Director (Current position) April 2015: General Manager, Consumer Business Sector, Business Headquarters, Solution Business Sector, Media and CATV Business Division and Product & Customer Service Sector (Current position)	11,900 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)	4,400 shares

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held
7	Tsutomu Fukuzaki (January 23, 1953)	October 2006: Vice President April 2012: Associate Senior Vice President June 2013: Associate Senior Vice President, Director (Current position) April 2015: Associate General Manager, Consumer Business Sector General Manager, Consumer Marketing Division, Consumer Sales Division (Current position)	2,300 shares
8	Hidehiko Tajima (February 3, 1954)	April 2010: Vice President April 2013: Associate Senior Vice President June 2013: Associate Senior Vice President, Director (Current position) April 2015: General Manager, Global Business Sector (Current position)	3,300 shares
9	Yoshiaki Uchida (September 14, 1956)	April 2013: Vice President April 2014: Associate Senior Vice President General Manager, Technical Planning Division, Technology Sector (Current position) June 2014: Associate Senior Vice President, Director (Current position)	3,600 shares
10	Tetsuo Kuba (February 2, 1954) (Outside Director)	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)	1,800 shares
11	Nobuyori Kodaira (March 18, 1949) (Outside Director)	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
12	Shinji Fukukawa (March 8, 1932) (Outside Director) (Independent Director)	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 2012: Chairman of Toyo University (Current position) June 2014: Director (Current position)	1,200 shares
13	(New appointment) Kuniko Tanabe (April 1, 1945) (Outside Director) (Independent Director)	March 1973: Registered as attorney at law February 1982: Joined Tanabe & Partners Partner (Current position) June 2003: Audit & Supervisory Board Member of DAIDO METAL CO., LTD. (Current position) June 2011: Corporate Auditor of Disco Corporation (Current position)	200 shares

Notes: 1. The following candidates for Directors have special interests in 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. Tetsuo Kuba, Nobuyori Kodaira, Shinji Fukukawa and Kuniko Tanabe are candidates for Outside Directors.
4. Shinji Fukukawa and Kuniko Tanabe are candidates for independent director/auditor pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
5. The reasons the Company proposes to elect the candidates for Outside Director are as follows.

(1) We propose to elect Tetsuo Kuba and Nobuyori Kodaira in order to incorporate their effective viewpoints on management as members of major shareholders, as well as their extensive experience and wide knowledge as directors of other companies, in the supervision of the Company's business activities.

(2) We propose to elect Shinji Fukukawa in order to incorporate the extensive experience and wide knowledge he has gained from many years of practical experience in the public sphere and involvement in the business execution of various organizations in positions such as directors at these organizations, in the supervision of the Company's business activities.

(3) Although Kuniko Tanabe has not been involved in company management as a director in the past, we propose to elect Kuniko Tanabe in order to incorporate the extensive experience and wide knowledge she has gained as a partner at a law office in the supervision of the Company's business activities.

6. We plan to enter into a contract for Limitation of Liability with Tadashi Onodera, subject to the approval of Proposal 2, 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.
7. We have entered into contracts for Limitation of Liability with Tetsuo Kuba, Nobuyori Kodaira and Shinji Fukukawa 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 same agreement with Kuniko Tanabe.
8. The term of office of Tetsuo Kuba and Nobuyori Kodaira as Outside Director shall be 2 years at the conclusion of this Annual Shareholders Meeting.
9. The term of office of Shinji Fukukawa as Outside Director shall be 1 year at the conclusion of this Annual Shareholders Meeting.
10. The numbers of Company Shares held by the candidates for Directors stated above are the numbers that were held as of March 31, 2015.

Proposal 4: Introduction of a Performance-linked Stock Compensation Plan for Directors, Executive Officers, and Administrative Officers

The Company would like to introduce a performance-linked compensation plan in order to clarify that the compensation of directors, executive officers, and administrative officers is linked to performance and stock value and to raise awareness of contributing to greater medium and long term operating performance and corporate value. Details of the plan are provided below.

1. Reason for Proposal and type of compensation

Compensation by the Company for directors consists of both fixed compensation and performance-linked bonuses, and we request approval to introduce a performance-linked stock compensation plan (referred to as "the Plan" below) for directors and executive officers and administrative officers contractually bound to the Company (excluding those living overseas, outside directors and part-time directors) (referred to collectively as "Directors, etc." below).

We think that introducing the Plan is appropriate to clarify that the compensation of Directors, etc., is linked to operating performance and stock value and to raise awareness of contributing to greater medium and long term operating performance and corporate value.

In particular, this is different than the fixed-compensation ceiling (no more than 50 million yen per month) approved at the 30th Annual Shareholders Meeting held on June 18, 2014, and the performance-linked bonuses, which is in no more than 0.1% of net income for that fiscal year and was approved at the 27th Annual Shareholders Meeting held on June 16, 2011. The Company will pay Directors, etc., who serve during the three years starting this fiscal year and running through March 31, 2018 (referred to as the "Plan Period" below), new performance-linked stock compensation.

If Proposal 3, Election of 13 Directors, is approved as drafted, 9 directors, 18 executive officers, and 44 administrative officers will be eligible for the plan.

2. Amount and details of compensation, etc. for the Plan, etc.

(1) Plan summary and ceiling on amount to be contributed by the Company

This is a performance-linked stock compensation plan that delivers shares of the Company acquired by the trust (from the company (disposal of treasury shares) or market) to Directors, etc., who meet beneficiary requirements, in proportion to various factors including the degree that operating performance targets are met and their position. The source of funds for the Plan is compensation for Directors, etc., to be contributed by the Company (ceiling of 1,396 million yen).

(2) Method for calculating and ceiling on the number of shares that Directors, etc., acquire

The Company's shares are delivered to Directors, etc., in proportion to various factors including the degree that operating performance targets for the Plan Period are met and the director's position.

For each fiscal year during the Plan Period, each Director, etc., is awarded a certain number of points, and when Directors, etc., resign, a number of the Company's shares proportional to the total number of points they have accumulated are delivered. One share is delivered for each point.

The number of points for each fiscal year is decided upon taking into consideration various factors including the degree that operating performance targets are achieved for each fiscal year during the Plan Period and the person's position. The points are awarded by the first June after the end of that fiscal year.

It should be noted that in the case of a share split, reverse share split, etc., adjustments to points based on factors such as the share split ratio and reverse share split ratio shall be made if it is considered fair to do so.

The number of points awarded to each Director, etc., shall be decided upon as given below based on their grant percentage calculated taking into consideration the Company performance targets and the achievement level determined on the basis of Remuneration Advisory Committee findings, and their positions.

The Company performance targets:

operating revenue, operating income, and net income

Remuneration Advisory Committee reporting targets:

KPI numerical targets tied to growth of the Company's operations and increases in operating performance

Targets for operating performance and KPI numerical targets for each fiscal year during the plan period are set at the beginning of that particular fiscal year.

Calculation method:

Grant percentage calculated taking into consideration the operating performance attainment level x position-based points

The annual number of points for the Company's shares given to each Director, etc., through this Plan shall not exceed 200,000 points in total.

(3) Delivery of shares to Directors, etc.

Directors, etc., who resign and meet the beneficiary requirements can receive from the Trust a number of the Company's shares proportional to the total number of points they have at the time of their resignation by completing the designated beneficiary confirmation procedures. It should be noted that for shares less than one unit, Directors, etc., receive monies in a conversion cash amount corresponding to the number of the shares.

[Reference material]

Please refer to the following excerpts from the Introduction of a Stock Compensation Plan for Executives issued on April 14, 2015.

1. Purpose of introducing the plan

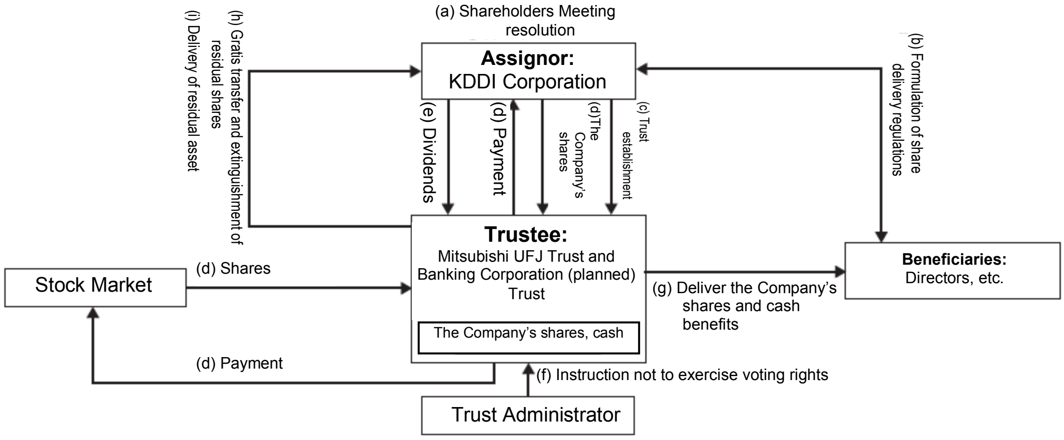
(1) The Company is examining introducing a performance-linked compensation plan in order to clarify that the compensation of Directors, etc., is linked to operating performance and stock value and to raise awareness of contributing to greater medium and long term operating performance and corporate value.

(2) The introduction of this system for Directors, etc., is conditioned on obtaining approval at this Annual Shareholders Meeting.

(3) The Plan employs a mechanism referred to as a Board Incentive Plan Trust (referred to as "BIP Trust" below). BIP Trust is an incentive plan for directors modeled on the U.S. performance share system and restricted stock system. BIP trust acquires the Company's shares and delivers them to Directors, etc., in accordance with their targeted performance and position(*1).

(*1) BIP trust® is a registered trade mark of Mitsubishi UFJ Trust and Banking Corporation.

2. Plan summary



(a) The Company receives approval of executive compensation proposal related to the Plan's introduction at the Annual Shareholders Meeting.
(b) At a Board of Directors meeting, the Company formulates share delivery regulations for executive compensation related to introduction of the Plan.
(c) Upon receiving approval of the Annual Shareholders Meeting resolution (a), the Company entrusts money within the scope of approval and establishes a trust having Directors, etc. who satisfy beneficiary conditions as beneficiaries (referred to as "the Trust" below).
(d) In accordance with instructions by the trust administrator, the Trust uses monies entrusted in (c) to acquire the Company's shares from the Company (disposal of treasury shares) or in the stock market. The number of shares acquired by the Trust is within the scope of approval received by Annual Shareholders Meeting resolution (a).
(e) The allocation of surplus funds in the Trust for the Company's shares is handled in the same manner as for other shares.
(f) Throughout the trust period, voting rights are not to be exercised on the Company's shares within the Trust.
(g) During the trust period, Directors, etc. are awarded a specific number of points each fiscal year according to such factors as their attainment level of operating performance targets and positions. A number of the Company's shares is provided to Directors, etc. who satisfy the prescribed beneficiary conditions upon their retirement. (As prescribed in the trust agreement, cash may be received in an amount corresponding to the exchange value of the Company's shares within the Trust.)
(h) If residual shares remain in the Trust in the event that operating performance targets are not met during the Trust period, the Trust plans to make a gratuitous conveyance of these residual shares and retire them by resolution of the Board of Directors.
(i) Upon the Trust's liquidation, residual assets remaining after allocation to the beneficiaries are to belong to the Company.

(1) Plan summary

This is a performance-linked stock compensation plan that delivers shares of the Company acquired by the trust to Directors, etc. who meet beneficiary requirements when they resign in proportion to various factors including the degree where their operating performance targets are met and their position. The Plan runs from the fiscal year ending March 31, 2016, through the business year ending March 31, 2018, (referred to as "Plan Period" below), and the source of funds is contributions from the Company.

(2) Shareholders meeting resolution approving introduction of the Plan

At this Annual Shareholders Meeting, issues necessary to introduce the Plan, including the amount to be contributed to the Trust, ceiling on the number of shares that the Trust acquires, will be voted on.

(3) Parties eligible for the Plan (beneficiary requirements)

Directors, etc. who meet the beneficiary requirements after they resign can receive from the Trust a number of the Company's shares proportional to the number of points stipulated at the time they resign (calculated based on item (5) below) after completing designated beneficiary confirmation procedures.

The following are the beneficiary requirements.

(a) Is a Director, etc. contractually tied to the Company during the Plan Period (including parties who become Directors, etc., during the Plan Period)
(b) Has resigned as a Director, etc.
(c) Has neither resigned for disciplinary reasons nor done certain illegal activities during their tenure
(d) Has a set number of points as calculated in item (5) below
(e) Other requirements for achieving the purposes of the performance-linked stock compensation plan

* However, in the event that the Trust period is extended as described in the first paragraph of (4) below and Directors, etc. subject to this Plan are in their period of appointment when the extension

period ends, the Trust shall be concluded at that point, and subject Directors, etc. shall receive delivery of the Company's shares during their period of appointment.

(4) Trust period
The trust period is the three years from September 1, 2015, (planned) to August 31, 2018 (planned). However, at the end of the trust period, if there are Directors, etc., who may meet the beneficiary requirements, additional points shall not be awarded to them, but the trust period may be extended until they resign and delivery of the Company's shares to them is completed, or up to fifteen years.
It should be noted that if a resolution to continue the Trust is tabled and passed at the annual Shareholders Meeting in three years, the Plan Period and trust period may be extended to the extent approved by that Shareholders Meeting resolution, and the number of points may continue to be awarded to Directors, etc., during the extended trust period.

(5) Number of shares delivered to Directors, etc.
Omitted. *Same as 2 (2) of Proposal 4.

(6) Total amount of trust money to be contributed to the Trust and total number of shares to be acquired by the Trust
The total amount of trust money to be contributed to the Trust during the trust period and the total number shares to be acquired by the Trust shall not exceed the following ceilings if approved by this Shareholders Meeting resolution.
Ceiling on total amount of trust money to be contributed to the Trust: 1,396 million yen*
* This is the total amount of funds for purchasing shares by the Trust and paying trust compensation and trust expenses during the trust period.
Ceiling on the total number of shares to be acquired by the Trust: 600,000 shares
The total ceiling on trust money to be contributed to the Trust was calculated taking into consideration factors such as the fixed compensation and performance-linked bonuses for the Company's current Directors, etc., and adding in trust compensation and trust expenses.
The total ceiling on the number of shares to be acquired was set taking into consideration factors such as the current stock price and based on the total ceiling on trust money given above.

(7) Method for acquiring the Company's shares by the Trust
It is expected that the Trust will initially acquire the Company's shares through the Company's disposal of treasury shares or purchase of shares in the market up to the ceiling on the number of shares and funds for purchases stipulated in (6) above. Details of how the shares will be acquired shall be decided upon by the Company after this resolution is passed, and this information shall be released.
During the trust period, if there is a chance that there will be an insufficient number of shares in the Trust for the number of points awarded to Directors, etc., or there is a chance there will be insufficient funds in the Trust to pay trust compensation and trust expenses, additional funds may be added to the Trust up to the ceiling on trust money stipulated in (6) above.

(8) Method and timing of delivering shares to Directors, etc.
Directors, etc., who resign and meet the beneficiary requirements can receive, after the resignation, from the Trust a number of the Company's shares proportional to the total number of points they have at the time of their resignation by completing the designated beneficiary confirmation procedures.

(9) Exercise of voting rights of the Company's shares held in the Trust
During the trust period, the voting rights for the Company's shares in the Trust (that is, the Company's shares before they are delivered to Directors, etc., in accordance with (5) above) shall not be exercised in order to ensure neutrality toward management.

(10) Payment of dividends for the Company's shares held in the Trust
The Trust shall be paid dividends for the Company's shares held in the Trust, and the dividends shall

be used for trust compensation and trust expenses. If after using dividends for trust compensation and trust expenses, there are unused ones when the Trust is terminated, the dividends shall be donated to an organization with no interest in the Company or its executives or paid to the Directors, etc.

(11)End of the trust period

If there are residual shares at the end of the Trust period for any of various reasons, such as operating performance targets not being met during the Plan Period (that does not include shares that are expected to be delivered to Directors, etc., who have not yet resigned as of the end of the trust period but may meet the beneficiary requirements), it is expected that as part of the Company's shareholder return policy, at the end of the Trust period or extended trust period stipulated in the first paragraph of (4) above, residual shares shall be transferred from the Trust to the Company free of charge and retired by the Board of Directors resolution at the end of the Trust period

(Reference)

[Content of the Trust Agreement]

(1) Trust category Money trust other than a specific individually operating money trust (third-party benefit trust)
(2) Trust objective To provide incentive for the Company's Directors, etc.
(3) Assignor The Company
(4) Trustee Mitsubishi UFJ Trust and Banking Corporation (planned)
(Joint trustee: The Master Trust Bank of Japan, Ltd.)
(5) Beneficiaries Retiring Directors, etc., who meet the beneficiary requirements
(6) Trust administrator Third party with no interest-based relationship with the Company
(7) Date of trust agreement September 1, 2015 (planned)
(8) Trust period From September 1, 2015 (planned) to August 31, 2018 (planned)
(9) Start of plan October 1, 2015 (planned)
(10) Execution of voting rights Not to be executed
(11) Category of shares acquired The Company's common stock
(12) Ceiling on shares to be acquired 1,396million yen (planned) (including trust compensation and trust expenses)
(13) Rights holder The Company
(14) Residual assets The rights holder, the Company, receives residual assets, which are within the trust expense reserve, excluding trust monies for acquiring shares.

[Administrative tasks related to the trust and shares]

(1) Trust-related administrative tasks Mitsubishi UFJ Trust and Banking Corporation is to handle trust-related administrative tasks as the Trust's trustee.
(2) Share-related administrative tasks Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. is to handle administrative tasks related to delivering the Company's shares to beneficiaries based on a trust administration agreement.

Proposal 5: Disposal of Treasury Shares on Beneficial Terms to Support Activities of the KDDI Foundation, etc.

The Company has promoted social contributions both in Japan and overseas making use of its technology and human resources in order to contribute to the creation of a pleasant society, in which people throughout the world live a sustainable, affluent, happy life.
Under the principle of “contributing to harmonious and sound global development through information and communications technology (ICT),” the KDDI Foundation (referred to as “the Foundation” below) conducts various activities to further the public interest, and it is the Company’s opinion that these activities not only are tied to realizing the society that the Company is striving to create but also benefits the Company from a medium- and long-term and CRS perspective.
Therefore, the Company has established a third-party-benefit trust (referred to as “the Trust” below), which Mitsubishi UFJ Trust and Banking Corporation services as the trustee of (The Master Trust Bank of Japan, Ltd. serves as a joint trustee) and the Foundation is the beneficiary of, in order to contribute dividends from the Company’s shares as a source of funds for activities and support the foundation’s activities. The Company will conduct disposal of shares for the establishment of the Trust through a third-party allocation at particularly advantageous terms of paid-in capital.
To achieve the above purposes, the Company considers 1 yen per share an appropriate amount of paid-in capital, and requests approval by special shareholders meeting resolution to delegate decisions regarding the disposal of treasury shares and share placement to the Company’s Board of Directors based on stipulations of Article 199 and Article 200 of the Companies Act.

Details of treasury shares to be disposed of

(1) Type and ceiling on shares to be disposed of	1,125,000 common shares
(2) Minimum paid-in amount	1 yen per share
(3) Total paid-in amount	1,125,000 yen
(4) Method of disposal	All shares shall be allocated to the Master Trust Bank of Japan, Ltd. through a third-party allocation
(5) Date of disposal	Undecided
(6) Delegation of decision making	In addition to the items stipulated above, all other items necessary to place the stocks shall be decided upon by the Board of Directors resolution.

(Documents Appended to the Notice of the 31st Annual Shareholders Meeting)
BUSINESS REPORT
(April 1, 2014 to March 31, 2015)

1. Current Status of the Corporate Group
(1) Business Developments and Results
1) Overall Conditions

Operating revenues	Operating income
¥4,573,142 million	¥741,298 million
(increased 5.5% year on year)	(increased 11.8% year on year)
Operating revenues increased partially as a result of gains in data communications revenues stemming from a cumulative increase in au subscriptions and greater smartphone penetration, and also as a result of gains in revenues from overseas subsidiaries.	Operating income increased partially due to a decrease in sales commissions, and also due to increases in operating revenues offsetting increases in operating expenses, despite higher handset procurement costs, communication facility fees, depreciation and other expenses attributable to LTE equipment upgrades.
Ordinary income	Net income
¥752,402 million	¥427,931 million
(increased 13.5% year on year)	(increased 32.9% year on year)
Ordinary income increased due to posting of equity earnings in affiliates, in addition to higher operating income.	Net income increased due to improvement in the balance of extraordinary items in the form of significantly higher extraordinary income which included a gain on sales of investment securities, despite extraordinary losses which included amounts for impairment loss and loss on business of overseas subsidiaries.

[Overview of Economic Conditions]

Looking at the global economy, conditions in the United States remain in a recovery phase, buoyed by an improving employment picture and rising personal consumption. Europe is also experiencing a gradual recovery due to firm personal consumption, despite persisting deflationary concerns. On the other hand, it will be necessary to continue keeping a close eye on the global economy given factors that include a slowing pace of growth in China and other emerging markets and the potential impact of an impending interest rate hike in the United States.

The Japanese economy continues to recover modestly, with corporate earnings and personal consumption firm on the back of yen depreciation and rising share prices.

[Industry Trends]

The Japanese telecommunications market is shifting from conventional mobile handsets to smart devices, such as smartphones and tablets, while communications networks become faster with the use of LTE. On the other hand, those services and handsets are becoming increasingly alike.

Given the growing prevalence of smartphones, telecommunications carriers are introducing diverse new rate plans to meet customer needs, and MVNOs*1 are entering the market. With such developments, the competitive environment for mobile telecommunications is entering a new phase where carriers will be scrambling to tap the late majority segment through moves enticing such potential customers to make the transition to smartphones.

The competitive environment for the telecommunications market as a whole is expected to change further. For example, the NTT Group has begun offering discounts on bundled sets of fixed-line and mobile services based on wholesale fiber access services. Also, MVNOs are expected to grow more prevalent, and moves toward unlocking SIM cards*2 are gaining ground.

*1 An acronym for "mobile virtual network operator," an MVNO is a service provider that delivers services via wireless communications infrastructure leased from other telecommunications carriers.

*2 A SIM lock is a restriction placed on a mobile phone so that the device may not be connected to networks other than those specified by the designated service provider that installed the SIM card.

[Position of KDDI]

As the second year of the medium-term plan, the fiscal year under review was positioned as one where KDDI was to set its sights on its next stage of growth. As such, in the course of engaging in business, KDDI set out to fine-tune all aspects of the “distinctively au” identity, while reinforcing the differentiation approach and taking on challenges of new growth opportunities.

In its domestic operations, KDDI is developing business premised on a growth-oriented approach and involves generating more communications and value-added revenues by increasing numbers of au customers along with sales per au customer, on the basis of the 3M Strategy released in January 2012.

KDDI fortified networks central to the business by building high-speed, high-quality LTE networks that cover an expansive area and enable ready user access. To further boost access speeds, in May 2014 KDDI introduced carrier aggregation technology*3 for the next-generation high-speed LTE communications standard, LTE-Advanced, which enables downlink communication speeds of up to 150Mbps*4 in some areas. This will be successively upgraded in certain areas nationwide to enable downlink communication speeds of up to 225Mbps*4. With respect to terminals, rate plans and services, we pushed forward with initiatives that included offering distinctive au handsets, the new “Unlimited Voice & Data Freedom” rate plan, and the next-generation “au VoLTE” voice calling service. In May 2014, KDDI launched the “au WALLET” service to take advantage of new growth opportunities.

As a result of these initiatives, as of March 31, 2015, there were 43.48 million mobile au subscriptions including those of individual and corporate customers, an increase of 2.96 million over the previous year-end. KDDI achieved higher revenues and income on a consolidated business, with those results driven by data communications revenues*5 which were up 3.4% to ¥2,456.6 billion, and value-added revenues which were up 10.2% to ¥124.8 billion.

With overseas operations, KDDI has been taking on challenges involving new opportunities that include entering the telecommunications business in Myanmar.

*3 Uplink speeds are outside the scope of carrier aggregation.

*4 The speeds shown are the maximum speeds according to technical standards and do not represent actual usage speeds. Even within the areas mentioned, speeds may slow significantly depending on the usage environment and network traffic (this is a best-effort service).

*5 Data communications revenues are based on figures of the Personal Services segment. Value-added revenues are based on figures of the Value Services segment.

2) Business Conditions by Segment

Personal Services	
Operating Revenues	¥3,513,294 million
(increased 4.3% year on year)	
Operating revenues increased partially as a result of gains in data communications revenues stemming from a cumulative increase in au subscriptions and greater smartphone penetration.	
Operating Income	¥577,416 million
(increased 13.8% year on year)	
Operating income increased partially due to a decrease in sales commissions, and also due to increases in operating revenues offsetting increases in operating expenses, despite higher handset procurement costs, communication facility fees, depreciation and other expenses attributable to LTE equipment upgrades.	

TOPICS

Steady growth in "au Smart Value"

"au Smart Value" has gained the backing of many customers, with 9.33 million au subscribers and 4.59 million households as of March 31, 2015. Meanwhile, the number of "au Smart Value" affiliates and affiliated services are also steadily increasing.

"au WALLET Card" applications top 10 million

The "au WALLET" service was launched in May 2014 with the aim of taking advantage of new growth opportunities. Since then, numbers of applications have been rising steadily, with total applications surpassing the 10 million mark in February 2015. In addition, KDDI began issuing the "au WALLET Credit Card" in October 2014. Going forward, KDDI will work with numerous partners in establishing an "au economic zone" which is based on "au WALLET" services and combines access to the Internet and physical worlds.

A variety of distinctive terminals now on sale

During the fiscal year under review, KDDI launched a series of new products. These include smartphones such as the "iPhone 6," "iPhone 6 Plus," and the "FX0" running the Firefox operating system. In addition, we introduced 15 Android™ smartphones, such as the "BASIO," which is the first au smartphone for seniors, and the "miraie," which is the first au smartphone for juniors. In tablets, we introduced five models. In February 2015, we also launched products such as Japan's first 4G LTE-compatible Android™ feature phone, the "AQUOS K," two other feature phones, and a Wi-Fi router.

Launch of new flat-rate pricing services for voice and data communications

In August 2014, KDDI began offering the "Unlimited Voice & Data Freedom" rate plan which provides unlimited telephone calls and choice of data plan.

In December 2014, KDDI began offering the "Data Gift" service, which enables subscribers a simple means of giving family members gifts of unused quantities of data.

As the top company in the "Fiscal 2014 Corporate Commercial Popularity Ranking," au wins its first "Best Advertiser" award

KDDI's "Santaro" series of commercials, produced based on the concept of the company providing "New Freedom" that defies stereotypes, has gained popularity from a wide-ranging audience due to its original story line and comical dialog. In its "Fiscal 2014 Corporate Commercial Popularity Ranking," the television commercial analysis firm CM Research Center released the names of companies with outstanding commercials in terms of their on-air effectiveness and appeal to consumers, after having looked at all television commercials aired by Tokyo's five key broadcasters over the one-year period April 2014 to March 2015. A total of 1,968 companies aired television commercials during that year.

Value Services	
Operating Revenues	¥242,336 million
(increased 14.0% year on year)	
Operating revenues increased due higher “au Smart Pass” revenues and “au Simple Payment” commission revenues fueled by a rising smartphone penetration rate, along with gains in revenues attributable to launch of commissioned settlement operations of KDDI Financial Service Corporation (“KFS”).	
Operating Income	¥57,984 million
(increased 12.4% year on year)	
Operating income increased as a result of gains in operating revenues, etc. despite increases in costs attributable to higher outlays for procuring apps in line with upgrades made to “au Smart Pass” and other services, and increased costs associated with the rise in KFS revenues.	

TOPICS

“au Smart Pass” membership hits 12.89 million

As of March 31, 2015, “au Smart Pass” had 12.89 million members, an increase of 2.64 million from March 31, 2014. We also launched the first au smartphones targeting the junior market, and concurrently began offering the “au Smart Pass” service designed for child-friendly use.

Introduction of the “Syn.” concept for a new mobile Internet experience

In October 2014, KDDI started the “Syn.” concept, with the aim of creating a new mobile Internet experience. We established the new “Syn.alliance” consortium to help make the “Syn.” concept a reality, invested roughly ¥12 billion in the “Syn.alliance” membership, and at the same time began offering the “Syn.menu” shared side navigation bar that enables users to readily switch between different services. As of February 2015, there were 20 available “Syn.menu” services offered by 15 companies, and a total number of monthly users surpassing the 100 million* mark, making this service one of the largest of its kind in Japan.

* This figure represents the total number of unique monthly users of Syn.alliance member services (smartphones only), and includes users making use of multiple member services.

Business Services	
Operating Revenues	¥669,193 million
(decreased 0.8% year on year)	
Operating revenues declined due to lower fixed-line and mobile communications revenues, despite higher solution sales involving cloud, IT outsourcing and other such services.	
Operating Income	¥80,370 million
(decreased 7.0% year on year)	
Operating income also decreased, despite lower sales commissions, due to increases in terminal procurement expenses, solution sales costs and depreciation in line with LTE facility upgrades.	

TOPICS

Launch of next-generation network services for corporations

In September 2014, KDDI began offering its KDDI Wide Area Virtual Switch 2 ("KDDI WVS 2") next-generation network services employing SDN* technology geared to corporate customers. "KDDI WVS 2" is a next-generation, wide-area network service that provides user-specified functionality with respect to security features and the Internet connectivity spectrum so that customers can access the cloud safely, conveniently, and with peace of mind. "KDDI WVS 2" significantly reduces customers' network and security operational loads, while also greatly helping them to accelerate business operations and cut costs.

* An acronym for "Software-Defined Networking," SDN technology enables greater network flexibility and added value through software-based, centralized control of network functions.

Global Services

Operating Revenues	¥320,619 million
(increased 21.6% year on year)	

Operating revenues increased as a result of higher revenues generated from the MVNO business, data center operations and other existing business, and also due to the launch of the Myanmar telecommunications business.

Operating Income	¥16,806 million
(increased 47.3% year on year)	

Operating income also increased as a result of gains in operating revenues, etc. despite higher communication facility fees to overseas telecommunications carriers.

Note: With certain exceptions, KDDI adjusted the fiscal year end of its overseas subsidiaries. Consequently, earnings results of those companies reflect performance over a 15-month period.

TOPICS

Entry into the Myanmar telecommunications business

In July 2014, KDDI’s consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (“KSGM”) entered a joint business agreement with Myanma Posts & Telecommunications (“MPT”). Since the start of joint operations in September 2014, the companies have been working together with the aim of enhancing communications quality by augmenting networks and improving customer support by upgrading sales networks and call centers.

Furthermore, with the launch of new rate plans tailored to customer needs in January, 2015, SIM card sales following the launch of joint operations exceeded 8 million units as of March 31, 2015, and have continued to increase steadily since that time.

3) Major Equity-method Affiliates

UQ Communications Inc.

UQ Communications Inc. has been working to provide ultra-high-speed mobile data communications services better suited to an era of full-fledged cloud computing. To that end, with the aim of meeting needs for increasingly faster broadband, the company has been pushing forward in helping to bring about a “Giga-Yaba Revolution” by providing “Ya-Baisoku” (double speed) access in the form of “WiMAX 2+” downlink communication speeds of up to 220Mbps*1 (in some areas), and the new “UQ Flat 2+ Giga-Hodai” flat-rate pricing plan with no monthly limits on data*2.

In December 2014, the company received the top overall customer satisfaction rating in the “Fiscal 2015 Oricon Customer Satisfaction Ranking™ (Mobile Data Communications Ranking Division)” and the “RBB Today Mobile Award 2014 Carrier Division (Data Communications).” Already having received the top customer service ranking in the “Japan Mobile Data Service Satisfaction Survey SM*3,” conducted by J.D. Power Asia Pacific Inc., this marks the second consecutive year the company has achieved the top spot in all three rankings for customer satisfaction in mobile data communications.

*1 The speeds stated are the maximum speeds according to technical standards and do not represent actual usage speeds. Even within the areas mentioned, speeds may slow significantly depending on the usage environment and network traffic (this is a best-effort service).

*2 Provides unlimited monthly data communications on “WiMAX 2+” when using high-speed mode. However, speeds may slow depending on usage status and base station congestion.

*3 Source: “J.D. Power Asia Pacific 2013–2014 Japan Mobile Service Satisfaction Survey SM.” Data for the 2014 survey is based on responses from 3,500 individual users of specialized data devices.

Jibun Bank Corporation

Jibun Bank Corporation offers a number of convenient financial services to au customers through the “Premium Bank for au” program which is provided through a tie-up with KDDI and Okinawa Cellular Telephone Company. Since the program’s inauguration in May 2014, Jibun Bank has received a higher number of account applications, while also earning a solid reputation with numerous au customers.

Moreover, Jibun Bank’s card loan financing balance exceeded ¥90 billion as of March 2015 (total of Jibun Loans*4 and Cash One balances). It took the bank only five months to reach that level after having surpassed the ¥80 billion mark in October 2014. Also, Jibun Bank was recognized with the Best Business Model Award for its specialized mobile banking services at The International Excellence in Retail Financial Services Awards 2015 held on March 2015 by The Asian Banker, a banking industry journal for the Asia region.

*4 New applications are for Jibun Loan only. The bank does not accept new applications for Cash One.

- The service name “4G LTE” conforms to the statement of the International Telecommunication Union (ITU) which has granted approval for LTE to be referred to as “4G.”
- The trademark “iPhone” is used under license from AIPHONE CO., LTD.
- “Firefox” is a trademark or registered trademark of Mozilla Foundation in the United States and other countries.
- “iPad” is a trademark registered by Apple Inc. in the United States and other countries.
- “Android” is a trademark or registered trademark of Google Inc.
- “AQUOS” is trademark or registered trademarks of Sharp Corporation.
- “Wi-Fi” is a registered trademark of Wi-Fi Alliance®.
- Other company and product names are registered trademarks or trademarks of their respective companies.

(2) Issues Facing the Corporate Group

In the telecommunications business, the growing prevalence of smartphones, tablets and other smart devices is leading to worldwide adoption of mobile networks that use LTE to achieve high-speed communications, marking a global shift toward smartphones and high-speed networks. Japan, as well, is moving from a model in which telecommunications carriers provide conventional mobile phones developed in-house to one in which the mainstream uses globally consistent smartphones employing various companies' networks for high-speed communications, centered on LTE. Moving into 2015, KDDI's competitors began offering mobile and fixed-line bundled services, leading to greater similarity among competitors. The business environment is also changing with respect to further uptake of MVNO services and moves to unlock SIM cards.

In response to the increasingly homogeneous market and other changes in the business environment, KDDI is working to further enhance its competitive strengths and striving to achieve business growth over the medium and long term. To such ends, KDDI is pushing forward with its 3M Strategy and its Global Strategy, as described below.

Promoting the 3M Strategy

KDDI will continue to work toward expanding its customer platform in the telecommunications business, on the basis of au Smart Value services.

In regard to the "Multi-network" aspect of the 3M Strategy, KDDI will forge ahead in building networks that are robust and low-cost, and furthermore offer high quality and ready accessibility by ensuring extensive area coverage, particularly with mobile networks, while also increasing connection speeds and making effective use of frequencies by employing leading-edge technologies.

As for the "Multi-device" aspect of the 3M Strategy, KDDI will work to bring about even greater widespread use of smartphones, while promoting use of tablets and a range of other devices.

As for the "Multi-use" aspect of the 3M Strategy, KDDI will take steps to increase value-added revenues by redoubling efforts with au Smart Pass, au Wallet and other such services.

In addition, we will strive to achieve business growth in Japan by promoting "au" as the brand of choice for customers through efforts that involve fine-tuning the "distinctively au" identity and enhancing the value of the customer experience.

Promoting the Global Strategy

In the Myanmar telecommunications business which involves the joint operations of KDDI's consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd., and Myanma Posts & Telecommunications (MPT), KDDI is engaged in efforts to leverage its business experience developed from its operations in Japan and its reliable technological capabilities, with the aim of providing telecommunications services that customers in Myanmar turn to first. In so doing, KDDI aims to contribute to Myanmar's economic and industrial development and improve the lives of its citizens, while at the same time spurring growth of these operations so they come to form a future pillar of KDDI's overseas business.

Furthermore, in data center and other ICT businesses for corporate customers, KDDI will expand its overseas business through ongoing infrastructure reinforcement efforts.

3M Strategy

The 3M Strategy is a strategy for achieving growth of KDDI's business in Japan, on the basis of three key words starting with the letter 'm': Multi-network, Multi-device and Multi-use. Through the 3M Strategy, KDDI aims to provide a communications environment that gives customers seamless access to appealing and diverse services and content via readily accessible, optimized networks using smartphones, tablets and other devices of their choice.

Global Strategy

The Global Strategy is a strategy for not only continuing firm growth with ICT services such as data centers, solutions and networks as the business foundation, but also placing an emphasis on consumer businesses such as the communications business in Myanmar and the MVNO business in the U.S. as drivers of dramatic growth. The strategy involves leveraging the knowhow the Company has hitherto accumulated in Japan and overseas, and contributing toward economic development in the countries in which the Company operates and improving the lives of their citizens while simultaneously realizing corporate growth.

(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)

		28th fiscal year (FY2012.3)	29th fiscal year (FY2013.3)	30th fiscal year (FY2014.3)	31st fiscal year (FY2015.3)
Operating revenues		3,572,098	3,662,288	4,333,628	4,573,142
	Telecommunications business	2,394,135	2,432,726	2,609,157	2,734,554
	Incidental business	1,177,962	1,229,562	1,724,471	1,838,587
Operating income		477,647	512,669	663,245	741,298
Ordinary income		451,178	514,421	662,887	752,402
Net income		238,604	241,469	322,038	427,931
Net income per share (yen)		290.58	105.30	132.87	170.84
Total assets		4,004,009	4,084,999	4,945,756	5,250,364
Liabilities		1,875,384	1,761,635	2,028,767	2,011,615
Net assets		2,128,624	2,323,363	2,916,989	3,238,748

* The Company conducted a 1:100 share split on common stock as of October 1, 2012, a 1:2 share split on common stock as of April 1, 2013 and a 1:3 share split on common stock as of April 1, 2015. Net income per share is calculated as if the share splits were conducted at the beginning of the 28th fiscal year.

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

(millions of yen unless otherwise indicated)

		28th fiscal year (FY2012.3)	29th fiscal year (FY2013.3)	30th fiscal year (FY2014.3)	31st fiscal year (FY2015.3)
Operating revenues		3,273,536	3,366,079	3,585,292	3,728,415
	Telecommunications business	2,278,652	2,332,637	2,457,256	2,538,123
	Incidental business	994,883	1,033,441	1,128,036	1,190,292
Operating income		432,440	465,145	542,110	614,811
Ordinary income		434,575	472,883	573,727	635,405
Net income		249,836	231,348	356,004	403,263
Net income per share (yen)		101.42	100.89	146.88	160.99
Total assets		3,851,891	3,910,233	4,014,992	4,317,271
Liabilities		1,787,043	1,678,657	1,303,419	1,363,002
Net assets		2,064,847	2,231,575	2,711,573	2,954,269

* The Company conducted a 1:100 share split on common stock as of October 1, 2012, a 1:2 share split on common stock as of April 1, 2013 and a 1:3 share split on common stock as of April 1, 2015. Net income per share is calculated as if the share splits were conducted at the beginning of the 28th fiscal year.

(4) Financing Activities of the Corporate Group

During the fiscal year under review, we issued the 21st unsecured bond issuance of ¥30 billion last September and borrowed long- and short-term loans from financial institutions totaling ¥184,486 million to be used as a part of funds for the redemption of bonds, loan repayments 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 ¥569,337 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, 2015)

The Group comprises the Company, 147 consolidated subsidiaries (Japan: 77 companies, overseas: 70 companies), one unconsolidated subsidiary (Japan: 1 company) and 32 affiliates (Japan: 23 companies, overseas: 9 companies). Included in our affiliates are 31 equity-method affiliates (23 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	Various financial services, various applications, distribution of videos and music, and advertisement distribution
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, 2015)

(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.)	18 technical centers and engineering support centers 3 technology maintenance centers, 1 transmitting station
(Overseas offices)	Geneva, Beijing, Shanghai

(8) Principal Subsidiaries (As of March 31, 2015)

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 FINANCIAL SERVICE CORPORATION	Tokyo	5,245	90.0	Credit card business, settlement agency business
Syn. Holding, Inc.	Tokyo	100	100.0	Holding company of an Internet services company
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	(92.8)	Data center services in Europe
KDDI China Corporation	China	Thousand RMB 13,446	85.1	Sales, maintenance and operation of telecommunications equipment in China
KDDI Summit Global Myanmar Co., Ltd.	Myanmar	Thousand US$ 200,000	(100.0)	Telecommunications services in partnership with a state-run postal and telecommunications business entity in Myanmar (MPT)
DMX Technologies Group Limited	Bermuda	Thousand US$ 58,327	51.3	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

No matters to be noted.

(9) Employees (As of March 31, 2015)

1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	14,676
Value Services	1,242
Business Services	4,643
Global Services	3,451
Others	4,160
Total	28,172

2) Employees of the Company

No. of employees	Year-on-year decrease	Average age	Average length of service
10,671	68	41.8	17.0 years

Note: No. of employees does not include 2,522 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2015)

Creditor	Loans outstanding
	Millions of yen
Development Bank of Japan, Inc.	64,795
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	55,000
Mizuho Bank, Ltd.	32,052
Sumitomo Mitsui Banking Corporation	31,000
Mitsubishi UFJ Trust and Banking Corporation	19,000

2. Shares (As of March 31, 2015)

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

(2) Total Number of Issued Shares 896,963,600 shares
(including 61,984,994 shares of treasury stock)

(3) Number of Shareholders 57,236
(decrease of 1,780 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)	47,155,700	5.64
Japan Trustee Services Bank, Ltd. (Trust Account)	36,139,400	4.32
State Street Bank & Trust Company	23,984,784	2.87
State Street Bank & Trust Company 505223	15,255,622	1.82
JP Morgan Chase Bank 380055	11,035,481	1.32
State Street Bank & Trust Client Omnibus Account OM02 505002	10,141,490	1.21
Japan Trustee Services Bank, Ltd. (Trust Account 4)	8,908,200	1.06
State Street Bank & Trust Company 505225	8,565,875	1.02

Note: Although the Company holds 61,984,994 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, 2015)

Position	Name	Responsibilities in the Company and important concurrent positions
Chairman, Representative Director	Tadashi Onodera	Director of KYOCERA Corporation Director of Daiwa Securities Group Inc.
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, Representative Director	Yuzo Ishikawa	General Manager, Consumer Business, Business Headquarters, 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
* Associate Senior Vice President, Director	Yoshiaki Uchida	General Manager, Technical Planning Division, Technology 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
* Director	Shinji Fukukawa	Chairman of Toyo University
Full-time Audit & Supervisory Board Member	Yoshinari Sanpei	
* Full-time Audit & Supervisory Board Member	Hiroshi Kobayashi	
Full-time Audit & Supervisory Board Member	Takeshi Abe	
Audit & Supervisory Board Member	Kishichiro Amae	
Audit & Supervisory Board Member	Yukihisa Hirano	Director of BROTHER INDUSTRIES, LTD.

Notes: 1. Directors and Audit & Supervisory Board Members with * are new Directors and Audit & Supervisory Board Members who were elected at the 30th Annual Shareholders Meeting held on June 18, 2014.
2. Director Yoshiharu Shimatani retired as of the conclusion of the 30th Annual Shareholders Meeting held on June 18, 2014.
3. Audit & Supervisory Board Member Masataka Iki retired as of the conclusion of the 30th Annual Shareholders Meeting held on June 18, 2014.
4. Each of Directors Tetsuo Kuba, Nobuyori Kodaira and Shinji Fukukawa is an Outside Director.
5. Each of full-time Audit & Supervisory Board Member Takeshi Abe, Audit & Supervisory Board Members Kishichiro Amae and Yukihisa Hirano is an Outside Audit & Supervisory Board Member.
6. Each of Director Shinji Fukukawa, 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

Category		Total amount of remunerations (Millions of yen)	Number to be paid	Total amount of remunerations by type (Millions of yen)	
				Fixed remuneration	Bonuses
Directors	Outside Directors	27	3	27	–
	Others	536	11	387	148
	Total	563	14	414	148
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	40	3	40	–
	Others	47	3	47	–
	Total	87	6	87	–

Notes:
1. The above-stated remuneration for Directors includes amounts for one Director who retired at the conclusion of the 30th Annual Shareholders Meeting held on June 18, 2014. The number to be paid bonuses is ten persons, excluding the said Director.
2. The above-stated remuneration for Audit & Supervisory Board Members includes amounts for one Audit & Supervisory Board Member who retired at the conclusion of the 30th Annual Shareholders Meeting held on June 18, 2014.
3. The maximum fixed remuneration for Directors was set at ¥50 million by a resolution of the 30th Annual Shareholders Meeting held on June 18, 2014.
4. 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.
5. Bonuses for Directors are 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.
6. 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 Company has established policies on determining remuneration for Directors and Audit & Supervisory Board Members, as follows. The Company has also formed a Remuneration Advisory Committee which is to act as a body that, on the basis of consultation with the Board of Directors, deliberates on matters of executive compensation schemes and levels, and provides advice in that regard, with the aim of ensuring transparency and objectivity regarding such matters. The Chairman of the Remuneration Advisory Committee, and a majority of its members, are Outside Directors.

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 within 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 eight of the eight meetings of the Board of Directors.
- In his post as Director, Nobuyori Kodaira attended seven of the eight meetings of the Board of Directors.
- In his post as Director, Shinji Fukukawa attended seven of the seven meetings of the Board of Directors.

* The attendance record of Director Shinji Fukukawa began after his appointment as new Director at the 30th Annual Shareholders Meeting held on June 18, 2014.

(Audit & Supervisory Board Members)

- In his post as Audit & Supervisory Board Member, Takeshi Abe attended seven of the eight meetings of the Board of Directors and seven of the eight meetings of the Audit & Supervisory Board.
- In his post as Audit & Supervisory Board Member, Kishichiro Amae attended eight of the eight 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 eight of the eight 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	382	545

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 submit a supplementary proposal for the "Dismissal of Accounting Auditor" or "Non-reappointment of Accounting Auditor" to a shareholders meeting.

* Following the enforcement of the "Act for Partial Amendment of the Companies Act" (Act No. 90 of 2014) on May 1, 2015, the decision-making body for proposals related to the dismissal or non-reappointment of the Accounting Auditor has been changed from the Board of Directors to the Audit & Supervisory Board.

(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

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, KDDI passed the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. The Company aims to ensure fair, transparent and efficient execution of its corporate duties and to maintain an effective system for internal controls.

1. Corporate Governance

(1) The Board of Directors

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.

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

1) 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.
2) 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, measures shall be taken to enable their attendance at 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) The Auditing Office was established to support the business duties of the Auditors; in order to ensure appropriate staffing levels due consideration shall be given to aptitude, the number of personnel required, etc., and the opinion of the Auditors.
4) Measures shall be taken to ensure that persons making reports to Audit & Supervisory Board Members are not given disadvantageous treatment due to making such reports.
5) Expenses necessary to enable effective execution of business duties by Audit & Supervisory Board Members shall be ensured.

2. 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.
(2) Firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.
(3) 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.
(4) The Company shall aim to appropriately operate a compliance-related internal reporting system established both internally and externally to the company.
(5) The Company shall strive to improve the understanding and awareness of compliance through both internal and external training and internal enhancement activities.

3. Risk Management for Achieving Business Objectives Fairly and Efficiently

(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 participated in by Directors, 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) In each Division a person shall be appointed as the person responsible for internal control, and this person shall autonomously promote the following initiatives so that business objectives may be achieved fairly and efficiently.

1) All Divisions and their Directors shall work in cooperation with the Risk Management Division,

which regularly identifies and uniformly manages risk information. The KDDI Group's risks shall be managed appropriately and in accordance with internal regulations, and efforts shall be made to achieve business objectives fairly and efficiently.
2) The Company shall examine and formulate measures for minimizing the risk to business as much as possible, in order to respond to events which could have serious and long-term effects on corporate business.
3) 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.
4) 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) As a telecommunications carrier, the Company shall implement the following initiatives:
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, the Company shall formulate a Business Continuity Plan (BCP) and implement measures 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.

4. Initiatives relating to working together with stakeholders

(1) 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.
1) By regarding all stakeholders as customers, and through the prompt and appropriate response to customer needs and complaints, all Directors shall engage in Total Customer Satisfaction (TCS) activities that aim to improve the level of customer satisfaction. To promote these activities, efforts shall also be made at meetings pertaining to TCS to evaluate and improve TCS activities.
2) In addition to providing customers with safe, secure, high-quality products and services in compliance with the pertinent laws and regulations, 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.

(2) In order to gain the understanding and trust of all stakeholders, transparency of KDDI Group management shall be ensured, and efforts shall be made to further enhance the PR and IR activities of the KDDI Group.

(3) 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 (sustainability reports) shall be created and disclosed, centering on those departments promoting CSR, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

5. Systems for Ensuring Appropriate Business Operations of the Corporate Group

(1) The Company shall allocate persons responsible for internal control for the KDDI Group to each Group company, and they shall ensure appropriate business operations of the whole Group.

(2) Based on the rules for managing subsidiaries, the Company shall develop a system for appropriate and timely reporting from subsidiaries, and shall aim for collaboration with subsidiaries.

(3) The Company shall manage risks appropriately and shall strive to achieve business objectives fairly and efficiently.

(4) The Company shall make efforts to promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents at subsidiaries through KDDI Group company meetings pertaining to business ethics, and all employees of subsidiaries shall continuously maintain high ethical standards in accordance with the basic principles set forth in the "KDDI Action

Guideline” and ensure a system under which they execute their business duties properly.

6. 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.

* Note: Pursuant to the Act for Partial Revision of the Corporation Act (Act No. 90 of 2014) and the Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act, Etc. (Ordinance of the Ministry of Justice No. 6 of 2015), taking effect on May 1, 2015, the content herein was partially revised upon resolution by a meeting of the Board of Directors held on April 14, 2015. Accordingly, the systems as described above incorporate those revisions. The revisions involve changes to the wording, in order to specifically and clearly describe the KDDI Group’s systems for ensuring appropriate business operations and its systems for audits, in accordance with our review of the KDDI Group’s prevailing circumstances and revisions to laws and regulations.

Consolidated Financial Statements

Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2015		(Reference) As of March 31, 2014	
(Assets)				
I Noncurrent assets		3,542,427		3,400,157
A Noncurrent assets-telecommunications business		2,012,161		1,962,650
(1) Property, plant and equipment*		1,776,598		1,764,732
1 Machinery	2,333,175		2,289,845	
Accumulated depreciation	1,679,727	653,448	1,639,249	650,596
2 Antenna facilities	666,119		628,703	
Accumulated depreciation	319,770	346,349	286,331	342,372
3 Local line facilities	413,348		401,769	
Accumulated depreciation	299,628	113,719	281,106	120,662
4 Long-distance line facilities	103,911		103,007	
Accumulated depreciation	98,068	5,843	98,425	4,582
5 Engineering facilities	64,060		65,476	
Accumulated depreciation	43,699	20,360	42,024	23,451
6 Submarine line facilities	46,449		46,334	
Accumulated depreciation	44,052	2,397	43,176	3,157
7 Buildings	374,047		371,535	
Accumulated depreciation	218,202	155,844	209,097	162,437
8 Structures	83,148		81,233	
Accumulated depreciation	58,289	24,859	55,168	26,065
9 Land		247,779		247,865
10 Construction in progress		177,912		156,710
11 Other tangible assets*	118,421		112,856	
Accumulated depreciation	90,337	28,083	86,025	26,831
(2) Intangible assets		235,562		197,918
1 Right of using facilities		12,449		11,164
2 Software		196,808		157,035
3 Goodwill		18,314		21,047
4 Other intangible assets		7,990		8,671

Account item	As of March 31, 2015		(Reference) As of March 31, 2014	
(Liabilities)				
I Noncurrent liabilities		1,053,361		979,830
1 Bonds payable		215,000		204,998
2 Long-term loans payable		609,317		518,697
3 Net defined benefit liability		14,825		17,339
4 Provision for point service program		75,245		76,338
5 Other noncurrent liabilities		138,972		162,455
II Current liabilities		958,254		1,048,936
1 Current portion of noncurrent liabilities		133,789		233,466
2 Notes and accounts payable-trade		101,739		87,232
3 Short-term loans payable		3,140		95,255
4 Accounts payable-other		409,109		349,011
5 Accrued expenses		30,417		26,732
6 Income taxes payable		164,331		125,364
7 Advances received		42,960		55,254
8 Provision for bonuses		26,842		28,771
9 Other current liabilities		45,925		47,848
Total liabilities		2,011,615		2,028,767

* 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, 2015		(Reference) As of March 31, 2014		Account item	As of March 31, 2015		(Reference) As of March 31, 2014	
B Incidental business facilities		910,387		918,476	(Net assets)				
(1) Property, plant and equipment*	885,196		852,423						
Accumulated depreciation	503,812	381,383	479,146	373,276					
(2) Intangible assets		529,003		545,200	I Shareholders' equity		2,952,116		2,657,702
C Investments and other assets		619,878		519,029	1 Capital stock		141,851		141,851
1 Investment securities		50,594		91,509	2 Capital surplus		385,942		385,942
2 Stocks of subsidiaries and affiliates		61,160		41,480	3 Retained earnings		2,586,143		2,291,730
					4 Treasury stock		(161,821)		(161,821)
3 Investments in capital of subsidiaries and affiliates		292		274					
4. Long-term loans receivable from subsidiaries and affiliates		95,300		–	II Accumulated other comprehensive income		58,457		65,688
5 Long-term prepaid expenses		247,985		245,184	1 Valuation difference on available-for-sale securities		21,117		45,731
6 Net defined benefit asset		26,034		20,103	2 Deferred gains or losses on hedges		(1,993)		(1,584)
7 Deferred tax assets		92,773		79,314	3 Foreign currency translation adjustment		22,647		15,189
8 Other investment and other assets		90,466		50,739	4 Remeasurements of defined benefit plans		16,685		6,352
Allowance for doubtful accounts		(44,728)		(9,575)					
II Current assets		1,707,937		1,545,599					
1 Cash and deposits		264,240		222,050					
2 Notes and accounts receivable-trade		1,173,433		1,094,919	III Subscription rights to shares		34		39
3 Accounts receivable-other		81,126		68,297					
4 Short-term investment securities		20,320		273	IV Minority interests		228,141		193,558
5 Supplies		79,232		86,060					
6 Deferred tax assets		47,190		51,352					
7 Other current assets		64,829		44,177					
Allowance for doubtful accounts		(22,436)		(21,532)	**Total net assets**		3,238,748		2,916,989
Total assets		5,250,364		4,945,756	**Total liabilities and net assets**		5,250,364		4,945,756

* 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, 2015	(Reference) The fiscal year ended March 31, 2014
I Operating income and loss from telecommunications		
(1) Operating revenue	2,734,554	2,609,157
(2) Operating expenses	1,936,087	1,826,481
1 Business expenses	733,091	684,468
2 Operating expenses	42	40
3 Facilities maintenance expenses	270,153	260,092
4 Common expenses	2,330	2,796
5 Administrative expenses	81,973	83,713
6 Experiment and research expenses	6,554	6,715
7 Depreciation	383,638	362,057
8 Noncurrent assets retirement cost	25,303	18,621
9 Communication facility fee	392,129	364,319
10 Taxes and dues	40,868	43,655
Net operating income from telecommunication	798,466	782,675
II Operating income and loss from incidental business		
(1) Operating revenue	1,838,587	1,724,471
(2) Operating expenses	1,895,755	1,843,901
Net operating loss from incidental business	57,167	119,430
Operating income	741,298	663,245
III Non-operating income	27,603	19,752
1 Interest income	976	742
2 Dividends income	1,828	1,844
3 Foreign exchange gains	5,584	5,144
4 Equity in earnings of affiliates	5,801	–
5 Miscellaneous income	13,411	12,020
IV Non-operating expenses	16,499	20,110
1 Interest expenses	12,272	12,018
2 Equity in losses of affiliates	–	740
3 Miscellaneous expenses	4,226	7,350
Ordinary income	752,402	662,887
V Extraordinary income	57,354	8,089
1 Gain on sales of noncurrent assets	224	300
2 Gain on sales of investment securities	51,587	6,866
3 Gain on sales of stocks of subsidiaries and affiliates	1,237	–
4 Gain on change in equity	3,596	–
5 Contribution for construction	709	923

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2015	(Reference) The fiscal year ended March 31, 2014
VI Extraordinary loss	89,813	50,347
1 Loss on sales of noncurrent assets	497	377
2 Impairment loss	42,116	8,695
3 Loss on retirement of noncurrent assets	12,159	–
4 Loss on valuation of investment securities	532	269
5 Loss on step acquisitions	–	38,457
6 Reduction entry of contribution for construction	709	922
7 Loss on business of subsidiaries and associates	–	1,623
8 Loss on business of overseas subsidiaries	33,798	–
Income before income taxes and minority interests	719,943	620,628
Income taxes-current	265,429	232,537
Income taxes for prior periods	6,873	–
Income taxes-deferred	(1,952)	32,233
Income before minority interests	449,593	355,857
Minority interests in income	21,661	33,819
Net income	427,931	322,038

Consolidated Statements of Changes in Net Equity

The fiscal year ended March 31, 2015

(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	385,942	2,291,730	(161,821)	2,657,702
Cumulative effects of changes in accounting policies			(8,270)		(8,270)
Restated balance	141,851	385,942	2,283,459	(161,821)	2,649,432
Changes of items during the period					
Dividends from surplus			(125,246)		(125,246)
Net income			427,931		427,931
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	302,684	(0)	302,684
Balance at the end of current period	141,851	385,942	2,586,143	(161,821)	2,952,116

(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	45,731	(1,584)	15,189	6,352	65,688	39	193,558	2,916,989
Cumulative effects of changes in accounting policies								(8,270)
Restated balance	45,731	(1,584)	15,189	6,352	65,688	39	193,558	2,908,719
Changes of items during the period								
Dividends from surplus								(125,246)
Net income								427,931
Purchase of treasury stock								(0)
Net changes of items other than shareholders' equity	(24,614)	(408)	7,458	10,333	(7,231)	(5)	34,582	27,345
Total changes of items during the period	(24,614)	(408)	7,458	10,333	(7,231)	(5)	34,582	330,029
Balance at the end of current period	21,117	(1,993)	22,647	16,685	58,457	34	228,141	3,238,748

(Reference) 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

(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, 2015	The fiscal year ended March 31, 2014
Net cash provided by (used in) operating activities	962,249	772,207
Net cash provided by (used in) investing activities	(674,520)	(546,257)
Free cash flow *	287,728	225,950
Net cash provided by (used in) financing activities	(224,862)	(105,643)
Effect of exchange rate change on cash and cash equivalents	3,505	4,365
Net increase (decrease) in cash and cash equivalents	66,371	124,671
Cash and cash equivalents at beginning of period	212,530	87,288
Increase in cash and cash equivalents resulting from merger	–	569
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(2,966)	–
Cash and cash equivalents at end of period	275,935	212,530

* 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 ¥962,249 million largely due to ¥719,943 million of income before income taxes and minority interests, ¥494,569 million of depreciation and amortization, ¥236,358 million of income taxes paid, etc.

Investing activities used net cash of ¥674,520 million mainly due to ¥391,220 million for purchase of property, plant and equipment, ¥129,951 million for purchase of intangible assets, and ¥95,300 million for payments of long-term loans receivable from subsidiaries and affiliates, etc.

Financing activities used net cash of ¥224,862 million. This includes ¥184,000 million for proceeds from long-term loans payable, ¥125,226 million for cash dividends paid, ¥120,020 million for repayment of long-term loans payable, ¥95,000 million in redemption of bonds, etc.

The sum of cash flows from operating and investing activities showed a net inflow of ¥287,728 million, up ¥61,778 million year on year.

As a result, total amount of net cash and cash equivalents as of March 31, 2015, increased ¥63,405 million from March 31, 2014, to ¥275,935 million.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2015		(Reference) As of March 31, 2014		Account item	As of March 31, 2015		(Reference) As of March 31, 2014	
(Assets)					(Liabilities)				
I Noncurrent assets		2,937,388		2,783,144					
A Noncurrent assets-									
telecommunications business		1,856,273		1,808,656					
(1) Property, plant and equipment*		1,643,487		1,635,850	I Noncurrent liabilities		577,002		478,406
1 Machinery	2,240,338		2,201,446		1 Bonds payable		215,000		204,998
Accumulated depreciation	1,606,564	633,774	1,571,528	629,917	2 Long-term loans payable		257,970		164,790
2 Antenna facilities	655,329		618,531		3 Lease obligations		39		57
Accumulated depreciation	314,960	340,368	282,131	336,400	4 Provision for retirement				
3 Terminal facilities	9,014		9,874		benefits		15,008		12,786
Accumulated depreciation	7,123	1,891	7,684	2,189	5 Provision for point service				
4 Local line facilities	194,276		192,570		program		67,314		75,103
Accumulated depreciation	150,752	43,524	144,218	48,352	6 Provision for warranties for				
5 Long-distance line facilities	100,586		99,683		completed construction		5,499		5,544
Accumulated depreciation	94,841	5,744	95,226	4,456	7 Asset retirement obligations		736		1,839
6 Engineering facilities	60,889		62,386		8 Other noncurrent liabilities		15,434		13,286
Accumulated depreciation	42,294	18,594	40,723	21,662					
7 Submarine line facilities	48,268		48,268						
Accumulated depreciation	45,469	2,799	44,614	3,654					
8 Buildings	349,332		347,967						
Accumulated depreciation	206,175	143,156	197,735	150,232					
9 Structures	79,788		78,136						
Accumulated depreciation	55,408	24,379	52,633	25,502	II Current liabilities		785,999		825,012
10 Machinery and equipment	5,869		6,413		1 Current portion of noncurrent				
Accumulated depreciation	5,788	80	6,277	136	liabilities		110,819		162,857
11 Vehicles	1,134		1,176		2 Accounts payable-trade		70,034		57,392
Accumulated depreciation	980	154	939	237	3 Short-term loans payable		98,539		151,516
12 Tools, furniture and fixtures	77,856		74,423		4 Lease obligations		17		34
Accumulated depreciation	60,285	17,570	57,462	16,961	5 Accounts payable-other		306,595		265,722
13 Land		245,387		245,474	6 Accrued expenses		6,618		6,809
14 Lease assets	105		368		7 Income taxes payable		128,076		102,886
Accumulated depreciation	50	55	280	87	8 Advances received		34,276		44,891
15 Construction in progress		166,006		150,585	9 Deposits received		11,520		12,008
(2) Intangible assets		212,786		172,805	10 Provision for bonuses		18,432		20,511
1 Right of using submarine					11 Provision for directors'				
line facilities		3,924		4,261	bonuses		153		193
2 Right of using facilities		12,345		11,049	12 Asset retirement obligations		915		187
3 Software		193,695		154,513					
4 Patent right		0		0					
5 Leasehold right		1,426		1,426					
6 Other intangible assets		1,393		1,554					
					Total liabilities		1,363,002		1,303,419

* 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, 2015		(Reference) As of March 31, 2014		Account item	As of March 31, 2015		(Reference) As of March 31, 2014	
B Incidental business facilities		45,564		47,747	(Net assets)				
(1) Property, plant and equipment*	53,006		51,535						
Accumulated depreciation	21,216	31,790	17,094	34,440					
(2) Intangible assets		13,773		13,306					
C Investments and other assets		1,035,550		926,740	I Shareholders' equity		2,936,098		2,667,669
1 Investment securities		40,797		82,146	1 Capital stock		141,851		141,851
2 Stocks of subsidiaries and affiliates		623,435		575,703	2 Capital surplus		385,942		385,942
3 Investments in capital		59		79	(1) Legal capital surplus	305,676		305,676	
4 Investments in capital of subsidiaries and affiliates		11,628		10,110	(2) Other capital surplus	80,266		80,266	
5 Long-term loans receivable		5		6	3 Retained earnings		2,570,126		2,301,696
6 Long-term loans receivable from subsidiaries and affiliates		132,092		36,368	(1) Legal retained earnings	11,752		11,752	
7 Long-term prepaid expenses		105,457		120,843	(2) Other retained earnings				
8 Deferred tax assets		93,872		72,457	Reserve for advanced depreciation of noncurrent assets	659		627	
9 Other investment and other assets		37,706		38,284	Reserve for special depreciation	2,299		2,680	
Allowance for doubtful accounts		(9,503)		(9,259)	General reserve	2,111,233		1,905,933	
II Current assets		1,379,883		1,231,848	Retained earnings brought forward	444,180		380,702	
1 Cash and deposits		60,101		55,668	4 Treasury stock		(161,821)		(161,821)
2 Notes receivable-trade		17		30					
3 Accounts receivable-trade		1,097,540		989,774					
4 Accounts receivable-other		48,197		36,056	II Valuation and translation adjustments		18,170		43,903
5 Securities		20,000		–	1 Valuation difference on available-for-sale securities		18,170		43,903
6 Supplies		68,000		74,590					
7 Advance payments - trade		30		–					
8 Prepaid expenses		19,549		17,919					
9 Deferred tax assets		37,120		42,886					
10 Short-term loans receivable from subsidiaries and affiliates		44,559		28,899					
11 Other current assets		4,668		5,098					
Allowance for doubtful accounts		(19,903)		(19,076)					
					Total net assets		2,954,269		2,711,573
Total assets		4,317,271		4,014,992	**Total liabilities and net assets**		4,317,271		4,014,992

* 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, 2015	(Reference) The fiscal year ended March 31, 2014
I Operating income and loss from telecommunications		
(1) Operating revenue	2,538,123	2,457,256
(2) Operating expenses	1,780,257	1,713,380
1 Business expenses	569,113	568,078
2 Operating expenses	40	50
3 Facilities maintenance expenses	258,615	248,717
4 Common expenses	2,325	2,790
5 Administrative expenses	73,650	76,903
6 Experiment and research expenses	6,979	6,935
7 Depreciation	359,133	338,408
8 Noncurrent assets retirement cost	23,824	17,376
9 Communication facility fee	447,674	412,545
10 Taxes and dues	38,900	41,574
Net operating income from telecommunications	757,865	743,876
II Operating income and loss from incidental business		
(1) Operating revenue	1,190,292	1,128,036
(2) Operating expenses	1,333,346	1,329,802
Net operating income from incidental business	143,054	201,766
Operating income	614,811	542,110
III Non-operating income	29,947	43,360
1 Interest income	1,104	1,349
2 Interest on securities	28	1
3 Dividends income	11,912	29,136
4 Foreign exchange gains	5,743	4,920
5 Miscellaneous income	11,158	7,951
IV Non-operating expenses	9,353	11,742
1 Interest expenses	3,225	3,543
2 Interest on bonds	3,749	4,513
3 Miscellaneous expenses	2,378	3,686
Ordinary income	635,405	573,727
V Extraordinary income	52,340	35,029
1 Gain on sales of noncurrent assets	222	291
2 Gain on sales of investment securities	51,408	8,216
3 Gain on sales of stocks of subsidiaries and affiliates	–	25,266
4 Gain on exchange from business combination	–	330
5 Contribution for construction	709	923

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2015	(Reference) The fiscal year ended March 31, 2014
VI Extraordinary loss	65,648	29,859
1 Loss on sales of noncurrent assets	421	317
2 Loss on sales of stocks of subsidiaries and affiliates	–	3,713
3 Impairment loss	41,799	8,574
4 Loss on retirement of noncurrent assets	11,792	–
5 Loss on valuation of investment securities	229	269
6 Loss on valuation of stocks of subsidiaries and affiliates	10,696	15,742
7 Loss on exchange from business combination	–	200
8 Reduction entry of contribution for construction	709	922
9 Loss on liquidation of subsidiaries and associates	–	118
Income before income taxes	622,097	578,896
Income taxes-current	206,732	179,236
Income taxes for prior periods	6,873	–
Income taxes-deferred	5,228	43,656
Net income	403,263	356,004

Non-Consolidated Statements of Changes in Net Equity

The fiscal year ended March 31, 2015

(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	80,266	11,752	627	2,680	1,905,933	380,702
Cumulative effects of changes in accounting policies								(9,587)
Restated balance	141,851	305,676	80,266	11,752	627	2,680	1,905,933	371,115
Changes of items during the fiscal year								
Dividends from surplus								(125,246)
Provision of reserve for special depreciation						21		(21)
Reversal of reserve for special depreciation						(508)		508
Adjustment to surplus due to change in tax rate						106		(106)
Adjustment to reserve due to change in tax rate					32			(32)
Provision of general reserve							205,300	(205,300)
Net income								403,263
Purchase of treasury stock								
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	–	–	32	(380)	205,300	73,065
Balance at the end of current period	141,851	305,676	80,266	11,752	659	2,299	2,111,233	444,180

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(161,821)	2,667,669	43,903	2,711,573
Cumulative effects of changes in accounting policies		(9,587)		(9,587)
Restated balance	(161,821)	2,658,082	43,903	2,701,985
Changes of items during the fiscal year				
Dividends from surplus		(125,246)		(125,246)
Provision of reserve for special depreciation		–		–
Reversal of reserve for special depreciation		–		–
Adjustment to surplus due to change in tax rate		–		–
Adjustment to reserve due to change in tax rate		–		–
Provision of general reserve		–		–
Net income		403,263		403,263
Purchase of treasury stock	(0)	(0)		(0)
Net changes of items other than shareholders' equity			(25,732)	(25,732)
Total changes of items during the fiscal year	(0)	278,015	(25,732)	252,283
Balance at the end of current period	(161,821)	2,936,098	18,170	2,954,269

(Reference) 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 reserve for special depreciation						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

(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)

Independent Auditors' Report
(English Translation)

May 7, 2015

To the Board of Directors of
KDDI Corporation

PricewaterhouseCoopers Kyoto
Yukihiro Matsunaga, CPA
Designated and Engagement Partner
Minamoto Nakamura, CPA
Designated and Engagement Partner
Satomitsu Wakayama, 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 31st fiscal year from April 1, 2014 to March 31, 2015.

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, 2015 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)

May 7, 2015

To the Board of Directors of
KDDI Corporation

PricewaterhouseCoopers Kyoto
Yukihiro Matsunaga, CPA
Designated and Engagement Partner
Minamoto Nakamura, CPA
Designated and Engagement Partner
Satomitsu Wakayama, 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 31st fiscal year from April 1, 2014 to March 31, 2015.

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, 2015 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 31st fiscal year from April 1, 2014 to March 31, 2015, 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.

May 12, 2015

Full-time Audit & Supervisory Board Member, Yoshinari Sanpei
Full-time Audit & Supervisory Board Member, Hiroshi Kobayashi
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 31st Annual Shareholders Meeting

Notes for Consolidated Financial Statements
Notes for Non-Consolidated Financial Statements
(from April 1, 2014 to March 31, 2015)

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/stock-rating/meeting/20150617/).

"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: 147
   - Principal consolidated subsidiaries:
     Okinawa Cellular Telephone Company, Jupiter Telecommunications Co., Ltd., Chubu Telecommunications Co., Inc., KDDI FINANCIAL SERVICE CORPORATION, Syn. Holding, 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, KDDI Summit Global Myanmar Co., Ltd., DMX Technologies Group Limited, CDNetworks Co., Ltd., KDDI Singapore Pte Ltd

   (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: 31
   - Principal affiliates:
     Kyocera Communication Systems Co., Ltd., UQ Communications Inc., Jibun Bank Corporation, KKBOX Inc., 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: Funeven Limited
   - 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 Natasha,Inc. • 2 companies due to stock acquisition, increasing the Company's holdings nanapi Inc., Jupiter Satellite Broadcasting Co., Ltd. • 11 companies due to new establishment KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., KKBOX Malaysia Sdn. Bhd., KDDI Number 2 Fund for New Business Cultivation, KDDI Summit Global Myanmar Co., Ltd., KDDI VALUE ENABLER CORPORATION, Okinawa Value Enabler Corporation, KDDI PRECEDE CORPORATION, Syn. Holding, Inc., KDDI US Holding, Inc., Total Call International, LLC, CDNetworks Singapore PTE. LTD.
(Removed)	• 4 companies due to liquidation KDDI Eastern Europe Ltd., LTI Global, Inc., Open Network Entertainment, Inc., UBIK Japan Corporation

- 6 companies due to merger
  JAPAN CABLENET LIMITED, Technology Networks Inc., J:COM Finance Co., Ltd., J:COM Kumagaya Ltd., YourGolf Online, Inc., Total Call International, Inc.
- 9 companies due to such factors as increases in capital through third-party allocation, reducing the Company's equity, and, becoming equity-method affiliates
  KKBOX Inc., 8 subsidiaries of KKBOX Inc.

(2) Scope of application of the equity method

(Newly added)
- 3 companies due to stock acquisition
  Data4C's Kabushiki Kaisha, Jorte Inc., VASILY, Inc.
- 1 company due to additional purchase
  TOLOT Inc.
- 1 company due to increase in capital through third-party allocation, reducing the Company's equity, and resulting in equity-method affiliate
  KKBOX Inc.

(Removed)
- 1 company due to additional purchase, increasing the Company's holdings, resulting in subsidiary
  Jupiter Satellite Broadcasting Co., Ltd.
- 1 company due to decrease in the Company's holdings
  Efun Technology Entertainment Co., Ltd.

4. Fiscal years of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year end of 44 companies, including KDDI China Corporation, is December 31 of each year.
For the preparation of consolidated financial statements, 21 companies, including KDDI China Corporation prepare financial statements based on the provisional accounts as of the consolidated year-end date. The rest 23 companies use financial statements as of December 31 and make adjustments as necessary for consolidation in relation to significant transactions occurring between their year-end date and the consolidated year-end date.
In addition to the above-stated items, 1 company's settlement of accounts is provisional as of March 31, 2015.

In the past, the consolidated financial statements were prepared on the basis of the closing date of the business year for these consolidated subsidiaries, as long as the difference between their year-end date and the consolidated year-end date did not exceed three months. However, in accordance with the scheduled transition to International Financial Reporting Standards from the fiscal year ending March 31, 2016, 21 companies, including KDDI China Corporation changed to prepare financial statements based on the provisional accounts as of the consolidated year-end date. In addition, for the reasons stated above, for the year ended March 31, 2015, the fiscal year-end for 25 companies, including KDDI America, Inc., has changed from December 31 to March 31, the same as the consolidated year-end.
To adjust the income from January 1, 2014 to March 31, 2014, accounted in these subsidiaries through consolidated income statements, their accounting period for the year ended March 31, 2015 is 15 months. For these subsidiaries, during the period from January 1, 2014 to March 31, 2014, total net sales amounted to ¥41,883 million, operating income ¥2,774 million, and ordinary income and income before income taxes ¥2,967 million.

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 8–29 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.

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 Wallet 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 benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2015.

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

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.

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.

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)

Regarding 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, March 26, 2015), effective from the fiscal year under review, the Company has applied the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Implementation Guidance for the Accounting Standard for Retirement Benefits and reviewed its calculation method for retirement benefit obligations and service costs. Accordingly, the Company changed its method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. Also, the method of determining the discount rate has been changed from one of using as the basis for calculation the yield on Japanese government bonds for a number of years corresponding to the average remaining service period to a method based on the use of multiple corporate bond yields set for each expected retirement benefit period.

Application of the Accounting Standard for Retirement Benefits is in line with the transitional treatment prescribed in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such treatment, the effect of the change in the determination of retirement benefit obligations and service costs has been added to or deducted from retained earnings as of the beginning of the fiscal year under review.

As a result, as of the beginning of the fiscal year under review, net defined benefit asset decreased by ¥11,210 million, net defined benefit liability increased by ¥1,336 million, and retained earnings decreased by ¥8,270 million. In addition, operating income, ordinary income, and income before income taxes and minority interests for the fiscal year under review each increased by ¥1,448 million. The impact on per share information is described in relevant section.

(Consolidated Balance Sheets)

1. Assets pledged as collateral

Assets pledged as collateral and secured liabilities:

Machinery	¥156 million
Local line facilities	¥82 million
Engineering facilities	¥14 million
Submarine line facilities	¥0 million
Buildings	¥112 million
Other tangible assets	¥11 million
Investment securities	¥664 million
Stocks of subsidiaries and affiliates (Note)	¥767 million
Other investments and other assets	¥122 million
Short-term investment securities	¥320 million
Total	¥2,251 million

(assets denominated in foreign currencies included: US$9 million)

Corresponding liabilities:

Long-term loans payable (Note)	¥21,327 million
Current portion of noncurrent liabilities	¥187 million
Short-term loans payable	¥2,912 million
Total	¥24,427 million

(liabilities denominated in foreign currencies included: US$24 million)

Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on bank borrowings of ¥20,869 million by that company during the fiscal year under review.

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	¥3,003 million

2. Contingent liabilities

(1) Guarantor for loans	¥57,400 million
(2) Contingent liabilities existing in cable system supply contract	¥6,008 million

3. Reduction entry amount of noncurrent assets

Reduction entry amount due to contribution for construction (cumulative total)	¥21,255 million

(Consolidated Statements of Changes in Net Assets)

1. Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2014	Increase during the fiscal year ended March 31, 2015	Decrease during the fiscal year ended March 31, 2015	As of March 31, 2015
Shares outstanding				
Common stock	896,963,600	–	–	896,963,600
Total	896,963,600	–	–	896,963,600
Treasury stock				
Common stock	61,984,948	46	–	61,984,994
Total	61,984,948	46	–	61,984,994

(The reason of the above changes)

1. The increase of 46 shares in treasury stock of common stock was attributable to purchase of shares less than one unit.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 18, 2014 Annual shareholders meeting	Common stock	¥58,448 million	¥70	March 31, 2014	June 19, 2014
October 31, 2014 Meeting of the Board of Directors	Common stock	¥66,798 million	¥80	September 30, 2014	December 3, 2014
Total		¥125,246 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 17, 2015, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends	¥75,148 million
2) Dividends per share (Note)	¥90
3) Record date	March 31, 2015
4) Effective date	June 18, 2015

The dividends shall be paid from retained earnings.

(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, 2015, 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	264,240	264,240	–
2) Notes and accounts receivable-trade	1,173,433		
Allowance for doubtful accounts *1	(22,436)		
	1,150,997	1,150,997	–
3) Accounts receivable-other	81,126	81,126	–
4) Short-term investment securities	20,320	20,320	–
5) Investment securities			
Bonds intended to be held to maturity	3,003	3,163	160
Available-for-sale securities	24,699	24,699	–
6) Stocks of subsidiaries and affiliates	5,282	7,897	2,614
7) Long-term loans receivable from subsidiaries and associates	95,300	95,443	143
Total assets	1,644,969	1,647,888	2,918
8) Notes and accounts payable-trade	101,739	101,739	–
9) Short-term loans payable	3,140	3,140	–
10) Accounts payable-other	409,109	409,109	–
11) Accrued expenses	30,417	30,417	–
12) Income taxes payable	164,331	164,331	–
13) Bonds payable *2	234,999	244,318	9,318
14) Long-term loans payable *2	702,687	704,501	1,813
Total liabilities	1,646,424	1,657,556	11,131
Derivatives transactions *3	841	841	–

*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.

7) Long-term loans receivable from subsidiaries and associates

The market value is calculated by discounting the total amount of the principal and interest of the relevant loans by the interest rates considered to be applicable to similar new loans.

Liabilities

8) Notes and accounts payable-trade, 9) Short-term loans payable, 10) Accounts payable-other, 11) Accrued expenses, and 12) 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.

13) Bonds payable, and 14) 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	22,891
Stocks of subsidiaries and affiliates Unlisted equity securities	55,878
Investments in capital of subsidiaries and affiliates	292

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 ¥1,201.86
2. Net income per share ¥170.84

Note 1: The Company conducted a 1:3 share split on common stock as of April 1, 2015. 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.

Note 2: As stated in the “Changes in Accounting Policies,” the Company applied the Accounting Standard for Retirement Benefits in line with the transitional treatment prescribed in Paragraph 37 of the Accounting Standard for Retirement Benefits. Consequently, net assets per share decreased by ¥2.94 and net income per share increased by ¥0.36 for the fiscal year under review.

(Significant Subsequent Event)

(Notice Concerning Share Split)

At a meeting of the Board of Directors held on January 30, 2015, the Company resolved to conduct a share split as described below.

1. Purpose of share split

   The share split has been conducted with the aim of increasing the liquidity of the Company’s stock and expanding its investor base by reducing the price of share-trading units.

2. Outline of share split

   (1) Method of share split

   The share split has a record date of Tuesday, March 31, 2015 and involves the splitting of common stock held by shareholders whose names are recorded in the latest Registry of Shareholders on the record date at a ratio of 1:3.

   (2) Number of increase in shares by share split

   1) Total number of issued shares before share split 896,963,600 shares
   2) Number of increase in shares by share split 1,793,927,200 shares
   3) Total number of issued shares after share split 2,690,890,800 shares
   4) Total number of authorized shares after share split 4,200,000,000 shares

   (3) Schedule of share split

   1) Public notice date of the record date Monday, March 16, 2015
   2) Record date Tuesday, March 31, 2015
   3) Effective date Wednesday, April 1, 2015

3. Others
   (1) Changes in capital
       The share split does not result in changes in capital.
   (2) Share information
       Information on the impact of this share split is included in the "Per Share Information" section.

(About KDDI Corporation's Disposal of Treasury Stock through a Third-Party Allocation to Support KDDI Foundation's Social Contribution Activities)

KDDI decided at a Board of Directors resolution in a meeting on April 14, 2015, to dispose of treasury stock, in order to support the social contribution activities of KDDI Foundation (hereafter, the "Foundation"). This disposal of treasury stock is subject to approval at the Company's 31st Annual Shareholders Meeting (hereafter: the "Annual Shareholders Meeting"), which is scheduled for June 17, 2015.

1. About KDDI Foundation

   KDDI Foundation strives to pass on to society the benefits of information and communications technology (ICT) in Japan and overseas. The Foundation's mission is to contribute to harmonious and sound global development through ICT, and to contribute to the sustainable development of international society through activities to further the public interest.

2. About the Disposal of Treasury Stock

Purpose of the Disposal

1) Number of shares for disposal	1,125,000 shares of common stock
2) Disposal price	¥1 per share
3) Amount raised	¥1,125,000
4) Subscription or disposal Method	Disposal through third-party allocation
5) Disposal recipient (planned)	The Master Trust Bank of Japan, Ltd.
6) Date of disposal	To be determined
7) Other	This disposal of treasury stock is subject to an extraordinary resolution related to discounted issue at the 31st Annual Shareholders Meeting, which is scheduled for June 17, 2015. The date and other items related to disposal will be resolved at the Board of Directors meeting following the Annual Shareholders meeting.

3. Objective of and Reason for the Disposal

   KDDI promotes social contribution activities that leverage the Company's technologies and human resources, both in Japan and overseas, in the aim of contributing to society's happiness by encouraging fulfilling lives for people around the world in a sustainable manner.

   KDDI Foundation's mission is to "contribute through ICT to harmonious and healthy global development." In accordance with this mission, the Foundation conducts activities to further the public interest, including grant activities, international cooperation activities, and activities promoting the spread of ICT. By performing these activities in a stable and sustained manner, the Foundation furthers the Company's goal of contributing to society's happiness.

   To support KDDI Foundation's social contribution activities, the Company intends to establish a third-party benefit trust (hereinafter, the "Trust") with Mitsubishi UFJ Trust and Banking Corporation as trustee, The Master Trust Bank of Japan, Ltd., as joint trustee, and KDDI Foundation as beneficiary, with the Trust to acquire the Company's shares. The Trust will deliver trust income on allotment, etc., of the Company's shares to KDDI Foundation, which will use this trust income as the source of funding for its activities, as well as to conduct future activities.

   This disposal of treasury stock is intended for the establishment of the Trust, thereby providing a source of funds for KDDI Foundation's social contribution activities.

4. Amount of Funds Raised, Their Use and Expected Payment Period

(1) Amount of funds raised

1) Total amount of money paid	¥1,125,000
2) Estimated issuance expenses	¥0
3) Estimated amount after deductions	¥1,125,000

(2) Specific use of funds raised

The estimated deductions mentioned above are mainly to be applied toward miscellaneous expenses, including attorneys' fees needed to structure the scheme.

(About a Stock Compensation Plan for Executives)

KDDI decided at a Board of Directors meeting on April 14, 2015, to introduce a new stock compensation plan (hereafter: the "Plan") for directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors and part-time directors) that have entered into engagement agreements with the Company (hereafter: "Directors and Other Executives"). The Plan is to be resolved at a future Board of Directors meeting as a proposal for discussion at the Annual Shareholders Meeting and proposed at the Annual Shareholders Meeting which is scheduled for June 17, 2015.

1. Purpose of introducing the plan

(1) The Company is examining introducing a performance-linked compensation plan in order to clarify that the compensation of Directors, etc., is linked to operating performance and stock value and to raise awareness of contributing to greater medium- and long-term operating performance and corporate value.

(2) The introduction of this system for Directors, etc., is conditioned on obtaining approval at this Annual Shareholders Meeting.

(3) This plan employs a mechanism referred to as a Board Incentive Plan Trust (referred to as "BIP Trust" below). A BIP Trust is an incentive plan for directors modeled on the U.S. performance share system and restricted stock system. The BIP trust acquires the Company's shares and delivers them to Directors, etc., in proportion to the degree that operating performance targets, etc. are met and their position(*1).

(*1) BIP trust® is a registered trade mark of Mitsubishi UFJ Trust and Banking Corporation.

2. Plan summary

(1) Plan summary

This is a performance-linked stock compensation plan that delivers shares of the Company acquired by the trust to Directors, etc. who meet beneficiary requirements when they resign in proportion to various factors including the degree that operating performance targets are met and the director's position. The plan runs from the fiscal year ending March 31, 2016, through the business year ending March 31, 2018, (referred to as "Plan Period" below), and the source of funds is contributions from the Company.

(2) Shareholders meeting resolution approving introduction of the plan

At this Annual Shareholders Meeting, issues necessary to introduce the Plan, including the amount to be contributed to the Trust, ceiling on the number of shares that the Trust acquires, will be voted on.

(3) Parties eligible for the plan (beneficiary requirements)

Directors, etc. who meet the beneficiary requirements after they resign can receive from the Trust a number of the Company's shares proportional to the number of points stipulated at the time they resign (calculated based on item (5) below) after completing designated beneficiary confirmation procedures.

(4) Trust period

The trust period is the three years from September 1, 2015, (planned) to August 31, 2018 (planned). However, at the end of the trust period, if there are Directors, etc., who may meet the beneficiary requirements, additional points shall not be awarded to them, but the trust period may be extended until they resign and delivery of the Company's shares to them is completed, or up to fifteen years.

It should be noted that if a resolution to continue the Trust is tabled and passed at the annual shareholders meeting in three years, the Plan Period and trust period may be extended to the extent approved by that Shareholders Meeting resolution, and the number of points may continue to be awarded to Directors, etc., during the extended trust period.

(5) Number of shares delivered to Directors, etc.
The Company's shares are delivered to Directors, etc., in proportion to various factors including the degree that operating performance targets for the Plan Period are met and the director's position.

(6) Total amount of trust money to be contributed to the Trust and total number of shares to be acquired by the Trust
The total amount of trust money to be contributed to the Trust during the trust period and the total number shares to be acquired by the Trust shall not exceed the following ceilings if approved by this Shareholders Meeting resolution.

Ceiling on total amount of trust money to be contributed to the Trust: ¥1,396 million*

* This is the total amount of funds for purchasing shares by the Trust and paying trust compensation and trust expenses during the trust period.

Ceiling on the total number of shares to be acquired by the Trust: 600,000 shares

The total ceiling on trust money to be contributed to the Trust was calculated taking into consideration factors such as the fixed compensation and performance-linked bonuses for the Company's current Directors, etc., and adding in trust compensation and trust expenses.
The total ceiling on the number of shares to be acquired was set taking into consideration factors such as the current stock price and based on the total ceiling on trust money given above.

(7) Method for acquiring the Company's shares by the Trust
It is expected that the Trust will initially acquire the Company's shares through the Company's disposal of treasury shares or purchase of shares in the market up to the ceiling on the number of shares and funds for purchases stipulated in (6) above. Details of how the shares will be acquired shall be decided upon by the Company after this resolution is passed, and this information shall be released.
During the trust period, if there is a chance that there will be an insufficient number of shares in the Trust for the number of points awarded to Directors, etc., or there is a chance there will be insufficient funds in the Trust to pay trust compensation and trust expenses, additional funds may be added to the Trust up to the ceiling on trust money stipulated in (6) above.

(8) Method and timing of delivering shares to Directors, etc.
Directors, etc., who resign and meet the beneficiary requirements can receive, after the resignation, from the Trust a number of the Company's shares proportional to the total number of points they have at the time of their resignation by completing the designated beneficiary confirmation procedures.

(9) Exercise of voting rights of the Company's shares held in the Trust
During the trust period, the voting rights for the Company's shares in the Trust (that is, the Company's shares before they are delivered to Directors, etc., in accordance with (5) above) shall not be exercised in order to ensure neutrality toward management.

(10) Payment of dividends for the Company's shares held in the Trust
The Trust shall be paid dividends for the Company's shares held in the Trust, and the dividends shall be used for trust compensation and trust expenses. If after using dividends for trust compensation and trust expenses, there are unused ones when the Trust is terminated, the dividends shall be donated to an organization with no interest in the Company or its executives or paid to the Directors, etc.

(11) End of the trust period
If there are residual shares at the end of the trust period for any of various reasons, such as operating performance targets not being met during the Plan Period (that does not include shares that are expected to be delivered to Directors, etc., who have not yet resigned as of the end of the trust period but may meet the beneficiary requirements), it is expected that as part of the Company's shareholder return policy, at the end of the trust period or extended trust period stipulated in the first paragraph of (4) above, residual shares shall be transferred from the Trust to the Company free of charge and retired by the Board of Directors resolution at the end of the trust period.

(About Introduction of a Stock Compensation Plan for Managers)

KDDI hereby provides notice that a resolution was passed at a Board of Directors meeting on April 14, 2015, to introduce a stock-granting ESOP trust (hereinafter, “ESOP Trust”) as an incentive plan for managers aimed at enhancing the Company’s corporate value over the medium to long term. KDDI will provide notification on the date of establishment of this trust, as well as its period, the share acquisition period, the total value of shares to be acquired, and other details once this information has been decided.

1. Objective for Introducing the ESOP Trust

This ESOP Trust is being introduced as an incentive plan to further promote operational execution and enhance corporate value over the medium to long term by increasing awareness among the Company’s managers of operating performance and stock price.

2. Overview of the ESOP Trust

The ESOP Trust is a trust-type incentive plan for employees modeled on the U.S. employee stock ownership plan (ESOP) system. The ESOP trust acquires the Company’s shares and delivers them to employees in accordance with operating performance achievement levels and their positions.
The Company will establish this trust by contributing the cash to acquire the Company’s shares and specifying as the plan’s beneficiaries those selected KDDI managers who satisfy certain conditions. Based on share delivery regulations prepared in advance, this trust will acquire a number of the Company’s shares that is expected to be delivered to the Company’s managers. Thereafter, in accordance with the share delivery regulations, at the trust’s conclusion the trust will deliver to managers a number of shares in accordance with operating performance achievement levels and their positions. Managers will incur no burden, as the Company will contribute all the cash for purchasing the shares to be acquired by the trust.
The introduction of this trust is expected to increase KDDI managers’ working incentive, promoting operational execution from the perspective of contributing to operating performance over the medium to long term.
Voting rights on the shares that make up the trust’s assets are not to be exercised during the trust period.

(Other Notes)

(Consolidated Statements of Income)

1. Gain on sales of noncurrent assets ¥224 million

   Gain on sales of noncurrent assets consists of gain on sales of long-distance line facilities of ¥138 million, gain on sales of real estate of ¥81 million due to the sale of land, etc. and gain on sales of other facilities of ¥4 million.

2. Loss on sales of noncurrent assets ¥497 million

   Loss on sales of noncurrent assets consists of loss on disposal of facility usage rights of ¥419 million and loss on sales of other facilities of ¥78 million.

3. Loss on retirement of noncurrent assets ¥12,159 million

   Loss on retirement of noncurrent assets consists of disposal cost related to the discontinuation of service cooperation on mobile SNS* of 8,626 million, disposal cost related to the disposal of Metal-plus telephone service and other facilities of 2,853 million and others of 680 million.

   * An abbreviation for social networking service

4. Impairment loss ¥42,116 million

In the year ended March 31, 2015, the Companies mainly recognized impairment loss for the following assets and asset group. 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.

(Unit: Millions of yen)

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

In the year ended March 31, 2015, the Companies drew up a plan to shift the 2GHz band to LTE broadband in order to reinforce its competitiveness in mobile communications services, rendering certain facilities non-performing. Facilities not part of this conversion were determined to be idle assets that were expected to have no future value. The book value of these assets was reduced to their recoverable value. This ¥5,774 million decrease, an impairment loss, was recorded as an extraordinary loss. This amount consists of ¥4,550 million for machinery and ¥1,224 million for antenna facilities.

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

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Communication facilities, idle assets, etc. (Tokyo, etc.)	Mainly Telecommunications business	Machinery, Local line facilities etc.	32,556

In the year ended March 31, 2015, for assets with declining utilization rates, including some communication facilities, and idle assets, the book value has been reduced to recoverable value. The said reduction is recognized as an impairment loss of ¥32,556 million, an extraordinary loss. This consists of ¥23,363 million for machinery, ¥5,495 million for local line facilities, and ¥3,696 million for others.

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

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Certain services in the Fixed-line Business (Tokyo, etc.)	Telecommunications business	Machinery, etc.	3,468

In the year ended March 31, 2015, due to changes in the market environment and other factors, the future recovery of investments in certain services in the Fixed-line Business was determined to be unlikely. Accordingly, it became possible to prepare a system for managing the incoming and outgoing cash flows generated by these assets and determine earnings and expenses. Accordingly, the grouping of these assets was changed to an independent asset group. The recoverable amount of these assets was reduced to their book value, and the said reduction is recognized as an impairment loss of ¥3,468 million, an extraordinary loss. This consists of ¥2,839 million for machinery, and ¥629 million for others.

The recoverable amount of these assets is estimated at their value in use, with future cash flows discounted at a rate of 6.38%.

In addition, an impairment loss of ¥316 million was recorded for certain subsidiaries. This consists of ¥116 million for software, ¥65 million for machinery, and ¥133 million for others.

5. Loss on business of overseas subsidiaries

On 3rd February, 2015, both the CEO (Executive Director and Chief Executive Officer) and CFO (Chief Financial Officer) of DMX Technologies Group Limited ("DMX"), an overseas consolidated subsidiary of KDDI, were arrested by the Hong Kong Police Force due to suspected violation of local laws. Upon learning of these arrests, DMX newly assigned CEO and CFO, replacing those arrested, respectively, has established an investigation committee, etc., and has been conducting investigations regarding the facts related to the incidents and the causes of the incidents.
During the investigations, it has been discovered that there is a doubt as to the soundness of assets, such as "Other investment and other assets" (Account Receivables to clients), "Supplies," "Tangible assets of incidental business facilities," and "Intangible assets of incidental business facilities," which all relate to transactions between DMX and some of its specific clients or vendors. Considering those findings, KDDI has posted loss on business of overseas subsidiaries (extraordinary loss) in its consolidated financial statements regarding this financial year, as a possible future loss attributed to the incidents.
Therefore, income before income taxes and minority interests decreased ¥33,798 million.

A breakdown of the loss on business of overseas subsidiaries is as follows:

Provision for allowance for doubtful accounts:	30,900 (million yen)
Loss on valuation of inventory:	1,446
Loss on retirement of noncurrent assets:	1,452
Total:	33,798 (million yen)

6. Income taxes for prior periods

(Reassessment of excessive depreciation on steel towers used for the telecommunications business)
On June 25, 2014, the Company received a notice of correction from the Tokyo Regional Taxation Bureau involving a discrepancy in the useful life of the steel towers used for the telecommunications business over the five fiscal years ended March 31, 2009 through 2013.
Objecting to this correction, on December 10, 2014, the Company submitted an application for review to the National Tax Tribunal. This notice of correction corresponds to additional taxes of ¥6,873 million, including income tax, residence tax, business tax, and other ancillary taxes. This amount has been included on the consolidated statements of income for the year ended March 31, 2015, as "income taxes for prior periods."
Due to the application of tax-effect accounting, the Company has posted income taxes-deferred of negative ¥5,650 million in accordance with the above-stated excessive depreciation.

Note: Amounts of items listed in the non-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 benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2015.
   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 Wallet 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)

1. Application of Accounting Standard for Retirement Benefits

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, March 26, 2015), effective from the fiscal year under review, and reviewed its calculation method for retirement benefit obligations and service costs. Accordingly, the Company changed its method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. Also, the method of determining the discount rate has been changed from one of using as the basis for calculation the yield on Japanese government bonds for a number of years corresponding to the average remaining service period to a method based on the use of multiple corporate bond yields set for each expected retirement benefit period.

Application of the Accounting Standard for Retirement Benefits is in line with the transitional treatment prescribed in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such treatment, the effect of the change in the determination of retirement benefit obligations and service costs has been added to or deducted from retained earnings brought forward as of the beginning of the fiscal year under review.

As a result, as of the beginning of the fiscal year under review, provision for retirement benefits increased by ¥6,762 million, prepaid pension cost decreased by ¥8,124 million, and retained earnings brought forward decreased by ¥9,587 million. In addition, operating income, ordinary income, and income before income taxes for the fiscal year under review each increased by ¥1,306 million. The impact on per share information is described in relevant section.

(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	¥57,452 million
(2) Guarantor for office lease contract	¥7,357 million
(3) Contingent liabilities for cable system supply contract	¥6,008 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥132,092 million
Short-term monetary claims	¥82,504 million
Long-term monetary liabilities	¥411 million
Short-term monetary liabilities	¥143,513 million

4. Reduction entry amount of noncurrent assets

Reduction entry amount attributable to aid for construction cost(cumulative total)	¥15,886 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	¥176,565 million
Loans receivables outstanding	¥27,253 million
Remaining portion of credit line	¥149,312 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	¥166,108 million
Operating expenses to subsidiaries and affiliates	¥305,537 million
Non-operating transactions with subsidiaries and affiliates	¥12,494 million

2. Gain on sales of noncurrent assets ¥222 million
   Gain on sales of noncurrent assets consists of gain on sales of long-distance line facilities of ¥138 million, gain on sales of real estate of ¥81 million due to the sale of land, etc. and gain on sales of other facilities of ¥2 million.

3. Loss on sales of noncurrent assets ¥421 million
   Loss on sales of noncurrent assets consists of loss on disposal of facility usage rights of ¥419 million and loss on sales of other facilities of ¥1 million.

4. Loss on retirement of noncurrent assets ¥11,792 million
   Loss on retirement of noncurrent assets consists of disposal cost related to the discontinuation of service cooperation on mobile SNS* of 8,626 million, disposal cost related to the disposal of Metal-plus telephone service and other facilities of 2,853 million and others of 312 million.
   * An abbreviation for social networking service

5. Impairment loss ¥41,799 million
   In the year ended March 31, 2015, the Company mainly recognized impairment loss for the following assets and asset group.
   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 groups of assets.

(Unit: Millions of yen)

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

In the year ended March 31, 2015, the Company drew up a plan to shift the 2GHz band to LTE broadband in order to reinforce its competitiveness in mobile communications services, rendering certain facilities non-performing. Facilities not part of this conversion were determined to be idle assets that were expected to have no future value. The book value of these assets was reduced to their recoverable value. This ¥5,774 million decrease, an impairment loss, was recorded as an extraordinary loss. This amount consists of ¥4,550 million for machinery and ¥1,224 million for antenna facilities.

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

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Communication facilities, idle assets, etc. (Tokyo, etc.)	Mainly Telecommunications business	Machinery, Local line facilities etc.	32,556

In the year ended March 31, 2015, for assets with declining utilization rates, including some communication facilities, and idle assets, the book value has been reduced to recoverable value. The said reduction is recognized as an impairment loss of ¥32,556 million, an extraordinary loss. This consists of ¥23,363 million for machinery, ¥5,495 million for local line facilities, and ¥3,696 million for others.

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

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Certain services in the Fixed-line Business (Tokyo, etc.)	Telecommunications business	Machinery, etc.	3,468

In the year ended March 31, 2015, due to changes in the market environment and other factors, the future recovery of investments in certain services in the Fixed-line Business was determined to be unlikely. Accordingly, it became possible to prepare a system for managing the incoming and outgoing cash flows generated by these assets and determine earnings and expenses. Accordingly, the grouping of these assets was changed to an independent asset group. The recoverable amount of these assets was reduced to their book value, and the said reduction is recognized as an impairment loss of ¥3,468 million, an extraordinary loss. This consists of ¥2,839 million for machinery, and ¥629 million for others.

The recoverable amount of these assets is estimated at their value in use, with future cash flows discounted at a rate of 6.38%.

6. Income taxes for prior periods

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

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

Objecting to this correction, on December 10, 2014, the Company submitted an application for review to the National Tax Tribunal.

This notice of correction corresponds to additional taxes of ¥6,873 million, including income tax, residence tax, business tax, and other ancillary taxes. This amount has been included on the consolidated statements of income for the year ended March 31, 2015, as “income taxes for prior periods.”

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

(Non-Consolidated Statements of Changes in Net Assets)

1. Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2014	Increase during the fiscal year ended March 31, 2015	Decrease during the fiscal year ended March 31, 2015	As of March 31, 2015
Shares outstanding				
Common stock	896,963,600	–	–	896,963,600
Total	896,963,600	–	–	896,963,600
Treasury stock				
Common stock	61,984,948	46	–	61,984,994
Total	61,984,948	46	–	61,984,994

(The reason of the above changes)

1. The increase of 46 shares in treasury stock of common stock was attributable to purchase of shares less than one unit.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 18, 2014 Annual shareholders meeting	Common stock	¥58,448 million	¥70	March 31, 2014	June 19, 2014
October 31, 2014 Meeting of the Board of Directors	Common stock	¥66,798 million	¥80	September 30, 2014	December 3, 2014
Total		¥125,246 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 17, 2015, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends ¥75,148 million
2) Dividends per share ¥90
3) Record date March 31, 2015
4) Effective date June 18, 2015

The dividends shall be paid from retained earnings.

(Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

(Unit: Millions of yen)

Deferred tax assets:	Provision for retirement benefits	5,079
	Provision for bonuses	6,816
	Excess amount of allowance for doubtful accounts, etc.	11,263
	Provision for point service program	21,880
	Denial of accrued expenses	5,556
	Excess amount of depreciation and amortization	23,407
	Denial of loss on retirement of noncurrent assets	3,047
	Denial of loss on valuation of inventories	2,711
	Accrued enterprise taxes	9,802
	Denial of impairment loss	41,041
	Denial of advances received	9,471
	Loss on valuation of investment securities	174
	Loss on valuation of stocks of subsidiaries and affiliates	11,690
	Other	836
	Deferred tax assets subtotal	152,778
	Valuation allowance	(10,144)
Total deferred tax assets		142,634
Deferred tax liabilities:	Reserve for special depreciation	(1,105)
	Valuation difference on available-for-sale securities	(8,529)
	Gain on exchange from business combination	(1,535)
	Other	(471)
Total deferred tax liabilities		(11,641)
Net deferred tax assets		130,993

(Additional Information)

(Significant components of deferred tax assets and liabilities)

Following the promulgation of the “Act on Partial Revision of the Income Tax Act” (Act No. 9 of 2015) and the “Act on Partial Revision of the Local Tax Act” (Act No. 2 of 2015) on March 31, 2015, the income tax rates, etc. are to be lowered from the fiscal year starting on or after April 1, 2015. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities will be changed from the previous rate of 35.6% to 33.0% for temporary differences expected to be extinguished in the fiscal year beginning on April 1, 2015, and to 32.3% for temporary differences expected to be extinguished in the fiscal years beginning on or after April 1, 2016.
This change in the tax rate had the effect of reducing deferred tax assets (net of deferred tax liabilities) by ¥12,921 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 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 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, 2015 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	60,101	60,101	–
2) Accounts receivable-trade	1,097,540		
Allowance for doubtful accounts *1	(19,903)		
	1,077,637	1,077,637	–
3) Accounts receivable-other	48,197	48,197	–
4) Securities	20,000	20,000	–
5) Investment securities			
Available-for-sale securities	24,163	24,163	–
6) Short-term loans receivable from subsidiaries and affiliates *2	27,253	27,253	–
7) Stocks of subsidiaries and affiliates	657	50,575	49,917
8) Long-term loans receivable from subsidiaries and affiliates *3	149,398	149,650	252
Total assets	1,407,408	1,457,578	50,170
9) Accounts payable-trade	70,034	70,034	–
10) Short-term loans payable	98,539	98,539	–
11) Accounts payable-other	306,595	306,595	–
12) Accrued expenses	6,618	6,618	–
13) Income taxes payable	128,076	128,076	–
14) Deposits received	11,520	11,520	–
15) Bonds payable *4	234,999	244,318	9,318
16) Long-term loans payable *4	348,790	349,772	982
Total liabilities	1,205,174	1,215,475	10,301

*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, 4) Securities, and 6) 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.

5) Investment securities and 7) Stocks of subsidiaries and affiliates

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

8) 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.

9) Accounts payable-trade, 10) Short-term loans payable, 11) Accounts payable-other, 12) Accrued expenses, 13) Income taxes payable, and 14) 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.

15) Bonds payable, and 16) 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	16,634
Stocks of subsidiaries and affiliates Unlisted equity securities*	622,777
Investments in capital of subsidiaries and affiliates	11,628

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

* The above includes shares of DMX Technologies Group Limited, the trading of which was suspended on Singapore Exchange as of March 31, 2015.

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

Amount of investments in affiliates	¥61,835 million
Amount of investments in affiliates based on equity method	¥61,453 million
Amount of equity in net income of affiliates based on equity method	¥5,801 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
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
Debt guarantee of loans Sharing of concurrent positions by board members	Lending of funds (Note 1)	94,270	Long-term loans receivable from subsidiaries and associates	95,300
			Short-term loans receivable from subsidiaries and associates	11,153
	Receipt of interests	156	Accounts receivable-other	98
	Debt guarantee (Note 2)	57,400	–	–
	Receiving of guarantee fee	199	Accounts receivable-other	28

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

Note 1: Borrowing periods are set to match the characteristics of the demand for funds, and interest rates are set in a rational manner taking into account market interest rates on borrowings for the corresponding period. As these transactions are performed in the interest of efficient funding within the group, no collateral is provided or received.

Note 2: The debt guarantee is to guarantee 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 ¥1,179.38
2. Net income per share ¥160.99

Note 1: The Company conducted a 1:3 share split on common stock as of April 1, 2015. 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.

Note 2: As stated in the "Changes in Accounting Policies," the Company applied the Accounting Standard for Retirement Benefits in line with the transitional treatment prescribed in Paragraph 37 of the Accounting Standard for Retirement Benefits. Consequently, net assets per share decreased by ¥3.49 and net income per share increased by ¥0.34 for the fiscal year under review.

(Significant Subsequent Event)

(Notice Concerning Share Split)

At a meeting of the Board of Directors held on January 30, 2015, the Company resolved to conduct a share split as described below.

1. Purpose of share split
   The share split has been conducted with the aim of increasing the liquidity of the Company's stock and expanding its investor base by reducing the price of share-trading units.

2. Outline of share split
   (1) Method of share split
   The share split has a record date of Tuesday, March 31, 2015 and involves the splitting of common stock held by shareholders whose names are recorded in the latest Registry of Shareholders on the record date at a ratio of 1:3.
   (2) Number of increase in shares by share split

1) Total number of issued shares before share split	896,963,600 shares
2) Number of increase in shares by share split	1,793,927,200 shares
3) Total number of issued shares after share split	2,690,890,800 shares
4) Total number of authorized shares after share split	4,200,000,000 shares

   (3) Schedule of share split

1) Public notice date of the record date	Monday, March 16, 2015
2) Record date	Tuesday, March 31, 2015
3) Effective date	Wednesday, April 1, 2015

3. Others
   (1) Changes in capital
   The share split does not result in changes in capital.
   (2) Share information
   Information on the impact of this share split is included in the "Per Share Information" section.

(About KDDI Corporation's Disposal of Treasury Stock through a Third-Party Allocation to Support KDDI Foundation's Social Contribution Activities)

KDDI decided at a Board of Directors resolution in a meeting on April 14, 2015, to dispose of treasury stock, in order to support the social contribution activities of KDDI Foundation (hereafter, the "Foundation"). This disposal of treasury stock is subject to approval at the Company's 31st Annual Shareholders Meeting (hereafter: the "Annual Shareholders Meeting"), which is scheduled for June 17, 2015.

1. About KDDI Foundation
   KDDI Foundation strives to pass on to society the benefits of information and communications technology (ICT) in Japan and overseas. The Foundation's mission is to contribute to harmonious and sound global development through ICT, and to contribute to the sustainable development of international society through activities to further the public interest.

2. About the Disposal of Treasury Stock

Purpose of the Disposal

1) Number of shares for disposal	1,125,000 shares of common stock
2) Disposal price	¥1 per share
3) Amount raised	¥1,125,000
4) Subscription or disposal Method	Disposal through third-party allocation
5) Disposal recipient (planned)	The Master Trust Bank of Japan, Ltd.
6) Date of disposal	To be determined
7) Other	This disposal of treasury stock is subject to an extraordinary resolution related to discounted issue at the 31st Annual Shareholders Meeting, which is scheduled for June 17, 2015. The date and other items related to disposal will be resolved at the Board of Directors meeting following the Annual Shareholders meeting.

3. Objective of and Reason for the Disposal

KDDI promotes social contribution activities that leverage the Company's technologies and human resources, both in Japan and overseas, in the aim of contributing to society's happiness by encouraging fulfilling lives for people around the world in a sustainable manner.

KDDI Foundation's mission is to "contribute through ICT to harmonious and healthy global development." In accordance with this mission, the Foundation conducts activities to further the public interest, including grant activities, international cooperation activities, and activities promoting the spread of ICT. By performing these activities in a stable and sustained manner, the Foundation furthers the Company's goal of contributing to society's happiness.

To support KDDI Foundation's social contribution activities, the Company intends to establish a third-party benefit trust (hereinafter, the "Trust") with Mitsubishi UFJ Trust and Banking Corporation as trustee, The Master Trust Bank of Japan, Ltd., as joint trustee, and KDDI Foundation as beneficiary, with the Trust to acquire the Company's shares. The Trust will deliver trust income on allotment, etc., of the Company's shares to KDDI Foundation, which will use this trust income as the source of funding for its activities, as well as to conduct future activities.

This disposal of treasury stock is intended for the establishment of the Trust, thereby providing a source of funds for KDDI Foundation's social contribution activities.

4. Amount of Funds Raised, Their Use and Expected Payment Period

(1) Amount of funds raised

1) Total amount of money paid	¥1,125,000
2) Estimated issuance expenses	¥0
3) Estimated amount after deductions	¥1,125,000

(2) Specific use of funds raised

The estimated deductions mentioned above are mainly to be applied toward miscellaneous expenses, including attorneys' fees needed to structure the scheme.

(About a Stock Compensation Plan for Executives)

KDDI decided at a Board of Directors meeting on April 14, 2015, to introduce a new stock compensation plan (hereafter: the "Plan") for directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors and part-time directors) that have entered into engagement agreements with the Company (hereafter: "Directors and Other Executives"). The Plan is to be resolved at a future Board of Directors meeting as a proposal for discussion at the Annual Shareholders Meeting and proposed at the Annual Shareholders Meeting which is scheduled for June 17, 2015.

1. Purpose of introducing the plan

(1) The Company is examining introducing a performance-linked compensation plan in order to clarify that the compensation of Directors, etc., is linked to operating performance and stock value and to raise awareness of contributing to greater medium- and long-term operating performance and corporate value.

(2) The introduction of this system for Directors, etc., is conditioned on obtaining approval at this Annual Shareholders Meeting.

(3) This plan employs a mechanism referred to as a Board Incentive Plan Trust (referred to as “BIP Trust” below). A BIP Trust is an incentive plan for directors modeled on the U.S. performance share system and restricted stock system. The BIP trust acquires the Company’s shares and delivers them to Directors, etc., in proportion to the degree that operating performance targets, etc. are met and their position(*1).
(*1) BIP trust® is a registered trade mark of Mitsubishi UFJ Trust and Banking Corporation.

2. Plan summary

(1) Plan summary
This is a performance-linked stock compensation plan that delivers shares of the Company acquired by the trust to Directors, etc. who meet beneficiary requirements when they resign in proportion to various factors including the degree that operating performance targets are met and the director’s position. The plan runs from the fiscal year ending March 31, 2016, through the business year ending March 31, 2018, (referred to as “Plan Period” below), and the source of funds is contributions from the Company.

(2) Shareholders meeting resolution approving introduction of the plan
At this Annual Shareholders Meeting, issues necessary to introduce the Plan, including the amount to be contributed to the Trust, ceiling on the number of shares that the Trust acquires, will be voted on.

(3) Parties eligible for the plan (beneficiary requirements)
Directors, etc. who meet the beneficiary requirements after they resign can receive from the Trust a number of the Company’s shares proportional to the number of points stipulated at the time they resign (calculated based on item (5) below) after completing designated beneficiary confirmation procedures.

(4) Trust period
The trust period is the three years from September 1, 2015, (planned) to August 31, 2018 (planned). However, at the end of the trust period, if there are Directors, etc., who may meet the beneficiary requirements, additional points shall not be awarded to them, but the trust period may be extended until they resign and delivery of the Company’s shares to them is completed, or up to fifteen years.
It should be noted that if a resolution to continue the Trust is tabled and passed at the annual shareholders meeting in three years, the Plan Period and trust period may be extended to the extent approved by that Shareholders Meeting resolution, and the number of points may continue to be awarded to Directors, etc., during the extended trust period.

(5) Number of shares delivered to Directors, etc.
The Company’s shares are delivered to Directors, etc., in proportion to various factors including the degree that operating performance targets for the Plan Period are met and the director’s position.

(6) Total amount of trust money to be contributed to the Trust and total number of shares to be acquired by the Trust
The total amount of trust money to be contributed to the Trust during the trust period and the total number shares to be acquired by the Trust shall not exceed the following ceilings if approved by this Shareholders Meeting resolution.

Ceiling on total amount of trust money to be contributed to the Trust: ¥1,396 million*

* This is the total amount of funds for purchasing shares by the Trust and paying trust compensation and trust expenses during the trust period.

Ceiling on the total number of shares to be acquired by the Trust: 600,000 shares

The total ceiling on trust money to be contributed to the Trust was calculated taking into consideration factors such as the fixed compensation and performance-linked bonuses for the Company’s current Directors, etc., and adding in trust compensation and trust expenses.
The total ceiling on the number of shares to be acquired was set taking into consideration factors such as the current stock price and based on the total ceiling on trust money given above.

(7) Method for acquiring the Company's shares by the Trust
It is expected that the Trust will initially acquire the Company's shares through the Company's disposal of treasury shares or purchase of shares in the market up to the ceiling on the number of shares and funds for purchases stipulated in (6) above. Details of how the shares will be acquired shall be decided upon by the Company after this resolution is passed, and this information shall be released.
During the trust period, if there is a chance that there will be an insufficient number of shares in the Trust for the number of points awarded to Directors, etc., or there is a chance there will be insufficient funds in the Trust to pay trust compensation and trust expenses, additional funds may be added to the Trust up to the ceiling on trust money stipulated in (6) above.

(8) Method and timing of delivering shares to Directors, etc.
Directors, etc., who resign and meet the beneficiary requirements can receive, after the resignation, from the Trust a number of the Company's shares proportional to the total number of points they have at the time of their resignation by completing the designated beneficiary confirmation procedures.

(9) Exercise of voting rights of the Company's shares held in the Trust
During the trust period, the voting rights for the Company's shares in the Trust (that is, the Company's shares before they are delivered to Directors, etc., in accordance with (5) above) shall not be exercised in order to ensure neutrality toward management.

(10) Payment of dividends for the Company's shares held in the Trust
The Trust shall be paid dividends for the Company's shares held in the Trust, and the dividends shall be used for trust compensation and trust expenses. If after using dividends for trust compensation and trust expenses, there are unused ones when the Trust is terminated, the dividends shall be donated to an organization with no interest in the Company or its executives or paid to the Directors, etc.

(11) End of the trust period
If there are residual shares at the end of the trust period for any of various reasons, such as operating performance targets not being met during the Plan Period (that does not include shares that are expected to be delivered to Directors, etc., who have not yet resigned as of the end of the trust period but may meet the beneficiary requirements), it is expected that as part of the Company's shareholder return policy, at the end of the trust period or extended trust period stipulated in the first paragraph of (4) above, residual shares shall be transferred from the Trust to the Company free of charge and retired by the Board of Directors resolution at the end of the trust period.

(About Introduction of a Stock Compensation Plan for Managers)

KDDI hereby provides notice that a resolution was passed at a Board of Directors meeting on April 14, 2015, to introduce a stock-granting ESOP trust (hereinafter, "ESOP Trust") as an incentive plan for managers aimed at enhancing the Company's corporate value over the medium to long term. KDDI will provide notification on the date of establishment of this trust, as well as its period, the share acquisition period, the total value of shares to be acquired, and other details once this information has been decided.

1. Objective for Introducing the ESOP Trust

This ESOP Trust is being introduced as an incentive plan to further promote operational execution and enhance corporate value over the medium to long term by increasing awareness among the Company's managers of operating performance and stock price.

2. Overview of the ESOP Trust

The ESOP Trust is a trust-type incentive plan for employees modeled on the U.S. employee stock ownership plan (ESOP) system. The ESOP trust acquires the Company's shares and delivers them to employees in accordance with operating performance achievement levels and their positions.
The Company will establish this trust by contributing the cash to acquire the Company's shares and specifying as the plan's beneficiaries those selected KDDI managers who satisfy certain conditions. Based on share delivery regulations prepared in advance, this trust will acquire a number of the Company's shares that is expected to be delivered to the Company's managers. Thereafter, in accordance with the share delivery regulations, at the trust's conclusion the trust will deliver to managers a number of shares in accordance with operating performance achievement levels and their positions. Managers will incur no burden, as the Company will contribute all the cash for purchasing the shares to be acquired by the trust.

The introduction of this trust is expected to increase KDDI managers' working incentive, promoting operational execution from the perspective of contributing to operating performance over the medium to long term.
Voting rights on the shares that make up the trust's assets are not to be exercised during the trust period.

(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.