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 34TH ANNUAL SHAREHOLDERS MEETING

KDDI Corporation

TABLE OF CONTENTS

NOTICE OF ANNUAL SHAREHOLDERS MEETING

-A collection of detailed information regarding the shareholders meeting

Reference Documents for the Shareholders Meeting

- Matters to be resolved at the shareholders meeting

(Attached Documents)

BUSINESS REPORT

- An overview of initiatives for the current period

Consolidated Financial Statements

Non-Consolidated Financial Statements

Audit Report

"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," the "Notes to Consolidated Financial Statements" and the "Notes to Non-Consolidated Financial Statements" are provided to shareholders on the Company's Web site, pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation.

http://www.kddi.com/english/corporate/ir/stock-rating/meeting/20180620/

"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. 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

Aiming to realize "Integration of Telecommunication and Life Design" to further improve customer experience value

Makoto Takahashi
President, Representative Director

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 34th Annual Shareholders Meeting.

With the 34th fiscal year as the second fiscal year for the medium-term management plan targets until fiscal 2018 (35th fiscal year), we aimed at enhancing the enterprise value through "sustainable earning growth and the enhancement of shareholder returns" under the banner of "transform into business that provides customer experience value." Turning to the earnings, we made steady progress toward our medium-term management plan target of achieving a three year average annual growth rate in operating income of 7%. We also achieved a dividend payout ratio of 35%. The constant support of all our shareholders made this possible, and I would like to express my deep appreciation for this.

Within this context, we are aiming for the "Integration of Telecommunication and Life Design," actively proposing new value to customers by expanding life design services such as commerce, finance, energy, entertainment, and education, in addition to our existing telecommunications services.

Furthermore, as we fully enter the age of IoT and 5G, we will develop services that provide customers with experience value by speeding up new value proposals, such as enhancing the "au HOME" home IoT service, while expanding the Low Power Wide Area (LPWA) telecommunications technology for IoT and taking steps to promote connected cars.

We will continue to contribute to the development of the society through all business activities, while aiming at further enhancing the enterprise value.

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

TSE Code: 9433
May 29, 2018

To our shareholders:

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

NOTICE OF THE 34TH ANNUAL SHAREHOLDERS MEETING

You are cordially invited to attend the 34th 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 19, 2018 (JST)**, or vote at the Exercise of Voting Rights Web site (https://evote.tr.mufg.jp/).

By submitting Exercise of Voting Rights form by mail

Please indicate your approval or disapproval for each proposal on the enclosed Exercise of Voting Rights form and return the form to us to arrive no later than 5:30 p.m. on Tuesday, June 19, 2018.

By exercising voting rights via the Internet

Please read the detailed instructions on page 6 and input your approval or disapproval for each proposal by 5:30 p.m. on Tuesday, June 19, 2018.

1. Date and Time: Wednesday, June 20, 2018, 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 34th fiscal year from April 1, 2017 to March 31, 2018 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditors and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 34th fiscal year from April 1, 2017 to March 31, 2018

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Partial Amendments to Articles of Incorporation
Proposal 3: Election of Fourteen (14) Directors
Proposal 4: Election of One (1) Audit & Supervisory Board Member
Proposal 5: Continuation of and Partial Revision to the Performance-linked Stock Compensation Plan for Directors, Executive Officers, and Administrative Officers

4. Other matters concerning the Meeting:

Please refer to the Guide to the Exercise of Voting Rights in Case of Absence 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.

Disclosure via the Internet

The following documents attached to the Notice of the 34th Annual Shareholders Meeting, are provided to shareholders on the Company's Web site pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation.

1) An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status
2) Notes to Consolidated Financial Statements
3) Notes to Non-Consolidated Financial Statements

(http://www.kddi.com/english/corporate/ir/stock-rating/meeting/20180620/)

"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status" is part of the

Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. 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 in Case of Absence

* 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 7 through 21.

1. 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 19, 2018

2. 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 19, 2018

   [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 19, 2018 (JST)

1 Please access the Exercise of Voting Rights Web site (https://evote.tr.mufg.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.)

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. As one of the medium-term management plan targets, while considering investment for sustainable growth, the Company intends to maintain a consolidated payout ratio of more than 35%.

   We have given comprehensive consideration to the need to expand our businesses to enhance business performance in the future, and propose to pay year-end dividends for the fiscal year under review as follows.

(1) Type of dividends

Cash

(2) Dividend amount to be allocated

Per share of common stock ····· ¥45.00

Total dividends ··················· ¥108,318,461,625

(3) Effective date of dividends of surplus

June 21, 2018

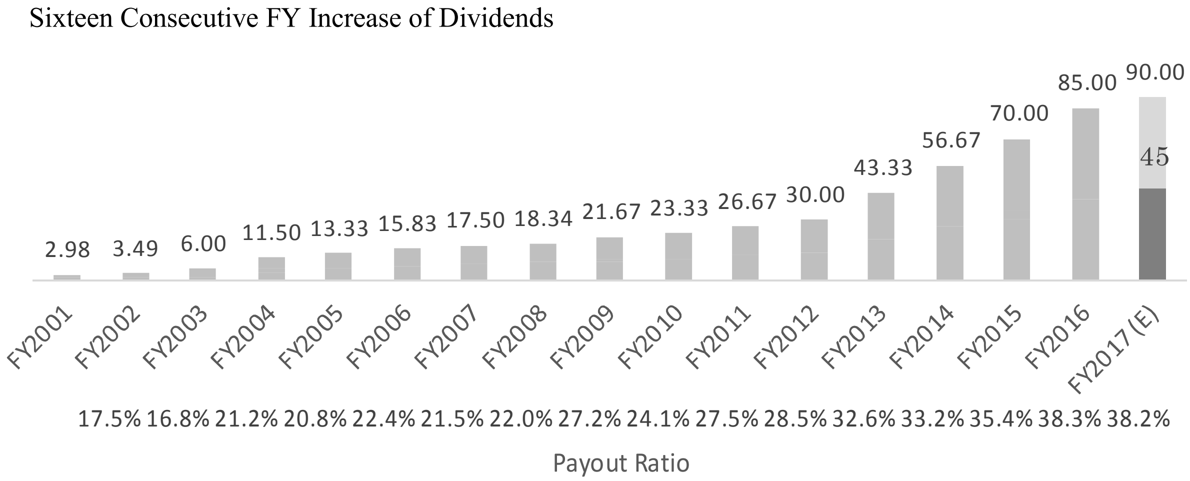
2. Other matters relating to the appropriation of surplus

   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:	¥186,400,000,000
Item and amount of decrease in surplus	
Retained earnings brought forward	¥186,400,000,000

(Reference) Development of Dividends per Share

(Unit: Yen)



Note: Figures are adjusted to reflect stock split.

Proposal 2: Partial Amendments to Articles of Incorporation

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

1. Reason for Proposal
   In preparation for the future expansion of the finance business, we will add "financial instruments intermediary service" to the business purposes listed in Article 2 of the current Articles of Incorporation.

2. Description of Amendments
   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: (1) to (33) (Details omitted) (Newly established) <u>(34)</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 2. (Purpose) The purpose of the Company shall be to engage in the following businesses: (1) to (33) (Not changed) <u>(34) Financial instruments intermediary service; and</u> <u>(35)</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 41. (Details omitted)	Article 3. to Article 41. (Not changed)

Proposal 3: Election of Fourteen (14) Directors

The terms of office of all Fourteen (14) Directors will expire at the conclusion of this Annual Shareholders Meeting and we therefore propose that Fourteen (14) Directors be elected.
The candidates for Directors are as follows.

Candidate No.	Name	Right to represent	Independent Director	Outside Director	Execution of Business	Nomination Advisory Committee	Remuneration Advisory Committee	(Other reference)	
1	Takashi Tanaka Reappointment	●			●	●	●	Chairman of Board of Directors	
2	Hirofumi Morozumi Reappointment	●			●				
3	Makoto Takahashi Reappointment	●			●	●	●		
4	Yuzo Ishikawa Reappointment	●			●				
5	Yoshiaki Uchida Reappointment				●				
6	Takashi Shoji Reappointment				●				
7	Shinichi Muramoto Reappointment				●				
8	Keiichi Mori Reappointment				●				
9	Kei Morita New appointment				●				
	Candidates for Outside Director							Term of office as Director (at the conclusion of this Annual Shareholders Meeting)	Attendance of Board of Directors' meetings (Fiscal 2017)
10	Goro Yamaguchi Reappointment			●		●	●	1 year	9 of 10 (90%)
11	Tatsuro Ueda New appointment			●		●	●	–	–
12	Kuniko Tanabe Reappointment		●	●		●	●	3 years	12 of 12 (100%)
13	Yoshiaki Nemoto Reappointment		●	●		●	●	2 years	12 of 12 (100%)
14	Shigeo Ohyagi New appointment		●	●		●	●	–	–

Notes: 1. In the above table, the status of the candidates for reappointment is shown as of the date of posting, while for the new candidates for election their scheduled status is shown, as approved.

2. The Company has entered into contracts for Limitation of Liability with Goro Yamaguchi, Kuniko Tanabe and Yoshiaki Nemoto 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, the Company plans to continue these agreements. The Company also plans to enter into the same agreement with Tatsuro Ueda and Shigeo Ohyagi.

3. Candidates with Independent Director status fall under the definition of independent director as specified in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
4. Candidates with Outside Director status fall under the definition of outside director as specified in Article 2, Paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.

Candidate No. 1	Takashi Tanaka	Date of birth February 26, 1957	Number of the Company's shares held 61,100

Reappointment

Reason for nominating the candidate for Director

Since assuming the role of President and Representative Director of the Company in 2010, Takashi Tanaka has carried out the mandate of shareholders and taken responsibility for steering the Company's management. In 2016, he announced a new medium-term management plan, "transform into business that provides customer experience value." He brought together the full strength of the KDDI group to establish a system that enhances corporate value, and worked towards improving sustainable earnings growth and stable returns to shareholders. He has extensive experience as the management, and accordingly he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2003:	Executive Officer
June 2007:	Managing Executive Officer, Director
June 2010:	Senior Managing Executive Officer, Representative Director
December 2010:	President, Representative Director
April 2018:	Chairman, Representative Director (Current position)

Special Interests

There are no special interests between Takashi Tanaka and the Company.

Candidate No. 2	Hirofumi Morozumi	Date of birth May 2, 1956	Number of the Company's shares held 28,600

Reappointment

Reason for nominating the candidate for Director

Hirofumi Morozumi has abundant experience primarily in business administration in the Corporate Sector, but also has much experience in operating divisions and since 2010 had served as Executive Vice President and Representative Director. He worked on general management and investor relations activities as CFO. He has extensive experience as the management, and accordingly he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 1995:	Director
June 2001:	Executive Officer
April 2003:	Managing Executive Officer
June 2003:	Managing Executive Officer, Director
June 2007:	Senior Managing Executive Officer, Director
June 2010:	Executive Vice President, Representative Director
April 2018:	Vice Chairman, Representative Director (Current position)

Special Interests

There are no special interests between Hirofumi Morozumi and the Company.

Candidate No. 3	Makoto Takahashi	Date of birth October 24, 1961	Number of the Company's shares held 25,800

Reappointment

Reason for nominating the candidate for Director

Makoto Takahashi has abundant experience in business development, such as leading the development of new businesses and services through cooperation with various industries and M&A. Since 2016 he has served as Executive Vice President and Representative Director, and has worked towards business development and expansion of the au economic zone to create new growth in the Company. As President and Representative Director from April 2018, he has been promoting the completion of the medium-term management plan and the integration of telecommunications and life design, and accordingly he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2003:	Executive Officer
June 2007:	Managing Executive Officer, Director
June 2010:	Senior Managing Executive Officer, Representative Director
June 2016:	Executive Vice President, Representative Director
April 2018:	President, Representative Director (Current position) Executive Director, Corporate Strategy Planning Division, Corporate and Marketing Communications, and Life Design Business Sector (Current position)

Special Interests

There are no special interests between Makoto Takahashi and the Company.

Candidate No. 4	Yuzo Ishikawa	Date of birth October 19, 1956	Number of the Company's shares held 40,100

Reappointment

Reason for nominating the candidate for Director

Yuzo Ishikawa has abundant experience in various range of business, including Telecom Business for Consumer and since 2016 he has served as Executive Vice President and Representative Director. He has actively led and supervised sales activities in a broad range of business areas, and has the superior knowledge needed to create sustainable growth in the domestic telecommunication business, and accordingly he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2000:	Director
June 2001:	Executive Officer
June 2010:	Managing Executive Officer, Director
June 2011:	Senior Managing Executive Officer, Director
June 2014:	Senior Managing Executive Officer, Representative Director
June 2016:	Executive Vice President, Representative Director (Current position)
April 2018:	Executive Director, Consumer Business, Media and CATV Business, and Product & Customer Service Sector (Current position)

Special Interests

There are no special interests between Yuzo Ishikawa and the Company.

Candidate No. 5	Yoshiaki Uchida	Date of birth September 14, 1956	Number of the Company's shares held 14,300

Reappointment

Reason for nominating the candidate for Director

Yoshiaki Uchida has abundant experience in all areas of technology, including the construction and operation of networks, which is the foundation of the communications business, as well as in the careful implementation of various other operations related to technology. His superior knowledge is crucial for the secure management and sophistication of the telecommunications business, and for these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2013:	Executive Officer
April 2014:	Managing Executive Officer
June 2014:	Managing Executive Officer, Director
April 2016:	Executive Director, Technology Sector (Current position)
June 2016:	Senior Managing Executive Officer, Director (Current position)

Special Interests

There are no special interests between Yoshiaki Uchida and the Company.

Candidate No. 6	Takashi Shoji	Date of birth September 26, 1958	Number of the Company's shares held 10,400

Reappointment

Reason for nominating the candidate for Director

Takashi Shoji has abundant experience in corporate business, including mobile, network, and cloud services. Serving as Executive Director of the Solution Business Sector, he has got results in bringing about service expansion and organizational reforms in accordance with the business environment. He has the superior knowledge needed to create further growth in the corporate and global businesses, for these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2010:	Executive Officer
April 2014:	Managing Executive Officer
June 2016:	Managing Executive Officer, Director (Current position)
April 2017:	Executive Director, Solution Business and Global Business Sector (Current position)

Special Interests

There are no special interests between Takashi Shoji and the Company.

Candidate No. 7	Shinichi Muramoto	Date of birth March 2, 1960	Number of the Company's shares held 8,300

Reappointment

Reason for nominating the candidate for Director

Shinichi Muramoto has abundant experience in the General Administration and Human Resources division. He has got results in promoting active roles for women and the employment of people with disabilities, introducing a performance-linked stock compensation plan, pursuing the "KDDI Group Philosophy" throughout the Company, and reforming human resources and remuneration systems to improve corporate value. He has superior knowledge of business operations and improvement of the workforce, for these reasons, he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2010:	Executive Officer
April 2016:	Managing Executive Officer
June 2016:	Managing Executive Officer, Director (Current position)
April 2018:	Executive Director, Corporate Sector (Current position)

Special Interests

There are no special interests between Shinichi Muramoto and the Company.

Candidate No. 8	Keiichi Mori	Date of birth February 2, 1960	Number of the Company's shares held 7,800

Reappointment

Reason for nominating the candidate for Director

Keiichi Mori has abundant experience in development and sales of IoT (Internet of Things) services for corporations, such as automotive communication modules and smart meters. He served as General Manager of the IoT Business Development Division, and has the superior knowledge needed to operate the IoT business which is expected to expand further in the future, and for these reasons he has again been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

October 2014:	Executive Officer
April 2017:	Managing Executive Officer
	Deputy General Manager, Solution Business Sector and General Manager, IoT Business Development Division (Current position)
June 2017:	Managing Executive Officer, Director (Current position)

Special Interests

There are no special interests between Keiichi Mori and the Company.

Candidate No. 9	Kei Morita	Date of birth November 15, 1961	Number of the Company's shares held 11,000

New appointment

Reason for nominating the candidate for Director

Kei Morita has abundant experience in operating divisions and corporate strategy planning divisions. As Executive Director of Life Design Business Sector, he has the superior knowledge needed for business expansion in the field of life design, which is important for new growth of the Company, and accordingly he has been selected as a candidate for Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2015:	Executive Officer
April 2017:	General Manager,, Life Design Business Sector (Current position)
April 2018:	Managing Executive Officer (Current position)

Special Interests

There are no special interests between Kei Morita and the Company.

Candidate No. 10	Goro Yamaguchi	Date of birth January 21, 1956	Number of the Company's shares held 1,700	Years served as Director 1	Board of Directors' meetings Attended 9 of 10 meetings (90%)

Reappointment

Outside Director

Reason for nominating the candidate for Director

Goro Yamaguchi has a wealth of corporate management experience and excellent knowledge cultivated as the President and Representative Director of one of the world's leading electronic components and equipment manufacturers. On the Board of Directors, the Company has received a large number of broad opinions related to business administration and operations from him based on a medium- to long-term perspective, and has determined that he can continue to contribute to improving the corporate value of the Company. Therefore, he has again been selected as a candidate for Outside Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2009:	Director and Managing Executive Officer of KYOCERA Corporation
April 2013:	President and Representative Director, President and Executive Officer of KYOCERA Corporation
April 2017:	Chairman of the Board and Representative Director of KYOCERA Corporation (Current position)
June 2017:	Outside Director (Current position)

Special Interests

Goro Yamaguchi is Chairman of the Board and Representative Director of KYOCERA Corporation, which has business transactions with the Company.

Candidate No. 11	Tatsuro Ueda	Date of birth October 9, 1961	Number of the Company's shares held 0

New appointment

Outside Director

Reason for nominating the candidate for Director

Tatsuro Ueda has abundant experience and excellent knowledge in general administration & human resources group and business planning division, as an Officer of one of the world's leading automobile manufacturers. The Company determined that he can continue to contribute to improving the corporate value of the Company by giving broad opinions on improving productivity, cultivating human resources, and promoting global strategy, etc. from a medium- to long-term perspective, and for these reasons he has been selected as a candidate for Outside Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2013:	Managing Officer of TOYOTA MOTOR CORPORATION
April 2014:	Chief Officer, General Administration & Human Resources Group of TOYOTA MOTOR CORPORATION (Current position)
April 2017:	Senior Managing Officer of TOYOTA MOTOR CORPORATION (Current position)
January 2018:	Chief Officer, Business Planning Division of TOYOTA MOTOR CORPORATION (Current position)

Special Interests

Tatsuro Ueda is a Senior Managing Officer of TOYOTA MOTOR CORPORATION, which has business transactions with the Company.

Candidate No. 12	Kuniko Tanabe	Date of birth April 1, 1945	Number of the Company's shares held 2,100	Years served as Director 3	Board of Directors' meetings Attended 12 of 12 meetings (100%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate for Director

Kuniko Tanabe has abundant experience and superior knowledge, cultivated as the partner at a law firm. On the Board of Directors, the Company has received a large number of technical opinions related to legal risk management from her based on a medium- to long-term perspective independent of the management team, and has determined that she can contribute to improving the corporate value of the Company. Therefore, she has again been selected as a candidate for Outside Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has again been nominated as Independent Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

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 2015:	Outside Director (Current position)

Special Interests

Kuniko Tanabe is a Partner of Tanabe & Partners, which has business transactions with the Company, but these transactions account for less than ¥10 million and would not affect her independence as an Outside Director.

Candidate No. 13	Yoshiaki Nemoto	Date of birth December 2, 1945	Number of the Company's shares held 900	Years served as Director 2	Board of Directors' meetings Attended 12 of 12 meetings (100%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate for Director

Yoshiaki Nemoto has a superior knowledge in information processing, communications and network engineering, which is directly relevant to the business of the Company, as well as disaster prevention that is valuable for the operation of our business. On the Board of Directors, the Company has received a large number of technical opinions from him related to management policy as a telecommunications operator that provides social infrastructure, based on a medium- to long-term perspective independent of the management team, and has determined that he can contribute to improving the corporate value of the Company. Therefore, he has again been selected as a candidate for Outside Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been nominated as Independent Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 1995:	Professor, Graduate School of Information Sciences, Tohoku University
April 2000:	Head of Information Synergy Center, Tohoku University
April 2004:	Councillor of Educational Research Board, Tohoku University
April 2008:	Director, Tohoku University
April 2012:	Director General of Resilient ICT Research Center, the National Institute of Information and Communications Technology (NICT)
June 2016:	Outside Director (Current position)

Special Interests

There are no special interests between Yoshiaki Nemoto and the Company.

Candidate No. 14	Shigeo Ohyagi	Date of birth May 17, 1947	Number of the Company's shares held 0

New appointment

Outside Director

Independent Director

Reason for nominating the candidate for Director

Shigeo Ohyagi has a wealth of corporate management experience and excellent knowledge cultivated as the President and CEO of one of the world's leading companies in the fields of synthetic fibers, chemical products, medicines and medical treatment, and distribution and retail. The Company determined that he can contribute to improving the corporate value of the Company by giving broad opinions from a medium- to long-term perspective especially focusing on the field of life design business that the Company will promote in the future, global strategy and M&A, and for these reasons he has been selected as a candidate for Outside Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been nominated as Independent Director.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

June 2005:	Executive Officer, Member of the Board of TEIJIN LIMITED
June 2006:	Senior Executive Officer, Member of the Board of TEIJIN LIMITED
June 2008:	President and CEO, Representative Director of the Board of TEIJIN LIMITED
April 2014:	Chairman, Member of the Board of TEIJIN LIMITED
June 2014:	Outside Audit & Supervisory Board Member of JFE Holdings, Inc. (Current position)
June 2014:	External Board Director of Recruit Holdings Co., Ltd. (Current position) (scheduled to retire in June 2018)
April 2018:	Senior Advisor, Member of the Board of TEIJIN LIMITED (Current position)

Special Interests

Shigeo Ohyagi is a Senior Advisor and Member of the Board of TEIJIN LIMITED, which has business transactions with the Company such as service provision in the telecommunications business, but these transactions account for less than 0.1% of operating revenues for the Company on a non-consolidated basis. Furthermore, the ratio that these transactions account for in operating revenue on a consolidated basis does not differ greatly from the ratio that they account for in the operating revenues on a non-consolidated basis, considering the ratio that the operating revenues of the Company on a non-consolidated basis accounts for that on a consolidated basis and the relevance of the business of TEIJIN LIMITED to that of the Company, etc. Therefore, these transactions would not affect his independence as an Outside Director.

Proposal 4: Election of One (1) Audit & Supervisory Board Member

The terms of office of Audit & Supervisory Board Member Hiroshi Kobayashi will expire at the end of this Annual Shareholders Meeting and we therefore propose that One (1) Audit & Supervisory Board Member be elected.

Moreover, when selecting candidates for Audit & Supervisory Board Members, our benchmark is a person who has the ability and the knowledge to conduct audits appropriately and independently of Directors. The approval of the Audit & Supervisory Board to submit this resolution has already been obtained.

The candidate for Audit & Supervisory Board Member is as follows.

	Yasuhide Yamamoto	Date of birth July 3, 1955	Number of the Company's shares held 6,300

New appointment

Reason for nominating the candidate for Audit & Supervisory Board Member

Yasuhide Yamamoto has a wealth of experience and knowledge in a variety of areas such as solution business, business administration, product strategy, and customer service. This experience and knowledge would be valuable in the monitoring of general management and appropriate auditing activities, and for this reason he has been selected as a candidate for Audit & Supervisory Board Member. Furthermore, Yasuhide Yamamoto is scheduled to be nominated as a Full-Time Audit & Supervisory Board Member.

Summary of Career, Position and Responsibilities in the Company and Important Concurrent Positions

April 2013:	Executive Officer
April 2016:	Managing Executive Officer
January 2018:	Corporate Management Division, Corporate Sector (Current position)
April 2018:	Standing Advisor (Current position)

Special Interests

There are no special interests between Yasuhide Yamamoto and the Company.

Note: The Company plans to enter into Limitation of Liability contract with Yasuhide Yamamoto 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.

Proposal 5: Continuation of and Partial Revision to the Performance-linked Stock Compensation Plan for Directors, Executive Officers, and Administrative Officers

The Company would like to revise and continue the performance-linked stock compensation plan introduced in fiscal 2015 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 improving the operating performance and increasing corporate value over the medium and long term. Details of the plan are provided below.

1. Reason for Proposal and type of compensation

   A performance-linked stock compensation plan (referred to as "the Plan" below) for directors and executive officers and administrative officers of the Company (excluding those living overseas, outside directors and part-time directors; referred to collectively as "Directors, etc." below) was introduced upon approval by shareholders at the 31st Annual Shareholders Meeting held on June 17, 2015.

   Since the Plan period, which is the three fiscal years from fiscal 2015 to fiscal 2017, has ended, we would like to ask your approval for this proposal, to continue the Plan with some revisions from fiscal 2018 onwards.

   We believe that continuing the Plan is appropriate considering the purpose of the Plan being to clarify that the compensation of Directors, etc., is linked to operating performance and stock value of the Company and to raise awareness of contributing to improving the operating performance and increasing corporate value over the medium and long term.

   If Proposal 3, Election of Fourteen (14) Directors, is approved as proposed, nine directors will be eligible for the Plan. In addition, 21 executive officers not concurrently serving as directors, and 50 administrative officers not concurrently serving as directors will be eligible for the Plan.

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

   We would like to revise some aspects of the Plan previously adopted. The details of the revised Plan are indicated below.

(1) Plan summary

The Plan is a performance-linked stock compensation plan under which Company's shares are acquired through a trust using underlying fund of compensation to Directors, etc., contributed by the Company and, in proportion to various factors, including the degree of achievement of operating targets and their position, Company's shares are delivered to Directors, etc., as a general rule, upon their retirement.

The Plan, which is to be continued this year, applies to a total of four fiscal years (referred to as the "Plan Period" below) that includes fiscal 2018, which is the remaining period of the current medium-term management plan, and fiscal 2019 to fiscal 2021, which are scheduled to be the period for the next medium-term management plan. The existing trust, which will terminate on the last day of August 2018 (referred to as the "Existing Trust" below), shall be extended for four years until the planned date of the last day of August 2022 (the trust that is continued until to this date shall be referred to as the "Continued Trust" below).

(2) Ceiling on the compensation for the Plan

The Company shall contribute money at a maximum of ¥3,648 million in total for four years to the Continued Trust as compensation to Directors, etc., during the Plan Period. The funds contributed to the Continued Trust shall be used to acquire Company's shares from the Company (disposal of treasury shares) or in the market, in accordance with instructions of the trust administrator. However, when making such a contribution, if there are Company's shares remaining in the trust assets (excluding Company's shares that are scheduled to be delivered to Directors, etc.) or money (together referred to as "remaining shares, etc." below) on the last day of the trust period of the Existing Trust, the remaining shares, etc. shall be carried over to the Continued Trust and the total of the remaining shares, etc. and additional trust money contributed shall be within ¥3,648 million.

Furthermore, points shall not be granted to Directors, etc., from the termination of the trust period of the Continued Trust, but the trust period of the Continued Trust may be extended for a maximum of 15 years until Directors, etc. who may fulfill beneficiary requirements retire and delivery of Company's shares to Directors, etc. is complete.

If the further continuation of the Continued Trust is proposed and approved at the Annual Shareholders Meeting in four years time, the Plan Period and trust period may be extended within the range approved at the Annual Shareholders Meeting and points may continue to be granted to Directors, etc. during the extended trust period.

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

For each fiscal year during the Plan Period, each Director, etc., is granted a certain number of points, and when Directors, etc., retire, 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 during the Plan Period is decided upon taking into consideration various factors including the degree of achievement of operating performance targets for each fiscal year and the person's position. The points are granted 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.

The number of points granted to each Director, etc., shall be decided upon as given below based on their point grant percentage calculated taking into consideration the (a) Company performance targets and the (b) degree of achievement determined on the basis of Remuneration Advisory Committee report, and their positions.

(a) The Company performance targets: operating revenue, operating income, profit for the year, etc.

(b) Remuneration Advisory Committee reporting targets:
KPI numerical targets tied to growth of the Company's operations and increases in operating performance

Furthermore, 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:
Point grant percentage calculated taking into consideration the operating performance attainment level x position-based points

The annual number of points given to each Director, etc., through the Plan shall not exceed 357,000 points in total. Furthermore, the maximum number of Company's shares acquired to deliver to Directors, etc. during the Plan Period shall be 1,428,000 shares, corresponding to the total number of annual points (357,000 points) multiplied by the number of years for the Trust Period, which is four years.

(4) Delivery to Directors, etc.

Directors, etc., of the Company who retire and fulfill the beneficiary requirements can receive from the Continued Trust a number of the Company's shares proportional to the total number of accumulated points they have at the time of their retirement 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.

(5) Payment of dividends of surplus for the Company's shares held in the Existing Trust and Continued Trust

Dividends paid to the Company's shares held in the Existing Trust and Continued Trust shall be received by the respective trusts and used for trust fees and trust expenses, and dividends corresponding to the total number of points held by the Directors, etc., on each dividend record date shall be paid to the corresponding Directors, etc., after their retirement. If there remain some dividends when the Trust is terminated, they shall be paid to Directors, etc., and then donated to an organization with no interest in the Company or Directors, etc..

[Reference material]

For details, please refer to the Continuation of and Partial Revision to the Performance-linked Stock Compensation Plan for Directors, Executive Officers, and Administrative Officers issued on May 10, 2018, Introduction of a Stock Compensation Plan for Officers issued on April 14, 2015, and Details on Introduction of a Performance-linked Stock Compensation Plan for Officers and Incentive Plan for Managers issued on August 7, 2015, which are all disclosure materials issued by the Company in accordance with Tokyo Stock Exchange disclosure provisions. (No English translation)

(Reference) Information on the Guiding Principles of the Corporate Governance Code

Effectiveness Evaluation of Boards of Directors Based on the Corporate Governance Code

Shinji Fukukawa, Independent Outside Director

The Company strives to continuously improve corporate governance in order to achieve sustainable growth and increased medium- to long-term corporate value.
In order to increase the independence of the Board of Directors, which is regarded as important to the Corporate Governance Code, etc., the Company has been gradually increasing the number of independent outside directors from the year 2013, and there are currently five outside directors (including three independent directors) and three Outside Audit & Supervisory Board members (all independent members). Each individual of outside directors/Audit & Supervisory Board Members has a wide variety of experience and expertise, such as well-informed on economic conditions inside/outside Japan, management experience at other companies, Attorney at Law, Certified Public Accountant, and telecommunications engineering professional. Thus, the Board of Directors is well-diversified, balancing skills and experience.
At Board of Directors meeting, Outside Directors/ Audit & Supervisory Board members actively speak from their own perspectives and inside directors well-versed in the company business give answers.
Those discussions have led to fruitful debate on medium- to long-term strategy, including evaluations on implementation of decisions made by the Board of Directors. In particular, formulation of the medium-term management plan involves lively discussions from various points of view and careful considerations, as well as periodic reports on progress, measures that should be implemented to achieve goals, and effective discussions on future strategies, etc.
Besides the Board of Directors meeting, the Company provides periodically meetings between Executive Directors and Outside Directors/Audit & Supervisory Board Member, or meetings without Executive Directors, i.e. Outside Directors alone, which shows sincere attitude of the Company toward the Outside Directors/Audit and Supervisory Board members. The opinions of Outside Directors/Audit &Supervisory Board members are treated with respect, so as to enhance management ability.
In conclusion, I believe that the knowledge of all inside and outside directors and Audit & Supervisory Board members is being gathered together to implement management that aims for sustainable growth and increased corporate value in the medium to long term.

Basic Views and Guidelines on Corporate Governance

As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operator our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.
Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders, including customers, shareholders, business partners, employees, and local communities and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and bountiful communications-oriented society.
We recognize reinforcing corporate governance as important to achieving sustainable growth and increased corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the "Corporate Governance Code" defined by the financial instruments exchange. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making. In addition to our corporate credo and mission statement, we have formulated the "KDDI Group Philosophy," which defines perspectives and values that officers and employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.
By proactively adhering to Japan's Corporate Governance Code and practicing the "KDDI Group Philosophy," which we consider foundation of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increased corporate value over the medium to long term.

The KDDI Group Mission Statement and KDDI Group Philosophy can be viewed from the following address (the Company's website).

http://www.kddi.com/english/corporate/kddi/philosophy/

Policy and Procedure for the nomination of Director and Audit & Supervisory Board member candidates by the Board of Directors
Policy regarding the balance of knowledge, experience and ability of the Board of Directors as well as its diversity and scale

The nomination of Director and Audit & Supervisory Board member candidates involves deliberation by a Nomination Advisory Committee whose chairman, vice-chairman, and a majority of members are comprised of outside directors, following a selection of candidates based on the below-stated policy. In addition, candidates for Audit & Supervisory Board member are approved by the Board of Directors following approval by the Audit & Supervisory Board.
Accepting the diversity of human resources and utilizing the diverse knowledge, experiences, and skills of each employee are important drivers of growth for the Company that aims for the "Integration of Telecommunications and Life Design," and we believe that ensuring diversity in the Board of Directors will also lead to good management decisions.
The Company believes that the overall Board of Directors should include members with advanced specialized knowledge and diverse perspectives when making decisions including matters that are important from a management perspective and matters that legally require supervision. Accordingly, in principle the board includes the following members.

Candidates for Director

・People with specialized knowledge and experience in various fields of business
・People who have possess management knowledge
・People who are highly independent and have specialized knowledge appropriate to a supervisor

Currently, one woman director has been appointed as an independent outside director.
The Company recognizes the need to appropriately limit the size of the Board of Directors in order to achieve both management effectiveness and speed. Accordingly, the Articles of Incorporation limit the number of the members to 20.

Candidates for Audit & Supervisory Board Member

People who are able to supervise overall management from a perspective independent from directors and who have the extensive experience and broad-ranging insight to enhance audit appropriateness.

Criteria for Independence of Outside Directors/Audit & Supervisory Board Members

In addition to the outside directors/audit & supervisory board members requirements in the Companies Act and the independence standards provided by the Tokyo Stock Exchange, Inc., the Company has formulated its own standards. Specifically, these standards state that people belong to business partners making up 1% or more of the Company’s consolidated net sales or orders placed are not independent.

Policies and Procedures for Determining Remuneration for Directors and Audit & Supervisory Board Members

To clarify directors' management responsibilities and enhance incentives for business improvement, at the 27th Annual Shareholders Meeting on June 16, 2011, a system was introduced to link executive bonuses from fiscal 2011 to the business results of the KDDI Group within 0.1% of consolidated net income during the applicable fiscal year.

In addition, at the 31st Annual Shareholders Meeting on June 17, 2015, the introduction of a stock compensation plan was approved, and this system commenced operation on September 1, 2015. The percentage of remuneration that is performance-linked increased as a result. The KDDI Group sets director remuneration systems and levels in a manner that allows it to respond swiftly to environmental changes while taking into account directors' responsibilities for the management targets of achieving sustainable growth and increased corporate value over the medium to long term.

Remuneration for directors consists of fixed-amount salaries and performance-linked executive bonuses and stock remuneration provided that they are responsible for improving business results every fiscal year, as well as medium- to long-term corporate value. Fixed-amount salaries are based on such factors as directors' professional ranking and the management environment. Position-based reference values are set at a reasonable level by an external specialized organization after investigation and validation. Executive bonuses and stock remuneration paid are based on the KDDI Group's level of achievement of its targets for consolidated operating revenue, operating income, and profit for the year, as well as achievement of the KPI, such as the number of subscribers and cancellation rates for each fiscal year.

Remuneration of Audit & Supervisory Board members is decided by consensus of the members of Audit & Supervisory Board. These members receive fixed-amount salaries that is not affected by fluctuations in the Company's operating performance.

To ensure the transparency and fairness of executive remuneration systems and levels, the Company has established a Remuneration Advisory Committee to conduct deliberations and provide advice to the Board of Directors in accordance with the request thereof. The chair, vice-chair and more than half of the members of this committee are outside directors.

Policy on transactions between related parties

In accordance with the Companies Act, the Company requires competitive or conflict-of-interest transactions by directors to be approved by and reported to the Board of Directors.

Individual transactions with major shareholders are conducted in accordance with one of the basic principles of the "KDDI Code of Business Conduct," specifically, "IX. Appropriate Accounting and Adherence to Agreements." In line with this principle, such transactions are decided upon in the same manner as other standard transactions, through internal requests for decision, rather than by setting special standards. In addition, internal requests for decision are checked by Audit & Supervisory Board members.

Directors of Kyocera Corporation, which is a major shareholder of the Company, serve as outside directors of the Company. Accordingly, we strike a balance between comprehensive approval by and report to the Board of Directors, and internal requests for decisions on individual transactions.

Analysis and Evaluation of the Board of Directors' Effectiveness

■ **Purpose of conducting**

The Company conducts a self-evaluation of the Board of Directors regularly every year in order to correctly understand the situation of the Board of Directors and promote its consecutive improvement.

■ **Process of evaluation**

The Company confirms the effectiveness of the Board of Directors based on evaluation by all of the directors and Audit & Supervisory Board members. The evaluation takes the form of a questionnaire and aims to verify the effectiveness of the board's initiatives and discover where improvements can be made from two perspectives, quantitative evaluation and qualitative evaluation, through a combination of four-grade evaluation and free writing.

The evaluation covers the most recent one-year period and is conducted annually. The results of the evaluation are reported to the Board of Directors and future measures are considered.

The main evaluation items are as follows.

- Operation of the Board of Directors
  (composition of members, documents and explanations, provision of information, etc.)
- Supervision of Executives
  (conflict of interest, risk management, management of subsidiaries, etc.)
- Medium- and long-term discussions
  (review of medium-term business planning, monitoring of plan enforcement, etc.)

■ **Evaluation results**

[Summary]

The Company's Board of Directors was found to be managed appropriately and functioning effectively.

The following points were found to be rated particularly highly.

- Outside directors and Audit & Supervisory Board members with a wide range of experience in each field join discussions with diverse and multi-faceted perspectives.
- Adequate time is secured for outside directors/Audit & Supervisory Board members to speak, and sincere moves are made toward their opinions and questions.

[Improvements since previous evaluation]

Issues indicated in the previous evaluation were found to have been improved, such as sharing the status of achieving the medium-term management plan and periodically providing opportunities for discussing long-term prospects for the management environment and strategies such as policies for handling environmental changes.

[Future issues]

We have received an opinion stating that it would be desirable to further enhance discussions on the medium- to long-term management strategy from various perspectives in the future.

Therefore, in fiscal 2018 we plan to have several debates on how to formulate the next medium-term management plan. We will continue to work for consecutive improvements.

System for Supporting/Linking Outside Directors and Outside Audit & Supervisory Board Members
Board of Directors meeting dates and agenda items are provided in advance to outside directors and outside Audit & Supervisory Board members. In addition, agenda materials are distributed ahead of time to foster understanding of the items in question and invigorate deliberations at Board of Directors meetings.
In addition, the Company is working to make deliberations more substantial by accepting questions in advance and providing more extensive explanations at Board of Directors meetings based on such questions.
Furthermore, the Company is working to invigorate deliberations in Board of Directors meetings by providing opportunities for outside directors and outside Audit & Supervisory Board members to undergo training by responsible persons in each field concerning industry trends, an overview of the Company's organization and its various businesses and technologies and future strategies, and improve their understanding of the Company.
Moreover, the Company holds meetings focused on outside directors/Audit & Supervisory Board Members every month, such as outside director-only meetings and outside director and outside Audit & Supervisory Board member meetings, to promote the sharing of information and smooth linking of management, Audit & Supervisory Board Members, and outside directors.
The Company also shares the settlement of accounts review of the accounting auditor with outside directors and Audit & Supervisory Board members and provides an opportunity for the exchange of opinions. This promotes links between the outside directors, Audit & Supervisory Board members, and accounting auditor, parties that are independent from company management, which we believe greatly contributes to the collective capabilities of governance.
On April 1, 2006, the Company established the Auditing Office to support Audit & Supervisory Board members, including outside members.

Basic Policy of IR Activities
The Company considers our shareholders and investors to be particularly important stakeholders who fully understand and strongly support our ongoing business. Accordingly, we promise to make the building of trust-based relationships with shareholders and investors a top management priority and strive for value-oriented corporate management, active information disclosure, and enhanced communication.
For example, the company convenes earnings presentation meetings for analysts and institutional investors quarterly, coinciding with its disclosure of financial statements. These meetings can be observed via live and on-demand video distribution.
In addition, each quarter the Company’s directors and other personnel visit our institutional investors in Japan, Europe, the US, and Asia to provide explanations of the Company’s financial condition and future strategies. In the fiscal year ended March 31, 2018, the Company held approximately Eight hundred and fifty (850) interviews with institutional investors in Japan and overseas, including Fourteen (14) overseas road shows, in which Four (4) conferences overseas participation hosted by securities companies.
The Company also proactively holds and participates in briefings for individual investors and strives to increase opportunities to make contact. In fiscal 2017, the Company held online briefings in addition to those held over the country, and these briefings were joined and heard by more than three thousand five hundred (3,500) investors. Information on the briefings and their materials are posted on the Company's website.

Information for individual investors can be viewed from the following address (the Company's website).	
http://www.kddi.com/english/corporate/ir/	

(Documents Appended to the Notice of the 34th Annual Shareholders Meeting)
BUSINESS REPORT
(April 1, 2017 to March 31, 2018)

(Reference)

Financial Highlights

Operating Revenues	¥5,041,978 million
(increased 6.2% year on year)	
Operating revenues rose mainly owing to an increase in mobile communications revenues, as well as increases in revenue due to expansion of the Life Design Business including the energy, commerce and settlement businesses to maximize the "au Economic Zone," as well as increased revenue in the Myanmar business.	
Operating Income	¥962,793 million
(increased 5.5% year on year)	
Operating income increased mainly due to an increase in sales despite increased costs in the commerce and settlements business and increased marketing expenses.	
Profit for the year attributable to owners of the parent	¥572,528 million
(increased 4.7% year on year)	
Profit for the year attributable to owners of the parent increased primarily due to an increase in operating income.	

Adoption of IFRSs

The Company and its subsidiaries (together referred to as "the Group") have transitioned from Japanese GAAP to International Financial Reporting Standards ("IFRSs") from the 32nd fiscal year. We believe this move will make our financial reporting more internationally comparable as we expand our global business, as well as making the financial information we provide more useful to our stakeholders.

1. Current Status of the Corporate Group

(1) Business Developments and Results

1) Overall Conditions

[Industry Trends and Position of the Company]

In the Japanese telecommunications market, the services mobile phone operators offer are growing more similar, and MVNO*1 operators are increasingly promoting inexpensive SIM services. To secure new sources of earnings, telecommunications carriers are expanding their operations in domains other than telecommunications services, and their business strategies are entering an era of major change in which they are looking ahead to competition with non-telecommunications carriers. In addition, the development of technologies such as the Internet of Things (IoT)*2 and artificial intelligence (AI) is ushering in a new era for the business environment in the telecommunications market.

In response to these changes in the business environment, KDDI is working to become the preferred choice of customers by accelerating its "transform into business that provides customer experience value" which goes further than expected based on "Customer Perspective" and "Innovation."

In Japan, KDDI aims to work in the telecommunications domain to realize sustainable growth in the domestic telecommunications business by maximizing "number of au users (IDs) × ARPA*3" by fully advancing our initiatives to promote smartphones and tablets and boost our response to the IoT, and intensifying efforts to create new customer experience value in coordination with various devices, and other means. At the same time, in addition to au, we will promote the MVNO business with UQ Communications Inc., Jupiter Telecommunications Co., Ltd., and BIGLOBE Inc. and work to expand the Group's number of "mobile IDs" going forward.

During the fiscal year under review, in July 2017 we started providing the "au Pitatto Plan" and "au Flat Plan" payment plans, which are tailored to customers' data communication usage patterns to provide greater satisfaction to customers. These have been well received by many customers, with subscriber

numbers surpassing 6.8 million at the fiscal year-end. In addition, in August 2017, we made SORACOM, INC. (SORACOM) a consolidated subsidiary. SORACOM is a leading company in the IoT field. We will leverage SORACOM's accumulated knowledge and customer base in the field of IoT/M2M*4 to create new IoT business. With regard to the 5G next-generation mobile telecommunications system, in October 2017, working jointly with East Japan Railway Company, we have successfully completed the world's first 8K-download/4K-upload video broadcast trial on a moving train using 5G. Aiming to have the service up and running in 2020, we are cooperating with a wide range of corporate partners to accelerate the technological evaluation and promote the creation of new services that use 5G.
KDDI is aiming to achieve "Integration of Telecommunication and Life Design." In the non-telecommunications domain, we will enhance our "Life design" services including commerce, financing, energy, entertainment, and education to actively propose new value to customers. In January 2018, KDDI made leading foreign language education company AEON Holdings Corporation of Japan a consolidated subsidiary, thereby entering the education business. We plan to increase transaction volume by growing our commerce business, such as "Wowma!," and our settlement business, such as "au WALLET Card." We also plan to expand the "au Economic Zone" to the maximum by continuing to propose diverse life design services to customers by means of the expansion of the energy business, such as "au Denki" and the establishment of the financing business.
Overseas, in our telecommunications business in emerging countries, KDDI's consolidated subsidiary, KDDI Summit Global Myanmar Co., Ltd. is jointly working with Myanma Posts & Telecommunications (MPT), the country's nationally operated telecommunications partner, in the Myanmar telecommunications business. We will make a focused effort to build this operation into a pillar of our global business. In addition, we will seek further growth in MobiCom Corporation LLC, which has the largest share of mobile phone subscribers in Mongolia, with its introduction of 4G LTE services. Furthermore, in addition to its emerging markets business, in data center and other ICT businesses for corporate customers, mainly in Europe, KDDI will continue to reinforce its infrastructure to expand its global business.
The Company actively strives to return profit to shareholders. Since fiscal 2002, the KDDI has achieved consecutive dividend increases. In addition to dividends, KDDI conducted a ¥100-billion share buyback from May to September last year and a ¥50-billion share buyback from February to March of this year, and in conjunction with this, retired approximately 33.28 million treasury shares in May last year. These actions were carried out to raise the share price of the shares owned by our shareholders.
KDDI will continue to work at both achieving sustainable profit growth and strengthening shareholder return.

*1. An abbreviation for "mobile virtual network operator," which is a wireless communications service provider using wireless communications infrastructure leased from other mobile service providers, etc.

*2. An abbreviation for Internet of Things. It refers to all manner of things possessing communication functions and being connected to the Internet, the sending of data collected by sensors, the use of data on a cloud platform, and automatic control based on this data.

*3. An abbreviation for Average Revenue Per Account. Monthly revenue per mobile subscriber (excluding prepaid services and MVNOs).

*4. An abbreviation for Machine to Machine. It refers to the communication between machines via a network and the system that supports it.

2) Business Conditions by Segment

Personal Services	
For individuals and households communications services (au mobile phone, FTTH, CATV), energy, education and others	
Operating Revenues	¥3,899,605 million
(increased 7.3% year on year)	
Operating revenues rose mainly due to increases in mobile communications revenues and revenues from the energy business.	
Operating Income	¥732,931 million
(increased 3.1% year on year)	
Operating income rose due to an increase in sales despite increases procurement costs for electricity sales in the energy business and marketing expenses for customer acquisitions.	

TOPICS

New rates and services to meet our customers' needs

In terms of new rate plans, in July, 2017, in line with our customers' data usage, we launched the "au Pitatto Plan," in which five levels of fixed rates are automatically applied, the "au Flat Plan," which allows large-volume data transmission at a low monthly rate, and a new handset purchase program, "Upgrade Program EX," for subscribers of those plans. These plans have been well received by our customers, with subscriber numbers for the "au Pitatto Plan" and "au Flat Plan" exceeding 6.8 million as of March 31, 2018.

Moreover, on July 31, 2017, we began to provide "au HOME," which supports rich customer lifestyles through the IoT. Furthermore, in January 2018, we launched "with HOME," a collaboration-type home IoT service jointly planned and developed "au HOME" with partner companies in different industries.

In "au HIKARI HOME," our FTTH service for individuals, on March 1, 2018, we began taking orders for two new high-speed services, "au HIKARI HOME 10 giga," which enables upstream and downstream speeds of up to 10 Gbps, and "au HIKARI HOME 5 giga," which enables upstream and downstream speeds of up to 5 Gbps.

Initiatives to expand our customer base and increase satisfaction

We will continue working to expand sales by enhancing the "au Smart Value" set discount for customers who subscribe to au mobile phone/smartphone services as well as fixed-line communications services. In addition, we will promote the MVNO business with UQ Communications Inc., Jupiter Telecommunications Co., Ltd., and BIGLOBE Inc. and work to expand our "number of IDs" as a combined measure of au and MVNO subscribers and fixed-line subscribers. As a result of steadily expanding our number of IDs, we increased total communications revenues of the Company and our consolidated subsidiaries.

In July 2017, we launched the "Santaro Day" program, which provides special monthly benefits to members of "au STAR." In "au Smart Support," a support service for the subscribers, dedicated staffs provide optimized support from purchase through usage based on the customer's situation, and the program has been well received.

Furthermore, in the "2017 Japan Mobile Data Communications Service Satisfaction Study*[1]" conducted by J.D. Power Asia Pacific, Inc., the Company achieved first place for overall satisfaction for a second consecutive year.

*1 Source: J.D. Power 2016-2017 Japan Mobile Phone Service Satisfaction Study
japan.jdpower.com

Strengthening our position in life design domain

In the energy business, through collaborative promotions with smartphone apps, etc., subscriber numbers for the "au denki" service have steadily expanded. Furthermore, in April 2017, we launched the "Kanden

Gas Nattoku Plan for au” in the Kansai region.

On January 22, 2018, KDDI made leading foreign language education company AEON Holdings Corporation of Japan (“AEON HD”) a consolidated subsidiary, entering into the education market. KDDI and AEON HD are aiming to combine the information and communications technologies (“ICT”), a focus area for KDDI, with the highly experienced instructors, original educational materials, and study abroad services cultivated by AEON HD over many years to provide new forms of value and services to customers, starting with EdTech*2. Furthermore, by combining the assets of both companies, we will evaluate supporting curriculum optimization through the use of AI technology for learners, as well as high-value-added services such as new virtual English conversation programs using VR technology.

*2 EdTech: A neologism combining “Education” and “Technology,” representing an initiative to prompt education innovation through the use of technology.

Value Services	
For individuals commerce, financial, settlement, entertainment services, and others	
Operating Revenues	¥521,736 million
(increased 15.7% year on year)	
Operating revenues rose mainly reflecting an increase revenues of "au Smart Pass" and "au Smart Pass Premium," increase revenues in the commerce business and the settlement business resulting from "au WALLET prepaid credit card."	
Operating Income	¥103,986 million
(increased 8.4% year on year)	
Due to the operating revenues increase, operating income grew despite expenses increased in the commerce and the settlement business.	

* From fiscal 2018 (35th fiscal year), the "Value" segment will change its name to the "Life Design" segment.

TOPICS

au Smart Pass Premium expansion

"au Smart Pass Premium," a top service for "au Smart Pass," has been well received by many customers, surpassing 4 million members as of March 31, 2018. We are working to increase our customer experience value by providing special benefits to members of "au everyday," which offers discounts for movies and karaoke, and gives French fry as a free gift every day of the week, and through the "Santaro Day" program, as well as through "data recovery support" in the case of handset damage and "Wi-Fi Security," which protects communications when connected to Wi-Fi.

Overall, there were 15.53 million "au Smart Pass" members as of March 31, 2018, with the service enjoying broad use from au customers.

Strengthening the commerce business

In the commerce business, we focused on our internet shopping service, "Wowma!"

From June 2017, we took steps to increase the number of stores opening in "Wowma!," such as launching a new store opening plan offering the lowest level of contract commission rates in the Japanese e-commerce sector, and running a campaign offering sign-up and monthly membership fees of ¥0.

Furthermore, through initiatives to strengthen support for "Wowma!" stores by starting to provide a new management system, "Wow! manager" for increasing store operation efficiency, and "New search advertising," we worked to expand the number of products and improve product lineups.

Moreover, to expand customer usage, we continuously implemented plans including point-back sales, etc.

Through these initiatives, many customers will visit "Wowma!" and we will create an enjoyable shopping environment.

Expanding the financial and settlement business

In the financial business, we launched KDDI Asset Management Corporation as a joint venture with Daiwa Securities Group Inc., aiming to enter the asset management and defined contribution pension plan operational management business and to promptly begin providing services.

In the settlement business, the number of "au WALLET Cards" issued increased steadily, with the number of valid cards issued as of March 31, 2018 surpassing 3.4 million for the "au WALLET Credit Card" and 19.7 million for the "au WALLET prepaid card," and transaction volume for au WALLET settlements exceeding ¥1 trillion. We are also taking steps to expand transaction volumes, such as introducing "au Simple Payment" as a payment method for "Amazon Prime" and "Prime Student" membership fees in November, 2017.

Through these initiatives, we steadily expanded the total transaction volume of the "au economic zone," which reached ¥1.89 trillion in total transaction volume as of March 31, 2018.

Business Services	
For companies communications services, and ICT solution, data center and others	
Operating Revenues	¥749,971 million
(increased 5.6% year on year)	
Operating revenues increased mainly due to higher revenues from increases in solution sales and handset sales, despite lower telecommunications service revenue.	
Operating Income	¥84,467 million
(increased 11.1% year on year)	
Operating income rose mainly due to an increase in operating revenues, despite increases in handset procurement costs and telecommunications facility fees.	

* From fiscal 2017 (34th fiscal year), KDDI's consolidated subsidiary KDDI Evolva, Inc. is included in the Business Services Segment." The business results of fiscal 2016 (33rd fiscal year) have been restated to reflect this change.

TOPICS

Promoting the IoT business

KDDI and TOYOTA MOTOR CORPORATION have been collaborating to build a global communication platform to provide high-quality, stable telecommunications between vehicle onboard transmitters and cloud computing networks – a technology that is required for "Connected Cars." Moreover, so IoT can be utilized in diverse fields including smart meters for gas and water, distribution, wearables, etc., in January 2018, we began providing ultra-compact communication modules compatible with the new IoT communication technology, "KDDI IoT Telecommunication Service LPWA[*1] (LTE-M)," and the "KDDI IoT Cloud Device Management" tool for remotely managing IoT devices and communication modules. We will continue to realize power-efficient, wide-area, low-cost IoT communication in order to provide the optimal IoT solutions for customers' needs.

*1 Abbreviation for "Low Power Wide Area." A general term for low-power wireless communication technologies covering a wide area.

Initiatives to increase customer satisfaction

As a result of focusing on contributing to the development of our customers' core businesses through our services, we achieved first place in the 2017 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study*[2], conducted by J.D. Power Asia Pacific, Inc., for a fifth consecutive year, and first place in the 2017 Japan Business Mobile Phone and PHS Service Satisfaction Study*[3] for a second consecutive year.

*2 Source: J.D. Power 2013-2017 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study

*3 Source: J.D. Power 2016-2017 Japan Business Mobile Phone and PHS Service Satisfaction Study
japan.jdpower.com

Global Services

For individuals and companies overseas communications services, and ICT solution, data center and others

Operating Revenues	¥248,702 million
(decreased 10.3% year on year)	
Operating revenues decreased mainly reflecting decreased revenue resulting from continuing to restructure of unprofitable businesses since previous fiscal year, meanwhile revenue in the Myanmar and "TELEHOUSE" data center businesses increased.	
Operating Income	¥31,907 million
(increased 32.1% year on year)	
Operating income increased due to the solid increase in operating revenue in the Myanmar telecommunications business and data center businesses.	

TOPICS

Efforts to develop telecommunications businesses in emerging countries

In the telecommunications business centered on individual customers, in Myanmar, through the introduction of CA*1 technology in the 1.8 GHz band LTE services launched in May 2017, we realized maximum speeds of 300 Mbps*2. As a result of these efforts, we were recognized as the fastest mobile telecommunications operator in Myanmar for a second consecutive year*3.

Furthermore, in November 2017, we introduced Mongolia's first CA technology and began offering high-speed data transfer services with downlink speeds of up to 225 Mbps*2, twice as fast as previous speeds.

*1 Abbreviation for "carrier aggregation." Carrier aggregation makes simultaneous use of multiple bandwidths, aggregating them to conduct data communication, thereby increasing the maximum downlink communication speed.

*2 This is a best-effort service. The speed listed is the maximum value for the technology standard, and does not represent the actual speed in use.

*3 KDDI won "the Speedtest® Award" according to a survey by Ookla®. The survey period was from July to December 2016 and January to June 2017.

Development of data center business

In communication services for companies, KDDI is providing optimized ICT solutions through more than 100 locations in 28 global regions and 62 cities. We are providing our "TELEHOUSE" brand data center business in 47 global regions, and "TELEHOUSE LONDON Docklands North Two," provided by the Company's European subsidiary TELEHOUSE EUROPE, was recognized for having the highest level of energy efficiency, winning the "2017 Data Centre Solutions Awards*4."

*4 Out of 25 categories, TELEHOUSE EUROPE won the category of "Data Centre Energy Efficiency Project of the Year," being recognized for its energy efficiency.

3) New Technology Initiatives

5G next-generation mobile telecommunications system

The Company will work with a wide range of partners to accelerate technology testing and drive the creation of new services leveraging the 5G next-generation mobile telecommunications system ("5G"), aiming for commercialization in 2020.

In October 2017, we partnered with East Japan Railway Company in the world's first*[1] successful experimental transmission of 8K and 4K images on a moving train through 5G using the 28 GHz band.

Furthermore, we partnered with Ericsson Japan K.K. to begin demonstration testing of 5G using the 4.5 GHz band in Shinjuku-ku, Tokyo and Ichinomiya City, Aichi Prefecture beginning February , 2018. Going forward, we will promote demonstration testing envisioning various use cases, and create new experience value with both our customers and partner companies.

*1 Research by Samsung Electronics Co., Ltd.

New IoT business creation

In August 2017, KDDI made SORACOM, INC. ("SORACOM") a consolidated subsidiary. SORACOM is a leading company in the IoT field.

SORACOM fuses telecommunications and the cloud to provide reasonable and secure telecommunications optimized for IoT/M2M. Its usage results include more than 9,000 customers in Japan and overseas, and it is making large contributions to the spread and development of IoT in Japan and overseas.

In the fourth "Nippon Venture Awards," hosted by the Ministry of Economy, Trade and Industry (METI) in February, 2018, SORACOM and KDDI were awarded the "METI Minister's Awards (Partnership of Venture Businesses and Large Enterprises)."

Through collaboration between SORACOM's telecommunications platform and KDDI's business platform, we are strongly promoting the building of an IoT platform for use both in Japan and globally. Additionally, we will work to create new IoT businesses utilizing our knowledge and customer base cultivated in IoT/M2M.

Cutting-edge big data analysis including artificial intelligence (AI)

In April 2017, business started at ARISE analytics ("ARISE"), which we established as a joint venture with Accenture Japan Ltd. to strengthen our capabilities in the big data analysis field, which will broadly underpin all businesses going forward. ARISE plays a core role in the KDDI Group's data usage, and through cutting-edge big data analysis including AI in fields such as telecommunications, commerce, and IoT, is contributing to enhancing customer experience value.

Moreover, for our corporate customers, KDDI supports initiatives for revolutionary data usage through a various range of solutions using ARISE's AI and big data analysis.

Business co-creation with venture companies

Through the "KDDI Open Innovation Fund*[2]," the Company invests in promising venture companies both in Japan and overseas. In the current period, in May 2017, we invested in "TELEXISTENCE inc.," a robotics development venture company utilizing telexistence (telepresence) technology, and in March 2018, we invested in Embrace Co., Ltd., which provides a social platform for medical and nursing care. In addition to collaboration with broad networks, marketing skills, and various services of the many companies owned by KDDI, by providing support for the business operations of Global Brain Corporation, which has abundant experience in supporting venture companies, we will strongly promote the growth of companies in which we invest as our "partners."

*2 The KDDI Open Innovation Fund is a corporate venture capital fund investing in venture companies run by KDDI and Global Brain Corporation.

4) Efforts toward Continued Enhancement of Corporate Value

Sustainability

The Company's initiatives in ESG (environment, society and government) including corporate governance, health and safety, pollution prevention, and climate change, have been well received, and it has been selected as part of the globally representative social responsibility investment (SRI) indexes “FTSE4Good Index Series” and “MSCI ESG Leaders indexes” (as of June 2017).

Moreover, in July 2017, the Government Pension Investment Fund (GPIF) selected three stock indexes (two broad indexes*[1] and one specific thematic index*[2]), including issues through a consideration of ESG factors based on the information disclosed by companies. It began passive management linked to each index, and KDDI is included in all three indexes.

*1 ESG (environment, society and governance) broad indexes: “FTSE Blossom Japan Index” and “MSCI Japan ESG Select Leaders Index.”

*2 “Thematic” index focusing on empowering women in the “S” (social) of ESG: MSCI Japan Empowering Women Index (WIN)

Promoting the advancement of female employees and health management

KDDI was named as a “Nadeshiko Brand*[3]” for the sixth consecutive year since 2012, a designation conferred to listed companies that take a proactive approach in promoting the advancement of female employees.

Furthermore, KDDI promotes health management though the organizational support of the health of each of its employees. In February 2018, it was certified as a “White 500” company*[4], a group of large companies showing outstanding health and productivity management, by the Ministry of Economy, Trade, and Industry (METI) and the Nippon Kenko Kaigi.

*3 The “Nadeshiko Brand” is an initiative implemented since 2012 by METI and the Tokyo Stock Exchange to promote and accelerate the “advancement of female employees.” In the Nadeshiko Brand, METI and the Tokyo Stock Exchange jointly select and publicize listed companies that are exceptional in encouraging women’s success in the workplace to investors who focused on “enhanced medium- to long-term corporate value.”

*4 The “White 500” is a system certifying large companies taking strategic initiatives in consideration of the management perspective of employee health management. In the current round of certifications, KDDI and KDDI Research, Inc. were certified as two of 541 leading companies for particularly outstanding health management.

- Company and product names are trademarks or registered trademarks of their respective companies.

(2) Issues Facing the Corporate Group

1) Medium- to Long-Term Management Strategies

The telecommunications industry is experiencing dramatic environmental changes including rapid expansion of low-cost SIM services by MVNOs while products and services offered by carriers are becoming similar such as by the start of their services that offer discount to their subscribers of both mobile and fixed-line communications. The scope, which was the telecommunications field only, is expanding to include fields peripheral to it and, what is more, those other than it, and we are in an age where we compete not only with existing carriers but with companies in other industries. It is expected that this trend will be accelerated as IoT, which relates to all industrial fields, progresses.

While responding quickly to these changes in the business environment, the Company has established the following Medium-term targets for the next three years from fiscal 2016 to achieve sustainable growth.

■ **Business Management Policy**

"Transform into business that provides customer experience value"

Transform into business that provides experience value exceeding customer expectations at all customer contact points.

■ **Business strategy**

Target "sustainable growth in the domestic telecommunications business" and to establish new growth pillars by "maximizing au economic zone" and "aggressively developing global business."

■ **Financial targets**

Aim to achieve both sustainable profit growth and enhanced shareholder returns.

Medium-term targets from the fiscal years ended March 31, 2017 to 2019 are as follows:

[Profit growth targets]
- Consolidated operating income: CAGR (compound annual growth rate) 7%
- Total transaction amount in au economic zone: Over ¥2 trillion
- M&As for growth: Cumulative total for three years around ¥500 billion

[Shareholder return targets]
- Increase dividend payout ratio from the previous "over 30%" to "over 35%"
- Purchase treasury stock depending on the balance with growth investments
- Aim to keep treasury stock at around 5% of total number of issued stock, and retire excess over the rate

2) Issues to Be Addressed

In line with the Group's new business strategy, we will pursue initiatives toward sustainable growth as follows:

■ **Sustainable growth in the domestic telecommunications business**

For the domestic telecommunications business, which is the Company's business foundation, we will work towards sustainable growth, maximizing "ID×ARPA." In order to maximize "ID×ARPA," we will strive to increase the number of "mobile IDs" in the KDDI Group by utilizing not only "au," but also MVNO centered on the au line. As for our main service "au," we will enhance the brand, which continues to be a customer favorite, by increasing customer experience value.

■ **Maximization of au economic zone**

As part of the Company's policy of "Integration of Telecommunication and Life Design," the Company aims to expand the "au economic zone" by leveraging our domestic telecommunications business foundation and generating synergies through providing enhanced selections of life design services such as commerce, financing, energy, entertainment and education in addition to the traditional telecommunications services.

Furthermore, while working to maximize the transaction volume by expanding commerce businesses such as "Wowma!" and settlement businesses such as "au WALLET Card," the Company will work to maximize the "au economic zone" by continuing to propose various life design services to customers through expanding the energy business such as “au Denki,” establishing a financing business, and entering into the education business.

- **Aggressive development of global business**

  In the telecommunications business in emerging countries such as Myanmar and Mongolia, the Company will use the business experience and technological capabilities it has cultivated in Japan and overseas to contribute to the countries’ economic and industrial development and improving the lives of its citizens, while making a focused effort to build these operations so into an important future pillar for its global business.

  In data center and other ICT businesses for corporate customers as well, the Company will continue to reinforce its infrastructure in order to expand its global business.

(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)

	31st fiscal year (FY2015.3)	32nd fiscal year (FY2016.3)	33rd fiscal year (FY2017.3)	34th fiscal year (FY2018.3)
	IFRS			
Operating revenues	4,270,094	4,466,135	4,748,259	5,041,978
Operating income	665,719	832,583	912,976	962,793
Profit for the year attributable to owners of the parent	395,805	494,878	546,658	572,528
Basic earnings per share (yen)	158.01	197.73	221.65	235.54
Total assets	5,626,725	5,880,623	6,263,826	6,574,555
Total liabilities	2,403,713	2,333,767	2,414,692	2,443,298
Total equity	3,223,012	3,546,856	3,849,133	4,131,257

Notes:
1. Figures were rounded up or down to the nearest million yen.
2. The Company conducted 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 31st fiscal year.
3. Concerning the calculation of basic earnings per share from the 32nd fiscal year to the 34th fiscal year, the Company's stocks owned by the Board Incentive Plan and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.
4. During the 33rd fiscal year, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the 32nd fiscal year, reflect the revision of the initially allocated amounts of acquisition price.

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

(millions of yen unless otherwise indicated)

	31st fiscal year (FY2015.3)	32nd fiscal year (FY2016.3)	33rd fiscal year (FY2017.3)	34th fiscal year (FY2018.3)
	Japan GAAP			
Operating revenues	3,728,416	3,827,164	3,864,093	4,028,524
Telecommunications business	2,538,123	2,598,729	2,628,903	2,627,982
Incidental business	1,190,292	1,228,435	1,235,190	1,400,542
Operating income	614,811	613,950	694,468	685,046
Ordinary income	635,405	649,714	736,308	740,023
Profit	403,263	445,681	524,208	525,389
Earnings per share (yen)	160.99	178.07	212.55	216.15
Total assets	4,317,272	4,379,181	4,662,777	5,031,392
Liabilities	1,363,002	1,196,533	1,243,578	1,450,968
Net assets	2,954,269	3,182,649	3,419,199	3,580,425

Notes:
1 Figures were rounded up or down to the nearest million yen.
2. The Company conducted 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 31st fiscal year.
3. Concerning the calculation of earnings per share from the 32nd fiscal year to the 34th fiscal year, the Company's stocks owned by the Board Incentive Plan and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

(4) Financing Activities of the Corporate Group

During the fiscal year under review, we borrowed long- and short-term loans from financial institutions totaling ¥124,000 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 ¥542,244 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, 2018)

The Group comprises the Company, 178 consolidated subsidiaries (Japan: 105 companies, overseas: 73 companies) and 36 equity-method affiliates (29 in Japan and 7 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	Providing communications services (au and MVNO mobile phone, FTTH, CATV), energy, education services, etc. for individuals
Value Services	Providing commerce, financial, payment, entertainment services, etc. for individuals
Business Services	Providing communications services, ICT solution, data center services, etc. for companies
Global Services	Providing communications services, ICT solution, data center services, etc. for companies and individuals overseas

(7) Offices of the Company (As of March 31, 2018)

(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.)	19 branch offices, 63 branches, 5 customer service centers, etc.
(Technical centers, etc.)	18 technical/engineering support centers 3 technology maintenance centers, 1 transmitting station
(Overseas offices)	Geneva, Beijing, Shanghai

(8) Principal Subsidiaries (As of March 31, 2018)

1) Businesses in Principal Subsidiaries

Company name	Location	Capital	Ratio of capital contribution	Principal business
Okinawa Cellular Telephone Company	Okinawa	Million yen 1,415	% 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
UQ Communications Inc.	Tokyo	71,425	32.3	Wireless broadband services
BIGLOBE Inc.	Tokyo	2,630	100.0	Internet service business
AEON Holdings Corporation of Japan	Okayama	100	100.0	Holding company of a language-related company specializing in English conversation
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	4,057	78.7	Holding company of an Internet services company
Jupiter Shop Channel Co., Ltd.	Tokyo	4,400	(55.0)	Television shopping business
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	100	100.0	Call center service and temporary staff service
KDDI Research, 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$ 5	(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$ 405,600	(100.0)	Telecommunications services in partnership with a state-run postal and telecommunications business entity in Myanmar (MPT)
KDDI Singapore Pte Ltd	Singapore	Thousand S$ 10,255	100.0	Telecommunications services in Singapore
MobiCom Corporation LLC	Mongolia	Thousand TG 6,134,199	(63.9)	Mobile communication services in Mongolia

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

2) Changes in Business Combinations

On January 22, 2018, the Company acquired all shares of AEON Holdings Corporation of Japan ("AEON HD") from the said company's shareholders. As a result, AEON HD and its consolidated subsidiaries became consolidated subsidiaries of the Company as of the aforementioned date.

(9) Employees (As of March 31, 2018)

1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	20,019
Value Services	3,222
Business Services	8,412
Global Services	5,025
Others	2,148
Total	38,826

2) Employees of the Company

No. of employees	Year-on-year increase	Average age	Average length of service
11,037	121	42.4	17.6 years

Note: No. of employees does not include 2,393 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2018)

Creditor	Loans outstanding
	Millions of yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.(*)	176,000
Mizuho Bank, Ltd.	67,000
Sumitomo Mitsui Banking Corporation	63,008
Development Bank of Japan, Inc.	59,024
Mitsubishi UFJ Trust and Banking Corporation	33,500

(*) The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd. as of April 1, 2018.

2. **Shares** (As of March 31, 2018)

(1) Total Number of Authorized Shares 4,200,000,000 shares

(2) Total Number of Issued Shares 2,587,213,525 shares

(including 180,136,600 shares of treasury stock)

Note: The total number of issued shares has declined by 33,280,732 in accordance with the retirement of treasury stocks dated May 17, 2017.

(3) Number of Shareholders 205,394

(increase of 112,777 from the previous year-end)

(4) Shareholder composition

Financial institutions	629,671,260 shares	24.34 %
Other institutions	757,300,688 shares	29.27 %
Financial instrument firms	83,820,405 shares	3.24 %
Individuals and others	296,297,499 shares (including treasury stock)	11.45 %
Foreign institutions and others	820,123,673 shares	31.70 %

(5) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
KYOCERA Corporation	335,096,000	13.92
Toyota Motor Corporation	298,492,800	12.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	190,983,400	7.93
Japan Trustee Services Bank, Ltd. (Trust Account)	133,349,200	5.54
JP MORGAN CHASE BANK 380072	50,743,304	2.10
State Street Bank West Client-Treaty 505234	35,054,663	1.45
Japan Trustee Services Bank, Ltd. (Trust Account 5)	33,766,100	1.40
State Street Bank & Trust Company 505223	31,655,525	1.31
Japan Trustee Services Bank, Ltd. (Trust Account 7)	31,070,700	1.29
JP MORGAN CHASE & Co.	29,703,813	1.23

Note: Although the Company holds 180,136,600 shares of treasury stock, it is excluded from the list of principal shareholders presented above. The shareholding ratio is calculated after deducting the shares of treasury stock.
The shares of treasury stock does not include the Company's shares owned by the Board Incentive Plan and the Stock Grant ESOP Trust (1,672,702 shares).

3. Directors and Audit & Supervisory Board Members

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

(As of March 31, 2018)

Position	Name	Responsibilities in the Company and important concurrent positions
Chairman, Director	Tadashi Onodera	Director of KYOCERA Corporation Director of Daiwa Securities Group Inc.
President, Representative Director	Takashi Tanaka	Executive Director, Corporate & Marketing Communications Sector and Life Design Business Sector
Executive Vice President, Representative Director	Hirofumi Morozumi	Executive Director, Corporate Sector
Executive Vice President, Representative Director	Makoto Takahashi	Company Executive Director of Business Development Executive Director, Value-added Business Sector and Corporate Strategy Planning Division
Executive Vice President, Representative Director	Yuzo Ishikawa	Company Executive Director of Sales Executive Director, Consumer Business, Business Headquarters, Media and CATV Business, and Product & Customer Service Sector
Senior Managing Executive Officer, Director	Yoshiaki Uchida	Executive Director, Technology Sector
Managing Executive Officer, Director	Takashi Shoji	Executive Director, Solution Business and Global Business Sector
Managing Executive Officer, Director	Shinichi Muramoto	Deputy Executive Director, Corporate Sector
* Managing Executive Officer, Director	Keiichi Mori	Deputy General Manager, Solution Business Sector and General Manager, IoT Business Development Division
* Director	Goro Yamaguchi	Chairman of the Board and Representative Director of KYOCERA Corporation
Director	Nobuyori Kodaira	Chairman of The Toyota Foundation Audit & Supervisory Board Member of Aichi Steel Corporation
Director	Shinji Fukukawa	Chairman of Toyo University Director of Kanamic Network Co.,LTD
Director	Kuniko Tanabe	Partner of Tanabe & Partners Audit & Supervisory Board Member of DAIDO METAL CO., LTD.
Director	Yoshiaki Nemoto	
Full-time Audit & Supervisory Board Member	Hiroshi Kobayashi	
Full-time Audit & Supervisory Board Member	Koichi Ishizu	
Full-time Audit & Supervisory Board Member	Akira Yamashita	
Audit & Supervisory Board Member	Kakuji Takano	Senior representative, Takano Sogo Accounting Firm and Takano Sogo Group Auditor, Sourcenext Co., Ltd.
Audit & Supervisory Board Member	Nobuaki Katoh	Chairman, Denso Corporation Director, Toyota Boshoku Corporation Corporate Auditor, Chubu Electric Power Co., Inc.

Notes: 1. Directors with * are new Directors who were elected at the 33rd Annual Shareholders Meeting held on June 21, 2017.

2. In regard to Directors Hidehiko Tajima and Tetsuo Kuba, each of their terms of office expired as of the conclusion of

the 33rd Annual Shareholders Meeting held on June 21, 2017.

3. Each of Directors Goro Yamaguchi, Nobuyori Kodaira, Shinji Fukukawa, Kuniko Tanabe and Yoshiaki Nemoto is an Outside Director.
4. Each of full-time Audit & Supervisory Board Member Akira Yamashita, Audit & Supervisory Board Members Kakuji Takano and Nobuaki Katoh is an Outside Audit & Supervisory Board Member.
5. Audit & Supervisory Board Member Kakuji Takano has a wealth of experience as a Certified Public Accountant and Senior Representative of an accounting firm, and has extensive knowledge and insight into finance and accounting.
6. Each of Directors Shinji Fukukawa, Kuniko Tanabe and Yoshiaki Nemoto, full-time Audit & Supervisory Board Member Akira Yamashita, Audit & Supervisory Board Members Kakuji Takano and Nobuaki Katoh 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 Executive Salaries to Directors and Audit & Supervisory Board Members

Category		Total amount of Executive Salaries (Millions of yen)	Number to be paid	Total amount of Executive Salaries by type (Millions of yen)		
				Executive Salaries	Executive Bonuses	Stock Remuneration
Directors	Outside Directors	75	6	75	–	–
	Others	650	10	393	146	111
	Total	725	16	468	146	111
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	50	3	50	–	–
	Others	52	2	52	–	–
	Total	102	5	102	–	–

Notes:
1. The above-stated remuneration for Directors includes amounts for one Director and one Outside Director who retired at the conclusion of the 33rd Annual Shareholders Meeting held on June 21, 2017. The number of Directors to be paid executive bonuses is nine, excluding the said Director.
2. The maximum executive salaries for Directors was set at ¥50 million by a resolution of the 30th Annual Shareholders Meeting held on June 18, 2014.
3. The maximum annual executive salaries for Audit & Supervisory Board Members was set at ¥130 million by a resolution of the 32nd Annual Shareholders Meeting held on June 22, 2016. This amount is calculated based on the Company's fiscal year.
4. Executive 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.
5. The decision to introduce the performance-linked stock-type incentive program for Directors (Board Incentive Plan) was resolved at the 31st Annual Shareholders Meeting held on June 17, 2015. This is apart from the bonuses and the Company will pay Directors, etc., who serve during the three years covering fiscal year 2015 to 2017, new performance-linked stock compensation.
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, in response to the request of 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 and Vice 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 performance-linked executive bonuses and stock remuneration provided that they are responsible for improving business results every fiscal year, as well as medium- to long-term corporate value. Fixed-amount salaries are based on such factors as directors' professional ranking and the management environment. Executive bonuses and stock remuneration are based on the KDDI Group's level of achievement of its performance targets for each fiscal year, as well as on individual directors' roles. 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 the Members and is only a fixed-amount salary that is not linked to the business results of the Company.

(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 eleven persons including Director Tadashi Onodera, 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 applicable laws and regulations.

(4) 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 Goro Yamaguchi 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 Audit & Supervisory Board Member of Aichi Steel Corporation. Aichi Steel Corporation has business transactions with the Company, but these transactions account for less than 0.1% of sales and operating revenue for the Company on a parent basis.
- Director Shinji Fukukawa is Director of Kanamic Network Co., LTD., which has business transactions with the Company, but these transactions account for less than 0.1% of sales and operating revenue for the Company on a parent basis.
- Director Kuniko Tanabe is Partner of Tanabe & Partners and Audit & Supervisory Board Member of DAIDO METAL CO., LTD., which have business transactions with the Company, but these transactions account for less than 0.1% of sales and operating revenue for the Company on a parent basis. The transaction amount between Tanabe & Partners and the Company accounts for less than ¥10 million.
- Audit & Supervisory Board Member Kakuji Takano is Senior representative of Takano Sogo Accounting Firm and Takano Sogo Group and Auditor of Sourcenext Co., Ltd., which have business transactions with the Company, but these transactions account for less than 0.1% of sales and operating revenue for the Company on a parent basis.
- Audit & Supervisory Board Member Nobuaki Katoh is Chairman of Denso Corporation, Director of Toyota Boshoku Corporation, and Corporate Auditor of Chubu Electric Power Co., Inc. which have business transactions with the Company, but these transactions account for less than 0.1% of sales and operating revenue for the Company on a parent basis.

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)

- Director Goro Yamaguchi attended nine of the ten meetings of the Board of Directors.
- Director Nobuyori Kodaira attended twelve of the twelve meetings of the Board of Directors.
- Director Shinji Fukukawa attended twelve of the twelve meetings of the Board of Directors.
- Director Kuniko Tanabe attended twelve of the twelve meetings of the Board of Directors.
- Director Yoshiaki Nemoto attended twelve of the twelve meetings of the Board of Directors.

* The attendance record of Director Goro Yamaguchi began after his appointment as new Director at the 33rd Annual Shareholders Meeting held on June 21, 2017.

(Audit & Supervisory Board Members)

- Audit & Supervisory Board Member Akira Yamashita attended twelve of the twelve meetings of the Board of Directors and twelve of the twelve meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Kakuji Takano attended twelve of the twelve meetings of the Board of Directors and twelve of the twelve meetings of the Audit & Supervisory Board.
- Audit & Supervisory Board Member Nobuaki Katoh attended eleven of the twelve meetings of the Board of Directors and eleven of the twelve 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.

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	445	1,137

Notes: 1. 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.

2. The Audit & Supervisory Board has checked the audit plan, audit details, the number of man-hours required to conduct the audit and the price per man-hour as well as having compared previous historical figures to planned figures in order to consider the reasonableness of the remuneration. As a result it has determined that the decision of Representative Directors with regard to the remuneration of the accounting auditor was reasonable and approves the same.

(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.

(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.

Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial Position

(Unit: Millions of yen)

Account item	As of March 31, 2018	(Reference) As of March 31, 2017	Account item	As of March 31, 2018	(Reference) As of March 31, 2017
Assets			Liabilities		
Non-current assets:	4,423,306	4,297,800	Non-current liabilities:	1,005,498	1,333,201
Property, plant and equipment	2,437,196	2,428,445	Borrowings and bonds payable	704,278	909,673
Goodwill	526,601	477,873			
Intangible assets	953,106	922,478	Other long-term financial liabilities	68,478	176,794
			Retirement benefit liabilities	12,010	21,800
Investments accounted for using the equity method	98,192	92,371	Deferred tax liabilities	80,298	75,919
Other long-term financial assets	236,684	183,081	Provisions	10,754	7,725
Deferred tax assets	106,050	124,467	Other non-current liabilities	129,679	141,290
Other non-current assets	65,477	69,085			
			Current liabilities:	1,437,800	1,081,491
Current assets:	2,151,249	1,966,025	Borrowings and bonds payable	329,559	57,805
Inventories	89,207	77,656	Trade and other payables	610,726	537,830
Trade and other receivables	1,695,403	1,518,070			
Other short-term financial assets	30,173	16,968	Other short-term financial liabilities	24,717	24,373
Income tax receivables	2,101	10,715	Income taxes payables	143,635	153,950
Other current assets	133,531	116,009	Provisions	31,231	26,887
Cash and cash equivalents	200,834	226,607	Other current liabilities	297,932	280,646
			Total liabilities	2,443,298	2,414,692
			Equity		
			Equity attributable to owners of the parent		
			Common stock	141,852	141,852
			Capital surplus	289,578	298,046
			Treasury stock	(338,254)	(237,014)
			Retained earnings	3,672,344	3,354,140
			Accumulated other comprehensive income	8,183	(2,601)
			Total equity attributable to owners of the parent	3,773,703	3,554,423
			Non-controlling interests	357,554	294,710
			Total equity	4,131,257	3,849,133
Total assets	6,574,555	6,263,826	**Total liabilities and equity**	6,574,555	6,263,826

(Note) Amounts of items are rounded to the nearest million yen.

Consolidated Statement of Income

(Unit: Millions of yen)

Account item	For the fiscal year ended March 31, 2018	(Reference) For the fiscal year ended March 31, 2017
Operating revenue	5,041,978	4,748,259
Cost of sales	2,821,803	2,669,678
Gross profit	2,220,175	2,078,582
Selling, general and administrative expenses	1,271,215	1,173,562
Other income	12,041	11,244
Other expense	2,801	6,042
Share of profit of investments accounted for using the equity method	4,592	2,755
Operating income	962,793	912,976
Finance income	4,035	1,711
Finance cost	11,985	13,273
Other non-operating profit and loss	305	(5,517)
Profit for the year before income tax	955,147	895,897
Income tax	293,951	253,282
Profit for the year	661,196	642,615
Profit for the year attributable to:		
Owners of the parent	572,528	546,658
Non-controlling interests	88,668	95,957
Profit for the year	661,196	642,615

(Note) Amounts of items are rounded to the nearest million yen.

Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2018

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total		
As of April 1, 2017	141,852	298,046	(237,014)	3,354,140	(2,601)	3,554,423	294,710	3,849,133
Comprehensive income								
Profit for the year	–	–	–	572,528	–	572,528	88,668	661,196
Other comprehensive income	–	–	–	–	15,795	15,795	(1,030)	14,766
Total comprehensive income	–	–	–	572,528	15,795	588,324	87,638	675,961
Transactions with owners and other transactions								
Cash dividends	–	–	–	(219,701)	–	(219,701)	(47,590)	(267,291)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	5,012	(5,012)	–	–	–
Purchase and disposal of treasury stock	–	(50)	(150,000)	–	–	(150,050)	–	(150,050)
Retirement of treasury stock	–	(9,074)	48,709	(39,635)	–	–	–	–
Changes due to business combination	–	–	–	–	–	–	5,376	5,376
Changes in interests in subsidiaries	–	(635)	–	–	–	(635)	17,924	17,289
Other	–	1,291	51	–	–	1,343	(503)	839
Total transactions with owners and other transactions	–	(8,467)	(101,239)	(254,324)	(5,012)	(369,043)	(24,794)	(393,837)
As of March 31, 2018	141,852	289,578	(338,254)	3,672,344	8,183	3,773,703	357,554	4,131,257

(Reference) For the fiscal year ended March 31, 2017

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total		
As of April 1, 2016	141,852	368,245	(210,861)	2,995,836	13,570	3,308,642	238,214	3,546,856
Comprehensive income								
Profit for the year	–	–	–	546,658	–	546,658	95,957	642,615
Other comprehensive income	–	–	–	–	(19,077)	(19,077)	(1,382)	(20,459)
Total comprehensive income	–	–	–	546,658	(19,077)	527,581	94,575	622,156
Transactions with owners and other transactions								
Cash dividends	–	–	–	(185,446)	–	(185,446)	(40,521)	(225,967)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(2,907)	2,907	–	–	–
Purchase and disposal of treasury stock	–	(57)	(100,000)	–	–	(100,056)	–	(100,056)
Retirement of treasury stock	–	(73,804)	73,804	–	–	–	–	–
Changes due to business combination	–	–	–	–	–	–	213	213
Changes in interests in subsidiaries	–	2,979	–	–	–	2,979	1,226	4,205
Other	–	683	42	–	(1)	725	1,002	1,727
Total transactions with owners and other transactions	–	(70,199)	(26,153)	(188,354)	2,907	(281,799)	(38,079)	(319,878)
As of March 31, 2017	141,852	298,046	(237,014)	3,354,140	(2,601)	3,554,423	294,710	3,849,133

(Note) Amounts of items are rounded to the nearest million yen.

(Reference)

Consolidated Statement of Cash Flows (Summary)

(Unit: Millions of yen)

Item	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2017
Net cash provided by (used in) operating activities	1,061,405	1,161,074
Net cash provided by (used in) investing activities	(633,847)	(637,225)
Free cash flows *	427,558	523,849
Net cash provided by (used in) financing activities	(453,168)	(485,784)
Effect of exchange rate changes on cash and cash equivalents	(163)	(3,545)
Net increase (decrease) in cash and cash equivalents	(25,773)	34,520
Cash and cash equivalents at the beginning of the year	226,607	192,087
Cash and cash equivalents at the end of the year	200,834	226,607

* 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.”

(Note) Amounts of items are rounded to the nearest million yen.

Operating activities provided net cash of ¥1,061,405 million. This includes ¥955,147 million of profit for the year before income tax, ¥546,815 million of depreciation and amortization, ¥302,783 million of income tax paid and ¥219,125 million of increase in trade and other receivables.
Investing activities used net cash of ¥633,847 million. This includes ¥361,102 million of purchases of property, plant and equipment and ¥199,776 million of purchases of intangible assets.
Financial activities used net cash of ¥453,168 million. This includes ¥219,885 million of cash dividends paid, ¥150,000 million of payments from purchase of treasury stock, ¥95,000 million of proceeds from issuance of bonds and long-term borrowings and ¥95,000 million of purchase of debt instruments.
As a result, the total amount of cash and cash equivalents as of March 31, 2018, decreased by ¥25,773 million from March 31, 2017 to ¥200,834 million.

Non-Consolidated Financial Statements (Japan GAAP)

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2018		(Reference) As of March 31, 2017		Account item	As of March 31, 2018		(Reference) As of March 31, 2017	
(Assets)					(Liabilities)				
I Noncurrent assets		3,263,028		2,930,170					
A Noncurrent assets-telecommunications business		1,697,727		1,717,790					
(1) Property, plant and equipment*		1,475,916		1,493,126	I Noncurrent liabilities		386,006		503,073
1 Machinery	2,294,043		2,198,664		1 Bonds payable		160,000		170,000
Accumulated depreciation	1,749,821	544,222	1,645,211	553,453	2 Long-term loans payable		147,000		242,000
2 Antenna facilities	737,539		706,370		3 Lease obligations		–		2
Accumulated depreciation	443,724	293,815	402,460	303,910	4 Provision for retirement				
3 Terminal facilities	8,911		8,730		benefits		9,190		9,888
Accumulated depreciation	7,256	1,655	7,102	1,629	5 Provision for point service				
4 Local line facilities	202,575		199,311		program		49,165		62,833
Accumulated depreciation	169,585	32,990	163,482	35,830	6 Provision for warranties for				
5 Long-distance line facilities	95,251		95,606		completed construction		3,765		4,249
Accumulated depreciation	90,121	5,131	90,027	5,580	7 Asset retirement obligations		3,446		1,920
6 Engineering facilities	59,657		59,458		8 Other noncurrent liabilities		13,440		12,182
Accumulated depreciation	45,668	13,989	44,410	15,048					
7 Submarine line facilities	50,788		50,785						
Accumulated depreciation	46,249	4,539	45,418	5,367					
8 Buildings	365,725		369,514						
Accumulated depreciation	223,309	142,416	220,587	148,927					
9 Structures	82,271		81,927						
Accumulated depreciation	62,306	19,966	60,834	21,092	II Current liabilities		1,064,962		740,505
10 Machinery and equipment	4,274		4,637		1 Current portion of noncurrent				
Accumulated depreciation	4,205	69	4,553	84	liabilities		200,000		55,110
11 Vehicles	1,437		1,365		2 Accounts payable-trade		102,609		68,551
Accumulated depreciation	1,127	310	1,087	278	3 Short-term loans payable		246,040		133,737
12 Tools, furniture and fixtures	88,668		84,594		4 Lease obligations		2		8
Accumulated depreciation	65,202	23,466	61,904	22,690	5 Accounts payable-other		327,592		290,029
13 Land		260,518		260,505	6 Accrued expenses		5,440		5,860
14 Lease assets	43		43		7 Income taxes payable		99,956		114,791
Accumulated depreciation	41	2	33	10	8 Advances received		20,504		24,834
15 Construction in progress		132,827		118,723	9 Deposits received		43,488		27,010
(2) Intangible assets		221,811		224,664	10 Provision for bonuses		17,191		16,931
1 Right of using submarine					11 Provision for directors'				
line facilities		2,903		3,352	bonuses		152		142
2 Right of using facilities		10,853		10,305	12 Asset retirement obligations		1,988		3,501
3 Software		205,767		208,682					
4 Patent right		0		0					
5 Leasehold right		1,427		1,427					
6 Other intangible assets		861		897					
					Total liabilities		1,450,968		1,243,578

(Unit: Millions of yen)

Account item	As of March 31, 2018		(Reference) As of March 31, 2017		Account item	As of March 31, 2018		(Reference) As of March 31, 2017	
B Incidental business facilities		45,885		45,718	(Net assets)				
(1) Property, plant and equipment*	55,979		55,733						
Accumulated depreciation	31,883	24,096	28,243	27,490					
(2) Intangible assets		21,789		18,228					
C Investments and other assets		1,519,416		1,166,662	I Shareholders' equity		3,563,204		3,407,574
1 Investment securities		196,366		87,925	1 Capital stock		141,852		141,852
2 Stocks of subsidiaries and affiliates		864,891		733,896	2 Capital surplus		305,676		314,750
					(1) Legal capital surplus	305,676		305,676	
3 Investments in capital		63		64	(2) Other capital surplus	—		9,074	
4 Investments in capital of subsidiaries and affiliates		5,742		5,742	3 Retained earnings		3,457,422		3,191,519
					(1) Legal retained earnings	11,752		11,752	
5 Long-term loans receivable		3		3	(2) Other retained earnings				
6 Long-term loans receivable from subsidiaries and affiliates		175,697		88,435	Reserve for advanced depreciation of noncurrent assets	677		677	
7 Long-term prepaid expenses		172,716		133,077	Reserve for special depreciation	931		1,281	
8 Deferred tax assets		77,427		89,924	General reserve	2,809,234		2,554,734	
9 Other investment and other assets		36,616		37,365	Retained earnings brought forward	634,828		623,075	
Allowance for doubtful accounts		(10,104)		(9,769)	4 Treasury stock		(341,746)		(240,547)
II Current assets		1,768,364		1,732,606					
1 Cash and deposits		66,622		92,724					
2 Notes receivable-trade		–		5					
3 Accounts receivable-trade		1,369,036		1,253,334					
4 Accounts receivable-other		62,530		56,909	II Valuation and translation adjustments		17,221		11,625
5 Supplies		77,414		64,013	1 Valuation difference on available-for-sale securities		17,221		11,625
6 Prepaid expenses		33,339		24,727					
7 Deferred tax assets		23,889		27,632					
8 Short-term loans receivable from subsidiaries and affiliates		145,293		222,454					
9 Other current assets		5,084		7,133					
Allowance for doubtful accounts		(14,843)		(16,326)					
					Total net assets		3,580,425		3,419,199
Total assets		5,031,392		4,662,777	**Total liabilities and net assets**		5,031,392		4,662,777

* 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.

(Note) Amounts of items are rounded to the nearest million yen.

Non-Consolidated Statements of Income

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2018	(Reference) The fiscal year ended March 31, 2017
I Operating income and loss from telecommunications		
(1) Operating revenue	2,627,982	2,628,903
(2) Operating expenses	1,930,068	1,875,812
1 Business expenses	617,394	588,504
2 Operating expenses	33	33
3 Facilities maintenance expenses	270,664	268,861
4 Common expenses	2,861	2,535
5 Administrative expenses	90,155	88,182
6 Experiment and research expenses	8,320	7,296
7 Depreciation	341,107	347,123
8 Noncurrent assets retirement cost	37,719	27,250
9 Communication facility fee	526,164	500,415
10 Taxes and dues	35,651	45,613
Net operating income from telecommunications	697,914	753,090
II Operating income and loss from incidental business		
(1) Operating revenue	1,400,542	1,235,190
(2) Operating expenses	1,413,410	1,293,813
Net operating loss from incidental business	12,868	58,623
Operating profit	685,046	694,468
III Non-operating income	63,393	48,924
1 Interest income	1,415	1,133
2 Interest on securities	–	4
3 Dividends income	51,444	37,591
4 Miscellaneous income	10,534	10,196
IV Non-operating expenses	8,416	7,084
1 Interest expenses	2,832	1,283
2 Interest on bonds	2,178	2,958
3 Foreign exchange losses	1,903	1,566
4 Miscellaneous expenses	1,504	1,277
Ordinary profit	740,023	736,308
V Extraordinary income	2,201	3,495
1 Gain on sales of noncurrent assets	526	–
2 Gain on sales of investment securities	1,488	726
3 Gain on sale of stocks of related companies	155	2,228
4 Contribution for construction	32	540

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2018	(Reference) The fiscal year ended March 31, 2017
VI Extraordinary loss	5,427	26,710
1 Loss on sales of noncurrent assets	613	178
2 Impairment loss	2,917	23,021
3 Loss on retirement of noncurrent assets	–	1,153
4 Loss on valuation of investment securities	509	328
5 Loss on valuation of stocks of subsidiaries and affiliates	1,357	1,489
6 Reduction entry of contribution for construction	32	540
Profit before income taxes	736,797	713,093
Income taxes-current	197,763	196,336
Income taxes-deferred	13,645	(7,451)
Profit	525,389	524,208

(Note) Amounts of items are rounded to the nearest million yen.

Non-Consolidated Statements of Changes in Net Equity

The fiscal year ended March 31, 2018

(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	141,852	305,676	9,074	11,752	677	1,281	2,554,734	623,075
Changes of items during the fiscal year								
Dividends from surplus								(219,851)
Reversal of reserve for special depreciation						(350)		350
Provision of general reserve							254,500	(254,500)
Profit								525,389
Purchase of treasury stock								
Disposal of treasury stock								
Retirement of treasury stock			(9,074)					(39,635)
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	(9,074)	–	–	(350)	254,500	11,753
Balance at the end of current period	141,852	305,676	—	11,752	677	931	2,809,234	634,828

(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	(240,547)	3,407,574	11,625	3,419,199
Changes of items during the fiscal year				
Dividends from surplus		(219,851)		(219,851)
Reversal of reserve for special depreciation		–		–
Provision of general reserve		–		–
Profit		525,389		525,389
Purchase of treasury stock	(150,000)	(150,000)		(150,000)
Disposal of treasury stock	92	92		92
Retirement of treasury stock	48,709	–		–
Net changes of items other than shareholders' equity		–	5,596	5,596
Total changes of items during the fiscal year	(101,199)	155,629	5,596	161,226
Balance at the end of current period	(341,746)	3,563,204	17,221	3,580,425

(Reference) The fiscal year ended March 31, 2017

(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	141,852	305,676	82,879	11,752	677	1,806	2,317,434	521,217
Changes of items during the fiscal year								
Dividends from surplus								(185,575)
Reversal of reserve for special depreciation						(525)		525
Provision of general reserve							237,300	(237,300)
Profit								524,208
Purchase of treasury stock								
Disposal of treasury stock								
Retirement of treasury stock			(73,804)					
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	(73,804)	–	–	(525)	237,300	101,858
Balance at the end of current period	141,852	305,676	9,074	11,752	677	1,281	2,554,734	623,075

(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	(214,452)	3,168,841	13,808	3,182,649
Changes of items during the fiscal year				
Dividends from surplus		(185,575)		(185,575)
Reversal of reserve for special depreciation		–		–
Provision of general reserve		–		–
Profit		524,208		524,208
Purchase of treasury stock	(100,000)	(100,000)		(100,000)
Disposal of treasury stock	100	100		100
Retirement of treasury stock	73,804	–		–
Net changes of items other than shareholders' equity			(2,183)	(2,183)
Total changes of items during the fiscal year	(26,095)	238,733	(2,183)	236,550
Balance at the end of current period	(240,547)	3,407,574	11,625	3,419,199

(Note) Amounts of items are rounded to the nearest million yen.

Independent Auditor’s Report (Consolidated)

Independent Auditors’ Report
(English Translation)

May 8, 2018

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Yukihiro Matsunaga, CPA
Designated and Engagement Partner
Toshimitsu Wakayama, CPA
Designated and Engagement Partner
Tetsuro Iwase, 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 and its subsidiaries which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of income and statement of changes in equity for the year then ended, and the notes to consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Rules of Corporate Accounting, which permits companies to omit a part of disclosure items required under the designated IFRSs in preparing the consolidated financial statements. 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, while the purpose of the financial statements audit is not to express 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 is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements, which were prepared under the designated IFRSs with omission of a part of disclosure items pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Rules of Corporate Accounting, present fairly, in all material respects, the consolidated financial position of KDDI CORPORATION and its subsidiaries as of March 31, 2018, and their financial performance for the year then ended.

Other Matters
We have no interest in or relationship with KDDI CORPORATION and its subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notice to Readers:

The original consolidated financial statements, which consist of the consolidated statement of financial position, statement of income, statement of changes in equity and the important matters and notes are written in Japanese.

The Independent Auditor’s Report is translated in English solely for convenience. The original report is written in Japanese.

Independent Auditor's Report (Non-Consolidated)

Independent Auditors' Report
(English Translation)

May 8, 2018

To the Board of Directors of
KDDI CORPORATION

PricewaterhouseCoopers Kyoto
Yukihiro Matsunaga, CPA
Designated and Engagement Partner
Toshimitsu Wakayama, CPA
Designated and Engagement Partner
Tetsuro Iwase, 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 which comprise the balance sheet as at March 31, 2018, and the statement of income, statement of changes in equity for the year then ended, and the notes to non-consolidated financial statements and supplementary schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements and annexed detailed statements 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 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 annexed detailed statements 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 the 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 the 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 annexed detailed statements 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 annexed detailed statements thereof that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express 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 annexed detailed statements thereof.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements and supplementary schedules present fairly, in all material respects, the financial position of KDDI CORPORATION as of March 31, 2018, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

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

Notice to Readers:

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

The Independent Auditor's Report is translated in English solely for convenience. The original report is 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 34th fiscal year from April 1, 2017 to March 31, 2018, 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

(1) 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.

(2) 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, and performed audits in the following manner;

a. The Audit & Supervisory Board Members have 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. Furthermore, 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.

b. 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 appropriate business operations by the corporate group consisting of the Company and its subsidiaries" 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.

c. 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) and other standards, and requested them to provide explanation when needed.

Based on the above method, the Audit & Supervisory Board has examined the Business Report and the supplementary schedules, 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 statement of financial position, the consolidated statement of income, the consolidated statement of changes in 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 10, 2018

Full-time Audit & Supervisory Board Member, Hiroshi Kobayashi
Full-time Audit & Supervisory Board Member, Koichi Ishizu
Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member), Akira Yamashita
Outside Audit & Supervisory Board Member, Kakuji Takano
Outside Audit & Supervisory Board Member, Nobuaki Katoh

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 statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements thereof are written in Japanese.

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.

To Shareholders

Internet Disclosure of the Notice of the 34th Annual Shareholders Meeting

An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status
Notes to Consolidated Financial Statements
Notes to Non-Consolidated Financial Statements
(from April 1, 2017 to March 31, 2018)

KDDI Corporation

"An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," 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/20180620/), pursuant to the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation. "An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status," is part of the Business Report that was audited by Audit & Supervisory Board Members in preparing the Report of Audit. 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.

5. An Overview of the Systems for Ensuring the Appropriate Business Operations of the Business Report and the Operating Status

Systems for Ensuring the Appropriate Business Operations

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, the Board of Directors of KDDI has resolved and publicly announced a Basic Policy for Constructing an Internal Control System. Through this, the Company aims to ensure fairness, transparency, and efficiency in the execution of its corporate duties, as well as the improvement of corporate quality.

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 and business plans, etc. 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 Executive Officers, 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 key internal meetings of the Company. In addition, measures shall be taken to enable Audit & Supervisory Board Members to view meeting minutes, circulated documents, contracts, etc.
2) Directors and employees, the Directors of subsidiaries, and the Internal Control Division shall perform timely and appropriate reporting to Audit & Supervisory Board Members to provide the information required by said Members for the execution of their business duties, and, when discovering facts that may cause considerable losses to the Company and its subsidiaries, shall promptly report these to Audit & Supervisory Board Members. In addition, Directors and employees, the Directors of subsidiaries, and the Internal Control Division shall carry out exchanges of ideas with, and collaborate with, Audit & Supervisory Board Members.
3) The Company shall establish an Auditing Office, staffed by full-time employees, to assist the duties of the Audit & Supervisory Board Members. The authority to direct these employees shall reside with the Audit & Supervisory Board Members. The Company shall obtain the prior consent of the Audit & Supervisory Board, or Full-time Audit & Supervisory Board Members specified by the Audit & Supervisory Board, with regard to personnel matters of the Auditing Office.
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) The Company shall comply with the payment of expenses necessary to enable the execution of duties by Audit & Supervisory Board Members, including prepayments.

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, their Directors and employees 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) Through the prompt and appropriate response to customer needs and complaints, the Company shall undertake CX (Customer Experience) activities that aim to improve customers' experience value.

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, sustainability reports shall be

created and disclosed, centering on those departments promoting sustainability, 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) To ensure the appropriateness of work by subsidiaries, the Company has set forth rules concerning the management of subsidiaries, and has developed a system as follows.

1) The Company shall establish a department to supervise the management of each subsidiary, and will also establish a department with jurisdiction across all subsidiaries, to establish a management and support system for subsidiaries.

2) The Company shall set forth roles for the management of subsidiaries, involving Directors, Audit & Supervisory Board Members, and other employees dispatched to the subsidiaries, and shall ensure efficacy in the governance of subsidiaries.

3) With regard to important decision-making matters within subsidiaries, the Company shall set forth procedures and items for approval in Board of Directors meetings, Corporate Management Committee meetings, etc., and shall establish a management structure for subsidiaries.

4) The Company shall set forth items and procedures for reporting to subsidiaries, and shall establish a collaborative system with subsidiaries.

(2) In each subsidiary, the Company shall appoint a person responsible for internal control as the KDDI Group, shall secure the appropriateness of the work of subsidiaries and appropriately manage risks and engage in measures for risk reduction, and shall strive for the appropriateness and the effective achievement of management targets.

(3) Through a structure for corporate ethics meetings in each subsidiary, the Company shall strive for the early detection and handling of major legal infractions in subsidiaries and of problems and incidents related to compliance, and shall introduce and appropriately operate an internal reporting system for each subsidiary. In addition, the Directors and all employees of subsidiaries shall continuously maintain high ethical standards under the KDDI Code of Business Conduct, and shall ensure systems for the proper execution of duties.

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.

An Overview of the Operating Status of Systems for Ensuring the Appropriate Business Operations

In accordance with the provisions of Article 362, Paragraph 5 of the Companies Act, the Company passed a resolution approving the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. Based on this, the Company strives to ensure fair, transparent and efficient execution of its corporate duties and to increase corporate quality.

1. Corporate Governance

(1) The Board of Directors

The Company holds meetings of the Board of Directors based on the Board of Directors Rules and agenda standards of the Board of Directors.

In fiscal 2017 the Board of Directors met 12 times to discuss important matters and business plans, etc. as set down by laws and regulations, in addition to which it worked to supervise and ensure the appropriate execution of duties by Directors.

Information pertaining to the execution of business duties by the Directors is stored and managed appropriately in accordance with Board of Directors Rules.

(2) System for executing business operations

1) Regarding the execution of business operations, the Company has adopted an executive officer system with the aim of clarifying both the delegation of authority and responsibility system, based on Administrative Officer / Executive Officer Rules.
2) The Corporate Management Committee shall discuss and determine important matters pertaining to the execution of business operations, based on the Corporate
   In fiscal 2017, the Corporate Management Committee met 11 times to discuss and determine important matters for management.

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

1) The Company enacts measures to enable Audit & Supervisory Board Members to attend Board of Directors meetings as well as key internal meetings, including those of the Corporate Management Committee, the Disclosure Committee, the KDDI Group Business Ethics Committee, and the Information Security Committee.
2) In fiscal 2017, regular meetings with the representative directors and one-on-one meetings with Directors were held 12 times, meetings with Directors of domestic and overseas Group companies were held 34 times, and meetings with the Internal Audit Division were held 17 times, enabling executives to provide information to and exchange ideas with Audit & Supervisory Board Members. Also, the important matters that were reported to management were accompanied with reports to Audit & Supervisory Board Members each time.
3) The Company has established an Auditing Office to assist the duties of the Audit & Supervisory Board Members, and obtains the consent of Audit & Supervisory Board Members with regard to personnel matters concerning the staff of the Auditing Office.
4) In the rules for processing internal reports, it is clearly stated that persons making a report to Audit & Supervisory Board Members would not be penalized for doing so.
5) Expenses incurred by Audit & Supervisory Board Members in the execution of their duties for which expense claims are received are paid as appropriate.

2. Compliance

(1) KDDI Action Guideline formulation and awareness

The Company has formulated a KDDI Code of Business Conduct stating basic principles with which all Directors and employees should comply in the execution of duties, and works to communicate this widely through means including distribution of an e-mail newsletter, which makes reference to the basic principles of the Code, to all employees.

(2) Dealing with antisocial forces

With regard to initiatives to break off relations with antisocial forces, the Company has established a self-directed division that takes the lead in initiatives and works with other divisions.

The Company held investigative meetings on antisocial forces twice in 2017 and checked the status of operations.

(3) KDDI's business ethics activities
In order that each KDDI Group company may promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents, KDDI Group companies hold regular Business Ethics Committee meetings and report on the results of business ethics activities for the entity holding the meeting, as well as approving policy for activities during the next fiscal year.

(4) Internal Reporting System
For the appropriate operation of the internal reporting system, group companies conduct activities to raise awareness, such as e-learning as well as distribution of e-mail magazines and placing posters within offices. The Company responds appropriately to internal reports, taking full care to avoid disadvantageous treatment of persons making reports through the internal reporting system.

(5) Internal and external training and internal enhancement activities related to compliance
In order to raise the awareness of compliance amongst employees, various training programs are implemented for managers, administrators and general employees.

3. Risk Management for Achieving Business Objectives Fairly and Efficiently

(1) Monitoring for business risk and thoroughly managing results
In the Corporate Management Committee, after concretely clarifying the business risk and prioritizing business for each case, important matters pertaining to the execution of operations are deliberated and decided.
In fiscal 2017, we held a total of 10 monthly profitability review meetings and have been striving to thoroughly manage performance.

(2) Constructing and operating a "persons responsible for internal control" structure
The Company has nominated a person responsible for internal control in each division and each Group company, who autonomously promote risk management to allow the reasonable and efficient achievement of management targets.

1) Drawing up and implementing risk management activity policies
When deliberating and deciding important matters related to execution of business at the Corporate Management Committee, the risk management activity policies and operational status are reported twice a year.

2) Risk inspection
Under the supervision of the Corporate Risk Management Division, each division and Group companies implement risk inspections three times a year, at the beginning of the year, at the end of the first half and the end of the second half in order to check important risk issues and the status of responses to the same.

3) Securing the reliability of financial reporting
Internal control assessments aimed at ensuring the reliability of financial reporting are conducted in accordance with an internal control report system based on the Financial Instruments and Exchange Act on a consolidated basis with the aim of improved resolution of improprieties.

4) Activities to improve quality of business operations
The Company implements activities in each company to improve the quality of business operations of the KDDI Group, such as effectiveness and efficiency of business operations, while each division establishes targets and the entire company works together to improve business processes.

(3) Initiatives as a Telecommunications Carrier:

1) Protecting the privacy of communications
With regard to "privacy of communications" the Company approaches the issue of protecting this privacy from a variety of angles, such as structures, business processes and systems. In case of occurrence of problems, the Company appropriately deals with such problems in accordance with laws and regulations, and the Company is working on considering and implementing measures to prevent a recurrence.

2) Information security
With regard to measures for the prevention of leaks of customer data and the protection of telecommunication service networks against cyber-terrorism, as well as responding to laws and ordinances related to information security in Japan and overseas, the Information Security

Committee meets seven times a year to plan and promote information security measures for the KDDI Group as a whole.

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 has formulated a Business Continuity Plan (BCP).
In fiscal 2017, as well as revising the BCP for the whole company in April, the Company also carried out occurrence of a disaster.
In response to typhoons, heavy rains, heavy snows, and other natural disasters that occurred in fiscal 2017, the Company established Disaster Response Headquarters teams and worked to swiftly restore networks and services.

4. Initiatives relating to working together with stakeholders

(1) Initiatives to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base

1) CX activities
From fiscal 2017, the Company has engaged in CX (Customer Experience) activities aimed at improving the value of customers' experiences by responding promptly and appropriately to customers' needs and complaints. The Company has established meeting systems for engaging in activities for improving customer experience value within the work of each division, and implements ongoing activities.
In departments that engage in the strengthening of branding, the Company conducts CX (Customer Experience) awareness enhancement initiatives and studies to check the status of the initiatives.

2) Provision of appropriate information to customers
In order to provide customers with the appropriate information for them to be able to appropriately choose and use products and services, in addition to having a Creative Administration Office within the Company to manage marketing and novelty goods for consumers, in cases where there is a risk that the Act against Unjustifiable Premiums and Misleading Representations has been infringed, the Company prepares and operates the internal structure and the flow of reports.
To raise internal awareness of the above Act, the Company conducts awareness enhancement initiatives through e-learning and other means. In addition, by understanding consumer-related or other laws and ordinances, as well as administrative trends, and by sharing information with relevant internal departments to respond to potential incidents, the Company strives for the appropriate provision of information in accordance with laws and ordinances.

(2) Enhancing the KDDI Group's PR and IR
The Company's "basic IR Policy," which provides the direction to the Company's IR activities, has been set out by the Board of Directors and is available on the corporate website.
We will strive to further improve the KDDI Group's PR and IR activities by providing investment meetings for individual investors, analysts and institutional investors in Japan and overseas and by providing various IR materials on the corporate website.

(3) Disclosure of information related to the business risks and CSR initiatives of the KDDI Group
The Company holds meetings of its Disclosure Committee four times a year, and deliberates on matters concerning information disclosure.
Moreover, the Company collected non-financial information related to the environment, society, and governance, and published this together with financial information in a comprehensive report (ESG detailed version) released in August 2017.

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

(1) Preparation of a system to secure the appropriateness of work by subsidiaries
To ensure the appropriateness of work by subsidiaries, the Company has set forth rules concerning the management of subsidiaries, and has developed a system as follows.
The Company has also developed the system within the five companies that joined the Group in fiscal 2017.

1) The Company shall establish a department in the Company to supervise the management of each subsidiary, and will also establish a department with jurisdiction across all subsidiaries, to establish a management and support system for subsidiaries.
2) To ensure efficacy in the governance of subsidiaries, the Company dispatches Directors, Audit & Supervisory Board Members, and other employees to subsidiaries.

The Company has also established roles for each of these in the management of subsidiaries, and provides support from the Company as necessary, along with education and communication of information.

3) With regard to important decision-making matters within subsidiaries, the Company has set forth items and procedures within its internal rules, and has established a management structure for subsidiaries.
4) With regard to important reporting matters concerning subsidiaries, the Company has similarly set forth procedures and items within its internal rules, and communicates information on reporting standards and liaison desks for risk information.

(2) System to appropriately manage risks in subsidiaries and undertake the appropriate and effective achievement of management targets

The Company has developed a system of persons responsible for internal control, targeting all domestic companies and key supervising locations overseas, including the five companies that joined the Group in fiscal 2017.

Persons responsible for internal control within each company identify issues and manage response status by carrying out inspections of key risks in each company, and share information with the Company. In turn, the Company performs confirmation of the issues in the companies and provides support for the investigation and implementation of countermeasures.

The Company and all Group companies hold Risk Management Liaison Meetings twice a year to share information and policies on risks.

(3) KDDI Group Business Ethics Activities

The Company holds Business Ethics Committee meetings in each subsidiary twice a year as a rule, to share information on subsidiaries' problems involving compliance, the status of incident occurrence, its countermeasures and other matters. In cooperation with subsidiaries, the Company also strives to improve subsidiaries' business ethics and ensure proper systems for the execution of duties.

The Company also conducts ongoing activities to broadly communicate information about the internal reporting system in subsidiaries. In April of 2017, the Company set up a web-based hotline for overseas subsidiaries, and is working to publicize the hotline within the Group.

6. Internal Audits

The Corporate Management Committee decides the internal audit plan for the whole operations of the KDDI Group and internal audits are implemented based on this plan. The results of internal audits are reported to the President, Representative Director and the Audit & Supervisory Board Members, and then the summary is reported to the Board of Directors.

Notes to Consolidated Financial Statements

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

1. Standard for preparation of consolidated financial statements
   The consolidated financial statements are prepared in accordance with the designated international accounting standards (hereinafter "IFRS") pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. These consolidated financial statements omit part of the disclosure items required under IFRS, in compliance with the latter sentence of the aforementioned paragraph.

2. Scope of consolidation
   - Number of consolidated subsidiaries: 178
   - Principal consolidated subsidiaries:
     Okinawa Cellular Telephone Company, Jupiter Telecommunications Co., Ltd., UQ Communications Inc. (Note), BIGLOBE Inc., AEON Holdings Corporation of Japan, Chubu Telecommunications Co., Inc., KDDI FINANCIAL SERVICE CORPORATION, Syn. Holding, Inc., Jupiter Shop Channel Co., Ltd., KDDI MATOMETE OFFICE CORPORATION, KDDI Engineering Corporation, KDDI Evolva Inc., KDDI Research, 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., KDDI Singapore Pte Ltd, MobiCom Corporation LLC

   Names of principal companies newly made consolidated subsidiaries and reasons for new consolidation
   - AEON Holdings Corporation of Japan, seven subsidiaries of that company: Due to new stock acquisition

   Note: UQ Communications Inc. had been accounted for by the equity method under Japanese GAAP. Under IFRS, however, the Company is deemed to have substantial control over that company. As a result, that company is included as a consolidated subsidiary under IFRS.

3. Application of equity method
   - Number of affiliates accounted for by the equity method: 36
   - Principal affiliates:
     Kyocera Communication Systems Co., Ltd., Jibun Bank Corporation, KKBOX Inc., LAC Co., Ltd.

4. Fiscal years of consolidated subsidiaries
   The consolidated financial statements include the financial statements of subsidiaries whose closing dates are different from that of the Company. For the preparation of the consolidated financial statements, such subsidiaries prepare financial statements based on the provisional accounts as of the Company's closing date. However, among consolidated subsidiaries, KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., is not able to prepare financial statements based on the provisional accounts as of the Company's closing date mainly due to the accounting environment in the location where its subsidiary, KDDI Summit Global Myanmar Co., Ltd. operates, and therefore the term of the report is not unified. The difference between its reporting period-end, which is December 31 and the Company's closing date is less than three months.
   The necessary adjustments are made for consolidation in relation to significant transactions or events that occurred between the reporting period-end of the subsidiary and closing date of the Company when preparing the financial statements of a subsidiary for use in preparing the consolidated financial statements with a reporting period closing date that is different from the Company's closing date.

5. Accounting policies
   (1) Valuation standards and methods for financial assets and financial liabilities
   1) Financial assets
   (a) Recognition and measurement of financial assets
   The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. At initial recognition, the Group measures a financial asset at its fair value, in the case of financial asset not at fair value through profit or loss, calculating transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset at fair value through profit or loss is recognized as profit or loss.
   (b) Classification of non-derivative financial assets
   Classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets at initial recognition as financial assets at amortized cost, financial assets with liability characteristics at fair value through other comprehensive income, financial assets with capital characteristics at fair value through other comprehensive

income or financial assets at fair value through profit or loss.

(i) Financial assets at amortized cost
A financial asset that meets both the following condition is classified as a financial asset at amortized cost.
- The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, carrying amount of the financial asset at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Financial assets with liability characteristics at fair value through other comprehensive income
Financial assets with liability characteristics that meet both the following condition are classified as a financial asset at fair value through other comprehensive income.
- The financial asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Financial assets with liability characteristics at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset.

After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when debt instrument is derecognized.

(iii) Financial assets with capital characteristics at fair value through other comprehensive income
The Group makes an irrevocable election to recognize changes in fair value of financial assets with capital characteristics through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss.
Financial assets with capital characteristics at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset.
After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.
Accumulated gains or losses recognized through other comprehensive income are transferred from equity to profit or loss as a reclassification adjustment when financial assets with capital characteristics are derecognized or its fair value substantially decreased.
Also, dividends from financial assets with capital characteristics at fair value through other comprehensive income are recognized as "finance income" in profit or loss.

(iv) Financial assets at fair value through profit or loss
When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as financial assets at fair value through profit or loss.
A financial asset at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred.
A financial asset at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset at fair value through profit or loss is recognized in profit or loss, and presented in "finance income" or "finance cost" in the consolidated statement of income for the reporting period in which it arises.
The Group does not designate any financial assets as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(c) Derecognition of financial assets
The Group derecognizes its financial asset if the contractual rights to the cash flows from the investment expire, or assigning such investments, the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that

are created or continuously retained by the Group are recognized as a separate asset or liability.

2) Non-derivative financial liabilities
   (a) Recognition and measurement of financial liabilities
   The Group recognizes financial liabilities when the Group becomes a party to the contractual provisions of the instruments. The measurement of financial liabilities is referred as follows (b) Classification of financial liabilities
   (b) Classification of financial liabilities
      (i) Financial liabilities at amortized cost
      A financial liability other than those at fair value through profit or loss is classified as a financial liability at amortized cost. A financial liability at amortized cost is initially measured by subtracting transaction cost directly attributable to the issuance of the financial liability from fair value. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.
      (ii) Financial liabilities at fair value through profit or loss
      A financial liability at fair value through profit or loss is initially measured at fair value. After initial recognition, the financial liability is measured at fair value with subsequent changes recognized as profit or loss.
   (c) Derecognition of financial liabilities
   The Group derecognizes a financial liability when the financial liability is extinguished, i.e. when the contractual obligation is discharged or cancelled or expired.
   (d) Preference shares
   Preference shares are classified as equity or financial liabilities based on their substances of contractual arrangements, not on their legal forms. Preference shares mandatorily redeemable on a particular date are classified as financial liabilities. Preference shares classified as liabilities are measured at amortized cost in the consolidated statement of financial position and the dividends on these preference shares are recognized as interest expense and presented as financial cost in the consolidated statement of income.

3) Presentation of financial assets and liabilities
Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4) Impairment of financial assets
When there is no significant increase in the credit risk since initial recognition, the Group expected credit losses for 12 months are recognized as allowance for receivables. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as allowance for receivables. Whether credit risk is significantly increased or not is determined based on the changes in default risk. To determine if there is a change in default risk, following factors are considered. However, expected credit losses of trade receivables not containing any material financial component are recognized over their remaining lives since inception.
- External credit rating of the financial asset
- Downgrade of internal credit rating
- Deterioration of borrower's operating results, such as decrease in sales
- Reduced financial support from the parent company or associated companies
- Delinquencies (Date exceeding information)

Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received.

5) Derivatives and hedge accounting
Derivatives are initially recognized at fair value as of the date in which the derivative contracts are entered into. After initial recognition, derivatives are remeasured at fair value at the end of each fiscal year.
The Group utilizes derivatives consisting of exchange contracts and interest swaps to reduce foreign currency risk and interest rate risk etc.
The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
The Group designates derivatives as cash flow hedge (hedges to the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly

probable forecast transaction).
At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, along with their risk management objectives and strategies to conduct various hedge transactions.
At the inception of the hedge and on an ongoing basis, the Group assess whether the derivative used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item. Specifically, the Group assesses that the hedge is effective in case where all of the following requirements are met:
(i) there is an economic relationship between the hedged item and the hedging instrument
(ii) the effect of credit risk does not dominate the value changes that result from that economic relationship;
(iii) "the hedge ratio" of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. It is the requirements for qualification under hedge accounting.
The hedge of effectiveness is assessed by whether the hedge is expected to be effective for future designated hedging periods.
In changes in the fair value after initial recognition, the effective portion of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in gain or loss. Cumulative gain or loss recognized through other comprehensive income is transferred to gain or loss on the same period that the cash flows of hedged items affect gain or loss.
If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (hereinafter "rebalancing").
After rebalancing, in cases where no longer meet the requirements of hedge accounting or hedging instruments are expired, sold, terminated or exercised, hedge accounting will be discontinued. In the case that the hedge accounting is discontinued, the cumulative gain or loss on the cash flow hedges that has been recognized in other comprehensive income will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, the cumulative gains or losses on the cash flow hedges are transferred to gain or loss.
Aggregated fair values of hedging instrument derivatives whose maturities are over 12 months are classified as non-current assets or liabilities, and those whose maturities are less than 12 months are classified as current assets or liabilities.

(2) Valuation standards and methods for inventories
Inventories mainly consist of merchandise such as mobile handsets / work in progress related to construction. Inventories are measured at the lower of cost and net realizable value. The cost is generally calculated using the moving average method and comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated cost to sell.

(3) Valuation standards and methods for property, plant and equipment and intangible assets, and methods of depreciation and amortization thereof
1) Property, plant and equipment
(a) Recognition and measurement
Property, plant, and equipment of the Group is recorded on a historical cost basis and is stated at acquisition cost less accumulated depreciation and impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration, as well as borrowing costs eligible for assets.
In cases where components of property, plant, and equipment have different useful lives, each component is recorded as a separate property, plant, and equipment item.
Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the acquisition cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.
(b) Depreciation and useful lives
Property, plant and equipment is depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the acquisition

cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

The estimated useful lives of major components of property, plant and equipment are as follows:

Communication equipment	
Machinery	9 years
Antenna equipment	10 to 21 years
Toll and local line equipment	10 to 21 years
Other equipment	9 to 27 years
Buildings and structures	10 to 38 years
Others	5 to 22 years

The depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(c) Derecognition

Property, plant, and equipment is derecognized on disposal. The profit or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

2) Intangible assets

(a) Recognition and measurement

The intangible assets of the Group is recorded on a historical cost basis, excluding goodwill and is stated at acquisition cost less accumulated depreciation and impairment losses.

Intangible assets acquired separately are measured at acquisition cost at initial recognition.

Intangible assets acquired in a business combination are recognized separately from goodwill and are measured at fair value at the acquisition date in case where such assets meet the definition of intangible asset and are identifiable, and their fair values can be measured reliably.

Expenditure on research activities to obtain new science technology or technical knowledge and understanding is recognized as an expense when it is incurred.

Expenditure on development is recognized as intangible asset only in the case where the expenditure is able to be measured reliably, product or production process has technical and commercial feasibility, the expenditure probably generates future economic benefits, the Group has intention to complete the development and use or sell the asset, and has enough resources for their activities. In other cases, the expenditure is recognized as expense when it is incurred.

(b) Amortization and useful lives

Intangible assets are amortized using the straight-line method over their estimated useful lives. Estimated useful lives of major components of intangible assets are as follows. Intangible assets with indefinite useful lives are not amortized.

Software	5 years
Customer relationships	4 to 29 years
Assets related to program supply	22 years
Others	5 to 20 years

The amortization methods, estimated useful lives are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

3) Goodwill

Goodwill is the excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree on the date of acquisition.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is measured at acquisition cost less any accumulated impairment losses. Goodwill is not amortized. Instead, it is tested for impairment annually and if events or changes in circumstances indicate a potential impairment.

4) Lease assets

(a) Assets subject to lease

At the inception of the lease contract, the assessment whether an arrangement is a lease or contains a lease is made based on the substance of the agreement. Assets are subject to lease if the implementation of an agreement depends on use of certain assets or groups of assets, and the right to use the assets is given under such agreement.

(b) Classification of leases

Lease transactions are classified as finance leases whenever all the risks and rewards of ownership of assets are substantially transferred to the Group (lessee). All other leases are classified as operating leases.

(c) Finance leases

In finance lease transactions, leased assets are recognized as an asset in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the aggregated minimum lease payments, each determined at the inception of the lease, less accumulated depreciation and impairment losses. Lease obligations are recognized as “Other short-term financial liabilities” and “Other long-term financial liabilities” in the consolidated statement of financial position. Lease payments are apportioned between the financial cost and the reduction of the lease obligations based on the effective interest method. Finance cost is recognized in the consolidated statement of income. Assets held under finance leases are depreciated using straight-line method over their estimated useful lives if there is reasonable certainty that the ownership will be transferred by the end of the lease term; otherwise the assets are depreciated over the shorter of the lease term or their estimated useful lives.

(d) Operating leases

In operating lease transactions, lease payments are recognized as an expense using the straight-line method over the lease terms.

5) Impairment of property, plant and equipment, goodwill and intangible assets

At the end of each reporting period, the Group determines whether there is any indication that carrying amounts of property, plant and equipment and intangible assets may be impaired. If any indication exists, the recoverable amount of the asset or the cash-generating unit or group of units to which the asset belongs is estimated. For goodwill and intangible assets with indefinite useful lives, the impairment test is undertaken when there is any indication of impairment, and at a certain timing within the fiscal year regardless of whether there is any indication of impairment. A cash-generating unit or group of units is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs to sell of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset.

When the impairment test shows that the recoverable amount of the cash-generating unit or group of units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of units, and then to each asset pro rata on the basis of the carrying amount of the other assets in the unit or group of units. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

For property, plant and equipment, and intangible assets recognizing an impairment loss other than goodwill, the Group determines at the end of each reporting period whether there is any indication that an impairment loss recognized in prior years has decreased or extinguished. An impairment loss is reversed when there is an indication that the impairment loss may be reversed and there has been a change in the estimates used to determine an asset’s recoverable amount. When an impairment loss recognized is reversed, carrying amount of the asset or cash-generating unit is increased to its updated estimated recoverable amount. A reversal of an impairment loss is recognized, to the extent the asset or cash-generating unit at the time of a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as other income.

(4) Calculation of significant provisions

Provisions are recognized when the Group has legal or constructive obligations as a result of past events, it is highly probable that outflows of economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. To determine the amount of a provision, the estimated future cash flows are discounted using a pretax discount rate that reflects the time value of money and the risks specific to the liability where necessary. Rebate of the discount over time is recognized in finance cost.

The provisions recognized by the Group are mainly provisions for point service programs. Provisions for point service programs provide for the future cost generated from the utilization of points under the point services such as “au WALLET Point Program” that the Group offers. Specifically, points, etc. that are awarded at times of use of “au WALLET prepaid card” or at times of use of apps or merchandise services provided by other companies are recorded under provision for point service program in liabilities. The measurement of the provision for point service program is based on the amount that can be expected to be used in the future in light of the results of point utilization in past fiscal years.

(5) Accounting for retirement benefits

1) Defined benefit plans

The Group primarily adopts defined benefit plans.

The asset or liability recognized on the consolidated statement of financial position in relation to the defined benefit pension plans (retirement benefit asset or liability) is the present value of the defined benefit obligation less fair value of the plan assets at the end of the reporting period. The defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. The discount rates are on the basis of the market yields of high-quality corporate bonds at the end of the reporting period, that are denominated in the currency in which the benefit will be paid, which is corresponding to the discount period established based on the period to the date when the future benefits are to be paid.

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and remeasurements of the net defined benefit liability (asset). Service cost and net interest are recognized in net profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses, past service cost and the return on plan assets (excluding amounts included in net interest). Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, and past service costs are recognized as profit or loss.

The Group instantly recognizes remeasurements of all the net defined benefit liability (asset) resulting from its defined benefit plans in other comprehensive income and reclassifies them immediately to retained earnings.

2) Defined contribution plans

Certain subsidiaries of the Group adopt defined contribution plans. Contribution to the defined contribution plans is recognized as profit or loss for the period over which employees provide services.

In addition, certain subsidiaries of the Group participate in multi-employer pension plans, and recognize the payments made during the fiscal year as profit or loss and contribution payable as a liability.

(6) Revenue recognition

The Group's accounting policy for revenue recognition by major categories is as follows:

1) Mobile communications services and sale of mobile handsets

Revenue of the Group generates mainly from its mobile communications services and sale of mobile handsets. While the Group enters into mobile communications service agreements directly with customers or indirectly through distributors, the Group also sells mobile handsets mainly to its distributors.

Revenue from the mobile communications services primarily consists of basic monthly charges and communication fees (hereinafter "the mobile communications service fees"), and commission fees such as office work fees for contract. The basic monthly charges and communication fees are recognized on a flat rate and a measured rate basis when the services are provided to the customers. Discounts of communication charges are deducted from the mobile communications service fees on a monthly basis.

Revenue from the sale of mobile handsets (hereinafter "revenue from the sale of mobile handsets") composes proceeds from the sale of mobile handsets and accessories to customers or distributors. The business flows of the above transactions consist of "Indirect sales" where the Group sells mobile handsets to distributors and enters into communications service contracts with customers through the distributors, and "Direct sales" where the Group sells mobile handsets to customers and enters into a communications service contracts directly with the customers. Revenue in each case is recognized as follows:

(a) Indirect sales

In indirect sales transaction, as the distributor has the primary obligation and inventory risk for the mobile handsets the Group sold to the distributors, the Group considers distributors as a principal in a transaction. Accordingly, revenue from the sale of mobile handsets is recognized when mobile handsets are delivered to distributors at the time when risks and rewards of ownership are deemed to be transferred. Certain commission fees paid to distributors are deducted from revenue from the sale of mobile handsets to distributors.

The mobile communications service fees are recognized when services are provided to the customers. Discounts of communication charges are deducted from the mobile communications service fees on a monthly basis.

(b) Direct sales

In direct sales transaction, as revenue from the sale of mobile handsets, mobile communications service fees and commission fees are considered to be a bundled transaction, total amount of the transaction is allocated to revenue from the sale of mobile handsets and mobile communications service fees based on their proportionate shares of the fair value. However, the maximum amount recognized from the sale of mobile handsets is limited to the amount to be received from customers at the sale of mobile handsets. The amount allocated to mobile communications service fees is recognized as revenue when the service is provided to the customer.

In both direct and indirect sales, office work fees for contract are deferred upon entering into the contract and recognized as revenue over the estimated average contract period. Model change fees are recognized as revenue over the estimated average usage period of handsets with the customers. Direct costs related to office work are deferred to the extent of the office work fees for contract or model change fees, and amortized over the respective same period. Points granted to customers through the customer loyalty program in accordance with the demanded amount of mobile communications service fees are deferred at their fair values of benefits to be exchanged based on the estimated point utilization rate, in which the expiring points due to cancellation in the future etc., are reflected, and are recognized as revenues when the customers utilize those points.

2) Fixed-line telecommunications services

Revenue from fixed-line telecommunications services primarily consists of revenues from voice communications, data transmission and FTTH services (hereinafter "the fixed-line telecommunications service income").

The fixed-line telecommunications service income is recognized revenue on a flat rate and a measured rate basis when the services are provided to the customers.

3) Contents service

Revenue from contents service mainly comprises revenue from information fee, revenue through collection agency commissions, revenue through advertising businesses, and revenue through agency commissions etc. Revenue from information is membership fees for the contents provided to the customers on the websites that the Group operates or the Group jointly operates with other entities. Also, revenue through collection agency commissions is the revenue from fee for collecting the receivables of contents providers from customers as the agent of contents providers together with the telecommunication fee. These revenues are recognized over the service period based on the nature of each contract.

The Group may act as a broker or an agent in a transaction. To report revenue from such transactions, the Group determines whether it should present the gross amount of the consideration received from customers, or the net amount of the consideration received from customers less commission and other fees paid to a third party. The Group evaluates whether the Group has the primary obligation for providing the goods and services under the arrangement or contract, the inventory risk, right to determine prices, and the credit risk. However, either presentation on gross basis or net basis does not impact gross sales or profit for the year.

The Group judges whether revenue from information fee should be presented on net basis or gross basis by considering each transaction based on the above criteria. Specifically, when the Group has the primary obligation in driving the plan and development of contents service and takes a credit risk for such service, revenue from the contents service is presented on gross basis as a mainly responsible entity. When the Group does not have the primary obligation in driving the plan and development of contents service and does not take a credit risk for the contents service while providing the service on the Group's platform, the commission income is solely presented on a net basis.

Because the Group receives commission based on rates determined in agreements, etc., and solely provides a platform for contents services, transactions are mainly with other companies. As such, the Group acts as a broker or an agent and, accordingly, the revenue through services such as the collection agency commissions, advertising businesses, and agency commissions is presented on a net basis.

4) Solution service

Revenue from solution services primarily consists of revenues from equipment sales, engineering, management and domestic data center services (hereinafter "the solution service income").

The solution service income is recognized revenue based on the consideration received from the customers when the goods or the services are provided to the customers.

5) CATV business

Revenue from cable television, high-speed internet access and phone services is recorded as revenue for the period over which those services are provided to the customers.

The Group distributes programs directly to respective satellite broadcasting subscriber through agreements with satellite broadcasting operators. Each satellite broadcasting subscriber pays

subscriptions on a monthly basis to the Group under a subscription contract which is automatically extended every month.
Revenue from program distribution, including such subscription income, is recorded in the period over which the services are provided to the cable television operators, satellite broadcasting operators and IPTV operators etc.

6) Global data center business
The Group operates data center business worldwide under a brand name, “TELEHOUSE.” These independent data centers enable the Group to facilitate a reliable environment for the customers’ critical equipment and the Group receives service charge for using space, electricity and network etc. as a consideration. In general, the contract covers more than one year and the revenue is recognized for the period over which the services are provided. In addition, a consideration for installing equipment and network to the customers is recognized as revenue as a lump-sum payment when incurred.

(7) Translation of major assets and liabilities denominated in foreign currencies into Japanese yen

1) Functional currency and presentation currency
Foreign currency transactions of each group company have been translated into their functional currencies at the exchange rate prevailing at the dates of transactions upon preparation of their financial statements. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

2) Foreign currency transactions
Foreign currency transactions are translated at the spot exchange rate of the date of transaction or the rate that approximates such exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the fiscal year end date. Non-monetary items at fair value denominated in foreign currencies are translated at an exchange rate of the date when their fair values are measured.
Exchange differences arising from the translation and settlement of monetary assets and liabilities denominated in foreign currencies are recognized as profit or loss. However, exchange differences arising from the translation of financial assets measured through other comprehensive income and cash flow hedges are recognized as other comprehensive income.

3) Foreign operations
For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of the Group’s foreign operations, including goodwill, identified assets and liabilities, and their fair value adjustments resulting from the acquisition of the foreign operations, are translated into presentation currency at the exchange rate prevailing at the fiscal year end date. Income and expenses of foreign operations are translated into Japanese yen, the presentation currency, at the average exchange rate for the period, unless there is significant change in the exchange rate during the period.
Exchange differences arising from translation of foreign operations’ financial statements are recognized as other comprehensive income. In cases of disposition of whole interests of foreign operations, and certain interests involving loss of control or significant influence, exchange differences are accounted for profit or loss as certain disposal profit or loss of foreign operations.

(8) Accounting method for consumption taxes and local consumption taxes
Consumption taxes and local consumption taxes are accounted for using the tax excluded method of reporting. Non-deductible consumption taxes relating to assets are accounted for as an expense in the fiscal year under review.

(Consolidated Statement of Financial Position)

1. Allowance for receivables accounts directly deducted from assets

Other long-term financial assets	¥43,210 million
Trade and other receivables	¥20,273 million
Total	¥63,483 million

2. Accumulated depreciation of property, plant and equipment
¥3,821,228 million

3. Assets pledged as collateral and secured liabilities
(Consolidated subsidiaries)
In accordance with Article 14, paragraph 1 of the Payment Services Act, assets held in trust as security deposits are as follows.

Japanese government bonds	¥3,001 million

Other assets pledged as collateral:	
Property, plant and equipment	¥75 million
Other short-term financial assets	¥77 million
Stocks of subsidiaries and affiliates (Note)	¥768 million
Total	¥919 million

(assets denominated in foreign currencies included: US$0 million and other)

Corresponding liabilities:	
Long-term borrowings (Note)	¥98 million
Current portion of Long-term borrowings	¥86 million
Trade and other payables	¥1 million
Total	¥185 million

Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on bank borrowings. The balance of these borrowings as of March 31, 2018 was ¥16,820 million. These borrowings are not included in the above long-term borrowings or short-term borrowings.

Borrowings from various financial institutions are carried out accompanying acquisitions, etc. in some subsidiaries of the Group. Such borrowings are required compliance with the financial covenants of maintenance of shareholder investment, maintenance of net assets and maintenance of surplus stipulated in each contract excluding certain contracts of small amount of borrowings. The balance payable on borrowings with financial covenants as of March 31, 2018 was ¥397,350 million.
Apart from these, financial covenants that have significant effects on the financial activities of the Group are not attached to the borrowings and bonds payable.

(Consolidated Statement of Changes in Equity)

1. Class and number of shares outstanding as of March 31, 2018
   Common stock 2,587,213,525 shares

2. Dividends
   (1) Cash dividends paid, etc.

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 21, 2017 Annual shareholders meeting (Note) 1,2	Common stock	¥110,603 million	¥45	March 31, 2017	June 22, 2017
November 1, 2017 Meeting of the Board of Directors (Note) 1,2	Common stock	¥109,096 million	¥45	September 30, 2017	December 4, 2017

Note 1: The aggregate amount of dividends does not include the dividend for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.
Note 2: Other than the dividends in the above table, there are also payments of dividends occurring in the fiscal year under review to the beneficiaries of the executive compensation BIP trust and a stock-granting ESOP trust.

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

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
June 20, 2018 Annual shareholders meeting (Note) 1,2	Common stock	¥108,243 million	Retained earnings	¥45	March 31, 2018	June 21, 2018

Note 1: This dividend is not recognized until it is approved at the annual shareholders meeting. It also does not have an effect on income taxes.

Note 2: The aggregate amount of dividends does not include the dividend for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(Financial Instruments)

1. Status of financial instruments

The operating activities of the Group are subject to the effects of the business environment and the financial market environment. Financial instruments that are held or underwritten in the process of operating activities are exposed to unique risks. The risks include (1) credit risk, (2) liquidity risk, and (3) market risk. The Group constructs management systems inside the Group and conducts risk management to minimize the effects on the Group's financial position and operating results by using financial instruments. Specifically, the Group manages these risks using the following methods:

(1) Credit risk

Credit risks are the risk of financial losses arising in the Group when a counterparty of a financial asset held by the Group defaults on contractual obligations. Specifically, the Group is exposed to the following credit risks. Firstly, trade, lease and other receivables are exposed to the credit risk of customers and trading partners. Secondly, the debt etc. that the Group holds mainly for surplus investment and the securities etc. that the Group holds for strategic purposes are exposed to the issuer's credit risk. Thirdly, derivative transactions that the Group conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

Concerning trade receivables, the Group has established a system that manages the due dates and balances of each customer and trading partner and conducts analysis of their credit status, based on the criteria of each of the Group's companies for managing credit exposure. Specifically, trade receivables that remain outstanding for a prescribed period from the time they were realized are considered to be in default and accordingly recognized as impairment losses.

Concerning lease and other receivables, as a basic rule, the Group determines that there is a remarkably increased credit risk on financial instruments after the Group initially recognized, if the asset monetization (conversion into cash) of the financial asset is delayed beyond the contract date (including demand for late payment); provided, however, that the Group does not determine there is a remarkably increased credit risk in cases when, irrespective of whether there has been a payment delay or demand for late payment, the cause for such delay is due to an extraordinary demand for funds, the risk of nonfulfillment of obligations is low, and it is possible to judge based on objective data that the debtor has adequate capability of fulfilling the contractual cash flow obligations in the near future.

Concerning securities that are debt instruments, the Group determines that there is a remarkably increased credit risk on financial instruments after the Group initially recognized, when it determines that there is a high risk of non-fulfilment of obligations based on credit ratings information from a large ratings firm.

Concerning credit risk, the Group determines that there is small credit risk resulting from default of contracts by counterparties because the counterparties with which the Group conducts derivative transactions are financial institutions with high credit ratings. Moreover, with regard to cash-surplus investment and derivative transactions, to prevent the credit risk of counterparties from arising, the finance/accounting divisions conduct such transactions only with financial institutions with high credit ratings based on the internal rules and their supplemental provisions of each company of the Group, subject to obtaining approval for each transaction by authorized persons stipulated in the relevant authorization rules.

(2) Liquidity risk

The Group is exposed to the liquidity risk that it will have difficulty with fulfillment of the obligations of notes and accounts payable-trade.

The Group, primarily in accordance with its capital investment plan for carrying out telecommunications business, procures necessary funds through bank loans and issuance of corporate bonds. When surplus funds are generated, the Group operates on short-term savings, etc.

With respect to trade and other payables, almost all of them have payment due dates within one year. Those trade payables and other current liabilities are exposed to liquidity risk at the time of settlement. However, the Group avoids that risk by having each company review monthly cash flow plans. In addition, as a way of controlling the Group's liquidity risks, the Group manages account activity schedules through such methods as monthly fund-raising plans and works on managing a constantly stable financial position such as by ensuring a prescribed level of on-hand liquidity.
The finance/accounting divisions create annual funding plans, and after these have been approved at a Board of Directors meeting, long-term financing is carried out. In addition, the Group has concluded several unexecuted long-term and short-term commitment line agreements with major Japanese and global financial institutions, and it plans to utilize these in conjunction with borrowing limits not commitment based to reduce liquidity risks.

(3) Market risk

The following risks exist regarding market risk: (a) foreign exchange risk, (b) interest risk, and (c) price risk on equity instruments.

(a) Foreign exchange risk

The Group is exposed to the fluctuation risk of foreign exchange markets (hereinafter "foreign exchange risk") when exchanging foreign-currency denominated trade receivables, etc. that arise from transactions conducted in currencies other than the functional currency into the functional currency using the exchange rate of the date of the end of the reporting period.
The Group also carries out operating activities overseas, and currently, it is carrying out international business development through such activities as making investments and establishing joint ventures in Asian countries such as Singapore and China, the United States, and Europe. As a result of carrying out these international business activities, the Group is exposed to various foreign exchange risks, mainly arising in relation to the U.S. dollar.
The Group conducts hedges by utilizing a forward exchange contracts for fluctuation risks on foreign exchange that are identified monthly for each currency. For derivative transactions, in the Company, execution plans are formulated on an individual transaction basis in accordance with internal company rules that have been approved at a Board of Directors meeting and then the derivative transactions are executed after approval is obtained for the derivative transaction by authorized persons stipulated in the relevant authorization rules. The Group makes sure there is a check function working as a system for execution and control by ensuring that within an organization, the place that executes the transaction is separate from the place that controls the transaction. In the consolidated subsidiaries, the execution of transactions will be subject to either decision at the Board of Directors meeting or decision by the president depending on the amount (maximum risk amount). The Group uses derivative transactions only for the purpose of avoiding risk and makes it a policy never to perform speculative transactions such as seeking to obtain a net gain on trading.

(b) Interest risk

Interest risk is defined as the risk of the fluctuation of either the fair value of financial instrument or future cash flows arising from the financial instrument due to the fluctuation of market interest rates. The Group's exposure to interest risk is mainly related to payables such as borrowings and bonds payable, or receivables such as interest bearing deposits. As the amounts of interest are subject to the effects of fluctuation in market interest rates, the Group is exposed to interest risk from the fluctuation of future cash flows.
The Group conducts financing by mainly issuing bonds at fixed interest rates to constrain the increase in the amount of future interest payable due to a rise in interest rates.
In addition some consolidated subsidiaries work to stabilize cash flows by using interest rate swap transactions to constrain the fluctuation risk of interest on borrowings payable.

(c) Price risk on equity instruments

Price risk on equity instruments is the risk of fluctuation of the fair price or future cash flows of financial instruments by fluctuation of market price (excluding fluctuation caused by interest risk or foreign exchange risk). The Group holds equity instruments and is therefore exposed to the risk of their price fluctuation.
The finance/accounting divisions of Head Office maintain manuals describing the policy on investments in equity instruments in order to control the price risk arising from these equity instruments and these manuals are complied with throughout the entire Group. It is mandatory that reports and approvals are conducted at Board of Directors meetings for important matters relating to investments in a timely manner. The Group continuously reviews the status of holdings by regularly ascertaining the market price and financial position of the issuer (trading-partner company) and considering the market conditions and the relationship with the trading-partner company.

2. Fair value of financial instruments

(1) Book values and fair values of financial instruments

Book values and fair values of financial instruments are as shown below.

1) Financial instruments at fair value

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Other financial assets			
Financial assets at fair value through other comprehensive income			
Stocks	110,071	110,071	–
Financial assets at fair value through profit or loss			
Derivatives			
Exchange contracts	479	479	–
Total	110,550	110,550	–
Financial liabilities:			
Other financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivatives			
Exchange contracts	38	38	–
Interest swaps	5,882	5,882	–
Total	5,920	5,920	–

2) Financial instruments at amortized cost

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Other financial assets			
Japanese government bonds	3,001	3,069	68
Outstanding lease receivable	102,012	100,209	(1,803)
Total	105,013	103,278	(1,735)
Financial liabilities:			
Borrowings and bonds payable			
Borrowings payable	835,036	839,655	4,619
Bonds payable	169,801	174,294	4,494
Other long-term financial liabilities			
Lease obligations	84,779	86,619	1,840
Total	1,089,616	1,100,568	10,952

Note 1: Borrowings payable, bonds payable and lease obligations include the current portion.

Note 2: Short-term financial assets and financial liabilities are not included in the above table because they have book values that approximate the respective fair values.

(2) Methods of measuring fair value

1) Financial instruments at fair value

(i) Stocks

Fair value of listed stocks is based on the price on the securities exchange.

Fair value of unlisted stocks is calculated using valuation techniques based on a discounted value of future cash flows, valuation techniques based on the market price of a similar company, valuation techniques based on the value of net assets, or other valuation techniques. With the measurement of fair value of unlisted stocks, inputs that are unobservable, such as discount rates or valuation multiples, may be used, and when necessary, prescribed non-liquid discounts or non-controlling interests discounts may be taken into consideration.

(ii) Derivatives

(a) Exchange contracts

The fair value of foreign exchange forward contracts is calculated by discounting the value calculated using forward exchange rates current on the balance sheet date to the present value.

(b) Interest swaps

Concerning the fair value of interest swaps, the value of future cash flows is calculated using the present value that has been discounted by an interest rate that takes into consideration the period until the maturity date and the credit risk.

2) Financial instruments at amortized cost

(i) Japanese government bonds

The fair value of Japanese government bonds is calculated based on the market price.

(ii) Outstanding lease receivables

Concerning the fair value of lease receivables, the aggregate total value of lease payments that would be received in the worst-case scenario is calculated based on the present value that has been discounted using the interest rate in the case when the lease transaction is newly conducted under the same conditions.

(iii) Borrowings payable

For borrowings with floating interest rates, the book value is deemed to be the fair value since the interest rate reflects the market interest rate over the short term and because there is deemed to be no significant fluctuation in the credit state of the group company after borrowing.

For borrowings with fixed interest rates, the fair value is calculated using the method of discounting the sum of principal and interest by a rate that takes into consideration the remaining period and credit risk of those borrowings.

(iv) Bonds payable

The fair value of bonds is based on the market price for those having market prices, and bonds having no market prices are calculated using the method of discounting the sum of principal and interest by a rate that takes into consideration the remaining period and credit risk of those bonds.

(v) Lease obligations

The fair value of lease obligations is calculated using a method of discounting the estimated value of future cash flows using the interest rate in the case where the lease is executed under the same conditions for the same period as the remaining period.

(vi) Preference shares

Among the preference shares issued by the Group, those with future obligations to deliver cash to the holders of preference shares are accounted for under IFRS as financial liabilities. For the fair value of those preference shares, the value of future cash flows is calculated using the present value discounted by a rate that takes into consideration the period until maturity and the credit risk.

(Per Share Information)

1. Equity attributable to owners of the parent per share	¥1,568.84
2. Basic earnings per share	¥235.54

Note: In the calculation of per share information, the Company's stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the numbers of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and average number of common stocks outstanding during the year.

(Other Notes)

(Impairment loss)

The Group recognized impairment loss of ¥13,069 million for the year ended March 31, 2018. The Group mainly recognized impairment loss for the following assets and asset groups:

(Unit: Millions of yen)

Location	Usage for	Type	Impairment loss amount
Communication facilities, etc. (Tokyo, etc.)	Mainly Telecommunications business	Machinery, local line facilities, etc.	10,008

In the year ended March 31, 2018, some assets, including some communications facilities were deemed to be yielding not enough return to recover investment in the future and the book value of these assets has been reduced to their recoverable amount. The said reduction is recognized as an impairment loss of ¥10,008 million. This impairment loss is recorded as cost of sales in the consolidated statement of income and recorded mainly in the personal segment. This consists of ¥9,641 million for machinery and ¥367 million for others.

The recoverable amount of these assets was measured using the value in use and calculated with the future cash flow discounted at 6.20%. The estimated future cash flow period pertaining to the calculation of the value in use was 2 years.

(Business combinations)

AEON Holdings Corporation of Japan

(i) Overview of business combination

On January 22, 2018, the Company acquired all of the shares in AEON Holdings Corporation of Japan ("AEON HD") from its shareholders. As a result, AEON HD and its consolidated subsidiaries became the Company's consolidated subsidiaries on the same date.

(ii) Reason for execution of business combination

Upon the acquisition, the Company enters into the education market which is expected to continue to grow and expand. The Company and AEON HD are aiming to combine the information and communications technologies ("ICT") cultivated by the Company with the "highly experienced instructors, original educational materials, and study abroad services" developed and accumulated by AEON HD over many years to jointly offer learning content that is tailored to each individual customer and provide new forms of value and services to customers.

(iii) Name and business description of acquired company (as of March 31, 2018)

Name	AEON Holdings Corporation of Japan
Establishment date	April, 1973
Location	3-23, Kosei-cho 2-chome, Kita-ku, Okayama City, Okayama Prefecture
Representative	CEO Kenichiro Takagi
Description of business	Operation of language schools of foreign language conversation (e.g. English), production and sale of language learning materials, and internet and telephone-based language education
Capital	¥100 million

(iv) The percentage of acquired equity interests with voting rights

AEON HD 100%

(v) Controlling interest acquisition date

January 22, 2018

(vi) Acquisition price and its breakdown

(Unit: Millions of yen)

		Controlling interest acquisition date (January 22, 2018)
Payment in cash		86,173
Total consideration for acquisition	A	86,173

The acquisition-related costs relating to this business combination amounted to ¥350 million, which was recorded in selling, general and administrative expenses.

(vii) Fair values of assets/liabilities, non-controlling interests and goodwill on controlling interest acquisition date

(Unit: Millions of yen)

		Controlling interest acquisition date (January 22, 2018)
Non-current assets		
Property, plant and equipment	(Note) 1	4,443
Intangible assets	(Note) 1	23,259
Other		4,531
Total non-current assets		32,232
Current assets		
Trade and other receivables	(Note) 2	2,056
Cash and cash equivalents		33,593
Other		7,279
Total current assets		42,928
Total assets		75,160
Non-current liabilities		
Deferred tax liabilities		7,998
Other		2,971
Total Non-current liabilities		10,969
Current liabilities		
Trade and other payables		11,336
Other		3,696
Total current liabilities		15,031
Total liabilities		26,001
Net assets	B	49,159
Goodwill	(Note) 3 A−B	37,014

The consideration for the acquisition was based on the fair value on the controlling interest acquisition date and it was apportioned to the acquired assets and the undertaken liabilities.

(Note) 1. Components of property, plant and equipment and intangible assets:
Property, plant and equipment was mainly buildings and building equipment while intangible assets was mainly customer related assets, trademark and software.

(Note) 2. Fair value of acquired receivables, contractual amounts receivable and estimated uncollectable accounts
Of the ¥2,056 million fair value of acquired trade receivables and other receivables (mainly accounts receivable - trade), total contractual amounts was ¥2,056 million and there was no estimated uncollectable accounts.

(Note) 3. Goodwill
Goodwill reflects the excess earning power and synergy with existing business that can be expected through future business development. No amount of goodwill recognized can be included in tax deductible expenses.

(viii) Purchase for controlling interest acquisition of subsidiary

(Unit: Millions of yen)

	Controlling interest acquisition date (January 22, 2018)
Consideration for acquisition by cash	(86,173)
Cash and cash equivalents held by acquired company at the time of controlling interest acquisition	33,593
Total cash payment for controlling interest acquisition of subsidiary	(52,580)

(ix) Operating revenue and profit for the year of acquired company

The operating revenue and profit for the year of the acquired company after the controlling interest acquisition date that has been recognized in the consolidated statement of income for the fiscal year ended March 31, 2018 was ¥4,857 million, and ¥185 million, respectively.

(x) Effect on consolidated results if business combination hypothetically occurred at beginning of the fiscal year (pro forma information)

If the business combination had hypothetically been conducted on the starting date of the current consolidated fiscal year, operating revenue and profit for the year in the consolidated statement of income for the fiscal year ended March 31 2018 would have been ¥5,065,036 million and ¥664,724 million, respectively.

This pro forma information is provided as reference and it is not included in the audit attestation.

Note: Amounts are rounded to the nearest million yen.

Notes to 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 payments of retirement benefits to employees, the Company records the amount to be accrued as of March 31, 2018 based on projected benefit obligations and estimated value of plan assets as of March 31, 2018.
   When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2018.
   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.
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 tax and local consumption tax 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.

(Non-Consolidated Balance Sheets)

1. Assets pledged as collateral

Assets pledged as collateral are as follows:

Stocks of subsidiaries and affiliates	¥768 million

Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on the balance of bank borrowings of ¥16,820 million by that company as of March 31, 2018.

2. Contingent liabilities, etc.

Guarantor for office lease contract	¥5,029 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥175,697 million
Short-term monetary claims	¥221,184 million
Long-term monetary liabilities	¥267 million
Short-term monetary liabilities	¥309,217 million

4. Reduction entry amount of noncurrent assets

Reduction entry amount attributable to aid for construction cost (cumulative total)	¥15,434 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	¥245,787 million
Loans receivables outstanding	¥126,815 million
Remaining portion of credit line	¥118,972 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	¥298,155 million
Operating expenses to subsidiaries and affiliates	¥504,480 million
Non-operating transactions with subsidiaries and affiliates	¥51,879 million

2. Impairment loss ¥2,917 million

In the year ended March 31, 2018, 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
Communication facilities, idle assets, etc. (Tokyo, etc.)	Mainly Telecommunications business	Local line facilities, etc.	2,917

In the year ended March 31, 2018, for assets with declining utilization rates, including some communications facilities, and idle assets, the book value has been reduced to recoverable value. The said reduction is recognized as an impairment loss of ¥2,917 million, an extraordinary loss. This consists of ¥2,043 million for local line facilities, and ¥873 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.

(Non-Consolidated Statements of Changes in Net Assets)

1. Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2017	Increase during the fiscal year ended March 31, 2018	Decrease during the fiscal year ended March 31, 2018	As of March 31, 2018
Shares outstanding				
Common stock	2,620,494,257	–	33,280,732	2,587,213,525
Total	2,620,494,257	–	33,280,732	2,587,213,525
Treasury stock				
Common stock	162,641,408	52,479,820	33,311,926	181,809,302
Total	162,641,408	52,479,820	33,311,926	181,809,302

(The reason of the above changes)

1. The decrease of 33,280,732 shares in the number of common stocks outstanding is due to the retirement of treasury stock (retirement date: May 17, 2017).
2. The increase of 52,479,820 shares in the number of common stocks in treasury stock is due to a share buyback of 33,526,600 shares based on a resolution at the Board of Directors meeting dated May 11, 2017, a share buyback of 18,953,100 shares based on a resolution at the Board of Directors meeting dated January 31, 2018, and purchases of shares less than one unit of 120 shares.
3. The decrease of 33,311,926 shares in the number of common stocks in treasury stock is due to the retirement of 33,280,732 shares of treasury stock (retirement date: May 17, 2017) and the issuance, etc. of 31,194 shares to the executive compensation BIP trust and a stock-granting ESOP trust.
4. Included in the number of common stocks in treasury stock displayed above are 1,672,702 shares held by the executive compensation BIP trust and a stock-granting ESOP trust.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 21, 2017 Annual shareholders meeting	Common stock	¥110,680 million	¥45	March 31, 2017	June 22, 2017
November 1, 2017 Meeting of the Board of Directors	Common stock	¥109,171 million	¥45	September 30, 2017	December 4, 2017
Total		¥219,851 million			

Notes 1: The total amount of dividends decided by the Annual shareholders meeting on June 21, 2017 includes a dividend of ¥77 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

2: The total amount of dividends decided by the Board of Directors meeting on November 1, 2017 includes a dividend of ¥75 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(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 20, 2018, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends	¥108,318 million
2) Dividends per share	¥45
3) Record date	March 31, 2018
4) Effective date	June 21, 2018

Notes 1: The dividends shall be paid from retained earnings.

2: The total amount of dividends includes a dividend of ¥75 million for the Company's shares owned by the executive compensation BIP trust and a stock-granting ESOP trust.

(Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

(Unit: Millions of yen)

Deferred tax assets:	Provision for bonuses	5,939
	Excess amount of allowance for doubtful accounts, etc.	8,232
	Provision for point service program	15,045
	Denial of accrued expenses	2,718
	Excess amount of depreciation and amortization	28,579
	Denial of loss on retirement of noncurrent assets	3,318
	Denial of loss on valuation of inventories	2,715
	Accrued enterprise taxes	5,143
	Denial of impairment loss	24,900
	Denial of advances received	4,476
	Loss on valuation of investment securities	169
	Loss on valuation of stocks of subsidiaries and affiliates	11,769
	Other	1,651
Total deferred tax assets		114,652
Deferred tax liabilities:	Provision for retirement benefits	(3,491)
	Reserve for special depreciation	(410)
	Valuation difference on available-for-sale securities	(7,682)
	Gain on exchange from business combination	(1,455)
	Other	(298)
Total deferred tax liabilities		(13,336)
Net deferred tax assets		101,315

(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. Current liabilities such as 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. Moreover, except for fund raising related to sales transactions, the Group procures funds as long-term loans payable (with fixed interest rates) and manages this debt by preparing and updating financing plans on a timely basis.
   (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, 2018 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	66,622	66,622	–
2) Accounts receivable-trade	1,369,036		
Allowance for doubtful accounts *1	(14,843)		
	1,354,193	1,354,193	–
3) Accounts receivable-other	62,530	62,530	–
4) Investment securities			
Available-for-sale securities	79,524	79,524	–
5) Short-term loans receivable from subsidiaries and affiliates *2	126,815	126,815	–
6) Stocks of subsidiaries and affiliates	14,778	80,049	65,271
7) Long-term loans receivable from subsidiaries and affiliates *3	194,174	194,458	284
Total assets	1,898,637	1,964,191	65,555
8) Accounts payable-trade	102,609	102,609	–
9) Short-term loans payable	246,040	246,040	–
10) Accounts payable-other	327,592	327,592	–
11) Income taxes payable	99,956	99,956	–
12) Deposits received	43,488	43,488	–
13) Bonds payable *4	170,000	174,263	4,263
14) Long-term loans payable *4	337,000	339,289	2,289
Total liabilities	1,326,685	1,333,236	6,552

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

*2. This excludes the current portion of long-term loans receivable from subsidiaries and affiliates under current assets.

*3. This includes the current portion of long-term loans receivable from subsidiaries and affiliates under current assets.

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

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

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

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

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

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

7) Long-term loans receivable from subsidiaries and affiliates

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

8) Accounts payable-trade, 9) Short-term loans payable, 10) Accounts payable-other, 11) Income taxes payable, and 12) 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.

13) Bonds payable, and 14) 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	116,842
Stocks of subsidiaries and affiliates Unlisted equity securities*	850,114
Investments in capital of subsidiaries and affiliates	5,742

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

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

Amount of investments in affiliates ¥50,484 million
Amount of investments in affiliates based on equity method ¥98,192 million
Amount of equity in net income of affiliates based on equity method ¥4,592 million

Note: Amount of investments in affiliates based on equity method and amount of equity in net income of affiliates based on equity method have been prepared in accordance with IFRS pursuant to the provisions of Article 120 of the Ordinance on Accounting of Companies.

(Transactions with Related Parties)

Subsidiaries and affiliates, etc.

(Unit: Millions of yen)

Type	Company Name or Name	Location	Capital/ Investments in Capital	Business or Occupation	Percentage of Possession of Voting Rights
Subsidiary	KDDI FINANCIAL SERVICE CORPORATION	Minato-ku, Tokyo	5,245	Credit card business, settlement agency business	Possession Direct 90.0 %

Relationship with Related Party	Contents of Transaction	Amounts of Transaction	Title of Account	Balance as of March 31, 2018
Financial support Sharing of concurrent positions by board members	Lending of funds (Note)	33,147	Long-term loans receivable from subsidiaries and associates	38,800
			Short-term loans receivable from subsidiaries and associates	81,963
	Receipt of interests	179	Accounts receivable-other	1

(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, 2018
Financial support Sharing of concurrent positions by board members	Lending of funds (Note)	(22,180)	Long-term loans receivable from subsidiaries and associates	90,000
			Short-term loans receivable from subsidiaries and associates	19,915
	Receipt of interests	480	Accounts receivable-other	63

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

Note: 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. The amount shown for the amount of lending of funds is the amount of change since April 1, 2017.

(Per Share Information)

1. Net assets per share ¥1,488.49
2. Net income per share ¥216.15

Note: In the calculation of per share information, the Company's stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks is deducted in calculating the number of common stocks outstanding at the end of the year and average number of common stocks outstanding during the year.
For the fiscal year under review, the number of common stocks outstanding at the end of the year and average number of common stocks outstanding during the year owned by the trusts is 1,672,702 shares and 1,678,224 shares.

(Company to Which Consolidated Dividend Regulations Apply)

The Company is subject to "Company to Which Consolidated Dividend Regulations Apply."

Note: Amounts are rounded to the nearest million yen.