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 33RD ANNUAL SHAREHOLDERS MEETING

KDDI Corporation

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MESSAGE FROM THE PRESIDENT

To our shareholders,
Firstly, we would like to thank our shareholders for the continued interest and support for our company.
We enclose a copy of the KDDI Group's notice of the 33rd Annual Shareholders Meeting.

With the 33rd fiscal year as the first fiscal year for the medium-term management plan targets until fiscal 2018, we aimed to "transform into business that provides customer experience value." We focused on the implementation of our three business strategies, namely to create "sustainable growth in the domestic telecommunications business" by expanding the number of mobile IDs, to "maximize the au economic zone" by providing comprehensive services as a "Life Design Company," and "aggressively developing global business" which uses the know-how we have cultivated so far.

Turning to the earnings for the 33rd fiscal year, we maintained our medium-term management plan target of keeping a three year average annual growth rate in operating income of 7%. We also achieved a dividend payout ratio of 35%. This was done by implementing the three aforementioned business strategies. The constant support of all our shareholders made this possible, and I would like to express my deep appreciation for this.

We will continue to contribute to the development of the society through all business activities, while aiming at further enhancing the enterprise value through sustainable earning growth and the enhancement of shareholder returns.

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

Sincerely,

Takashi Tanaka
President, Representative Director

TSE Code: 9433
May 30, 2017

To our shareholders:

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

NOTICE OF THE 33RD ANNUAL SHAREHOLDERS MEETING

You are cordially invited to attend the 33rd 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 20, 2017 (JST)**, or vote at the Exercise of Voting Rights Web site (http://www.evote.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 20, 2017.

By exercising voting rights via the Internet

Please read the detailed instructions on page 5 and input your approval or disapproval for each proposal by 5:30 p.m. on Tuesday, June 20, 2017.

1. Date and Time: Wednesday, June 21, 2017, 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 33rd fiscal year from April 1, 2016 to March 31, 2017 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditors and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 33rd fiscal year from April 1, 2016 to March 31, 2017

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Election of Fourteen (14) Directors

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 33rd 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/20170621/)

"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 6 through 16.

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 20, 2017

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 20, 2017

[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 20, 2017 (JST)

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

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

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

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

Reference Documents for the Shareholders Meeting

Proposals and References

Proposal 1: Appropriation of Surplus

Details pertaining to the appropriation of surplus are as follows.

1. Matters relating to year-end dividends

   The Company recognizes that the distribution of profits to shareholders is a major managerial issue and makes it a basic policy to maintain a sound financial position and the stable payment of dividends. With this policy, while considering investment for sustainable growth, the Company intends to maintain the consolidated payout ratio to more than 35%.

   Regarding the year-end dividends for the fiscal year under review, we propose to increase it by ¥10.00 per share from the previous year-end dividends, to express our appreciation to shareholders for their continuous support as well as the need to expand our businesses to enhance business performance in the future.

(1) Type of dividends

Cash

(2) Dividend amount to be allocated

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

Total dividends ··················· ¥110,680,053,525

(3) Effective date of dividends from surplus

June 22, 2017

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: ¥254,500,000,000

Item and amount of decrease in surplus

Retained earnings brought forward ¥254,500,000,000

Proposal 2: 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	Outside	Execution of Business	(Other reference)
1	Tadashi Onodera Reappointment					Chairman of Board of Directors Member of Remuneration Advisory Committee Member of Nomination Advisory Committee
2	Takashi Tanaka Reappointment	○			○	Member of Remuneration Advisory Committee Member of Nomination Advisory Committee
3	Hirofumi Morozumi Reappointment	○			○	
4	Makoto Takahashi Reappointment	○			○	
5	Yuzo Ishikawa Reappointment	○			○	
6	Yoshiaki Uchida Reappointment				○	
7	Takashi Shoji Reappointment				○	
8	Shinichi Muramoto Reappointment				○	
9	Keiichi Mori New appointment				○	
10	Goro Yamaguchi New appointment			○		Member of Remuneration Advisory Committee (scheduled) Member of Nomination Advisory Committee (scheduled)
11	Nobuyori Kodaira Reappointment			○		Chairman of Nomination Advisory Committee Vice Chairman of Remuneration Advisory Committee Board of Directors' meetings Attended 11 of 12 meetings (92%)

Candidate No.	Name	Right to represent	Independent	Outside	Execution of Business	(Other reference)
12	Shinji Fukukawa Reappointment		○	○		Member of Remuneration Advisory Committee Member of Nomination Advisory Committee Board of Directors' meetings Attended 12 of 12 meetings (100%)
13	Kuniko Tanabe Reappointment		○	○		Member of Remuneration Advisory Committee Member of Nomination Advisory Committee Board of Directors' meetings Attended 12 of 12 meetings (100%)
14	Yoshiaki Nemoto Reappointment		○	○		Member of Remuneration Advisory Committee Member of Nomination Advisory Committee Board of Directors' meetings Attended 10 of 10 meetings (100%)

Note: 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.

Candidate No. 1	Tadashi Onodera	Date of birth February 3, 1948	Number of the Company’s shares held 241,400

Reappointment

Reason for nominating the candidate for Director

Tadashi Onodera has been a Director of the Company since its beginnings as KDDI Corporation and, as the President and Representative Director of the Company between 2001 and 2010, carried out the mandate of shareholders and took responsibility for steering the management. Since 2013 he has served as Outside Director for other listed companies and has extensive experience as the management. In 2015 he also moved away from execution of business operations, so that the Company believes he is ideally suited to a role in which he overlooks the Company's management, for which reason he has again been selected as a candidate for Director.

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

June 1989:	Director
June 1995:	Managing Executive Officer, Director
June 1997:	Executive Vice President, Representative Director
June 2001:	President, Representative Director
June 2005:	President and Chairman, Representative Director
December 2010:	Chairman, Representative Director
June 2013:	Director of KYOCERA Corporation (Current position)
June 2014:	Director of Daiwa Securities Group Inc. (Current position)
June 2015:	Chairman (Current position)

Candidate No. 2	Takashi Tanaka	Date of birth February 26, 1957	Number of the Company’s shares held 57,000

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 works towards improving sustainable earnings growth and stable returns to shareholders. The Company believes he is ideally suited to the role of CEO of the Company, for which reason 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 (Current position)
April 2017:	Executive Director, Corporate & Marketing Communications Sector and Life Design Business Sector (Current position)

Candidate No. 3	Hirofumi Morozumi	Date of birth May 2, 1956	Number of the Company's shares held 28,500

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 has served as Executive Vice President and Representative Director. He has superior knowledge of general management and investor relations activities as CFO, 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
April 2010:	Executive Director, Corporate Sector (Current position)
June 2010:	Executive Vice President, Representative Director (Current position)

Candidate No. 4	Makoto Takahashi	Date of birth October 24, 1961	Number of the Company's shares held 25,400

Reappointment

Reason for nominating the candidate for Director

Makoto Takahashi has abundant experience in the value business, 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 promoted business development to create new growth in the Company. He possesses the superior knowledge needed to expand the au economic zone, 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 (Current position)
April 2017:	Company Executive Director of Business Development Executive Director, Value-added Business Sector and General Manager, Corporate Strategy Planning Division (Current position)

Candidate No. 5	Yuzo Ishikawa	Date of birth October 19, 1956	Number of the Company's shares held 38,300

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 2017:	Company Executive Director of Sales Executive Director, Consumer Business Sector, Business Headquarters, Media and CATV Business Division and Product & Customer Service Sector (Current position)

Candidate No. 6	Yoshiaki Uchida	Date of birth September 14, 1956	Number of the Company's shares held 12,700

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 knowledge is crucial for the secure management and sophistication of the communications 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)

Candidate No.			
7	Takashi Shoji	Date of birth September 26, 1958	Number of the Company's shares held 9,900

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 Sector and Global Business Sector(Current position)

Candidate No.			
8	Shinichi Muramoto	Date of birth March 2, 1960	Number of the Company's shares held 7,800

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, Deputy Executive Director, Corporate Sector (Current position)
June 2016:	Managing Executive Officer, Director (Current position)

Candidate No. 9	Keiichi Mori	Date of birth February 2, 1960	Number of the Company's shares held 4,700

New appointment

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 of the operation of the IoT business which is expected to expand further in the future, and for these reasons he has 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 (Current position)
	Deputy Executive Director, Solution Business Sector and General Manager, IoT Business Development Division (Current position)

Candidate No. 10	Goro Yamaguchi	Date of birth January 21, 1956	Number of the Company's shares held 0

New appointment

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. The Company determined that he can contribute to the improvement of the Company's corporate value by giving broad opinions from a medium- to long-term perspective, especially focusing on IoT-related issues that the Company will continue to promote in the future, and for these reasons he has been selected as a candidate for 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)

Candidate No. 11	Nobuyori Kodaira	Date of birth March 18, 1949	Number of the Company's shares held 0	Board of Directors' meetings Attended 11 of 12 meetings (92%)

Reappointment

Outside Director

Reason for nominating the candidate for Director

Nobuyori Kodaira has abundant business management experience cultivated as manager of one of the world's leading automakers and excellent knowledge as a global CRO (Chief Risk Officer). On the Board of Directors, the Company has received a large number of opinions from him based on a medium- to long-term perspective related to strategies and risk management looking forward to the competitive environment in the future, 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 Director.

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

June 2010:	Senior Managing Director of Toyota Motor Corporation
June 2011:	Director and Senior Managing Officer of Toyota Motor Corporation
June 2012:	Executive Vice President of Toyota Motor Corporation
June 2013:	Director (Current position)
June 2015:	Aichi Steel Corporation, Audit & Supervisory Board Member (Current position)
June 2016:	Member of the Board of Directors of Toyota Motor Corporation (Current position) (scheduled to retire in June 2016)

Candidate No. 12	Shinji Fukukawa	Date of birth March 8, 1932	Number of the Company's shares held 5,800	Board of Directors' meetings Attended 12 of 12 meetings (100%)

Reappointment

Outside Director

Independent Director

Reason for nominating the candidate for Director

Shinji Fukukawa has abundant experience and superior knowledge he has gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. On the Board of Directors, the Company has received a large number of opinions related to management of the Company from him based on a medium- to long-term perspective independent of the management team, with consideration for economic trends and the changing times, 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 Director. Moreover, with this background we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has again been nominated as Independent Director.

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

June 1988:	Retired as Vice-Minister of Ministry of International Trade and Industry
December 1988:	Senior Advisor of Global Industrial and Social Progress Research Institute (Current position)
November 2002:	Chairman of Japan Industrial Partners, Inc. (Current position)
November 2003:	Administrative Director of Toyo University (Current position)
December 2012:	Chairman of Toyo University (Current position)
June 2014:	Director (Current position)
July 2014:	Director of Kanamic Network Co.,LTD (Current position)

Candidate No. 13	Kuniko Tanabe	Date of birth April 1, 1945	Number of the Company's shares held 1,500	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 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:	Director (Current position)

Candidate No. 14	Yoshiaki Nemoto	Date of birth December 2, 1945	Number of the Company's shares held 200	Board of Directors' meetings Attended 10 of 10 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 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:	Director (Current position)

Notes: 1. Goro Yamaguchi, Nobuyori Kodaira, Shinji Fukukawa, Kuniko Tanabe and Yoshiaki Nemoto are candidates for Outside Director.

2. Shinji Fukukawa, Kuniko Tanabe and Yoshiaki Nemoto are candidates for Independent Director pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

3. The following candidates for Director have special interests in the Company.
   - Goro Yamaguchi is the Chairman of the Board and Representative Director of KYOCERA Corporation, which has business transactions with the Company.
   - Nobuyori Kodaira is the Member of the Board of Directors of Toyota Motor Corporation, which has business transactions with the Company.
     He will retire from the Member of the Board of Directors of Toyota Motor Corporation as of the conclusion of the Annual Shareholders Meeting of that company, which is planned to be held in June 2017.

4. There are no special interests between the Company and the candidates other than those mentioned above.

5. The Company has entered into contracts for Limitation of Liability with Tadashi Onodera, Nobuyori Kodaira, Shinji Fukukawa, 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 Goro Yamaguchi.

6. The term of office of Nobuyori Kodaira as Outside Director shall be 4 years at the conclusion of this Annual Shareholders Meeting.

7. The term of office of Shinji Fukukawa as Outside Director shall be 3 years at the conclusion of this Annual Shareholders Meeting.

8. The term of office of Kuniko Tanabe as Outside Director shall be 2 years at the conclusion of this Annual Shareholders Meeting.

9. The term of office of Yoshiaki Nemoto as Outside Director shall be 1 year at the conclusion of this Annual Shareholders Meeting.

10. The numbers of the Company Shares held by each candidate for Director stated above are the numbers that were held as of March 31, 2017.

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

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 the Nomination Advisory Committee 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.

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.

Nomination Advisory Committee composition

Chairman: Nobuyori Kodaira (Outside Director)

Vice Chairman: Tetsuo Kuba (Outside Director)

Members of the Committee: Shinji Fukukawa (Outside Director), Kuniko Tanabe (Outside Director), Yoshiaki Nemoto (Outside Director), Tadashi Onodera, Takashi Tanaka

Criteria for Independence of Outside Directors/Auditors

In addition to the outside directors/auditors 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.

Remuneration Advisory Committee composition
Chairman: Tetsuo Kuba (Outside Director)
Vice Chairman: Nobuyori Kodaira (Outside Director)
Member of Committee: Shinji Fukukawa (Outside Director), Kuniko Tanabe (Outside Director), Yoshiaki Nemoto (Outside Director), Tadashi Onodera, Takashi Tanaka

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 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 and Toyota Motor Corporation, which are major shareholders 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.

System for Supporting 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.
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 important stakeholders who fully understand and strongly support its ongoing business. Accordingly, we make the building of trust-based relationships with shareholders and investors a 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, 2017, the Company held more than Nine hundred (900) 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 the fiscal year ended March 31, 2017, the Company held Sixty five (65) such briefings in Twenty six (26) cities across Japan for a total of approximately Three thousand (3,000) participants. The Company provides webcast of the briefings for individual investors and various IR materials on its website.

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 is composed of Directors and Audit & Supervisory Board Members that have diverse viewpoints, is well regarded for the free and open discussion that takes place in an environment where it is easy for outside officers to make the most of their individual specialties, and, in regard to timely and appropriate decision making and the supervision of executives, received a positive evaluation stating that the Company's Board of Directors is functioning effectively.

[Improvements since previous evaluation]

It was confirmed that matters that were pointed out as issues in the previous evaluation had improved such as providing opportunities for the outside directors to meet with responsible persons from each business division to familiarize with our business and strategies, all documents for the Board of Directors meeting being distributed beforehand, and questions being accepted prior to deliberation and incorporated into explanations from the Board of Directors.

Medium- and long-term business strategies are debated in depth, and discussions with the participation of outside directors are conducted from the stage of formulation of medium-term management plans.

[Future issues]

We have received opinions that it would be desirable to further expand discussion of strategies aimed at sustainable growth, such as the long-term outlook for the business environment and policies on meeting the changing environment.

Based on these suggestions, we will continue to work for consecutive improvement.

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, values, and code of conduct 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.

(Documents Appended to the Notice of the 33rd Annual Shareholders Meeting)
BUSINESS REPORT
(April 1, 2016 to March 31, 2017)

1. Current Status of the Corporate Group

(1) Business Developments and Results

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) Overall Conditions

Operating revenues:

¥4,748,259 million (increased 6.3% year on year)

Operating revenues increased due to increases in mobile communications revenues and electricity sales revenues, as well as the impact of converting Jupiter Shop Channel Co., Ltd. (hereinafter "Shop Channel") into a consolidated subsidiary in March 2016.

Operating income:

¥912,976 million (increased 9.7% year on year)

Operating income increased due to decreases in handset marketing costs and sales commissions despite an increase in procurement costs for electricity sales, impairment loss and the increase in costs associated with converting Shop Channel into a consolidated subsidiary.

Profit for the year attributable to owners of the parent:

¥546,658 million (increased 10.5% year on year)

Profit for the year attributable to owners of the parent increased primarily due to an increase in operating income.

[Industry Trends and Position of the Company]

The Japanese telecommunications market continues to shift from mobile handsets to "smart devices," such as smartphones and tablets. Against this backdrop, the services mobile phone operators offer are growing more similar, and MVNO*1 operators are increasingly promoting inexpensive SIM*2 services. Furthermore, 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 business environment for the overall telecommunications market is entering a new phase, with statutory changes such as enforcement of guidelines based on "policy for reducing smartphone rates and normalizing handset sales" by Ministry of Internal Affairs and Communications ("MIC") as well as developments in technology such as the Internet of Things (IoT)*3 and artificial intelligence (AI).

In response to these changes in the business environment, KDDI is working to become the preferred choice of customers by transforming into a business that provides experience value surpassing customer expectations by emphasizing the "customer's perspective" and "innovation."

In Japan, the Company aims to transform from a telecommunications company into a "Life Design Company" to establish new avenues for growth in the non-telecommunications domain. In addition to the traditional telecommunications services, we will offer comprehensive "Life design" services including content, settlement, product sales, energy, and financial services. Our aim is to maximize the "au economic zone" as a new economic zone in the non-telecommunications domain, building on our au customer base. In January 2017, we merged the "au Shopping Mall" jointly operated with DeNA Co., Ltd. ("DeNA") and "DeNA Shopping," which was operated by DeNA, to launch a new brand, "Wowma!"

In the telecommunications domain, we will work to expand "au telecommunications ARPA," (Average Revenue Per Account)*4 and "value ARPA," as well as maximize "au customer numbers × ARPA"*5 by stepping up our initiatives to popularize smartphones and tablets and strengthen our response to the IoT, and creating new experience value by linking various devices and other means. In addition, we have been promote the MVNO business with UQ Communications Inc., Jupiter Telecommunications Co., Ltd., and BIGLOBE Inc., which became a wholly owned subsidiary in January 2017, and work to expand our number of mobile IDs as a combined measure of au and MVNOs going forward.

Overseas, the Company's consolidated subsidiary, KDDI Summit Global Myanmar Co., Ltd., is

currently working with Myanmar Posts & Telecommunications, 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 ("MobiCom") in Mongolia, which was made a consolidated subsidiary in March 2016, with its introduction of 4G LTE services in May 2016. MobiCom is a comprehensive communication service provider with the top share of mobile phone subscribers in Mongolia. In addition to business in emerging countries, 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.
In other, new initiatives, the Company concluded an Official Partner agreement with HAKUTO, Japan's first privately funded lunar surface exploration team, which competing in Google Lunar XPRIZE, the world's first ever robotic moon surface exploration race, as well as a Supporting Company agreement with the Japan Football Association to support the Japan National Team.
In addition, in April 2017, Tokyo Kikaku Co., Ltd., a TV commercial consultancy agency, announced the Company as the "Brand of the Year 2016," meaning it had the No.1 TV commercials. It is the third consecutive year since fiscal 2014 that the Company has received this honor.

*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. SIM cards provided by MVNOs, which includes communications services provided by MVNOs in a broad sense.

*3. 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.

*4. Monthly revenue per mobile subscriber (excluding prepaid services and MVNOs)

*5. "au telecommunications ARPA"+"value ARPA"

2) Business Conditions by Segment

Personal Services	
Operating Revenues	¥3,632,969 million
(increased 3.7% year on year)	
Operating revenues increased mainly owing to increases in mobile communications revenues as well as increases in revenues in the life design business such as “au denki” and “au WALLET Market.”	
Operating Income	¥711,087 million
(increased 8.3% year on year)	
Operating income increased mainly owing to decreases in handset marketing costs and sales commissions, despite an increase in procurement costs for electricity sales and impairment loss, etc.	

TOPICS

Providing “customer experience value”

On August 29, 2016, to express its appreciation for loyal subscribers, KDDI launched the new free subscriber program “au STAR.” The program offers three benefits: “au STAR Passport,” which allows members to make priority reservations at au shops, the “au STAR Royal” plan, which rewards long-time subscribers with au WALLET points based on the number of years they have used au services and flat rate of data transmission, and “au STAR gift” items available to registered subscribers. In addition, in December 2016, we opened “au SENDAI”, the largest of our directly operated stores. In addition to having a café, “BLUE LEAF CAFÉ”, this store uses its space to embody a new kind of fusion between communication and lifestyle, including an event workshop and an exhibition of initiatives to support the Tohoku Restoration.

Expanding the “number of mobile IDs”

In the “au” mobile field, our main service “au Smart Value” continues to gain support from many customers, and we strive to enhance services in all aspects, such as handsets, content, and customer support.

In addition, UQ Communications Inc. and Jupiter Telecommunications Co., Ltd. of the KDDI group are promoting the MVNO business under the brands of UQ mobile and J:COM MOBILE, respectively.

On January 31, 2017, in order to expand our customer base, we made BIGLOBE Inc. a wholly owned subsidiary, which operates an internet connection service business and mobile business. In this way, in the mobile field, we will continue to expand our number of “mobile IDs” based on au + MVNO.

Entry into the energy business with “au denki”

On April 1, 2016, KDDI started providing the “au denki” service nationwide, except for Okinawa and certain areas. The service offers simple, easy-to-understand rate plans, and we launched the “au denki set discount,” which deposits money into users’ “au WALLET Prepaid Cards” equivalent to a maximum of 5% of the monthly “au denki” usage fee, when the “au denki” service is used in conjunction with au mobile phone/smartphone services. Furthermore, as an au unique service, we provide an “au denki app” so that customers can see their electricity usage and expected electricity fees at a single glance, and we also give advice and support for energy-savings tailored to the customer’s lifestyle, supporting a beneficial lifestyle.

Value Services	
Operating Revenues	¥451,058 million
(increased 66.0% year on year)	
Operating revenues increased owing to the impact of converting Shop Channel into a consolidated subsidiary and the increased use of “au Smart Pass” and other services.	
Operating Income	¥95,894 million
(increased 31.3% year on year)	
Operating income increased owing to the increase in operating revenues despite an increase in expenses associated with converting Shop Channel into a consolidated subsidiary.	

TOPICS

Enhancing services such as “au Smart Pass”

As of March 31, 2017, the number of “au Smart Pass” members was 15,220,000, an increase of 750,000 from the previous fiscal year. “au Smart Pass” provides various special member benefits such as a breakdown exchange service for user safety and security as well as unlimited access to apps. Also, “au Smart Pass Premium” was launched as a top service for “au Smart Pass.” We strive to improve the “customer experience value” by enhancing “savings” and “peace of mind” with services such as “au everyday,” which offers discounts for movies and karaoke, and gives French fry as a free gift every day of the week, and “recovery support” in the case of handset damage.

Strengthening our position in life design domain through expansion of financing businesses

On April 5, 2016, we started providing “au Insurance & Loan” in partnership with LIFENET INSURANCE COMPANY and Jibun Bank Corporation. In addition to renewing “au Life Insurance” on December 1, 2016, we started offering an “au Lifestyle Insurance” to provide coverage of risk of long-term inability to work due to sickness or injury. We will continue to strengthen our efforts in the non-telecommunications domain with the aim of transforming into a “Life Design Company.”

Expanding the “au economic zone” by strengthening our commerce business

Our net shopping service “au WALLET Market” exceeded 5 million members in the fiscal year ended March 31, 2017, and will be celebrating its second anniversary this August. “au WALLET Market” will continue to provide shopping services tailored to customers’ lifestyles by expanding our carefully selected product lineup for au customers.

On January 30, 2017, we integrated the “au Shopping Mall” and “DeNA Shopping” service brands, to launch a new online shopping mall, “Wowma!” that delivers a “WOW experience” to each of its customers every day. “Wowma!” is an online shopping mall with a wide collection of popular and topical fashions, cosmetics, gourmet, and daily necessities. We are aiming to expand the “au economic zone” and further strengthen our commerce business through “Wowma!” by creating new contacts even with customers who are not using au.

Enhancing data analysis

KDDI established ARISE Analytics Co., Ltd. on the premise it would operate as a joint venture with Accenture Japan Ltd. in order to increase “customer experience value” and promote partner businesses through the use of data analysis. This will contribute to the improvement of “customer experience value” in telecommunications service and various value-added services by developing next-generation chat services and recommendation engines using technologies such as the latest AI technologies, and focusing on the analysis support of data held by KDDI Group.

Initiatives to revitalize regions through the use of big data

By leveraging ICT, we promote initiatives to solve regional issues, such as measures to improve work and living conditions, and measures to revitalize industry, such as fisheries and agriculture. On September 21, 2016, KDDI and Toyooka City, Hyogo Prefecture concluded a comprehensive agreement aimed at revitalizing the region as an initiative for the fiscal year ended March 31, 2017. Under this agreement, we will analyze the status of tourism in the city using big data and use the results to revitalize tourism, and we also began selling local Toyooka City specialties on “au WALLET Market”.

Business Services	
Operating Revenues	¥637,334 million
(increased 0.8% year on year)	
Operating revenues increased owing to an increase in solution sales such as IT outsourcing, and higher revenues from handset sales, etc. despite lower communications revenues.	
Operating Income	¥72,099 million
(increased 17.4% year on year)	
Operating income increased mainly due to a decline in communications facility fees, despite an increase in cost of solution devices and sales commissions.	

TOPICS

Providing a wide range of services to corporate customers

In the Business Services segment, we provide smartphones, tablets and other mobile devices as well as diverse solutions such as networks, applications and cloud services, to a wide range of corporate customers, from small and medium-sized to large companies. For small and medium-sized corporate customers, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP, also provides a regional support network offering close contact throughout Japan. As a result, we have received positive feedback from our corporate customers in multiple service areas.

Promoting the building of a foundation for “Connected Cars”

KDDI and TOYOTA MOTOR CORPORATION have been collaborating to build a global communication platform for the global expansion of high-quality, stable telecommunications between vehicle onboard transmitters and cloud computing networks – a technology that is required for “Connected Cars.” With the arrival of the Internet of Things (IoT) era, in which physical objects are connected with the Internet, the KDDI Group will support the business growth of its corporate customers on a global scale by leveraging its total capabilities and concentrating its accumulated know-how.

Global Services	
Operating Revenues	¥277,204 million
(decreased 5.8% year on year)	
Operating revenues decreased mainly owing to the impact of the yen’s appreciation, as well as a decline in revenue due to the liquidation of low-profitability businesses in the U.S. consumer business that has been continuing since last year.	
Operating Income	¥24,157 million
(decreased 24.9% year on year)	
Operating income decreased primarily due to a decrease in operating revenues.	

TOPICS

Efforts to develop telecommunications businesses in emerging countries

As a comprehensive telecommunications carrier customers can continue to rely on, in the Myanmar telecommunications business, we worked to enhance network quality by installing mobile base stations outside of major urban areas and in regional cities and expanding the service area of the high-speed telecommunications network, and by optimizing the service area. In October 2016, we launched a 4G service (LTE in the 2.1 GHz bandwidth) in certain indoor areas in Yangon and Naypyidaw. We are currently preparing for a full-scale rollout of 4G LTE services using newly allocated 1.8 GHz bandwidth this year.

In our telecommunications business in Mongolia, MobiCom Corporation LLC, the number one general telecommunications carrier in Mongolia, launched 4G LTE service in the capital city of Ulaanbaatar in May 2016.

Development of data center business with state-of-the-art environmental technology

The Company’s European subsidiary TELEHOUSE EUROPE developed a data center business in London, England which boasts the largest number of connections in the U.K. In November 2016, TELEHOUSE EUROPE started providing services at the new data center “TELEHOUSE LONDON Docklands North Two,” equipped with state-of-the-art environmental technology.

3) Major Equity-method Affiliates

Jibun Bank Corporation

On November 29, 2016, KDDI's equity-method affiliate Jibun Bank Corporation (hereinafter "Jibun Bank") started providing an "au STAR Jibun Bank Special Offer" that gives away "WALLET Points" each month to members of the "au STAR" membership program provided by KDDI and Okinawa Cellular Telephone Company. The "au STAR Jibun Bank Special Offer" allocates "WALLET points" every month to "au STAR" members that hold Jibun Bank accounts depending on the number of years that they have been au subscribers and their usage of Jibun Bank. In providing this special offer, Jibun Bank aims to further increase the convenience and satisfaction for au customers using Jibun Bank.

On March 27, 2017, we started a "Smartphone ATM transaction service" in which au customers with a Jibun Bank account can make deposits and withdrawals simply by using their smartphones, with no need for a cash card, at all ATMs provided by Seven Bank, Ltd. This is the first * ever nationwide ATM deposit and withdrawal service for smartphones to be rolled out in Japan.

*As of March 27, 2017. Researched by Seven Bank, Ltd./Jibun Bank Corporation.

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

4) Efforts toward Continued Enhancement of Corporate Value

CSR

"Tribrid Base Stations" won the Environment Minister's Award at the "2017 Low-Carbon Cup" for its efforts to combat global warming

KDDI's "Introduction of 'Tribrid Base Stations' to Prevent Global Warming" was selected out of 951 other applicants as the golden winner of the Environment Minister's Award (corporate sector) at the "2017 Low-Carbon Cup." This is the seventh year of the "Low-Carbon Cup," a system to honor activities related to global warming prevention in which a variety of companies and organizations around the country strive towards building a low-carbon society for the next generation. We installed 100 "Tribrid Base Stations," mobile phone base stations that can reduce CO_2 emissions by up to approximately 30% annually compared to traditional base stations which use only commercial electric power, throughout Japan. We are also working to transfer this technology to developing countries, such as Indonesia and India, and we have been awarded in recognition of these activities.

Launching of "Shimamono Lab," a market expansion and product PR course for business operators in outlying islands

In December 2015, KDDI started a project that aims to revitalize outlying islands, called "Shimamono Project." In the first part of the project, we carried out sales of products from outlying islands through the "au WALLET Market"; and in the second part, we held the "Shimamono Lab" in Kikaicho, Kagoshima, in October 2016, which is a course for business operators in outlying islands about expanding sales channels and product PR. In the "Shimamono Lab," experts gave lectures based on marketing and marketing results using the product monitoring service of "au Smart Pass," and participants learned how to convey the selling points for products. Three of the products handled by the operators participating in the "Shimamono Lab" are for sale at the "Shimamono Marche" section of "au WALLET Market," and can be purchased at au shops across Japan.

(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 new 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 the 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**

In addition to the traditional telecommunications service, we will comprehensively offer "life design" including content, settlement, product sales, energy, and financing services and aim to expand the "au economic zone," leveraging our domestic telecommunications business foundation and generating synergies.

The Company provides product sales service through "au WALLET Market," "Wowma!," etc., and we will strengthen the links between services even further using contact points such as au shops and our customer base, which are our strengths.

We will combine our entry into the energy business with “au denki” and others, as well as our establishment of the finance business to build a cyclical business model for the “au economic zone” based on WALLET Point.

- **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

(Items that contain "/" are displaying "Japanese GAAP / IFRS" accounting items.)

(millions of yen unless otherwise indicated)

		30th fiscal year (FY2014.3)	31st fiscal year (FY2015.3)		32nd fiscal year (FY2016.3)	33rd fiscal year (FY2017.3)
		Japan GAAP		IFRS		
Operating revenues		4,333,628	4,573,142	4,270,094	4,466,135	4,748,259
	Telecommunications business	2,609,157	2,734,554	–	–	–
	Incidental business	1,724,471	1,838,587	–	–	–
Operating income		663,245	741,298	665,719	832,583	912,976
Ordinary income		662,887	752,402	–	–	–
Net income / Profit for the year attributable to owners of the parent		322,038	427,931	395,805	494,878	546,658
Net income per share / Basic earnings per share (yen)		132.87	170.84	158.01	197.73	221.65
Total assets		4,945,756	5,250,364	5,626,725	5,880,623	6,263,826
Liabilities / Total liabilities		2,028,767	2,011,615	2,403,713	2,333,767	2,414,692
Net assets / Total equity		2,916,989	3,238,748	3,223,012	3,546,856	3,849,133

Notes: 1. Figures in conformity with Japan GAAP were rounded down to the nearest million yen, and those in conformity with IFRS 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 and basic earnings per share for the 31st fiscal year are calculated as if the share splits were conducted at the beginning of the 30th fiscal year.

3. Concerning the calcuation of basic earnings per share of the 32nd and 33rd 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)

		30th fiscal year (FY2014.3)	31st fiscal year (FY2015.3)	32nd fiscal year (FY2016.3)	33rd fiscal year (FY2017.3)
		Japan GAAP			
Operating revenues		3,585,292	3,728,416	3,827,164	3,864,093
	Telecommunications business	2,457,256	2,538,123	2,598,729	2,628,903
	Incidental business	1,128,036	1,190,292	1,228,435	1,235,190
Operating income		542,110	614,811	613,950	694,468
Ordinary income		573,727	635,405	649,714	736,308
Profit		356,004	403,263	445,681	524,208
Earnings per share (yen)		146.88	160.99	178.07	212.55
Total assets		4,014,992	4,317,272	4,379,181	4,662,777
Liabilities		1,303,419	1,363,002	1,196,533	1,243,578
Net assets		2,711,573	2,954,269	3,182,649	3,419,199

Notes: 1 Figures for the 30th fiscal year were rounded down to the nearest million yen, and those after the 31st fiscal year 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 30th fiscal year.

3. Concerning the calcuation of earnings per share of the 32nd and 33rd 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 did not procure long-term financing through issuance of bonds, long-term borrowing, etc.

(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 ¥558,334 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, 2017)

The Group comprises the Company, 165 consolidated subsidiaries (Japan: 96 companies, overseas: 69 companies) and 35 equity-method affiliates (28 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	Communications services for households and individuals (au mobile phone, FTTH, CATV), etc.
Value Services	Various financial and commerce services, various applications, distribution of videos and music, and advertisement distribution
Business Services	For companies communications services (ICT solution, data center)
Global Services	Communications services for companies and individuals overseas (ICT solution, data center)

(7) Offices of the Company (As of March 31, 2017)

(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.)	20 branch offices, 99 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, 2017)

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	8,881	100.0	Internet service business
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	78.0	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$ 200,000	(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 31, 2017 the Company acquired 100% of the shares of BIGLOBE Inc., BIGLOBE Inc. and its subsidiaries have become consolidated subsidiaries of the Company.

(9) Employees (As of March 31, 2017)

1) Employees of the Corporate Group

Business segment	No. of employees
Personal Services	17,794
Value Services	2,812
Business Services	4,575
Global Services	5,129
Others	4,722
Total	35,032

2) Employees of the Company

No. of employees	Year-on-year increase	Average age	Average length of service
10,916	141	42.2	17.4 years

Note: No. of employees does not include 2,384 employees seconded to subsidiaries, etc.

(10) Principal Lenders (As of March 31, 2017)

Creditor	Loans outstanding
	Millions of yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	92,000
Mizuho Bank, Ltd.	75,000
Sumitomo Mitsui Banking Corporation	66,088
Development Bank of Japan, Inc.	64,269
Mitsubishi UFJ Trust and Banking Corporation	35,500

2. **Shares** (As of March 31, 2017)

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

(2) Total Number of Issued Shares 2,620,494,257 shares

(including 160,937,512 shares of treasury stock)

Note: The total number of issued shares has declined by 70,396,543 in accordance with the retirement of treasury stocks dated May 18, 2016.

(3) Number of Shareholders 92,617

(increase of 29,462 from the previous year-end)

(4) Principal Shareholders

Name	Number of shares held	Shareholding ratio
	shares	%
KYOCERA Corporation	335,096,000	13.62
Toyota Motor Corporation	298,492,800	12.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	172,664,800	7.02
Japan Trustee Services Bank, Ltd. (Trust Account)	126,838,300	5.15
State Street Bank & Trust Company	72,967,812	2.96
Japan Trustee Services Bank, Ltd. (Trust Account 5)	35,872,000	1.45
State Street Bank & Trust Company 505223	34,151,633	1.38
Japan Trustee Services Bank, Ltd. (Trust Account 4)	29,182,700	1.18
State Street Bank West Client-Treaty 505234	29,055,150	1.18
Japan Trustee Services Bank, Ltd. (Trust Account 1)	26,605,400	1.08

Note: Although the Company holds 160,937,512 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 (1,703,896 shares).

3. Directors and Audit & Supervisory Board Members

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

(As of March 31, 2017)

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
Executive Vice President, Representative Director	Hirofumi Morozumi	Executive Director, Corporate Sector
Executive Vice President, Representative Director	Makoto Takahashi	Executive Director, Value-added Business Sector and General Manager, Corporate Strategy Planning Division
Executive Vice President, Representative Director	Yuzo Ishikawa	Executive Director, Consumer Business Sector, Business Headquarters, Solution Business, Media and CATV Business Division and Product & Customer Service Sector
Senior Managing Executive Officer, Director	Hidehiko Tajima	Executive Director, Global Consumer Business Division Global Business Sector
Senior Managing Executive Officer, Director	Yoshiaki Uchida	Executive Director, Technology Sector
* Managing Executive Officer	Takashi Shoji	Executive Director, Solution Business Sector
* Managing Executive Officer	Shinichi Muramoto	Deputy Executive Director, Corporate Sector
Director	Tetsuo Kuba	Chairman of the Board and Representative Director of KYOCERA Corporation
Director	Nobuyori Kodaira	Member of the Board of Directors of Toyota Motor Corporation 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 Audit & Supervisory Board Member, Toyota Boshoku Corporation Corporate Auditor, Chubu Electric Power Co., Inc.

Notes: 1. Director and Audit & Supervisory Board Member with * are new Director and Audit & Supervisory Board Member who were elected at the 32nd Annual Shareholders Meeting held on June 22, 2016.

2. In regard to Directors Masahiro Inoue and Tsutomu Fukuzaki, and Audit & Supervisory Board Members Yoshinari Sanpei, Takeshi Abe, Kishichiro Amae and Yukihisa Hirano, each of their terms of office expired as of the conclusion of the 32nd Annual Shareholders Meeting held on June 22, 2016.
3. Each of Directors Tetsuo Kuba, 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	68	5	68	–	–
	Others	640	11	392	137	110
	Total	708	16	460	137	110
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	48	6	48	–	–
	Others	51	3	51	–	–
	Total	99	9	99	–	–

Notes:
1. The above-stated remuneration for Directors includes amounts for two Directors who retired at the conclusion of the 32nd Annual Shareholders Meeting held on June 22, 2016. The number of Directors to be paid executive bonuses is nine, excluding the said Director. The above-stated remuneration for Audit & Supervisory Board Members includes amounts for four Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) who retired at the conclusion of the 32nd Annual Shareholders Meeting held on June 22, 2016.
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 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 Tetsuo Kuba is the Chairman of the Board and Representative Director of KYOCERA Corporation. KYOCERA Corporation has business transactions with the Company.
  Also, he took the office of the Corporate Advisor and Director of KYOCERA Corporation on April 1, 2017, and he will retire from the Director of KYOCERA as of the conclusion of the Ordinary General Meeting of Shareholders of that company, which is planned to be held in June 2017.
- Director Nobuyori Kodaira is the Member of the Board of Directors of Toyota Motor Corporation and Audit & Supervisory Board Member of Aichi Steel Corporation. Toyota Motor Corporation and Aichi Steel Corporation have business transactions with the Company.
  Also, he will retire from the Member of the Board of Directors of Toyota Motor Corporation as of the conclusion of the Ordinary General Shareholders' Meeting of that company, which is planned to be held in June 2017.
- 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.
- 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 and Audit & Supervisory Board Member of Toyota Boshoku Corporation, 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 Tetsuo Kuba attended eleven of the twelve meetings of the Board of Directors.
- Director Nobuyori Kodaira attended eleven 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 ten of the ten meetings of the Board of Directors.

* The attendance record of Director Yoshiaki Nemoto began after his appointment as new Director at the 32nd Annual Shareholders Meeting held on June 22, 2016.

(Audit & Supervisory Board Members)

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

* The attendance record of Audit & Supervisory Board Members Akira Yamashita, Kakuji Takano and Nobuaki Katoh began after their appointment as new Director at the 32nd Annual Shareholders Meeting held on June 22, 2016.

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	443	1,064

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 independent 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, 2017	(Reference) As of March 31, 2016	Account item	As of March 31, 2017	(Reference) As of March 31, 2016
Assets			Liabilities		
Non-current assets:	4,297,800	4,141,220	Non-current liabilities:	1,333,201	1,375,219
Property, plant and equipment	2,428,445	2,485,728	Borrowings and bonds payable	909,673	956,800
Goodwill	477,873	449,707	Other long-term financial liabilities	176,794	174,791
Intangible assets	922,478	845,640	Retirement benefit liabilities	21,800	20,255
Investments accounted for using the equity method	92,371	71,011	Deferred tax liabilities	75,919	62,440
Other long-term financial assets	183,081	112,809	Provisions	7,725	7,635
Deferred tax assets	124,467	103,388	Other non-current liabilities	141,290	153,299
Other non-current assets	69,085	72,938			
			Current liabilities:	1,081,491	958,548
Current assets:	1,966,025	1,739,403	Borrowings and bonds payable	57,805	96,836
Inventories	77,656	79,626	Trade and other payables	537,830	426,172
Trade and other receivables	1,518,070	1,357,820	Other short-term financial liabilities	24,373	25,037
Other short-term financial assets	16,968	14,966	Income taxes payables	153,950	120,818
Income tax receivables	10,715	8,142	Provisions	26,887	20,390
Other current assets	116,009	86,648	Other current liabilities	280,646	269,294
Cash and cash equivalents	226,607	192,200	**Total liabilities**	2,414,692	2,333,767
			Equity		
			Equity attributable to owners of the parent		
			Common stock	141,852	141,852
			Capital surplus	298,046	368,245
			Treasury stock	(237,014)	(210,861)
			Retained earnings	3,354,140	2,995,836
			Accumulated other comprehensive income	(2,601)	13,570
			Total equity attributable to owners of the parent	3,554,423	3,308,642
			Non-controlling interests	294,710	238,214
			Total equity	3,849,133	3,546,856
Total assets	6,263,826	5,880,623	**Total liabilities and equity**	6,263,826	5,880,623

(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, 2017	(Reference) For the fiscal year ended March 31, 2016
Operating revenue	4,748,259	4,466,135
Cost of sales	2,669,678	2,540,338
Gross profit	2,078,582	1,925,797
Selling, general and administrative expenses	1,173,562	1,107,573
Other income	11,244	12,866
Other expense	6,042	3,677
Share of profit of investments accounted for using the equity method	2,755	5,170
Operating income	912,976	832,583
Finance income	1,711	1,848
Finance cost	13,273	19,638
Other non-operating profit and loss	(5,517)	3,616
Profit for the year before income tax	895,897	818,410
Income tax	253,282	251,495
Profit for the year	642,615	566,914
Profit for the year attributable to:		
Owners of the parent	546,658	494,878
Non-controlling interests	95,957	72,036
Profit for the year	642,615	566,914

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

Consolidated Statement of Changes in Equity

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

(Reference) For the fiscal year ended March 31, 2016

(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, 2015	141,852	369,722	(161,822)	2,686,824	27,462	3,064,038	158,974	3,223,012
Comprehensive income								
Profit for the year	–	–	–	494,878	–	494,878	72,036	566,914
Other comprehensive income	–	–	–	–	(36,890)	(36,890)	(3,004)	(39,894)
Total comprehensive income	–	–	–	494,878	(36,890)	457,988	69,032	527,020
Transactions with owners and other transactions								
Cash dividends	–	–	–	(162,860)	–	(162,860)	(29,860)	(192,720)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(22,998)	22,998	–	–	–
Purchase and disposal of treasury stock	–	(1,010)	(49,039)	–	–	(50,050)	–	(50,050)
Changes due to business combination	–	–	–	–	–	–	52,822	52,822
Changes in interests in subsidiaries	–	(1,846)	–	–	–	(1,846)	(12,754)	(14,599)
Other	–	1,379	–	(8)	–	1,371	–	1,371
Total transactions with owners and other transactions	–	(1,477)	(49,039)	(185,867)	22,998	(213,385)	10,208	(203,176)
As of March 31, 2016	141,852	368,245	(210,861)	2,995,836	13,570	3,308,642	238,214	3,546,856

(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, 2017	For the fiscal year ended March 31, 2016
Net cash provided by (used in) operating activities	1,161,074	884,538
Net cash provided by (used in) investing activities	(637,225)	(667,917)
Free cash flows *1	523,849	216,621
Net cash provided by (used in) financing activities	(485,784)	(299,003)
Effect of exchange rate changes on cash and cash equivalents	(3,545)	(1,848)
Net increase (decrease) in cash and cash equivalents	34,520	(84,230)
Cash and cash equivalents at the beginning of the period	192,087	276,317
Cash and cash equivalents at the end of period *2	226,607	192,087

*1 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.”

*2 The difference in the amount of “cash and cash equivalents” between consolidated statement of financial position and consolidated statement of cash flows represents bank overdrafts.

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

Operating activities provided net cash of ¥1,161,074 million. This includes ¥895,897 million of profit for the year before income tax, ¥545,194 million of depreciation and amortization, ¥256,066 million of income taxes paid and ¥171,903 million of increase in trade and other receivables.
Investing activities used net cash of ¥637,225 million. This includes ¥338,749 million of purchase of property, plant and equipment, ¥180,823 million for purchase of intangible assets and ¥61,711 million acquisition of control over subsidiaries.
Financial activities used net cash of ¥485,784 million. This includes ¥185,430 million in cash dividends paid, ¥100,000 million in payment from purchase of treasury stock and ¥74,963 million in payments from redemption of bonds and repayment of long-term borrowings.
As a result, the total amount of cash and cash equivalents as of March 31, 2017, increased ¥34,520 million from March 31, 2016, to ¥226,607 million.

Non-Consolidated Financial Statements (Japan GAAP)

Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2017		(Reference) As of March 31, 2016		Account item	As of March 31, 2017		(Reference) As of March 31, 2016	
(Assets)					(Liabilities)				
I Noncurrent assets		2,930,170		2,902,817					
A Noncurrent assets-									
telecommunications business		1,717,790		1,774,598					
(1) Property, plant and equipment*		1,493,126		1,554,992	I Noncurrent liabilities		503,073		561,661
1 Machinery	2,198,664		2,253,485		1 Bonds payable		170,000		190,000
Accumulated depreciation	1,645,211	553,453	1,669,413	584,072	2 Long-term loans payable		242,000		277,110
2 Antenna facilities	706,370		678,527		3 Lease obligations		2		10
Accumulated depreciation	402,460	303,910	358,595	319,932	4 Provision for retirement				
3 Terminal facilities	8,730		8,642		benefits		9,888		10,688
Accumulated depreciation	7,102	1,629	6,994	1,647	5 Provision for point service				
4 Local line facilities	199,311		197,134		program		62,833		64,705
Accumulated depreciation	163,482	35,830	156,990	40,144	6 Provision for warranties for				
5 Long-distance line facilities	95,606		100,276		completed construction		4,249		5,195
Accumulated depreciation	90,027	5,580	94,392	5,884	7 Asset retirement obligations		1,920		785
6 Engineering facilities	59,458		61,143		8 Other noncurrent liabilities		12,182		13,168
Accumulated depreciation	44,410	15,048	43,740	17,404					
7 Submarine line facilities	50,785		46,824						
Accumulated depreciation	45,418	5,367	44,630	2,193					
8 Buildings	369,514		366,949						
Accumulated depreciation	220,587	148,927	212,576	154,373					
9 Structures	81,927		81,097						
Accumulated depreciation	60,834	21,092	58,135	22,962	II Current liabilities		740,505		634,871
10 Machinery and equipment	4,637		5,874		1 Current portion of noncurrent				
Accumulated depreciation	4,553	84	5,767	107	liabilities		55,110		49,860
11 Vehicles	1,365		1,164		2 Accounts payable-trade		68,551		50,137
Accumulated depreciation	1,087	278	1,030	134	3 Short-term loans payable		133,737		128,521
12 Tools, furniture and fixtures	84,594		78,915		4 Lease obligations		8		8
Accumulated depreciation	61,904	22,690	60,554	18,361	5 Accounts payable-other		290,029		253,954
13 Land		260,505		244,663	6 Accrued expenses		5,860		6,267
14 Lease assets	43		43		7 Income taxes payable		114,791		82,374
Accumulated depreciation	33	10	26	17	8 Advances received		24,834		29,840
15 Construction in progress		118,723		143,098	9 Deposits received		27,010		14,354
(2) Intangible assets		224,664		219,606	10 Provision for bonuses		16,931		16,577
1 Right of using submarine					11 Provision for directors'				
line facilities		3,352		3,577	bonuses		142		145
2 Right of using facilities		10,305		10,697	12 Asset retirement obligations		3,501		2,833
3 Software		208,682		202,814					
4 Patent right		0		0					
5 Leasehold right		1,427		1,427					
6 Other intangible assets		897		1,091					
					Total liabilities		1,243,578		1,196,533

(Unit: Millions of yen)

Account item	As of March 31, 2017		(Reference) As of March 31, 2016		Account item	As of March 31, 2017		(Reference) As of March 31, 2016	
B Incidental business facilities		45,718		44,358	(Net assets)				
(1) Property, plant and equipment*	55,733		53,314						
Accumulated depreciation	28,243	27,490	24,612	28,702					
(2) Intangible assets		18,228		15,656					
C Investments and other assets		1,166,662		1,083,861	I Shareholders' equity		3,407,574		3,168,841
1 Investment securities		87,925		38,758	1 Capital stock		141,852		141,852
2 Stocks of subsidiaries and					2 Capital surplus		314,750		388,555
affiliates		733,896		662,990	(1) Legal capital surplus	305,676		305,676	
3 Investments in capital		64		59	(2) Other capital surplus	9,074		82,879	
4 Investments in capital of					3 Retained earnings		3,191,519		2,852,886
subsidiaries and affiliates		5,742		6,231	(1) Legal retained earnings	11,752		11,752	
5 Long-term loans receivable		3		4	(2) Other retained earnings				
6 Long-term loans receivable					Reserve for advanced				
from subsidiaries and					depreciation of noncurrent				
affiliates		88,435		152,085	assets	677		677	
7 Long-term prepaid expenses		133,077		115,548	Reserve for special				
8 Deferred tax assets		89,924		80,109	depreciation	1,281		1,806	
9 Other investment and other					General reserve	2,554,734		2,317,434	
assets		37,365		37,997	Retained earnings brought				
Allowance for doubtful accounts		(9,769)		(9,920)	forward	623,075		521,217	
II Current assets		1,732,606		1,476,365	4 Treasury stock		(240,547)		(214,452)
1 Cash and deposits		92,724		56,859					
2 Notes receivable-trade		5		10					
3 Accounts receivable-trade		1,253,334		1,186,106					
4 Accounts receivable-other		56,909		38,511	II Valuation and translation				
5 Supplies		64,013		68,356	adjustments		11,625		13,808
6 Advance payments - trade		–		5	1 Valuation difference on				
7 Prepaid expenses		24,727		26,031	available-for-sale securities		11,625		13,808
8 Deferred tax assets		27,632		28,636					
9 Short-term loans receivable									
from subsidiaries and									
affiliates		222,454		83,839					
10 Other current assets		7,133		4,299					
Allowance for doubtful accounts		(16,326)		(16,288)					
					Total net assets		3,419,199		3,182,649
Total assets		4,662,777		4,379,181	**Total liabilities and net assets**		4,662,777		4,379,181

* 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, 2017	(Reference) The fiscal year ended March 31, 2016
I Operating income and loss from telecommunications		
(1) Operating revenue	2,628,903	2,598,729
(2) Operating expenses	1,875,812	1,831,740
1 Business expenses	588,504	552,810
2 Operating expenses	33	36
3 Facilities maintenance expenses	268,861	262,494
4 Common expenses	2,535	2,372
5 Administrative expenses	88,182	79,896
6 Experiment and research expenses	7,296	7,111
7 Depreciation	347,123	352,139
8 Noncurrent assets retirement cost	27,250	38,738
9 Communication facility fee	500,415	495,339
10 Taxes and dues	45,613	40,805
Net operating income from telecommunications	753,090	766,989
II Operating income and loss from incidental business		
(1) Operating revenue	1,235,190	1,228,435
(2) Operating expenses	1,293,813	1,381,475
Net operating loss from incidental business	58,623	153,040
Operating profit	694,468	613,950
III Non-operating income	48,924	45,834
1 Interest income	1,133	1,300
2 Interest on securities	4	16
3 Dividends income	37,591	32,073
4 Miscellaneous income	10,196	12,445
IV Non-operating expenses	7,084	10,069
1 Interest expenses	1,283	2,104
2 Interest on bonds	2,958	3,109
3 Foreign exchange losses	1,566	2,837
4 Miscellaneous expenses	1,277	2,020
Ordinary profit	736,308	649,714
V Extraordinary income	3,495	1,334
1 Gain on sales of noncurrent assets	–	150
2 Gain on sales of investment securities	726	824
3 Gain on sale of stocks of related companies	2,228	–
4 Contribution for construction	540	360

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2017	(Reference) The fiscal year ended March 31, 2016
VI Extraordinary loss	26,710	7,514
1 Loss on sales of noncurrent assets	178	504
2 Impairment loss	23,021	5,650
3 Loss on retirement of noncurrent assets	1,153	103
4 Loss on valuation of investment securities	328	897
5 Loss on valuation of stocks of subsidiaries and affiliates	1,489	–
6 Reduction entry of contribution for construction	540	360
Profit before income taxes	713,093	643,534
Income taxes-current	196,336	173,523
Income taxes-deferred	(7,451)	24,330
Profit	524,208	445,681

(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, 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

(Reference) The fiscal year ended March 31, 2016

(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	80,266	11,752	660	2,300	2,111,234	444,180
Changes of items during the fiscal year								
Dividends from surplus								(162,921)
Reversal of reserve for special depreciation						(535)		535
Adjustment to surplus due to change in tax rate						42		(42)
Adjustment to reserve due to change in tax rate					17			(17)
Provision of general reserve							206,200	(206,200)
Profit								445,681
Purchase of treasury stock								
Disposal of treasury stock			2,612					
Net changes of items other than shareholders' equity								
Total changes of items during the fiscal year	–	–	2,612	–	17	(494)	206,200	77,037
Balance at the end of current period	141,852	305,676	82,879	11,752	677	1,806	2,317,434	521,217

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(161,822)	2,936,098	18,171	2,954,269
Changes of items during the fiscal year				
Dividends from surplus		(162,921)		(162,921)
Reversal of reserve for special depreciation		–		–
Adjustment to surplus due to change in tax rate		–		–
Adjustment to reserve due to change in tax rate		–		–
Provision of general reserve		–		–
Profit		445,681		445,681
Purchase of treasury stock	(55,121)	(55,121)		(55,121)
Disposal of treasury stock	2,492	5,104		5,104
Net changes of items other than shareholders' equity			(4,363)	(4,363)
Total changes of items during the fiscal year	(52,630)	232,742	(4,363)	228,379
Balance at the end of current period	(214,452)	3,168,841	13,808	3,182,649

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

Independent Auditor's Report (Consolidated)

Independent Auditors' Report
(English Translation)

May 9, 2017

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, 2017, and the consolidated statement of comprehensive income and statement of changes in equity for the year then ended, and the important matters that are to become the basis for preparation of consolidated financial statements and other explanatory notes.

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, 2017, 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 comprehensive 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 9, 2017

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, 2017, and the statement of income, statement of changes in equity for the year then ended, and the explanatory notes to the financial statements and annexed detailed statements thereof.

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 annexed detailed statements thereof that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements and 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 annexed detailed statements thereof present fairly, in all material respects, the financial position of KDDI CORPORATION as of March 31, 2017, and their financial performance for the year then ended in conformity 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 33rd fiscal year from April 1, 2016 to March 31, 2017, 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; October 28, 2005) and other standards, and requested them to provide explanation when needed.

Based on the above method, the Audit & Supervisory Board has examined the 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 11, 2017

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.

To Shareholders

Internet Disclosure of the Notice of Convocation of the 33rd 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, 2016 to March 31, 2017)

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/20170621/), 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, KDDI passed the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. The Company aims to ensure fair, transparent and efficient execution of its corporate duties and to maintain an effective system for internal controls.

1. Corporate Governance

(1) The Board of Directors

The Board of Directors is composed of both internal and outside Directors, who determine important legal matters as stipulated by laws and regulations based on the Board of Directors Rules and agenda standards. In addition, the Board of Directors oversees the competent execution of business duties by the Directors themselves.

Information pertaining to the execution of business duties by the Directors must be stored and managed appropriately in accordance with internal rules.

(2) System for executing business operations

The Executive Officers' System aims to clarify both the delegation of authority and responsibility system, as well as ensure that operations are executed effectively and efficiently.

The Corporate Management Committee, which is composed of Directors and 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 additionally, measures shall be taken to enable their attendance at the principle internal meetings of the Company.
2) Directors and Internal Auditing Division aim to collaborate with Audit & Supervisory Board Members by providing timely and appropriate information necessary for them to execute their business duties, as well as by exchanging opinions and ideas.
3) The Audit & Supervisory Board Member's Office was established to support the business duties of the Audit & Supervisory Board Members; in order to ensure appropriate staffing levels due consideration shall be given to aptitude, the number of personnel required, etc., and the opinion of the Audit & Supervisory Board Members.
4) Measures shall be taken to ensure that persons making reports to Audit & Supervisory Board Members are not given disadvantageous treatment due to making such reports.
5) Expenses necessary to enable effective execution of business duties by Audit & Supervisory Board Members shall be ensured.

2. Compliance

(1) All Directors and employees should continuously maintain high ethical standards in accordance with the basic principles set forth in the "KDDI Action Guideline," which should be complied with, and aim to execute their business duties properly.
(2) Firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.
(3) Each KDDI Group company shall make efforts to promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents, at KDDI Group company meetings pertaining to business ethics.
(4) The Company shall aim to appropriately operate a compliance-related internal reporting system established both internally and externally to the company.
(5) The Company shall strive to improve the understanding and awareness of compliance through both internal and external training and internal enhancement activities.

3. Risk Management for Achieving Business Objectives Fairly and Efficiently

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

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

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

1) All Divisions and their Directors shall work in cooperation with the Risk Management Division, which regularly identifies and uniformly manages risk information. The KDDI Group's risks shall be managed appropriately and in accordance with internal regulations, and efforts shall be made to achieve business objectives fairly and efficiently.

2) The Company shall examine and formulate measures for minimizing the risk to business as much as possible, in order to respond to events which could have serious and long-term effects on corporate business.

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

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

(3) As a telecommunications carrier, the Company shall implement the following initiatives:

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

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

3) Recovering networks and services in times of disaster
In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, the Company shall formulate a Business Continuity Plan (BCP) and implement measures to improve network reliability and prevent the halting of services.
In order to facilitate a prompt recovery in times of emergency or disaster, a Disaster Response Headquarters shall be established as expeditiously as possible.

4. Initiatives relating to working together with stakeholders

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

1) By regarding all stakeholders as customers, and through the prompt and appropriate response to customer needs and complaints, all Directors, Executive Officers and Employees shall engage in Total Customer Satisfaction (TCS) activities that aim to improve the level of customer satisfaction. To promote these activities, efforts shall also be made at meetings pertaining to TCS to evaluate and improve TCS activities.

2) In addition to providing customers with safe, secure, high-quality products and services in compliance with the pertinent laws and regulations, information about products and services should be provided in an easy-to-understand format and indicated appropriately, so that customers can select and use the most appropriate product and/or service.

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

(3) The KDDI Group's business risk shall be fairly identified and disclosed in a timely and appropriate manner at meetings pertaining to information disclosure. In addition, CSR reports (sustainability reports) shall be created and disclosed, centering on those departments promoting CSR, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

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

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

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

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

(4) The Company shall make efforts to promptly identify and resolve any serious violation of laws and regulations or other compliance-related matters or incidents at subsidiaries through KDDI Group company meetings pertaining to business ethics, and all employees of subsidiaries shall continuously maintain high ethical standards in accordance with the basic principles set forth in the “KDDI Action Guideline” and ensure a system under which they execute their business duties properly.

6. Internal Audits

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

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 2016 the Board of Directors met 12 times to discuss important matters 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 2016, the Corporate Management Committee met 16 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) In addition to attending meetings of the Board of Directors, the Company's Audit & Supervisory Board Members attend the main internal meetings, such as those of the Corporate Management Committee, the Disclosure Committee, the KDDI Group Business Ethics Committee and the Information Security Committee.
2) In fiscal 2016 regular meetings to exchange opinions with the representative directors, informal gatherings between representative directors and part-time Audit & Supervisory Board Members, and one-on-one meetings with Directors numbered 12 in total. In addition there were exchanges of opinion with the Directors of the 40 domestic and overseas Group companies and with the internal audit division (five times annually), with the aim fostering cooperation by having executives supply information to and exchange opinions with Audit & Supervisory Board Members.
   With regard to other important matters reported to management, on each occasion these were relayed to Audit & Supervisory Board Members.
3) The Auditing Office was established to support the business duties of the Audit & Supervisory Board Members. With regard to Office staff, the Personnel Department gives due consideration to the opinion of the Audit & Supervisory Board Members and ensures that there is a full complement of personnel.
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 the “KDDI Action Guideline,” basic rules with which all Directors and employees should comply, however, in order to reflect the changes in the current business environment, it was revised in April 2016. We are working to inform all employees of this through distribution of e-mail magazines, etc.

(2) Dealing with antisocial forces

The Company held investigative meetings on antisocial forces in 2016 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, in addition to publicizing reporting hotlines throughout the KDDI group, during business ethics month (from October to November 2016), group companies conduct activities to raise awareness, such as e-learning as well as distribution of e-mail magazines and placing posters within offices.

(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 2016, 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

In order to prevent leaks of customer information and cyber-terrorism against networks for telecommunication services, the Information Security Committee meets six times a year to plan and promote the information security measures of the KDDI Group.

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 2016, as well as revising the BCP for the whole company in December, the Company also carried out occurrence of a disaster.

In fiscal 2016, two major disasters occurred, the Kumamoto Earthquake and Typhoon No. 10, and in both cases the Company set up a Disaster Response Headquarters to swiftly recover 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) TCS activities

The Company regards all of its stakeholders as customers and its Total Customer Satisfaction (TCS) Committee meets once a month as a rule to promote TCS activities, seeking to improve customer satisfaction by having all Directors and employees respond promptly and appropriately to customer requests and complaints.

In fiscal 2016, the Consumer, Solutions, technical issues and efforts for CX (increasing customer experience value) were discussed, improvement measures were considered and subsequently implemented.

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.

(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 gathered together non-financial information related to the environment, society and governance in reports (CSR reports) that was released in August 2016.

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

(1) Applying the "Persons responsible for internal control" systems to the whole of the KDDI Group

We have been implementing "persons responsible for internal control" systems in KDDI Group companies throughout Japan and key supervising locations overseas, as well as in three new companies which joined the group in fiscal 2016.

(2) System for appropriate and timely reports from Group companies

All companies of the Group and the Company hold the Risk Management Liaison

Meeting twice a year, where risk information is thoroughly reported.
Rules for Group companies reporting accidents and the like to the Company have been stipulated for each company.

(3) Risk management at Group companies
Persons responsible for internal control at Group companies carry out inspections related to important risks at each company, exposing the issues and managing the response, as well as sharing with the Company, while the Company confirms each company's issues and provides support for reviewing and implementing measures.

(4) KDDI Group Business Ethics Activities
At the Business Ethics Committee meetings, held in principle twice-yearly by each company of the KDDI Group, participants share information on compliance problems as well as the status of accident occurrence and measures for dealing with them. They also strive to improve business ethics and ensure the proper systems for executing duties in collaboration with all companies of the KDDI 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, then the summary is reported to the Board of Directors.

Notes for 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: 165
   - Principal consolidated subsidiaries:
     Okinawa Cellular Telephone Company, Jupiter Telecommunications Co., Ltd., UQ Communications Inc. (Note), BIGLOBE Inc., 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
   - BIGLOBE Inc., two subsidiaries of that company: Due to new stock acquisition

   Names of principal companies excluded from consolidated subsidiaries and reasons for exclusion
   - CDNetworks Co., nine subsidiaries of that company: Due to sales of stock

   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: 35
   - 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. 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 plus, in the case of financial asset not at fair value through profit or loss, 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, debt instruments at fair value through other comprehensive income, equity instruments 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) Debt instruments at fair value through other comprehensive income

A debt instrument that meets both the following condition is 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.

  A debt instrument at fair value through other comprehensive income is 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) Equity instruments at fair value through other comprehensive income

The Group makes an irrevocable election to recognize changes in fair value of investments in equity instruments 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.

An equity instrument at fair value through other comprehensive income is 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 equity instrument is derecognized or its fair value substantially decreased.

Dividends 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 "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in 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 debt instrument 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 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 debt when the Group becomes a party to the contractual provisions of the instruments.
   (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 at fair value less transaction cost directly attributable to the issuance of the financial liability. 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 distinguished, 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 provision for doubtful 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 provision for doubtful 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, trade receivables' expected credit losses are recognized over their remaining lives since inception.
   - External credit rating of the financial asset
   - Downgrade of internal credit rating (internal credit rating system with mapping to external rating is more reliable)
   - Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
   - Reduced financial support from the parent company or associated companies
   - Delinquencies

   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 reporting period.
   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, when the Group assess whether the hedge relationship is effective, the Group assess whether 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.
The hedge of effectiveness is assessed about whether the hedge is expected to be effective for future hedging periods.
The effective portion of changes in the fair value 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 affects 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 (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 hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, accumulated amount of gains or losses recorded in equity is 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 mobile handsets and materials / 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 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 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 capitalization.
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 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 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 Group applies the cost method in measuring intangible assets, excluding goodwill. Those assets are recorded at cost less accumulated amortization and impairment losses.

Intangible assets acquired separately are measured at 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 when 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 in the case where the expenditure is able to measure reliably, product or production process has commercial and technical 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	8 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 cost of acquisition 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 CGUs, or groups of CGUs, that is 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 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, intangible assets and goodwill

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 the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset 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 assets 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 increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (net of depreciation and amortization) 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 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. Unwinding 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 that subscribers have earned under the point services such as “au WALLET Point Program.” 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 (defined 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 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 are recognized as expenses 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 gain 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 (“the mobile communications service fees”), and commission fees such as activation fees. 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 (“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 Company sells mobile handsets to distributors and enters into communications service contracts with customers through the distributors, and “Direct sales” where the Company and certain subsidiaries of the Company 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

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.

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, activation fees are deferred upon entering into the contract and recognized as revenue over the estimated average contract period. Administration fees for mobile contract are recognized as revenue over the estimated average usage period of handsets with the customers. Direct costs related to activation are deferred to the extent of the activation fees and upgrade fees, and amortized over the respective same period. Points granted to customers through the customer loyalty program 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 ("the fixed-line telecommunications service income").

The fixed-line telecommunications service income is recognized 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 includes the revenue from contents service mainly comprises membership fees for the contents provided to the customers on the websites that the Group operates or the Group jointly operates with other entities. Revenue through collection agency commissions includes 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 from the membership fees are recognized over the service period based on the nature of each contract.

The Group may act as a principal 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, latitude in establishing 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 evaluates whether revenue from information fee should be presented on net basis or gross basis by judging 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. 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, the service the Group provides is the platform and is presented on net basis as the commission income.

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 principal 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 data center services ("the solution service income").

The solution service income is recognized 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 as profit or loss on disposal of foreign operations.

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

(Consolidated Statement of Financial Position)

1. Allowance for doubtful accounts directly deducted from assets

Other long-term financial assets	¥43,899 million
Trade and other receivables	¥20,247 million
Total	¥64,146 million

2. Accumulated depreciation of property, plant and equipment
¥3,571,312 million

3. Assets pledged as collateral and secured liabilities
(The Company)
In compliance with Article 4 of the Supplementary Provisions to the "Law Concerning the Rationalization of Regulations in the Telecommunications Field," the total assets of the Company have been pledged as general collateral for the corporate bonds issued.

Bonds	¥20,000 million

(Consolidated subsidiaries)
In accordance with Article 14, paragraph 1 of the Act on Settlement of Funds, assets held in trust as security deposits are as follows.

Japanese government bonds	¥3,002 million

Other assets pledged as collateral:

Property, plant and equipment	¥86 million
Other short-term financial assets	¥199 million

Stocks of subsidiaries and affiliates (Note)	¥768 million
Total	¥1,053 million

(assets denominated in foreign currencies included: US$1 million and other)

Corresponding liabilities:

Long-term loans payable (Note)	¥184 million
Current portion of Long-term borrowings	¥112 million
Trade and other payables	¥1 million
Short-term loans payable (Note)	¥1,241 million
Total	¥1,537 million

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

Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on bank borrowings. The balance of these loans payable as of March 31, 2017 was ¥18,198 million. These loans payable are not included in the above long-term loans payable or short-term loans payable.

Borrowings from various financial institutions are carried out accompanying acquisitions, etc. in some subsidiaries of the Group. Such borrowings require compliance with the financial covenants of maintenance of shareholder investment, maintenance of net assets and maintenance of a balance sheet in surplus. The balance payable on loans with financial covenants as of March 31, 2017 was ¥497,509 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.

4. Contingent liabilities
   Contingent liabilities existing in cable system supply contract ¥5,610 million

(Consolidated Statement of Changes in Equity)

1. Class and number of shares outstanding as of March 31, 2017
   Common stock 2,620,494,257 shares

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

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
June 22, 2016 Annual shareholders meeting (Note) 1,2	Common stock	¥87,131 million	¥35	March 31, 2016	June 23, 2016
November 1, 2016 Meeting of the Board of Directors (Note) 1,2	Common stock	¥98,314 million	¥40	September 30, 2016	December 2, 2016

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 21, 2017 Annual shareholders meeting (Note) 1,2	Common stock	¥110,603 million	Retained earnings	¥45	March 31, 2017	June 22, 2017

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 payable.
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 securities 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 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 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 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 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 foreign exchange risk that arises in relation to the U.S. dollar.

The Group conducts hedges 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 loans payable or 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 by interest rate fluctuation.

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 payable on long-term loans payable.

(c) Price risk on equity instruments

Price risk on equity instruments is the risk of fluctuation of the fair price or the value of the future cash flows of a financial product by changes to 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	92,797	92,797	–
Financial assets at fair value through profit or loss			
Derivatives			
Exchange contracts	454	454	–
Total	93,251	93,251	–
Financial liabilities:			
Other financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivatives			
Exchange contracts	15	15	–
Interest swaps	7,183	7,183	–
Total	7,198	7,198	–

2) Financial instruments at amortized cost

(Unit: Millions of yen)

	Book value	Fair value	Difference
Financial assets:			
Other financial assets			
Japanese government bonds	3,002	3,117	115
Outstanding lease receivable	58,263	56,853	(1,410)
Total	61,265	59,970	(1,295)
Financial liabilities:			
Borrowings and bonds payable			
Borrowings payable	775,848	779,639	3,790
Bonds payable	189,747	196,025	6,278
Other long-term financial liabilities			
Lease obligations	89,171	91,119	1,948
Preference shares	95,000	102,134	7,134
Total	1,149,767	1,168,917	19,150

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-current 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 by the current value.

(b) Interest swaps

Concerning the fair value of interest swaps, the value of future cash flows is calculated using the current 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 current price 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 current 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	¥1,446.15
2. Basic earnings per share	¥221.65

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 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.

(Other Notes)

(Impairment loss)

The Group recognized impairment loss of ¥37,488 million for the year ended March 31, 2017. 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, idle assets, etc. (Tokyo, etc.)	Mainly Telecommunications business	Machinery, local line facilities, etc.	37,114

For assets with declining utilization rates including some communications facilities and idle assets, the book value has been reduced to recoverable amount. The said reduction is recognized as an impairment loss of ¥37,114 million, recorded as cost of sales in the consolidated statement of income and recorded in mainly personal segment. This consists of ¥34,168 million for machinery, ¥779 million for local line facilities, and ¥2,168 million for others.

The recoverable amount of these assets was estimated based on the fair value less costs of disposal. Because these assets were difficult to sell to other uses, the fair value hierarchy of these assets was classified as level 3 and the fair value was ¥0.

(Business combinations)

Jupiter Shop Channel Co., Ltd.

On March 14, 2016, Jupiter Shop Channel Co., Ltd. became a consolidated subsidiary of the Group through the acquisition of 55% of the voting shares.
Since allocation of the consideration transferred had not been completed when the annual financial statements ended March 31, 2016 were authorized for issue, the amount of some assets and liabilities were recognized on a provisional basis.
In the year ended March 31, 2017, the allocation was completed. The consideration transferred and the revised fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date are as follows.

(1) Acquisition price

(Unit: Millions of yen)

		Controlling interest acquisition date (March 14, 2016)
Payment in cash		85,488
Total consideration for acquisition	A	85,488

(2) Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

(Unit: Millions of yen)

		Controlling interest acquisition date (March 14, 2016)
Non-current assets		
Property, plant and equipment		4,080
Intangible assets		128,977
Other		3,456
Total non-current assets		136,513
Current assets		
Trade and other receivables		5,345
Cash and cash equivalents		16,199
Other		6,437
Total current assets		27,981
Total assets		164,494
Non-current liabilities		
Borrowings and bonds payable		66,363
Deferred tax liabilities		38,129
Other		2,154
Total Non-current liabilities		106,646
Current liabilities		
Borrowings and bonds payable		1,148
Trade and other payables		9,918
Other		6,729
Total current liabilities		17,795
Total liabilities		124,441
Net assets	B	40,052
Non-controlling interests	C	47,141
Goodwill	A−(B−C)	92,576

As a result of completion of allocation during the fiscal year ended March 31, 2017, the amount of goodwill on the acquisition date decreased by ¥44,027 million from the initial provisional amount. This is mainly due to the increase in intangible assets of ¥118,395 million, deferred tax liabilities of ¥38,129 million and non-controlling interests of ¥36,020 million. According to this revision, profit for the previous fiscal year in the consolidated statement of income increased 1,379 million. The impact on basic earnings per share was immaterial.

The opening retained earnings and non-controlling interest in the consolidated statement of changes in equity for the current period are the amounts after the above revision to the allocation amount was implemented.

BIGLOBE Inc.

(i) Overview of business combination
On January 31, 2017, the Company acquired all of the shares of special purpose entities ("BJHD2 and BJHD3") that hold 100%of the shares of BIGLOBE Inc. ("BIGLOBE") from Japan industrial Partners, Inc. and others. As a result, BIGLOBE and its consolidated subsidiaries became Company's consolidated subsidiaries on the same date.

(ii) Reason for execution of business combination
Upon the acquisition, the Company and BIGLOBE will utilize their respective customer base, business expertise, and so forth to expand business through synergies between the two companies, not only in the telecommunications domain, but also in non-telecommunications domains such as settlement business and product sales business.

(iii) Name and business description of acquired company (as of March 31, 2017)

Name	BIGLOBE Inc.
Establishment date	April, 2014
Location	Shinagawa Seaside Park Tower, 12-4, Higashi-shinagawa 4-chome, Shinagawa-ku, Tokyo
Representative	President, Representative Director Takeshi Ariizumi
Description of business	Information services using networks such as the Internet; information provider services
Paid-in capital	¥8,881 million

BJHD2 and BJHD3 are intermediate holding companies which were founded to hold the shares of BIGLOBE.

(iv) The percentages of voting equity interests acquired are as follows:

BJHD2 and BJHD3	100%
BIGLOBE	100%

(v) Controlling interest acquisition date
January 31, 2017

(vi) Acquisition price and its breakdown

(Unit: Millions of yen)

		Controlling interest acquisition date (January 31, 2017)
Payment in cash		36,996
Total consideration for acquisition	A	36,996

The acquisition-related costs relating to this business combination amounted to ¥321 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 31, 2017)
Non-current assets		
Property, plant and equipment	(Note) 1	5,115
Intangible assets	(Note) 1	71,057
Other		3,596
Total non-current assets		79,768
Current assets		
Trade and other receivables	(Note) 2	16,370
Cash and cash equivalents		4,538
Other		915
Total current assets		21,823
Total assets		101,591
Non-current liabilities		
Borrowings and bonds payable		20,560
Other		889
Total Non-current liabilities		21,449
Current liabilities		
Borrowings and bonds payable		46,000
Trade and other payables		10,893
Other		5,094
Total current liabilities		61,986
Total liabilities		83,435
Net assets	B	18,155
Goodwill	(Note) 3 A−B	18,841

The price 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 non-current intangible assets:
Property, plant and equipment was mainly buildings and machinery while the non-current 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 ¥16,370 million fair value of acquired trade receivables and other receivables (mainly accounts receivable - trade), total contractual amounts was ¥16,370 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 the amount 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 31, 2017)
Cash component of acquisition price	(36,996)
Cash and cash equivalents held by acquired company at the time of controlling interest acquisition	4,538
Total cash payment for controlling interest acquisition of subsidiary	(32,458)

(ix) Net sales and net income of acquired company

The net sales and net income 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, 2017 was ¥16,309 million, and ¥987 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, net sales and net income in the consolidated statement of income for the fiscal year ended March 31 2017 would have been ¥4,798,650 million and ¥644,371 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 for Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for major assets

   (1) Securities

   Stocks of subsidiaries and affiliates

   Valued at cost determined by the moving-average method

   Available-for-sale securities

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

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

   (2) Inventories

   Supplies

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

2. Depreciation and amortization of noncurrent assets

   Property, plant and equipment other than lease assets

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

   Useful lives of major assets are as follows:

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

   Intangible assets: straight-line method

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

   Lease assets

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

   Long-term prepaid expenses: straight-line method

3. Principle for calculation of allowances

   Allowance for doubtful accounts

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

   Provision for retirement benefits

   To prepare for the payments of retirement benefits to employees, the Company records the amount to be accrued as of March 31, 2017 based on projected benefit obligations and estimated value of plan assets as of March 31, 2017.

   When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2017.

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

   Provision for point service program

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

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

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

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

4. Other important matters for the basis of preparing non-consolidated financial statements
   (1) Accounting method for deferred assets
   Bond issuance expenses: recorded as expenses when incurred
   (2) Accounting method for consumption taxes
   Consumption taxes are accounted for using the net method of reporting.
   Non-deductible consumption taxes relating to assets are accounted for as an expense in the fiscal year under review.

(Non-Consolidated Balance Sheets)

1. Assets pledged as collateral
   (1) Assets pledged as collateral are as follows:

Stocks of subsidiaries and affiliates	¥768million

   Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on the balance of bank borrowings of ¥18,198 million by that company as of March 31, 2017.

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

Bonds	¥20,000 million

2. Contingent liabilities, etc.

(1) Guarantor for office lease contract	¥5,606 million
(2) Contingent liabilities for cable system supply contract	¥5,610 million

3. Monetary claims and monetary liabilities to subsidiaries and affiliates

Long-term monetary claims	¥88,491 million
Short-term monetary claims	¥281,525 million
Long-term monetary liabilities	¥407 million
Short-term monetary liabilities	¥203,385 million

4. Reduction entry amount of noncurrent assets

Reduction entry amount attributable to aid for construction cost (cumulative total)	¥15,571 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	¥181,897 million
Loans receivables outstanding	¥102,780 million
Remaining portion of credit line	¥79,117 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	¥224,257 million

Operating expenses to subsidiaries and affiliates	¥432,348 million
Non-operating transactions with subsidiaries and affiliates	¥40,333 million

2. Impairment loss ¥23,021 million

In the year ended March 31, 2017, 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	Machinery, Local line facilities, etc.	23,021

In the year ended March 31, 2017, 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 ¥23,021 million, an extraordinary loss. This consists of ¥18,134 million for Machinery, ¥2,476 million for local line facilities, and ¥2,411 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, 2016	Increase during the fiscal year ended March 31, 2017	Decrease during the fiscal year ended March 31, 2017	As of March 31, 2017
Shares outstanding				
Common stock	2,690,890,800	–	70,396,543	2,620,494,257
Total	2,690,890,800	–	70,396,543	2,620,494,257
Treasury stock				
Common stock	201,421,255	31,650,800	70,430,647	162,641,408
Total	201,421,255	31,650,800	70,430,647	162,641,408

(The reason of the above changes)

1. The decrease of 70,396,543 shares in the number of common stocks outstanding is due to the retirement of treasury stock (retirement date: May 18, 2016).
2. The increase of 31,650,800 shares in the number of common stocks in treasury stock is due to a share buyback based on a resolution at the Board of Directors meeting dated May 12, 2016.
3. The decrease of 70,430,647 shares in the number of common stocks in treasury stock is due to the retirement of 70,396,543 shares of treasury stock (retirement date: May 18, 2016) and the issuance, etc. of 34,104 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 1,703,896 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 22, 2016 Annual shareholders meeting	Common stock	¥87,192 million	¥35	March 31, 2016	June 23, 2016
November 1, 2016 Meeting of the Board of Directors	Common stock	¥98,382 million	¥40	September 30, 2016	December 2, 2016
Total		¥185,575 million			

Notes 1: The total amount of dividends decided by the Annual shareholders meeting on June 22, 2016 includes a dividend of ¥61 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, 2016 includes a dividend of ¥68 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 21, 2017, the Company has proposed the following matters regarding dividends of common stock.

1) Total dividends ¥110,680 million
2) Dividends per share ¥45
3) Record date March 31, 2017
4) Effective date June 22, 2017

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

2: The total amount of dividends includes a dividend of ¥77 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	5,888
	Excess amount of allowance for doubtful accounts, etc.	9,137
	Provision for point service program	19,353
	Denial of accrued expenses	3,314
	Excess amount of depreciation and amortization	24,659
	Denial of loss on retirement of noncurrent assets	4,126
	Denial of loss on valuation of inventories	3,548
	Accrued enterprise taxes	5,194
	Denial of impairment loss	31,338
	Denial of advances received	5,831
	Loss on valuation of investment securities	169
	Loss on valuation of stocks of subsidiaries and affiliates	11,317
	Other	1,332
Total deferred tax assets		125,206
Deferred tax liabilities:	Provision for retirement benefits	(244)
	Reserve for special depreciation	(566)
	Valuation difference on available-for-sale securities	(5,087)
	Gain on exchange from business combination	(1,455)
	Other	(298)
Total deferred tax liabilities		(7,650)
Net deferred tax assets		117,556

(Additional Information)

1. (Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)
   Effective from the fiscal year under review, the Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016). This change has no impact on the non-consolidated financial statements.

(Financial Instruments)

1. Status of financial instruments
   (1) Policy relating to financial instruments
   In light of plans for capital investments primarily for conducting telecommunications business, the Company raises the funds it requires through bank loans and bonds issuance. The Company manages temporary fund surpluses through financial assets that have high levels of safety. Further, the Company raises short-term working capital through bank loans. Regarding derivatives policy, the Company adheres to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.
   (2) Details of financial instruments, associated risk, and risk management system
   Trade receivables such as accounts receivable-trade and accounts receivable-other are exposed to credit risk in relation to customers and trading partners. For such risk, the Company has established a system that manages the due dates and balances of each customer and trading partner as well as conducts analysis of their credit status, based on the Company’s criteria for managing credit exposure.
   The Company is exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the shares of companies with which the Company has operational relationships, and periodic analysis of market values is reported to the Board of Directors.
   Almost all trade payables such as accounts payable-trade, accounts payable-other, accrued expenses and income taxes payable have payment due dates within one year. Those trade payables are exposed to liquidity risk at the time of settlement. However, the Company reduces that risk by reviewing fund-raising plans every month.
   Among loans payable, short-term loans payable are primarily for fund raising related to sales transactions, and long-term loans payable are primarily for fund raising related to capital investments and other investments and financing. 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, 2017 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	92,724	92,724	–
2)	Accounts receivable-trade	1,253,334		
	Allowance for doubtful accounts *1	(16,326)		
		1,237,008	1,237,008	–
3)	Accounts receivable-other	56,909	56,909	–
4)	Investment securities			
	Available-for-sale securities	69,084	69,084	–
5)	Short-term loans receivable from subsidiaries and affiliates *2	102,780	102,780	–
6)	Stocks of subsidiaries and affiliates	5,677	64,596	58,919
7)	Long-term loans receivable from subsidiaries and affiliates *3	208,109	208,066	(44)
Total assets		1,772,293	1,831,167	58,875
8)	Accounts payable-trade	68,551	68,551	–
9)	Short-term loans payable	133,737	133,737	–
10)	Accounts payable-other	290,029	290,029	–
11)	Accrued expenses	5,860	5,860	–
12)	Income taxes payable	114,791	114,791	–
13)	Deposits received	27,010	27,010	–
14)	Bonds payable *4	190,000	195,975	5,975
15)	Long-term loans payable *4	277,110	279,063	1,953
Total liabilities		1,107,088	1,115,016	7,928

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

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

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

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

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

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

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

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

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

7) Long-term loans receivable from subsidiaries and affiliates

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

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

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

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

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

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

(Unit: Millions of yen)

	Book value
Investment securities Unlisted equity securities	18,841
Stocks of subsidiaries and affiliates Unlisted equity securities*	728,218
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 ¥46,153 million
Amount of investments in affiliates based on equity method ¥92,371 million
Amount of equity in net income of affiliates based on equity method ¥2,755 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, 2017
Financial support Sharing of concurrent positions by board members	Lending of funds (Note 1)	35,523	Long-term loans receivable from subsidiaries and associates	25,500
			Short-term loans receivable from subsidiaries and associates	62,115
	Receipt of interests	106	Accounts receivable-other	0

(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, 2017
Financial support Sharing of concurrent positions by board members	Lending of funds (Note 1)	5,043	Long-term loans receivable from subsidiaries and associates	15,000
			Short-term loans receivable from subsidiaries and associates	117,095
	Receipt of interests	465	Accounts receivable-other	97

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

Note 1: Borrowing periods are set to match the characteristics of the demand for funds, and interest rates are set in a rational manner taking into account market interest rates on borrowings for the corresponding period. As these transactions are performed in the interest of efficient funding within the group, no collateral is provided or received. The amount shown for the amount of lending of funds is the amount of change since April 1, 2016.

(Per Share Information)

1. Net assets per share ¥1,391.13
2. Net income per share ¥212.55

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 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.
For the fiscal year under review, the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year owned by the trusts is 1,703,896 shares and 1,709,658 shares.

(Application of Restrictions on Maximum Dividend Payments)

The Company is subject to restrictions on maximum dividend payments.

Note: Amounts are rounded to the nearest million yen.