



This translation is to be used solely as a reference and the consolidated financial statements in this release are unaudited.

Financial Statements Summary for the Six-month period ended September 30, 2015 [IFRS]

November 5, 2015

Company name **KDDI CORPORATION**
 Stock exchange listing Tokyo First Section
 Securities code 9433 URL <http://www.kddi.com>
 Representative Takashi Tanaka, President
 Quarterly statement filing date (as planned) November 10, 2015
 Dividend payable date (as planned) December 7, 2015
 Supplemental material of quarterly results: Yes
 Convening briefing of quarterly results: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six-month period ended September 30, 2015 (April 1, 2015 to September 30, 2015)

(1) Consolidated Operating Results

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

	Operating revenue		Operating income		Profit for the period before income tax		Profit for the period		Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
		%		%		%		%		%		%
Six-month period ended September 30, 2015	2,151,755	6.0	451,430	18.0	445,050	16.3	305,449	25.0	277,459	22.3	300,241	21.0
Six-month period ended September 30, 2014	2,030,153	-	382,535	-	382,773	-	244,322	-	226,817	-	248,227	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six-month period ended September 30, 2015	110.76		-	
Six-month period ended September 30, 2014	90.55		-	

(2) Consolidated Financial Positions

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
				%
As of September 30, 2015	5,575,561	3,413,765	3,258,136	58.4
As of March 31, 2015	5,626,725	3,223,012	3,064,038	54.5

2. Dividends

	Dividends per share				
	1 st Quarter End	2 nd Quarter End	3 rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	-	80.00	-	90.00	170.00
Year ending March 31, 2016	-	35.00	-	-	-
Year ending March 31, 2016 (forecast)	-	-	-	30.00	65.00

Note: Changes in the latest forecasts released: None

3. Consolidated Financial Results Forecast for Year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(Percentage represents comparison to previous fiscal year)

	Operating revenue		Operating income		Profit for the year attributable to owners of the parent		Basic earnings per share	
		%		%		%		Yen
Entire Fiscal Year	4,400,000	-	820,000	-	490,000	-	195.53	

Note: Changes in the latest forecasts released: None

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation) during the six-month period ended September 30, 2015 : None

(2) Changes in accounting policies and estimates

1) Changes in accounting policies required under IFRSs : None

2) Other changes in accounting policies : None

3) Changes in accounting estimates : None

(3) Numbers of Outstanding Shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock) As of September 30, 2015 2,690,890,800

As of March 31, 2015 2,690,890,800

2) Number of treasury stock As of September 30, 2015 184,836,555

As of March 31, 2015 185,954,982

3) Number of weighted average common stock For the six-month period ended September 30, 2015 2,505,116,756

outstanding (cumulative for all quarters) For the six-month period ended September 30, 2014 2,504,935,956

Note: The 1,738,000 shares of the Company's stock owned by the executive compensation BIP Trust account and the stock-granting ESOP Trust account are included in the total number of shares of treasury stock as of September 30, 2015.

Indication of Quarterly Review Procedure Implementation Status

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

Explanation for Appropriate Use of Forecasts and Other Notes

1. The Company has adopted IFRSs from the first quarter of the fiscal year ending March 31, 2016. For information about the differences in financial figures between IFRSs and Japanese GAAP, please refer to "3. Condensed Interim Consolidated Financial Statements, (7) Notes to Condensed Interim Consolidated Financial Statements, 6. First-time adoption of IFRSs" on P.54.

2. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI Corporation (hereafter: the "Company") and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to P.16 "1. Qualitative Information / Consolidated Financial Statements, etc. (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results" under [the Attachment] for the assumptions used and other notes.

3. The Company conducted a 1:3 stock split on common stock with an effective date of April 1, 2015. As a result, basic earnings per share, diluted earnings per share and numbers of shares outstanding have been calculated as if the stock split was conducted at the beginning of the previous fiscal year.

4. The Company holds a convening briefing of quarterly results for institutional investors and analysts on Thursday November 5, 2015. Documents distributed at the briefing are scheduled to be posted on our website at the same time as the release of the financial statements summary. Videos and main Q&As are planned to be posted immediately after the briefing.

In addition to the above convening briefing, the Company holds conferences on its business and results for individual investors. Please check our website for the schedule and details.

[the Attachment]

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Glossary

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

1. Qualitative Information / Consolidated Financial Statements, etc.

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 first quarter of the fiscal year under review (transition date : April 1, 2014). 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 investors and other stakeholders.

For details of adjustments made in line with the shift from Japanese GAAP to IFRSs, please see “3. Condensed Interim Consolidated Financial Statements, (7) Notes to Condensed Interim Financial Statements, 6. First-time adoption” on page 54.

(1) Explanation on Financial Results

1) Results Overview

Industry Trends and KDDI’s Position

The Japanese telecommunications market continues to shift from conventional mobile handsets to “smart devices,” such as smartphones and tablets. Furthermore, telecommunications carriers’ mobile networks are becoming faster, chiefly through the use of LTE. In 2015, competitors began offering sets of services bundling mobile and fixed-line communications, and the overall business environment for telecommunications is entering a new phase, marked by MVNO proliferation and the beginning of SIM unlocking.

In response to these changes in the business environment, KDDI is working to further augment its competitive advantage and grow its business over the medium to long term by promoting its “3M Strategy” and “Global Strategy.”

In Japan, based on the “3M Strategy” the Company is boosting its “distinctively au” credentials on several fronts, including networks, terminals, services, support, and usage fees. We are working to expand our customer base and promoting a multi-device and multi-use shift. In the multi-device area, in addition to smartphone proliferation we are promoting the use of tablets and other devices as an impetus for growth. In multi-use, we will expand the “au economic zone” by strengthening our offerings in e-commerce, financial, and settlement services. In line with these multi-device and multi-use promotions, we have introduced two key performance indicators (KPIs): “au ARPA,” with ARPA standing for average revenue per account, for revenues generated per user across multiple devices, and “value ARPA” per au customer. We will work to maximize both types of ARPA.

Overseas, we will reinforce our foundations for ICT business targeting corporate customers, such as data centers, and take on new challenges as we pursue such growth opportunities as the telecommunication business in Myanmar.

Financial Results**For the six-month period ended September 30, 2015**

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2014	Six-month period ended September 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating revenue	2,030,153	2,151,755	121,602	6.0
Cost of sales	1,130,365	1,184,569	54,204	4.8
Gross profit	899,788	967,186	67,398	7.5
Selling, general and administrative expenses	521,445	521,941	496	0.1
Other income and expense (Net)	2,087	3,780	1,694	81.2
Share of profit of investments accounted for using the equity method	2,106	2,405	299	14.2
Operating income	382,535	451,430	68,895	18.0
Finance income and cost (Net)	(4,201)	(6,901)	(2,700)	—
Other non-operating profit and loss (Net)	4,439	521	(3,918)	(88.3)
Profit for the period before income tax	382,773	445,050	62,277	16.3
Income tax	138,451	139,601	1,150	0.8
Profit for the period	244,322	305,449	61,127	25.0
Attributable to owners of the parent	226,817	277,459	50,642	22.3
Attributable to non-controlling interests	17,505	27,990	10,485	59.9

During the six-month period ended September 30, 2015, operating revenue rose 6.0%, to ¥2,151,755 million, as revenue from handset sales increased and promotion of the “3M Strategy” boosted mobile communications revenue.

Operating income increased 18.0%, to ¥451,430 million, due to an increase in operating revenue, although handset procurement costs and sales commissions rose.

Profit for the period attributable to owners of the parent rose 22.3%, to ¥277,459 million, due to higher operating income, despite the effect of factors such as foreign exchange losses.

- Subscriptions of Major Services

Cumulative subscriptions	Unit	Year ended March 31, 2015				Year ending March 31, 2016	
		As of 1Q	As of 2Q	As of 3Q	As of 4Q	As of 1Q	As of 2Q
au subscriptions	(Thousand)	41,016	41,596	42,378	43,478	44,074	44,640
(Ref.) UQ WiMAX	(Thousand)	4,153	5,124	7,153	9,543	11,241	13,159
FTTH subscriptions	(Thousand)	3,240	3,344	3,412	3,485	3,559	3,625
CATV subscriptions ^{*1}	(Thousand)	4,838	4,851	4,872	4,883	4,938	4,979

* Total number of subscriber households. From the fiscal year ending March 31, 2016, the definition of target households has been revised, and figures for the year ended March 31, 2015, have been retroactively adjusted to reflect this new definition. Households subscribing only to services that rebroadcast terrestrial digital broadcasts, BS digital broadcasts have been excluded.

[Reference]

With regard to consolidated subsidiaries handling the cable television business, as of September 30, 2015, the J:COM Group provides cable television via 74 channels in the Sapporo, Sendai, Kanto, Kansai, and Kyushu areas, and offers cable television, high-speed Internet connectivity, telephone, and other service

2) Results by Business Segment

Personal Services

The Personal Services segment provides mobile and fixed-line communications services for individual customers. In addition to providing mobile communications services, chiefly under the “au” brand, and selling mobile handsets, in fixed-line communications, our services include in-home Internet, telephone, and video channel (TV services). In addition to these convenient FTTH services, which are branded “au HIKARI,” we provide CATV and other services.

In the current fiscal year, we will continue working to expand sales of mobile, FTTH, and CATV services by leveraging “au Smart Value,” which based on our “3M Strategy” offers discounted monthly au mobile phone usage fees for customers who subscribe to au mobile phone/smartphone services as well as fixed-line communications services. We also aim to increase our number of allied companies. Furthermore, by providing services such as “au WALLET,” which combines the Internet and physical worlds, we will expand our service offerings and endeavor to offer customers services that are more convenient and reliable.

To promote our “Multi-Device Strategy,” we will work to expand au ARPA revenues by increasing the number of devices per customer.

Operating performance in the Personal Services segment for the six-month period ended September 30, 2015 is described below.

Results

For the six-month period ended September 30, 2015

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2014	Six-month period ended September 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	1,569,559	1,682,551	112,992	7.2
Operating Income	299,770	351,426	51,656	17.2

During the six-month period ended September 30, 2015, operating revenue rose 7.2%, to ¥1,682,551 million, as revenue from handset sales increased and promotion of the “3M Strategy” boosted mobile communications revenue.

Operating income grew 17.2% year on year, to ¥351,426 million, due to an increase in operating revenue, although handset procurement costs and sales commissions rose.

Overview of Operations

< Progress on Key Initiatives >

[Mobile]

au Net Additions

For the six-month period ended September 30, 2015, au net additions* totaled 434,000 subscriptions. The primary reasons were an increase in the number of new smartphone subscriptions by “au Smart Value” and new tablet, router, and other subscriptions in line with our multi-device promotion.

* New subscribers minus churn

au Smart Value

“au Smart Value” subscriptions exceeded 10 million on August 9, 2015. In addition to applying a discount on unit line charges (each individual in a household), we expanded applicability to fixed-line communications services (CATV and FTTH), moves which were extremely well received by customers. As of September 30, 2015, the number of au subscriptions totaled 10.37 million, and households using this service came to 5.14 million. Also, we are steadily increasing the number of allied companies for “au Smart Value.” As of September 30, 2015, this number was 7 companies for FTTH (including the Company) and 140 CATV companies, 234 channels (including 24 companies, 24 channels allied with STNet, Incorporated).

au ARPA

au ARPA in the second quarter was up ¥130 year on year, to ¥5,700. Also, as a result of promoting the multi-device shift, the number of devices per user increased by 0.04, to 1.39 devices.

au Handset Sales

During the second quarter, au handset sales were 2.30 million.

[Fixed Line]

FTTH Subscriptions

As of September 30, 2015, the number of FTTH subscriptions increased by 138,000 from March 31, 2015, to 3.573 million. This rise was attributable mainly to new subscriptions acquired when customers subscribed to “au Smart Value,” as well as the impact of lower churn.

< Key Initiatives >

Multi-Device Promotion

- During the second quarter, we launched seven terminals. In addition to commencing sales of the “iPhone 6s” and “iPhone 6s Plus,” in Android terminals we introduced the “TORQUE,” the world’s first seawater-resistant smartphone. We also launched the “AQUOS K,” an au feature phone and the first in Japan to be compatible with “VoLTE,” and the “Qau tab,” the first in our new “Qua” series.

We also introduced “au Sharelink,” which displays and can be operated on tablet and smartphone screens, increasing convenience when using a smartphone and tablet as a set.

Expanding the au Economic Zone

- On August 25, 2015, we launched the “au WALLET Market,” a new shopping service that uses au shops to provide customers with attractive products that make their lives more convenient and fulfilling. In this service, au shop staff introduce customers who visit shops to products and subscription products that match their tastes, such as foods and lifestyle goods, according to their life stage. Staff help customers purchase these products, so that even customers who have no experience with Internet shopping can use the service with peace of mind.

Augmenting Services

- On September 18, 2015, KDDI added “Unlimited Calling Plan S,” allowing unlimited free domestic calling for calls of five minutes or less for ¥1,700 a month to the “Unlimited Voice & Data Freedom” flat-rate domestic calling plan. By the addition of this plan, “Unlimited Voice & Data Freedom” allows users to choose from two fixed-rate domestic calling plans and combine them with a variety of flat-rate data services according to their needs.
- In September 2015, we began offering a “Data Carryover” service, which allows customers to carry over unused data amounts to the next month. We also introduced the “Long-Term Hospitality Data Gift” for users who have been au customers for five years or more. Depending on their contract period, rate plan, and flat-rate data service, once every three months customers can gift another user between 0.5GB and 2GB of data.

KDDI’s “Upgrade Program” enables customers to upgrade to a new model after using a compatible model for 18 months, with their outstanding installment balance for the previous model waived. We have also introduced the “Super Upgrade Program Campaign,” which allows an upgrade to a new model after 12 months of use.

- Going forward, we will continue working to provide rate services that enable individual customers to select plans best suited to their usage.
- On October 1, 2015, UQ Communications Inc., which develops high-speed mobile data communication services under the “UQ WiMAX” brand, merged with KDDI VALUE ENABLER CORPORATION, which developed “UQ mobile” brand MVNO services compatible with au’s high-quality LTE communications, with UQ Communications Inc. as the surviving company. Going forward, the company will strive to further heighten its competitiveness by providing new value making use of both platforms.

<Reference> Business data (Personal)

[Mobile]

Cumulative subscriptions		Unit	Year ended March 31, 2015					Year ending March 31, 2016	
			As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2 Q
au subscriptions		(Thousand)	34,498	34,955	35,590	36,482	-	37,001	37,435
Mobile devices per person		(Units)	1.34	1.35	1.36	1.37	-	1.38	1.39
au smart value	au subscriptions	(Thousand)	7,590	8,160	8,530	9,330	-	9,840	10,370
	Households ^{*1}	(Thousand)	3,840	4,130	4,270	4,590	-	4,840	5,140

Indicators		Unit	Year ended March 31, 2015					Year ending March 31, 2016	
			1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2 Q
au ARPA ^{*2}		(Yen)	5,470	5,570	5,560	5,510	5,530	5,600	5,700
au Churn rate		(%)	0.54	0.63	0.66	0.94	0.69	0.72	0.83
au handset sales ^{*3}		(Thousand)	1,830	2,430	2,720	2,870	9,850	2,050	2,300
of smartphone		(Thousand)	1,380	1,930	2,300	2,360	7,970	1,600	1,810
au handset shipments ^{*4}		(Thousand)	1,660	2,250	3,020	2,750	9,670	1,940	2,250

[Fixed Line]

Cumulative subscriptions		Unit	Year ended March 31, 2015					Year ending March 31, 2016	
			As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2 Q
FTTH subscriptions ^{*5}		(Thousand)	3,221	3,296	3,362	3,435	-	3,508	3,573
CATV subscriptions ^{*7}		(Thousand)	4,838	4,851	4,872	4,883	-	4,938	4,979

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

*2.Based on the Personal Services segment. Mobile communications revenue, excluding MVNO and prepaid ÷ au customers

*3.Number of units sold to users (new + upgrade)

*4.Number of units shipped to retailers from the company

*5.The total for “au HIKARI” (excluding “au HIKARI Business”), “Commufa-hikari,” “au HIKARI Chura,” and “Hikarifuru”

*6.Total number of subscriber households. From the fiscal year ending March 31, 2016, the definition of target households has been revised, and figures for the year ended March 31, 2015, have been retroactively adjusted to reflect this new definition.

Content of revision: Households subscribing only to services that rebroadcast terrestrial digital broadcasts have been excluded.

Value Services

In the Value Services segment, the Company provides individual customers with content, settlement and other value-added services. The segment also works to reinforce multi-device and multi-network usage initiatives. During the year ending March 31, 2016, we will work to expand the au economic zone by making “au Smart Pass” and other membership services more attractive, as well as by strengthening our commerce and financing businesses. We expect these efforts to contribute to higher transaction volumes and increased value ARPA. Operating performance in the Value Services segment for the six-month period ended September 30, 2015 is described below.

Results

For the six-month period ended September 30, 2015

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2014	Six-month period ended September 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	112,871	126,039	13,168	11.7
Operating Income	31,997	36,601	4,603	14.4

During the six-month period ended September 30, 2015, operating revenue rose ¥11.7%, to ¥126,039 million, as the increasing smartphone penetration rate pushed up “au Smart Pass” revenues and due to increased revenue from KDDI Financial Service Corporation (hereafter, “KFS”).

Thanks to the operating revenue increase, operating income grew 14.4% year on year, to ¥36,601 million, even though expenses increased in tandem with the rise in KFS revenues.

Overview of Operations

<Progress on Key Initiatives>

Value ARPA

During the second quarter, value ARPA was up ¥20 year on year, to ¥430.

The main factors behind this increase were the steady increase in the number of members to “au Smart Pass,” as well as higher commission revenue from “au WALLET” and “au Simple Payment.”

< Key Initiatives >

Making “au Smart Pass” and Other Membership Services More Attractive

As of September 30, 2015, “au Smart Pass” members numbered 13.61 million, an increase of 720,000 from March 31, 2015.

- As part of its “Video Pass” initiative, on August 20, 2015, KDDI entered a business tie-up with TV Asahi Corporation (hereafter, “TV Asahi”). Under this agreement, the two companies will work together to create, for the first time in Japan^{*1}, original content with terrestrial programming linked with big data^{*2} from a telecommunications carrier. In addition, “Tamiou,” a Friday night drama broadcast by TV Asahi, became available for unlimited viewing via “Video Pass” through an exclusive distribution agreement. By maximizing the two companies’ strengths, we will provide a video transmission service enabling individual customers to enjoy high-quality video content. Meanwhile, in July 2015 we greatly improved the “Video Pass” user interface. We will continue enhancing customer convenience going forward.
- “Uta Pass” initiatives included the September 2015 introduction of “Listen with,” a function that allows customers to listen to music simultaneously with well-known artists. We plan to propose a host of services and functions that will bring music closer to listeners and allow them to enjoy experiencing it in an altogether new way.

*1 As of August 20, 2015. Source: KDDI.

*2 Limited to statistical analysis data obtained by customer consent under “Video Pass” and “au ID” terms of use (excluding individually attributable information)

Expanding the au Economic Zone

- In a joint operation with consolidated subsidiary LUXA, Inc., on August 25, 2015, KDDI launched a new e-commerce service called “au WALLET Market Powered by LUXA,” making it easy for customers to purchase carefully selected products and experience-oriented items via their smartphone, PC, or tablet. The service will offer limited-time sales of unusual products, such as vouchers for high-end restaurants and esthetic salons and theater tickets. Going forward, we plan to promote member acquisition through links with au shops (physical shops).
- To make “au WALLET” use more advantageous to customers and make shopping more enjoyable, we are forging increasing ties with various companies as “Point-up Stores.” During the second quarter, we concentrated on adding regional supermarkets and other companies with close community ties. As a result, as of September 30, 2015, the number of “Point-up Stores” amounted to approximately 29,000 shops operated by 46 companies.
- The “au WALLET Credit Card” business is being developed by KDDI Financial Service Corporation, a consolidated subsidiary of the Company. The number of cards issued increased in the second quarter, with the cumulative number surpassing 1 million on August 11, 2015.

Cultivating New Services

- On September 30, 2015, Syn. Holdings Co., Ltd. (hereafter, “Syn.HD”) acquired the outstanding shares of AppVador Inc. and Socket Inc., converting these two companies to consolidated subsidiaries. Furthermore, three companies in the Syn.HD Group, ScaleOut Inc., nanapi Inc., and Bitcellar, Inc., merged with an effective date of November 1, 2015, forming Supership Co., Ltd. The new company will aim to create new value and further enhance its competitiveness by utilizing the business platforms operated by the former three companies, including in the advertising, Internet service and platform businesses.

<Reference> Business data (Value)

Cumulative subscriptions	Unit	Year ended March 31, 2015					Year ending March 31, 2016	
		As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2 Q
au Smart Pass subscriptions	(Thousand)	10,700	11,400	12,050	12,890	-	13,190	13,610

Indicators	Unit	Year ended March 31, 2015					Year ending March 31, 2016	
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2 Q
Value ARPA*	(Yen)	400	410	430	460	420	430	430

* Value-added ARPA revenues in the Value Services segment (“au Simple Payment” and “au WALLET” settlement commissions + Sales from KDDI services, such as, “au Smart Pass,” product sales, and advertising revenues, etc.) ÷ au customers

Business Services

In the Business Services segment, we provide diverse solutions, including cloud services, that seamlessly utilize networks and applications across smartphones, tablets and other mobile devices, to a wide range of corporate customers, from small and medium-sized to large companies. 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.

In the current fiscal year, we will proactively promote a corporate “3M Strategy” in an effort to expand our customer base. Specifically, we will focus on increasing services for small and medium-sized corporate customers and reinforcing our sales structure. In addition, we will augment our service offerings to meet the myriad needs related to advancing overseas.

Operating performance in the Business Services segment for the six-month period ended September 30, 2015, is described below.

Results

For the six-month period ended September 30, 2015

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2014	Six-month period ended September 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	322,211	309,925	(12,286)	(3.8)
Operating Income	41,157	39,569	(1,588)	(3.9)

During the six-month period ended September 30, 2015, operating revenue declined 3.8%, to ¥309,925 million, due to lower mobile and fixed line communications revenues, although solution sales such as IT outsourcing rose.

Operating income dropped 3.9% year on year, to ¥39,569 million, despite lower sales commissions and communications facility fees, due to the drop in operating revenue.

Overview of Operations

Providing Solutions

- As part of its proactive ongoing efforts to enhance “KDDI Cloud Platform Services” (“KCPS”) as a cloud platform for corporate customers, KDDI added the following two functions in September 2015.
- We began providing “object” storage, which has the flexibility to allow limitless storage of data, which has been growing explosively, and 99.9999999999% (14-nine) robustness. This service enables safe data transfers, as it operates in a closed environment provided through connection with a company’s intranet lines. By safely storing customer data that they previously managed themselves, this service reduces their management and operating costs.
- In a business alliance with Kii Corporation, a Japan-based global BaaS^{*1} vendor, we began providing “mBaaS by Kii”^{*1}, Japan’s first^{*2} Internet-connected mobile app/IoT device development platform. “mBaaS by Kii,” which provides essential server-side functionality for mobile apps and IoT devices, can be used on KCPS for functionality in the management of users, physical items, and data. This platform eliminates the need for customers to do their own server development and maintenance, enabling the development of apps offering various types of quick, simple, and inexpensive functionality.

*1 “BaaS” = Backend as a Service. “mBaaS (mobile Backend as a Service)” is a service that provides functions frequently used by mobile apps via the cloud.

*2 As of September 29, 2015. Source: KDDI.

Global Services

The Global Services segment offers the one-stop provision of ICT solutions to corporate customers, centered on our “TELEHOUSE” data centers. In addition, we are working aggressively to expand customer businesses, such as telecommunications business in Myanmar and other emerging countries and MVNO operations in the United States. Furthermore, we provide voice and data business to more than 600 telecommunications carriers around the world.

During the current fiscal year, as one of the Company’s pillars of growth we aim to accelerate expansion by increasing our scale of operations and reinforcing our management foundation.

Operating performance in the Global Services segment for the six-month period ended September 30, 2015 is described below.

Results

For the six-month period ended September 30, 2015

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2014	Six-month period ended September 30, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	138,890	152,856	13,967	10.1
Operating Income	7,764	19,920	12,156	156.6

During the six-month period ended September 30, 2015, operating revenue grew 10.1% year on year, to ¥152,856 million. This rise stemmed from higher revenue due to the start of the telecommunications business in Myanmar, as well as higher revenues from existing businesses, such as the data center business.

Operating income surged 156.6% year on year, to ¥19,920 million, boosted by higher operating revenue.

Overview of Operations

Promoting Telecommunications Business in Myanmar

In the second quarter, to expand our service area by increasing the number of mobile phone base stations and enhance the quality of telecommunications, we embarked on a collaboration plan with a local Coca-Cola company and LINE Plus Corporation to enhance promotions and provide more stable services by reinforcing operation and maintenance systems.

In addition, we introduced a revised rate plan, “Swe Thahar^{*1},” on July 8, 2015, and launched a campaign for Swe Thahar users as part of our efforts to provide competitive services tailored to customers’ needs.

As a result, the number of mobile phone subscribers has increased by 2.5 times in the period since we signed the joint business agreement in July 2014, to approximately 16 million, with revenues and profits both outpacing planned levels.

Going forward, KDDI plans to further enhance levels of network quality, expand the service area in line with customer traffic, bolster customer support by introducing CRM^{*2}, introduce easy-to-use rate systems, and augment services for corporate customers. Through these initiatives, we aim to please our customers in Myanmar and become a best-in-class telecommunications operator.

*1 “Swe Thahar” means “friend” in the language of Myanmar.

This new plan is for voice, SMS and data communications that commenced in January 2015.

*2 CRM is an abbreviation for Customer Relationship Management.

3) Status of Major Affiliates, etc.

<Jibun Bank Corporation>

On September 5, 2015, Jibun Bank Corporation, which is accounted for using the equity method, surpassed ¥100 billion in its balance of Jibun Bank card loans (the total for “Jibun Loan” and “Cash One”).

Furthermore, on September 12, 2015, the bank’s number of accounts exceeded 2 million. Aiming to be “the most attractive bank for au users,” in May 2014 the bank introduced preferential interest rates on fixed-term yen deposits for au customers, began offering free WALLET points for various types of transactions, and set ATM service charges at ¥0 for an unlimited number of transactions. These efforts, through the “Premium Bank for au” campaign, have led to a solid increase in the number of accounts.

Going forward, the bank will continue working to augment product features and convenience and enhance services in response to customers’ needs.

* “Premium Bank for au” can be used both by customers who open new accounts and those with existing accounts. To use this service, customers must register their “au ID” on the Jibun Bank website.

Notes:

- * The service name “4G LTE” conforms to the statement of the International Telecommunication Union (ITU) that has approved LTE to be called “4G.
- * “iPhone” is a trademark of Apple Inc. in the United States and other countries. The iPhone trademark is used with a license from Aiphone K.K.
- * “Android” is a trademark or registered trademark of Google Inc.
- * “AQUOS” is a registered trademark of Sharp Corporation.
- * WiMAX is a trademark or a registered trademark of WiMAX Forum.
- * Other company and product names are registered trademarks or trademarks of their respective companies.

(2) Explanation on Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2015	As of September 30, 2015	Increase (Decrease)	Increase (Decrease)%
Non-current assets	3,951,491	3,918,443	(33,048)	(0.8)
Current assets	1,675,235	1,657,118	(18,116)	(1.1)
Total assets	5,626,725	5,575,561	(51,164)	(0.9)
Non-current liabilities	1,213,523	1,182,229	(31,294)	(2.6)
Current liabilities	1,190,190	979,568	(210,622)	(17.7)
Total liabilities	2,403,713	2,161,797	(241,917)	(10.1)
Total equity	3,223,012	3,413,765	190,753	5.9

(Assets)

Total assets amounted to ¥5,575,561 million as of September 30, 2015, down ¥51,164 million from their level on March 31, 2015. Although trade and other receivables, inventories, and other current assets increased, cash and cash equivalents and property, plant and equipment fell.

(Liabilities)

Total liabilities amounted to ¥2,161,797 million as of September 30, 2015, down ¥241,917 million from March 31, 2015, due to decreases in trade and other payables, borrowings and bonds payable, income taxes payables and other current liabilities.

(Equity)

Total equity amounted to ¥3,413,765 million, due to increased retained earnings. As a result, ratio of equity attributable to owners of the parent to total assets increased from 54.5% as of March 31, 2015, to 58.4%.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2014	Six-month period ended September 30, 2015	Increase (Decrease)
Net cash provided by (used in) operating activities	514,934	417,077	(97,857)
Net cash provided by (used in) investing activities	(339,166)	(275,381)	63,785
Free cash flows (Note)	175,767	141,695	(34,072)
Net cash provided by (used in) financing activities	(222,327)	(222,838)	(511)
Effect of exchange rate changes on cash and cash equivalents	977	478	(499)
Net increase (decrease) in cash and cash equivalents	(45,583)	(80,665)	(35,083)
Cash and cash equivalents at the beginning of the period	249,732	276,317	26,585
Cash and cash equivalents at the end of period	204,150	195,652	(8,497)

Note Free cash flows are calculated as the sum of “net cash provided by (used in) operating activities” and “net cash provided by (used in) investing activities.”

Operating activities provided net cash of ¥417,077 million. This includes ¥445,050 million of profits for the period before income tax, ¥265,895 million of depreciation and amortization, ¥47,631 million of decrease in trade and other payables, and ¥175,605 million of income taxes paid.

Investing activities used net cash of ¥275,381 million. This includes ¥166,854 million of purchase of property, plant and equipment and ¥97,845 million for purchase of intangible assets.

Financial activities used net cash of ¥222,838 million. This includes ¥117,648 million in payments from redemption of bonds and repayment of long-term borrowings, ¥75,133 million in cash dividends paid, and ¥29,508 million in cash dividends paid to non-controlling interests.

As a result, the total amount of cash and cash equivalents as of September 30, 2015, decreased ¥80,665 million from March 31, 2015, to ¥195,652 million.

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

The estimated consolidated financial results for the year ending March 31, 2016 for full-year basis disclosed in the Financial Statements Summary for the year ended March 31, 2015 (disclosed on May 12, 2015) were as follows;

Operating Revenue: ¥4,400,000 million, Operating Income: ¥820,000 million, Profit for the year attributable to owners of the parent: ¥490,000 million.

There is no change to these figures.

2. Notes Regarding Summary Information (Notes)

(1) Changes in significant consolidated subsidiaries during the six-month period ended September 30, 2015

None

UQ Communications Inc. (hereafter "UQ"), a provider of wireless broadband services, was accounted for using the equity method under Japanese GAAP as the Group owned 32.3% of its voting right. However, upon adoption of IFRSs, UQ was consolidated because UQ was considered to be controlled by the Group since its incorporation on the grounds that the Group was the largest shareholder of UQ, and substantially controlled UQ as the director from the Company has the right of representation in the UQ's board of directors although directors from the Company comprise only half of the board members (*), and the operations of UQ are significantly dependent on the Company.

*Since the second quarter of the fiscal year ended March 31, 2015, the Group's directors became majority of the board members.

(2) Changes in accounting policies and estimates

None

3. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	(Unit: Millions of yen) As of September 30, 2015
Assets			
Non-current assets :			
Property, plant and equipment	2,465,583	2,541,099	2,499,665
Goodwill	329,783	343,136	349,932
Intangible assets	665,068	699,332	701,872
Investments accounted for using the equity method	41,798	61,621	67,398
Other long-term financial assets	134,430	97,183	97,503
Retirement benefit assets	7,476	26,035	28,157
Deferred tax assets	93,353	110,988	101,291
Other non-current assets	57,850	72,098	72,625
Total non-current assets	<u>3,797,340</u>	<u>3,951,491</u>	<u>3,918,443</u>
Current assets :			
Inventories	83,776	75,837	98,566
Trade and other receivables	1,127,209	1,231,095	1,253,888
Other short-term financial assets	10,663	8,821	11,463
Other current assets	80,757	83,164	97,549
Cash and cash equivalents	249,732	276,317	195,652
Total current assets	<u>1,552,137</u>	<u>1,675,235</u>	<u>1,657,118</u>
Total assets	<u>5,349,478</u>	<u>5,626,725</u>	<u>5,575,561</u>

	(Unit: Millions of yen)		
	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of September 30, 2015
Liabilities and Equity			
Liabilities			
Non-current liabilities :			
Borrowings and bonds payable	779,454	846,701	811,940
Other long-term financial liabilities	131,138	145,709	155,164
Retirement benefit liabilities	17,261	14,826	14,897
Deferred tax liabilities	48,142	35,921	32,972
Other non-current liabilities	158,207	170,367	167,256
Total non-current liabilities	<u>1,134,204</u>	<u>1,213,523</u>	<u>1,182,229</u>
Current liabilities :			
Borrowings and bonds payable	370,349	149,760	86,470
Trade and other payables	494,605	535,489	465,379
Other short-term financial liabilities	18,679	20,698	22,668
Income taxes payables	126,169	165,402	123,180
Other current liabilities	292,882	318,841	281,871
Total current liabilities	<u>1,302,684</u>	<u>1,190,190</u>	<u>979,568</u>
Total liabilities	<u>2,436,888</u>	<u>2,403,713</u>	<u>2,161,797</u>
Equity			
Equity attributable to owners of the parent			
Common stock	141,852	141,852	141,852
Capital surplus	385,945	369,722	365,494
Treasury stock	(161,822)	(161,822)	(160,862)
Retained earnings	2,374,381	2,686,824	2,888,938
Accumulated other comprehensive income	43,589	27,462	22,714
Total equity attributable to owners of the parent	<u>2,783,946</u>	<u>3,064,038</u>	<u>3,258,136</u>
Non-controlling interests	128,644	158,974	155,628
Total equity	<u>2,912,589</u>	<u>3,223,012</u>	<u>3,413,765</u>
Total liabilities and equity	<u><u>5,349,478</u></u>	<u><u>5,626,725</u></u>	<u><u>5,575,561</u></u>

(2) Condensed Interim Consolidated Statement of Income

	Six-month period ended September 30, 2014	(Unit: Millions of yen) Six-month period ended September 30, 2015
Operating revenue	2,030,153	2,151,755
Cost of sales	1,130,365	1,184,569
Gross profit	899,788	967,186
Selling, general and administrative expenses	521,445	521,941
Other income	4,024	4,877
Other expense	1,937	1,096
Share of profit of investments accounted for using the equity method	2,106	2,405
Operating income	382,535	451,430
Finance income	3,773	613
Finance cost	7,975	7,514
Other non-operating profit and loss	4,439	521
Profit for the period before income tax	382,773	445,050
Income tax	138,451	139,601
Profit for the period	244,322	305,449
Profit for the period attributable to:		
Owners of the parent	226,817	277,459
Non-controlling interests	17,505	27,990
Profit for the period	244,322	305,449
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	90.55	110.76

(Note) Diluted earnings per share is not presented as the Group does not have diluted potential ordinary shares.

	Three-month period ended September 30, 2014	(Unit: Millions of yen) Three-month period ended September 30, 2015
Operating revenue	1,052,739	1,105,178
Cost of sales	601,323	614,039
Gross profit	451,417	491,139
Selling, general and administrative expenses	264,357	274,084
Other income	1,910	2,608
Other expense	1,096	418
Share of profit of investments accounted for using the equity method	1,020	1,187
Operating income	188,893	220,432
Finance income	2,561	247
Finance cost	3,602	5,528
Other non-operating profit and loss	4,439	—
Profit for the period before income tax	192,292	215,152
Income tax	66,666	65,486
Profit for the period	125,626	149,665
Profit for the period attributable to:		
Owners of the parent	115,433	133,510
Non-controlling interests	10,193	16,156
Profit for the period	125,626	149,665
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	46.08	53.29

(Note) Diluted earnings per share is not presented as the Group does not have diluted potential ordinary shares.

(3) Condensed Interim Consolidated Statement of Comprehensive Income

	Six-month period ended September 30, 2014	(Unit: Millions of yen) Six-month period ended September 30, 2015
Profit for the period	244,322	305,449
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	1,624	(4,283)
Share of other comprehensive income of investments accounted for using the equity method	269	(150)
Total	1,893	(4,434)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	51	(1,251)
Translation differences on foreign operations	2,212	(406)
Share of other comprehensive income of investments accounted for using the equity method	(251)	883
Total	2,013	(774)
Total other comprehensive income	3,906	(5,208)
Total comprehensive income for the period	248,227	300,241
Total comprehensive income for the period attributable to:		
Owners of the parent	231,807	272,523
Non-controlling interests	16,421	27,718
Total	248,227	300,241

Items in the statement above are presented net of tax.

	Three-month period ended September 30, 2014	(Unit: Millions of yen) Three-month period ended September 30, 2015
Profit for the period	125,626	149,665
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	1,947	(4,142)
Share of other comprehensive income of investments accounted for using the equity method	(46)	707
Total	<u>1,901</u>	<u>(3,435)</u>
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	209	(1,368)
Translation differences on foreign operations	3,079	(4,916)
Share of other comprehensive income of investments accounted for using the equity method	392	211
Total	<u>3,680</u>	<u>(6,073)</u>
Total other comprehensive income	<u>5,582</u>	<u>(9,508)</u>
Total comprehensive income for the period	<u>131,207</u>	<u>140,157</u>
Total comprehensive income for the period attributable to:		
Owners of the parent	121,428	124,531
Non-controlling interests	<u>9,779</u>	<u>15,626</u>
Total	<u>131,207</u>	<u>140,157</u>

Items in the statement above are presented net of tax.

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the six-month period ended September 30, 2014

(Unit: Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income			
As of April 1, 2014	141,852	385,945	(161,822)	2,374,381	43,589	2,783,946	128,644	2,912,589
Comprehensive income								
Profit for the period	—	—	—	226,817	—	226,817	17,505	244,322
Other comprehensive income	—	—	—	—	4,990	4,990	(1,084)	3,909
Total comprehensive income	—	—	—	226,817	4,990	231,807	16,421	248,227
Transactions with owners and other transactions								
Cash dividends	—	—	—	(58,449)	—	(58,449)	(6,185)	(64,633)
Transfer of accumulated other comprehensive income to retained earnings	—	—	—	3,209	(3,209)	—	—	—
Changes in interests in subsidiaries	—	(16,550)	—	—	—	(16,550)	(5,409)	(21,959)
Other	—	(29)	—	—	—	(29)	(755)	(784)
Total transactions with owners and other transactions	—	(16,579)	—	(55,239)	(3,209)	(75,027)	(12,348)	(87,376)
As of September 30, 2014	141,852	369,366	(161,822)	2,545,959	45,370	2,940,725	132,716	3,073,441

For the six-month period ended September 30, 2015

(Unit: Millions of yen)

	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income			
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 period	—	—	—	277,459	—	277,459	27,990	305,449
Other comprehensive income	—	—	—	—	(4,935)	(4,935)	(272)	(5,208)
Total comprehensive income	—	—	—	277,459	(4,935)	272,523	27,718	300,241
Transactions with owners and other transactions								
Cash dividends	—	—	—	(75,148)	—	(75,148)	(29,443)	(104,592)
Transfer of accumulated other comprehensive income to retained earnings	—	—	—	(188)	188	—	—	—
Purchase and disposal of treasury stock	—	(978)	960	—	—	(17)	—	(17)
Changes in interests in subsidiaries	—	(3,456)	—	—	—	(3,456)	(1,620)	(5,076)
Other	—	205	—	(8)	—	197	—	197
Total transactions with owners and other transactions	—	(4,228)	960	(75,345)	188	(78,424)	(31,064)	(109,488)
As of September 30, 2015	141,852	365,494	(160,862)	2,888,938	22,714	3,258,136	155,628	3,413,765

(5) Condensed Interim Consolidated Statement of Cash Flows

	Six-month period ended September 30, 2014	(Unit: Millions of yen) Six-month period ended September 30, 2015
Cash flows from operating activities		
Profit for the period before income tax	382,773	445,050
Depreciation and amortization	257,840	265,895
Impairment loss	7,997	991
Share of (profit) loss of investments accounted for using the equity method	(2,106)	(2,405)
Loss (gain) on sales of non-current assets	254	41
Loss (gain) on retirement of non-current assets	15,639	9,597
Interest and dividends income	(1,248)	(605)
Interest expenses	7,780	6,053
(Increase) decrease in trade and other receivables	1,682	(25,442)
Increase (decrease) in trade and other payables	17,367	(47,631)
(Increase) decrease in inventories	(1,187)	(22,389)
(Increase) decrease in retirement benefit assets	(2,624)	(2,123)
Increase (decrease) in retirement benefit liabilities	(1,350)	71
Other	(30,786)	(30,771)
Cash generated from operations	<u>652,032</u>	<u>596,333</u>
Interest and dividends received	3,979	1,574
Interest paid	(5,793)	(5,226)
Income tax paid	(135,284)	(175,605)
Net cash provided by (used in) operating activities	<u>514,934</u>	<u>417,077</u>

	Six-month period ended September 30, 2014	(Unit: Millions of yen) Six-month period ended September 30, 2015
Cash flows from investing activities		
Purchase of property, plant and equipment	(237,085)	(166,854)
Proceeds from sales of property, plant and equipment	626	771
Purchase of intangible assets	(88,800)	(97,845)
Purchase of other financial assets	(2,374)	(878)
Proceeds from sales/redemption of other financial assets	5,529	329
Acquisition of control over subsidiaries	—	(6,723)
Purchase of stocks of associates	(5,773)	(3,040)
Decrease from loss of control over subsidiaries	(2,808)	—
Other	(8,480)	(1,142)
Net cash provided by (used in) investing activities	(339,166)	(275,381)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	(89,956)	18,705
Proceeds from issuance of bonds and long-term borrowings	95,000	—
Payments from redemption of bonds and repayment of long-term borrowings	(130,355)	(117,648)
Payment from purchase of subsidiaries' equity from non-controlling interests	(23,098)	(6,165)
Proceeds from stock issuance to non-controlling interests	2,431	1
Payment from purchase of treasury stock	—	(19)
Cash dividends paid	(58,433)	(75,133)
Cash dividends paid to non-controlling interests	(6,202)	(29,508)
Other	(11,713)	(13,071)
Net cash provided by (used in) financing activities	(222,327)	(222,838)
Effect of exchange rate changes on cash and cash equivalents	977	478
Net increase (decrease) in cash and cash equivalents	(45,583)	(80,665)
Cash and cash equivalents at the beginning of the period	249,732	276,317
Cash and cash equivalents at the end of the period (Note)	204,150	195,652

(6) Going Concern Assumption

None

(7) Notes to Condensed Interim Consolidated Financial Statements

1. Reporting entity

The Company was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Sinjuku-ku, Tokyo, Japan. The Company's condensed interim consolidated financial statements as of and for the six-month period ended September 30, 2015 comprise the Group and the Group's interests in associates and joint ventures. The Company is the ultimate parent company of the Group.

The Group's major business and activities are "Personal Services", "Value Services", "Business Services" and "Global Services." For the details, please refer to "(1) Outline of reporting segments" of "Note 4. Segment information."

2. Basis of preparation

(1) Compliance of condensed interim consolidated financial statements with IFRSs and first-time adoption

The Group's condensed interim consolidated financial statements have been prepared in accordance with IAS 34 of IFRSs as prescribed in Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), hereinafter referred to as "Ordinance on Quarterly Consolidated Financial Statements" as they satisfy the requirement of a "specific company" set forth in Article 1-2 of Ordinance on Quarterly Consolidated Financial Statements.

The Group has applied IFRSs from April 1, 2015 and the condensed interim financial statements have been prepared in accordance with IFRSs from the three-month period ended June 30, 2015, the first quarter of the fiscal year ending March 31, 2016. Date of transition to IFRSs is April 1, 2014, and the Group applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") for transition to IFRSs. The method of first-time adoption of IFRSs the Group has applied and the effect of the transition to IFRSs on the Group's financial position, result of operations, and cash flows are provided in "Note 6. First-time adoption of IFRSs."

(2) Basis of measurement

The Group's condensed interim consolidated financial statements have been prepared under the historical cost basis except for the following significant items on the consolidated statement of financial position:

- Derivative assets and derivative liabilities (measured at fair value)
- Financial assets or financial liabilities at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Assets and liabilities related to defined benefit plan (measured at the present value of the defined benefit)

obligations, net of the fair value of the plan asset)

(3) Presentation currency and unit of currency

The Group's condensed interim consolidated financial statements are presented in Japanese yen, which is the currency of the primary economic environment of the Company's business activities ("functional currency"), and are rounded to the nearest million yen.

(4) Use of estimates and judgement

The preparation of condensed interim consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on the management's best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of the estimates or assumptions, however, actual results may differ from those estimates and assumptions.

The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years. Estimates that may have a risk of significant adjustment of carrying amounts of assets and/or liabilities in the subsequent fiscal years and the underlying assumptions are as follows:

- Estimates of fair value of the assets acquired and liabilities assumed by business combinations ("Note 3. Significant accounting policies (2)")
- Estimates of useful lives and residual values of property, plant and equipment, intangible assets and finance lease assets("Note 3. Significant accounting policies (5)~(8)"), impairment of property, plant and equipment and intangible assets including goodwill("Note 3. Significant accounting policies (9)")
- Evaluation of inventories ("Note 3. Significant accounting policies (14)")
- Recoverability of deferred tax assets ("Note 3. Significant accounting policies (24)")
- Measurement of defined benefit obligations ("Note 3. Significant accounting policies (15)")
- Collectability of trade and other receivables ("Note 3. Significant accounting policies (11)")
- Measurement method of the fair value of financial assets and liabilities ("Note 3. Significant accounting policies (10) (12)")

(5) Application of new standards and interpretations

There is no standard and interpretation newly applied from the three-month period ended June 30, 2015, the first quarter of the fiscal year ending March 31, 2016. The Group has early adopted IFRS 9 "Financial instruments" (issued in November 2009 and amended in July 2014) from the date of transition to IFRSs.

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the condensed interim consolidated financial statements are not mandatory as of September 30, 2015. They have not been early adopted by the Group.

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and amendments
IFRS 15	Revenue from contracts with customers	January 1, 2018	fiscal year ending March 31, 2019	IFRS 15 describes that revision of current accounting standard for revenue recognition and disclosure. Specifically, IFRS15 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard above will be reflected to the condensed interim consolidated financial statements for the relevant fiscal year described above. The Group is currently evaluating the impact of its application and the estimate is currently not available.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim consolidated financial statements, including the statement of financial position as of the date of transition to IFRSs, are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

Subsidiaries are all entities over which the Group has control. An entity is consolidated as the Group controls it when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control is obtained and deconsolidated from the date when control is lost.

Intragroup balances and transactions, and unrealized gain or loss arising from intragroup transactions are eliminated in preparation of the condensed interim consolidated financial statements.

The accounting policies of subsidiaries have been adjusted to conform to the Group's accounting policies, when necessary.

(b) Changes in ownership interest in a subsidiary that do not result in a change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for by the Group as equity transactions. The difference between fair value of any consideration paid and the proportion acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded directly in equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value on the date when control is lost, with the changes in the carrying amount recognized in profit or loss. The fair value will be the initial carrying amount when the retained interests are subsequently accounted for as associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Unification of reporting period

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 condensed interim 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., newly established during the previous fiscal year, 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 and the Company's closing date is less than three months and 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.

ii. Associates

Associates are entities over which the Group does not have control but has significant influence over the financial and operating policies through participation in the decision-making of those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, investment in an associate is initially recorded at cost and its amount is adjusted to recognize the Group's share of the profit or loss and other comprehensive income of the associate from the date on which it has significant influence until the date when it ceases to have the significant influence is lost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognized in other comprehensive income is reclassified to profit or loss, where appropriate. When the Company's share of losses in an associate equals or exceeds its carrying amount of interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's investment in associates includes goodwill recognized on acquisition. Accordingly, goodwill is not recognized separately and not tested for impairment. Investments in associates are tested for impairment as a single asset against whole investments accounted for using the equity method. When objective evidence that the investments in associates are impaired exists, those investments are tested for impairment.

Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The accounting policies of associates have been adjusted to conform to the Group's accounting policies, when necessary.

iii. Joint arrangements

The Group enters into joint arrangements when the Group jointly operates a business with third parties, or jointly owns entities with third parties under joint venture agreements.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

For the purpose of accounting, joint arrangements are classified as either joint operations or joint ventures. A joint operation is a joint agreement whereby parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

When a joint arrangement is classified as a joint operation, the Group's share of the assets, liabilities, revenue and expenses in relation to the arrangement are recorded directly in the financial statements. On the other hand, when a joint arrangement is classified as a joint venture, net assets related to the arrangement are recorded in the financial statements using the equity method.

(2) Business combination

The Group accounts for business combination by applying the acquisition method. Consideration transferred to acquire subsidiaries is fair values of the assets transferred, the liabilities incurred by former owners of the acquiree and the equity interests issued by the Group. Consideration transferred also includes fair values of any assets or liabilities resulting from a contingent consideration arrangement. Each identifiable asset acquired, liability and contingent liability assumed in a business combination is generally measured at its acquisition-date fair value.

Non-controlling interests are identified separately from those of the Group and are measured as the non-controlling shareholders' proportionate share of the acquiree's identifiable net assets. For each acquisition, the Group recognizes acquiree's non-controlling interests either at fair value or as the non-controlling interest's proportionate share of the amount recognized for acquiree's identifiable net assets.

Acquisition-related costs, including finder's fees, legal, due-diligence and other professional fees, are charged to expense when incurred.

Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets acquired, such excess is recorded as goodwill. Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is less than the fair value of acquired subsidiary's net asset, such difference is recognized directly in profit or loss as a bargain purchase.

If the initial accounting for a business combination is not complete by the end of the reporting period in which the business combination occurs, the Group recognizes in its financial statements provisional amounts for the items for which the accounting is incomplete. Subsequently, the Group retrospectively adjusts the provisional amounts recognized on the date when control is obtained as measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the date when control is obtained and, if known, would have affected the amounts recognized for the business combination. However, the measurement period shall not exceed one year from the date when control is obtained.

The Group applies exemption of IFRS 1 and does not retrospectively apply IFRS 3 “Business Combination” for the business combinations that occurred before April 1, 2014 (the date of transition to IFRSs). Goodwill resulted from the business combinations that occurred before the date of transition to IFRSs is recorded at its carrying amount that is taken over from the amount previously recognized under former accounting standards (Japanese GAAP) on the date of transition to IFRSs and tested for impairment.

(3) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The board of directors that makes strategic decisions has been identified by the Group as the chief operating decision-maker.

(4) Foreign currency translation

i. 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 condensed interim consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

ii. 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.

iii. Foreign operations

For the purpose of the presentation of the condensed interim 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.

The Group applies exemption of IFRS 1 and all cumulative exchange differences as of the date of transition to IFRSs are reclassified to retained earnings.

(5) Property, plant and equipment

i. Recognition and measurement

Property, plant, and equipment of the Group is measured 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.

ii. Depreciation and useful lives

Land and construction in progress are not depreciated. Other 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. 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 – 21 years
Toll and local line equipment	10 – 21 years
Other equipment	9 – 27 years
Buildings and structures	10 – 38 years
Other	5 – 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.

(6) 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. For the impairment, please refer to “Note 3. Significant accounting policies (9) Impairment of property, plant and equipment, intangible assets and goodwill.”

(7) Intangible assets

The Group applies the cost method in measuring intangible assets, excluding goodwill. Those assets are measured 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.

Internally generated expenditures on research activities are recognized as an expense when incurred. Expenditures on development activities eligible for capitalization are capitalized, and those not eligible for capitalization are recognized as an expense when incurred.

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:

Software	5 years
Customer relationships	8 – 29 years
Assets related to program supply	22 years
Other	5 – 20 years

The amortization methods and 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.

(8) Leases

i. 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 specific assets or groups of specific assets, and the right to use the assets is given under such agreement.

ii. 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.

iii. 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 condensed interim 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 condensed interim 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.

iv. Operating leases

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

(9) Impairment of property, plant and equipment, intangible assets and goodwill

The Group determines every reporting period 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 to which the asset belongs is estimated. Goodwill impairment 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 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 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 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 property, plant and equipment and Intangible 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.

(10) Financial instruments

i. 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.

ii. Classification of non-derivative financial assets

Classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets as subsequently measured at amortized cost or measured at fair value. This classification depends on whether a financial asset is a debt instrument or an equity instrument.

(a) Debt instruments

(i) Financial assets at amortized cost

A financial asset classified as a debt instrument is subsequently measured at amortized cost if both of the following conditions are met:

- The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(ii) Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for financial assets at amortized cost is not met, the debt instrument 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 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 condensed interim 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.

(b) Equity instruments

(i) Financial assets at fair value through profit or loss

Changes in fair value of the Group’s equity instruments are recognized in profit or loss, except for where the Group makes an irrevocable election at initial recognition to present changes in the fair value in other comprehensive income.

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 condensed interim consolidated statement of income for the reporting period in which they arise.

(ii) Financial assets 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. Dividends from financial assets at fair value through other comprehensive income are recognized as “finance income” in profit or loss.

A financial asset 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 instruments are derecognized.

(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.

(d) Reclassification

Only when the Group changes its business model for managing financial assets, the Group reclassifies all affected investments in debt instruments.

iii. 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.

iv. Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the condensed interim 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.

(11) Impairment of financial assets

The Group recognizes impairment loss of financial assets based on its evaluation at the end of each reporting period whether there is a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are recognized as provision for doubtful receivables. On the other hand, 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 simply based on historical credit loss experience.

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Operating results, such as decrease in sales
- 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.

(12) 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 of 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.

Specially, 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 affect gain or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (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.

(13) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value and bank overdrafts.

(14) 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.

(15) Employee benefits

i. 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 prior 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.

ii. Defined contribution plans

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

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.

iii. Short-term employee benefits

Short-term employee benefits are recognized as an expense on an undiscounted basis at the time when the service is rendered. Bonus and paid annual leave accruals are recognized as a liability in an amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.

(16) 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.

(17) Share-based payment

i. Stock options

The Group has equity-settled stock option plans as incentive plans for its directors and employees. Stock options are measured at fair value at the grant date, which is calculated using the Black-Scholes or other models.

The fair value of stock options at the grant date is recognized as an expense over the vesting period, based on the estimated number of stock options that are expected to vest conclusively, with corresponding amount recognized as increase in equity.

ii. Executive compensation BIP trust and stock-granting ESOP trust

The Group has introduced the executive compensation BIP (Board Incentive Plan) trust and a stock-granting ESOP (Employee Stock Ownership Plan) trust. These plans are accounted for as equity-settled share based payment and the shares of the Company held by the trust are deducted from equity on a historical cost basis. The fair value of the shares of the Company at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Company granted is determined by adjusting the market value, taking into account the contractual terms on the basis of which the shares are granted. The Group regularly reviews the assumptions made and revises estimates of the number of shares expected to vest, if necessary.

(18) Equity

i. Common stock

Common stocks are classified as equity. Proceeds from the Company's issuance of common stocks are included in common stock and capital surplus and its direct issue costs are deducted from capital surplus.

ii. Treasury stock

When the Group acquires treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Group sells treasury stocks, differences between the carrying amount and the consideration received upon sale are recognized as capital surplus.

(19) Revenue

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

i. 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 Group sells mobile handsets to distributors and enters into communications service contracts with customers through the distributors, and “Direct sales” where the Group sells mobile handsets to customers and enters into a communications service contracts directly with the customers. Revenue in each case is recognized as follows:

(a) Indirect sales

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 when mobile handsets are delivered to distributors.

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

(b) Direct sales

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

In both direct and indirect sales, 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.

ii. 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.

iii. Contents service

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 from the membership fees is recognized over the qualifying period of the membership.

The Group may act as an agency 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. However, either presentation on gross basis or net basis does not impact gross profit or profit for the year.

iv. Solution service

Revenue from solution services primarily consists of revenues from equipment sales, engineering, management and domestic 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.

v. 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,

vi. 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.

(20) Sales commission fees

The Group pays sales commission fees when distributors sell the Group's mobile handsets to customers, or acquire and retain telecommunications service agreements. Commission fees paid to acquire and retain the telecommunications service agreements are recognized as selling, general and administrative expenses when incurred. Commission fees related to the sale of mobile handsets are deducted from the revenues from the sale of mobile handsets.

(21) Finance income and costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized when incurred using the effective interest method. Dividend income is recognized by the Group when the right to receive payment (shareholders' right) is established. Interest income is recognized as incurred using the effective interest method.

Finance costs mainly comprise interest expense, exchange losses and changes in fair value of financial assets at fair value through profit or loss. Interest expense is recognized as incurred when incurred using the effective interest method.

(22) Other non-operating income and loss

Other non-operating profit and loss includes gain and loss on sales of stocks of subsidiaries and associates and gain and loss on change in equity.

(23) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of an asset, which takes a considerable period of time before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period they incurred.

(24) Income taxes

Income taxes are composed of current and deferred taxes and recognized in profit or loss, except for taxes related to items that are recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities on the current year's taxable income, plus adjustments to the amount paid in prior years. To determine the current tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in the countries in which the Group operates and gains taxable income or losses.

Deferred tax assets and liabilities are, using asset and liability method, recognized on temporary differences between the carrying amounts of assets and liabilities on the condensed interim consolidated financial statements and their tax bases, and tax loss carryforwards and tax credits. However, no deferred tax assets and liabilities are recognized on following temporary differences:

- Taxable Temporary differences arising from the initial recognition of goodwill;

- Temporary differences arising from the initial recognition of assets and liabilities related to transactions other than business combination, that affects neither the accounting profit nor the taxable profit (loss); and
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on deductible temporary differences, unused tax loss carryforwards and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are, in principle, recognized on taxable temporary differences. Carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to realize all or part of the benefit of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

Income tax expense on condensed interim consolidated statement of income is calculated based on the profit for the period before income tax using the estimated weighted average annual income tax rate expected for the full financial year.

(25) Dividends

Dividends to owners of the parent company are recognized as a liability for the period over which the dividends are approved by the owners of the parent company.

(26) Earnings per share

The Group discloses basic earnings per share (attributable to owners of the parent) related to common stock.

Basic earnings per share is calculated by dividing profit for the year attributable to common stockholders of the parent by the weighted average number of common stocks outstanding during the reporting period, adjusted for the number of treasury stocks acquired.

4. Segment information

(1) Outline of reporting segments

The reporting segments of the Group are units of the Group of which separate financial information is available, and which are periodically monitored for the board of directors to determine the allocation of the business resource and evaluate the performance results.

The Group has established “3M Strategy” as a growth strategy for domestic business and “Global Strategy” for expanding business overseas, based on the three business visions: “More connected!”, “More Diverse Values!”, and “More Global!”. The Group has four reporting segments: “Personal”, “Value”, “Business” and “Global” for driving the strategies above. The classification of reporting segments is the same as operating segment.

* “3M” is named after the initial letters of “Multi-network,” “Multi-device” and “Multi-use.” Through 3M strategy, we aim to provide a communications environment that gives customers seamless access anytime anywhere at the customers’ choice (multi-use) to various contents and services including music, images, digital books and games using various devices such as smartphones, tablets, digital book terminals and PC (multi devices), via the network organically connecting cellphones, FTTH, CATV, WiMAX and Wi-Fi owned by the Group (multi-network).

“Personal” provides mobile and fixed-line communications services for individual customers. In addition to providing mobile communications services, chiefly under the “au” brand, and selling mobile handsets, in fixed-line communications, our services include in-home Internet, telephone, and video channel (TV services). In addition to these convenient FTTH services, which are branded “au HIKARI,” we provide CATV and other services.

“Value” provides individual customers with content, settlement and other value-added services. The segment also works to reinforce multi-device and multi-network initiatives.

“Business” provides diverse solutions, including cloud services, that seamlessly utilize networks and applications across smartphones, tablets and other mobile devices, to a wide range of corporate customers, from small and medium-sized to large companies. 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.

“Global” provides the one-stop provision of ICT solutions to corporate customers, centered on our “TELEHOUSE” data centers. In addition, the KDDI Group is working aggressively to expand customer business, such as telecommunications business in Myanmar and other emerging markets and MVNO operations in the United States. Furthermore, it provides voice and data business to more than 600 telecommunications carriers around the world.

(2) Calculation method of revenue and income or loss by reporting segment

Accounting treatment of reported business segments is consistent with “Note 3. Significant accounting policies.”

Income of the reporting segments is based on the operating income.

Inter segment transaction price is determined based on the price by arm’s length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reporting segments.

(3) Information related to the amount of revenue and income or loss by reporting segment

The Group’s segment information is as follows:

For the six-month period ended September 30, 2014

	Reporting segment						Other (Note 1)	Total	Adjustment (Note 2)	(Unit: Millions of yen) Amounts on the condensed interim consolidate d financial statements
	Personal	Value	Business	Global	Sub- total					
Revenue										
Revenue from external customers	1,527,407	84,820	274,803	123,042	2,010,072	20,080	2,030,153	–	2,030,153	
Inter-segment revenue or transfers	42,152	28,051	47,408	15,847	133,458	62,086	195,544	(195,544)	–	
Total	1,569,559	112,871	322,211	138,890	2,143,530	82,166	2,225,697	(195,544)	2,030,153	
Segment income	299,770	31,997	41,157	7,764	380,688	4,326	385,015	(2,479)	382,535	
Finance income and finance cost (Net)									(4,201)	
Other non-operating profit and loss									4,439	
Profit for the six-month period before income tax									382,773	

(Note1) Business segment “Other” does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.

(Note2) Adjustment of segment income shows the elimination of inter-segment transactions.

For the six-month period ended September 30, 2015

	Reporting segment						Total	Adjustment (Note 2)	(Unit: Millions of yen) Amounts on the condensed interim consolidate d financial statements
	Personal	Value	Business	Global	Sub- total	Other (Note 1)			
Revenue									
Revenue from external customers	1,634,564	90,060	264,587	136,857	2,126,068	25,687	2,151,755	—	2,151,755
Inter-segment revenue or transfers	47,987	35,979	45,338	15,999	145,303	57,969	203,273	(203,273)	—
Total	1,682,551	126,039	309,925	152,856	2,271,372	83,656	2,355,027	(203,273)	2,151,755
Segment income	351,426	36,601	39,569	19,920	447,516	3,914	451,429	1	451,430
Finance income and finance cost (Net)									(6,901)
Other non-operating profit and loss									521
Profit for the six-month period before income tax									445,050

(Note1) Business segment “Other” does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.

(Note2) Adjustment of segment income shows the elimination of inter-segment transactions.

For the three-month period ended September 30, 2014

(Unit: Millions of yen)

	Reporting segment						Total	Adjustment (Note 2)	Amounts on the condensed interim consolidate d financial statements
	Personal	Value	Business	Global	Sub- total	Other (Note 1)			
Revenue									
Revenue from external customers	797,634	42,921	139,216	61,797	1,041,567	11,172	1,052,739	—	1,052,739
Inter-segment revenue or transfers	21,274	16,028	23,950	7,925	69,176	30,944	100,120	(100,120)	—
Total	818,907	58,948	163,165	69,722	1,110,743	42,117	1,152,859	(100,120)	1,052,739
Segment income	146,384	15,589	20,895	4,182	187,050	2,986	190,036	(1,142)	188,893
Finance income and finance cost (Net)									(1,041)
Other non-operating profit and loss									4,439
Profit for the three-month period before income tax									192,292

(Note1) Business segment “Other” does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.

(Note2) Adjustment of segment income shows the elimination of inter-segment transactions.

For the three-month period ended September 30, 2015

(Unit: Millions of yen)

	Reporting segment						Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the condensed interim consolidate d financial statements
	Personal	Value	Business	Global	Sub- total					
Revenue										
Revenue from external customers	843,339	45,923	135,548	68,145	1,092,954	12,224	1,105,178	—	1,105,178	
Inter-segment revenue or transfers	24,637	18,322	23,193	7,947	74,098	29,664	103,762	(103,762)	—	
Total	867,975	64,244	158,741	76,092	1,167,052	41,888	1,208,940	(103,762)	1,105,178	
Segment income	172,213	18,235	19,487	8,618	218,554	1,847	220,401	31	220,432	
Finance income and finance cost (Net)									(5,281)	
Other non-operating profit and loss									—	
Profit for the three-month period before income tax									215,152	

(Note1) Business segment “Other” does not constitute reporting segments, and includes construction and maintenance of facilities, call center, and research and development of leading-edge technology.

(Note2) Adjustment of segment income shows the elimination of inter-segment transactions.

5. Impairment of property, plant and equipment and intangible assets

For the three-month period ended September 30, 2014, the Group drew up a plan to shift the 2GHz band to LTE broadband in order to reinforce its competitiveness in mobile communications services, rendering certain facilities non-performing. Facilities not part of this conversion were determined to be idle assets that were not expected to be used in the future. An impairment loss of ¥7,988 million was recorded for these assets, which consists of ¥6,764 million for machinery and ¥1,224 million for antenna facilities. The impairment loss was recorded as cost of sales in the condensed interim consolidated statement of income and included in “Personal” of the Group’s reporting segment.

The recoverable amount of these assets was estimated based on the fair value less costs of disposal. Because these assets have old standard in their equipment and were difficult to convert to other uses, the fair value hierarchy of these assets was classified as level 3 and the fair value was set at ¥0.

6. First-time adoption of IFRSs

(1) Transition to financial reporting under IFRSs

In principle, IFRSs requires first-time adopters to apply standards required by IFRSs retrospectively. As exceptions, IFRS 1 prohibits retrospective application of some aspects, which shall be applied prospectively from the date of transition to IFRSs. The exemptions applied to the Group are as follows:

i. Accounting estimates

Accounting estimates used for preparing the consolidated financial statements under IFRSs are consistent with the estimates used for preparing the consolidated financial statements under Japanese GAAP, and do not reflect revision arising from the new information acquired thereafter.

ii. Non-controlling interests

The following requirements of IFRS 10 “Consolidated Financial Statements” are applied prospectively from the date of transition to IFRSs.

- the requirement that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance; and
- the requirements for accounting for changes in the ownership interest in a subsidiary that do not result in a loss of control.

IFRS 1 specifies optional exemptions for certain requirements in IFRSs. The details of the exemptions adopted by the Group are as follows:

i. Business combinations

In accordance with the exemption from requirements under IFRSs on business combinations that occurred before the date of transition to IFRSs, the Group has not applied them retrospectively to business combinations that occurred before the date of transition to IFRSs.

ii. Exchange differences on translating foreign operations

Cumulative exchange differences on translating foreign operations are regarded as zero at the date of transition to IFRSs.

iii. Designation of financial instruments

The Group designates equity instruments as the financial assets of which changes in fair value are presented as other comprehensive income at the date of transition to IFRSs.

iv. Share-based payments

IFRS 2 has not been retrospectively applied to share-based payments vested before the date of transition to IFRSs.

v. Borrowing costs

A first-time adopter may commence capitalization of borrowing costs relating to qualifying assets at the date of transition to IFRSs. The Group adopts this exemption.

vi. Lease

A first-time adopter may evaluate whether an arrangement contains lease or not at the date of transition to IFRSs. The Group adopts this exemption and evaluates it based on facts and circumstances existing at that date.

The Group reconciles the consolidated financial statements previously disclosed under Japanese GAAP to the consolidated financial statements under IFRSs, as necessary. The disclosure of reconciliation required upon first-time adoption of IFRSs is as follows.

“Reclassification” presents the items not affecting retained earnings and comprehensive income due to the reclassification of line items. Reclassification for each item is presented in a separate table from other adjustments in “(8) Notes for reclassification”. “Differences in the scope of consolidation” presents the differences from the change in the scope of consolidation under IFRSs from Japanese GAAP. “Unification of reporting period” presents the effect of changing the closing dates of subsidiaries and affiliates when they were previously different from that of the Company, and the effect of conforming the reporting period by preparing provisional financial statements. “Differences in recognition and measurement” presents the items affecting retained earnings and comprehensive income due to change to IFRSs.

The amounts shown in the following tables (2) ~ (7) “Adjustment to equity” and “Adjustment to comprehensive income” and (8) Reclassification table “a ~ f” are rounded to the nearest million yen.

(2) Adjustment to equity as of April 1, 2014 (at the date of transition to IFRSs)

Items on the consolidated statement of financial position

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (*2)	IFRS
Assets						
Non-current assets						
Property, plant and equipment	2,138,009	84,037	(2,422)	245,959	B	2,465,583
Goodwill	337,457	—	(2,030)	(5,645)	H	329,783
Intangible assets	644,964	7,468	(393)	13,029	B,D,H	665,068
Investments accounted for using the equity method	41,755	—	1	42	F,G,H	41,798
Other long-term financial assets	130,885	162	(13)	3,396	E	134,430
Retirement benefit assets	8,893	—	—	(1,417)		7,476
Deferred tax assets	136,005	—	222	(40,875)	J	95,353
Other non-current assets	7,670	(40)	(183)	50,403	D, E	57,850
Total non-current assets	3,445,638	91,627	(4,818)	264,894		3,797,340
Current assets						
Inventories	86,876	182	588	(3,871)	D	83,776
Trade and other receivables	1,131,795	(1,177)	(2,668)	(742)	D	1,127,209
Other short-term financial assets	9,982	—	681	—		10,663
Other current assets	53,063	4,660	2,149	20,886	D	80,757
Cash and cash equivalents	212,530	36,869	333	—		249,732
Total current assets	1,494,247	40,533	1,084	16,273		1,552,137
Total assets	4,939,885	132,160	(3,734)	281,167		5,349,478
Liabilities						
Non-current liabilities						
Borrowings and bonds payable	723,697	57,400	—	(1,642)	E	779,454
Other long-term financial liabilities	33,798	807	1	96,532	E	131,138
Retirement benefit liabilities	18,676	—	3	(1,417)		17,261
Deferred tax liabilities	50,338	3	(2,321)	123	J	48,142
Other non-current liabilities	79,278	(24,484)	(724)	104,136	D	158,207
Total non-current liabilities	905,787	33,726	(3,041)	197,732		1,134,204
Current liabilities						
Borrowings and bonds payable	310,264	60,300	0	(215)	E	370,349
Trade and other payables	452,536	8,702	(1,403)	34,770	D,I	494,605
Other short-term financial liabilities	18,458	188	(4)	37		18,679
Income taxes payables	126,074	107	(53)	41		126,169
Other current liabilities	217,831	267	(1,215)	75,999	D,F	292,882
Total current liabilities	1,125,163	69,564	(2,675)	110,632		1,302,684
Total liabilities	2,030,950	103,290	(5,715)	308,364		2,436,888
Equity						
Equity attributable to owners of the parent						
Common stock	141,852	—	—	—		141,852
Capital surplus	385,982	—	—	(37)	E,G,H	385,945
Treasury stock	(161,822)	—	—	—		(161,822)
Retained earnings	2,283,459	1,250	4,866	84,805	B~J	2,374,381
Accumulated other comprehensive income	65,688	—	(2,523)	(19,576)	E,F,G	43,589
Total equity attributable to owners of the parent	2,715,160	1,250	2,343	65,192		2,783,946
Non-controlling interests	193,775	27,620	(362)	(92,390)		128,644
Total equity	2,908,935	28,870	1,981	(27,197)		2,912,589
Total liabilities and equity	4,939,885	132,160	(3,734)	281,167		5,349,478

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (8) Notes for Reclassification

*2: Presented in (11) Notes for differences in recognition and measurement.

(3) Adjustment to equity as of September 30, 2014

Items on the consolidated statement of financial position

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (*2)	IFRS
Assets						
Non-current assets						
Property, plant and equipment	2,172,121	112,425	3,306	234,425	B	2,522,276
Goodwill	333,045	—	1,033	6,314	A,H	340,393
Intangible assets	663,634	8,973	480	7,272	B,D,H	680,359
Investments accounted for using the equity method	55,163	22,861	718	(23,031)	F,G,H	55,711
Other long-term financial assets	130,963	174	45	2,116	E	133,298
Retirement benefit assets	10,689	—	—	(589)	F	10,100
Deferred tax assets	130,415	—	333	(34,786)	J	95,962
Other non-current assets	6,712	0	(23)	60,094	D,E	66,783
Total non-current assets	3,502,743	144,433	5,892	251,815		3,904,882
Current assets						
Inventories	96,779	232	(424)	(11,428)	D	85,159
Trade and other receivables	1,125,219	(835)	(338)	(411)	D	1,123,634
Other short-term financial assets	53,462	(42,514)	914	—		11,862
Other current assets	67,238	7,092	(619)	13,685	D,I	87,395
Cash and cash equivalents	198,649	1,320	4,180	—		204,150
Total current assets	1,541,347	(34,706)	3,713	1,846		1,512,200
Total assets	5,044,090	109,727	9,605	253,660		5,417,082
Liabilities						
Non-current liabilities						
Borrowings and bonds payable	727,470	49,400	0	(1,639)	E	775,231
Other long-term financial liabilities	39,535	711	22	97,452	E	137,720
Retirement benefit liabilities	15,892	—	20	—		15,912
Deferred tax liabilities	47,647	1	(2,369)	(203)	J	45,076
Other non-current liabilities	50,561	(167)	1,891	114,474	D	166,759
Total non-current liabilities	881,105	49,945	(437)	210,084		1,140,698
Current liabilities						
Borrowings and bonds payable	226,392	23,000	—	(174)	E	249,217
Trade and other payables	470,328	7,812	(629)	22,559	D,I	500,069
Other short-term financial liabilities	19,810	185	(1)	38		20,033
Income taxes payables	135,830	151	118	89		136,188
Other current liabilities	222,849	474	303	73,810	D,F	297,436
Total current liabilities	1,075,209	31,621	(208)	96,321		1,202,943
Total liabilities	1,956,314	81,566	(645)	306,406		2,343,641
Equity						
Equity attributable to owners of the parent						
Common stock	141,852	—	—	—		141,852
Capital surplus	385,977	—	—	(16,611)	E,G,H	369,366
Treasury stock	(161,822)	—	—	—		(161,822)
Retained earnings	2,456,396	109	6,290	83,164	A~J	2,545,959
Accumulated other comprehensive income	62,976	—	3,912	(21,518)	E,F,G	45,370
Total equity attributable to owners of the parent	2,885,379	109	10,202	45,035		2,940,725
Non-controlling interests	202,397	28,052	48	(97,781)		132,716
Total equity	3,087,776	28,160	10,250	(52,745)		3,073,441
Total liabilities and equity	5,044,090	109,727	9,605	253,660		5,417,082

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (8) Notes for Reclassification.

*2: Presented in (11) Notes for differences in recognition and measurement.

(4) Adjustment to equity as of March 31, 2015

Items on the consolidated statement of financial position

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (*2)	IFRS
Assets						
Non-current assets						
Property, plant and equipment	2,157,982	159,083	—	224,033	B	2,541,099
Goodwill	322,025	—	—	21,111	A,H	343,136
Intangible assets	685,385	9,213	—	4,733	B,D,H	699,332
Investments accounted for using the equity method	61,453	22,435	—	(22,267)	F,G,H	61,621
Other long-term financial assets	189,069	(95,118)	—	3,232	E	97,183
Retirement benefit assets	26,035	—	—	—		26,035
Deferred tax assets	139,964	—	—	(28,975)	J	110,988
Other non-current assets	7,705	0	—	64,393	D,E	72,098
Total non-current assets	3,589,618	95,614	—	266,259		3,951,491
Current assets						
Inventories	81,579	282	—	(6,024)	D	75,837
Trade and other receivables	1,231,327	(232)	—	—		1,231,095
Other short-term financial assets	19,974	(11,153)	—	—		8,821
Other current assets	51,930	8,016	—	23,217	D	83,164
Cash and cash equivalents	275,936	381	—	—		276,317
Total current assets	1,660,747	(2,706)	—	17,194		1,675,235
Total assets	5,250,365	92,908	—	283,453		5,626,725
Liabilities						
Non-current liabilities						
Borrowings and bonds payable	824,318	24,000	—	(1,617)	E	846,701
Other long-term financial liabilities	46,315	1,028	—	98,366	E	145,709
Retirement benefit liabilities	14,826	—	—	—		14,826
Deferred tax liabilities	39,571	1	—	(3,651)	J	35,921
Other non-current liabilities	53,087	(168)	—	117,448	D	170,367
Total non-current liabilities	978,116	24,861	—	210,546		1,213,523
Current liabilities						
Borrowings and bonds payable	116,510	33,400	—	(150)	E	149,760
Trade and other payables	485,517	6,994	—	42,977	D,I	535,489
Other short-term financial liabilities	20,419	241	—	38		20,698
Income taxes payables	165,046	159	—	197		165,402
Other current liabilities	246,007	301	—	72,533	D,F	318,841
Total current liabilities	1,033,500	41,094	—	115,596		1,190,190
Total liabilities	2,011,616	65,955	—	326,142		2,403,713
Equity						
Equity attributable to owners of the parent						
Common stock	141,852	—	—	—		141,852
Capital surplus	385,977	—	—	(16,255)	E,G,H	369,722
Treasury stock	(161,822)	—	—	—		(161,822)
Retained earnings	2,586,144	(2,420)	—	103,101	A~J	2,686,824
Accumulated other comprehensive income	58,457	—	—	(30,996)	E,F,G	27,462
Total equity attributable to owners of the parent	3,010,608	(2,420)	—	55,850		3,064,038
Non-controlling interests	228,141	29,373	—	(98,540)		158,974
Total equity	3,238,749	26,952	—	(42,690)		3,223,012
Total liabilities and equity	5,250,365	92,908	—	283,453		5,626,725

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (8) Notes for Reclassification.

*2: Presented in (11) Notes for differences in recognition and measurement.

(5) Adjustment to comprehensive income for the six-month period ended September 30, 2014

Items on the consolidated statement of income

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (*2)	IFRS
Operating revenue	2,131,935	(3,879)	987	(98,891)	D	2,030,153
Cost of sales	1,136,133	(18,440)	(321)	12,993	B,D,F,I	1,130,365
Gross profit	995,802	14,561	1,308	(111,884)		899,788
Selling, general and administrative expenses	616,876	13,658	1,601	(110,690)	A,B,D-F,H-J	521,445
Other income	4,488	(62)	5	(408)	B	4,024
Other expense	1,977	7	128	(175)	B,H	1,937
Share of profit(loss) of investments accounted for using the equity method	2,367	(641)	0	380	G	2,106
Operating income	383,804	193	(416)	(1,046)		382,535
Finance income	8,679	(112)	(249)	(4,545)	E	3,773
Finance cost	6,274	690	(148)	1,158	E	7,975
Other non-operating profit and loss	4,871	—	(432)	—		4,439
Profit before income tax	391,080	(609)	(949)	(6,749)	A,B,D-J	382,773
Income taxes	143,653	27	(352)	(4,877)		138,451
Profit for the period	247,427	(636)	(597)	(1,872)		244,322
Profit for the period attributable to:						
Owner of the parent	231,385	(1,142)	(605)	(2,822)		226,817
Minority interests	16,042	506	8	949		17,505
Profit for the period	247,427	(636)	(597)	(1,872)		244,322

Items on the consolidated statement of comprehensive income

(Unit: Millions of yen)

Japanese GAAP line items	Japanese GAAP	Differences in the scope of consolidation	Change of closing date and other	Differences in recognition and measurement	Note (*2)	IFRS	Line items under IFRS
Income before minority interests	247,427	(636)	(597)	(1,872)		244,322	Profit for the period
Other comprehensive income							Other comprehensive income, net of tax
Valuation difference on available-for sale securities	(346)	—	1	1,969	E	1,624	Changes in fair value of financial assets at fair value through other comprehensive income
Deferred gains or losses on hedges	17	—	—	34		51	Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	(5,502)	—	5,655	2,058		2,212	Exchange differences on translating foreign operations
Remeasurements of defined benefit plans, net of tax	1,016	—	9	(1,025)	F	—	Remeasurements of defined benefit plans, net of tax
Share of other comprehensive income of investments accounted for using the equity method	541	—	—	(522)	G	18	Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(4,274)	—	5,665	2,514	E,F,G	3,906	Total other comprehensive income, net of tax
Total comprehensive income	243,154	(636)	5,068	642		248,227	Total comprehensive income
Attributable to:							Attributable to:
Owner of the parent	228,673	(1,142)	4,979	(704)		231,807	Owner of the parent
Minority interests	14,481	506	89	1,345		16,421	Minority interests

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (8) Notes for Reclassification.

*2: Presented in (11) Notes for differences in recognition and measurement.

(6) Adjustment to comprehensive income for the three-month period ended September 30, 2014

Items on the consolidated statement of income

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (*2)	IFRS
Operating revenue	1,111,383	(1,519)	(1,660)	(55,465)	D	1,052,739
Cost of sales	609,511	(10,468)	(2,614)	4,894	B,D,F,I	601,323
Gross profit	501,872	8,950	954	(60,359)		451,417
Selling, general and administrative expenses	317,721	7,015	806	(61,186)	A,B,D-F,H-J	264,357
Other income	2,169	(41)	6	(225)	B	1,910
Other expense	1,074	2	103	(83)	B,H	1,096
Share of profit(loss) of investments accounted for using the equity method	1,602	(783)	0	200	G	1,020
Operating income	186,849	1,109	51	885		188,893
Finance income	7,441	(59)	(231)	(4,589)	E	2,561
Finance cost	2,785	344	(56)	529	E	3,602
Other non-operating profit and loss	4,871	—	(432)	—		4,439
Profit before income tax	196,375	705	(556)	(4,233)	A,B,D-J	192,292
Income taxes	69,773	22	(273)	(2,856)		66,666
Profit for the period	126,602	683	(283)	(1,376)		125,626
Profit for the period attributable to:						
Owner of the parent	117,870	(522)	(259)	(1,656)		115,433
Minority interests	8,732	1,205	(23)	280		10,193
Profit for the period	126,602	683	(283)	(1,376)		125,626

Items on the consolidated statement of comprehensive income

(Unit: Millions of yen)

Japanese GAAP line items	Japanese GAAP	Differences in the scope of consolidation	Change of closing date and other	Differences in recognition and measurement	Note (*2)	IFRS	Line items under IFRS
Income before minority interests	126,602	683	(283)	(1,376)		125,626	Profit for the period
Other comprehensive income							Other comprehensive income, net of tax
Valuation difference on available-for sale securities	(112)	—	(2)	2,061	E	1,947	Changes in fair value of financial assets at fair value through other comprehensive income
Deferred gains or losses on hedges	218	—	—	(9)		209	Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	(1,948)	—	2,970	2,058		3,079	Exchange differences on translating foreign operations
Remeasurements of defined benefit plans, net of tax	498	—	(14)	(484)	F	—	Remeasurements of defined benefit plans, net of tax
Share of other comprehensive income of investments accounted for using the equity method	888	—	—	(542)	G	346	Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(457)	—	2,954	3,084	E,F,G	5,582	Total other comprehensive income, net of tax
Total comprehensive income	126,145	683	2,671	1,708		131,207	Total comprehensive income
Attributable to:							Attributable to:
Owner of the parent	118,137	(522)	2,738	1,075		121,428	Owner of the parent
Minority interests	8,008	1,205	(67)	633		9,779	Minority interests

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (8) Notes for Reclassification.

*2: Presented in (11) Notes for differences in recognition and measurement.

(7) Adjustment to comprehensive income for the year ended March 31, 2015

Items on the consolidated statement of income

(Unit: Millions of yen)

	Japanese GAAP after reclassification (*1)	Differences in the scope of consolidation	Unification of reporting period	Differences in recognition and measurement	Note (*2)	IFRS
Operating revenue	4,573,142	(24,101)	(43,157)	(235,791)	D	4,270,094
Cost of sales	2,565,341	(56,914)	(36,209)	39,008	B,D,F,I	2,511,226
Gross profit	2,007,801	32,813	(6,948)	(274,799)		1,758,868
Selling, general and administrative expenses	1,320,848	31,270	(2,998)	(242,676)	A,B,D-F,H-J	1,106,444
Other income	14,345	40	(46)	(1,271)	B,E,H	13,069
Other expense	39,032	22	(32)	(34,324)	B,H	4,697
Share of profit(loss) of investments accounted for using the equity method	5,802	(1,881)	0	1,002	G	4,923
Operating income	668,069	(320)	(3,963)	1,932		665,719
Finance income	59,978	(329)	(347)	(51,085)	E	8,216
Finance cost	12,936	1,079	(337)	1,924	E	15,602
Other non-operating profit and loss	4,833	—	(300)	—		4,533
Profit before income tax	719,944	(1,728)	(4,273)	(51,077)	A,B,D-J	662,867
Income taxes	270,350	63	(963)	(26,108)		243,343
Profit for the year	449,593	(1,791)	(3,310)	(24,969)		419,524
Profit for the year attributable to:						
Owner of the parent	427,931	(3,670)	(3,028)	(25,428)		395,805
Minority interests	21,662	1,879	(281)	459		23,719
Profit for the year	449,593	(1,791)	(3,310)	(24,969)		419,524

Items on the consolidated statement of comprehensive income

(Unit: Millions of yen)

Japanese GAAP line items	Japanese GAAP	Differences in the scope of consolidation	Change of closing date and other	Differences in recognition and measurement	Note (*2)	IFRS	Line items under IFRS
Income before minority interests	449,593	(1,791)	(3,310)	(24,969)		419,524	Profit for the year
Other comprehensive income							Other comprehensive income, net of tax
Valuation difference on available-for sale securities	(25,825)	—	0	32,706	E	6,881	Changes in fair value of financial assets at fair value through other comprehensive income
Deferred gains or losses on hedges	(1,811)	—	—	(70)		(1,881)	Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	5,851	—	2,933	838		9,622	Exchange differences on translating foreign operations
Remeasurements of defined benefit plans, net of tax	10,333	—	11	(1,731)	F	8,613	Remeasurements of defined benefit plans, net of tax
Share of other comprehensive income of investments accounted for using the equity method	4,307	—	—	(1,262)	G	3,045	Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(7,146)	—	2,945	30,482	E,F,G	26,280	Total other comprehensive income, net of tax
Total comprehensive income	442,447	(1,791)	(365)	5,513		445,803	Total comprehensive income
Attributable to:							Attributable to:
Owner of the parent	420,700	(3,670)	(268)	4,800		421,562	Owner of the parent
Minority interests	21,747	1,879	(97)	713		24,241	Minority interests

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (8) Notes for Reclassification.

*2: Presented in (11) Notes for differences in recognition and measurement.

(8) Notes for reclassification

Certain reclassification has been made in the following line items to comply with the provisions of IFRSs, resulting in no impacts on retained earnings and comprehensive income.

- a. Under Japanese GAAP, the Group previously disclosed its fixed assets by classifying them into fixed assets in telecommunications business and fixed assets in incidental business according to the form of “Rules for Telecommunications Business Accounting” (Ministry of Posts and Telecommunications Ordinance No. 26, 1985). Upon adoption of IFRSs, all property, plant and equipment are presented in a single line item as non-current assets.
- b. Investments in related companies, which were included in stocks of affiliates under Japanese GAAP, are presented separately as investments accounted for using the equity method under IFRSs.
- c. Deferred tax assets and liabilities, which were presented as current item under Japanese GAAP, are presented as non-current item under IFRSs.
- d. Under Japanese GAAP, time deposits etc. were presented as cash and deposits. However, cash and deposits that have original maturity over 3 months and restricted cash and deposits are included in other short-term financial assets.
- e. Receivables, such as notes and trade receivables, and deposits included in other current assets, which were presented separately under Japanese GAAP, are presented as trade and other receivables under IFRSs.
- f. Bonds payables and long-term borrowings, which were presented separately under Japanese GAAP, are presented as borrowings and bonds payable (non-current) under IFRSs. In addition, short-term borrowings, current portion of long-term borrowings and current portion of bonds payable, which were presented separately under Japanese GAAP are presented as borrowings and bonds payable (current) under IFRSs.
- g. Payables, such as notes and trade payable and accrued expenses included in other current liabilities, which were presented separately under Japanese GAAP, are presented as trade and other payables under IFRSs.
- h. Provision for point service program, which was presented as non-current item under Japanese GAAP, is presented as current item under IFRSs
- i. Under Japanese GAAP, the Group disclosed its operating income and operating expenses by classifying them into telecommunications business and incidental business according to the form of “Rules for Telecommunications Business Accounting” (Ministry of Posts and Telecommunications Ordinance No. 26, 1985). Under IFRSs, they are aggregated and presented as revenue, cost of sales, and selling, general and administrative expenses.
- j. In the amounts previously presented as non-operating income and expenses under Japanese GAAP, financial items such as interest income and expenses are presented as finance income and finance costs under IFRSs.
- k. In the amounts previously presented as extraordinary income and loss under Japanese GAAP, gain and loss on sales of stocks of subsidiaries and associates are presented as other non-operating profit and loss under IFRSs. Gain and loss on disposal of non-current assets and impairment loss etc. which were previously presented as extraordinary income and loss, are presented as cost of sales, selling, general and

administrative expenses, and other income and expenses under IFRSs.

1. In addition, certain aggregation and separate presentation have been done to conform to line items under IFRSs.

The following tables show the details of above line items for reclassification.

(8) Reclassification

a. Reclassification for consolidated statement of financial position as of April 1, 2014 (at the date of transition to IFRSs)

(Unit: Millions of yen)

Japanese GAAP line items	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Assets				Assets
Fixed assets				Non-current assets
Property, plant and equipment				
Property, plant and equipment in telecommunications business				
Machinery, net	650,596	(650,596)	—	
Antenna equipment, net	342,372	(342,372)	—	
Local line facilities, net	120,662	(120,662)	—	
Long-distance line facilities, net	4,582	(4,582)	—	
Engineering facilities, net	23,451	(23,451)	—	
Submarine line facilities, net	3,158	(3,158)	—	
Buildings, net	162,438	(162,438)	—	
Structures, net	26,065	(26,065)	—	
Land	247,866	(247,866)	—	
Construction in progress	156,710	(156,710)	—	
Other property, plant and equipment, net	26,831	(26,831)	—	
Property, plant and equipment, net in Incidental business	373,277	(373,277)	—	
		2,138,009	2,138,009	Property, plant and equipment
Intangible fixed assets				
Intangible fixed assets in telecommunications business				
Rights to use facilities	11,164	(11,164)	—	
Software	157,035	(157,035)	—	
Goodwill	21,048	(21,048)	—	
Other intangible fixed assets	8,672	(8,672)	—	
Intangible fixed asset in Incidental business	545,200	(545,200)	—	
		337,457	337,457	Goodwill
		644,964	644,964	Intangible assets
Investments and other assets				
Investment securities	91,509	(91,509)	—	
Shares in related companies	41,480	274	41,755	Investments accounted for using the equity method
Investment in related companies	274	(274)	—	
Long-term prepaid expenses	245,185	(245,185)	—	
Retirement benefit assets	8,893	—	8,893	Retirement benefit assets
Deferred tax assets	84,653	51,353	136,005	Deferred tax assets
Other investments and other assets	50,739	(50,739)	—	
Allowance for doubtful accounts	(9,576)	9,576	—	
		130,885	130,885	Other long-term financial assets
		7,670	7,670	Other non-current assets
Total fixed assets	3,394,286	51,353	3,445,638	Total non-current assets
Current assets				Current assets
Cash and deposits	222,051	(9,520)	212,530	Cash and cash equivalents
Accounts receivable-trade and notes receivable	1,094,920	36,875	1,131,795	Trade and other receivables
Other receivables	68,298	(68,298)	—	
Securities	274	(274)	—	
Supplies	86,060	816	86,876	Inventories
Deferred tax assets	51,353	(51,353)	—	
Other current assets	44,177	(44,177)	—	
Allowance for doubtful accounts	(21,533)	21,533	—	
		9,982	9,982	Other short-term financial assets
		53,063	53,063	Other current assets
Total current assets	1,545,599	(51,353)	1,494,247	Total current assets
Total assets	4,939,885	—	4,939,885	Total assets

(Unit: Millions of yen)

Japanese GAAP line items	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Liabilities				Liabilities
Fixed liabilities				Non-current liabilities
Bonds payable	204,999	(204,999)	—	
Long-term borrowings	518,698	(518,698)	—	
		723,697	723,697	Borrowings and bonds payable
Retirement benefit liabilities	18,676	—	18,676	Retirement benefit liabilities
Provision for point service program	76,338	(76,338)	—	
Other fixed liabilities	163,302	(163,302)	—	
		33,798	33,798	Other long-term financial liabilities
		50,338	50,338	Deferred tax liabilities
		79,278	79,278	Other non-current liabilities
Total fixed liabilities	982,013	(76,226)	905,787	Total non-current liabilities
Current liabilities				Current liabilities
Current portion of fixed liabilities	233,466	76,798	310,264	Borrowings and bonds payable
Notes payable and accounts payable-trade	87,232	365,304	452,536	Trade and other payables
Short-term borrowings	95,256	(95,256)	—	
Accounts payable, other	349,012	(349,012)	—	
Accrued expenses	26,732	(26,732)	—	
Income taxes payables	125,365	709	126,074	Income taxes payables
Advances received	55,254	(55,254)	—	
Allowance for bonuses	28,771	(28,771)	—	
Other current liabilities	47,848	(47,848)	—	
		18,458	18,458	Other short-term financial liabilities
		217,831	217,831	Other current liabilities
Total current liabilities	1,048,937	76,226	1,125,163	Total current liabilities
Total liabilities	2,030,950	—	2,030,950	Total liabilities
Net assets				Equity
Shareholders' equity				Equity attributable to owners of the parent
Capital stock	141,852	—	141,852	Common stock
Capital surplus	385,943	40	385,982	Capital surplus
Retained earnings	2,283,459	—	2,283,459	Retained earnings
Treasury stock	(161,822)	—	(161,822)	Treasury stock
Accumulated other comprehensive income				
Valuation difference on available for-sale securities	45,731	(45,731)	—	
Deferred gain or loss on hedges	(1,585)	1,585	—	
Foreign currency translation adjustments	15,189	(15,189)	—	
Remeasurement of retirement benefit plans	6,352	(6,352)	—	
		65,688	65,688	Accumulated other comprehensive income
			2,715,160	Total equity attributable to owners of the parent
Subscription rights	40	(40)	—	
Minority interests	193,775	—	193,775	Non-controlling interests
Total net assets	2,908,935	—	2,908,935	Total equity
Liabilities and total net assets	4,939,885	—	4,939,885	Total liabilities and equity

(8) Reclassification

b. Reclassification for consolidated statement of financial position as of September 30, 2014

(Unit: Millions of yen)

Japanese GAAP line items	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Assets				Assets
Fixed assets				Non-current assets
Property, plant and equipment				
Property, plant and equipment in telecommunications business				
Machinery, net	678,231	(678,231)	—	
Antenna equipment, net	350,497	(350,497)	—	
Local line facilities, net	120,087	(120,087)	—	
Long-distance line facilities, net	5,434	(5,434)	—	
Engineering facilities, net	22,803	(22,803)	—	
Submarine line facilities, net	2,752	(2,752)	—	
Buildings, net	157,794	(157,794)	—	
Structures, net	25,507	(25,507)	—	
Land	247,860	(247,860)	—	
Construction in progress	165,753	(165,753)	—	
Other property, plant and equipment, net	27,403	(27,403)	—	
Property, plant and equipment, net in Incidental business	367,999	(367,999)	—	
		2,172,121	2,172,121	Property, plant and equipment
Intangible fixed assets				
Intangible fixed assets in telecommunications business				
Rights to use facilities	12,405	(12,405)	—	
Software	175,098	(175,098)	—	
Goodwill	19,092	(19,092)	—	
Other intangible fixed assets	8,305	(8,305)	—	
Intangible fixed asset in Incidental business	536,756	(536,756)	—	
		333,045	333,045	Goodwill
		663,634	663,634	Intangible assets
Investments and other assets				
Investment securities	92,533	(92,533)	—	
Shares in related companies	54,905	259	55,163	Investments accounted for using the equity method
Investment in related companies	259	(259)	—	
Long-term prepaid expenses	249,623	(249,623)	—	
Retirement benefit assets	10,689	—	10,689	Retirement benefit assets
Deferred tax assets	82,761	47,654	130,415	Deferred tax assets
Other investments and other assets	49,922	(49,922)	—	
Allowance for doubtful accounts	(9,380)	9,380	—	
		130,963	130,963	Other long-term financial assets
		6,712	6,712	Other non-current assets
Total fixed assets	3,455,089	47,654	3,502,743	Total non-current assets
Current assets				Current assets
Cash and deposits	182,146	16,503	198,649	Cash and cash equivalents
Accounts receivable-trade and notes receivable	1,082,941	42,278	1,125,219	Trade and other receivables
Other receivables	63,380	(63,380)	—	
Securities	27,261	(27,261)	—	
Supplies	94,343	2,436	96,779	Inventories
Prepaid expenses	50,848	(50,848)	—	
Deferred tax assets	47,654	(47,654)	—	
Other current assets	61,202	(61,202)	—	
Allowance for doubtful accounts	(20,774)	20,774	—	
		53,462	53,462	Other short-term financial assets
		67,238	67,238	Other current assets
Total current assets	1,589,001	(47,654)	1,541,347	Total current assets
Total assets	5,044,090	—	5,044,090	Total assets

(Unit: Millions of yen)

	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Japanese GAAP line items				
Liabilities				Liabilities
Fixed liabilities				Non-current liabilities
Bonds payable	215,000	(215,000)	—	
Long-term borrowings	512,470	(512,470)	—	
		727,470	727,470	Borrowings and bonds payable
Retirement benefit liabilities	15,892	—	15,892	Retirement benefit liabilities
Provision for point service program	79,572	(79,572)	—	
Other fixed liabilities	137,743	(137,743)	—	
		39,535	39,535	Other long-term financial liabilities
		47,647	47,647	Deferred tax liabilities
		50,561	50,561	Other non-current liabilities
Total fixed liabilities	960,677	(79,572)	881,105	Total non-current liabilities
Current liabilities				Current liabilities
Current portion of fixed liabilities	240,992	(14,601)	226,392	Borrowings and bonds payable
Notes payable and accounts payable-trade	136,268	334,059	470,328	Trade and other payables
Short-term borrowings	5,210	(5,210)	—	
Accounts payable, other	343,100	(343,100)	—	
Accrued expenses	25,851	(25,851)	—	
Income taxes payables	135,472	358	135,830	Income taxes payables
Advances received	49,428	(49,428)	—	
Allowance for bonuses	23,476	(23,476)	—	
Other current liabilities	35,840	(35,840)	—	
		19,810	19,810	Other short-term financial liabilities
		222,849	222,849	Other current liabilities
Total current liabilities	995,637	79,572	1,075,209	Total current liabilities
Total liabilities	1,956,314	—	1,956,314	Total liabilities
Net assets				Equity
Shareholders' equity				Equity attributable to owners of the parent
Capital stock	141,852	—	141,852	Common stock
Capital surplus	385,943	34	385,977	Capital surplus
Retained earnings	2,456,396	—	2,456,396	Retained earnings
Treasury stock	(161,822)	—	(161,822)	Treasury stock
Accumulated other comprehensive income				
Valuation difference on available for-sale securities	45,644	(45,644)	—	
Deferred gain or loss on hedges	(1,463)	1,463	—	
Foreign currency translation adjustments	11,433	(11,433)	—	
Remeasurement of retirement benefit plans	7,363	(7,363)	—	
		62,976	62,976	Accumulated other comprehensive income
			2,885,379	Total equity attributable to owners of the parent
Subscription rights	34	(34)	—	
Minority interests	202,397	—	202,397	Non-controlling interests
Total net assets	3,087,776	—	3,087,776	Total equity
Liabilities and total net assets	5,044,090	—	5,044,090	Total liabilities and equity

(8) Reclassification

c. Reclassification for consolidated statement of financial position as of March 31, 2015

(Unit: Millions of yen)

	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Japanese GAAP line items				
Assets				Assets
Fixed assets				Non-current assets
Property, plant and equipment				
Property, plant and equipment in telecommunications business				
Machinery, net	653,448	(653,448)	—	
Antenna equipment, net	346,349	(346,349)	—	
Local line facilities, net	113,720	(113,720)	—	
Long-distance line facilities, net	5,843	(5,843)	—	
Engineering facilities, net	20,361	(20,361)	—	
Submarine line facilities, net	2,397	(2,397)	—	
Buildings, net	155,845	(155,845)	—	
Structures, net	24,859	(24,859)	—	
Land	247,779	(247,779)	—	
Construction in progress	177,912	(177,912)	—	
Other property, plant and equipment, net	28,084	(28,084)	—	
Property, plant and equipment, net in Incidental business	381,384	(381,384)	—	
		2,157,982	2,157,982	Property, plant and equipment
Intangible fixed assets				
Intangible fixed assets in telecommunications business				
Rights to use facilities	12,449	(12,449)	—	
Software	196,808	(196,808)	—	
Goodwill	18,314	(18,314)	—	
Other intangible fixed assets	7,991	(7,991)	—	
Intangible fixed asset in Incidental business	529,004	(529,004)	—	
		322,025	322,025	Goodwill
		685,385	685,385	Intangible assets
Investments and other assets				
Investment securities	50,595	(50,595)	—	
Shares in related companies	61,161	293	61,453	Investments accounted for using the equity method
Investment in related companies	293	(293)	—	
Long-term loans receivable from related companies	95,300	(95,300)	—	
Long-term prepaid expenses	247,985	(247,985)	—	
Retirement benefit assets	26,035	—	26,035	Retirement benefit assets
Deferred tax assets	92,774	47,190	139,964	Deferred tax assets
Other investments and other assets	90,466	(90,466)	—	
Allowance for doubtful accounts	(44,729)	44,729	—	
		189,069	189,069	Other long-term financial assets
		7,705	7,705	Other non-current assets
Total fixed assets	3,542,428	47,190	3,589,618	Total non-current assets
Current assets				Current assets
Cash and deposits	264,240	11,696	275,936	Cash and cash equivalents
Accounts receivable-trade and notes receivable	1,173,434	57,893	1,231,327	Trade and other receivables
Other receivables	81,126	(81,126)	—	
Securities	20,320	(20,320)	—	
Supplies	79,233	2,346	81,579	Inventories
Deferred tax assets	47,190	(47,190)	—	
Other current assets	64,830	(64,830)	—	
Allowance for doubtful accounts	(22,436)	22,436	—	
		19,974	19,974	Other short-term financial assets
		51,930	51,930	Other current assets
Total current assets	1,707,937	(47,190)	1,660,747	Total current assets
Total assets	5,250,365	—	5,250,365	Total assets

(Unit: Millions of yen)

	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Japanese GAAP line items				
Liabilities				Liabilities
Fixed liabilities				Non-current liabilities
Bonds payable	215,000	(215,000)	—	
Long-term borrowings	609,318	(609,318)	—	
		824,318	824,318	Borrowings and bonds payable
Retirement benefit liabilities	14,826	—	14,826	Retirement benefit liabilities
Provision for point service program	75,245	(75,245)	—	
Other fixed liabilities	138,972	(138,972)	—	
		46,315	46,315	Other long-term financial liabilities
		39,571	39,571	Deferred tax liabilities
		53,087	53,087	Other non-current liabilities
Total fixed liabilities	1,053,362	(75,245)	978,116	Total non-current liabilities
Current liabilities				Current liabilities
Current portion of fixed liabilities	133,789	(17,279)	116,510	Borrowings and bonds payable
Notes payable and accounts payable-trade	101,739	383,778	485,517	Trade and other payables
Short-term borrowings	3,140	(3,140)	—	
Accounts payable, other	409,109	(409,109)	—	
Accrued expenses	30,417	(30,417)	—	
Income taxes payables	164,332	714	165,046	Income taxes payables
Advances received	42,960	(42,960)	—	
Allowance for bonuses	26,843	(26,843)	—	
Other current liabilities	45,926	(45,926)	—	
		20,419	20,419	Other short-term financial liabilities
		246,007	246,007	Other current liabilities
Total current liabilities	958,254	75,245	1,033,500	Total current liabilities
Total liabilities	2,011,616	—	2,011,616	Total liabilities
Net assets				Equity
Shareholders' equity				Equity attributable to owners of the parent
Capital stock	141,852	—	141,852	Common stock
Capital surplus	385,943	34	385,977	Capital surplus
Retained earnings	2,586,144	—	2,586,144	Retained earnings
Treasury stock	(161,822)	—	(161,822)	Treasury stock
Accumulated other comprehensive income				
Valuation difference on available for-sale securities	21,117	(21,117)	—	
Deferred gain or loss on hedges	(1,993)	1,993	—	
Foreign currency translation adjustments	22,648	(22,648)	—	
Remeasurement of retirement benefit plans	16,685	(16,685)	—	
		58,457	58,457	Accumulated other comprehensive income
			3,010,608	Total equity attributable to owners of the parent
Subscription rights	34	(34)	—	
Minority interests	228,141	—	228,141	Non-controlling interests
Total net assets	3,238,749	—	3,238,749	Total equity
Liabilities and total net assets	5,250,365	—	5,250,365	Total liabilities and equity

(8) Reclassification

d. Reclassification for consolidated statement of income for the six-month period ended September 30, 2014

(Unit: Millions of yen)

	Reclassification								sub-total	After reclassification
	Japanese GAAP	Reclassified to operating revenue	Reclassified to cost of sales	Reclassified to Selling, general and administrative expenses	Reclassified to other income and expense	Reclassified to equity in income of affiliates	Reclassified to financial income and cost	Reclassified to other non-operating profit and loss		
Japanese GAAP line items										
Operating revenues from telecommunications business	1,343,195	(1,343,195)	—	—	—	—	—	—	(1,343,195)	—
Operating revenues from incidental business	788,740	(788,740)	—	—	—	—	—	—	(788,740)	—
Operating expenses in telecommunications business										
Business costs	347,813	—	(63,051)	(284,762)	—	—	—	—	(347,813)	—
Operational costs	21	—	(21)	—	—	—	—	—	(21)	—
Maintenance costs	132,828	—	(132,828)	—	—	—	—	—	(132,828)	—
Common costs	1,198	—	—	(1,198)	—	—	—	—	(1,198)	—
Management costs	38,784	—	(51)	(38,733)	—	—	—	—	(38,784)	—
Experiment and research expenses	3,123	—	—	(3,123)	—	—	—	—	(3,123)	—
Depreciation	184,259	—	(183,890)	(369)	—	—	—	—	(184,259)	—
Retirement of fixed assets	15,068	—	(15,068)	—	—	—	—	—	(15,068)	—
Communication equipment rentals	189,448	—	(189,448)	—	—	—	—	—	(189,448)	—
Taxes	21,239	—	(16,543)	(4,696)	—	—	—	—	(21,239)	—
Operating expenses in incidental business	813,401	—	(529,450)	(283,950)	—	—	—	—	(813,401)	—
Operating income	384,754	(2,131,935)	1,130,350	616,831	—	—	—	—	(384,754)	—
Non-operating revenue										
Interest income	389	—	—	—	—	—	(389)	—	(389)	—
Dividends income	1,167	—	—	—	—	—	(1,167)	—	(1,167)	—
Share of profit(loss) of investments accounted for using the equity method	2,367	—	—	—	—	(2,367)	—	—	(2,367)	—
Gain on foreign currency exchange	2,205	—	—	—	—	—	(2,205)	—	(2,205)	—
Miscellaneous income	4,488	—	—	—	(4,488)	—	—	—	(4,488)	—
Non-operating expenses										
Interest expenses	6,138	—	—	—	—	—	(6,138)	—	(6,138)	—
Miscellaneous expenditure	1,964	—	—	(45)	(1,783)	—	(136)	—	(1,964)	—
Ordinary income	387,268	(2,131,935)	1,130,350	616,876	(2,706)	(2,367)	2,514	—	(387,268)	—
Extraordinary income										
Gain on sale of investment securities	4,919	—	—	—	—	—	(4,919)	—	(4,919)	—
Gain on sale of stocks of related companies	1,238	—	—	—	—	—	—	(1,238)	(1,238)	—
Gains on change in equity	3,633	—	—	—	—	—	—	(3,633)	(3,633)	—
Extraordinary loss										
Loss on sales of fixed assets	195	—	—	—	(195)	—	—	—	(195)	—
Impairment loss	5,783	—	(5,783)	—	—	—	—	—	(5,783)	—
Income before income taxes and minority interests	391,080	(2,131,935)	1,136,133	616,876	(2,511)	(2,367)	(2,405)	(4,871)	(391,080)	—
Line items under IFRS										
Operating revenue	—	2,131,935	—	—	—	—	—	—	2,131,935	2,131,935
Cost of sales	—	—	1,136,133	—	—	—	—	—	1,136,133	1,136,133
Gross profit	—	2,131,935	(1,136,133)	—	—	—	—	—	995,802	995,802
Selling, general and administrative expenses	—	—	—	616,876	—	—	—	—	616,876	616,876
Other income	—	—	—	—	4,488	—	—	—	4,488	4,488
Other expense	—	—	—	—	1,977	—	—	—	1,977	1,977
Share of profit(loss) of investments accounted for using the equity method	—	—	—	—	—	2,367	—	—	2,367	2,367
Operating income	—	2,131,935	(1,136,133)	(616,876)	2,511	2,367	—	—	383,804	383,804
Finance income	—	—	—	—	—	—	8,679	—	8,679	8,679
Finance cost	—	—	—	—	—	—	6,274	—	6,274	6,274
Other non-operating profit and loss	—	—	—	—	—	—	—	4,871	4,871	4,871
Profit before income tax	—	2,131,935	(1,136,133)	(616,876)	2,511	2,367	2,405	4,871	391,080	391,080

(8) Reclassification

e. Reclassification for consolidated statement of income for the three-month period ended September 30, 2014

(Unit: Millions of yen)

	Reclassification								sub-total	After reclassification
	Japanese GAAP	Reclassified to operating revenue	Reclassified to cost of sales	Reclassified to Selling, general and administrative expenses	Reclassified to other income and expense	Reclassified to equity in income of affiliates	Reclassified to financial income and cost	Reclassified to other non-operating profit and loss		
Japanese GAAP line items										
Operating revenues from telecommunications business	680,336	(680,336)	—	—	—	—	—	—	(680,336)	—
Operating revenues from incidental business	431,047	(431,047)	—	—	—	—	—	—	(431,047)	—
Operating expenses in telecommunications business										
Business costs	177,835	—	(32,611)	(145,224)	—	—	—	—	(177,835)	—
Operational costs	11	—	(11)	—	—	—	—	—	(11)	—
Maintenance costs	67,658	—	(67,658)	—	—	—	—	—	(67,658)	—
Common costs	524	—	—	(524)	—	—	—	—	(524)	—
Management costs	19,667	—	(21)	(19,647)	—	—	—	—	(19,667)	—
Experiment and research expenses	1,743	—	—	(1,743)	—	—	—	—	(1,743)	—
Depreciation	94,545	—	(94,358)	(187)	—	—	—	—	(94,545)	—
Retirement of fixed assets	6,394	—	(6,394)	—	—	—	—	—	(6,394)	—
Communication equipment rentals	95,056	—	(95,056)	—	—	—	—	—	(95,056)	—
Taxes	10,045	—	(8,320)	(1,725)	—	—	—	—	(10,045)	—
Operating expenses in incidental business	447,942	—	(299,298)	(148,644)	—	—	—	—	(447,942)	—
Operating income	189,963	(1,111,383)	603,728	317,692	—	—	—	—	(189,963)	—
Non-operating revenue										
Interest income	181	—	—	—	—	—	(181)	—	(181)	—
Dividends income	137	—	—	—	—	—	(137)	—	(137)	—
Share of profit(loss) of investments accounted for using the equity method	1,602	—	—	—	—	(1,602)	—	—	(1,602)	—
Gain on foreign currency exchange	2,205	—	—	—	—	—	(2,205)	—	(2,205)	—
Miscellaneous income	2,169	—	—	—	(2,169)	—	—	—	(2,169)	—
Non-operating expenses										
Interest expenses	3,040	—	—	—	—	—	(3,040)	—	(3,040)	—
Miscellaneous expenditure	654	—	—	(29)	(879)	—	255	—	(654)	—
Ordinary income	192,564	(1,111,383)	603,728	317,721	(1,290)	(1,602)	263	—	(192,564)	—
Extraordinary income										
Gain on sale of investment securities	4,919	—	—	—	—	—	(4,919)	—	(4,919)	—
Gain on sale of stocks of related companies	1,238	—	—	—	—	—	—	(1,238)	(1,238)	—
Gains on change in equity	3,633	—	—	—	—	—	—	(3,633)	(3,633)	—
Extraordinary loss										
Loss on sales of fixed assets	195	—	—	—	(195)	—	—	—	(195)	—
Impairment loss	5,783	—	(5,783)	—	—	—	—	—	(5,783)	—
Income before income taxes and minority interests	196,375	(1,111,383)	609,511	317,721	(1,096)	(1,602)	(4,655)	(4,871)	(196,375)	—
Line items under IFRS										
Operating revenue	—	1,111,383	—	—	—	—	—	—	1,111,383	1,111,383
Cost of sales	—	—	609,511	—	—	—	—	—	609,511	609,511
Gross profit	—	1,111,383	(609,511)	—	—	—	—	—	501,872	501,872
Selling, general and administrative expenses	—	—	—	317,721	—	—	—	—	317,721	317,721
Other income	—	—	—	—	2,169	—	—	—	2,169	2,169
Other expense	—	—	—	—	1,074	—	—	—	1,074	1,074
Share of profit(loss) of investments accounted for using the equity method	—	—	—	—	—	1,602	—	—	1,602	1,602
Operating income	—	1,111,383	(609,511)	(317,721)	1,096	1,602	—	—	186,849	186,849
Finance income	—	—	—	—	—	—	7,441	—	7,441	7,441
Finance cost	—	—	—	—	—	—	2,785	—	2,785	2,785
Other non-operating profit and loss	—	—	—	—	—	—	—	4,871	4,871	4,871
Profit before income tax	—	1,111,383	(609,511)	(317,721)	1,096	1,602	4,655	4,871	196,375	196,375

(8) Reclassification

f. Reclassification for consolidated statement of income for the year ended March 31, 2015

(Unit: Millions of yen)

	Japanese GAAP	Reclassification							sub-total	After reclassification
		Reclassified to operating revenue	Reclassified to cost of sales	Reclassified to Selling, general and administrative expenses	Reclassified to other income and expense	Reclassified to equity in income of affiliates	Reclassified to financial income and cost	Reclassified to other non-operating profit and loss		
Japanese GAAP line items										
Operating revenues from telecommunications business	2,734,555	(2,734,555)	—	—	—	—	—	—	(2,734,555)	—
Operating revenues from incidental business	1,838,588	(1,838,588)	—	—	—	—	—	—	(1,838,588)	—
Operating expenses in telecommunications business										
Business costs	733,092	—	(156,480)	(576,612)	—	—	—	—	(733,092)	—
Operational costs	43	—	(43)	—	—	—	—	—	(43)	—
Maintenance costs	270,154	—	(270,154)	—	—	—	—	—	(270,154)	—
Common costs	2,330	—	—	(2,330)	—	—	—	—	(2,330)	—
Management costs	81,974	—	(86)	(81,888)	—	—	—	—	(81,974)	—
Experiment and research expenses	6,555	—	—	(6,555)	—	—	—	—	(6,555)	—
Depreciation	383,639	—	(382,666)	(973)	—	—	—	—	(383,639)	—
Retirement of fixed assets	25,304	—	(25,303)	(1)	—	—	—	—	(25,304)	—
Communication equipment rentals	392,130	—	(392,130)	—	—	—	—	—	(392,130)	—
Taxes	40,868	—	(32,696)	(8,172)	—	—	—	—	(40,868)	—
Operating expenses in incidental business	1,895,756	—	(1,251,509)	(644,247)	—	—	—	—	(1,895,756)	—
Operating income	741,299	(4,573,142)	2,511,065	1,320,778	—	—	—	—	(741,299)	—
Non-operating revenue										
Interest income	976	—	—	—	—	—	(976)	—	(976)	—
Dividends income	1,829	—	—	—	—	—	(1,829)	—	(1,829)	—
Share of profit(loss) of investments accounted for using the equity method	5,802	—	—	—	—	(5,802)	—	—	(5,802)	—
Gain on foreign currency exchange	5,585	—	—	—	—	—	(5,585)	—	(5,585)	—
Miscellaneous income	13,412	—	—	—	(13,412)	—	—	—	(13,412)	—
Non-operating expenses										
Interest expenses	12,273	—	—	—	—	—	(12,273)	—	(12,273)	—
Miscellaneous expenditure	4,227	—	—	(69)	(4,026)	—	(131)	—	(4,227)	—
Ordinary income	752,403	(4,573,142)	2,511,065	1,320,848	(9,386)	(5,802)	4,014	—	(752,403)	—
Extraordinary income										
Gain on sales of fixed assets	224	—	—	—	(224)	—	—	—	(224)	—
Gain on sale of investment securities	51,588	—	—	—	—	—	(51,588)	—	(51,588)	—
Gain on sale of stocks of related companies	1,237	—	—	—	—	—	—	(1,237)	(1,237)	—
Gains on change in equity	3,596	—	—	—	—	—	—	(3,596)	(3,596)	—
Contribution for construction	709	—	—	—	(709)	—	—	—	(709)	—
Extraordinary loss										
Loss on sales of fixed assets	498	—	—	—	(498)	—	—	—	(498)	—
Impairment loss	42,116	—	(42,116)	—	—	—	—	—	(42,116)	—
Loss on retirement of fixed assets	12,160	—	(12,160)	—	—	—	—	—	(12,160)	—
Loss on valuation of investment securities	532	—	—	—	—	—	(532)	—	(532)	—
Reduction entry of contribution for construction	709	—	—	—	(709)	—	—	—	(709)	—
Loss on business of overseas subsidiaries	33,799	—	—	—	(33,799)	—	—	—	(33,799)	—
Income before income taxes and minority interests	719,944	(4,573,142)	2,565,341	1,320,848	24,687	(5,802)	(47,042)	(4,833)	(719,944)	—
Line items under IFRS										
Operating revenue	—	4,573,142	—	—	—	—	—	—	4,573,142	4,573,142
Cost of sales	—	—	2,565,341	—	—	—	—	—	2,565,341	2,565,341
Gross profit	—	4,573,142	(2,565,341)	—	—	—	—	—	2,007,801	2,007,801
Selling, general and administrative expenses	—	—	—	1,320,848	—	—	—	—	1,320,848	1,320,848
Other income	—	—	—	—	14,345	—	—	—	14,345	14,345
Other expense	—	—	—	—	39,032	—	—	—	39,032	39,032
Share of profit(loss) of investments accounted for using the equity method	—	—	—	—	—	5,802	—	—	5,802	5,802
Operating income	—	4,573,142	(2,565,341)	(1,320,848)	(24,687)	5,802	—	—	668,069	668,069
Finance income	—	—	—	—	—	—	59,978	—	59,978	59,978
Finance cost	—	—	—	—	—	—	12,936	—	12,936	12,936
Other non-operating profit and loss	—	—	—	—	—	—	—	4,833	4,833	4,833
Profit before income tax	—	4,573,142	(2,565,341)	(1,320,848)	(24,687)	5,802	47,042	4,833	719,944	719,944

(9) Notes for differences in the scope of consolidation

Upon adoption of IFRSs, impacts resulted from the Company's review on the scope of consolidation under Japanese GAAP are presented separately in the reconciliation table.

UQ Communications Inc. ("UQ"), a provider of wireless broadband services, was accounted for using the equity method under Japanese GAAP as the Group owned 32.3% of its voting right. However, upon adoption of IFRSs, UQ was consolidated because UQ was considered to be controlled by the Group since its incorporation on the grounds that the Group was the largest shareholder of UQ, and substantially controlled UQ as the director from the Company has the right of representation in the UQ's board of directors although directors from the Company comprise only half of the board members (*), and the operations of UQ are significantly dependent on the Company.

*Since the second quarter of the fiscal year ended March 31, 2015, the Group's directors became majority of the board members.

(10) Unification of reporting period

Under Japanese GAAP, in case closing dates of subsidiaries and investments accounted for using the equity method were inconsistent with that of the Company, the consolidated financial statements were prepared using the financial statements as of those closing dates of the subsidiaries and investments accounted for using the equity method. Under IFRSs, the reporting dates of the financial statements of the subsidiaries and investments accounted for using the equity method are consistent with that of the Company for the purpose of consolidation by changing their closing dates or by preparing provisional financial statements, unless it is impractical to do so.

Under Japanese GAAP, the financial statements of subsidiaries and investments accounted for using the equity method were also prepared as of the Company's closing date at the end of the previous fiscal year by changing their closing dates or by preparing provisional financial statements. And the income for these subsidiaries from January 1, 2014 to March 31, 2014 was adjusted through consolidated income statements under Japanese GAAP, and their accounting period for the fiscal year ended March 31, 2015 is 15 months. However, consolidated financial statements under IFRSs for the fiscal year ended March 31, 2015 were prepared using financial statements of subsidiaries and investments accounted for using the equity method whose accounting period is 12 months. This resulted in the difference between Japanese GAAP and IFRSs.

(11) Notes for differences in recognition and measurement

Key reconciliation items related to retained earnings resulting from the adoption of IFRSs are as follows:

* Amounts presented in “A to J” and other are before tax.

	(Unit: Millions of yen)		
	As of date of transition to IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Retained earnings under Japanese GAAP	2,283,459	2,456,396	2,586,144
Differences in the scope of consolidation	1,250	109	(2,420)
Unification of reporting period	4,866	6,290	—
Differences in recognition and measurement			
A. Goodwill	—	11,990	26,883
B. Property, plant and equipment and intangible assets	234,569	219,118	207,822
C. Cumulative exchange differences at the date of transition to IFRSs	12,784	12,784	12,784
D. Revenue recognition	(96,923)	(109,868)	(101,413)
E. Financial instruments	(90,334)	(93,085)	(92,029)
F. Employee benefits	(3,895)	(2,535)	11,034
G. Investments in related companies	62	508	1,088
H. Business combination	1,520	(5,788)	(7,184)
I. Levies	(21,559)	(10,765)	(23,020)
J. Tax	1,801	1,774	1,006
Other	(480)	(278)	1,246
Tax effects on adjustment in difference in recognition and measurement / Increase and decrease of non-controlling interests	47,261	59,310	64,883
Total differences in recognition and measurement	84,805	83,164	103,101
Retained earnings under IFRSs	2,374,381	2,545,959	2,686,824

Key reconciliation items related to profit before income taxes resulting from the adoption of IFRSs are as follows:

	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Income before income taxes minority interests under Japanese GAAP	391,080	196,375	719,944
Differences in the scope of consolidation	(609)	705	(1,728)
Unification of reporting period	(949)	(556)	(4,273)
Differences in recognition and measurement			
A. Goodwill	13,308	6,677	28,158
B. Property, plant and equipment and intangible assets	(15,983)	(7,092)	(26,586)
C. Cumulative exchange differences at the date of transition to IFRSs	—	—	—
D. Revenue recognition	(12,945)	(5,990)	(4,490)
E. Financial instruments	(5,813)	(5,310)	(53,009)
F. Employee benefits	1,352	477	2,084
G. Investments in related companies	446	229	1,027
H. Business combination	(944)	(457)	(1,867)
I. Levies	10,794	5,408	(1,461)
J. Tax	2,592	1,321	5,193
Other	442	504	(126)
Total differences in recognition and measurement	(6,749)	(4,233)	(51,077)
Profit for the period (year) before income tax under IFRSs	382,773	192,292	662,867

Details of major differences are as follows:

A. Goodwill

Under Japanese GAAP, goodwill was regularly amortized over the period in which the economic benefits were expected to be realized. Under IFRSs, goodwill is not regularly amortized.

As of April 1, 2014, goodwill was tested for impairment. As a result, no impairment loss was recognized at April 1, 2014.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	(Unit: Millions of yen)		
	As of the date of transition of IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Increase of goodwill	–	11,990	26,883
Increase of retained earnings	–	11,990	26,883

(Consolidated statement of income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	13,308	6,677	28,158
Increase of profit for the period (year) before income tax	13,308	6,677	28,158

B. Property, plant and equipment and intangible assets

- a. Upon adoption of IFRSs, we reviewed depreciation method, useful lives and estimated residual value of property, plant and equipment and intangible assets. Under Japanese GAAP, declining balance method was applied to most of communication equipment (excluding leased assets), however, under IFRSs, straight-line method is applied based on our review of depreciation method. Consequently, it gives rise to difference between carrying amounts of property, plant and equipment and intangible assets under Japanese GAAP and carrying amounts of property, plant and equipment and intangible assets under IFRSs.
- b. Under Japanese GAAP, certain expenditures relating to advertisement and sales promotion activities were previously capitalized and expensed over certain period of time. Under IFRSs, those expenditures are expensed when incurred under IFRSs.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	(Unit: Millions of yen)		
	As of date of transition to IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Increase of property, plant and equipment	243,971	232,190	221,627
Decrease of intangible assets	(9,402)	(13,072)	(13,805)
Increase of retained earnings	234,569	219,118	207,822

(Consolidated statement of income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Increase of cost of sales	(15,806)	(6,952)	(25,616)
Decrease of selling, general and administrative expenses	1,239	590	2,075
Decrease of other income	(34)	(30)	(3)
Increase of other expense	(1,382)	(700)	(3,042)
Decrease of profit for the period (year) before income tax	<u>(15,983)</u>	<u>(7,092)</u>	<u>(26,586)</u>

C. Cumulative exchange differences at the date of transition to IFRSs

Under IFRSs, retained earnings increased by 12,784 million yen as a result of transfer of full amount of cumulative exchange differences relating to foreign operations at the date of transition to IFRSs (April 1, 2014) into retained earnings, by applying exemption for the first-time adoption.

D. Revenue recognition

- a. Under Japanese GAAP, some commission fees related to sales of mobile handsets paid to the distributors of the mobile handsets were expensed when incurred. Under IFRSs, amount of future anticipated fees are deducted from revenues at the time of sale of the mobile handsets. Accordingly, under IFRSs, those fees are reflected to net realizable value upon measurement of inventories at the end of fiscal year.
- b. Under Japanese GAAP, considerations paid to customers were expensed when incurred. Under IFRSs, those amounts are deducted from revenues at the time when the revenues are recognized, unless economic substances becoming the basis of sales and marketing activities exist.
- c. Under Japanese GAAP, activation fee income, administration fee income for mobile contract and construction fee income relating fixed-line telecommunications and CATV services were recognized upon receipt of cash as revenue, however, under IFRSs, those fees are recognized over estimated average contract or usage period. Direct costs related to those fees are deferred to the extent of the amount of those fees and amortized over the respective same period.
- d. Under Japanese GAAP, estimated cost generating from utilization of points granted to customers were recognized as provision for point service program and the amount of the provision were recorded in operating expenses. Under IFRSs, point service is recognized separately as goods or services to be delivered in the future and fair value of benefits to be exchanged for the points are deferred from revenues and recognized as revenues when the customers utilize those points.

Impacts from those differences are summarized as follows:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Increase of intangible assets	15,885	14,944	14,002
Increase of other non-current assets	47,193	58,525	63,359
Decrease of inventories	(2,489)	(9,758)	(4,392)
Decrease of trade and other receivables	(2)	(48)	—
Increase of other current assets	23,333	24,688	23,316
Increase of other non-current liabilities	(105,013)	(114,994)	(118,167)
Increase of trade and other payables	(13,223)	(21,434)	(20,305)
Increase of other current liabilities	(62,609)	(61,793)	(59,226)
Decrease of retained earnings	(96,923)	(109,868)	(101,413)

(Unit: Millions of yen)

(Consolidated statement of income)	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Decrease of operating revenue	(97,580)	(55,830)	(230,663)
Increase of cost of sales	(7,269)	(4,281)	(1,903)
Decrease of selling, general and administrative expenses	91,905	54,121	228,076
Decrease of profit for the period (year) before income tax	(12,945)	(5,990)	(4,490)

E. Financial instruments

- a. Under Japanese GAAP, commission fees related to borrowings were treated as a lump-sum expense. Under IFRSs, those fees are included in measurement of borrowings' amortized cost and charged to expense over period up to the maturity date.
- b. Under Japanese GAAP, securities with no market value (non-listed stocks) were valued based on their acquisition costs and impairment losses were recorded as necessary. Under IFRSs, those securities are measured at fair value through other comprehensive income. Accordingly, under IFRSs, differences between the acquisition costs and estimated fair value are recognized as accumulated other comprehensive income.
- c. Under Japanese GAAP, gain (loss) on sales and impairment loss on equity instruments such as stocks were recognized as profit or loss. Under IFRSs, it is optional to present changes in fair value of equity instruments such as stocks as other comprehensive income. If the option is selected, gain (loss) on sales and impairment loss on equity instruments such as stocks are not recognized in the consolidated statement of income.
- d. Under Japanese GAAP, transaction costs related to issuance or acquisition of equity instruments were

recognized as profit or loss. Under IFRSs, equity transaction costs are deducted directly from capital surplus.

- e. Under Japanese GAAP, a certain type of preferred stocks that the Group has issued were treated as capital, but under IFRS, those preferred stocks are treated as financial liabilities because the Group has an obligation to deliver cash to holders of preferred stocks in the future.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	(Unit: Millions of yen)		
	As of date of transition to IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Increase of other long-term financial assets	4,050	2,771	3,887
Increase of other non-current assets	1,632	1,504	1,425
Decrease of borrowings and bonds payable (non-current)	1,642	1,639	1,617
Increase of other long-term financial liabilities	(96,532)	(97,451)	(98,366)
Decrease of borrowings and bonds payable (current)	215	174	150
Decrease of capital surplus (before tax)	641	641	641
Increase of accumulated other comprehensive income (before tax)	(1,982)	(2,363)	(1,384)
Decrease of retained earnings	(90,334)	(93,085)	(92,029)

(Consolidated statement of income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Decrease (increase) of selling, general and administrative expenses	3	0	(15)
Decrease of other income	—	—	(150)
Decrease of finance income	(4,937)	(4,933)	(51,608)
Increase of finance cost	(878)	(376)	(1,237)
Decrease of profit for the period (year) before income tax	(5,813)	(5,310)	(53,009)

(Consolidated statement of comprehensive income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Changes measured in fair value of financial assets through other comprehensive income	1,969	2,061	32,706
Increase of other comprehensive income	1,969	2,061	32,706

F. Employee benefits

- a. Upon adoption of IFRSs, unused paid holiday is recognized as a liability, which was not required under Japanese GAAP.
- b. Under Japanese GAAP, actuarial gains and losses on retirement benefit obligations relating to defined benefit plans were recognized as other comprehensive income when incurred and charged to expense over certain period. Under IFRSs, actuarial gains and losses are recognized as other comprehensive income when incurred and transferred to retained earnings immediately. Past service costs are recognized in profit or loss over a certain period not longer than fourteen years, the average remaining service periods of the employees. However, under IFRS, the Group should recognize past service cost as an expense
- c. Difference in actuarial assumptions between Japanese GAAP and IFRSs resulted in additional recognition of retirement benefit costs.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	(Unit: Millions of yen)		
	As of date of transition to IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Decrease of investments accounted for using the equity method	(112)	(128)	(119)
Decrease of retirement benefit assets	-	(589)	-
Increase of other current liabilities	(13,452)	(13,077)	(13,322)
Decrease of accumulated other comprehensive income (before tax)	9,669	11,259	24,475
Increase (decrease) of retained earnings	(3,895)	(2,535)	11,034

(Consolidated statement of income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Decrease of cost of sales	212	107	418
Decrease of selling, general and administrative expenses	1,140	370	1,666
Increase of profit for the period (year) before income tax	1,352	477	2,084

(Consolidated statement of comprehensive income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Remeasurement of defined benefit plans	(1,025)	(484)	(1,731)
Decrease of other comprehensive income	(1,025)	(484)	(1,731)

G. Investments in related companies

Under Japanese GAAP, goodwill relating to investments accounted for using the equity method was amortized by the straight-line method over the period during which the economic benefits of the goodwill is expected to be realized. However, under IFRSs, goodwill is not amortized. Moreover, investments in related companies including goodwill were tested for impairment. As a result, no impairment loss was recognized for the investments in related companies including goodwill at April 1, 2014.

And there are other differences with regard to investments in related companies as a result of reclassifying their financial statements from Japanese GAAP to IFRSs when applying the equity method.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	(Unit: Millions of yen)		
	As of date of transition to IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Increase of investments accounted for using the equity method	6	452	1,033
Decrease of capital surplus (before tax)	37	37	37
Decrease of accumulated other comprehensive income (before tax)	18	18	18
Increase of retained earnings	62	508	1,088

(Consolidated statement of income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Increase of share of profit of investments accounted for using the equity method	446	229	1,027
Increase of profit for the period (year) before income tax	446	229	1,027

(Consolidated statement of comprehensive income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Share of other comprehensive income of investments accounted for using the equity method	(522)	(542)	(1,262)
Decrease of other comprehensive income	(522)	(542)	(1,262)

H. Business combination

- a. Under Japanese GAAP, valuable acquisition-related costs for business combination were capitalized. Under IFRSs, those costs are charged to expense as transaction costs directly attributable to the business combination when those costs are generated or services are provided.
- b. Under Japanese GAAP, changes in interests in subsidiaries that do not result in a change of control (additional acquisition and partial disposal) were treated as external transactions and adjustments were made to goodwill or profit and loss. Under IFRSs, no adjustments are made to goodwill or profit and loss as those changes are accounted for as equity transactions. Instead, this results in changes in capital surplus.
- c. Some customer related assets not recognized as intangible assets in the past business combination under Japanese GAAP are recognized as intangible assets which were met requirements for recognition of intangible assets under IFRSs.

Impacts from those differences are summarized as follows:

(Consolidated statement of financial position)	(Unit: Millions of yen)		
	As of date of transition to IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Decrease of goodwill	(5,645)	(5,675)	(5,772)
Increase of intangible assets	6,970	6,089	5,208
Increase (decrease) of investments accounted for using the equity method	148	(22,799)	(22,858)
Decrease of capital surplus	48	16,597	16,239
Increase (decrease) of retained earnings	1,520	(5,788)	(7,184)

(Consolidated statement of income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Increase of selling, general and administrative expenses	(989)	(501)	(1,568)
Decrease of other income	—	—	(344)
Decrease of other expense	45	45	45
Decrease of profit for the period (year) before income tax	(944)	(457)	(1,867)

I. Levies

Items qualified as Levies such as property tax were recognized at the time of payment under Japanese GAAP.

Under IFRS, they are recognized on the date when an obligation event occurs.

(Consolidated statement of financial position)	(Unit: Millions of yen)		
	As of date of transition to IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Decrease of other current assets	-	(9,500)	-
Increase of trade and other payables	(21,559)	(1,264)	(23,020)
Decrease of retained earnings	(21,559)	(10,765)	(23,020)

(Consolidated statement of income)	(Unit: Millions of yen)		
	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Decrease (increase) of cost of sales	9,972	4,899	(526)
Decrease (increase) of selling, general and administrative expenses	822	510	(935)
Increase (decrease) of profit for the period (year) before income tax	10,794	5,408	(1,461)

J. Tax

- a. Following the occurrence of temporary differences arising from adjustments to other items in the statement of financial position, e.g. review of depreciation method, examination was conducted for the probability of taxable income from deductible temporary differences according to IFRSs. Deferred tax assets are recognized on the portion of the taxable income that is considered to be recoverable.
- b. Under Japanese GAAP, value-added tax in size-based corporate tax was included in operating expense. Under IFRSs, such tax is included in income taxes.

(Consolidated statement of financial position)	(Unit: Millions of yen)		
	As of date of transition to IFRSs (April 1, 2014)	As of September 30, 2014	As of March 31, 2015
Increase of deferred tax assets	1,692	1,754	1,489
Decrease(Increase) of deferred tax liabilities	108	20	(483)
Increase of retained earnings	1,801	1,774	1,006

	(Unit: Millions of yen)		
(Consolidated statement of income)	For the six-month period ended September 30, 2014	For the three-month period ended September 30, 2014	For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	2,592	1,321	5,193
Increase of profit for the period (year) before income tax	2,592	1,321	5,193

(12) Notes to cash flow adjustments

For the six-month period ended September 30, 2014

	(Unit: Millions of yen)		
(Consolidated Statement of Cash Flows)	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
Japanese GAAP	513,464	(368,214)	(155,540)
Differences in the scope of consolidation	1,535	8,310	(45,393)
Unification of reporting period	1,578	587	21
Differences in recognition and measurement	(1,643)	20,151	(21,415)
IFRSs	514,934	(339,166)	(222,327)

For the year ended March 31, 2015

	(Unit: Millions of yen)		
(Consolidated Statement of Cash Flows)	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
Japanese GAAP	962,249	(674,520)	(224,862)
Differences in the scope of consolidation	12,836	11,173	(60,496)
Unification of reporting period	(4,309)	3,229	(14)
Differences in recognition and measurement	(2,024)	24,373	(25,157)
IFRSs	968,752	(635,745)	(310,528)

Key differences in recognition and measurement are as follows:

- a. Under Japanese GAAP, cash flows from sales of subsidiary's stock not resulting in loss of control was included in "cash flows from investing activities", but under IFRSs, included in "cash flows from financing activities".
- b. Under Japanese GAAP, cash possessed by the subsidiary was included in "Increase in Cash and Cash Equivalents Resulting from Merger", but under IFRSs, included in "cash flows from investing activities".