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 Nine-month period ended December 31, 2015 [IFRS]

February 9, 2016

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): February 12, 2016

Dividend payable date (as planned): -

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 Nine-month period ended December 31, 2015 (April 1, 2015 to December 31, 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	
		%		%		%		%		%		%
Nine-month period ended December 31, 2015	3,299,031	3.8	672,442	11.0	662,370	9.0	456,032	16.9	408,486	13.4	449,243	9.6
Nine-month period ended December 31, 2014	3,178,545	-	605,989	-	607,816	-	390,162	-	360,340	-	409,881	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine-month period ended December 31, 2015	163.04	-
Nine-month period ended December 31, 2014	143.85	-

(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 December 31, 2015	5,591,826	3,474,737	3,301,777	59.0
As of March 31, 2015	5,626,725	3,223,012	3,064,038	54.5

2. Dividends

	Dividends per share				
	1st Quarter End	2nd Quarter End	3rd 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 nine-month period ended December 31, 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 December 31, 2015	2,690,890,800
	As of March 31, 2015	2,690,890,800
2) Number of treasury stock	As of December 31, 2015	184,836,555
	As of March 31, 2015	185,954,982
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the nine-month period ended December31, 2015	2,505,429,253
	For the nine-month period ended December31, 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 December 31, 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 the 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.53.

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.15 "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. On Tuesday February 9, 2016, the Company will hold a quarterly results briefing for the institutional investors and analysts. The briefing will be webcasted and the presentation materials and Q&A summary will be also posted on our website at http://www.kddi.com/english/corporate/ir/.
In addition to the above, the Company holds the briefings and the presentations on our business for the individual investors. For the schedule and details, please check our website.

[the Attachment]

Index of the Attachment

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 53.

(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. Against this backdrop, the services mobile phone operators offer are growing more similar, and MVNO operators are increasingly promoting inexpensive SIM services. Furthermore, to secure new sources of earnings, telecommunications carriers are expanding their operations in domains other than telecommunications services, and their business strategies are entering an era of major change. In addition, overall telecommunications market is entering a new phase, as the Ministry of Internal Affairs and Communications has formulated a “policy for reducing smartphone rates and normalizing handset sales” and is calling on telecommunications carriers to come into line with this policy.

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 the third quarter, we worked to expand the “au WALLET Market” nationwide and decided to enter the electric power retailing business. Furthermore, on December 3, 2015, the number of “au WALLET Market” members exceeded 1 million.

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 are reinforcing our foundations for ICT business targeting corporate customers, such as data centers, and striving to pursue such growth opportunities as the telecommunication business in Myanmar.

Financial Results

For the nine-month period ended December 31, 2015

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015	Increase (Decrease)	Increase (Decrease)%
Operating revenue	3,178,545	3,299,031	120,486	3.8
Cost of sales	1,799,677	1,841,627	41,950	2.3
Gross profit	1,378,868	1,457,404	78,536	5.7
Selling, general and administrative expenses	779,107	795,376	16,269	2.1
Other income and expense (Net)	2,997	6,733	3,737	124.7
Share of profit of investments accounted for using the equity method	3,231	3,680	449	13.9
Operating income	605,989	672,442	66,453	11.0
Finance income and cost (Net)	(2,656)	(10,492)	(7,836)	−
Other non-operating profit and loss (Net)	4,483	420	(4,063)	(90.6)
Profit for the period before income tax	607,816	662,370	54,553	9.0
Income tax	217,654	206,338	(11,316)	(5.2)
Profit for the period	390,162	456,032	65,870	16.9
Attributable to owners of the parent	360,340	408,486	48,146	13.4
Attributable to non-controlling interests	29,822	47,546	17,724	59.4

During the nine-month period ended December 31, 2015, operating revenue rose 3.8%, to ¥3,299,031 million, as revenue from handset sales increased and promotion of the “3M Strategy” boosted mobile communications revenue.
Operating income increased 11.0%, to ¥672,442 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 13.4%, to ¥408,486 million, due to higher operating income, despite the effect of factors such as foreign exchange losses.

<Reference>

- 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	As of 3Q
au subscriptions	(Thousand)	41,016	41,596	42,378	43,478	44,074	44,640	45,241
(Ref.) UQ WiMAX	(Thousand)	4,153	5,124	7,153	9,543	11,241	13,159	15,689
FTTH subscriptions	(Thousand)	3,240	3,344	3,412	3,485	3,559	3,625	3,695
CATV subscriptions *	(Thousand)	4,838	4,851	4,872	4,883	4,938	4,979	5,025

* 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.

With regard to consolidated subsidiaries handling the cable television business, as of December 31, 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 services.

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, we are working to expand the provision of services such as "au WALLET," which offers items for purchase at physical stores and internet sites. To fully leverage au shops, which serve as the most important contact points between customers and au, we are striving to expand nationwide our new shopping service, the "au WALLET Market," thereby augmenting the au economic zone. We are working on a variety of measures to allow customers to enjoy a host of content through optimal networks that can be used anytime and anywhere with their choice of devices, and endeavoring to expand au ARPA revenues by increasing the number of devices per customer.

Operating performance in the Personal Services segment for the nine-month period ended December 31, 2015 is described below.

Results

For the nine-month period ended December 31, 2015 (Amount unit: Millions of yen)

	Nine-month period ended December 1, 2014	Nine-month period ended December 31, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	2,474,254	2,598,676	124,422	5.0
Operating Income	476,143	525,003	48,859	10.3

During the nine-month period ended December 31, 2015, operating revenue rose 5.0%, to ¥2,598,676 million, as revenue from handset sales increased and promotion of the "3M Strategy" boosted mobile communications revenue.

Operating income grew 10.3% year on year, to ¥525,003 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 nine-month period ended December 31, 2015, au net additions* totaled 410,000 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
As of December 31, 2015, the number of au subscriptions totaled 10.92 million, and households using this service came to 5.45 million. Also, we are steadily increasing the number of allied companies for "au Smart Value." As of December 31, 2015, this number was 7 companies for FTTH (including the Company) and 142 CATV companies, 236 channels (including 25 companies, 25 channels allied with STNet, Incorporated).

au ARPA

au ARPA in the third quarter was up ¥160 year on year, to ¥5,720. Also, as a result of promoting the multi-device shift, the number of devices per user increased by 0.04, to 1.40 devices.

au Handset Sales

During the third quarter, au handset sales were 2.60 million.

[Fixed Line]

FTTH Subscriptions

As of December 31, 2015, the number of FTTH subscriptions increased by 208,000 from March 31, 2015, to 3.643 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 third quarter, we launched a world’s first-of-its-kind[*1] smartphone that can be washed with hand soap[*2], the “DIGNO rafre,” as one of four Android smartphone models. We also launched the all-new “iPad Pro,” which has a beautiful 5.6 megapixel 12.9-inch Retina display, and began providing other products aimed at meeting the various needs of the times.

*1 For smartphones released as of November 1, 2015. According to research by NEO MARKETING INC.

*2 IPX5/8 water resistance. We also implemented the Kyocera-defined durability test. (We do not guarantee the phone can be washed with all hand soaps.)

Expanding the Physical Product Sales Business

・On December 7, 2015, we began full-fledged product sales via au shops by expanding the “au WALLET Market,” offering these sales at approximately 2,500 shops throughout Japan. Through this nationwide expansion of “au WALLET Market,” in addition to products carefully selected by au we are able to respond to customer requests for everyday and sundry items they might conveniently purchase on the market, enhancing our product lineup to simplify purchasing of familiar products. We also entered a capital and business alliance with Mt. Fuji Springs Inc. and began the sales of FRECIOUS natural mineral water on this market.

Augmenting Services

・On November 24, 2015, we began providing “Data Present,” which enables people to purchase data volume via our data charging site or Dejira app and gift it to other family members. This allows data purchases in appropriate amounts and whenever needed for gifting among friends, from parents to their children and more.

・On December 10, 2015, we introduced a new payment plan for tablets. This plan, called “Tablet Plan ds,” shares data volume with a smartphone, allowing for an inexpensive basic monthly charge. In combination with this plan, we introduced the “Tablet Set Discount,” which provides a discount of up to ¥2,000 per month for up to three months, making it even easier to start using a tablet.

・On December 1, 2015, we began providing a “power-up unit” for “Smart TV Box,” a next-generation set-top box, for cable TV operators throughout Japan. This box offers expanded functionality, such as enabling customers to enjoy a 4K-pixel video service. With a “Smart TV Box” and a 4K-compatible television, customers can make use of this “power-up unit” to easily enjoy the most recent 4K-pixel video services without having to upgrade their equipment. Through “Smart TV Box,” we hope to offer a new viewing experience to cable TV customers.

<Reference>

Business data - Personal -

[**Mobile**]

Cumulative subscriptions		Unit	Year ended March 31, 2015							
			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	As of 3 Q
au subscriptions		(Thousand)	34,498	34,955	35,590	36,482	-	37,001	37,435	37,844
Mobile devices per person		(Units)	1.34	1.35	1.36	1.37	-	1.38	1.39	1.40
au smart value	au subscriptions	(Thousand)	7,590	8,160	8,530	9,330	-	9,840	10,370	10,920
	Households[*1]	(Thousand)	3,840	4,130	4,270	4,590	-	4,840	5,140	5,450

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	3 Q
au ARPA[*2]	(Yen)	5,470	5,570	5,560	5,510	5,530	5,600	5,700	5,720
au Churn rate	(%)	0.54	0.63	0.66	0.94	0.69	0.72	0.83	0.91
au handset sales[*3]	(Thousand)	1,830	2,430	2,720	2,870	9,850	2,050	2,300	2,600
of smartphone	(Thousand)	1,380	1,930	2,300	2,360	7,970	1,600	1,810	2,200
au handset shipments[*4]	(Thousand)	1,660	2,250	3,020	2,750	9,670	1,940	2,250	2,640

[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	As of 3 Q
FTTH subscriptions[*5]	(Thousand)	3,221	3,296	3,362	3,435	-	3,508	3,573	3,643
CATV subscriptions[*6]	(Thousand)	4,838	4,851	4,872	4,883	-	4,938	4,979	5,025

*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 nine-month period ended December 31, 2015 is described below.

Results

For the nine-month period ended December 31, 2015 (Amount unit: Millions of yen)

	Nine-month period ended December31, 2014	Nine-month period ended December 31, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	173,372	191,389	18,017	10.4
Operating Income	46,901	56,402	9,501	20.3

During the nine-month period ended December 31, 2015, operating revenue rose 10.4%, to ¥191,389 million, as the increasing smartphone penetration rate pushed up “au Smart Pass” and “au Simple Payment” revenues and due to increased revenue from KDDI Financial Service Corporation (hereafter, “KFS”).

Thanks to the operating revenue increase, operating income grew 20.3% year on year, to ¥56,402 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 ¥10 year on year, to ¥440.
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 Simple Payment” and “au WALLET,” as well as increased sales of physical products in the “au WALLET Market.”

< Key Initiatives >

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

As of December 31, 2015, “au Smart Pass” members numbered 14.02 million, an increase of 1,130,000 from March 31, 2015.

・As part of our “Uta Pass” initiative, as offerings limited to “Uta Pass” members, in November 2015 we began accepting advance bookings to live events and providing karaoke discounts and other offerings with physical-world links. We also began providing additional and return gifts of “Uta Coins,” which customers can use to purchase music on the “LISMO Store.” Going forward, in addition to Internet experiences via smartphones and personal computers, we plan to continue encouraging customers to gain new first-hand experience of music and popular artists.

Expanding the au Economic Zone

・As one development of the “au WALLET Credit Card” business conducted KDDI Financial Service Corporation, a consolidated subsidiary of KDDI, November 2015 marked the addition of the “Kazoku Card.” This card allows family members of “au WALLET Credit Card” holders to enjoy the same services and premiums as regular card members. This new card enables family members to deduct their card expenditures from the same bank account and accumulate WALLET points on a family basis.

Cultivating New Services

・On December 24, 2015, KDDI consolidated subsidiary Jupiter Telecommunications Co., Ltd., resolved to acquire a 50% stake in Jupiter Shop Channel Co., Ltd. (hereinafter, “JSC”), Japan’s leading television shopping channel. At the same time, KDDI agreed to purchase a 5% stake in JSC currently held by Sumitomo Corporation. Both share transfers are scheduled to take place on March 31, 2016. This capital participation is expected to elicit synergies between Jupiter Telecommunications, Sumitomo, KDDI, and JSC. Going forward, we plan to work with JSC to help it reach a new customer base through the development of new television shopping programs, as well as via television and the Internet.

<Reference>

Business data - Value -

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	Fiscal year	As of 1Q	As of 2Q	As of 3Q
au Smart Pass subscriptions	(Thousand)	10,700	11,400	12,050	12,890	-	13,190	13,610	14,020

Indicators	Unit	Year ended March 31, 2015					Year ending March 31, 2016		
		1Q	2Q	3Q	4Q	Fiscal year	1Q	2Q	3Q
Value ARPA*	(Yen)	400	410	430	460	420	430	430	440

* 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 nine-month period ended December 31, 2015, is described below.

Results

For the nine-month period ended December 31, 2015 (Amount unit: Millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	485,045	462,417	(22,628)	(4.7)
Operating Income	62,461	59,550	(2,911)	(4.7)

During the nine-month period ended December 31, 2015, operating revenue declined 4.7%, to ¥462,417 million, due to lower mobile and fixed line communications revenues, although solution sales such as IT outsourcing rose.

Operating income dropped 4.7% year on year, to ¥59,550 million, despite lower sales commissions and communications facility fees, due to the drop in operating revenue.

Overview of Operations

Providing Solutions

・In November 2015, Odakyu Agency Inc. commenced a demonstration of "real-time bus signage" aimed at realizing KDDI's IoT (Internet of Things) technology inside buses on Odakyu routes. This technology makes possible the distribution of real-time information content such as the status of operation at nearby train stations, weather information, news, and the like. In addition, it can be used in times of disaster to enhance bus passenger convenience and safety by providing information alerting them about typhoon routes and earthquakes. At the same time, advertising distribution is expected to create a new contact point between companies and bus passengers. Going forward, KDDI and Odakyu Agency plan to consider new ways of taking advantage of in-bus signage.

Third-Party Evaluations

・In the "MCPC* award 2015," systems employing KDDI's mobile services won the Mobile Technology Award, Mobile Public Award, Mobile Small- and Medium-Sized Company Award, and Best Product Award. The "MCPC award," comprising the "User Division" and the "Provider Division," commends successful efforts in areas such as "augmenting operating efficiency," "bolstering operating performance," "enhancing customer satisfaction," and "promoting social contribution." Through these efforts, the award aims to further promote the proliferation of mobile computing.

* Mobile Computing Promotion Consortium

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 nine-month period ended December 31, 2015 is described below.

Results

For the nine-month period ended December 31, 2015 (Amount unit: Millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	220,907	223,130	2,223	1.0
Operating Income	16,007	25,594	9,587	59.9

During the nine-month period ended December 31, 2015, operating revenue grew 1.0% year on year, to ¥223,130 million due to the increased revenues from the telecommunications business in Myanmar, and from the data center business.

Operating income surged 59.9% year on year, to ¥25,594 million, boosted by higher operating revenue.

Overview of Operations

Promoting Telecommunications Business in Myanmar

・During the third quarter, we worked to enhance the quality of telecommunications by increasing the number of mobile phone base stations and improving operating rates, as well as strengthening points of contact with customers.

In addition, on October 1, 2015, we revised data communication and SMS shares and rolled out various user campaigns in a bid to provide competitive services to meet customer needs.

As a result, the number of mobile phone subscribers has increased by 3 times in the period since we signed the joint business agreement in July 2015, to approximately 18 million, outpacing planned levels.

Going forward, KDDI plans to further enhance levels of network quality, expand the service area in line with customer traffic, enhance its offerings of more detailed customer support, introduce easy-to-use rate systems, and augment services for corporate customers. Through these initiatives, we aim to please our customers in Myanmar by working to expand the telecommunications infrastructure as their No. 1 telecommunications carrier.

Initiatives in Other Emerging Markets

・To enhance our service provision system in the Indochina Peninsula, on October 1, 2015, we established the KDDI Singapore Phnom Penh Branch in the Kingdom of Cambodia (hereinafter, “Cambodia”).
In April 2015, the Southern Economic Corridor* was established, creating an important highway spanning approximately 1,000km that links the southern Indochina Peninsula, including Vietnam and Thailand. In addition to dramatically improving the logistics network, through the proactive measures these countries are taking to attract foreign countries, more companies are expected to advance into the area. These moves should make the region a new base of production, thereby increasing the need for IT infrastructure and other services.

Establishing the new branch will allow KDDI to provide factories and offices with Japanese-quality services, from IT infrastructure construction to its maintenance and operation, contributing to the expansion of operations for customers advancing into Cambodia.

* It is planned to extend the Southern Economic Corridor to Myanmar around summer of 2016.

3) Status of Major Affiliates, etc.

< Jibun Bank Corporation >

On October 11, 2015, Jibun Bank Corporation, which is accounted for using the equity method, began providing a "fixed amount automatic money receipt service" that enables customers to transfer specified monthly amounts to their Jibun Bank accounts from other accounts in their name.

Furthermore, on December 1, 2015, Jibun Bank became the first Japanese bank[*1] to provide home loans that can be concluded over the Internet. By eliminating the need for preparing some of the contractual documents needed in the past when entering into home loan agreements and doing away with the back-and-forth of documents between customers and banks, Jibun Bank has substantially reduced the amount of procedural time required. The bank has also enabled procedures for group credit life insurance[*2] applications and notifications to be handled via the Internet[*3].

Going forward, Jibun Bank will continue working to enhance its product and service offerings to meet diverse customer needs and enhance convenience.

*1 Based on a study of procedures conducted by Jibun Bank (as of October 28, 2015) for entering into home loan agreements at 139 members of the Japanese Bankers Association, excluding foreign banks.

*2 This type of insurance protects home loans in the event that an untoward event affects the customer who is party to the home loan agreement. In such an event, under this type of insurance, funds paid by the life insurance company go toward repaying the home loan balance, rather than to the customer.

*3 Written documents and other procedures may be required in some instances, such as if the submission of a life insurance company certificate of health examination results is necessary.

Notes:

* The service name "4G LTE" conforms to the statement of the International Telecommunication Union (ITU) that has approved LTE to be called "4G.

* WiMAX is a trademark or a registered trademark of WiMAX Forum.

* "DIGNO" is a registered trademark of Kyocera Corporation.
* "Android" is a trademark or registered trademark of Google Inc.
* Trademark and copyright of Apple Inc. All rights reserved. "iPad Pro" is a trademark of Apple Inc..
* 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 December 31, 2015	Increase (Decrease)	Increase (Decrease)%
Non-current assets	3,951,491	3,888,109	(63,382)	(1.6)
Current assets	1,675,235	1,703,717	28,482	1.7
Total assets	5,626,725	5,591,826	(34,900)	(0.6)
Non-current liabilities	1,213,523	1,204,167	(9,356)	(0.8)
Current liabilities	1,190,190	912,922	(277,269)	(23.3)
Total liabilities	2,403,713	2,117,089	(286,625)	(11.9)
Total equity	3,223,012	3,474,737	251,725	7.8

(Assets)

Total assets amounted to ¥5,591,826 million as of December 31, 2015, down ¥34,900 million from their level on March 31, 2015. Although trade and other receivables, other current assets, and inventories increased, cash and cash equivalents and property, plant and equipment fell.

(Liabilities)

Total liabilities amounted to ¥2,117,089 million as of December 31, 2015, down ¥286,625 million from March 31, 2015, due to decreases in income taxes payables, trade and other payables, borrowings and bonds payable, and other current liabilities.

(Equity)

Total equity amounted to ¥3,474,737 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 59.0%.

2) Consolidated Cash Flows

(Amount unit: Millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015	Increase (Decrease)
Net cash provided by (used in) operating activities	688,137	623,476	(64,661)
Net cash provided by (used in) investing activities	(543,247)	(425,326)	117,921
Free cash flows (Note)	144,890	198,150	53,260
Net cash provided by (used in) financing activities	(197,084)	(294,230)	(97,147)
Effect of exchange rate changes on cash and cash equivalents	2,995	(554)	(3,549)
Net increase (decrease) in cash and cash equivalents	(49,199)	(96,634)	(47,436)
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	200,534	179,683	(20,851)

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 ¥623,476 million. This includes ¥662,370 million of profits for the period before income tax, ¥399,777 million of depreciation and amortization, ¥291,033 million of income taxes paid, and ¥95,751 million of increase in trade and other receivables.

Investing activities used net cash of ¥425,326 million. This includes ¥229,818 million of purchase of property, plant and equipment and ¥137,692 million for purchase of intangible assets.

Financial activities used net cash of ¥294,230 million. This includes ¥145,279 million in payments from redemption of bonds and repayment of long-term borrowings and ¥162,157 million in cash dividends paid.

As a result, the total amount of cash and cash equivalents as of December 31, 2015, decreased ¥96,634 million from March 31, 2015, to ¥179,683 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 nine-month period ended December 31, 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

(Unit: Millions of yen)

	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of December 31, 2015
Assets			
Non-current assets :			
Property, plant and equipment	2,465,583	2,541,099	2,465,724
Goodwill	329,783	343,136	352,082
Intangible assets	665,068	699,332	702,038
Investments accounted for using the equity method	41,798	61,621	71,064
Other long-term financial assets	134,430	97,183	106,227
Retirement benefit assets	7,476	26,035	29,238
Deferred tax assets	93,353	110,988	88,939
Other non-current assets	57,850	72,098	72,796
Total non-current assets	3,797,340	3,951,491	3,888,109
Current assets :			
Inventories	83,776	75,837	90,056
Trade and other receivables	1,127,209	1,231,095	1,314,473
Other short-term financial assets	10,663	8,821	13,671
Other current assets	80,757	83,164	105,833
Cash and cash equivalents	249,732	276,317	179,683
Total current assets	1,552,137	1,675,235	1,703,717
Total assets	5,349,478	5,626,725	5,591,826

(Unit: Millions of yen)

	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of December 31, 2015
Liabilities and Equity			
Liabilities			
Non-current liabilities :			
Borrowings and bonds payable	779,454	846,701	830,562
Other long-term financial liabilities	131,138	145,709	156,465
Retirement benefit liabilities	17,261	14,826	14,950
Deferred tax liabilities	48,142	35,921	35,327
Other non-current liabilities	158,207	170,367	166,863
Total non-current liabilities	1,134,204	1,213,523	1,204,167
Current liabilities :			
Borrowings and bonds payable	370,349	149,760	91,109
Trade and other payables	494,605	535,489	450,820
Other short-term financial liabilities	18,679	20,698	22,184
Income taxes payables	126,169	165,402	64,730
Other current liabilities	292,882	318,841	284,077
Total current liabilities	1,302,684	1,190,190	912,922
Total liabilities	2,436,888	2,403,713	2,117,089
Equity			
Equity attributable to owners of the parent			
Common stock	141,852	141,852	141,852
Capital surplus	385,945	369,722	366,269
Treasury stock	(161,822)	(161,822)	(160,862)
Retained earnings	2,374,381	2,686,824	2,932,235
Accumulated other comprehensive income	43,589	27,462	22,283
Total equity attributable to owners of the parent	2,783,946	3,064,038	3,301,777
Non-controlling interests	128,644	158,974	172,960
Total equity	2,912,589	3,223,012	3,474,737
Total liabilities and equity	5,349,478	5,626,725	5,591,826

(2) Condensed Interim Consolidated Statement of Income

(Unit: Millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015
Operating revenue	3,178,545	3,299,031
Cost of sales	1,799,677	1,841,627
Gross profit	1,378,868	1,457,404
Selling, general and administrative expenses	779,107	795,376
Other income	6,142	8,743
Other expense	3,145	2,009
Share of profit of investments accounted for using the equity method	3,231	3,680
Operating income	605,989	672,442
Finance income	9,171	906
Finance cost	11,827	11,398
Other non-operating profit and loss	4,483	420
Profit for the period before income tax	607,816	662,370
Income tax	217,654	206,338
Profit for the period	390,162	456,032
Profit for the period attributable to:		
Owners of the parent	360,340	408,486
Non-controlling interests	29,822	47,546
Profit for the period	390,162	456,032
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	143.85	163.04

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

(Unit: Millions of yen)

	Three-month period ended December 31, 2014	Three-month period ended December 31, 2015
Operating revenue	1,148,392	1,147,276
Cost of sales	669,312	657,058
Gross profit	479,081	490,218
Selling, general and administrative expenses	257,662	273,435
Other income	2,118	3,866
Other expense	1,208	913
Share of profit of investments accounted for using the equity method	1,125	1,275
Operating income	223,454	221,012
Finance income	5,398	293
Finance cost	3,852	3,883
Other non-operating profit and loss	44	(101)
Profit for the period before income tax	225,044	217,320
Income tax	79,203	66,737
Profit for the period	145,840	150,582
Profit for the period attributable to:		
Owners of the parent	133,523	131,027
Non-controlling interests	12,317	19,555
Profit for the period	145,840	150,582
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	53.30	52.28

(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

(Unit: Millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015
Profit for the period	390,162	456,032
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	4,570	(2,671)
Share of other comprehensive income of investments accounted for using the equity method	1,744	432
Total	6,315	(2,238)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(220)	(2,131)
Translation differences on foreign operations	13,342	(2,870)
Share of other comprehensive income of investments accounted for using the equity method	282	450
Total	13,405	(4,551)
Total other comprehensive income	19,719	(6,789)
Total comprehensive income for the period	409,881	449,243
Total comprehensive income for the period attributable to:		
Owners of the parent	378,926	403,100
Non-controlling interests	30,955	46,142
Total	409,881	449,243

Items in the statement above are presented net of tax.

(Unit: Millions of yen)

	Three-month period ended December 31, 2014	Three-month period ended December 31, 2015
Profit for the period	145,840	150,582
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	2,946	1,612
Share of other comprehensive income of investments accounted for using the equity method	1,476	583
Total	4,422	2,195
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(271)	(880)
Translation differences on foreign operations	11,130	(2,463)
Share of other comprehensive income of investments accounted for using the equity method	533	(433)
Total	11,392	(3,776)
Total other comprehensive income	15,814	(1,581)
Total comprehensive income for the period	161,654	149,001
Total comprehensive income for the period attributable to:		
Owners of the parent	147,120	130,577
Non-controlling interests	14,534	18,424
Total	161,654	149,001

Items in the statement above are presented net of tax.

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the nine-month period ended December 31, 2014

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
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	–	–	–	360,340	–	360,340	29,822	390,162
Other comprehensive income	–	–	–	–	18,587	18,587	1,133	19,719
Total comprehensive income	–	–	–	360,340	18,587	378,926	30,955	409,881
Transactions with owners and other transactions								
Cash dividends	–	–	–	(125,247)	–	(125,247)	(6,867)	(132,114)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	3,209	(3,209)	–	–	–
Changes in interests in subsidiaries	–	(16,324)	–	–	–	(16,324)	(1,356)	(17,680)
Other	–	(29)	–	–	–	(29)	(604)	(633)
Total transactions with owners and other transactions	–	(16,353)	–	(122,037)	(3,209)	(141,600)	(8,828)	(150,428)
As of December 31, 2014	141,852	369,592	(161,822)	2,612,684	58,967	3,021,272	150,771	3,172,043

For the nine-month period ended December 31, 2015

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
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	–	–	–	408,486	–	408,486	47,546	456,032
Other comprehensive income	–	–	–	–	(5,385)	(5,385)	(1,404)	(6,789)
Total comprehensive income	–	–	–	408,486	(5,385)	403,100	46,142	449,243
Transactions with owners and other transactions								
Cash dividends	–	–	–	(162,860)	–	(162,860)	(30,071)	(192,931)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(206)	206	–	–	–
Purchase and disposal of treasury stock	–	(978)	960	–	–	(17)	–	(17)
Changes in interests in subsidiaries	–	(2,971)	–	–	–	(2,971)	(2,086)	(5,057)
Other	–	497	–	(8)	–	488	–	488
Total transactions with owners and other transactions	–	(3,453)	960	(163,075)	206	(165,361)	(32,157)	(197,518)
As of December 31, 2015	141,852	366,269	(160,862)	2,932,235	22,283	3,301,777	172,960	3,474,737

(5) Condensed Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015
Cash flows from operating activities		
Profit for the period before income tax	607,816	662,370
Depreciation and amortization	388,869	399,777
Impairment loss	8,058	991
Share of (profit) loss of investments accounted for using the equity method	(3,231)	(3,680)
Loss (gain) on sales of non-current assets	269	166
Loss (gain) on retirement of non-current assets	17,959	17,188
Interest and dividends income	(2,004)	(889)
Interest expenses	11,487	8,819
(Increase) decrease in trade and other receivables	(103,456)	(95,751)
Increase (decrease) in trade and other payables	61,187	(12,646)
(Increase) decrease in inventories	(7,901)	(13,910)
(Increase) decrease in retirement benefit assets	(3,939)	(3,203)
Increase (decrease) in retirement benefit liabilities	(1,296)	125
Other	(43,167)	(34,032)
Cash generated from operations	930,651	925,324
Interest and dividends received	5,461	1,813
Interest paid	(9,240)	(12,628)
Income tax paid	(238,735)	(291,033)
Net cash provided by (used in) operating activities	688,137	623,476

(Unit: Millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015
Cash flows from investing activities		
Purchase of property, plant and equipment	(382,822)	(229,818)
Proceeds from sales of property, plant and equipment	958	1,254
Purchase of intangible assets	(146,995)	(137,692)
Purchase of other financial assets	(3,273)	(1,156)
Proceeds from sales/redemption of other financial assets	5,550	440
Acquisition of control over subsidiaries	—	(51,658)
Purchase of stocks of associates	(9,731)	(5,652)
Decrease from loss of control over subsidiaries	(2,808)	—
Other	(4,128)	(1,043)
Net cash provided by (used in) investing activities	(543,247)	(425,326)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	(12,832)	25,647
Proceeds from issuance of bonds and long-term borrowings	182,000	44,000
Payments from redemption of bonds and repayment of long-term borrowings	(200,751)	(145,279)
Payment from purchase of subsidiaries' equity from non-controlling interests	(24,633)	(6,390)
Proceeds from stock issuance to non-controlling interests	8,422	1
Payment from purchase of treasury stock	—	(19)
Cash dividends paid	(124,666)	(162,157)
Cash dividends paid to non-controlling interests	(6,757)	(30,138)
Other	(17,867)	(19,895)
Net cash provided by (used in) financing activities	(197,084)	(294,230)
Effect of exchange rate changes on cash and cash equivalents	2,995	(554)
Net increase (decrease) in cash and cash Equivalents	(49,199)	(96,634)
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)	200,534	179,683

(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 nine-month period ended December 31, 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 December 31, 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.
IFRS16	Leases	January 1,2019	Fiscal year ending March 31, 2020	IFRS 16 describes the revision of current accounting standard for leases. Specifically, IFRS16 introduces a single lessee accounting model and requires a lessee to recognize its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months as principal.

The standards 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 acquire 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 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. Financial assets

(a) Recognition and measurement of financial assets

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset at fair value through profit or loss is recognized as profit or loss.

(b) Classification of non-derivative financial assets

Classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets 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.

<u>Debt instruments</u>

(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.

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.

ⅱ. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

The Group recognizes financial debt when the Group becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

(i) Financial liabilities at amortized cost

A financial liability other than those at fair value through profit or loss is classified as a financial liability at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

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

A financial liability at fair value through profit or loss is initially measured at fair value. After initial recognition, the financial liability is measured at fair value with subsequent changes recognized as profit or loss.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when the financial liability is distinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

(d) Preference shares

Preference shares are classified as equity or financial liabilities based on their substances of contractual arrangements, not on their legal forms. Preference shares mandatorily redeemable on a particular date are classified as financial liabilities. Preference shares classified as liabilities are measured at amortized cost in the condensed interim consolidated statement of financial position and the dividends on these preference shares are recognized as interest expense and presented as financial cost in the condensed interim consolidated statement of income.

iii. 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 recognizing 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 included in treasury stock. 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 expected dividend yield of the shares.

(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 nine-month period ended December 31, 2014

(Unit: Millions of yen)

	Reporting segment								
	Personal	Value	Business	Global	Sub-total	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the condensed interim consolidated financial statements
Revenue									
Revenue from external customers	2,409,199	128,320	412,054	196,461	3,146,034	32,511	3,178,545	—	3,178,545
Inter-segment revenue or transfers	65,055	45,052	72,991	24,446	207,544	100,695	308,239	(308,239)	—
Total	2,474,254	173,372	485,045	220,907	3,353,578	133,206	3,486,784	(308,239)	3,178,545
Segment income	476,143	46,901	62,461	16,007	601,513	9,060	610,573	(4,584)	605,989
Finance income and finance cost (Net)									(2,656)
Other non-operating profit and loss									4,483
Profit for the nine-month period before income tax									607,816

(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 nine-month period ended December 31, 2015

(Unit: Millions of yen)

	Reporting segment								
	Personal	Value	Business	Global	Sub-total	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the condensed interim consolidated financial statements
Revenue									
Revenue from external customers	2,526,172	136,346	396,866	199,364	3,258,747	40,284	3,299,031	—	3,299,031
Inter-segment revenue or transfers	72,504	55,043	65,552	23,766	216,865	85,657	302,522	(302,522)	—
Total	2,598,676	191,389	462,417	223,130	3,475,612	125,941	3,601,552	(302,522)	3,299,031
Segment income	525,003	56,402	59,550	25,594	666,549	6,187	672,736	(294)	672,442
Finance income and finance cost (Net)									(10,492)
Other non-operating profit and loss									420
Profit for the nine-month period before income tax									662,370

(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 December 31, 2014

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the condensed interim consolidated financial statements
	Personal	Value	Business	Global	Sub-total				
Revenue									
Revenue from external customers	881,792	43,500	137,251	73,418	1,135,961	12,431	1,148,392	—	1,148,392
Inter-segment revenue or transfers	22,904	17,001	25,583	8,599	74,086	38,609	112,695	(112,695)	—
Total	904,695	60,500	162,835	82,017	1,210,047	51,040	1,261,087	(112,695)	1,148,392
Segment income	176,373	14,904	21,304	8,243	220,825	4,734	225,558	(2,104)	223,454
Finance income and finance cost (Net)									1,546
Other non-operating profit and loss									44
Profit for the three-month period before income tax									225,044

(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 December 31, 2015

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the condensed interim consolidated financial statements
	Personal	Value	Business	Global	Sub-total				
Revenue									
Revenue from external customers	891,608	46,285	132,279	62,507	1,132,679	14,597	1,147,276	—	1,147,276
Inter-segment revenue or transfers	24,518	19,064	20,214	7,766	71,562	27,687	99,249	(99,249)	—
Total	916,125	65,349	152,493	70,274	1,204,240	42,285	1,246,525	(99,249)	1,147,276
Segment income	173,576	19,801	19,982	5,674	219,033	2,273	221,307	(295)	221,012
Finance income and finance cost (Net)									(3,591)
Other non-operating profit and loss									(101)
Profit for the three-month period before income tax									217,320

(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. The amount of goodwill at the date of transition to IFRSs is recognized at its carrying amount that is taken over from the amount previously recognized under Japanese GAAP .

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 December 31, 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	2,193,509	135,171	8,535	233,671	B	2,570,886
Goodwill	327,576	―	1,786	13,283	A,H	342,645
Intangible assets	684,253	8,588	2	6,165	B,D,H	699,007
Investments accounted for using the equity method	57,855	22,544	(251)	(21,699)	F,G,H	58,449
Other long-term financial assets	195,144	(60,125)	52	3,071	E	138,143
Retirement benefit assets	12,299	―	―	(884)	F	11,415
Deferred tax assets	116,434	―	216	(36,332)	J	80,319
Other non-current assets	7,466	(264)	(33)	60,334	D,E	67,504
Total non-current assets	3,594,537	105,915	10,308	257,609		3,968,368
Current assets						
Inventories	98,611	220	246	(6,686)	D	92,390
Trade and other receivables	1,235,767	(3,461)	943	(89)		1,233,160
Other short-term financial assets	27,643	(18,230)	904	―		10,317
Other current assets	65,016	8,701	(100)	18,953	D,I	92,571
Cash and cash equivalents	197,711	605	2,218	―		200,534
Total current assets	1,624,748	(12,165)	4,211	12,177		1,628,972
Total assets	5,219,284	93,750	14,519	269,786		5,597,340
Liabilities						
Non-current liabilities						
Borrowings and bonds payable	794,152	39,000	―	(1,574)	E	831,578
Other long-term financial liabilities	44,036	661	29	97,914	E	142,640
Retirement benefit liabilities	15,935	―	30	―		15,965
Deferred tax liabilities	46,445	1	(2,300)	1,797	J	45,942
Other non-current liabilities	49,609	(168)	1,996	114,271	D	165,708
Total non-current liabilities	950,177	39,494	(246)	212,408		1,201,833
Current liabilities						
Borrowings and bonds payable	268,572	18,400	0	(157)	E	286,815
Trade and other payables	485,042	6,464	(1,114)	21,740	D,I	512,132
Other short-term financial liabilities	20,106	184	(2)	38		20,327
Income taxes payables	96,515	56	848	142		97,561
Other current liabilities	232,763	271	429	73,166	D,F	306,629
Total current liabilities	1,102,999	25,375	161	94,929		1,223,464
Total liabilities	2,053,176	64,869	(84)	307,336		2,425,297
Equity						
Equity attributable to owners of the parent						
Common stock	141,852	―	―	―		141,852
Capital surplus	385,977	―	(4)	(16,381)	E,G,H	369,592
Treasury stock	(161,822)	―	―	―		(161,822)
Retained earnings	2,509,184	(1,403)	7,367	97,536	A~J	2,612,684
Accumulated other comprehensive income	73,365	―	7,121	(21,519)	E,F,G	58,967
Total equity attributable to owners of the parent	2,948,555	(1,403)	14,484	59,636		3,021,272
Non-controlling interests	217,554	30,284	120	(97,186)		150,771
Total equity	3,166,109	28,881	14,604	(37,550)		3,172,043
Total liabilities and equity	5,219,284	93,750	14,519	269,786		5,597,340

*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 nine-month period ended December 31, 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	3,351,924	(14,205)	4,843	(164,017)	D	3,178,545
Cost of sales	1,826,580	(38,135)	2,555	8,677	B,D,F,I	1,799,677
Gross profit	1,525,344	23,930	2,288	(172,694)		1,378,868
Selling, general and administrative expenses	949,157	20,957	(476)	(190,531)	A,B,D~F,H~J	779,107
Other income	6,901	26	18	(804)	B,H	6,142
Other expense	2,678	19	756	(307)	B,H	3,145
Share of profit(loss) of investments accounted for using the equity method	4,334	(1,740)	10	626	G	3,231
Operating income	584,745	1,241	2,036	17,966		605,989
Finance income	13,678	(206)	288	(4,589)	E	9,171
Finance cost	9,265	901	(27)	1,688	E	11,827
Other non-operating profit and loss	4,753	—	(270)	—		4,483
Profit before income tax	593,911	134	2,082	11,690	A,B,D~J	607,816
Income taxes	217,199	23	601	(169)		217,654
Profit for the period	376,712	111	1,481	11,859		390,162
Profit for the period attributable to:						
Owner of the parent	350,971	(2,653)	1,628	10,394		360,340
Minority interests	25,741	2,764	(148)	1,465		29,822
Profit for the period	376,712	111	1,481	11,859		390,162

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	376,712	111	1,481	11,859		390,162	Profit for the period
Other comprehensive income							Other comprehensive income, net of tax
Valuation difference on available-for sale securities	1,762	—	3	2,805	E	4,570	Changes in fair value of financial assets at fair value through other comprehensive income
Deferred gains or losses on hedges	(139)	—	—	(81)		(220)	Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	2,265	—	8,455	2,622		13,342	Exchange differences on translating foreign operations
Remeasurements of defined benefit plans, net of tax	1,500	—	88	(1,588)	F	—	Remeasurements of defined benefit plans, net of tax
Share of other comprehensive income of investments accounted for using the equity method	2,642	—	—	(616)	G	2,027	Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	8,031	—	8,546	3,142	E,F,G	19,719	Total other comprehensive income, net of tax
Total comprehensive income	384,743	111	10,027	15,001		409,881	Total comprehensive income
Attributable to:							Attributable to:
Owner of the parent	358,647	(2,653)	9,733	13,200		378,926	Owner of the parent
Minority interests	26,095	2,764	294	1,802		30,955	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 December 31, 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	1,219,989	(10,326)	3,856	(65,126)	D	1,148,392
Cost of sales	690,447	(19,695)	2,876	(4,316)	B,D,F,I	669,312
Gross profit	529,542	9,369	980	(60,811)		479,081
Selling, general and administrative expenses	332,281	7,299	(2,077)	(79,840)	A,B,D~F,H~J	257,662
Other income	2,413	88	13	(396)	B,H	2,118
Other expense	700	12	629	(133)	B,H	1,208
Share of profit(loss) of investments accounted for using the equity method	1,967	(1,098)	10	246	G	1,125
Operating income	200,941	1,048	2,452	19,012		223,454
Finance income	4,999	(94)	537	(44)	E	5,398
Finance cost	2,991	211	121	530	E	3,852
Other non-operating profit and loss	(118)	－	162	－		44
Profit before income tax	202,832	743	3,030	18,439	A,B,D~J	225,044
Income taxes	73,547	(4)	953	4,708		79,203
Profit for the period	129,285	747	2,078	13,731		145,840
Profit for the period attributable to:						
Owner of the parent	119,586	(1,512)	2,233	13,215		133,523
Minority interests	9,699	2,258	(155)	516		12,317
Profit for the period	129,285	747	2,078	13,731		145,840

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	129,285	747	2,078	13,731		145,840	Profit for the period
Other comprehensive income							Other comprehensive income, net of tax
Valuation difference on available-for sale securities	2,108	－	2	836	E	2,946	Changes in fair value of financial assets at fair value through other comprehensive income
Deferred gains or losses on hedges	(156)	－	－	(115)		(271)	Net changes in fair value of cash flow hedge
Foreign currency translation adjustments	7,767	－	2,799	564		11,130	Exchange differences on translating foreign operations
Remeasurements of defined benefit plans, net of tax	484	－	79	(563)	F	－	Remeasurements of defined benefit plans, net of tax
Share of other comprehensive income of investments accounted for using the equity method	2,102	－	－	(93)	G	2,008	Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	12,305	－	2,881	628	E,F,G	15,814	Total other comprehensive income, net of tax
Total comprehensive income	141,589	747	4,958	14,360		161,654	Total comprehensive income
Attributable to:							Attributable to:
Owner of the parent	129,974	(1,512)	4,754	13,903		147,120	Owner of the parent
Minority interests	11,615	2,258	205	456		14,534	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. Under Japanese GAAP, provision for the Group’s point service programs was presented as non-current item because it is uncertain when the customers utilize their points, however, under IFRSs, provision for those programs is presented as current item because the customers can utilize their points at any time without any condition.
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.

l. 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.

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 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	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

b. Reclassification for consolidated statement of financial position as of December 31, 2014

(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	697,550	(697,550)	－	
Antenna equipment, net	354,944	(354,944)	－	
Local line facilities, net	119,753	(119,753)	－	
Long-distance line facilities, net	5,784	(5,784)	－	
Engineering facilities, net	22,468	(22,468)	－	
Submarine line facilities, net	2,543	(2,543)	－	
Buildings, net	156,675	(156,675)	－	
Structures, net	25,398	(25,398)	－	
Land	247,819	(247,819)	－	
Construction in progress	162,746	(162,746)	－	
Other property, plant and equipment, net	27,122	(27,122)	－	
Property, plant and equipment, net in Incidental business	370,707	(370,707)	－	
		2,193,509	2,193,509	Property, plant and equipment
Intangible fixed assets				
Intangible fixed assets in telecommunications business				
Rights to use facilities	12,607	(12,607)	－	
Software	190,970	(190,970)	－	
Goodwill	19,027	(19,027)	－	
Other intangible fixed assets	8,230	(8,230)	－	
Intangible fixed asset in Incidental business	534,919	(534,919)	－	
		327,576	327,576	Goodwill
		684,253	684,253	Intangible assets
Investments and other assets				
Investment securities	96,552	(96,552)	－	
Shares in related companies	57,574	281	57,855	Investments accounted for using the equity method
Investment in related companies	281	(281)	－	
Long-term loans receivable from related companies	60,300	(60,300)	－	
Long-term prepaid expenses	250,734	(250,734)	－	
Retirement benefit assets	12,299	－	12,299	Retirement benefit assets
Deferred tax assets	78,823	37,611	116,434	Deferred tax assets
Other investments and other assets	50,332	(50,332)	－	
Allowance for doubtful accounts	(9,231)	9,231	－	
		195,144	195,144	Other long-term financial assets
		7,466	7,466	Other non-current assets
Total fixed assets	3,556,926	37,611	3,594,537	Total non-current assets
Current assets				Current assets
Cash and deposits	206,644	(8,933)	197,711	Cash and cash equivalents
Accounts receivable-trade and notes receivable	1,178,744	57,023	1,235,767	Trade and other receivables
Other receivables	80,057	(80,057)	－	
Securities	286	(286)	－	
Supplies	95,169	3,441	98,611	Inventories
Deferred tax assets	37,611	(37,611)	－	
Other current assets	85,594	(85,594)	－	
Allowance for doubtful accounts	(21,747)	21,747	－	
		27,643	27,643	Other short-term financial assets
		65,016	65,016	Other current assets
Total current assets	1,662,359	(37,611)	1,624,748	Total current assets
Total assets	5,219,284	－	5,219,284	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	215,000	(215,000)	－	
Long-term borrowings	579,152	(579,152)	－	
		794,152	794,152	Borrowings and bonds payable
Retirement benefit liabilities	15,935	－	15,935	Retirement benefit liabilities
Provision for point service program	78,316	(78,316)	－	
Other fixed liabilities	140,089	(140,089)	－	
		44,036	44,036	Other long-term financial liabilities
		46,445	46,445	Deferred tax liabilities
		49,609	49,609	Other non-current liabilities
Total fixed liabilities	1,028,493	(78,316)	950,177	Total non-current liabilities
Current liabilities				Current liabilities
Current portion of fixed liabilities	206,211	62,361	268,572	Borrowings and bonds payable
Notes payable and accounts payable-trade	116,863	368,179	485,042	Trade and other payables
Short-term borrowings	82,468	(82,468)	－	
Accounts payable, other	387,018	(387,018)	－	
Accrued expenses	28,250	(28,250)	－	
Income taxes payables	95,977	538	96,515	Income taxes payables
Advances received	44,856	(44,856)	－	
Allowance for bonuses	10,854	(10,854)	－	
Other current liabilities	52,187	(52,187)	－	
		20,106	20,106	Other short-term financial liabilities
		232,763	232,763	Other current liabilities
Total current liabilities	1,024,682	78,316	1,102,999	Total current liabilities
Total liabilities	2,053,176	－	2,053,176	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	2,509,184	－	2,509,184	Retained earnings
Treasury stock	(161,822)	－	(161,822)	Treasury stock
Accumulated other comprehensive income				
Valuation difference on available for-sale securities	49,226	(49,226)	－	
Deferred gain or loss on hedges	(1,370)	1,370	－	
Foreign currency translation adjustments	17,665	(17,665)	－	
Remeasurement of retirement benefit plans	7,844	(7,844)	－	
		73,365	73,365	Accumulated other comprehensive income
			2,948,555	Total equity attributable to owners of the parent
Subscription rights	34	(34)	－	
Minority interests	217,554	－	217,554	Non-controlling interests
Total net assets	3,166,109	－	3,166,109	Total equity
Liabilities and total net assets	5,219,284	－	5,219,284	Total liabilities and equity

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 line items	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
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

d. Reclassification for consolidated statement of income for the nine-month period ended December 31, 2014

(Unit: Millions of yen)

	Japanese GAAP	Reclassification								After reclassificaton
		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	sub-total	
Japanese GAAP line items										
Operating revenues from telecommunications business	2,022,655	(2,022,655)	－	－	－	－	－	－	(2,022,655)	－
Operating revenues from incidental business	1,329,269	(1,329,269)	－	－	－	－	－	－	(1,329,269)	－
Operating expenses in telecommunications business										
Business costs	520,005	－	(93,335)	(426,670)	－	－	－	－	(520,005)	－
Operational costs	32	－	(32)	－	－	－	－	－	(32)	－
Maintenance costs	198,651	－	(198,651)	－	－	－	－	－	(198,651)	－
Common costs	1,729	－	－	(1,729)	－	－	－	－	(1,729)	－
Management costs	58,265	－	(68)	(58,197)	－	－	－	－	(58,265)	－
Experiment and research expenses	4,528	－	－	(4,528)	－	－	－	－	(4,528)	－
Depreciation	282,579	－	(282,023)	(557)	－	－	－	－	(282,579)	－
Retirement of fixed assets	17,723	－	(17,723)	－	－	－	－	－	(17,723)	－
Communication equipment rentals	290,696	－	(290,696)	－	－	－	－	－	(290,696)	－
Taxes	30,900	－	(24,538)	(6,361)	－	－	－	－	(30,900)	－
Operating expenses in incidental business	1,361,795	－	(910,817)	(450,978)	－	－	－	－	(1,361,795)	－
Operating income	585,022	(3,351,924)	1,817,882	949,020	－	－	－	－	(585,022)	－
Non-operating revenue										
Interest income	606	－	－	－	－	－	(606)	－	(606)	－
Dividends income	1,822	－	－	－	－	－	(1,822)	－	(1,822)	－
Share of profit(loss) of investments accounted for using the equity method	4,334	－	－	－	－	(4,334)	－	－	(4,334)	－
Gain on foreign currency exchange	6,332	－	－	－	－	－	(6,332)	－	(6,332)	－
Miscellaneous income	6,756	－	－	－	(6,756)	－	－	－	(6,756)	－
Non-operating expenses										
Interest expenses	9,114	－	－	－	－	－	(9,114)	－	(9,114)	－
Miscellaneous expenditure	2,655	－	－	(137)	(2,367)	－	(151)	－	(2,655)	－
Ordinary income	593,103	(3,351,924)	1,817,882	949,157	(4,389)	(4,334)	506	－	(593,103)	－
Extraordinary income										
Gain on sales of fixed assets	145	－	－	－	(145)	－	－	－	(145)	－
Gain on sale of investment securities	4,919	－	－	－	－	－	(4,919)	－	(4,919)	－
Gain on sale of stocks of related companies	1,157	－	－	－	－	－	－	(1,157)	(1,157)	－
Gains on change in equity	3,596	－	－	－	－	－	－	(3,596)	(3,596)	－
Extraordinary loss										
Loss on sales of fixed assets	311	－	－	－	(311)	－	－	－	(311)	－
Impairment loss	5,844	－	(5,844)	－	－	－	－	－	(5,844)	－
Loss on retirement of fixed assets	2,853	－	(2,853)	－	－	－	－	－	(2,853)	－
Income before income taxes and minority interests	593,911	(3,351,924)	1,826,580	949,157	(4,223)	(4,334)	(4,413)	(4,753)	(593,911)	－
Line items under IFRS										
Operating revenue	－	3,351,924	－	－	－	－	－	－	3,351,924	3,351,924
Cost of sales	－	－	1,826,580	－	－	－	－	－	1,826,580	1,826,580
Gross profit	－	3,351,924	(1,826,580)	－	－	－	－	－	1,525,344	1,525,344
Selling, general and administrative expenses	－	－	－	949,157	－	－	－	－	949,157	949,157
Other income	－	－	－	－	6,901	－	－	－	6,901	6,901
Other expense	－	－	－	－	2,678	－	－	－	2,678	2,678
Share of profit(loss) of investments accounted for using the equity method	－	－	－	－	－	4,334	－	－	4,334	4,334
Operating income	－	3,351,924	(1,826,580)	(949,157)	4,223	4,334	－	－	584,745	584,745
Finance income	－	－	－	－	－	－	13,678	－	13,678	13,678
Finance cost	－	－	－	－	－	－	9,265	－	9,265	9,265
Other non-operating profit and loss	－	－	－	－	－	－	－	4,753	4,753	4,753
Profit before income tax	－	3,351,924	(1,826,580)	(949,157)	4,223	4,334	4,413	4,753	593,911	593,911

e. Reclassification for consolidated statement of income for the three-month period ended December 31, 2014

(Unit: Millions of yen)

	Japanese GAAP	Reclassification								After reclassificaton
		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	sub-total	
Japanese GAAP line items										
Operating revenues from telecommunications business	679,460	(679,460)	−	−	−	−	−	−	(679,460)	−
Operating revenues from incidental business	540,529	(540,529)	−	−	−	−	−	−	(540,529)	−
Operating expenses in telecommunications business										
Business costs	172,192	−	(30,284)	(141,908)	−	−	−	−	(172,192)	−
Operational costs	10	−	(10)	−	−	−	−	−	(10)	−
Maintenance costs	65,823	−	(65,823)	−	−	−	−	−	(65,823)	−
Common costs	531	−	−	(531)	−	−	−	−	(531)	−
Management costs	19,481	−	(16)	(19,464)	−	−	−	−	(19,481)	−
Experiment and research expenses	1,405	−	−	(1,405)	−	−	−	−	(1,405)	−
Depreciation	98,320	−	(98,132)	(188)	−	−	−	−	(98,320)	−
Retirement of fixed assets	2,656	−	(2,656)	−	−	−	−	−	(2,656)	−
Communication equipment rentals	101,248	−	(101,248)	−	−	−	−	−	(101,248)	−
Taxes	9,661	−	(7,996)	(1,665)	−	−	−	−	(9,661)	−
Operating expenses in incidental business	548,394	−	(381,367)	(167,027)	−	−	−	−	(548,394)	−
Operating income	200,268	(1,219,989)	687,533	332,189	−	−	−	−	(200,268)	−
Non-operating revenue										
Interest income	217	−	−	−	−	−	(217)	−	(217)	−
Dividends income	655	−	−	−	−	−	(665)	−	(655)	−
Share of profit(loss) of investments accounted for using the equity method	1,967	−	−	−	−	(1,967)	−	−	(1,967)	−
Gain on foreign currency exchange	4,127	−	−	−	−	−	(4,127)	−	(4,127)	−
Miscellaneous income	2,267	−	−	−	(2,267)	−	−	−	(2,267)	−
Non-operating expenses										
Interest expenses	2,975	−	−	−	−	−	(2,975)	−	(2,975)	−
Miscellaneous expenditure	691	−	−	(92)	(584)	−	(15)	−	(691)	−
Ordinary income	205,834	(1,219,989)	687,533	332,281	(1,683)	(1,967)	(2,008)	−	(205,834)	−
Extraordinary income										
Gain on sales of fixed assets	145	−	−	−	(145)	−	−	−	(145)	−
Gain on sale of stocks of related companies	(81)	−	−	−	−	−	−	81	81	−
Gains on change in equity	(37)	−	−	−	−	−	−	37	37	−
Extraordinary loss										
Loss on sales of fixed assets	116	−	−	−	(116)	−	−	−	(116)	−
Impairment loss	61	−	(61)	−	−	−	−	−	(61)	−
Loss on retirement of fixed assets	2,853	−	(2,853)	−	−	−	−	−	(2,853)	−
Income before income taxes and minority interests	202,832	(1,219,989)	690,447	332,281	(1,713)	(1,967)	(2,008)	118	(202,832)	−
Line items under IFRS										
Operating revenue	−	1,219,989	−	−	−	−	−	−	1,219,989	1,219,989
Cost of sales	−	−	690,447	−	−	−	−	−	690,447	690,447
Gross profit	−	1,212,989	(690,447)	−	−	−	−	−	529,542	529,542
Selling, general and administrative expenses	−	−	−	332,281	−	−	−	−	332,281	332,281
Other income	−	−	−	−	2,413	−	−	−	2,413	2,413
Other expense	−	−	−	−	700	−	−	−	700	700
Share of profit(loss) of investments accounted for using the equity method	−	−	−	−	−	1,967	−	−	1,967	1,967
Operating income	−	1,219,989	(690,447)	(332,281)	1,713	1,967	−	−	200,941	200,941
Finance income	−	−	−	−	−	−	4,999	−	4,999	4,999
Finance cost	−	−	−	−	−	−	2,991	−	2,991	2,991
Other non-operating profit and loss	−	−	−	−	−	−	−	(118)	(118)	(118)
Profit before income tax	−	1,219,989	(690,447)	(332,281)	1,713	1,967	2,008	(118)	202,832	202,832

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

(Unit: Millions of yen)

	Japanese GAAP	Reclassification								After reclassificaton
		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	sub-total	
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 as the Group has the power over the UQ's board of directors on the ground that the Group was the largest shareholder of UQ, and 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 December 31, 2014	As of March 31, 2015
Retained earnings under Japanese GAAP	2,283,459	2,509,184	2,586,144
Differences in the scope of consolidation	1,250	(1,403)	(2,420)
Unification of reporting period	4,866	7,367	−
Differences in recognition and measurement			
A. Goodwill	−	18,854	26,883
B. Property, plant and equipment and intangible assets	234,569	217,144	207,822
C. Cumulative exchange differences at the date of transition to IFRSs	12,784	12,784	12,784
D. Revenue recognition	(96,923)	(103,682)	(101,413)
E. Financial instruments	(90,334)	(93,759)	(92,029)
F. Employee benefits	(3,895)	(2,124)	11,034
G. Investments in related companies	62	760	1,088
H. Business combination	1,520	(6,548)	(7,184)
I. Levies	(21,559)	(5,359)	(23,020)
J. Tax	1,801	1,669	1,006
Other	(480)	2,751	1,246
Tax effects on adjustment in difference in recognition and measurement / Increase and decrease of non-controlling interests	47,261	55,046	64,883
Total differences in recognition and measurement	84,805	97,536	103,101
Retained earnings under IFRSs	2,374,381	2,612,684	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 nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Income before income taxes minority interests under Japanese GAAP	593,911	202,832	719,944
Differences in the scope of consolidation	134	743	(1,728)
Unification of reporting period	2,082	3,030	(4,273)
Differences in recognition and measurement			
A. Goodwill	20,242	6,934	28,158
B. Property, plant and equipment and intangible assets	(17,414)	(1,431)	(26,586)
C. Cumulative exchange differences at the date of transition to IFRSs	—	—	—
D. Revenue recognition	(6,759)	6,186	(4,490)
E. Financial instruments	(6,328)	(515)	(53,009)
F. Employee benefits	1,688	336	2,084
G. Investments in related companies	699	253	1,027
H. Business combination	(1,634)	(690)	(1,867)
I. Levies	16,199	5,405	(1,461)
J. Tax	3,815	1,222	5,193
Other	1,181	740	(126)
Total differences in recognition and measurement	11,690	18,439	(51,077)
Profit for the period (year) before income tax under IFRSs	607,816	225,044	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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of the date of transition of IFRSs (April 1, 2014)	As of December 31, 2014	As of March 31, 2015
Increase of goodwill	−	18,854	26,883
Increase of retained earnings	−	18,854	26,883

(Unit: Millions of yen)

(Consolidated statement of income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	20,242	6,934	28,158
Increase of profit for the period (year) before income tax	20,242	6,934	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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of December 31, 2014	As of March 31, 2015
Increase of property, plant and equipment	243,971	231,269	221,627
Decrease of intangible assets	(9,402)	(14,125)	(13,805)
Increase of retained earnings	234,569	217,144	207,822

(Unit: Millions of yen)

(Consolidated statement of income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Increase of cost of sales	(17,124)	(1,318)	(25,616)
Decrease of selling, general and administrative expenses	1,646	407	2,075
Increase (decrease) of other income	(1)	32	(3)
Increase of other expense	(1,935)	(553)	(3,042)
Decrease of profit for the period (year) before income tax	(17,414)	(1,431)	(26,586)

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 December 31, 2014	As of March 31, 2015
Increase of intangible assets	15,885	14,473	14,002
Increase of other non-current assets	47,193	59,290	63,359
Decrease of inventories	(2,489)	(5,026)	(4,392)
Decrease of trade and other receivables	(2)	−	−
Increase of other current assets	23,333	25,387	23,316
Increase of other non-current liabilities	(105,013)	(114,850)	(118,167)
Increase of trade and other payables	(13,223)	(21,293)	(20,305)
Increase of other current liabilities	(62,609)	(61,663)	(59,226)
Decrease of retained earnings	(96,923)	(103,682)	(101,413)

(Unit: Millions of yen)

(Consolidated statement of income)	For the nine-month period ended December 31,2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Decrease of operating revenue	(161,432)	(63,852)	(230,663)
Decrease (increase) of cost of sales	(2,538)	4,731	(1,903)
Decrease of selling, general and administrative expenses	157,211	65,306	228,076
Increase (decrease) of profit for the period (year)before income tax	(6,759)	6,186	(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 recognized not in the consolidated statement of income, but in other comprehensive 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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of December 31, 2014	As of March 31, 2015
Increase of other long-term financial assets	4,050	3,876	3,887
Increase of other non-current assets	1,632	1,458	1,425
Decrease of borrowings and bonds payable (non-current)	1,642	1,574	1,617
Increase of other long-term financial liabilities	(96,532)	(97,914)	(98,366)
Decrease of borrowings and bonds payable (current)	215	157	150
Decrease of capital surplus (before tax)	641	641	641
Increase of accumulated other comprehensive income (before tax)	(1,982)	(3,553)	(1,384)
Decrease of retained earnings	(90,334)	(93,759)	(92,029)

(Unit: Millions of yen)

(Consolidated statement of income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 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	(4,938)	(1)	(51,608)
Increase of finance cost	(1,393)	(515)	(1,237)
Decrease of profit for the period (year) before income tax	(6,328)	(515)	(53,009)

(Unit: Millions of yen)

(Consolidated statement of comprehensive income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Changes measured in fair value of financial assets through other comprehensive income	2,805	836	32,706
Increase of other comprehensive income	2,805	836	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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of December 31, 2014	As of March 31, 2015
Decrease of investments accounted for using the equity method	(112)	(110)	(119)
Decrease of retirement benefit assets	−	(884)	−
Increase of other current liabilities	(13,452)	(13,231)	(13,322)
Decrease of accumulated other comprehensive income (before tax)	9,669	12,101	24,475
Increase (decrease) of retained earnings	(3,895)	(2,124)	11,034

(Unit: Millions of yen)

(Consolidated statement of income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Decrease of cost of sales	316	103	418
Decrease of selling, general and administrative expenses	1,373	233	1,666
Increase of profit for the period (year) before income tax	1,688	336	2,084

(Unit: Millions of yen)

(Consolidated statement of comprehensive income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Remeasurement of defined benefit plans	(1,588)	(563)	(1,731)
Decrease of other comprehensive income	(1,588)	(563)	(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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of December 31, 2014	As of March 31, 2015
Increase of investments accounted for using the equity method	6	705	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	760	1,088

(Unit: Millions of yen)

(Consolidated statement of income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Increase of share of profit of investments accounted for using the equity method	699	253	1,027
Increase of profit for the period (year) before income tax	699	253	1,027

(Unit: Millions of yen)

(Consolidated statement of comprehensive income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Share of other comprehensive income of investments accounted for using the equity method	(616)	(93)	(1,262)
Decrease of other comprehensive income	(616)	(93)	(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:

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of December 31, 2014	As of March 31, 2015
Decrease of goodwill	(5,645)	(5,720)	(5,772)
Increase of intangible assets	6,970	5,648	5,208
Increase (decrease) of investments accounted for using the equity method	148	(22,841)	(22,858)
Decrease of capital surplus	48	16,365	16,239
Increase (decrease) of retained earnings	1,520	(6,548)	(7,184)

(Unit: Millions of yen)

(Consolidated statement of income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Increase of selling, general and administrative expenses	(1,474)	(485)	(1,568)
Decrease of other income	(205)	(205)	(344)
Decrease (increase) of other expense	44	(1)	45
Decrease of profit for the period (year) before income tax	(1,634)	(690)	(1,867)

I. Levies

Items qualified as Levies such as property tax were recognized at the time of payment under Japanese GAAP. Under IFRSs, they are recognized on the date when an obligation event occurs.

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of December 31, 2014	As of March 31, 2015
Decrease of other current assets	−	(4,725)	−
Increase of trade and other payables	(21,559)	(634)	(23,020)
Decrease of retained earnings	(21,559)	(5,359)	(23,020)

(Unit: Millions of yen)

(Consolidated statement of income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Decrease (increase) of cost of sales	14,967	4,995	(526)
Decrease (increase) of selling, general and administrative expenses	1,232	410	(935)
Increase (decrease) of profit for the period (year) before income tax	16,199	5,405	(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.

(Unit: Millions of yen)

(Consolidated statement of financial position)	As of date of transition to IFRSs (April 1, 2014)	As of December 31, 2014	As of March 31, 2015
Increase of deferred tax assets	1,692	1,945	1,489
Decrease(increase) of deferred tax liabilities	108	(275)	(483)
Increase of retained earnings	1,801	1,669	1,006

(Unit: Millions of yen)

(Consolidated statement of income)	For the nine-month period ended December 31, 2014	For the three-month period ended December 31, 2014	For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	3,815	1,222	5,193
Increase of profit for the period (year) before income tax	3,815	1,222	5,193

(12) Notes to cash flow adjustments

For the nine-month period ended December 31, 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	681,659	(581,295)	(113,431)
Differences in the scope of consolidation	8,099	16,086	(60,450)
Unification of reporting period	201	(293)	36
Differences in recognition and measurement	(1,823)	22,255	(23,240)
IFRSs	688,137	(543,247)	(197,084)

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 reclassifications within cash flow statements 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”.