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 Year ended March 31, 2016 [IFRS]

May 12, 2016

Company name	**KDDI CORPORATION**		
Stock exchange listing	Tokyo First Section	Securities code	9433
Representative	Takashi Tanaka, President	URL	http://www.kddi.com

Date of general shareholders' meeting (as planned) June 22, 2016
Dividend payable date (as planned) June 23, 2016
Annual securities report filing date (as planned) June 23, 2016
Supplemental material of annual results: Yes
Convening briefing of annual 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 Year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Consolidated Operating Results

(Percentage represents comparison change to the corresponding previous fiscal year)

	Operating Revenues		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	
		%		%		%		%		%		%
Year ended March 31, 2016	4,466,135	4.6	833,358	25.2	819,185	23.6	565,536	34.8	494,465	24.9	525,641	17.9
Year ended March 31, 2015	4,270,094	-	665,719	-	662,867	-	419,524	-	395,805	-	445,804	-

	Basic earnings per share	Diluted earnings per share	Ratio of net income to equity, attributable to owners of the parent	Ratio of income before income tax to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	197.56	197.54	15.5	14.3	18.7
Year ended March 31, 2015	158.01	158.01	13.5	12.1	15.6

Reference: Equity in net income (losses) of affiliates
Year ended March 31, 2016 : 5,170 million yen Year ended March 31, 2015 : 4,923 million yen

(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	Equity per share attributable to owners of the parent
	Yen	Yen	Yen	%	Yen
As of March 31, 2016	5,807,249	3,509,458	3,308,228	57.0	1,328.89
As of March 31, 2015	5,626,725	3,223,012	3,064,038	54.5	1,223.20

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents
Year ended March 31, 2016	884,538	(667,917)	(299,003)	192,087
Year ended March 31, 2015	968,752	(635,745)	(310,528)	276,317

2. Dividends

	Dividends per Share					Total Dividends for the Year	Payout Ratio	Ratio of dividend to equity attributable to owners of the parent
	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	141,946	35.9	4.9
Year ended March 31, 2016	-	35.00	-	35.00	70.00	174,843	35.4	5.5
Year ending March 31, 2017 (forecast)	-	40.00	-	40.00	80.00		36.9	

3. Consolidated Financial Results Forecast for the Year ending March 31, 2017 (April 1, 2016 - March 31, 2017)

(Percentage represents comparison to previous fiscal year)

	Operating Revenues		Operating Income		Profit for the Period attributable to owners of the parent		Basic earnings per share
		%		%		%	Yen
Entire Fiscal Year	4,700,000	5.2	885,000	6.2	540,000	9.2	216.91

Note: Forecast of consolidated business results for the six months ending September 30, 2016 is not prepared.

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation): None

(2) Changes in accounting policies, accounting 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 March 31, 2016	2,690,890,800
	As of March 31, 2015	2,690,890,800
2) Number of treasury stock	As of March 31, 2016	201,421,255
	As of March 31, 2015	185,954,982
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the year ended March 31, 2016	2,502,821,384
	For the year ended March 31, 2015	2,504,935,944

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 treasury stock as of March 31, 2016.

Reference :

Non-consolidated Financial Results for the Year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Non-consolidated Results of Operation

(Percentage represents comparison change to the corresponding previous fiscal year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
Year ended March 31, 2016	3,827,164	2.6	613,950	(0.1)	649,714	2.3	445,681	10.5
Year ended March 31, 2015	3,728,416	4.0	614,811	13.4	635,405	10.8	403,263	13.3

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ended March 31, 2016	178.07	-
Year ended March 31, 2015	160.99	-

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
			%	Yen
As of March 31, 2016	4,379,181	3,182,649	72.7	1,278.44
As of March 31, 2015	4,317,272	2,954,269	68.4	1,179.38

Reference: Shareholder's Equity

As of March 31, 2016: 3,182,648 million yen As of March 31, 2015: 2,954,269 million yen

Note: Non-consolidated financial results presented above are prepared under Japanese Generally Accepted Accounting Principles ("JGAAP").

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit 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 ended March 31, 2016. For the information about the differences in financial figures between IFRSs and Japanese GAAP, please refer to "5. Consolidated Financial Statements,(7) Notes to Consolidated Financial Statements, 8. First-time adoption of IFRSs" on page 68.

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 page 16 "Outlook for the Year ending March 31, 2017" under【Attachments】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, net income per share, diluted net income per share, net assets per share and numbers of outstanding shares have been calculated as if the stock split was conducted at the beginning of the previous (consolidated) fiscal year.

4. On Thursday May 12, 2016, the Company will hold a financial result 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.

In addition to the above, the Company holds the briefing and the presentations on our business for the individual investors. For the schedule and details, please check our website.

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

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 "5. Consolidated Financial Statements, (7) Notes to Consolidated Financial Statements, 8. First-time adoption" on page 68.

(1) Analysis on Consolidated Operating Results

1) Results Overview

Overview of Economic Conditions

Looking at the global economy, conditions in the United States remain in a recovery phase, mainly in terms of internal demand, as the employment situation continues to improve. Europe is also experiencing a gradual recovery, owing to firm personal consumption. Conversely, in China and other developing economies in Asia, and in resource countries and so forth, there is a risk of subdued business confidence. We will need to continue monitoring global economic trends, including increasing uncertainty in the global economy and fluctuations in financial and capital markets.

The Japanese economy continues to recover modestly, driven by firm capital investment and employment, although some companies are growing cautious because of concerns of a downturn in performance due to a stall in personal consumption and the yen's continued appreciation.

Industry Trends and KDDI's Position

We would like to offer our sincere condolences to all who were affected by the recent earthquake centered in the Kumamoto and Oita prefecture and their families.

We will continue making every effort to support the recovery of the affected area.

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, the business environment for the overall telecommunications market is entering a new phase, with the Ministry of Internal Affairs and Communications making new demands of mobile phone operators and formulating guidelines (applied from April 1, 2016) based on its "policy for reducing smartphone rates and normalizing handset sales."

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, customer 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 expanded the "au economic zone" by expanding the physical product sales business and strengthening the financial and settlement business, and in April 2016, we entered the electric power retailing business. Membership increased steadily for "au WALLET card," operated by the Company's consolidated subsidiary WebMoney Corporation, and "au WALLET credit card," operated by the Company's consolidated subsidiary KDDI Financial Service Corporation, with the number of valid cards issued[*1] reaching approximately 1.8 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 worked 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.

In other areas, on March 16, 2016, KDDI was selected as a “Nadeshiko Issue”*2 for the fourth consecutive year as a company that promotes active roles for women. Furthermore, on the same day the Company was also selected for the “Diversity Management Selection 100,”*3 winning double awards for the first time in its history. Furthermore, on April 5, 2016, the Company was selected as the leading company or “best advertiser” in the “Corporate Commercial Popularity Ranking” of the CM Research Center for the second consecutive year covering fiscal 2014 and fiscal 2015.

*1 Number of issued cards – number of cancelled cards

*2 A joint effort by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select companies that are attractive because of their proactive efforts to promote active roles for women.

*3 An initiative in which the Ministry of Economy, Trade and Industry awards companies that have increased their corporate value through diversity-oriented management.

Financial Results

For the year ended March 31, 2016 (Amount unit: Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating revenue	4,270,094	4,466,135	196,041	4.6
Cost of sales	2,511,226	2,540,338	29,112	1.2
Gross profit	1,758,868	1,925,797	166,929	9.5
Selling, general and administrative expenses	1,106,444	1,106,798	354	0.0
Other income and expense (Net)	8,372	9,188	816	9.8
Share of profit of investments accounted for using the equity method	4,923	5,170	247	5.0
Operating income	665,719	833,358	167,639	25.2
Finance income and cost (Net)	(7,385)	(17,789)	(10,404)	―
Other non-operating profit and loss (Net)	4,533	3,616	(917)	(20.2)
Profit for the year before income tax	662,867	819,185	156,318	23.6
Income tax	243,343	253,649	10,306	4.2
Profit for the year	419,524	565,536	146,012	34.8
Attributable to owners of the parent	395,805	494,465	98,660	24.9
Attributable to non-controlling interests	23,719	71,071	47,352	199.6

During the year ended March 31, 2016, operating revenue rose 4.6%, to ¥4,466,135 million, as promotion of the “3M Strategy” boosted mobile communications revenue and revenue from handset sales.
Operating income increased 25.2%, to ¥833,358 million, due to an increase in operating revenue, although handset procurement costs and sales commissions rose.
Profit for the year attributable to owners of the parent rose 24.9%, to ¥494,465 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 ended March 31, 2016			
		As of 1Q	As of 2Q	As of 3Q	As of 4Q	As of 1Q	As of 2Q	As of 3Q	As of 4Q
au subscriptions	(Thousand)	41,016	41,596	42,378	43,478	44,074	44,640	45,241	45,910
(Ref.) UQ WiMAX	(Thousand)	4,153	5,124	7,153	9,543	11,241	13,159	15,689	18,048
FTTH subscriptions	(Thousand)	3,240	3,344	3,412	3,485	3,559	3,625	3,695	3,750
CATV subscriptions *	(Thousand)	4,838	4,851	4,872	4,883	4,938	4,979	5,025	5,052

* 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 March 31, 2016, 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. The KDDI Group organically links Wi-Fi into its multiple networks to efficiently create a high quality social infrastructure and provide a seamless communication environment.

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 strived 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 year ended March 31, 2016 is described below.

Results

For the year ended March 31, 2016 (Amount unit: Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	3,330,583	3,503,255	172,671	5.2
Operating Income	546,739	656,584	109,845	20.1

During the year ended March 31, 2016, operating revenue rose 5.2%, to ¥3,503,255 million, as promotion of the “3M Strategy” boosted mobile communications revenue and revenue from handset sales.

Operating income grew 20.1% year on year, to ¥656,584 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 year ended March 31, 2016, au net additions* totaled 1,754,000.
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 March 31, 2016, the number of au subscriptions totaled 11.55 million, and households using this service came to 5.72 million. Also, we are steadily increasing the number of allied companies for “au Smart Value.” As of March 31, 2016, this number was 7 companies for FTTH (including the Company) and 143 CATV companies, 238 channels (including 25 companies, 25 channels allied with STNet, Incorporated).

au ARPA

au ARPA for the year ended March 31, 2016 was up ¥160 year on year, to ¥5,690. Also, as a result of promoting the multi-device shift, the number of devices per user increased by 0.04, to 1.41 devices.

au Handset Sales

During the year ended March 31, 2016, au handset sales were 9.38 million.

[Fixed Line]

FTTH Subscriptions

As of March 31, 2016, the number of FTTH subscriptions increased by 264,000 from March 31, 2015, to 3.699 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 fiscal year ended March 2016, we provided products targeting various generations and needs. Offerings included “TORQUE,” the world’s first*1 seawater resistant smartphone, “DIGNO rafre,” the world’s first*2 smartphone that can be washed with hand soap, “AQUOS K,” an au mobile phone compatible with VoLTE, and “mamorino Watch,” Japan’s first*4 children’s watch capable of voice calls to support safety for children and peace of mind for parents and guardians. Other initiatives included starting to provide au’s original “Qua” brand series smartphone, “Qua phone,” and tablet, “Qua tab,” along with “au share link,” an application that enables tablets to receive notification of receipt of an e-mail or SMS message on a smartphone, making it more convenient to use the smartphone and tablet as a set.

*1 For smartphones released as of March 31, 2015. According to research by NEO MARKETING INC.

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

*3 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.)

*4 As a wristwatch-type communication device for children capable of voice calls. As of March 16, 2016. According to research by ZTE Corporation.

Expanding the au Economic Zone

・On August 25, 2015, we launched the “au WALLET Market,” a new shopping service that uses au shops to provide customers with attractive products that make their lives more convenient and fulfilling. In this service, au shop staff introduce customers who visit shops to products and subscription products that match their tastes, such as foods and lifestyle goods, according to their life stage. Staff help customers purchase these products, so that even customers who have no experience with Internet shopping can use the service with peace of mind. Then, on December 7, 2015, we expanded the “au WALLET Market to approximately 2,500 shops throughout Japan. In tandem with this, we enhanced the product lineup to simplify purchasing of familiar products in addition to products carefully selected by au.

Augmenting Services

・On June 11, 2015 we began offering “data sharing”, which allows the sharing of data capacity among devices registered to the same person, such as 4G LTE smartphones / mobile phones and 4G LTE tablets / PCs. Then, on September 18, 2015, we added “Unlimited Calling Plan S,” allowing unlimited free domestic calling for calls of five minutes or less for ¥1,700 a month to the “Unlimited Voice & Data Freedom” flat-rate domestic calling plan. By the addition of this plan, “Unlimited Voice & Data Freedom” allows users to choose from two fixed-rate domestic calling plans and combine them with a variety of flat-rate data services according to their needs.

・In September 2015, we began offering a “Data Carryover” service that allows customers to carry over unused data amounts to the next month. We also introduced the “Long-Term Hospitality Data Gift” for users who have been au customers for five years or more. Depending on their contract period, rate plan, and flat-rate data service, once every three months customers receive between 0.5GB and 2GB of data.

・On October 1, 2015, UQ Communications Inc., which develops high-speed mobile data communication services under the “UQ WiMAX” brand, merged with KDDI VALUE ENABLER CORPORATION, which developed “UQ mobile” brand MVNO services compatible with au’s high-quality LTE communications, with UQ Communications Inc. as the surviving company.

On February 19, 2016, we launched the “Pittari Plan” for UQ mobile, offering a monthly charge of ¥2,980 including communication fees, usage fee for secure and convenient apps, and handset fee, and so forth.

<Reference>

Business data - Personal -

[**Mobile**]

Cumulative subscriptions		Unit	Year ended March 31, 2015					Year ended 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	As of 4 Q	Fiscal year
au subscriptions		(Thousand)	34,498	34,955	35,590	36,482	-	37,001	37,435	37,844	38,236	-
Mobile devices per person		(Units)	1.34	1.35	1.36	1.37	-	1.38	1.39	1.40	1.41	-
au smart value	au subscriptions	(Thousand)	7,590	8,160	8,530	9,330	-	9,840	10,370	10,920	11,550	-
	Households *1	(Thousand)	3,840	4,130	4,270	4,590	-	4,840	5,140	5,450	5,720	-

Indicators	Unit	Year ended March 31, 2015					Year ended March 31, 2016				
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2 Q	3 Q	4 Q	Fiscal year
au ARPA*2	(Yen)	5,470	5,570	5,560	5,510	5,530	5,600	5,700	5,720	5,730	5,690
au Churn rate	(%)	0.54	0.63	0.66	0.94	0.69	0.72	0.83	0.91	1.07	0.88
au handset sales*3	(Thousand)	1,830	2,430	2,720	2,870	9,850	2,050	2,300	2,600	2,430	9,380
of smartphone	(Thousand)	1,380	1,930	2,300	2,360	7,970	1,600	1,810	2,200	2,010	7,620
au handset shipments*4	(Thousand)	1,660	2,250	3,020	2,750	9,670	1,940	2,250	2,640	2,270	9,100

[Fixed Line]

Cumulative subscriptions	Unit	Year ended March 31, 2015					Year ended 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	As of 4 Q	Fiscal year
FTTH subscriptions*5	(Thousand)	3,221	3,296	3,362	3,435	-	3,508	3,573	3,643	3,699	-
CATV subscriptions*6	(Thousand)	4,838	4,851	4,872	4,883	-	4,938	4,979	5,025	5,052	-

*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 year ended March 31, 2016 is described below.

Results

For the year ended March 31, 2016 (Amount unit: Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	237,689	271,763	34,074	14.3
Operating Income	52,681	73,803	21,122	40.1

During the year ended March 31, 2016, operating revenue rose 14.3%, to ¥271,763 million, as the increasing smartphone penetration rate pushed up “au Smart Pass” revenues and due to increased revenue from KDDI Financial Service Corporation (hereafter, “KFS”) and the impact of the conversion of Jupiter Shop Channel Co., Ltd. into a new consolidated subsidiary.

Thanks to the operating revenue increase, operating income grew 40.1% year on year, to ¥73,803 million, even though expenses increased in tandem with the rise in KFS revenues and the conversion of Jupiter Shop Channel Co., Ltd. into a new consolidated subsidiary.

Overview of Operations

<Progress on Key Initiatives>

Value ARPA

During the year ended March 31, 2016, value ARPA was up ¥20 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 March 31, 2016, “au Smart Pass” members numbered 14.47 million, an increase of 1,580,000 from March 31, 2015.

・With “au Smart Pass,” from March 2015 we started holding “au Smart Pass days” twice each month on the 2nd and 22nd, when we offer more special offers than usual. For “Video Pass,” we entered a business tie-up with TV Asahi Corporation in August 2015 and have strengthened the distribution content. For “Uta Pass,” in September 2015 we introduced “Listen with,” a function that allows customers to listen to music simultaneously with well-known artists. We have also started providing “Video Coins” and “Uta Coins” that can be used to pay for video rental or purchase music, as a measure to give something back to “Video Pass” and “Uta Pass” members.

Expanding the au Economic Zone

・In the commerce business, we made LUXA, Inc. a consolidated subsidiary in May 2015 and launched a new network service called “au WALLET Market Powered by LUXA.”

・In the finance business, KDDI entered into a capital and business tie-up with LIFENET INSURANCE COMPANY in May 2015. With this alliance we entered the Internet life insurance field, adding to our existing initiatives in Internet banking (Jibun Bank) and Internet general insurance (au Insurance).

Cultivating New Services

・On March 14, 2016, KDDI consolidated subsidiary Jupiter Telecommunications Co., Ltd., (hereinafter, “J:COM”) acquired a 50% stake in Jupiter Shop Channel Co., Ltd. (hereinafter, “Shop Channel”), Japan’s leading television shopping channel. At the same time, KDDI completed the acquisition of a 5% stake in JSC held by Sumitomo Corporation (hereinafter, “Sumitomo”). Going forward, we plan to work with Sumitomo and J:COM to raise the corporate value of JSC further while increasing customer satisfaction.

・On September 30, 2015, Syn. Holdings Co., Ltd. (hereafter, “Syn.HD”) acquired the shares of AppVador Inc., which operates a video advertising service for smartphone apps, and Socket Inc., which provides sales promotion solutions for smartphones, converting these two companies to consolidated subsidiaries. Furthermore, to facilitate efficient DMP and advertising business operations three companies in the Syn.HD Group, ScaleOut Inc., nanapi Inc., and Bitcellar, Inc., merged with an effective date of November 1, 2015, forming Supership Co., Ltd. On January 14, 2016, KDDI concluded a service provision agreement with Gunosy Inc. in the smartphone media business.

・“KDDI ∞ Labo” provides support for regional innovation to companies recommended by regional start up organizations with which KDDI has an alliance, aiming to expand its initiatives with startup companies. The first phase of this initiative was “KDDI ∞ Labo x OIH Osaka Pitch,” held on May 31, 2015. Furthermore, together with Ossia, Inc. with which KDDI concluded a capital alliance in January 2015, we have been working on joint development of a wireless charging system. The results were exhibited as a reference exhibit at the consumer electronics show CES 2016 in January 2016.

*Invested through the corporate venture fund “KDDI Open Innovation Fund” managed by Global Brain Corporation

<Reference>
Business data - Value -

Cumulative subscriptions	Unit	Year ended March 31, 2015					Year ended 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	As of 4 Q	Fiscal year
au Smart Pass subscriptions	(Thousand)	10,700	11,400	12,050	12,890	-	13,190	13,610	14,020	14,470	-

Indicators	Unit	Year ended March 31, 2015					Year ended March 31, 2016				
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2 Q	3Q	4 Q	Fiscal year
Value ARPA*	(Yen)	400	410	430	460	420	430	430	440	480	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 year ended March 31, 2016 is described below.

Results

For the year ended March 31, 2016 (Amount unit: Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	659,240	632,032	(27,207)	(4.1)
Operating Income	75,855	61,436	(14,418)	(19.0)

During the year ended March 31, 2016, operating revenue declined 4.1%, to ¥632,032 million, due to lower mobile and fixed line communications revenues, although solution sales such as IT outsourcing rose.

Operating income dropped 19.0% year on year, to ¥61,436 million, despite lower sales commissions and communications facility fees, due to the drop in operating revenue.

Overview of Operations

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

Addition of Cloud Service Functions

・ As part of its proactive ongoing efforts to enhance “KDDI Cloud Platform Services” as a cloud platform for corporate customers, KDDI began providing “object” storage on September 7, 2015. This offers the flexibility to allow limitless storage of data, which has been growing explosively, and 99.999999999999 (14-nine)% robustness*. The service also enables safet data transfers, as it operates in a closed environment provided through connection with a company’s intranet lines. Compared with self-management and operation of data, using the service helps customers reduce costs.

* A figure that indicates that strored data will not be lost or destroyed. The difference between this figure and 100% represents that probability of data loss within one year.

Providing Solutions

・Since November 4, 2015, KDDI and Odakyu Agency Inc. have been working on 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 earthquakes and so forth.

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 year ended March 31, 2016 is described below.

Results

For the year ended March 31, 2016 (Amount unit: Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	278,984	294,409	15,425	5.5
Operating Income (Loss)	(15,254)	32,145	47,399	-

During the year ended March 31, 2016, operating revenue grew 5.5% year on year to ¥294,409 million due to the increased revenues from the telecommunications business in Myanmar, and from the data center business.

Operating income improved by ¥47,399 million year on year to ¥32,145 million, mainly reflecting the absence of a loss on business of overseas subsidiaries(DMX Technologies Group Limited) of ¥33,799 million recorded in the previous fiscal year and a boost from higher operating revenue.

Overview of Operations

Promoting Telecommunications Business in Myanmar

・During the fiscal year ended March 31, 2016, we worked to enhance network quality by increasing the number of mobile phone base stations, reinforcing the operating structure, and expanding the service area in line with customer traffic, and other means. We also strengthened points of contact with customers, including by expanding our brand shops, including regional bases, systemizing our call center, and developing a content portal website.

In addition, we revised usage fees and rolled out various user campaigns, among other efforts, to provide competitive services that meet customer needs.

As a result, the number of mobile phone subscribers has increased by more than 3 times in the period since we signed the joint business agreement in July 2014, to approximately 19 million, outpacing planned levels.

In fixed-line services, in October 2015 we introduced the first IP-VPN services in Myanmar, and continued to differentiate our offerings by augmenting services for corporate customers.

Going forward, KDDI plans to expand both its mobile and fixed-line services, and to expand its service fields even further. We will also take steps to provide more detailed customer support, aiming to please our customers in Myanmar by working to expand the telecommunications infrastructure as their No. 1 telecommunications carrier.

Strengthening the Telecommunications Business in Mongolia

・KDDI's equity method affiliate MobiCom Corporation LLC (hereinafter, "MobiCom") was made a consolidated subsidiary on March 10, 2016. MobiCom is a comprehensive communication service provider with the top share of mobile phone subscribers in Mongolia.

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 Cambodia.
In Cambodia, the Government is actively taking measures to attract foreign companies. These moves should make the region a new base of production with the entry of many companies, thereby increasing the need for IT infrastructure and other services.

KDDI aims 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.

3) Status of Major Affiliates, etc.

< Jibun Bank Corporation >

On September 5, 2015, Jibun Bank Corporation, which is accounted for using the equity method, surpassed ¥100 billion in its balance of Jibun Bank card loans (the total for "Jibun Loan" and "Cash One"), with the number of the bank's accounts reaching 2 million on September 12 2015. Furthermore, as part of a vigorous business expansion, on December 1, 2015, Jibun Bank became the first Japanese bank[*1] to provide home loans that can be concluded over the Internet using a smartphone or PC to complete all steps from application to contract.
From March 14, 2016, KDDI launched "Jibun Bank toto", enabling consumers to purchase tickets for the sports lotteries "BIG" and "toto" operated by JAPAN SPORT COUNCIL. In conjunction with this, we launched "Term Deposit with BIG," Japan's first[*2] term deposit offering a "BIG" ticket in addition to the payment of interest at the completion of the deposit term.
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 As of March 14, 2016. Jibun Bank research.

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" and "TORQUE" are registered trademarks of Kyocera Corporation.
* "AQUOS" is a registered trademark of Sharp Corporation.
* "Wi-Fi®" is a registered trademark of Wi-Fi Alliance.
* Other company and product names are registered trademarks or trademarks of their respective companies.

4) Outlook for the Year ending March 31, 2017

The Company is forecasting an increase in operating revenue to ¥4,700,000 million, mainly driven by an increase in au ARPA revenues due to increases in au ARPA and the cumulative au subscriptions, an increase in added value ARPA revenue in line with the expansion of the au economic zone, and the conversion of Shop Channel and MobiCom into consolidated subsidiaries.

Operating income is forecast to increase to ¥885,000 million, mainly reflecting curbs on sales commissions and rigorous cost reductions, while profit for the year attributable to owners of the parent is forecast to increase to ¥540,000 million.

The Company has not prepared consolidated business forecasts for the six months ending September 30, 2016 because the rapidly changing operating environment, characterized by competition among telecommunication carriers, means it is difficult to make forecasts for this period.

(2) Analysis on Consolidated Financial Position

1) Consolidated Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2015	As of March 31, 2016	Increase (Decrease)
Total assets	5,626,725	5,807,249	180,524
Equity attributable to owners of the parent	3,064,038	3,308,228	244,190
Ratio of equity attributable to owners of the parent to total assets	54.5	57.0	2.5
Equity attributable to owners of the parent per share	1,223.20	1,328.89	105.69
Interest-bearing debt	1,154,116	1,235,287	81,171

(Assets)

Total assets amounted to ¥5,807,249 million as of March 31, 2016, up ¥180,524 million from their level on March 31, 2015. Although cash and cash equivalents, property, plant and equipment decreased, goodwill and trade and other receivables rose.

(Liabilities)

Total liabilities amounted to ¥2,297,792 million as of March 31, 2016, down ¥105,922 million from their level on March 31, 2015. Although borrowings and bonds payable increased, trade and other payables and income taxes payables fell.

(Equity)

Total equity amounted to ¥3,509,458 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 57.0%.

2) Consolidated Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)
Net cash provided by (used in) operating activities	968,752	884,538	(84,213)
Net cash provided by (used in) investing activities	(635,745)	(667,917)	(32,172)
Free cash flows (Note)	333,006	216,621	(116,385)
Net cash provided by (used in) financing activities	(310,528)	(299,003)	11,525
Effect of exchange rate changes on cash and cash equivalents	4,107	(1,848)	(5,955)
Net increase (decrease) in cash and cash equivalents	26,585	(84,230)	(110,815)
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	276,317	192,087	(84,230)

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 ¥884,538 million. This includes ¥819,185 million of profits for the period before income tax, ¥532,062 million of depreciation and amortization, ¥291,998 million of income taxes paid, and ¥144,329 million of increase in trade and other receivables.

Investing activities used net cash of ¥667,917 million. This includes ¥343,290 million of purchase of property, plant and equipment, ¥192,510 million for purchase of intangible assets and ¥127,045 million acquisition of control over subsidiaries.

Financial activities used net cash of ¥299,003 million. This includes ¥213,464 million in payments from redemption of bonds and repayment of long-term borrowings, ¥162,834 million in cash dividends paid and ¥50,019 million in payment from purchase of treasury stock and ¥184,000 million of proceeds from issuance of bonds and long-term borrowings.

As a result, the total amount of cash and cash equivalents as of March 31, 2016, decreased ¥84,230 million from March 31, 2015, to ¥192,087 million.

3) Cash Flows Indicators

	Year ended March 31, 2015	Year ended March 31, 2016
Ratio of equity attributable to owners of the parent to total assets (%)	54.5	57.0
Ratio of equity attributable to owners of the parent to total assets on a market capitalization basis (%)	121.1	128.9
Debt repayment period (year)	1.2	1.4
Interest coverage ratio (times)	86.3	56.7

Notes

- Ratio of equity attributable to owners of the parent to total assets: Equity attributable to owners of the parent / Total assets
- Ratio of equity attributable to owners of the parent to total assets on a market capitalization basis: Market capitalization / Total assets
- Debt repayment period: Interest bearing debt / Cash flows
- Interest coverage ratio: Cash flows / Interest payments

- Market capitalization is calculated by multiplying the closing stock price at fiscal year-end by the number of shares outstanding (not including treasury stock).
- Cash flows from operating activities in consolidated statement of cash flows are used for operating cash flows.
- Figures for interest-bearing debt cover the amounts of loans and bonds that are recognized in consolidated statement of financial position and liabilities upon which interest is paid.
  Further, regarding interest payments, the amount of interest expenses paid in consolidated statement of cash flows is used.
- The date for transition to IFRS is April 1, 2014, and IFRS has been adopted from the year ended March 31, 2016. Therefore, data from the year ended March 31, 2014 and earlier has not been presented.

(3) Profit Distribution

Regarding the return of profits to shareholders as one of the priorities of its business management, the Company has a basic policy of continuing to pay stable dividends while maintaining financial soundness. The Company’s policy is to maintain a consolidated payout ratio of more than 30% range, while taking into account investment for sustainable growth.

Regarding dividend payments for the year ended March 31, 2016, the Company has already paid an interim cash dividend of ¥30.00 per share and a commemorative dividend of ¥5.00 per share. In order to express gratitude to its shareholders for their constant support, and in light of an overall consideration of business development aimed at improving future business results, the Company plans to pay an increased year-end cash dividend of ¥35.00 per share, up ¥5.00 year on year(Note).

Further, for the three years beginning with the year ending March 31, 2017, under a policy of maintaining a consolidated dividend payout ratio above 35%, the Company plans to pay out ¥40.00 per share for both the interim and year-end cash dividend, making the full-year amount ¥80.00 per share.

Note: The above amount is based on figures following the 1:3 stock split conducted on April 1, 2015.

(4) Business Risks

As the Companies pursue its business, there are various risks involved. The Companies take every effort to reduce these risks by preventing and hedging them.

However, there are various uncertainties which could have negative impacts on the Companies' brand image, liability, financial position and/or earnings performance such as;

- subscription growth trends out of line with the Companies expectations due to competition, rival technologies and rapid changes in markets and the operating environment
- breach of obligations regarding communications security and protection of customer privacy (customer's personal information)
- natural disasters accidents and power restrictions caused by earthquake, tsunami, typhoon, etc.
- revision or repeal of laws and ordinances governing telecommunications and so forth, together with related government policies
- general legal and regulatory, litigation and patents, personnel retention and training, retirement benefits, asset-impairment accounting, telecommunications sector consolidation and business restructuring in the Companies

2. The Group

The Group comprises the Company, 164 consolidated subsidiaries (Japan: 87 companies, overseas: 77 companies), and 34 equity-method affiliates (Japan: 25 companies, overseas: 9 companies). The Group's main business lines are "Personal," "Value," "Business," "Global."

The status of the Company, consolidated subsidiaries and equity-method affiliates within the Companies business and their relationships with segments are as shown below.

<Personal>

Principal services	For individuals and households communications services (au mobile phone, FTTH, CATV) and other.	
Major subsidiaries and affiliates	〔The parent〕	The Company
	〔Consolidated subsidiaries〕	OKINAWA CELLULAR TELEPHONE COMPANY [JASDAQ], Jupiter Telecommunications Co., Ltd, UQ Communications Inc. Chubu Telecommunications Co., INC., Wire and Wireless Co., Ltd.

<Value>

Principal services	Provision of various financial and commerce services, applications, videos, and music, as well as advertisement distribution	
Major subsidiaries and affiliates	〔The parent〕	The Company
	〔Consolidated subsidiaries〕	KDDI FINANCIAL SERVICE CORPORATION, Syn. Holding, Inc., WebMoney Corporation, Jupiter Shop Channel Co.,Ltd., Jupiter Entertainment Co., Ltd.
	〔Equity-method affiliates〕	Jibun Bank Corporation, KKBOX Inc.

<Business>

Principal services	For companies communications services (ICT solution, data center)	
Major subsidiaries and affiliates	〔The parent〕	The Company
	〔Consolidated subsidiaries〕	Chubu Telecommunications Co., INC. KDDI MATOMETE OFFICE CORPORATION Japan Internet Exchange Co., Ltd.
	〔Equity-method affiliates〕	LAC Co., Ltd. (listed on the JASDAQ market of the Tokyo Stock Exchange)

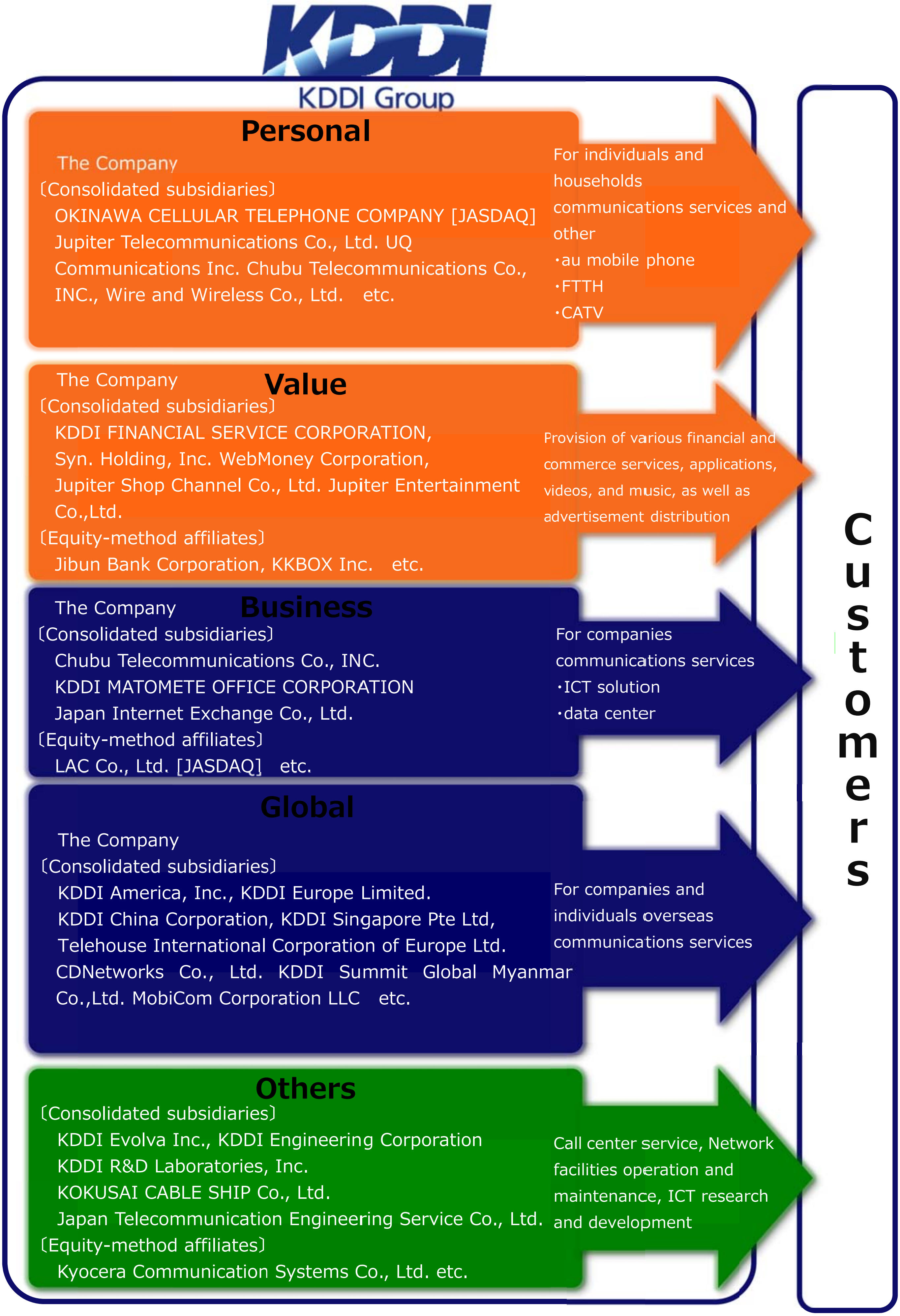
<Global>

Principal services	For companies and individuals overseas communications services(ICT solution, data center)	
Major subsidiaries and affiliates	〔The parent〕	The Company
	〔Consolidated subsidiaries〕	KDDI America, Inc., KDDI Europe Limited., KDDI China Corporation, KDDI Singapore Pte Ltd, TELEHOUSE International Corporation of Europe Ltd., CDNetworks Co., Ltd. KDDI Summit Global Myanmar Co., Ltd., MobiCom Corporation LLC

<Others>

Principal services	Call center service, Network facilities operation and maintenance, ICT research and development	
Major subsidiaries and affiliates	〔The parent〕	The Company
	〔Consolidated subsidiaries〕	KDDI Evolva Inc., KDDI Engineering Corporation KDDI R&D Laboratories, Inc., KOKUSAI CABLE SHIP Co.,Ltd. Japan Telecommunication Engineering Service Co., Ltd.
	〔Equity-method affiliates〕	Kyocera Communication Systems Co., Ltd.

Business schematic diagram of corporate groups are shown as below



3. Management Policy

(1) Basic Management Policies

- We aim to become a company that can provide excitement, safety, happiness and smiles of gratitude to people in the world by offering highly credible networks and value-added products and services.
- The Companies will advance total customer satisfaction (TCS) initiatives that will heighten the level of satisfaction among all stakeholders.
- The Companies will emphasize cash flows and work to become a company that is attractive to its shareholders and other investors.
- The Companies will work to establish an even sounder financial position by making efficient capital investments and reducing various expenses rigorously.
- To step up information security, we are working to ensure thorough information management and compliance and reinforcing our risk management structure.
- The Companies will actively implement activities to preserve the environment—including energy saving, resource saving, recycling, and green purchasing—in order to emphasize harmony with the global environment and create a rich society that is fully in accord with human nature.
- The Companies will actively contribute to the development of a rich communications-based society in adherence with the overriding goal of its corporate social responsibility initiatives, which seek to support social and economic activities in all areas by providing secure and convenient telecommunications services.

(2) Medium- to Long-Term Management Strategies and Target Management Indicators

The telecommunications industry is experiencing dramatic environmental changes. On one hand KDDI’s competitors began offering discounts on mobile and fixed-line bundled services, leading to increased competitor similarity. On the other hand, there has been further uptake of low-cost SIM services offered by MVNOs. The scope of competition is now widening beyond the traditional field of telecommunications to encompass its periphery, and a wide range of external fields as well. The Company has entered an age where it will compete against other industries as well as conventional telecommunications companies. This trend is set to accelerate even further as IoT advances into all manner of industrial fields.

While responding quickly to these changes in the business environment, the Company has established the following new policies to achieve sustainable growth over the next three years.

■Business Management Direction

“Transform into a business that provides customer experience value”

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

■Business Strategy

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

■Financial Targets (Target Management Indicators)

Aim to achieve both sustainable profit growth and enhanced shareholder returns as follows:

Profit Growth Targets

- Consolidated operating income: CAGR (compound annual growth rate) 7%
- au economic zone transaction volume: Over ¥2 trillion
- M&As for growth: Cumulative total for three years around ¥500.0 billion

Shareholder Return Targets

- Lift consolidated dividend payout ratio from “above 30%” to “above 35%”
- Conduct treasury share purchases balanced with growth investments
- Aim to keep the number of treasury shares at around 5% of total number of issued shares, cancelling surplus shares

(3) Important Issues

In line with the Group’s new business strategies, we will take steps to address the following issues in order to achieve sustainable growth.

1. Sustainable growth of the domestic telecommunications business

We will aim to achieve sustainable growth in the domestic telecommunications business platform by maximizing “ID × ARPA.” To maximize “ID × ARPA,” we will promote “Multi-device,” implementation, including further penetration of smartphones and tablets and response to IoT devices. In addition, we are boosting our “distinctively au” credentials on various fronts to enhance customers’ user experience, promoting “au” as the brand of choice for customers.

2. Maximization of the au economic zone

In addition to the traditional telecommunication services, we will offer comprehensive “au life design” services including settlement, physical product sales, energy, and financial services. Our aim is to leverage our domestic telecommunications business platform while generating synergies and to expand the “au economic zone.”

The Company conducts physical product sales services through “au WALLET Market” and other platforms, but we will strengthen the links between services even further using contact points such as au shops and our customer base, which are our strengths. We will combine our entry into the energy business with “au denki” and others, as well as our establishment of the finance business to build a cyclical business model for the “au economic zone” centered on au WALLET.

3. Aggressive Development of the Global Strategy

KDDI’s consolidated subsidiary, KDDI Summit Global Myanmar Co., Ltd., is currently working with Myanma Posts & Telecommunications (MPT), the country’s nationally operated telecommunications partner, in the Myanmar telecommunications business. Here, KDDI will use the business experience and technological capabilities it has cultivated in Japan and overseas to contribute to the country’s economic and industrial development and improving the lives of its citizens, while making a focused effort to build these operations so into an important future pillar for its global business.

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

4. Basic Perspective on Selection of Accounting Standards

The KDDI Group has adopted IFRS from the year ending March 31, 2016 to facilitate international comparisons of its financial information and enhance disclosure, thereby making the information it supplies more useful to domestic and overseas investors, as well as its various other stakeholders.

5. Consolidated Financial Statements

(1) 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 March 31, 2016
Assets			
Non-current assets :			
Property, plant and equipment	2,465,583	2,541,099	2,485,948
Goodwill	329,783	343,136	493,733
Intangible assets	665,068	699,332	728,020
Investments accounted for using the equity method	41,798	61,621	71,011
Other long-term financial assets	134,893	97,824	112,809
Retirement benefit assets	7,476	26,035	–
Deferred tax assets	95,353	110,988	103,388
Other non-current assets	57,387	71,457	72,938
Total non-current assets	3,797,340	3,951,491	4,067,847
Current assets :			
Inventories	83,776	75,837	79,626
Trade and other receivables	1,127,209	1,231,095	1,357,820
Other short-term financial assets	11,069	9,023	14,966
Income tax receivables	9,626	242	8,142
Other current assets	70,725	82,719	86,648
Cash and cash equivalents	249,732	276,317	192,200
Total current assets	1,552,137	1,675,235	1,739,403
Total assets	5,349,478	5,626,725	5,807,249

(Unit: Millions of yen)

	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015	As of March 31, 2016
Liabilities and Equity			
Liabilities			
Non-current liabilities :			
Borrowings and bonds payable	779,454	846,701	956,800
Other long-term financial liabilities	131,138	148,367	174,791
Retirement benefit liabilities	17,261	14,826	20,255
Deferred tax liabilities	48,142	35,921	26,464
Provisions	7,925	7,129	7,635
Other non-current liabilities	150,282	160,578	153,299
Total non-current liabilities	1,134,204	1,213,523	1,339,244
Current liabilities :			
Borrowings and bonds payable	370,349	149,760	96,836
Trade and other payables	494,605	535,489	426,172
Other short-term financial liabilities	18,706	20,698	25,037
Income taxes payables	126,169	165,402	120,818
Provisions	1,290	11,311	20,390
Other current liabilities	291,565	307,530	269,294
Total current liabilities	1,302,684	1,190,190	958,548
Total liabilities	2,436,888	2,403,713	2,297,792
Equity			
Equity attributable to owners of the parent			
Common stock	141,852	141,852	141,852
Capital surplus	385,945	369,722	368,245
Treasury stock	(161,822)	(161,822)	(210,861)
Retained earnings	2,374,381	2,686,824	2,995,422
Accumulated other comprehensive income	43,589	27,462	13,570
Total equity attributable to owners of the parent	2,783,946	3,064,038	3,308,228
Non-controlling interests	128,644	158,974	201,230
Total equity	2,912,589	3,223,012	3,509,458
Total liabilities and equity	5,349,478	5,626,725	5,807,249

(2) Consolidated Statement of Income

(Unit: Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Operating revenue	4,270,094	4,466,135
Cost of sales	2,511,226	2,540,338
Gross profit	1,758,868	1,925,797
Selling, general and administrative expenses	1,106,444	1,106,798
Other income	13,069	12,866
Other expense	4,697	3,677
Share of profit of investments accounted for using the equity method	4,923	5,170
Operating income	665,719	833,358
Finance income	8,216	1,848
Finance cost	15,602	19,638
Other non-operating profit and loss	4,533	3,616
Profit for the year before income tax	662,867	819,185
Income tax	243,343	253,649
Profit for the year	419,524	565,536
Profit for the year attributable to:		
Owners of the parent	395,805	494,465
Non-controlling interests	23,719	71,071
Profit for the year	419,524	565,536
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	158.01	197.56
Diluted earnings per share(yen)	158.01	197.54

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Profit for the year	419,524	565,536
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Remeasurements of defined benefit pension plans	8,613	(24,393)
Changes measured in fair value of financial assets through other comprehensive income	6,881	(3,256)
Share of other comprehensive income of investments accounted for using the equity method	1, 221	3,239
Total	16,714	(24,410)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(1,881)	(4,909)
Translation differences on foreign operations	9,622	(11,009)
Share of other comprehensive income of investments accounted for using the equity method	1,824	434
Total	9,566	(15,485)
Total other comprehensive income	26,280	(39,894)
Total comprehensive income for the year	445,804	525,641
Total comprehensive income for the year attributable to:		
Owners of the parent	421,562	457,575
Non-controlling interests	24,241	68,066
Total	445,804	525,641

Items in the statement above are presented net of tax.

(4) Consolidated Statement of Changes in Equity

For the year ended March 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, 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 year	–	–	–	395,805	–	395,805	23,719	419,524
Other comprehensive income	–	–	–	–	25,757	25,757	523	26,280
Total comprehensive income	–	–	–	395,805	25,757	421,562	24,241	445,804
Transactions with owners and other transactions								
Cash dividends	–	–	–	(125,247)	–	(125,247)	(6,841)	(132,087)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	41,885	(41,885)	–	–	–
Purchase and disposal of treasury stock	–	–	(0)	–	–	(0)	–	(0)
Changes in interests in subsidiaries	–	(16,194)	–	–	–	(16,194)	13,534	(2,660)
Other	–	(29)	–	–	–	(29)	(604)	(633)
Total transactions with owners and other transactions	–	(16,223)	(0)	(83,362)	(41,885)	(141,470)	6,089	(135,381)
As of March 31, 2015	141,852	369,722	(161,822)	2,686,824	27,462	3,064,038	158,974	3,223,012

For the year ended March 31, 2016

(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 year	–	–	–	494,465	–	494,465	71,071	565,536
Other comprehensive income	–	–	–	–	(36,890)	(36,890)	(3,004)	(39,894)
Total comprehensive income	–	–	–	494,465	(36,890)	457,575	68,066	525,641
Transactions with owners and other transactions								
Cash dividends	–	–	–	(162,860)	–	(162,860)	(29,860)	(192, 720)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(22,998)	22,998	–	–	–
Purchase and disposal of treasury stock	–	(1,010)	(49,039)	–	–	(50,050)	–	(50,050)
Changes due to business combination	–	–	–	–	–	–	16,803	16,803
Changes in interests in subsidiaries	–	(1,846)	–	–	–	(1,846)	(12,754)	(14,599)
Other	–	1,379	–	(8)	–	1,371	–	1,371
Total transactions with owners and other transactions	–	(1,477)	(49,039)	(185,867)	22,998	(213,385)	(25,811)	(239,195)
As of March 31, 2016	141,852	368,245	(210,861)	2,995,422	13,570	3,308,228	201,230	3,509,458

(5) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Cash flows from operating activities		
Profit for the year before income tax	662,867	819,185
Depreciation and amortization	518,831	532,062
Impairment loss	54,748	5,873
Share of (profit) loss of investments accounted for using the equity method	(4,923)	(5,170)
Loss (gain) on sales of non-current assets	334	461
Interest and dividends income	(2,180)	(1,831)
Interest expenses	15,170	13,325
(Increase) decrease in trade and other receivables	(107,980)	(144,329)
Increase (decrease) in trade and other payables	62,047	(47,932)
(Increase) decrease in inventories	8,914	1,140
(Increase) decrease in retirement benefit assets	(18,559)	26,035
Increase (decrease) in retirement benefit liabilities	(2,435)	5,429
Other	27,688	(15,320)
Cash generated from operations	1,214,522	1,188,926
Interest and dividends received	5,626	2,986
Interest paid	(11,221)	(15,587)
Income tax paid	(249,510)	(291,998)
Income tax refund	9,335	212
Net cash provided by (used in) operating activities	968,752	884,538

(Unit: Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Cash flows from investing activities		
Purchases of property, plant and equipment	(482,497)	(343,290)
Proceeds from sales of property, plant and equipment	1,475	1,289
Purchases of intangible assets	(189,085)	(192,510)
Purchases of other financial assets	(3,798)	(1,691)
Proceeds from sales/redemption of other financial assets	53,515	548
Acquisitions of control over subsidiaries	(7,108)	(127,045)
Purchases of stocks of associates	(3,125)	(5,377)
Decrease from loss of control over subsidiaries	(2,808)	—
Other	(2,315)	159
Net cash provided by (used in) investing activities	(635,745)	(667,917)
Cash flows from financing activities		
Net increase (decrease) of short-term borrowings	(92,480)	17,316
Proceeds from issuance of bonds and long-term borrowings	214,000	184,000
Payments from redemption of bonds and repayments of long-term borrowings	(275,320)	(213,464)
Repayments of lease obligations	(24,607)	(26,382)
Payments from purchase of subsidiaries' equity from non-controlling interests	(26,613)	(17,693)
Proceeds from stock issuance to non-controlling interests	26,547	212
Payments from purchase of treasury stock	(0)	(50,019)
Cash dividends paid	(125,226)	(162,834)
Cash dividends paid to non-controlling interests	(6,828)	(30,140)
Other	(0)	1
Net cash provided by (used in) financing activities	(310,528)	(299,003)
Effect of exchange rate changes on cash and cash equivalents	4,107	(1,848)
Net increase (decrease) in cash and cash Equivalents	26,585	(84,230)
Cash and cash equivalents at the beginning of the year	249,732	276,317
Cash and cash equivalents at the end of the year (Note)	276,317	192,087

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

(6) Going Concern Assumption

None

(7) Notes to 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 consolidated financial statements as of and for the year ended March 31, 2016 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 consolidated financial statements with IFRSs and first-time adoption

The Group's consolidated financial statements have been prepared in accordance with IFRSs as prescribed in Article 93 of Ordinance on Consolidated Financial Statements as they satisfy the requirement of a "specific company" set forth in Article 1-2 of Ordinance on Consolidated Financial Statements.

The Group has applied IFRSs from the fiscal year ended March 31, 2016, and the consolidated financial statements for the year ended March 31, 2016 are the first consolidated financial statements under IFRSs. 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 is provided in "Note 8. First-time adoption of IFRSs."

The Group's accounting policies comply with IFRSs effective at March 31, 2016, excluding IFRSs which have not been early adopted and exemptions permitted by IFRS 1.

(2) Basis of measurement

The Group's 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 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 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:

ⅰ. Estimates of fair value of assets acquired and liabilities assumed by business combinations

The Group measures assets acquired and liabilities assumed by a business combination at fair value. Index used in the calculation of fair value may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The content and amount related to estimates of fair value of assets acquired and liabilities assumed by business combinations are described in "Note 3. Significant accounting policies (2) Business combination".

ⅱ. Estimates of useful lives and residual values of property, plant and equipment, intangible assets, finance lease assets

Property, plant and equipment is depreciated primarily using the straight-line method, based on the estimated useful life that reflects the period in which the asset's future economic benefits are expected to be consumed. The depreciation charge for the period could increase if an item of property, plant and equipment becomes obsolete or repurposed in the future and the estimated useful life becomes shorter.

Intangible asset with a finite useful life is amortized on a straight-line basis in principle to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Estimated useful life of the customer relationships acquired in a business combination is determined based on the cancellation rate. In principal, the intangible assets related to the customer relationships are amortized over the useful life. Should actual sales volumes fail to meet initial projected volumes due to changes in the business environment etc., or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses for the reporting period may increase.

The content and amount related to estimates of useful lives and residual values of property, plant and equipment, intangible assets, finance lease assets are described in “Note 3. Significant accounting policies (5)Property, plant &equipment , (7)Intangible asset and (8)Leases”

ⅲ. Impairment of property, plant and equipment and intangible assets including goodwill

The Group conducts impairment tests to property, plant and equipment and intangible assets including goodwill. Calculations of recoverable amounts used in impairment tests are based on assumptions set using such factors as an asset’s useful life, future cash flows, pre-tax discount rates and long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The method for calculating recoverable amounts is described in “Note 3. Significant accounting policies (9) Impairment of property, plant and equipment, goodwill and intangible assets” and “Note 5. Impairment of property, plant and equipment, goodwill and intangible assets”.

ⅳ. Evaluation of inventories

Inventories are measured at historical cost. However, when the net realizable value (“NRV”) at the reporting date falls below the cost, inventories are subsequently measured based on NRV, with the difference in value between the cost and NRV, in principle, booked as cost of sales. Slow-moving inventories and those outside the normal operating cycle are calculated at NRV that reflects future demand and market trends. The Group may experience substantial losses in cases where NRV drops dramatically as a result of deterioration in the market environment against the forecast.

The content and amount related to evaluation of inventories are described in “Note 3. Significant accounting policies (15) Inventories”.

ⅴ. Recoverability of deferred tax assets

In recognizing deferred tax assets, when judging the possibility of the future taxable income, the Group estimates the timing and amount of future taxable income based on the business plan.

The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. If there are differences between the actual amounts and estimated amounts, this may have a material impact on the consolidated financial statements in future periods.

The content and amount related to deferred tax assets are described in “Note 3. Significant accounting policies (25) Income taxes”.

ⅵ. Measurement of defined benefit obligations

The Group has in place various post-retirement benefit plans, including defined benefits plans. The present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates. The Group obtains advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables.

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions and related sensitivity analysis are described in “Note 3. Significant accounting policies (16) Employee benefits”.

ⅶ. Fair value of stock-based payment

The Group has primarily estimated the fair value of BIP / ESOP. The company has calculated the fair value of BIP/ESOP based on its stock price. Fluctuations in our stock price may have a significant effect on the amount of stock-based compensation granted.

The content and amount related to BIP/ESOP are described in “Note 3. Significant accounting policies (18) Share-based payment”.

ⅷ. Collectability of trade and other receivables

The Group has estimated the collectability of trade and other receivables based on the credit risk. Fluctuations in credit risk of customer receivables may have a significant effect on the amounts of recognizing the allowance for receivables on the consolidated financial statements in future periods.

The content and amount related to collectability of trade and other receivables are described in “Note 3. Significant accounting policies (12) Impairment of financial assets”.

ⅸ. Valuation technique of financial assets at fair value without quoted prices in active markets.

The Group has used valuation techniques to utilize the inputs unobservable in the market when assessing the fair value of certain financial instruments. Unobservable input may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods if it becomes necessary to review.

The content and amount related to fair value of financial assets are described in “Note 3. Significant accounting policies (11)Financial instruments and (13)Derivatives and hedge accounting”.

x . Provisions

The Group recognizes provisions, including provisions for point program, in the consolidated statement of financial position. These provisions are recognized based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the current year end date. Expenditures necessary for settling the obligations are calculated by taking all possible future results into account; however, they may be affected by unexpected events or changes in conditions which may have a material impact on the Group’s consolidated financial statements in future periods.

The nature and amount of recognized provisions are stated in “Note 3. Significant accounting policies (17)Provisions”.

(5) Application of new standards and interpretations

There is no standard and interpretation newly applied from the fiscal year ended 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 consolidated financial statements are not mandatory for the fiscal year ended March 31, 2016. 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.

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
IFRS16	Lease	January 1, 2019	fiscal year ending March 31, 2020	IFRS 16 describes that revision of current accounting standard for lease and disclosure. Specifically, IFRS 16 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.
IAS1 (Revised)	Presentation of Financial Statements	January 1, 2016	fiscal year ending March 31, 2017	The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements.
IAS7 (Revised)	Statement of cash flows	January 1, 2017	fiscal year ending March 31, 2018	The amendments to IAS 12 are designed to introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
IAS12 (Revised)	Income taxes	January 1, 2017	fiscal year ending March 31, 2018	The amendments to IAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base.

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
IAS16 IAS38 (Revised)	Property, Plant and Equipment Intangible Assets	January 1, 2016	fiscal year ending March 31, 2017	The amendments to IAS 16 and IAS 38 are designed to clarify permissible depreciation and amortization methods.
IFRS11 (Revised)	Joint arrangements	January 1, 2016	fiscal year ending March 31, 2017	The amendments to IFRS 11 are designed to clarify accounting for the acquisition of interest in joint operations.
IAS19 (Revised)	Employee benefit	January 1, 2016	fiscal year ending March 31, 2017	The amendment to IAS19 clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country.

All the standards and amendments above will be reflected to the consolidated financial statements for the relevant fiscal year described above. The Company is currently evaluating the impact of the application and estimate is currently not available.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these 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 consolidated financial statements.

The accounting policies of subsidiaries have been changed 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 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 consolidated financial statements, such subsidiaries prepare financial statements based on the provisional accounts as of the Company’s closing date.

However, among consolidated subsidiaries, KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD., is not able to prepare financial statements based on the provisional accounts as of the Company's closing date mainly due to the accounting environment in the location where its subsidiary, KDDI Summit Global Myanmar Co., Ltd. operates. The difference between its reporting period-end, which is December 31 and the Company's closing date is less than three months 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 and not tested for impairment separately. Gross amount of investments in associates is 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 changed 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 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 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

Property, plant and equipment is depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

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

Communication equipment	
Machinery	9 years
Antenna equipment	10－21 years
Toll and local line equipment	10－21 years
Other equipment	9－27 years
Buildings and structures	10－38 years
Others	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, goodwill and intangible assets.”

(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
Others	5－20 years

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

(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 certain assets or groups of 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 consolidated statement of financial position. Lease payments are apportioned between the financial cost and the reduction of the lease obligations based on the effective interest method. Finance cost is recognized in the consolidated statement of income. Assets held under finance leases are depreciated using straight-line method over their estimated useful lives if there is reasonable certainty that the ownership will be transferred by the end of the lease term; otherwise the assets are depreciated over the shorter of the lease term or their estimated useful lives.

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, goodwill and intangible assets

At the end of each reporting period, the Group determines whether there is any indication that carrying amounts of property, plant and equipment and intangible assets may be impaired. If any indication exists, the recoverable amount of the asset or the cash-generating unit 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 to sell of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset.

When the impairment test shows that the recoverable amount of the cash-generating unit 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) Non-current assets held for sale or disposal group

An asset or group of assets of which the carrying amount is expected to be recovered primarily through a sales transaction rather than through continuing use is classified into “Assets held for sale.” To qualify for classification as “non-current assets held for sale”, the sale of a non-current asset must be highly probable and it must be available for immediate sale in its present condition. Also, management must be committed to a plan to sell the asset in which the sale is to be completed within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, and the criteria set out above are met, all assets and liabilities of the subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets held for sale is measured at the lower of its “carrying amount” and “fair value less cost to sell.” Property, plant and equipment and intangible assets classified as “assets held for sale” are not depreciated or amortized.

(11) 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.

Debt instruments

(i) Financial assets at amortized cost

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

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

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

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

When any of the above-mentioned conditions for financial assets at amortized cost is not met, the debt instrument is classified as “at fair value through profit or loss” and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset at fair value through profit or loss is recognized in profit or loss, and presented in “finance income” or “finance cost” in the 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 investments in 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 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 consolidated statement of financial position and the dividends on these preference shares are recognized as interest expense and presented as financial cost in the consolidated statement of income.

iii. Presentation of financial assets and liabilities

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

(12) 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 (internal credit rating system with mapping to external rating is more reliable)
- Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
- Reduced financial support from the parent company or associated companies
- Delinquencies

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

(13) Derivatives and hedge accounting

Derivatives are initially recognized at fair value as of the date in which the derivative contracts are entered into. After initial recognition, derivatives are remeasured at fair value at the end of each reporting period.

The Group utilizes derivatives consisting of exchange contracts and interest swaps to reduce foreign currency risk and interest rate risk etc.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates derivatives as cash flow hedge (hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, along with their risk management objectives and strategies to conduct various hedge transactions.

At the inception of the hedge and on an ongoing basis, the Group assess whether the derivative used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item.

Specially, when the Group assess whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:

(i) there is an economic relationship between the hedged item and the hedging instrument

(ii) the effect of credit risk does not dominate the value changes that result from that economic relationship;

(iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The hedge of effectiveness is assessed about whether the hedge is expected to be effective for future hedging periods.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in gain or loss. Cumulative gain or loss recognized through other comprehensive income is transferred to gain or loss on the same period that the cash flows of hedged items affects gain or loss.

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

After rebalancing, in cases where no longer meet the requirements of hedge accounting or hedging instruments are expired, sold, terminated or exercised, hedge accounting will be discontinued.

In the case that the hedge accounting is discontinued, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, accumulated amount of gains or losses recorded in equity is transferred to gain or loss.

Aggregated fair values of hedging instrument derivatives whose maturities are over 12 months are classified as non-current assets or liabilities, and those whose maturities are less than 12 months are classified as current assets or liabilities.

(14) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents consist of cash, demand deposits and 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. In the consolidated statement of financial position, bank overdrafts are shown within in current liabilities.

(15) 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.

(16) 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 past service costs are recognized as profit or loss.

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

ii. Defined contribution plans

Certain subsidiaries of the Group adopt defined contribution plans. Contribution to the defined contribution plans are recognized as expenses for the period over which employees provide services.

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

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.

(17) 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.

(18) 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.

(19) 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.

(20) 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 Company sells mobile handsets to distributors and enters into communications service contracts with customers through the distributors, and “Direct sales” where the Company and certain subsidiaries of the Company sells mobile handsets to customers and enters into a communications service contracts directly with the customers. Revenue in each case is recognized as follows:

(a) Indirect sales

As the Group considers distributors as a principal in a transaction, revenue from the sale of mobile handsets is recognized when mobile handsets are delivered to distributors at the time when risks and rewards of ownership are deemed to be transferred. Certain commission fees paid to distributors are deducted from revenue from the sale of mobile handsets.

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

(b) Direct sales

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

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

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

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

The Group evaluates whether revenue from information fee should be presented on net basis or gross basis by judging each transaction based on the above criteria. Revenue through settlement agency business, revenue through advertising businesses, and revenue through settlement agency business are presented on net basis because the Group is considered as agency or an agent.

iv. Solution service

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

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

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 etc.

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.

(21) 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 inccured. Commission fees related to the sale of mobile handsets are deducted from the revenues from the sale of mobile handsets.

(22) 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.

(23) Other non-operating income and loss

Other non-operating profit and loss includes gain and loss on investment activities. Specifically, gain and loss from remeasurement relating to business combination, profit and loss on sales of stocks of subsidiaries and associates and gain and loss on deemed disposal of subsidiaries are included.

(24) 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.

(25) 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 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:

- 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 all 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.

(26) Dividends

For the purpose of the consolidated financial statements, 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.

(27) Earnings per share

The Group discloses basic and diluted 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.

For the purpose of calculating diluted earnings per share, net profit attributable to owners of the parent and the weighted average number of common stocks outstanding, adjusted for the number of treasury stocks, are further adjusted based on the assumption that all dilutive potential common stocks are fully converted. Potential common stocks of the Group are related to BIP trust and ESOP trust.

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. Furthermore, it provides voice and data business to more than 600 telecommunications carriers around the world.

(2) Calculation method of revenue, income or loss, assets and other items 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, income or loss and other items by reporting segment

The Group’s segment information is as follows:

For the year ended March 31, 2015

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Value	Business	Global	Sub-total				
Revenue									
Revenue from external customers	3,240,571	175,056	559,553	246,006	4,221,186	48,908	4,270,094	–	4,270,094
Inter-segment revenue or transfers	90,012	62,633	99,687	32,978	285,310	138,601	423,911	(423,911)	–
Total	3,330,583	237,689	659,240	278,984	4,506,496	187,509	4,694,005	(423,911)	4,270,094
Segment income(loss)	546,739	52,681	75,855	(15,254)	660,021	10,920	670,941	(5,222)	665,719
Finance income and finance cost (Net)									(7,385)
Other non-operating profit and loss									4,533
Profit for the year before income tax									662,867
Other items									
Depreciation and amortization	453,298	8,815	44,138	12,627	518,877	1,650	520,527	(1,819)	518,708
Impairment loss	47,064	3	7,401	92	54,561	187	54,748	–	54,748
Share of profit of investment accounted for using the equity method	1,130	823	576	875	3,403	1,520	4,923	–	4,923

(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 year ended March 31, 2016

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the consolidated financial statements
	Personal	Value	Business	Global	Sub-total				
Revenue									
Revenue from external customers	3,404,547	197,930	545,692	262,440	4,410,610	55,525	4,466,135	–	4,466,135
Inter-segment revenue or transfers	98,707	73,833	86,340	31,969	290,849	117,950	408,798	(408,798)	–
Total	3,503,255	271,763	632,032	294,409	4,701,459	173,474	4,874,933	(408,798)	4,466,135
Segment income	656,584	73,803	61,436	32,145	823,968	10,294	834,262	(904)	833,358
Finance income and finance cost (Net)									(17,789)
Other non-operating profit and loss									3,616
Profit for the year before income tax									819,185
Other items									
Depreciation and amortization	468,913	10,174	42,254	10,885	532,226	1,675	533,901	(2,234)	531,667
Impairment loss	1,123	22	3,472	1,251	5,867	6	5,873	–	5,873
Share of profit of investment accounted for using the equity method	1,146	1,238	631	862	3,877	1,293	5,170	–	5,170

(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.

(4) Information by product and service

As details are disclosed in “(1) Outline of reporting segments .”, Information by product and service is omitted.

(5) Information by region

i. Revenue

Description is omitted as the revenue from external customers in Japan accounts for most of the revenue on the consolidated statement of income.

ii. Non-current assets (excluding financial assets, deferred income tax assets and retirement benefit assets)

Description is omitted as Non-current assets located in Japan accounts for most of the revenue on the consolidated statement of financial position.

(6) Information by major customer

Description is omitted as the revenue from a specific external customer is less than 10% of the revenue on the consolidated statement of income.

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

The Group recognized impairment loss of 54,748 million yen and 5,873 million yen for the years ended March 31, 2015 and 2016 respectively. The Group mainly recognized impairment loss for the following assets and asset groups:

For the year ended March 31, 2015

(Unit :million yen)

Location	Use	Class	Impairment loss
2GHz frequency idle facilities of the Company and others(Tokyo other)	Telecommunications business	Machinery and antenna facilities	7,991

The Companies drew up a plan to shift the 2GHz band to LTE broadband in order to reinforce its competitiveness in mobile communications services, rendering certain facilities nonperforming. Facilities not part of this conversion were determined to be idle assets that were expected to have no future value. Accordingly, the book value has been reduced to recoverable value. The impairment loss of ¥7,991 million was recorded for these assets. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in personal segment.The impairment loss consists of ¥6,766 million for machinery and ¥1,224 million for antenna facilities.

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 minimal.

(Unit :million yen)

Location	Use	Class	Impairment loss
Communication facilities, and idle assets(Tokyo other)	Mainly, telecommunications business	Machinery, local line facilities and other	41,729

For assets with declining utilization rates, including some communication facilities, and idle assets, the book value has been reduced to recoverable value. This resulted in recognition of an impairment loss of ¥41,729 million. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in mainly personal segment. The impairment loss consists of ¥35,934 million for machinery, ¥2,247 million for local line facilities, and ¥3,549 million for others.

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 sell to other uses, the fair value hierarchy of these assets was classified as level 3 and the fair value was minimal.

(Unit :million yen)

Location	Use	Class	Impairment loss
certain services in the Fixed-line Business (Tokyo other)	telecommunications business	Machinery and other	3,864

Due to changes in the market environment and other factors, the future recovery of investments in certain services in the Fixed-line Business was determined to be unlikely. Accordingly, it became possible to prepare a system for managing the incoming and outgoing cash flows generated by these assets and determine earnings and expenses. Accordingly, the grouping of these assets was changed to an independent asset group. Their book value was reduced to the recoverable amount, resulting in an impairment loss of ¥3,864 million.The impairment loss was recorded as cost of sales in the consolidated statement of income, and recorded in mainly business segment. This amount consists of ¥3,235 million for machinery and ¥629 million for others. The recoverable amount of these assets is estimated at their value in use, with future cash flows discounted at a rate of 6.38% and at the estimated period of 5years. Accordingly, the recoverable amount estimated was minimal.

For the year ended March 31, 2016

(Unit :million yen)

Location	Use	Class	Impairment loss
Communication facilities, and idle assets(Tokyo other)	Mainly, telecommunications business	Local line facilities, buildings and other	2,889

For assets with declining utilization rates including some transit routes and idle assets, the book value has been reduced to recoverable amount. This resulted in recognition of an impairment loss of ¥2,889 million. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in mainly personal segment and business segment. The impairment loss consists of ¥1,264 million for local line facilities, ¥355 million for buildings, and ¥1,270 million for others.

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 sell to other uses, the fair value hierarchy of these assets was classified as level 3 and the fair value was minimal.

(Unit :million yen)

Location	Use	Class	Impairment loss
Certain services in the Fixed-line Business (Tokyo other)	telecommunications business	Machinery and other	1,703

Due to the declining of revenue, the future recovery of investments in certain services in the Fixed-line Business was determined to be unlikely. This resulted in recognition of an impairment loss of ¥1,703 million. The impairment loss was recorded as cost of sales in the consolidated statement of income and recorded in business segment. The impairment loss consists of ¥911 million for machinery and ¥793 million for others. The recoverable amount of these assets is estimated at their value in use, with future cash flows discounted at a rate of 6.05% and at the estimated period of 4years. Accordingly, the recoverable amount estimated was minimal.

6. Per share information

(1) Basic earnings per share

Basic earnings per share and its calculation basis are as follows:

	For the year ended March 31, 2015	For the year ended March 31, 2016
Profit for the year attributable to owners of the parent (Millions of yen)	395,805	494,465
Number of weighted average common stocks outstanding (Thousands of shares)	2,504,936	2,502,821
Basic earnings per share (Yen)	158.01	197.56

(2) Diluted earnings per share

Diluted earnings per share and its calculation basis are as follows:

(Unit: Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Profit for the year attributable to owners of the parent	395,805	494,465
Adjustment of profit	–	–
Profit used in calculation of diluted earnings per share	395,805	494,465

(Unit: Thousands of shares)

	For the year ended March 31, 2015	For the year ended March 31, 2016
Number of weighted average common stocks outstanding	2,504,936	2,502,821
Effect of dilutive potential common stocks		
BIP trust and ESOP trust	–	268
Number of diluted weighted average common stocks during the year	2,504,936	2,503,089

	For the year ended March 31, 2015	For the year ended March 31, 2016
Diluted earnings per share (Yen)	158.01	197.54

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

(Note 2) In the calculation of basic earnings per share and diluted earnings per share, the Company’s stocks owned by the executive compensation BIP trust and a stock-granting ESOP trust are included in treasury stock. Therefore, the number of those stocks are deducted in calculating the number of common stocks outstanding at the end of the year and weighted average common stocks outstanding during the year.

7. Significant subsequent events

None

8. 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 amounts of goodwill at the date of transition to IFRSs are recognized at those carrying amounts that are 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 "(5) 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) ~ (4) "Adjustment to equity" and "Adjustment to comprehensive income" and (5) Reclassification table "a ~ c" 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	131,348	162	(13)	3,396	E	134,893
Retirement benefit assets	8,893	−	−	(1,417)		7,476
Deferred tax assets	136,005	−	222	(40,875)	J	95,353
Other non-current assets	7,207	(40)	(183)	50,403	D, E	57,387
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	10,388	−	681	−		11,069
Income tax receivables	9,626	−	−	−		9,626
Other current assets	43,031	4,660	2,149	20,886	D	70,725
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
Provisions	7,933	−	(8)	−		7,925
Other non-current liabilities	71,345	(24,484)	(716)	104,136	D	150,282
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	18,485	188	(4)	37		18,706
Income taxes payables	126,074	107	(53)	41		126,169
Provisions	76,640	−	(1)	(75,349)	D	1,290
Other current liabilities	141,164	267	(1,214)	151,348	D,F	291,565
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 (5) Notes for Reclassification

*2: Presented in (8) Notes for differences in recognition and measurement.

(3) 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	189,710	(95,118)	−	3,232	E	97,824
Retirement benefit assets	26,035	−	−	−		26,035
Deferred tax assets	139,964	−	−	(28,975)	J	110,988
Other non-current assets	7,064	0	−	64,393	D,E	71,457
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	20,176	(11,153)	−	−		9,023
Income tax receivables	242	−	−	−		242
Other current assets	51,486	8,016	−	23,217	D	82,719
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	48,974	1,028	−	98,366	E	148,367
Retirement benefit liabilities	14,826	−	−	−		14,826
Deferred tax liabilities	39,571	1	−	(3,651)	J	35,921
Provisions	7,129	−	−	−		7,129
Other non-current liabilities	43,299	(168)	−	117,448	D	160,578
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
Provisions	76,402	−	−	(65,090)	D	11,311
Other current liabilities	169,606	301	−	137,623	D,F	307,530
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 (5) Notes for Reclassification.

*2: Presented in (8) Notes for differences in recognition and measurement.

(4) 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

*1: The details of reclassification of Japanese GAAP for each item to line with IFRSs are presented in (5) Notes for Reclassification.

*2: Presented in (8) Notes for differences in recognition and measurement.

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 (*1)	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: Presented in (8) Notes for differences in recognition and measurement.

(5) 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 and gain and loss on change in equity are presented as

other non-operating profit and loss under IFRSs. Impairment loss, loss on business on overseas subsidiaries, gain and loss on sales of non-current assets and loss on disposal of non-current assets etc. which were previously presented as extraordinary income and loss under Japanese GAAP, are presented as cost of sales, selling, general and administrative expenses, and other income and expenses under IFRSs.

Gain and loss on valuation of investment securities and gain and loss on sales of investment securities which were previously presented as extraordinary income and loss under Japanese GAAP, are reclassified to finance income and finance cost in the following reclassification tables.

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	−	
		131,348	131,348	Other long-term financial assets
		7,207	7,207	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	−	
		10,388	10,388	Other short-term financial assets
		9,626	9,626	Income tax receivable
		43,031	43,031	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
		7,933	7,933	Provisions
		71,345	71,345	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)	—	
		18,485	18,485	Other short-term financial liabilities
		76,640	76,640	Provisions
		141,164	141,164	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)	—	
Remeasurements 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 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	－	
		189,710	189,710	Other long-term financial assets
		7,064	7,064	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	－	
		20,176	20,176	Other short-term financial assets
		242	242	Income tax receivable
		51,486	51,486	Other current assets
Total current assets	1,707,937	(47,190)	1,660,747	Total current assets
Total assets	5,250,365	－	5,250,365	Total assets

(Unit: Millions of yen)

	Japanese GAAP before reclassification	Reclassification	Japanese GAAP after reclassification	Line items under IFRS
Japanese GAAP line items				
Liabilities				Liabilities
Fixed liabilities				Non-current liabilities
Bonds payable	215,000	(215,000)	－	
Long-term borrowings	609,318	(609,318)	－	
		824,318	824,318	Borrowings and bonds payable
Retirement benefit liabilities	14,826	－	14,826	Retirement benefit liabilities
Provision for point service program	75,245	(75,245)	－	
Other fixed liabilities	138,972	(138,972)	－	
		48,974	48,974	Other long-term financial liabilities
		39,571	39,571	Deferred tax liabilities
		7,129	7,129	Provisions
		43,299	43,299	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
		76,402	76,402	Provisions
		169,606	169,606	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)	－	
Remeasurements 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

c. 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

(6) 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.

(7) 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.

(8) 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 I” and other are before tax.

（Unit: Millions of yen）

	As of date of transition to IFRSs (April 1, 2014)	As of March 31, 2015
Retained earnings under Japanese GAAP	2,283,459	2,586,144
Differences in the scope of consolidation	1,250	(2,420)
Unification of reporting period	4,866	−
Differences in recognition and measurement		
A. Goodwill	−	26,883
B. Property, plant and equipment and intangible assets	234,569	207,822
C. Cumulative exchange differences at the date of transition to IFRSs	12,784	12,784
D. Revenue recognition	(96,923)	(101,413)
E. Financial instruments	(90,334)	(92,029)
F. Employee benefits	(3,895)	11,034
G. Investments in related companies	62	1,088
H. Business combination	1,520	(7,184)
I. Levies	(21,559)	(23,020)
J. Tax	1,801	1,006
Other	(480)	1,246
Tax effects on adjustment in difference in recognition and measurement / Increase and decrease of non-controlling interests	47,261	64,883
Total differences in recognition and measurement	84,805	103,101
Retained earnings under IFRSs	2,374,381	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 year ended March 31, 2015
Income before income taxes minority interests under Japanese GAAP	719,944
Differences in the scope of consolidation	(1,728)
Unification of reporting period	(4,273)
Differences in recognition and measurement	
A. Goodwill	28,158
B. Property, plant and equipment and intangible assets	(26,586)
C. Cumulative exchange differences at the date of transition to IFRSs	–
D. Revenue recognition	(4,490)
E. Financial instruments	(53,009)
F. Employee benefits	2,084
G. Investments in related companies	1,027
H. Business combination	(1,867)
I. Levies	(1,461)
J. Tax	5,193
Other	(126)
Total differences in recognition and measurement	(51,077)
Profit for the year before income tax under IFRSs	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 March 31, 2015
Increase of goodwill	−	26,883
Increase of retained earnings	−	26,883

(Unit: Millions of yen)

(Consolidated statement of income)	For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	28,158
Increase of profit for year before income tax	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 March 31, 2015
Increase of property, plant and equipment	243,971	221,627
Decrease of intangible assets	(9,402)	(13,805)
Increase of retained earnings	234,569	207,822

(Consolidated statement of income)	(Unit: Millions of yen) For the year ended March 31, 2015
Increase of cost of sales	(25,616)
Decrease of selling, general and administrative expenses	2,075
Decrease of other income	(3)
Increase of other expense	(3,042)
Decrease of profit for the year before income tax	(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 March 31, 2015
Increase of intangible assets	15,885	14,002
Increase of other non-current assets	47,193	63,359
Decrease of inventories	(2,489)	(4,392)
Decrease of trade and other receivables	(2)	−
Increase of other current assets	23,333	23,316
Increase of other non-current liabilities	(105,013)	(118,167)
Increase of trade and other payables	(13,223)	(20,305)
Decrease of provisions	75,349	65,090
Increase of other current liabilities	(137,958)	(124,317)
Decrease of retained earnings	(96,923)	(101,413)

(Unit: Millions of yen)

(Consolidated statement of income)	For the year ended March 31, 2015
Decrease of operating revenue	(230,663)
Increase of cost of sales	(1,903)
Decrease of selling, general and administrative expenses	228,076
Decrease of profit for the year before income tax	(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 IFRSs, 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 March 31, 2015
Increase of other long-term financial assets	4,050	3,887
Increase of other non-current assets	1,632	1,425
Decrease of borrowings and bonds payable (non-current)	1,642	1,617
Increase of other long-term financial liabilities	(96,532)	(98,366)
Decrease of borrowings and bonds payable (current)	215	150
Decrease of capital surplus (before tax)	641	641
Increase of accumulated other comprehensive income (before tax)	(1,982)	(1,384)
Decrease of retained earnings	(90,334)	(92,029)

(Unit: Millions of yen)

(Consolidated statement of income)	For the year ended March 31, 2015
Increase of selling, general and administrative expenses	(15)
Decrease of other income	(150)
Decrease of finance income	(51,608)
Increase of finance cost	(1,237)
Decrease of profit for the year before income tax	(53,009)

(Unit: Millions of yen)

(Consolidated statement of comprehensive income)	For the year ended March 31, 2015
Changes measured in fair value of financial assets through other comprehensive income	32,706
Increase of other comprehensive income	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 IFRSs, 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 March 31, 2015
Decrease of investments accounted for using the equity method	(112)	(119)
Increase of other current liabilities	(13,452)	(13,322)
Decrease of accumulated other comprehensive income (before tax)	9,669	24,475
Increase (decrease) of retained earnings	(3,895)	11,034

(Unit: Millions of yen)

(Consolidated statement of income)	For the year ended March 31, 2015
Decrease of cost of sales	418
Decrease of selling, general and administrative expenses	1,666
Increase of profit for the year before income tax	2,084

(Unit: Millions of yen)

(Consolidated statement of comprehensive income)	For the year ended March 31, 2015
Remeasurement of defined benefit plans	(1,731)
Decrease of other comprehensive income	(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 March 31, 2015
Increase of investments accounted for using the equity method	6	1,033
Decrease of capital surplus (before tax)	37	37
Decrease of accumulated other comprehensive income (before tax)	18	18
Increase of retained earnings	62	1,088

(Unit: Millions of yen)

(Consolidated statement of income)	For the year ended March 31, 2015
Increase of share of profit of investments accounted for using the equity method	1,027
Increase of profit for the year before income tax	1,027

(Unit: Millions of yen)

(Consolidated statement of comprehensive income)	For the year ended March 31, 2015
Share of other comprehensive income of investments accounted for using the equity method	(1,262)
Decrease of other comprehensive income	(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 March 31, 2015
Decrease of goodwill	(5,645)	(5,772)
Increase of intangible assets	6,970	5,208
Increase (decrease) of investments accounted for using the equity method	148	(22,858)
Decrease of capital surplus	48	16,239
Increase (decrease) of retained earnings	1,520	(7,184)

(Unit: Millions of yen)

(Consolidated statement of income)	For the year ended March 31, 2015
Increase of selling, general and administrative expenses	(1,568)
Decrease of other income	(344)
Decrease of other expense	45
Decrease of profit for the year before income tax	(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 March 31, 2015
Increase of trade and other payables	(21,559)	(23,020)
Decrease of retained earnings	(21,559)	(23,020)

(Unit: Millions of yen)

(Consolidated statement of income)	For the year ended March 31, 2015
Increase of cost of sales	(526)
Increase of selling, general and administrative expenses	(935)
Decrease of profit for the year before income tax	(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 March 31, 2015
Increase of deferred tax assets	1,692	1,489
Decrease(increase) of deferred tax liabilities	108	(483)
Increase of retained earnings	1,801	1,006

(Unit: Millions of yen)

(Consolidated statement of income)	For the year ended March 31, 2015
Decrease of selling, general and administrative expenses	5,193
Increase of profit for the year before income tax	5,193

(9) Notes to cash flow adjustments

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”.