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

Financial Statements Summary for the Six-month period ended September 30, 2016 [IFRS]

November 1, 2016

Company name:	**KDDI CORPORATION**	URL http://www.kddi.com
Stock listing:	Tokyo Stock Exchange - First Section	
Code number:	9433	
Representative:	Takashi Tanaka, President	
Scheduled date of quarterly report filing:	November 4, 2016	
Scheduled date of dividend payment:	December 2, 2016	
Supplemental materials of quarterly results:	Yes	
Presentation for quarterly results	Yes (for institutional investors and analysts)	

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

1. Consolidated Financial Results for the Six-month period ended September 30, 2016 (April 1, 2016 - September 30, 2016)

(1) Consolidated Operating Results

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

	Operating revenue	%	Operating income	%	Profit for the period before income tax	%	Profit for the period	%	Profit for the period attributable to owners of the parent	%	Total comprehensive income for the period	%
Six-month period ended September 30, 2016	2,301,581	7.0	532,636	18.0	521,154	17.1	379,857	24.4	326,148	17.5	344,913	14.9
Six-month period ended September 30, 2015	2,151,755	6.0	451,430	18.0	455,050	16.3	305,449	25.0	277,459	22.3	300,241	21.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six-month period ended September 30, 2016	131.79	131.77
Six-month period ended September 30, 2015	110.76	110.76

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
				%
As of September 30, 2016	6,008,545	3,669,479	3,420,387	56.9
As of March 31, 2016	5,880,623	3,546,856	3,308,642	56.3

Note: During the first quarter of the fiscal year ending March 31, 2017, the KDDI Group finalized the provisional accounting treatment for business combinations, which was carried out in the fourth quarter of the fiscal year ended March 31, 2016. As a result, figures as of March 31,2016 reflect the revision of the initially allocated amounts of acquisition price.

2. Dividends

	Dividends per share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	-	35.00	-	35.00	70.00
Year ending March 31, 2017	-	40.00			
Year ending March 31, 2017 (forecast)			-	40.00	80.00

Note: Changes in the latest forecasts released : None

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

(Percentage represents comparison to previous fiscal year)

	Operating revenue	%	Operating income	%	Profit for the year attributable to owners of the parent	%	Basic earnings per share
							Yen
Entire Fiscal Year	4,700,000	5.2	885,000	6.3	540,000	9.1	219.70

Note: Changes in the latest forecasts released: None

Notes

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation) during the six-month period ended September 30, 2016 : None

(2) Changes in accounting policies and estimates

1) Changes in accounting policies required under IFRSs : None

2) Other changes in accounting policies : None

3) Changes in accounting estimates : None

(3) Numbers of outstanding shares (Common Stock)

1) Number of shares outstanding (inclusive of treasury stock)	As of September 30, 2016	2,620,494,257
	As of March 31, 2016	2,690,890,800
2) Number of treasury stock	As of September 30, 2016	162,641,984
	As of March 31, 2016	201,421,255
3) Number of weighted average common stock outstanding (cumulative for all quarters)	For the six-month period ended September 30, 2016	2,474,734,501
	For the six-month period ended September 30, 2015	2,505,116,756

Note: The 1,704,472 shares of KDDI Corportion(hereafter: 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 September 30, 2016.

Indication of quarterly review procedure implementation status

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

Explanation for appropriate use of forecasts and other notes

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

2. On November 1, 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.

[the Attachment]

Index of the Attachment

Glossary

ARPA	ARPA is an abbreviation for Average Revenue Per Account. Indicates monthly revenue per mobile subscriber (excluding prepaid and MVNO). au ARPA indicates communications revenues per person, and value ARPA describes value-added revenue per person.
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.

1. Qualitative Information / Consolidated Financial Statements, etc.

(1) Explanation of Financial Results

1) Results Overview

Industry Trends and KDDI's Position

The Japanese telecommunications market continues to shift from mobile handsets to "smart devices," such as smartphones and tablets. Against this backdrop, the services mobile phone operators offer are growing more similar, and MVNO 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 which they are looking ahead to competition with non-telecommunications carriers. In addition, the business environment for the overall telecommunications market is entering a new phase, with statutory changes such as the requests from Ministry of Internal Affairs and Communications for appropriate measures to be taken by mobile-service operators and the issuance of the guideline based on its "policy for reducing smartphone rates and normalizing handset sales" as well as developments in technology such as the Internet of Things (IoT) and artificial intelligence (AI).

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

In Japan, KDDI aims to transform from a telecommunication company into a "Life Design Company" to establish new avenues for growth in the non-telecommunications domain. In addition to the traditional telecommunication services, we will offer comprehensive "Life design" services including content, settlement, physical product sales, energy, and financial services. Our aim is to expand the "au economic zone" as a new economic zone in the non-telecommunication domain, building on top of our au customer base. Moreover, in the telecommunications domain, we will work to expand the average revenue per account, or "ARPA," and maximize "au customer numbers × ARPA" by stepping up our initiatives to popularize smartphones and tablets and strengthen our response to the IoT, and creating new experience value by linking various devices and other means.

Overseas, KDDI's consolidated subsidiary, KDDI Summit Global Myanmar Co., Ltd., is currently working with Myanmar Posts & Telecommunications (MPT), the country's nationally operated telecommunications partner, in the Myanmar telecommunications business. We will make a focused effort to build this operation into a pillar of our global business. In addition, we will seek further growth in MobiCom Corporation LLC in Mongolia, which was made a consolidated subsidiary in March 2016, with its introduction of LTE services in May. MobiCom is a comprehensive communication service provider with the top share of mobile phone subscribers in Mongolia. Furthermore, in data center and other ICT businesses for corporate customers as well, KDDI will continue to reinforce its infrastructure to expand its global business.

Financial Results

For the Six-month period ended September 30, 2016

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016	Increase (Decrease)	Increase (Decrease)%
Operating revenue	2,151,755	2,301,581	149,827	7.0
Cost of sales	1,184,569	1,222,972	38,403	3.2
Gross profit	967,186	1,078,609	111,423	11.5
Selling, general and administrative expenses	521,941	552,667	30,726	5.9
Other income and expense (Net)	3,780	4,962	1,182	31.3
Share of profit(loss) of investments accounted for using the equity method	2,405	1,732	(673)	(28.0)
Operating income	451,430	532,636	81,206	18.0
Finance income and cost (Net)	(6,901)	(11,436)	(4,535)	—
Other non-operating profit and loss (Net)	521	(47)	(568)	—
Profit for the period before income tax	445,050	521,154	76,104	17.1
Income tax	139,601	141,296	1,696	1.2
Profit for the period	305,449	379,857	74,408	24.4
Attributable to owners of the parent	277,459	326,148	48,689	17.5
Attributable to non-controlling interests	27,990	53,709	25,719	91.9

During the six-month period ended September 30, 2016, operating revenue rose 7.0% to ¥2,301,581 million, reflecting steady progress in the domestic telecommunications business driven by an increase in mobile communications revenues and revenues from handset sales, as well as the impact of the conversion of Jupiter Shop Channel Co., Ltd. (hereinafter, “Shop Channel”) into a new consolidated subsidiary in order to expand the “au economic zone.”

Operating income increased 18.0% to ¥532,636 million due to an increase of operating revenue and a decrease of sales commissions despite an increase in costs associated with the conversion of Shop Channel in to a new consolidated subsidiary.

Profit for the period attributable to owners of the parent rose 17.5% to ¥326,148 million due to an increase of operating revenue, despite of an increase in foreign exchange losses.

Subscriptions of Major Services

Cumulative subscriptions	Unit	Year ended March 31, 2016				Year ending March 31, 2017	
		As of 1Q	As of 2Q	As of 3Q	As of 4Q	As of 1Q	As of 2Q
au subscriptions	(Thousand)	44,074	44,640	45,241	45,910	46,590	47,237
(Ref.) UQ WiMAX	(Thousand)	11,241	13,159	15,689	18,048	19,815	21,626
FTTH subscriptions	(Thousand)	3,559	3,625	3,695	3,750	3,804	3,844
CATV subscriptions*	(Thousand)	4,938	4,979	5,025	5,052	5,213	5,245

*The J:COM Group, a consolidated subsidiary handling the cable television business, provides CATV service via 75 channels in the Sapporo, SendKanto, Kansai, and Kyushu areas as of September 30, 2016 as well as high-speed Internet connectivity, telephone and other services.

2) Results by Business Segment

Personal Services

The Personal Services segment mainly provides mobile and fixed-line communications services for individual customers in Japan. In addition to providing mobile communications services, chiefly under the “au” brand, and selling multi-devices such as various smartphones and tablets, in fixed-line communications, our services include in-home Internet, telephone, and TV services. In addition to these convenient FTTH services, which are branded “au HIKARI,” we provide CATV and other services. Moreover, the KDDI Group organically links Wi-Fi into its multi-network to efficiently create a high quality social infrastructure and provide a seamless communication environment.

In the telecommunications domain, in the current fiscal year, we will continue working to expand sales of mobile, FTTH, and CATV services by leveraging “au Smart Value,” which offers discounted monthly au mobile phone usage fees for customers who subscribe to au mobile phone/smartphone services as well as eligible fixed-line communications services. We will also aim to increase our number of allied companies. Meanwhile, in the expanding MVNO market we will aim to increase our customer base, mainly by offering UQ mobile (MVNO) services provided by our consolidated subsidiary UQ Communications Inc. using au lines.

In the non-telecommunications domain, where we aim to expand by transforming into a “Life Design Company,” we are taking steps to expand the “au economic zone.” These include expanding the “au WALLET Market,” which maximizes the potential of au shops to serve as customer contact points, and starting provision of “au Denki” services nationwide.

Operating performance in the Personal Services segment for the six-month period ended September 30, 2016 is described below.

Results

For the six-month period ended September 30, 2016

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	1,682,551	1,769,677	87,126	5.2
Operating Income	351,426	423,243	71,817	20.4

During the six-month period ended September 30, 2016, operating revenue rose 5.2% to ¥1,769,677 million, mainly due to increases in mobile communications revenues and revenues from handset sales.

Operating income grew 20.4% year on year to ¥423,243 million due to a decrease of handset procurement costs and sales commissions.

Overview of Operations

< Progress on Key Initiatives >

[Mobile]

au Net Additions

For the three-month period ended September 30, 2016, au net additions* totaled 118,000 subscriptions.
The primary reasons were an increase in the number of new smartphone subscriptions by “au Smart Value”, new tablet, router, and other subscriptions in line with our multi-device promotion and UQ mobile and other MVNO service subscriptions.

* New subscribers minus churn

au Smart Value

As of September 30, 2016, the number of au subscriptions totaled 12.12 million, and households using this service came to 6.01 million. Also, we are steadily increasing the number of allied companies for “au Smart Value.” As of September 30, 2016, this number was 7 companies for FTTH (including the Company) and 143 CATV companies, 241 channels (including 25 CATV companies, 25 channels allied with STNet, Incorporated).

au ARPA

au ARPA in the second quarter was up ¥140 year on year to ¥5,840. Also, as a result of promoting the multi-device shift, the number of devices per user increased by 0.030 to 1.425 devices.

au Handset Sales

During the second quarter, au handset sales were 2.08 million.

[Fixed Line]

FTTH Subscriptions

As of September 30, 2016, the number of FTTH subscriptions increased by 95,000 from March 31, 2016, to 3.793 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>

Augmenting Services

・In August 2016, to express its appreciation for loyal subscribers, KDDI launched the new free subscriber program "au STAR." The program offers three benefits: the "au STAR Passport," which allows members to make priority reservations at au shops, the "au STAR Royal" plan, which rewards long-time subscribers with au WALLET points* based on the number of years they have used au services, and "au STAR gift" items available to registered subscribers.

*Rewards will be allocated based on subscribers' usage starting from November 2016.

Rate plan

・On September 15, 2016, KDDI began offering "Superdejira," a selection of two large-volume flat-rate data services including "Data Flat-Rate 20" (¥6,000 per month) and "Data Flat-Rate 30" (¥8,000 per month). The "Superdejira" service offers savings to customers who use rich content, video and music streaming services., and so forth.

Mobile handset

・During the second quarter, KDDI launched four smart phones, one tablet, and two feature phones. "BASIO2" is a smartphone designed to be easy for anyone to use, with features to assist first-time smartphone users such as a "camera slide cover" that can launch the camera easily and a "character input assist" function.
"iPhone 7/iPhone 7 Plus" features a redesigned camera system, water and dust resistant, stereo speakers and the A10 Fusion chip, which is the most powerful chip to be mounted in a smartphone to date and also achieves better battery life than previous chips. It also features Apple Pay, which offers the enjoyment of safe and secure shopping.
"Simple Phone" is the first au feature phone to comply with "au VoLTE" and is designed for be easy to hear, easy to view, and to have buttons that are easy to press.

Strengthening UQ mobile

・UQ Communications Inc., which provides UQ mobile (MNVO) services using au lines, launched "DIGNO® L," which is water and dust resistant and has shock proofing features to protect it if it accidentally falls from users' pockets and so forth, and "ZenFone Go," which is perfect for a first sim-free smartphone offering high quality VoLTE calling and smooth data communication.

・UQ Communications Inc. began opening UQ Spot (stores) in September 2016, with approximately 1,500 stores ready to use immediately. Through this initiative and others, UQ Communications Inc. is bolstering its customer acquisition in the MNVO market.

External Evaluation

・On September 28, 2016, KDDI secured the top ranking for overall satisfaction in J.D. Power's 2016 Japan Mobile Data Communications Service Satisfaction Survey.
Source : J.D. Power 2016 Japan Mobile Phone Service Satisfaction Study. Based on responses from 31,200 mobile phone users in Japan
japan.jdpower.com

<Reference>

Business data (Personal)

[**Mobile**]

Cumulative subscriptions		Unit	Year ended March 31, 2016					Year ending March 31, 2017	
			As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2Q
au subscriptions		(Thousand)	37,001	37,435	37,844	38,236	-	38,457	38,575
Mobile devices per person		(Units)	1.385	1.395	1.405	1.414	-	1.421	1.425
au smart value	**au subscriptions**	(Thousand)	9,840	10,370	10,920	11,550	-	11,830	12,120
	Households *1	(Thousand)	4,840	5,140	5,450	5,720	-	5,850	6,010

Indicators	Unit	Year ended March 31, 2016					Year ending March 31, 2017	
		1 Q	2 Q	3 Q	4 Q	Fiscal year	1 Q	2Q
au ARPA*2	(Yen)	5,600	5,700	5,720	5,730	5,690	5,810	5,840
au Churn rate	(%)	0.72	0.83	0.91	1.07	0.88	0.77	0.72
au handset sales*3	(Thousand)	2,050	2,300	2,600	2,430	9,380	1,930	2,080
of smartphone	(Thousand)	1,600	1,810	2,200	2,010	7,620	1,610	1,770
au handset shipments*4	(Thousand)	1,940	2,250	2,640	2,270	9,100	1,800	2,120

[Fixed Line]

Cumulative subscriptions	Unit	Year ended March 31, 2016					Year ending March 31, 2017	
		As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	AS of 2Q
FTTH subscriptions*5	(Thousand)	3,508	3,573	3,643	3,699	-	3,752	3,793
CATV subscriptions	(Thousand)	4,938	4,979	5,025	5,052	-	5,213	5,245

*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”

Value Services

In the Value Services segment, KDDI is providing content, settlement, and other value-added services and taking various steps to “maximize the au economic zone” and “expand business in new business domains” with the aim of transforming into a “Life Design Company. ”
During the current fiscal year, KDDI worked to increase transaction volumes and value ARPA by strengthening its commerce and financing businesses. We also stepped up our efforts in new business domains with a focus on increasing customer experience value by making use of the data management platform (DMP) that we have built to date.
Operating performance in the Value Services segment for the six-month period ended September 30, 2016 is described below.

Results

For the six-month period ended September 30, 2016

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	126,039	209,199	83,159	66.0
Operating Income	36,601	50,994	14,393	39.3

During the six-month period ended September 30, 2016, operating revenue rose 66.0% to ¥209,199 million, mainly reflecting the impact of converting Shop Channel into a new consolidated subsidiary and an increase in usage of “au Smart Pass.”

Thanks to the operating revenue increase, operating income grew 39.3% year on year to ¥50,994 million, even though expenses increased in tandem with the conversion of Shop Channel into a new consolidated subsidiary.

Overview of Operations

<Progress on Key Initiatives>

Value ARPA

During the first quarter, value ARPA was up ¥70 year on year, to ¥500. The main factors behind this increase were the steady increase in the number of members to “au Smart Pass,” as well as higher settlement commission revenue from “au WALLET” and an increase in revenue from physical product sales on “au WALLET Market.”

< Key Initiatives >

Expanding the au Economic Zone

・New member acquisitions for the au WALLET credit card increased steadily atop stronger member acquisition initiatives using Internet and direct mail in addition to au shops. The shopping transaction volume is expanding steadily thanks to the WALLET point reward system for subscribers who pay for their au communication fees and au Denki service charges by credit card. KDDI has also been offering the Apply Pay service provided by Apple Inc. since the service started.
・au WALLET Market has also seen steady expansion in the number of users and retail amounts due to efforts to enhance the product and offer gift certificates as part of a one-year anniversary campaign to mark the first year of the service in August 2016.
・With “au Simple Payment” (carrier billing) KDDI became the first carrier to offer a means for paying for App Store, Apple Music, iTunes, and iBooks purchases on August 17, 2016. On September 1, 2016, we became the first* carrier in Japan to offer a payment method for purchasing airline tickets for domestic and international travel on Jetstar Japan Co., Ltd. In this way, KDDI is expanding the scope of its sales and services beyond digital content.

* As of September 1, 2016.

Cultivating New Services Based on Improving Customer Experience Value

・"Smaho de Dock" was selected as a candidate for adoption as a "Fiscal 2016 Health and Longevity Industry Creation Promotion Project (Regional Healthcare Business Creation Promotion Project)" called for by the Ministry of Economy, Trade and Industry. In this project, we will implement a "Project for Lifestyle Disease Prevention through Self-Administered Health Check and Meal Control" in collaboration with Fundley Co., Ltd. The project will start in Adachi-ku, Tokyo at the end of September 2016, and at the Okinawa Health Insurance Association in Naha, Okinawa Prefecture in October 2016.

・KDDI and the Toyooka City concluded a comprehensive agreement for regional revitalization on September 21, 2016. Under the agreement, we will analyze the status of tourism in the city using big data and use the results to revitalize tourism, as well as starting to handle special Toyooka City products on au WALLET Market. We also plan to comprehensively consider initiatives to resolve regional issues through the use of ICT, such as measures to improve the lives of city residents in terms of work and living and measures to revitalize industry, such as agriculture and fishing.

・The "KDDI ∞ Labo" initiative for supporting startups and new business creation finished its 10th year. During the 10th year, the initiative widened the scope of its support from a focus mainly on startups to include early-stage businesses, conducting nine trial projects with partner companies and three business collaborations.

<Reference>

Business data (Value)

Cumulative subscriptions	Unit	Year ended March 31, 2016					Year ending March 31, 2017	
		As of 1 Q	As of 2 Q	As of 3 Q	As of 4 Q	Fiscal year	As of 1 Q	As of 2Q
au Smart Pass Subscriptions	(Thousand)	13,190	13,610	14,020	14,470	-	14,640	14,870

Indicators	Unit	Year ended March 31, 2016					Year ending March 31, 2017	
		1Q	2Q	3Q	4Q	Fiscal year	1Q	2Q
Value ARPA*	(Yen)	430	430	440	480	440	470	500

* 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 smartphones, tablets and other mobile devices as well as diverse solutions such as networks, applications and cloud services to a wide range of corporate customers, from small and medium-sized to large companies. For small and medium-sized corporate customers, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP, also provides a regional support network offering close contact throughout Japan.

During the current fiscal year, we will contribute even more to the development and expansion of our corporate customers' businesses, and we are now working on business innovation with the goal of being our customers preferred choice as a true business partner.

Operating performance in the Business Services segment for the six-month period ended September 30, 2016, is described below.

Results

For the six-month period ended September 30, 2016

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	309,925	308,089	(1,835)	(0.6)
Operating Income	39,569	39,274	(295)	(0.7)

During the six-month period ended September 30, 2016, operating revenue decreased 0.6% to ¥308,089 million, mainly due to lower mobile and fixed line communications revenues, despite higher revenues from handset sales and an increase in solution sales such as IT outsourcing.

Despite a decline in communications facility fees, operating income fell 0.7% year on year to ¥39,274 million, mainly due to an increase in sales commissions.

Overview of Operations

Provision of Solutions

・In August 2016, KDDI started providing "Works Mobile with KDDI" – the business version of LINE – as a tool for corporate customers to further activate their internal communication. "Works Mobile" retains the facility and enjoyable experience of LINE while supporting management functions for administrators, such as ID distribution, remote wipe, and log acquisition, making it suitable for corporate customers to use with confidence. We will continue to provide various solutions using ICT with the goal of contributing to our corporate customers' businesses.

External Evaluation

・KDDI ranked top in the following three customer satisfaction surveys conducted by external organizations in August – September 2016.
We will continue to provide even higher quality products and services for even greater customer satisfaction going forward.

- J.D. Power 2016 Japan Business Mobile Phone and PHS Service Satisfaction Study < large and mid-sized corporation market segment>
  Source : J.D. Power 2016 Japan Business Mobile Phone and PHS Service Satisfaction Study. Based on 3,085 responses received from 2,449 companies with 100 or more employees in a survey regarding mobile phone and PHS service providers (evaluations obtained from up to two operators per company). japan.jdpower.com

- J.D. Power 2016 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study (*4th consecutive year)
  Source : J.D. Power 2016 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study. Based on 1,632 responses received from 1,293 companies with 100 or more employees on a survey regarding telecommunications service providers offering IP phone and direct line phone services (evaluations obtained from up to two services per company).japan.jdpower.com

- Nikkei Computer Customer Satisfaction Survey 2016-2017 Network Service (Wired) Division
  Source : Nikkei BP's Nikkei Computer Customer Satisfaction Survey 2016-2017 Network Service (Wired) Division (the September 15, 2016 issue of Nikkei Computer)

Global Services

The Global Services segment is working aggressively to expand customer businesses in Myanmar and other emerging countries, and to provide one-stop ICT solutions to corporate customers, centered on our high connectivity "TELEHOUSE" data centers. Furthermore, we provide voice and data business to more than 600 telecommunications carriers around the world.
During the current fiscal year, we will focus on expanding our scale, mainly in the consumer business, which is one of the segment's growth pillars. We will also achieve steady and stable growth in the voice and data business for global ICT companies and telecommunications carriers. Despite the effects of the yen's recent sharp appreciation, we aim to achieve steady business growth on a local currency basis.
Operating performance in the Global Services segment for the six-month period ended September 30, 2016 is described below.

Results

For the six-month period ended September 30, 2016

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	152,856	133,708	(19,149)	(12.5)
Operating Income	19,920	14,726	(5,194)	(26.1)

During the six-month period ended September 30, 2016, operating revenue declined by 12.5% year on year to ¥133,708 million. This reflected the impact of the yen's recent sharp appreciation, as well as a decline in revenue due to the liquidation of unprofitable businesses in the U.S. consumer business last year.

Operating income decreased by 26.1% year on year to ¥14,726 million, reflecting the decline in operating revenue. Nevertheless, profit continues to increase steadily since bottoming out in the third quarter of the previous fiscal year.

Overview of Operations

Strengthening the Global ICT Business

・KDDI's European subsidiary TELEHOUSE EUROPE started providing services at its state-of-the-art data center TELEHOUSE LONDON Docklands North Two ("North Two") in London, U.K. North Two is the fourth data center within the TELEHOUSE LONDON Docklands, the largest data center in the U.K. with a total area of 73,000m^2. The center is home to LINX (London Internet Exchange), the U.K.'s largest IX* provider with over 700 corporate subscribers, accounting for around 70% over Internet traffic in the country.
Moreover, TELEHOUSE EUROPE also started the first provision of an AWS Direct Connect[*2] location by a Japanese company in France at the data center TELEHOUSE PARIS Voltaire. This enables direct wired connection within the site to a full lineup of AWS services, creating a highly secure cloud environment with high adjacency.

The KDDI Group operates the TLEHOUSE brand data center business at 48 sites in 24 cities and 13 regions around with world. As a premium data center provider, we will continue to leverage connectivity to support customers' global business expansion.

*1 Internet Exchange: A mutual connection point between providers and data centers on the Internet
*2 A low-delay, secure connection services on a closed network that does not pass through the Internet provided through the world's top-share cloud computing services provided by Amazon Web Services, Inc.(AWS).

3) Status of Major Affiliates, etc

<Jibun Bank Corporation>

KDDI's equity-method affiliate Jibun Bank Corporation ("Jibun Bank") entered an agreement with AlpacaDB, Inc. ("Alpaca"), a fintec venture company and a participant in the "MUFG Fintech Accelerator Program" sponsored by The Bank of Tokyo-Mitsubishi UFJ, Ltd., to discuss development of a foreign currency deposit support tool using A.I. The goal is to use the unique comfortable operability of Jibun Bank's smartphone app and Alpaca's state-of-the-art A.I. technology to provide experience value that enables even novices to foreign currency deposits to conduct transactions simply and with confidence.

Moreover, KDDI's consolidated subsidiary KDDI PRECEDE CORPORATION ("KDDI PRECEDE"), which manages KDDI's directly operated shops, started providing brokerage services for Jibun Bank's "Yen-Denominated Ordinary Deposit Accounts" and "Yen-Denominated Term Deposit Accounts" on August 4, 2016, as a bank agency service provider affiliated with Jibun Bank. As a result, at seven directly operated shops*, directly operated shop staff with bank agency service qualifications are now able to explain to customers about Jibun Bank's accounts and application procedures. KDDI, KDDI PRECEDE, and Jibun Bank will work as a united group to support and improve customers' lives and propose diverse products and services combining communications and finance.

* Including "au Minato Mirai" which opened on October 6, 2016.

Notes:

* The service name "4G LTE" conforms to the statement of the International Telecommunication Union (ITU) that has approved LTE to be called 4G.
* iPhone is a trademark of Apple Inc. registered in the U.S. and other countries. The iPhone trademark is used under license from Aiphone K.K.
* "Apple", "App Store", "Apple Music", "iTunes", "iBooks" and "Apple Pay" are trademarks of Apple Inc. registered in the U.S. and other countries.
* Other company and product names are registered trademarks or trademarks of their respective companies.

(2) Explanation of Financial Position

1. Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2016	As of September 30, 2016	Increase (Decrease)	Increase (Decrease) %
Non-current assets	4,141,220	4,059,653	(81,567)	(2.0)
Current assets	1,739,403	1,948,893	209,490	12.0
Total assets	5,880,623	6,008,545	127,923	2.2
Non-current liabilities	1,375,219	1,323,101	(52,118)	(3.8)
Current liabilities	958,548	1,015,965	57,417	6.0
Total liabilities	2,333,767	2,339,066	5,299	0.2
Total equity	3,546,856	3,669,479	122,624	3.5

Note : During the first quarter of the fiscal year ending March 31, 2017, the KDDI Group finalized the provisional accounting treatment for business combinations. As a result, figures for the fiscal year ended March 31, 2016 reflect the revision of the initially allocated amounts of acquisition price.

(Assets)

Total assets amounted to ¥6,008,545 million as of September 30, 2016, up ¥127,923 million from their level on March 31, 2016. Although property, plant and equipment fell, cash and cash equivalents, trade and other receivables and other current assets increased.

(Liabilities)

Total liabilities amounted to ¥2,339,066 million as of September 30, 2016, up ¥5,299 million from March 31, 2016 due to increases in trade and other payables and income taxes payables, although borrowings and bonds payable, other non-current liabilities and other current liabilities decreased.

(Equity)

Net equity amounted to ¥3,669,479 million, due to increased retained earnings. As a result, ratio of equity attributable to owners of the parent to total assets increased from 56.3% as of March 31, 2016, to 56.9%.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016	Increase (Decrease)
Net cash provided by (used in) operating activities	417,077	641,633	224,556
Net cash provided by (used in) investing activities	(275,381)	(201,641)	73,740
Free cash flows (Note)	141,695	439,991	298,296
Net cash provided by (used in) financing activities	(222,838)	(287,012)	(64,174)
Effect of exchange rate changes on cash and cash equivalents	478	(7,833)	(8,311)
Net increase (decrease) in cash and cash equivalents	(80,665)	145,146	225,811
Cash and cash equivalents at the beginning of the period	276,317	192,087	(84,230)
Cash and cash equivalents at the end of period	195,652	337,233	141,581

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 ¥641,633 million. This includes ¥521,154 million of profits for the period before income tax, ¥274,472 million of depreciation and amortization, ¥53,404 million of increase in trade and other payables and ¥123,014 million in income taxes paid.

Investing activities used net cash of ¥201,641 million. This includes ¥111,124 million of purchase of property, plant and equipment, ¥73,267 million for purchase of intangible assets.

Financial activities used net cash of ¥287,012 million. This includes ¥100,000 million in payments from purchase of treasury stock, ¥87,121 million in cash dividends paid and ¥36,716 million in cash dividends paid to non-controlling interests.

As a result, the total amount of cash and cash equivalents as of September 30, 2016, increased ¥145,146 million from March 31, 2016 to ¥337,233 million.

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

The estimated consolidated financial results for the year ending March 31, 2017 for full-year basis disclosed in the Financial Statements Summary for the year ended March 31, 2016 (disclosed on May 12, 2016) were as follows; Operating Revenue: ¥4,700,000 million, Operating Income: ¥885,000 million, Profit for the year attributable to owners of the parent: ¥540,000 million. There is no change to these figures.

2. Notes Regarding Summary Information (Notes)

(1) Changes in significant consolidated subsidiaries during the six-month period ended September 30, 2016

None

(2) Changes in accounting policies and estimates

None

3. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Non-current assets :		
Property, plant and equipment	2,485,728	2,405,216
Goodwill	449,707	448,699
Intangible assets	845,640	835,511
Investments accounted for using the equity method	71,011	76,820
Other long-term financial assets	112,809	112,796
Deferred tax assets	103,388	112,275
Other non-current assets	72,938	68,335
Total non-current assets	4,141,220	4,059,653
Current assets :		
Inventories	79,626	81,622
Trade and other receivables	1,357,820	1,397,422
Other short-term financial assets	14,966	15,912
Income tax receivables	8,142	5,316
Other current assets	86,648	111,292
Cash and cash equivalents	192,200	337,329
Total current assets	1,739,403	1,948,893
Total assets	5,880,623	6,008,545

(Unit: Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities and Equity		
Liabilities		
Non-current liabilities :		
Borrowings and bonds payable	956,800	910,877
Other long-term financial liabilities	174,791	177,853
Retirement benefit liabilities	20,255	19,226
Deferred tax liabilities	62,440	60,180
Provisions	7,635	7,180
Other non-current liabilities	153,299	147,785
Total non-current liabilities	1,375,219	1,323,101
Current liabilities :		
Borrowings and bonds payable	96,836	96,001
Trade and other payables	426,172	463,151
Other short-term financial liabilities	25,037	24,698
Income taxes payables	120,818	146,914
Provisions	20,390	20,000
Other current liabilities	269,294	265,201
Total current liabilities	958,548	1,015,965
Total liabilities	2,333,767	2,339,066
Equity		
Equity attributable to owners of the parent		
Common stock	141,852	141,852
Capital surplus	368,245	294,476
Treasury stock	(210,861)	(237,015)
Retained earnings	2,995,836	3,234,967
Accumulated other comprehensive income	13,570	(13,896)
Total equity attributable to owners of the parent	3,308,642	3,420,387
Non-controlling interests	238,214	249,093
Total equity	3,546,856	3,669,479
Total liabilities and equity	5,880,623	6,008,545

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the six-month period ended September 30, 2015	For the six-month period ended September 30, 2016
Operating revenue	2,151,755	2,301,581
Cost of sales	1,184,569	1,222,972
Gross profit	967,186	1,078,609
Selling, general and administrative expenses	521,941	552,667
Other income	4,877	5,718
Other expense	1,096	756
Share of profit of investments accounted for using the equity method	2,405	1,732
Operating income	451,430	532,636
Finance income	613	778
Finance cost	7,514	12,214
Other non-operating profit and loss	521	(47)
Profit for the period before income tax	445,050	521,154
Income tax	139,601	141,296
Profit for the period	305,449	379,857
Profit for the period attributable to:		
Owners of the parent	277,459	326,148
Non-controlling interests	27,990	53,709
Profit for the period	305,449	379,857
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	110.76	131.79
Diluted earnings per share (yen)	110.76	131.77

(Unit: Millions of yen)

	For the three-month period ended September 30, 2015	For the three-month period ended September 30, 2016
Operating revenue	1,105,178	1,171,128
Cost of sales	614,039	630,022
Gross profit	491,139	541,106
Selling, general and administrative expenses	274,084	286,452
Other income	2,608	2,230
Other expense	418	400
Share of profit of investments accounted for using the equity method	1,187	1,040
Operating income	220,432	257,524
Finance income	247	329
Finance cost	5,528	4,003
Profit for the period before income tax	215,152	253,850
Income tax	65,486	74,774
Profit for the period	149,665	179,075
Profit for the period attributable to:		
Owners of the parent	133,510	159,043
Non-controlling interests	16,156	20,032
Profit for the period	149,665	179,075
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	53.29	64.53
Diluted earnings per share (yen)	53.29	64.52

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	For the six-month period ended September 30, 2015	For the six-month period ended September 30, 2016
Profit for the period	305,449	379,857
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	(4,283)	(3,551)
Share of other comprehensive income of investments accounted for using the equity method	(150)	188
Total	(4,434)	(3,363)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(1,251)	(1,057)
Translation differences on foreign operations	(406)	(28,973)
Share of other comprehensive income of investments accounted for using the equity method	883	(1,551)
Total	(774)	(31,581)
Total other comprehensive income	(5,208)	(34,944)
Total comprehensive income for the period	300,241	344,913
Total comprehensive income for the period attributable to:		
Owners of the parent	272,523	298,797
Non-controlling interests	27,718	46,116
Total	300,241	344,913

Items in the statement above are presented net of tax

(Unit: Millions of yen)

	For the three-month period ended September 30, 2015	For the three-month period ended September 30, 2016
Profit for the period	149,665	179,075
Other comprehensive income		
Items that will not be transferred subsequently to profit or loss		
Changes measured in fair value of financial assets through other comprehensive income	(4,142)	(2,031)
Share of other comprehensive income of investments accounted for using the equity method	707	(1,738)
Total	(3,435)	(3,770)
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of cash flow hedge	(1,368)	711
Translation differences on foreign operations	(4,916)	(10,017)
Share of other comprehensive income of investments accounted for using the equity method	211	(758)
Total	(6,073)	(10,065)
Total other comprehensive income	(9,508)	(13,834)
Total comprehensive income for the period	140,157	165,241
Total comprehensive income for the period attributable to:		
Owners of the parent	124,531	148,704
Non-controlling interests	15,626	16,537
Total	140,157	165,241

Items in the statement above are presented net of tax

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the six-month period ended September 30, 2015

(Unit: Millions of yen)

	Equity attributable to owners of the parent							
	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2015	141,852	369,722	(161,822)	2,686,824	27,462	3,064,038	158,974	3,223,012
Comprehensive income								
Profit for the period	–	–	–	277,459	–	277,459	27,990	305,449
Other comprehensive income	–	–	–	–	(4,935)	(4,935)	(272)	(5,208)
Total comprehensive income	–	–	–	277,459	(4,935)	272,523	27,718	300,241
Transactions with owners and other transactions								
Cash dividends	–	–	–	(75,148)	–	(75,148)	(29,443)	(104,592)
Transfer of accumulated other comprehensive income to retained earnings	–	–	–	(188)	188	–	–	–
Purchase and disposal of treasury stock	–	(978)	960	–	–	(17)	–	(17)
Changes in interests in subsidiaries	–	(3,456)	–	–	–	(3,456)	(1,620)	(5,076)
Other	–	205	–	(8)	–	197	–	197
Total transactions with owners and other transactions	–	(4,228)	960	(75,345)	188	(78,424)	(31,064)	(109,488)
As of September 30, 2015	141,852	365,494	(160,862)	2,888,938	22,714	3,258,136	155,628	3,413,765

For the six-month period ended September 30, 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, 2016	141,852	368,245	(210,861)	2,995,836	13,570	3,308,642	238,214	3,546,856
Comprehensive income								
Profit for the period	−	−	−	326,148	−	326,148	53,709	379,857
Other comprehensive income	−	−	−	−	(27,351)	(27,351)	(7,593)	(34,944)
Total comprehensive income	−	−	−	326,148	(27,351)	298,797	46,116	344,913
Transactions with owners and other transactions								
Cash dividends	−	−	−	(87,132)	−	(87,132)	(36,601)	(123,733)
Transfer of accumulated other comprehensive income to retained earnings	−	−	−	115	(115)	−	−	−
Purchase and disposal of treasury stock	−	(57)	(100,000)	−	−	(100,056)	−	(100,056)
Retirement of treasury stock	−	(73,804)	73,804	−	−	−	−	−
Changes in interests in subsidiaries	−	(202)	−	−	−	(202)	141	(61)
Other	−	297	42	−	−	339	1,222	1,561
Total transactions with owners and other transactions	−	(73,766)	(26,154)	(87,017)	(115)	(187,052)	(35,238)	(222,290)
As of September 30, 2016	141,852	294,479	(237,015)	3,234,967	(13,896)	3,420,387	249,093	3,669,479

(5) Condensed Interim Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	For the six-month Period ended September 30, 2015	For the six-month Period ended September 30, 2016
Cash flows from operating activities		
Profit for the period before income tax	445,050	521,154
Depreciation and amortization	265,895	274,472
Share of profit(loss) of investments accounted for using the equity method	(2,405)	(1,732)
Loss (gain) on sales of non-current assets	41	(6)
Interest and dividends income	(605)	(777)
Interest expenses	6,053	5,322
(Increase) decrease in trade and other receivables	(25,442)	(53,404)
Increase (decrease) in trade and other payables	(47,631)	36,618
(Increase) decrease in inventories	(22,389)	(2,925)
(Increase) decrease in retirement benefit assets	(2,123)	−
Increase (decrease) in retirement benefit liabilities	71	(1,029)
Other	(20,182)	(11,383)
Cash generated from operations	596,333	766,311
Interest and dividends received	1,574	2,973
Interest paid	(5,226)	(4,637)
Income tax paid	(175,605)	(123,014)
Net cash provided by (used in) operating activities	417,077	641,633

(Unit: Millions of yen)

		For the six-month period ended September 30, 2015	For the six-month period ended September 30, 2016
Cash flows from investing activities			
Purchase of property, plant and equipment		(166,854)	(111,124)
Proceeds from sales of property, plant and equipment		771	155
Purchase of intangible assets		(97,845)	(73,267)
Purchase of other financial assets		(878)	(3,257)
Proceeds from sales/redemption of other financial assets		329	76
Acquisition of control over subsidiaries		(6,723)	(8,041)
Purchase of stocks of associates		(3,040)	(7,642)
Other		(1,142)	1,458
Net cash provided by (used in) investing activities		(275,381)	(201,641)
Cash flows from financing activities			
Net increase (decrease) of short-term borrowings		18,705	(19,924)
Proceeds from issuance of bonds and long-term borrowings		−	7,000
Payments from redemption of bonds and repayment of long-term borrowings		(117,648)	(35,259)
Repayments of lease obligations		(13,071)	(14,578)
Payment from purchase of subsidiaries' equity from non-controlling interests		(6,165)	(447)
Payment from purchase of treasury stock		(19)	(100,000)
Cash dividends paid		(75,133)	(87,121)
Cash dividends paid to non-controlling interests		(29,508)	(36,716)
Other		0	32
Net cash provided by (used in) financing activities		(222,838)	(287,012)
Effect of exchange rate changes on cash and cash equivalents		478	(7,833)
Net increase (decrease) in cash and cash equivalents		(80,665)	145,146
Cash and cash equivalents at the beginning of the period		276,317	192,087
Cash and cash equivalents at the end of the period	(Note)	195,652	337,233

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

(6) Going Concern Assumption

None

(7) Notes to Condensed Interim Consolidated Financial Statements

1. Reporting entity

The Company was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of its headquarter is 2-3-2, Nishishinjuku, Sinjuku-ku, Tokyo, Japan. The Company's condensed interim consolidated financial statements as of and for the six-month period ended September 30, 2016 comprise the Company and its consolidated subsidiaries (together referred to as "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 5. Segment information."

2. Basis of preparation

(1) Compliance of condensed interim consolidated financial statements with IFRSs

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

The condensed interim consolidated financial statements, which do not contain all the information required in annual consolidated financial statements, should be read in conjunction with the annual consolidated financial statements for the previous fiscal year ended March 31, 2016.

(2) Basis of measurement

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

- Derivative assets and derivative liabilities (measured at fair value)
- Financial assets or financial liabilities at fair value through profit or loss
- Financial assets at fair value through other comprehensive income

- Assets and liabilities related to defined benefit plan (measured at the present value of the defined benefit obligations, net of the fair value of the plan asset)

(3) Presentation currency and unit of currency

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

(4) Use of estimates and judgement

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

The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years.

The judgments, estimates and assumptions that have significant impact on the amount in the condensed interim consolidated financial statements as of and for the six month period ended September 30, 2016 are consistent with those described in the annual consolidated financial statements for the previous fiscal year ended March 31, 2016 in principle.

(5) Application of new standards and interpretations

The Group newly adopted the following standards from the three-month period ended June 30, 2016.

- IAS1 (Revised) : Presentation of Financial Statements
- IAS16 (Revised) : Property, Plant and Equipment, IAS38 (Revised): Intangible Assets
- IFRS11(Revised) : Joint Arrangements
- IAS19 (Revised) : Employee Benefit

The Group has early adopted IFRS 9 "Financial Instruments" (issued in November 2009 and amended in July 2014).

(6) Standards not yet adopted

The following new standards and amendments announced by the submission date of this condensed interim consolidated financial statements are not mandatory as of September 30, 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.
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.

All the standards and amendments above will be reflected to the condensed interim 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 significant accounting policies applied in this condensed interim consolidated financial statements for the six-month period ended September 30, 2016 are consistent with those of the annual financial statements, as described in the consolidated financial statements for the previous fiscal year ended March 31, 2016, except that income tax expenses on condensed interim consolidated statement of income are calculated based on the estimated average annual effective income tax rate.

4. Business Combination

No significant business combinations took place during the six-month period ended September 30, 2016.

Jupiter Shop Channel Co., Ltd. (Revision of provisional accounting)

On March 14, 2016, Jupiter Shop Channel Co., Ltd. became a consolidated subsidiary of the Group through the acquisition of the shares.

Since allocation of the consideration transferred had not been completed when the annual financial statements ended March 31, 2016 were authorized for issue, the amount of some assets and liabilities were recognized on a provisional basis.

In the three- month period ended June 30, 2016, the allocation was completed. The consideration transferred and the revised fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date are as follows.

i. Consideration transferred and its components

(Unit: Millions of yen)

		As of acquisition date (March 14, 2016)
Cash payment		85,488
Total consideration transferred	A	85,488

ii. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

(Unit: Millions of yen)

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

As a result of completion of allocation, the amount of goodwill on the acquisition date decreased by ¥44,027 million from the initial provisional amount. This is mainly due to the increase in intangible assets of ¥118,395 million, deferred tax liabilities of ¥38,129 million and non-controlling interests of ¥36,020 million.

According to the above revision, the condensed consolidated statement of financial position for the previous fiscal year and the opening retained earnings and non-controlling interest in the condensed interim consolidated statement of changes in equity for the current period are retroactively restated.

5. 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 aims to transform into a business that provides experience value surpassing customer expectations by emphasizing the "customer's perspective" and "innovation." Based on this policy, the Group will seek to "sustainably grow the domestic telecommunications business," "maximize the 'au economic zone,'" and "aggressively develop global business."

The Group has four reportable segments based on the above strategies: Personal Services segment, Value Services segment, Business Services and Global Services segment. The Group's reportable segments are the same as its business segments.

"Personal" mainly provides mobile and fixed-line communications services for individual customers in Japan. Mobile communications services include mobile communications services, chiefly under the "au" brand, and sales of multi-devices such as various smartphones and tablets. Fixed-line communications services include FTTH services (in-home Internet, telephone, and TV services) which are branded "au HIKARI", CATV and other services.

Moreover, in the MVNO market, consolidated subsidiary UQ Communications Inc., provides UQ mobile services using au lines. In addition to the telecommunications domain, the Group is also working to expand the physical products service "au WALLET Market," which makes use of au shops, as well as expanding the "au economic zone" by providing "au denki" and other services.

"Value" provides content, settlement, commerce and other value-added services,taking various steps to "maximize the au economic zone" and "expand business in new business domains" with the aim of transforming into a "Life Design Company. "

"Business" provides smartphones, tablets and other mobile devices and diverse solutions such as cloud services and network applications to a wide range of corporate customers, from small and medium-sized to large companies. For small and medium-sized corporate customers, the KDDI MATOMETE OFFICE GROUP, a consolidated subsidiary, also provides a regional support network offering close contact throughout Japan.

"Global" provides mobile communications services for individual customers in Myanmar and other emerging countries and global ICT solutions for corporate customers, centered on "TELEHOUSE" data centers. In addition to the above services, it provides voice and data business to more than 600 telecommunications carriers around the world.

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

Accounting treatment of reported business segments is consistent with "Significant accounting policies" stated in the annual consolidated financial statements for the previous fiscal year ended March 31, 2016.

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

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

Assets and liabilities are not allocated to reporting segments.

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

The Group's segment information is as follows:

For the six-month period ended September 30, 2015

(Unit: Millions of yen)

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

(Note 1) 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.

(Note 2) Adjustment of segment income shows the elimination of inter-segment transactions.

For the six-month period ended September 30, 2016

(Unit: Millions of yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the condensed interim consolidated financial statements
	Personal	Value	Business	Global	Sub-total				
Revenue									
Revenue from external customers	1,719,876	170,697	264,048	120,147	2,274,768	26,814	2,301,581	–	2,301,581
Inter-segment revenue or transfers	49,801	38,502	44,041	13,561	145,905	57,260	203,165	(203,165)	–
Total	1,769,677	209,199	308,089	133,708	2,420,673	84,073	2,504,746	(203,165)	2,301,581
Segment income	423,243	50,994	39,274	14,726	528,237	5,010	533,246	(610)	532,636
Finance income and finance cost (Net)									(11,436)
Other non-operating profit and loss									(47)
Profit for the period before income tax									521,154

(Note 1) 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.

(Note 2) Adjustment of segment income shows the elimination of inter-segment transactions.

For the three-month period ended September 30, 2015

(Unit: Millions of yen)

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

(Note 1) 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.

(Note 2) Adjustment of segment income shows the elimination of inter-segment transactions.

For the three-month period ended September 30, 2016

(Unit: Millions of yen)

	Reporting segment								
	Personal	Value	Business	Global	Sub-total	Other (Note 1)	Total	Adjustment (Note 2)	Amounts on the condensed interim consolidated financial statements
Revenue									
Revenue from external customers	875,889	85,951	133,874	61,193	1,156,908	14,221	1,171,128	–	1,171,128
Inter-segment revenue or transfers	25,328	19,712	22,819	6,735	74,594	28,198	102,792	(102,792)	–
Total	901,217	105,663	156,693	67,928	1,231,501	42,419	1,273,920	(102,792)	1,171,128
Segment income	202,709	25,640	18,994	7,566	254,909	2,758	257,667	(143)	257,524
Finance income and finance cost (Net)									(3,674)
Profit for the period before income tax									253,850

(Note 1) 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.

(Note 2) Adjustment of segment income shows the elimination of inter-segment transactions.