

KDDI

CSR REPORT

2011

Corporate Social Responsibility Report

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Disclosure of CSR Information

KDDI releases annual reports on our CSR concept and efforts to our stakeholders via booklets and on our website. In the FY2011 edition, we summarized and reviewed the CSR report based on the seven core subjects and issues addressed in ISO 26000 (Social Responsibility). For this fiscal term, we have published featured reports on KDDI's efforts in dealing with the aftermath of the Great East Japan Earthquake and the reports on stakeholders' dialogues with key figures in the field.



<http://www.kddi.com/english/corporate/csr/index.html>

Please visit the "Investor Relations" page of the KDDI website for details regarding KDDI's financial information.



<http://www.kddi.com/english/corporate/ir/index.html>

Period Covered

This report covers business activities for the fiscal year 2010 (April 1, 2010 to March 31, 2011). However, this report also contains descriptions of a few initiatives from before and after this period.

Scope of Report

Although the scope of this report is the business activities of KDDI only, this report also includes some of the activities of our group companies.

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Booklet: November 2011
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Referenced Guidelines

- GRI (Global Reporting Initiative)
Sustainability Reporting Guidelines 2006
- Ministry of the Environment,
2007 Environmental Reporting Guidelines

Helping to Create a Safe, Secure, and Comfortable Society through TCS Based on CSR

2011 Great East Japan Earthquake

First of all, we would like to offer our deepest condolences to the victims of the Great East Japan Earthquake that hit Japan on March 11, 2011 and extend our sympathy to everyone affected by the disaster.

The massive earthquake inflicted extensive damage to KDDI's information and telecommunications networks, causing part of our services unavailable to our users. We take this opportunity again to apologize for all the inconvenience caused.

From this experience, we were reminded the importance of ensuring the availability of a continuous and stable information and telecommunications infrastructure at all times, which is at the core of our business.

As for our telecommunications facilities, as a result of our company-wide endeavor for recovery that started from right after the earthquake, we became able to provide services at the same level of quality as before the earthquake by the end of June. The numerous rebukes as well as warm encouragements that we received from all parts of the nation, including the disaster-struck area, at this time of struggle were a priceless boon.

We accept all opinions earnestly and pursue to build stronger networks that are more resistant to disasters and to provide stable information and telecommunications services.

Foundation of Our CSR: KDDI Philosophy and TCS

Since its inauguration in 2000, KDDI has presented its raison d'être and mission in the "KDDI Philosophy" that describes the ideal entity it wishes to become. All of KDDI's associates have upheld and shared that philosophy. With the "KDDI Philosophy" as the backbone, we perceive all our stakeholders, including service users, business partners, employees, shareholders, investors, NPOs, and administrative organizations, as our "customer." Our activities are aimed at the satisfaction of all our customers, namely, Total Customer Satisfaction (TCS). We have been promoting TCS throughout our company since 2003 as the foundation of all our business activities.

Although KDDI established a dedicated division for the promotion of CSR in FY2005, KDDI's CSR efforts are not

Mission Statement of the KDDI Philosophy

Securing Customer Satisfaction and Trust

by providing value services with the customers expect.

The Confidence of Our Shareholders and Business Partners

by justifying the trust placed in us by our shareholders, business associates, and all with whom we have dealings.

A Happy Workforce, A Vital Company

by continuing to be the kind of dynamic company that inspires all its employees with a sense of worth and fulfillment.

The Advancement of the International Community

by bringing an ever-broadening array of communications to bear in serving the development of the global community.

KDDI's CSR Initiatives are Achieved through the Practice of TCS Based on the KDDI Philosophy

TCS Practice

Economy

- Appropriate disclosure of information
- High revenue, high dividend
- Fair deals
- Provision of high-quality service and products

Society

- Improved customer satisfaction
- Realization of safe and secure ICT society
- Promotion of diversity
- Nurture human resources to make them take active parts
- Societal contribution

Environment

- Green ICT
- Promotion of recycling
- Activity to conserve forests
- Reduction of disposal
- Environmental accounting
- Diversity of living creatures

Enrich Management Foundation

- Corporate governance
- Internal control
- Compliance
- Risk management
- Information security

KDDI Philosophy

positioned as a special undertaking, but understood as being the promotion of TCS (improvement of customer satisfaction) based on the KDDI Philosophy.

In conducting specific CSR activities, we have since FY2008 selected and focused our efforts on four most vital issues amongst those highly demanded by society in order to promote TCS.

To give examples of our CSR activities, there is the “KDDI Mobile Phone Learning Class.” This class is opened to offer a place for children to learn about the correct way (including etiquette) to use mobile phones and the Internet. It is also a part of our efforts for “Creating a Safe and Secure Information and Communication Society (See p.17).”

As our “Initiatives to Conserve the Global Environment” (See p.22), we have the power-saving scheme for cellular base stations. In this initiative, power consumption is reduced by actively introducing the tribrid approach as well as switching to compact, power-saving base stations, and this consequently contributes to the reduction in CO₂ emissions, which is a factor in global warming.

Medium-to-Long Term Business Strategy with an Eye to the Next Decade

Today, the environment surrounding the telecommunications industry is in the midst of drastic change. The field of competition has spread beyond the national level to a global market, and the business model is changing from the vertical integration model to a more open Internet model. The world is moving towards a new age where miscellaneous terminals, such as mobile phones, smartphones, and tablet terminals, and content are organically connected via diverse networks.

On another note, there are global social issues like poverty and environmental problems that are expected to be resolved via the advance of information and communications technology (ICT).

KDDI takes a head start in dealing with these radical social changes. We uphold the following three commitments to attain our goal of sustainably supporting people’s fruitful and happy lives through technical and service innovations.

“More Connected”— KDDI aims to be closer to customers through organically connecting various networks of the KDDI Group and providing high-speed and reliable telecommunications environment and attractive content while scrupulously attending to the communal life and personal preferences.

“More Global”— While demonstrating remarkable economic growth, some emerging economies are still struggling with establishing telecommunications infrastructure for Internet penetration. KDDI actively promotes the development of ICT environments worldwide through creating new markets and implementing telecommunications business in line with the cultural and socioeconomic conditions of each country and region.

“More Diverse Values”— By virtue of advances in IP technologies, typically for the Internet, ICT covers and proves useful in many different domains, including healthcare, education, administration, and environment. KDDI will devote efforts to such corporate activities and people’s living as our contribution to creating diverse values for our customers.

KDDI to Meet its Social Responsibilities as a Telecommunications Business

Amid the proceeding innovative changes, KDDI has an unswerving fundamental mission. We are committed to reliably delivering safe, secure, and useful communications environment to all people through highly reliable networks and by providing services and goods with high added value. This is KDDI’s social responsibility as a telecommunications business and also KDDI’s *raison d’être*. With this mission in our minds, KDDI aims to be the enterprise that sustainably grows with the society and that delivers smiles of inspirations, security, happiness, and gratitude to people in all parts of the world through our business activities based on TCS.



Tadashi Onodera

Tadashi Onodera

Chairman, KDDI CORPORATION

Takashi Tanaka

Takashi Tanaka

President, KDDI CORPORATION

Aftermath of the Great East Japan Earthquake and KDDI's Efforts

At 2:46 p.m. Japan Standard Time on March 11, 2011, a massive earthquake of magnitude 9.0, which is the most powerful recorded earthquake in the history of Japan, struck the north-east coast of Japan. The quake and the tsunamis generated by it caused tremendous and extensive damage to Eastern Japan. KDDI also suffered significant damage to telecommunications facilities, such as cellular base stations. This caused an interruption in our provision of service to our customers. Here, we report on KDDI's efforts from the time when the earthquake hit to the recovery of service.

KDDI will take the experience from the Great East Japan Earthquake as a lesson to identify the issues in our disaster preparedness, as well as to develop more robust telecommunications networks and stronger framework that enables us to provide stable information and communications service under all conditions and adversities.

KDDI's Efforts from the time when the Great East Japan Earthquake Hit to the Recovery of Service

Events and Actions		
Disaster Countermeasures Office launch phase	11th	<p>2:46 PM ● "2011 earthquake off the Pacific coast of Tohoku" occurs</p> <p>● Disaster Message Board service operation begins</p> <p>3:10 PM ● Operation Task Force is established</p> <p>3:43 PM ● Disaster Countermeasures Office and Local Disaster Countermeasures Office (Sendai, Miyagi Prefecture) are established</p> <p>3:56 PM ● Communication cable along the backbone route is partially cut off, disrupting communication to the Tohoku region</p>
		<p>Organizational Structure of Disaster Countermeasures Office</p> <pre> graph TD G[General Manager of Disaster Countermeasures Office] --> O[Operations Task Force] G --> I[Information Systems Task Force] G --> L[Local Disaster Countermeasures Office] </pre>
Information collection phase		<p>4:00 PM ● Information on the damage is gathered; Dispatch order for vehicle base station and mobile power supply car is released</p> <p>4:50 PM ● Vehicle base station and mobile power supply car leave for the disaster-struck area</p>
Recovery phase	March 2011	<p>12th ● Traffic^{*1}-bypassing route for domestic services is completed, achieving partial recovery</p> <p>13th ● Lending out of au mobile phones, satellite telephones, data communication devices to disaster task force organizations starts</p> <p>● First vehicle base station set up in front of the Iwanuma Elementary School (evacuation center) in Iwanuma, Miyagi Prefecture</p> <p>● Disconnection of communication cables in the backbone route is repaired</p> <p>14th ● Traffic flow is returned to the original backbone route (normal operating state is restored)</p> <p>● Vehicle base stations are set up in front of Kamaishi joint government building, Miyako joint government building, Kesenuma city hall, Tagajo city hall, and Iwanuma Elementary School (evacuation center)</p> <p>● Fuel and relief goods are transported to the sites</p> <p>15th ● Vehicle base stations are set up at the Ōfunato city hall, Tagajo city hall, and Ishinomaki Haguro Base Station</p> <p>● The implementation of the traffic flow bypass for international services to another submarine communications cable is completed</p> <p>16th ● 120 au mobile phones and 44 satellite phones (Iridium/Inmarsat) are lent out to disaster task force organizations</p>
	April	<p>7th ● Approximately 91% of cellular base stations restored; Approximately 99% fixed-line networks are restored</p> <p>8th ● Press release announces the status of disaster response and future prospects</p> <p>30th ● Coverage for au mobile phones are mostly back to their pre-earthquake state</p>
	June	<p>30th ● Service quality for au mobile phones are mostly back to their pre-earthquake state (PR as of July 1st)</p>
Restoration phase		

*1 Traffic: Flow of calls and data communications (e-mails, etc.)

KDDI's Actions in Response to the Earthquake

On March 11, 2011, immediately after the earthquake occurred, the Disaster Countermeasures Office headed by the president was set up at our head office along with the Operations Task Force, Information Systems Task Force, and Local Disaster Countermeasures Office (Sendai, Miyagi Prefecture), to lay down chains of command in order to facilitate early recovery (See p.5 "Organizational Structure of Disaster Countermeasures Office").

About an hour after the earthquake occurred, part of the backbone routes to the Tohoku area (Northern region of Japan) were cut off, disrupting communications temporarily. We worked through this problem with a concerted effort toward recovery, and by the next day (March 12th), we managed to recover from the communication traffic congestion*² by bypassing traffic. On March 13th, we repaired the damaged cables and returned to our normal operating state.

On another note, the traffic increased to 40 times the usual volume right after the earthquake. In order to prevent network failure*³, we restricted communications up to 95%. Thereafter, the traffic gradually calmed down and we lifted the restriction on the 16th.

*² Communication traffic congestion: A state in which calls and e-mails concentrate and thus create an obstruction that makes connections difficult

*³ Network failure: A state in which telecommunications facilities receive traffic that exceeds their processing capability and stops

Telecommunications Service Recovery Status

• Mobile communication service

	At the time of earthquake occurrence (Max. rate/number)	As of April 7th
Communication restriction	95%	0%
Base stations out of service (6 Tohoku prefectures)	1,933	176

Recovered the same quality of service provided before the earthquake by the end of June

• Fixed-line communication service

		At the time of earthquake occurrence (Max. number)	As of April 7th
Personal	au Hikari	119,000	2,027
	Metal-plus	141,000	1,711
	au one net (ADSL)	130,000	359
	Total	390,000	4,097
Corporate	VPN/PLC	13,642	433
	Internet	315	6

* The number of affected lines with regards to Metal-plus and au one net does not include the cases of line break between customer homes and connected building(s).



Communication cable recovery work on backbone routes



Disaster-struck facilities
(Top left) au shop (Top right) au Kamaishi Ryōishi Base Station
(Bottom) JIH Sendai Station building

VOICE

"We couldn't help letting out a cry of joy when we got the connection"



Toshiyuki Okada

General Manager,
Operations & Service Quality
Management Department
Operations Division,
Technology Sector



Hiroshi Yokoi

General Manager,
Oyama Technical Center
(Then General Manager,
Sendai Technical Center)
Operations & Service Quality
Management Department
Operations Division,
Technology Sector

In Sendai, we just experienced a magnitude-7.2 earthquake two days before the Great East Japan Earthquake, so we had the feeling that we might have an earthquake again soon. However, the actual earthquake was of a scale that we had never experienced before. The work to recover from the damage caused by the unprecedented earthquake was an extreme challenge.

Only one hour after the earthquake hit, part of the Tohoku route was cut off, which created a state where it was difficult for calls and e-mails to connect. Under such conditions, we decided to use the connected route as a bypass route for the disconnected part. The network route design and the route configuration change at the unmanned station building took the whole night. In the early morning of the 12th, we were finally ready to activate the completed bypass implementation. The moment the bypass route connected with the Tohoku network, we all let out cries of joy.

Although the provision of enriched services, content and such is important, we could not but realize, more than anything, the importance of "being connected" with this earthquake experience. This, we believe, is the foremost role and responsibility of a telecommunications business.

Recovering Coverage through the Establishment of Local Site Restoration System

KDDI set up the “Local Disaster Countermeasures Office” at the Sendai Technical Center (TC). Early on, we were able to organize a restoration system at the disaster site, where we collected information on the damage to our infrastructure, ordered the dispatch of vehicle base stations and mobile power supply cars, and procured personnel, fuel, and relief goods for the local site support team.

In cooperation with the Engineering Division as well as KDDI Group companies and partners, we set out on the early restoration of communications services, including the repair of base station facilities and access lines to cellular base stations. To restore the cellular base stations, we introduced the large-zone base station* scheme and used satellite links and terrestrial micro-power radio to connect to the base stations. By the end of April, we were able to restore coverage to the same level as before the earthquake (excluding the restricted area in which the Fukushima Nuclear Power Plants are situated).

* Large-zone base station: Cellular base station that has an increased signal output to expand service area

Messages from Our Customers

Message of Gratitude

“Thank You”

The mobile phone company's vehicle came to the municipal athletic ground. I got in line for charging my phone. They said it would take 15 minutes per person. I asked for charging, and it was completed. I turned it on and waited. Then suddenly it rings. I was startled and, I didn't need to rush, but somehow I felt the urge to hurry and opened up the phone, to look at the display. It was just one phrase “Are you all right?” from a friend in Yamato. Tears swelled up in my eyes from the joy of knowing that I could communicate. This was followed by a series of calls from Higashi-matsushima, Ishinomaki, Shiogama, Akita Prefecture and Tokyo, all calling to check whether I'm all right. I am filled with emotions that I have never felt before in the 73 years of my life. How so important it is to be able to talk with and be in contact with each other! I thank the people of the phone company so much.

* Above is a translation of the original letter as it was written.

“Could be Better”

“Took a while to come. Don't lag behind the other carriers!”
“au can't be used around here. But other phones can be.”



Vehicle base stations (Rikuzentakata, Iwate Prefecture)

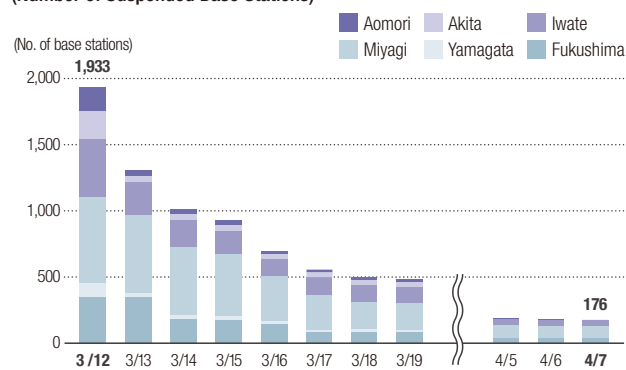


au femtocell antenna using satellite communications (Ishinomaki, Miyagi Prefecture)



au mobile phone free rental and battery charging service (Onagawa, Oshika, Miyagi Prefecture)

Cellular Base Station Restoration Status in Six Tohoku Prefectures (Number of Suspended Base Stations)



As of the end of June, achieved the same service quality level as before the earthquake

VOICE

Acutely Aware of the Social Function of Infrastructure Business



Seiji Yamamori

Associate General Manager
(Then General Manager,
Network Operations Division,
Operations Sector)
Engineering Division,
Technology Sector

From this disaster, I felt keenly the importance of people involved combining efforts for early recovery at the disaster site.

Cellular base stations suffered extensive damage in the Great East Japan Earthquake, so we gathered vehicle base stations and mobile power supply cars from all over Japan for dispatch to the disaster-struck areas. On March 11th, the day the earthquake hit, everyone arrived at the office by 4 p.m. to head for the disaster area. However, due to the Tohoku Expressway and Ban-etsu Expressway being unavailable, we had to take the roads on the west coast (Sea of Japan coast). More than twenty vehicles were gathered from Sapporo, Kanazawa, Nagoya, Osaka, Takamatsu, Hiroshima, and Fukuoka and met up in Niigata. It was in the evening of the 12th that we all arrived in Sendai via local roads. Among us were vehicles that had come spontaneously before the call-out. We were exhausted from driving all day, but immediately got to setting up the base stations, which took the whole night. At this time, we were driven by a strong sense of mission to get the “signals going at the disaster area.” I was proud of my associates that rushed to the scene from different parts of Japan.

In the gray of the morning of the 13th—that was 36 hours after the earthquake hit—we managed to set up the first vehicle base station, which had come from Kanazawa, on the school grounds of Iwanuma Elementary School in Miyagi Prefecture. When we set up a vehicle base station at the Shizugawa Junior High School in Minami-sanriku, Miyagi Prefecture, I heard about a teenage girl talking tearfully on the mobile phone that finally got connected, informing her family that she is alive. It was a moment when I acutely realized the social function of our task of dealing with communication infrastructure.

• Number of vehicles dispatched to disaster area

Vehicle base stations	Mobile power supply cars
11	35

Stable Provision of Information and Communications Services in the Future

Through our recovery and restoration efforts over three months since the occurrence of the earthquake, as of the end of June 2011, our mobile phone service is provided with the same communications service quality as before the earthquake except for the periphery of the Fukushima Nuclear Power Plants. We will continue to work toward the complete restoration of our fixed-line communication network as well as the expansion of coverage into the temporary housing and shelter areas. Furthermore, we will deliberate on and implement the following actions in preparation for future large-scale disasters.

1. KDDI will reinforce facilities so that early recovery of coverage can be attained in the event of a large-scale disaster.

- (1) The deployment of mobile power supply cars and emergency power generators will be increased from the current 55 units to 130 units in order to enable a swift supply of power to customers and KDDI communications facilities, including cellular base stations, in disaster-struck areas.
- (2) KDDI will increase the deployment of emergency radio entrance facilities* from the current 40 sections to 60 sections in order to ensure communication between the cellular base stations and the telephone exchange stations at all times, including when fixed lines suffer damage in the event of a disaster.
- (3) KDDI will, in addition to increasing the number of vehicle base stations equipped with satellite entrance systems* from the current 15 units to 20 units, deploy 27 transportable kit-type base stations that can equip both satellite and radio entrance systems in order to recover our customers' use of communications service in the disaster-struck areas.
- (4) By the end of FY2012, KDDI will provide for batteries that enable our near-2,000 cellular base stations to operate for more than 24 hours.

* Radio/Satellite entrance facilities: Facilities that connect using radio networks or satellite links in the case of a break in line between a cellular base station and telephone exchange station in the event of a disaster

2. KDDI will review the introduction of the following projects in view of further improvement of convenience of our customers' use of communications service at the time of disaster.

- (1) Improve the usability of the Disaster Message Board on a smartphone
- (2) Reinforce e-mail communications in the post-disaster period
- (3) Introduce voice file message service
- (4) Expand the range of models that support "disaster/evacuation information" conveyed in emergency warning e-mails

KDDI's Support of the Disaster-struck Areas

The KDDI Group donated JPY 1 billion, which includes contributions from our associates, through the Japanese Red Cross Society. We also supported customers affected by the earthquake and the tsunamis via extensions to charge payment due dates, reductions of or exemption from payment, and reduced repair fees.

Our support efforts for the affected areas are an ongoing pursuit in various forms other than those mentioned above.

Our Disaster Area Support Efforts

- Reduction in monthly basic charges for Metal-plus phone, au Hikari, Cable-plus phone, etc.
- Extension of payment due dates for au mobile phone service and fixed-line communications service charges
- Reduced repair fees for au mobile phones damaged due to the disaster
- Free rental of au mobile phones and Iridium satellite mobile phones
- Support of the Disaster Message Board service for smartphones
- Opening of the Great East Japan Earthquake support site "LISMO WAVE"
- One month of free Skype™* calling
- Free provision of "KDDI Web Hosting Service (G120, S10)" and "KDDI Paperless FAX Service"
- Recovery support for bases in the affected areas for customers using intranet services
- Opening of the "Disaster Area Support Donation Site"
- Opening of the Tohoku region disaster area reconstruction support site "live earth"
- Support for mass transmission of community information to evacuated people
- Support for the disaster area volunteer activities of our associates
- Provision of disaster relief goods
- Donation of monetary contributions through "au Smart Sports"



Free rental of au mobile phones (Kesennuma, Miyagi Prefecture)



Free rental of Iridium satellite mobile phones (Onagawa, Oshika, Miyagi Prefecture)

* Skype, its related trademarks and logos, and the "S" symbol are trademarks of Skype Limited.

VOICE

Creating Disaster-tolerant Communications Infrastructure for Reliable Delivery of Information



Hiroshi Kobayashi

Vice President Associate General Manager, Technical Sector
(Then General Manager of Operations Sector)

KDDI has gone through the process of telecommunications network recovery from damage caused by natural disasters a number of times, but this one was on a whole different scale. In common cases, all we had to do was restore the damaged base stations, but this time around the base stations themselves were washed away by the tsunamis. The restoration project proceeded under the conditions where the whole "town" or "community" had disappeared—a situation we had never experienced before. However, today at the disaster-affected sites, new communities are already being built. KDDI will pursue wider service areas in order to cover the new areas with temporary housings.

On another note, we are reviewing and revising our disaster actions in preparation for earthquakes of this magnitude in all parts of Japan. Using this incident as a lesson, we have constructed a new backbone route on the Sea of Japan side in order to bolster the reliability of our telecommunications network. We now have 4 routes on the western coast. KDDI also intends to utilize satellite-based infrastructure. In collaboration with local governments, we will strive to create the telecommunications infrastructure—a lifeline as proven in this disaster—that not only "connects," but also securely delivers information to those in need.

Four Material Issues and Expectations for KDDI

In FY2008, KDDI has promoted CSR efforts, focused on the selected “four material issues for CSR.” This time, we held dialogues between three external CSR practitioners experts and the management, in which we gained opinions from an objective perspective on our past activities and future challenges as well as expectations for KDDI in the future.

Opinions on the Four Material Issues for CSR

To start out with, we received candid opinions, evaluations, and comments from three experts regarding KDDI's four material issues for CSR, the selection of issues, and our previous activities up to this date.

Material Issue 1 Creating a Safe and Secure Information and Communication Society

Material Issue 2 Offering Reliable Information and Communications Services

Material Issue 3 Initiatives to Conserve the Global Environment

Material Issue 4 Vitalizing the Company by Developing a Diverse Workforce

How to Appreciate CSR Issues

Kuroda: We hear that the cooperative model with “bracNet^{*1}” is enjoying success in KDDI's global business operations, and mobile phones are in widespread use even across poverty-struck regions. Businesses in developing countries (BOP business^{*2}) are attracting attention, and amongst them, the utilization of ICT is the one of which the most is expected. I hope that KDDI will further expand the success model of “bracNet” to many other countries.

Ishida: In a hard-eyed view, the “four material issues” are not so clearly differentiated from the issues presented by the other

corporations. CSR is about communicating how the top management exerts its strong leadership to meet the needs of society and how the challenges are going to be taken on. These four themes are selected from the business perspective, but it is more important to identify which social issues KDDI is going to put the most effort into. In other words, the key point is the integration of CSR and management; how to incorporate CSR into business strategies.

Midorikawa: When deciding on “which social issues that need to be focused on,” I suggest starting with a clean sheet of paper, that is to say, identifying the social issues first, instead of approaching from the relation with KDDI's lines of business. KDDI's “four material issues” can only be extracted upon the recognition of their denominator, “which is the social issues that need to be resolved.” I feel that many Japanese companies lack or have an insufficient awareness of the “social issues.” Amongst them, KDDI is remarkable in the point that it includes administrative organizations and NPOs/NGOs as stakeholders in the concept of TCS. Administrative organizations and NPOs/NGOs will become increasingly substantial entities in a diverse meaning for enterprises.

Why Dialogues are Needed

Tanaka: When I was studying in the U.S., neighborhood communities held parties and other gatherings, taking great care of me. At this time, I thought about the meaning of “companies contributing to the society.” The relationship with the society is essential for a company to grow. However, in reality, companies are driven to undertake CSR activities only as a peripheral part of their overall business. Whether this is

Mr. Hiroshi Ishida

Executive Director
Caux Round Table-Japan
Proposes CSR activities
from a management-
strategic perspective

Mr. Yoshiki Midorikawa

Co-chairperson of The Valdez
Society
Studies social systems with a
focus on environmental
problems and employment/
labor issues

Ms. Kaori Kuroda

Co-director of CSO
Network Japan
Engages primarily in
human rights issues from
the standpoint of civic
movements

Takashi Tanaka

President,
KDDI CORPORATION

Yoshiharu Shimatani

Senior Vice President
General Manager,
Technical Sector,
KDDI CORPORATION

healthy is a question I have long been asking myself.

Ishida: All kinds of corporate managers face this question. That is the very reason why dialogues are needed. It is one channel by which to build the relationship between a company and its stakeholders. By discussing issues with citizens and NPOs/NGOs, you can gain “insights” into the problems that need to be addressed, which can lead to sustainable business. For instance, companies’ “human rights” awareness is rising in recent years, but it wasn’t the case formerly. On another note, “compliance” was never mentioned with a sense of reality ten years ago, but nowadays it is firmly actualized. It is vitally important to keep up the highest level of sensitivity when getting involved with diverse stakeholders if we ought to appreciate social issues.

Kuroda: It is crucial for a company to be conscious of the fact that it is a member of the community, and that it carries out the efforts necessary for that community even if those efforts do not directly concern its line of business. Nevertheless, efforts that are not part of business tend to be on the back burner in the light of budgets. Considering continuity and sustainability, shareholders are easier to persuade with CSR efforts related to the company’s line of business, and moreover, in telecommunications, the business itself has a social contribution factor. By taking advantage of that feature, KDDI can lead its business to resolving the various issues in society.

Midorikawa: The ‘line of business’ is always the past and present—what a company should do in the future depends on the changes in society. A company doesn’t necessarily need to pursue only the current business.

Shimatani: In that sense, KDDI*³ has conducted a three-month training sessions for engineers in Africa and other areas for more than 30 years. I have heard that one of those trainees later became the country’s minister of communications. It is an example of contribution to the community that does not have a direct relationship with our business.

Ishida: Even if a matter is not an imperative that must be done in order to prevent the company from falling apart, by the time the issue surfaces five or ten years later, it may be too late to correct the direction to the needs of the age. For this reason, a company must look toward being a step ahead of the current situation. Seen in this light, meeting CSR requires “cunning.” In order to lead the world and challenge it, good communication is the key; for example, a tie-up with an international NGO can bestow new visions on the company.

Midorikawa: Japan has an entrenched and prevalent culture of preferring “to become number two instead of number one.” The first one risks the most. Therefore, people target the second as a safer choice. There may be some differences based on industry, but companies are now challenged to seek activities that aim for the top of the world, breaking free of this tradition.

Changes in Social Roles Assumed by a Company

Ishida: Poverty-struck countries have very high expectations of a deep-pocketed enterprise. How should we approach



“equality” and “fairness,” which the world today is most concerned about in alleviating social inequality? Taking the KDDI Mobile Phone Learning Class as an example, these classes are held to provide “equal opportunity”⁴. It is important for KDDI to have that attitude of taking the initiative and to clearly convey that message to the society.

Midorikawa: The world has radically changed if we compare the 1990’s and the 2000’s. Previously, NPOs and companies were opposed to each other, but now the basic line is to “cooperate.” On the level of social business, a common ground that allows entry for both the companies and NGOs was formed—all the more reason for KDDI to intensify its communicative power and constantly demonstrate a strong presence. I also hope that KDDI will build up the corporate capabilities that will enable that accomplishment.

Tanaka: Since we were, up to now, thinking in the scope of “what telecommunications could do,” I think our views have been provincial. We would like to identify the things we can do among the needs of the society and the positioning of such efforts in our business activities.

Ishida: I suggest narrowing down the issues from a social perspective and then become specialized in dealing with the selected issues.

Tanaka: Speaking of “bracNet” mentioned at the beginning of this discussion, we promoted this with the understanding of our social assignment, specifically the advantages we have as a company and the social benefits we can deliver. This business is growing but the situation is quite challenging for social contribution. Without the continuity of the company, we cannot attain our objectives. The balance between business and social contribution is difficult. I believe “bracNet” is a good project that realizes the synergy of business and social contribution, but we have yet to understand how much it accounts for what the world is demanding and what significance this project has.

Kuroda: I see “bracNet” as an innovative project. The circumstances of management that you mentioned are something inevitable in running a sustainable business. Including the current state of affairs and business performance, it would be appreciated if you were to disclose and communicate those processes.

Expectations for the Future of KDDI

After a break, we commenced the second half of the dialogue. To further the conversation in the first half, we asked each of the three experts to write keywords on a sheet of paper about “what they expect of KDDI.”

What “Sustainable Growth” Means to a Company

Ishida: I wrote “Sustain.” Sustainable growth is very important for a company, but I feel that the root of the term “sustainable” is often not well understood. “Sustainable” has three meanings: maintain, suffer, and uphold. Let’s consider



“what sustainable means” when applied to a company by approaching the term on the basis of these three words. By building up each process in discussions, be it inside or outside of the company, KDDI can construct its original “sustainable” growth.

Shimatani: Speaking of “corporate sustainable growth,” KDDI has been working on business continuity planning (BCP). We had a disaster drill in January this year, but when I look back, honestly there wasn’t enough tension. Then we had the earthquake in March. What was vastly different about the recovery from the damage left by this earthquake from previous recovery efforts was that there were many “human” interactions in the devastated areas. As a symbolic story, when the KDDI work vehicles entered the disaster areas in order to restore the base stations, they put up a sign saying “shared ride” and carried people evacuating to the shelters. This was completely spontaneous; no one ordered them to do it.

Tanaka: It’s not a corporate operation, but it’s something that should be done in terms of contributing to the community “as a human being.” The experience of this earthquake seems to have changed the awareness of our associates. By proactively taking action and deciding, they accomplished tasks that would normally take one month in one day. There is a lot to learn from this.

Ishida: Maybe it was the “KDDI Philosophy” that was at the core of the KDDI employees’ actions. It is vital to have as many employees as possible to resonate and sympathize with the management philosophy.

Shimatani: In fact, our associates’ sense of purpose and will to “restore our services as soon as possible” were very strong.

Midorikawa: The “KDDI Philosophy” is a brilliant philosophy. While employees promote their happiness, their actions can also help the international community. I hope KDDI will maintain this attitude.

How to Make Use of ISO 26000^{*5}

Kuroda: I wrote two key words. One is “community.” Among the “seven core subjects” of social responsibility that ISO 26000 address is the “Community involvement and development.” Many enterprises say that “this must be referring to CSR activities in developing countries,” but it’s not—it’s about how companies and other organizations get involved with their own communities. When getting involved in the community, companies need to face the community’s issues with other community members as part of the community.



My second keyword is “human rights.” John Ruggie’s “framework for business and human rights^{*6}” is becoming a guideline for companies when they design their human rights policies. What is important is the idea that the scope of corporate influence is broad and a company is responsible for its influence to the extent that it can control it. In other words, when a company considers human rights CSR, it needs to extend its view to the supply chain, and beyond their organizational boundaries. This is a future issue faced by Japanese companies, which tend to address human rights in a limited scope.

Midorikawa: First I wrote “education” and “equality.” Education in Japan must change fundamentally. The way of education should be reconsidered broadly, including university education and employee training. In Europe and the U.S., thorough investigations and detailed discussions are conducted when



making a decision. This is what Japan lacks the most. Laws, including the Constitution, need to be decided based on the consensus of the people. Such decision-making abilities of the citizens can only be fostered through appropriate education. With this established, we can finally pursue

“equality.” Then there is “agreement.” Using an example unique to Japanese companies: When a corporate worker submits his or her wish for internal transfer, most often the employee ends up being reassigned to a different post than what he or she had wished for—which is not the case with organizations in Europe and the U.S. In Europe or the U.S., people are not moved around without their consent, or in other words, without forming an agreement with the individual. Japan also needs to adopt this way of thinking. Japan is such an organization-

oriented society. We need to change this society for the better.

Ishida: It is difficult to strictly adhere to and execute what is presented in ISO 26000, because first you need to understand the context of the situation under which the whole framework was established, and then refine it into KDDI's "core subjects." After the refinement, exert corporate leadership via the top management communicating the core subjects as commitments and then put them to actual practice.

Midorikawa: Japanese companies are markedly nonchalant about "human rights" and "community" in particular. In the case of Japanese companies, human rights issues are handled by the HR department. However, since human rights issues include those particular to the community, it should not be left in the sole hands of the HR department, but rather tackled as a company-wide undertaking. Another important task for a company is to distinguish and organize issues that can be immediately taken on and those that need medium-to-long term actions. Take the principle "equal pay for equal work," which is also mentioned in ISO 26000, for example. Even the government has not presented a vision for this principle. Actions for the improvement of gender equality have already been launched, but the inequality due to seniority effected by annual raises and the inequality in employment conditions between regular employees and non-regular employees have yet to be resolved.

What KDDI's CSR should Aim for

Ishida: It is important to send out messages on these issues instead of remaining silent because nothing can be done. The messages can be something like: "We can't work on this although we have recognized the issue up to so and so point" or "We can't do this because we have this system..." Without sending out these messages, externally it's impossible to tell whether the company is simply ignoring the issue or has actually taken the issue into consideration. After the message has been expressed, leadership is exerted to influence the industry when the stakeholders' requests develop into actions to be taken.

Kuroda: ISO 26000 is difficult to work with because it's not a



certification standard. Numerous recommendations are listed and described, so it is important for KDDI to show the process of how KDDI is going to select the ones to implement. The question here is not whether or not the recommended item is already implemented; CSR is about showing the working process. In that process, you establish the policies, hold discussions in the company, and bring them out for further discussions with stakeholders to decide what is crucial for the company. If this is incorporated in the CSR reports, it will make it much easier for external entities to understand KDDI's CSR activities.

Shimatani: It didn't quite click with me where CSR and "cunning" connect, but I'm starting to understand the link between the two through this dialogue. Basically, a company can reinforce its competitiveness through CSR. I intend to chew over this in our context and deepen my understanding.

Tanaka: A company is a "corporate person;" it has "personhood." Like a person pays tax to the community they live in, the company KDDI must also contribute to the community. Upon digesting the pieces of advice we were given today in the context of KDDI, we would like to improve the sustainable continuity of our business. Through means of returning part of our profits to the society for taxes, we intend to contribute to the community. It was a great pleasure to have this talk. Thank you very much.

- *1 bracNet: Telecommunications company that provides broadband service in Bangladesh. KDDI invests in bracNet and promotes the penetration of high-quality Internet broadband through establishing communications infrastructure in the area.
- *2 BOP business: BOP stands for "base of the pyramid," indicating the lowest income class. BOP business targets this class in order to contribute to the improvement of their standard of living while pursuing corporate profits.
- *3 KDD: KDD Corporation. KDDI Corporation is formed as a result of KDD merging with two other companies, DDI Corporation and IDO Corporation, in October 2000.
- *4 Equal opportunity: Western concept that has a focus on "fairness," in this case, meaning that opportunities should be granted equally.
- *5 ISO 26000: International standard on social responsibility that was released in November 2010.
- *6 Framework for business and human rights: "Protect, Respect, and Remedy policy framework" developed by Professor John Ruggie, Special Representative of the UN Secretary-General on business and human rights.

Reflections on the Dialogue

This was the first opportunity for KDDI's top management to host a meeting to exchange opinions with experts. We gained an objective look at our CSR efforts, which are TCS activities aimed at the improvement of all our stakeholders' satisfaction, and received recognition in certain parts. On the other hand, we could not but realize how much we are still missing, have learned, and need to think about in terms of how to approach "social issues" and information disclosure. KDDI will see eye-to-eye on the valuable opinions that were bestowed upon us through the dialogues and strive towards improvement. We will continue to seek opinions through dialogues with stakeholders and constantly ask ourselves what social responsibilities we assume as KDDI Corporation. Toward our goal to become a company that sustainably grows with the society, we will commit to addressing social issues.

Kazuhiro Iizuka

General Manager, CSR & Environment Management Department
General Administration Department, General Administration & Human Resources Division



KDDI's CSR Is to Promote TCS

KDDI perceives all its stakeholders, including service users, business partners, employees, shareholders, investors, and administrative organizations, as its "customer." From the top management to each individual associate, we promote the positioning of Total Customer Satisfaction (TCS), or the satisfaction of all our customers, at the heart of our business activities.

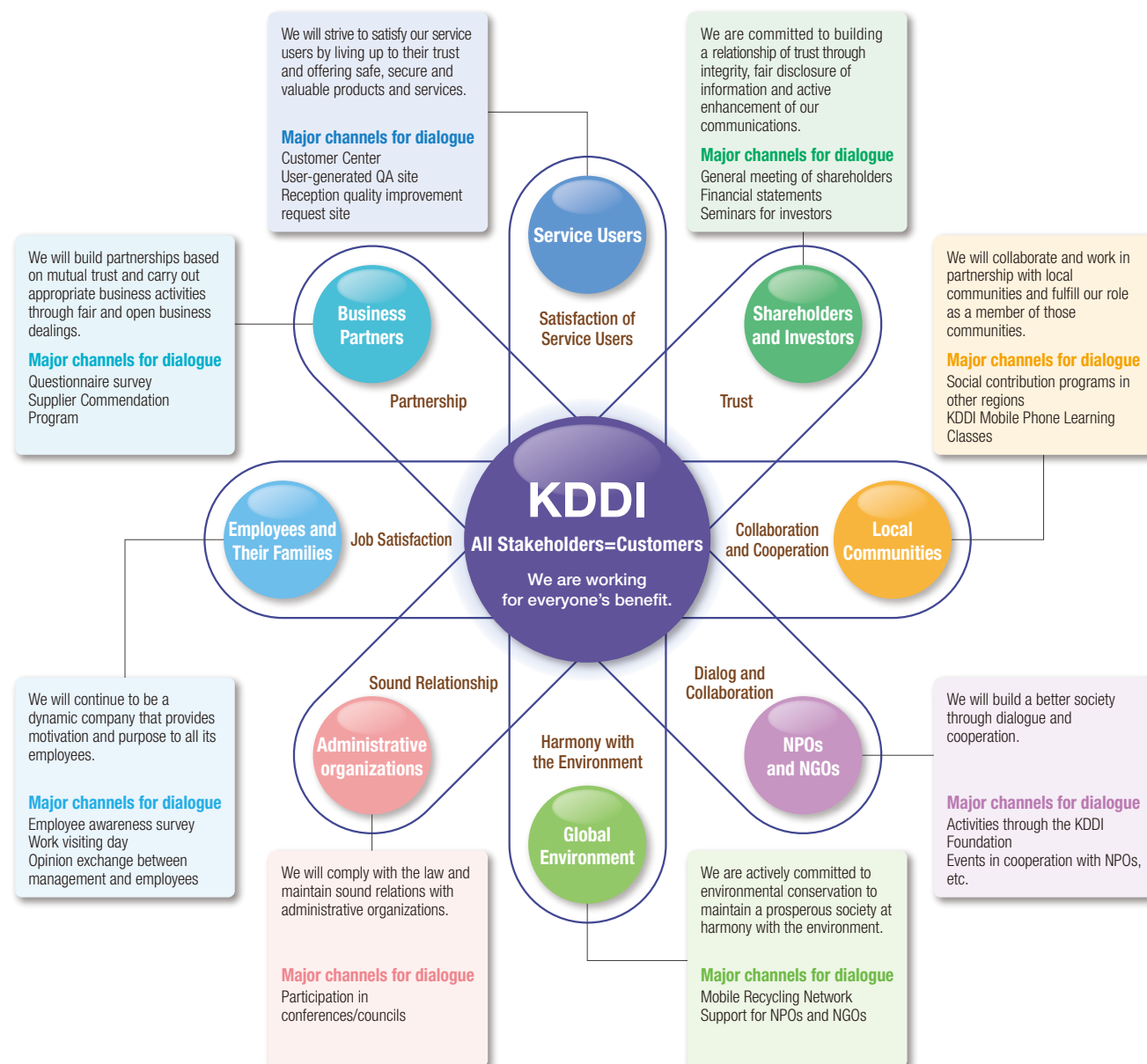
We believe that building a trust relationship with all our stakeholders on the basis of TCS leads to the CSR efforts through which KDDI meets the social expectations and fulfills its social responsibilities. We also intend to hear the opinions and requests of our stakeholders through dialogue and engagement in order to pursue resolution of issues and further realize customer satisfaction.

Basic Concept of TCS

To maximize customer satisfaction, every operation is considered to be connected to the products and services, and every process is reviewed from the customer's viewpoint.

Targeting all stakeholders, from the top managers to the employees, each person makes it his or her own task to realize customer satisfaction on a company-wide basis.

KDDI's Stakeholders



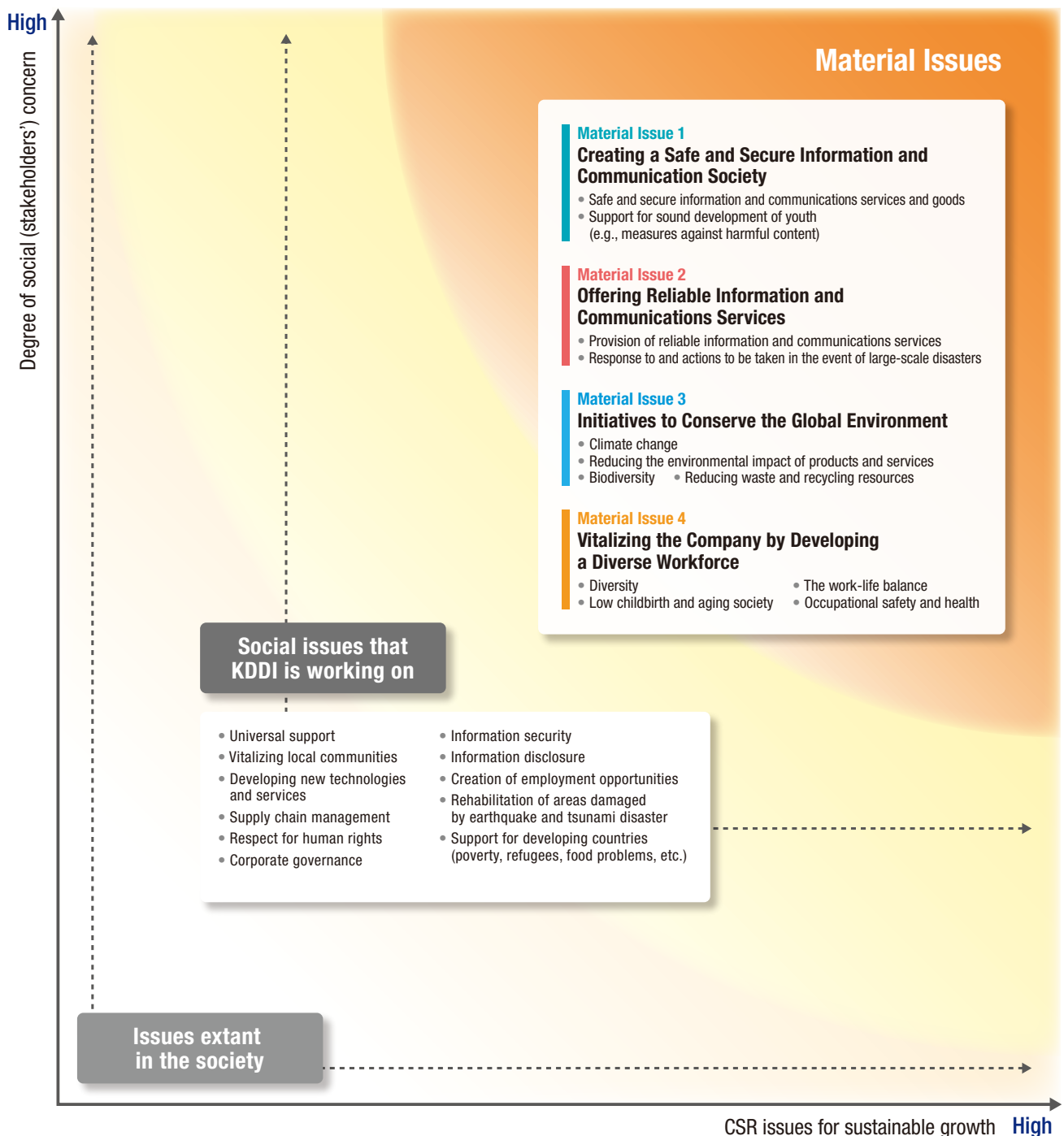
Four Material Issues for CSR

Of the wide range of issues with which KDDI's business activities intersect, in FY2008 we extracted a number of topics of significant social concern as "KDDI's four material issues for CSR" that we particularly need to focus our efforts on for KDDI to sustainably grow together with society at large.

At the "KDDI CSR & Environment Committee meeting" held in March 2009, we reported the four material issues we had selected, and after that we took diverse actions toward the resolution of the issues.

FY2011 is the fourth year after the selection of the four material issues. KDDI will approach these social issues with a broader perspective than before and re-examine the issues on which we should focus our efforts.

Social Issues and the Four Material Issues for CSR



Our major issues and achievements for FY2010 and our major issues for FY2011 are presented here.

Major stakeholders/Information webpage	Major issues in FY2010		
	Item	Sub-item	
Users of our services P.17-20, 35-36	• Enhancement of information literacy support	Dialogues with stakeholders	
		Enrichment of KDDI Mobile Phone Learning Class programs and learning materials	
	• Increase and enhancement of products, services, and usage environment		
	• Improvement of the quality of call/communication services		
	• Reinforcement of disaster preparedness		
Shareholders and Investors P.32	• Enrichment of communications with shareholders and investors in and outside of Japan		
	• Active information disclosure		
Business Partners P.32	• Enrichment of communications with corporate customers		
	• Improvement of partner satisfaction		
	• Ensuring of fair trade		
	• Support of improving customer satisfaction at au shops		
Society/Community P.31, 37-39	• Contribution to the development of the international community through KDDI Foundation	Efforts for the resolution of digital divide	
		Support programs	
	• Social contributions and donations		
	• Expansion and enhancement of internal control activities		
	• Development of company-wide compliance awareness		
	• Promotion of risk management		
	• Reinforcement of information security		
	• Implementation of environmental management		
Global Environment P.21-22, 27-30	• Promotion of CO ₂ reduction and resource-saving		
	• Promotion of recycling	Mobile phones	
		Telecommunications facilities	
	• Verification and development of technologies conducive to global environment		
	• Contribution to biodiversity conservation	Customer-participating environmental conservation programs	
		Employee-participating forest conservation programs	
Employees P.23-24, 33-34	• Creation of worker-friendly workplace		
	• Cultivation of diverse human resources	Cultivation of global human resources	
	• Promotion of diversity	Promotion of female employees' playing of active parts	
		Promotion of the employment of disabled individuals	
		Promotion of older employees' playing of active parts	
		Hosting of forums and seminars	
	• Expansion and enhancement of work-life balance efforts		
	• Improvement of communication in workplace		
	• Improvement of employees' physical and mental health		

[Evaluation standard] A+: Significant achievements were made for the issue
B: Action was taken but with no achievement

A: Certain achievements were made
C: No achievement was made or no action taken

FY2010 CSR efforts and achievements	Self-evaluation		Issues for FY2011
	Rating per sub-item	Overall rating	
Held "Symposium 2010: Everyone's Mobile Phone Summit"	A	A	<ul style="list-style-type: none"> Enhancement of information literacy support by improving the quality of "KDDI Mobile Phone Learning Class" Establishment of a telecommunications environment that enables customers safe and secure usage Enhancement of communications facilities and services in preparation for large-scale disasters Provision of quality service with high reliability
Revised the "Safety and Security Seminars in KDDI Mobile Phone Learning Class" programs to promoting educational effect ▶ Held 1,356 seminars (166 increase year-over-year)	A+		
Provided age checking service and promoted the use of filtering service Enriched customer services via KDDI Matomete Office (new service), etc. Increased and enhanced security services for smartphone users; Held "iida AWARD 2010"	A		
Improved quality via the development and launch of new technology "EVR-B" (call quality improvement) and the provision of "Service Area Quality Information Transmission Function" (communication quality improvement) service	A		
Provided earthquake early warnings to Android™*1 smartphones	A		
Implemented early restoration of services in areas affected by the earthquake	B		
Held quarterly results briefings	A	A	<ul style="list-style-type: none"> Expansion and enhancement of communications with shareholders and investors in and outside of Japan Active information disclosure
Held individual meetings and small meetings in Japan and abroad ▶ Held a total of approx. 800 individual meetings and 10 small meetings in Japan and abroad	A		
Participated in conferences and seminars for individual investors ▶ Participation in 2 conferences and 4 individual investors seminars	A		
Published videos (Japanese/English) showing the financial results presentation and general shareholders meetings on website	A		
Enriched the content of annual reports	A		
Issued e-mail magazines; Started the operation of mobile IR site	A		
KDDI Enterprise Users' Group (KUG) events	A	A	<ul style="list-style-type: none"> Enhancement of communications with business partners Support for the improvement of customer satisfaction at au shops
Conducted questionnaire surveys and improvement actions for ordering procedures	A		
Ensured compliance in accordance with "Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors"	A		
au My Premiere Shop actions	A		
Provided educational support to au shop staff	A		
Opened the sixth "KDDI School" in Cambodia Contributed to communal vitalization in developing countries via information and communications services	A		
Support and aid programs ▶ 50 programs ran in FY2010	A	A	<ul style="list-style-type: none"> Enrichment of social contribution programs in and outside of Japan Further contribution to the development of the international community through the utilization of ICT Entrenchment of autonomous internal control activities (operation quality improvement, self-evaluation, etc.) and the development of framework and systems thereof Thoroughgoing review of corporate norms, standards, rules, etc. as our guidelines of conduct Reinforcement of efforts to comply with laws and regulations Development of company-wide compliance awareness through training and seminars Further promotion of company-wide risk management integrated with business administration Further improvement on KDDI Group security; Efficient and effective operation of ISMS*2 <p>*2 Information Security Management System: A comprehensive information management framework built by companies and public offices to prevent leakage or loss of information</p>
Donations to NPOs via click donation sites ▶ Total donated amount: ¥3,570,661 Conducted social contribution efforts through the +α Project with participation of employees; Supported charity groups, NPOs, NGOs ▶ Total donated amount: ¥3,188,700 Regional contribution efforts (Antarctic Classes, etc.) using KDDI networks and facilities Donations to disaster areas ▶ China Qinghai earthquake aid: ¥2,562,498; Pakistan floods aid: ¥1,568,055; China landslide aid: ¥1,042,342; New Zealand earthquake aid: ¥8,953,575 Great East Japan Earthquake aid: ¥1,000,000,000	A		
Created internal control report; Designed, established, and evaluated internal control of KDDI's major group companies	A		
Held Business Ethics Committee meetings	A		
Revision of KDDI Action Guideline	A		
BCP review & revision	A		
Held Information Security Committee meetings; Promoted information security based on ISMS*2 authentication	A		
Implemented the Medium-term Environmental Conservation Plan Environmental training to employees ▶ 3 e-learning programs/year	A		
Introduced "TYPE-VII" (radio system that spares cellular base stations air conditioning) in actual operations Slimmed down communications networks and internal systems Started the application of KDDI Green Procurement Guidelines Promotion of Bill on WEB	A+		
2,351,000 mobile phones (159,000 units increase year-over-year) collected Mobile phone material recycling ratio: 99.8% (0.2% increase year-over-year)	A		
Telecommunications facilities material recycling ratio: 98.2% (0.3 decrease year-over-year)	A	A	<ul style="list-style-type: none"> Improvement of environmental management quality through formulating the Third Medium-term Environmental Conservation Plan Promotion of "Green of ICT" through enhanced tribrid base station functions Promotion of R&D of services for "Green by ICT" CO₂ reduction in the society at large Enrichment of environmental communications
Expansion of tribrid base station technology testing ▶ 11 test base stations Tested energy-saving technologies at data center	A		
Expanded and enhanced the "Green Road Project" ▶ Support for coral reef protection/cultivation project in Okinawa; Support for Kumano Kodo pilgrimage route restoration project	A		
Expanded our efforts for biodiversity conservation through communal nature/culture protection activities support projects ▶ Support for Japanese crested iris protection (Niigata), cleaning of Lake Kasumigaura (Ibaraki), protection of Cedar Avenue of Nikkō (Tochigi), and registration of Mt. Fuji as a World Heritage Site (Yamanashi)	A		
Expanded CSR efforts via the campaigns on mobile phone application "live earth" ▶ Donated a total amount of ¥4,763,700 from the information charges to areas in need of nature conservation or protection (Hiwasa Beach in Tokushima, Kabukuri Wetland in Miyagi, Kiritappu Wetland in Hokkaido, etc.)	A		
Expanded forest conservation activities in Chugoku and Shikoku regions	A		
Implemented and examined employee awareness survey "KDDI Kaitai Shinsho"	A+	A	<ul style="list-style-type: none"> Establishment of a worker-friendly workplace environment Support for employees' work-life balance Enhancement of personnel to enable them to become active global players Improvement of communication within the organization
Provided worker training and manager training targeting locally employed employees	A		
Set up a new special quota for global business development	B		
Launched the women's professional advancement project "Win-K" ▶ Female managerial ratio: 2.7% (0.6% increase year-over-year)	A		
Promotion of the employment of the disabled via KDDI Challenged ▶ Employment ratio of disabled individuals: 1.95% (0.06% increase year-over-year)	A		
Held "50's Seminar" targeting employees in their fifties	A		
Held a diversity forum targeting managerial personnel	A		
Held the diversity promotion seminar "Diversity Lounge"	A		
Held "Papa's Management Seminar"	A		
Work-life balance support seminar for employees leaving for or returning from maternity/childcare leaves	A		
Implemented advisor programs for new employees	A		
Held 14 industrial physician seminars nationwide	A		

*1 "Android" is a trademark of Google Inc.



Material Issue

Creating a Safe and Secure Information and Communication Society

Creating a Safe and Secure Information and Communication Environment for Each Child

While mobile phones and the Internet have become increasingly popular among children in recent years, more and more children end up getting involved in unexpected problems.

KDDI is striving for a society where everyone can use information and communication services safely and securely.

Topics

- Support for the improvement of information literacy
- Development of products and services with which mobile phones and the Internet can be used safely and securely, and the establishment of an environment for such uses

Dialogues with Stakeholders (Engagements)

- “Symposium 2010: Everyone’s Mobile Phone Summit”
- Holding of KDDI Mobile Phone Learning Classes
- Participation in the Safe Net-making Promotion Conference

Considerations for Children’s Use of Mobile Phones

“Symposium 2010: Everyone’s Mobile Phone Summit”

In August 2010, KDDI hosted the second symposium on the use of mobile phones, “Symposium 2010: Everyone’s Mobile Phone Summit,” during which a number of different stakeholders took part and exchanged opinions and information regarding children’s use of mobile phones and the Internet.

The audience was listening closely as the participating teenage students gave many opinions in the discussions and interviews, among which included: “We would like adults to have more trust in us,” “We would not want the convenience and effectiveness of mobile phones as a communication tool ruled out,” and “Educating people on how to use the mobile phones and the Internet properly comes before uniform restriction.”

In the panel discussion, which involved parents, administrative workers, product/service providers, and other people with different backgrounds, we were able to discuss the current issues and their possible countermeasures, as well as gain an understanding from the parents and teachers regarding the actual state of children’s use of telecommunications tools.

The symposium was webcast all over Japan via Ustream, and we received many comments and questions from viewers through Twitter.



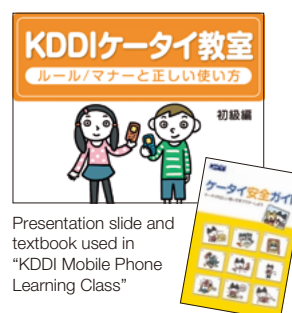
Teenage student discussion at the symposium

Improving Children’s Information Literacy

Holding of KDDI Mobile Phone Learning Classes

Since 2005, KDDI has held “KDDI Mobile Phone Learning Class lectures” all over Japan. In these classes, children learn the necessary rules and etiquette for the safe and secure use of mobile phones, as well as the knowledge for dealing with mobile phone-related troubles and how to correctly make use of information on the Internet in order to avoid risks based on their own judgment.

In 2010, KDDI hosted 1,356 classes in which we communicated how to safely and securely use mobile phones. However, given the social circumstances where the problems encountered by children are getting more diverse and serious, in cooperation with educational consultants and other people in the education field, we made revisions to the program in April 2011 so as to improve the educational results. The new program focuses on empowering children to think about the risks of mobile phones and the Internet themselves as well as to avoid problems. The classes feature three levels of lectures (beginner, intermediate, advanced) to accommodate all degrees of mobile phone usage.



Presentation slide and textbook used in “KDDI Mobile Phone Learning Class”



A scene from “KDDI Mobile Phone Learning Class”



Consumer
Issues



Community
Involvement and
Development



Our Challenges: Voices from our Stakeholders



Atsushi Tomita

Chief Supervisor
Institute of Education
Department of
School Education
Saitama City Board
of Education

Realizing Safe Information Society for Children through the Collaboration between School and Company

Children nowadays grow up in an environment where the Internet and mobile phones are commonplace. While children understand the convenience of these information and communications devices well, we often see instances where there is a shortfall in their recognition of the risks. More and more schools are now holding Internet and mobile phone safety classes, which are provided in collaboration with companies. This trend is in line with the “information moral education” defined in the educational guidelines*, which is intended to cultivate the ability in children to properly process and select information. Today, schools and companies are required to team up to educate children and their parents in information etiquette. As an effective approach to foster children who can safely thrive in the information society and benefit from mobile phones as a useful communication tool, we have high expectations of the KDDI Mobile Phone Learning Class.

* Guidelines provided by the Ministry of Education, Culture, Sports, Science and Technology based on the School Education Act and other relevant laws, and which establish the standards for each school to organize their curricula

Results and Future Issues

In FY2010, KDDI was blessed with the opportunity to hold an active dialogue with stakeholders through the symposium. Based on the opinions and requests we received, we have made improvements to the “KDDI Mobile Phone Learning Class lectures.”

For FY2011, we will pursue a deeper dialogue with parents, educators, and administrative personnel, through which we intend to reflect in the expansion and enrichment of services (filtering service, etc.) and products as well as offer KDDI Mobile Phone Learning Classes of an even higher quality. KDDI is committed to creating a telecommunications environment in which children can safely and securely use information and communications services.

In July 2010, “KDDI Mobile Phone Learning Class” was awarded the “4th Kids Design Award”^{*1}. This award recognized our efforts and designs that took a problem solving approach to the two core elements “child-friendly approach” and “consideration for children’s safety and security.”



**KIDS
DESIGN
AWARD
2010**

^{*1} Kids Design Award: Kids Design Association’s award system that commends the design of products, facilities, communication projects and investigative studies that contribute to the safe, secure, and sound growth and development of children (Kids Design Association is a Cabinet Office certified NPO).

settings make it easier for users to set the filter function, and now the filter has been enhanced with the ability to reject the receipt of “impersonating e-mails” with a fraudulent sender address.

Provision of “Age Confirmation Service”

In January 2011, KDDI became the first domestic mobile phone carrier to provide the “Age Confirmation Service.” For the purpose of safely and securely using online community services such as social networking sites and blogs, with prior consent from the customer, this service transmits age information^{*2} to the site provider when the customer uses a community site that requires age confirmation.

This is in compliance with the requirement for CGM^{*3} content providers to ensure age authentication as part of the youth protection policy in relation to using CGM services.

Furthermore, KDDI has taken timely actions on the SNS “au one GREE,” which is jointly operated with GREE, Inc., to protect youths and their sound development. Our actions include the expansion and improvement of the site patrol system, setting up age restrictions on certain functions, and educational activities on and off the site. We believe that the introduction of this service will be conducive to the improved safety and security of our customers.

Protecting Children from Dangers

Efforts for the Promotion of Filtering Services

KDDI is promoting the widespread use of filtering services, which can prevent young people from problems that may arise from accessing harmful websites.

As KDDI’s standard procedure, we apply the filtering service “EZ Safety Access Service” to underage customers subscribed to au mobile phone services. However, in August 2010 we established the “Filtering Service Cancellation Request Form” for underage customers who wish to opt out of the “EZ Safety Access Service” and the “Restriction Placed on the Use of EZweb” (filtering service) when subscribing to a mobile phone service or when cancelling these services later. Parental consent is required for this procedure.

In December 2010, we improved and expanded the “Unwanted E-mail Filter” function, which filters out unwanted e-mail messages received on an au mobile phone. The new

^{*2} Age information: Information that indicates whether the potential user has reached or is under the age specified by the content provider. This information is based on the customer’s date of birth used in the mobile phone subscription, or if user registration is submitted, the user’s date of birth used in the registration; the actual date of birth and age are not transmitted. If user registration is submitted, user’s age information is transmitted.

^{*3} CGM (Consumer Generated Media): Collective term for media in which consumers contribute their own content; examples include social networking services (SNS), blogs, and word-of-mouth sites.

2

Material Issue

Offering Reliable Information and Communications Services

Offering Reliable Information and Communications Services to Each and Every Customer

To provide high-quality, reliable information and communications services at all times and everywhere, we are implementing initiatives for improving service quality and disaster-preparedness for realizing the satisfaction of all users of our wide range of services.

Topics

- Improvement in the quality of information and telecommunications network services in the eyes of our customers
- Expansion and enhancement of disaster preparedness

Dialogues with Stakeholders (Engagements)

- Collection of customers' voices at the Customer Center
- Three-Voices Solution Project
(Collecting the voices of our customers, agencies, and employees for analysis and improvement)
- Introduction of the Service Area Quality Information Transmission function
(automatic service area quality information transmission service)
- Establishment of "Create it! au service area"
(Site at which service area improvement requests can be posted)
- Provision of Reception Quality Survey service (home-visit check for better reception)

To Prepare for Disaster

Developing Technologies that Ensure Continuity of Information and Communications Service Provision during Large-scale Disasters

When a serious earthquake or other life-threatening disaster occurs, mobile phones play an essential part in checking on each others' safety and collecting safety information. Nevertheless, if the cellular base station suffers damage or when concentrated telecommunications use produces traffic beyond the capacity that the facilities can process, reliable service may at times be difficult to provide.

In order to raise the chance of connection under these circumstances, in July 2010 KDDI R&D Laboratories developed and released the guiding carrier-free communication for use in times of disaster. This system uses two methods: One guides the users to shelters and service areas via one-seg broadcasts and the other relays e-mails through the mobile phones of other carriers.

In the light of the experiences from the Great East Japan Earthquake, we will continue our efforts for the practical application of the guiding carrier-free communication.

Recovery from the Torrential Rain Disaster in Amami Oshima, Kagoshima

In late October 2010, the torrential rain that hit Amami Oshima Island in Kagoshima prefecture caused a severe damage to the telecommunications infrastructure, including the flooded cellular base stations and line breaks. In the emergency situation where not only mobile phones, but also fixed-line phones and telecommunications networks are paralyzed, 29 KDDI staff members entered the disaster-struck areas for recovery work. At the sites, the KDDI members provided communications lines using 4 vehicle base stations and engaged in recovery work at base stations.

Furthermore, in response to the lack of communication

suffered at shelters and administrative task forces and other emergency cases, KDDI provided the Iridium satellite telephones, which are effective means of communication in emergency situations, and 70 au mobile phones to local governments without charge as part of our efforts in recovering Amami Oshima's communications function.

High-quality International Video Transmission

Delivering the TV Pictures from 2010 FIFA World Cup South Africa to Japan

To deliver big international events to the TVs of Japanese homes, we need reliable international video transmission technology. For the "FIFA World Cup South Africa," which was the first ever World Cup held in Africa, KDDI received an order from Japan Consortium*1 to operate the international video transmission from Johannesburg to the KDDI Ōtemachi office. We delivered the World Cup broadcasts to all of Japan using our networks.

The relay link used two optical submarine cable systems, one via Hong Kong and the other via London & the U.S. to prepare for possible failures on these two routes, we also established a backup link in order to ensure transmission to Japan.

KDDI provided reliable, high-quality broadcasts of the month-long World Cup from June 11, 2010 (local time) and received high acclaim from the Japan Consortium.

*1 Japan Consortium:
Broadcasting organization jointly operated by NHK and commercial TV broadcasters in Tokyo



"KDDI International Television Center" in Ōtemachi, Tokyo, operating and monitoring international relay broadcast of the World Cup



Consumer
Issues



Community
Involvement and
Development



Voice of Associate Working on Our Challenges



Takamitsu Hatae

Manager,
Operations & Service Quality
Management Department
Operations Division,
Technology Sector

We Value Our Customers' Voices, which Enables Us to Build Robust Communications Infrastructure

Our group is working on the prevention of network problems and the measures for early recovery in case of damage when a problem occurs. In FY2010, we commenced the "Recovery Time Reduction Program" based on the voices of our customers regarding problems and early recovery. Associates who are responsible for communications infrastructure monitor the status of communications devices 24/7, and should a problem occur due to a disaster or failure, they perform operations to swiftly restore the network to its normal state. We have set a target time for the recovery operation—if we are even a second short of the goal, we execute PDCA* cycles and improve on operation quality by analyzing the processes in detail and taking preventive measures. We will continue to take in our customers' opinions for the improvement of our quality of service and conduct our operations with the sense of mission that we are sustaining our customers' communications infrastructure.

* PDCA: Plan-Do-Check-Act process intended to improve the next plan

Results and Future Issues

KDDI sincerely apologizes to our service users for the inconvenience caused by the numerous communication problems that occurred due to the Great East Japan Earthquake.

As our resolve for FY2011, we will further technical development while improving disaster preparedness of networks as well as contingency planning and training, in addition to reinforcing our telecommunications facilities. Through these efforts, we will continue to offer reliable quality that meets the diverse needs of our customers.

Challenges for Information and Communications Technologies

Quality Improvement Efforts

• Improving call quality: "EVRC-B" Technology

In anticipation of "higher quality calls closer to natural voice than ever," KDDI introduced the "EVRC-B" technology in February 2011 to improve the call quality of au mobile phones.

"EVRC-B" can convey up to 1.4 times more voice information than can be transmitted via "EVRC*2", which was adopted for previous au mobile phones, at the current transmission speeds. According to the results of the survey we conducted at "Wireless Japan 2011," an exhibition held in May 2011, approximately 98% of the responding visitors*3 appraised the EVRC-B-equipped phones as "having a voice quality equivalent to or better than the previous models." This service is available with models that support "EVRC-B."

*2 EVRC (Enhanced Variable Rate Codec): Speech coding technology that changes the transmission rate between approximately 1.2 and 9.6 kbps during a call.

*3 Results are based on 461 respondents to a questionnaire originally created by KDDI.

• Improving the quality of communications:

"Service Area Quality Information Transmission function"

In order to further improve the quality of au service area, KDDI has adopted the "Service Area Quality Information Transmission" function starting with our Spring 2011 models. The au mobile phones*4 are the first in Japan*5 to be equipped with this function.

Should any communication error such as disconnection occur during the use of an au mobile phone, the Service Area Quality Information Transmission function automatically detects the location of the mobile phone, be it indoors or outdoors, and transmits the error occurrence location and reception status information to KDDI. Upon the receipt of this information, KDDI can improve on the service area quality*6 at an early stage.

KDDI will continue to improve on the quality of communications

in all service areas where we serve customers, from stations and meeting places, back alleys and residential areas, to offices and apartments, for the provision of reliable service to customers.

*4 Current models supporting the Service Area Quality Information Transmission function: S007, T007, T008, CA007, K009, S006, SH011, K007, T006, and [ida] G11 (support planned for future models)

*5 Based on KDDI survey

*6 This function only operates when the function is enabled in the settings by the customer. No communication charges are incurred when the mobile phone automatically transmits detected information.

KDDI R&D Laboratories and Indian Institute of Technology Hyderabad Enter into Memorandum of Understanding

KDDI R&D Laboratories is engaged in the research and development of a wide range of top-caliber information and communications technologies, covering fixed-line and mobile communications, FMBC*7, next generation networks and ultra-high speed radio transmission technologies, security technologies, and application development.

In January 2011, KDDI R&D Laboratories entered into a memorandum of understanding with the Indian Institute of Technology Hyderabad, known for their excellent engineers, for joint research. Currently, we are discussing the particulars for joint research in the fields of radio communication, sensor networks, multi-media communication, security and many others. Through lectures at symposia held at the Institute, we will continue to have extensive exchanges and conduct collaborative research.

*7 FMBC is an abbreviation for Fixed Mobile and Broadcasting Convergence.



Signing of the memorandum with Indian Institute of Technology Hyderabad

3

Material Issue

Initiatives to Conserve the Global Environment

Steadily Addressing Each Environmental Issue

While the growing use of ICT increases our CO₂ emissions, KDDI is taking serious steps in conservation of the global environment by using solar and other alternative power sources for reducing greenhouse gases and by promoting recycling programs for mobile phones.

Topics

- Development and Introduction of Energy-saving Technologies
- Qualitative Improvement of Environmental Management
- Reduction of CO₂ Emissions through Green ICT
- Reduction of Waste and Promotion of Recycling
- Efforts to Protect Biodiversity

Dialogs with Stakeholders (Engagements)

- Participation in the Evaluation Committee for Voluntary Action Plan on Environment promoted by Keidanren (Japan Business Federation)
- Participation in the ICT Ecology Guideline Council
- Participation in the Mobile Recycle Network

Reviewing the Energy-saving Technologies at Data Centers for Future Generations

KDDI develops a variety of energy-saving technologies for use at data centers and actively carries out experimental introduction based on the achievements.

Virtualized Dynamic Air-conditioning Control Technology

The servers at data centers do not operate at full capacity all day everyday; the utilization rate changes from hour to hour. On this account, we are developing and verifying a server virtualization technology that aims to save energy by centrally managing the server operational status and automatically changing network settings, server configurations, and air-conditioning settings in response to server load. We intend to achieve 15% reduction in power consumption using this technology.

Focused Cooling Technology

Servers generate large amounts of heat. When the ambient temperature rises to over 30 degrees C, the servers can malfunction if they re-absorb that hot air. Thus cooling is essential, but lowering the air-conditioning temperature for the whole room results in wasteful power consumption since temperature can vary by bay.

To address this issue, KDDI is working on developing a focused cooling technology. Cooling units using natural circulation cooling systems will be installed on the backside of bays so that the heat released from the individual servers can be directly cooled. When put in practical use, this system can save energy by means



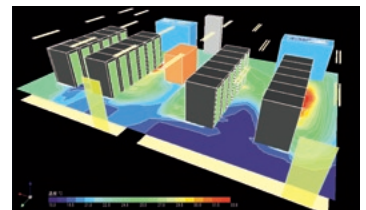
Server rack with cooling unit installed

of a reduction in overall air-conditioning load, allowing for more efficient temperature settings, and resolving the problem of heat retention.

Airflow Simulations

Approximately 30% of the power consumption at data centers is due to the air-conditioning for cooling down the heat generated by servers. However, the operation of the air conditioning to the optimal temperature was considered difficult because heat generation fluctuates in line with the server operational status.

At KDDI, we have established the know-how to figure out the optimal equipment layout by conducting computerized simulations of the airflow in the server room and fine-tuning the results using the measured values, such as heat distribution. By eliminating local heat concentrations, air-conditioning load is efficiently reduced, hence promoting energy-savings.



Airflow simulation calculation image

High-voltage DC Power Supply

In order to stably operate data centers, we supply power to the servers via uninterruptible power supplies (UPS). However, due to the need to store power in rechargeable batteries, AC/DC conversion is required. During this conversion, energy loss occurs.

KDDI is investigating a new power feed system called "high-voltage DC" (HVDC) in pursuit of reducing the number of conversions. By reducing the number of conversions, we expect an improvement in the efficiency of electric power transmission by 10% to 20%. Technical reviews for combining this system with the tribrid electric power control technology

Our Challenges: Voices from our Stakeholders



Mr. Hiroshi Onoda

Chief Executive Officer
Waseda Environmental Institute
Co., Ltd.

Associate Professor
Waseda University Environmental
Research Institute

Toward Environmental Load Reduction Conscious of the Two Aspects: ICT Energy Consumption and Convenience/Efficiency

To reduce power consumption associated with telecommunications facilities is a pressing issue for the ICT industry. Given such circumstances, we consider it very meaningful for KDDI to be proactively engaged in the reduction of CO₂ emissions by advanced means of energy-savings at data centers, solar power generation, and accumulator batteries. The key point is how to extend such leading efforts to telecommunications facilities nationwide. Not only do we need to set precedents, but it is also important to improve the energy-savings and CO₂ emission reduction efforts to suit each location and other conditions. ICT does require immense amounts of energy, but on the other hand improves convenience and efficiency in various fields, consequently contributing to the reduction of environmental load. We expect KDDI to continue pursuing business activities with those two things in mind.

Results and Future Issues

Approximately 98.6% of KDDI's power consumption derives from the consumption at telecommunication facilities to provide service to our customers. Considering that power consumption is on the increase with the expansion of ICT usage, KDDI is undertaking the development of technologies that are conducive to "Green of ICT," the reduction of energy used by telecommunications facilities. In the near future, we intend to apply our achievements to commercial facilities for the reduction of CO₂ emissions, as well as promote "Green by ICT" through ICT utilization that contributes to the reduction of the environmental burden on society.

(referred below) have started at KDDI, and are aimed at establishing this technology for use at data centers.

Tribrid Electric Power Control Technology for the Reduction of CO₂ Emissions

Extending the Scope of the Technical Verification of Tribrid Base Stations

KDDI has been conducting operation tests for cellular base stations using tribrid power control* technology ("tribrid base stations") since 2009. This new technology harnesses solar power generation, accumulator batteries, and nighttime power supply to maximize the efficiency of power usage. The operation tests are conducted at base stations where our power-saving radio equipment "Type-VII" is installed. Previous experiments revealed that compared to normal Type-VII-installed base stations, the tribrid base stations can reduce both power costs and CO₂ emissions by up to about 40% on an annual basis.

In 2010, tribrid base stations were built in Okinawa Prefecture in order to investigate their performance under weather conditions (typhoons, etc.) and sunlight hours different than those experienced in Honshu (mainland Japan). At the same time, tests using two types of solar mounting systems were conducted to verify cost reduction and the reduction of environmental load of solar panel mounting.

Other tests have also been undertaken; examples include tests using lithium-ion batteries to verify the reduction in environmental burden via reduced battery size and weight, longer usable life, and a reduction in the use of lead metals,



Amorphous solar cells base station

tests that involve directly mounting amorphous solar cells, which are lightweight and flexible, on steel-pipe pole antenna towers to verify the installation impact on the tower and the power generation efficiency in vertical installation.

Currently, tribrid base stations are set up in 11 locations. We are considering the extension of the application of the power control technology and solar equipment installation technology to communication stations, data centers, and home use.

* Tribrid (electric) power control: Coined term purporting the combining of three technologies. While "hybrid" means two kinds, "tribrid" indicates three kinds.

VOICE Voices from the Developers of Power-saving Radio Equipment "Type-VII"

Cellular base stations cover the whole nation with high density, and they account for approximately 60% of KDDI's total power consumption. Thus, reducing energy consumption at base stations was a big challenge for KDDI. Therefore we developed the radio equipment "Type-VII," which does not require air-conditioning units (to which most of the power consumption was attributable) while covering wide area with an independent base station. Compared to the conventional type, it achieved a near 40% reduction in power consumption per unit, as well as reducing the weight load on the building it is installed in by virtue of its compact and lightweight design—a truly eco-friendly base station. We are committed to continue offering services that meet our customers' needs while ensuring harmony with the global environment.



(From the left)
Yusuke Nakano
Industry Standards Department,
R&D Division, Technology Sector
Hideharu Hamaguchi,
Hiddenori Sasaki,
Takayuki Yamashita
Radio Access Network
Development Department,
Network Technical Development
Division, Technology Sector

4

Material Issue

Vitalizing the Company by Developing a Diverse Workforce

Creating a Work Environment Where Each Employee Realizes Their Full Potential

KDDI is committed to promoting diversity & inclusion through support of work-life balance, boosting of employment for persons with disabilities and senior citizens, promoting opportunities for women, and other initiatives. We are striving to create a system that incorporates feedback from our employees, implement initiatives for employee training, and create an environment with ideal working conditions.

Topics

- Expansion and enhancement of work-life balance efforts
- Promotion of diversity
- Cultivation of rich human resources
- Creation of a worker-friendly working environment
- Improvement of employees' physical and mental health

Dialogues with Stakeholders (Engagements)

- “KDDI Kaitai Shinsho” (Employee Awareness Survey)
- Promotion of women's professional advancement project “Win-K”
- Diversity promotion seminar “Diversity Lounge”
- Introduction of the Advisor Program for new employees

Creating a Worker-friendly Working Environment and Building Corporate Culture

Conducting the Employee Awareness Survey: “KDDI Kaitai Shinsho”

Since FY2009, KDDI has conducted an employee awareness survey called “KDDI Kaitai Shinsho” (meaning “KDDI anatomy”) targeting all employees. The FY2010 survey probed into the workplace culture, actual state of communication, our employees' attitudes toward work, and other issues on the topic of “worker-friendliness.” We received responses from 9,244 employees.

With regards to the “atmosphere of the workplace,” while the survey results showed an overall cohesion, it also manifested issues in speediness and the ability to face challenges. Positive responses accounted for 75.4% of the total responses in the “creation of a system that enables employees to realize their potential regardless of his/her attributes.” While the basic idea of diversity is prevalent among the employees, there were many opinions that requested a higher level of engagement in the development of a more inclusive workplace climate, which involves mutual respect and approval through gratitude and acknowledgement. In addition to being published on our intranet as well as in our newsletter, the survey results are used as material from which to extract issues for sharing and discussion in training at all personnel levels, from employees to officers, engaging individual employees in the vitalization of the workplace.

Our “Advisor” Program for New Employees

In FY2009, KDDI introduced the Advisor Program with the aim to care for the various concerns new employees may have and to create a working environment that enables them to work easier. In this program, a senior employee is assigned to each new employee as an “all-round mentor,” to whom the new employee can bring the doubts and problems they encounter on both the work and private life fronts. While the advisors are

the main and designated consultants for new employees, the surrounding employees also help out and actively get involved with the new employees. This encompassing assistance for the new employees also leads to the active communication and increased motivation in the workplace.

VOICE Advisor Program: Voices from Senior and New Employees

To pass on what my supervisors and senior employees have endowed me with to junior employees—I think this cycle forms the basics of employee development. I wish to convey as much of my experience as possible to Ms. Hirata.



Atsushi Miyamoto (Advisor)

Manager, Mobile Broadband 2G
Solution Engineering Department 2,
Solution Engineering Division
Solution Business Sector

Mr. Miyamoto not only listens to work-related matters, but also lends an ear to private talks. He is a very approachable person, like a brother. To have an advisor whom you can go to with anything is very assuring for someone who has recently joined the company.



Yuuko Hirata (New employee)

Mobile Broadband 2G
Solution Engineering Department 2,
Solution Engineering Division
Solution Business Sector

“Family Visiting Day”

The employee awareness survey “KDDI Kaitai Shinsho” conducted in FY2009 revealed key issues deriving from insufficient communication, and specifically pointed out “insufficient inter-department cooperation” and “lack of speediness in decision making and operations.” Voices have been raised to demand the



Labor Practices

Voice of Associate Working on Our Challenges



Mami Aonuma

General Manager,
Diversity & Inclusion Department
Human Resources Department,
General Administration & Human
Resources Division
Corporate Sector

Follow-ups to the “KDDI Kaitai Shinsho 2010”

We have integrated the two internal surveys, the TCS basic survey and the survey on diversity awareness, into the KDDI Kaitai Shinsho survey, which we started administering from FY2009. The results of the FY2010 survey conducted on the topic of worker-friendliness revealed the difference between the employees' motivation to contribute to the company and the actual sense of having contributed, as well as the distance between vertical and horizontal relationships.

Each department is working on vitalizing their organization by setting annual goals that reflect improvement actions devised on the basis of the respective survey results feedback, reviewing their achievements every half-year, and checking chronological changes. For FY2010, we also analyzed regional characteristics and held employee report meetings to exchange opinions regarding the issues and their possible solutions. The KDDI Kaitai Shinsho survey will continue to be administered as a company/workplace health check and utilized for the nourishing of a workplace climate that allows individual employees to work with exuberance.

Results and Future Issues

We implemented an employee awareness survey again this year through which we identified issues to be addressed. At the same time, each workplace established improvement actions and studied changes over time as part of PDCA approach for the vitalization of workplace. We also recently introduced the Advisor Program as the support system to enable new employees to adapt to their new living environment. During FY2011, KDDI will promote the establishment of a workplace in which each and every employee can feel motivated to work. Specially, we will pursue enhancement in the system for cultivating personnel that can extend their potential and become a global player, in addition to continuing the above-mentioned undertakings.

need for a vitalization of internal communication.

To confront this issue, KDDI established a “Family Visiting Day,” which is a day when families of employees can come to the workplace for a visit. This scheme aims to foster the family's understanding of the company and work, as well as to stimulate communication among employees by mutually discovering different aspects of their co-workers that they show when they are with their family. On the day, we arranged nursing rooms and diaper changing rooms to accommodate families with small children. We will promote continual measures conducive to active communication in the workplace.

Promoting Diversity

Promotion of Professional Advancement of Female Employees

The women's professional advancement project “Win-K” that was launched in FY2007 welcomed male employees from FY2009 and works on the resolution of a variety of issues covered by the three topics: “awareness of women,” “environment surrounding female employees,” and “working mothers.”

In the “fourth Win-K Forum” held in February 2011, about 200 employees gathered from all over Japan. After the President Tanaka's message “to step up with courage,” activity reports on achievements and the active roles enjoyed by a number of female employees were presented along with opinion exchange discussions and presentations by experts, all of which made for a fruitful session. KDDI also hosts periodic



Fourth Win-K Forum



Forum for employees on childcare leave

forums on returning to work, which targets employees on childcare leave, as part of KDDI's support for the promotion of women's professional advancement.

KDDI's female managerial ratio has risen from 2.1% in FY2009 to 2.7% in FY2010, which marks five consecutive years of increase. Moreover, we have established a goal for FY2015 to attain 7%. KDDI will continue to work on the development of a worker-friendly workplace for both genders.

Creating a Workplace with Diversity and Compassion

Further Promotion of the Employment of Disabled Individuals

KDDI Challenged focuses on the capabilities of individual employees with disabilities and organized a work environment tailored to different circumstances with the intention to further expand and create operations and duties in which each employee can enjoy an active part.

In February 2011, KDDI accepted workplace visits as part of the “Specialized Training for the Employment of Disabled People” run by the Japan Institute for Labor Policy and Training. We welcomed about 60 trainees from Employment Measures for the Persons with Disabilities Division of the Ministry of Health, Labor and Welfare and the prefectural labor departments. The trainees received lectures on KDDI's efforts for the employment of disabled individuals and observed the workplaces. To introduce a comment that we received from the participating trainees, they were very impressed by how the disabled employees were engaged in their tasks, using their capabilities to a full extent.

KDDI's employment ratio of disabled individuals for FY2010 was 1.95% (0.06% increase year-over-year).



Workplace Visits at KDDI Challenged

CSR Programs at Overseas Locations

KDDI also administers diverse CSR efforts at the 91 locations spread throughout 58 cities in 26 countries all over the world. Sales from overseas business account for less than 5% of the total sales of the KDDI Group, and the number of employees overseas is about a mere 10% of the total number of KDDI Group employees; however, we intend to expand and enhance our CSR efforts in line with future business expansion.

CSR Programs at Overseas Bases

In partnership with overseas carriers, KDDI supports overseas business operations of Japanese companies as well as operating WiMAX and data center businesses in developing countries. Our global data center “TELEHOUSE” and high-capacity optical fiber networks function as the foundation for our overseas activities.

Based on our acknowledgement that improved corporate governance and human resource development are crucial to KDDI’s global business, we are carrying out the following measures through coordinated efforts of the headquarters and overseas bases.

[Corporate Governance]

- Permeation of the “KDDI Philosophy” through the distribution of English booklets
- Holding of Business Ethics Committee meetings for overseas subsidiaries twice a year to exchange and share compliance-related information
- Implementation of quarterly internal controls, information security and risk management surveys
- Establishment of rules and regulations on finances, accounting and settlement in conformity to those of KDDI headquarters

[Human Resource Development]

- Provision of worker training and manager training targeting locally employed employees
- Introduction of “Global Grade,” the employee qualification system for overseas subsidiaries in line with the employee qualification system used at headquarters
- Introduction of “Special quota for global business development,” the system for recruiting personnel on the premise of overseas assignment

TOPICS

Entering the Global Financial Service Business Using Mobile Phones

KDDI partnered with Microfinance International Corporation, a U.S.-based financial solutions company, and embarked on a money transfer/settlement platform business using mobile phones in December 2010. As the first service to be offered through this partnership, we are selling prepaid remittance cards for immigrants and providing related services, which is a previously untapped market in the U.S.*1.

Today, it is estimated that about 2.5 billion people*2 in the world do not possess bank accounts. Out of those people, it is estimated that the number of people who will have mobile phones will reach around 1.7 billion*3 by the year 2012. Accordingly, we expect that the provision of financial services by means of mobile phones can significantly contribute to the improvement of the living standards of these people. Building on the relationships with global telecommunications carriers, KDDI will contribute to the development of the global society through the provision of new services that fuse communications and finance.

*1 Among telecommunications carriers, including mobile virtual network operators (MVNO) and calling card businesses

*2 Source: The Financial Access Initiative (November 2009)

*3 Source: Consultative Group to Assist the Poor (CGAP) (June 2009)

Material Issue 1

KDDI Mobile Phone Learning Classes in the U.S.

To create safe and secure information and communications society, as with Japan, KDDI America Inc. hosts “KDDI Mobile Phone Learning Classes,” which are taught by an instructor from the company. In December 2010, 30 students in the ninth grade participated at the Japanese School of New York. In January 2011, 50 students from fifth to ninth grade and 15 parents participated in the class held at the New Jersey Japanese School. Participants at both schools attended the classes with considerable interest.

At these classes, the instructor explains the circumstances in Japan surrounding mobile phones, cautionary advice for using mobile phones in Japan, and discusses actual problem cases using textbooks and DVD learning materials.

KDDI will continue to strenuously work on the global expansion of the “KDDI Mobile Phone Learning Class.”



KDDI Mobile Phone Learning Class at the Japanese School of New York

Material Issue 2

Operation Experiments for Mobile Phones Conducted at Showa Station, Antarctica

Since 2004, the Showa Station in Antarctica has been using general calls and Internet communications provided through KDDI’s Insarmat satellite facilities. In March 2011, KDDI constructed a femtocell (experimental cellular base station) at Showa Station to experiment with the operations of a mobile phone system for the purpose of improving its communications environment.



Operation experiments with mobile phones at Showa Station, Antarctica

Material Issue 3

TELEHOUSE's Initiatives to Save Power

As part of "our efforts for the conservation of global environment," KDDI's global data center "TELEHOUSE" is working on various ways to reduce power consumption.

Upon analyzing power usage conditions at the data center and verifying air-conditioning effects at customer facilities, TELEHOUSE America reduced the lighting and introduced new motors to the air-conditioning system. Through these power-saving approaches, we realized a 20% reduction in power consumption in some computer rooms.

At TELEHOUSE Beijing, we adopted a water-cooled air-conditioning system to save power at the data center. To save power during winter, we also employ "free cooling," which cools the machine rooms by means of a heat exchange with outdoor air.

As for TELEHOUSE Europe, its two offices in London were certified with the Carbon Trust Standard in February 2011. This Standard certifies that CO₂ emissions have been measured, managed, and reduced based on the verification by a third-party organization. TELEHOUSE Europe has formulated a CO₂ control strategy for reducing CO₂ emissions up to 127 tons annually by changing the air-conditioning systems at the two offices. In addition, TELEHOUSE Europe built a hot water supply system that leverages waste heat generated at the data centers. This system not only supplies hot water to the neighboring areas, but it also contributes to the reduction in CO₂ emission in the community.

Material Issue 4

Training Locally Employed Employees and Cultivating Human Resources

To "develop into a company with vigor through cultivating diverse human resources," KDDI Indonesia set up the "creation of a vivid workplace through the cultivation of human resources" as one of their CSR goals. Since January 2011, Japanese language classes have been provided targeting locally employed employees. The large number of voluntary participants indicates their high level of interest in learning Japanese.

To give a few examples of skill-up programs offered to share information, to collaborate with other overseas bases and headquarters, or as part of KDDI's global strategy, the KDDI Group administers "Overseas Manager Training" and "Sales and Technology Training," which are intended for employees of overseas subsidiary firms.

We will continue to conduct these human resource development initiatives and the training for locally employed employees working at KDDI's overseas subsidiaries.

VOICE

Voices of Locally Employed Employees Who Participated in Sales and Technology Training

"Training is a key setting for information sharing"

I learned the attitude as a KDDI employee through the KDDI Philosophy training. The lectures about KDDI's global strategy proved to be a vital setting for sharing information, particularly to us, who operate at overseas bases. The training for developing communication, presentation, and management skills involved demonstrations and contained a rich source of practical techniques, which we benefited immensely from. By applying the knowledge and methods I learned in the training, I aim to become a valuable manager of the KDDI Group.



James Lo
KDDI Hong Kong

"A treasure for our operations ahead"

The training was very informative, and it also provided me with a great opportunity for interchange with many peers. What I personally found the most interesting was the "KDDI Philosophy" training. The content of the philosophy was greatly conducive to the motivation of KDDI member around the globe, and I felt strongly that I needed to develop a firm understanding of it. Throughout the entire training, I was impressed with how most of the instructors from the headquarters were friendly and enthusiastic in their interactions with me. I am confident that my participating in this training would become a treasure for my job in the future.



Danielle Porter
TELEHOUSE Europe (UK)

The Environment

KDDI is dedicated to reducing the environmental impact of society as a whole through our business activities and social contribution programs by enhancing the quality of our environmental management.

Environmental Management

KDDI Environmental Charter

Manifesto

The KDDI Group recognizes the importance of fulfilling its duty as a responsible global corporate citizen to conserve and protect the Earth's irreplaceable environment so that it can be inherited by future generations. We are committed to pursuing our business in eco-conscious ways, through programs of activities that span the entire company.

Action Guidelines

1. We will strive to evaluate the quantitative impact of our activities as a company on the global environment, implement effective environmental protection programs and continuously improve these programs. Specifically, we will:
 - (1) Develop and operate environmental management systems necessary to make continuous improvements in such environmental issues as energy saving, resource saving and waste reduction.
 - (2) Comply with environmental laws, ordinances and other regulations and requirements. In particular, we will promote measures to reduce our electricity consumption from the perspective of preventing global warming.
 - (3) Promote communication through the appropriate disclosure of information within and outside a company.
2. We will strive to develop and offer services that reduce environmental impact through the use of next-generation information technologies.
3. We will contribute to the development of a recycling oriented society by promoting measures to mitigate and reduce the environmental impact of activities that necessarily entail mass consumption, such as the supply of mobile handsets.
4. We will promote corporate purchasing policies that favor eco-friendly products and equipment.
5. As a responsible corporate citizen, we will contribute to society and local communities through activities that promote an affluent society that is in harmony with the environment.

KDDI's Medium-term Environmental Conservation Plan

The Second Medium-term Environmental Conservation Plan formulated in 2007 upholds numerical goals for energy-savings, recycling, and waste reduction in order to carry out effective measures. As of the end of the fiscal year 2010, we have made progress, attaining our goals except for the targeted resource recovery rate for demolished telecommunications facilities. The

resource recovery rate for demolished telecommunications facilities fell slightly below the numerical target 99% (actual recorded rate was 98.2%) for FY2010, but we will continue to pursue the goal with cooperation from the contracted services. For FY2011, since it is the final fiscal year of the Second Medium-term Plan, we plan to formulate and release our Third Medium-term Environmental Conservation Plan as well as aiming to completely accomplish all our goals.

Second Medium-term Environmental Conservation Plan

1. Combating Global Warming

Reduce energy consumption by 16% from expected fiscal 2011 levels and achieve greenhouse gas emissions of 1,520,000 tons (CO₂ equivalent).

2. Waste Reduction and Recycling Promotion

- Achieve a resource recovery rate of at least 99% for mobile phones, demolished telecommunications facilities and the like
- Conscientiously reduce and sort office waste and achieve a resource recovery rate of at least 70%

3. Improving in Quality of Environmental Management

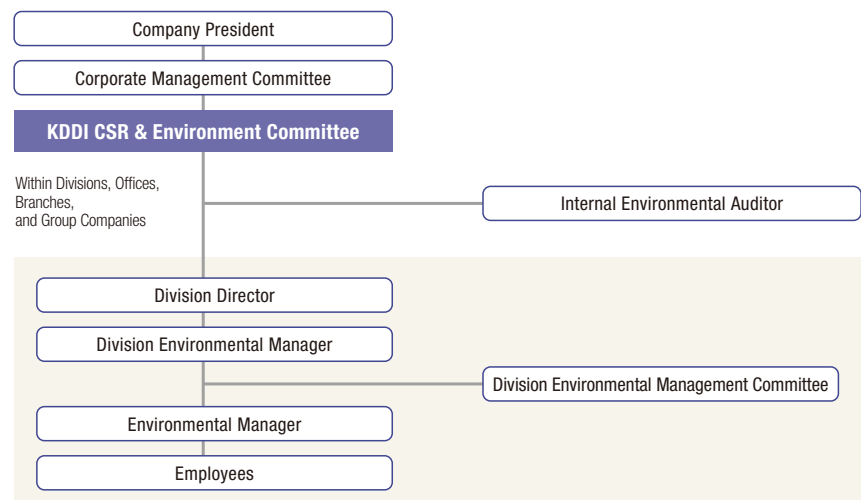
- Enhance compliance assessments and internal audits
- Enhance internal environmental education and awareness-raising activities

Environmental Management System

To promote group-wide, efficient environmental conservation efforts, the KDDI Group has established an environmental management system driven by the "KDDI CSR & Environment Committee", which consists of members

selected from each division, office, branch, group company, and affiliated organization. This management system, which covers KDDI and 21 group companies as of the end of 2010 (206 offices with approximately 36,000 employees), has also been "ISO 14001-certified".

KDDI Group's Environmental Management Regime



Environmental Impact of Our Business Activities

The environmental impact of KDDI's business activities comes primarily from the CO₂ emissions generated from the power usage by electrical and telecommunications equipment and the industrial waste produced when upgrading our equipment. We are committed to quantitatively ascertain the impact of these activities on the environment and reduce the environmental burden. We also consider the recycling of used mobile phones as a key undertaking for KDDI from the perspective of effective utilization of resources.

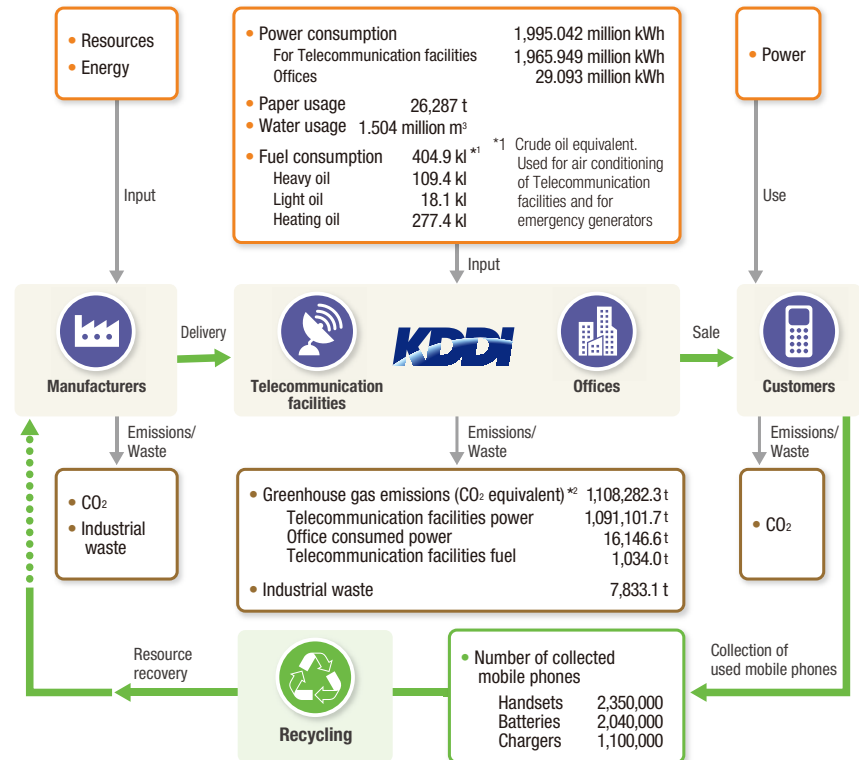
Environmental Accounting

KDDI has adopted environmental accounting since FY2009 for the purpose of improving the quality of our environmental management.

As a highlight from the FY2010 environmental accounting report, the power consumption (kWh) decreased year-over-year, which is attributable to the environmental investments such as the construction of power-saving base stations.

Environmental Impact of FY2010 Business Activities

Coverage: KDDI



^{*2} CO₂ emissions are calculated using a conversion coefficient of 0.555 kg-CO₂/kWh for the power consumption and the emission coefficients for fuel consumption applied to the calculation, reporting, and disclosure systems based on the "Act on Promotion of Global Warming Countermeasures."

Coverage: KDDI and 11 major consolidated subsidiaries ^{*3}

Period: April 1, 2010 to March 31, 2011 (FY2009 environmental accounting targeted KDDI only)

Environmental Protection Costs		Transaction Examples	2010 (Millions of Yen)		2009 (Millions of Yen)		Change from Previous Year (Millions of Yen)	
			Investment	Cost	Investment	Cost		
Business area costs	Pollution prevention costs	Pollution prevention costs stipulated by law, costs for proper disposal of PCBs, etc.	0	0	0	0	0	0
	Global environmental protection costs	Base stations using solar power generation (Investment amount is calculated proportionally based on the power-saving effect.)	964	374	1,480	628	△ 516	△ 254
	Resource recycling costs	Reduction of paper resources, processing and disposal of waste products	27	675	6	1,111	21	△ 436
Upstream/downstream costs		Collection, recycling, and reuse of merchandise and products	84	164	0	171	84	△ 7
Administrative costs		Operation and updating of environmental ISO standards, disclosure of environmental information	0	1,065	0	720	0	345
R&D costs		Research & Development of technology, equipment, handsets, products, services, and other items conducive to reducing the environmental burden	66	166	929	412	△ 863	△ 245
Social activity costs		Donations and support for forest conservation activities and to environmental protection groups	0	12	0	12	0	0
Environmental damage restoration costs		Measures for prevention of asbestos spraying, restoration of polluted soil	0	0	0	118	0	△ 118
Total			1,141	2,456	2,415	3,172	△ 1,275	△ 716

1. Environmental Protection Benefits (Physical)		Indicator Category (unit)		2010	2009	Change from Previous Year
(1) Benefits derived from business area	1) Benefits related to resources invested in business activities	Power usage (MWh)		2,110,104	2,130,055	△ 19,951
		Paper usage (tons)		26,338	28,445	△ 2,106
		Paper reduced by Bill on WEB (tons)		2,105	510	1,595
	2) Benefits related to environmental burden and waste products discharged from business activities	Greenhouse gas emissions (tons-CO ₂) (The coefficient is changed to using the emission coefficient by electric power supplier in FY2010; thus the increase from FY2009)		896,086	724,503	171,584
		Industrial waste emissions related to telecommunications facilities and buildings (tons)		11,629	10,090	1,539
(2) Benefits derived from upstream/downstream costs	Benefits related to goods and services produced by business activities	Number of used mobile phones and other devices collected (10,000 units)		548	516	32

2. Economic Benefits of Environmental Protection Measures (yen)		Substantive Benefits		
		Major Effects		
		2010 (Millions of Yen)	2009 (Millions of Yen)	Change from Previous Year
Revenues	Sales revenues associated with dismantling communication facilities and buildings	390	457	△ 68
Costs reductions	Reduced fuel costs due to low-emission vehicles	8	12	△ 4
	Reduced purchasing costs due to reuse of dismantled communication facilities	4,721	3,475	1,246
Total		5,119	3,945	1,174

^{*3} KDDI Web Communications, Inc., KMN Corporation, mediba Inc., JAPAN CABLENET LIMITED (JCN), KDDI R&D Laboratories, KDDI Technology Corporation (KTEC), KDDI RESEARCH INSTITUTE, INC., KDDI Technical & Engineering Service Corporation, KDDI Evolve Okinawa Corporation, KDDI Challenged, Telehouse International Corp. of Europe Ltd. (London)

Green by ICT

Remote Access Solution

KDDI is promoting "Green by ICT" to reduce the overall environmental impact of society by means of Information and Communications Technology (ICT). As part of this endeavor, we offer our enterprise customers telework systems that utilize remote access. Telework not only helps maintain a work-life balance and enable work to be compatible with bringing up children and/or caring for elderly family members, but also reduces the commuting, hence contributes to reduction in CO₂ emissions by reducing transportation-derived energy consumption.

"KDDI Secure PC Access" service enables home computers and other non-office PCs with Internet access to work as a thin client terminal simply by inserting a USB key. Therefore, it allows customers to introduce a safe and secure remote access environment without building a new system*. This service is also equipped with robust security provided through encrypted communication channels and multi-factor authentication using mobile phones to prevent impersonated use. Today, we have many customers using the KDDI Secure PC Access for use as a business continuity planning (BCP) measure, as well as for the realization of work-life balance.

We will continue our efforts to provide various ICT services that can contribute to the reduction of CO₂ emissions in society.

* Application must be installed on office computers for use with KDDI Secure PC Access. For remote computers, a software version is also available along with the USB version.

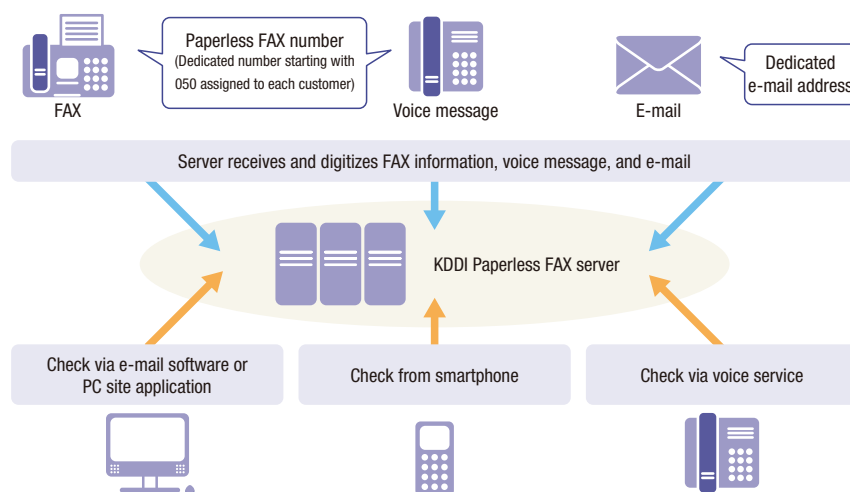
KDDI Paperless FAX Service

KDDI Paperless FAX Service allows our users to check the faxed content on their PC or smartphone instead of printing it on paper. This is also applicable when

sending a fax; users can send their Word or Excel files from their computers via fax. Transmission records are all managed at the KDDI Paperless FAX server, so as long as there is an Internet connection available, users can view previous records anywhere, anytime.

By minimizing the amount of paper used and its storage space, we contribute to the conservation of the global environment by reducing industrial waste and the CO₂ emissions generated from paper production.

How the KDDI Paperless FAX Service Works



TOPICS

Collection of Mobile Phones and Our Recycling Efforts

Precious metals and rare metals, such as gold, silver, copper, and palladium, are used in mobile phones. The recovery of these metals and plastics from used products plays an important role in protecting earth resources from depletion. To promote "Material Recycling," in which reusable resources are recovered for use as raw materials, at KDDI, we disassemble used and disposed mobile phones by hand and sort the pieces into materials and parts for subsequent processes for reuse, such as melting and refining. As a result, we achieved a Material Recycling rate of 99.8% for FY2010.

Basic Flow of Mobile Phone Recycling



Environmental Conservation Programs

Green Road Project

"Green Road Project" is an annual customer-participation environmental conservation program organized by KDDI. In the "Green Road Project," the distance walked or jogged by our customers are counted by the mobile phone-based "au SmartSports Run & Walk" service and converted into money (1 kilometer = 1 JPY) to be donated through KDDI for the environmental protection of Japan.

During FY2010, we implemented the "Okinawa Walk" from May to July and the "Kumano Kodo Walk" from September to November. As a result of the "Okinawa Walk", KDDI donated JPY 5,711,355 to AQUA PLANET, a specified nonprofit corporation. The contribution is planned to be used for coral reef regeneration projects and coral reef nurseries. After the "Kumano Kodo Walk", we donated JPY 6,697,196 to the Wakayama World Heritage Center and enjoyed an exchange with the local people through activities such as the presentation ceremony at Kumano Kodo and the clean-up of pilgrimage routes by KDDI employees together with local junior high school students. The donated money is planned to be used for repairing the routes in Kumano Kodo.

KDDI will continue to extend services that contribute to society while providing content for our customers' satisfaction.



Pilgrimage route cleaning by KDDI employees and local students (Kumano Kodo Walk)



Donations are used for farming and growing coral reefs in "au Coral Pond" (Okinawa Walk)

Expansion of Forest Conservation Areas

Through the employee-participating social contribution project "+α Project" (see p.37) and other efforts, KDDI employees have taken part in forest conservation programs in 11 locations in Japan alongside our customers.



Cherry tree planting at Mt. Onose, Kagawa Prefecture



Hiroshima Forest Planting Forum

Efforts for Biodiversity

Project for Supporting the Efforts to Protect Regional Nature and Culture

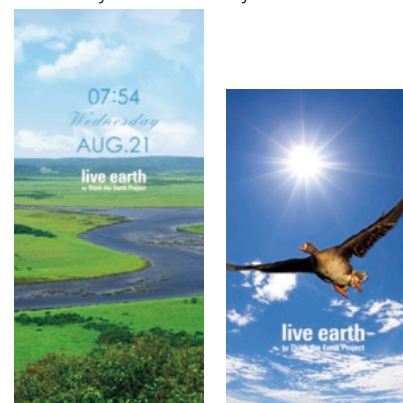
As part of KDDI's biodiversity conservation effort, we carried out the "au Loves Toki" project, which supports the efforts to protect the *toki* (Japanese crested ibis), in August 2010. This project donates part of the proceeds from the sales of au mobile phones at au shops in Niigata Prefecture to the "Niigata Prefecture Toki Protection Fund." The donated money is planned to be used for supporting efforts to return the ibises to the wild and to restore their habitats.

In addition, KDDI donated a total of JPY 2,726,450 during FY2010 through this project, to a fund engaged in cleaning Lake Kasumigaura, the protection of the Cedar Avenue of Nikkō, and the efforts aimed at the registration of Mt. Fuji as a World Heritage Site.

Efforts Using the Mobile Phone Application "live earth"

KDDI has been providing a mobile phone application called "live earth" since July 2005 in cooperation with an NPO "Think the Earth Project." The application "live earth" enables users to view the Earth real-time as seen from space, along with the times, shade lines, and cloud image data from major cities in the world. Moreover, a part of the information charge from using "live earth" is offered as contribution for Earth support via the Think the Earth Project to an organization providing disaster relief in all parts of the world, including support for the Sichuan Earthquake in 2008 and the Great East Japan Earthquake this year, as well as global environmental conservation programs. KDDI donated a total of about JPY 9 million in the past 7 years.

We launched a new "live earth campaign" from FY2010 to contribute to environmental conservation in Japan. Our contribution of JPY 4,763,700, which comes from information charges, are put to use in nature conservation and protection efforts in selected regions, such as the Hiwasa Beach in Tokushima Prefecture (spawning ground for loggerhead turtles), the Kabukuri Wetland in Miyagi Prefecture (registered under the Ramsar Convention; Site stopover for greater white-fronted geese), and the Kiritappu Wetland in Hokkaido, known as the "wetland of flowers," hosting an incredibly diverse ecosystem.



Stand-by screen provided in the "live earth campaign"
(Left) Kiritappu Wetland
(Right) Kabukuri Wetland

Fair Operating Practices

KDDI pursues fair and sound business activities so as to earn the confidence and trust of our business partners, shareholders, and investors.

Pursuing Sound Business Operations

Compliance

KDDI's Approach to Compliance

The KDDI Group believes that compliance with laws and regulations, not to mention strict adherence to the "privacy of communications" defined in the Telecommunications Business Act, is at the very root of its corporate management. To that end, KDDI established the "KDDI Action Guideline" (See p.34) to ensure that employees always act in accordance with high ethical standards and endeavor to fulfill their duties properly. The Guideline was revised in April 2011 to reflect recent changes in laws and regulations.

Furthermore, the "KDDI Group Business Ethics Committee" was also set up as the decisive driving organization that makes final decisions on compliance-related items. This Committee formulates policies for raising awareness, deliberates on the actions to be taken in the wake of violation and the measures to prevent recurrence, and works to send and share this information to all employees via the company intranet.

KDDI also has a Business Ethics Helpline as a point of contact for employees for compliance-related consultation and reporting. The Helpline accepts consultations and reports via calls and e-mails to its internal and external contacts.

Enhancing Compliance

KDDI is promoting compliance-related publicity campaigns within the company with a focus on improving the awareness for information security.

Compliance training is incorporated into new employee training, employee rotation training, executive and managerial staff training, and group training by staff level, as well as lecture presentations presented by outside instructors as part of KDDI's ongoing commitment to promote better understanding of compliance issues by all employees.

Risk Management

Basic Policies for Risk Management

By fostering prior awareness of all potential risks, such as "business risks" and "management risks," KDDI

endeavors to reduce risk and prevent the development of risk.

In preparation for when a serious risk develops, KDDI has taken steps to minimize losses at the time of the emergence of the risk by establishing a risk management system in the KDDI Group.

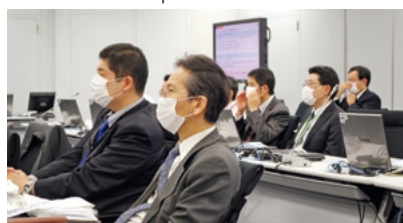
Promoting Risk Management

KDDI's Corporate Risk Management Division formulates basic policies and plans for risk management and works in cooperation with the relevant departments to implement and improve risk management based on the PDCA cycle. In addition, the risk management status of the entire company is presented to the management for their review of risks across the whole KDDI Group in the light of changes to the legal system and/or the social environment.

Additionally, considering the actions that were needed in response to the Great East Japan Earthquake that occurred earlier this year, we are thrashing out risks that require immediate action and all possible risks that may occur in future disasters for the revision of the company-wide business continuity plan (BCP).

Training for Pandemic Preparedness

Based on the "Guidelines for Taking Action against an Influenza Pandemic^{*1}," KDDI has formulated the "Business Continuity Plan for an Influenza Pandemic" to train for actions to be taken to maintain our information and communications services in the event of a pandemic flu outbreak.



Pandemic drill

In FY2010, a drill assuming an outbreak of a highly virulent pandemic flu was conducted at the KDDI headquarters building situated in Chiyoda Ward, Tokyo. This is the second pandemic drill following one the previous year. The drill consists of a tabletop exercise and rescue training that assumes the activation of the "business continuity plan" in

the wake of a pandemic outbreak.

We will reinforce our ability to take actions and maintain operating functions in the event of an emergency situation by continuing to conduct periodic drills.

^{*1} Formulated in February 2009 by the Action Planning Meeting of Relevant Ministries and Agencies for Pandemic Flu and Bird Flu

Information Security

Basic Policies for Information Security

In 2004, KDDI formulated the "Basic Policy Pertaining to Information Security" and established the "Information Security Committee" with committee members drawn from the managerial level and sales, technology, and corporate sector managers. This Committee has laid out a system to assess the information security management status of the entire company, and if needed, swiftly carry out appropriate actions and measures.

Building a System with Enhanced Information Security

As a provider of safe and reliable information and communications services, KDDI handles our customers' personal information and companies' confidential information with the utmost care. We have stated our initiatives concerning information security in the "Security Statement" and published it along with our "Privacy Policy" which describes our action guidelines for protecting personal information. We pledge to comply with both the Security Statement and Privacy Policy.

Furthermore, based on the attainment of a company-wide ISMS certification^{*2} in April 2009, we are promoting information security.

^{*2} ISMS Conformity Assessment Scheme is an internationally consistent third-party conformity assessment scheme for information security management. This scheme is designed to contribute to the overall improvement of information security in Japan and to achieve information security at a level that can be relied on by other countries as well as inside Japan.

Security Statement

1. Strengthening of information security management system
2. Implementation of security management measures
3. Implementation of information security education
4. Compliance and practice of internal auditing of information security
5. Practice of continuous improvement



Fair Operating Practices



For the Satisfaction of Business Partners

KDDI Purchasing Policy

KDDI established the “KDDI Purchasing Policy” as our guide for purchasing products and services to ensure that all laws, regulations, and social norms are observed, and to build a relationship of mutual understanding and trust with our business partners.

Support for and Collaboration with Shops

Improving Customer Support Services

The “au My Premiere Shop” program launched with the aim to provide information to customers and to enhance our customer support is primarily operated by the agency au shops and PiPit. KDDI provides membership registration and management functions, e-mail delivery functions, and a website for each shop. Since the start of this service in February 2009, we have reached a membership of 15 million people as of May 10, 2011 thanks to the shops’ vigorous efforts.

Educational Support for au Shop Staff

At KDDI, we believe that the training of au shop staff is an essential part of achieving every possible aspect of customer satisfaction. This is why KDDI introduces proprietary qualification and certification systems—“au Pro Staff,” “au Heartful Staff,” and “au Leading Staff” to name a few examples—for the au shop staff. We cover a variety of learning environments, from group training for learning business manners, sales skills and hospitality to e-learning, to support the education of our staff.

New training programs were established this year: “KDDI Designated Products Training” for the education on multi-function products, such as smartphones and tablet terminals, and “KDDI Network Products Training” for the education on fixed-line networks, such as au Hikari. All of the above initiatives are part of our endeavor to achieve high customer satisfaction when serving customers with not only product explanations, but also on

making better lifestyle value suggestions to our customers.

Communication with Corporate Customers

KDDI Enterprise Users’ Group (KUG)

KDDI Enterprise Users’ Group (KUG) is an organization operated by corporate members who are users of KDDI’s services. In KUG, which KDDI acts and supports as the organizer, member companies from various industries gather for seminars, observation tours, and committee meetings that are held for the purpose of interchange, study, and friendship. The member gatherings also serve as an opportunity to hear the voices of our corporate users concerning improvements to KDDI’s services and the development of new products.

KUG KDDI ENTERPRISE USERS’ GROUP

For the Satisfaction of Shareholders and Investors

Investor Relations (IR) Activity Guidelines

KDDI provides the “IR Basic Policy” on the corporate website to explain the basic approach to IR activities and the information disclosure system. Through our IR activities based on the “Three IR Activity Guidelines,” we strive to build a long-term trust relationship with shareholders and investors, as well as to maximize corporate value.

Three IR Activity Guidelines

- Open IR Activities
- Proactive IR Activities
- Organized IR Activities

results and other financial documents on the KDDI website, we webcast our financial results meetings and shareholders’ meetings in both Japanese and English on the website. We are also proactive in releasing information in easy-to-understand formats and through a wide array of IR tools, including e-mail magazines and mobile IR sites.

Open and In-depth Communication

To pursue an open and in-depth communication with our investors in Japan and abroad, KDDI holds quarterly meetings for the explanation of our financial results, as well as individual meetings with investors, conferences hosted by securities companies, and other events.

Recognition by Third-party Institutions

In FY2010, KDDI achieved recognition from external organizations for initiatives in corporate investor relations, including being selected for the “2010 Internet IR Best Company Award” from Daiwa Investor Relations for the sixth consecutive year.

As of April 2011, KDDI was also included in the “Morningstar Socially Responsible Investment Index”^{*3}, which is a benchmark SRI^{*4} index in Japan.

^{*3} The Morningstar Socially Responsible Investment Index (MS-SRI) is an SRI stock price index comprising 150 domestic listed companies selected by Morningstar Japan K.K. for their superior social responsibility by converting their stock prices into index form. It is the first such index in Japan.

^{*4} SRI: Socially Responsible Investment



Developing Better IR Tools

KDDI publishes an annual report for its investors both in Japan and abroad. In addition to providing summarized financial

Labor Practices

KDDI is committed to creating a better workplace environment that takes into account our employees' career progression and improvement of work-life balance.

For the Satisfaction of Employees

Creating a Vivid Workplace

Support System for Childcare and Home Care

KDDI has organized a broad range of systems for supporting a good balance between childcare and/or home nursing care and work: maternity leave, childcare absence, shortened work hours for childcare, child nursing care leave, elderly nursing care absence, and shortened work hours for nursing care.

Moreover, in keeping with the amendment of the Child Care and Family Care Leave Act, we established a home care leave and increased the number of days for child nursing care leave.

Diversity Promotion Month

KDDI promoted a publicity campaign during the whole month of July 2010, which was designated as the Diversity Promotion Month. During the month, we held the sixth and seventh "Diversity Lounge," a lunchtime seminar for employees in which they could casually participate while having lunch.

The sixth Diversity Lounge described examples of KDDI's efforts for vitalizing the workplace, and the seventh Diversity Lounge introduced the experiences of a supervisor and a male employee who took childcare absences.

"Papa's Management Seminar"

As part of KDDI's work-life balance promotional measures, we held "Papa's Management Seminar" in November 2010. KDDI supports parenting and father-to-be male employees through this seminar, in which participating male employees learned the importance of the paternal role in child-rearing as well as gained tips for balancing work and childcare. The seminar also served as a setting for networking between the male employees.



Papa's Management Seminar

Employees' Health Management

As our approach to employees' health and safety, KDDI provides the "Healthcare Room," where employees can take a temporary rest when they are not feeling well, and receive first-aid care and health counseling. The "Refresh Room" in the headquarters building provides massage and acupuncture to support the employees' recovery from fatigue. The "Employee Counseling Center" offers counseling and career consulting to employees who approach with concerns and problems.

In addition, we publish mental health-related information on the intranet website "Mind Clinic," which discusses mental health care and supports the creation of a worker-friendly workplace.

Number of Employees Using the Childcare and Home Care Support System

(No. of people)

Program		Gender	2008	2009	2010
Childcare	Maternity leave	Women	133	129	140
	Childcare absence	Men	0	3	3
		Women	221	241	248
	Shortened working hours for childcare	Men	3	1	3
		Women	226	172	305
Home care	Home care absence	Men	5	1	3
		Women	2	2	0
	Home care leave	Men	—	—	21
		Women	—	—	72
	Shortened working hours for nursing care	Men	0	0	0
		Women	1	0	1
	Child nursing care leave	Men	610	644	729
		Women	246	296	313

Employment Trends

		Gender	2008	2009	2010
Number of employees ^{*1}	Male (Managers)		9,524 (2,389)	9,264 (2,733)	8,965 (3,270)
	Female (Managers)		2,198 (47)	2,110 (59)	2,076 (92)
Average age	Male		40.20	40.79	41.29
	Female		36.16	36.99	37.51
Average work years	Male		15.01	15.92	16.58
	Female		13.41	14.55	15.06
Employment turnover rate (%) ^{*2}			1.20	1.10	0.66
Employment rate of persons with disabilities (%)			1.81	1.89	1.95

Recruitment Data

(No. of people)

	Gender	2008	2009	2010
Recent university graduates	Male	176	200	179
	Female	46	55	65
	Total	222	255	244
Mid-career hires	Male	34	38	20
	Female	8	6	2
	Total	42	44	22
Reemployment	Male	39	52	51
	Female	3	2	2
	Total	42	54	53

Temporary Employee Data

(No. of people)

	2008	2009	2010
Agency employees	8,509	4,610	4,185
Contract employees	199	156	160
Total	8,708	4,766	4,345

(As of March 2011)

^{*1} "Number of employees" is the number regular KDDI employees including employees temporarily transferred to KDDI. The number of managerial personnel is the number KDDI managerial personnel including those temporarily transferred outside of KDDI.

^{*2} "Turnover rate" is the calculated percentage of "natural resignations during the relevant term (employees who resigned at their request, excluding employees who retired at retirement age)" in the total number of regular employees in the first month of the relevant term.



Labor
Practices



Human
Rights



Human Rights

Under our code of conduct (basic principle), KDDI respects human rights and privacy.

Respect for Human Rights and the Elimination of Discrimination

KDDI's Approach to Human Rights

KDDI established the "KDDI Code of Business Conduct" as its basic principle for the respect for human rights and individuality in its business activities.

We aim to create a worker-friendly workplace where the human rights and privacy of each employee



"KDDI Code of Business Conduct Handbook"

are respected. Our code of conduct clearly states that we will embrace diverse values and not tolerate discriminating behavior in relation to sex, age, race, ethnic background, religion, or disability, as well as behavior that ignores human rights, such as violence, sexual harassment and power harassment.

Edification Activities

The guiding principle "KDDI Philosophy" forms the basis of the code of conduct established for KDDI group companies in

Japan and is shared throughout the group for edification.

KDDI also developed and distributed the "Harassment Prevention Guidebook" in pursuit of ensuring the prevention of all sorts of harassment, including sexual harassment. In addition, we set up the "Sexual Harassment Hotline" operated by a third-party professional counselor who receives reports and consultation requests. We ensure that consultants and reporters remain secret so that no detriment is caused to these individuals.

KDDI Code of Business Conduct (Basic Principles)

[Earning our Customers' Satisfaction and Trust]

I. Provision of Services that Respond to the Trust and Confidence of our Customers
We will respond to the customers' trust and confidence by providing services with value based on due consideration of the protection of the customers' rights and benefits.

II. Promotion of Fair Business Activities
We will pursue sound business activities as well as fair trade with all our customers and business partners. We will also maintain a sound and proper relationship with politics and administration.

III. Management of Information to Protect the Secrecy of Communications and Customers' Information

We, as business persons engaged in the telecommunications business, will handle information that relates to the secrecy of our customers' communications with strict and proper care. We will strictly refrain from acquiring customers' or business partners' information as well as the company's confidential information through unauthorized means, disclosing or releasing such information that came known to us in the course of our duties to external entities, or using such information for purposes other than what it is intended for. We will manage the company's information assets with strict protection against unauthorized access from external entities.

[Happiness of Our Employees and Vibrancy in the Company]

IV. Respect for Human Rights and Individuality
We will aim to create a worker-friendly workplace where each and every employee can enjoy affluence and a rich life. We will also have respect for the human rights and privacy of an individual and will not discriminate against any individual by reason of sex, age, race, ethnic background, religion or disability.

V. Conscientious Performance of Duties
We will not engage in other businesses without the approval of the company and will not pursue our benefit or the benefit of a third party at the sacrifice of the company's benefits.

VI. Respect for Intellectual Properties
We will strive to create and protect the company's intellectual properties as well as have respect for others' intellectual properties.

[Confidence of Our Shareholders and Business Partners]

VII. Practice of Open and In-depth Communication
We will ensure faithful communication with society, including shareholders and business partners, in order to broadly earn and respond to the understanding and confidence of society. As a part of our social responsibility, we will also fulfill our function as a member of the community by pursuing partnership and cooperation with the community.

VIII. Prevention of Insider Trading
We will not pursue our benefit or the benefit of a third party through trading stocks or other means

based on undisclosed information that we learned in the course of our duties or owing to being a KDDI employee.

IX. Appropriate Accounting and Adherence to Agreements

We will adhere to the financial and accounting rules and create our records and documents correctly and in accordance with the rules. We will appropriately create agreements, which should clearly define the rights and obligations of the company, sign them, and abide by the provisions stipulated therein.

[Development of the Society]

X. Environmental Conservation
In order to maintain a rich society in harmony with the environment, we will not only strive to reduce any environmental impact caused by our activities, but also actively work on energy-saving, resource-saving, and recycling through business activities so as to contribute to environmental conservation as corporate citizens and part of the community and society.

XI. Rejection of Anti-social Forces
We will take a strong stance against requests from an anti-social force for illicit funds and will not comply with their demands.

XII. Contribution to the Development of the International Community
As members of the international community, we will always commit ourselves to actively contribute to world economy and social development through our business activities, regardless of where they are conducted.

Consumer Issues

KDDI sincerely listens to the voices of all our service users in order to pursue customer satisfaction.

For the Satisfaction of Service Users

Meeting the Diverse Needs of Individual and Corporate Users

"KDDI Matomete Office": Membership Program for Small-to-Medium Scale Companies

Since July 2010, KDDI has been working on the nationwide implementation of the "KDDI Matomete Office," a membership program for small-to-medium scale companies. Tailored to the needs of our small-to-medium scale corporate customers, we offer the whole IT environment via the selection, procurement, and introduction/installation of optimal communications devices and OA equipment as well as their maintenance. In October 2010, we opened a showroom in the KDDI Shinjuku building where visitors can enjoy hands-on experience with the latest IT devices and services.



"KDDI Matomete Office" showroom

Customer Support Service for the Use of au Mobile Phones Abroad

KDDI is working on enhancing its user support for the use of au mobile phones during overseas travel.

In July 2010, we partnered with JCB Co., Ltd. to start the provision of a free battery charge service for au mobile phones available at JCB Plaza Lounges in 9 major cities and an information service explaining how to use and operate our international roaming service "GLOBAL PASSPORT."

The coverage of the services has been expanding since July 2011, and now the free battery charge service is available at 60 overseas JCB Plaza Lounges and JCB Plazas.



KDDI counter at the Tokyo International Airport

Getting Ready the "Caption Generator/Distributor System" Developed by KDDI R&D Laboratories

KDDI R&D Laboratories is currently working on the development of "Caption Generator/Distributor System" using voice recognition technology.

In January 2011, assisted by the participation of KDDI employees with hearing disabilities, we succeeded in projecting the voices of Chairman Onodera and President Tanaka as captions on screen by using the latest voice and speech recognition technology.

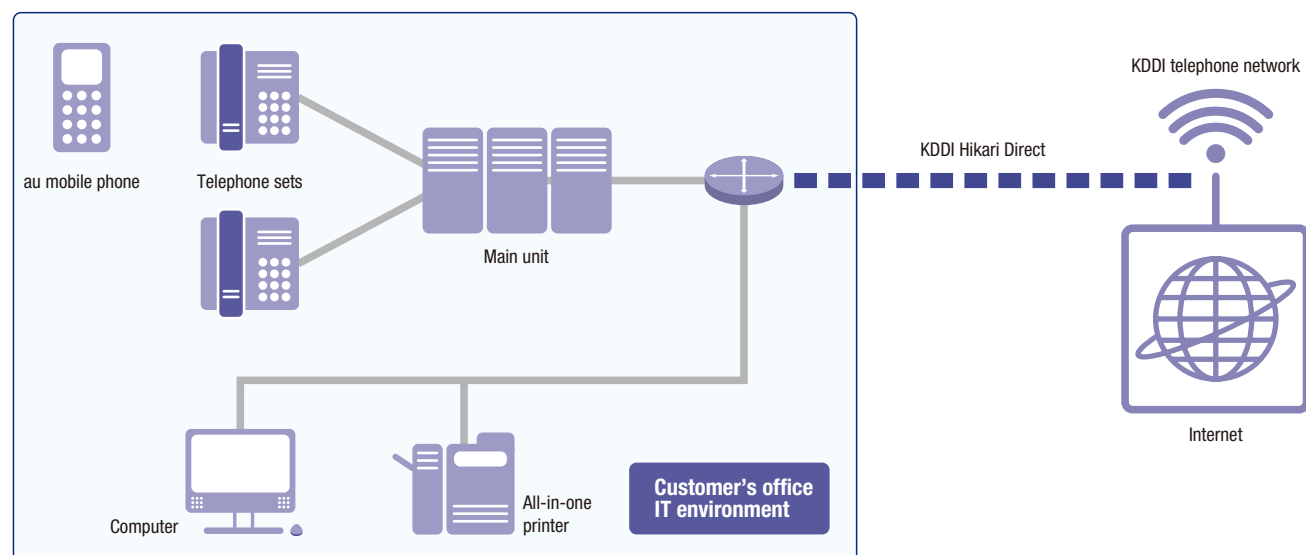
Upon resolving the issues extracted from this test, we aim to keep up the trials in order to realize useful information provision to people with hearing disabilities.



Caption generator test

Example of "KDDI Matomete Office" System Proposal

KDDI proposes the optimal office IT environment for our customers by offering an all-inclusive solution that combines communications devices and OA equipment with KDDI's telecommunications services and includes the selection, procurement, introduction/installation and maintenance of models.





Consumer
Issues



Our Initiatives for Smartphone Users

Expanding and Enhancing Security Services for Android™* Smartphones

To ensure safe use of Android™ smartphones, in December 2010, KDDI embarked on the experimental provision of "IS series Remote Data Deletion," a security service that enables remote-controlled deletion of data in the event of theft or loss of the smartphone.

In January 2011, we announced the expansion of this security service to corporate users, and in February, we started the experimental provision of "IS series Remote Lock," which locks the pre-registered Android™ smartphone by remote control over the Web. This function is provided for the purpose of reducing the risk of information leaks and unauthorized use.

Then in June, we began the provision

of the service "Business Convenience Pack for Android™," which offers enhanced security and management functions. We will continue to expand our security services for the safe use of smartphones.

Japan Smartphone Security Forum

To contribute to the safe use of smartphones, which are rapidly becoming more popular, KDDI joined the preparatory association for establishing the "Japan Smartphone Security Forum (JSSEC)" in February 2011. Since the foundation of the preparatory association, telecommunications carriers, equipment manufacturers, application developers, system integrators, and other relevant organizations have cooperated to solve security issues, recruit corporate members and arrange for the

establishment of the JSSEC.

Finally in May 2011, JSSEC was officially launched and we have 94 corporate members as of June 30, 2011. Through this Forum, KDDI aspires to conduct efforts for the improvement of security literacy among smartphone users.

Supporting the Earthquake Early Warning for Smartphones

To support the customers' safety and security, KDDI delivers earthquake early warnings released by the Japan Meteorological Agency to au mobile phones. KDDI is also a Japan-based mobile carrier with the largest number of smartphone models supporting this function. We will continue to equip all au mobile phones with the earthquake early warning system as a standard function.

* "Android" is a trademark of Google Inc.

TOPICS

Finding Young Talent and Product Development

"iida AWARD"

KDDI hosts the design competition "iida AWARD," which targets students worldwide with the intention to conceive products with novel touch and value to the mobile phone brand "iida." Award-winning works are made into products over a period of one year after reviewing the specifications with the winning students and manufacturers.

During FY2010, we commercialized 3 works that won awards in "iida AWARD 2010." In the second iida AWARD, "iida AWARD 2011," we received a total of 570 works from 237 universities, colleges, vocational schools, and high schools, from which we selected 3 groups as winners.

This will be an ongoing project for finding and preempting original talent to satisfy our customers and meet their needs.



Three "iida AWARD 2010" winning works made into products
Left: koyubitoring (phone strap), Center: AC Adapter KiiRol (AC adapter),
Right: AC Adapter WORLD OF ALICE (AC adapter)

VOICE Voices of Product Staff

We received comments from the students that the experience of discussing the price, profits, schedule, and the other essentials involved in creating a product with the manufacturers was a priceless experience with regard to entering the workforce in the future. While the "iida AWARD" is a business pursuit that is aimed at commercializing a new product, it also has great significance in cultivating young human resources. Through this program, we intend to continue finding and developing young talents all over the world and create high-quality products.



Keiji Matsumoto

Assistant Manager,
Product Design Group (Left)

Naofumi Serizawa

Senior Staff,
Product Design Group (Right)

Masahiko Kubo

Assistant Manager,
Product Management Group
Product Management Department,
Product Planning Division
Product Sector (Center)

Community Involvement and Development

KDDI will fulfill our role as a member of the community through social contribution programs and by contributing to the development of the community.

Our Social Contribution Programs

Contributing to the Community

Cooperation with Antarctic Classes

KDDI supports the "Antarctic Classes" held by the National Institute of Polar Research. Antarctic Classes are provided via KDDI's satellite leased line to connect elementary schools, junior high and senior high schools using a video conference system. In FY2010, Antarctic Classes were held in Kirigaoka-sato Elementary School in Kita Ward, Tokyo, and 19 other schools.

In the Antarctic Classes, the Antarctic observation team members at Showa Station communicate to the children in Japan about what it is like in Antarctica and about life in the Antarctic. They introduced the ecology of penguins, videos of northern lights, and how a towel freezes instantly when the temperature is below -35 degrees Centigrade, delivering surprises and inspiration to the children. We will continue to convey the message of the importance of conserving Antarctic nature and the global environment through high-quality video transfer of the Antarctic Classes.



Antarctic Class held at elementary school

Two Students Receive Doctorate Using Radio Telescopes at the Yamaguchi Satellite Earth Station

In March 2011, two Yamaguchi University students received their doctorates for their studies using the radio telescopes at KDDI's Yamaguchi Satellite Earth Station.

The radio telescopes utilize the parabolic antennas offered by KDDI to the National Astronomical Observatory of Japan without compensation in 2001. We received a message of gratitude from the university



Radio telescopes at the Yamaguchi Satellite Earth Station

that "the study could not have materialized if it had not been for KDDI arranging for environment to use the antennas."

+α Project

The "+α Project" is a social contribution program run proprietarily by KDDI and driven by employee participation. In this project, we grant points to project members for their social contributions performed in conjunction with or independent of KDDI. The points earned are converted into monetary amounts, based on which KDDI donates to charity groups recommended by members. The total earned amount of JPY 3,188,700 in FY2010 was donated to 16 charity groups, NPOs, and NGOs, such as World Vision Japan.

• Charity Bazaars

In June and November of 2011, KDDI co-hosted charity bazaars with a social welfare group that assists mentally challenged people to lead independent lives. We sold puddings and rice crackers made by this social welfare group to our employees. The proceeds of the bazaars, approximately JPY 200,000, were all donated for the employment support activities of this social welfare group.



Charity bazaar held at the KDDI Shinjuku building

Lifesaving Seminars

To prepare people for lifesaving rescues in the case of accidents and disasters, KDDI holds basic lifesaving seminars with the cooperation from the community and local administration. We plan to make this a continuing program, as the need for these skills are expected to rise in the future.

Major Events

• ai-MARK Building (Chiyoda-ku, Tokyo)

A total of 110 people participated in the past 3 years. Training is offered twice a year.

• KDDI Shinjuku Building (Shinjuku-ku, Tokyo)

In September 2010, 37 people participated in the lifesaving seminar intended for employees working in the Shinjuku district. This seminar was held in cooperation with Shinjuku Fire Station and Tokyo Disaster Prevention & Emergency Medical Service Association.

NPO Support

Click Donation Site "Pieces of Hope"

"Bring together many small pieces of friendly feelings to make a big hope"—With this wish in mind, KDDI has opened a click donate site "Pieces of Hope" on its website. Each click on the donation page is converted to one yen, and KDDI donates the total amount to NPOs that undertake social contribution activities. In FY2010, KDDI donated a total of JPY 3,570,661.

• "Establishing Educational Environment in Developing Countries" Program (March 2010 to January 2011)

Dynamite fishing, where fishermen toss explosives into the water to collect fish that died or were stunned by the shock of the explosion, is practiced in the Philippines and a few other countries. The impact of the explosion destroys the coral reefs, causing serious environmental destruction. KDDI made donations, which included computers, projectors, and Internet access devices, to the Marine Resources Protection Center to support the people on Bantayan Island (Philippines) who use radio systems to provide education to protect the beautiful marine environment.



Devices delivered to Bantayan Island

• "Vitalizing the Forests in Japan" Program (Ongoing from March 2009)

KDDI supports the Organization for Industrial, Spiritual and Cultural Advancement International (OISCA), a non-profit incorporated foundation that



proactively engages in the conservation of forests in Japan and abroad. In our support through this program, we performed forest thinning in Tabayama Village (Yamanashi Prefecture) and Funagata Town (Yamagata Prefecture). The trees that were cut in the thinning operations are used to build lodging facilities or put to other effective use.



"Forests in Japan" environmental education in Yamagata Prefecture

• "Make a Wish" Program (Ongoing from August 2007)

KDDI helped make children's dreams come true, joining in the activities of Make-A-Wish of Japan, a general incorporated foundation that grants wishes to children fighting life-threatening medical conditions.



Boy's dream comes true in Australia

Support for Disaster Relief Efforts

Supporting Overseas Areas Devastated by Disasters and Donating to Disaster Relief Funds

KDDI launches a "Disaster Area Support Donation Site" on EZweb whenever a serious disaster occurs. All proceeds from the sale of wallpapers are contributed to relief funds. We also accept donations from our employees and deliver them on their behalf along with the above proceeds.

In FY2010, we donated funds to disaster relief efforts after the China Qinghai earthquake disaster (April), the Pakistan flood disaster (August), the China Gansu landslide disaster (August),

and the New Zealand earthquake disaster (February 2011).

KDDI Foundation Initiatives

The KDDI Foundation's engagements are not limited to ICT-oriented social contribution programs and granting subsidies for social and/or cultural research, studies, and efforts that promote mutual understanding and exchange between countries, but also include a consulting business and educational support for developing countries.

• Grant Programs

During FY2010, the KDDI Foundation provided grant support to 50 organizations, including the "Society for Bridging Japan and Thailand with Language," which uses Thai to support Thai children living in Japan.

As grant programs for students studying abroad, the Foundation provides grants for foreign students who conduct ICT-related research in the course of their regular post-graduate studies at a Japanese institution. Starting from FY2011, we will start grant programs for Japanese students who are studying abroad (particularly in developing countries).

• Charity Concert and School Building

Cambodia is still on the road to recovery from the civil war that persisted from the 1970's to the early 1990's, and its school education is no exception. The KDDI Foundation has been holding annual charity concerts since 2005 to support Cambodia. All proceeds and contributions are donated to the NGO "Japan Relief for Cambodia." The donations have helped build six "KDDI Schools," whose mission is to foster a new generation of Cambodians that are adapted to internationalization and ICT.



Opening ceremony at Chhue Teal KDDI School in Cambodia (6th KDDI School)

In February 2011, the Foundation donated approximately JPY 4 million from the charity concert held in Tokyo. We plan to open the seventh "KDDI School" in Cambodia in the Spring of 2012.

• Overseas Training

To cultivate human resources that contribute to the development of ICT in developing countries, the KDDI Foundation plans and operates training courses for mobile communication, broadband communication, and information security in the overseas training program sponsored by the Asia-Pacific Telecommunity (APT). In the FY2010, approximate 50 trainees from developing countries in Asia Pacific region took part in the training.

• Project for Reducing Digital Divide*

The digital divide issue in developing countries must be tackled on a global scale. The KDDI Foundation has been working on this issue since FY2002.

In FY2010, the Foundation installed computers and printers contributed through the click donation program and the Internet access devices donated by KDDI Foundation in the Internet-ready local radio network base that was built on Bantayan Island (Cebu, Philippines) in March 2006. The donations are utilized for video conferencing with remote areas and are helping the vitalization of the community through the Internet.

* Gap between those who have access to ICTs, such as computers and the Internet, and those who do not



Video conference at high school on Bantayan Island



Organizational Governance

KDDI strives for the establishment of a management system that functions as the foundation for conducting fair and equitable business activities.

Corporate Governance

Strengthening Corporate Governance

KDDI views the issue of strengthening and enhancing corporate governance as being vital for increasing its corporate value, and will strive to streamline management and improve on its transparency.

When the Executive Officers' System was established in 2001, the structure of responsibilities and the delegation of authorities were clarified in order to streamline decision-making. The Board of Directors, which includes outside directors, makes decisions regarding important matters as prescribed by relevant statutes, and oversees the execution of business by directors to ensure proper conduct. Furthermore, the "Remuneration Advisory Committee" (chairman and at least half of its members are outside directors) is established to advise on officers' remuneration at the request of the Board of Directors. Other important matters that concern business

operations are decided in the management meetings held and attended by the directors and executive officers.

To identify the managerial responsibilities of a director in order to intensify the incentive to improve business performance, a fluctuating remuneration system that grants officer bonuses of an amount proportional to corporate income was introduced as per the resolution of the 27th annual shareholders' meeting held on June 16, 2011. Specifically, officer bonuses are within 0.1% of the consolidated current net income according to this system.

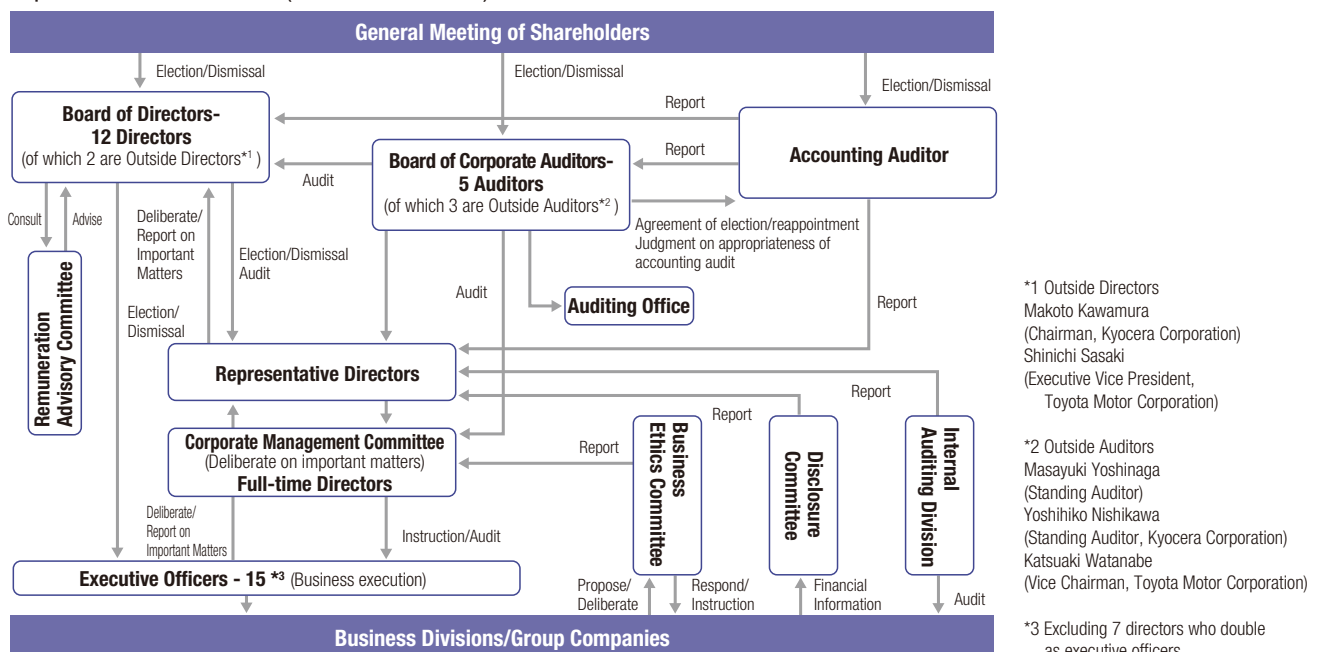
Auditors attend meetings of the Board of Directors, as well as other important internal meetings. The Board of Directors and the Internal Auditing Department provide, in an appropriate and timely manner, all data necessary for the execution of auditors' duties, exchange opinions, and collaborate with auditors. In 2006, KDDI established the Auditing Office to assist auditors with their duties.

Constructing and Improving the Internal Control System

At KDDI, we are striving to build an effective internal control system based on the "Basic Policy for Constructing Internal Control Systems" formulated in 2006. Under this basic policy, KDDI is working towards ensuring fairness, transparency, and efficiency in the execution of corporate operations, as well as making continual improvements to corporate quality.

We also established and evaluated the internal controls for KDDI and its major group subsidiaries in order to comply with the internal control reporting system based on the Financial Instruments and Exchange Act. The results were reported to the Prime Minister in June 2011 and also published on our website. We will continue to develop and operate better internal control systems throughout the group and promote the improvement of "operational quality."

Corporate Governance Framework (Current as at June 2011)



Attendance for Meetings of the Board of Directors and the Board of Corporate Auditors

*1 Outside directors

Makoto Kawamura: Attended 7 of 8 meetings of the Board of Directors
Shinichi Sasaki: Attended 8 of 8 meetings of the Board of Directors
Tsunehisa Katsumata: Attended 6 of 8 meetings of the Board of Directors
Outside directors attended the meetings of the Board of Directors as described above and in the meetings asked questions and expressed opinions as necessary to clarify doubts or add a perspective based on previous experiences and expertise. As of the end of the 27th annual shareholders' meeting held on June 16, 2011, Mr. Tsunehisa Katsumata retired from his post due to the completion of his term.

*2 Outside auditors

Masayuki Yoshinaga: Attended 8 of 8 meetings of the Board of Directors and 8 of 8 meetings of the Board of Corporate Auditors
Yoshihiko Nishikawa: Attended 8 of 8 meetings of the Board of Directors and 8 of 8 meetings of the Board of Corporate Auditors
Katsuaki Watanabe: Attended 6 of 8 meetings of the Board of Directors and 5 of 8 meetings of the Board of Corporate Auditors

Outside auditors attended the meetings of the Board of Directors as well as the meetings of the Board of Corporate Auditors as described above and in the meetings asked questions and expressed opinions as necessary to clarify doubts or add a perspective based on previous experiences and expertise.

Third-Party Opinion



One Akiyama

President
Integrex Inc.

Earned Masters degree in finance after graduating from Keio University of Economics. In 2001, she founded the company Integrex Inc. for the promotion of SRI (Socially Responsible Investment) and CSR and became its president.

We asked Ms. One Akiyama of Integrex Inc. her opinion of the “KDDI CSR REPORT 2011” (booklet).

Last year, I mentioned that CSR reports provide a means for companies to announce their commitment to take action with an eye to the fulfillment of their corporate policies. I would like to give my comments for this year with that same perspective in mind.

1. Points to Be Commended

The promotion of TCS (improvement of customer satisfaction) based on the “KDDI Philosophy” corporate policy is clearly defined as KDDI’s CSR. The attitude of all officers and employees to fulfill this commitment through their respective duties is also truly praiseworthy. In addition to the TCS commitment, the “Message from the President” announces three commitments aiming at the resolution of social issues through the advancement of ICT. While envisioning a medium-to-long term design of CSR efforts, the intention to realize CSR through the corporate business strategy is also present.

With regard to the four material issues, likewise with the previous year, this term’s actions for issues, results and achievements, self-evaluation, and the issues for the next term are organized into a chart, but this year the chart is improved by employing more detailed items and standards about the self-evaluation. This indicates that the actions are proceeding while being checked by substantive procedures.

Through this report, in particular, an attitude of respecting dialogues with stakeholders can be observed in KDDI’s activities. In “Creating a Safe and Secure Information and Communication Society,” KDDI works toward the creation of a safe and secure environment for the use of telecommunications service through active dialogues with different stakeholders with regard to current issues and actions. In “Vitalizing the Company

by Developing a Diverse Workforce,” KDDI hears the voices of all employees through the “KDDI Kaitai Shinsho” survey and uses the results to share issues and to pursue workplace vitalization by means of discussion, promoting dialogue-oriented efforts, reviewing, and improvements. In the “Initiatives to Conserve the Global Environment,” the efforts in Green by ICT where remote access and technical developments are leveraged for use in communications facilities (which represent over 98% of the company’s power consumption) for power-saving were interesting, and its further development in the future is expected.

2. Points to Be Improved

The featured topic “Aftermath of the Great East Japan Earthquake and KDDI’s Efforts” illustrates what is at the core of telecommunications carriers. Through this earthquake disaster experience, we were all reminded that telecommunications is an indispensable infrastructure for life and that to “connect” is the fundamental mission of a telecommunications business. It is expected of KDDI to realize the provision of an even more reliable information and communications service by reviewing the issues that became apparent in the earthquake disaster and utilizing the analysis in future improvements.

Furthermore, KDDI should reflect the three commitments (“More Connected,” “More Global,” “More Diverse Values”) to the future concretely in its business activities. It is expected that KDDI will contribute to creating better society through the ICT-based resolution of social issues and the suggestion of a new business model and/or lifestyle.

3. Expectations for the Future

In the wake of the Great East Japan Earthquake, the way of being for a company as a social existence has become increasingly important. It is generally important that “everything—companies, people, and the community—should work off of each other and combine efforts,” and indeed the age asks for “*ichien-yugo*” (meaning that everything mutually affects each other and that the combined effects produce the results; an idea developed by early 19th century thinker Sontoku Ninomiya).

The function that telecommunications, which was not available in the age of Sontoku Ninomiya, plays in the addressing of social issues is enormous, and thus the expectations and responsibilities of a telecommunications business are high.

To realize safe, secure, and comfortable society, KDDI is expected to take on great, original and innovative challenges that go beyond the existing framework and current status.

Our Response to the Third-party Opinion

Through the experience of the Great East Japan Earthquake, we were able to re-acknowledge the weight of our social responsibility as a company that assumes a telecommunications lifeline and review our CSR efforts. We reported on our CSR efforts via this report based on ISO 26000, an international standard for social responsibility, issued in November 2010.

As evaluated by Ms. Akiyama, we focused on the dialogues with stakeholders in approaching the material issues. On the other hand, we were able to realize which areas we need to improve, such as “human rights.” For these issues, we will incorporate them into our future challenges for improvement.

As for the actualization of the three commitments (“More Connected,” “More Global,” “More Diverse Values”) that we announced in April 2011 as our medium-term business policy, we will bear in the mind Ms. Akiyama’s advice of “*ichien-yugo*” and have in-depth dialogues with our stakeholders in order to nail down what KDDI should do from a broader perspective. Through the provision of advanced, original ICT services, we will take on the challenges to deliver smiles to the people in the world.



Shinichi Muramoto

Vice President
General Manager,
General Administration &
Human Resources Division
Corporate Sector
KDDI CORPORATION

Business Overview

Corporate Profile

Company name	KDDI CORPORATION	Representative	Takashi Tanaka, President
Foundation	June 1, 1984	Capital	JPY 141,851 million
Head office	Garden Air Tower 3-10-10, Iidabashi, Chiyoda-ku, Tokyo, Japan	Number of employees	18,418 (As of the end of March 2011, consolidated basis)

Business Sectors

[High-speed Mobile Internet Services]



[Cable TV and Internet Services]



[Financial Services]



Advanced Business

KDDI actively pursues new fields of business, for example, high-speed mobile Internet service "UQ WiMAX," cable TV and Internet services offered in partnership with JCN and J:COM, and the "Jibun Ginko" and "au Insurance" financial services.

Corporate Business

For corporate customers, KDDI offers the cloud solution "KDDI MULTI CLOUD," which seamlessly integrates every aspect from devices to applications and maximizes the potential of our corporate customers.

[Mobile Phone Services]



[Broadband Services]



[Internet Provider Services]



[Content Services]



* Skype, its related trademarks and logos, and the "S" symbol are trademarks of Skype Limited.

[Fixed-line Phone Services]



Consumer Business

For individual customers, KDDI provides a wide array of one-stop communications services that realize FMBC, such as the au mobile phone broadband service "au Hikari," the Internet provider service "au oneNET," various content services, and the fixed-line service "au Home Phone."

会社力、最大化へ。

KDDI MULTI CLOUD

[Multi-function devices]

Smartphones for corporate users
Business tablets

[Multi-networks]

KDDI Wide Area Virtual Switch

Remote access (3G, WiMAX, Internet)

[Multi-use]



Virtual data center

Business Port

[For small-to-medium corporate users]

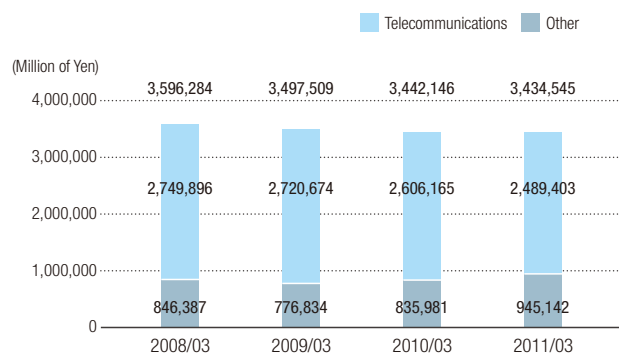
KDDI まとめてオフィス

Business Performance

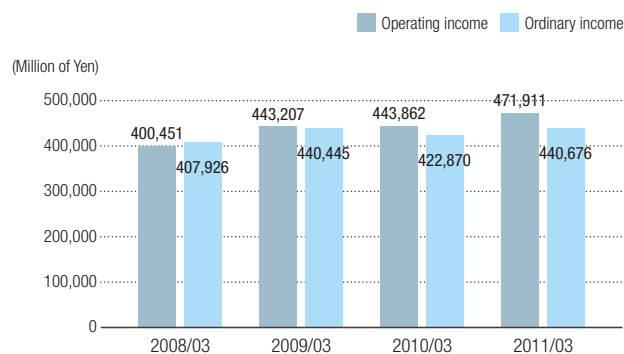
	Term ended March 2010	Term ended March 2011	Year-over-year	
	Amount (¥ million)	Amount (¥ million)	Amount	Increase/Decrease ase (%)
Operating revenue	3,442,146	3,434,545	△ 7,601	△ 0.2
Operating income	443,862	471,911	28,049	6.3
Ordinary income	422,870	440,676	17,806	4.2
Current net income	212,764	255,122	42,358	19.9

Trend in Major Business Indices

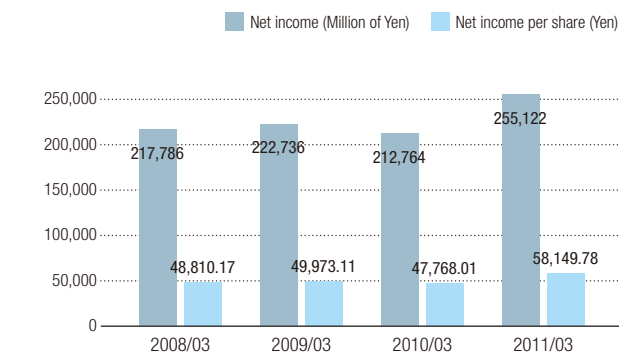
Operating Revenues



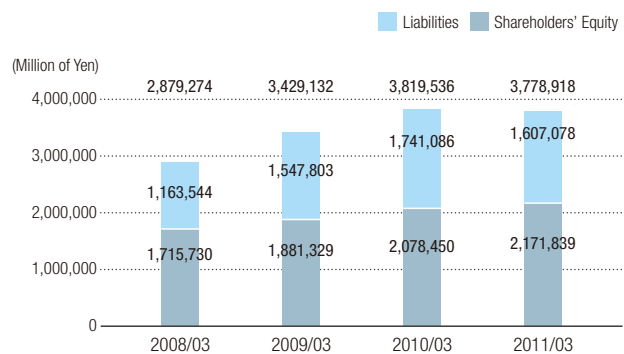
Operating income/Ordinary income



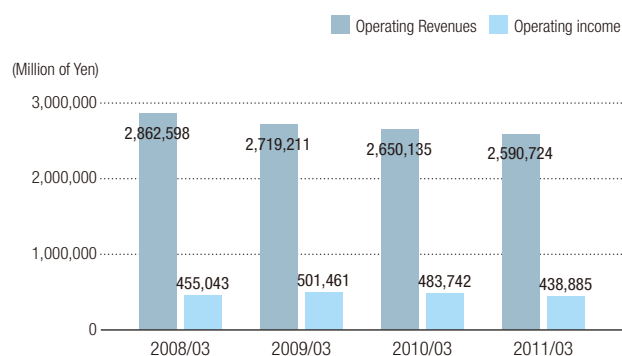
Net income/Net income per share



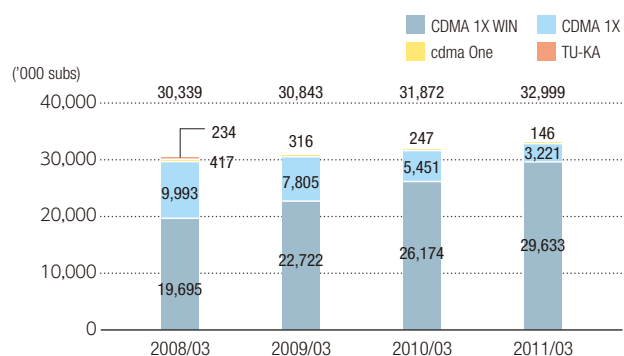
Total assets/Liabilities/Shareholders' Equity



Mobile Business Summary

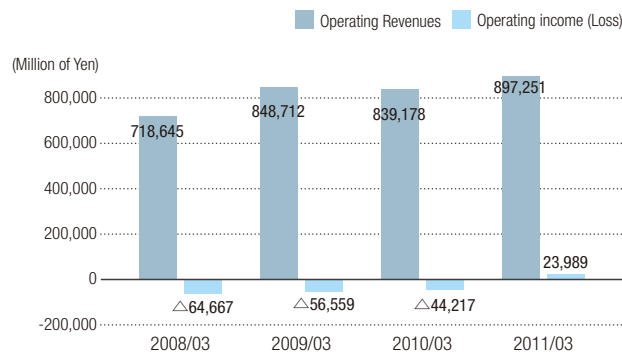


Mobile Business Number of total Subscribers

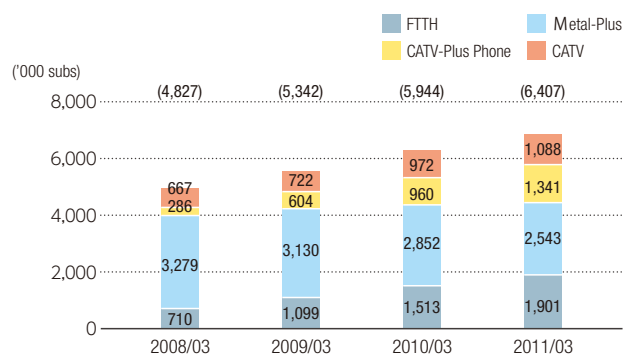


* TU-KA shut down the operation at end-March 2008.

Fixed-line Business Summary



Fixed-line Business Number of total Subscribers



* () shows total subscription of access lines excluding cross over subscriptions.

CSR & Environment Management Department
General Administration Division
KDDI CORPORATION

Garden Air Tower, 3-10-10, Iidabashi, Chiyoda-ku, Tokyo
102-8460 Japan
TEL: +81 (0)3-6678-1381
FAX: +81 (0)3-6678-0317
E-mail: csr@kddi.com
<http://www.kddi.com/csr/>