Material Issue: Governance
Offering Reliable Information and Communications Services

KDDI's Approach

●Recognition of social issue

One can say that communications services are the most vital lifeline for a society whose information is becoming more advanced. Natural disasters, cyber-terrorism, and other occurrences that obstruct this lifeline are major causes of anxiety to society and the economy. We believe that it is our duty to continuously provide stable information communications services 365 days a year in any condition that may present itself in order to support a society where people can live securely.

●KDDI's risk and opportunity

・It is projected that our company value will drop should we become unable to provide communications services for any reason be it a natural disaster or cyber-terrorism.
・We feel that continuously providing communications services under any circumstance will lead to the support of society and the economy thus resulting in the increase of our company value.

●KDDI's management

As a operation system during times of large-scale disasters, we have in place a business continuity plan (BCP) as well as a Disaster Agreement with the Ministry of Defense and the Japan Self-Defense Forces. Furthermore, the KDDI Security Operation Center is responsible for detecting, analyzing, and providing protection against cyber attacks in which they have a 24-hour-a-day system where they are aware of the communications conditions. With these robust systems, KDDI can quickly respond in times of disaster or terrorism. In the realm of information security, we have established the KDDI Group Information Security Standards created by the Information Security Committee with which each company in the group outfits their operation systems. We are also strengthening the governance for the entire Group in our efforts to make operations more efficient and transparent. As such, KDDI has established a system with the Corporate Risk Management Division at its core that promotes internal control activities. Its aim is to achieve a corporate constitution that prevents risks from materializing. The KDDI Code of Business Conduct defines the basic policies for compliance that every employee must adhere to.

＞Policies

・Disaster Response Regulations　・Security Policy
・Basic Policy for Constructing an Internal Control System　・KDDI Code of Business Conduct

●Key Performance Indicators (KPI)

	FY2014 Goal	FY2014 Result
Rate of issues improved extracted from disaster response training	**100%**	**100%**

Highlights of FY2014 Activities

KDDI has invested 28 billion yen for new construction of data centers equipped with a power supply capability of the largest scale in Japan in Tama-shi, Tokyo and Osaka-shi, Osaka. The data centers will serve as BCP and DR (Disaster Recovery) measures at the time of disaster that contribute to safe and secure business continuity.

Exterior view of TELEHOUSE TOKYO Tama 3

●Future issues

・Strengthen disaster response systems to respond to earthquakes directly below the Tokyo Metropolitan area

Corporate Governance

Corporate Governance Promotion Framework

| System |

Strengthening Governance of the Entire KDDI Group

KDDI considers strengthening corporate governance to be a vital issue in terms of enhancing corporate value for shareholders, and is working to improve management efficiency and transparency.

With regard to business execution, an executive officer system was introduced in June 2001 to assign authority, clarify responsibilities, and ensure that operations are conducted effectively and efficiently. The Company is also working to systematize internal decision-making flow with a view to ensuring timely management decisions.

KDDI is making active efforts to vitalize the General Meeting of Shareholders and ensure smooth exercise of voting rights. Convocation announcements are issued early (about 3 weeks in advance), and the Company strives to avoid scheduling the meeting on days when many other companies hold their shareholders' meetings. KDDI also allows shareholders to exercise their voting rights via PC and mobile phone platforms.

The Board of Directors, which includes outside directors and independent outside directors, makes decisions regarding important matters as prescribed by relevant statutes, and oversees the execution of

proper conduct. The agenda items for the Board of Directors, as well as important matters relating to the execution of business, are decided by the Corporate Management Committee, composed of directors and executive officers. The Board of Directors also has the right to appoint and dismiss executive officers.

The Remuneration Advisory Committee, of which more than half of its members including the chairman consist of outside directors, provides advice on remuneration to executives.

Audit & supervisory board members attend meetings of the Board of Directors, as well as other important internal meetings. The directors and the Internal Audit Division provide, in an appropriate and timely manner, all data necessary to the execution of audit & supervisory board members' duties, exchange opinions, and collaborate with auditors. The Board also periodically listens to reports from the accounting auditor on the annual accounting audit plan, the progress, and the result of accounting audits. It also makes recommendations and exchanges of opinion as necessary. In addition, in 2006, KDDI established the audit & supervisory board member's office to assist audit & supervisory board members with their duties. The opinions of the audit & supervisory board members are regarded highly when selecting personnel for assignment to the office, and efforts made to ensure appropriate personnel.

All KDDI Group operations are subject to internal audits to regularly assess the appropriateness and effectiveness of internal controls. The results of internal audits are reported to the president and to

audit & supervisory board members, along with recommendations for improvement and correction of problem areas.

| Policy |

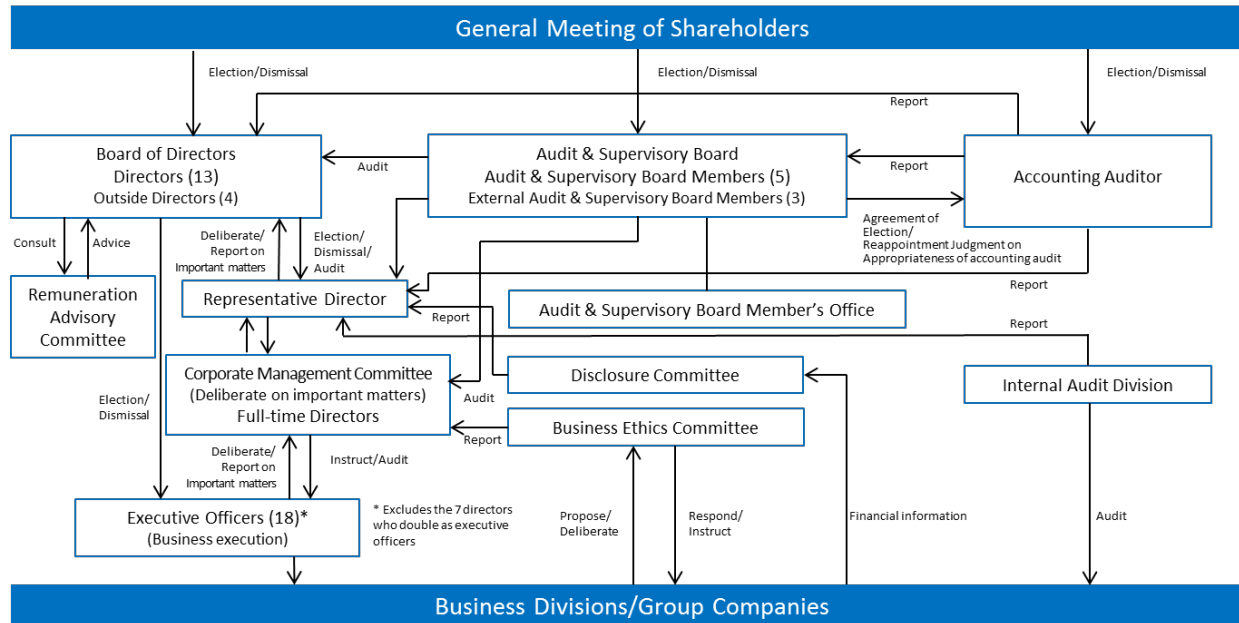### Complying with Corporate Governance Code

For KDDI, the goal of the corporate governance code is to achieve "aggressive governance" that enables quick and decisive decision-making while ensuring the transparency and fairness in the decision-making process, in addition to fulfilling our accountability to all stakeholders.

In line with this approach, KDDI will consider the nature of governance that is ideal for the Company and respond accordingly, by engaging in dialogue with all stakeholders, including shareholders, and by understanding various trends.

business by directors and other managers to ensure

Corporate Governance

Corporate Governance Framework (As of June 17, 2015)

Corporate Governance

| System | Items Related to Organizational Structure and Operation

Organizational form	Company with board of auditors
Number of directors in Articles of Incorporation	20
Tenure period of directors in Articles of Incorporation	1 year
Presiding officer of Board of Directors	Chairman
Number of directors	13 (including 1 female)
Selection process for outside directors	Appointed
Number of outside directors	4 (including 1 female)
Number of outside directors designated as independent directors	2 (including 1 female)
Existence of Audit & Supervisory Board	Exists
Number of auditors in Articles of Incorporation	5
Number of auditors	5 (all male)
Selection process for outside auditors	Appointed
Number of outside auditors	3 (all male)
Number of outside auditors designated as independent auditors	3 (all male)
Number of independent auditors	5 (including 1 female)
Status of implementing incentive measures for directors	In addition to a performance-based remuneration system and stock option system, a stock remuneration system is scheduled to be implemented for KDDI board members in September 2015. The system will be provided to directors, as well as to executive officers that have entered into a delegation agreement with KDDI (excluding overseas residents, outside directors, and part-time directors). This system will clarify the relationship between the remuneration of executives, their business performance, and stock value, with the aim of improving the awareness of contributing to the improvement of business performance and mid-to-long term corporate value. The acquisition rights for a specified number of stocks will be provided based on their role within the organization and the degree to which the business results and KPI are achieved each fiscal year, and the cumulative amount will be delivered as stocks after the trust period ends. Note, however, that stocks cannot be obtained while serving as director. * Regarding the stock option system, directors are entitled to receive annual remuneration of up to ¥40 million in stock options as an incentive for executing their duties and improving business results, as decided at the 22nd Annual Meeting of Shareholders held on June 15, 2006. However, stock acquisition rights have not been allotted under this system since FY2010.
Persons eligible for stock options	Internal directors, employees, subsidiary directors
Disclosure status (of remuneration for individual directors)	Because the total remuneration of directors does not exceed ¥100 million, individual remuneration is not disclosed.

Corporate Governance

Existence of policy for deciding the remuneration amount and calculation method	<Directors> Remuneration for directors consists of flat-rate salaries and executive bonuses provided that they are responsible for improving business results every fiscal year, as well as mid-to-long term corporate value. Flat-rate salaries are based on their professional ranking and the management environment. Executive bonuses are based on the business results of the KDDI Group, representing their sector and the individual's performance during the fiscal year. To clarify management responsibilities and enhance incentives for business improvement, executive bonuses after FY2011 are linked to the business results of the KDDI Group and are no more than 0.1% of consolidated net profit in the fiscal year. This linking has been set by taking into account the responsibility of directors to sustain continuous growth and to lead the new age while swiftly reacting to environmental changes within the KDDI Group. <Auditors> Remuneration for audit & supervisory board members is based on discussions with audit & supervisory board members and is only a flat-rate salary that is not linked to the business results of the KDDI Group. <Remuneration Advisory Committee> KDDI has formed a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors in order to maintain both transparency and objectivity on the system of and the level of remuneration for executives. More than half of the committee members, including its presiding officer, consist of outside directors (total of 6 members, consisting of 4 outside directors, the president, and the chairman).
Remuneration ratio of one director to one company employee	4.1 : 1 (Total remuneration for directors divided by the number of directors, compared to average salary at KDDI in FY2014)
Early issue of General Meeting of Shareholders announcements	Announcements are issued three weeks in advance, one week before the stipulated day.
Scheduling the General Meeting of Shareholders to avoid days when many other companies hold their shareholders' meetings	Efforts are made to hold the General Meeting of Shareholders about one week prior to the day that many other companies hold their shareholders' meetings.
Electronic voting methods	Shareholders can exercise their voting rights via an Internet voting site.
Efforts to participate in electronic voting platform and improve voting environment for other institutional investors	Joined electronic voting platform provided by Investor Communications Japan (ICJ).
English-language version of convocation announcement (summary)	English-language text of convocation announcements are provided via the KDDI website, voting platform, and Internet voting site. Business reports are also provided in English.
Other	Based on requests from institutional investors, business reports and convocation announcements are incorporated into the same document. To encourage individuals to vote, an easy-to-understand illustrated guide to voting is included in convocation announcements. In addition, KDDI publishes a shareholders' bulletin that reports on the state of business and company topics in an easy-to-understand manner. This document is included with periodic notification letters that are sent to shareholders, and it is provided to individual investors at venues such as seminars.
Existence of anti-takeover measures	None

Corporate Governance

| Initiative | Major Activities of Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors

Name	Reason for selection as an outside director of the Company (if designated as an independent director, reason for this designation)	Principal activities in FY2014
Tetsuo Kuba	Mr. Kuba was appointed because of his demonstrated effectiveness in the management of one of the Company's principal shareholders, his extensive experience as a director of other companies, and the perspective rooted in broadbased insight that he brings to supervising the Company's business activities.	Attended 8 of 8 meetings of the Board of Directors
Nobuyori Kodaira	Mr. Kodaira was appointed because of his demonstrated effectiveness in the management of one of the Company's principal shareholders, his extensive experience as a director and auditor of other companies, and the perspective rooted in broadbased insight that he brings to supervising the Company's business activities.	Attended 7 of 8 meetings of the Board of Directors
Shinji Fukukawa (Independent director)	Mr. Fukukawa was appointed because of the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations, which he brings to supervising the Company's business activities. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an outside director, and have appointed him as an independent outside director.	Attended 7 of 7 meetings of the Board of Directors * After being newly appointed as director at 30th Annual Meeting of Shareholders
Kuniko Tanabe (Independent director)	Although Ms. Tanabe has no direct experience as a director involved in corporate management, she was appointed because of the extensive experience and broad-based insight that she developed as a partner at a legal firm, which she brings to supervising the Company's business activities. Given her career history, we judge that no danger exists of conflicts of interest with general shareholders, consider her appropriate as an outside director, and have appointed her as an independent outside director.	-

Corporate Governance

Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside auditor of the Company (if designated as an independent auditor, reason for this designation)	Principal activities in FY2014
Takeshi Abe (Independent auditor)	Mr. Abe was appointed because of the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Mr. Abe's tenure as executive officer at the Development Bank of Japan, Inc., was short. A substantial amount of time has passed since he retired from that position, and he currently receives no benefits from that organization. Given this experience, and the fact that he hails primarily from organizations involved in administrative operations, we recognize that he has scant relationship with KDDI. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	Attended 7 of 8 meetings of the Board of Directors and 7 of 8 meetings of the Audit & Supervisory Board
Kishichiro Amae (Independent auditor)	Mr. Amae has extensive experience gained through many years as a diplomat and in the execution of operations at various organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	Attended 8 of 8 meetings of the Board of Directors and 8 of 8 meetings of the Audit & Supervisory Board
Yukihisa Hirano (Independent auditor)	Mr. Hirano has extensive experience and expertise as a corporate manager. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. A significant amount of time has passed since Mr. Hirano retired from his position as president of Toyota Motor Corporation, and he currently receives no benefits from that organization. In addition, after retiring he served as president of the Central Japan International Airport Co., Ltd., and we recognize that he currently has no relationship with Toyota Motor Corporation. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	Attended 8 of 8 meetings of the Board of Directors and 8 of 8 meetings of the Audit & Supervisory Board

Corporate Governance

| Remuneration |
Remuneration for Directors and Audit & Supervisory Board Members (FY2014)

Executive Classification	Total Remuneration (Millions of yen)	Total Remuneration by Type (Millions of yen)			Number of Corresponding Executives
		Flat-rate Remuneration	Stock Options	Bonus	
Directors (Excluding Outside Directors)	536	387	-	148	11
Outside Directors	27	27	-	-	3
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	47	47	-	-	3
Outside Audit & Supervisory Board Members	40	40	-	-	3

* Because the total remuneration of directors does not exceed ¥100 million, individual remuneration is not disclosed.
* Flat-rate remuneration of directors is limited to a maximum total of ¥50 million per month. Furthermore, directors may receive up to an additional ¥40 million of annual remuneration in the form of stock acquisition rights issued as stock options.
* The maximum total annual remuneration for audit & supervisory board members is ¥100 million (based on the Company's fiscal year).
* The remuneration amount for directors includes the bonuses that are linked to performance, and is no more than 0.1% of consolidated net income for the applicable fiscal year.
* In addition to the above, a retirement allowance is paid to directors in connection with the cancellation of the executive retirement bonus system.

State of Corporate Governance

The State of KDDI Corporate Governance disclosed to the Tokyo Stock Exchange is available in PDF format.

❏ State of Corporate Governance (Japanese)

| Initiative |
Communicating with Management on CSR Issues

To encourage the further promotion of CSR activities, KDDI is committed to bolstering efforts to communicate with management regarding CSR issues. In FY2015, KDDI will establish the KDDI CSR & Environment Advisory Committee, which aims to address a wide range of issues facing contemporary society, such as human rights, the environment, and the supply chain.

Corporate Governance

| System | **Changes in the Corporate Governance Framework**

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (Year)
President		Yuusai Okuyama*1	From June 2001 Tadashi Onodera								From December 2010 Takashi Tanaka						
Separation of management and execution*2	Directors	53*3	13	12	11	→					10	13	12	→		13	Now 13 people
Management transparency*2	Outside directors			2	3	→		4	3	→			2	→		3	Now 4 people
	Independent directors															1	Now 2 people
Assurance of diversity*2	Female executives																Now 1 person
Transparency in executive remuneration				Introduction of a stock option system in 2002									Remuneration Advisory Committee established in 2011 / Introduction of stock compensation plan for executives in 2015				
KDDI Philosophy		Enactment in October 2000											Start of a revision project in 2012 / Revised, started promotion activities in 2013				

*1 Appointed president of DDI in December 1993. Became president of KDDI in October 2000.
*2 Number of people at the conclusion of each Annual General Meeting of Shareholders
*3 Number of people at the conclusion of an Extraordinary Meeting of Shareholders convened in October 2000

Compliance

KDDI's Compliance
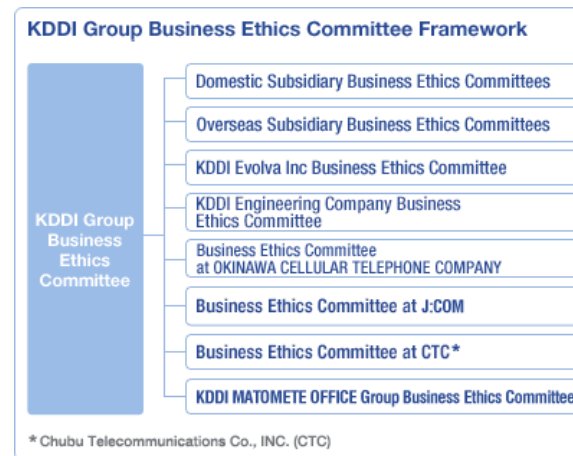
| Policy | Basic Stance

KDDI is improving and reinforcing its compliance structures, based on its belief that compliance with the law - including strict observance of the privacy of communications by telecommunications providers as established in the Telecommunications Business Law – is fundamental to business operations. In conjunction with these efforts, KDDI is working to improve awareness of compliance to ensure that all employees maintain a high sense of ethics at all times and execute their duties appropriately, through the KDDI Code of Business Conduct as well as through the following activities:

・Spreading the KDDI Philosophy, which serves as the philosophical foundation
・Fostering a sense of organizational unity and improving communication
・Quickly responding to violations, and performing analysis and prevention activities
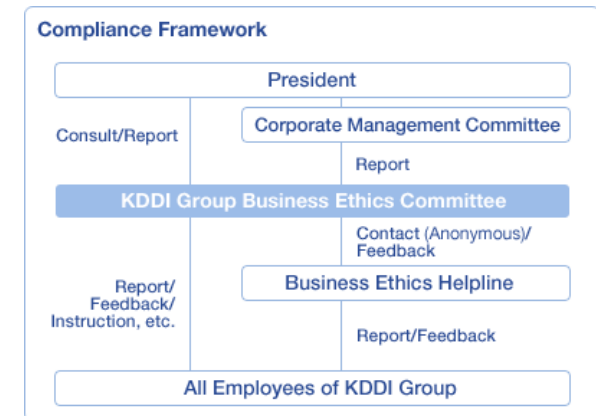・Eliminating relationships with anti-social forces

❏ KDDI Code of Business Conduct

| System |
Compliance Promotion System of the KDDI Group

KDDI has also put in place a KDDI Group Business Ethics Committee, in which the KDDI Chairman serves as Committee Chairman, to deliberate and make decisions on compliance-related items. The Business Ethics Committee convenes semi-annually to ascertain the situation at each company and support the establishment and reinforcement of compliance structures.

KDDI Group Business Ethics Committee Framework

KDDI Group Business Ethics Committee
- Domestic Subsidiary Business Ethics Committees
- Overseas Subsidiary Business Ethics Committees
- KDDI Evolva Inc Business Ethics Committee
- KDDI Engineering Company Business Ethics Committee
- Business Ethics Committee at OKINAWA CELLULAR TELEPHONE COMPANY
- Business Ethics Committee at J:COM
- Business Ethics Committee at CTC*
- KDDI MATOMETE OFFICE Group Business Ethics Committee

* Chubu Telecommunications Co., INC. (CTC)

In addition, the Business Ethics Committee formulates policies for educational activities, and in the event that a violation of compliance occurs, it deals with the situation, discloses information outside of the Company, and deliberates on measures to prevent recurrence. The status of the committee's activities is made available to all employees via the intranet.

Compliance Framework

- President
  - Consult/Report
  - Corporate Management Committee
    - Report
  - KDDI Group Business Ethics Committee
    - Contact (Anonymous)/ Feedback
  - Report/ Feedback/ Instruction, etc.
  - Business Ethics Helpline
    - Report/Feedback
- All Employees of KDDI Group

Compliance

| Initiative |
Compliance Education and Training

KDDI believes that fostering a dynamic communication environment within the company is an essential prerequisite for further improving employee awareness of compliance. In FY2014, to spread the KDDI Philosophy, KDDI continued to hold education sessions for sector managers (12 times) and all employees (3 times), and established new education sessions for division managers (2 times). As part of the effort to more quickly respond to violations and perform analysis and prevention, seminars on violation-related issues were offered to supervisors and group leaders. In addition, ongoing training continues to be provided to all employees, to raise awareness about compliance.

In addition to the above, KDDI is also conducting e-learning classes for all employees. In FY2014, the classes covered the topics of preventing misrepresentation and insider trading regulations. These classes were also available as an option to non-regular employees.

Seminars that include a legal perspective on violations

37 times in total for 738 participants (FY2014)

| Initiative |
Regulations for Internal Reporting Process (Business Ethics Helpline)

KDDI has established the Business Ethics Helpline to serve as a contact point for all employees with questions or concerns about business ethics and legal compliance. By establishing a contact point in collaboration with external experts, KDDI is creating an environment that makes it easy for employees to report concerns. KDDI has also established internal regulations that protect informants in line with the requirements of the Whistleblower Protection Act, which went into effect in April 2006, and actively conducts educational activities on this topic.

In FY2014, the Helpline received 23 reports, including inquiries. Internal investigations were conducted primarily by the KDDI Group with regard to the issues reported, and information regarding reporters was kept confidential. When problems were uncovered, steps were taken to rectify the situation, including proposing improvements and instituting measures to prevent recurrence.

Furthermore, the internal reporting system does not subject informants to any disadvantages in terms of whistleblower protection.

| Initiative | Basic Policy for Eliminating Anti-Social Forces and Status of Implementation

Our Basic Policy for the Creation of Internal Systems takes a firm stand on countering anti-social forces. In addition to rules defining initiatives for blocking off any relations with such forces, the KDDI Code of Business Conduct, which defines basic principles to be followed and enforced by all executives and employees, takes a firm stand against anti-social forces, rejecting any requests for illicit funds and refusing to comply with their demands.

| Initiative |
Anti-corruption Practices

In the KDDI Code of Business Conduct, the principles of promoting fair business activities and conscientiously performing duties are defined to prevent corruption.

In addition to establishing certain standards of behavior, such as maintaining a sound and proper relationship with politics and administration and avoiding any behavior that could be seen as collusive, as well as avoiding the exchange of gifts and entertainment with business counterparts, KDDI is committed to communicating these standards to all employees. In 2014, there were no cases of legal action against KDDI related to anti-competitive behavior or monopolistic practices.
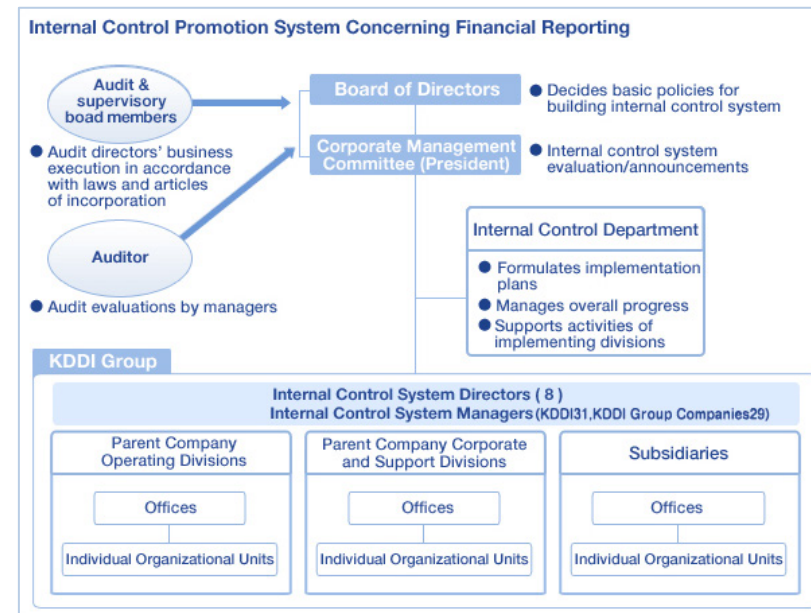
Risk Management and Internal Controls

| System |

KDDI's Risk Management and Internal Control Promotion

KDDI has established a system to centralize the management of risks, which it defines as factors that have the potential to block the achievement of management objectives. The Corporate Risk Management Division is the core of this system.

In addition, KDDI is working to promote risk management across the entire Group, including KDDI as well as its subsidiaries, in order to achieve continuous Group-wide growth.

KDDI has appointed 31 Internal Control System Managers and Group companies have appointed 29, as well as 8 Internal Control System Directors to oversee their activities. This structure forms the basis for our internal control system and its operation as well as our risk management activities. We also promote operational quality enhancement activities to realize a corporate constitution that prevents risks from materializing.

In order to realize our management objectives with certainty, in FY2014 we designated 32 items as significant risks, reflecting on issues that have come to the fore in the past and changes in our operating environment, such as the provision of high quality networks, homogenization of products and services with rival companies, and expansion into new business domains. We worked to foresee risks, reduce significant risks, support operational improvements, and conduct internal audits.

Furthermore, we are undertaking Companywide initiatives to improve the quality of our operations, thereby cultivating a corporate culture that prevents risks from materializing.

Internal Control Promotion System Concerning Financial Reporting

Risk Management and Internal Controls

| Policy |

Basic Policy for Constructing an Internal Control System

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, KDDI passed the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. KDDI aims to ensure fair, transparent and efficient execution of its corporate duties and to maintain an effective system for internal controls.

1 Corporate Governance

(1) The Board of Directors

The Board of Directors is composed of both internal and external Directors, who determine important legal matters as stipulated by laws and ordinances based on the Board's regulations and Agenda standards. In addition, the Board oversees the competent execution of business duties by the Directors themselves.

Information pertaining to the execution of business duties by the Directors must be stored and managed appropriately in accordance with internal regulations.

(2) System for executing business duties

[1] The Executive Officers' System aims to clarify both the delegation of authority and responsibility system, as well as ensure that tasks are executed effectively and efficiently.

[2] The Corporate Management Committee, which is composed of Directors and Executive Officers, shall discuss and determine important matters pertaining to the execution of tasks, as well as discussing and determining the Board's Agenda items, based on the Corporate Management Committee regulations.

(3) System for ensuring the effective execution of business duties by Auditors

[1] Auditors shall attend the Meetings of the Board of Directors and, additionally, steps shall be taken to allow them to attend the principle internal meetings of the company.

[2] The Board of Directors, Directors of subsidiaries, and Internal Auditing Division aim to collaborate by providing timely, appropriate information necessary for executing the business duties of the Auditors, as well as by exchanging opinions and ideas.

[3] The Auditing Office was established to support the business duties of the Auditors; in order to ensure appropriate staffing levels due consideration shall be given to aptitude, the number of personnel required, etc., and the opinion of the Auditors.

[4] Steps shall be taken to ensure that a person who has reported to the Auditors shall not suffer any consequences on account of having made such report.

[5] The Auditors shall be assured of the costs required by them to carry out their duties effectively.

2 Compliance

(1) All Directors should continuously maintain high ethical standards in accordance with the basic principles set forth in the 'KDDI Action Guideline,' which should be complied with, and aim to execute their business duties properly.

(2) Firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.

(3) Each KDDI Group company shall make efforts to promptly identify and resolve any serious violation of laws and ordinances or other compliance-related matters or incidents, at KDDI Group company meetings pertaining to business ethics.

(4) KDDI shall aim to appropriately operate a compliance-related internal reporting system established both internally and externally to the company.

(5) KDDI shall strive to improve the understanding and awareness of compliance through both internal and external training and enhancement activities.

Risk Management and Internal Controls

3 Risk management for achieving business goals fairly and efficiently

(1) KDDI shall conduct business risk analyses, stringently prioritize business activities and formulate appropriate business strategies and business plans at meetings participated in by Directors concerning business strategy, with the objective of continuous growth for the KDDI Group. To achieve this, business risk should be monitored monthly at meetings pertaining to performance management, and this performance should be managed thoroughly.

(2) In each Division a person shall be appointed as the person responsible for internal control, and this person shall autonomously promote the following initiatives so that business objectives may be achieved fairly and efficiently.

[1] All Divisions and their Directors shall work in cooperation with the Risk Management Division, which regularly identifies and uniformly manages risk information. The KDDI Group's risks shall be managed appropriately and in accordance with internal regulations, and efforts shall be made to achieve business objectives fairly and efficiently.

[2] KDDI shall examine measures for minimizing the risk of business interruptions as much as possible in order to respond to events which could have serious and long-term effects on corporate business.

[3] In accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, KDDI shall implement documentation, assessment and improvement of the state of company-wide internal control and of important business processes on a consolidated basis, with the aim of further improving the reliability of financial reporting.

[4] KDDI shall aim to maintain and enhance the systems necessary to improve the quality of business duties of the KDDI Group, including enhancement of the effectiveness and efficiency of business duties and appropriate acquisition, safekeeping and disposal of assets.

(3) In its role as a telecommunications carrier, KDDI shall pursue the following initiatives.

[1] Protecting the privacy of communications
Protecting the privacy of communications is at the very root of the KDDI Group's corporate management, and the Group will abide by this.

[2] Information Security
KDDI aims to manage the company's total information assets, including preventing leaks of customer information and cyber-terrorism of networks for telecommunications services, by formulating measures at meetings pertaining to information security to ensure this security in cooperation with the Directors.

[3] Recovering networks and services in times of disaster
In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, a Business Continuity Plan (BCP) shall be formulated and measures shall be implemented to improve network reliability and prevent the halting of services.
In order to facilitate a prompt recovery in times of emergency or disaster, a Disaster Response Headquarters shall be established as expeditiously as possible.

4 Initiatives relating to working together with stakeholders

(1) The whole company shall make efforts to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base.

[1] By regarding all stakeholders as customers, and through the prompt and appropriate response to customer needs and complaints, all Directors shall engage in TCS (Total Customer Satisfaction) activities that aim to improve the level of customer satisfaction. To promote these activities, efforts shall also be made at meetings pertaining to TCS to evaluate and improve TCS activities.

Risk Management and Internal Controls

[2] In addition to providing customers with safe, secure, high-quality products and services in compliance with the pertinent laws and regulations, information about products and services should be provided in an easy-to-understand format and indicated appropriately, so that customers can select and use the most appropriate product and/or service.

(2) In order to gain the understanding and trust of all stakeholders, transparency of KDDI Group management shall be ensured, and efforts shall be made to further enhance the PR and IR activities of the KDDI Group.

(3) The KDDI Group's business risk shall be fairly identified and disclosed in a timely and appropriate manner at meetings pertaining to information disclosure. In addition, CSR reports shall be created and disclosed, centering on those departments promoting CSR, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

5 Systems for ensuring business suitability of corporate groups

(1) Each member company of the KDDI Group shall appoint a person responsible for internal control in order to ensure appropriate business operations across the entire KDDI Group.

(2) On the basis of the management regulations for subsidiaries, collaboration with subsidiaries shall be maintained through the establishment of a system through which subsidiaries submit appropriate, timely reports.

(3) Risk management shall be handled appropriately in the subsidiaries so as to achieve business goals fairly and efficiently.

(4) In addition to working, through KDDI Group company meetings pertaining to the business ethics, to promptly identify and resolve any serious violation of laws and ordinances by a subsidiary or any other compliance-related matter or incident, all subsidiary personnel shall at all times maintain high ethical standards in accordance with the KDDI Action Guideline, and ensure a system is in place whereby business duties are carried out appropriately.

6 Internal Audits

Internal audits are conducted for all aspects of business of the KDDI Group, and the suitability and effectiveness of the Internal Control system is verified regularly. The results of internal audits are reported to the President with added suggestions for points that can be improved or revised, and a report is also made to the Auditor.

| Initiative |

Initiatives in Response to the Internal Control Reporting System

In response to the Internal control reporting system based on the Financial Instruments and Exchange Law implemented in FY2008, KDDI established internal control systems at the Company and major Group subsidiaries in Japan and overseas, and conducted evaluations of its internal controls to ensure reliability in its financial reporting. The results of these evaluations were compiled in an internal controls report, which was submitted to the Japanese Prime Minister in June 2015, as well as disclosed to investors.

# Risk Management and Internal Controls

| Initiative |
Protecting Intellectual Property

KDDI's commitment to creating and protecting intellectual property and respecting the intellectual property rights of others is defined in the basic policies of the KDDI Code of Business Conduct. Furthermore, it has formulated intellectual property handling regulations to ensure the proper management and usage of KDDI's inventions, ideas, designs, trademarks, and other industrial property; software and other copyrighted materials; and technologies, expertise, and other rights protected under the Unfair Competition Prevention Act.

As part of its efforts to provide customers with high-speed, high-quality, safe and secure communication services, KDDI conducts research and development of technology to increase communication speed, such as Carrier Aggregation, as well as security technology that provides privacy protection. As a result of these activities, KDDI holds approximately 1,700 patents in Japan and 250 patents overseas, as of the end of March in 2015. Moving forward, KDDI will continue to bolster its intellectual property assets and strengthen its competitiveness both in Japan and overseas.

In addition, KDDI conducts educational activities every year through group training and e-learning classes, to provide employees with a deeper understanding of the importance of intellectual property, as well as the risks of infringement and its prevention.

Information Security

| System |
KDDI's Approach to Information Security

KDDI has established an Information Security Committee composed of management-level employees, along with the heads of the sales, technology, and corporate administrative divisions. This committee is part of a structure that carefully recognizes the status of information security controls for the entire company, and when necessary readily implements Group-wide measures to enhance information security.

Security Management Structure
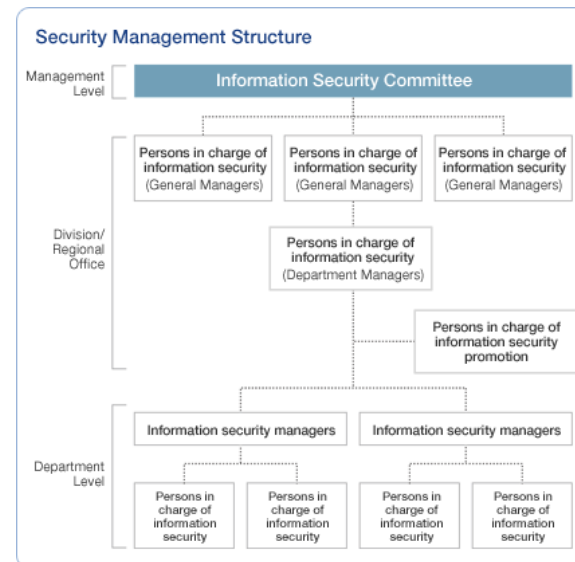
| Policy | **KDDI's Security Policy**

KDDI recognizes the appropriate management of information as a topmost management priority. Accordingly, we have formulated the Security Policy as our basic policy on information security. To earn the trust of customers and other stakeholders, we publicize this policy both inside and outside the Company and declare our observance to it, consistently taking appropriate defensive action to counter the risk of information leaks.

❏ Security Policy

| Policy | **KDDI's Privacy Policy**

KDDI realizes the importance of personal information. To ensure the thorough protection of such information, KDDI conforms with the Telecommunications Business Law, legislation concerning the protection of personal information, industry-specific guidelines such as those related to the protection of personal information in the telecommunications business, and other laws. We also publicize and declare adherence to our basic policy in this area, the Privacy Policy.

❏ Privacy Policy

Risk Management and Internal Controls

| Initiative |

Strengthening Information Security

KDDI is making serious efforts to strengthen information security, in order to prevent the leakage of information entrusted by numerous individual and corporate customers, including approximately 43.48 million au customers.

KDDI has established and administers an Information Security Committee composed of management-level employees, along with the heads of the sales, technology, and corporate administrative divisions. This committee is part of a structure that carefully recognizes the status of information security controls for the entire Company, and readily implements measures to enhance information security at KDDI itself and throughout the Group.

In April 2009, we acquired information security management system (ISMS) certification[*] (ISO/IEC 27001) for the entire company. Since then, we have continued to implement measures to improve information security centered on the maintenance of these systems. In FY2012, we formulated regulations for KDDI Group companies based on the KDDI Group Information Security Standards that we formulated in FY2011. Since FY2013 we have continued working to strengthen information security and governance at KDDI Group companies through the appropriate execution and timely inspection of Group company regulations and application of a PDCA cycle.

* This is a third-party certification system for information security systems. It was established with the goal of contributing to widespread improvements in information security and encouraging companies to target levels of information security that can be trusted around the world.

ISMS Certification at KDDI

Registration Number	Organization	Initial Registration
IS 95253	KDDI CORPORATION [1]	June 7, 2005
IS 76406	KDDI CORPORATION (Operations Division) [2]	July 4, 2003
IS 85329	KDDI CORPORATION (Information Systems Division)	September 28, 2004

[1] Includes corporate, technology and sales, and customer support divisions, as well as KDDI KYOSAIKAI (now, KDDI Group Welfare Association), KDDI Health Insurance Union, KDDI Pension Fund, KDDI Research Institute, Inc. and KDDI MATOMETE OFFICE CORPORATION

[2] Includes Japan Telecommunication Engineering Service Co., Ltd.

| Initiative |

Responding to Incidents Involving Information Leaks via Social Media

The expanding use of social media has prompted a spate of incidents in which corporate trust has been damaged or individual privacy compromised over the Internet. KDDI has addressed this situation by formulating and disseminating thoroughly rules that all executives and employees must follow when using social media.

| Initiative |

Preventing Information Leaks Due to Emailing Errors

Email has supplanted the telephone as an essential two-way communication tool for business. However, a major issue when using email is preventing information leaks caused by sending emails to the wrong address, attaching the wrong documents, or other mailing errors.

To resolve these issues, KDDI has introduced mechanisms for preventing emailing errors, such as prevention of automatic mail forwarding, automatic encoding of attached files when emails are sent outside the company, temporary delays before sending, and mandatory bcc of addresses (prevention of leaking of email addresses). In these ways, we are bolstering activities to prevent information leaks accompanying emailing errors.

Risk Management and Internal Controls

Enhancing Operational Quality to Improve Overall Corporate Quality

| Initiative | Activities to Enhance Operational Quality

KDDI considers its initiatives in response to the internal control reporting system to be part of its ongoing effort to improve overall corporate quality. The Internal Control Department, established as part of the response to this system, acts as the managing authority for the entire Company's internal control efforts, and Internal Control System Managers take the role of facilitators in each division and work to improve overall corporate quality by enhancing operational efficiency and providing standardization, while at the same time raising the quality of operations and the degree of added value.

To increase individual divisions' motivation to improve operating processes, KDDI has introduced the "Operational Quality Improvement Prize" to recognize excellent and motivational improvements, and in addition, we are conducting a "low-cost operation" initiative aimed at boosting the motivation of each employee toward improvement and forging a link between these activities and increases in operating performance. Through this initiative, all employees aim to make even small business process improvements, accumulate results through sustained efforts, generate profits, and encourage independent action to become firmly rooted in our corporate culture.

In addition, we are undertaking a number of measures to ensure that this initiative gets through to all employees, enhancing their understanding of internal control and making the activities a permanent fixture. For example, the sharing of executive messages and positive case studies through a regular email magazine and our internal newsletter, and the conducting of e-learning classes.

Providing Reliable Service

Service Quality Management

| Policy |
Offering Reliable Information and Communications Services

At KDDI, we have a lot of communications facilities including optic cables and mobile phone base stations which are maintained and managed by a nationwide network of operations departments and technical centers. KDDI's Operation Center centrally monitors communications nationwide 24 hours a day, 365 days a year. It is responsible for appropriate communication control as well as recovery work in cooperation with operations departments across Japan in the event of failure. With regard to service quality, we are constantly working to offer high-quality, reliable communication services by building, analyzing and improving the facilities and operation system in accordance with our own strict standards based on our management system.

PLAN (Aim&Standard)
Product quality + establishment and updating of quality standards (Planning quality, design quality, compliance quality, operational quality)

DO
Building of facilities based on product quality (Network building, monitoring equipment, operation system, etc.)

CHECK
Analyze level of satisfaction with quality standards (Availability rate, failure rate, customer satisfaction, etc.)

ACTION
Take steps to deal with items that fail to meet quality standards

| Initiative |
Network Service Enhancement Project

We launched the "Network Service Enhancement Project" with the aim of identifying and speedily rectifying issues, based on customer feedback through our communication network service. Through this project, we aim to solve problems promptly by a system that cuts across relevant departments including sales, operations, products, and technology and equipment.

| Initiative |
Maintenance and Operation of Global Network

KDDI connects communications providers around the world to their networks. In cooperation with these companies, we maintain and operate a global network linking all parts of the world. As well as offering high-quality international communication services using highly reliable optic submarine cables, KDDI aims to offer services using new technologies centered on its IP services.

In addition, through partnerships with companies such as INMARSAT and Intelsat, KDDI offers services using satellite communications, enabling call and data transmissions to anywhere in the world, including ships at sea, airplanes, the South Pole, and other remote areas such as islands where cables do not reach.

❏ INMARSAT service

Providing Reliable Service

| Initiative |
Multiple Surveillance and Controlling Operation Centers

In order to provide secure information communications services to customers, KDDI uses the following seven centers to constantly assess communications status. The Mobile Operation Center is in charge of surveillance of the au mobile phone network. The Server Operation Center is in charge of surveillance of the server facilities. The Network Operation Center is in charge of surveillance of landline backbone circuits. The Technical Service Center is in charge of surveillance of private corporate lines and VPN lines. The IT Outsource Center is in charge of surveillance of individual solution equipment and operation of the data center. The Security Operation Center is in charge of detection, analysis and defense against cyber attacks. The Global Network Operation Center is in charge of overall surveillance of international circuits. These centers operate 24 hours a day, 365 days a year.

These centers are linked to their related divisions in each region to allow prompt and accurate response in the event of obstructions.

| Initiative |
Cloud Platform Aiming for Industry's Highest Level of Operational Stability

KDDI has added new functions to the KDDI Cloud Platform Service for corporate customers, including an "extra availability" feature that provides general host server redundancy in addition to decentralized storage, which is the first of its kind offered by a cloud service provider in Japan.[*] Although the KDDI Cloud Platform Service already offered an unprecedented level of stability, these newly added functions markedly improve the service reliability and achieve an even higher uptime rate.

Moving forward, KDDI will continue striving to improve the quality of cloud services and other products, while working to satisfy the needs of customers and contribute to their business growth.

* As of January 26, 2015, according to research by KDDI.
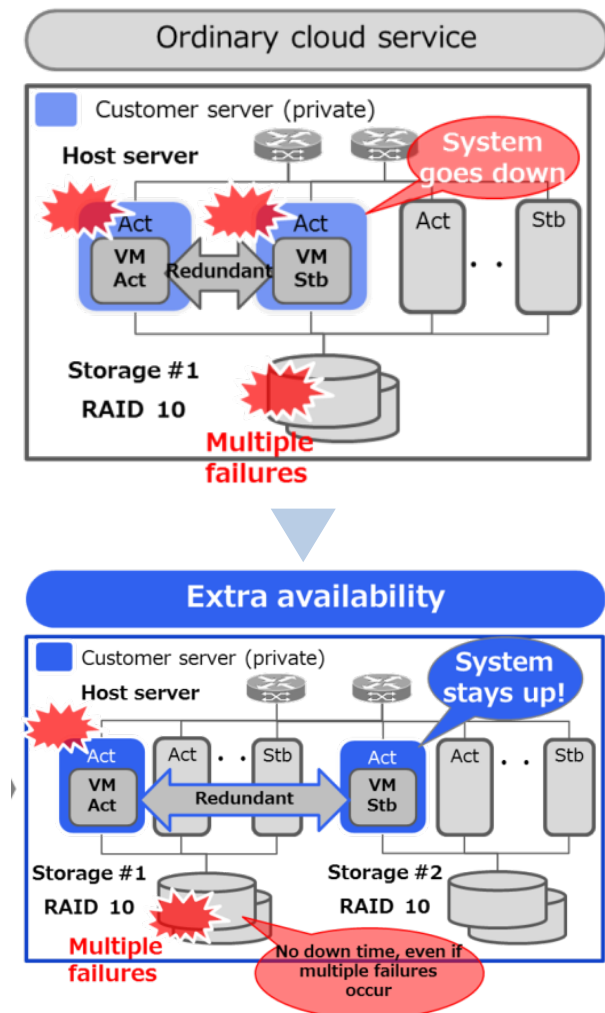
Providing Reliable Service

| Initiative |

Release of Iridium Go!™, the First Satellite Mobile Router Offered by a Telecom Operator in Japan

KDDI has begun to offer Iridium Go!™ to corporate customers. The Iridium GO!™ router, which is the first of its kind to be offered by a telecommunications

Iridium GO!™

operator in Japan, provides a Wi-Fi connection to smartphones and tablets via the Iridium satellite network, which delivers full coverage across the globe. In addition to its compact, passport-sized design, the device is built for use in times of disaster. It features superior water and dust resistance, along with a level of durability that complies with MIL-STD-810F military equipment performance standards defined by the U.S. Department of Defense.

With support for conventional voice calls and short messages, as well as social networking services such as Twitter®, Iridium GO!™ satisfies a wide range of information and communication needs in emergency situations.

| Initiative |

Development of Compact LTE-Advanced Antenna with Twice the Communication Performance

KDDI and KDDI R&D Laboratories have developed a compact antenna for LTE-Advanced base stations, which provides twice the communication performance of previous models.[1] The antenna, which uses a 4 MIMO [2] configuration to double the communication speed while maintaining the same size of previous antennas, is the world's first of its kind to be developed.[3]

The aim of developing this antenna is to achieve faster communications in urban areas where installation space is limited. The 4 MIMO configuration, which enables the transmission and reception of four signals simultaneously, is expected to be used for LTE-Advanced communications, which are expected to achieve widespread market adoption, as well as for 4G mobile communication systems operating in the 3.5 GHz band. This antenna enables the construction of next-generation communication networks that accommodate the growing demands for communication services, without interfering with the scenery.

Moving forward, KDDI and KDDI R&D Laboratories will investigate the practical applications of this antenna technology, while continuing the research and development of cutting-edge technology that contributes to the creation of a comfortable communication environment.

[1] Development of the antenna was conducted jointly by KDDI R&D Laboratories and Nihon Dengyo Kosaku Co., Ltd.
[2] MIMO, which is an abbreviation of "Multiple-Input and Multiple-Output", is wireless communication technology that improves communication performance by using multiple antennas on both the transmission side and reception side.
[3] As of November 12, 2014, according to research by KDDI R&D Laboratories.

Providing Reliable Service

| Initiative | World's First Trans-Pacific Telephone Cable Recognized as Historic Achievement

The world's first trans-Pacific telephone cable, known as TPC-1, which was brought into service by KDDI (formerly KDD), AT&T, and Hawaiian Telcom, has been recognized by IEEE Milestones,[1] [2] a program which honors historic achievements in fields related to electricity, electronics and information.[3]

TPC-1 was brought into service in June 1964 as the world's first trans-Pacific telephone cable. Construction of TPC-1 was undertaken as a national project in the run-up to the Tokyo Olympics, which were held in October 1964, and it culminated in a commemorative phone call between then Prime Minister Ikeda and U.S. President Johnson.

This is the third time KDDI has been recognized by IEEE Milestones, following the trans-Pacific reception of a television signal via satellite (Ibaraki Satellite Communication Center) in 2009, and the international standardization of G3 facsimile in 2012. KDDI has received this award more times than any other individual or organization in Japan.

In preparation for the Tokyo Olympics in 2020, KDDI is working toward the commercialization of 8K video resolution in the broadcasting sector, as well as the enhancement and diversification of communications services through the development of technology such as 5G mobile communications aimed at achieving speeds of 10 Gbps.

[1] IEEE (pronounced "Eye-triple-E") is the world's largest organization of electrical and electronic professionals with over 430,000 members in 190 countries around the world. It is based in the U.S.

[2] IEEE Milestones is an award system established in 1983 to honor inventions and technological developments in the electrical, electronics and information sector that are technically outstanding and at the same time significantly beneficial to society. To date, over 157 achievements have been recognized around the world. Recognition is granted to achievements selected from inventions and developments that are at least 25 years old and have stood the test of public opinion.

[3] This award recognizes the joint achievement of three companies, KDDI, AT&T, and Hawaiian Telcom, the joint constructors of TPC-1.

| Initiative |

Consortium to Build "FASTER" Submarine Optical Cable Between Japan and U.S.

KDDI formed a consortium with China Mobile International (China), China Telecom Global (China), Google (U.S.), SingTel (Singapore), and Global Transit (Malaysia) to construct a submarine optical cable between Japan and the U.S. Total investment in the cable system, which is called "FASTER", amounts to approximately $300 million (¥36 billion).[1] In addition, NEC Corporation will serve as the system supplier. FASTER, which will consist of a 9,000-kilometer submarine optical cable that directly connects Japan and the U.S., is scheduled to start operations in the first quarter of FY2016.

Submarine cables provide 99% of Japan's international traffic [2], making them an important component of the social infrastructure. Moving forward, KDDI aims to provide an unprecedented level of reliability in communication services for the Asia-Pacific region, where demand is expected to continue growing.

[1] As of June 1, 2015 (calculated at rate of US$1 = ¥120).
[2] According to research by KDDI.

| Initiative |

New Construction of Global Data Centers with Highest-Class Power Supply Capacity in Japan

KDDI is constructing two new data centers, TELEHOUSE OSAKA 2 (scheduled to open in late August 2015) and TELEHOUSE TOKYO Tama 3 (scheduled to open in February 2016). Both data centers will feature an electrical power supply capacity that ranks among the highest in Japan.[1]

With the construction of these facilities, the network of TELEHOUSE data centers will span 46 sites (including 21 sites in Japan) located in 24 cities in 13 countries and regions around the world, and the total floor space of all data centers will measure approximately 370,000 square meters.

Providing Reliable Service

In addition to the high-capacity power supply, both data centers boast an environmentally-friendly design that incorporates features such as highly efficient and reliable power-supply equipment, energy-efficient air conditioning, LED illumination, and motion detectors that sense the presence of people.

The buildings also incorporate a seismic base isolation system that offers protection from earthquakes and minimizes the impact on customers when they occur. Furthermore, the network cables traverse different routes underground, enabling communication services to be provided with a level of stability that only a telecommunications operator can achieve.

Use of these data centers can serve as effective BCP [2] and DR [3] measures when a disaster occurs, which can help customers maintain safe and secure business operations.

Simulated image of TELEHOUSE OSAKA 2 building

Simulated image of TELEHOUSE TOKYO Tama 3 building

[1] TELEHOUSE OSAKA 2 power supply capacity to each rack: 30 kVA (rated)
TELEHOUSE TOKYO Tama 3 power supply capacity to each rack: 42 kVA (rated), the highest in Japan*
* As of August 26, 2014, according to research by KDDI based on public information.
[2] BCP is an abbreviation of "business continuity plan", which refers to a plan to secure the continuity or quick recovery of important business operations in the event of a disaster.
[3] DR is an abbreviation of "disaster recovery", which refers to measures to prevent or recover from system failures that occur due to disaster.
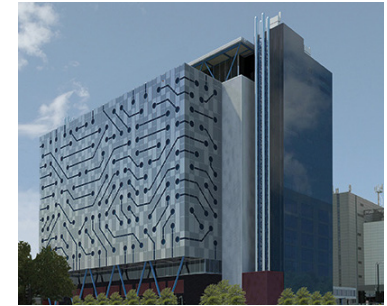
| Initiative |

Contributing to the Economic Development of the UK

KDDI and TELEHOUSE EUROPE, a data center operator subsidiary of the KDDI Group, won the "UK-Japan Partnership" award at the 2014 British Business Awards for their contribution to the economic development of the UK.

TELEHOUSE EUROPE has been operating data centers in London since 1990, and they are currently home to one of the world's largest Internet exchange points. A vast majority of the UK's Internet traffic is routed through the TELEHOUSE data centers, making them a critical part of the national online infrastructure. In July 2014, KDDI began construction on the fifth TELEHOUSE EUROPE data center in the city. Moving forward, KDDI will continue its efforts to contribute to the development of data center operations in the UK.

British Ambassador Hitchens presents the trophy

Simulated image of TELEHOUSE LONDON Docklands North Two building

Response to Product Accidents and Base Station Construction

| Initiative |

Response to Product Accidents and Defects

When an accident or defect occurs with a KDDI product, a report is sent to the Product Accident Response Desk in each relevant department at KDDI, and a response plan is promptly established upon consultation with the Survey Committee, which is chaired by the president. In the case of a serious product accident, customers are notified immediately and thorough reports are filed with the relevant government agencies.

Providing Reliable Service

| Initiative |

Auditing of Base Station Equipment Production Plants

KDDI conducts thorough quality control of equipment to be used in mobile phone base stations to ensure a stable communication environment for customers. Because failures in base station equipment can lead to communication difficulties over a whole area, we perform audits at plants which produce equipment for KDDI base stations.

Audits consist strict checks of production processes and the production environment in order to eliminate a variety of causes of malfunctions and defects. If there are problems, we communicate them to the plant and take painstaking preventative action against breakdown of equipment.

Specific case examples of auditing:
・Ensuring that the 5S measures (Sorting, Setting in Order, Shining, Standardizing, and Sustaining Discipline.) are implemented properly
・Ensuring that the specified values are maintained within electrostatic protection areas
・Ensuring that the appropriate temperature and humidity are maintained within parts storage rooms
・Ensuring that the details of assembly procedures and visual inspections are clear, and that they are performed properly

To allow our customers to use mobile phones and smartphones with peace of mind, we will continue to ensure our manufacturers and suppliers understand KDDI's quality control philosophy and work together with plants to reduce the number of equipment malfunctions.

Through the auditing performed in FY2014, KDDI found no issues affecting product quality.

| Initiative |

Setting Up Mobile Phone Base Stations and Neighborhood Care

With the aim to provide a reliable communications environment to au mobile phone users, KDDI sets up mobile phone base stations in all parts of Japan in order to support new services and improve service area quality. For the design and construction when setting up a new base station, we abide by the Radio Act, Building Standards Act, and other relevant laws and regulations as well as municipal ordinances and guidelines.

Furthermore, in cases where the construction is expected to cause a nuisance or inconvenience to the neighborhood (for example, due to the traffic of construction vehicles and noise from construction) or if we received inquiries regarding a mobile phone base station, KDDI provides general information about the base station and explanation of the construction work so that we can earn the understanding and cooperation of the neighborhood.

| Initiative |

Operating More Than 20,000 4G LTE Base Stations That Support a Maximum Downlink Speed of 150 Mbps

As of December 2014, KDDI and Okinawa Cellular are operating more than 20,000 wireless base stations that support a maximum downlink speed of 150 Mbps in their 4G LTE data communication network.

The number of base stations that support a maximum downlink speed of 150 Mbps has been growing since October 2013, when KDDI began introducing them in limited areas. Growth was further accelerated after May 2014, when KDDI started offering Carrier Aggregation, which is supported by next-generation high-speed LTE-Advanced technology.

KDDI will continue its efforts to improve service area quality in FY2015.

Technological Development to Improve Communications Quality

Efforts to Increase Communication Speed

| Initiative |

Providing Carrier Aggregation for 4G LTE and WiMAX 2+

In FY2014, KDDI introduced 4G LTE Carrier Aggregation, which is supported by next-generation high-speed LTE-Advanced technology, and started releasing smartphones and tablets that support two next-generation communication networks, Carrier Aggregation and WiMAX 2+.

In FY2015, KDDI will continue to increase the speed of 4G LTE Carrier Aggregation, as well as introduce Carrier Aggregation for WiMAX 2+ and start releasing compatible smartphones and tablets. For devices that support both next-generation communication networks, the network is automatically selected based on the customer's communication environment, ensuring comfortable high-speed data communications.[1]

Carrier Aggregation technology enables LTE data communications across multiple frequency bands simultaneously. By combining data received in different frequency bands, a maximum communication speed of 225 Mbps is achieved for 4G LTE, and a maximum communication speed of 220 Mbps is achieved for WiMAX 2+.
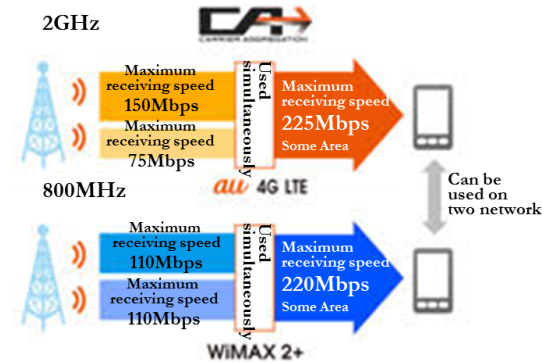
[1] Devices are connected to the network that KDDI determines to be the least congested, based on factors such as traffic conditions.

* WiMAX 2+ is a high-speed communication service provided by UQ Communications Inc.

Providing a Convenient Usage Environment

| Initiative |

Providing Area Quality Information Transmission Function for 4G LTE Smartphones (Android™)

KDDI has expanded the number of mobile phones that include the Area Quality Information Transmission Function in its effort to further increase communications quality. The Area Quality Information Transmission Function is a function that detects and collects information on quality, signal condition and location during voice calls and data transmission and automatically sends it to KDDI. The area quality information sent to KDDI is analyzed statistically and used for improving the signal quality in places where customers experience transmission errors and slow transmission speeds.

| Initiative |

Improvement of Communications Environment by Home Visits

As part of the efforts to improve the communications environment for au mobile phones, KDDI offers the Signal Support 24 service for customers nationwide. In this service, KDDI staff visit the homes of customers who have inquired about signal quality and examine the reception condition for au mobile phones. KDDI contacts the customer to setup an appointment within 24 hours of their inquiry. KDDI then implements service area improvements using au repeaters or au Femtocells. We accept inquiries about signal quality not only in homes, but also outdoors and in offices and restaurants. We will continue to strive to improve service area quality as well as deliver a reliable communication environment through committed reactions to the voices of our customers.

Technological Development to Improve Communications Quality

Home visit service –
Examining signal reception
quality to create better
service area

au repeater

| Initiative |

au Wi-Fi SPOT Public Wireless LAN Service

KDDI offers the "au Wi-Fi SPOT Public Wireless LAN Service," which allows easy Internet access by anyone with an au smartphone.

By simply turning on the Wi-Fi function of their device, anyone can easily connect to an au Wi-Fi SPOT. Also, depending on the strength of the signal, devices can switch from 4G to Wi-Fi automatically for easy Internet communications. KDDI is enhancing au Wi-Fi SPOT network construction and increasing the number of hotspots so as to provide easy telecommunications access to all au smartphone users.

❑ au Wi-Fi SPOT (Japanese)

Sticker to inform of available location

Initiative in Preparation for Emergencies

Robust Network Construction

| Initiative |

Introducing 4G LTE-Compatible Wide-Zone Base Station for Disasters

In preparation for an earthquake occurring directly beneath the Tokyo metropolitan area, KDDI is reviewing its disaster measures from various perspectives, and as a backup for the time between when an earthquake strikes and recovery, we have introduced and began operations on a "wide-zone base station for disasters." The base

One of the wide-zone base station antennas on the roof of KDDI Office Building Shinjuku

Radio Transmission Path Relay Station

station supports voice communication (1x), 3G communication (EVDO) and LTE communication (4G LTE), allowing provision of mobile phone services such as voice calls and data transmission should an earthquake directly hit the capital. It is the first 4G LTE-compatible wide-zone base station in Japan.

Currently, ten base stations have been constructed, covering an area from Chiba in Chiba Prefecture to the east to Kawaguchi in Saitama Prefecture to the north, Tachikawa in Tokyo to the west and Kawasaki in Kanagawa Prefecture. Furthermore, learning from the experience of the Great East Japan Earthquake, the backhaul line (connected to the core network) in the wide-zone base station has a dual structure of microwave radio and fiber optic cable.

We will continue considering the expansion of wide-zone base stations based on damage assumptions in each region of Japan in the event of disaster, not just in the Tokyo area.

| Initiative |

Chikura No.2 Cable Landing Station Safe From Effects of Tsunami

As a BCP measures-related project based on the draft basic law to make Japan more resilient against disasters, promoted by the Cabinet Office, KDDI has established a new cable landing station in Minami Boso City, Chiba Prefecture, that will not be impacted by tsunami. The Chikura No.2 Cable Landing Station is an elevated station located 28m above sea level, based on the assumption of the highest tsunami in the Chikura area announced by the government, so it will not be affected by any tsunami that may occur.

In addition to submarine fiber optic cables linking Japan with America and Asia, as part of our international communications network BCP, KDDI will utilize cable routes to Europe via Russia and satellite networks. In this way, KDDI will continue to strive to provide safe and secure communications services by ensuring the continuity of international communications in times of disaster.

Initiative in Preparation for Emergencies

| Initiative |

Signing a Disaster Agreement with Each Regional Army of the Japan Ground Self-Defense Force and the Japan Coast Guard

In 2014, KDDI signed an agreement of mutual cooperation to secure telecommunications during times of disaster (referred to below as "Disaster Agreement") with the Eastern Army of the Japan Ground Self-Defense Force. With this signing, KDDI has now entered into a Disaster Agreement with each regional army of the Japan Ground Self-Defense Force nationwide. In addition, KDDI signed a Disaster Agreement with the Japan Coast Guard in March 2015. The aim of these Disaster Agreements is to ensure mutual cooperation in securing telecommunications across a wide area, so that quick recovery can be achieved in times of disaster, such as a major earthquake that is eventually expected to occur directly underneath the Tokyo metropolitan area or in the Nankai Trough.

KDDI will continue working closely with all stakeholders in the full pursuit of measures to facilitate recovery after large-scale disasters.

| Initiative |

Conducting Demonstration Experiments for Installing Mobile Phone Base Stations Aboard Ships

KDDI and the Japan Coast Guard participated in a comprehensive disaster-preparedness drill conducted by the Kagoshima prefecture government in 2014. KDDI installed a

The experimental mobile phone base station is installed on the bridge of the patrol vessel Satsuma.

mobile phone base station (experimental station) aboard a Japan Coast Guard vessel, and conducted a demonstration experiment to verify its quality as a mobile phone system using radio waves at the same frequency as those of commercial mobile phones. Each year, Kagoshima prefecture conducts a comprehensive disaster-preparedness drill based on the scenario of a major earthquake in the Nankai Trough, in an effort to improve cooperation between disaster-related organizations in the prefecture and raise disaster awareness among residents. In these drills, KDDI has worked to enhance the capabilities of equipment such as vehicle-mounted base stations, mobile base stations, and wireless entrance facilities,[*]

for the purpose of more quickly restoring service area coverage in the event of network failures caused by disasters. In addition to land-based measures to quickly restore service after a disaster, KDDI is also working on marine-based measures that are not affected by disaster conditions on land.

* Facilities that connect using wireless networks in the event a line is broken between a mobile phone base station and telephone exchange station during a disaster

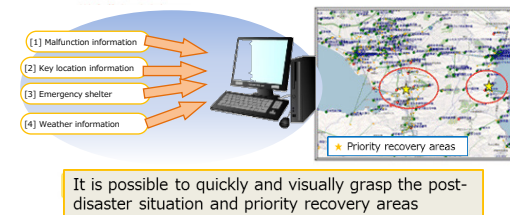# Initiative in Preparation for Emergencies

| Initiative |
au Disaster Recovery Support System

KDDI has implemented an au Disaster Recovery Support System in 10 technical centers nationwide to quickly grasp the situation and draw up precise recovery plans if a large-scale disaster takes place. The au Disaster Recovery Support System comprehensively manages the overall area situation based on equipment malfunction information, the situation in key locations based on data traffic, and information related to emergency shelters and evacuation routes. By plotting this data on a map, it is possible to understand priority recovery areas visually and in real time. Even if a disaster affects a wide area, the system makes possible effective recovery activity. Also, by using it as a means to exchange information with government institutions and internal departments, it can be used not only to restore communications infrastructure but also as a useful tool for supporting general disaster recovery. We are also making efforts to further speed up recovery by making it possible for the system to link to weather information.

To quickly restore communications to service areas in case of outage, such as due to a disaster, we are pursuing equipment-based measures including increases in vehicle-mounted base stations, portable base stations, and wireless entrance facilities. We are

also bolstering personnel-based measures to ensure this equipment is used effectively.

au Disaster Recovery Support System

[1] Malfunction information
[2] Key location information
[3] Emergency shelter
[4] Weather information

★ Priority recovery areas

It is possible to quickly and visually grasp the post-disaster situation and priority recovery areas

| Initiative |
Participation in Nationwide Disaster Response Training

As a designated public institution under the Basic Act on Disaster Countermeasures, KDDI participates in comprehensive disaster response training held by the national and local governments, and as a provider of information communications infrastructure we cooperate with relevant authorities to ensure rapid and effective recovery activities.

In Disaster Readiness Week in 2014, the week that included Disaster Readiness Day, September 1, we took an active part in disaster response training held by local governments in different areas throughout Japan to increase awareness and knowledge of what to do if a disaster takes place.

Self-Defense Forces use a large helicopter to transport a mobile base station in an exercise conducted in Tohoku.

Self-Defense Forces use a small helicopter to transport a mobile base station in an exercise conducted in Shikoku.

Self-Defense Forces use a large helicopter to transport a mobile base station in an exercise conducted in Nagoya.

A person carries small equipment to install on a ship, in a demonstration experiment for shipboard base stations.

Initiative in Preparation for Emergencies

| Initiative | Reinforcement of Equipment for Reconstruction of Network and Quick Recovery

KDDI is targeting improved network reliability and implementing various initiatives to prepare for the kind of large-scale disaster it is feared may take place, such as an earthquake directly underneath the Tokyo metropolitan area or a massive earthquake in the Nankai Trough (Tokai, Tonankai, Nankai).

Vehicle-mounted base station

As part of efforts to build disaster-resistant networks, we have augmented our backbone networks from three routes to four, and furthermore, we have installed a new facility monitoring system in Kansai to decentralize our monitoring functions.

Also, as a facilities measure to allow quick recovery in disaster-hit areas, we augmented deployment of mobile power supply vehicles and emergency power generators to make possible quick power supply to telecommunications facilities in the disaster area. Furthermore, we are implementing various initiatives to ensure communications services in the disaster-hit areas, such as increasing deployment of wireless entrance facilities* as well as vehicle-mounted and portable base stations and equipping around 2,000 mobile phone base stations with batteries capable of operation for more than 24 hours.

KDDI has also improved vehicle-mounted base stations by adding Carrier Aggregation (CA), which is supported by next-generation high-speed LTE-Advanced technology. In addition to ensuring the availability of voice and data communication services for mobile phones in disaster-hit areas, this equipment can be used to provide reliable service in high-traffic areas where large numbers of customers gather, such as fireworks displays or outdoor events.

| Initiative | Business Continuity Plan (BCP) Initiatives

Following our experiences in the March 2011 Great East Japan Earthquake, we established a Companywide Disaster Response Project, and in October 2011 we formulated a Business

Disaster response training connecting the communications equipment of all branches throughout Japan

Continuity Plan (BCP) for Large-Scale Disasters. We are pursuing a host of measures to address the plan's objectives of "ensuring the safety of employees and their families" and "fulfilling our responsibilities to continue providing telecommunications services as a designated public institution." Specifically, we have established detailed rules for each phase of response to disaster, from initial action through to full restoration. We are also creating satellite network links to principal bases throughout Japan in preparation for a scenario in which all fixed-line and mobile circuits cease to function. We have identified personnel who will, in the event of a disaster, be dispatched quickly to provide support at emergency shelters, and have stockpiled

Initiative in Preparation for Emergencies

the equipment necessary for this eventuality. In addition with these measures to shore up our structure, we are proactively conducting disaster response training throughout Japan that focuses on initial disaster response.

In February 2015, the Disaster Response Office spearheaded efforts by countermeasure offices to link communications equipment from all divisions and branches throughout Japan as part of disaster response training in anticipation of an earthquake directly underneath the Tokyo metropolitan area. As well as employing a completely "blind" method of training in which participants are not told what sort of disaster to expect until just before the training begins, training was conducted assuming total disruption of communications immediately after the disaster, with the disaster response meeting held under a communication environment consisting of satellite network only.

The training was held for approximately 300 emergency participants. At the start of the training, they responded as information about the disaster began to unravel and considered new damage assumptions that were disclosed as time went on, lending the training a sense of reality.

We will reflect in future BCP the issues and areas for improvement that became apparent as a result of this training, building the foundations for more robust disaster response going forward.

Based on the "Guidelines for Taking Action against an Influenza Pandemic" (February 2009 Council on Countermeasures Related to a New Strain of Influenza and Avian Influenza), we formulated the "Plan for Maintaining Companywide Operations in the Event of an Outbreak of a New Strain of Influenza" to ensure employee health and accurate responses so that we can continue to provide our customers with communications services in the event of an outbreak of a new strain of influenza.

Providing Services in Times of Disaster

| Initiative |

Ensuring the Ability to Communicate and Check the Safety of Loved Ones

When a disaster happens, many people try to use their phones simultaneously, making voice communications difficult. For this reason, we have begun offering a variety of new services that people can use to communicate or check

au Disaster Countermeasures App

the safety of loved ones after a disaster. We are also enhancing our Emergency Rapid Mail to provide tsunami warnings as well as useful information in times of disaster.

To ensure use in times of disaster, "au Disaster Countermeasures App" is preset on au smartphones (Android™) currently on the market. An iPhone version is also available from the App Store.

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Initiative in Preparation for Emergencies

"au Disaster Countermeasures App" combines a variety of services that can be used when a disaster occurs, including the Disaster Message Board for registering and confirming safety in the event of disaster, Emergency Rapid Mail for directly sending disaster-related information such as emergency earthquake early warnings, tsunami warnings and disaster/evacuation information,[*] and the Disaster Voice Messaging Service for conveying "spoken" confirmation of safety through use of the packet communications network in times of disaster. Furthermore, pre-initialization enables registration of safety information and sending of voice files from Wi-Fi, and use of mobile phone data transmission lines when voice transmission is interrupted.
We have also begun an arrangement allowing mutual usage of the Disaster Message Board and Disaster Voice Messaging Service between all mobile phone providers that transcends company fences.

* A service which sends evacuation advisories, instructions, various warnings, and other citizen safety information from national and local governments simultaneously to all au mobile phones in the target area

| Initiative |
Video Introducing Useful Services in Times of Disaster
KDDI provides the Disaster Message Board Service and Disaster Voice Messaging Service, which ensure that customers can communicate or check the safety of loved ones in times of disaster. KDDI released "Moshi Moshi Keitai, Moshimo No Keitai", an easy-to-understand video that introduces these services, and offered a trial period for customers to experience the Disaster Message Board Service and Disaster Voice Messaging Service, from March 7 to 18, 2015. In addition, the "au Disaster Countermeasures App" is loaded with useful disaster-related information that can help customers prepare for disasters before they occur.