

Corporate governance and social contribution

The KDDI Group aims to increase the level of its satisfaction of customers, including other stakeholders, through a solid commitment to total customer satisfaction (TCS) in the provision of customer-oriented services and other corporate activities. KDDI regards corporate governance as a key issue that underpins the adoption of a TCS mindset within the company, and that itself is supported by ongoing efforts to improve legal and regulatory compliance and strengthen risk management. KDDI also regards environmental protection activities and international cooperation efforts as key elements of its corporate social responsibility (CSR) activities.

Corporate Governance

Corporate governance framework

KDDI has been actively engaged in improving its corporate governance systems since its establishment. The introduction of an executive officer system in June 2001 clarified the separation of management oversight and business execution roles, contributing to faster decision making and more clearly delineated lines of authority and responsibility within a streamlined senior management system.

The Board of Directors has 11 members, including two nonexecutive directors. Its statutory function is to oversee important decisions and the execution of business policies. KDDI adheres to the corporate auditor governance model stipulated in the Japanese Commercial Code. This provides for the additional oversight of management decisions by the Board of Auditors, which has four members, including three external auditors. The corporate auditors attend meetings of the Board of Directors and other important business meetings. Working in cooperation with the independent auditors and the staff of an internal audit division, the corporate auditors conduct audits of KDDI and all major domestic and overseas subsidiaries based on the auditing policies and plans decided by the Board of Auditors. These functions provide a key check on business activities, particularly with respect to the execution of corporate duties by directors.

Compliance

KDDI's business activities rely on the trust of customers in the communications services provided by the company. KDDI views full compliance with laws and regulations as a critical element in the establishment and maintenance of trust with customers, including other stakeholders. The company abides by a strict code of business ethics formulated in January 2003 and aims to improve its levels of compliance and ethical behavior over time through in-house training programs for executives and employees. The company has established a central business ethics committee to oversee compliance-related issues that affect the KDDI Group. A help line for employees to report incidents or discuss such issues has also been set up. Compliance systems aim to ensure the early identification of any problems and to resolve issues quickly and effectively.

Stronger risk management controls to protect customer privacy

KDDI established the Corporate Risk Management Division for the KDDI Group in April 2004. Along with reinforcing the Internal Auditing Division, this move aimed to strengthen internal compliance controls, particularly concerning all matters related to the privacy of customer information. This division works to identify and manage all risks affecting the KDDI Group in an integrated way while improving risk management activities across all divisions through internal training and education programs. Following the enactment of the Personal Information Protection Law in Japan in April 2005, KDDI introduced much stricter controls on the use of personal customer information across all operations, including divisions that have no direct interaction with customers. The Information Security Committee in the Corporate Risk Management Division, a cross-functional internal consultative body, continues to oversee a variety of preventative network security measures designed to stop any security breaches involving customer data. These initiatives include steps to upgrade internal regulations and to revise business processes so that such breaches never occur.

Disclosure and investor relations

KDDI continually aims to upgrade its internal systems to ensure, the accurate and fair disclosure of information for shareholders and investors in a timely manner. In November 2004, KDDI formulated its IR Basic Policy, which it makes available for investors on its web site. This policy describes KDDI's basic stance on IR-related issues and explains the disclosure framework. KDDI's Disclosure Committee's mandate is to boost management transparency and ensure a consistently fair and honest approach to the release of quarterly and annual financial data through intensive deliberation. In February 2005, KDDI submitted a written oath to the Tokyo Stock Exchange committing the company to the accurate and timely disclosure of information for investors.

The effectiveness of KDDI's IR activities was confirmed in fiscal 2004 when KDDI was awarded for the second consecutive year for Excellence in Corporate Disclosure as one of the leading Japanese companies in the telecommunications sector in terms of the quality of disclosure. In particular, this award reflects the proactive stance of senior management on IR issues. Going forward, KDDI plans to focus on upgrading its IR activities to increase further the level and quality of its disclosure.

Social Contribution

Environmental protection activities

The KDDI Group recognizes the importance of fulfilling its duty as a responsible global corporate citizen to protect the Earth's irreplaceable environment so that it can be inherited by future generations.

Environmental oversight and management standards

The KDDI Environment Committee meets regularly to formulate companywide environmental policies and plans. Divisional and site eco-committees have been appointed throughout the company to ensure the smooth implementation of central plans and to oversee day-to-day environmental activities at the local level. The program of ISO 14001 certification under way throughout the KDDI Group is one manifestation of the company's environment-related efforts. The first KDDI site gained ISO 14001 certification for its environmental management system in December 2002. A total of 17 divisions had completed certification procedures by March 2005.

Recycling of mobile handsets

As a member of the Mobile Recycling Network (a recycling initiative in Japan that brings together mobile carriers and the manufacturers of handsets and PHS products), KDDI collects and recycles post-use cellular and PHS handsets regardless of brand or manufacturer. It also gathers such related peripherals as batteries and chargers. Despite the fact that there were over 87 million cellular handsets in Japan as of the end of March 2005 (equal to a diffusion rate of around 68%), intense competition between service providers ensures the continual sale of new mobile phones with increasingly advanced functions. Annual unit sales remain in the 40–50 million range, which translates to the replacement of around half of all handsets each year. The eco-friendly disposal of handsets is thus a critical objective to promote Japan's evolution into a fully recycling-oriented society. KDDI's handset recycling service to customers is designed to maximize the effective use of limited resources.



Logo of the Mobile Recycling Network

Eco-friendly purchasing

KDDI actively promotes purchasing policies that favor eco-friendly products and suppliers. These "green procurement" policies aim to encourage a preferential internal shift in the purchasing of all goods and products and of engineering and other services toward items and companies with minimal environmental impact. Through this program, KDDI hopes to strengthen links with other firms that also value environmental harmony and thus magnify the scale of effects beyond the actions of any single company. KDDI formulated the KDDI Eco-friendly Purchasing Guidelines in February 2003. These apply to all goods, services and suppliers.

Operation of solar power generating systems

KDDI is introducing renewable energy systems in an attempt to reduce overall energy consumption and to lower greenhouse gas emissions due to operating activities. In January 2005, the company commenced the operation of a new solar power generation system

at the KDDI Parabola Hall, a visitor center at Yamaguchi Earth Station, the largest satellite telecommunications installation in Japan. Electricity supplied by the solar power generation system powers the lighting and air-conditioning systems at the visitor center. Visitors can also gain a better appreciation of the system through real-time power generation displays.

Since 2003, KDDI has been installing solar-powered base stations in the au mobile network to extend service areas in a more eco-friendly fashion. KDDI is also studying the adoption of other renewable energy forms with low ecoimpact.



A satellite telecommunications facility in Yamaguchi, Japan

International cooperation activities

Telecommunications technologies can play a valuable role in the growth of developing nations. KDDI aims to play an active part in stimulating this process. Besides sending substantial numbers of technical specialists and other personnel to assignments in developing countries to help foster the transfer of technological expertise in the telecommunications field, KDDI has also accepted a cumulative total of more than 5,000 trainees from various countries in Asia, Africa and the Pacific Ocean. Trainees can use the technical knowledge gained during training programs in their home countries, thereby contributing to the development of the local telecommunications sector. KDDI also provides assistance to programs sponsored by international organizations, such as the International Telecommunication Union, that aim to improve communications in developing countries. Another aspect of KDDI's international cooperation efforts is a financial assistance program for employees participating in the overseas volunteer corps organized by the Japan International Cooperation Agency.

Aiming to bridge the digital divide

In the year ended March 2005, KDDI organized 10 international training courses on information and communications technologies, accepting a total of over 80 trainees from 37 countries. KDDI also participated in service field trials and other development projects organized by international bodies that aim to bridge the digital divide in the rural regions of developing countries. Expanding on past successes in Vietnam and Malaysia, one project involved the construction on the island of Lombok in Indonesia of a wireless IP network using the CFO-SS system, which is based on broadband wireless LAN technology developed by researchers at KDDI. This network can support remote education initiatives by providing communications links between schools and universities. The project has attracted attention as a potential model for improving school education in the remote regions of developing nations. It promises to contribute to the ongoing development in such countries of education, medicine and other fields that stand to benefit from the latest information and communications technologies.



Developing life-enhancing wireless connections in Lombok