

Corporations are expected to undertake comprehensive measures to ensure full legal and regulatory compliance. In so doing, they prevent any serious corporate misdeeds and safeguard their information. From environmental and other perspectives, society also expects firms to be proactive in fulfilling their social corporate responsibility (CSR) through diverse activities. KDDI regards CSR as a key management issue and strives to foster a CSR-oriented workplace.

Corporate Governance

Corporate governance framework

KDDI introduced an executive officer system in June 2001 to clarify the separation of management oversight and business execution. The new system contributes to faster decision making and has more clearly delineated the lines of authority and responsibility among senior management. The Board of Directors has 11 members, including 3 nonexecutive directors. Its statutory function is to make important decisions and to oversee the execution of business policies. The Board of Auditors has 5 members, including 3 external auditors. The corporate auditors conduct internal audits to provide an important check of business activities, particularly the execution of corporate duties by directors.

During the year ending March 2007, KDDI plans to formulate a policy on the structure of internal controls and related systems. KDDI works to strengthen its corporate governance and to improve the quality of its governance measures. It also seeks to ensure that its corporate activities are fair, transparent, and efficient.

Compliance

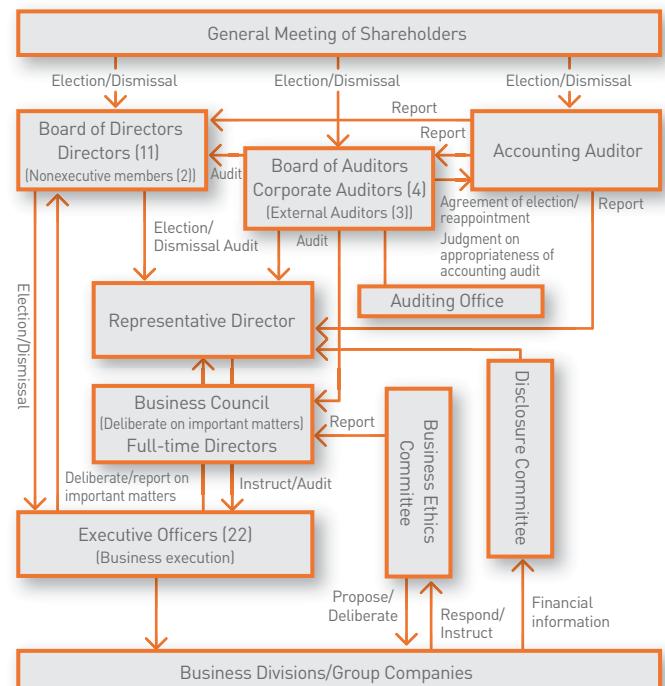
KDDI codified its business ethics in January 2003 to ensure the ethical conduct of its executives and employees in pursuing corporate activities. Ongoing training programs aim to raise awareness of ethics-related issues. KDDI has also established a Business Ethics Committee to oversee compliance-related issues that affect the KDDI Group and a help line for employees to report incidents or to discuss such issues. Compliance-related activities at KDDI cover KDDI Corporation and all KDDI Group subsidiaries and have as their purpose to identify and resolve problems early, quickly, and effectively.

KDDI has reaffirmed and clarified its internal compliance regulations in response to the enactment in April 2006 of Japanese legislation designed to protect public informants. The company will strive to respond quickly and properly to any allegations of ethical noncompliance made by whistleblowers and to protect the rights of those informants. KDDI also will cultivate an open corporate culture to support its commitments in this regard.

Disclosure and investor relations

KDDI is fully committed to undertaking fair and timely disclosure on an ongoing basis of any information that could have a material bearing on the decisions of investors. This policy is in line with Tokyo Stock Exchange regulations governing the timely disclosure of information

Corporate governance framework



(As of May 31, 2006)

concerning the issuers of publicly listed securities, as stipulated in the Securities and Exchange Law.

KDDI maintains internal communication and investor relations (IR)-related systems to support the timely disclosure and the proper control of such information. It also employs various methods to ensure ready access to information, including press releases, investor presentations, executive press conferences, and notices regarding network maintenance or system failures. All information is published promptly on the KDDI Web site. With regard to financial data, KDDI has established a Disclosure Committee whose mandate is to boost management transparency through intensive deliberation by ensuring a consistently fair and honest approach to the release of financial information.

The effectiveness of KDDI's IR activities was confirmed in the year ended March 2006. For the third consecutive year, KDDI received an award for Excellence in Corporate Disclosure, reflecting the opinions

of research analysts. This award signifies a positive evaluation of the proactive stance of senior management on IR issues, the quality of the content made available through investor meetings, and KDDI's commitment to fair disclosure.

Risk management

KDDI set up a Risk Management Department in April 2004 that became the Corporate Risk Management Division in July 2004. This division oversees the security and confidentiality of communications over the KDDI network. In addition, it manages risks affecting KDDI Group activities, notably the risk of any leakage of customer information or other breaches of privacy. The division also conducts internal audits that focus on legal compliance and on improving the efficiency and effectiveness of daily business activities.

KDDI designated five primary risks as management priorities during the year ended March 2006. They are as follows: privacy breaches involving customer information, ethical and legal lapses, disaster prevention and related incidents, accidents causing any failure of KDDI's telecommunications network or related equipment, and any similar incidents related to the company's IT systems. KDDI implements plan-do-check-act (PDCA) management cycles to prevent such risks and has instituted companywide risk-response and crisis management systems to deal with problems should they arise.

Information security

KDDI established its Information Security Committee based on internal regulations of July 2002. This cross-functional body oversees companywide information security measures. In October 2005, as part of countermeasures to the threat of increasingly sophisticated and diverse attacks from cyberspace, KDDI established its Security Operations Center. The center reinforces measures to safeguard customer information.

In April 2006, KDDI established a department to promote information and security management systems (ISMS). Efforts are under way to gain ISMS certification by way of the 2005 international standard ISO/IEC 27001 across all business divisions, particularly major operating divisions. KDDI is committed to information security.

Social Contribution

Environmental management

KDDI instituted the KDDI Environment Charter in March 2003 as a guide to environmental protection activities within the KDDI Group. The KDDI Environment Committee heads those activities. KDDI strives for continuous reductions in the environmental impact of its business throughout the KDDI Group by developing and implementing environmental management systems (EMS) and is pursuing EMS certification under ISO 14001. At the end of March 2006, a total of 2 sites and 32 divisions had completed EMS certification procedures.

Energy conservation

Most greenhouse gas emissions by KDDI stem from power consumption by telecommunications equipment and company offices. KDDI has made reduced power consumption a primary goal of its environmental protection activities. Efforts to cut energy use at facilities and in operations include the installation of solar power systems.

Recycling mobile handsets

Mobile phone components contain valuable resources, including gold, silver, and palladium, that can be recycled into new products. By recycling such resources, KDDI tries to reduce the environmental impact of its products and thereby contribute to the development of a recycling-oriented society. Although a handset weighs little, the weight of all the handsets sold in a year is appreciable. KDDI promotes the recycling of mobile handset materials to attenuate the impact of their disposal on the environment and aims for 100% recycling ratios for such materials as metals and plastics.



Logo of the Mobile
Recycling Network



KDDI is an active member of the Mobile Recycling Network. This Japanese recycling initiative brings together mobile carriers and the manufacturers of handsets and PHS products. Members collect and recycle post-use cellular and PHS handsets regardless of brand or manufacturer.

Eco-friendly purchasing

Eco-friendly Purchasing Guidelines defined in February 2003 underpin purchasing policies that favor eco-friendly products and suppliers at KDDI. These "green procurement" policies apply to all products and services purchased by the KDDI Group. Their purpose is to encourage a preferential shift in purchasing toward items of low environmental impact and to suppliers with active environmental protection programs. The criteria supplement other quality and price considerations.

Unauthorized Disclosure of Customer Information

On June 13, 2006, KDDI confirmed that there had been an unauthorized disclosure of customer information pertaining to data on approximately four million subscribers to DION, KDDI's Internet access service. This information consisted of details — name, address, and contact telephone number — about subscribers as of December 18, 2003. KDDI had reinforced its internal information security controls after the enactment of the Personal Information Protection Law. The company sincerely regrets this unfortunate breach of privacy and is focused on determining exactly how and why this incident occurred. KDDI is implementing further measures throughout the company to ensure that there is no recurrence of this event and pledges to do its utmost to restore customer trust.