

Corporate Governance and Compliance

Under its medium-term target, "Challenge 2010", KDDI is aiming for sustained growth through both "Quantitative Expansion" and "Qualitative Enhancement". A key management priority to increase corporate value is the establishment of a corporate governance system geared to the promotion of Total Customer Satisfaction (TCS) activities that incorporates rigorous enforcement of internal controls. These initiatives are aimed at strengthening the corporate base to support future business growth.

* For further information on KDDI's social contribution and environmental activities, please see CSR Report 2007.

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 is streamlined and robust; it contributes to faster decision making and has more clearly delineated the lines of authority and responsibility among senior management. Among the executive bodies, the Board of Directors has 11 members, including 3 external directors. Its statutory function is to make important decisions and to oversee the execution of business policies. The Board of Auditors comprises 5 members,

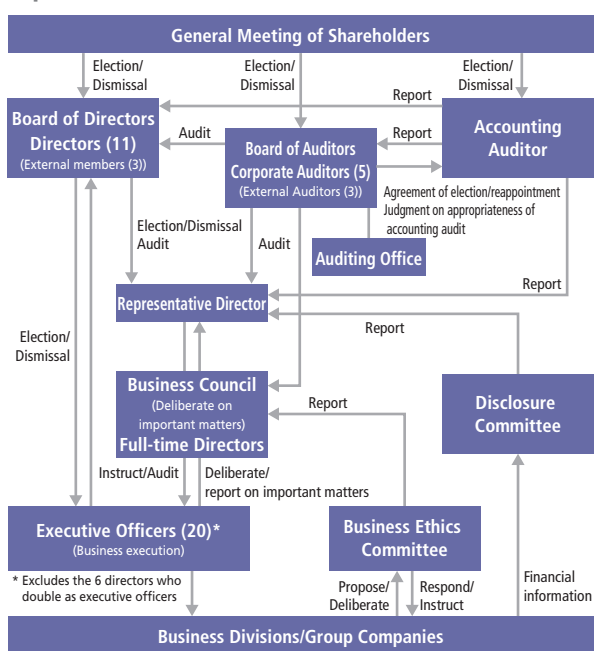
including 3 external auditors. The corporate auditors conduct internal audits to provide an important check of business activities, particularly the execution of corporate duties by directors.

Compliance

KDDI codified its business ethics in January 2003 to establish basic principles for executives and employees to follow in the course of day-to-day business. The company conducts ongoing in-house and external training programs, among other measures, to ensure ethical conduct in the pursuit of corporate activities. KDDI has also put in place a framework comprising a Business Ethics Committee for the group as a whole and a help line for employees to report incidents or to discuss issues. This system enables the company to identify and resolve problems as soon as possible. In addition, subsidiaries have established similar systems incorporating a code of ethics, Business Ethics Committee, and help line on corporate ethics, thereby providing a compliance framework for the entire KDDI Group.

KDDI has formulated internal compliance regulations in response to the April 2006 enforcement of Japanese legislation designed to protect public informants. The company will continue striving to respond quickly and properly to any allegations of ethical noncompliance made by whistleblowers and to protect the rights of those informants. KDDI will also foster a more open corporate culture to support this commitment.

Corporate Governance Framework



(As of June 20, 2007)

* Excludes the 6 directors who double as executive officers

conducted on an ongoing basis, and is focused on the requirements of shareholders and investors. The company's policy in this regard is in line with Tokyo Stock Exchange regulations governing the timely disclosure of information concerning the issuers of publicly listed securities, as stipulated in the Financial Instruments and Exchange Law. KDDI discloses its basic IR policy on its web site, explaining such matters as fundamental thinking regarding IR activities and the system for disclosing pertinent information. With regard to financial disclosure in particular, KDDI has set up a Disclosure Committee that concentrates on determining what information should be disclosed with the goal of improving business transparency and supplying appropriate information to the public. KDDI takes the opinions expressed by investors seriously, communicating them not only to management, but also to employees in general. Such opinions are considered an extremely valuable reference in the formation of business and management strategies.

During the fiscal year under review, the effectiveness of KDDI's IR activities was again confirmed by the company's receipt for the fourth consecutive year of an award for Excellence in Corporate Disclosure. The award, which is based on the opinions of securities analysts, signifies a positive evaluation of senior management's proactive stance on IR issues. KDDI places particular emphasis on supplying IR information over the Internet, and in February 2007 extended its coverage by launching an IR site for mobile phones. Through these and other measures, KDDI is continuing its commitment to fair disclosure.

Risk Management

KDDI has a risk management system covering the entire parent company as well as group companies. The Corporate Risk Management Division at the core of this system was established in 2004. KDDI is strengthening its risk management by focusing on two major categories of risk: business risk, which has a potentially adverse influence on sales activities or business performance, and management risk, which has a potentially negative impact on the company's reputation or brand image. Risks related to business activities as well as changes in legal regulations or business climate are examples of business risk, while leakage of private customer information or legal violations are examples of management risk.

KDDI has designated five primary risks as management priorities: privacy breaches involving customer information, ethical and legal lapses, disaster prevention and related incidents, accidents causing failure of KDDI's telecommunications network or related equipment, and any similar incidents related to the company's IT systems. In addition to pursuing measures to prevent and mitigate risk, KDDI has instituted companywide crisis-management systems to minimize damage from incidents through quick and accurate response.

Information Security

During the fiscal year, it was discovered that there had been a leakage of private information regarding customers of KDDI's Internet access service, DION, in June 2006. Similarly, the company determined that a magnet-optical disk containing information on customers who had terminated their contracts with its mobile phone service, au, was lost in January 2007. KDDI sincerely apologizes for any inconvenience or distress these incidents may have caused to those concerned.

In August 2006, to prevent recurrences of customer information leakage, KDDI announced measures to strengthen its information security system based on a companywide review of its internal systems. In addition to stepping up previous information security measures, the company 1) took measures to prevent transfer or removal of customer data, 2) created an audit trail of data users, 3) introduced assessments of the effectiveness of its information security measures and acted to ensure their objectivity, and 4) introduced training for all employees of the company and its service vendors to ensure companywide implementation of policies incorporating the physical, technological, supervisory, and human error-related aspects of information security. All initiatives planned for the fiscal year ended March 2007 to strengthen information security have been fully implemented throughout the company as well as in contracted service vendors' organizations.

KDDI remains fully aware of its responsibility as a telecommunications service provider that handles the personal information of a large number of customers. The company as a whole is committed to further stepping up its measures to safeguard the security of sensitive information and prevent any further incidents.

Building an Internal Control System

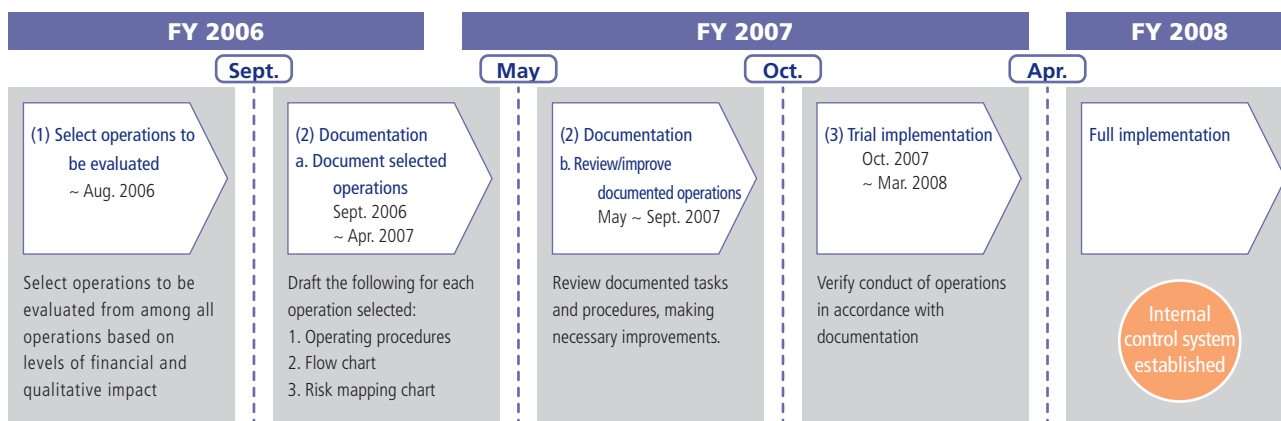
KDDI formulated and announced its basic policy for the creation of an internal control system in April 2006. An Internal Control Department was also established, which began building an internal control system to ensure reliable financial reporting, as well as the fairness, transparency and effectiveness of business execution.

Building an Internal Control System to Ensure Reliable Financial Reporting

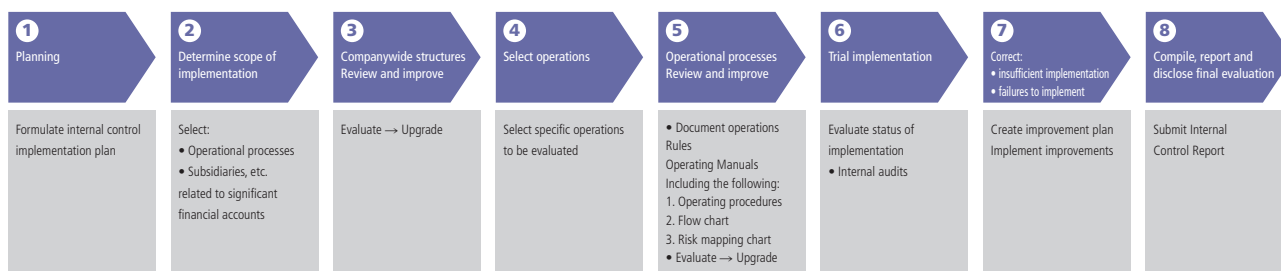
To prepare the Internal Control Report it will be required to submit under the Financial Products and Exchange Law from the fiscal year ending March 2009, KDDI has prioritized the establishment of an internal control system for financial reporting. KDDI will proceed as described in the charts below,

first examining all its operations and selecting financial operations according to its implementation criteria. The administrative tasks and procedures comprising these financial operations will then be documented, evaluated for effectiveness, and deficiencies will be corrected. This process will be extended to all subsidiaries of the KDDI Group over time.

Schedule for Establishing an Internal Control System for Financial Reporting



Basic workflow



Building Internal Structures

KDDI has built an internal personnel framework to facilitate establishment of the internal control system for financial reporting. An internal control officer was designated for each division, and internal control managers were appointed to each department within the divisions. The internal control managers coordinate and promote measures to establish internal control within their respective departments, including document drafting and other practical tasks.

To instill and further develop awareness of internal controls, KDDI compiled a special report with messages from the management in its in-house newsletter, and conducted position-specific training for directors and vice presidents of departments, as well as e-learning seminars for all employees. Going forward, we will continue to utilize regular personnel training through rotation between departments and the e-learning system to continuously deepen understanding among all our employees of the need for companywide efforts to promote internal control.

Measures to Improve Overall Business Quality

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