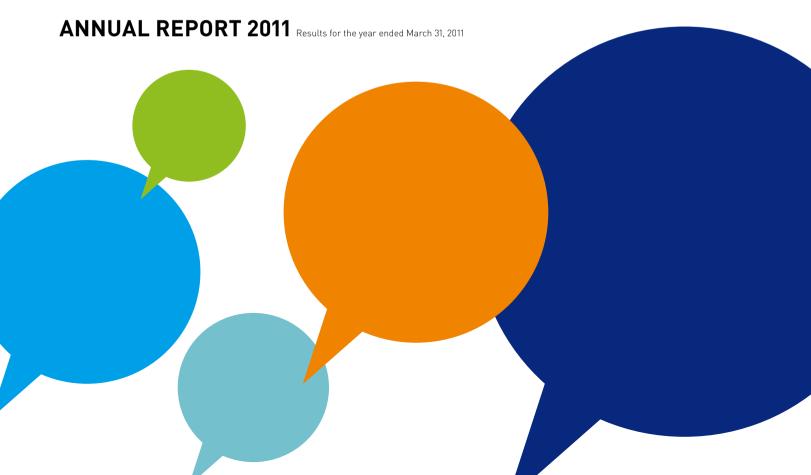


SHAPING THE NEW KDDI



CONTENTS **ANNUAL REPORT 2011**



MANAGEMENT INTERVIEW



SPECIAL FEATURE: Stepping Stones for Shaping Our Future

• "WiMAX" is a trademark or a registered trademark of the WiMAX Forum. • "Wi-Fi" is a registered trademark of the Wi-Fi Alliance®. • "iOS" and "iPHONE" are trademarks or registered trademarks of Apple Inc. • "Chaku-Uta®" is a registered trademark of Sony Music Entertainment (Japan) Inc. • "Android™", "Android™ Market", "Google" and its logo are registered trademarks or trademarks of Google Inc. •"Skype", related trademarks and its logo are trademarks of Skype Limited. •"HTC EVO" is a trademark or a registered trademark of HTC CORPO-RATION. • "Facebook" is a trademark of Facebook, Inc. •"Twitter" is a registered trademark of Twitter, Inc. •"Sekai Camera" is a registered trademark Tonchidot Corporation. • "Reco Choku" and page are registered trademarks of RecoChoku Co, Ltd. • "Bluetooth" is a trademark of Bluetooth SIG, Inc. USA. • "REGZA" and "REGZA Phone" are registered trademarks of Toshiba Corporation. • "SIRIUSo" is a trademark of Pantech Co., Ltd. • "BlackBerry" is a registered trademark or a trademark of Research In Motion Limited. • "Microsoft" and "Windows Mobile" are registered trademarks or trademarks of Microsoft Corporation in the United States, Japan, and other countries. • "WALKMAN" and its logo are trademarks or registered trademarks of Sony Corporation.

Disclaimer Regarding Forward-Looking Statements

Statements contained in this annual report concerning KDDI's plans, strategies, beliefs, expectations, or projections about the future, and other statements other than those of historical fact, are forward-looking statements based on management's assumptions in light of information currently available and involve risks and uncertainties. Actual results may differ materially from these statements. Potential risks and uncertainties include, but are not limited to, domestic and overseas economic conditions; fluctuations in currency exchange rates, particularly those affecting the U.S. dollar, euro, and other overseas currencies in which KDDI or KDDI Group companies do business; and the ability of KDDI and KDDI Group companies to continue developing and marketing services that enable them to secure new customers in the communications market—a market characterized by rapid technological advances, the steady introduction of new services, and intense price competition

OUR NEW STORY INTRO

> 10 **TO OUR STAKEHOLDERS**

CONSOLIDATED FINANCIAL SUMMARY

16 MANAGEMENT INTERVIEW

Newly Appointed President Takashi Tanaka Outlines KDDI's Roadmap to Recovery and Growth

SPECIAL 25 **SPECIAL FEATURE** Stepping Stones for Shaping Our Future

32 **SUSTAINABILITY**

- Responsibility as a Telecommunications Operator
 - 33 KDDI Philosophy that Serves as the Foundation of CSR, TCS and CSR
 - 33 Priority Issues of KDDI's CSR
- 37 Research and Development
- Corporate Governance
 - Manifesto
 - Basic Policy Regarding Corporate Governance 38
 - Risk Management
 - Information Security 41
 - Approach to Compliance 42
 - Disclosure and IR
 - Internal Controls
 - -Measures to Improve Overall Corporate Quality-
 - Directors and Auditors

MARKET OVERVIEW

- 46 Mobile Communications Market Data
- Fixed-line Communications Market Data

OVERVIEW OF OPERATIONS 50

- **50** Mobile Business
- Fixed-line Business 58
- Other Business



CORPORATE OVERVIEW 111





