

SUSTAINABILITY

In this section, we will explain the following priority issues which have been based on the perspective of “topics that may directly affect our continuous improvement of corporate value as a telecommunications operator.”

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—CSR activity that serves as a foundation to achieve social responsibility as a telecommunications operator—

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KDDI publishes the KDDI CSR REPORT to announce its CSR activities thoroughly and to introduce CSR measures in details. Please refer to

 <http://www.kddi.com/english/corporate/csr/index.html>

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—Continuous research and development for next-generation technology with a long-term perspective—

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RESPONSIBILITY AS A TELECOMMUNICATIONS OPERATOR

—CSR activity that serves as a foundation to achieve social responsibility as a telecommunications operator—

KDDI's mission is to provide stable information and telecommunications services—the “lifelines” of society—and offer high-speed and comfortable telecommunications environments anywhere and anytime. Through the restoration and recovery activities following the Great East Japan Earthquake, we realized

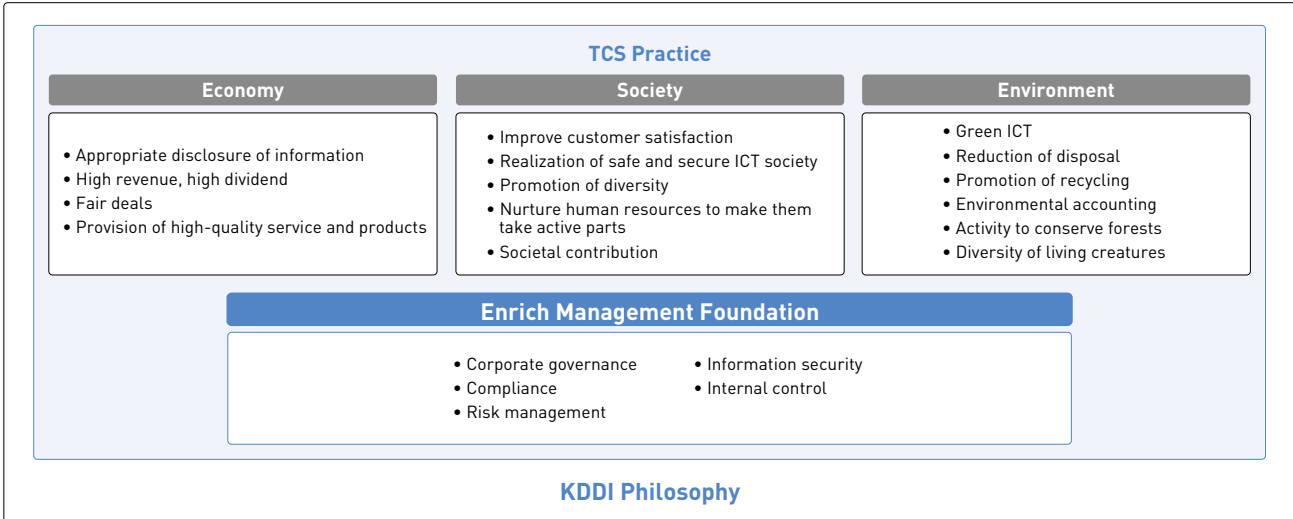
the true “importance of connection.” With reliable networks as our base, KDDI will offer services and the value that customers truly want so as to provide excitement, safety, happiness, and smiles of gratitude to people around the world and to become a company that continuously grows with society.



KDDI Philosophy that Serves as the Foundation of CSR, TCS and CSR

KDDI considers the fundamental principles of the KDDI Philosophy, which delineates the way we aim for, as its base to regard all stakeholders involved with the Company—including business partners, shareholders, investors and employees—to be “customers” and to promote actions to make them satisfied, or TCS (Total Customer Satisfaction).

KDDI encourages each executive and employee to remain aware of TCS and to embody its principles in their daily operations, thereby meeting society’s expectations and KDDI’s CSR.



Priority Issues of KDDI’s CSR

In order to sustain growth along with society, KDDI identified four priority issues from among the social issues that caught public interest during the year ended March 31, 2009. We are currently drawing on opinions from stakeholders and experts to promote methods for solving the problems that lie ahead.

Priority Issue 1: Ensure a Safe and Secure Social Environment for Information and Telecommunications

We began offering Mobile Phone Learning classes in the year ended March 31, 2006, where we dispatch our employees as instructors to schools to teach rules, manners, troubled cases and countermeasures when using mobile phones and the Internet. During the year ended March 31, 2011, KDDI held 1,356 classes, raising its cumulative total to 3,536 classes.

In August 2010, we held a symposium where we held discussions on the current state of mobile phone and Internet usage by elementary and middle school students to provide educators and care providers with a better understanding, while at the same time listening to their opinions.

Additionally, in an effort to protect young people, KDDI has started offering Age Confirmation Service as the first domestic carrier to CGM* contents provider companies.

* Consumer-generated media: A service that provides media (word-of-mouth sites, SNS, BBS) where consumers themselves send out information using the Internet, etc.



KDDI Mobile Phone Learning class



Symposium 2010

Priority Issue 2: Offer Reliable Information and Telecommunications Services

KDDI has many telecommunications facilities, including FTTH and mobile phone base stations. To allow customers various telecommunications services safely, we have 24-hours-a-day, 365-days-a-year concentrated surveillance at a mobile operation center that manages, surveys and controls au mobile phone networks; a server operation center that manages and conserves server facilities; a network operation center that manages, surveys and controls the core lines of fixed-line services; a security operation center that detects, analyzes and protects against cyber attacks; and a global network management center that surveys all international lines. If accidents happen, we conduct proper communications control and recovery in collaboration with the management division nationwide. In terms of

service quality under the management system, we try to provide high-quality and stable telecommunications services by constructing, analyzing and improving facility management systems according to the strict standards that we have established. We have approximately 50 vehicle-mounted base stations and 15 mobile power supply vehicles to react decisively to accidents and to prepare for temporary concentrated areas of telecommunications traffic due to festivals or other such events.

KDDI R&D Laboratories have developed career-free, guide-type communication at the time of disasters to provide stable telecommunications services in case of major disasters, such as earthquakes where telecommunications facilities are suspended due to damages at mobile phone base stations. The technology guides customers to shelters and areas where communications are possible using "one seg" broadcasting.

Measures for the Great East Japan Earthquake

On March 11, 2011, the Great East Japan Earthquake occurred off the coast of Miyagi Prefecture, with the heretofore unprecedented magnitude of 9.0. The earthquake, and the ensuing tsunami, brought massive damages to regions from Tohoku to Kanto.

KDDI has established a Disaster Countermeasures Office, with President Takashi Tanaka in direct charge, as well as a Local Disaster Countermeasures Office immediately after the earthquake to engage in speedy restoration measures.

Damage Assessment

The earthquake caused major damages to KDDI's operations, and we faced an extremely difficult position that shook the very raison d'être of a company that "provides telecommunications services." Immediately after the earthquake, we conducted recovery measures with all the might and cooperation of management divisions, technical centers (TCs) nationwide, engineering centers (ECs) and related companies.

A section of the routes in the Tohoku region were disconnected one hour after the earthquake and mail and voice services had problems. However, restoration activities overnight completed rerouting measures by early morning of the following day.

As for au base stations, on the day after the earthquake, a maximum number of 1,933 base stations suspended service in six prefectures of the Tohoku region. However, the situation was handled efficiently and coverage was restored to almost all the same areas as before the earthquake by April 30 (excluding limited areas near the Fukushima nuclear plant.) We restored coverage to all the same areas as before the earthquake by June 30.

As for fixed-line, a maximum number of 390,000 lines were out of service. Through collaboration with NTT East Japan, Group companies and cooperative companies, we are conducting research and recovery measures of telecommunications lines to clients' homes and facilities inside the homes.



Relay transmission line: Joban Expressway



JIH Sendai station facility



au shop



au Yamada Orikasa base station

Further, we have installed "area quality information submission," the first service of its kind in Japan*2, available on au mobile phones released from spring 2011*1. The function allows the automatic submission to KDDI of places where telecommunications errors happened (failure of telecommunications, line cut-off, etc.) by automatically sensing the location, whether indoor and outdoor, so that we are made aware of these problems and can begin moving forward on how to improve quality in these areas*3. To allow customers to use services safely, we will improve telecommunications quality in all kinds of scenes of customers usage such as stations, meeting spots, residential areas, offices and apartments.

*1. Compatible models S007, T007, T008, CA007, K009, S006, SH011, K007, T006 and (iida) G11

*2. According to research by KDDI

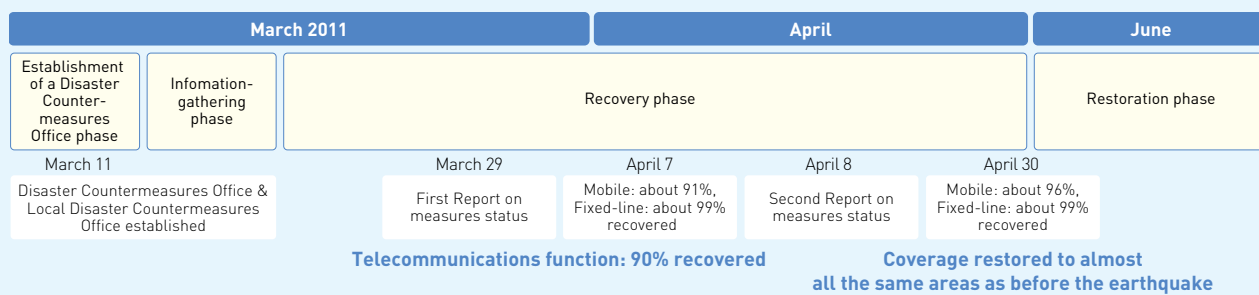
*3. Works only if customers choose to have this function activated. No telecommunications charge occurs when the service automatically checks and transmits information.

Priority Issue 3: Initiatives to Conserve the Global Environment

To lower carbohydrates at mobile phone base stations, we have expanded areas which adopt Tribrid power control technology*, which is operated by combining solar energy generation and storage battery systems as well as nighttime power application, for au mobile phone base stations. We are conducting tests for full adoption of the system.

Moreover, we are adopting "Type VII" base stations, which are smaller than conventional base stations and can conserve electricity.

In addition, to conserve energy at data centers we have tested various technologies, which include reduction of stand-by mode electricity of servers, local cooling technology to cool heat vents directly, air current simulation to solve heat in server rooms and High Voltage DC Power Supply to improve electricity consumption loss at the time of AC/DC switching at uninterruptible



Recovery Support

The following are a few of the measures we have taken to support victims of the earthquake.

- Establishment of vehicle-mounted base stations and satellite femtocells, free rental of au mobile phones and Iridium satellite mobile phones, free battery-charging services at damaged areas
- Extended payment limit dates, discount fees and repair charges
- Support with "LISMO WAVE" and "Skype voucher"
- Established EZ donation site, received donations at au shops
- The KDDI Group donated ¥1 billion to the Japanese Red Cross Society

Future Plans

We have realized the importance of "connection," which is the base of telecommunications. Using this tragic experience as a valuable lesson, we will move forward with plans to construct a telecommunications network that is resistant to natural disasters. We hope to achieve this through such measures as having multiple routes for main networks and "beefing-up" movable base stations, in order to provide safe and secure telecommunications services in any kind of situation as well as to provide the facilities that will be required for a speedy recovery.



Free battery-charging service:
Onagawacho, Miyagi Pref.



Vehicle-mounted base stations:
Rikuzentakata, Iwate Pref.



au mobile phone rental service:
Sennuma, Miyagi Pref.



Satellite femtocell:
Ishinomaki, Miyagi Pref.

power supply facilities. We have adopted the technologies on an experimental level according to the test results to promote measures for nationwide development.

* Term coined to refer to the combining of three types of industrial technologies from different fields. Generally, combining two types of industrial technology is called "hybrid" and three technologies "tribrid."

Environmental Accounting Standards

KDDI began employing environmental accounting standards in the year ended March 31, 2010, to enhance the quality of its environmental management.

The numbers are the sum of KDDI and 11 major consolidated subsidiaries. However, figures for the year ended March 31, 2010, are based on results of KDDI Corporation. Period: April 1, 2010–March 31, 2011

Environmental conservation costs		Dealing cases	Year ended March 31, 2011		Year ended March 31, 2010	
			Investment (Millions of yen)	Cost (Millions of yen)	Investment (Millions of yen)	Cost (Millions of yen)
Cost within business areas	Environmental pollution prevention cost	Cost to abide by environmental pollution laws; Cost to handle PCB properly, etc.	0	0	0	0
	Global conservation cost	Base stations using solar power plant (investment has been calculated using the ratio according to energy conservation effect)	964	374	1,480	628
	Resource cycle cost	Reduction in the use of paper resources; Process and disposal of trash	27	675	6	1,111
Upstream and downstream cost		Recycle and reuse of products	84	164	0	171
Management activity cost		Management of environmental ISO, renewal and public disclosure of environmental conservation activities	0	1,065	0	720
R&D cost		Research and development of technology, facilities, terminals and products that help reduce burden on the environment	66	166	929	412
Social activity cost		Donation and support to forest conservation activities and environmental conservation organizations	0	12	0	12
Environmental damage measures cost		Prevention of spread of asbestos, recover land pollution	0	0	0	118
Total			1,141	2,456	2,415	3,172

Effect of environmental conservation (materials)		Type of indicator (unit)	Year ended March 31, 2011	Year ended March 31, 2010
Cost-related effect within business area	Effect related to resources used in business activities	Usage fee of electricity (MWh)	2,110,104	2,130,055
		Usage of paper resources (t)	26,338	28,445
		Reduction of paper through WEB de-billing (t)	2,105	510
	Effect on environmental burden and industrial waste emissions from business activities	Emissions of global warming gas (t-CO ₂) (FY2010: By electricity utility, calculated according to emission factor, FY2009: using 0.34t-CO ₂ /MWh as a factor)	896,086	724,503
Emissions of telecommunications' facilities, buildings-related industrial waste (t)		7,838	10,060	
Upstream and downstream cost-related effect	Effect on finances and services produced by business activities	Collected used mobile phones, etc. (10,000 units)	548	516

Economic effect related to environmental conservation measures (money)	Actual effect		Millions of yen	
	Contents of major effect		Year ended March 31, 2011	Year ended March 31, 2010
Revenues	Revenues from sales through disposal of telecommunications' facilities and buildings		390	457
Cost reductions	Reduction in energy costs by adopting the use of low-pollution vehicles		8	12
	Reduction in costs of new purchases by reusing disposed of telecommunications facilities		4,721	3,475
Total			5,119	3,945

* KDDI Web Communications Inc., KMN Corporation, mediba inc., JAPAN CABLENET LIMITED, KDDI R&D Laboratories Inc., KDDI Technology Corporation (KTEC), KDDI Research Institute, Inc., KDDI Technical & Engineering Service Corporation, KDDI Evolva Okinawa Corporation, KDDI Challenged Corporation, Telehouse International Corp. of Europe Ltd. (London)

Priority Issue 4: Vitalizing the Company by Developing a Diverse Workforce

KDDI has taken various measures to promote diversity and work-life balance of employees.

At "Win-K," an in-house project to promote the professional advancement of women launched in 2007, we have held Companywide forums, various regional miniforums and meetings for employees to exchange ideas to raise awareness to promote the advancement of women. The female managerial ratio for the year ended March 31, 2011, was 2.7%, up from 2.1% in the previous year, showing growth in five consecutive years. Furthermore, we aim to achieve 7% in the year ending March 31, 2016.

To promote professional opportunities of handicapped people, we have established subsidiary KDDI Challenged Corporation. The employment of handicapped people was 1.95% in the year ended March 31, 2011, up from 1.86% in the previous year.

With an aim to care various anxieties of newly hired employees and create an environment where employees feel more comfortable, we have adopted an "advisor" system from the year ended March 31, 2010, as a part of measures to develop abilities and careers of employees. The advisors are selected from senior employees as "consultants" for each newly hired employee. The aim is to allow newly hired employees to casually receive consultation about various questions and problems at work and during private time. We aim to continue the system in order to promote communication between newly hired employees and advisors and to improve their motivation.

In addition, to create a work environment we have conducted "KDDI KAITAISHINSHO," an in-house survey on the awareness of all employees. We publicize the results on the in-house intranet and house organ, as well as use them at executive and employee trainings and human resource measures for their improvement.



"Win-K"



"advisor" system

RESEARCH AND DEVELOPMENT

—Continuous research and development for next-generation technology with a long-term perspective—

As we advance reforms under the vision of “More Connected!,” “More Global!,” and “More Diverse Values!” we are working on research and development to provide more credible networks and more value-added products and services than ever, as well as integrating naturally into society with safe, secure, and comfortable communications without customers even noticing the system.

At KDDI R&D Laboratories, the Group’s main R&D base, a system has been set up to conduct research and development in an environment that merges the development of mobile, fixed-line, and broadcasting services, and encourages collaboration between such development projects. While putting efforts on the development of elemental technology and other basic technologies with long-term and wide perspectives, we are working on the most advanced research themes to further realize “easy-to-use advanced technology.” At KDDI R&D Laboratories’ Development Center, which serves as the base for technology development, researchers are working on challenges to realize differentiation of core technologies and cost reductions simultaneously while making efforts to realize various technological development in several years.

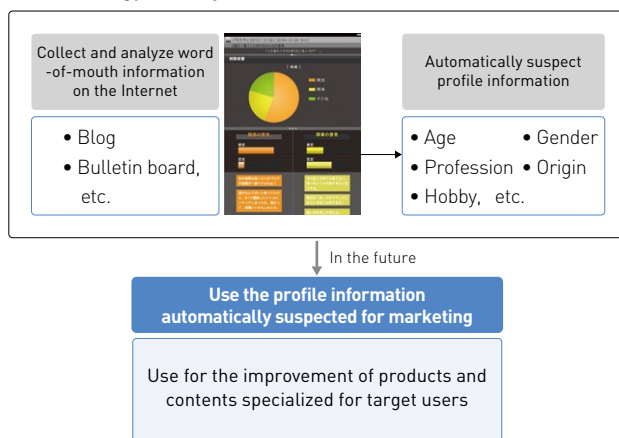
Technology to Speculate Profiles of Twitter Users from their Tweets

Recently, an increasing number of general users are sending out information using Twitter and other means. Marketing services collecting and analyzing word-of-mouth information such as opinions and thoughts on products and contents have gained attention. The tendency of word-of-mouth information differs according to the profile information of users, such as age, gender, and preferences. However, not many users publicize their profile information.

KDDI R&D Laboratories has developed technology to automatically speculate profile of users (age, gender, occupation, origin, and preferences, etc.) by analyzing information posted on the Internet on blogs, bulletin boards, etc. The technology collects past comments publicized by users to automatically detect words useful to speculate their profiles. For example, if the user uses words like “school,” “extracurricular activities,” and “homework” in daily comments, we can speculate the user’s age to be “teens” and profession to be “student.”

By using the technology in marketing for word-of-mouth on the Internet, we can learn what kind of opinions are held by users according to their age and gender—information that was not available before—and use this knowledge to further improve products and services.

● Technology to Suspect Poster’s Profile



Communication through Carrier Collaboration at the Time of Natural Disasters

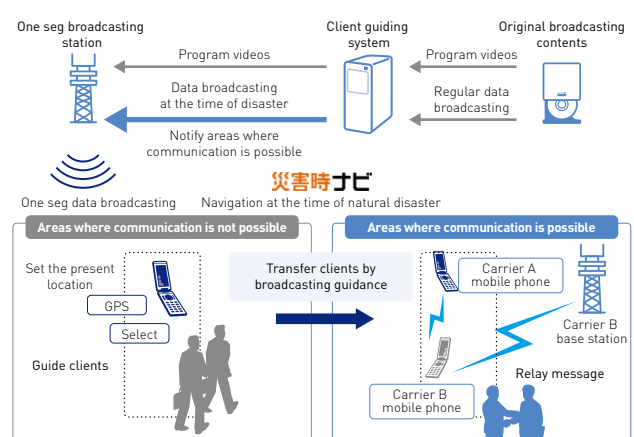
If the operation of a wireless base station is suspended due to natural disasters such as major earthquakes, usage of mobile phones around the area become impossible. Furthermore, communication traffic to confirm safety is expected even at base stations that avoided damages so mobile phone communication becomes even more difficult. KDDI R&D Laboratories developed a carrier collaboration communication system to guide users in damaged areas to locations where mobile phone usage is relatively possible through “one seg” broadcasting.

“One seg” broadcasting uses radio waves for broadcasting so that users can gain reception even if their mobile phones are out of reception range. With the carrier collaboration communication system, areas where communication is possible and landmarks near shelters are displayed if users submit their present location via GPS or by manually inputting them. Furthermore, users are guided through a navigation system using natural disaster navigation featured on au mobile phones.

If there are no areas nearby where communication is possible, yet communication of other carriers is available, functions to relay messages become available to send mails or register on disaster bulletin boards by using nearby communication functions, such as infrared lights and Bluetooth, via mobile phones that are in the communication range.

We are working on further research and development to realize technology that is simple and easy to use in the case of actual disasters.

● Communication through Carrier Collaboration at the Time of Natural Disaster



CORPORATE GOVERNANCE

—Efficient management and improving transparency—

Manifesto

Established in October 2000 through the merger of three companies—DDI, KDD, and IDO—KDDI commenced operations as a comprehensive telecommunications company, providing a wide variety of telecommunications services, ranging from mobile to fixed-line communications. Amid increasingly intense competition in the Japanese telecommunications market, the three companies pooled their assets, human resources, and technologies in an effort to transform themselves into an entity capable of offering higher quality, more convenient, and innovative telecommunications services that would meet society's expectations, while achieving sustainable growth in tandem with society's changing needs.

From the outset, the new company formalized the KDDI Philosophy, as it recognized that the fostering of shared values among employees hailing from different corporate cultures was essential. We worked to thoroughly instill the tenets of this philosophy—which corresponds to what is typically termed a "company philosophy" or "corporate principles"—calling for all employees to take the initiative. Since that time, 16 companies have been merged into KDDI, driving its growth through diversity.

However, the KDDI Philosophy, with its unfailingly customer-oriented perspective, has remained intact as we continue to embrace new challenges and create new value.

Fundamental Principles of the KDDI Philosophy

Securing Customer Satisfaction and Trust

by providing with our services the value that customers expect;

A Happy Workforce, a Vital Company

by continuing to be the kind of dynamic company that inspires all its employees with a sense of worth and fulfillment;

The Confidence of Our Shareholders and Business Partners

by justifying the trust placed in us by our shareholders, business associates, and all with whom we have dealings;

The Advancement of the International Community

by bringing an ever-broadening array of communications to bear in serving the development of the global community.

Basic Policy Regarding Corporate Governance

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, 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, makes decisions regarding important matters as prescribed by relevant statutes, and oversees the execution of business by directors and other managers to ensure 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.

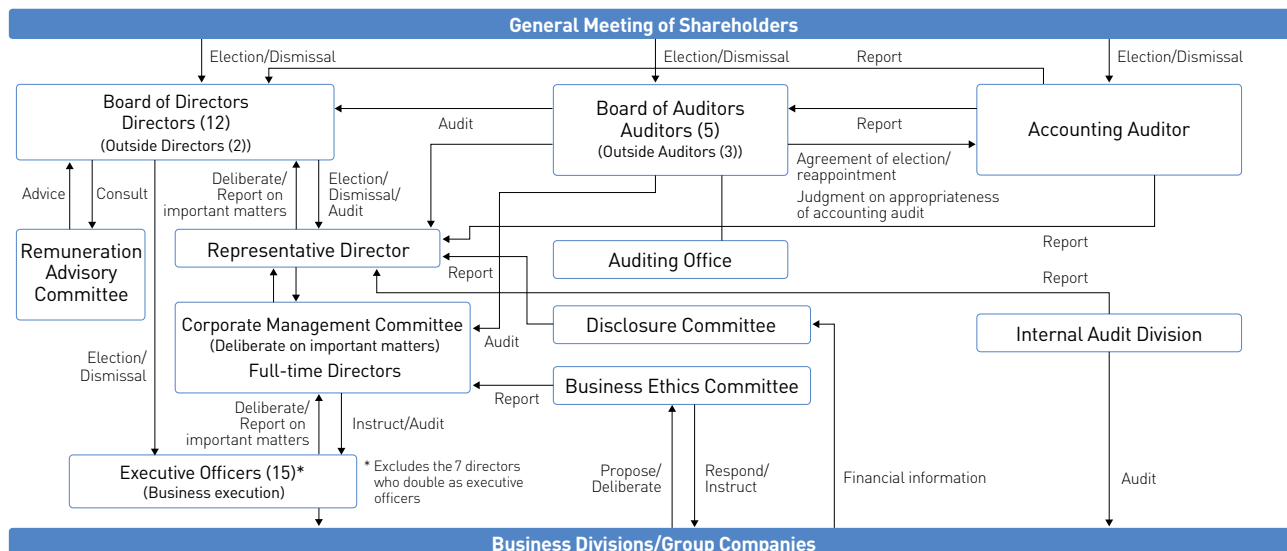
Auditors attend meetings of the Board of Directors, as well as other important internal meetings. The Board of Directors and the Internal Audit Division provide, in an appropriate and timely manner, all data necessary to the execution of auditors' duties, exchange opinions, and collaborate with auditors. The Board also periodically listens to reports from the accounting auditors 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, KDDI established the Auditing Office to assist auditors with their duties in 2006. The opinions of the auditors are taken into account when selecting personnel for assignment to the office.

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 auditors, along with recommendations for improvement and correction of problem areas.

KDDI also has a Business Ethics Committee, which makes decisions on compliance-related issues, and a Disclosure Committee, which oversees disclosure of information. By bringing together the various systems and frameworks for managing each Group company, KDDI is working to enhance governance across the entire Group.

KDDI's corporate governance structure is as shown in the following chart.

● **Corporate Governance Framework** (As of June 16, 2011)



Major Activities of Outside Directors and Outside Auditors

Directors

- In his post as director, Makoto Kawamura attended seven of the eight meetings of the Board of Directors.
- In his post as director, Shinichi Sasaki attended eight of the eight meetings of the Board of Directors.
- In his post as director, Tsunehisa Katsumata attended six of the eight meetings of the Board of Directors.

Note: The outside directors attended Board of Directors' meetings as indicated above. At these meetings, they asked questions to clarify points and provided opinions based on their expertise, insight, and specialized knowledge.

Auditors

- In his post as auditor, Masayuki Yoshinaga attended eight of the eight meetings of the Board of Directors and eight of the eight meetings of the Board of Auditors.
- In his post as auditor, Yoshihiko Nishikawa attended eight of the eight meetings of the Board of Directors and eight of the eight meetings of the Board of Auditors.
- In his post as auditor, Katsuaki Watanabe attended six of the eight meetings of the Board of Directors and five of the eight meetings of the Board of Auditors.

Note: The outside auditors attended Board of Directors' and Board of Auditors' meetings as indicated above. At these meetings, they asked questions to clarify points and provided opinions based on their expertise, insight, and specialized knowledge.

Remuneration for Directors and Auditors

		No. of Directors/Auditors	Remuneration (Millions of yen)
Directors	Outside Directors	3	22
	Others	12	385
Auditors	Outside Auditors	3	34
	Others	3	42

Notes:

1. The above-stated remuneration for directors includes amounts for two directors who stepped down at the end of the 26th Annual Meeting of Shareholders, held on June 17, 2010.
2. The above-stated remuneration for auditors includes amounts for one auditor who stepped down at the end of the 26th Annual Meeting of Shareholders, held on June 17, 2010.
3. The maximum monthly remuneration for directors was set at ¥40 million by a resolution of the 17th Annual Meeting of Shareholders, held on June 26, 2001. This does not include employee salaries for directors concurrently occupying posts as employees. Furthermore, directors may receive up to an additional ¥40 million of annual remuneration in the form of stock acquisition rights issued as stock options, as decided by a resolution of the 22nd Annual Meeting of Shareholders, held on June 15, 2006.
4. The maximum annual remuneration for auditors was set at ¥84 million by a resolution of the 25th Annual Meeting of Shareholders, held on June 18, 2009. This amount is based on the Company's fiscal year.

5. Remuneration amounts outlined above included the following Board members' bonuses, as determined by a resolution of the 27th Annual Meeting of Shareholders, held on June 16, 2011. 13 directors: ¥81.64 million (3 outside directors: ¥7.50 million).
6. Remuneration amounts for directors included: Stock acquisition rights granted to eight directors by a resolution of the Board of Directors at a meeting held on July 22, 2008, and Stock acquisition rights granted to seven directors by a resolution of the Board of Directors at a meeting held on July 23, 2009.
7. In addition to the above, at the 20th Annual Meeting of Shareholders, held on June 24, 2004, it was decided to pay a retirement allowance to directors and auditors in connection with the cancellation of the executive retirement bonus system.

Policies Regarding Decisions on the Contents of Remuneration

KDDI has set policies regarding decisions on the contents of remuneration for directors and auditors as below. The Company has also 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 its members, including its chairman, consist of outside directors.

Policies on Remuneration for Directors

Remuneration for directors consists of fixed-amount 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. Fixed-amount 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 fiscal 2011 will be linked to the business results of the KDDI Group within 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 Group.

Policy on Remuneration for Auditors

Remuneration for auditors is based on discussions with auditors and is only a flat-rate salary that is not linked to the business results of the KDDI Group.

Risk Management

KDDI's risk management is centered on various committees composed of directors and other managers as well as the Corporate Risk Management Division that regularly assesses risk data and provides integrated control for risk. Based on relevant internal regulations, all departments and managers work together, to provide proper management of risks facing the KDDI Group and to achieve management targets in an appropriate and efficient manner.

The KDDI Group has assigned Internal Control System Managers to be responsible for executing related activities autonomously.

Risk Management Structure

- (1) The committee for management strategies rigorously analyzes business risks and prioritizes businesses to achieve sustainable growth for the Group, in addition to formulating appropriate management strategies and plans. To achieve these aims, the committee for performance management meets monthly to monitor business risks and ensure thorough management of performance data.
- (2) The committee for Total Customer Satisfaction (TCS) works on a monthly basis to evaluate and improve TCS activities so as to better respond to customer needs, demands, and requests for improvement of products and services in a timely and appropriate manner.

KDDI also ensures compliance with product safety laws and regulations and works to provide customers safe, reliable, and high-quality products and services. It provides easy-to-understand information and full instructions to ensure customers select and use these products and services properly.

- (3) The KDDI Group works to further enhance its public relations (PR) and investor relations (IR) activities, ensure the transparency of Group management, and gain the acceptance and trust of all stakeholders.

Business risks facing the Group are properly clarified and disclosed in a timely and appropriate manner by the committee responsible for disclosure.

- (4) For issues that exert a significant, long-term impact on Company business, KDDI is working to formulate response strategies that will lessen as much as possible the interruption of business or other risks and reflect them on a business continuity plan (BCP).

Structure to Improve Operational Quality

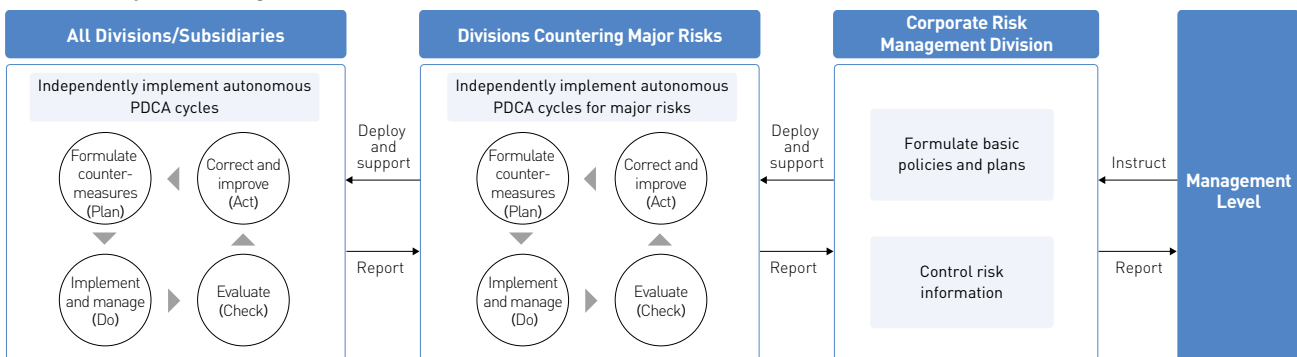
- (1) The KDDI Group is making a Companywide effort to evaluate and improve the status of internal controls and operational processes on financial reporting in order to further raise its level of reliability.
- (2) The KDDI Group strives to implement and augment structures to improve the quality of its operations by raising operational effectiveness and efficiency, as well as by conducting appropriate acquisition, management, and disposal of assets.

Structure as a Telecommunications Carrier

- (1) The protection of telecommunications privacy is fundamental to the KDDI Group's corporate management, and we take steps to ensure that privacy is strictly protected.
- (2) For the management of corporate information assets, including preventing leaks of customer data and protecting against cyber-terrorism in telecommunications service networks, the committee for information security formulates measures and works together with managers and regular employees to guarantee information security.
- (3) KDDI implements measures to improve network reliability and prevents the disruption of service in order to lessen as much as possible such risks as the interruption or termination of communication services due to a serious accident, damage, or a major disaster.

In an emergency situation a special task force will be established as quickly as possible in order to rapidly restore service.

● KDDI Group Risk Management Structure



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 Groupwide measures to enhance information security.

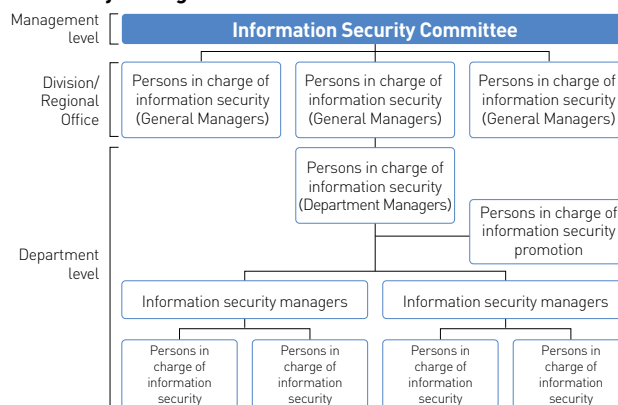
KDDI strictly manages the private customer information and sensitive corporate data it handles in providing a safe and stable telecommunications service, and continually implements measures to enhance information security from a variety of angles.

Since the year ended March 31, 2010, we have focused on maintaining the information security management system (ISMS) certification obtained for all divisions as the main activity to proceed with our continuous improvement on information security. In the year ended March 31, 2011, we have integrated nine certifications obtained by our management division to three to maintain unified security management in the division and to improve the overall security level. At the same time, to prevent information security accidents and raise employees' awareness, we have conducted e-learning classes and established a month-long period to strengthen information security management. As for technological measures, we have set up a second in-house network allowing access from multi-devices including smart phones while maintaining high security. We have also expanded safe remote access to our in-house network and usage of our business systems. We also collect information and take adequate measures to protect our telecommunications facilities used in operations from potential vulnerabilities and computer virus infections that could permit fraudulent access.

As a part of our achievements involving initiatives on information security during the year ended March 31, 2011, KDDI Group subsidiaries KDDI Technology Corporation, KMN Corporation, KDDI & BT Global Solutions Corporation, and Telehouse Beijing Co., Ltd. obtained ISMS certification, while Okinawa Cellular Telephone Company and KDDI Technical & Engineering Service expanded the certification to the whole company level.

Going forward, the KDDI Group will make continuous efforts as a whole to strengthen its information security management by improving the management system.

● Security Management Structure



● ISMS Certification at KDDI

Registration No.	Organization Name	Initial Registration
IS 76406	Operations Division (ex-Service Operations Division Solution Operations Center)	July 4, 2003
IS 85329	Information Systems Division	September 28, 2004
IS 95253	KDDI Corporation ^{*1}	June 7, 2005
IS 500630	Operations Division ^{*2} (ex-Network Operations Division Submarine Cable Systems Department)	April 18, 2006
IS 521724	Operations Division (Service Operations Division)	October 22, 2007

*1. Corporate, customer support, engineering, technology, and sales divisions and KDDI KYOSAIKAI, KDDI Health Insurance Union, KDDI Pension Fund, and KDDI Research Institute

*2. Network Operations Division, Submarine Cable Systems Department, and Japan Telecommunication Engineering Service



Yoshiharu Shimatani
 Senior Vice President
 Member of the Board
 Information Security Committee
 Chairman

As a telecommunications operator, the entire KDDI Group works to improve information security so that its customers can feel safe and secure in using its information transmission services. In order to protect our facilities from outside cyber attack threats, we conduct around-the-clock monitoring and take necessary measures. Moreover, in order to protect the confidentiality of telecommunications and strictly manage significant information such as customer information and other important data, we respect and thoroughly implement information handling processes for all employees and contractors throughout the Group.

In order to maintain information security, we have conducted continuous efforts for improvement by using the framework of ISMS certification to raise the awareness of individual employees and their sense of ownership to actively engage in improvement.

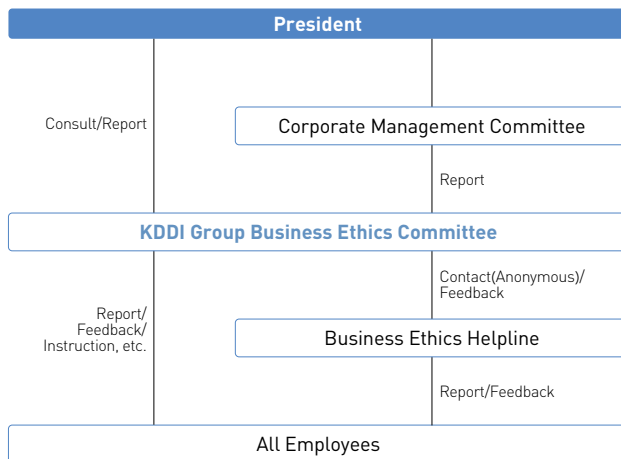
A platform to share various in-house information has been adopted since April 2011. It is a new attempt to share confidential information with steady security management. All employees are making use of corporate information with a higher awareness of information security. We will conduct PDCA cycles continuously to improve these activities and further strengthen our information security management.

Approach to Compliance

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 established in the Telecommunications Business Law—is fundamental to business operations. In conjunction with these efforts, the Company 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. To this end, in April 2011 KDDI revised its business ethics, which established basic principles for executives and employees to follow in the course of day-to-day business, considering recent legal revisions.

Compliance Promotion System

KDDI has also put in place a KDDI Group Business Ethics Committee to deliberate and make decisions on compliance-related items. The 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 Education and Training

In addition to setting up compliance classes at various trainings of employees and having them attend, we have created operation sheets noting operation points to improve compliance awareness and circulated throughout the Company from the year ended March 31, 2011.

Key Training Accomplishments

FY2010

Management/line manager training	Approx. 1,200 people
New employee training	Approx. 250 people
e-learning	Approx. 19,000 people

Business Ethics Helpline

KDDI 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, the Company is creating an environment where it is easy for employees to report concerns. The Company has also established internal regulations in response to the enforcement of Japanese legislation designed to protect public informants, and actively conducts educational activities on this topic.

Enhancing the Compliance Structure of KDDI Group Companies

KDDI has also codified its business ethics for Group companies, and has established company-based Business Ethics Committees and Business Ethics Helplines. The Business Ethics Committees convene semi-annually to ascertain the situation at each company and support the establishment and reinforcement of compliance structures.



Kanichiro Aritomi
Vice Chairman
KDDI Group Business Ethics Committee
Chairman

The Company has introduced the KDDI Philosophy as its canon for managing one's activities—based on a corporate mission statement that calls for integrity of mind—and formulated the KDDI Group Business Ethics Committee to facilitate the implementation of these principles in business operations.

By acting in accordance with high ethical standards and respect for the law, we work to be a company that is deeply trusted and respected by customers and society.

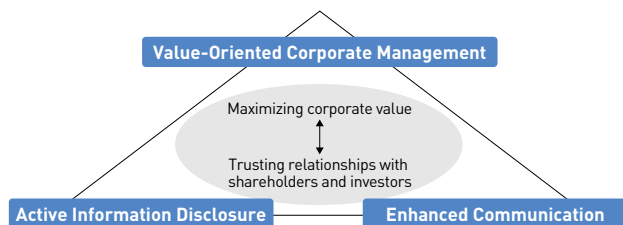
Considering advancement and diversity of services, development of globalization and increasing societal responsibility of the Company, we regularly conduct systematic, continuous education, training, and awareness activities based on our philosophy and principles, working to instill a compliance-aware mindset among all executives and employees. We will continue striving to enhance and establish an even stronger compliance structure.

Disclosure and IR

KDDI is fully committed to undertaking fair and timely disclosure of any information that could have a material bearing on the investment decisions of investors. Such disclosure is conducted on an ongoing basis and in a comprehensible manner, and is focused on the requirements of shareholders and investors. The Company's policy in this regard is in line with the financial Instruments and Exchange Law and related rules. KDDI discloses its IR basic policy on its website, explaining such matters as fundamental thinking regarding IR activities and the system for disclosing pertinent information. With regard to quarterly 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.

IR Basic Policy

KDDI's IR program is aimed at increasing the level of satisfaction among shareholders and investors through ongoing, proactive, and fulfilling dialogue, and enhancing trust in KDDI's management.



IR Activity Guidelines

KDDI aims to build long-term trusting relationships with its shareholders and investors and to maximize its corporate value by engaging in IR adhering to the following activity guidelines.

● Three IR Activity Guidelines

• Open IR Activities

We value interactive dialogue with our shareholders and investors as well as ensuring accountability to our shareholders and investors through honest and fair information disclosure.

• Proactive IR Activities

By always incorporating new ideas into our IR activities, we strive to make KDDI known to more people and promote further knowledge of the Company.

• Organized IR Activities

Under the leadership of management, all officers and employees—including those of Group companies—will engage in organized IR activities to increase our corporate value.

IR Activities during the Year Ended March 31, 2011

Open and In-Depth Communication

Earnings presentation meetings were held quarterly to allow management to directly explain the Company's results. KDDI also held individual and small group meetings with investors from Japan and overseas. We also participated in various conferences and seminars for individual investors sponsored by securities companies

for better communication. Also, timely feedback was provided to management based on responses from shareholders and investors.

Extensive IR Tools and Third-Party Ratings

By using various tools, KDDI takes a proactive approach for the disclosure of information. We offer both Japanese and English versions of videos from our earnings presentations and shareholder meetings on our website. We also provide financial statements and various other accounting information on our website, distribute e-mail alerts, and maintain an IR website for mobile phone users.

Representing the achievements of KDDI's IR activities in the year ended March 31, 2011, we received the "Internet IR Best Company Award in 2010" from Daiwa Investor Relations Co., Ltd., making it the sixth consecutive year of receiving the award. Moreover, we ranked fourth in the Best Corporate Website 2010 Survey's overall ranking and third in the information and telecommunications category by Nikko Investor Relations Co., Ltd.

KDDI has also been included in the Morningstar Socially Responsible Investment Index in Japan, a principal indicator of socially responsible investments, as of April 2011.

Note: Morningstar, Inc. selects the best 150 Japanese listed companies, in terms of social performance, for inclusion in its index of socially responsible companies, Japan's first index of socially responsible stocks.



IR Contact

Investor Relations Department, Corporate Management Division
Garden Air Tower, 10-10, Iidabashi 3-chome, Chiyoda-ku,
Tokyo 102-8460, Japan
Tel: +81-3-3347-0077 (switchboard number) E-mail: kddi-ir@kddi.com

Internal Controls—Measures to Improve Overall Corporate Quality—

KDDI, at meetings of its Board of Directors held on April 19, 2006, January 25, 2008, and March 11, 2010, adopted and released publicly basic policies for the creation of an internal control system in accordance with Article 362-5 of the Companies Act, in order to ensure that the execution of duties by directors complies with applicable laws and regulations, as well as the Company's corporate charter.

Under this basic policy, KDDI has appointed Internal Control System Managers at each division since the year ended March 31, 2011 to establish an effective internal control system that will ensure fairness, transparency, and efficiency in its business operations, and improve corporate quality.

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 the year ended March 31, 2009, 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 2011, as well as disclosed to investors.

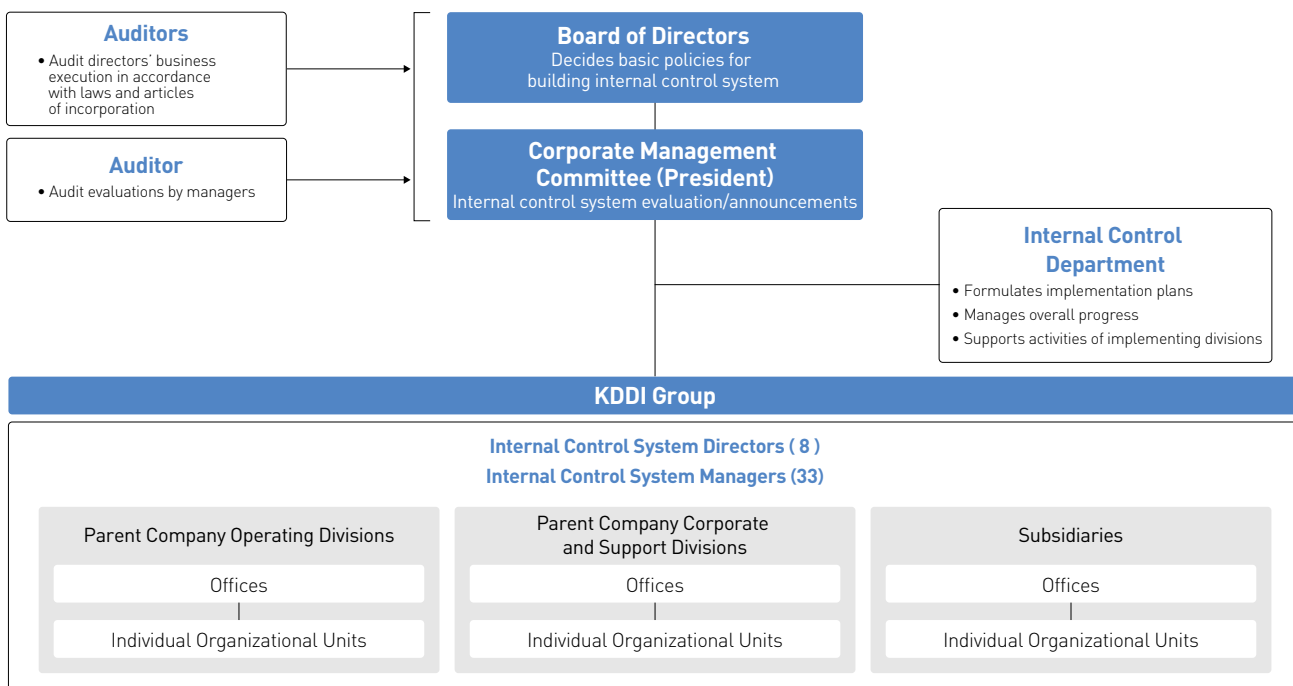
Enhancing Operational Quality to Improve Overall Corporate Quality

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, working 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.

From the year ending March 31, 2012, KDDI and its principal Group subsidiaries appointed 33 Internal Control System Managers, as well as eight Internal Control System Directors to oversee their activities. Under this system, the entire organization will implement and operate an internal control system, furthering improvement in overall corporate quality.

In order to deepen the understanding of internal control, we will also regularly share executive messages and good cases by employees through mail magazines and in-house newsletters as well as conduct e-learning classes.

Internal Control Promotion System Concerning Financial Reporting



Directors and Auditors (As of June 16, 2011)

Directors



Tadashi Onodera
Chairman

'01.6 President
'05.6 President and Chairman
'10.12 Chairman (Current position)



Kanichiro Aritomi
Vice Chairman

'09.8 Special Adviser
'10.6 Vice Chairman (Current position)



Takashi Tanaka
President

'07.6 Associate Senior Vice President, Member of the Board
'10.6 Senior Vice President, Member of the Board
'10.12 President (Current position)



Hirofumi Morozumi
Executive Vice President
Member of the Board

'07.6 Senior Vice President, Member of the Board
'10.4 General Manager, Corporate Sector (Current position)
'10.6 Executive Vice President, Member of the Board (Current position)



Makoto Takahashi
Senior Vice President
Member of the Board

'07.6 Associate Senior Vice President, Member of the Board
'10.6 Senior Vice President, Member of the Board (Current position)
'11.4 General Manager, Business Development Sector (Current position)



Yoshiharu Shimatani
Senior Vice President
Member of the Board

'03.4 Vice President
'09.6 Associate Senior Vice President, Member of the Board
'11.4 General Manager, Technology Sector (Current position)
'11.6 Senior Vice President, Member of the Board (Current position)



Yuzo Ishikawa
Senior Vice President
Member of the Board

'01.6 Vice President
'10.6 Associate Senior Vice President, Member of the Board
'11.4 Associate Senior Vice President, Consumer Business, Solution Business, Global Business and Product Sector, Member of the Board (Current position)
'11.6 Senior Vice President, Member of the Board (Current position)



Masahiro Inoue
Associate Senior Vice President
Member of the Board

'05.1 Associate Senior Vice President
'10.6 Associate Senior Vice President, Member of the Board (Current position)
'11.4 Associate General Manager, Technology Sector (Engineering and Operations), Member of the Board (Current position)



Hideo Yuasa
Associate Senior Vice President
Member of the Board

'03.4 Vice President
'10.6 Associate Senior Vice President, Member of the Board (Current position)
'11.4 President, Chubu Telecommunications Co., Inc. (Current position)



Hiromu Naratani
Associate Senior Vice President
Member of the Board

'03.5 Vice President
'10.6 Associate Senior Vice President, Member of the Board (Current position)
'11.4 General Manager, Corporate Communications Sector (Current position)



Makoto Kawamura*1
Member of the Board

'05.6 President and Representative Director of Kyocera Corporation
'09.4 Chairman of the Board and Representative Director of Kyocera Corporation (Current position)
'09.6 Member of the Board (Current position)



Shinichi Sasaki*1
Member of the Board

'05.6 Senior Managing Director of Toyota Motor Corporation
'09.6 Member of the Board (Current position)
Executive Vice President and Representative Director of Toyota Motor Corporation (Current position)

Auditors

Standing Statutory Auditors

Masataka Iki
Yoshinari Sanpei
Masayuki Yoshinaga*2

Standing Auditors

Yoshihiko Nishikawa*2
Katsuaki Watanabe*2

*1 Outside Directors

*2 Outside Auditors

Mr. Masayuki Yoshinaga is an independent director pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.