Designing The Future

KDDI

CSR & ANNUAL REPORT 2012

Editorial Policy for CSR & ANNUAL REPORT 2012

Previously, KDDI has published separate CSR Reports, which detail its corporate social responsibility (CSR) activities, and Annual Reports, yearly financial reports for shareholders and investors. However, for the year ended March 31, 2012, we have selected the most important information from these two reports and compiled into one booklet: CSR & ANNUAL REPORT 2012. Also, our web site provides a wide range of information on pertinent issues.

Contents

Disclaimer Regarding Forward-Looking Statements

Statements contained in this 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.

with **Boundless Innovation**
with **Unwavering Responsibility**

To Our Stakeholders


with Shared Purpose

Building the New KDDI

KDDI's business environment is undergoing major change. In the Mobile Business, smartphones and other smart devices are experiencing a surge in popularity, and content is growing more diverse and richer, spanning music, video, book, and other items. Meanwhile, the Fixed-line Business is taking on new importance for its role in offloading mobile data traffic. Services that combine mobile and fixed-line aspects are being developed and the market is moving toward a new stage of competition.

Against this backdrop, we positioned the year ended March 31, 2012, as a new start for KDDI. Our initiatives focused on "Reconstruction of Foundational Business" and "Preparation for Medium-term Strategy."

With regard to "Reconstruction of Foundational Business," we made significant improvements against all four key performance indicators (KPIs) that we set for ourselves in the Mobile Business, fully recovering our au momentum. We also increased revenues and profit in the Fixed-line Business.

In "Preparation for Medium-term Strategy," we continued preparing to introduce our 3M Strategy, a growth strategy designed to maximize KDDI's strengths as a company that operates both mobile and fixed-line businesses.

The year ending March 31, 2013, will mark the full-scale implementation of KDDI's 3M Strategy. We will propose diverse content and services over networks that are convenient and offer easy connections, that customers can access anywhere and anytime, from their devices of choice.

Some things, however, will not change.

For example, we will continue leveraging information and communication technology (ICT) to provide high-value-added services based on highly reliable networks, helping to realize a society that is prosperous, safe, and secure. We see this as KDDI's overarching social responsibility as a telecommunications operator, as well as our raison d'étre.

Through its widely varied business activities, KDDI intends to stimulate the people of the world, offering them safety and enjoyment and bringing smiles their faces. We aim to achieve sustainable growth that is in harmony with society.

July, 2012

Takashi Tanaka

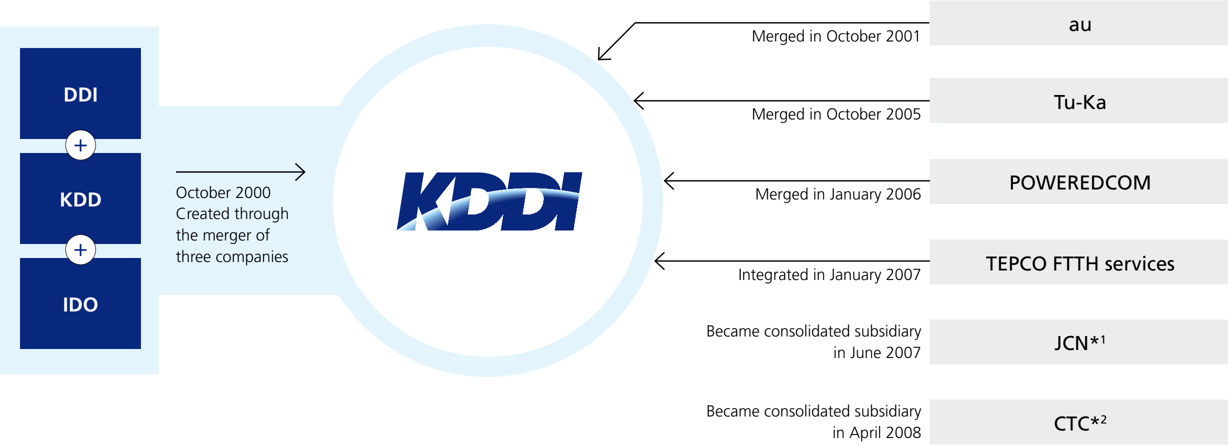
Takashi Tanaka
President, KDDI CORPORATION

The Three Steps to Understanding KDDI

To best perceive how KDDI is working to reconstruct its foundational businesses, we believe it is useful first to understand us as a company. Therefore, we begin by describing how KDDI came into being, the Company's strengths as an comprehensive telecommunications operator, and our position within the industry.

STEP 1 History

Establishing the Foundations for Growth as a Comprehensive Telecommunications Operator through M&As and Other Activities



*1 Japan Cablenet Limited
*2 Chubu Telecommunications Co., Inc.

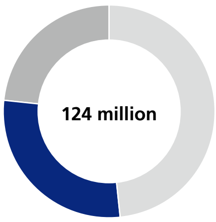
The KDDI Group was established in October 2000 through the merger of DDI CORPORATION, a long distance communications company, and KDD Corporation a international communication company, and IDO CORPORATION. Thereafter, we expanded our business foundation through M&As in both the mobile business and fixed-line business. We are proud to be the only company in Japan to have a uniquely comprehensive business structure combining mobile and fixed-line communications in a single company, and establishment of a solid foundation for growth.

STEP 3 Position

Holding the Second-largest Share of the Market for Mobile and Fixed-line Communications, after the NTT Group

Share of Cumulative Mobile Communication Subscriptions

(As of March 31, 2012)

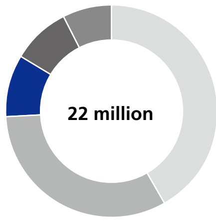


NTT DOCOMO	48.4%
KDDI (au)	**28.3%**
SOFTBANK MOBILE	23.3%

Source: Created by KDDI using Telecommunications Carriers Association's data
* Share among NTT DOCOMO, SOFTBANK MOBILE, and KDDI

Share of Cumulative FTTH Subscriptions

(As of March 31, 2012)



NTT EAST	41.9%
NTT WEST	32.3%
KDDI	**9.5%**
Electric Power Utilities	9.0%
Other	7.3%

Source: Created by KDDI using Ministry of Internal Affairs and Communication's data

STEP 2 Strengths

The KDDI Group Provides Comprehensive Mobile and Fixed-line Communications.

Mobile Communications

Mobile Communications	au	The mobile communications businesses of KDDI and Okinawa Cellular Telephone Company. au has approximately 35 million subscriptions and rank second in the industry in market share. "4G LTE" services with maximum downlink speed of 75Mbps are scheduled to begin in 2012.
Data Communications	UQ WiMAX	Group affiliate UQ Communications (32.3% holding) offers WiMAX services with maximum downlink speed of 40Mbps. Actual population coverage reached 82%, and cumulative subscriptions exceeded 2 million in February 2012. Services are also used for offloading mobile data traffic.
	au Wi-Fi SPOT HOME SPOT CUBE	More than 100,000 "au Wi-Fi SPOT" are installed outdoors and more than 570,000 "HOME SPOT CUBE" are installed indoors. We achieve convenient mobile communications by seamlessly combining our mobile and fixed-line networks.

Fixed-line Communications

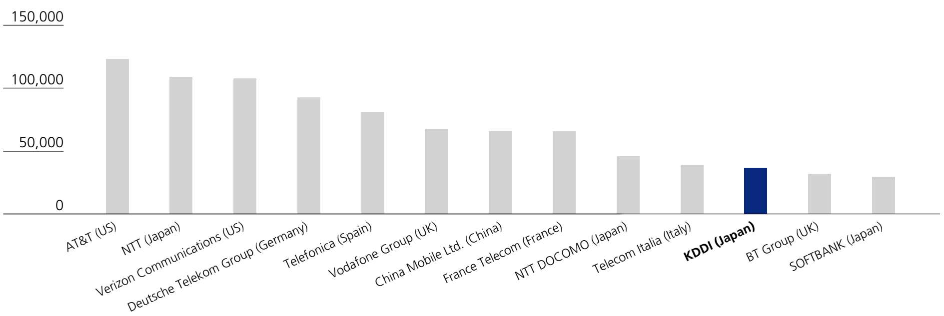
FTTH	auひかり コミュファ光	We provide highly competitive FTTH services such as "au HIKARI" and "Commuf@-hikari" with maximum speeds of 1Gbps. Cumulative subscriptions totaled 2.27 million at the end of March 2012.
CATV	JCN J:COM	Jupiter Telecommunications Co., Ltd. (33.0% holding), Japan's largest multiple system operator of cable television services, and JCN (95.6% holding), ranked second in the industry, are Group companies. Together, they had contracts with 4.78 million households at the end of March 2012.

Mobile + Fixed-line Broadband

Mobile + Fixed-line Broadband	auスマートバリュー	"au Smart Value," which discount ¥1,480 (including tax) on monthly charges for smartphone use for up to two years (¥980 (including tax) discount thereafter) when customers apply for au smartphone and fixed-line broadband service together started on March 1, 2012. We are expanding the customer bases by fully utilizing the competitive rates, while offloading mobile data traffic onto fixed-line networks.

Comparison of Operating Revenues among the World's Leading Telecommunications Operators

(Millions of U.S. dollars)



Source: Created by KDDI using "Telecom Data Book 2011" by Telecommunications Carriers Association

- Created to have a better idea of our business size
- Fiscal year is FY2010.3, which is January 1, 2009 to December 31, 2009 for the United States, Germany, Italy, and Spain, while it is April 1, 2009 to March 31, 2010 for the United Kingdom and Japan.
- For KDDI and SoftBank, Operating revenues calculated based on Japanese accounting standards are converted to U.S. dollar.

Takashi Tanaka
President, KDDI CORPORATION

KDDI Maintaining Its Lead in a New Era

Our 3M Strategy, long in preparation, is going fully operational. Now back in fighting condition, KDDI is launching service innovations like never before. Reaffirming our mission as a telecommunications operator that provides social infrastructure, we are striving to achieve sustainable growth.

Assessment of Financial Results for the Year Ended March 31, 2012: Operating Revenues Up for the First Time in Four Years; Operating Income Up for the 11th Consecutive Fiscal Year

Positioning the year ended March 31, 2012 as the start of our next growth stage, all members of the KDDI Group pulled together to advance the "Reconstruction of Our Foundational Business." The results were successful.

Our operating revenues rose for the first time in four years. Although voice ARPU (Average Revenue per Unit) declined because of the increased usage of the "Maitsuki Discount (Monthly Discount)" and "Simple Course" pricing plans, the total number of handset sales increased and the revenues of Group companies handling the Fixed-line Business expanded.

We posted an increase in operating income for the 11th consecutive fiscal year. Such factors as a higher cost of sales for handsets in the Mobile Business drove down income, but the success of our network streamlining efforts prompted a major increase in income in the Fixed-line Business that offset the negative factor.

Dramatic Improvement in Four Key Performance Indicators (KPIs) and Complete Recovery of au Momentum

We achieved dramatic improvement against all KPIs.

KDDI is getting into fighting condition. At the time I was appointed president, I recognized that this was my most important task. To put KDDI back onto a strong growth trajectory, we announced our "3M Strategy" both within and outside the Company. The 3Ms are for "Multi-network," "Multi-device," and "Multi-use." However, we had another task to accomplish before we could fully implement this strategy. Namely, we had to turn around the Mobile Business—our foundamental business, which accounts for around 75% of operating revenues.

The Mobile Business was in need of repair to help KDDI reestablish its position of strength. As a result of Mobile Number Portability (MNP), business was draining away to our competitors, and our increases in data ARPU were lagging those of other companies. It was clear that KDDI would be unable to recover without first reconstructing the Mobile Business, which accounts for a large portion of operating income. For this reason, I introduced a policy of "recovering au momentum," established four KPIs to measure our progress, and sought to instill a sense of urgency throughout the Company as we worked to reach those KPIs.

The first and most important indicator was related to the churn rate. As mobile phone penetration is high, our current market environment makes it difficult to acquire new customers. Accordingly, encouraging customers to continue using our services is of utmost importance. If we could lower the churn rate, we would be able to maintain or expand our customer base without incurring high costs to acquire new customers. This situation would also lead to sound growth, characterized by increases in revenues and income.

The next KPI was MNP, a direct indicator of a mobile telecommunications operators' competitiveness. Customers wanting to switch to KDDI by taking advantage of MNP tend to pay particularly high monthly fees (ARPU), so we set maximizing the net increase in MNP as our second KPI.

Our third objective was to increase our share of net additions spanning all devices, including smartphones, feature phones, and modules. Finally, we concentrated on raising data ARPU in order to drive the Company's growth organically.

Let us look back on the year ended March 31, 2012, and review our performance against these KPIs. First, our churn rate improved from 0.73% in the preceding term to 0.66%, reaching a historic low. In the third quarter, the rate had improved to 0.56%—the lowest rate in the industry—and we maintained this position in the fourth quarter, as well. I see this as proof that we succeeded in raising customer satisfaction with au.

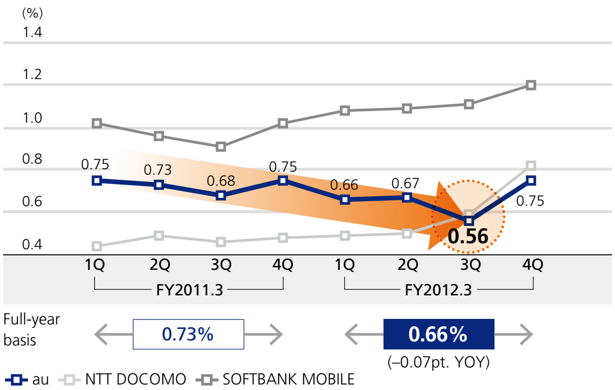
In MNP, we consistently had the highest net increase in the industry for the six months beginning in October 2011. This result was extremely positive; we achieved this level considerably faster than our internal plans had called for. In the year ended March 31, 2011, a total of 362,000 subscriptions were lost due to MNP, but in the year under review we enjoyed a total increase of 273,000 subscriptions—a net change of 634,000 subscriptions and a major improvement. These figures show that we have made great strides in improving our competitiveness. This trend is continuing unabated into the year ending March 31, 2013, and we maintained our standing as No.1 in terms of net MNP increase.

Our share of net additions also improved 10.1 points during the year, to 27.2%. This shift was particularly pronounced in the fourth quarter, when our share reached 33.4%. Data ARPU also increased, led by the accelerating shift to smartphones. The increase was most notable in the fourth quarter, when data ARPU rose 10.3% year on year.

In short, we made dramatic improvements against all four KPIs. I believe we can honestly say that we completely achieved our goal of recovering au momentum.

au Churn Rate*1

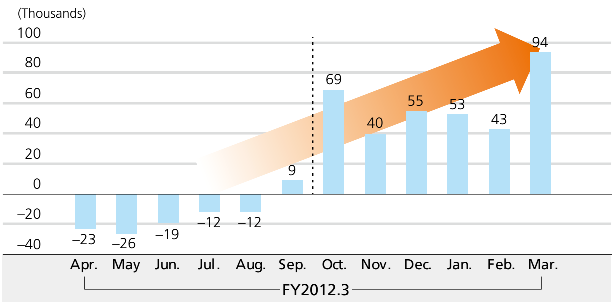
Down to historic low for the year ended March 31, 2012!
At an industry low during the third quarter!



*1 Created by KDDI using financial results materials of each company.
au churn rate excludes module-type terminals.

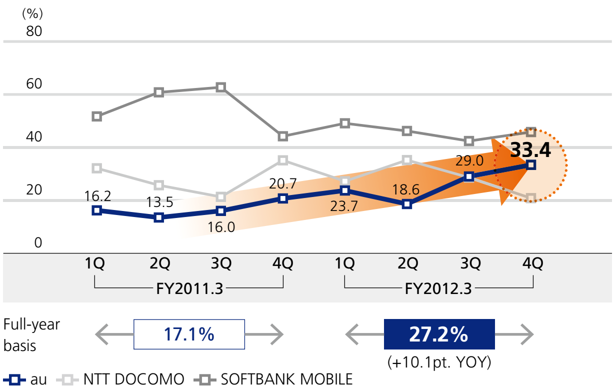
MNP

Achieved 9,000 net increase in September 2011
No. 1 in net MNP increase for six consecutive months from October 2011!



Share of Net Additions*2

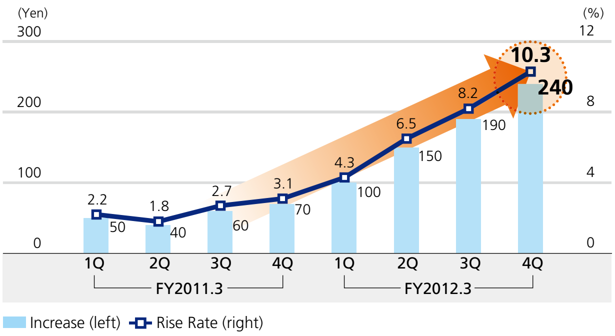
Rose to 33.4% in the fourth quarter of the year ended March 31, 2012!



*2 Created by KDDI using Telecommunications Carriers Association's data.
Share among NTT DOCOMO, SOFTBANK MOBILE, and KDDI.

Data ARPU (YOY Increase, Rise Rate)

+10.3% YOY
Up substantially in the fourth quarter of the year ended March 31, 2012!



Strong Results from the Appeal of Our Product Offerings and Our Enhanced Sales Capabilities

The shift toward smartphones accelerated

The accelerated shift toward smartphones was a key element driving the complete recovery of au momentum. Given the major role that smartphones play in today's market, performance in this area affected KPIs in a number of ways, including through the total number of handset sales and data ARPU. Whereas we had offered six smartphone models in the preceding fiscal year, during the year under review we introduced 25 models—a major increase. We also distinguished ourselves by offering numerous highly competitive models. We launched six "+WiMAX" compatible models with a maximum downlink speed of 40Mbps and enable users to use tethering. We also introduced the "INFOBAR" series, which is distinguished by the use of sophisticated designs and a variety of global models for high-end users. Furthermore, in October 2011 we began offering au's first iPhone, the "iPhone 4S" (made by Apple Inc.). Through these moves, we expanded our lineup and made it the best in the industry.

When launching the "iPhone 4S," we used the promotional tag line "Get more 'connected' with an iPhone," making a strong appeal to our network quality and extensive coverage area, which was well received by customers. When we introduced the "iPhone 4S," there was some concern within the Company that the iPhone might cannibalize our sales of Android™ smartphones. Ultimately, though, this was not the case. Sales of both types of smartphone were favorable, which certainly was excellent news for us.

As a result of these efforts, smartphone sales more than quintupled during the year, to 5.63 million units, substantially outpacing our initial target of 4 million units.

In conjunction with the rapid expansion in the smartphone market, we introduced simultaneous "offensive" and "defensive" initiatives. We took an "offensive" with regard to sales channels, seeking to acquire new customers through the mass retailer channel, and we expanded our floor space and augmented our sales staff. Another "offensive" strategy we strengthened was to set up temporary sales outlets during holidays at event venues. Meanwhile, we took a "defensive" approach to bolster retention at au shops by renovating stores and leveraging ICT (Information and Communication Technology) to boost our ability to interact with customers. This combination of "offensive" and "defensive" strategies enabled us to reinforce our sales channels.

These efforts to strengthen the appeal of our product offerings and enhanced our sales capabilities were instrumental in achieving a complete recovery of au momentum.

“Smartphones’ Limitations” the Departure Point for Our 3M Strategy

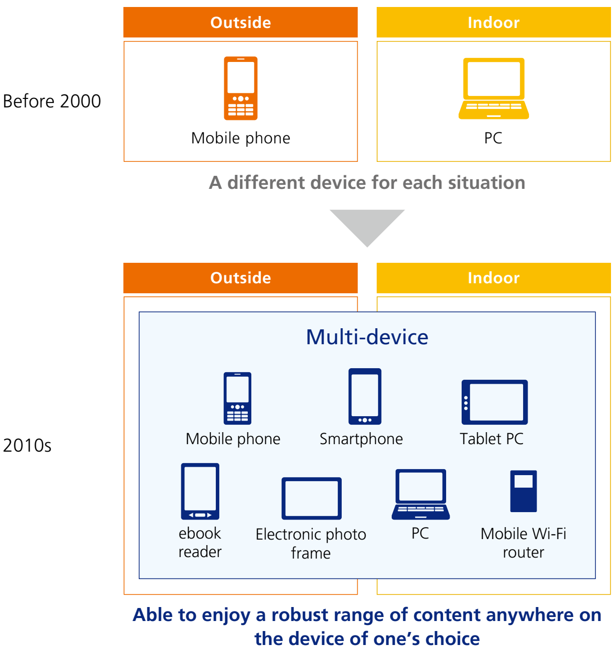
We have the resources to elicit solutions.

In the year ended March 31, 2012, alongside measures to “Reconstruction of Our Foundational Business,” we paved the way for the full-fledged implementation of our 3M Strategy. In January 2012, we announced the “Smart Passport Concept” as our 3M Strategy roadmap, and in March we began rolling out strategic services for realizing this strategy: “au Smart Value” and “au Smart Pass.” As of March 31, 2012, we had surpassed 100,000 spots in “au Wi-Fi SPOT” installations, marking a key development in our Multi-network strategy. Before going into the details, I would like to review the reasons behind our introduction of the 3M Strategy and explain what kind of world we are trying to realize through this strategy.

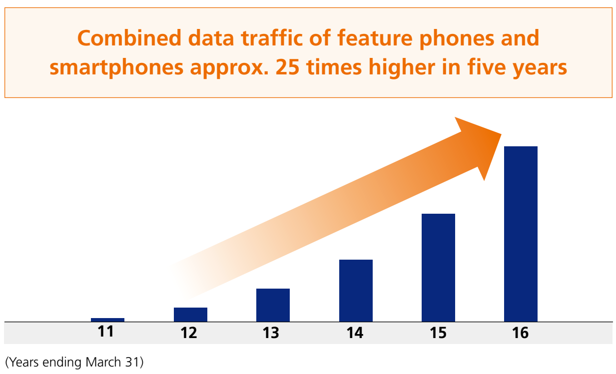
Looking back, up until 2000 people used discrete devices for different activities. For example, at work people would typically use PCs to create documents and exchange information via email. When they went out, they would take along their mobile phones to engage in voice communication, and home entertainment tended to center on the television. As we entered the 2000s, mobile phones began taking on a growing presence. It became possible to access email and the Internet, and phones were loaded with a host of functions that allowed users to watch “one seg” broadcasts and settle payments. This is also referred to as the era of “mobile convergence.” The emergence of the smartphone has accelerated the pace of these changes. Larger screens, standardized use of full browsers, and the introduction of touch screens as a user interface has contributed hugely to usability.

Nevertheless, we believe that sooner or later, we will reach the limits of what smartphones can achieve. Regardless of the number of high-end functions they include, smartphones cannot match PCs in some ways. There are limits to the number of PC applications that can be loaded onto smartphones, and creating and manipulating documents is clearly easier on a PC. And while families may be able to gather around a smartphone screen at home for entertainment, this has its obvious limits. Smartphones do not adequately meet

Changing Usage Situations



Data Traffic Forecast



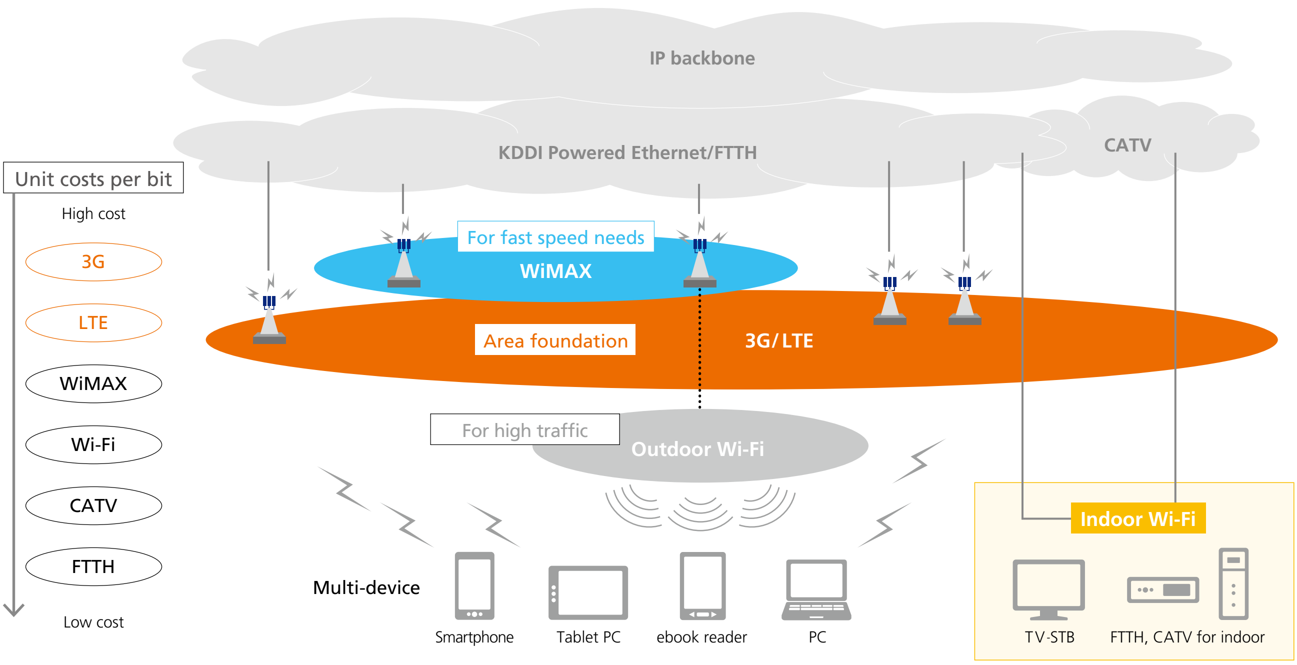
the needs of people who want to enjoy large screens showing attractive, high-resolution, impactful images. This is the realm of the television. We believe that in the 2010s, the "Multi-device" movement will go mainstream. In addition to smartphones, people will want to share a wealth of content on the device that is most appropriate to the situation.

We also see limitations on the network side of the equation. With smartphones, data traffic per unit is around 20 times higher than that of feature phones. During the five-year period spanning from the year ended March 31, 2011, to the year ending March 31, 2016, we expect mobile data traffic to increase by 25 times. At these levels, even the introduction of LTE (Long Term Evolution), which makes highly efficient use of bandwidth, and traffic control technologies will not be sufficient to meet the growing traffic on mobile networks. The option that remains is to offload data onto fixed-line networks. KDDI can address the issue of "smartphones' limitations" by bringing to bear resources that other companies lack. As fixed-line services, we offer Fiber To The Home (FTTH) and CATV. For mobile communications, in addition to 3G we offer WiMAX, and this year we will also launch an LTE service. In combination with Wi-Fi, we can deploy multiple networks in a seamless manner to emulate

a single network. As a result, we will be able to efficiently contain the rapid expansion in mobile data traffic by using multiple networks including fixed-line networks. As an integrated telecommunications operator, KDDI has a right to be proud of its ability to offer such solutions.

Our goal is to enable customers to enjoy a host of content on the devices of their choice, at any time and regardless of location, without experiencing a decline in network quality. This is the aim behind our project to realize the goals of the 3M Strategy.

Offloading Data Traffic onto Fixed-line Networks using Wi-Fi



3M Strategy Phase 1: Start of the Smart Passport Concept

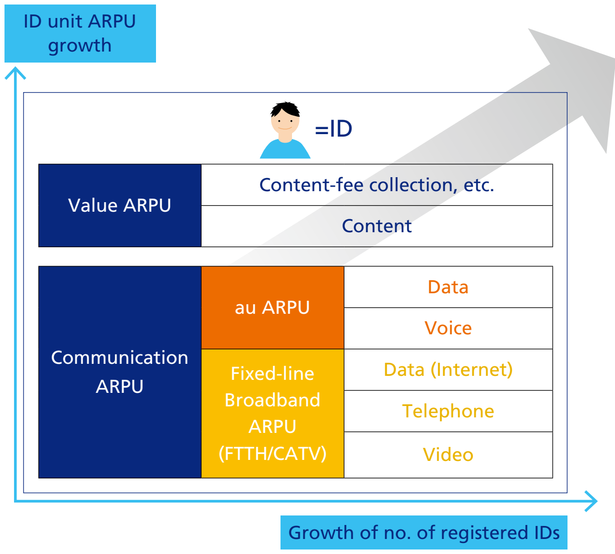
The 3M Strategy is to be "Game Change."

The 3M Strategy represents a shift from a business model weighted toward the acquisition of mobile subscriptions to a model of mobile/fixed-line convergence. Whereas mobile subscriptions tend to be for individuals, households are the typical unit for fixed-line services. Our new model will involve fundamental changes in the way customers see our services and how we think about business.

Before the launch of "au Smart Value," ARPU was used as an indicator of per-subscriber revenue for mobile communications, but this is changing. We are expanding this measurement to encompass au ARPU; fixed-lined broadband ARPU for FTTH, CATV, and other services; and value ARPU, which will cover services and content provided using the "au Smart Pass" as a gateway. In addition, through "au Smart Value" we will increase mobile and fixed IDs to maximize household ARPU. We view this transition to a new business model as the quest to be "Game Change."

From a cost standpoint, the new model will enable cross-selling, allowing us to curtail marketing costs. Furthermore, bundling mobile and fixed-line services should lower the churn rate, thereby holding down retention costs. The biggest reduction, though, will come in network costs. The use of home Wi-Fi to access high-speed FTTH will drive down the overall network costs by enabling us to offload onto fixed-line networks, which are relatively lower per bit network costs. We will pass on these cost savings to customers in the form of more attractive services, which should also bolster our competitiveness, creating a virtuous cycle.

Atransition to Communication ARPU + Value ARPU-based Business Model = "Game Change"



A solid Grasp of Initial Trends

So far, our launch of "au Smart Value" and "au Smart Pass" has been extremely smooth. In the two months since the start of these two services, subscriptions have already exceeded 1 million. The key to the success of "au Smart Value" lies in the degree to which it enables us to attract new customers for both au smartphones and fixed-line services. We have already had early proof of the services' potential to boost sales and profits in both the mobile and fixed-line arenas.

Directions for the Year Ending March 31, 2013: Achieve Consolidated Operating Income of ¥500 Billion and Reverse the Decline in au ARPU

We are aiming to maximize communications fee revenues and value-added revenues.

We are positioning the year ending March 31, 2013, as the time for our full-scale rollout of the 3M Strategy, which is already off to a solid start. In line with this deployment, we reorganized reportable segments into four business segments based on management resource allocation. The organizational divisions through which we advance business strategies are consistent with these reporting segments.

In the previous fiscal year, we introduced four KPIs on the way to staging a recovery in au momentum. In the current term, we will pursue initiatives targeting two priorities: achieving consolidated operating income of ¥500 billion and reversing the decline in au ARPU.

To achieve consolidated operating income of ¥500 billion, we will seek to maximize mobile and fixed-line communications fee revenues and value-added revenues. At the same time, we will work to employ sales and marketing costs more efficiently and step up efforts to lower network costs through progress on offloading data.

We will also endeavor to reverse the decline in au ARPU. Although au ARPU has been trending downward, during the fiscal year we expect au ARPU to bottom out on a monthly basis and begin changing course.

To continue growing over the medium to long term as well, during the year we will embark on a full-scale rollout of the 3M Strategy.

Target for The Year Ending March 31, 2013

Consolidated Operating Income ¥500 Billion	au ARPU Dips and rises in performance in monthly basis by the end of the year

The World of Smart Network: Commencing a High-quality LTE Service

This fiscal year, we will launch the au "4G LTE" service. As we have made progress on base station installation and the development of compatible handsets, we now expect to introduce the service earlier than our originally planned date of December 2012. As its base band, the service will use the new 800MHz band, which offers superior frequency efficiency. We will augment this spectrum with the 1.5GHz band, as well as the 2GHz band, which is currently being used by EV-DO. We plan to boost the coverage area quickly; by March 31, 2013, we expect LTE to cover 96% of the actual population. Introducing LTE will enable downlink speeds of up to 75Mbps, which will add depth to our Multi-network strategy.

The LTE addition will make our networks even more seamless and bring us into the world of the "smart network."

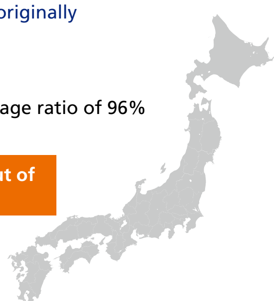
Launching the au "4G LTE" Service

Service to commence prior to the originally scheduled start in December 2012

4G LTE

Achieving actual population coverage ratio of 96% by March 31, 2013

Simultaneous nationwide rollout of high-quality LTE



Plans for Capital Expenditures and Cash Flow Allocation (Shareholder Return)

We will curtail capital expenditures by leveraging "Multi-network."

KDDI's capital expenditures amounts have been decreasing steadily from their peak in the year ended March 31, 2009. In the year ended March 31, 2012, combined capital expenditures in Mobile Business and Fixed-line Business services came to ¥421.6 billion, down 5.0% year on year.

For the year ending March 31, 2013, we expect capital expenditures on a consolidated basis to rise 6.7%, to ¥450.0 billion.

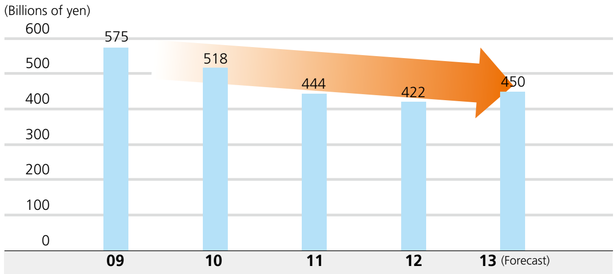
Each year, we are generating a steady ¥700.0 billion or more in operating cash flows. For the year ending March 31, 2013, we forecast free cash flow of ¥150.0 billion.

Our shareholder return activities center on dividends. The year ended March 31, 2012, was our 10th consecutive year of dividend increases, and going forward we intend to steadily raise dividends, to reach a consolidated payout ratio of between 25% and 30%. Dividends for the year ended March 31, 2012, totaled ¥16,000 per share, up ¥2,000 from the preceding term, for a consolidated payout ratio of 27.5%.

For the year ending March 31, 2013, we plan to raise annual dividends an additional ¥1,000, to ¥17,000 per share. We will also look into acquiring our own shares as one way to allocate cash flow, taking our cash flow situation and other factors into account.

Capital Expenditures

Capital expenditures peaked on a consolidated basis in the year ended March 31, 2009



(Years ended March 31)

Fulfilling Our Corporate Social Responsibility (CSR) as a Telecommunications Operator

Our biggest responsibility is to provide uninterrupted telecommunications services.

As a telecommunications operator, we are well aware that KDDI's operations have two faces. On the one hand, we are akin to a public institution in the sense of our responsibility for maintaining the social infrastructure. At the same time, we are a company in the pursuit of profits.

We have some 35 million au subscribers as well as a number of other customers for our various services, so even a small amount of trouble could have repercussions for many people. As a telecommunications operator, KDDI recognizes that its first and foremost responsibility is to provide uninterrupted services, regardless of conditions. KDDI also enjoys the support of numerous stakeholders—the many companies that are its business partners, the stakeholders who invest in the Company, regional communities, government institutions, and employees. To meet the expectations of all these stakeholders, we recognize our obligation to meet our responsibilities as a public institution, as well as to leverage ICT to help resolve societal issues involving the environment, healthcare, education, and a range of other issues. I have a strong sense of mission to meet these responsibilities by guiding our management in an appropriate direction.

Meeting our responsibilities to society, meanwhile, requires us to deliver sustained earnings increases. My intention is to create a virtuous cycle whereby we grow by taking advantage of the major opportunities that await us as a telecommunications service provider and share the fruits of our successes with our stakeholders.

KDDI is also monitoring developments worldwide. For example, we see potential in emerging markets that are experiencing economic growth but where, at present, communication environments are less well developed. After taking full stock of individual countries' differences, we are looking at ways in which we might provide value in distinctively "KDDI-specific" ways.

Aiming to Provide Ongoing Support to Stricken Area

The Great East Japan Earthquake made us once again realize the importance of the key roles and responsibilities of telecommunications operators in providing communications lifelines. Shortly after the earthquake struck on March 11, 2011, we mounted full-fledged efforts to gets service back on line as quickly as possible. By June 30, 2011, we had restored service in the stricken area to pre-earthquake levels. Even so, communications difficulties persisted outside the Tohoku region. Various issues surfaced, and we worked steadily to address each of these, one at a time.

Just after the earthquake, numerous employees volunteered their time to assist recovery in the affected area. The rebuilding efforts have just began, and we understand these efforts will require sustained medium- to long-term support, and so we established the Reconstruction Support Office, which reports directly to me. Going forward, this department will coordinate Companywide efforts to provide ongoing support to aid restoration, working closely with local government bodies.


Employee volunteer activities

In Closing

We will continue introducing new services that other companies cannot emulate.

Progress on the 3M Strategy is smoother than our internal plans had forecast. Even so, technology changes extremely quickly, and we operate in an environment that is rife with competition. Consequently, we cannot let down our guard as we work to lock in the momentum that we have clawed back in the Mobile Business. Maintaining our sense of crisis and communicating this urgency throughout the Company, we will work to achieve progress on the 3M Strategy even faster than we have in the past.

As we implement the 3M strategy, in truth I believe that KDDI is the only company that can succeed in a Multi-network approach. We aim to steadily introduce new services that competitors cannot emulate as we do our utmost to stay at the head of the pack. As we do so, KDDI's true colors will become apparent.

Full-fledged Launch of the 3M Strategy

In April 2011, KDDI announced its new growth strategy—"3M Strategy"—and since that time, we have been making preparations for its full-scale rollout.
In March 2012, we commenced Phase 1 of the 3M Strategy, the "Smart Passport Concept."
The 3M Strategy aims to realize two goals: "Revenue Maximization" and "Cost Containment."
In this section, the directors in charge of this strategy outline the strategy's objectives, current status and future directions.

Revenue Maximization

Maximizing "Communications Fee Revenues"

au Smart Value

Expanding Areas and Sales Channels and Pinning Our Hopes on Linked Acquisitions

Yuzo Ishikawa Senior Vice President, Member of the Board

Maximizing "Value-added Revenues"

au Smart Pass

A Passport to the World of the Open Internet

Makoto Takahashi Senior Vice President, Member of the Board

Cost Containment

Reducing Network Costs by Promoting Data Offloading

Smart Network

Pursuing Communications Quality while Reducing Network Costs

Yoshiharu Shimatani Senior Vice President, Member of the Board

P.18

au Smart Value

P.20

au Smart Pass

P.22

Smart Network

Maximizing “Communications Fee Revenues”

By expanding our sales channels and enhancing operational quality, we will work with allied fixed-line companies to boost linked customer acquisitions.

QUESTION 1 How would you evaluate your progress since commencing the “au Smart Value” service?

We are progressing favorably in both the mobile and fixed-line categories.

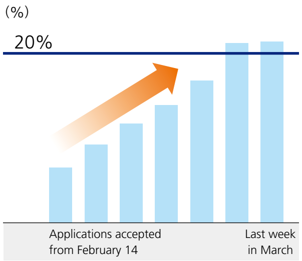
On the mobile side, the percentage of new au smartphone subscribers who subscribe to “au Smart Value” is gradually increasing. In March, when this service was launched, this percentage reached 20% of new subscribers, which is the break-even point for the service, and subscriptions in this area have remained solid since. Furthermore, of new au subscribers employing “au Smart Value,” some 60% are subscribing through MNP. We consider this figure positive, because it means that our goal of using “au Smart Value” to attract subscribers from other companies is largely successful. We are also helping customers overcome one of the major barriers they feel when shifting to smartphones—namely, high communications fees—thereby broadening the scope of smartphone users.

On the fixed-line side of our business, performance is surpassing our expectations. Since launching the service, new subscriptions to au HIKARI have grown substantially. We moved significantly above the break-even point of a 12% share of new subscriptions shortly after we began accepting applications, and we have maintained a high level since. As au HIKARI also offers communications speeds that are overwhelmingly superior to other companies’ services, at up to 1Gbps, we have been able to differentiate ourselves on a cost-benefit basis, which has proved effective. In addition, we have quickly increased the “au Smart Value” coverage area through cooperation with four FTTH companies and 43 CATV firms. As a result, our household coverage ratio*1 had risen to 73% as of March 31, 2012.

*1 The total for KDDI Group companies and allied fixed-line companies

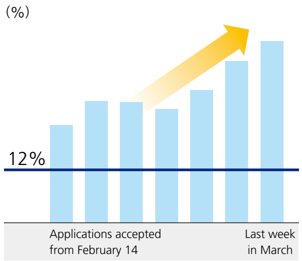
Subscription Rate for New au Subscriptions Utilizing au Smart Value (Weekly)

At a level exceeding ARPU-based BEP



Subscription Rate for New au HIKARI Subscriptions Utilizing au Smart Value (Weekly)

At a level substantially exceeding ARPU-based BEP



QUESTION 2 What are the advantages of allied fixed-line companies pursuing aggressive sales?

We expect that they will expand customer bases while reducing the churn rate and lowering sales costs.

Sales results at allied companies are extremely favorable. We believe that the reason for this is that “au Smart Value” is an attractive service not just for KDDI, but also for allied companies. Of course, for allied companies simply offering our mobile phone services in a package along with their own services does not contribute directly to revenue expansion on its own, but this approach has the advantages of (1) introducing new users via KDDI, (2) creating sales opportunities that leverage new products in the form of mobile phones, and (3) reducing the churn rate by offering set-purchase discounts. Looking at au Smart Value household contracts as of March 31, 2012, over 50% of total applications, including those for au HIKARI, were through set contracts via allied companies. We see this situation as evidence that “au Smart Value” is an attractive service for allied companies, and we look forward to continuing to forge positive relationships.

On the cost front, by taking advantage of mutual sales channels both KDDI and allied companies can reduce sales costs, and we expect to hold down promotional expenses through joint advertising and sales promotions. Furthermore, our allied approach allows us to avoid overlapping investments, which should raise the efficiency of our network investment and enable us to expand the sales area.

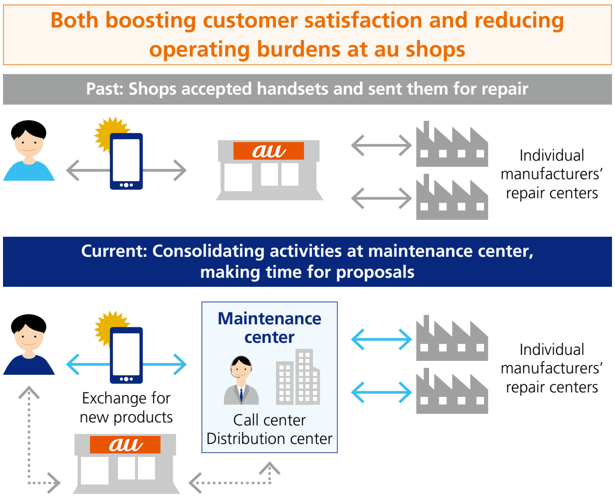
Yuzo Ishikawa
Senior Vice President,
Member of the Board

QUESTION 3 How did you prepare for the sale of services?

We are creating more time for sales staff to propose "au Smart Value."

At au shops, we are reducing the amount of time required for customer interaction by allowing customer to view customer information, analyze fees, and compare models ahead of time using tablets. We have integrated our mobile and fixed-line customer information referral systems and consolidated application forms. We have also reduced the time needed to respond to malfunctions, which takes up around 40% of interaction time, through a maintenance center dedicated to handling such queries. We will continue listening to the needs of the people on the front line of sales to reduce the workload at au shops, so that sales staff have more time to propose "au Smart Value."

Revising Our Handset Maintenance Scheme



QUESTION 4 What issues do you need to address to boost the number of service subscribers going forward?

We need to create a business model that is mutually beneficial to allied companies and KDDI.

I perceive three major issues. The first involves our ability to increase the number of targeted households, including by allied companies. As of March 31, 2012, our household coverage ratio was 73%. We aim to raise this figure to 80%. Next, we need to augment the support we provide to allied companies, such as providing au sales training, to increase the number of new au subscribers that they introduce to us. Through these initiatives, we should be able to constantly surpass the 20% new subscriber ratio. As this is a new service, we recognize that boosting awareness of "au Smart Value" is important, and we are doing so through marketing efforts that link mass media, the web and shops.

QUESTION 5 What are your goals for the year ending March 31, 2013?

Our targets are 3.10 million au subscriptions and 1.55 million households.

For the year ending March 31, 2013, through "au Smart Value" we aim to increase the number of au subscriptions to 3.10 million, up 2.44 million from the previous year, and achieve a 1.11 million increase in household subscriptions, to 1.55 million. This rise will not come from simply expanding the customer base. We also aim to augment the number of au subscribers per household from 1.5 as of March 31, 2012, to 2.0 by March 31, 2013. The average number of people per household in Japan is 2.5*[2], and we are already progressing steadily toward this goal, taking into account children and older people who do not have mobile phones. To achieve this target, we are also making steady progress toward our other KPIs. We will continue our vigorous efforts to strengthen relations with allied companies.

*2 Source: 2010 National Census, Statistics Bureau, Ministry of Internal Affairs and Communications

Maximizing "Value-added Revenues"

We aim to use our base of "au Smart Pass" members to maximize value-added revenues.

QUESTION 1 What are the goals behind your introduction of the "au Smart Pass"?

The main thrust is to enable a host of customers to enjoy using their smartphones.

The advent of smartphones had a very positive effect on the open Internet, but many customers have not yet downloaded apps, due to app prices or out of security concerns. We created the "au Smart Pass" to enable these customers to use the open Internet safely and securely.

"au Smart Pass" gives subscribers access to more than 500 popular apps and makes use of security software and a call center, functions that increase customers' sense of security when using smartphones. By lowering these barriers, we aim to foster a transition to smartphones and expand the smartphone customer base over a wide range of ages.

QUESTION 2 Can you turn a profit with a model that offers ¥50,000 worth of apps for ¥390 a month?

We aim to create a model that is successful for both content providers and KDDI.

A service will not survive long unless it has a business model that contributes to customers and content providers alike. In the past, in addition to developing apps, content providers had to incur promotional costs themselves in order to attract customers. To encourage content providers to focus on the development of attractive apps, via the "au Smart Pass" platform we offer them potential access to KDDI's 35 million customers and take over the burden of promoting their apps. By pooling our resources in this way, we are creating a win-win situation with content providers that we have developed relationships with through our feature phone-related operations, encouraging the extension to smartphones. Given the up-front investments we have made on the platform, we do not expect the service to be profitable in the year ending March 31, 2013, but we should quickly reach the break-even point of 4 million subscribers. We believe this business will move into the black in the year ending March 31, 2014.

QUESTION 3 Since you started the service, what has been your record on attracting customers, and how are you evaluated within the Company?

Subscribers have increased at unprecedented speed.

Only two months have passed since we introduced the service, and membership already tops 1 million, so our record on attracting customers is favorable. We are also attracting customers over a wide range of ages, not just young people, and we have high expectations for the future. Average downloads of apps have quadrupled since we began offering this service. Between 60% and 70% of people who enter a smartphone agreement at shops also join this service. We attribute this high rate of membership to the inexpensive fee, easy-to-understand service content and proactive promotion at au shops.

Makoto Takahashi
Senior Vice President,
Member of the Board

QUESTION 4 **What are your objectives for "Uta Pass" and "Video Pass," which you introduced after the "au Smart Pass"?**

We want to allow subscribers to enjoy music and video over Multi-device.

In music and video as well, we intend to leverage the expertise that au has cultivated in feature phones—an area in which we have an advantage over competitors—to success in smartphones.

"Uta Pass" is a service that lets customers listen to as many songs as they wish, both Japanese and foreign music, for ¥315 a month. The difference between this service and "LISMO unlimited" is that the service allows customers to access, in a broadcast-like manner, songs that are being promoted by music labels. As "Uta Pass" is a promotion channel, it provides labels with a new sales route, which allows us to keep fees low. By using the facilities of KKBOX Inc., a Taiwan music content distribution company that we converted to a subsidiary, we have been able to hold down costs and expect the business to make an early contribution to profits.

Meanwhile, "Video Pass" is a service that offers unlimited viewing of video content for ¥590 per month. We have centralized content procurement at Jupiter Telecommunications Co., Ltd., which has extensive expertise in this area, providing economies of scale while enabling us to hold down prices. In addition to enabling customers to view new releases at the same time as they become available as rental DVDs, the service allows access via Multi-device, including tablets, personal computers and televisions. Accordingly, "Video Pass" is highly competitive with services offered by other companies in Japan.

"au Smart Pass" provides an easy way for customers to trial linked services such as "Uta Pass" and "Video Pass." In this manner, we aim to maximize value-added revenues by upselling linked services.

QUESTION 5 **Please explain your plans for acquiring subscribers in the year ending March 31, 2013, and your future directions and developments.**

The most important thing will be to increase the number of "au Smart Pass" subscribers.

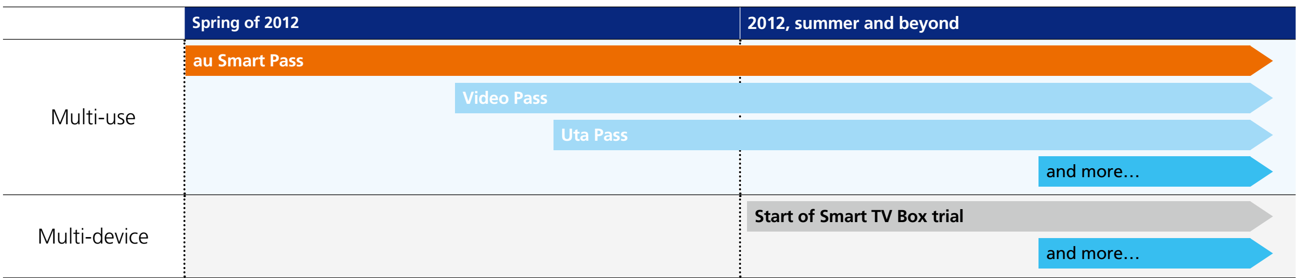
By March 31, 2013, we aim for the cumulative number of "au Smart Pass" subscribers to reach 5 million. We expect this increase to correlate to an expansion in value ARPU as we continue to add content that customers can enjoy safely and securely. In December 2011, we made "LISMO unlimited" compatible with iOS, and we are extending "au Smart Pass" to au-provided operating systems other than Android™ systems.

We have also commenced "O2O*" initiatives, using "au Smart Pass" as an entryway to sales at physical shops. We expect to quickly increase the number of "au Smart Pass" subscribers, bolstering our customer base and leading to the expansion of a host of other exciting services.

* Online to Offline: Combining the effects of online and offline purchasing activities or benefiting from the effects of online activities through purchases at physical shops.

Note: Basic monthly usage fee is tax inclusive.

Multi-use, Multi-device Development



Reducing Network Costs by Promoting Data Offloading

We will respond to the dramatic increase in data traffic by offloading data to our fixed-line network. This approach will allow us to ensure high-quality communications services while simultaneously containing network costs.

QUESTION 1 **Please describe some of the specific measures you are taking to handle data traffic volumes, given the expected surge in mobile data traffic.**

Our most effective measures will involve offloading data onto fixed-line networks.

Looking at total au data traffic by comparing smartphones and feature phones, although smartphones amount to no more than 20% of units in operation, they account for 80% of overall data traffic. By March 31, 2013, we expect smartphones to grow to around 40% of unit in operation, leading to a corresponding increase in traffic. As we will not use the newly allocated 700MHz band frequency until 2014, we will need to handle mobile data traffic using existing network and LTE networks starting service this year.

Our answer to this dilemma is to use Wi-Fi to offload mobile data traffic onto fixed-line networks. This is our objective for promoting bundled subscriptions to smartphone and fixed-line broadband service through "au Smart Value" and for au Wi-Fi SPOT installations in public locations. Whereas we were offloading approximately 20% of data originating from smartphones onto WiMAX and Wi-Fi as of March 31, 2012, we expect this figure to rise to 50% by March 31, 2013. We are undertaking a number of initiatives to make this possible.

QUESTION 2 **Your goal is to offload 50% of data traffic. How will you meet this high target?**

We will promote efficient offloading in line with traffic distribution.

The volume of data traffic increases in different areas depending on the time. We are installing au Wi-Fi SPOTs efficiently in accordance with traffic distributions following on detailed traffic surveys. For example, traffic tends to spike around train stations during commuting times and in dinning establishments and other areas where people gather and remain for long periods of time as well as waiting areas during the daytime. Therefore, we are siting au Wi-Fi SPOTs efficiently in high-traffic zones, which vary based on time. We had completed installations of 100,000 spots as of March 31, 2012, but boosting this further will not be a matter of simply increasing the number of base stations. Instead, when installing new stations we will bring to bear the expertise that we are garnering by conducting surveys of radio interference and traffic.

Meanwhile, data volume tends to peak at night, between the hours of 9pm and 1am. As most of this data is from home use, on February 14 we began providing the "HOME SPOT CUBE" ("CUBE"), a dedicated in-home rental Wi-Fi router that allows us to offload traffic. Initial results have been positive due to the fact that the CUBE is popular for its convenience, attractive design and ease of setting. As a result, only two and a half months since introducing the service, the number of users already exceeds 570,000. The CUBE is also allowing us to offload onto Wi-Fi approximately 66% of the traffic from CUBE users at around 11pm. As CUBE sales expand, we expect offloading to progress commensurately.

We are working to eliminate barriers to the use of Wi-Fi, which include smartphone power consumption and the time required to switch over to a Wi-Fi signal. By optimizing Wi-Fi signal search timing in wait mode, We reduced the current required to switch to Wi-Fi. Further, we offered apps that improve Wi-Fi connection by reducing switching time by more than half. We plan to continue promoting initiatives that will enhance service and make Wi-Fi use more customary.

Yoshiharu Shimatani
Senior Vice President,
Member of the Board

In addition, KDDI's Wi-Fi devices are compatible with two frequency bands—2.4GHz and 5GHz—which is a major advantage. Whereas radio interference is relatively high at the 2.4GHz frequency where KDDI and other companies' Wi-Fi spots are clustered, at 5GHz interference is lower, and higher communication speeds are possible. We are taking advantage of these characteristics to realize more convenient communication environments.

Another important feature of au Wi-Fi SPOTs is their use of "beam forming technology." This technique directs waves toward people using smartphones, improving transmission efficiency and resulting in a broader coverage area and improved communication speeds. Rather than simply increasing the number of access points, we believe it is important to make use of our knowhow to design detailed area access.

QUESTION 3

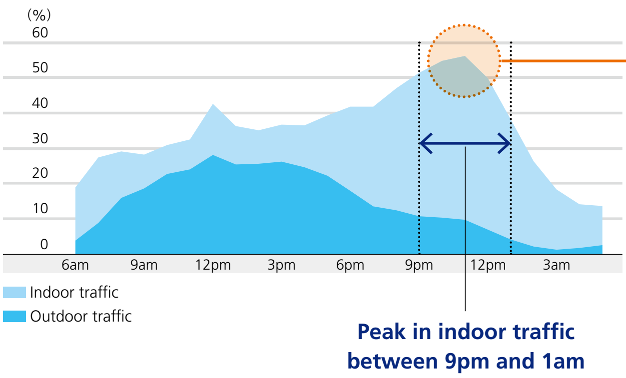
What measures are you taking to hold down capital expenditures, and what are your capital expenditure plans over the medium- to long-term?

We will restrain LTE investment and offloading mobile data onto fixed-line networks, which are lower network costs. In addition, we plan to curtail construction costs.

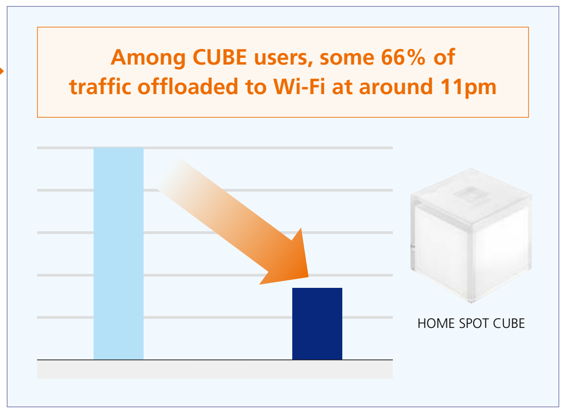
Making LTE base stations more compact and using amperage that is common with CDMA2000 enables us to install the new base stations in parallel with existing CDMA2000 stations, extending the coverage area quickly and inexpensively. Furthermore, offloading mobile data traffic to fixed-line networks, which have a lower cost per bit, will allow us to reduce data communication volumes during peak times and curtail capital expenditures. We are also working to reduce base station construction costs through the cumulative effect of many small improvements. For example, we are employing un-air-conditioned equipment, reviewing construction procedures, and streamlining operations.

Through initiatives such as these, we expect to hold down consolidated capital expenditures to around ¥450 billion in the medium- to long-term, despite increases in data traffic.

Changing Usage Situations



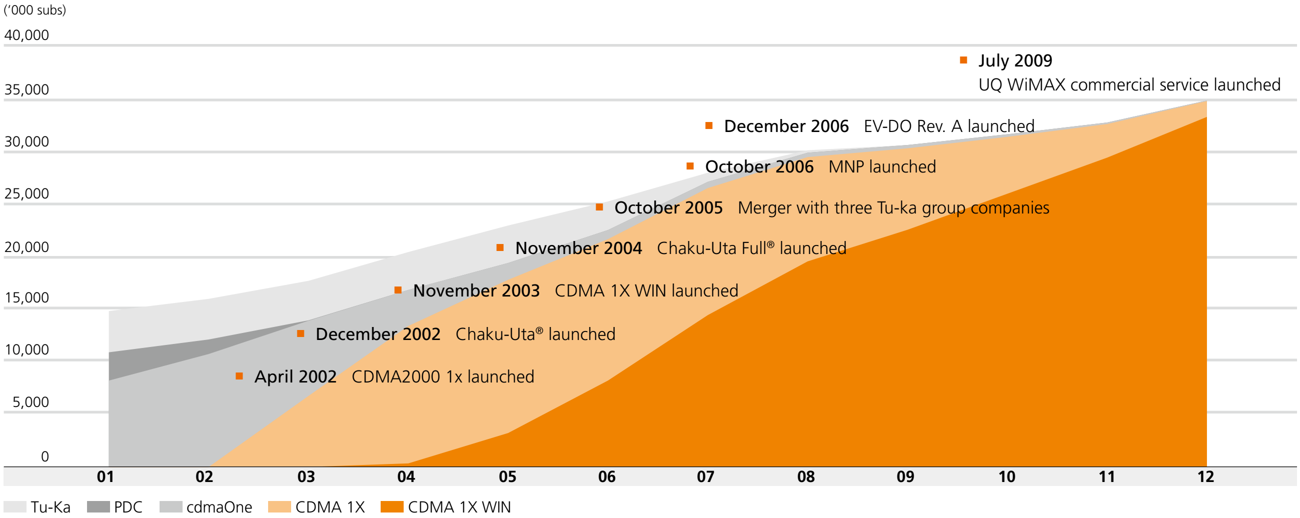
HOME SPOT CUBE Usage Status



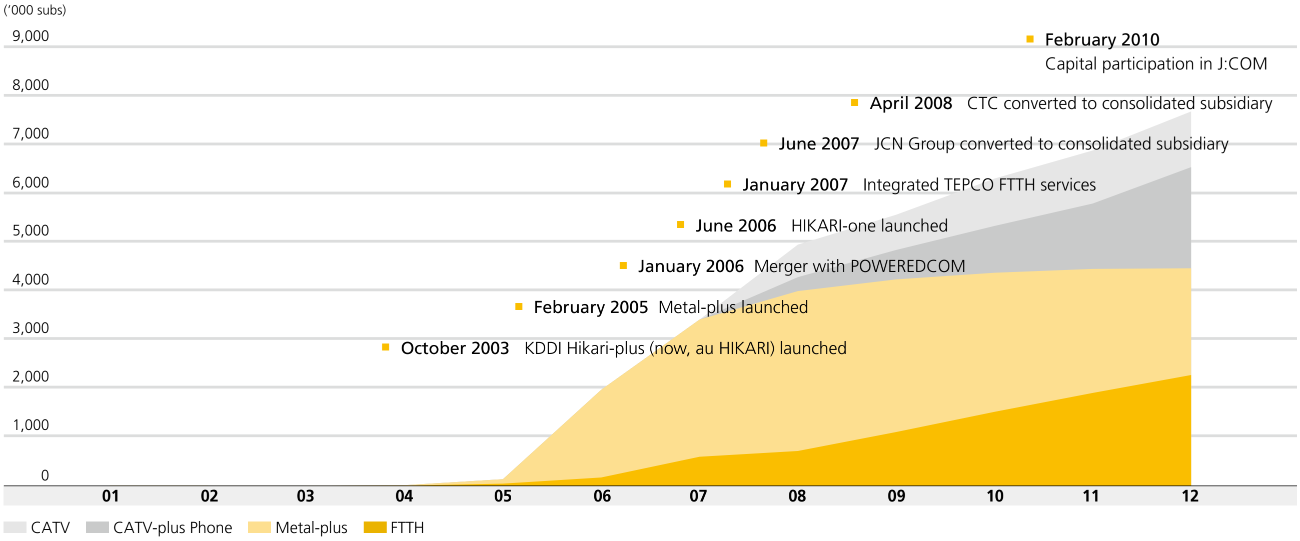
Consolidated Financial Highlights

Consolidated Operating Results (Years ended March 31)

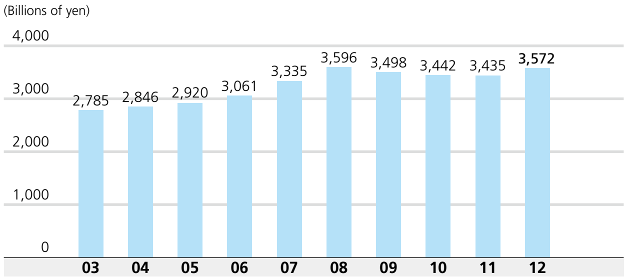
Mobile Business Number of Cumulative Subscribers



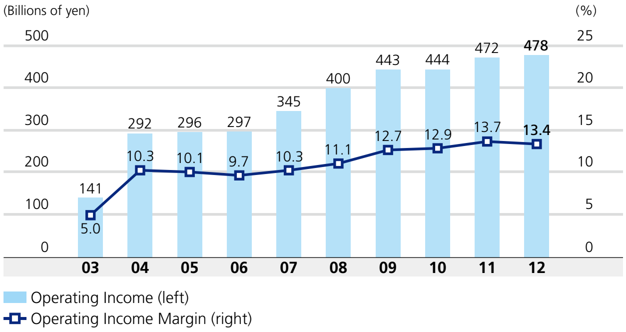
Fixed-line Business Number of Cumulative Subscribers



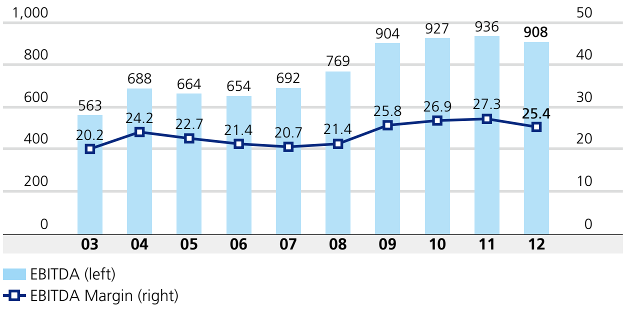
Operating Revenues



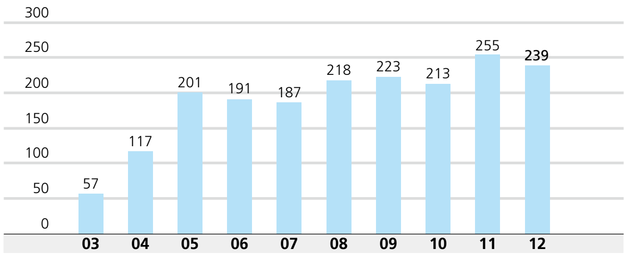
Operating Income/Operating Income Margin



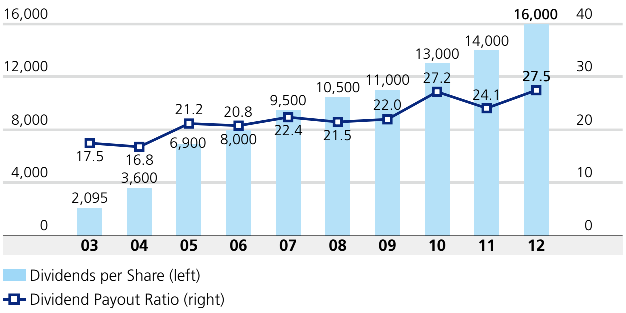
EBITDA/EBITDA Margin



Net Income

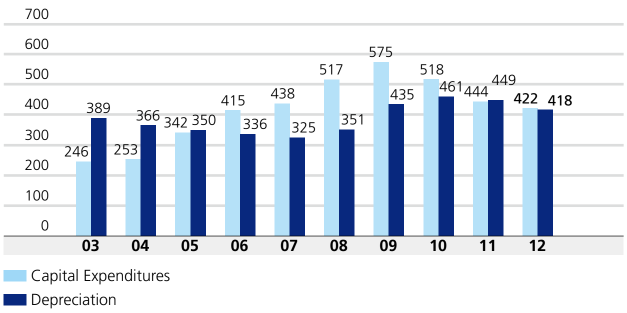


Dividends per Share/Dividend Payout Ratio*

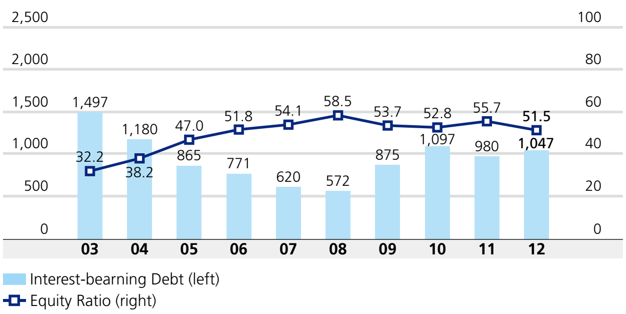


* Figures for the year ended March 31, 2006, and earlier are presented on a non-consolidated basis; figures for the year ended March 31, 2007, onward are presented on a consolidated basis.

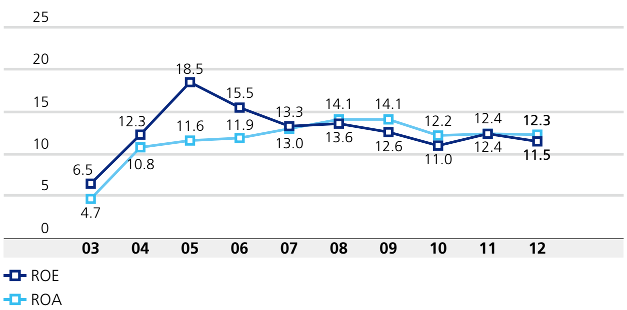
Capital Expenditures/Depreciation



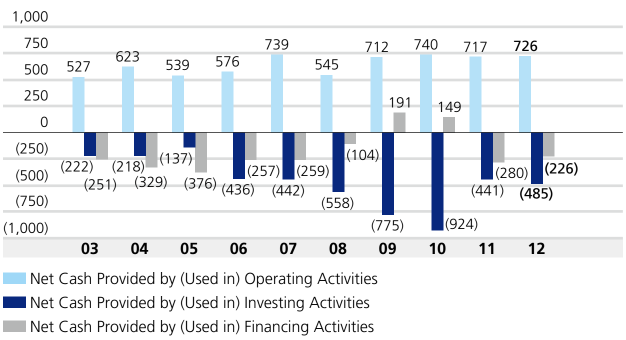
Interest-bearing Debt/Equity Ratio



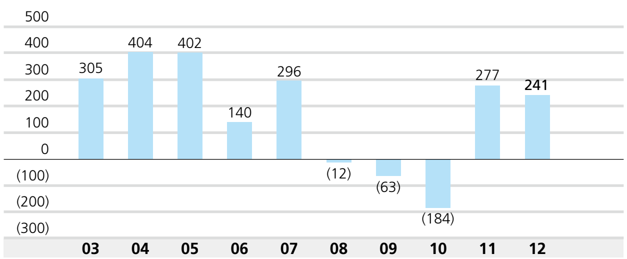
Return on Equity (ROE)/Return on Assets (ROA)



Cash Flows



Free Cash Flows*



* Net Cash Provided by (Used in) Operating Activities + Net Cash Provided by (Used in) Investing Activities

Five-year Summary (Years ended March 31)

Consolidated	2008	2009	2010	2011	Millions of yen 2012	Millions of U.S dollars* 2012
Operating Revenues	¥3,596,284	¥3,497,509	¥3,442,147	¥3,434,546	¥3,572,098	$43,461
Telecommunications business	2,749,897	2,720,675	2,606,165	2,489,403	2,394,136	29,129
Other business	846,387	776,834	835,982	945,143	1,177,962	14,332
Operating Income	400,452	443,207	443,862	471,912	477,648	5,812
Net Income	217,786	222,736	212,764	255,122	238,605	2,903
EBITDA	769,209	904,030	927,253	936,315	908,499	11,054
Operating Income Margin	11.1%	12.7%	12.9%	13.7%	13.4%	13.4%
EBITDA Margin	21.4%	25.8%	26.9%	27.3%	25.4%	25.4%
Total Assets	2,879,275	3,429,133	3,819,537	3,778,918	4,004,009	48,716
Interest-bearing Debt	571,945	874,951	1,096,778	979,630	1,046,754	12,736
Total Net Assets	1,715,731	1,881,329	2,078,451	2,171,839	2,128,625	25,899
Net Cash Provided by (Used in) Operating Activities	545,234	712,231	739,992	717,354	725,886	8,832
Net Cash Provided by (Used in) Investing Activities	(557,688)	(775,470)	(924,442)	(440,546)	(484,507)	(5,895)
Free Cash Flows	(12,454)	(63,240)	(184,450)	276,808	241,379	2,937
Net Cash Provided by (Used in) Financing Activities	(104,410)	191,490	149,239	(279,998)	(225,931)	(2,749)
Per Share Data (yen and U.S. dollars):						
Net Income	48,810	49,973	47,768	58,150	58,116	707
Diluted Net Income	48,807	—	—	—	56,669	689
Cash Dividends	10,500	11,000	13,000	14,000	16,000	195
Total Net Assets	377,278	413,339	453,003	495,386	539,207	6,560

* U.S. dollar amounts are translated into yen, for convenience only, at the rate of ¥82.19 = U.S. $1 on March 31, 2012.

Selected Financial Indicators	2008	2009	2010	2011	2012
Equity Ratio (%)	58.5	53.7	52.8	55.7	51.5
D/E Ratio (times)	0.34	0.48	0.54	0.47	0.51
ROE (%)	13.6	12.6	11.0	12.4	11.5
ROA (%)	14.1	14.1	12.2	12.4	12.3
Total Assets Turnover Ratio (times)	1.3	1.1	0.9	0.9	0.9
Shareholders' Equity Turnover Ratio (times)	2.2	2.0	1.8	1.7	1.7
Current Ratio (%)	107.4	122.5	118.0	153.5	135.2
Fixed Assets to Equity (%)	132.3	139.0	146.2	135.3	139.1
Fixed Assets to Long-term Capital (%)	99.4	95.5	97.6	91.7	92.6
Liquidity In-hand (times)	0.3	0.7	0.6	0.6	0.6
Interest Coverage Ratio (times)	52.7	60.6	59.7	51.1	56.3
Dividend Payout Ratio (%)	21.5	22.0	27.2	24.1	27.5

Equity ratio = Shareholders' equity (end of fiscal year) ÷ total assets (end of fiscal year)
D/E ratio = Interest-bearing debt (end of fiscal year) ÷ shareholders' equity (end of fiscal year)
ROE = Net income ÷ average shareholders' equity over fiscal year
ROA = Operating income ÷ average total assets over fiscal year
Total assets turnover ratio = Operating revenues ÷ average total assets over fiscal year
Shareholders' equity turnover ratio = Operating revenues ÷ average shareholders' equity over fiscal year
Current ratio = Current assets (end of fiscal year) ÷ current liabilities (end of fiscal year)
Fixed assets to equity = Fixed assets (end of fiscal year) ÷ total shareholders' equity (end of fiscal year)
Fixed assets to long-term capital = Fixed assets (end of fiscal year) ÷ (total shareholders' equity (end of fiscal year) + non-current liabilities (end of fiscal year))
Liquidity in-hand = Liquidity in-hand (cash + marketable securities among the current assets) ÷ (operating revenues ÷ 12)
Interest coverage ratio = Operating cash flows ÷ interest payments
Dividend payout ratio = Annual dividend amounts ÷ net income
Note: Shareholders' equity = Net assets – subscription rights to shares – minority Interests

Segment Data (Years ended March 31)

Mobile Business	2008	2009	2010	2011	Millions of yen 2012	Millions of U.S dollars* 2012
Operating Revenues	¥2,862,599	¥2,719,211	¥2,650,135	¥2,590,725	¥2,727,012	$33,179
Sales outside the group	2,851,679	2,708,005	2,637,806	2,582,366	2,716,864	33,056
Telecommunications business	2,149,208	2,100,289	2,004,921	1,880,301	1,778,088	21,634
Other business	702,471	607,716	632,886	702,066	938,776	11,422
Sales within the group	10,920	11,206	12,329	8,358	10,148	123
Operating Income	455,044	501,461	483,742	438,886	419,191	5,100
Net Income	266,472	273,120	293,175	214,038	225,743	2,747
Free Cash Flows	82,414	179,968	276,493	244,833	200,235	2,436
EBITDA	692,239	821,881	826,834	774,390	731,678	8,902
Operating Income Margin	15.9%	18.4%	18.3%	16.9%	15.4%	15.4%
EBITDA Margin	24.2%	30.2%	31.2%	29.9%	26.8%	26.8%

Explained on P.40 "Overview of Operations"

Fixed-line Business	2008	2009	2010	2011	2012	2012
Operating Revenues	¥718,646	¥848,712	¥839,178	¥897,251	¥915,536	$11,139
Sales outside the group	629,647	759,313	751,196	803,590	818,696	9,961
Telecommunications business	565,331	618,972	600,135	608,590	616,048	7,495
Other business	64,316	140,341	151,060	195,000	202,648	2,466
Sales within the group	88,999	89,399	87,982	93,662	96,840	1,178
Operating Income (Loss)	(64,668)	(56,560)	(44,217)	23,989	53,432	650
Net Income (Loss)	(51,731)	(43,072)	(68,383)	39,721	14,150	172
Free Cash Flows	(53,897)	(40,744)	(75,673)	35,136	42,532	517
EBITDA	58,129	82,301	94,669	151,586	170,393	2,073
Operating Income Margin	(9.0%)	(6.7%)	(5.3%)	2.7%	5.8%	5.8%
EBITDA Margin	8.1%	9.7%	11.3%	16.9%	18.6%	18.6%

Explained on P.44 "Overview of Operations"

Other Business	2008	2009	2010	2011	2012	2012
Operating Revenues	¥167,159	¥72,777	¥112,247	¥114,327	¥106,874	$1,300
Sales outside the group	114,958	30,191	53,145	48,590	36,538	445
Sales within the group	52,201	42,586	59,102	65,737	70,336	856
Operating Income(loss)	9,015	(2,476)	3,506	8,530	4,299	52
NetIncome(loss)	1,247	(3,543)	1,234	2,304	(281)	(3)
Operating Income Margin	5.4%	(3.4%)	3.1%	7.5%	4.0%	4.0%

Performance Analysis for FY2012.3

Analysis of Statements of Income

Operating Revenues

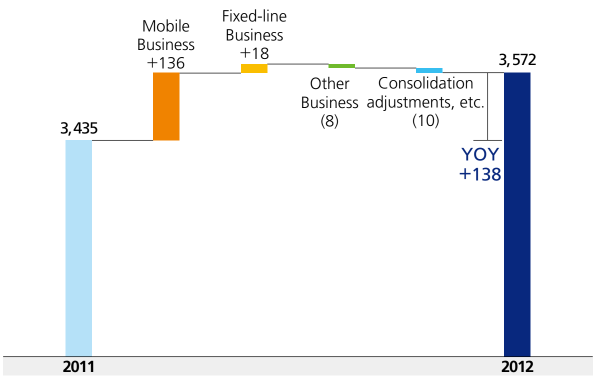
Year on Year

4.0% up

¥3,572.1 billion

During the year ended March 31, 2012, operating revenues rose ¥137.6 billion. In the Mobile Business, voice ARPU decreased, leading to lower revenues, which was offset by an increase in revenues stemming from a greater number of au handsets sold. In the Fixed-line Business, the number of FTTH subscribers increased, and revenues from Group companies expanded.

(Billions of yen)



(Years ended March 31)

Operating Income

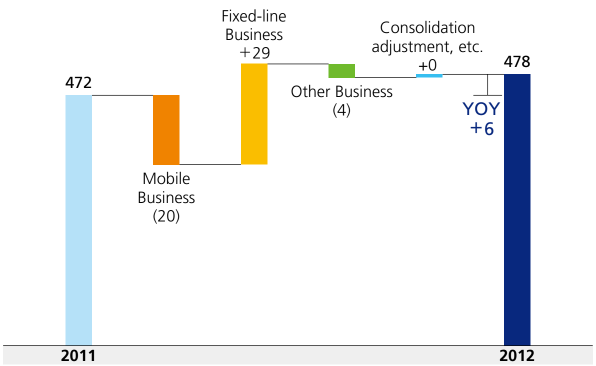
Year on Year

1.2% up

¥477.6 billion

Operating income grew ¥5.7 billion during the year ended March 31, 2012. Income in the Mobile Business declined, owing to such factors as a rise in the cost of sales for mobile handsets accompanying a major increase in the number of au handsets sold. The Fixed-line Business compensated for this situation with sharply higher operating income, with income growing as a result of successful cost-cutting measures, such as network streamlining, combined with higher income from Group companies.

(Billions of yen)



(Years ended March 31)

Net Income

Year on Year

6.5% down

¥238.6 billion

Net income was down ¥16.5 billion in the year ended March 31, 2012. In the preceding fiscal year, income taxes declined due a loss on liquidation of intermediary holding companies that possessed shares in Jupiter Telecommunications Co., Ltd. (J:COM). In addition to the absence of this factor during the year under review, income taxes rose as we reduced deferred tax assets in accordance with revisions to the tax code.

Cash Dividends

Year on Year

¥2,000 up

¥16,000

For the year ended March 31, 2012, we awarded cash dividends per share of ¥7,500 as an interim dividend and ¥8,500 as a year-end dividend, totaling ¥16,000. This figure was up ¥2,000 from the previous year's dividend level, and amounted to a consolidated payout ratio of 27.5%. We are steadily raising dividends in line with our shareholder return policy, which is to achieve a consolidated payout ratio of between 25% and 30%.

Analysis of Balance Sheets

Total Assets

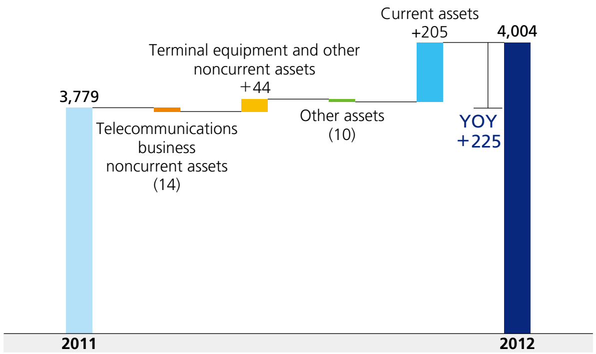
Year on Year

¥225.1 billion up

¥4,004 billion

As of March 31, 2012, total assets were up ¥225.1 billion compared with one year earlier. Cash and deposits decreased during the year, owing to a reversal of deferred tax assets in conjunction with a reduction in the corporate tax rate and acquisition of own shares, as well as the acquisition of shares in affiliated companies. However, installment accounts receivable on au mobile phone handsets rose.

(Billions of yen)



(Years ended March 31)

Net Assets

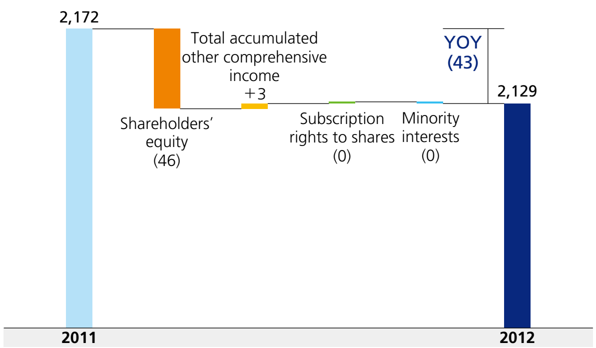
Year on Year

¥43.2 billion down

¥2,128.6 billion

Net assets were down ¥43.2 billion as of March 31, 2012, compared with one year earlier. Although retained earnings expanded, net assets were affected by our acquisition of our own shares in November 2011 (reducing net assets ¥221.0 billion).

(Billions of yen)



(Years ended March 31)

Interest-bearing Debt

Year on Year

¥67.1 billion up

¥1,046.8 billion

During the year ended March 31, 2012, interest-bearing debt increased ¥67.1 billion. Although we progressed with the redemption of long-term loans payable, interest-bearing debt grew due to the ¥200.9 billion impact of an issue of convertible bonds with stock acquisition rights.

These convertible bonds with stock acquisition rights carry no interest, but they are included in total interest-bearing debt as of March 31, 2012.

D/E Ratio

Year on Year

0.04 pt up

0.51 times

D/E ratio was up 0.04 percentage point as of March 31, 2012. Debt increased owing to our issue of convertible bonds with stock acquisition rights. However, net assets decreased as a result of our share buyback.

Capital Expenditures and Cash Flows

Capital Expenditures

Mobile Business
Year on Year
¥34.5 billion down

¥304.2 billion

Fixed-line Business
Year on Year
¥12.5 billion up

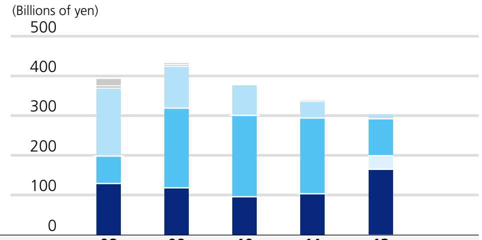
¥115.6 billion

Capital expenditures during the year ended March 31, 2012, amounted to ¥421.6 billion, down ¥22.1 billion from the preceding fiscal year, owing to delays in construction as a result of the Great East Japan Earthquake and lower unit investment costs stemming from our efforts to curtail costs.

In the Mobile Business, we augmented base stations and other equipment to enhance product appeal, expand our service area, and raise communication quality. LTE-related investment was up during the year, but by siting base stations more efficiency, we reduced capital expenditures in this segment 10.2% year on year, to ¥304.2 billion.

In the Fixed-line Business, we made investments related to the FTTH business, as well as to expand overseas data centers. During the year, expenditures increased in line with a rise in FTTH subscriptions. We also invested in communication infrastructure, such as transmission circuits and base station facilities, to increase capacity. Consequently, segment capital expenditures rose 12.1%, to ¥115.6 billion.

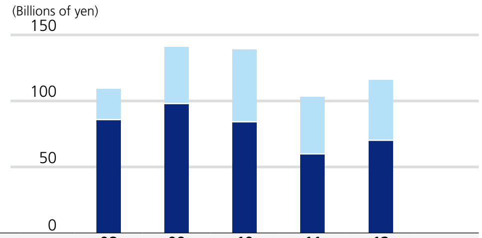
Mobile Business



	08	09	10	11	12
800MHz 1X	17	3	1	1	0
800MHz EV-DO	6	3	0	0	0
2GHz	171	107	74	44	11
New 800MHz (excluding LTE)	69	200	204	191	93
LTE	—	—	—	—	34
Common Equipment	129	119	97	103	165
Total	392	432	377	339	304

(Years ended March 31)

Fixed-line Business



	08	09	10	11	12
FTTH	23	43	55	43	46
Other	86	98	84	60	70
Total	110	141	139	103	116

(Years ended March 31)

Cash Flows

Free Cash Flow
Year on Year
¥35.4 billion down

¥241.4 billion

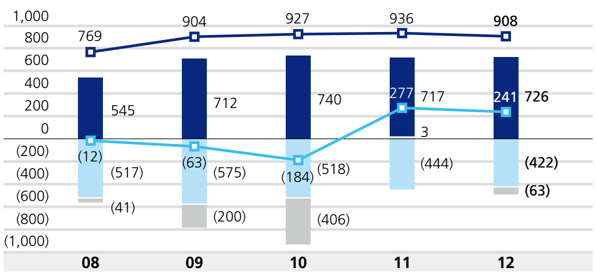
Net cash provided by operating activities during the year ended March 31, 2012, came to ¥725.8 billion, owing to a decrease in the loss on liquidation of intermediary holding companies that possessed shares in J:COM.

Net cash used in investing activities totaled ¥484.5 billion. Although capital expenditures were down ¥22.1 billion compared with the preceding fiscal year, outflows increased for the acquisition of shares in subsidiaries and affiliated companies.

As a result of the above-mentioned factors, free cash flow was ¥241.4 billion.

Free Cash Flow

(Billions of yen)



(Years ended March 31)

- Free Cash Flow
- Net Cash Provided by (Used in) Operating Activities
- Capital Expenditures
- Other Net Cash Provided by (Used in) Investing Activities
- EBITDA

Mobile Business

Explained on P.40 "Overview of Operations"

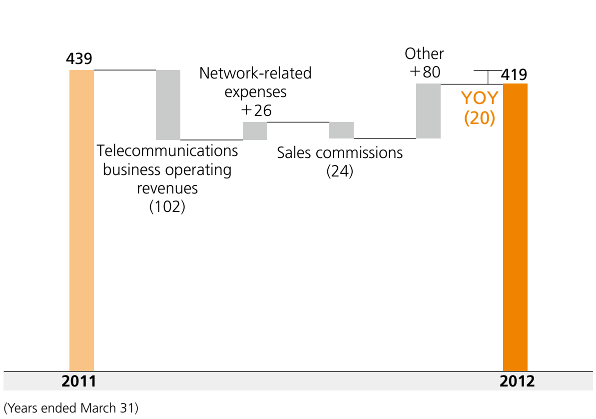
Overview of Operations in the Year Ended March 31, 2012

In the Mobile Business, which centers on the "au" brand, KDDI provides mobile phone services, sells mobile phone handsets, provides content, and offers mobile solutions services targeting corporate customers.

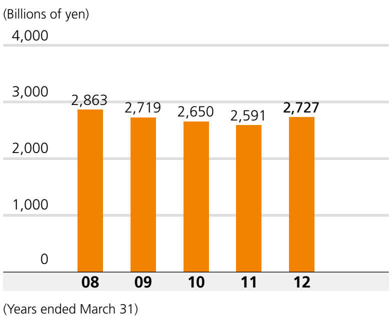
During the year ended March 31, 2012, operating revenues increased 5.3%, to ¥2,727.0 billion. This result reflected an increase in the number of handsets sold, which offset lower revenues due to voice ARPU, stemming from the introduction of the "Maitsuki Discount" and "Simple Course" pricing.

In line with the increase in handset sales, cost of sales for mobile handsets and other related expenses rose. Consequently, operating income decreased 4.5%, to ¥419.2 billion.

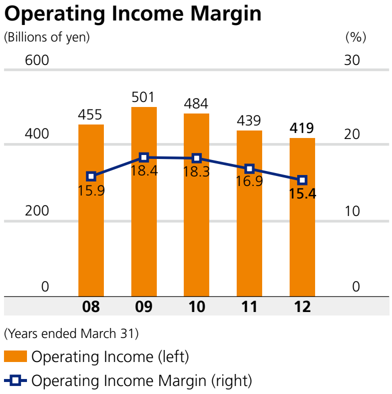
Factors Affecting Operating Income



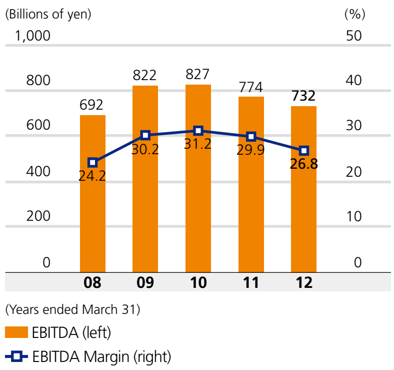
Operating Revenues



Operating Income/ Operating Income Margin



EBITDA/EBITDA Margin



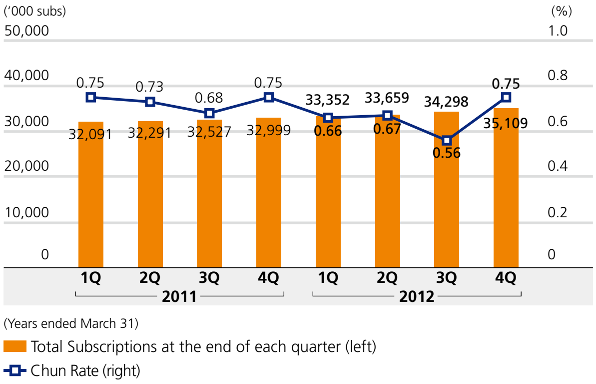
Subscriptions/Churn Rate

Net additions during the year numbered 2.11 million subscriptions, outpacing our initial expectations of 1.5 million subscriptions by more than 610,000. Accordingly, the number of total subscribers as of March 31, 2012, was 35.11 million, up 6.4% year on year and accounting for a cumulative share of 28.3%*.

During the third quarter of the year, our churn rate hit a record low of 0.56%. We attribute this achievement to higher retention due to the expansion of our Android™ smartphone lineup and the sale of "iPhone 4S" handsets.

For the full year, the churn rate improved significantly, falling 0.07 points, to 0.66%.

* Based on the three-company total for NTT DOCOMO, SOFTBANK MOBILE, and KDDI

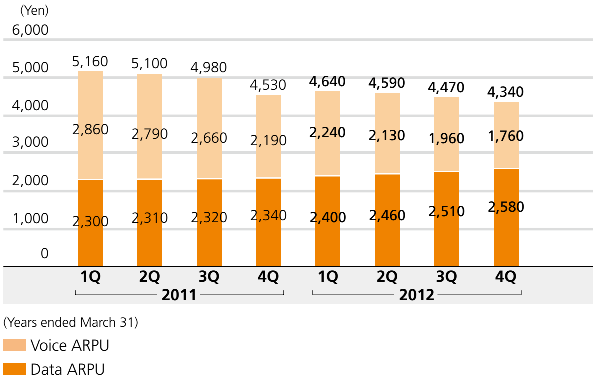


ARPU

ARPU decreased 8.7% in the year ended March 31, 2012, to ¥4,510.

Voice ARPU was down 22.9% year on year, to ¥2,020, owing to the increasing shift toward "Simple Course" pricing and the popularity of "Maitsuki Discount," as well as the effects of access charge revisions.

Data ARPU grew 7.3%, to ¥2,490, thanks to an increase in smartphone use, among other factors.

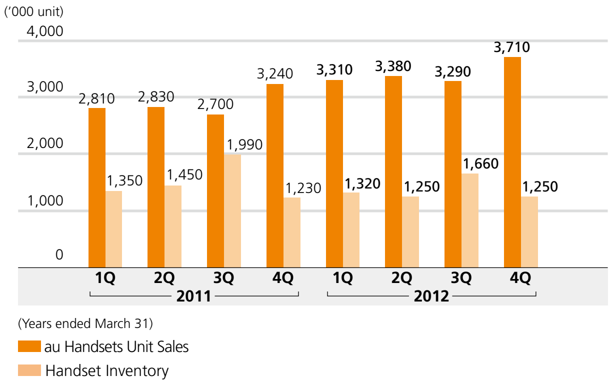


Handset Unit Sales/Inventory

Total unit sales in the year ended March 2012 increased 18.3% year on year to 13.69 million units as enhanced smartphone lineup attracted more new contract and replacement sales than in the previous year.

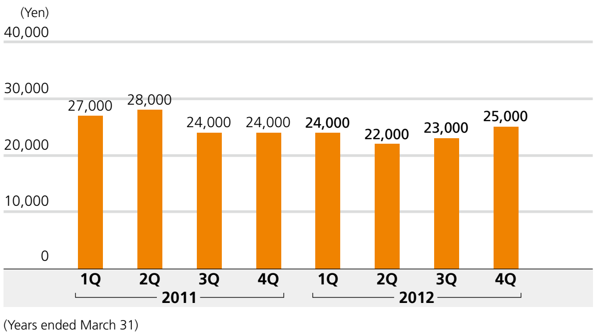
Handset inventory as of March 31, 2012, was 1.25 million, up 1.7% from a year earlier. This figure includes 50,000 units already written off.

KDDI writes off and disposes of handsets to clear excess inventories down to a reasonable level. Its write-offs and disposal of excess inventories led KDDI to post write-off/disposal losses for the year totaling ¥1.8 billion.



Sales Commissions

Strengthened mobile number portability (MNP) initiatives during the year were a positive factor for sales commissions. However, the overall effect was diminished by our introduction of "Maitsuki Discount" pricing, in which we lower voice charges for up to 24 months, effectively reducing smartphone sales prices. As a result, average sales commissions were down 7.7% from the previous year, to ¥24,000.



Fixed-line Business

Explain on P.44 “Overview of Operations”

Overview of Operations in the Year Ended March 31, 2012

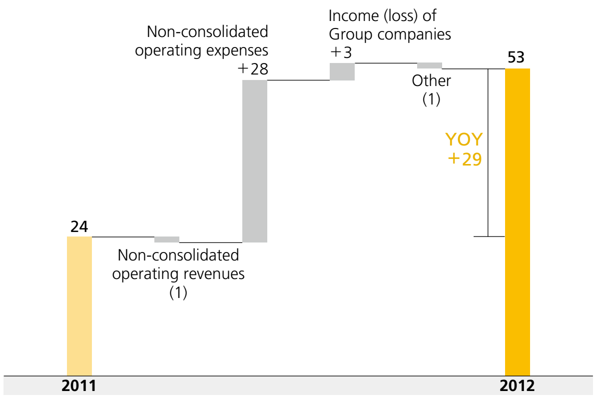
The Fixed-line Business involves a broad range of operations for the KDDI Group, including FTTH and CATV broadband services, domestic and international telecommunications services, and corporate services such as data center and ICT solutions services.

Internet revenues increased thanks to our promotion of the FTTH business, but revenues from “My Line” and other legacy voice services declined. KDDI’s revenues on a non-consolidated basis were down, but CTC, JCN, and overseas subsidiaries posted an increase in revenues. As a result, operating revenues during the year ended March 31, 2012, were up 2.0% year on year, to ¥915.5 billion.

Operating income, meanwhile, rose 222%, to ¥53.4 billion. We reduced KDDI’s costs on a non-consolidated basis through efforts centered on network streamlining, and other Group companies delivered higher income.

Factors Affecting Operating Income

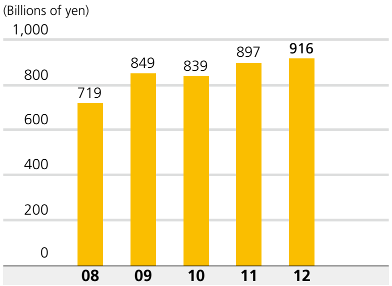
(Billions of yen)



(Years ended March 31)

Operating Revenues

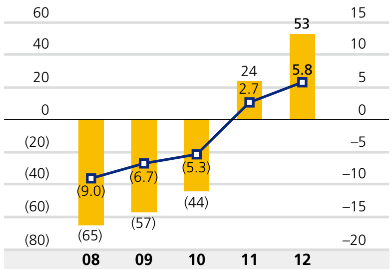
(Billions of yen)



(Years ended March 31)

Operating Income (Loss) / Operating Income (Loss) Margin

(Billions of yen) (%)



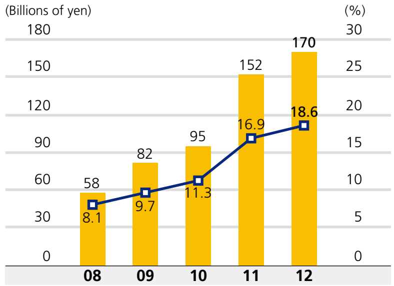
(Years ended March 31)

Operating Income (Loss) (left)

Operating Income (Loss) Margin (right)

EBITDA/EBITDA Margin

(Billions of yen) (%)



(Years ended March 31)

EBITDA (left)

EBITDA Margin (right)

Other Business

Overview of Operations in the Year Ended March 31, 2012

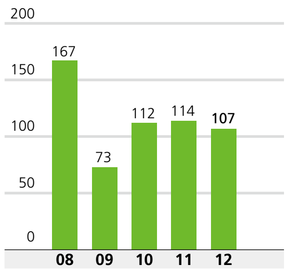
We are aggressively strengthening our other businesses, concentrating on fields slated for future growth, in order to boost the overall competitiveness of the KDDI Group.

During the year ended March 31, 2012, operating revenues fell 6.5%, to ¥106.9 billion, affected by a decline in construction business at KDDI Technical & Engineering Service Corporation*. Operating income dropped 49.6%, to ¥4.3 billion.

* As of April 1, 2012, the company’s name changed to KDDI Engineering Corporation.

Operating Revenues

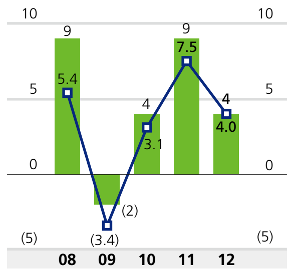
(Billions of yen)



(Years ended March 31)

Operating Income (Loss)/ Operating Income (Loss) Margin

(Billions of yen) (%)



(Years ended March 31)

Operating Income (Loss) (left)

Operating Income (Loss) Margin (right)

For the convenience of shareholders and investors, we have assembled the below summary of frequently asked questions (FAQ). We hope the readers will find this information useful.

QUESTION 1

During the year ended March 31, 2012, your decline in ARPU was larger than that of other companies. Why was this? Also, what is your forecast for ARPU, which continues on a downward trend?

We lagged behind other companies in the introduction of "Simple Plan" pricing, which was the primary reason why the decline in our ARPU in this year was greater than the declines seen by other companies. However, the take-up ratio on this plan was 85% as of March 31, 2012, and is expected to peak at 90%. Therefore, we do not anticipate any major decrease in ARPU going forward.

Meanwhile, the market experienced a rapid shift toward smartphones in the year ended March 31, 2012, so we anticipate an increase in data ARPU of ¥380 (15%) in the year ending March 31, 2013. We aim to turn around our ARPU figures this fiscal year.

au ARPU Breakdown (Yen)

	①2011	②2012	Difference (②-①)
ARPU	4,940	4,510	(430)
Voice ARPU	2,620	2,020	(600)
Data ARPU	2,320	2,490	+170

QUESTION 2

When buying back the shares that Tokyo Electric Power Company, Incorporated (TEPCO) held in KDDI, you chose to raise funds by issuing convertible bonds with stock acquisition rights. Why did you select this approach?

When buying back the 357,541 shares sold by TEPCO—our third-largest shareholder—we took a number of methods into consideration.

We were attempting to address several issues, such as avoiding the market impact of the sudden influx of a large number of shares and expanding our investor base with the aim of boosting the liquidity of KDDI shares and of optimal share price configuration. We selected the method of issuing moving strike recapitalization corporate bonds as one that would satisfy all these conditions at once. By simultaneously issuing convertible bonds with stock acquisition rights and acquiring of treasury stock, we were able to set a low conversion price. When the shares are converted, we can allocate the shares that we acquired using the funds raised through the bond issue. This should prevent stock price dilution and help to expand our investor base.

As a result of this scheme, the difference in the effect resulting from the number of shares that KDDI acquired and the conversion of 100% of the bonds is as if KDDI had acquired an amount of its own shares worth approximately ¥40.0 billion(note).

Acquisition of treasury stock	Issuance of euro yen convertible bonds
Total acquisition amount: **¥221.0 billion** Unit acquisition price: ¥521,000	Total issue amount: **¥200.0 billion** (four years) Coupon : 0% Conversion price : ¥573,100 (10% increase) 120% call option/soft mandatory option
Shares acquired: 424,126	Maximum number of dilutive shares: 348,979*

* Number of shares resulting from conversion of all stock acquisition rights = ¥200.0 billion / ¥573,100 per share

Equivalent to 75,147 shares
(Shares acquired–Maximum number of dilutive shares) Aquisition

(Note: Effect is the acquisition of 75,147 shares x ¥521,000 per share = Approximately ¥40.0 billion)

QUESTION 3

What are the assumptions behind your operating income forecast for the year ending March 31, 2013?

Personal Services

In mobile, the "Maitsuki Discount" will have the effect of lowering ARPU. Also, revenues from handset sales is expected to drop, as the number of handsets we sell will decline after the switch away from handsets that are not compatible with the new 800MHz bandwidth has run its course. Therefore, we expect operating revenues to decline. However, costs should fall substantially after the shift is completed. On the fixed-lined end, we anticipate higher revenues as the number of FTTH subscribers increases. These are the factors behind our forecast of a 6.6% year-on-year increase in operating income.

Value Services

We anticipate a 1.3% year-on-year increase in operating income. We expect to incur up-front costs related to the launch of "au Smart Pass," but look forward to an increase in income from subsidiaries, including WebMoney Corporation and mediba Inc.

Business Services

Revenues from handset sales is likely to increase in line with growing sales of smartphones, but sales of base station lines for the personal services is expected to drop as base stations supporting the former 800MHz bandwidth go offline. Consequently, for this segment we expect operating income to decline 5.3% year-on-year.

Global Services

In the year ended March 31, 2012, we acquired CDNetworks and TELEHOUSE Deutschland GmbH. Our forecast of a 40.6% increase in operating income for this segment is based on the contributions of these newly consolidated subsidiaries.

Operating Income

(Billions of yen)

	2012	Forecast for 2013		
			Difference	YOY change
Consolidated	477.6	500.0	+22.4	+4.7%
Personal Services	347.2	370.0	+22.8	+6.6%
Value Services	44.4	45.0	+0.6	+1.3%
Business Services	75.0	71.0	(4.0)	(5.3)%
Global Services	4.3	6.0	+1.7	+40.6%

QUESTION 4

What will be your future level of capital expenditures?

Consolidated capital expenditures peaked in the fiscal year ended March 2009. Capital expenditures for reorganization of the 800MHz bandwidth, which has accounted for most capital expenditures in the mobile communications business, is scheduled to be completed in the year ending March 2013.

From the year ending March 2013, capital expenditures for LTE services scheduled to be started in 2012 will begin in earnest, and spending will be needed in response to greatly increasing mobile data traffic in tandem with the rapid shift to smartphones. Looking ahead, the Company plans to keep consolidated capital expenditures around the ¥450 billion level planned for the year ending March 2013 over the medium term through more efficient capital investment underpinned by Multi-network strategies and proactive mobile data offloading.

Capital Expenditures

(Billions of yen)

	2009	2010	2011	2012	Forecast for 2013
Consolidated	575.1	518.0	443.7	421.6	450.0
Mobile Business	432.1	376.8	338.7	304.2	350.0
Fixed-line Business	140.6	138.7	103.1	115.6	99.0

QUESTION 5

What is your forecast for equity-method investment income in the year ending March 31, 2013, including UQ, Jibun Bank, and J:COM?

For the year ended March 31, 2012, we recorded ¥13.0 billion in equity in loss of affiliates in relation to UQ Communications Inc., as well as a loss of ¥5.2 billion for Jibun Bank. We expect performance to improve significantly at these two companies during the year ending March 31, 2013, and forecast profits at both.

Operating results at J:COM are robust, but we posted a loss of ¥2.5 billion, owing to the effect of ¥14.7 billion in amortization of goodwill.

Equity in Net Income (Loss) of Affiliates Breakdown

(Billions of yen)

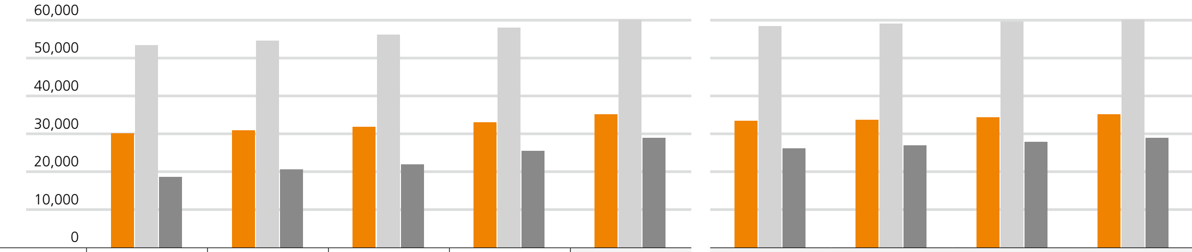
	Equity ratio	①2011	②2012	Difference (②-①)
UQ Communications	32.3%	(16.8)	(13.0)	+3.8
Jibun Bank	50.0%	(3.0)	(5.2)	(2.2)
Jupiter Telecommunications	33.0%	(1.4)	(2.5)	(1.1)
Other	—	1.3	2.4	+1.1
Total	—	(19.9)	(18.3)	+1.7

Market Overview

Mobile Communications Market Data (Years ended March 31)

Number of Total Subscribers

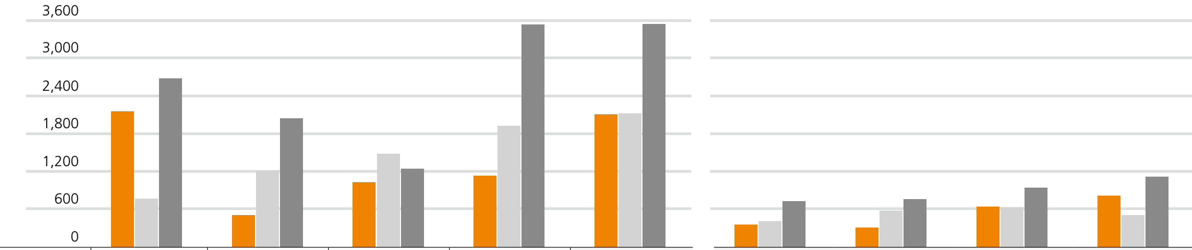
('000 subs)



	2008	2009	2010	2011	**2012**	2012 1Q	2012 2Q	2012 3Q	2012 4Q
au + Tu-Ka	30,339	30,843	31,872	32,999	**35,109**	**33,352**	**33,659**	**34,298**	**35,109**
NTT DOCOMO	53,388	54,601	56,082	58,010	60,130	58,415	58,993	59,624	60,130
SOFTBANK MOBILE	18,586	20,633	21,877	25,409	28,949	26,139	26,898	27,835	28,949
Total	102,313	106,076	109,831	116,418	124,188	117,906	119,550	121,758	124,188

Net Additions

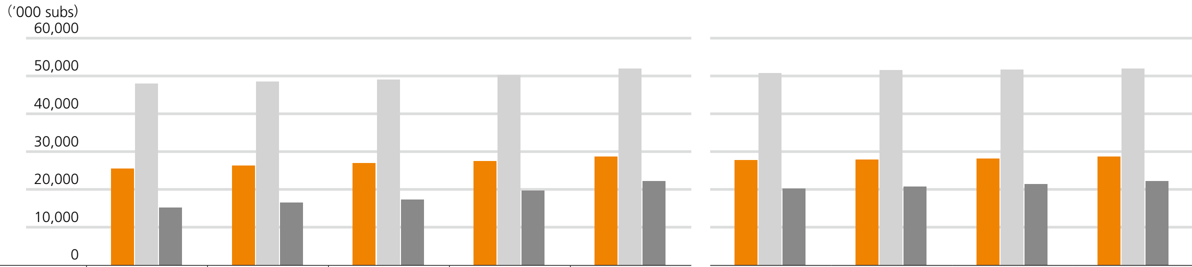
('000 subs)



	2008	2009	2010	2011	**2012**	2012 1Q	2012 2Q	2012 3Q	2012 4Q
au + Tu-Ka	2,151	504	1,030	1,127	**2,110**	**353**	**306**	**639**	**811**
NTT DOCOMO	767	1,213	1,481	1,928	2,120	405	578	631	505
SOFTBANK MOBILE	2,678	2,047	1,244	3,532	3,540	730	760	937	1,114
Total	5,595	3,763	3,755	6,586	7,770	1,488	1,645	2,207	2,430

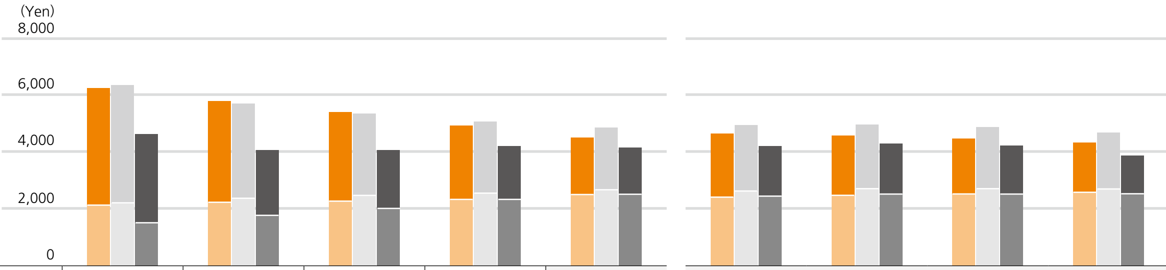
Number of Subscribers for Mobile Internet Connection Service

('000 subs)



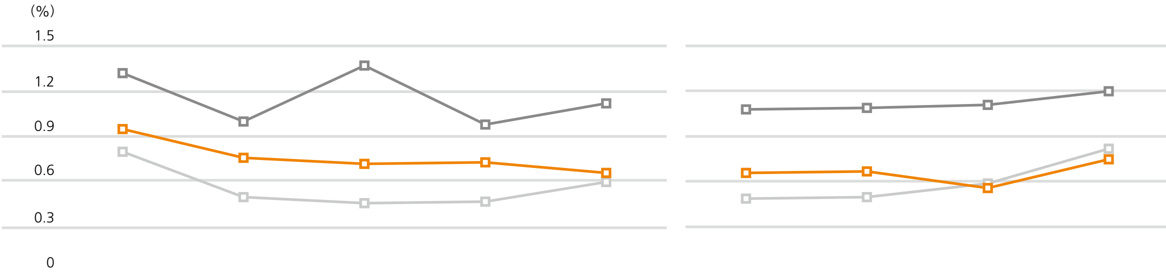
	2008	2009	2010	2011	**2012**	2012 1Q	2012 2Q	2012 3Q	2012 4Q
au + Tu-Ka	25,512	26,190	26,974	27,489	**28,577**	**27,684**	**27,777**	**28,078**	**28,577**
NTT DOCOMO	47,993	48,474	48,992	50,235	51,908	50,746	51,558	51,709	51,908
SOFTBANK MOBILE	15,171	16,465	17,218	19,615	22,216	20,219	20,673	21,334	22,216
Total	88,676	91,129	93,184	97,339	102,701	98,650	100,008	101,120	102,701

ARPU (Average Revenue per Unit)



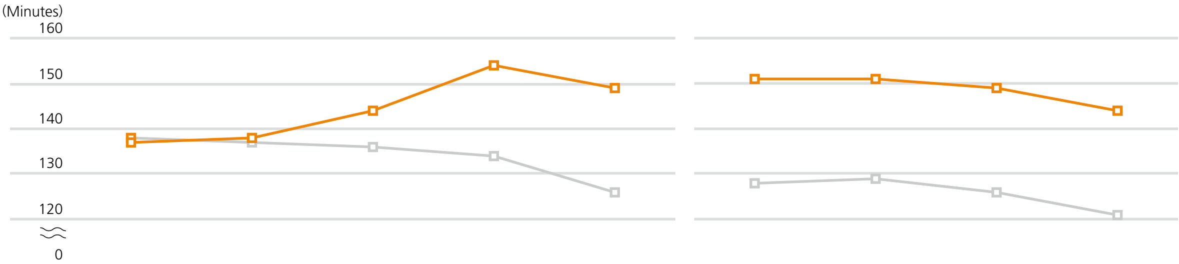
	2008	2009	2010	2011	2012	2012 1Q	2012 2Q	2012 3Q	2012 4Q
au	6,260	5,800	5,410	4,940	**4,510**	**4,640**	**4,590**	**4,470**	**4,340**
Voice ARPU	4,130	3,590	3,150	2,620	**2,020**	**2,240**	**2,130**	**1,960**	**1,760**
Data ARPU	2,130	2,210	2,260	2,320	**2,490**	**2,400**	**2,460**	**2,510**	**2,580**
Tu-Ka	1,750	—	—	—	—	—	—	—	—
NTT DOCOMO	6,360	5,710	5,350	5,070	4,870	4,960	4,970	4,880	4,680
Voice ARPU	4,160	3,330	2,900	2,530	2,200	2,340	2,280	2,190	1,980
Data ARPU	2,200	2,380	2,450	2,540	2,670	2,620	2,690	2,690	2,700
SOFTBANK MOBILE	4,650	4,070	4,070	4,210	4,150	4,210	4,310	4,230	3,890
Voice ARPU	3,150	2,320	2,050	1,890	1,650	1,780	1,780	1,700	1,350
Data ARPU	1,490	1,740	2,020	2,310	2,510	2,440	2,520	2,530	2,530

Churn Rate



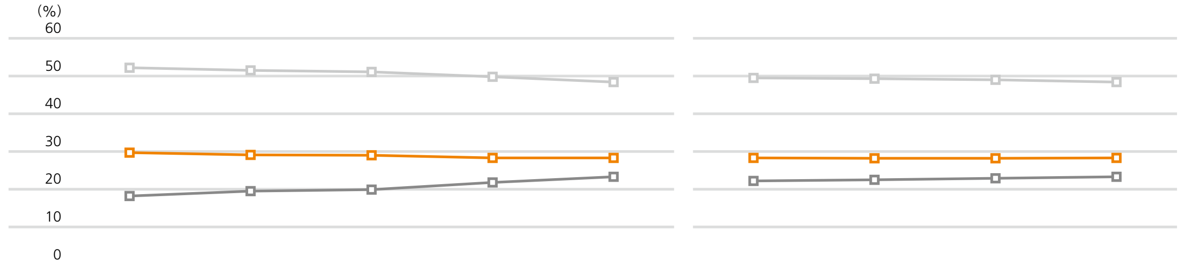
	2008	2009	2010	2011	2012	2012 1Q	2012 2Q	2012 3Q	2012 4Q
au	0.95	0.76	0.72	0.73	**0.66**	**0.66**	**0.67**	**0.56**	**0.75**
Tu-Ka	10.20	—	—	—	—	—	—	—	—
NTT DOCOMO	0.80	0.50	0.46	0.47	0.60	0.49	0.50	0.59	0.82
SOFTBANK MOBILE	1.32	1.00	1.37	0.98	1.12	1.08	1.09	1.11	1.20

MOU (Minutes of Use)



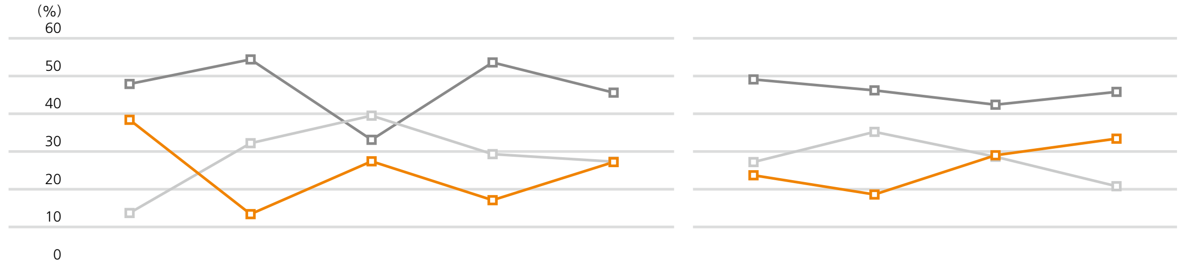
	2008	2009	2010	2011	**2012**	2012			
						1Q	2Q	3Q	4Q
au	137	138	144	154	**149**	**151**	**151**	**149**	**144**
Tu-Ka	35	—	—	—	—	—	—	—	—
NTT DOCOMO	138	137	136	134	126	128	129	126	121
SOFTBANK MOBILE	—	—	—	—	—	—	—	—	—

Share of Cumulative Subscriptions*



	2008	2009	2010	2011	**2012**	2012			
						1Q	2Q	3Q	4Q
au + Tu-Ka	29.7	29.1	29.0	28.3	**28.3**	**28.3**	**28.2**	**28.2**	**28.3**
NTT DOCOMO	52.2	51.5	51.1	49.8	48.4	49.5	49.3	49.0	48.4
SOFTBANK MOBILE	18.2	19.5	19.9	21.8	23.3	22.2	22.5	22.9	23.3

Share of Net Additions*

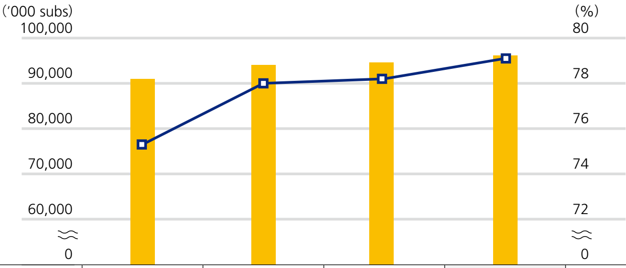


	2008	2009	2010	2011	**2012**	2012			
						1Q	2Q	3Q	4Q
au + Tu-Ka	38.4	13.4	27.4	17.1	**27.2**	**23.7**	**18.6**	**29.0**	**33.4**
NTT DOCOMO	13.7	32.2	39.5	29.3	27.3	27.2	35.2	28.6	20.8
SOFTBANK MOBILE	47.9	54.4	33.1	53.6	45.6	49.1	46.2	42.4	45.8

* Based on the three-company total for NTT DOCOMO, SOFTBANK MOBILE, and KDDI

Fixed-line Communications Market Data (Years ended March 31)

Number of Internet Subscriptions

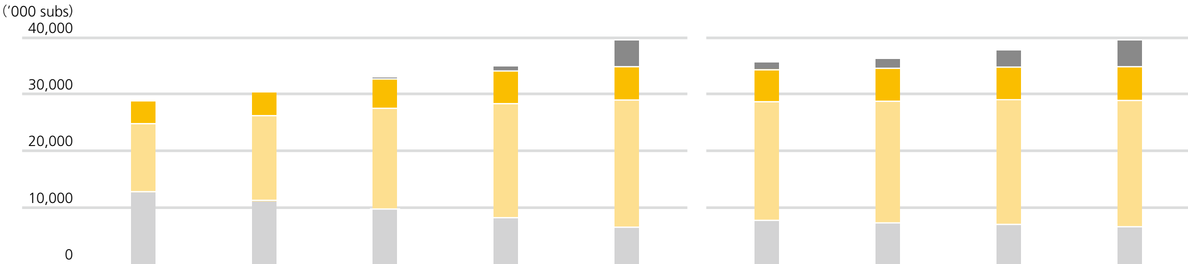


	2008	2009	2010	2011
Total Subscriptions in Japan	90,910	94,080	94,620	96,100
Penetration Rate	75.3	78.0	78.2	79.1

(Years ended December 31)

Source: Ministry of Internal Affairs and Communications

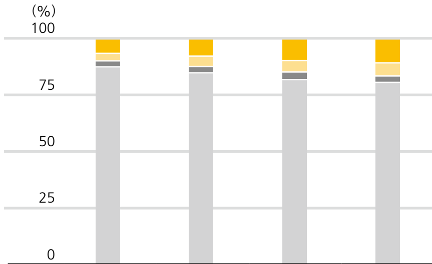
Number of Broadband Subscriptions



	2008	2009	2010	2011	2012	2012			
						1Q	2Q	3Q	4Q
ADSL Subscriptions	12,711	11,184	9,735	8,201	6,705	7,789	7,412	7,058	6,705
FTTH Subscriptions	12,155	15,021	17,802	20,218	22,303	20,931	21,430	21,899	22,303
CATV Subscriptions	3,872	4,110	5,314	5,674	5,909	5,734	5,779	5,909	5,909
Other	13	20	165	847	4,611	1,168	1,643	2,845	4,611
Total	28,750	30,335	33,016	34,940	39,528	35,622	36,264	37,711	39,528

Source: Ministry of Internal Affairs and Communications

Market Share of Myline by Operator



	2010				2011				2012			
	Local	In-prefecture long-distance	Out-of-prefecture long-distance	International	Local	In-prefecture long-distance	Out-of-prefecture long-distance	International	Local	In-prefecture long-distance	Out-of-prefecture long-distance	International
KDDI	7.1%	8.7%	10.4%	12.1%	6.9%	8.4%	10.0%	11.5%	**6.9%**	**8.3%**	**9.9%**	**11.3%**
SOFTBANK TELECOM	3.6%	4.8%	5.7%	6.3%	3.3%	4.4%	5.2%	5.8%	3.2%	4.3%	5.0%	5.6%
Other Companies Total	3.0%	3.4%	4.2%	3.4%	2.7%	2.9%	3.6%	2.9%	2.5%	2.7%	3.3%	2.7%
NTT	86.3%	83.1%	79.7%	78.2%	87.1%	84.3%	81.2%	79.8%	87.4%	84.7%	81.8%	80.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Myline Carriers Association

Mobile Business

In the Mobile Business, which centers on the "au" brand, KDDI provides mobile communications services, sells mobile communications devices, provides content, and offers mobile solutions services targeting corporate customers.

Networks

Data Offloading

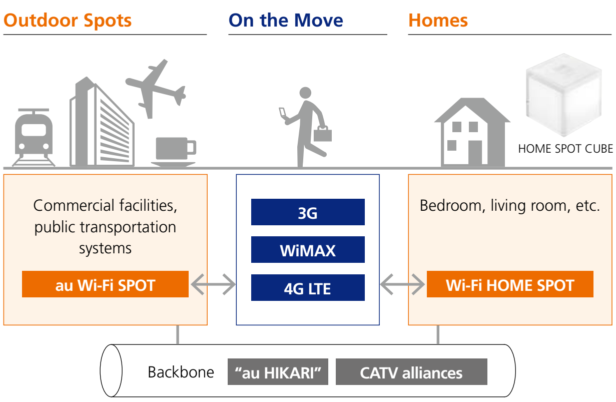
As one of our outdoor data offloading measures, in June 2011 we launched "au Wi-Fi SPOT," a simple public wireless LAN service that is available free of charge to au smartphone users. We are steadily expanding the number of connections in places where people tend to congregate, concentrating on terminal stations and nearby cafes. As of March 31, 2012, we had set up 100,000 such spots throughout Japan.

As a measure to promote data offloading measures in the home, we encourage users to use smartphones while taking advantage of a combination of fixed-line and Wi-Fi services. To that end, we introduced the "HOME SPOT CUBE" Wi-Fi router. This device sets Wi-Fi at the touch of a button. By March 31, 2012, we had put in place 350,000 of these units for au smartphone customers.

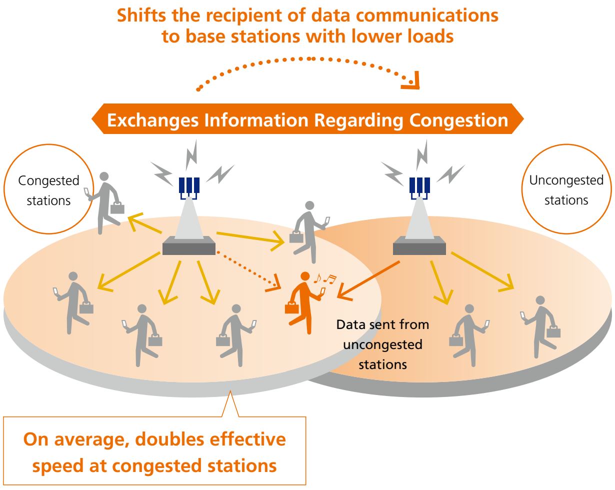
EV-DO Advanced

In April 2012, we took the industry lead in introducing "EV-DO Advanced," a technology that helps to alleviate congestion at au mobile phone base stations. This technology monitors base station congestion in real time, redirecting au mobile phones using base stations that are congested to those in nearby areas where availability is higher. This approach increases data traffic handling capacity to around 1.5 times its previous level, and customers in congested areas experience effective communication speeds that are nearly twice as fast as before.

Smart Network



EV-DO Advanced



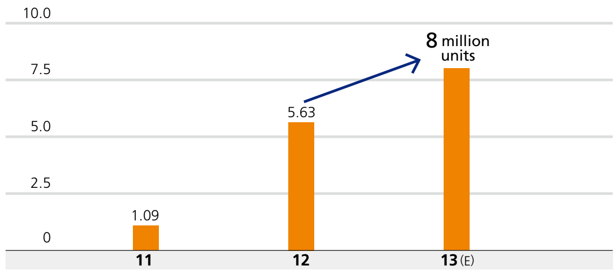
Handsets

Smartphones

In the year ended March 31, 2012, we addressed the priority issue of recovering au momentum and enhancing our shift toward smartphones. We created a lineup of models featuring specifications optimized to meet a host of customer demands. These included handsets designed to accentuate au's distinctiveness, high-speed communication models with on-board WiMAX to enable tethering, handsets equipped with functions that are standard in Japan, and models with Windows® installed. We also began offering the "iPhone 4S" in October 2011, and in January 2012 we added the "GALAXY SII WiMAX" to the au lineup. These additions created the industry's most extensive handset lineup.

Unit sales of smartphones in the year ended March 31, 2012, surged by 4.54 million units, to 5.63 million units. Furthermore, we forecast smartphone sales of 8 million units for the year ending March 31, 2013.

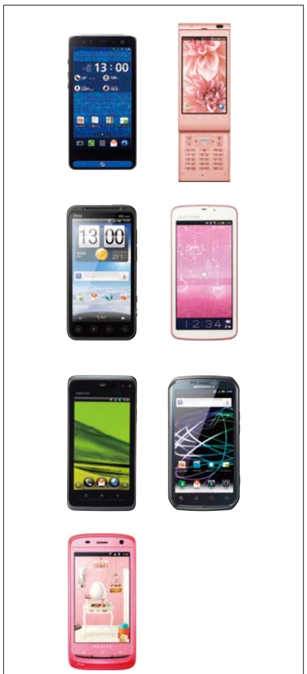
Smartphone Unit Sales



(Years ended March 31)

Smartphone Lineup

Year ended March 31, 2011	First half of year ended March 31, 2012	Second half of year ended March 31, 2012	
Sale of 6 models	Sale of 9 models	Sale of 7 models (fall/winter)	Sale of 6 models (spring)



* Excluding "iPhone 4S"

Full-fledged Entry into The Smartphone Market

Diverse Lineup of Models to Increase User-base

Models compatible with "+WiMAX," distinctive au designs, models for Windows® and with functions standard in Japan, waterproof models, models that allow tethering, others

Note: Excluding smart phones for corporate customers

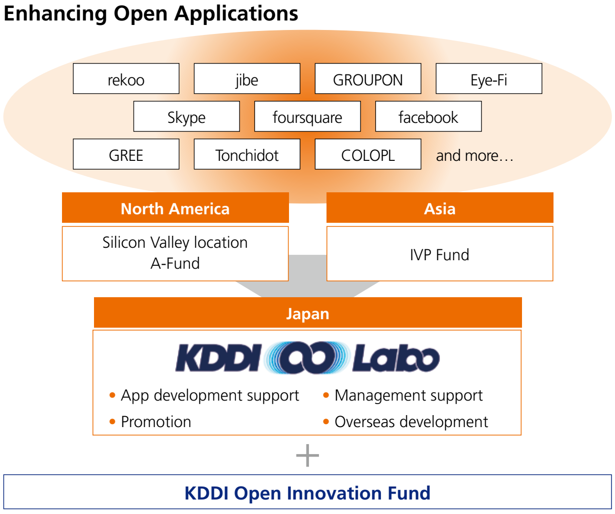
Content

Strategy to Enhance and Differentiate Smartphone-compatible Applications

As of March , 2012, the number of apps came to 7,300 at our "au Market for smartphone apps.

To invigorate the market for Android™ apps, KDDI is making an effort to take advantage of early tie-up opportunities with venture companies in Japan and overseas. In April 2011, we invested in A-FUND, L.P., and in August 2010 we established "KDDI ∞ Labo." Furthermore, in February 2012 we began providing support venture bisunesses via the "KDDI Open Innovation Fund," our first corporate venture fund. Through these initiatives, we will bolster au product strength and appeal.

Enhancing Open Applications



Billing platforms

Expanding "au Kantan Kessai" (Easy Payment) services

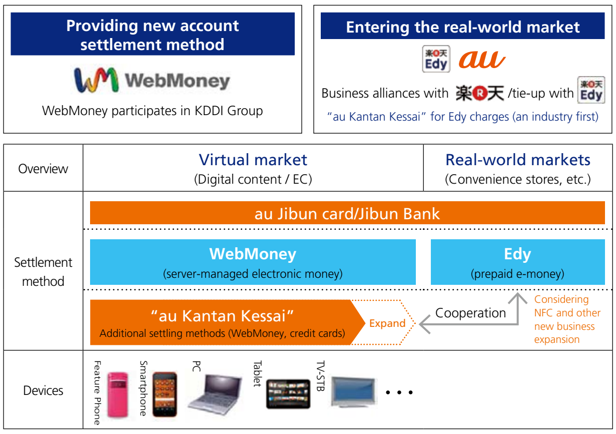
"au Kantan Kessai" services were introduced for Rakuten Ichiba in October 2011, "Yahoo! Shopping" in November, and "Nissei Online" in January 2012.

More ways for settling accounts

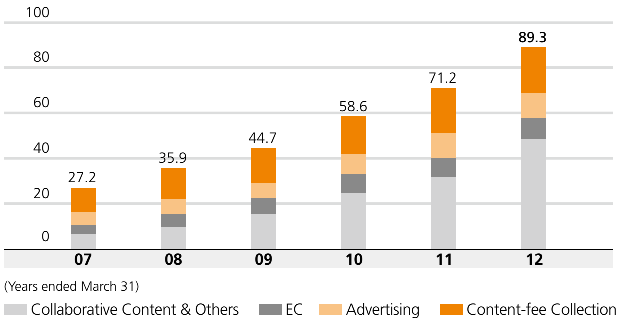
In January 2012, new ways for settling "au Kantan Kessai" were added through "WebMoney*" and credit cards (VISA, Master, JCB). Users with charges on "au Kantan Kessai" that exceed total limits can settle their accounts using "WebMoney" services or their credit cards for "au Market" and some other services.

* A server-managed electronic money offered by WebMoney Corporation, which became a consolidated subsidiary in October 2011.

Expanding Billing Platforms



Content/Media Business Sales



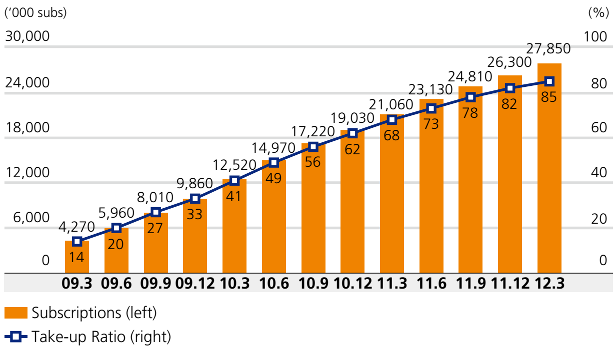
Charges

In September 2011, we launched a new fee plan called "Plan Z Simple," which allows users in Japan to call other au mobile phones within Japan for free between the hours of 1 am and 9 pm for a monthly basic usage fee of ¥980 (including tax.)

The take-up ratio for the "Simple Course" among all au subscribers (excluding modules and prepaid phones) was 85% as of March 31, 2012.

As the number of customers applying for our other "Full Support Course" fell off as a result, we stopped accepting new applications for this course on September 30, 2011.

Simple Course Subscriptions and Take-up Ratio



Corporate

Mobile Business

As growth in the consumer market is easing, KDDI is mounting proactive initiatives in its Mobile Business targeting the corporate market, which is slated for expansion.

As corporate awareness of business continuity plans (BCPs) rises, we anticipate an increase in latent demand for smart devices that are set up for remote access. In addition to meeting conventional demand for mobile handsets for employees working outside their companies, we are stepping up our solutions for smart devices aimed at internal employees, as well.

Specifically, we extended our handset lineup by starting to offer the "iPhone 4S" and created added value by offering the "KDDI Knowledge Suite" of business applications. We upgraded our security management service through "KDDI 3LM Security," enhancing the user environment to provide better peace of mind to our customers. By also contributing to the business efficiency of our corporate customers, we aim to boost our share of the corporate smartphone market.

FMC

As a corporate solution, in April 2012 KDDI began offering "Smart Value for Business" as a solution for corporate customers. This service is a package of three items: "au HIKARI Business," our first FTTH service for corporate customers; au smartphones; and the "Basic Pack" of business-optimized cloud apps. Augmenting KDDI's traditional strength in providing solutions for corporations, we expect the new offering to expand our customer base among small and medium-sized companies.

Overview of "Smart Value" for Business

WiMAX

UQ Communications Inc. has expanded its operations steadily since commencing commercial service in July 2009. Helped partly by increased sales of "+WiMAX" compatible smartphones, cumulative subscriptions reached 2 million in February 2012. The company's target is to reach 3.4 million subscribers by March 31, 2013.

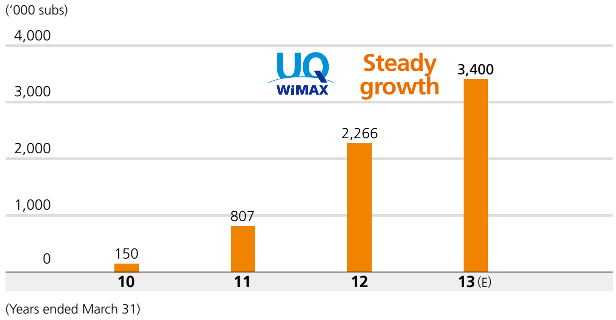
As subscriber numbers are rising favorably and capital expenditures to provide service in its area are nearly complete, the company plans to move into the black on a single-year operating basis in the year ending March 31, 2013. Furthermore, the company expects to erase its accumulated losses by the year ending March 31, 2016.

Contributing to Data Offloading

Smartphone proliferation is causing data traffic volumes to balloon, a situation that calls for speedy solutions on the part of telecommunications carriers. KDDI positions WiMAX as an important data offloading method. This service serves as a means of network connection for smartphones compatible with "+WiMAX" and as a backhaul circuit for "au Wi-Fi SPOTs."

Going forward, KDDI and UQ Communications will forge even stronger links in order to augment the KDDI Group's competitive position in multi-network structures.

WiMAX Cumulation Subscriptions



Fixed-line Business

The Fixed-line Business involves a broad range of operations for the KDDI Group, including FTTH and CATV broadband services, domestic and international telecommunications services, and corporate services such as data center and ICT solutions services.

Access Line Business

In addition to their conventional role in providing broadband services, the importance of role played by the access lines that KDDI possesses in offloading mobile data traffic is rising.

As of March 31, 2012, KDDI Group access lines—including FTTH, CATV, Metal-plus, and other lines—numbered 7,118,000. Furthermore, our household coverage ratio via broadband circuits that support "au Smart Value" services for using au smartphones at special rates had risen to 73% as of March 31, 2012.

FTTH

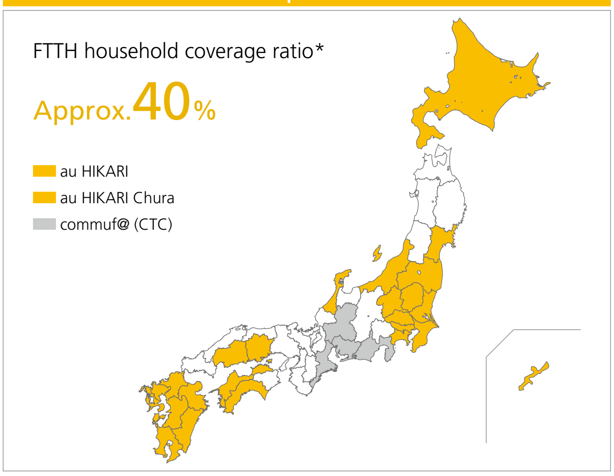
The KDDI Group's number of FTTH subscriptions had reached 2.27 million as of March 31, 2012, up 370,000 from one year earlier. During the year ended March 31, 2012, this business generated revenues of ¥121.8 billion, up 21.9%, and ARPU was up ¥70 year on year, to ¥4,430. This area clearly serves as a pillar of revenues and profits for the Fixed-line Business.

Expanding the Service Area and Augmenting Our Service Menu

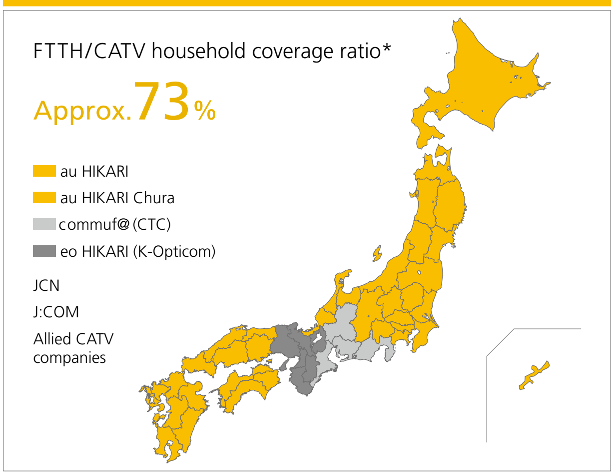
Targeting individual homes, we offer the fiber-optic service "au HIKARI Home" for which the service area had expanded to include 36 Japanese prefectures as of March 31, 2012. "au HIKARI Home" offers high-speed Internet service with maximum uplink and downlink speeds of 1Gbps, telephone, and television connections. Pricing centers on the "Giga Value Plan," a system under which subscribers sign up for two-year contracts and pay a special monthly service fee.

Expanding au Smart Value Broadband Circuits to Nationwide FTTH/CATV

Sep. 2011



Mar. 2012



* House hold coverage ratio in detached house provision area.

CATV

KDDI is pursuing alliances with CATV operators in order to secure a fixed-line telephone access network that does not rely on NTT.

In addition to consolidated subsidiary JCN and affiliated company J:COM, in July 2011 KDDI invested in Community Network Center Incorporated (CNCI), which controls eight CATV operators in the Tokai region. These developments boosted the KDDI Group's CATV customer base, which includes the total subscriber bases of JCN, J:COM, and CNCI, to 5.29 million households.

"Cable-plus phone" and "J:COM PHONE Plus" allow CATV operators to provide telephone services using their coaxial cable networks and KDDI's backbone network. CATV companies providing these services numbered 168 as of March 31, 2012, reaching a total of 2 million lines.

Creating Synergy through the Alliance with J:COM

Through our alliance with J:COM, we are working toward business synergy in a number of areas. In addition to J:COM x au cross-selling, we are unifying VOD content procurement at J:COM and shifting the backbone circuits that link J:COM's service area over to KDDI's integrated IP core network. In the year ended March 31, 2012, J:COM stations began providing "J:COM PHONE Plus," with subscription result surpassing our initial expectations.

Global ICT

Japanese businesses are growing ever more global, and overseas production and sales ratios are on the rise. To support the overseas shift of our customers' businesses, we provide services to meet a host of ICT needs, including the configuration, operation and maintenance of telecommunication networks. To support this business, we have a global structure spanning 98 locations, in 59 cities in 26 countries (as of March 31, 2012).

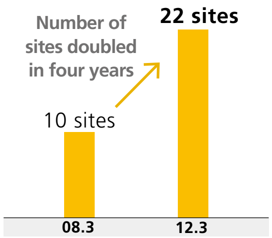
Our data center business, which houses customer network equipment, is developing its data center brand under the name of "TELEHOUSE," ensuring that clients can be confident in using its high-specification data center services both in Japan and overseas. Expanding these businesses further, in December 2011 we opened TELEHOUSE HONG KONG CCC, followed by TELEHOUSE FRANKFURT in January 2012.

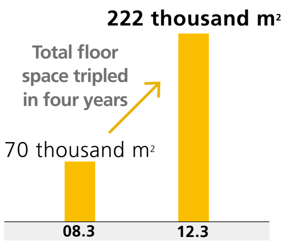
As a result of this expansion, data centers, primarily being developed under the TELEHOUSE brand, are now in operation in 22 sites, in 14 cities within 11 regions. Total floor space amounted to approximately 222,000 square meters as of March 31, 2012.

Going forward, using data centers as our core we will continue to leverage the KDDI Group's strength as a global organization to provide integrated services that deliver high added value.

Proactive Overseas Development of the Data Center Business

TELEHOUSE (22 sites, 14 cities, 11 regions)





TELEHOUSE FRANKFURT

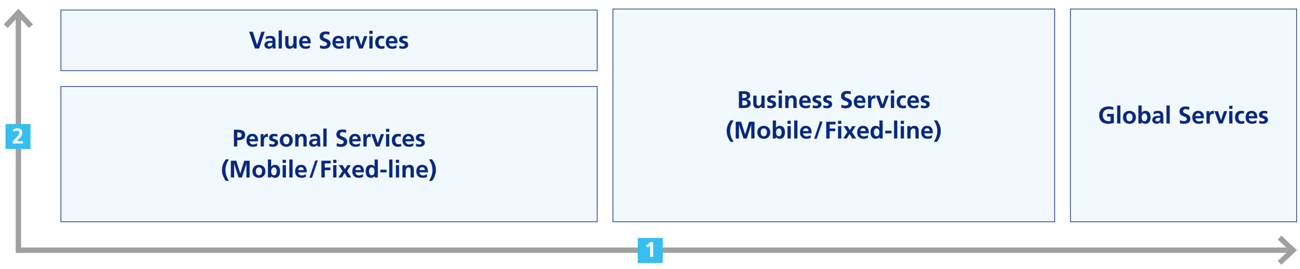
TELEHOUSE HONG KONG CCC

New Segment Overview

Until now, KDDI has segmented its operations into the Mobile Business and the Fixed-line Business. From the year ending March 2013, we have realigned these reportable segments into new segments based on management resource allocation and financial results evaluation in accordance with the management approach.

New Segment Concept

1 Expand communications services customer base
2 Expand content distribution/settlement services on a foundation of communications infrastructure/customer base



Operating Performance by New Segment

* The figures for FY2012.3 presented here have been adjusted in line with the change in segments from FY2013.3.
* From the forecast FY2013.3, amortization of goodwill is included in the calculation of EBITDA.

Personal Services

(Billions of yen)

	FY2012.3	FY2013.3 (E)	
			YOY
Operating revenues	2,799.6	2,760.0	(1.4)%
Operating income	347.2	370.0	+6.6%
EBITDA	713.1	767.0	+7.6%

Through "au Smart Value" we are cross-selling among our customer bases for au smartphones and FTTH/CATV. Through these efforts, we will expand the number of au subscribers and households that use the service, reduce our churn rate, and recover au ARPU, thereby achieving increases in revenues and income alike.

Forecast for the Year Ending March 31, 2013
▶ Revenues Down, Income Up

In the mobile arena, we expect ARPU to decline, owing to the impact of the "Maitsuki Discount" and other factors. Also, revenues from handset sales is expected to drop, as the number of handsets we sell will decline after the switch away from handsets that are not compatible with the new 800MHz bandwidth has run its course. However, costs should fall substantially after the shift is complete. On the fixed-lined end, we anticipate higher revenues as the number of FTTH subscribers increases. Accordingly, we expect income to increase.

Value Services

(Billions of yen)

	FY2012.3	FY2013.3 (E)	
			YOY
Operating revenues	136.4	164.0	+20.2%
Operating income	44.4	45.0	+1.3%
EBITDA	51.1	57.0	+11.6%

We aim to put in place "au Smart Pass" subscriber agreements with around 80% of customers who use compatible smartphones. This will increase our points of contact with customers, enable services on Multi-device and Multi-network, and allow us to continue developing cloud-based content services.

In addition, by expanding our billing platform and cultivating venture companies we aim to create new and distinctively "au" services and value. Through "au Smart Pass" up-selling, we expect to maximize our value-added sales per customer.

Forecast for the Year Ending March 31, 2013
▶ Revenues Up, Income Up

We expect to incur up-front costs related to the launch of "au Smart Pass," but look forward to an increase in income from subsidiaries, including WebMoney and mediba. As a result, we expect revenues and income to increase.

Comparison of New and Previous Segments

Previous	New	Business activities	Sales ratio* for FY2012.3
Mobile, Fixed-line	Personal Services	Provision of communications services for households and individuals	71%
Mobile, Fixed-line	Value Services	Provision of content and settlement services for households and individuals	4%
Mobile, Fixed-line	Business Services	Provision of communications and solution/cloud services for companies	16%
Fixed-line	Global Services	Provision of communications and solution/cloud services for companies and individuals overseas	5%
Other	Other	Communications facility construction as well as maintenance, call centers, R&D, etc.	4%

* Calculated based on the simple sum of the sales for each segment =100%.

Business Services

(Billions of yen)

	FY2012.3	FY2013.3 (E)	
			YOY
Operating revenues	636.0	630.0	(0.9)%
Operating income	75.0	71.0	(5.3)%
EBITDA	123.1	122.0	(0.9)%

To large corporate customers, we will offer seamless integrated cloud solutions, spanning smartphones and tablet devices, networks, data centers, and apps.

For small and medium-sized businesses, we expect to increase our number of customers through the "Smart Value for Business" service for corporate customers, which we began providing in April 2012.

Forecast for the Year Ending March 31, 2013
▶ Revenues Down, Income Down

During the year, we expect revenues and income to decline as the result of a one-off factor, as au (Personal) base stations supporting the former 800MHz bandwidth go offline.

Global Services

(Billions of yen)

	FY2012.3	FY2013.3 (E)	
			YOY
Operating revenues	171.6	195.0	+13.6%
Operating income	4.3	6.0	+40.6%
EBITDA	13.7	19.0	+38.6%

With our TELEHOUSE data centers at the core, we will leverage overall Group strength including subsidiaries such as CDNetworks and DMX to offer one-stop, optimized, high-value-added ICT solutions to our customers. We are also mounting proactive efforts to augment our global consumer business, such as by expanding our Internet business in emerging markets and by entering the mobile phone businesses targeting immigrants in the United States.

Forecast for the Year Ending March 31, 2013
▶ Revenues Up, Income Up

We anticipate increases in revenues and income, owing to the contributions of newly consolidated subsidiaries that we acquired in the preceding fiscal year.

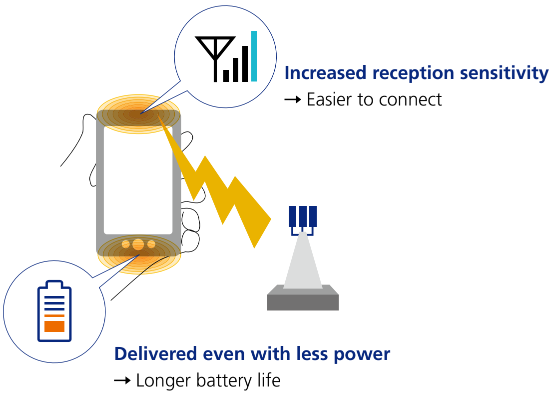
Reserch and Development

KDDI's growth strategy, the "3M Strategy," aims to realize a worldin which customers are provided with a host of content and services, whenever and wherever they want, over optimal networks and on their devices of choice.

In KDDI R&D Laboratories, our main research arm, We conduct leading-edge research to provide stress-free, safe and secure communications environments. We strive to provide services that customers can use with peace of mind in their daily lives, whether related to the environment or health. Furthermore, through our development we endeavor to deliver new and diverse value, and we conduct basic research that is designed to open up a future of exciting new possibilities.

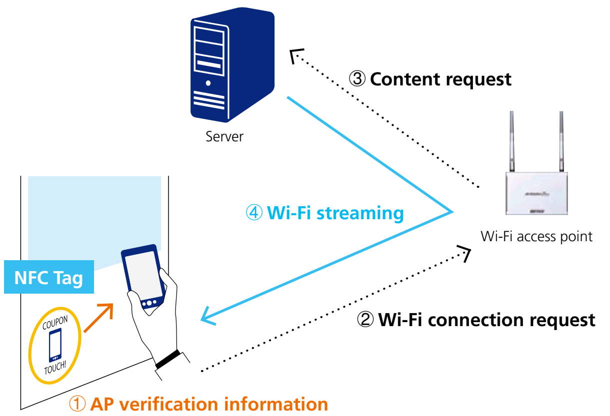
Handset with MIMO Antenna Response Control

The newest LTE mobile handsets employ multiple antennas for high-speed transmission (MIMO transmission), but when holding these handsets, the hand tends to interfere with the internal antennas. To address this issue, we have contrived a MIMO antenna response control technology that reduces this effect, and incorporated it into an LTE test model. This technology helps to achieve stable, high-speed transmission, while reducing power consumption, thereby extending wait-time battery life.



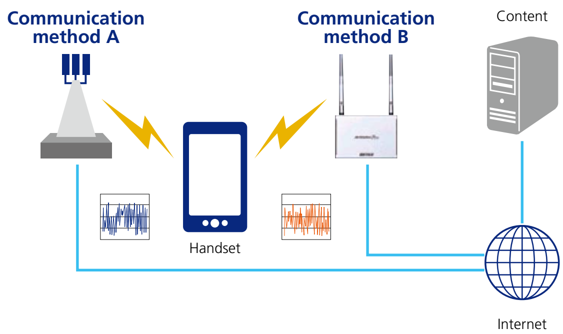
NFC x Wi-Fi System for Transmitting Linked Information

Using near-field communication (NFC) as an interface for contactless IC cards, we have developed this system to operate via Wi-Fi (wireless LAN) and easily access coupons, text data, video, music and other content on a smartphone. This system allows a high volume of data to be accessed, simply by holding a smartphone near an NFC tag.



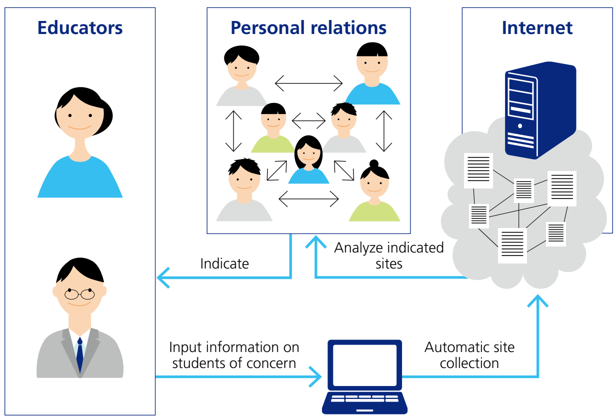
Wireless Technology for Link Aggregation

The recent popularity of smartphones has brought about a surge in communications traffic, causing throughput and communication speeds to decrease. In response, we have developed handset technology that enables stable, high-speed communications by simultaneously making use of multiple wireless formats, including wireless LANs. Requiring no base station upgrades, this technology can be easily installed as a smartphone application.



Cyberbullying Initiatives

We have developed a tool that helps educators to protect students from cyberbullying at school over the Internet. The tool analyzes profile sites and other sites that are popular among junior and senior high school students and determines personal relations among students. This process provides information to help educators provide appropriate direction to students.



CSR

CSR activities in fiscal 2011 are described in this report beginning with the most prominent issues outlined under the seven core subjects addressed by the ISO 26000 international standards for social responsibility, from the perspectives of information required for disclosure by society and of information that KDDI wishes to convey.

Detailed information and comprehensive data including performance data and latest CSR topics and other matters are disclosed on the KDDI Web Site (under CSR (Environment & Society.))

KDDI endeavors to actively disclose data from the two perspectives noted above and intends to communicate openly with all of its stakeholders as it promotes CSR.

WEB CSR (Environment & Society) Web Site http://www.kddi.com/english/corporate/csr/

Period Covered
This report covers business activities for FY2011 (April 1, 2011 to March 31, 2012). However, this report also contains descriptions of a few initiatives from before and after this period.

Scope of Report
Although the scope of this report is the business activities of KDDI only, this report also includes some of the activities of our group companies.

Publication Date
Booklet: July 2012 (Next scheduled publication: July 2013)
KDDI Web Site: October 2012 (Next scheduled publication: October 2013)

Referenced Guidelines
- GRI (Global Reporting Initiative) Sustainability Reporting Guidelines 2006
- Ministry of the Environment, 2012 Environmental Reporting Guidelines
- ISO 26000: 2010 (Guidance on Social Responsibility)
- JISZ 26000: 2012 (Guidance on Social Responsibility) Japanese Industrial Standards

Our Social Mission as a Telecommunications Operator
—Countermeasures for the Great East Japan Earthquake

As a telecommunications operator in charge of social infrastructure, KDDI's social mission is to provide stable services, even in the event of a large-scale disaster. Having learned lessons from the Great East Japan Earthquake, we are strengthening our disaster countermeasures, working to enhance customer convenience and providing ongoing support for reconstruction efforts in the disaster-stricken area.

Measures in the Aftermath of the Great East Japan Earthquake

In the aftermath of the Great East Japan Earthquake, KDDI's initial response was vigorous, but a variety of problems arose including disconnections in some areas of our backbone network. Having verified the issues, KDDI is now mounting a companywide effort to construct disaster-tolerant networks and build the necessary internal structures.

Expansion of Coverage in the Stricken Area

Providing Service to New Regional Communities

The progression of the recovery effort in the stricken area presented a new issue—namely, how to optimize services to the numerous temporary housing areas that had been constructed. With the sales and construction divisions working closely together, KDDI sent employees to the area to ascertain the status of communication signals and conduct hearings directly with customers in temporary housing and shelters. We plotted the resulting information onto a single map, which we used to simulate optimal area coverage and erected new au mobile phone base stations nearby temporary housing blocks in each area. At present, customers in nearly all area containing newly erected temporary housing have access to au mobile phone services.

New au mobile phone base station installed near temporary housing

Aiming for Disaster-tolerant Telecommunication Facilities

Reinforcing Equipment to Enable Network Reconstruction and Quick Recovery

We are also putting in place a variety of measures to enhance network reliability in preparation for potentially massive earthquakes and other large-scale disasters, such as an earthquake directly below the Tokyo metropolitan area or in the Nankai Trough (Tokai, Tonankai, Nankai).

1 Building Disaster-tolerant Networks

We have augmented our backbone network to four routes from three. In FY2012, we will install a new facility monitoring system in Kansai to achieve better dispersion of our monitoring function.

2 Introducing Measures at Facilities to Allow Quick Recovery in Stricken Area

- To supply power quickly to telecommunication facilities in the disaster area, we augmented deployment of mobile power supply vehicles and emergency power generators from 55 units to 130.
- We enhanced facilities as described below to ensure communications services in the disaster area.
  - We increased the deployment of emergency radio entrance facilities* from 40 sections to 60 to ensure communications between mobile phone base stations and telephone exchange stations.
  - We expanded the number of vehicle-mounted base stations from 15 to 20. We also deployed 27 new moveable base stations.
  - By the end of FY2012, we will equip some 2,000 mobile phone base stations with batteries capable of operation for more than 24 hours.

Vehicle-mounted base station

* Facilities that connect using radio networks in the event a line is broken between a mobile phone base station and telephone exchange station during a disaster

Offering Services that are Useful in Times of Disaster

Providing New Services that Facilitate Safety Confirmation and Secure Communication Liens

When disaster strikes, voice communication tends to become difficult, owing to congestion from the many customers seeking to confirm the safety of loved ones. For this reason, we have begun offering a variety of new services that people can use as additional means of communication in such cases. We are enhancing our Emergency Rapid Mail, adding tsunami warnings and disseminating other information that could prove useful in times of disaster.

1 Provide the "au Disaster Measure Apps" (December 2011)

This au smartphone app combines a variety of disaster services, including the "Disaster Message Board."

2 Add tsunami warnings to Emergency Rapid Mail (March 2012)

In addition to emergency earthquake early warning and disaster/evacuation information, we have begun sending out tsunami warnings from the Japan Meteorological Agency.

3 Reinforce e-mail reception in the event of disaster (June 2012)

In the event of a large-scale earthquake measuring 6 or higher on the Japanese Shindo scale, communications linked with an au smartphone app reduce delays in receiving e-mail by up to 90%.

4 Provide "Disaster Voice Messaging Service" (June 2012)

This service uses packet communication networks to send a "voice" message verifying the sender's safety.

"au Disaster Measure Apps"

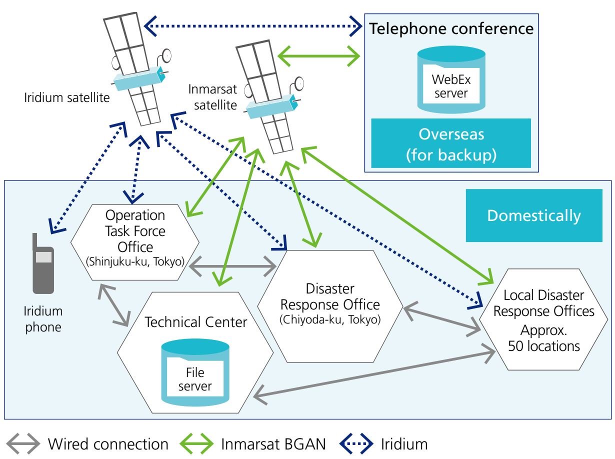
Reinforce Business Continuity Plan (BCP)

In Addition to Strengthening Systems and Facilities to Cope with Large-Scale Disaster, Providing Initial Response Training at Locations throughout Japan

As a telecommunications operator, it is our responsibility to have in place a structure that ensures business continuity even if a large-scale disaster occurs. Following our experiences in the Great East Japan Earthquake, we established a companywide Disaster Response Project, and in October 2011 we formulated a Business Continuity Plan (BCP) for Large-Scale Disasters. We are pursuing a host of measures to address the plan's objectives of "ensuring the safety of employees and their families" and "fulfilling our responsibilities as a telecommunications operator." Specifically, we have set down detailed rules for each phase of response to disaster, from initial action through to full restoration. We have also created satellite network links to principal bases throughout Japan in preparation for a scenario in which all fixed-line and mobile circuits cease to function. We have identified personnel who will, in the event of disaster, be dispatched quickly to provide support at emergency shelters, and we have stock-piled the equipment necessary for this eventuality.

In parallel with these measures to shore up our structure, we are proactively conducting disaster response training through-out Japan that focuses on initial disaster response. We have introduced a "blind" method of training, in which participants are not told beforehand what sort of disaster to expect or what the content of training will be. This approach creates a more real-istic disaster response environment and enables us to verify our business continuity structure and uncover potential issues.

Satellite Network Connecting Key Facilities throughout Japan



Efforts to Support Disaster Area Reconstruction

Now that more than a year has passed since the earthquake, the requirements of the affected area have changed from the short-term—such as donations and relief goods—to needs for longer-term environmental improvement to support restoration and reinvigoration. KDDI is addressing these needs through a variety of initiatives, such as creating employment in the stricken area and providing educational services that make use of ICT (information and communications technologies). Moreover, in FY2012, we have established Reconstruction Support Office, which reports directly to the President, to spearhead medium- to long-term support efforts.

Creating Employment in the Stricken Area

Establishing the au Sendai Operations Center for Contracts to Address Employment Mismatches

The employment situation in the stricken area is generally trending toward recovery, but many of the openings are for people with civil engineering and construction backgrounds—a mismatch for candidates for clerical positions. To cultivate employment in the area, in February 2012 KDDI opened the au Sendai Operations Center for Contracts in the city of Sendai, its third such center in Japan. In preparation for the start of operations, we hired 700 local residents for clerical positions.

Company presentation at HelloWork Sendai

VOICE Stakeholder Feedback

Providing Stable Employment to Support Regional Economic Recovery

In the area surrounding the city of Sendai, the job-to-openings ratio for clerical positions was 0.38 as of February 2012, meaning that only one in three people seeking such work were able to find it.

For this round of recruiting, we went through HelloWork Sendai in search of employees. Our first presentation was attended by 385 people, of whom 250 applied on the spot for interviews. Clearly, our recruiting was very closely attuned to employment demand in this area. The au Sendai Operational Center for Contracts is located just a five-minute walk away from JR Sendai Station, within easy commuting distance in the area where the transportation infrastructure has still not recovered fully from the tsunami's devastation. Our extraordinarily high demand for people in clerical positions, at some 700 people, is attracting major attention for its role in boosting employment in the Sendai environs and stimulating the local economy.

The need to improve the employment situation in the Sendai area is urgent. Companies in the area are expected to require several years to recover from the earthquake-related disaster. I hope that local companies in the region will be able to recover while the economy is supported by the employment opportunities created by new companies moving into the area. In this sense, we are very grateful to KDDI for its recent activities.

(From left)
Ms. Etsuko Kano
Mr. Tomohiko Onoda Chief
Mr. Shuetsu Chiba
HelloWork Sendai

Asa Yanagida
Manager,
Operations Group 2
Tohoku Regional Office Operations Department 2
KDDI Evolva Inc.

VOICE Stakeholder Feedback from a Manager at the au Sendai Operations Center for Contracts

Aiming to Train Future Leaders

Our presentation attracted many people who said that they "wanted to remain in a clerical position for a long time." They were very positive about the employment possibilities.

We are promoting this employment in cooperation with the East Japan Operations Center for Contracts, with manager backup from the East Japan and West Japan Operations Center for Contracts, but we hope to quickly cultivate managers from within the au Sendai Operations Center for Contracts. If even a single person gains these additional skills and grows, it will help to expand range of the center's operations. Also, when future new offices are set up in the surrounding regions, these people will have the skills to participate. What a pleasant thought.

Using ICT to Support Education in the Stricken Area

Supporting Students Preparing for Entrance Exams in the Stricken Area

From November 2011 through March 2012, four organizations—KDDI CORPORATION, Kibou-no-ki Project, Castalia Co. Ltd. and Educational Foundation Shingakukai—collaborated on an effort to provide free-of-charge educational support for students preparing for high school and university entrance exams in the city of Ishinomaki, Miyagi Prefecture.

In this project, visiting instructors held lectures and provided mock examinations, using tablets during lectures on strategies for taking exams offered in other prefectures, and encouraging online learning. In these ways, we provided support for some 120 students in the stricken area, creating a learning environment akin to those available in prefectures that were not affected by disaster.

Students taking advantage of the online study service

VOICE **Stakeholder Feedback from Employees in Charge of Educational Support**

Recognizing the Possibilities of ICT

We were truly moved to see junior and senior high school students wearing earphones attached to tablet computer, intently taking notes as they focused on the screens featuring courses held in other prefectures. We recognized that the use of ICT was a "solution" that allowed us to overcome the limitations of physical distance and time. We were overjoyed to see the pleasure this opportunity brought to people in the stricken area, and this served as a useful case study for us as we go about our business.

(From left)
Youko Hara Manager
Nami Itahashi Senior Staff
Advanced Business Development Division
Global Business Development Department
Advanced Business Group
KDDI CORPORATION

Employee Volunteer Activities in the Stricken Area

Establishing a Support System and Enhancing Collaborative Volunteer Activities

From April 2011, KDDI began supporting employee efforts to volunteer in the affected region. We set up a system offering special time off work for up to five days to volunteer in the region, as well as paying for transportation to the region and providing some funds to acquire items needed for volunteer activities. More than 300 employees have taken advantage of this system to volunteer in the stricken area (as of May 2012).

In July 2011, we also began calling for regular volunteers to send to the area, in groups of 20. During FY2012, we plan to concentrate on volunteer activities in the town of Otsuchi, Iwate Prefecture, which suffered major devastation from the tsunami. We are working with Oraga-Otsuchi Yumehiroba, a general incorporated association set up in the area. Through these efforts, we hope to learn more about conditions in the stricken area and foster interaction with the community.

Employees cleaning up the Kiri Kiri Coast of Otsuchi-cho, Iwate Prefecture

TOPICS **Exchanging Ideas with People in the Stricken Area**

Oraga-Otsuchi Yumehiroba is a general incorporated association that has introduced unique plans to encourage voluntary efforts at restoration, such as "reconstruction tourism" and "reconstruction cafeteria," and has proactively disseminated information from the region nationwide. In May 2012, we held a frank exchange of ideas with this general incorporated association regarding future support activities and its hopes with regard to corporations.

Further details will be made available on the KDDI website (from around September 2012).

CSR information on the web: http://www.kddi.com/english/corporate/csr/

Participants in the ideas exchange

Mr.Yoshikazu Iwama
Oraga-Otsuchi Yumehiroba

Mr. Kazuyuki Usuzawa
Oraga-Otsuchi Yumehiroba

Akira Dobashi
Excective Director, General Administration Department, General Administration & Human Resources Division, KDDI CORPORATION

Organizational Governance

KDDI perceives all stakeholders as its customers. Through various means of dialogue with customers, we aim to contribute to the sustainable development of society and to remain a company that society trusts.

KDDI's Perspective on CSR

The role of information and communications technologies (ICT), including mobile phones and the Internet, is changing on a daily basis. As a general telecommunications operator, KDDI forms a part of the social infrastructure. Accordingly, we recognize that we have an obligation to contribute to society's development and its sustained growth. We understand that our business has a major influence on society and that we earn the trust of society through the provision of stable information and communications services, which we are obliged to maintain.

Since its inauguration in 2000, KDDI has presented its raison d'etre and mission in the KDDI Philosophy (see page 78) that describes the ideal entity it wishes to become. This ideal is shared among all employees.

Based on the KDDI Philosophy, in 2003 we put Total Customer Satisfaction (TCS) at the heart of our business activities, and throughout the Company we have been conducting our operations on this basis ever since. TCS recognizes all KDDI stakeholders, including service users, business partners, employees, shareholders, investors, NPOs, and administrative organizations, as "customers." Through various means of dialogue, TCS defines the aim of increasing the level of satisfaction of all shareholders and forms the cornerstone of KDDI's perspective on CSR.

To promote CSR, we have set up a TCS Committee, which is chaired by the president. As a cross-divisional organization for deliberating and resolving issues based on customer feedback, the committee has the important function of bringing the entire Company together in an effort to enhance customer satisfaction, based on the management cycle.

KDDI's CSR Initiatives are Achieved through the Practice of TCS Based on the KDDI Philosophy

TCS Practice

Economy	Society	Environment
• Appropriate disclosure of information • High revenue, high dividend • Fair deals • Provision of high-quality service and products	• Improved customer satisfaction • Realization of safe and secure ICT society • Promotion of diversity • Nurture human resources to make them take active parts • Societal contribution	• Green ICT • Promotion of recycling • Activity to conserve forests • Reduction of disposal • Environmental accounting • Diversity of living creatures

Enrich Management Foundation

• Corporate governance • Internal control • Compliance • Risk management • Information security

KDDI Philosophy

CSR Promotion

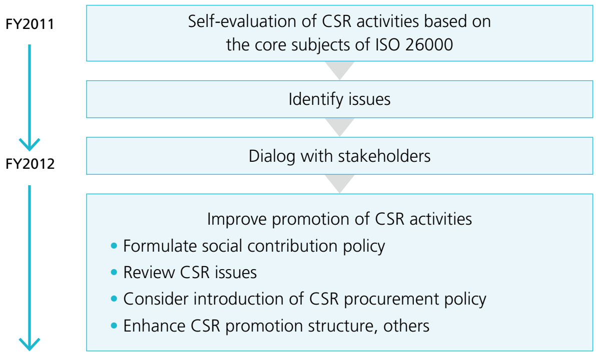
Promotion System

In October 2005, we created the CSR Management Department (currently the CSR & Environment Management Department) in our General Administration Department to promote CSR activities from an objective viewpoint. At the same time, the department works to raise employee awareness of CSR through in-house training, our Company newsletter, and our intranet. The department also encourages social contribution activities such as by creating an environment that makes it easy for employees to participate in volunteer activities.

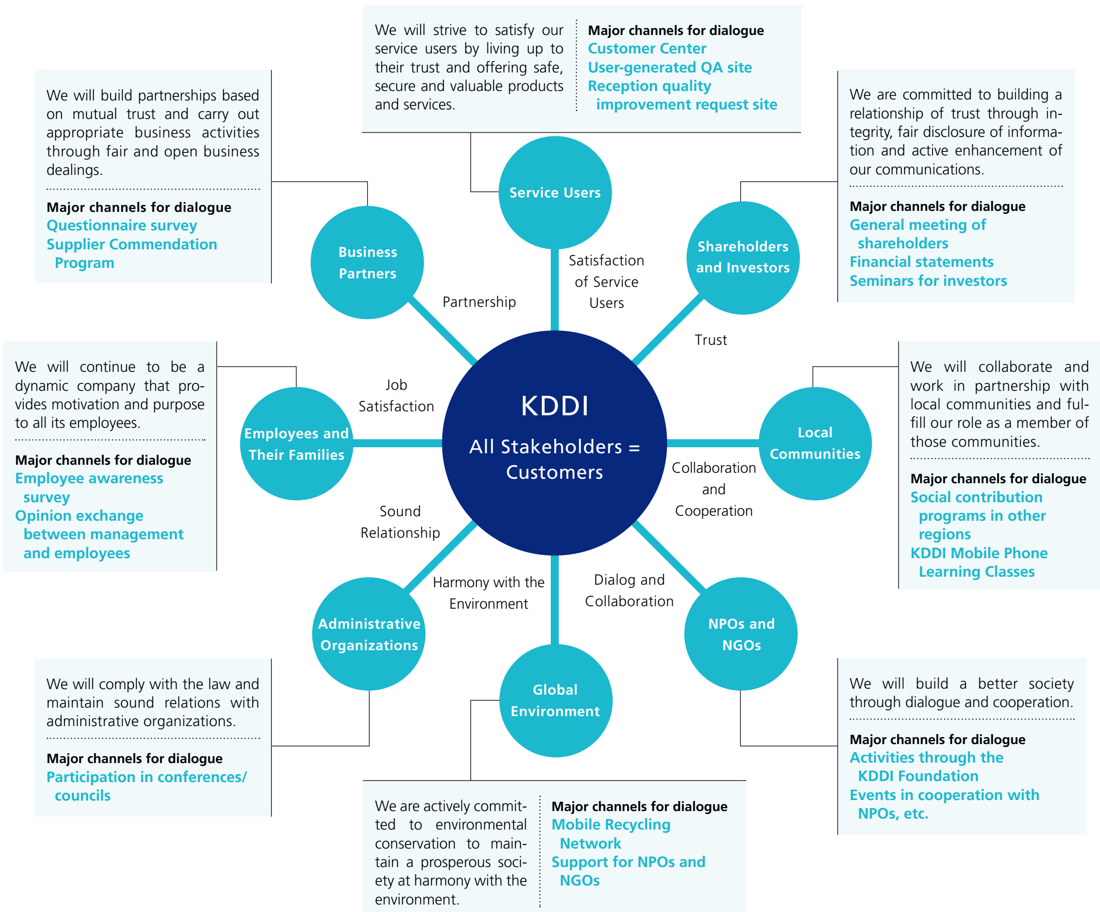
In FY2008, we revised the KDDI Environment Committee to the KDDI CSR & Environment Committee, creating an integrated system to study and promote the environmental conservation efforts of KDDI and our Group companies and affiliates, as well as their policies and planning relating to CSR activities. KDDI reviews its CSR initiatives in stages, building up and enhancing its structure as necessary.

CSR Promotion Activities

During FY2011, the sixth since setting up a specialized department to promote CSR, KDDI conducted an objective review of its CSR activities. To make improvements, we conducted a self-evaluation of some 250 items based on the seven core subjects addressed by the ISO 26000 global standard pertaining to social responsibility and analyzed our CSR activities against this list. According to these results, during FY2012, we will encourage dialog with our stakeholders and plan to make a proactive effort to review material issues and make other improvements. This process was used to formulate the social contribution policy shown on page 74.



Principal Channels for Dialog with KDDI Stakeholders



Defining Material Issues

Of the wide range of issues that KDDI faces in the course of its business activities, in FY2008, we identified a number of topics of significant social concern as “four material issues for CSR” that we particularly need to focus our efforts on to grow sustainably and with society at large. We also established the KDDI CSR & Environment Committee to formulate initiatives for resolving these problems and report on these activities.

Material Issue 1 Creating a Safe and Secure Information and Communications Society

The phenomenon of children using mobile phones to access the Internet and get into trouble is becoming a social problem. KDDI is addressing this situation by conducting the KDDI Mobile Phone Learning Class, through which it aims to raise children’s “information literacy.” We also encourage the use of filtering to block harmful content. These are some of the many initiatives under way at KDDI with the aim of creating a safe and secure information and communications society.

Material Issue 2 Offering Reliable Information and Communications Services

ICT provides important “lifelines” for society. As KDDI sees it, the biggest responsibility the Company faces in its operations is to provide customers with stable information and communications services.

We are therefore committed to avoiding network outages due to natural disasters and equipment failures to the greatest extent possible, and maintaining our ability to always offer high-quality information and communications services.

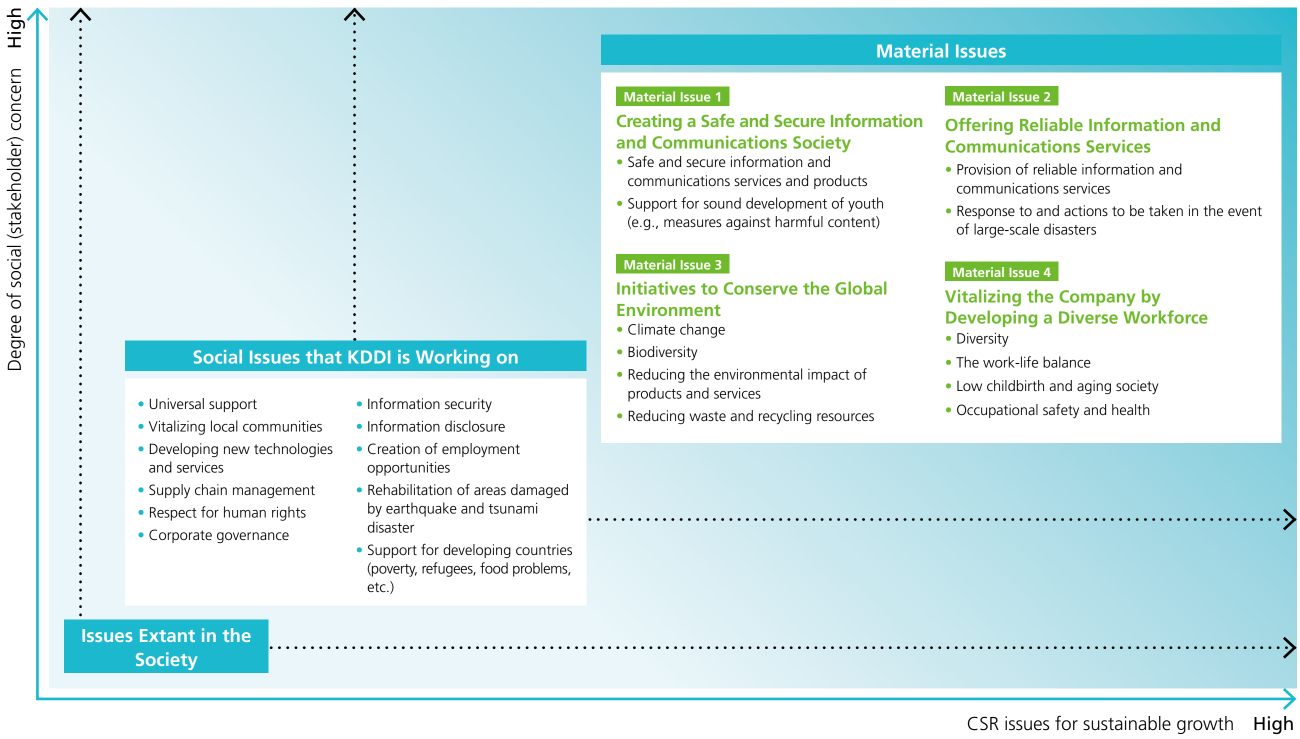
Material Issue 3 Initiatives to Conserve the Global Environment

Environmental preservation is a need that all mankind faces, and one that requires long-term initiatives. Accordingly, every five years KDDI formulates a Medium-term Environmental Conservation Plan including initiatives involving a “low-carbon society,” “recycling-oriented society,” and “biodiversity.” To achieve these objectives, in addition to reducing its own environmental impact KDDI provides ICT services that help to reduce the environmental impact of society and promotes a host of activities involving customers and employees.

Material Issue 4 Vitalizing the Company by Developing a Diverse Workforce

At KDDI, promoting diversity is one aspect of its management strategy for achieving sustainable corporate growth. Respecting the individuality of employees, rather than forcing different people to fit into the same box, we are working to create an organization and environment that harnesses our employees’ capabilities by leveraging external differences, internal differences, and differences in corporate organizations. Encouraging diversity goes back to one of the original tenets of the KDDI Philosophy, namely “Happy employees and a dynamic company.”

Social Issues and the Four Material Issues for CSR



CSR Targets, Achievements, and Issues

The chart below provides an overview of principal targets and achievements during FY2011, and reports our main targets for FY2012.

	FY2011			FY2012
	Targets	Primary Achievements	Rating	Primary Issues
Organizational Governance	Entrenchment of autonomous internal control activities and the development of framework and systems	• Encouraged employee awareness by publishing our company newsletter and distributing an e-mail magazine • Promoted "improvements in operational quality"	A	• Improve promotion of CSR activities
Consumer Issues	Enhancement of telecommunication facilities and services in preparation for large-scale disasters	• Configured network to be strong in the face of disaster • Added tsunami warnings to our "Emergency Rapid Mail" and enhanced our disaster-response services in other ways	A	• Increase number of KDDI Mobile Phone Learning Classes held and improve quality • Provide equipment that is easy for seniors to use and provide user support • Respond quickly to customers' requests to increase network quality and provide stable services • Establish large-scale disaster response measures
	Enhancement of information literacy support by improving the quality of KDDI Mobile Phone Learning Class	• Conducted 1,209 times during FY2011 • Revised program to respond more flexibly to schools' needs	A	
	Establishment of a telecommunications environment that customers can use safely and securely	• Held "Everyone's Mobile Phone Summit" stakeholders dialogue • Introduced "Anshin Security Pack" and "Anshin Appli Limited" for smartphones • Offered for sale the "Mi-Look" mobile phone, with features aimed at protecting the elderly	A	
	Increasing level of highly reliable communications	• Having received administrative guidance from the Ministry of Internal Affairs and Communications in relation to the disruption of communications, introduced countermeasures and prepared a system to prevent the recurrence of major accidents • Increased communication speed using "EV-DO Multi-Carrier" technology • Eased data communication congestion using "EV-DO Advance" technology	B	
Environment	Formulation of Third Medium-term Environmental Conservation Plan	• Formulated Third Midium-term Environmental Conservation Plan, "KDDI GREEN PLAN 2012–2016"	A	• Roll out Third Medium-term Environmental Conservation Plan >Increase number of tribrid base stations >Promote recycling >Promote forest conservation activities • Promote environmental communica-tions
	Promotion of "Green by ICT" through such initiatives as enhancing tribrid base station functions	• Conducted launch of "Type-VII" radio equipment for wireless mobile phone base stations that requires no air conditioning • Began selling common smartphone adapter that boosts charging efficiency more than 10% and achieves a stand-by power savings of approximately 20%	A+	
	Promotion of R&D of services for "Green by ICT" CO_2 reduction in society at large	• Provided "PC power savings management" to reduce customers' PC power consumption	A	
	Enrichment of environmental communications	• Conducted "Electricity Saving Project" to support initiatives to save electricity at homes • Conducted "Shimanto-kawa Walk" and "Takao-san Walk"	A	
Labour Practices and Human Rights	Support for employees' work-life balance	• Introduced "Adjustable Work Hour System" allowing employees on shortened hours for childcare or nursing care purposes to balance work hours on a monthly basis • Held a forum on returning to work following childcare absences • Held "Balancing Work and Nursing Care Lecture" • Expanded teleworking system	A	• Cultivate and promote diverse human resources and formulate related measures • Create a vibrantly healthy workplace culture • Enhance internal communications
	Establishment of a worker-friendly workplace environment	• Conducted employee awareness survey • Held employee-management dialogue	A	
	Improvement of communications within the organization	• Introduced internal data streaming and SNS system to reinforce system for sharing of internal information	A	
	Enhancement of personnel to enable them to become active global players	• Established special quota for global business development • Seven people made use of overseas study program • Ten people newly took advantage of overseas training system	A	
Fair Operating Practices	Enhancement of communications with business partners	• Questionnaire-based operational quality improvement	A	• Reinforce communications with shareholders and investors in Japan and overseas • Formulate CSR procurement policy • Strengthen information security further • Entrench BCP • Strengthen and promote measures to eradicate compliance-related accidents
	Support for the improvement of customer satisfaction at au shops	• Held customer interaction skills contest at au shops	A	
	Expansion and enhancement of communications with shareholders and investors in and outside of Japan	• Conducted individual meetings in Japan and overseas (total of approximately 800 times) • Held theme-based small meetings (approximately 10 times)	A	
	Review of corporate norms, standards, and rules	• Revised the KDDI Code of Business Conduct	A	
	Reinforcement of efforts to comply with laws and regulations Thorough compliance awareness	• Conducted regular Business Ethics Committee meeting • Conducted compliance-related group training and e-learning	A	
	Further promotion of risk management	• Revised business continuity plan (BCP) for large-scale natural disasters	A	
	Further improvement of security and efficient operation of ISMS	• Established "KDDI Group Common Information Security Standards" • Strengthened measures to address internal e-mail system misdirection and information leaks • Conducted e-learning and division manager training	A	
Community Involvement and Development	Enrichment of social contribution programs in and outside of Japan	• Supported region affected by the Great East Japan Earthquake Employee volunteers, creation of employment opportunities, educational support, etc. • Used "+α Project" to enhance employees' community social contribution activities	A	• Continue implementing disaster relief efforts • Foster stronger ties with local communities • Contribute to sustained growth of the global community through the use of ICT
	Further contribution to the development of the international community through the utilization of ICT	• Provided educational support using tablets • Through the KDDI Foundation, provided support and technology to help developing countries bridge the digital divide	A	

[Evaluation standard] A+: Significant achievements made on the issue A: Certain achievements were made
B : Action was taken, but with no achievements C: No achievement was made or no action was taken

Consumer Issues

KDDI takes into sincere consideration the feedback from all its service users in order to improve customer satisfaction by providing more secure and higher-quality information and communications services.

Material Issue 1 **Creating a Safe and Secure Information and Communications Society**

KDDI supports increases in information literacy and strives to develop products that are easy to use, so that children and senior citizens can also employ mobile phones as beneficial tools. Through a variety of initiatives, we are working to provide safe and secure information and communications services for society to use.

Providing Services that Are Safe and Secure for Children

Basic Policy on Safety and Security

KDDI strives to create a social environment for information and telecommunications that allows children to communicate safely and securely. To that end, we have created the KDDI Basic Guidelines concerning Safe and Secure Communication for Young People.

KDDI's Basic Guidelines Concerning Safe and Secure Communication for Young People

At KDDI we are working to safeguard young people from trouble arising from communication services such as mobile phones and the internet.

We will continue to work to create a truly safe and secure society while building smooth communication services for young people.

Holding the KDDI Mobile Phone Learning Class

In FY2005, we began conducting the KDDI Mobile Phone Learning Class throughout Japan as a way to educate children on the safe and secure use of mobile phones and the Internet. The class provides necessary information on rules and etiquette and teaches them how to identify trouble and protect themselves.

In FY2011, KDDI conducted this class a total of 1,209 times for some 237,000 participants, bring the total number of classes to 4,700, for 900,000 people since FY2005. Mobile phones and the Internet have evolved dramatically during this time, and the environments in which children interact have grown more sophisticated and diverse. Owing to these changes, in April 2012 we completely revised the content of our program, taking into account detailed requests from schools in response to our inquiries. In addition to the core class, we have prepared an optional program that responds to schools' requests involving the safe use of smartphones. We have also updated the course's video content and are conducting training to enhance instructors' skills. The upshot should be an enhanced course that helps children to use mobile phones and the Internet safely and securely.

KDDI Mobile Phone Learning Class

VOICE **Stakeholder Feedback**

Ms. Hiroko Kanoh

Associate Professor
Institute of Arts and Sciences, Yamagata University

Nearly 20 years have elapsed since the Internet and mobile phones first began growing popular. Nowadays, searching for terminology, sending e-mails, Tweeting and updating blogs, referring to electronic dictionaries, and reading online newspapers are commonplace.

This situation puts children and adults in the same environment, viewing the same content. Children are adept at mimicking operations they see, but they cannot look behind the scenes to determine what information adults judge to be credible, and are less proficient at avoiding spam, disguised-sender spoof emails, phishing sites, and other negative influences. For this reason, before children gain access to mobile phones they should be taught how to assess the credibility of information and how to use the Internet and communicate appropriately. I have great hopes for the KDDI Mobile Phone Learning Class in this regard.

Holding the "Everyone's Mobile Phone Summit"

High school students attending "Everyone's Mobile Phone Summit"

In November 2011, we held "Symposium 2011: Everyone's Mobile Phone Summit," attended by experts from a number of fields, as well as children who use mobile phones. High school students participated in the planning of this symposium, which was held for the third time and was designed to serve as a forum for the exchange of opinions among people with different perspectives on the current status of mobile phone and Internet use, as well as regulations and education on safe and secure use.

The high degree of information literacy common among high school students became apparent in their conversations on how they use mobile phones. Accustomed to using mobile phones and the Internet from a young age, they had become conversant in Internet etiquette and were able to speak knowledgably on such topics as blogs and differentiating among the use of multiple social networking services (SNS).

Following the high school students' opinions, experts discussed such topics as the status of smartphone use by children and debated filtering and other issues.

Providing Products and Services that Offer Users Peace of Mind

"Mi-Look" Mobile Pedometer to Help Look after Elderly People

As the number of elderly couples and senior citizens living alone increases, demand for ways to look after seniors has grown among the families living apart from them. In September 2011, we began offering the "Mi-Look" mobile pedometer to address this need.

The "Mi-Look" has a pedometer function to count a senior citizen's steps and automatically sends e-mail notifications to a pre-registered contact at set intervals to notify him/her of a user's activity. The device also serves as a safety tool in emergency situations; simply pulling a strap activates an emergency buzzer. The loud noise alerts surrounding people of a problem, and at the same time a notification of the event is sent, along with the user's location, to the pre-registered contact person. When the "Mi-Look" is placed in its tabletop holder, the contact person is also notified at preset intervals of the number of times the senior is recorded passing in front of the sensor. Functions such as these allow families of elderly people to monitor their everyday situations, as well as emergencies, helping provide assurance to the families of senior citizens even when living apart.

"Mi-Look" mobile pedometer to help look after elderly people

"Anshin Security Pack" and "Anshin App Restriction" for Smartphones

KDDI has introduced "Anshin Security Pack" services for Android™ au smartphones in response to the surge in popularity of smartphones and to ensure their safe and secure use.

This service locks au smartphones remotely in the event that they are lost. 3LM's*1 "3LM Security" platform is provided for unlocking or performing location searches. The package also includes the "Virus Buster™ Mobile for au" application to protect smartphones from accessing improper sites such as one-click frauds and dangerous applications by detecting Android™-targeting viruses and blocking incursions. Operators also act on customers' behalf to make smartphone settings remotely using OPTiM Corporation's*2 "remote support." By packaging these three services together, KDDI provides a safe and secure environment that is easy to use for first-time au smartphone customers.

We also offer the "Anshin App Restriction" service, which is designed to allow children to use smartphones safely by enabling guardians to limit the applications and functions that they can use.

*1 A company that provides security platforms for Android™ devices
*2 A company that provides comprehensive IT support solutions

TOPICS **KDDI Introduces Application Based on Its Own Screening and Verification Standards**

Kei Amano
Head of Smartpass Business Group
Business Department
Advanced Business Development Division

Smartphones allow users to add the apps that they like and enhance specific functions. This freedom to customize makes smartphones attractive, but at the same time it raises concerns about application security. In an effort to provide customers with peace of mind as they use their apps, we have established a proprietary technological development and security standard that provides a "secure app guarantee" to verify their safety. We added apps that meet this standard to the "au Smart Pass" (unlimited use of apps) that we introduced on March 1, 2012, thereby increasing safety.

The number of smartphone apps increases every day. Against this backdrop, through collaboration among KDDI R&D Laboratories, development divisions, and app production companies, we are working to provide customers with safe, high-quality apps.

Material Issue 2 **Offering Reliable Information and Communications Services**

As a telecommunications operator that supports the social infrastructure, KDDI believes that its utmost responsibility lies in continuing to provide customers with stable services of consistently high quality. We undertake a wide range of initiatives to achieve this goal.

Technological Development to Improve Communication Quality

Demonstration Experiment on Real-time HD Transmission for Android™ handsets

KDDI R&D Laboratories held a demonstration experiment using its "Compact Real-time HD Transmitter for Android™ Mobile Phones" and UQ WiMAX to transmit live over the Internet coverage of the "Nagaoka Festival" (city of Nagaoka, Niigata Prefecture) fireworks display, held in August 2011. The experiment demonstrated that live video broadcasting of full high-definition (HD) video was possible with a device that fits into the palm of a person's hand, without requiring access to large-scale broadcasting equipment. The prototype scored well both in terms of maneuverability and high image quality.

The laboratory plans to continue conducting such trials as it moves toward the commercialization of products based on this prototype.


Demonstration experiment

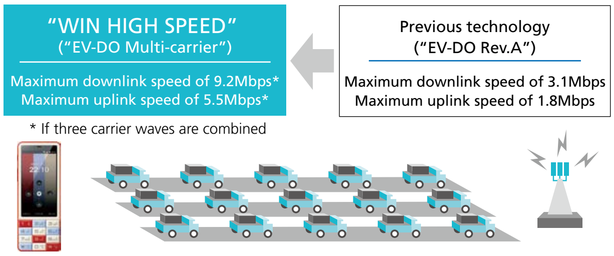
Providing a Convenient Usage Environment

Using "EV-DO Multi-carrier" Technology to Boost Communication Speeds

As part of its data communication infrastructure for au mobile phones, KDDI has introduced "EV-DO Multi-carrier" technology to expand the functionality of "EV-DO Rev.A." We started offering "WIN HIGH SPEED" for high-speed communications, which allows a maximum downlink speed of 9.2Mbps and an uplink speed of up to 5.5Mbps.

This technology boosts data communication speed by combining two or three "EV-DO Rev.A" carrier waves. Using multiple carrier waves simultaneously for a single mobile phone augments data transmission/reception efficiency, making communication speeds up to three times as fast as current "EV-DO Rev.A" technology.

Overview of the "WIN HIGH SPEED" Service



Increasing the number of data transmission/reception "paths" from one to three results in communication speeds up to three times as fast as were possible with the previous technology ("EV-DO Rev.A").

Easing Data Communication Congestion with "EV-DO Advanced" Technology

KDDI checks mobile phone base station congestion in real time and shifts au mobile phones connected to congested base stations to less-congested stations nearby. To make this possible, KDDI developed "EV-DO Advanced" technology to ease congestion across its networks. This service became available in April 2012. Introducing this technology raised data traffic capacity by around 1.5 times, and doubled* average effective communication speed in congested locations.

KDDI aims to create smooth and convenient data communication environments in all customer usage areas.

* Based on KDDI's simulation of mobile phone base station congestions and customer usage conditions

Responding to Administrative Guidance from the Ministry of Internal Affairs and Communications

KDDI received guidance from the Ministry of Internal Affairs and Communications concerning five communication failures and other major accidents related to its au mobile phone services, fixed-line communications services, and corporate services between April 2011 and February 2012. The guidance called for the swift introduction of full measures, including recurrence prevention measures, as well as the reporting on the results of implementation and on initiatives going forward.

Furthermore, a February 22, 2012, meeting of the Ministry of Internal Affairs and Communications liaison committee on countermeasures against mobile phone communication failures called for a report on the results of a complete check of measures to prevent such communication failures from recurring.

On February 14, 2012, KDDI established a Survey Committee, chaired by the president, aimed at preventing recurrence and responding to Ministry of Internal Affairs and Communications guidance and the complete check of the various items requested by the liaison committee on countermeasures against mobile phone communication failures. The committee reported to the Ministry of Internal Affairs and Communications concerning its improvement measures and their implementation.

KDDI offers its sincere apologies for the inconvenience and concern that were caused to customers and related parties as a result of these major accidents. We are introducing countermeasures to enhance reliability going forward by providing convenient communication environments for our customers.

Enhancing Customer Satisfaction

KDDI's commitment to customer satisfaction, by each person from top management down to individual employees, is the foundation of its business activities. We will do our utmost to improve our business and to create a stable, long-term, trust-based relationship with our customers.

Aiming to Enhance Customer Satisfaction

KDDI CS Policy

We have formulated the KDDI CS Policy to embody our "customer-first" management philosophy and to assert this basic guideline to be shared throughout the organization.

KDDI CS Policy

1. Realization of Satisfaction
KDDI treats the opinions and feelings of customers with utmost seriousness, realizing a level of satisfaction acceptable to customers.

2. Customer-orientated Thinking and Action
All KDDI employees, from management down, consider everything from the customer's point of view, respond quickly, and provide a quality service.

3. Working with Customers to Create Better Services
KDDI works together with customers to create better services and business operations.

4. Customer Evaluation
The flip side of customer expectation, KDDI appreciates customer criticism and welcomes the excellent opportunity it presents for realizing satisfaction.

5. Customer Trust
KDDI always keeps its promises to customers, providing thorough explanations acceptable to customers and consolidating customer trust with an honest and fair relationship.

6. Building and Repaying Customer Satisfaction
KDDI is able to increase sales by building customer satisfaction; increasing profits by minimizing costs ensures a return to customers, thus further increasing satisfaction.

7. Recognition of Excellence
KDDI strives to create a workplace environment in which each employee does their utmost for customers in their decisions and actions and employees recognize each others' efforts.

Providing "Anshin Total Support"

In September 2011, KDDI began offering the "Anshin Total Support" service, in which specialized operators address the various issues that customers encounter when using the Internet through its "au one net" Internet connection services.

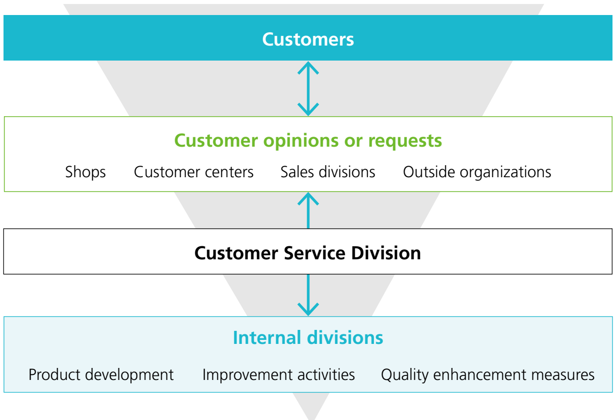
An add-on service for "au one net," "Anshin Total Support" employs specialized operators to handle telephone inquiries and provide remote operations in response to various customer questions regarding Internet network equipment connections and settings, as well as usage procedures. In addition to equipment provided by KDDI, this service addresses settings on PC peripheral equipment and software in a bid to meet broad-ranging customer needs and helps to make Internet environments more convenient.

Improving Operations based on Customer Feedback Received Through the Customer Service Division

KDDI conducts improvement activities based on consumer opinions and requests, suggestions from external organizations, and through other sources of input.

In addition to working swiftly to address suggestions and consultations on a host of fronts, the Customer Service Division liaises with upstream process service development departments, planning departments, management departments, and other related departments to prevent recurrence and enhance customer satisfaction.

Flow of Improvement Activities



Holding "H-1 Grand Prix" Customer Service Contest for "au HIKARI"

One of our initiatives aimed at increasing customer service skills at au shops is to hold the "H-1 Grand Prix" customer service contest, in which competitors explain the benefits of the "au HIKARI" communication environment and test their skills in making customer-satisfying proposals.

From this contest, which was held for the second time in January 2012, 11 members were selected from among the staff at 208 au shops, and the results of their everyday achievements were presented. Some 250 members of staff from agencies and au shops attended to share superior customer service skills.

au shop staff receiving award

Environment

By improving the quality of our environmental management, we endeavor to reduce society's impact on the environment through our business operations and social contribution activities.

Material Issue 3 **Initiatives to Conserve the Global Environment**

With the aim of realizing a low-carbon, recycling-oriented society and achieving biodiversity, KDDI is moving forward with the initiatives "Green of ICT" (reducing the environmental impact of ICT equipment), "Green by ICT" (reducing the environmental impact of society through the use of ICT), and the "Green with customers and employees (Road Project)" (environmental preservation activities in cooperation with customers and employees).

Environmental Management

KDDI Environmental Charter

Manifesto

The KDDI Group recognizes the importance of fulfilling its duty as a responsible global corporate citizen to conserve and protect the Earth's irreplaceable environment so that it can be inherited by future generations. We are committed to pursuing our business in eco-conscious ways, through programs of activities that span the entire company.

Environmental Management Structure

The KDDI Group has formed the KDDI CSR & Environment Committee, comprising members from each division, branch, Group company, and related organization. This committee serves as the center for formulating KDDI's environmental management system and promoting efficient environmental preservation activities throughout the Group. KDDI has acquired international ISO 14001 certification for this management system, which covered KDDI and 21 Group companies as the end of FY2011 (targeting 193 sites and approximately 46,200 people).

Internal Environmental Audits

KDDI conducts internal environmental audits once each year. In these audits, each department is provided with a checklist and asked to evaluate itself, and internal environmental auditors perform a second check on the state of conformity with environmental legislation. In addition, these audits confirm the results of environmental activities and verify the functioning of the system for ongoing improvements.

Appropriate Processing of PCBs

KDDI ensures that transistors, capacitors, and other components that previously included high-concentration polychlorinated biphenyls (PCBs) are disposed of properly in accordance with legislation and the Company's internal processing regulations. This processing is slated for completion in FY2011 through FY2013.

Overview of the Second Medium-term Environmental Conservation Plan

In 2007, KDDI formulated its second Medium-term Environmental Conservation Plan (FY2007 through FY2011), and has achieved all the plan's objectives. With regard to global warming countermeasures, in the category of telecommunication facilities—which accounts for around 98% of the Company's electric power consumption—we developed electricity-saving base stations and introduced slimmer networks to reduce electricity use. As we augment equipment in response to customers' needs, reducing our total consumption of electricity remains problematic. However, energy conservation is an important priority, and we are moving forward with a number of initiatives to reach this goal. Concerning waste reduction and promotion of recycling, we collaborated with an outsourcing company to promote material recycling and worked to reduce final processing waste. To improve our quality of environmental management, we strove to raise employee awareness through education and by conducting internal environmental audits.

We also have formulated the Third Medium-term Environmental Conservation Plan, which goes into FY2012. In accordance with this plan, we will work proactively on sustained initiatives to conserve the global environment.

Results of the Second Medium-term Environmental Conservation Plan

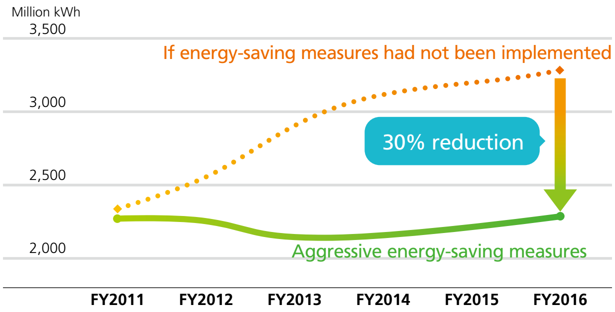
Area of Activities		Targets	Results	Evaluation
1. Global warming countermeasures	CO_2 emissions	1.52 million t	1,218,658.6t	○
2. Waste reduction and promotion of recycling	Resource recycling ratio for retired telecommunication facilities	99%	99.0%	○
	Resource recycling ratio for mobile phones	99%	99.7%	○
	Resource recycling ratio for office waste	70%	77.2%	○
3. Improving the quality of environmental management	Compliance assessments	—	Enhanced internal audits	○
	Enhanced internal environmental audits	—	Conduct e-learning at least once per year	○

Third Medium-term Environmental Conservation Plan
Formulation of the "KDDI GREEN PLAN 2012–2016"

As its new five-year environmental preservation plan beginning in FY2012, KDDI has formulated the "KDDI GREEN PLAN 2012–2016," its third Medium-term Environmental Conservation Plan. This plan introduces three priority issues, "low-carbon society," "recycling-oriented society," and "biodiversity," and sets specific targets for each. To reach these goals, we are promoting 3G Actions ("Green of ICT," "Green by ICT," and "Green with customers and employees (Green Road Project)") to enhance our contribution to environmental preservation.

1 Goals Targeting the Realization of a Low-carbon Society

- By FY2016, we aim to reduce electric power consumption by 30%, compared with the level if energy-saving measures had not been implemented.



- By FY2016, reduce electric power consumption per subscriber by 15%, compared with FY2011.
- By the end of FY2012, increase the number of tribrid base stations* to 100.

* These au mobile phone base stations control three kinds of electric power—power generated by solar panels, power saved in charged storage batteries, and power supplied by power companies—and provide power to base stations in the most efficient way at the time it is used.

2 Goals Targeting the Realization of a Recycling-Oriented Society

- Achieve zero emissions*1 for retired telecommunication facilities.
- Achieve material recycling*2 ratio of 99.8% or more for used mobile phone handsets.
- Achieve a material recycling ratio for general waste of 90% or more at KDDI-owned buildings and in the headquarters building.

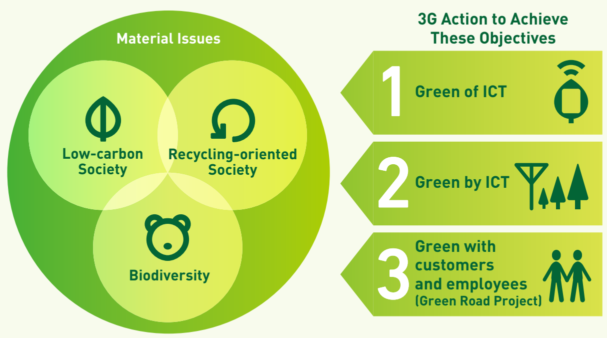
*1 "Zero emissions" is defined as a final processing ratio of 1% or less.
*2 Conduct solution processing of waste and other methods to convert waste to reusable resources.

3 Goals for Preserving Biodiversity

- Pursue activities based on our action guidelines for preservation of biodiversity.

KDDI Action Guidelines on the Preservation of Diversity

1. **Practice Preservation in Business Activities**
   When formulating business plans, consider the impact that these plans will have on related ecosystems and local communities.
2. **Form Alliances and Cooperate with Related Organizations**
   Form alliances and further cooperation with government organizations, NPOs, and the like, incorporating social contribution activities into ICT.
3. **Promote Resource Recycling**
   Continue with resource recycling and take part in proactive measures to prevent the depletion of biological resources and curtail degradation of the natural environment.
4. **Create a Society that Cultivates Biodiversity**
   Educate employees on the natural environment and cultivate an awareness of biodiversity throughout society as a whole.



KDDI GREEN PLAN 2012-2016

Specific Measures Involving 3G Action

3G Action	Issues for Response	Sample Initiative
Green of ICT	Low-carbon society	Building and construction of energy-saving telecommunication facilities, promotion of green procurement
	Recycling-oriented society	Reuse of retired telecommunication facilities, promotion of recycling
Green by ICT	Low-carbon society	Provide teleworking system, promote smart communities
	Biodiversity	Contribute to the preservation of living things through the application of communications technologies
Green with customers and employees (Green Road Project)	Recycling-oriented society	Recycle mobile phones and operation manuals
	Biodiversity	Walk project, forecast conservation activities by employees and their families

Environmental Impact of Business Activities

Of KDDI's business activities, environmental impact is the highest in terms of the CO_2 emitted through the use of electricity in electrical telecommunication facilities and in the industrial waste generated during equipment upgrades. We are working to quantify and reduce these environmental impacts. From the standpoint of using resources effectively, the recycling of used mobile phone handsets is also seen as a priority.

In FY2011, we surveyed KDDI-owned buildings for the use of blown asbestos and confirmed its use in one base station. We plan complete removal of this asbestos by September 30, 2012.

Figures for "effect of environmental conservation (materials)" and "emissions of global warming gas (t-CO_2)" have been retroactively updated dating back to FY2012, to reflect changes in calculation methods.

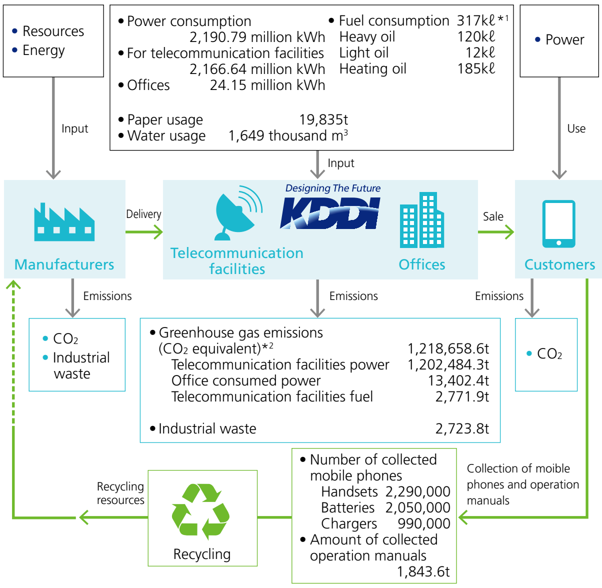
Environmental Accounting

Our environmental investments during FY2011, totaled approximately ¥24.8 billion. This expenditure was related to the installation of wireless equipment, which requires less energy than previous equipment, at 6,492 mobile phone base stations.

Having revised the way we calculate greenhouse gas emissions (t-CO_2) related to the effects (volume) on the environmental, we have revised fiscal 2010 figures retroactively.

Environmental Impact of FY2011 Business Activities

Coverage: KDDI (KDDI non consolidated)



*1 Crude oil equivalent. Used for air conditioning of telecommunication facilities and for emergency generators.

*2 CO_2 emissions are calculated using a conversion coefficient of 0.555 kg-CO_2/kWh for the power consumption and the emission coefficients for fuel consumption applied to the calculation, reporting, and disclosure systems based on the "Act on Promotion of Global Warming Countermeasures."

Coverage: KDDI and 10 major consolidated subsidiaries* Period: April 1, 2011 to March 31, 2012

Environmental Protection Costs		Transaction Examples	FY2011 (Millions of Yen)		FY2010 (Millions of Yen)		Change from Previous Year (Millions of Yen)	
			Investment	Cost	Investment	Cost	Investment	Cost
Business area costs	Pollution prevention costs	Pollution prevention costs stipulated by law, costs for proper disposal of PCBs, etc.	0	104	0	0	0	104
	Global environmental protection costs	Power saving wireless equipment for mobile base station (Investment amount is calculated proportionally based on the power-saving effect.)	24,718	2,595	964	374	23,754	2,221
	Resource recycling costs	Reduction of paper resources, processing and disposal of waste products	71	423	27	675	44	(252)
Upstream/downstream costs		Collection, recycling, and reuse of merchandise and products	0	417	84	164	(84)	253
Administrative costs		Operation and updating of environmental ISO standards, disclosure of environmental information	0	281	0	1,065	0	(785)
R&D costs		Research & Development of technology, equipment, handsets, products, services, and other items conductive to reducing the environmental burden	0	144	66	166	(66)	(23)
Social activity costs		Donations and support for forest conservation activities and to environmental protection groups	0	32	0	12	0	20
Environmental damage restoration costs		Measures for prevention of asbestos spraying, restoration of polluted soil	0	38	0	0	0	38
Total			24,789	4,033	1,141	2,456	23,649	1,576

1. Environmental Protection Benefits (Physical)		Indicator Category (Unit)	FY2011	FY2010	Change from Previous Year
(1) Benefits derived from business area	1) Benefits related to resources invested in business activities	Power usage (MWh)	2,315,672	2,110,104	205,569
		Paper usage (t)	19,898	26,338	(6,440)
		Paper reduced by Bill on WEB (t)	3,244	2,105	1,139
	2) Benefits related to environmental burden and waste products discharged from business activities	Greenhouse gas emissions (t-CO_2)	971,201	925,580	45,621
		Industrial waste emissions related to telecommunication facilities and buildings (t)	4,209	11,629	(7,420)
(2) Benefits derived from upstream/downstream costs	Benefits related to goods and services produced by business activities	Number of used mobile phones and other devices collected (10,000 units)	533	548	(15)

2. Economic Benefits of Environmental Protection Measures (Yen)	Substantive Benefits (Major Effects)	FY2011 (Millions of yen)	FY2010 (Millions of yen)	Change from Previous Year
Revenues	Revenues from sales through disposal of telecommunication facilities and buildings	235	390	(155)
Costs reductions	Reduction in energy costs by adopting the use of low-pollution vehicles	10	8	2
	Reduction in costs of new purchases by reusing disposed of telecommunication facilities	1,748	4,721	(2,973)
Total		1,993	5,119	(3,125)

* KDDI Web Communications, Inc., mediba Inc., JAPAN CABLENET LIMITED (JCN), KDDI R&D Laboratories, 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)

Realizing a Low-carbon Society

Conserving Energy at Mobile Phone Base Stations

Green of ICT

Electricity used to operate mobile phone base stations at a high density throughout Japan accounts for around 60% of KDDI's electricity consumption. Accordingly, KDDI recognizes the conversion of mobile phone base stations to energy-conserving units as a matter of urgent priority and is working toward this end.

Air conditioning equipment was one of the leading consumers of electric power at conventional mobile phone base stations. We have developed "Type-VII" energy-saving wireless equipment that does not require air conditioning and are introducing this equipment at our commercial facilities. "Type-VII" wireless equipment serves the area covered by one base station, but uses 40% less electricity than conventional systems. As the equipment is also compact and lightweight, it places less stress on the buildings and other structures where it is installed. This results in base stations that are easier on the environment and structures alike. By developing and installing environment-friendly equipment such as this, during FY2011, KDDI's average electric power consumption per base station was down by 60%, compared with FY2005.

Common Smartphone Adapter

Green of ICT

In June 2011, KDDI commenced sales of "Common Adapter 03," a rapid-charging and energy-saving device compatible with smartphones.

Smartphones use around 1.5 times the battery power of conventional feature phones. The rapid-charging "Common Adapter 03" raises output from 600mA to 1A, boosting charging speed to between 1.5 and 2 times the standard level. As the adapter complies with the ITU-T L.1000* global standard, it can also be used with smartphones and other devices provided by other companies.

Further, the adapter raises charging efficiency by around 10% compared with conventional AC adapters through reduced power loss during charging. Furthermore, wait time power consumption (the amount of power used when not charging) is decreased by approximately 20%. These savings lower CO_2 emissions, resulting in a more environment-friendly product. As the adapter uses a microUSB standard interface, it extends the AC adapter replacement cycle, helping to reduce waste.

* A standard for adapters developed to reduce environmental impact by allowing one adapter to be used for various devices, thus eliminating the need for multiple adapters.

Common Adapter 03

Provision of "PC Remote Management Service"

Green by ICT

In June 2011, KDDI began offering "PC Remote Management Service," a centralized PC management service for corporate customers. This service depicts reductions in PC power consumption graphically and offers a new menu, "PC Power Savings Management (EnePal PC Pack)*" for reducing power consumption.

"PC Power Savings Management (EnePal PC Pack)" learns PC users' patterns of activity and works on its own to control power consumption. Consequently, the service reduces the amount of electricity that is used without interfering with PC user operations. The service also encourages awareness of power savings by showing PC users their electric power consumption as well as reduction effects, providing administrators with compiled data for all PCs that allows them to monitor activity centrally. This approach highlights unnecessary use of electricity and enables management and comparison by organizational unit. This service is currently in use by numerous corporate customers, where it is contributing to energy-saving measures and reducing their CO_2 emissions.

* "EnePal®" is a registered trademark of NEC Fielding, Ltd.
"PC Power Savings Management (EnePal PC Pack)" uses NEC Corporation's "EnePal PC Pack."

"Electricity Saving Challenge Project"

Green Road Project

KDDI introduced "Electricity Saving Challenge Project" as a service to support power savings at customers' homes in the face of electrical power shortages in the summer of 2011.

Through "Electricity Saving Challenge Project," we recruited monitors in the Tokyo Electric Power service area to participate in "Real-Time Check One Year Course" and "First of the Month Check Three-Month Course." These two programs were part of an initiative to help customers enjoy saving electricity. By comparing their power consumption against the same month of the preceding year and by helping to save energy by shifting consumption to off-peak times, participants were able to earn up to 1,000 au points per month.

KDDI plans to develop further services that will help customers to enjoy participating in energy-saving measures.

Screenshot of the electricity usage confirmation web page of the "Electricity Saving Challenge Project"

Realizing a Recycling-oriented Society

Reusing and Recycling Telecommunication facilities

Green of ICT

KDDI promotes reuse activities that employ retired telecommunication facilities effectively. We determine conversion to this equipment by taking future demand and business developments into consideration. Equipment that has been retired and can be converted is stored temporarily at our resource management center, from which it is shipped to individual sites once the next site of deployment has been determined.

We use material recycling to effectively employ equipment, components, and materials that have become unnecessary.

Subscriber communications network base station terminating equipment (left) and data transfer equipment in temporary storage at a resource management center
Storage racks (right)

Promoting Recycling of Mobile Phones

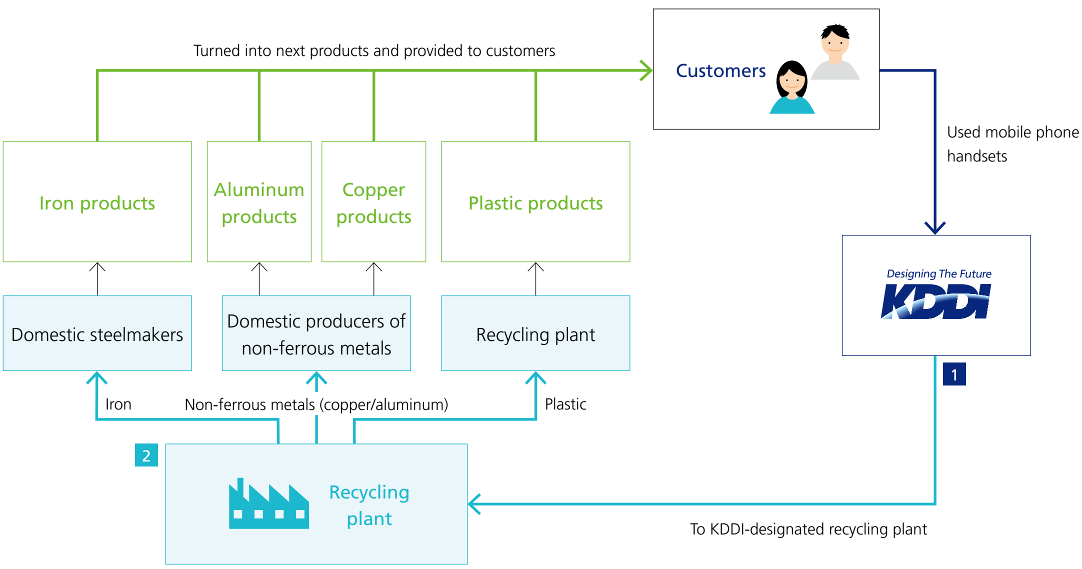
Green Road Project

Mobile phones use gold, silver, copper, palladium, and other precious metals and rare earths. To prevent depletion of the earth's resources, we emphasize the role of recycled metal, plastic, and other resources. KDDI is an active proponent of "material recycling," which involves the reuse of recyclable materials.

At au shops, we manually disassemble used mobile phone handsets that have been collected from customers unit by unit, separating out substrates, displays, cameras, plastics, screws, iron, antennas, motors, speakers, and other items. The substrates are sent to refining companies to extract gold, silver, copper, palladium, and other resources; screws and antennas are dispatched to iron and steel manufacturers for use in steel products; and plastics are recycled into clothes hangers and other items.

When a machine is used to disassemble a mobile phone, substrates and LCDs, plastics, and other components are shredded, so incineration processing is required to recover precious metals. Also, during incineration 20–30% of the plastic is burned up and so cannot be used as a recycled resource. KDDI disassembles phones manually to prevent recyclable resources from being wasted. During FY2011, our recycling ratio was nearly unity, at 99.7%.

Basic Flow for Recycling of Mobile Phones



Personal information leakage prevention through formatting and circuit board destruction using specialized machines

Disassembly conducted by hand to facilitate material recycling

Different recycling processes employed for different materials

Preserving Biodiversity

Acoustic Observaton of Ganges River Dolphin

Green by ICT

Since 2005, KDDI R&D Laboratories—a KDDI Group organization—has been collaborating with the University of Tokyo, the Indian Institutes of Technology, and WWF India* on a conservation project involving the Ganges River dolphin, which is facing extinction due to changing river environments.

The Indian government has enacted strict conservation measures, such as prohibiting fishing, in waters designated as Ganges River dolphin habitats, but the murky waters the dolphins inhabit makes it difficult to visually monitor the effects of these measures, and their biology is not generally well-known. Given these circumstances, determining the Ganges River dolphin's aquatic behavior has become a priority for understanding its biology and enacting more effective protection measures.

The clicking noises and high-frequency sounds in the ultrasonic range that Ganges River dolphins emit in the water can be used to understand the environment that surrounds them. KDDI R&D Laboratories has designed an underwater acoustic observation device and developed technology to determine location based on recognized clicking sounds. These efforts are contributing to biological research on the relatively unknown Ganges River dolphin and appropriate conservation activities.

Continuing this biological research, in December 2011 acoustic observations were begun on the Irrawaddy dolphins that live in the Mahakam River on the island of Borneo. In this way, KDDI plans to continue increasing its contribution to the preservation of biodiversity through the application of existing technologies.

Assembling a hydrophone (underwater microphone) array

* World Wildlife Fund (WWF): An organization for environmental preservation active in approximately 100 countries around the world

Walk Project

Green Road Project

KDDI has introduced "Walk Project" as a type of "Green Road Project" environmental preservation activity that encourages customer participation. In "Walk Project," customers use "au Smart Sports Run & Walk," a service that supports the use of au mobile phones while taking part in sports. For each kilometer that a customer runs, walks, or bicycles, KDDI donates one yen toward environmental preservation in Japan. This project started in 2008 with the dual aims of "encouraging customers to enjoy beauty of nature through walking and running" and "teaming up with customers on efforts to protect the environment." In FY2012, we added a click-on-a-charity function (one click earns one yen) to the campaign site, and enhanced the site to encourage even more customers to participate.

Going forward, while providing customers with enjoyable services KDDI plans to continue developing services that will contribute to environmental preservation.

Presentation of donations collected through Takao-san Walk

"Walk Project" Results during FY2011

Project	Monetary Amount	Donation Recipient
Shimanto-kawa Walk	¥5,882,331	Shimanto-kawa Foundation
Takao-san Walk	¥6,838,616	National Land Afforestation Promotion Organization

VOICE Stakeholder Feedback

Mr. Tamaki Ura

Professor Director
Underwater Technology Research Center
Institute of Industrial Science
The University of Tokyo

By creating robots that could dive in the sea, we became interested in whales and dolphins that behave in the same way. The dolphins inhabiting rivers and lakes are very familiar animals to humans. Around the year 2000, we got sound data from wild Baiji dolphins and start on analyzing their movements based on them. Unfortunately, Baiji dolphins are believed to have already become extinct. Dolphins that inhabit highly turbid water cannot see their surroundings, so they rely on sound. We determined to create technology that could help in observing them, understanding their behavior and protecting dolphins that are in danger of extinction. We can distribute information on dolphins in real time, that are swimming around, unseen to humans, so that we will be able to cultivate interest among people throughout the world.

KDDI R&D Laboratories has advanced technologies involving sound, data processing, and information communication, and is at the cutting edge of underwater technologies, as demonstrated by its subsea cables. Conducting joint research, we established observation stations in India, in the Ganges River and in Chilika Lagoon, where we continue to observe the Ganges River dolphins and Irrawaddy dolphins. In 2012, we are constructing a base in the Mahakam River in Indonesia. We are delighted to be able to apply communications technologies to the benefit of dolphins.

Labour Practices

KDDI is committed to being a company at which all employees feel motivated to work and are able to realize their full potential. To this end, it implements employee education programs and strives to develop the best workplace environment possible.

Material Issue 4 **Vitalizing the Company by Developing a Diverse Workforce**

KDDI takes part in a number of initiatives aimed at providing a workplace that is invigorating for all employees. We promote a work-life balance and workforce diversity, reflect employees' opinions in our personnel systems, and seek to cultivate our human resources.

Promoting a Work-life Balance

Support for Childcare and Home Care

KDDI has in place a broad range of systems designed to help employees balance work with other commitments, such as childcare and nursing care. These systems include maternity leave, childcare absence, shortened working hours for childcare and child nursing care leave, as well as home care absence, vacation time, and shortened working hours for nursing care.

While on childcare leave, employees use a dedicated site so that they can maintain communication with their superiors and take part in e-learning courses. Systems such as these help to ease the sense of uncertainty that employees may feel while on leave.

In May 2011, we instituted a system of variable working hours that can be adjusted on a monthly basis for employees on shortened working hours for childcare or nursing care. The scheme is flexible and allows employees to adjust working hours to their availability.

Number of Employees Using the Childcare and Home Care Support System

(People)

Program		Gender	FY2009	FY2010	FY2011
Childcare	Maternity leave	Women	129	140	143
	Childcare absence	Men	3	3	9
		Women	241	248	253
	Shortened working hours for childcare	Men	1	3	2
		Women	172	305	342
	Child nursing care leave	Men	644	729	634
		Women	296	313	322
Home care	Home care absence	Men	1	3	3
		Women	2	0	4
	Home care leave	Men	—	72	100
		Women	—	21	28
	Shortened working hours for nursing care	Men	0	0	0
		Women	0	1	2

Conducting Forums for Employees Returning after a Childcare Absence

In June 2011, KDDI held a "Forum on Returning after a Childcare Absence," to ease the transition back to work for employees who have taken childcare absences. We also held a "Forum Prior to Returning from a Childcare Absence" in March 2012.

These forums are designed to help alleviate concerns that returning employees may experience about balancing work and home life and to encourage employees returning from childcare absences to think about their working styles once they return. Employees who have themselves returned after this type of absence along with their immediate managers take part in panel discussions, providing a wealth of experienced advice from a variety of perspectives.

The forum prior to returning, held to assist the preparation of employees who will soon be returning after a childcare absence, includes career seminars conducted by external lecturers and discussions with other employees who have returned after an absence.

Forum on Returning after a Childcare Absence

Held "Course on Balancing Work and Nursing Care"

KDDI held its "Course on Balancing Work and Nursing Care" three times during November and December of 2011. Distributed live via streaming video, the courses were intended to raise employee awareness of nursing care issues and encourage them to consider the need to balance work and nursing care.

Outside lecturers were invited to share their understanding of the fundamentals of nursing care and necessary attitudes. The courses helped to enhance understanding about balancing three factors: work, nursing care, and personal life.

Telework Program (Working at Home)

KDDI has introduced a telework program to allow employees to work flexible hours and to boost operational efficiency.

In June 2011, KDDI expanded its network to make the system available to all employees. Taken from the perspective of business continuity, this extension was designed to enable employees to continue working even if travel to the Company was hampered by disaster or other situation.

Adjustable Work Hour System

KDDI wants its employees to use their time at the Company effectively by improving their productivity and aims to prevent them from working long hours. To encourage this behavior, we have introduced a "Adjustable Work Hour System," through which an employee's prescribed number of working hours differs every month or every three months according to their working duties. In addition to the system that we put in place in May 2011 to shorten working hours for employees responsible for childcare or nursing care, the system of variable hours is designed to allow employees flexibility in choosing the number of hours they work.

Promoting Diversity

Our Perspective on Diversity

KDDI recognizes the promotion of diversity as an essential corporate strategy for achieving sustainable growth. We work to create an organization and an environment that allows each employee to maximize his or her skills and that respects and leverages individual differences.

Promoting the Advancement of Female Employees

At KDDI, an internal project called "Win-K" is designed to promote the advancement of female employees by "creating a workplace environment that celebrates and takes full advantage of the power of the individual."

Forum held in an outlaying prefecture

During FY2009, KDDI conducted an awareness survey of all employees, including men, as well as e-learning courses and forums to encourage awareness and promote networking among employees.

Forums were held in eight regions in FY2011. Taking the form of panel discussions, these meetings were designed to encourage enthusiasm for their work among female employees by interacting and exchanging opinions with others. In March 2012, a forum was held at Company headquarters under the theme of "Maximizing Company Output: Moving on the Next Stage." KDDI's president spoke to forum participants, as did female directors from other companies. The gathering provided an opportunity for participants—including directors and male employees—to exchange opinions on the theme of promoting the advancement of female employees.

In FY2011, KDDI's female managerial ratio rose 0.4 percentage point, to 3.2%, up for the sixth consecutive year. We are working toward a target of 7% by FY2015, as we aim to create an environment that is easy to work in, regardless of gender.

Creating a Workplace that Encourages the Development of Employees with Disabilities

KDDI conducts a "Workplace Survey of Employees with Disabilities" throughout Japan as part of its efforts to create a workplace that encourages the professional development of employees with disabilities. In these surveys, managers from the Diversity & Inclusion Department, which is within the Human Resources Department, speak directly with employees with disabilities and conduct hearings in which they speak with their direct supervisors about their everyday conditions. They then interview the employees and take follow-up action. Going forward, we will conduct such activities regularly to ensure the steady progress of these employees following recruitment.

In FY2011, KDDI's employment ratio of people with disabilities was 1.95%, the same level as in the preceding year.

Training and Cultivating Locally Hired Employees

The KDDI Group is placing an emphasis on cultivating employees who have been locally hired overseas.

We provide training that is differentiated according to employees' positions and skills. An understanding of the KDDI Philosophy forms the basis for training, which is augmented with training on practical skills, including business strategy and an understanding of services. We also provide training for local managers that is aimed at cultivating an understanding of Group strategies and the improvement of management skills and management training that cultivates human resources for leadership roles as location managers.

Through group training, we also foster interaction among personnel at overseas locations.

Leveraging the Skills of Senior Employees

KDDI has in place a "reemployment" program for employees who have reached the retirement age of 60, enabling them to work as non-regular employees until age 65. This system employs open recruiting, allowing the employee to select their desired job type and activity. Through this system, more than 200 former full-time employees are working throughout the Company and providing the benefit of their skills and experience in a host of workplaces.

We also hold career development support seminars to motivate employees aged 55 and older.

Creating an Environment with Ideal Working Conditions

"KDDI Kaitai Shinsho" Employee Awareness Survey

KDDI inaugurated the "KDDI Kaitai Shinsho" awareness survey targeting all employees in FY2009. We also conducted this survey in FY2011, under the theme of "Is the Company Changing?".

A large number of employees responded that they believed KDDI had "improved" in such areas as corporate momentum, information sharing, and decision-making speed. In this survey, however, in addition to recognizing changes in the business structure, employees indicated that they felt that forward movement on improvements in the corporate culture and workplace environment had stalled.

We published the results of this survey on the Company intranet, as well as in our internal newsletter. We also conducted level-based training for employees and directors to communicate the issues that the survey had identified and to help invigorate the workplace.

Companywide Training on Organizational Climate Reform

In June 2011, we included "training on organizational climate reform" as an element in training programs for all employees, from young recruits through to directors. This training's objective is to cultivate an organizational climate in which each employee is invigorated and takes pride in their work. It encourages employees to take the initiative in considering what needs to be done, to set their own goals, and to work on their own.

Direct Communication

KDDI seeks to foster a sense of togetherness throughout the organization (strengthening lateral ties across the workplace) through "direct communication" at locations around Japan. Divisions and branches freely plan combinations of events including "meetings," "training camps," "lecture meetings," and "calls to action" that provide an opportunity for interaction among divisions and a chance to air opinions frankly.

Employee-management Dialogue (Direct Meetings)

KDDI conducts "Direct Meetings" to encourage the candid exchange of opinions between employees and management. In FY2011, exchanges of opinions took place on various themes, such as the organizational climate and business continuity plans (BCPs). Through such meetings, we aim to reflect employee feedback in management, as part of our effort to build a better workplace environment.

Direct Meeting in session

Enhancing Environment for the Internal Sharing of Information

We have augmented our communication tools to enhance the internal sharing of information via streaming video and in-house SNS*.

This enables employees to view announcements of Company direction and other information at their own PC, either live or on demand, and also allows them to easily access employee opinions and information about other departments as well as meeting materials.

This approach facilitates the smooth and swift sharing of messages from management and internal information.

* Social Networking Service (SNS): A web-based service for cultivating interaction between people

Occupational Safety and Health

Employees' Health Management

KDDI provides health guidance to employees who undergo regular health checks. We have also reinforced our efforts targeting the prevention of lifestyle diseases, complying with the legal requirement to provide Special Health Checkups and Special Health-maintenance Guidance that went into effect in FY2008.

We also have a Healthcare Room and a Refresh Room to encourage employee health maintenance and recovery. Employees can take a temporary rest in the Healthcare Room when they are not feeling well, and receive first-aid care and health counseling. At the Refresh Room, nationally qualified masseurs (health keepers) work to ease away back and neck aches and soothe tired eyes, helping to promote employee health.

Refresh Room

Promotion of Mental Health Care

Throughout society, an increasing number of people suffer from mental health issues. In response, at its Employee Counseling Center KDDI conducts counseling, proactively encouraging self-care and line care. We also require employees working more than a prescribed number of hours to consult with industrial physicians and medical staff to preempt any mental health problems. We have set up the "Mind Clinic" site on our company intranet as a repository of information related to mental health, including stress checks and other types of self-care and line care, to cultivate employee awareness of this issue.

Human Resource Cultivation

Self Career Produce System (SCAP)

In FY2008, KDDI introduced a Self Career Produce System (SCAP) to spark employees' enthusiasm and evoke a spirit of challenge by enabling them to chart their own career courses. The system enables employees to transfer to departments of their choice after they have accumulated a certain amount of experience in their current positions and have earned positive evaluations. During FY2011, approximately 130 employees took advantage of this system.

Management by Objectives System

Under a system of management by objectives, employees and their supervisors meet to determine an employee's "personal objectives," which feature a combination of Company and organizational targets and individual targets for the employee, and are designed to encourage a sense of challenge that will spur employees on to further efforts toward personal growth. This system is linked with employee evaluations. Since FY2009, the results of this system have become apparent, and we intend to continue promoting this system because of its process-focused performance, as well as the way in which it encourages fair and highly transparent personnel evaluations.

Overseas Dispatch Employee Education Program

KDDI first established a program through which employees are given the opportunity to gain experience at overseas operating sites in FY2010. This system aims to cultivate and expand opportunities for global human resources and foster employee efforts to develop their careers on a global stage.

The system is open to employees who have achieved a predetermined number of years of work experience and who pass an internal examination. Following work experience and training in divisions related to international operations in Japan, successful candidates are assigned to Group companies overseas, taking into account the Company's needs and their own aptitudes.

Global Human Resource Cultivation Measures in Japan

KDDI refers to departments in Japan that have a need to quickly cultivate human resources capable of functioning on the global stage as "Global Zones." Working with the Company's personnel department, these "Global Zones" conduct intensive training in languages and global competency (such as communication, interpersonal skills, and response to diversity). Employees in these "global zones" also undergo skills training tailored specifically to the needs of individual divisions.

The Company holds various seminars and preparatory courses to enhance the language skills of all employees, introduces staff to language training programs, subsidizes TOIEC exam-taking, and provides support in other ways.

Overseas Study Program

KDDI has introduced two overseas study courses, "Business Study Abroad" and "Specialized Study Abroad."

Under the "Business Study Abroad" program, employees attend an overseas university for 3–4 months and interact with a number of global businesspeople. Through this process, the program aims to encourage employees to learn about global standards for business ethics and frameworks, as well as to master business promotion methods.

Employees taking advantage of the "Specialized Study Abroad" system spend about a year at an overseas university or specialized institution. They participate in advanced research and development in areas that the Company deems necessary, gaining sophisticated specialized expertise. The training is aimed at helping employees acquire up-to-date international skills and certifications.

Seven employees participated in these programs in FY2011.

Overseas Trainee System

By allowing employees to take part in sales operations, technical support, and through other practical experience, the overseas trainee system helps them learn more diverse values and different business practices. This experience is intended to cultivate superior human resources who have global sensibilities and can conduct business smoothly under such circumstances.

This training is offered to young employees who have a certain number of years of experience. In principle, they are dispatched to overseas locations for a two-year period. Their destination is determined according to the appropriateness and requests of the operation to which they will be assigned. At the end of their dispatch period, employees return to their original organization to apply the experience they gained as trainees. During FY2011, the program helped to boost the skills of the 10 new employees who participated.

VOICE Stakeholder Feedback from Experience of an Overseas Trainee

Takahiro Deguchi
(Back row, center)

Qingdao Branch
KDDI CHINA CORPORATION
(At time of overseas training)

During my two-year training period, I spent the first year in Beijing, taking part in language training and learning business basics through on-the-job training. The second year, I worked in Qingdao, in charge of proposing solutions to customers at the local branches of Japanese-affiliated companies. The languages are different, but the ways we provided solutions to customers are the same as those in Japan. That said, I frequently struggled with common practices and values that differ between Japan and overseas. When facing these difficulties, the support and teamwork of my local colleagues helped me adopt the mental attitude I needed to push forward on my own. Through this experience, in addition to communication skills I learned the importance of cultivating people skills. I learned how to benefit from friendly competition, as well as by strengthening my own efforts, and this valuable experience renewed my sense of purpose.

Human Rights

In line with "KDDI Code of Business Conduct (Basic Principles)", KDDI strives to encourage respect for human rights within its management activities.

Our Approach on Human Rights

The "KDDI Code of Business Conduct" defines our basic principles on maintaining respect for human rights and individual characteristics throughout all our business activities. The guideline celebrates the diverse values of our employees, clearly prohibiting discrimination on the basis of such factors as gender, age, race, place of birth, religion, or disability, as well as any behavior that disrespects human rights, such as violence, sexual harassment, and power harassment.

Boosting Employment Opportunities

Promoting Employment Opportunities at Special Subsidiary KDDI Challenged Corporation

We set up KDDI Challenged Corporation in 2008 to further expand employment opportunities for people with disabilities.

The company strives to instill in employees with disabilities the awareness of what they can achieve. With a working environment tailored to the needs of these individuals, KDDI Challenged seeks to create and expand the types and scope of activities of each of its employees.

As of March 2012, the company employed 30 people with disabilities. Among the business that these employees handled under contract from the KDDI Group are the disassembly of mobile phone handsets, performing maintenance on business mobile phones, handling accounting procedures, PC kitting*, facility maintenance, and Refresh Room operations.

During FY2011, the company supported special-needs schools' educational programs by accepting 41 interns.

As part of our group training for new KDDI Group employees, we provide recruits with an opportunity to work with people with disabilities by having them work for a time at KDDI Challenged.

* The process of setting up a PC operating system, installing applications, and other activities

Mobile phone handset disassembly

Creating Sound Labour—Management Relations

Signing a Union Shop Agreement

KDDI works with the KDDI Workers Union to promote employee welfare and social development under the banner of "Building a better KDDI." We meet regularly to deliberate a host of issues related to improving the working environment and strive to create sound labour-management relations.

To encourage even better relations between employees and management, in December 2012 we signed a "Union Shop Agreement." This accord makes membership in the KDDI Workers Union mandatory for all employees, except for managers and non-regular employees.

Efforts to Eliminate Information Disparities

Developing Internet Business in Bangladesh

In 2009, KDDI took a stake in BRACNet and began taking part in operations as part of its efforts to develop Internet business in Bangladesh. Although experiencing rapid economic growth, Bangladesh currently has a poverty rate of more than 30% and a literacy rate of around 50%.

Under these conditions, BRACNet aims to contribute to Bangladesh's development through Internet operations. In addition to standard Internet services, the company operates e-hut, a franchised Internet café business that currently extends to some 50 locations. People who are not able to purchase PCs or enter into Internet service agreements can access the Internet via e-hut, putting them in touch with the rest of the world. In addition, e-hut provides PC training, thereby helping to educate the young people who hold the key to Bangladesh's future.

Going forward, we will continue to enhance the appeal of these facilities by improving their services and increasing the number of locations.

PC training in process

Fair Operating Practices

KDDI strives to ensure the trust of its business partners, shareholders, and investors through fair and impartial business activities and proper and appropriate information disclosure.

Forging Fair Relationships with Business Partners

KDDI Purchasing Policy

We have established the KDDI Purchasing Policy as our guideline when purchasing products and services. In agreement with this policy, we comply with numerous laws, regulations, and social norms and strive to foster mutual understanding and forge trust-based relationships with our business partners.

KDDI Purchasing Policy

Fair and Open Transactions and Maintaining Confidentiality

We will observe all laws and regulations pertaining to purchasing activities and conduct fair transactions on an equal basis with business partners. We will provide all business partners the opportunity for fair and open competition, and we will protect all confidential information that we gain through our purchasing activities.

Selecting Business Partners

"Quality, price, delivery date, service, reliable supply, and environment"
All of these are important factors that are essential for conducting a transaction. When starting a transaction, all of these factors will be examined comprehensively for selecting business partners who are suitable as KDDI partners.

Partnership

Based on our commitment to develop even stronger partnerships with all our business partners, we will strive to deepen mutual understanding, and build and maintain a relationship of trust.

Promoting Green Purchasing

The conservation and preservation of the global environment is the single most important issue for mankind in the 21st century.
To maintain an affluent society in harmony with the environment, we will actively work to save resources, save energy, and recycle, and we will promote green purchasing in an effort to protect the environment.

Reinforcement of Partnerships with Business Partners

In FY2006, KDDI conducted a questionnaire-based survey of its business partners, as well as its own departments that place orders with these companies, with the aim of achieving mutual improvements in operational quality. We also create opportunities to provide direct feedback of questionnaire results to business partners and have in place award systems for recognizing business partners that earn particularly high marks. Through efforts such as these, we focus on reinforcing our partnerships.

Disclosure and IR

IR Basic Policy and Activity Guidelines

KDDI has formulated an IR Basic Policy, which it discloses on its website, explaining such matters as fundamental thinking regarding IR activities and the system for disclosing pertinent information. KDDI conducts its IR activities in accordance with its "Three IR Activity Guidelines." As a result, we aim to build long-term trust-based relationships with our shareholders and investors and maximize our corporate value.

Three IR Activity Guidelines

- Open IR activities
- Proactive IR activities
- Organized IR activities

IR Activities in FY2011

Earnings presentation meetings are held quarterly to allow management to directly communicate the Company's results. We also enhanced communications during FY2011, through such methods as meeting with investors approximately 800 times and attending conferences sponsored by securities firms.

Furthermore, we provide management with feedback incorporating the opinions of shareholders and investors in a timely manner.

Third-party Ratings

In FY2011, KDDI received Internet IR Best Company Award in 2011 by Daiwa Investor Relations Co., Ltd., making it the seventh consecutive year of receiving award evincing high third-party regard. As of April 2012, KDDI is also included in the Morningstar Socially Responsible Investment Index* in Japan, a principal indicator of socially responsible investments.

* 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.

Community Involvement and Development

KDDI conducts a variety of social contribution activities and aids community development through the development of technologies and grant activities. In these ways, we fulfill our role as a member of local communities.

Social Contribution Activity Promotion

Social Contribution Policy

Basic Principles

Operating in accordance with the KDDI Philosophy, by satisfying all its stakeholders the KDDI Group seeks to contribute to society's happiness by encouraging fulfilling lives for people around the world in a sustainable manner.

Behavioral Guidelines

1. As a company involved in information and communications business, KDDI recognizes its social responsibility to address societal issues through the use of information and communications technologies (ICT). We aim to provide appropriate communication environments that are safe and secure for all people.
2. KDDI has established medium-term themes for its social contribution activities in five areas: "bridging the digital divide*," "sound development of youth," "environmental conservation," "social and cultural support," and "support in times of disaster." By maximizing our application of such resources as networks, products and services, we conduct social contribution activities through ICT, in a manner characteristic of KDDI.
3. Through communications with stakeholders, we notify and share information concerning ongoing improvements in the content of our operations, thereby contributing to society's development.
4. By sharing with KDDI Group employees our directions on social contribution activities, we pursue independent-minded activities as a good corporate citizen in the aim of achieving sustainable growth in tandem with society.

* Issues that arise are a result of disparities between the "haves" and "have-nots" of access to PC and Internet information and communications technologies.

The "+α Project" for Employee-participatory Social Contribution Activities

The "+α Project" is a social contribution program run proprietarily by KDDI and driven by employee participation. In this project, we grant points to project members for their social contributions, whether performed in conjunction with or independent of KDDI. Accumulated points are converted to monetary amounts, at the rate of ¥100 per point, based on which KDDI makes donations to charity groups recommended by members. As of March 31, 2012, approximately 4,500 employees throughout Japan were registered as project members. During FY2011, through this project we contributed ¥3,315,300 to 14 organizations including NPOs and NGOs, such as the NPO Association for Sending Wheelchairs to Children Overseas.

"Pieces of Hope" Click Donation Site

"Bring together many small friendly feelings to make a big hope." With this wish in mind, KDDI has opened a click-based donation site, "Pieces of Hope," on its website. Each click on the donation page is converted to ¥1, and KDDI donates the total amount to NPOs that undertake social contribution activities. In FY2011, KDDI donated ¥2,327,727.

Educational Support for Local Communities

Educational Support via Tablet Terminals (Multifunction Portable Terminals)

Based on the "Vision to Introduce Information Systems into Education" announced by Japan's Ministry of Education, Culture, Sports, Science and Technology, KDDI is contributing to the adoption of ICT for high-quality education, specifically for schools, home education, and personal learning.

To start out, in October 2011 KDDI embarked on a trial using Android™ tablet terminals as tools for both personalized basic learning programs and cooperative learning programs with cooperation from the Yokohama Municipal Shirata Elementary School. For this trial, KDDI provided the tablet terminals (multifunctional mobile terminals) and network environment, as well as a variety of applications, such as arithmetic drill applications* that cater to individual progress by remembering their response history.

In December 2011, we used a video application to hold open classes for all education providers throughout Japan. Tablet terminals were used to record and evaluate student speeches. This application was also used in gymnastics classes, using the two-screen comparison function to see differences between the model and their own form.

Going forward, we will continue to conduct tests on the viability of ICT in the educational environment, providing support in response to those needs.

* Drills were provided by Shogakukan.

Open class in session

Application screen for arithmetic drills

Communication with Local Communities

KDDI strives to deepen communications with people in local areas and takes part in activities that contribute to local communities.

Principal Social Contribution Activities during FY2011

FY2011	Apr.	Participated in the "City of Yamaguchi Niho Region Ayu Outfall Event" (Yamaguchi Pref.)
		Held "Opening for the General Public" at the Koyama Network Center (Tochigi Pref.)
	Jun.	Participated in the "No Trash Clean Walk" (Hiroshima Pref.)
		Participated in the "Love Earth Cleanup in Hokkaido" (Hokkaido Pref.)
		Participated in the "Nakaumi-Shinji Lake Complete Cleanup" (Shimane Pref.)
		Participated in the "City of Takamatsu Mitani Region Cleanup Activity" (Kagawa Pref.)
	Aug.	Conducted "CSR Seminar" at Kochi University of Technology (Kochi Pref.)
		Participated in "Yamaguchi Polity / Yamaguchi Rally Cleanup Movement" (Yamaguchi Pref.)
	Sep.	Participated in the "Tottori Sakyu Complete Cleanup" (Tottori Pref.)
	Oct.	Participated in the "Hirosegawa 10,000 Person Project Complete Cleanup" (Miyagi Pref.)
	Nov.	Participated in the "Yamaguchi Prefecture Noho Agricultural Festival" (Yamaguchi Pref.)
		Participated in the "Cleanup Movement by Three Companies Near Yamata Region in the City of Goga" (Ibaraki Pref.)
		Participated in the "Clean Day Cleanup Activity in Front of Hakata Station" (Fukuoka Pref.)
	Dec.	Participated in welfare activities by "Team Santa," a volunteer organization (Tochigi Pref.)
FY2012	Jan.	Participated in "Chiyoda-ku Disaster Evacuation Preparations for People Unable to Return Home" (Tokyo Pref.)

Charity Concerts and School Construction

Cambodia, which was embroiled in civil war from the 1970s through the early 1990s, is currently in a recovery phase, including on the educational front.

Each year since 2005, the KDDI Foundation* has held charity concerts to support Cambodia. KDDI augments the funds that are raised through these concerts, which are provided to Japan Relief for Cambodia, an NGO, to build schools.

Through these activities, each year a "KDDI School" is constructed to cultivate human resources that are adapted to internationalization and the use of ICT. In January 2012, the seventh such school was built, in Takeo Province. The school's opening ceremony was attended by several hundred people, including students, staff, village inhabitants, and Cambodia's Minister of Posts and Telecommunications, who hails from Takeo Province. One cultural activity that took place during the school's opening involved a performance of "Sbaek Thom" (large shadow puppets), a traditional Cambodian art. A workshop was also held to help children learn about Sbaek Thom and uphold their cultural heritage. After sunset, a fire was kindled in the school yard and, guided by the theatrical troupe, children decorated the night with Sbaek Thom shadow puppets of their own.

Sbaek Thom lesson

* This public interest incorporated foundation's mission is to share the benefits of ICT more broadly throughout society and to contribute to the creation of global harmony through ICT.

Educational Support in Developing Countries

At the schools funded by the revenues from charity concerts and other contributions in Cambodia, KDDI supports English-language instruction and computer classes, in addition to the standard school curriculum. Recognizing that these skills will be essential for children to become proficient in using PCs and other equipment that is connected to the Internet, we provide contributions to pay the salaries of specialized instructors and work to improve the educational environment at these schools in other ways.

Development and Provision of Technological Expertise

Development of Grant Activities

The KDDI Foundation contributes to the proliferation and development of ICT through survey-based research, social and cultural activities at NPOs and other organizations, grant assistance to foreign exchange students, and through awards for research projects of particular merit, providing ¥80 million for such activities each year. The Foundation also conducts scientific demonstration classes for students at university-affiliated elementary and junior high schools.

The Foundation provides financial assistance to overseas students who come to Japan to conduct ICT-related research in official graduate school programs. In FY2011, the Foundation also began funding grants for Japanese students for study overseas (particularly in emerging markets and developing countries).

Grant Presentation Ceremony

Project Aimed at Bridging the Digital Divide

As a company that provides information and communications services, we recognize bridging the digital divide in developing countries as a social issue that requires proactive initiatives. The KDDI Foundation has been working to resolve this problem since FY2002.

In FY2011, we designed and built a communication system linking Majuro, the capital of the Marshall Islands, with the island of Megit, where only shortwave-based voice communications had been available. We also conducted a survey and research on promoting ICT activities to improve the lives of people in Vietnam with visual disabilities.

Accepting Trainees from Overseas and Provision of Technological Consulting

The KDDI Foundation has conducted activities involving the "acceptance of trainees from overseas" since 1957, via Kokusai Denshin Denwa Co., Ltd. (KDD). As of March 2012, through this program the Foundation had accepted a total of 5,600 trainees, from 144 countries. As many of these trainees take up key positions after returning to their home countries, through this program the Foundation makes a major contribution to the cultivation of human resources in developing countries.

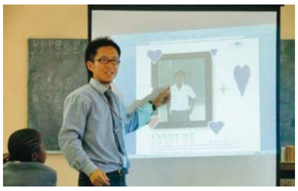
The Foundation also conducts technological consulting as official development aid. Projects conducted in this vein include the "North-South Submarine Fiber Optical Cable Link Project in Vietnam" and the "Greater Mekong Telecommunications Backbone Network Project."

Overseas trainees

Training

Japan Overseas Cooperation Volunteers and Senior Overseas Volunteers

KDDI participates in Japan International Cooperation Agency (JICA) programs involving young overseas cooperation volunteers and senior volunteers, enabling employees to maintain their ties with the company while participating in such programs. We also provide support so that they can be of ample assistance to developing countries during their stay there. To date, 61 KDDI employees have taken part in these two programs, providing ongoing assistance to 22 countries.



Employees conducting a computer class at a junior high school in the Republic of Namibia, where he were dispatched

Computer class

"KDDI Sponsored Classes" Conducted at Tamagawa University

KDDI and the KDDI Foundation have cooperated so far in the planning and introduction of 15 "KDDI Sponsored Classes" for students of Tamagawa University's Department of Software Science. A class introduced in FY2010, involved looking at the ICT business, with a focus on mobile systems, providing a macro overview from an engineering perspective through lectures attracting a broad range of students. By augmenting the content of courses such as these, we plan to continue with efforts to attract and cultivate a broader base of young engineers.

Establishment of "KDDI ∞ Labo"

In August 2011, KDDI introduced a program called "KDDI ∞ Labo (Mugen Labo)" to spark the imagination of young engineers toward the creation of innovative Internet services that could be used globally. From its perspective as a provider of communications services, KDDI screens applicants who have applied to the program through open recruitment, providing those selected with broad-ranging support, spanning development support, management support for business startups, and help with promotion, funding, and business alliances. We also provide space for communication within KDDI's offices and loan engineers the terminals and servers they need to develop services while also offering support in various other areas.

In the first phase of this program, conducted between August and October 2011, from nearly 100 applications we selected five teams to participate. After screening, the winning application was for "Social Lunch," an application that can be set to allow Facebook users to invite each other to lunch.

The second phase of this program commenced in March 2012, and we continue support the transformation of creative ideas and technologies into viable businesses.

"KDDI ∞ Labo" program participants

International Cooperation for R&D on Cyber Attack Forecasting Technology

KDDI represents a research institution comprising six companies and organizations on a publicly subscribed R&D project tendered by the Ministry of Internal Affairs and Communications, "Proactive Response Against Cyber-attacks Through International Collabotative Exchange."

In recent years, unauthorized access, information exploitation, and other types of cyber attacks have grown in scale and become increasingly sophisticated. Through this project, the Ministry of Internal Affairs and Communications seeks to enhance information collection networks and international collaboration related to cyber attacks. To this end, the ministry is promoting cooperation among Internet service providers (ISP), universities, and other organizations on the promotion of "Proactive Response Against Cyber-attracks Through International Collaborate Exchange"

As part of this program, KDDI has installed sensors to monitor for cyber attacks at several overseas locations. Also, in cooperation with KDDI R&D Laboratories and Nanotechnologies, the Institute of Systems, Information Technologies and Nanotechnologies, SecureBrain Corporation, Yokohama National University, and Japan Datacom Co., Ltd., KDDI is promoting cutting-edge R&D related to the early detection and prevention of cyber attacks through international collaboration. Through this project, we aim to ensure the safety of important network infrastructure an essential part of Japan's business foundation.

Corporate Governance

Mission Statement/Corporate Governance Promotion Framework

Mission Statement

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, 17 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.

Mission Statement 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.

Corporate Governance Promotion Framework

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.

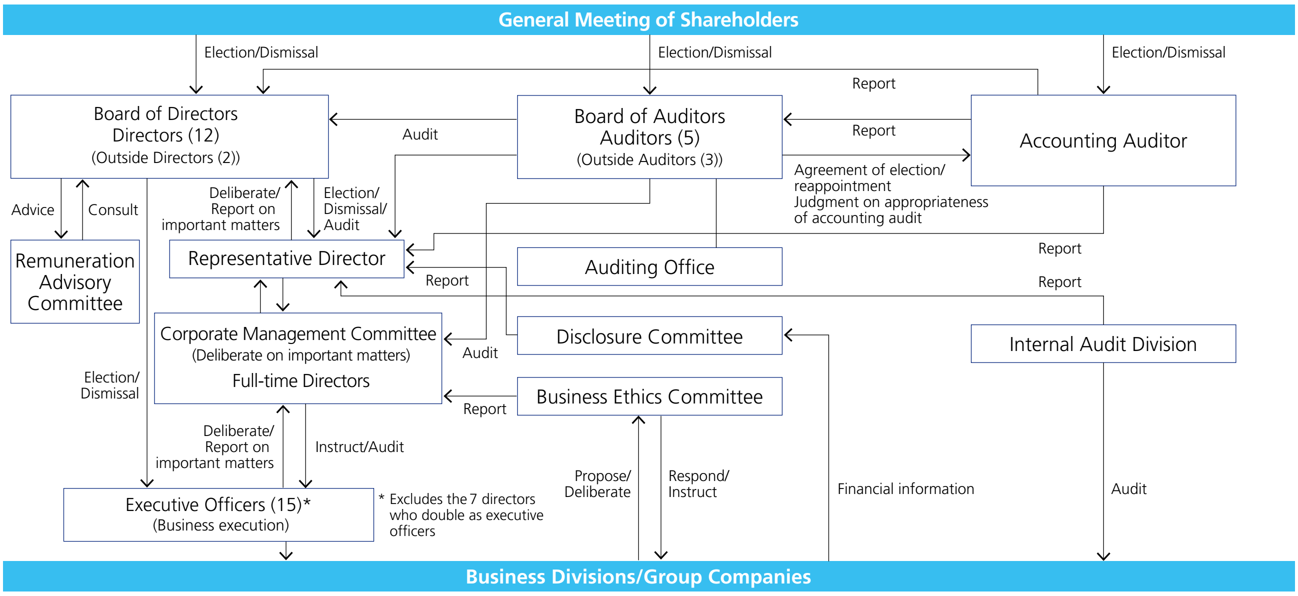
The Remuneration Advisory Committee, of which more than half of its members including the chairman consist of outside directors, provides advice on remuneration to executives.

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.

Corporate Governance Framework (As of June 20, 2012)



Major Activities of Outside Directors and Outside Auditors

Directors

- In his post as director, Makoto Kawamura attended ten of the ten meetings of the Board of Directors.
- In his post as director, Shinichi Sasaki attended nine of the ten meetings of the Board of Directors.

Note: The outside directors attend meetings of the Board of Directors as indicated above. At these meetings, they asked questions to clarify points and provide opinions based on their experience and accomplishments.

Auditors

- In his post as auditor, Masayuki Yoshinaga attended nine of the ten meetings of the Board of Directors and seven of the eight meetings of the Board of Auditors.
- In his post as auditor, Yoshihiko Nishikawa attended ten of the ten 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 nine of the ten meetings of the Board of Directors and seven of the eight meetings of the Board of Auditors.

Note: The outside auditors attend meetings of the Board of Directors and Board of Auditors as indicated above. At these meetings, they asked questions to clarify points and provide opinions based on their experience and accomplishments.

Remuneration for Directors and Auditors

		Number of Directors/Auditors	Remuneration (Millions of yen)
Directors	Outside Directors	3	18
	Others	10	517
Auditors	Outside Auditors	3	34
	Others	2	47

Notes:
1. The above-stated remuneration for directors includes amounts for one director who stepped down at the end of the 27th Annual Meeting of Shareholders, held on June 16, 2011.
2. 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.
3. 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.
4. Remuneration amounts outlined above included the following Board members' bonuses, which were defined as being linked to performance and no more than 0.1% of consolidated net income for the applicable fiscal year by a resolution of the 27th Annual Meeting of Shareholders, held on June 16, 2011 10 Directors: ¥130.56 million.
5. Remuneration amounts for directors included: Stock acquisition rights granted to seven directors by a resolution of the Board of Directors at a meeting held on July 23, 2009.
6. 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 FY2011 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.

Policies 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.

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) Based on our experience with the Great East Earthquake, the Company has developed a business continuity plan (BCP) that contains measures to reduce exposure to risks that could impact operations in serious or long-lasting manners, such as by forcing the halt of operations. Further, we are instituting various emergency response drills, including those for responding to large-scale natural disasters.

Protecting Intellectual Properties

KDDI's commitment to creating and protecting intellectual properties and respecting the intellectual property rights of others is defined in the basic policies of the KDDI Group Business Ethics Committee.

In addition, the Company has established the Intellectual Properties Office, a specialized department for the protection and management of intellectual properties.

Further, it has formulated intellectual property handling regulations to ensure the proper management and usage of KDDI's inventions, ideas, designs, trademarks, and other industrial properties; software and other copyrighted materials; and technologies, expertise, and other rights protected under the Unfair Competition Prevention Act.

Structure as a Telecommunications Carrier

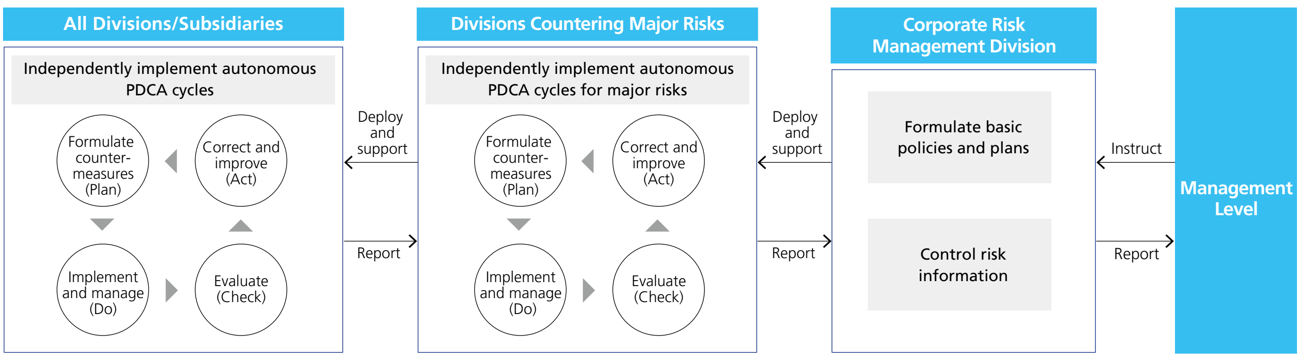
(1) The protection of telecommunications privacy is fundamental to the KDDI Group's corporate management, and we take steps to ensure that privacy is strictly protected.

(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 Group-wide measures to enhance information security.

Enhanced Information Security Measures

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.

In April 2009, we acquired information security management system (ISMS) certification* (ISO/IEC27001) for the entire company. Since then, we have continued to implement measures to improve information security centered on the maintenance of these systems. During FY2011, all employees took part in regular e-learning courses, and we held special training courses for division managers. In this manner, we focused on preventing information security accidents and raising employees' awareness.

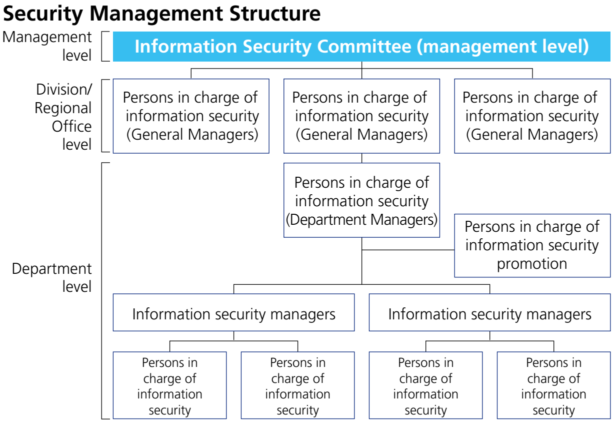
On the technical side, we have introduced a number of systems to prevent email sending mistakes and information leakages. These include introducing features into the Company's internal email systems that temporarily hold emails before sending them and automatically encrypt attached files. KDDI also has developed a remote access environment that enables employees to safely access the internal network and use work-related systems from outside of the Company. This system was originally introduced in 2009 to be used on limited basis in the case of disease pandemics. However, following the Great East Japan Earthquake in 2011 and in response to the subsequent need for electricity-saving measures in the summer of that year, usage of this system was expanded to approximately 10,000 employees. While maintaining high levels of security, we also introduced a second, highly convenient internal network that can be accessed from a wide variety of devices including smartphones.

In FY2011, we established the KDDI Group Information Security Standards to be used as a guideline for information security measures at subsidiaries. In this way, we are strengthening information security management measures throughout all KDDI Group companies.

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

* This is a third-party certification system for information security systems. It was established with the goal of contributing to widespread improvements in information security and encouraging companies to target levels of information security that can be trusted around the world.

Security Management Structure



ISMS Certification at KDDI

Number of Registrations	Organization	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.

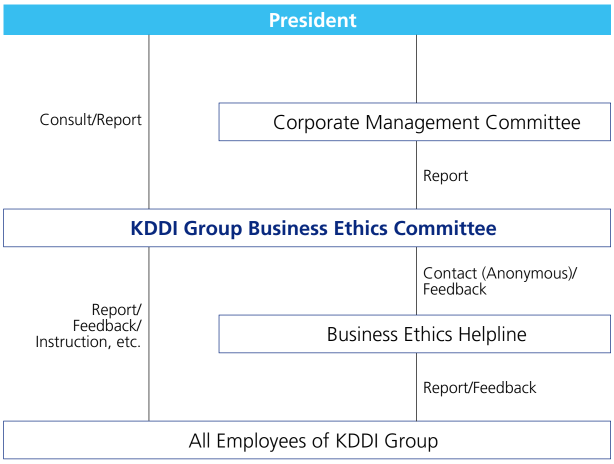
Further, we are strengthening information security management measures at domestic and overseas subsidiaries as well as at subcontractors in pursuit of even higher levels of security.

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. We have also established the KDDI Code of Business Conduct as a code of conduct for all employees. This guideline was revised in April 2001, taking social circumstances into account.

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

KDDI has set up and conducts compliance classes, which are being steadily implemented during various types of employee training.

Key Training Accomplishments FY2011

New employee training	Approx. 210 people
e-learning (training for all employees)	Five times in total

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.

In FY2011, a total of 16 reports were received through this Helpline. Internal investigations were conducted primarily by the Business Ethics Committee with regard to the issues reported, and information regarding reporters was kept confidential. When problems were uncovered, steps were taken to rectify the situation including proposing improvements and instituting measures to prevent reoccurrence.

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.

Internal Controls

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 FY2010 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 FY2008, 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 2012, as well as disclosed to investors.

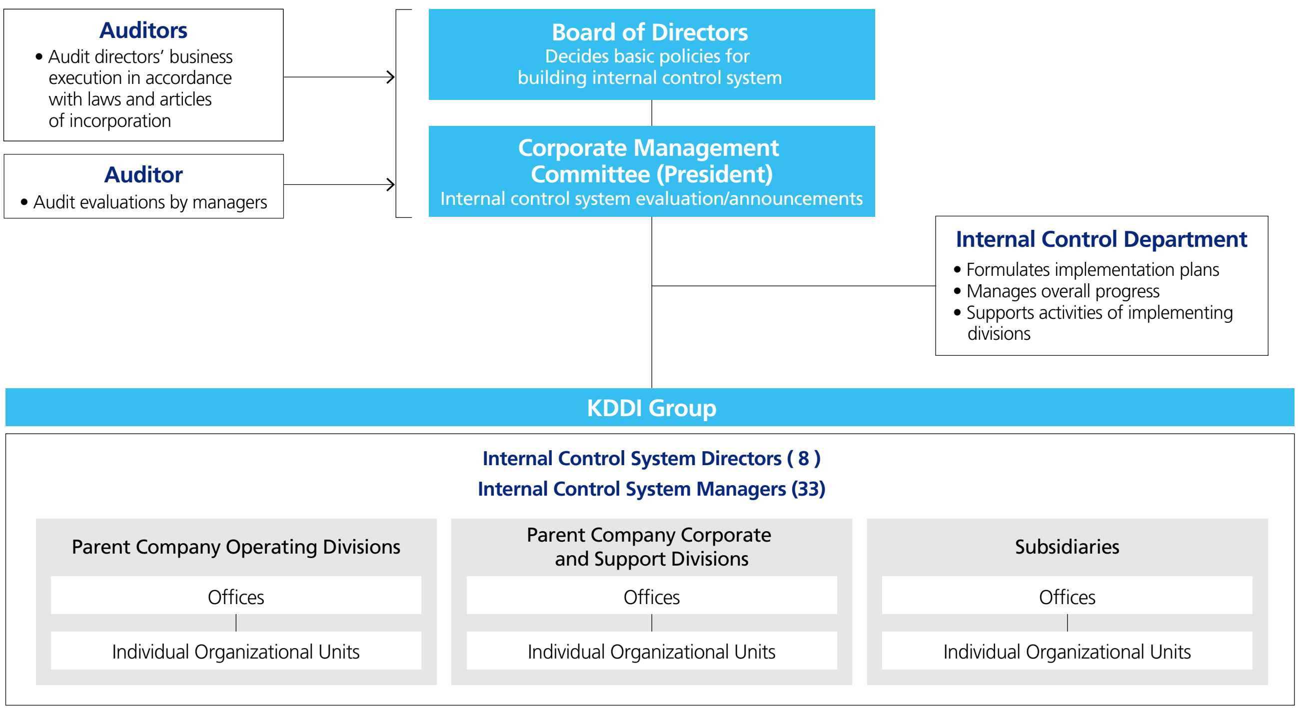
Enhancing Operational Quality to Improve Overall Corporate Quality

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 FY2012, 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 corporatse 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 20, 2012)

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

Takeshi Abe*2

Standing Auditors

Kishichiro Amae*2

Yukihisa Hirano*2

*1 Outside Directors
*2 Outside Auditors
Standing statutory auditor Mr. Takeshi Abe and standing auditors Mr. Kishichiro Amae and Mr. Yukihisa Hirano are independent directors pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

Financial Section

Consolidated Balance Sheets

KDDI Corporation and its Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2011	2012	2012
ASSETS			
Current Assets			
Cash and deposits (Notes 4, 5)	¥ 136,922	¥ 100,037	$ 1,217
Accounts receivable (Note 5)	641,699	827,177	10,064
Short-term investment securities (Notes 5, 6)	25,201	80,188	976
Inventories	58,352	65,232	794
Deferred tax assets (Note 13)	64,080	57,781	703
Prepaid expenses and other current assets	19,612	21,427	261
Allowance for doubtful accounts (Note 5)	(13,768)	(14,960)	(182)
Total Current Assets	932,099	1,136,882	13,832
Property, Plant and Equipment			
Machinery, antenna facilities, terminal facilities, local line facilities, long-distance line facilities, engineering facilities, submarine line facilities	3,852,665	4,011,406	48,807
Buildings and structures	629,786	639,738	7,784
Machinery and tools	164,894	182,802	2,224
Land	243,295	251,994	3,066
Construction in progress	79,397	134,190	1,633
Other property, plant and equipment	24,527	29,000	353
	4,994,564	5,249,130	63,866
Accumulated depreciation	(3,121,743)	(3,365,404)	(40,947)
Net Property, Plant and Equipment	1,872,821	1,883,726	22,919
Investments and Other Assets			
Investment securities (Notes 5, 6)	73,899	86,615	1,054
Investments in affiliates (Note 5)	357,070	352,001	4,283
Intangible assets	226,315	218,125	2,654
Goodwill	64,613	91,901	1,118
Deferred tax assets (Note 13)	128,686	104,829	1,275
Other assets	131,518	139,050	1,692
Allowance for doubtful accounts	(8,103)	(9,121)	(111)
Total Investments and Other Assets	973,998	983,401	11,965
Total Assets	¥3,778,918	¥4,004,009	$48,716

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen 2011	Millions of yen 2012	Millions of U.S. dollars (Note 1) 2012
LIABILITIES AND NET ASSETS			
Current Liabilities			
Short-term loans payable and current portion of noncurrent liabilities (Notes 5, 7)	¥ 140,104	¥ 185,599	$ 2,258
Accounts payable (Note 5)	258,002	363,781	4,426
Income taxes payable (Note 5)	57,765	149,774	1,822
Accrued expenses (Note 5)	14,253	20,371	248
Provision for bonuses	19,520	20,077	244
Provision for loss on the Great East Japan Earthquake	16,283	1,993	24
Other current liabilities	101,352	99,057	1,205
Total Current Liabilities	607,278	840,651	10,228
Noncurrent Liabilities			
Long-term loans payable (Notes 5, 7)	414,188	301,286	3,666
Bonds payable (Notes 5, 7)	414,979	349,991	4,258
Convertible bond-type bonds with subscription rights to shares (Notes 5, 7)	—	200,917	2,445
Provision for point service program	85,198	91,453	1,113
Provision for retirement benefits and other noncurrent liabilities (Notes 5, 14)	85,437	91,086	1,108
Total Noncurrent Liabilities	999,801	1,034,733	12,590
Total Liabilities	1,607,079	1,875,384	22,818
Contingent Liabilities (Note 8)			
Net Assets			
Shareholders' Equity			
Capital stock:			
Authorized—7,000,000 and 7,000,000 shares at March 31, 2011 and 2012, respectively			
Issued—4,484,818.00 and 4,484,818.00 shares at March 31, 2011 and 2012, respectively	141,852	141,852	1,726
Capital surplus	367,092	367,104	4,467
Retained earnings	1,704,171	1,879,088	22,863
Treasury stock:			
Number of treasury stock—238,976 and 663,006 shares at March 31, 2011 and 2012, respectively	(125,245)	(346,164)	(4,212)
Total Shareholders' Equity	2,087,870	2,041,880	24,843
Accumulated Other Comprehensive Income			
Valuation difference on available for-sale securities	28,612	36,443	443
Deferred gain or loss on hedges	32	(677)	(8)
Foreign currency translation adjustments	(13,183)	(16,899)	(206)
Total Accumulated Other Comprehensive Income	15,462	18,867	230
Subscription Rights to Shares	1,505	1,129	14
Minority Interests	67,003	66,749	812
Total Net Assets	2,171,839	2,128,625	25,899
Total Liabilities and Net Assets	¥3,778,918	¥4,004,009	$48,716

Consolidated Statements of Income

KDDI Corporation and its Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2011	2012	2012
Operating Revenues:			
Revenues from telecommunications business	¥2,489,403	¥2,394,136	$29,129
Sales of mobile terminals and other	945,143	1,177,962	14,332
Total Operating Revenues	3,434,546	3,572,098	43,461
Operating Expenses:			
Business expenses (Note 16)	653,018	667,748	8,124
Depreciation	423,448	389,008	4,733
Communication facility fee	362,480	347,228	4,225
Cost of sales of mobile terminals and other	1,077,742	1,249,659	15,205
Other (Notes 12, 16)	445,947	440,807	5,363
Total Operating Expenses	2,962,634	3,094,450	37,650
Operating Income	471,912	477,648	5,812
Other Expenses (Income):			
Interest expenses	14,161	12,891	157
Interest income	(640)	(966)	(12)
Dividends income	(1,528)	(1,719)	(21)
Equity in loss of affiliates	19,948	18,298	223
Gain on investments in silent partnership	(978)	(654)	(8)
Dividends due to liquidation of silent partnership contract	—	(6,977)	(85)
Loss on valuation of investment securities	368	504	6
Gain on sales of investment securities	(5,618)	(138)	(2)
Gain on sales of noncurrent assets (Note 10)	(1,315)	(170)	(2)
Loss on sales of noncurrent assets (Note 10)	—	677	8
Loss on sales of stocks of subsidiaries and affiliates	176	—	—
Gain on negative goodwill	(535)	(235)	(3)
Gain on reversal of subscription rights to shares	(450)	(493)	(6)
Gain on transfer from business divestitures	—	(3,615)	(44)
Impairment loss (Note 9)	52,141	9,947	121
Loss on retirement of noncurrent assets (Note 10)	31,816	—	—
Loss on the Great East Japan Earthquake (Note 11)	17,590	4,074	50
Reversal of provision for loss on the Great East Japan Earthquake (Note 11)	—	(6,815)	(83)
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,242	—	—
Other, net	271	(1,380)	(17)
Total Other Expenses	126,652	23,228	283
Income before Income Taxes and Minority Interests	345,260	454,420	5,529
Income Taxes (Note 13):			
Current	102,618	177,279	2,157
Deferred	(21,381)	30,282	368
Total Income Taxes	81,237	207,561	2,525
Income before Minority Interests	264,023	246,859	3,004
Minority Interests in Income	8,900	8,254	100
Net Income	¥ 255,122	¥ 238,605	$ 2,903

	Yen		U.S. dollars (Note 1)
	2011	2012	2012
Per Share Data (Note 22):			
Net income	¥58,150	¥58,116	$707
Diluted net income	—	56,669	689
Cash dividends	14,000	16,000	195

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income (Note 15)

KDDI Corporation and its Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2011	2012	2012
Income before Minority Interests	¥264,023	¥246,859	$3,004
Other Comprehensive Income			
Valuation difference on available-for-sale securities	(5,678)	7,191	87
Foreign currency translation adjustments	(7,497)	(3,641)	(44)
Share of other comprehensive income of associates accounted for using equity method	(17)	(898)	(11)
Total Other Comprehensive Income	(13,193)	2,651	32
Comprehensive Income	250,830	249,510	3,036
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	243,508	242,010	2,945
Comprehensive income attributable to minority interests	¥ 7,322	¥ 7,501	$ 91

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Note 17)

KDDI Corporation and its Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2011	2012	2012
Shareholders' Equity			
Capital Stock			
Balance at the beginning of the period	¥ 141,852	¥ 141,852	$ 1,726
Balance at the end of the period	141,852	141,852	1,726
Capital Surplus			
Balance at the beginning of the period	367,092	367,092	4,466
Changes of items during the period			
Disposal of treasury stock	—	12	0
Total changes of items during the period	—	12	0
Balance at the end of the period	367,092	367,104	4,467
Retained Earnings			
Balance at the beginning of the period	1,506,952	1,704,171	20,735
Changes of items during the period			
Dividends from surplus	(57,903)	(63,688)	(775)
Net income	255,122	238,605	2,903
Total changes of items during the period	197,219	174,917	2,128
Balance at the end of the period	1,704,171	1,879,088	22,863
Treasury Stock			
Balance at the beginning of the period	(25,245)	(125,245)	(1,524)
Changes of items during the period			
Purchase of treasury stock	(100,000)	(220,970)	(2,689)
Disposal of treasury stock	—	50	1
Total changes of items during the period	(100,000)	(220,919)	(2,688)
Balance at the end of the period	(125,245)	(346,164)	(4,212)
Total Shareholders' Equity			
Balance at the beginning of the period	1,990,651	2,087,870	25,403
Changes of items during the period			
Dividends from surplus	(57,903)	(63,688)	(775)
Net income	255,122	238,605	2,903
Purchase of treasury stock	(100,000)	(220,970)	(2,689)
Disposal of treasury stock	—	63	1
Total changes of items during the period	97,219	(45,990)	(560)
Balance at the end of the period	¥2,087,870	¥2,041,880	$24,843

Consolidated Statements of Changes in Net Assets — (continued) (Note 17)

KDDI Corporation and its Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2011	2012	2012
Accumulated Other Comprehensive Income			
Valuation Difference on Available-for-sale Securities			
Balance at the beginning of the period	¥ 34,327	¥ 28,612	$ 348
Changes of items during the period			
Net changes of items other than shareholders' equity	(5,714)	7,830	95
Total changes of items during the period	(5,714)	7,830	95
Balance at the end of the period	28,612	36,443	443
Deferred Gain or Loss on Hedges			
Balance at the beginning of the period	—	32	0
Changes of items during the period			
Net changes of items other than shareholders' equity	32	(709)	(9)
Total changes of items during the period	32	(709)	(9)
Balance at the end of the period	32	(677)	(8)
Foreign Currency Translation Adjustments			
Balance at the beginning of the period	(7,251)	(13,183)	(160)
Changes of items during the period			
Net changes of items other than shareholders' equity	(5,932)	(3,716)	(45)
Total changes of items during the period	(5,932)	(3,716)	(45)
Balance at the end of the period	(13,183)	(16,899)	(206)
Total Accumulated Other Comprehensive Income			
Balance at the beginning of the period	27,076	15,462	188
Changes of items during the period			
Net changes of items other than shareholders' equity	(11,614)	3,405	41
Total changes of items during the period	(11,614)	3,405	41
Balance at the end of the period	15,462	18,867	230
Subscription Rights to Shares			
Balance at the beginning of the period	1,606	1,505	18
Changes of items during the period			
Net changes of items other than shareholders' equity	(102)	(376)	(5)
Total changes of items during the period	(102)	(376)	(5)
Balance at the end of the period	1,505	1,129	14
Minority Interests			
Balance at the beginning of the period	59,118	67,003	815
Changes of items during the period			
Net changes of items other than shareholders' equity	7,885	(253)	(3)
Total changes of items during the period	7,885	(253)	(3)
Balance at the end of the period	67,003	66,749	812
Total Net Assets			
Balance at the beginning of the period	2,078,451	2,171,839	26,425
Changes of items during the period			
Dividends from surplus	(57,903)	(63,688)	(775)
Net income	255,122	238,605	2,903
Purchase of treasury stock	(100,000)	(220,970)	(2,689)
Disposal of treasury stock	—	63	1
Net changes of items other than shareholders' equity	(3,831)	2,776	34
Total changes of items during the period	93,388	(43,214)	(526)
Balance at the end of the period	¥2,171,839	¥2,128,625	$25,899

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

KDDI Corporation and its Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2011	2012	2012
Net Cash Provided by (Used in) Operating Activities			
Income before income taxes and minority interests	¥ 345,260	¥ 454,420	$ 5,529
Depreciation and amortization	449,318	417,886	5,084
Impairment loss	52,141	9,947	121
Amortization of goodwill	11,374	14,276	174
Gain on negative goodwill	(535)	(235)	(3)
Loss (gain) on sales of noncurrent assets	(1,281)	507	6
Loss on retirement of noncurrent assets	15,467	12,965	158
Increase (decrease) in provision for loss on the Great East Japan Earthquake	16,283	(14,290)	(174)
Gain on transfer from business diverstitures	—	(3,615)	(44)
Dividends due to liquidation of silent partnership contract	—	(6,977)	(85)
Increase (decrease) in allowance for doubtful accounts	(247)	1,494	18
Increase (decrease) in provision for retirement benefits	40	(37)	0
Interest and dividends income	(2,168)	(2,685)	(33)
Interest expenses	14,161	12,891	157
Equity in losses (earnings) of affiliates	19,948	18,298	223
Loss (gain) on sales of stocks of subsidiaries and affiliates	176	—	—
Loss (gain) on valuation of investment securities	368	512	6
Increase (decrease) in provision for point service program	6,504	6,256	76
Changes in assets and liabilities:			
Decrease (increase) in prepaid pension costs	1,587	1,738	21
Decrease (increase) in notes and accounts receivable-trade	(31,578)	(207,034)	(2,519)
Decrease (increase) in inventories	(9,345)	(6,945)	(85)
Increase (decrease) in notes and accounts payable-trade	(755)	23,442	285
Increase (decrease) in accounts payable-other	(12,132)	62,003	754
Increase (decrease) in accrued expenses	(799)	5,015	61
Increase (decrease) in advances received	(239)	(10,356)	(126)
Other, net	(5,850)	(4,226)	(51)
Subtotal	867,701	785,248	9,554
Interest and dividends income received	7,579	8,761	107
Interest expenses paid	(14,050)	(12,883)	(157)
Income taxes paid	(143,877)	(88,626)	(1,078)
Income taxes refund	—	33,386	406
Net Cash Provided by (Used in) Operating Activities	717,354	725,886	8,832
Net Cash Provided by (Used in) Investing Activities			
Purchase of property, plant and equipment	(346,113)	(318,871)	(3,880)
Purchase of trust beneficiary right (Note 23)	—	(14,994)	(182)
Proceeds from sales of property, plant and equipment	1,536	531	6
Purchase of intangible assets	(76,045)	(75,915)	(924)
Purchase of investment securities	(1,417)	(1,962)	(24)
Proceeds from sales of investment securities	15,790	3,424	42
Payments for business divestitures	—	(1,000)	(12)
Purchase of stocks of subsidiaries and affiliates	(3,891)	(25,742)	(313)
Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation (Note 23)	(5,398)	(31,789)	(387)
Proceeds from purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	—	832	10
Payments for sales of investments in subsidiaries and affiliates resulting in change in scope of consolidation	(904)	—	—
Proceeds from repayment of investment and dividends due to liquidation of silent partnership contract	—	7,704	94
Purchase of long-term prepaid expenses	(22,398)	(26,801)	(326)
Other, net	(1,706)	75	1
Net Cash Provided by (Used in) Investing Activities	(440,546)	(484,507)	(5,895)
Net Cash Provided by (Used in) Financing Activities			
Net increase (decrease) in short-term loans payable	(99,715)	(1,020)	(12)
Proceeds from long-term loans payable	50,000	—	—
Repayment of long-term loans payable	(24,754)	(133,750)	(1,627)
Proceeds from issuance of bonds	40,000	—	—
Redemption of bonds	(83,000)	—	—
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	—	201,000	2,446
Purchase of treasury stock	(100,000)	(220,970)	(2,689)
Cash dividends paid	(57,903)	(63,689)	(775)
Cash dividends paid to minority shareholders	(1,084)	(1,193)	(15)
Proceeds from stock issuance to minority shareholders	1,868	11	0
Other, net	(5,411)	(6,320)	(77)
Net Cash Provided by (Used in) Financing Activities	(279,998)	(225,931)	(2,749)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(2,417)	(1,126)	(14)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,607)	14,322	174
Cash and Cash Equivalents at Beginning of the Year	165,477	159,870	1,945
Cash and Cash Equivalents at End of the Year (Note 4)	¥ 159,870	¥ 174,192	$ 2,119

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

KDDI Corporation and its Subsidiaries
Year Ended March 31, 2012

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements are prepared based on the consolidated financial statements disclosed in Japan for domestic reporting purposes.

KDDI Corporation (the "Company") prepares these consolidated financial statements in accordance with the Financial Instruments and Exchange Law, Corporate Law and Japanese Telecommunications Business Law and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to accounting and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements disclosed in Japan have been reclassified and adjusted in order to make it easier for overseas readers to comprehend. In addition, certain reclassifications and adjustments have been made in the consolidated financial statements as of and for the year ended March 31, 2011 to conform to the classifications and presentations used in the consolidated financial statements for the year ended March 31, 2012.

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥82.19=U.S.$1, the approximate exchange rate on March 31, 2012. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be readily converted into U.S. dollars at this rate or any other rate.

The Company's consolidated financial statements for the year ended March 31, 2012 include the Company and its 118 subsidiaries. These are; Okinawa Cellular Telephone Company, KDDI Technical & Engineering Service Corporation, KDDI Evolva Inc., Japan Cablenet Limited, Chubu Telecommunications Co., Inc. and KDDI America, Inc. and other subsidiaries.

During the year ended March 31, 2012, changes in the scope were incurred as follows:

Added (Consolidated):

- 16 companies due to stock acquisition
  HKCOLO.NET Ltd, WebMoney Corporation, Evolva Business Support Inc., Nobot Inc., CDNetworks Co., Ltd. and its 9 subsidiaries, Telehouse Deutschland GmbH and Kleyer Real Estate GmbH.

- 1 company due to additional purchase of shares
  Japan Internet Exchange Co., Ltd.

- 3 companies due to new establishment
  KKBOX International Limited, TELEHOUSE BEIJING BDA CO.,LTD, KDDI Open Innovation Fund L.P.,

Removed (Consolidated):

- 5 companies due to liquidation
  KDDI International Holding LLC, KDDI International Holdings2 LLC, KDDI International Holdings3 LLC, KDDI Global Media LP and MediaFLO Broadcast Planning Inc.

- 2 companies due to merger with other subsidiaries
  Kawagoe Cable Vision Co., Ltd.: merged into JCN KANTO Ltd, KMN Corporation: merged into CABLE TELEVISION TOKYO, LTD.

Also, the number of the Company's equity-method affiliates at March 31, 2012 was 21, such as Jupiter Telecommunications Co., Ltd., Kyocera Communication Systems Co., Ltd., UQ Communications Inc., Jibun Bank Corporation, Mobaoku Co., Ltd. and MOBICOM Corporation. During the year ended March 31, 2012, changes in the scope were incurred as follows:

Added (Equity Method):

- 2 companies due to stock acquisition
  Branddialog, Inc. and Alliance Internet Co., Ltd.

Removed (Equity Method):

- 1 company due to additional purchase, resulted in subsidiary
  Japan Internet Exchange Co., Ltd.

2. Significant Accounting Policies

a. Basis of Consolidation and Accounting for Investments in Affiliated Companies

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (the "Companies").

All significant intercompany transactions and accounts are eliminated.

The consolidated financial statements include the financial statements of subsidiaries whose fiscal year end date is different from that of the Company. The difference between the fiscal year end date of the subsidiaries and that of the Company does not exceed three months. In cases where the financial statements have different fiscal year end date from that of the Company, necessary adjustments are made for the effects of significant transactions or events that occurred between the fiscal year end date of the subsidiaries and that of the Company.

Investments in certain affiliates are accounted for by the equity method, whereby a consolidated group includes in net income its share of the profit or loss of these companies, and records its investments at cost adjusted for such share of profit or loss.

Exceptionally, investments in certain affiliates (CJSC Vostoktelecom, etc.) are accounted for by the cost method as the effect of application of the equity method is immaterial.

b. Revenue Recognition

For telecommunications services, revenues are recognized mainly on the basis of minutes of traffic processed and contracted fees earned. Revenues from sales of products and systems are recognized on fulfillment of contractual obligations, which is generally on shipment basis. Revenues from rentals and other services are recognized proportionately over the contract period or as services are rendered.

c. Cash and Cash Equivalents

Cash and cash equivalents in the accompanying consolidated statements of cash flows consist of cash on hand, bank deposits with financial institutions and highly liquid short-term investments with maturity of three months or less at the time of purchase, which are subject to an insignificant risk of change in value.

d. Inventories

Inventories are stated at cost. Cost is determined by the moving average method. Inventories consist primarily of mobile terminals. The method of write downs based on the decrease in profitability is applied in order to calculate the inventory value on the balance sheet.

e. Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gain and loss are included in net profit or loss for the period.

Then, all assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Revenues and expenses for the year are translated into Japanese yen at the average exchange rate during the year and translation adjustments are included in "Foreign currency translation adjustments" and "Minority interests" of "Net assets."

f. Property, Plant and Equipment and Depreciation Other Than Leased Assets

Property, plant and equipment are stated at cost. Assets are depreciated over their estimated useful lives by applying the declining balance method to machineries owned by the Companies, and by the straight-line method to property, plant and equipment other than machinery owned by the Companies.

The main useful lives are as follows:

Machinery: 9 years

Local line facilities, Long-distance line facilities, Engineering facilities, Submarine line facilities and Buildings: 5 to 38 years

g. Intangible Assets (except for leased assets)

Amortization of intangible assets (except for leased assets) is calculated by the straight-line method over the estimated useful lives of the respective assets.

Goodwill is amortized under the straight-line method over a period of 5 to 20 years. However, the minimal amount of goodwill is recognized as expenses for the year ended March 31, 2012.

Research and development expenses are charged to income as incurred. Software for internal use included in intangible assets is amortized using the straight-line method over the estimated useful lives (5 years).

h. Financial Instruments

(1) Securities

Available-for-sale securities for which market quotations are available are stated at fair value prevailing at the balance sheet date with unrealized gain and loss, net of applicable deferred tax assets/liabilities, directly reported as a separate component of "Net assets." The cost of securities sold is determined by the moving average method.

Available-for-sale securities for which market quotations are not available are valued at cost mainly determined by the moving average method.

(2) Derivatives

Derivatives are used to hedge against interest rate fluctuation risks based on the Companies' policy.

Major hedging instruments are interest rate swaps and hedged items are loans.

The interest rate swap used to hedge interest rate fluctuation is measured at the fair value and unrealized gain or loss is presented in the accompanying consolidated statements of comprehensive income.

The interest rate swaps meeting the requirement of exceptional treatment under Japanese GAAP are not measured at the fair value and the differences between payment amount and receipt amount are included in the interest expense or income.

i. Income Taxes

Income taxes of the Companies consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The Companies have adopted the deferred tax accounting method. Under this method, deferred tax assets and liabilities are determined based on the timing differences between the financial reporting and the tax bases of assets and liabilities, using the enacted tax rates in effect for the year in which the differences are expected to reverse.

j. Lease
Leased assets related to financial leases that do not transfer ownership rights are amortized under the straight-line method based on the lease terms as the useful lives and residual value of zero. The Companies continue to apply the method for ordinary operating lease transactions to financial leases that do not transfer ownership rights entered before March 31, 2008.

k. Deferred assets
Bond issuance expenses: Entire amount of expenses is fully charged at time of expenditure.

l. Net Income per Share
Net income per share is computed based on the average number of shares outstanding during each year.

m. Allowance for Doubtful Accounts
To prepare for uncollectible credits, the Companies record general allowance based on the actual bad debt ratio, and individual allowance is accrued against specific account that is deemed to be uncollectible.

n. Provision
1) Provision for Retirement Benefits
The amount for employee retirement benefits has been based on the estimated value of benefit obligations, plan assets and retirement benefit trust assets at March 31, 2012.

Prior service cost is amortized on a straight-line basis over the average remaining service lives of employees (14 years) in the year in which it arises and unrecognized actuarial differences are amortized on a straight-line basis over the average remaining service lives of employees (14 years) from the year following that in which they arise.

2) Provision for Point Service Program
In order to prepare for the future cost generating from the utilization of points that customers have earned under point services such as "au Point Program," based on its past experience, the Companies reserve an amount considered appropriate to cover possible utilization of the points the following consolidated fiscal year or after.

3) Provision for Bonuses
To prepare for the payment of bonuses to employees, the Companies record the estimated amounts of bonuses to be paid.

4) Provision for Loss on the Great East Japan Earthquake
Amount for recovery of assets damaged by the Great East Japan Earthquake that occurred on March 11, 2011 has been estimated.

3. Changes to Basis of Presenting Consolidated Financial Statements

(Application of "Accounting Standard for Earnings Per Share" and Others)
From the year ended March 31, 2012, the Company has applied the "Accounting Standard for Earning Per Share"(Accounting Standards Board of Japan [ASBJ] Statement No.2 of June 30, 2010), the "Guidance on Accounting Standard for Earning Per Share" (ASBJ Guidance No.4 of June 30, 2010), and the "Practical Solution on Accounting for Earnings Per Share" (ASBJ PITF No.9 of June 30, 2010).

To calculate diluted net income per share, the Company has changed the method to include potential services offered by the employees in the fair valuation of stock options of payment when exercising the right regarding stock options whose rights are secured after certain period of employment.

Information about the effect of this change is included in Note 22. "Per Share Information."

(Changes in Presentation)
(Consolidated Balance Sheets)
"Income taxes receivable" separately disclosed as of March 31, 2011 has been included in "Accounts receivable-other" as of March 31, 2012 as it has become less material.

As a result, ¥32,704 million that was recorded as income taxes receivable on the consolidated balance sheets in the previous fiscal year has been included in accounts receivable-other.

(Changes in Accounting Estimates)
Since August 2006, the Company and Okinawa Cellular Telephone Company have offered a service that enables users to carry-over unused talk time in the future. The service allows a certain free talk time that is included into the basic monthly rate to be carried-over indefinitely.

The Company and Okinawa Cellular Telephone Company have estimated the unused free talk time per month that is expected to be used in the future, and deferred the portion as revenue, and recognized as advances received. However, from this fiscal year, sufficient historical results for the estimation of the unused free talk time that is expected to lapse into the future has been available, and more detailed estimates of that amount have become possible. Accordingly, such unused free talk time was deducted from the deferred revenue.

As the result, revenues from telecommunications business, operating income, ordinary income and income before income taxes and minority interests were increased by ¥10,362 million (U.S.$126 million).

(Additional Information)
(Application of the "Accounting Standard for Accounting Changes and Error Corrections" and Others)
For the accounting changes and error corrections made on or after April 1, 2011, the Company has applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 of December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 of December 4, 2009).

4. Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents comprise the followings:

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Cash and deposits	¥136,922	¥100,037	$1,217
Short-term investment securities	25,201	80,188	976
Total	162,123	180,225	2,193
Time deposits due beyond three months	(2,254)	(6,034)	(73)
Cash and cash equivalents	¥159,870	¥174,192	$2,119

5. Financial Instruments

1. Status of Financial Instruments

(1) Policy for measures relating to financial instruments

In light of plans for capital investment, primarily for conducting telecommunications business, the Companies raise the funds it requires through bank loans and bonds issuance. The Companies manage temporary fund surpluses through financial assets that have high levels of safety. Further, the Companies raise short-term working capital through bank loans. Regarding derivatives policy, the Companies adhere to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.

(2) Details of financial instruments and associated risk and risk management policy

Trade receivables—trade notes and accounts receivable and other accounts receivable—are exposed to credit risk in relation to customers and trading partners. For such risk, pursuant to criteria for managing credit exposure, the Companies have systems to manage due dates and balances of each customer and trading partner as well as the analysis of credit status.

The Companies are exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the investments in entities with which the Companies closely have operational relationships, and periodic analysis of market values is reported to the Board of Directors.

Almost all trade payables—trade notes and accounts payable, other accounts payable and accrued expenses—have payment due dates within one year.

Those trade payables are exposed to liquidity risk at time of settlement. However, the Companies reduce that risk by reviewing each fund-raising plan every month.

Among loans payable, short-term loans payable are primarily for fund-raising related to sales transactions, and long-term loans payable are primarily for fund-raising related to capital investment and investment and financing. Loans payable with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce fluctuation risk for interest payable and fix interest expenses when it enters into long-term loans at variable interest rates—based on the premise that requirements for special treatment of interest rate swaps are met in relation to evaluation of the effectiveness of hedges—in principle, the Companies use interest rate swap transactions as a hedging method on an individual contract basis.

In relation to market risk, because partners of the Companies' derivative deals are financial institutions with high credibility that credit risk from breach of contract is quite slim.

In order to conduct derivative transactions, based on internal regulations of each subsidiary and regulations stipulating associated details, finance or accounting divisions must receive approval from those with final-approval authority as stipulated by authority-related regulations through consultation via an internal memo for each derivative transaction and only conduct transactions with financial institutions with high credit ratings.

(3) Supplementary explanation of items relating to the market values of financial instruments

The market values of financial instruments include prices based on market prices, or, if there are no market prices, they include reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices.

2. Market Value of Financial Instruments

Amounts recognized in the consolidated balance sheets, market values and the differences between March 31, 2011 and 2012 were as shown below. Moreover, items of which market values were not readily determinable were not included in the following table (see (Note 2)).

At March 31, 2011

	Book value	Market value	Difference
			Millions of yen
(1) Cash and deposits	¥ 136,922	¥ 136,922	¥ —
(2) Accounts receivable	641,699		
Allowance for doubtful accounts*1	(13,767)		
	¥ 627,932	¥ 627,932	—
(3) Short-term investment securities	25,201	25,201	—
(4) Investment securities	69,723	69,723	—
(5) Stocks of subsidiaries and affiliates	332,560	186,823	(145,737)
Total asset accounts	¥1,192,338	¥1,046,601	¥(145,737)
(6) Accounts payable	258,002	258,002	—
(7) Short-term loans payable	1,304	1,304	—
(8) Accrued expenses	14,253	14,253	—
(9) Income taxes payable	57,765	57,765	—
(10) Bonds payable*2	414,979	424,976	9,997
(11) Long-term loans payable*2	547,437	551,397	3,960
Total liability accounts	¥1,293,739	¥1,307,696	¥ 13,957

*1. Allowance for doubtful accounts recognized in notes and accounts receivable-trade is offset.
*2. Bonds payable and long-term loans payable included in current portion of noncurrent liabilities were included.

At March 31, 2012

	Millions of yen			Millions of U.S. dollars		
	Book value	Market value	Difference	Book value	Market value	Difference
(1) Cash and deposits	¥ 100,037	¥ 100,037	¥ —	$ 1,217	$ 1,217	$ —
(2) Accounts receivable	827,177			10,064		
Allowance for doubtful accounts*1	(14,960)			(182)		
	¥ 812,217	¥ 812,217	¥ —	$ 9,882	$ 9,882	$ —
(3) Short-term investment securities	80,188	80,188	—	976	976	—
(4) Investment securities						
Bonds intended to be held to maturity	3,006	3,138	132	37	38	2
Other securities	72,374	72,374	—	881	881	—
(5) Stocks of subsidiaries and affiliates	326,297	189,568	(136,730)	3,970	2,306	(1,664)
Total asset accounts	¥1,394,119	¥1,257,521	¥(136,598)	$16,962	$15,300	$(1,662)
(6) Accounts payable	90,662	90,662	—	1,103	1,103	—
(7) Short-term loans payable	1,486	1,486	—	18	18	—
(8) Accounts payable-other	273,119	273,119	—	3,323	3,323	—
(9) Accrued expenses	20,371	20,371	—	248	248	—
(10) Income taxes payable	149,774	149,774	—	1,822	1,822	—
(11) Bonds payable*2	414,989	427,728	12,739	5,049	5,204	155
(12) Convertible bond-type bonds with subscription rights to shares	200,917	214,500	13,583	2,445	2,610	165
(13) Long-term loans payable*2	414,164	419,340	5,176	5,039	5,102	63
Total liability accounts	¥1,565,480	¥1,596,979	¥ 31,499	$19,047	$19,430	$ 383

*1. Allowance for doubtful accounts recognized in notes and accounts receivable-trade is offset.

*2. Bonds payable and long-term loans payable included in current portion of noncurrent liabilities are included.

Note 1: Calculation of the market value of financial instruments and items relating to short-term investment securities and derivative transactions

1) Cash and deposits, 2) Accounts receivable, 3) Short-term investment securities

Because the settlement periods of the above items were short and their market values were almost the same as their book values, the relevant book values were used. Further, because the credit risk was not readily determinable on an individual basis for notes and accounts receivable-trade, allowance for doubtful accounts was regarded as credit risk and the book value was calculated accordingly.

4) Investment securities, 5) Stock of subsidiaries and affiliates

In relation to the market value of investment securities, for shares the market prices of exchanges were used. Further, for information on investment securities categorized according to holding purpose, refer to the Note 6. "Marketable Securities and Other Investments."

6) Accounts payable, 7) Short-term loans payable, 8) Accounts payable-other, 9) Accrued expenses, 10) Income taxes payable

Because the settlement periods of the above items were short and their market values are almost the same as their book values, the relevant book values were used.

11) Bonds payable, 12) Convertible bond-type bonds with subscription rights to shares are calculated based on trading reference data.

The market value of bonds payable and convertible bond-type bonds with subscription rights to shares were calculated based on trading reference data.

The market value of long-term loans payable was calculated by applying a discount rate to the total of principal and interest. That discount rate was based on the assumed interest rate if a similar new loan was entered into.

Because long-term loans payable with variable interest rates were based on the condition that interest rates were revised periodically, their market values were almost the same as their book values, the relevant book values were used.

Note 2: Financial instruments of which market values were not readily determinable.

	Millions of yen		Millions of U.S. dollars
	Book value		Book value
	2011	2012	2012
Investment securities			
Unlisted equity securities	¥4,176	¥ 11,235	$137
Stocks of subsidiaries and affiliates			
Unlisted equity securities	24,327	25,517	310
Investments in capital of subsidiaries and affiliates	182	185	2

Because it was recognized that financial instruments did not have readily determinable market values and that the market values of which market value were not readily determinable, they were not included in the chart above.

Note 3: Planned redemption amounts after the balance sheet date for monetary assets and short-term investment securities with monetary assets and maturity dates.

	Millions of yen		Millions of yen		Millions of U.S. dollars	
	Within 1 year	Over 1 year	Within 1 year	Over 1 year	Within 1 year	Over 1 year
	2011		2012		2012	
Cash and deposits	¥136,922	¥ —	¥100,037	¥ —	$ 1,217	$ —
Accounts receivable	600,536	41,162	719,625	107,551	8,755	1,309
Securities	—	—	80,000	—	973	—
Short-term investment securities	25,201	—	—	3,006	—	37
Total	¥762,659	¥41,162	¥899,663	¥110,557	$10,946	$1,345

Note 4: For information on planned repayment amounts after the balance sheet date for bonds payable and long-term loans payable, refer to Note 7." Short-term Loans and Long-term Debts."

6. Marketable Securities and Other Investments

At March 31, 2011

Market value and net unrealized gain or loss of quoted securities were as follows:

Bond Intended to be Held to Maturity

Not applicable.

Available-for-sale securities

				Millions of yen
		Book value	Acquisition cost	Book value gain (loss)
Securities for which book value of consolidated balance sheets exceeded acquisition cost	Stock	¥52,495	¥ 3,376	¥49,119
	Bonds	—	—	—
	Other	250	228	22
	Subtotal	¥52,745	¥ 3,605	¥49,141
Securities for which book value of consolidated balance sheets did not exceed acquisition cost	Stock	¥17,018	¥17,858	¥ (840)
	Negotiable deposit	25,000	25,000	—
	Other	161	174	(14)
	Subtotal	¥42,179	¥43,032	¥ (853)
Total		¥94,924	¥46,637	¥48,287

Regarding unlisted equity securities, which book value was ¥4,176 million for the year ended March 31, 2011, because it was recognized that these did not have market values and the market values of which market value were not readily determinable, they were not included in the chart above.

Available-for-sale Securities Sold

			Millions of yen
	Amount of sale	Total gain on sale	Total loss on sale
Stock	¥15,717	¥5,690	—

Impairment of Investment Securities

For the year ended March 31, 2011, the Company recognized an impairment loss of ¥368 million on investment securities (other securities).

Further, regarding impairment treatment, for securities for which market value at the end of the period had dropped markedly in comparison to acquisition cost, impairment loss was recognized in light of the possibility of recovery.

At March 31, 2012

Market value and net unrealized gain or loss of quoted securities were as follows:

Bonds Intended to be Held to Maturity

		Millions of yen			Millions of U.S. dollars		
		Book value	Actual value	Difference	Book value	Actual value	Difference
Bonds for which market value exceeds book value on consolidated balance sheets	National bonds and local bonds, etc.	¥3,006	¥3,138	¥(132)	$37	$38	$ (2)
	Bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	Subtotal	¥3,006	¥3,138	¥(132)	$37	$38	$ (2)
Bonds for which market value does not exceed book value on consolidated balance sheets	National bonds and local bonds, etc.	—	—	—	—	—	—
	Bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	Subtotal	¥ —	¥ —	¥ —	$—	$—	$—
Total		¥3,006	¥3,138	¥(132)	$37	$38	$ (2)

Available-for-sale Securities

		Millions of yen			Millions of U.S. dollars		
		Book value	Acquisition cost	Book value gain (loss)	Book value	Acquisition cost	Book value gain (loss)
Securities for which book value of consolidated balance sheets exceeds acquisition cost	Stock	¥ 71,627	¥ 3,510	¥68,117	$ 871	$ 43	$829
	Bonds	—	—	—	—	—	—
	Others	40	35	5	0	0	0
	Subtotal	¥ 71,667	¥ 3,545	¥68,122	$ 872	$ 43	$829
Securities for which book value of consolidated balance sheets does not exceed acquisition cost	Stock	¥853	2,770	(1,918)	10	34	(23)
	Negotiable deposit	—	—	—	—	—	—
	Others	80,042	80,047	(4)	974	974	(0)
	Subtotal	¥ 80,895	¥82,817	¥ (1,922)	$ 984	$1,008	$ (23)
Total		¥152,562	¥86,362	¥66,200	$1,856	$1,051	$805

Regarding unlisted equity securities, which book value was ¥11,235 million (U.S.$137 million) for the year ended March 31, 2012, because it was recognized that these did not have market values and the market values of which market value were not readily determinable, they were not included in the chart above.

Available-for-sale Securities Sold

	Millions of yen			Millions of U.S. dollars		
	Amount of sale	Total gain on sale	Total loss on sale	Amount of sale	Total gain on sale	Total loss on sale
Stock	¥3,986	¥138	¥89	$49	$2	$1

Impairment of Investment Securities

For the year ended March 31, 2012, the Company recognized an impairment loss of ¥509 million (U.S.$6 million) on investment securities (other securities).

Further, regarding impairment treatment, for securities for which market value at the end of the period had dropped markedly in comparison to acquisition cost, impairment loss was recognized in light of the possibility of recovery.

7. Short-term Loans and Long-term Debts

Short-term loans at March 31, 2011 and 2012 were ¥1,304 million and ¥1,486 million (U.S.$18 million), respectively, and the annual average interest rates applicable for the years ended March 31, 2011 and 2012 were 3.52% and 4.51%, respectively.

Long-term debts at March 31, 2011 and 2012 consist of the following:

		Millions of yen		Millions of U.S. dollars
		2011	2012	2012
Unsecured straight bonds				
Year ended March 31, 2011	(Interest rate per annum: 0.713%–2.046%)			
	(Due: years ending March 31, 2013–2021)	¥394,979	¥ —	$ —
Year ended March 31, 2012	(Interest rate per annum: 0.713%–2.046%)			
	(Due: years ending March 31, 2013–2021)	—	394,988	4,806
General secured bonds				
Year ended March 31, 2011	(Interest rate per annum: 3.20%)			
	(Due: year ending March 31, 2018)	20,000	—	—
Year ended March 31, 2012	(Interest rate per annum: 3.20%)			
	(Due: year ending March 31, 2018)	—	20,000	243
Convertible bond-type bonds with subscription rights to shares (unsecured)				
Year ended March 31, 2012	(No interest shall be paid on the bonds)			
	(Due: year ending March 31, 2016)	—	200,917	2,445
Total bonds		¥414,979	¥ 615,905	$ 7,494
The Company has offered overall assets as general collateral for the corporate bonds.				
Loans from banks				
Year ended March 31, 2011	(Average rate per annum: 1.26%)			
	(Due: years ending March 31, 2012–2021)	547,437	—	—
Year ended March 31, 2012	(Average rate per annum: 1.26%)			
	(Due: years ending March 31, 2012–2021)	—	414,164	5,039
Other interest-bearing debt		15,910	15,199	185
Subtotal		¥978,326	¥1,045,268	$12,718
Less, amount due within one year		138,800	184,112	2,240
Total long-term debts		¥839,526	¥ 861,155	$10,478

Summary of annual maturities of long-term debts subsequent to March 31, 2012 are as follows:

	Millions of yen	Millions of U.S. dollars
Year ending March 31	2012	2012
2013	¥ 184,112	$ 2,240
2014	175,299	2,133
2015	166,457	2,025
2016	313,527	3,815
2017 and thereafter	205,873	2,505
Total	¥1,045,268	$12,718

Pledged Assets

The following table summarizes the book value of assets pledged as collateral for short-term loans and long-term debt, including current maturities of long-term debt of the consolidated subsidiaries at March 31, 2011 and 2012. In addition, the Company had offered overall assets as general collateral for the corporate bonds.

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Machinery, etc.	¥1,036	¥ 732	$ 9
Buildings and structures	190	165	2
Other property, plant and equipment	112	76	1
Investment securities	572	695	8
Other investments and other assets	93	171	2
Cash and deposits	—	878	11
Notes and accounts receivable–trade	201	188	2
Inventories	—	—	—
Other current assets	—	—	—
Total	¥2,203	¥2,904	$35

(Assets denominated in foreign currencies included U.S.$11 million at March 31, 2011 and U.S.$12 million and others at March 31, 2012.)

Since this fiscal year, certain subsidiaries deposited their assets as guarantee under the requirement of fund settlement in Japanese law. Deposited assets and its book values as of respective fiscal year end were as follows:

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Investment securities	¥—	¥3,005	$37
Cash and deposits	—	2,000	24

Summary of annual maturities of long-term debts subsequent to March 31, 2011 and 2012 were as follows:

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Long-term loans payable	¥1,599	¥1,224	$15
Short-term loans payable and current portion of noncurrent liabilities	1,755	1,858	23
Accounts payable	7	32	0
Total	¥3,360	¥3,115	$38

(Liabilities denominated in foreign currencies included U.S.$18 million at March 31, 2011 and U.S.$20 million at March 31, 2012.)

8. Contingent Liabilities

At March 31, 2011 and 2012, the Companies' contingent liabilities were as follows:

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
As a guarantor for			
Contingent liabilities existing in cable system supply contract	¥ 4,158	¥ 4,110	$ 50
Contingent liabilities resulting from the liquidation of Minex Corporation	480	377	5
Loan of UQ Communications Inc., etc.	118,873	156,935	1,909
Contingent liabilities for notes receivable-trade discounted	—	297	4
Total	¥123,510	¥161,719	$1,968

9. Impairment Loss

The Companies calculated impairment loss by assets group according to minimum units that had identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

The use of the facility for current 800MHz band would be discontinued from July 2012 due to a reorganization of frequencies, while transfer of mobile terminals to a new frequency band was being promoted. Recognizing the downward trend in subscribers using mobile terminals compatible with such equipments, the book value of those assets was written down to the amount deemed recoverable, resulting in an extraordinary loss on asset impairment of ¥13,080 million, of which, ¥12,374 million from machineries and ¥706 million from others.

The recoverable value of these assets or asset groups was estimated based on the usage value, and calculated based on a future cash flow discount rate of 5.54%.

In the year ended March 31, 2011, for domestic transmission line facilities with declining utilization rates and idle assets, the book value had been reduced to recoverable value. The said reduction was recognized as impairment loss of ¥17,472 million in extraordinary loss. This comprised of ¥10,687 million for local line facilities, ¥4,486 million for engineering facilities and ¥2,299 million for others.

Further, the recoverable amount for the said assets was estimated based on the net selling price. The calculation of market value was based on appraised value and other factors. Recoverable value of asset or asset groups that were difficult to sell or convert to other usage was ¥0.

Due to the worsening market environment and the downward trend in the number of subscribers related to certain legacy services in the Fixed-line Business during the year ended March 31, 2011, the Company set up a cash management system to monitor cash flows generated by such equipment and whereby the Company was able to understand its profitability. Based on that, the Company has changed grouping from each asset group into an independent asset group.

Recognizing the worsening market environment and the downward trend in the number of subscribers, the book value of those assets was written down to the amount deemed recoverable, resulting in an extraordinary loss on asset impairment of ¥21,209 million, which consisted of ¥10,469 million for machineries, ¥7,753 million for local line facilities and ¥2,987 million for others.

The recoverable value of this asset group was estimated based on the usage value, and calculated based on a future cash flow discount rate of 5.54%.

In addition, impairment loss of ¥381 million on business assets in certain subsidiaries was recognized in extraordinary loss.

This consisted of ¥95 million for long-distance line facilities, ¥84 million for buildings, ¥79 million for machinery, ¥78 million for local line facilities, and ¥44 million for others.

The Companies calculate impairment losses by assets group based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

In the year ended March 31, 2012, for domestic transmission system with declining utilization rates and idle assets, the book value has been reduced to recoverable value. That was recognized as impairment loss of ¥8,515 million (U.S.$104 million) in extraordinary loss, which consists of ¥4,455 million (U.S.$54 million) for local line facilities, ¥1,941 million (U.S.$24 million) for long-distance line facilities and ¥2,120 million (U.S.$26 million) for others.

Further, the recoverable amount for the said assets is estimated based on the net selling price. The calculation of market value is based on appraised value and other factors. Recoverable value of assets or asset groups that are difficult to sell or convert to other usage was ¥0.

In addition, impairment loss of ¥1,431 million (U.S.$17 million) on business assets in certain subsidiaries was recognized in extraordinary loss.

For the years ended March 31, 2011 and 2012, the Companies recorded impairment loss mainly on the following assets and asset groups.

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
The Company and the other: Equipment for the existing 800MHz band	¥13,080	¥ —	$ —
The Company: Domestic transmission line facilities and idle assets, etc.	17,472	8,515	104
The Company: Facility used for legacy service	21,209	—	—
Consolidated subsidiaries: Business assets, etc.	381	—	—

10. Gain and Loss on Sales and Retirement of Noncurrent Assets

Gain and loss on sales and retirement of noncurrent assets for the years ended March 31, 2011 and 2012 were as follows:

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Gain on Sales of Noncurrent Assets			
Gain on sales of real estate accompanying disposal of land, etc.	¥ 1,105	¥ 62	$ 1
Gain on sale of other facilities, etc.	209	107	1
Total	¥ 1,315	¥170	$ 2
Loss on Sales of Noncurrent Assets			
Loss on disposal of real estate accompanying disposal of land, etc.	¥ —	¥597	$ 7
Loss on disposal of other facilities, etc.	—	80	1
Total	¥ —	¥677	$ 8
Loss on Retirement of Noncurrent Assets			
Facility used for current 800MHz band	¥28,384	¥ —	$—
Facility used for legacy service	3,256	—	—
Others	176	—	—
Total	¥31,816	¥ —	$—

11. Loss on the Great East Japan Earthquake

Year ended March 31, 2011

The Companies recognized a ¥17,590 million loss on recovery of assets damaged by the Tohoku Region Pacific Coast Earthquake that had occurred on March 11, 2011. It consisted of loss and recovery cost of au base stations, domestic cable and others, support cost to agencies, and other recovery costs and included a ¥16,283 million provision.

Year ended March 31, 2012

The loss of ¥4,074 million (U.S. $50 million) comprised of replacement costs of handsets for subscribers and other recovery costs.

As a result of the investigation at damaged areas and reassessment of the scope of recovery works, a ¥6,815 million (U.S.$83 million) gain was recognized on the reversal of the provision during the year ended March 31, 2012.

12. Research and Development Expenses

Research and development expenses were ¥33,263 million and ¥32,855 million (U.S.$400 million) for the years ended March 11, 2011 and 2012 respectively.

13. Income Taxes

At March 31, 2011 and 2012, significant components of deferred tax assets and liabilities are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Deferred tax assets			
Depreciation and amortization	¥ 73,268	¥ 41,103	$ 500
Allowance for doubtful accounts	10,533	9,526	116
Retirement of noncurrent assets	1,877	2,253	27
Inventory write down	2,527	1,267	15
Impairment loss	40,353	44,622	543
Provision for retirement benefits	4,121	4,356	53
Provision for bonuses	8,567	8,313	101
Accrued expenses	2,955	3,007	37
Net operating loss carried forward	13,186	2,945	36
Unrealized profits	2,347	2,352	29
Provision for point service program	34,579	34,700	422
Accrued enterprise taxes payable	665	10,807	131
Advances received	24,143	20,230	246
Provision for the Great East Japan Earthquake	5,936	758	9
Other	10,693	10,471	127
Gross deferred tax assets	¥235,751	¥196,715	$2,393
Valuation allowance	(17,831)	(8,055)	(98)
Total deferred tax assets	¥217,920	¥188,660	$2,295
Deferred tax liabilities			
Special depreciation reserve	¥ (1,094)	¥ (1,696)	$ (21)
Valuation difference on available-for-sale securities	(19,595)	(19,659)	(239)
Retained earnings for overseas affiliates	(1,270)	(1,446)	(18)
Accrued enterprise taxes receivable	(1,958)	—	—
Gain on transfer from business divestitures	—	(1,692)	(21)
Other	(2,360)	(4,019)	(49)
Total deferred tax liabilities	¥ (26,277)	¥ (28,513)	$ (347)
Net deferred tax assets	¥191,643	¥160,146	$1,948

The following table summarizes significant differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2011 and 2012.

	2011	2012
Statutory tax rate	40.6%	40.6%
Adjustments:		
Permanently non-deductible items including dividend paid	0.2	0.1
Inhabitant tax on per capita levy	0.1	0.1
Tax credit for research and development expenses	(0.3)	(0.2)
Goodwill amortization	1.3	1.2
Effect of equity-method investment income	2.3	1.6
Permanently non-deductible items including dividend income	(0.1)	(0.2)
Reserve for loss carry forward	(1.0)	(0.1)
Valuation allowance	(1.9)	(1.3)
Effects of tax rate differences for subsidiaries	(1.9)	(0.2)
Reversal of reserve for tax	0.4	0.3
Liquidation of subsidiaries	(15.7)	—
Effect of change in tax rate	—	3.3
Other	(0.5)	0.5
Effective tax rate	23.5%	45.7%

Impact from the Change in Corporation Tax Rate, etc.

Due to the promulgation on December 2, 2011 of The Law to Revise the Income Tax, etc., in order to construct a Tax System Addressing Changes in the Socio-Economic Structure (Law No. 114 of 2011), and The Act on Special Measures for Securing the Financial Resources to implement the restoration from the Tohoku Earthquake (Law No.117 of 2011), for fiscal years beginning on or after April 1, 2012, the corporation tax rate has been reduced and a special reconstruction corporation tax has been instituted.

As a result, the effective statutory tax rate used to measure deferred tax assets and liabilities has been changed from the previous 40.6% to 38.0% for temporary differences expected to be eliminated during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and to 35.6% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2015.

As a result of the change in tax rate, the amount of deferred tax assets (net of the amount of deferred tax liabilities) had decreased by ¥12,007 million (U.S.$146 million), valuation difference on available for-sale securities increased by ¥2,762 million (U.S.$34 million) and income taxes-deferred increased by ¥14,770 million (U.S.$180 million).

14. Retirement Benefits

The Companies have retirement benefit plans that consist of defined benefit pension plan, a retirement lump-sum plan and a retirement benefit trust scheme. Further, certain subsidiaries have defined contribution pension plans or association-establishment-type employees' pension funds.

The provision for retirement benefits at March 31, 2011 and 2012 were as follows:

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Projected benefit obligations	¥(302,547)	¥(308,509)	$(3,754)
Plan assets	245,415	253,746	3,087
Retirement benefit trust	8,159	8,177	99
Funded status	¥ (48,973)	¥ (46,586)	$ (567)
Unrecognized actuarial differences	47,544	39,973	486
Unrecognized prior service cost	(162)	3,198	39
Net amount recognized in the consolidated balance sheets	(1,590)	(3,414)	(42)
Prepaid pension cost	(17,066)	(15,330)	(187)
Provision for retirement benefits	¥ (18,656)	¥ (18,744)	$ (228)

Net pension expenses related to the retirement benefits for the years ended March 31, 2011 and 2012 were as follows:

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Service cost	¥10,710	¥10,953	$133
Interest cost	5,889	6,032	73
Expected return on plan assets	(4,792)	(4,908)	(60)
Amortization of prior service cost	(1,578)	(2,915)	(35)
Amortization of actuarial differences	8,182	10,277	125
Net pension cost	¥18,411	¥19,439	$237

Assumptions used in calculation of the above information were as follows:

	March 31 2011	March 31 2012
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Method of attributing the projected benefits over average remaining service period	Straight-line	
Average remaining service period	14 years	
Amortization of actuarial differences	14 years from the year following that in which they arise	

Multi-employer Pension Plans

At March 31, 2011

Items relating to overall status of pension plan reserves as of March 31, 2010 (as of the most recently available year-end date of the ITOCHU Union Pension Fund):

	Millions of yen
Plan assets	¥ 56,750
Benefit obligation based on pension plan finance calculation	70,596
Balance*1	¥(13,846)

Percentage of total pension plan accounted for by contributions from the Companies in the year ended March 31, 2010 0.17%*2

*1. The principle factors relating to the balance are, based on pension plan finance calculation, prior service cost of ¥7,857 million and deficiency carried forward of ¥5,989 million. For the said pension plan, prior service cost was amortized through amortization of principal and interest using the straight-line method over a period of 18 years and one month (at March 31, 2010).

*2. The percentage does not match the actual amount contributed by the Companies.

At March 31, 2012

Certain subsidiaries belong to the Kanto IT Software Pension Fund, which is a multi-employer pension plan. Contributions to the said pension plan were recognized as net pension cost.

Items relating to overall status of pension plan reserves as of March 31, 2011 (as of the most recently available year-end date of the Kanto IT Software Pension Fund):

	Millions of yen	Millions of U.S. dollars
Plan assets	¥171,945	$2,092
Benefit obligation based on pension plan finance calculation	172,108	2,094
Balance*1	¥ (164)	$ (2)

Percentage of total pension plan accounted for by contributions from those subsidiaries in the year ended March 31, 2011 0.08%*2

*1. The principle factors relating to the balance were based on pension plan finance calculation, general reserve of ¥14,983 million (U.S.$182 million), actuarial asset value adjustment of ¥3,494 million (U.S.$43 million) and credit balance of ¥11,653 million (U.S.$142 million). For the said pension plan, prior service cost was amortized through amortization of principal and interest using the straight-line method over a period of 20 years and one month (at March 31, 2011).

*2. The percentage does not match the actual amount contributed by the Companies.

15. Consolidated Statements of Comprehensive Income

Effective from the year ended March 31, 2011, comprehensive income was newly disclosed. (Note 3. "Changes to Basis of Presenting Consolidated Financial Statements")

The comprehensive income for the year ended March 31, 2012 was as follows.

	Millions of yen	Millions of U.S. dollars
Valuation difference on available-for-sale securities		
Amount recognized in the period under review	¥ 6,846	$ 83
Amount of recycling	449	5
Before income tax effect adjustment	7,295	89
Amount of income tax effect	(105)	(1)
Valuation difference on available-for-sale securities, net of tax effect	¥ 7,191	$ 87
Foreign currency translation adjustments		
Amount recognized in the period under review	(3,641)	(44)
Amount of recycling	—	—
Before income tax effect adjustment	(3,641)	(44)
Amount of income tax effect	—	—
Foreign currency translations adjustment, net of tax effect	¥(3,641)	$(44)
Share of other comprehensive income of associates accounted for using equity method		
Amount recognized in the period under review	(1,118)	(14)
Amount of recycling	220	3
Share of other comprehensive income of associates accounted for using equity method, net of tax effect	(898)	(11)
Total other comprehensive income	¥ 2,651	$ 32

16. Stock Options

Since September 2002, a stock option system had been in place in the Company. The Company granted stock options to Members of the Board of Directors, Vice Presidents, Executive Directors, Advisers, Corporate Auditors and employees and directors of wholly owned subsidiaries.

Also, DMX Technologies Group Limited ("DMX") and Wire and Wireless Co., Ltd. ("Wi2"), consolidated subsidiaries of the Company, adopted its own stock option systems.

DMX granted stock options to Members of the Board of Directors and employees of DMX and its group companies. Wi2 granted stock option to Members of the Board of Directors, employees, and shareholders of Wi2.

Impacts to operating expenses for the years ended March 31, 2011 and 2012 were ¥403 million and ¥131 million (U.S.$2 million), respectively. Also due to the nullification of rights, gains on reversal of subscription rights for the years ended March 31, 2011 and 2012 were ¥450 million and ¥493 million (U.S.$ 6 million), respectively.

Method of Estimating Reasonable Price for Share Options

Consolidated subsidiary Wire and Wireless Co., Ltd., is an unlisted company, and consequently the reasonable price of the December 2011 No. 1 share options of Wire and Wireless was calculated by estimating the intrinsic value. The discounted cash flow method was employed for estimation of the intrinsic value.

The total intrinsic value at March 31, 2012 was ¥0.

Scale of Stock Options and Changes in the Scale

The following lists the number of shares calculated for the number of stock options that existed in the year ended March 31, 2012.

(1) Number of stock options

The Company

	August 2007 6th Stock Option	August 2008 7th Stock Option	August 2009 8th Stock Option
			Shares
Before vested			
Beginning of the year	—	—	5,146
Granted	—	—	—
Forfeited	—	—	19
Vested	—	—	5,127
Unvested	—	—	—
After vested			
Beginning of the year	4,558	4,805	—
Vested	—	—	5,127
Exercised	—	2	94
Expired	4,558	145	173
Exercisable	—	4,658	4,860

DMX

	October 2003 Stock Option	April 2008 Stock Option	November 2008 Stock Option
			Shares
Before vested			
Beginning of the year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Unvested	—	—	—
After vested			
Beginning of the year	3,305,544	3,906,858	16,930,000
Vested	—	—	—
Exercised	—	10,000	1,710,000
Expired	—	—	—
Exercisable	3,305,544	3,896,858	15,220,000

Wi2

	December 2009 Stock Option
	Shares
Before vested	
Beginning of the year	1,402
Granted	—
Forfeited	45
Vested	—
Unvested	1,357
After vested	
Beginning of the year	—
Vested	—
Exercised	—
Expired	—
Exercisable	—

(2) Unit value and exercise period of respective stock options

The Company

		August 2007 6th Stock Option		August 2008 7th Stock Option		August 2009 8th Stock Option	
		Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
Exercise price		¥879,000	$10,694.73	¥649,000	$7,896.34	¥539,000	$6,557.98
Average share price at exercise		—	—	481,500	5,858.38	529,500	6,442.39
Fair value unit price (Date of grant)		100,549	1,223.37	106,718	1,298.43	111,281	1,353.95
Exercise period	From	October 1, 2009		October 1, 2010		October 1, 2011	
	To	September 30, 2011		September 30, 2012		September 30, 2013	

DMX

		August 2007 6th Stock Option		August 2008 7th Stock Option		August 2009 8th Stock Option	
		Singapore dollars	U.S. dollars	Singapore dollars	U.S. dollars	Singapore dollars	U.S. dollars
Exercise price		SGD 0.6778	$0.54	SGD 0.2260	$0.18	SGD 0.0930	$0.07
Average share price at exercise		—	—	0.3150	0.25	0.3150	0.25
Fair value unit price (Date of grant)		0.7900	0.63	0.2500	0.20	0.0900	0.07
Exercise period	From	October 2, 2004		April 24, 2009		November 27, 2009	
	To	May 26, 2013		April 26, 2018		November 28, 2018	

* Exchange rate of Singapore dollars into U.S. dollars were made as follows: SGD1 =¥65.37 U.S.$1 = ¥82.19

Wi2

		Yen	U.S. dollars
		December 2009 Stock Option	December 2009 Stock Option
Exercise price		¥24,000	$292.01
Average share price at exercise		—	—
Fair value unit price (Date of grant)		—	—
Exercise period	From	December 1, 2011	
	To	October 29, 2019	

17. Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2011

(1) Total number and type of shares and treasury stock outstanding

	As of April 1, 2010	Increase during the year ended March 31, 2011	Decrease during the year ended March 31, 2011	As of March 31, 2011
Shares outstanding				
Common stock	4,484,818	—	—	4,484,818
Total	4,484,818	—	—	4,484,818
Treasury stock				
Common stock Note	30,705	208,271	—	238,976
Total	30,705	208,271	—	238,976

Note: The increase of 208,271 shares during the year resulted from purchase of its own stock by the resolution of the Board of Directors' meeting on October 22, 2010.

(2) Subscription warrants and own share option

	Breakdown of subscription warrants	Types of shares subject to subscription warrants	Number of shares subject to subscription warrants				Balance as of March 31, 2011
			As of April 1, 2010	Increase during the year ended March 31, 2011	Decrease during the year ended March 31, 2011	As of March 31, 2011	Millions of yen
The Company (parent company)	Subscription warrants as stock options			—			¥1,410
Consolidated subsidiaries	Subscription warrants as stock options			—			94
Total				—			¥1,505

(3) Dividends

1. Cash dividends payments

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
June 17, 2010 Annual meeting of shareholders	Common stock	¥28,951	¥6,500	March 31, 2010	June 18, 2010
October 22, 2010 Meeting of the Board of Directors	Common stock	¥28,951	¥6,500	September 30, 2010	November 19, 2010

2. Dividend payment was effective on the year ended March 31, 2012, even though the payment had been recognized during the year ended March 31, 2011.

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividends per share	Record date	Effective date
June 16, 2011 Annual meeting of shareholders	Common stock	¥31,843	Retained earnings	¥7,500	March 31, 2011	June 17, 2011

For the year ended March 31, 2012

(1) Total number and type of shares and treasury stock outstanding and total number and type of treasury stock

	As of April 1, 2011	Increase during the year ended March 31, 2012	Decrease during the year ended March 31, 2012	As of March 31, 2012
Shares outstanding				
Common stock	4,484,818	—	—	4,484,818
Total	4,484,818	—	—	4,484,818
Treasury stock				
Common stock	238,976	424,126	96	663,006
Total	238,976	424,126	96	663,006

Note 1: The increase of 424,126 shares during the year resulted from purchase of its treasury stock by the resolution the Board of Directors' meeting on November 28, 2011.

Note 2: The decrease of 96 shares during the year resulted from the exercise of stock options.

Note 3: The subscription warrants were not bifurcated with the convertible bond-type bonds.

(2) Subscription warrants and own share option

	Breakdown of subscription warrants	Types of shares subject to subscription warrants	Number of shares subject to subscription warrants: As of April 1, 2011	Increase during the year ended March 31, 2012	Decrease during the year ended March 31, 2012	As of March 31, 2012	Balance as of March 31, 2012: Millions of yen	Millions of U.S. dollars
The Company (parent company)	Subscription warrants as stock options	—		—			¥1,038	$13
	Zero Coupon Convertible Bonds due 2015 (Issued on December 14, 2011) Note	Common stock	—	348,979 shares Upper limit	—	348,979 shares Upper limit	—	—
Consolidated subsidiaries	Subscription warrants as stock options	—		—			91	1
Total		—	—	—	—	—	¥1,129	$14

Note: Zero Coupon Convertible Bonds due 2015 (Issued on December 14, 2011)

1. The number of shares was estimated based on the "If Converted" Method.
2. The increase was due to issuance.

(3) Dividends

1. Cash dividends payments

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
June 16, 2011 Annual meeting of shareholders	Common stock	¥31,844	¥7,500	March 31, 2011	June 17, 2011
October 24, 2011 Meeting of the Board of Directors	Common stock	¥31,844	¥7,500	September 30, 2011	November 21, 2011

Resolution	Type of shares	Total dividends (Millions of U.S. dollars)	Dividends per share	Record date	Effective date
June 16, 2011 Annual meeting of shareholders	Common stock	$387	$91.25	March 31, 2011	June 17, 2011
October 24, 2011 Meeting of the Board of Directors	Common stock	$387	$91.25	September 30, 2011	November 21, 2011

2. Dividend payment was effective on the year ending March 31, 2013, even though the payment had been recognized during the year ended March 31, 2012.

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividends per share	Record date	Effective date
June 20, 2012 Annual meeting of shareholders	Common stock	¥32,485	Retained earnings	¥8,500	March 31, 2012	June 21, 2012

Resolution	Type of shares	Total dividends (Millions of U.S. dollars)	Dividend resource	Dividends per share	Record date	Effective date
June 20, 2012 Annual meeting of shareholders	Common stock	$395	Retained earnings	$103.42	March 31, 2012	June 21, 2012

18. Business Combination

1. Overview of the Business Combination

(1) Name of acquired company	WebMoney Corporation
(2) Business activities of acquired company	Issuance and sale of server-managed electronic money
(3) Main reason for the business combination	Targeting the realization of multiple uses under the 3M strategy (Multi-use, Multi-network, multi-device), the Company acquired shares of WebMoney and made it a consolidated subsidiary in order to enhance the settlement platform.
(4) Date of business combination	July 19, 2011 (Date of commencement of TOB settlement)
(5) Legal form of business combination	Acquisition of shares
(6) Name of company after business combination	WebMoney Corporation
(7) % of voting rights acquired	97.2%
(8) Main factors in determination of acquirer	Because the type of consideration was cash, the Company, which provided the cash, was determined to be the acquirer.

2. Period for which the Acquired Company's Results are Included in the Consolidated Statements of Income under Review

July 1, 2011, was deemed to be the acquisition date, and accordingly results for the period from July 1, 2011, to March 31, 2012, were included.

3. Acquisition cost:

The following table summarizes the costs incurred in conjunction with the business combination.

	Millions of yen	Millions of U.S. dollars
Consideration for acquisition	¥19,104	$232
Costs directly incurred for acquisition	249	3
Acquisition cost	¥19,353	$235

4. Amount of Goodwill Recognized, Basis for Recognition of Goodwill, Method and Period for Amortization of Goodwill

(1) Goodwill	¥16,345 million (U.S.$199 million)
(2) Basis for recognition of goodwill	An asset representing the future economic arising from other assets acquired in a business combination that are not individually identified and separately recognized.
(3) Method and period for amortization of goodwill	Straight-line amortization over a period of 13 years.

5. Amounts and Breakdown for Assets Acquired and Liabilities Assumed in the Business Combination

	Millions of yen	Millions of U.S. dollars
	2012	2012
Noncurrent assets	¥ 3,401	$ 41
Current assets	17,902	218
Total assets	¥21,303	$259
Current liabilities	¥18,208	$222
Total liabilities	¥18,208	$222

6. Supplemental Pro Forma Financial Information

Supplemental pro forma financial information regarding combined results of the Company and WebMoney Corporation as though the business combination had occurred as of the beginning of the year ended March 31, 2012 was waived as the impact seemed not to be material.

19. Related Party Transaction

Year ended March 31, 2011

Transactions with a related party

Affiliates of the Company

Millions of yen

Type	Company Name	Head Office	Capital Stock	Business Objective	Percentage for Possession of Voting Rights	Relationship with Related Party	Contents of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2011
Equity-method affiliate	UQ Communi-cations Inc.	Minato-ku, Tokyo	23,925	Wireless broadband service	Direct ownership interest of 32.3%	Guarantee of loans	Guarantee*	118,700	—	—
						Concurrent director	Receiving fee for the guarantee	262	Account receivable	89

Terms and conditions and policies for terms and conditions

* Guarantee for bank borrowings and the amount represents maximum exposure of the Company.

Year ended March 31, 2012

Transactions with a related party

Affiliates of the Company

Millions of yen / (Millions of U.S. dollars)

Type	Company Name	Head Office	Capital Stock	Business Objective	Percentage for Possession of Voting Rights	Relationship with Related Party	Contents of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2012
Equity-method affiliate	UQ Communi-cations Inc.	Minato-ku, Tokyo	23,925	Wireless broadband service	Direct ownership interest of 32.3%	Guarantee of loans	Guarantee*	156,700 (U.S.$1,907)	—	—
						Concurrent director	Receiving fee for the guarantee	495 (U.S.$6)	Account receivable	132 (U.S.$2)

Terms and conditions and policies for terms and conditions

* Guarantee for bank borrowings and the amount represents maximum exposure of the Company.

20. Segment Information

Segment information for the year ended March 31, 2011 and 2012 were as follows:

a. Segment Information

(1) Outline of Reportable Business Segments

The reportable business segments are the business units for which chief operating decision maker is able to obtain respective financial information separately in order for the Board of Directors, etc., to evaluate regularly in determining how to allocate resources and assess their business performance.

As the Companies are comprehensive telecommunications companies combining mobile and fixed-line communications in a single company, its reportable business segments comprise the "Mobile Business" and the "Fixed-line Business."

The Mobile Business provides mobile services (voice and data service), sales of mobile terminals and content and other services. The Fixed-line Business provides various fixed-line communications services, including broadband services centering on FTTH and CATV access lines, long distance and international telecommunications services. In addition, the Companies offer data center services and various ICT solutions services outside of Japan.

(2) Method of Calculating Sales and Income, Identifiable Assets, and Other Items by Reportable Business Segment

Accounting method for reportable business segment is the same as presentations on "Basis of Presenting Consolidated Financial Statements."

Income by reportable business segments are calculated based on operating income.

Intersegment sales are calculated based on third-party trading prices.

(3) Information on Sales and Income, Identifiable Assets and Other Items by Reportable Business Segment

Year ended March 31, 2011

Millions of yen

	Reportable Segments						
	Mobile Business	Fixed-line Business	Subtotal	Other (Note 1)	Total	Elimination and corporate (Note 2)	Consolidated
Sales							
Outside sales	¥2,582,366	¥ 803,590	¥3,385,956	¥48,590	¥3,434,546	¥ —	¥3,434,546
Intersegment sales	8,358	93,662	102,020	65,737	167,757	(167,757)	—
Total	2,590,725	897,251	3,487,976	114,327	3,602,303	(167,757)	3,434,546
Income by business segment	438,886	23,989	462,875	8,530	471,405	507	471,912
Identifiable assets by business segment	2,024,393	1,278,619	3,303,012	65,813	3,368,825	410,093	3,778,918
Other items							
Depreciation (Notes 3, 4)	¥ 324,487	¥ 124,101	¥ 448,587	¥ 1,360	¥ 449,947	¥ (629)	¥ 449,318
Amortization of goodwill	115	11,256	11,371	3	11,374	—	11,374
Investment to equity-method affiliates	2,192	336,520	338,712	18,168	356,881	—	356,881
Increase of property, plant and equipment and intangible assets (Note 4)	324,249	99,550	423,799	1,216	425,015	6,533	431,548

Note 1. The "Other" category incorporates operations not included in reportable business segments, including call center business, research and technological development, and other operations.

Note 2. (1) Adjustment of segment income refers to elimination of intersegment transactions.

(2) Adjustments of segment assets worth ¥410,093 million included company-wide assets of ¥568,261 million and elimination of claims and obligations among reported companies and elimination of intersegment transaction of ¥152,664 million. The majority of these assets were the Company's surplus funds, long-term investments and assets related to administrative divisions.

(3) Increase of property, plant and equipment and intangible assets was mainly from increase in assets related to management and common systems.

Note 3. For depreciation related to company-wide assets, amounts allocated to each reportable segment were ¥9,474 million for the Mobile Business and ¥6,788 million for the Fixed-line Business.

Note 4. This has included long-term prepaid expenses.

Year ended March 31, 2012

Millions of yen

	Reportable Segments						
	Mobile Business	Fixed-line Business	Subtotal	Other (Note 1)	Total	Elimination and corporate (Note 2)	Consolidated
Sales							
Outside sales	¥2,716,864	¥ 818,696	¥3,535,560	¥36,538	¥3,572,098	¥ —	¥3,572,098
Intersegment sales	10,148	96,840	106,988	70,336	177,324	(177,324)	—
Total	2,727,012	915,536	3,642,548	106,874	3,749,422	(177,324)	3,572,098
Income by business segment	419,191	53,432	472,622	4,299	476,921	727	477,648
Identifiable assets by business segment	2,253,981	1,326,507	3,580,488	71,676	3,652,164	351,845	4,004,009
Other items							
Depreciation (Notes 3, 4)	¥ 302,880	¥ 113,716	¥ 416,596	¥ 1,669	¥ 418,266	¥ (379)	¥ 417,886
Amortization of goodwill	2,629	11,423	14,052	224	14,276	—	14,276
Investment to equity-method affiliates	2,527	329,324	331,851	19,970	351,821	—	351,821
Increase of property, plant and equipment and intangible assets (Note 4)	252,854	124,161	377,015	2,422	379,437	8,243	387,680

Millions of U.S. dollars

	Reportable Segments						
	Mobile Business	Fixed-line Business	Subtotal	Other (Note 1)	Total	Elimination and corporate (Note 2)	Consolidated
Sales							
Outside sales	$33,056	$ 9,961	$43,017	$ 445	$43,461	$ —	$43,461
Intersegment sales	123	1,178	1,302	856	2,157	(2,157)	—
Total	33,179	11,139	44,319	1,300	45,619	(2,157)	43,461
Income by business segment	5,100	650	5,750	52	5,803	9	5,812
Identifiable assets by business segment	27,424	16,140	43,564	872	44,436	4,281	48,716
Other items							
Depreciation (Notes 3, 4)	$ 3,685	$ 1,384	$ 5,069	$ 20	$ 5,089	$ (5)	$ 5,084
Amortization of goodwill	32	139	171	3	174	—	174
Investment to equity-method affiliates	31	4,007	4,038	243	4,281	—	4,281
Increase of property, plant and equipment and intangible assets (Note 4)	3,076	1,511	4,587	29	4,617	100	4,717

Note 1. The "Other" category incorporates operations not included in reportable business segments, including call center business, research and technological development and other operations.

Note 2. (1) Adjustment of segment income refers to elimination of intersegment transactions.

(2) Adjustments of segment assets worth ¥351,845 million (U.S.$4,281 million) include company-wide assets of ¥ 515,166 million (U.S.$6,268 million) and elimination of claims and obligations among reported companies and elimination of intersegment transaction of ¥ 163,321 million (U.S.$1,987 million). The majority of these assets were the Company's surplus funds, long-term investments and assets related to administrative divisions.

(3) Increase of property, plant and equipment and intangible assets was mainly from increase in assets related to management and common systems.

Note 3. For depreciation related to company-wide assets, amounts allocated to each reportable segment were ¥7,730 million (U.S.$94 million) for the Mobile Business and ¥6,107 million (U.S.$74 million) for the Fixed-line Business.

Note 4. This has included long-term prepaid expenses.

b. Relative Information

(1) Products and Services Information

Products and services information was not shown since the same information was disclosed in the segment information.

(2) Geographic Segment Information

1. Sales

Sales information by geographic segment was not shown since sales in Japan accounted for over 90% of operating revenue on the consolidated statements of income.

2. Property, plant and equipment

Property, plant and equipment information by geographic segment was not shown since property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

(3) Information by Major Clients

Information by major clients was not presented since no individual clients accounted for greater than 10% of operating revenue on the consolidated statements of income.

c. Information on Impairment Loss on Property, Plant, and Equipment by Business Segment

Year ended March 31, 2011

					Millions of yen
	Mobile Business	Fixed-line Business	Other	Corporate	Consolidated
Impairment Loss	¥13,061	¥38,924	¥126	¥31	¥52,141

Year ended March 31, 2012

					Millions of yen
	Mobile Business	Fixed-line Business	Other	Corporate	Consolidated
Impairment Loss	¥5	¥9,942	¥—	¥—	¥9,947

					Millions of U.S. dollars
	Mobile Business	Fixed-line Business	Other	Corporate	Consolidated
Impairment Loss	$0	$121	$—	$—	$121

d. Information on Amortization of Goodwill and Unamortized Balance by Business Segment

Year ended March 31, 2011

				Millions of yen
	Mobile Business	Fixed-line Business	Other	Consolidated
Amortization of goodwill	¥ 115	¥11,256	¥ 3	¥11,374
Year end balance	4,249	60,363	—	64,613

Year ended March 31, 2012

				Millions of yen
	Mobile Business	Fixed-line Business	Other	Consolidated
Amortization of goodwill	¥ 2,629	¥11,423	¥224	¥14,276
Year end balance	19,486	72,416	—	91,901

				Millions of U.S. dollars
	Mobile Business	Fixed-line Business	Other	Consolidated
Amortization of goodwill	$ 32	$139	$ 3	$ 174
Year end balance	237	881	—	1,118

e. Information on Negative Goodwill by Business Segment

Year ended March 31, 2011 and 2012
No significant items to be reported.

21. Special Purpose Companies

1. Overview of Special Purpose Companies and Transactions

The Company securitized its properties in order to improve its financial position by reducing interest-bearing debt. This securitization was conducted using special purpose companies ("SPCs"), typically limited liability company.

For securitization, the Company transferred its real estate properties to an SPC, whereby acquired funds from debt using these assets as collateral. The Company then received these funds as proceed from sale.

After securitization, the same properties were leased back to the Company. Since all investments in the SPCs by silent partnership were expected to be collected as of March 31, 2011, the Company had determined that there was no possibility of incurring future losses.

At March 31, 2011, there was the one SPC with a transaction balance. Book value of the assets and liabilities transferred to the SPC, as of the most recent year end of the SPC, was ¥9,489 million and ¥8,113 million in 2011.

Neither the Company nor any of its subsidiaries had not possessed voting rights in the SPC, and no directors or employees had been dispatched to the SPC.

As of November 30, 2011, the Company acquired beneficial interest in trust on land, buildings, etc., from Aobadai Estate Y.K., which is a special purpose company. Accompanying this acquisition, the anonymous association contract as the operator of the related SPC was terminated, and the Company, which was an investor in this association, received dividends accompanying the termination of the anonymous association contract. The investment in the anonymous association was settled in December 2011.

2. Transaction with SPCs during the Years Ended March 31, 2011 and 2012

Major transactions and balances for the years ended March 31, 2011 and 2012

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Transferred properties*1	¥14,547	¥ —	$ —
Acquired properties*2	—	14,994	182
Long-term accounts receivable	1,282	—	—
Investments in silent partnership*3	727	—	—

*1 Transaction amounts related to the transferred properties were represented as the transfer price at the time of the transfer.
*2 Transaction amounts related to acquired properties were represented as the acquisition price.
*3 Transaction amounts related to the investments in silent partnership were represented as the amounts invested at March 31, 2011.

Income and loss resulted from the transactions with SPCs for the years ended March 31, 2011 and 2012

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Dividends	¥ 978	¥ 654	$ 8
Dividends due to liquidation of silent partnership contract	—	6,977	85
Lease payments	1,669	1,113	14

22. Per Share Information

	Yen		U.S. dollars
	2011	2012	2012
Net assets per share	¥495,386	¥539,207	$6,560.49
Net income attributable to KDDI CORPORATION stockholders per share			
Basic	58,150	58,116	707.09
Diluted	Not given as the Company had no potential stocks with dilution effect	56,669	689.49

* The following shows the basis of calculating net income per share, and diluted net income per share for the years ended March 31, 2011 and 2012.

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Net income for the fiscal year	¥255,122	¥238,605	$2,903
Monetary value not related to common stockholders	—	—	—
Net income related to common stock	255,122	238,605	2,903
Effect of dilutive securities:			
Amortization of bond premium (after deduction of an amount equivalent to tax)*	—	(49)	(1)
Net income attributable to KDDI CORPORATION stockholders on which diluted net income per share is calculated	¥255,122	¥238,555	$2,902

	Number of shares	
	2011	2012
Number of weighted average common shares outstanding during the fiscal year	4,387,331	4,105,665
Increase in number of shares of common stock	—	103,967
(subscription warrants)	—	(37)
(Convertible bond-type bonds with subscription rights to shares)	—	(103,930)
Number of shares on which diluted net income per share is calculated	4,387,331	4,209,632
Overview of potential stock not included in calculation of diluted net income per share because the stock has no dilution effect	Three types of subscription warrant (14,509 subscription warrants). An overview of the subscription warrants is given in Note 16. "Stock Options."	One type of subscription warrant (4,658 subscription warrants)

*Due to amortization as issuance price of the bond was higher than face amount.

(Changes in Accounting Policies)

From the year ended March 31, 2012, the Company has applied the "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan [ASBJ] Statement No.2 of June 30, 2010), the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4 of June 30, 2010) and the "Practical Solution on Accounting for Earnings Per Share" (ASBJ PITF No.9 of June 30, 2010).

To calculate diluted net income per share, we have changed the method to include potential services offered by the employees in the fair valuation of stock options of payment when exercising the right regarding stock options whose rights are secured after certain period of employment.

If this accounting standard, etc., had not been applied, there would be no impact on the calculation of net assets per share, net income per share and diluted net income per share in the previous consolidated fiscal year.

23. Other

1. Reduction Due to Subsidiaries, etc.

Reduction due to subsidiaries, etc. for the acquisition of property, plant and equipment as of March 31, 2011 and 2012 were ¥1,218 million and ¥159 million (U.S.$2 million). Cumulative reduction amounts were ¥18,117 million and ¥18,075 million (U.S.$220 million).

2. Notes Relating to Affiliates

The following table summarizes the amounts related to affiliates as of March 31, 2011 and 2012.

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Investments in affiliates	¥356,888	¥351,815	$4,281
(of which investment in jointly controlled entities)	660	687	8
Other investments in affiliates	182	186	2

3. Supplemental Information of Cash Flow Statement

1) Non-monetary Transaction

The following table summarizes the amounts of assets and obligations as of March 31, 2011 and 2012 related to finance lease transactions entered by the Companies.

	Millions of yen		Millions of U.S. dollars
	2011	2012	2012
Finance lease assets	¥5,672	¥5,170	$63
Finance lease obligations	5,959	5,643	69

Notes related to lease transactions were omitted due to its immateriality.

2) Assets and Liabilities of Newly Consolidated Subsidiaries

Year ended March 31, 2011

No significant items to be reported.

Year ended March 31, 2012

WebMoney Corporation was newly consolidated due to the acquisition of the shares. The following table summarizes the breakdown of assets acquired and liabilities assumed existed at the time of consolidation.

	Millions of yen	Millions of U.S. dollars
Current assets	¥ 17,902	$218
Noncurrent assets	3,401	41
Goodwill	16,345	199
Current liabilities	(18,208)	(222)
Minority interests	(86)	(1)
Amount paid for the acquisition of shares of WebMoney Corporation	19,353	235
Cash and cash equivalents of WebMoney Corporation	(8,440)	(103)
Net amount paid for the acquisition of WebMoney Corporation	10,912	133

3) Assets with Transferred Ownership from Acquisition of Trust Beneficiary Right

Year ended March 31, 2011

There was no relative transaction during the year.

Years ended March 31, 2012

In regard to the acquired beneficial interest in trust, accompanying the termination of the real estate investment trust contract, the ownership of the assets that had been held in trust were transferred to the Company.

These acquired assets were recorded in the consolidated balance sheets as of March 31, 2012 as Machinery: ¥1,065 million (U.S.$13 million); Buildings: ¥6,125 million (U.S.$75 million); Structures: ¥97 million (U.S.$1 million); Land: ¥7,697 million (U.S.$94 million); and other property, plant and equipment: ¥9 million (U.S.$0.1 million).

24. Subsequent Event

1. Appropriation of Retained Earnings and Directors' and Corporate Auditors' Bonuses

The appropriation of retained earnings and directors' and corporate auditors' bonuses of the Company for the year ended March 31, 2012, proposed by the Board of Directors and approved at the shareholders' meeting held on June 20, 2012, were as follows

	Millions of yen	Millions of U.S. dollars
Year-end cash dividend (¥8,500=U.S.$103.42)	¥32,485	$395
Directors' and corporate auditors' bonuses	131	2

2. Share Split and Adoption of Share-Trading-Unit System

The Company resolved at the meeting of the Board of Directors held on April 25, 2012 concerning share split and adoption of share-trading-unit system. The details are as follows.

(1) Purpose of Share Split

Adoption of Share-Trading-Unit System, and Partial Changes to Articles of Incorporation Taking into consideration the intent of the "Action Plan for Consolidating Trading Units" that was announced by all domestic stock exchanges of Japan in November 2007, the Company will conduct a 1:100 share split and adopt a share-trading-unit system to contribute towards improving the convenience and liquidity of the securities market that the Company's stock is listed. The number of investment units will not actually change following the implementation of the share split and the adoption of the share-trading-unit system.

(2) Share Split

1. Method of share split
   The share split shall have a record date of Sunday, September 30, 2012 (because this date falls on a holiday, for all practical purposes the date in substance is Friday, September 28, 2012) and shall involve the splitting of common shares held by shareholders whose names appear or are recorded in the latest Registry of Shareholders on the record date at a ratio of 1:100.
2. Number of increase in shares by share split
   Number of increase in shares by share split shall be 99 times the final total number of issued shares on Sunday, September 30, 2012. The numbers of shares presented below are based on the total number of issued shares on Wednesday, April 25, 2012.
   1) Total number of issued shares before share split 4,484,818 shares
   2) Number of increase in shares by share split 443,996,982 shares
   3) Total number of issued shares after share split 448,481,800 shares
   4) Total number of authorized shares after share split 700,000,000 shares
3. Schedule of share split
   1) Public notice date of the record date Friday, September 14, 2012
   2) Record date Sunday, September 30, 2012
      * For all practical purposes the record date in substance is Friday, September 28, 2012.
   3) Effective date Monday, October 1, 2012

(3) Adoption of Share-Trading-Unit System

1. Number of shares in newly established share-trading unit
   The adoption of the share-trading-unit system shall take effect on the effective date stated in "(2) Share Split" above and the number of shares to constitute a share-trading unit shall be 100 shares.
2. Schedule for establishment of the new system
   Effective date Monday, October 1, 2012
   Note: Effective September 26, 2012, the share-trading unit for the Company's shares shall be changed to 100 shares on the securities exchange.

(4) Others

Per share information based on the assumption that this stock split had been implemented at the beginning of the previous period is presented as follows for the previous consolidated fiscal year and the consolidated fiscal year under review.

Total net assets per share
- As of March 31, 2011 ¥4,953.86
- As of March 31, 2012 ¥5,392.07

Net income per share
- As of March 31, 2011 ¥581.50
- As of March 31, 2012 ¥581.16

Diluted net income per share
- As of March 31, 2011 —
- As of March 31, 2012 ¥566.69

Report of Independent Auditors

KDDI Corporation and its Subsidiaries

Independent Auditor's Report

To the Board of Directors of KDDI CORPORATION

We have audited the accompanying consolidated financial statements of KDDI CORPORATION and its subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KDDI CORPORATION and its subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Kyoto Audit Corporation

Kyoto Audit Corporation
Kyoto, Japan

June 21, 2012

Corporate Overview

As of March 31, 2012

Company Name:	KDDI CORPORATION
Date of Establishment:	June 1, 1984
Business Objective:	Telecommunications business
Head Office:	Garden Air Tower, 10-10, Iidabashi 3-chome, Chiyoda-ku, Tokyo 102-8460, Japan
Registered Place of Business:	3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-8003, Japan
Capital:	¥141,851 million
Number of Employees:	19,680 (consolidated)
Representative Director:	Takashi Tanaka, President

Major Shareholders

	Number of Shares Held	Ratio of Controlling Share*	Ratio of Voting
Kyocera Corporation	572,677	12.76%	14.98%
Toyota Motor Corporation	497,488	11.09%	13.01%
The Master Trust Bank of Japan, Ltd. (Trust Account)	198,051	4.41%	5.18%
Japan Trustee Services Bank, Ltd. (Trust Account)	196,256	4.37%	5.13%
State Street Bank & Trust Co.	163,488	3.64%	4.27%
Mutual Aid Association of Japan Post	54,128	1.20%	1.41%
State Street Bank & Trust Co. 505223	44,626	0.99%	1.16%
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	43,886	0.97%	1.14%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	41,008	0.91%	1.07%
Japan Trustee Services Bank, Ltd. (Trust Account 4)	38,711	0.86%	1.01%

* Controlling shares are calculated including treasury stocks (663,006 shares). KDDI excludes treasury stocks from the list of major shareholders above.

Inquiries

Investor Relations Department,
Corporate Management Division
E-mail: kddi-ir@kddi.com

CSR & Environment Management Department,
General Administration Division,
General Administration & Human Resource Division
E-mail: csr@kddi.com

CSR & ANNUAL REPORT 2012 is printed using environmentally friendly paper, ink, and printing techniques.

Paper	Ink	Printing
This report is printed on "KDDI Environment Friendly Recycled Paper" made from recycled paper collected at au Shops and other locations	This report is printed using ink in which a portion of the harmful petroleum solvents normally included in ink has been replaced with soybean oil and other vegetable oils.	This report is printed using a waterless printing method that does not use developing solution or dampening solution and does not produce waste liquids.

KDDI CORPORATION

http://www.kddi.com/english/

Printed in Japan