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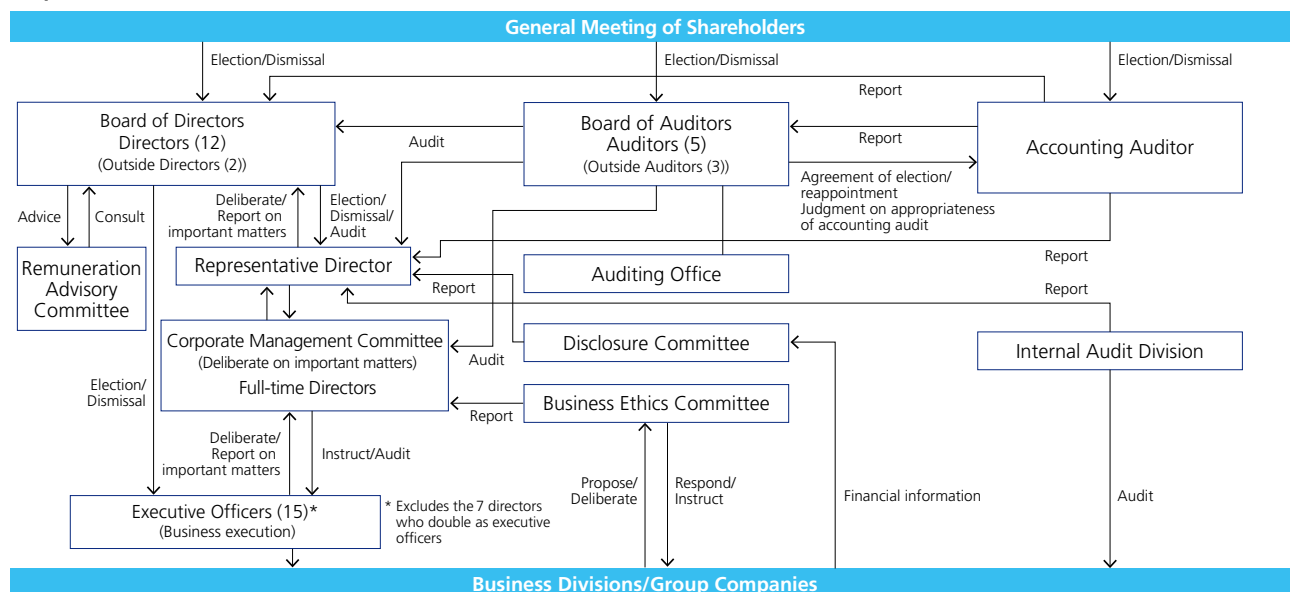
The Remuneration Advisory Committee, of which more than half of its members including the chairman consist of outside directors, provides advice on remuneration to executives.

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)

General Meeting of Shareholders

Election/Dismissal — Election/Dismissal — Election/Dismissal

Report

Board of Directors
Directors (12)
(Outside Directors (2))

← Audit —

Board of Auditors
Auditors (5)
(Outside Auditors (3))

→ Report

Accounting Auditor

Advice / Consult

Deliberate/ Report on important matters — Election/ Dismissal/ Audit

Agreement of election/ reappointment
Judgment on appropriateness of accounting audit

Remuneration Advisory Committee

Representative Director

Report

Auditing Office

Report

Corporate Management Committee
(Deliberate on important matters)
Full-time Directors

Audit

Disclosure Committee

Internal Audit Division

Election/ Dismissal

Business Ethics Committee

Report

Deliberate/ Report on important matters — Instruct/Audit

Propose/ Deliberate — Respond/ Instruct — Financial information — Audit

Executive Officers (15)*
(Business execution)

* Excludes the 7 directors who double as executive officers

Business Divisions/Group Companies

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
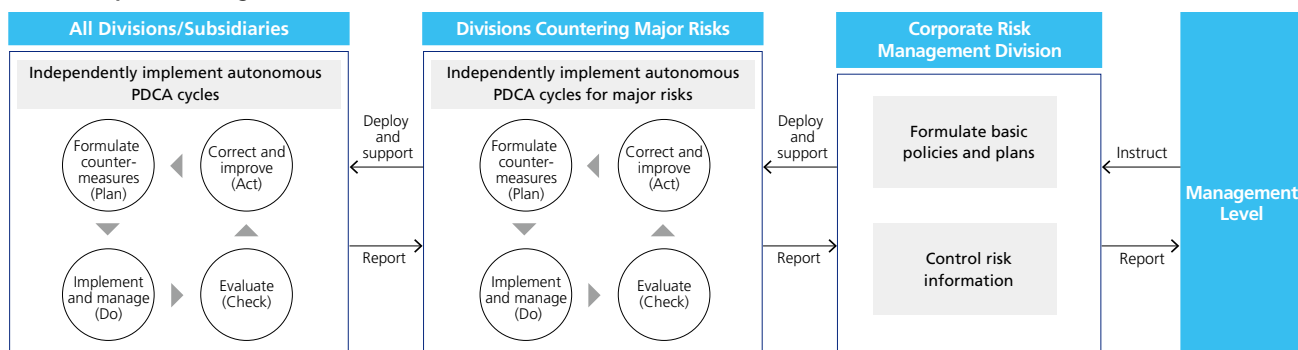
Information Security

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
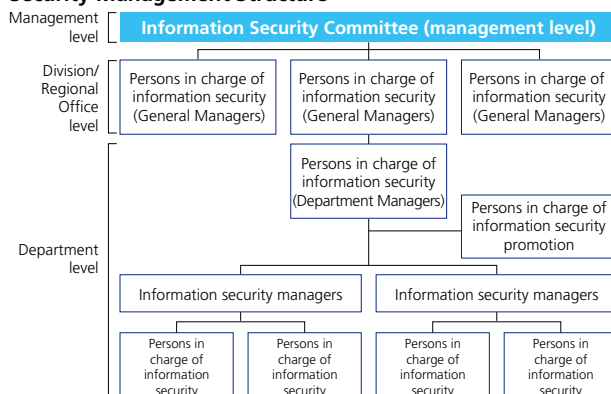
ISMS Certification at KDDI

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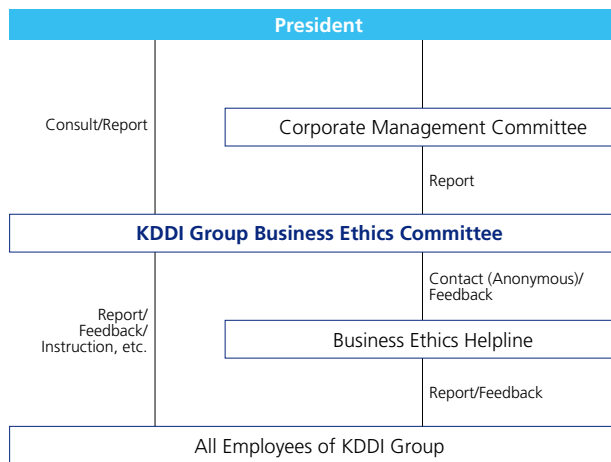
Further, we are strengthening information security management measures at domestic and overseas subsidiaries as well as at subcontractors in pursuit of even higher levels of security.

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.

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                        President
        |                   |
Consult/Report     Corporate Management Committee
        |                   |
        |                 Report
        |                   |
        KDDI Group Business Ethics Committee
        |                   |
Report/            Contact (Anonymous)/
Feedback/          Feedback
Instruction, etc.        |
        |         Business Ethics Helpline
        |                   |
        |           Report/Feedback
        |                   |
            All Employees of KDDI Group
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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
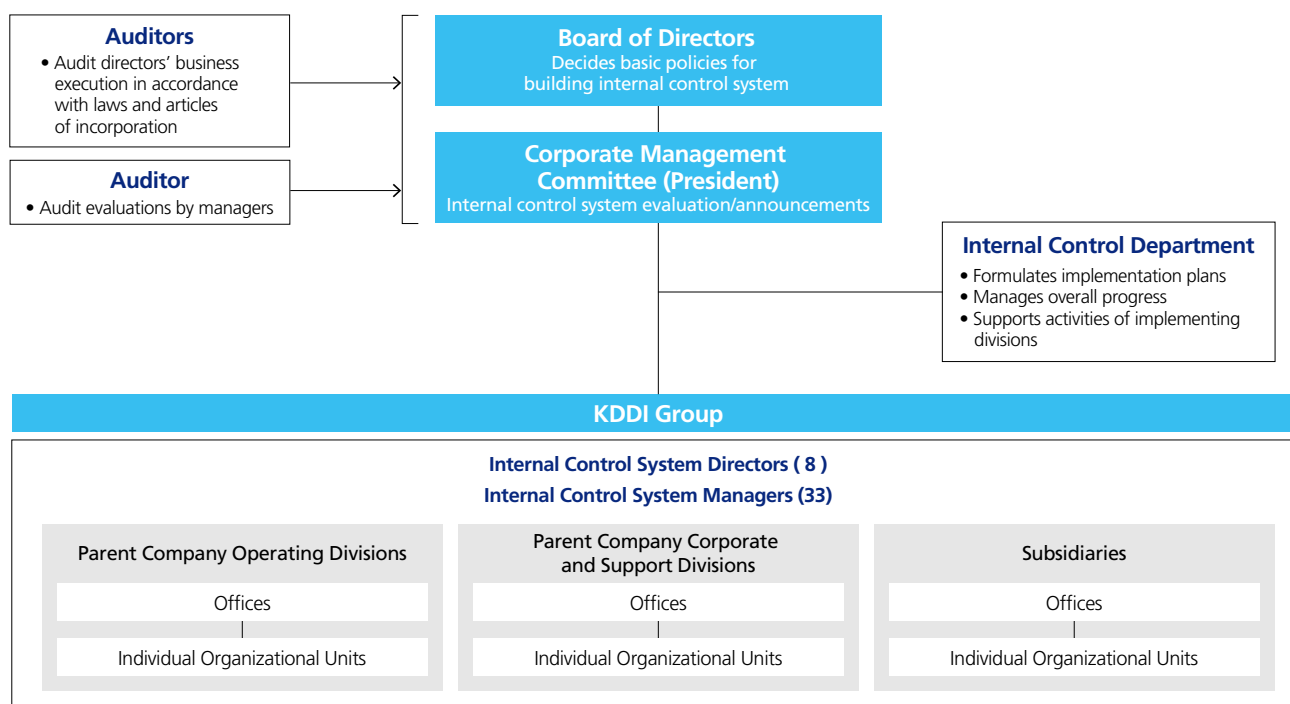
Directors and Auditors

(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 Securi-
ties Listing Regulations of Tokyo Stock Exchange, Inc.