

# Corporate Governance

## Policy

### Basic Views and Guidelines on Corporate Governance

As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operator our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.

Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders, including customers, shareholders, business partners, employees, and local communities and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and bountiful communications-oriented society.

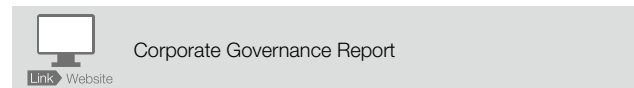
We recognize reinforcing corporate governance as important to achieving sustainable growth and increased corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the “Corporate Governance Code” defined by the financial instruments exchange. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making.

In addition to our corporate credo and mission statement, we have formulated the “KDDI Group Philosophy,” which defines perspectives, values, and code of conduct that officers and

employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.

By proactively adhering to Japan’s Corporate Governance Code and practicing the “KDDI Group Philosophy,” which we consider inseparable from the standpoint of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increased corporate value over the medium to long term.

As of the present time, KDDI considers that it is in compliance with all governance codes, but we will continue to work for further improvement.



## System

### 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 (about 3 weeks in advance), 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 and independent outside directors, makes decisions regarding important matters as prescribed by relevant statutes, and oversees the execution of 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. KDDI has formed an Appointment Advisory Committee and a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors in order to maintain both transparency and fairness in appointing candidates to the Board of Directors and Audit & Supervisory Board, as well as on the system and level of remuneration for executives. More than half of the members of both committees, including the chairmen, consist of outside directors.

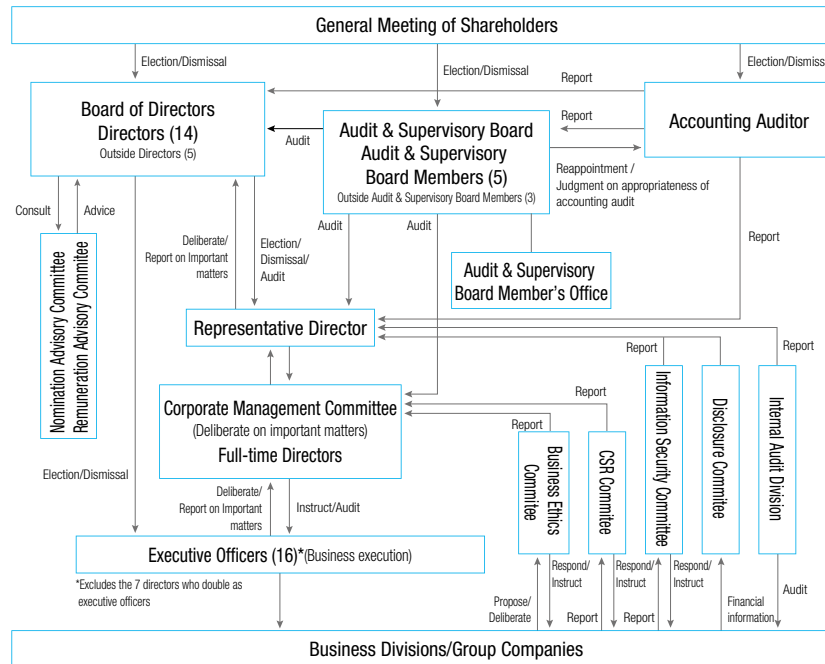
Audit & supervisory board members attend meetings of the Board of Directors, as well as other important internal meetings. The directors and the Internal Audit Division provide, in an appropriate and timely manner, all data necessary to the execution of audit & supervisory board members’ duties, exchange opinions, and collaborate with auditors. The Board also periodically listens to reports from the accounting auditor 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, in 2006, KDDI established the audit & supervisory board member’s office to assist audit & supervisory board members with

# Corporate Governance

their duties. The opinions of the audit & supervisory board members are regarded highly when selecting personnel for assignment to the office, and efforts made to ensure appropriate personnel.

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 audit & supervisory board members, along with recommendations for improvement and correction of problem areas.

## Corporate Governance Framework



# Corporate Governance

## System

### Items Related to Organizational Structure and Operation

Organizational form	Company with board of auditors
Number of directors in Articles of Incorporation	20
Tenure period of directors in Articles of Incorporation	1 year
Presiding officer of Board of Directors	Chairman (President and chairman are separate posts)
Number of directors	14 (including 1 female)
Selection process for outside directors	Appointed
Number of outside directors	5 (including 1 female)
Number of outside directors designated as independent directors	3 (including 1 female)
Existence of Audit & Supervisory Board	Exists
Number of auditors in Articles of Incorporation	5
Number of auditors	5 (all male)
Selection process for outside auditors	Appointed
Number of outside auditors	3 (all male)
Number of outside auditors designated as independent auditors	3 (all male)
Number of independent auditors	6 (including 1 female)
Status of implementing incentive measures for directors	<ol style="list-style-type: none"> <li>Performance-based bonus To clarify the managerial accountability of executives and further enhance incentives for business improvement, a fluctuating performance-linked remuneration system was introduced at the 27th Annual Meeting of Shareholders held on June 16, 2011, setting executive bonuses after FY2011 at no more than 0.1% of consolidated net profit in the fiscal year.</li> <li>Performance-based stock remuneration (BIP) Introduction of a performance-linked stock remuneration system was approved at the 31st Annual Meeting of Shareholders held on June 17, 2015, and the system was introduced on September 1, 2015. The percentage of performance-linked remuneration was raised as a result. The executive remuneration system and levels have been set by taking into account the responsibility of directors to sustain continuous growth and improve mid-to-long term corporate value while swiftly reacting to environmental changes within the KDDI Group.</li> <li>Stock option A stock option system for up to 40 million yen per year was introduced at the 22nd Annual Meeting of Shareholders held on June 15, 2006, with the aim of enhancing incentives for executing duties and improving business results. However, stock acquisition rights have not been allotted under this system since FY2010.</li> </ol>
Persons eligible for stock options	Internal directors, employees, subsidiary directors

## Corporate Governance

Existence of policy for deciding the remuneration amount and calculation method	<p>&lt;Directors&gt; Remuneration for directors consists of flat-rate salaries and performance-based bonuses and stock remuneration provided that they are responsible for improving business results every fiscal year and enhancing mid-to-long term corporate value. Flat-rate salaries are based on their professional ranking and the management environment. Executive bonuses and stock remuneration are based on achievement of the performance targets of the KDDI Group during the fiscal year and on their professional ranking.</p> <p>&lt;Auditors&gt; Remuneration for audit &amp; supervisory board members is based on discussions with audit &amp; supervisory board members and is only a flat-rate salary that is not linked to the business results of the KDDI Group.</p> <p>&lt;Remuneration Advisory Committee&gt; KDDI has 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 the committee members, including its presiding officer, consist of outside directors (total of 7 members, consisting of 5 outside directors, the president, and the chairman).</p>
Remuneration ratio of the president to one company employee	12.5:1
Early issue of General Meeting of Shareholders announcements	Announcements are issued around one week before the stipulated day. Prior to that, an announcement is posted on the KDDI website.
Scheduling the General Meeting of Shareholders to avoid days when many other companies hold their shareholders' meetings	Efforts are made to avoid days when many other companies hold their shareholders' meetings.
Electronic voting methods	Shareholders can exercise their voting rights via an Internet voting site.
Efforts to participate in electronic voting platform and improve voting environment for other institutional investors	Joined electronic voting platform provided by Investor Communications Japan (ICJ).
English-language version of convocation announcement (summary)	English-language text of convocation announcements are provided via the KDDI website, internet voting site and voting platform. Business reports are also provided in English.
Other	Based on requests from institutional investors, business reports and convocation announcements are incorporated into the same document. To encourage individuals to vote, an easy-to-understand illustrated guide to voting is included in convocation announcements. In addition, KDDI publishes a shareholders' bulletin that reports on the state of business and company topics in an easy-to-understand manner. This document is included with periodic notification letters that are sent to shareholders, and it is provided to individual investors at venues such as seminars. In addition, to encourage the participation of more shareholders in the shareholders' meetings, KDDI provides sign language interpretation at shareholders' meeting venues, for all of the proceedings, explanations, and Q&A sessions. (Videos of the shareholders' meetings can be freely viewed on demand, via the KDDI website.)
Existence of anti-takeover measures	None

# Corporate Governance

## Activity and Results

### Major Activities of Outside Directors and Outside Audit & Supervisory Board Members

#### Outside Directors

Name	Reason for selection as an outside director of the Company (if designated as an independent director, reason for this designation)	Principal activities in FY2015
Tetsuo Kuba	Mr. Kuba was appointed because of the extensive experience and outstanding insight as a director of listed companies that he puts to excellent use in supervising the Company's business activities and decision-making process.	Attended 11 of 12 meetings of the Board of Directors
Nobuyori Kodaira	Mr. Kodaira was appointed because of the extensive experience and outstanding insight as a director of listed companies that he puts to excellent use in supervising the Company's business activities and decision-making process.	Attended 12 of 12 meetings of the Board of Directors
Shinji Fukukawa (Independent director)	Mr. Fukukawa was appointed because of the extensive experience and outstanding insight he has developed over numerous years as an executive officer in public administration and at various organizations which he exploits to contribute to enhancing the Company's corporate value. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders and have appointed him as an independent outside director.	Attended 12 of 12 meetings of the Board of Directors
Kuniko Tanabe (Independent director)	Ms. Tanabe was appointed because of the extensive experience and outstanding insight that she developed as a partner at a legal firm and which she exploits to contribute to enhancing the Company's corporate value. Given her career history, we judge that no danger exists of conflicts of interest with general shareholders and have appointed her as an independent outside director.	Attended 10 of 10 meetings of the Board of Directors * After being newly appointed as director at 31st Annual Meeting of Shareholders
Yoshiaki Nemoto (Independent director)	Mr. Nemoto was appointed because of his sophisticated insight into communication/network engineering and information processing that are so closely related to the Company's business and into disaster resistance that is so important for business operations, and his contribution to enhancement of the Company's corporate value. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders and have appointed him as an independent outside director.	—

## Corporate Governance

### Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside auditor and supervisor board member of the Company (if designated as an independent auditor, reason for this designation)	Principal activities in FY2015
Takeshi Abe (Independent auditor)	Mr. Abe was appointed because of the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Mr. Abe's tenure as executive officer at the Development Bank of Japan, Inc., was short. A substantial amount of time has passed since he retired from that position, and he currently receives no benefits from that organization. Given this experience, and the fact that he hails primarily from organizations involved in administrative operations, we recognize that he has scant relationship with KDDI. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Audit & Supervisory Board Resigned on June 22, 2016
Kishichiro Amae (Independent auditor)	Mr. Amae has extensive experience gained through many years as a diplomat and in the execution of operations at various organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	Attended 11 of 12 meetings of the Board of Directors and 11 of 12 meetings of the Audit & Supervisory Board Resigned on June 22, 2016
Yukihisa Hirano (Independent auditor)	Mr. Hirano has extensive experience and expertise as a corporate manager. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. A significant amount of time has passed since Mr. Hirano retired from his position as president of Toyota Motor Corporation, and he currently receives no benefits from that organization. In addition, after retiring he served as president of the Central Japan International Airport Co., Ltd., and we recognize that he currently has no relationship with Toyota Motor Corporation. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Audit & Supervisory Board Resigned on June 22, 2016
Akira Yamashita (Independent auditor)	Mr. Yamashita was appointed because of the extensive experience and insight he has developed over numerous years as an executive officer in public administration and at various organizations. Consequently, he has been appointed to supervise overall management with the objective of promoting appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	—
Kakuji Takano (Independent auditor)	Mr. Takano has extensive experience and insight as a certified public accountant, representative of an accounting firm and auditor at other companies as well as experience and insight in the execution of operations at various organizations. Consequently, he has been appointed to supervise overall management with the objective of promoting appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	—
Nobuaki Katoh (Independent auditor)	Mr. Katoh has extensive experience and insight gained as a director and auditor at listed firms and in the execution of operations at various organizations. Consequently, he has been appointed to supervise overall management with the objective of promoting appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	—

# Corporate Governance

## Policy, Activity and Results

### Policies and Procedures for Determining Remuneration for Directors and Audit & Supervisory Board Members

To clarify directors' management responsibilities and enhance incentives for business improvement, at the 27th Annual Shareholders Meeting on June 16, 2011, a system was introduced to link executive bonuses from fiscal 2011 to the business results of the KDDI Group within 0.1% of consolidated net income during the applicable fiscal year.

In addition, at the 31st Annual Shareholders Meeting on June 17, 2015, the introduction of a stock compensation plan was approved, and this system commenced operation on September 1, 2015. The percentage of remuneration that is performance-linked increased as a result. The KDDI Group sets director remuneration systems and levels in a manner that allows it to respond swiftly to environmental changes while taking into account directors' responsibilities for the management targets of achieving sustainable growth and increased corporate value over the medium to long term.

Remuneration for directors consists of fixed-amount salaries and performance-linked executive bonuses and stock remuneration provided that they are responsible for improving business results every

fiscal year, as well as medium- to long-term corporate value. Fixed-amount salaries are based on such factors as directors' professional ranking and the management environment. Executive bonuses and stock remuneration paid are based on the KDDI Group's level of achievement of its performance targets for each fiscal year, as well as on individual directors' roles.

Remuneration of Audit & Supervisory Board members is determined after consultation with the members. These members receive fixed-amount salaries that is not affected by fluctuations in the Company's operating performance.

To ensure the transparency and fairness of executive remuneration systems and levels, the Company has established a Remuneration Advisory Committee to conduct deliberations and provide advice to the Board of Directors in accordance with the request thereof. The chair, vice-chair and half or more of the members of this committee are outside directors.

#### Remuneration Advisory Committee composition

Chairman: Tetsuo Kuba (Outside Director)

Vice Chairman: Nobuyori Kodaira (Outside Director)

Member of Committee: Shinji Fukukawa (Outside Director), Kuniko Tanabe (Outside Director),

Yoshiaki Nemoto (Outside Director), Tadashi Onodera, Takashi Tanaka

## Policy

### Approach to Profit Sharing

Profit sharing with shareholders is recognized as an important matter based on continuous stable dividends while maintaining financial soundness. The policy is to maintain a consolidated dividend trend of over 35% while taking into consideration investment in sustainable growth.

#### Remuneration for Directors and Audit & Supervisory Board Members (FY2015)

Executive Classification	Total Remuneration (Millions of yen)	Total Remuneration by Type (Millions of yen)			Number of Corresponding Executives
		Flat-rate Remuneration	Bonus	Stock remuneration	
Directors (Excluding Outside Directors)	622	370	140	111	10
Outside Directors	44	44	—	—	4
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	47	47	—	—	2
Outside Audit & Supervisory Board Members	43	43	—	—	3

\* Takashi Tanaka, the president, receives a total remuneration of ¥119 million (basic salary ¥70 million, bonus ¥27 million, stock remuneration ¥22 million). No other director receives remuneration in excess of ¥100 million.

\* Flat-rate remuneration of directors is limited to a maximum total of ¥50 million per month. Furthermore, directors may receive up to an additional ¥40 million of annual remuneration in the form of stock acquisition rights issued as stock options.

\* The maximum total annual remuneration for audit & supervisory board members is ¥100 million (based on the Company's fiscal year).

\* The remuneration amount for directors includes the bonuses that are linked to performance, and is no more than 0.1% of consolidated net income for the applicable fiscal year.

\* In addition to the above, a retirement allowance is paid to directors in connection with the cancellation of the executive retirement bonus system.

# Corporate Governance

System

## Changes in the Corporate Governance Framework

		(Year)																	
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
President		Yuusai Okuyama*1		From June 2001 Tadashi Onodera								From December 2010 Takashi Tanaka							
Directors*2	Number of directors	53*3	13	12	11	→					10	13	12	→		13	→		Now 14 people
	Number of outside directors			2	3	→		4	3	→			2	→		3	4	Now 5 people	
	Number of independent directors															1	2	Now 3 people	
Assurance of diversity*2	Number of female directors																1	Now 1 person	
Establishment of Advisory Committee																		Remuneration Advisory Committee established in 2011 Nomination Advisory Committee established in 2015	
Transparency in executive remuneration				Introduction of a stock option system in 2002															Remuneration Advisory Committee established in 2011 Introduction of a performance-based bonus system for executives in 2011 Introduction of stock compensation plan for directors in 2015
KDDI Group Philosophy		Enactment in October 2000																Revision project from 2012 to 2013 Revised, continued promotion activities from 2013	

\*1 Appointed president of DDI in December 1993. Became president of KDDI in October 2000.

\*2 Number of people at the conclusion of each Annual General Meeting of Shareholders

\*3 Number of people at the conclusion of an Extraordinary Meeting of Shareholders convened in October 2000