

Corporate Governance

Policy

KDDI

Basic Views and Guidelines on Corporate Governance

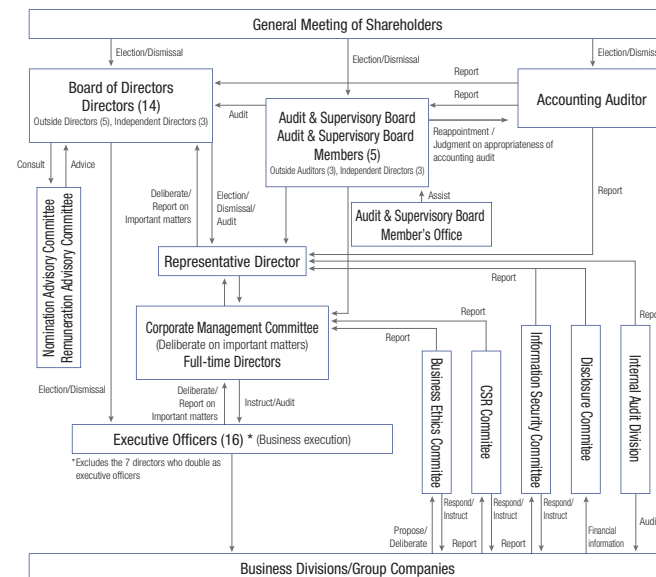
As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operator our business 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 actively adhering to Japan's Corporate Governance Code

and practicing the "KDDI Group Philosophy," which we consider fundamental 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. KDDI complies with the whole Corporate Governance Code, and will continue to improve governance.

[Link Website](#) Corporate Governance Report

Corporate Governance Framework



System

KDDI

Corporate Governance Promotion Framework

KDDI considers strengthening corporate governance to be one of the most vital issues in terms of enhancing corporate value for shareholders and all other stockholders, and is working to improve management efficiency and transparency.

KDDI is currently a company with a board of auditors, and in order to properly manage business execution, an executive officer system was introduced to assign authority, clarify responsibilities, and ensure that operations are conducted effectively and efficiently. We are also working to systemize internal decision-making flow with a view to ensuring timely management decisions. There are 14 directors (13 male, 1 female), including 5 outside directors, 3 of whom are independent directors. There are 5 auditors (all male), including 3 outside auditors, and all outside auditors are appointed as independent directors.

■ Criteria for Independence of Outside Directors/Auditors

In addition to the outside directors/auditors requirements in the Companies Act and the independence standards provided by the Tokyo Stock Exchange, Inc., the Company has formulated its own standards. Specifically, these standards state that people belong to business partners making up 1% or more of the Company's consolidated net sales or orders placed are not independent.

System

KDDI

Directors and Board of Directors

The Board of Directors is composed of both internal and outside

Corporate Governance

Directors, who determine important legal matters as stipulated by laws and regulations based on the Board of Directors Rules and agenda standards. In addition, the Board of Directors oversees the competent execution of business duties by the Directors themselves. The board also has the authority to assign and dismiss executive officers.

Board of Directors FY2016 Meetings

Number of meetings held	12
Director attendance rate	98.4%
Number of outside directors	96.6%
Auditor attendance rate	98.8%
Number of outside auditors	98.3%

■ Evaluation of the Board of Directors' Effectiveness

<Purpose of Conducting>

The Company conducts a self-evaluation of the Board of Directors regularly every year in order to correctly understand the situation of the Board of Directors and promote its consecutive improvement.

<Process of Evaluation>

The Company confirms the effectiveness of the Board of Directors based on evaluation by all of the directors and Audit & Supervisory Board members. The evaluation takes the form of a questionnaire and aims to verify the effectiveness of the board's initiatives and discover where improvements can be made from two perspectives, quantitative evaluation and qualitative evaluation, through a combination of four-grade evaluation and free writing.

The evaluation covers the most recent one-year period and is conducted annually. The results of the evaluation are reported to the Board of Directors and future measures are considered.

The main evaluation items are as follows.

- Operation of the Board of Directors (composition of members, documents and explanations, provision of information, etc.)
- Supervision of Executives (conflict of interest, risk management, management of subsidiaries, etc.)
- Medium- and long-term discussions (review of medium-term business planning, monitoring of plan enforcement, etc.)

<Evaluation Results>

[Summary]

The Company's Board of Directors is composed of Directors and Audit & Supervisory Board Members that have diverse viewpoints, is well regarded for the free and open discussion that takes place in an environment where it is easy for outside officers to make the most of their individual specialties, and, in regard to timely and appropriate decision making and the supervision of executives, received a positive evaluation stating that the Company's Board of Directors is functioning effectively.

[Improvements since Previous Evaluation]

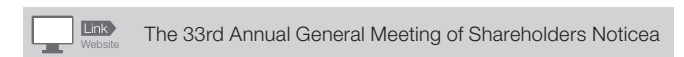
It was confirmed that matters that were pointed out as issues in the previous evaluation had improved such as providing opportunities for the outside directors to meet with responsible persons from each business division to familiarize with our business and strategies, all documents for the Board of Directors meeting being distributed beforehand, and questions being accepted prior to deliberation and incorporated into explanations from the Board of Directors.

Medium- and long-term business strategies are debated in depth, and discussions with the participation of outside directors are conducted from the stage of formulation of medium-term management plans.

[Future Issues]

We have received opinions that it would be desirable to further expand discussion of strategies aimed at sustainable growth, such as the long-term outlook for the business environment and policies on meeting the changing environment.

Based on these suggestions, we will continue to work for consecutive improvement.



System

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Corporate Management Committee

The Corporate Management Committee is composed of inside directors and executive officers. It holds discussions and makes decisions about Board of Director matters and important items concerning the execution of operation.

System

KDDI

Auditors and the Audit & Supervisory Board (Auditing Office)

The KDDI Audit & Supervisory Board is composed of 5 members, including 3 independent outside auditors. It designs policies and execution plans for auditing, as well as making decisions about important items concerning auditing operations. Outside auditors who have abundant experience and a wide range of comprehension are assigned for their ability to actualize total management observation and more accurate audits from a position independent of the directors.

Corporate Governance

Auditors 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 auditors' duties, they also exchange opinions, and collaborate with auditors. The auditors also periodically listen to reports from the accounting auditor on the annual accounting audit plan, as well as on the progress and the results of accounting audits. They also make recommendations and exchanges of opinion as necessary. There is an Auditing Office established to support auditors' duties, and the personnel employed there consider the auditors' opinions when securing suitable staff.

- Audit & Supervisory Board FY2016 Meetings: 12

Internal Audits

An Audit Division was established in the Risk Management Headquarters, which is under the direct control of the president. It holds internal audits of overall KDDI Group operations in accordance with important risks revealed through risk management activities. Internal audit results are reported to the president and auditors with suggestions for improvements and revisions of issues. 17 internal audits total were held in FY2016, and we are working toward risk prevention.

System

KDDI

Nomination Advisory Committee and Remuneration Advisory Committee

To ensure the transparency and fairness of systems and levels of director and auditor nomination and executive remuneration, KDDI has established a Nomination Advisory Committee and a Remuneration Advisory Committee to conduct deliberations and

provide advice to the Board of Directors in accordance with the requests thereof. The chairman, vice-chairman, and more than half of the members of these committees are outside directors.

<Nomination Advisory Committee composition>

Chairman: Nobuyori Kodaira (Outside Director)

Vice Chairman: Goro Yamaguchi (Outside Director)

Member of Committee: Shinji Fukukawa (Outside Director),
Kuniko Tanabe (Outside Director),
Yoshiaki Nemoto (Outside Director),
Tadashi Onodera, Takashi Tanaka

<Remuneration Advisory Committee composition>

Chairman: Goro Yamaguchi (Outside Director)

Vice Chairman: Nobuyori Kodaira (Outside Director)

Member of Committee: Shinji Fukukawa (Independent/Outside Director),
Kuniko Tanabe (Independent/Outside Director),
Yoshiaki Nemoto (Independent/Outside Director),
Tadashi Onodera, Takashi Tanaka

<Meetings (FY2016)>

Nomination Advisory Committee Meetings	1
Remuneration Advisory Committee Meetings	1

System

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Other Committees

The Business Ethics Committee was established as a decision making body for compliance related items, and the Disclosure Committee was established as a deliberative body for releasing information. Additionally, the CSR Committee was established as a deliberative body for items related to CSR and environment sustainability. The management of each group company is connected by various systems, and we are working to strengthen the governance of the whole KDDI Group.

[Link](#) CSR Promotion Framework
Page_09

Corporate Governance

System

KDDI

Items Related to Organizational Structure and Operation

Organizational form	Company with board of auditors
Number of independent auditors	6 (including 1 female)
Items Related to Directors	
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 (non-business executive officer, 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)
Items Related to Auditors	
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)
Other	
Existence of anti-takeover measure	None

Policy and System

KDDI

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

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. Position-based reference values are set at a reasonable level by an external specialized organization after investigation and validation. Executive bonuses and stock remuneration paid are based on the KDDI Group's level of achievement of its targets for consolidated operating revenue, operating income, and profit for the year, as well as achievement of the KPI, such as the number of subscribers and cancellation rates for each fiscal year.

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

System

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Director Remuneration Decision Process

To ensure the transparency and fairness of executive remuneration systems and levels, KDDI 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.

The total remuneration of President Takashi Tanaka in FY2016 was 123 million yen, a ratio of 12.9:1 compared to each individual employee.

System

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Status of Implementing Incentive Measures for Directors

■ Performance-Based Bonuses

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.

■ Performance-Based Stock Remuneration (BIP)

Introduction of a performance-linked stock remuneration system was approved at the 31st Annual General Meeting of Shareholders held on June 17, 2015, and the system commenced on September 1, 2015. The percentage of performance-linked remuneration increased as a result.

■ Stock Options

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.

Corporate Governance

Policy and System

KDDI

Policies for Nominating Director and Auditor Candidates

The nomination of Director and Audit & Supervisory Board member candidates involves deliberation by the Nomination Advisory Committee following a selection of candidates based on the below-stated policy. In addition, candidates for Audit & Supervisory Board member are approved by the Board of Directors following approval by the Audit & Supervisory Board.

■ Candidates for Director

The Company believes that the overall Board of Directors should include members with advanced specialized knowledge and diverse perspectives when making decisions including matters that are important from a management perspective and matters that legally require supervision. Accordingly, in principle the board includes the following members.

- People with specialized knowledge and experience in various fields of business
- People who have possess management knowledge
- People who are highly independent and have specialized knowledge appropriate to a supervisor

■ Candidates for Audit & Supervisory Board Member

People who are able to supervise overall management from a perspective independent from directors and who have the extensive experience and broad-ranging insight to enhance audit appropriateness.

Policy

KDDI

Diversity of Directors

KDDI considers taking on diverse human resources and utilizing their various knowledge, experiences, and skills to be an important

driver of growth toward transforming into a “Life Design Company”. KDDI believes that ensuring diversity in the Board of Directors can lead to better business judgment. By ensuring human resources with specialized knowledge and experiences in various fields with regards to management, regardless of gender, age, and nationality, and by incorporating various viewpoints into the decision-making of the Board of Directors, we are going even further toward our transformation into a “Life Design Company”.

Policy

KDDI

Policies on Transaction between Related Parties

In accordance with the Companies Act, the Company requires competitive or conflict-of-interest transactions by directors to be approved by and reported to the Board of Directors.

Individual transactions with major shareholders are conducted in accordance with one of the basic principles of the “KDDI Code of Business Conduct,” specifically, “IX. Appropriate Accounting and Adherence to Agreements.” In line with this principle, such transactions are decided upon in the same manner as other transactions, through internal requests for decision, rather than by setting special standards. In addition, internal requests for decision are checked by Audit & Supervisory Board members.

Directors of Kyocera Corporation and Toyota Motor Corporation, which are major shareholders of the Company, serve as outside directors of the Company. Accordingly, we strike a balance between comprehensive approval by and report to the Board of Directors, and internal requests for decisions on individual transactions.

■ Remuneration for Directors and Audit & Supervisory Board Members (FY2016)

Executive Classification		Total Remuneration (Millions of yen)	Employees (Number of people)	Total Remuneration by Type (Millions of yen)		
				Flat-rate Remuneration	Bonus	Stock remuneration
Directors	Outside Directors	68	5	68	—	—
	Directors not listed above	640	11	392	137	110
	Total	708	16	460	137	110
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	48	6	48	—	—
	Auditors not listed above	51	3	51	—	—
	Total	99	9	99	—	—

* Takashi Tanaka, the president, receives a total remuneration of ¥123 million (basic salary ¥78 million, bonus ¥25 million, stock remuneration ¥20 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.


Corporate Governance

System

KDDI

Initiatives for Vitalizing the General Meeting of Shareholders and Smoothing the Exercise of Voting Rights

Measure	Content
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
Participating in an electronic voting platform	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	Announcements can be viewed via smartphone. In addition, to encourage the participation of more shareholders in the General Meeting of Shareholders, KDDI provides sign language interpretation at the venue. Videos of the General Meeting of Shareholders can be freely viewed on demand with sign language interpretation, via the KDDI website.

 [Corporate Governance Report](#)

 [The 33rd Annual General Meeting of Shareholders Notice](#)

Policy

KDDI

Discussions with Shareholders

The Company considers our shareholders and investors to be important stakeholders who fully understand and strongly support its ongoing business. Accordingly, we make the building of trust-based relationships with shareholders and investors a management priority and strive for value-oriented corporate management, active information disclosure, and enhanced communication.

■ FY2016 Result

- Financial Results Briefing for Analysts and Institutional Investors: 4 times per year (held along with the quarterly financial disclosure)
- International roadshow: 14 times total (including participation in 4 stock company sponsored conferences)
- Interviews with international and domestic investors: Over 900 times total
- Briefing for individual investors: 65 times total in 26 cities throughout Japan (Number of investors participating: over 3,000 total)
- Questionnaire in shareholders' bulletin and reporting the results
- Events for shareholders: 2 times per year

System

KDDI

Outside Director Support System

Board of Directors meeting dates and agenda items are provided in advance to outside directors and outside Audit & Supervisory Board members. In addition, agenda materials are distributed ahead of time to foster understanding of the items in question and invigorate deliberations at Board of Directors meetings.

In addition, the Company is working to make deliberations more substantial by accepting questions in advance and providing more extensive explanations at Board of Directors meetings based on such questions.

Furthermore, the Company is working to invigorate deliberations in Board of Directors meetings by providing opportunities for outside directors and outside Audit & Supervisory Board members to undergo training by responsible persons in each field concerning industry trends, an overview of the Company's organization and its various businesses and technologies and future strategies, and improve their understanding of the Company.

On April 1, 2006, the Company established the Auditing Office to support Audit & Supervisory Board members, including outside members.

Corporate Governance

Activity and Results

KDDI

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

■ Outside Directors Resigned

Name	Reason for selection as an outside director of the Company (if designated as an independent director, reason for this designation)	Principal activities in FY2016
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

■ 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 FY2016
Goro Yamaguchi	Mr. Yamaguchi has abundant management experience and superior knowledge gained in his role as representative director and president of one of the world's leading manufacturers of electronic components and equipment. We wish to leverage his wideranging opinions, taking a medium- to long-term perspective, to contribute to the enhancement of the Company's corporate value, primarily in the area of IoT, which the Company will be pursuing going forward. Accordingly, he has been appointed as a director.	(Newly appointed)
Nobuyori Kodaira	Mr. Kodaira has abundant corporate management experience and superior knowledge gained in his role as an executive at one of the world's leading automobile manufacturers, and as its global Chief Risk Officer. In the Board of Directors meetings, he has offered many wide-ranging opinions with regard to the Company's management on strategy and risk management, taking a medium- to long-term perspective, and taking our future competitive environment into consideration. We wish to continue benefitting from his contributions to the enhancement of the Company's corporate value. Accordingly, he has been appointed a director.	Attended 11 of 12 meetings of the Board of Directors
Shinji Fukukawa (Independent director)	Mr. Fukukawa has abundant experience and superior knowledge he has gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. In the Board of Directors meetings, he has offered many wide-ranging opinions from an independent position from the management team with regard to the Company's management, based on changes in economic and social trends, and taking a medium- to long-term perspective. We wish to continue benefitting from his contributions to the enhancement of the Company's corporate value. Accordingly, he has again been appointed a director. Moreover, with this background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent director.	Attended 12 of 12 meetings of the Board of Directors
Kuniko Tanabe (Independent director)	Ms. Tanabe has abundant experience and superior expert insight, cultivated as the partner at a law office. In the Board of Directors meetings, she has offered many expert opinions from an independent position from the management team regarding legal risk management, taking a medium- to long-term perspective. We wish to continue benefitting from her contributions to the enhancement of the Company's corporate value. Accordingly, she has again been appointed a director. Moreover, with this background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has been appointed as an independent director.	Attended 12 of 12 meetings of the Board of Directors
Yoshiaki Nemoto (Independent director)	Mr. Nemoto has a high level of knowledge in information processing, communications and network engineering, which is directly relevant to the business of the Company, as well as a deep understanding of disaster prevention that is valuable for the operation of our business. In the Board of Directors meetings, he has offered many expert opinions from an independent position from the management team regarding operational policy as an information communications operator providing social infrastructure, taking a medium- to long-term perspective. We wish to continue benefitting from his contributions to the enhancement of the Company's corporate value. Accordingly, he has again been appointed a director. Moreover, with this background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent director.	Attended 10 of 10 meetings of the Board of Directors*

* Mr. Yoshiaki Nemoto attended the 32nd Annual General Meeting of Shareholders when he was appointed as a new director. The attendance was counted after the appointment.

Corporate Governance

■ Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside director of the Company (if designated as an independent director, reason for this designation)	Principal activities in FY2016*
Akira Yamashita (Independent auditor)	Mr. Yamashita has cultivated abundant experience and knowledge gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	Attended 10 of 10 meetings of the Board of Directors and 10 of 10 meetings of the Audit & Supervisory Board
Kakuji Takano (Independent auditor)	Mr. Takano has abundant experience as a Certified Public Accountant, as the representative of an accountancy firm and as an auditor for other companies, in addition to which he has cultivated extensive experience and knowledge in the execution of business at various organizations. From the perspective of leveraging this primarily accounting-related knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	Attended 10 of 10 meetings of the Board of Directors and 10 of 10 meetings of the Audit & Supervisory Board
Nobuaki Katoh (Independent auditor)	Mr. Katoh has abundant experience as a director of listed companies, and has extensive experience and knowledge as an auditor and through execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	Attended 9 of 10 meetings of the Board of Directors and 9 of 10 meetings of the Audit & Supervisory Board

* Mr. Akira Yamashita, Mr. Kakuji Takano, and Mr. Nobuaki Katoh attended the 32nd Annual General Meeting of Shareholders when they were appointed as new auditors. The attendance was counted after the appointment.

Corporate Governance

Policy

KDDI Group

KDDI's Approach (Compliance)

We recognize that in order to complete corporate activities to fulfill our social responsibilities, both legal compliance and the infusion of general awareness are issues that make up our corporate management.

As a global corporation, we continue to expand on the compliance system common to our whole group.

Policy

KDDI

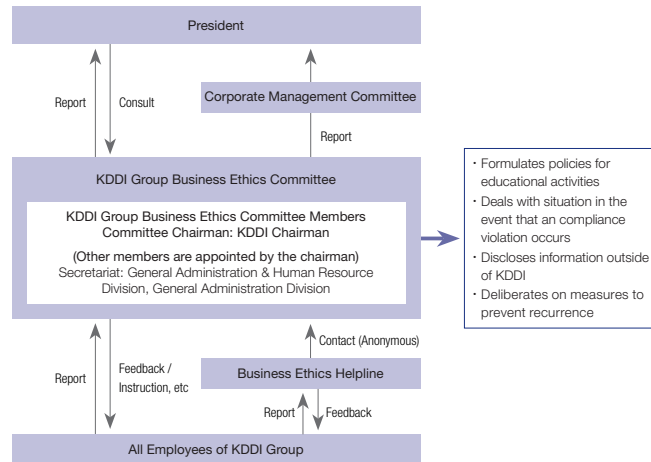
Compliance Promotion System of the KDDI Group

KDDI created the KDDI Code of Business Conduct for our employees to be aware of compliance and act ethically, and publish it to the Internet so that employees can check it whenever they are unsure of their actions, ensuring it is well-known and followed completely.

The KDDI Business Ethics Committee was established as a decision making body for KDDI Group compliance related items. The KDDI Business Ethics Committee Chairman is also the chairman of KDDI, who is not an executive director. The committee is composed of regular committee members, as well as those assigned by the chairman as necessary. They hold meetings once every half-year, and in addition to assessing the conditions of each company, the committee builds compliance systems, also providing support for strengthening said systems.

In addition, the KDDI Business Ethics Committee formulates policies for educational activities. 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. Report on the activity of the Committee is made available to all employees via the intranet.

Compliance Promotion System of the KDDI Group



Activity and Results

KDDI Group

Compliance Education and Training

KDDI believes that fostering a dynamic communication environment within the company is an essential prerequisite for further improving employee awareness of compliance. In FY2016, KDDI continued to hold study sessions for sector managers, all employees, and division managers, in an effort to spread the KDDI Group Philosophy. In addition, as part of the effort to more quickly respond to violations and perform analysis and prevention, seminars on violation-related issues were offered to supervisors and group leaders, and ongoing training continues to be provided to all employees to raise awareness about compliance as well. All employees also receive compliance related lecture e-mails every month. In addition, we implement training for group company executives that aims to

cultivate a management mindset, prevent illegal findings, acquire legal knowledge, and acquire accounting knowledge.

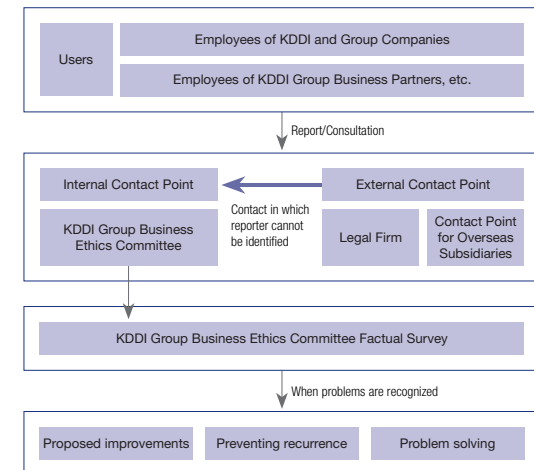
System

KDDI Group

Regulations for Internal Reporting Process (Business Ethics Helpline)

KDDI established the Business Ethics Helpline in 2006 to serve as a contact point for all employees of KDDI, KDDI Group companies, and business partners who have questions or concerns about business ethics and legal compliance. The helpline can receive reports through an internal contact point or an external contact point established in collaboration with external experts. (Reports can be received by email, telephone, or letter, in several languages). Furthermore, we have established internal regulations in response to the Whistle-


Business Ethics Helpline Flowchart



Corporate Governance

Blower Protection Act, enacted in Japan in April 2006, and have made it possible to make reports anonymously. We actively conduct educational activities on how to use the helpline. In 2016, we received 156 reports and inquiries. A breakdown of the reports and inquiries includes reports of sexual harassment and power harassment and employment related inquiries, but there were no reports of major issues involving punishment of personnel or external announcement among them.

Issues reported to the helpline are dealt with primarily by the KDDI Group Business Ethics Committee which, while mindful of privacy protections, will conduct an internal investigation when necessary. If problems are discovered as a result, they are promptly reported to the members of the committee, other members of management, and the Audit & Supervisory Board members, and corrective action is taken along with measures to prevent a recurrence.

 [Page_75](#) Edification Activities for Employees

Policy

KDDI Group

Basic Policy for Eliminating Anti-Social Forces and Status of Implementation

Our Basic Policy for the Creation of Internal Systems takes a firm stand on countering anti-social forces.

In addition to rules defining initiatives for blocking off any relations with such forces, the KDDI Code of Business Conduct, which specifically defines the code of conduct to be followed by all executives and employees, takes a firm stand against anti-social forces, rejecting any requests for illicit funds and refusing to comply with their demands.

System

KDDI Group

Anti-Corruption Practices

To prevent corrupt practices, the KDDI Code of Business Conduct defines the principles of promoting fair business activities and conscientiously performing duties, and prohibits activities such as bribing politicians, public officials, or other persons in public positions, along with other similar types of corruption.

In addition to establishing certain standards of behavior, such as maintaining a sound and proper relationship with politics and administration and avoiding any behavior that could be seen as collusive, as well as avoiding the exchange of gifts and entertainment with business counterparts, KDDI is committed to communicating these standards to all employees, through training and other activities.

KDDI also urges business partners to comply with the KDDI Guidelines for CSR in Supply Chain, which defines rules for prohibition of corruption, bribery, abuse of power, and giving or receiving illicit funds.

In FY2016, KDDI made political donations totaling 6 million yen in Japan, and there were no cases of legal action against KDDI related to corruption or bribery.

Policy

KDDI Group

Preventing Anti-Competitive Behavior

The KDDI Code of Business Conduct defines rules that prohibit anti-competitive behavior, and KDDI makes efforts to ensure that all employees comply with anti-competitive regulations. In addition, through the KDDI Guidelines for CSR in Supply Chain, business partners are urged to refrain from engaging in any activities that

inhibit the fairness, transparency, or freedom of competition.

The Fair Trade Commission and Ministry of Internal Affairs and Communications established the Guidelines on Promoting Competition in the Telecommunications Field to promote fair and free competition in the telecommunications field. In providing services, KDDI checks that there are no conflicts with the Antimonopoly Act or the Telecommunications Business Law with regards to related departments in accordance with these guidelines.

Furthermore, the Ministry of Internal Affairs and Communications established the Guidelines on Optimizing Smartphone Purchase Support in April 2016, and the Fair Trade Commission released their thoughts about competition policy issues in the mobile phone market in August 2016.

KDDI fully adheres to these related regulations, and continues to work toward appropriate operation of services.

Policy and System

KDDI Group

Responsible Tax Practice

The KDDI Group pursues the enhancement of customer satisfaction and profit and also strives to fulfill its corporate responsibility by maintaining and enhancing its international tax compliance. Specifically, we comply with international rules and tax related laws and regulations in each country and region, and pay tax appropriately.

In FY2016, KDDI paid 253,282 million yen in adjusted corporate income tax, at a taxation rate of 28.3% against income before income tax.

As KDDI Group businesses become increasingly multinational and increase the amount of international transactions, KDDI's top management is working to promote a tax strategy that properly recognizes international tax risk and regards it as an important issue that is directly linked to management. In addition, KDDI strives

Corporate Governance

to promote and improve tax governance through activities such as employee education and providing technical tax support from external specialists.

Efforts to Establish Favorable Relations with Tax Authorities

In an effort to reduce tax risk, KDDI strives to establish a relationship of trust with tax authorities in each country by improving transparency through the timely submission of appropriate tax information. We also make an effort to reduce tax risk by allowing tax authorities to check the information before it is submitted, as required.

Efforts to Prevent Tax Avoidance

In accordance with various Base Erosion and Profit Shifting (BEPS) action plans presented by OECD (Organisation for Economic Co-operation and Development), KDDI is conducting activities to support the revision of tax regulations toward BEPS compliance in Japan and other countries, and working to match the locations of economic activity and value creation with the appropriate tax jurisdictions to ensure proper taxation. KDDI also prevents transfer of sources of tax revenue to tax free or low tax rate countries and regions (so called "tax havens") with the purpose of excessive tax avoidance, and works to make proper tax payments in accordance with each country's tax system.

Policy

KDDI Group

KDDI's Approach (Ideas on Risk Management and Internal Control)

In the constantly changing conditions of the business environment surrounding KDDI, the risks the company encounters are becoming more complicated and diverse.

KDDI defines events and factors that negatively influence

business objectives as "risks", and considers strengthening risk management an important business challenge. In order to continue our business and fulfill our responsibilities to society, we promote risk management activities throughout the whole KDDI Group.

System

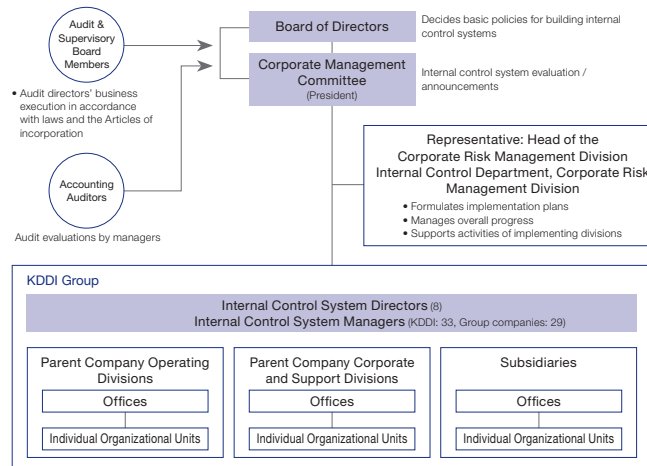
KDDI Group

KDDI's Risk Management and Internal Control Promotion

KDDI has established a system to centralize the management of risks, which it defines as factors that have the potential to block the achievement of management objectives. The Corporate Risk Management Division, led by a general manager of the Corporate Risk Management Division, is the core of this system.

Furthermore, KDDI is working to promote risk management throughout the KDDI Group, including subsidiaries, in order to realize

Internal Control Systems



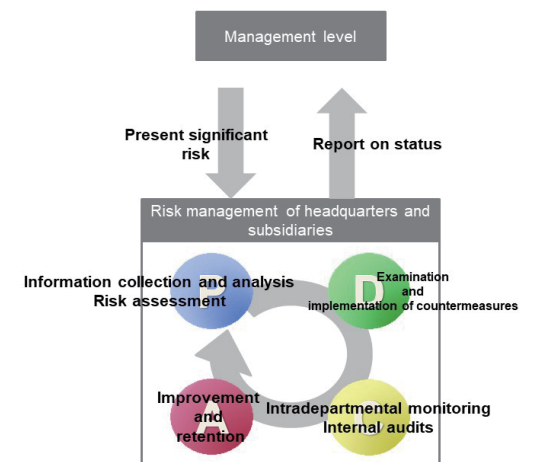
continuous growth therein. We have appointed 33 Internal Control System Managers and Group companies have appointed 29, as well as 8 Internal Control System Directors to oversee their activities. We promote operational quality enhancement activities to realize the maintenance and operations of our internal control system and our risk management activities, as well as a corporate constitution that prevents risks from materializing.

System

KDDI

Risk Management Activity Cycle

In order to prevent danger to the company, KDDI considers it important to assess signs of danger and discuss measures of prevention before the situation worsens. This forms the basis to build the risk management activity PDCA cycle. We also maintain a system that respond properly when mitigation risk and detection risk are found.



Corporate Governance

Activity

KDDI

Risk Identifying Process

KDDI regularly examines risk information, defining risks as items that negatively influence company business seriously over a long-term, and discuss measures to reduce these risks as much as possible. In order to reliably achieve our business goals, in 2016, we selected 24 significant risks based on issues that manifested in the past and changes in the business environment, and held an internal audit based around risk prediction, reduction of significant risks, as well as risk approach. In addition to increasingly sophisticated cyber attacks, we also determine challenges accompanying the expansion of the business regions of food and commodity sales, financial products and accounts, and energy business which relate to the change from a global business and telecommunications company into a "Life Design Company" as risks to be newly considered. These significant risks also reflect on business risks that are revealed in the Securities Report based on their relationships to financial influences.

At the same time as investigating and managing the details of inventoried risks with the Risk Management Division at the core, the directors and employees of all divisions actively work toward the reduction of risks in the KDDI Group in accordance with internal regulations.



[Securities Report / Internal Control Report \(Japanese\)](#)

Policy

KDDI Group

Basic Policy for Constructing an Internal Control System

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, KDDI passed the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. KDDI aims to ensure fair, transparent and efficient execution of its corporate duties and to maintain an effective system for internal controls.



[Corporate Governance Report \(p.21 Basic Views on the Internal Control System and Progress of System Development\)](#)

Activity and Results

KDDI Group

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 KDDI 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 2017, as well as disclosed to investors.



[Securities Report / Internal Control Report \(Japanese\)](#)

System and Infusion

KDDI

Activities to Enhance Operational 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, and Internal Control System Managers take the role of facilitators in each division and work to improve overall corporate quality by enhancing operational efficiency and providing standardization, while at the same time raising the quality of operations and expanding added value.

Cases of improvement of business operations from these activities are made into a database, and all employees are being prepared to practically improve business operations in their own departments.

Furthermore, to increase each employee's awareness and motivation to improve operations, KDDI has introduced the Operational Quality Improvement Prize to recognize excellent and motivational improvements.

■ Infusion Activities to Enhance Operational Quality

- E-learning training
- Sharing of email newsletters, as well as messages from executive officers and positive examples in the-house newsletter
- Implementation of Operational Quality Improvement Prize (Once a year)

Corporate Governance

Main Operational Risks

Risk	Risk background	Potential impact on KDDI	KDDI's response
Competitors, rival technologies, and rapid market shifts	<ul style="list-style-type: none"> The homogenization of services offered by mobile phone carriers The spread of cheap SIM services from MVNOs Expansion of business areas to non-telecommunications services Changes in institutional aspects, including injustice toward mobile phone carriers and execution of guidelines, based on the Guidelines for Initiatives to Reduce Smartphone Payments and Optimize Device Sales established by the Ministry of Internal Affairs and Communications. Support for product defects as a result of expanding the product goods business Inability to acquire bandwidths in accordance with the Company's needs Increase in competition due to new high-speed wireless data technology Reduced revenue from voice call fees due to the expansion of apps with free calling features Possibility to reduce connection fees with other telecommunications carriers 	Negative impacts on the financial position and operating results of the KDDI Group	<ul style="list-style-type: none"> KDDI aims to achieve continuous growth in the telecommunications business in Japan, as well as expand the "au Economic Zone" and actively deploy our business around the globe in an effort to establish new growth pillars.
Communications security and protection of customer privacy	<ul style="list-style-type: none"> Internal privacy breaches Unauthorized access from external networks 	<ul style="list-style-type: none"> Any such incident could seriously damage the brand image of the KDDI Group. In addition to a possible loss of customer trust, the Company could also be forced to pay substantial compensation, which could have a negative impact on the financial position and/or earnings performance of the KDDI Group. Going forward, the Company may also face higher costs to develop or upgrade communications security and privacy protection systems. 	<ul style="list-style-type: none"> Establishment of Information Security Committee Public release of the Security Policy and Privacy Policy, and maintenance and operation of internal information security regulations Acquisition of external authentication (ISMS) in the whole company 24-hour a day, 365-day a year observation of external attacks by a specialist organization In addition to implementing 24 hour a day 365 days a year surveillance of unauthorized access to important systems through a specialist organization, we also conduct periodic vulnerability diagnosis of our public Internet server and resolve any vulnerabilities detected
System failures due to natural disasters and other unforeseen events	<ul style="list-style-type: none"> Natural disasters, such as earthquakes, tsunamis, typhoons, or floods, as well as secondary damages from the spread of toxic substances caused by natural disasters Spread of infectious disease War, terrorism, accidents or other unforeseen events Power brownouts or blackouts Computer viruses or other forms of cyber-attack, hacking Operation system hardware or software failures Flaws in communications equipment and services 	<ul style="list-style-type: none"> The Risk of service outages or interruptions as a result of natural disasters or accidents The Risk of service outage as a result of failures in network systems or communications equipment, or substantial billing errors, the discredit to the Group's brand image, reliability, and lower customer satisfaction caused by opportunity loss in provision of products and services due to agent closures and distribution suspension 	<ul style="list-style-type: none"> Taking steps to improve the reliability of its network and to prevent service outages.
Telecommunications sector regulations and government policies	<ul style="list-style-type: none"> Revisions to inter-operator access charge calculation formulae and accounting methods Revisions to the specified telecommunications equipment system and the regulations on prohibited activities Revisions to systems governing universal service New carriers entering the mobile communication market as Mobile Virtual Network Operators (MVNOs) Revisions to radio wave usage rules 	<ul style="list-style-type: none"> In regard to the revision or abolishment of telecommunications laws and regulations, to government policies, it could negatively affect the financial position and/or earnings performance of the KDDI Group. Negative influence on the KDDI Group's brand image and customer trust. 	<ul style="list-style-type: none"> Taking all appropriate measures to respond to such laws, ordinances, and government policies The KDDI Group advocates measures for fair competition with other telecommunications companies through various deliberative council, study groups with the Ministry of Internal Affairs and Communication and by offering opinions through a public comments system

Corporate Governance

Policy

KDDI

KDDI's Approach (Initiative in Preparation for Emergencies)

In order to secure telecommunications in times of disaster, KDDI established disaster prevention operation policies as well as countermeasures in preparation for disasters, and has intimate liaison and coordination between related agencies both domestic and international.

System

KDDI

Establishment of Disaster-Resistant Communication Environments

KDDI has prepared for emergencies by formulating Business Continuity Plan (BCP) Initiatives following experiences in the Great East Japan Earthquake in order to be capable of providing communication services in the event of natural disasters including earthquakes and floods.

Based on the "Guidelines for Taking Action against an Influenza Pandemic" (February 2009 Council on Countermeasures Related to a New Strain of Influenza and Avian Influenza), we formulated the "Plan for Maintaining Companywide Operations in the Event of an Outbreak of a New Strain of Influenza" to ensure employee health and accurate responses so that we can continue to provide our customers with communications services in the event of an outbreak of a new strain of influenza.



Link
Page_22

Recovery Support in Times of Disaster

System

KDDI

Providing Disaster Response Services

■ Flood Monitoring Service Using LPWA

From March 2017, KDDI and MEIDENSHA CORPORATION has been performing demonstration tests of the flood monitoring service using an LPWA network compatible LoRa PoC Kit* with technological support from the Ministry of Land, Infrastructure, Transport and Tourism to inspect use of the Low Power Wide Area (referred to below as LPWA) network, a IoT communication technology in the disaster prevention perspective.

This demonstration test monitors flooding in levees using sensors installed on manholes. By enhancing regional flood monitoring and refining disaster prevention information, we believe we will be capable of providing local residents with accurate information that will aid in swift evacuation during floods.

* An inspection kit for corporate customers composed of a system developed by SORACOM, INC. and KDDI's IoT circuit service "KDDI IoT Connect Air". PoC is an abbreviation of Proof Of Concept and indicates the inspection test

■ Disaster Countermeasure Training Drill Solutions through VR (Virtual Reality)

KDDI, in collaboration with West Japan Railway Company (referred to below as JR-West), jointly developed the "Disaster Countermeasure Training Drill Solutions Through VR (Virtual Reality)" in February 2017, and from April of the same year, it is gradually being introduced in the Wakayama branch of JR-West.

This solution serves as a disaster countermeasure training drill for disasters such as tsunamis, etc. using VR equipment and live-action VR video content for operators of railroad corporations, and is the first example of commercialization in Japan*. Train operators can verify route information related to estimated flood depth and evacuation guidance, go through operation training assuming emergencies, and go through simulated experiences of tsunami occurrences using actual images of routes they routinely operate on. We believe that encouraging optimal action by cultivating operator judgment during emergencies will lead to the safety and security of commuters.

* As of February 15, 2017, researched by KDDI

Corporate Governance

Other services

Service name	Content
au Disaster Countermeasures App	An app that combines a variety of services that can be used when a disaster occurs, including the "Disaster Message Board Service", "Emergency Rapid Mail", and "Disaster Voice Messaging Service"
Disaster Message Board Service	A service that allows you to register and verify safety confirmation information during disasters
Emergency Rapid Area Mail	A service which sends evacuation advisories, instructions, etc. including emergency earthquake early warnings, tsunami warnings, and disaster/evacuation information from national and local governments simultaneously to all au mobile phones in the target area. We have started to provide flood information from 2016.
Disaster Voice Messaging Service	A service that conveys "spoken" confirmation of safety through use of the packet communications network in times of disaster
Experimental Service	KDDI offers a service that allows customers to experience the Disaster Message Board Service and Disaster Voice Messaging Service on the 1st and 15th of every month. <Offer Period> <ul style="list-style-type: none"> • 1st and 15th of every month (0:00-24:00) • 3 days at New Year (12:00 on January 1-24:00 on January 3) • Disaster Preparedness Week (August 30-September 5) • Disaster Preparedness and Volunteer Week (January 15-21)

Participation in Nationwide Disaster Response Training

As a designated public institution under the Basic Act on Disaster Countermeasures, KDDI participates in comprehensive disaster response training held by the national and local governments, and as a provider of information communications infrastructure we cooperate with relevant authorities to ensure rapid and effective

recovery activities. In Disaster Preparedness Week in 2016, the week that included Disaster Preparedness Day, September 1, we took an active part in disaster response training held by local governments in different areas throughout Japan to increase awareness and knowledge of what to do if a disaster takes place.

Policy

KDDI Group

KDDI's Approach (Information Security)

Recent years have seen many incidents worldwide in which software virus infections caused by cyberattacks have led to leaks of important confidential information, something which has become a major social issue. The KDDI Group considers the personal information it retains for its customers and the business information it retains for its business partners to be extremely important assets that need to be managed with the strictest care.

As a company responsible for providing safe, reliable communications services, KDDI recognizes that the appropriate management of information and the protection of personal information are important management issues. Basic guidelines for ensuring information security are set out in our Security Policy, while guidelines for conduct to ensure the protection of personal information are set forth in our Privacy Policy. These policies are disclosed both internally and outside the Company, and KDDI has declared that it will work to ensure the trust of its customers and other related parties, and that all of its employees are to comply with these policies.

We also will strive to enlighten our employees on the importance of information security and to enhance security measures, as we work to ensure proper information management.

[Link Website](#) Security Policy

[Link Website](#) Privacy Policy

System

KDDI Group

Information Security Management Framework

To ensure a unified approach to information security for information assets across the Group as a whole, KDDI has established an Information Security Committee chaired by the Executive Director, Technology Sector (Senior Managing Executive Officer, Director). The committee comprises management, along with the heads of sales, technology, and corporate administrative divisions. This creates a structure that can accurately grasp the status of information security management and promptly implement measures to enhance information security at KDDI itself and throughout the Group.

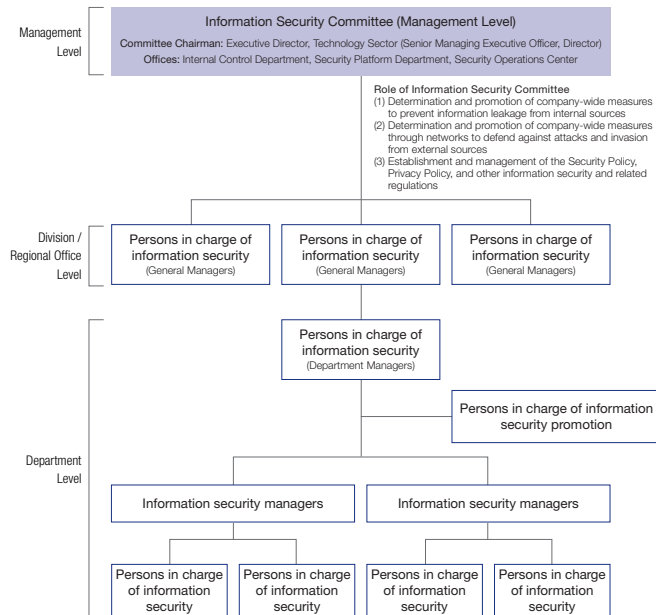
Strengthening Overall Group Information Security

In April 2009, we acquired information security management system (ISMS) certification* (ISO/IEC 27001: 2013) for the entire company. Since then, we have continued to implement measures to improve information security centered on the maintenance of these systems. We established the KDDI Group Information Security Standards in FY2011 for group companies. Based on these standards, we work toward improvement of security levels in group companies, and by regularly inspecting group company security conditions, we are continuously working toward strengthening group-wide security governance.

* 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.

Corporate Governance

Security Management Structure



ISMS Certification at KDDI

Registration Number	Organization	Initial Registration
IS 95253	KDDI CORPORATION ^[1]	June 07, 2005
IS 76406	KDDI CORPORATION (Operations Division) ^[2]	July 04, 2003
IS 85329	KDDI CORPORATION (Information Systems Division)	September 28, 2004

[1] Includes corporate, technology and sales, and customer support divisions, as well as KDDI KYOSAIKAI (now, KDDI Group Welfare Association), KDDI Health Insurance Union, KDDI Pension Fund, KDDI Research Institute, Inc. and KDDI MATOMETE OFFICE CORPORATION

[2] Includes Japan Telecommunication Engineering Service Co., Ltd.

System and Activity

KDDI

Efforts to Reduce Information Security Risks

KDDI's efforts to reduce information security risk include preventing leaks of customer information and defending itself against cyber-terrorism. Management of all Company information assets starts with the formulation of policy by the Information Security Committee, which is then implemented through the concerted efforts of our officers and employees. The Information Security Committee is part of our corporate governance framework, which manages risk for the Company as a whole.

In FY 2016, we established an Information Security Incident Prevention Enhancement Month as a Company wide initiative with the goal of familiarizing employees with the need to comply with information security rules and ensuring their proper application. Through the implementation of this and other initiatives, we are working to enhance employee awareness.

To stand up against increasingly sophisticated, complex information security threats, KDDI also needs to collaborate with external parties. We are actively involved in cross-industry initiatives related to information security.

<Organizations Involved>

- ICT-ISAC Japan
- Forum of Incident Response and Security Teams (FIRST)
- Nippon CSIRT Association

FY2016 List of Initiatives and Activities for Reducing Information Security Risks

Total information security	<ul style="list-style-type: none"> • E-learning training • Educational articles published in the internal newsletter • Publishing educational articles • Internal lectures from external instructors in accordance with Cyber Security Month
Prevention of information leakage by SNS	<ul style="list-style-type: none"> • Establishment of Social Media Policy • Raising awareness among employees
Prevention of mis-sent emails	<ul style="list-style-type: none"> • Prohibiting automatic forwarding • Automatic encryption of attached files in external emails • Temporarily reserving external emails after sending • Compulsive bcc of addressees (prevention of email address leakage)
Prevention of targeted emails	<ul style="list-style-type: none"> • Annual targeted attack email training for employees • E-learning training

 [Social Media Policy \(Japanese\)](#)