

**Please note that the following is an English translation of the Japanese version (as of July 5, 2018), prepared for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy, the Japanese original shall prevail.**

**KDDI's corporate governance status is described below.**

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information**

### **1. Basic Views**

As a telecommunications operator that provides social infrastructure, KDDI (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.

### **[Reasons for Non-Compliance with the Principles of Japan's Corporate Governance Code]**

#### **[Updated]**

To realize sustainable growth and increase corporate value over the medium to long term, KDDI engages in continuous efforts to improve corporate governance and is in compliance with all codes as of today. The state of KDDI's disclosure in relation to [Disclosure Based on the Principles of Japan's Corporate Governance Code] provided herein is based on the Corporate Governance Code prior to the amendment in June 2018. Description of KDDI's disclosure efforts in response to this amendment will be updated by the end of December 2018.

## [Disclosure Based on the Principles of Japan's Corporate Governance Code]

### [Principle 1.4]

#### ■ Policy on Strategic Shareholdings

KDDI believes that participating in tie-ups with a variety of companies is essential to providing its customers with increasingly diverse and advanced services.

To this end, our basic policy is to engage in strategic shareholdings after comprehensively judging that such holdings will contribute to KDDI's business and support the sustainable growth and increased corporate value of the entire KDDI Group over the medium to long term.

Accordingly, if determined to be necessary given such factors as the scale and importance of these holdings, the purpose and rationality of such holdings is explained to the Board of Directors.

#### ■ Standards for Ensuring Appropriate Exercise of Voting Rights on Strategic Shareholdings

Given the extensiveness and diversity of the KDDI Group's businesses, we believe that setting uniform standards throughout the Company could impair the corporate value of companies issuing such shares, as well as of the KDDI Group. For this reason, while respecting the intentions of share-issuing companies we set as our standard for exercising voting rights the sustainable growth and increased corporate value of the entire KDDI Group over the medium to long term, taking into overall consideration such factors as periodic business results and the results of dialogue with issuing companies.

To guard against decisions skewed toward short-term business interests, we have created a process for exercising voting rights that involves checks by the management team, thereby ensuring that management decisions are made from a companywide perspective.

### [Principle 1.7]

In accordance with the Companies Act, KDDI 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 "IX. Appropriate Accounting and Adherence to Agreements," one of the basic principles of the "KDDI Code of Business Conduct."

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.

### (Supplement)

The representative director of Kyocera Corporation and a director of Toyota Motor Corporation, which is a major shareholder of KDDI, serve as an outside director of the Company. Accordingly, we strike a balance between comprehensive approval by the Board of Directors and internal requests for decisions on individual transactions.

## [Principle 3.1]

### (1) The KDDI Group Mission Statement, Management Strategies and Management Plans

#### ■ The KDDI Group Mission Statement

The Group's mission statement is: "The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society." The corporate philosophy expresses the perspectives, values, and code of conduct to be upheld in achieving the KDDI Group's mission. These are defined in the five chapters of the "The KDDI Group Philosophy," which are "Vision," "Management Principles," "Professional Mindset," "Way Forward," and "Formula for Success."

By fulfilling the "The KDDI Group Philosophy," KDDI aims to be a company that is appreciated and trusted by all its stakeholders.

Please see the KDDI website for an overview of "The KDDI Group Philosophy."

<http://www.kddi.com/english/corporate/kddi/philosophy/>

#### ■ Management Strategies and Management Plans

In the market environment of the information and telecommunications field, technological innovation and competition on a global scale is intensifying, various players are entering the field, and the pace of changes continues to accelerate. At the same time, however, devices, fees, and networks are beginning to homogenize. With these environmental changes in mind, we are making it our business management direction to transform ourselves to provide customers experience value that exceeds customer expectations, based on the keywords of 'customer perspective' and 'innovation' so that the Company can be the best choice of customers.

The Company's business strategy consists of the following three basic policies to achieve sustainable growth and improve business value in the mid to long term: sustainable growth in domestic telecommunications business, as well as maximizing the "au Economic Zone" and ambitious development of global business to establish a new growth axis.

The mid-term management goal is to achieve continuous growth and enhance shareholder return from the fiscal year ending March 31, 2017, through the fiscal year ending March 31, 2019.

For the sustainable profit growth, the Company set a target of operating profit and average annual growth rate (CAGR) of 7%, gross merchandise value of "au Economic Zone" over two trillion yen, along with a three year M&A for growth total on the scale of five hundred billion yen.

The Company plan to raise dividend payout ratio from above 30% to above 35% and repurchase own shares after growth investment. The Company also will cancel any treasury stock held in excess of limit of 5% of our total issued shares.

Please see the KDDI website for details on the Company's business management direction, business strategy, and medium-term target.

<http://www.kddi.com/english/corporate/ir/management/target/>

### (2) Basic Views and Guidelines on Corporate Governance

Please see the section of this report entitled " I .1. Basic Views."

### **(3) Policies and Procedures for Determining Executive Remuneration**

Please see the sections of this report entitled "II.1. [Incentives] [Remuneration of Directors]" and "II.2. Matters Concerning Business Execution, Auditing and Supervision, Nomination, Determination of Remuneration and Other Functions (Overview of Current Corporate Governance System)."

### **(4) Policies and Procedures for Nominating Executives**

Please see the section of this report entitled "II.2. Matters Concerning Business Execution, Auditing and Supervision, Nomination, Determination of Remuneration and Other Functions (Overview of Current Corporate Governance System) [Nomination of Director and Audit & Supervisory Board Member Candidates]."

### **(5) Explanations of Individual Appointments and Nominations**

The reasons for individual appointments of outside executives are contained in the "Notice of the General Shareholders' Meeting" and the "Annual Securities Report (Japanese only)."

Please also see the section of this report entitled "II.1. Items Related to Organizational Structure and Operation [Directors] and [Audit & Supervisory Board Members]."

The reasons for the appointment and nomination of directors and Audit & Supervisory Board members, as well as their career histories, are contained in the "Notice of the General Shareholders' Meeting" and the "Annual Securities Report (Japanese only)."

#### **[Supplementary Principle 4.1.1]**

At KDDI, Board of Directors resolutions determine:

- Matters prescribed by the Companies Act or other laws and regulations,
- Matters prescribed by the Articles of Incorporation,
- Matters delegated for resolution at the general shareholder meeting, and
- Other important management-related matters.

For other important management-related matters, their importance is determined according to such factors as the scale of money, business, assets, and investment involved.

These decision standards for importance are not permanent. Rather, they are reviewed appropriately in accordance with changes in the legal system and the environment in which the Company operates, with the aim of ensuring management speed and effectiveness.

#### **[Principle 4.8]**

In addition to the outside director requirements in the Companies Act and the independence standards provided by the financial instruments exchange, the Company meets its own independent standards ([Principle 4.9]) by appointing three independent outside directors.

#### **[Principle 4.9]**

In addition to the standards provided by the financial instruments exchange, the Company has formulated its own standards. Specifically, these standards state that people hailing from business partners making up 1% or more of the Company's consolidated net sales or orders placed are not independent. The standards also take other individual considerations into account.

### **[Supplementary Principle 4.11.1]**

KDDI believes that an important driver for the Company's growth, aiming for "Integration of Telecommunications and Life Design," is accepting the diversity of human resources and utilizing the various knowledge, experience, and skill of each individual members. We believe that ensuring diversity in the Board of Directors as well will lead to better managerial decisions.

KDDI 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 a shareholder perspective and possess management knowledge
  - People who are highly independent and have specialized knowledge appropriate to a supervisor
- Currently, the Company has appointed one woman as an independent outside director.

KDDI recognizes the need to appropriately limit the size of the Board of Directors in order to achieve both management effectiveness and speed. Accordingly, the Articles of Incorporation limit the number of members to 20.

### **[Supplementary Principle 4.11.2]**

The status of directors' and Audit & Supervisory Board members' concurrent executive appointments at other listed companies is described in the "Notice of the General Shareholders' Meeting" and the "Annual Securities Report (Japanese only)."

### **[Supplementary Principle 4.11.3]**

#### **■ Purpose of conducting evaluation of Board of Directors**

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.

#### **■ Outline of evaluation process**

The Company confirms the effectiveness of the Board of Directors based on evaluation by 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 regularly every year. 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  
(configuration 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  
(participation in medium-term business planning, monitoring of plan enforcement, etc.)

## ■ Evaluation results

### [Summary]

The evaluation confirmed that the Company's Board is operating effectively, especially good at following matters:

- The Company's Board includes outside directors and Audit & Supervisory Board members, which enables our decision-making with the wide-ranging, diverse set of viewpoints.
- Opportunities for speaking up are sufficiently secured for outside directors, and their opinions and questions are met with a sincere response.

### [Improvements since previous evaluation]

It was confirmed that items raised as issues in the previous evaluation had been improved.

- The progress of the implementation of the medium-term management plan is shared.
- Opportunities are provided at periodic intervals for discussion of the long-term strategies, prospects of the business environment, policies for responding to the changing environment.

### [Future issues]

We have received opinions that it would be desirable to further expand discussion of medium- and long-term business strategies with multimodal perspectives.

Based on these suggestions, we are planning multiple deliberations for the formulation of the next medium-term management plan for the fiscal year ending March 2018 and will continue to work for consecutive improvement.

## ■ Evaluation of the effectiveness of the Audit & Supervisory Board

With the aim of correctly comprehending the current state of the Audit & Supervisory Board, and to operate more effectively, KDDI evaluated the effectiveness of the Audit & Supervisory Board and reported the results to the Board of Directors.

### 1. Evaluation results

We confirmed that there were basically no problems in the operational effectiveness as an Audit & Supervisory Board. However, in light of the current increase of new subsidiaries, we recognized the importance of further enhancing monitoring with regard to the establishment of an auditing environment for subsidiaries and the audit status of subsidiaries by directors.

### 2. Future activities

In light of the aforementioned, we will continue our efforts for the sound management and sustainable growth of the entire KDDI Group and improvement of social trust through further cooperation with the auditors of subsidiaries and by increasing the effectiveness of auditing for the entire Group.

## [Supplementary Principle 4.14.2]

Upon appointment, newly appointed directors and Audit & Supervisory Board members undergo the following types of training to acquire knowledge considered necessary to fulfilling their various responsibilities.

- Lectures by legal advisors concerning directors' legal responsibilities
- Certified public accountant lecture on accounting knowledge

In addition, 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.

Besides, individual training may be arranged if executives so request, and other opportunities for training and to augment knowledge are provided as necessary.

### [Principle 5.1]

The Company considers its shareholders and investors to be important stakeholders.

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.

The Company's Board of Directors resolves its "IR Basic Policy," which outlines its basic views on IR activities and describes activity policies. This policy is available on the KDDI website.

<http://www.kddi.com/english/corporate/ir/policy/>

The officer responsible for the Corporate Sector takes charge of primary IR activities in accordance with this policy.

For details, please see the section of this report entitled "III.2. IR Activities."

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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### [Major Shareholders] [Updated]

Name of Corporate Entity	Number of Shares Held	Ratio of controlling share
KYOCERA Corporation	335,096,000	12.95
Toyota Motor Corporation	298,492,800	11.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	190,983,400	7.38
Japan Trustee Services Bank, Ltd. (Trust Account)	133,349,200	5.15
JP MORGAN CHASE BANK 380072	50,743,304	1.96
STATE STREET BANK WEST CLIENT - TREATY 505234	35,054,663	1.35
Japan Trustee Services Bank, Ltd. (Trust Account 5)	33,766,100	1.30
STATE STREET BANK AND TURST COMPANY - 505223	31,655,525	1.22
Japan Trustee Services Bank, Ltd. (Trust Account 7)	31,070,700	1.20
JPMorgan Securities Japan Co., Ltd.	29,703,813	1.14

Controlling Shareholder (Except for Parent Company)	—
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Parent Company	None
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### **Supplementary Explanation**[Updated]

As of March 31, 2018, the Company possessed 180,136,600 shares of treasury stock. The Company is repurchasing its own shares during the repurchase period from May 11, 2018 to March 22, 2019. Also, the Company canceled 55,209,080 shares of treasury stock effective on May 16, 2018.

### **3. Corporate Attributes**

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Business Category	Telecommunications
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) for the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to fewer than 300

### **4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with**

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### **5. Other Special Circumstances That May Have Material Impact on Corporate Governance** [Updated]

KDDI holds 51.5% of the shares issued by Okinawa Cellular Telephone Company. However, as a number of prominent local companies also hold shares in Okinawa Cellular, we consider the company to be independent to a certain extent. Four of Okinawa Cellular's eight directors and three out of its four Audit & Supervisory Board members hail from Okinawa Prefecture.

## ***II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management***

### **1. Items Related to Organizational Structure and Operation**

Organizational form	Company with an Audit & Supervisory Board
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#### **[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 (unless concurrently serving as president)
Number of directors	14
Selection process for outside directors	Appointed
Number of outside directors	5
Number of outside directors designated as independent directors	3

#### **Relationship with the Company (1) [Updated]**

Name	Affiliation	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Goro Yamaguchi	From another company							<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Tatsuro Ueda	From another company							<input type="radio"/>	<input type="radio"/>			
Kuniko Tanabe	Attorney at law											
Yoshiaki Nemoto	Academic											
Shigeo Ohyagi	From another company											

- \* Selection criteria regarding the relationship with the Company
  - \* “○” when the director presently falls or has recently fallen under the category;  
“△” when the director fell under the category in the past
  - \* “●” when a close relative of the director presently falls or has recently fallen under the category;  
“▲” when a close relative of the director fell under the category in the past
- a Executive of the Company or its subsidiaries
- b Executive or non-executive director of a parent company of the Company
- c Executive of a fellow subsidiary company of the Company
- d A party whose major client or supplier is the Company or an executive thereof
- e Major client or supplier of the Company or an executive thereof
- f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board member
- g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f.) (the director himself/herself only)
- i Executive of a company, between which and the Company outside directors/Audit & Supervisory Board member are mutually appointed (the director himself/herself only)
- j Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k Others

## Relationship with the Company (2) [Updated]

Name	Reason for selection
Goro Yamaguchi	Mr. Yamaguchi has abundant experience and superior knowledge stemming from his roles as managers in listed companies. We wish to leverage this experience and knowledge in the supervision of the Company's business activities and in its decision making. Accordingly he has again been appointed as a director.
Tatsuro Ueda	Mr. Ueda has abundant experience and superior knowledge stemming from his roles as manager in listed companies. We wish to leverage this experience and knowledge in the supervision of the Company's business activities and in its decision making. Accordingly he has again been appointed as a director.
Kuniko Tanabe (Independent director)	Ms. Tanabe has abundant experience and superior knowledge, cultivated as the partner at a law office. From the perspective of leveraging this knowledge and experience to contribute to the sustainable growth of the Company, she has been appointed as 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.
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. From the perspective of leveraging this knowledge and experience to enhance the corporate value of the Company, he has been appointed as 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.
Shigeo Ohyagi (Independent director)	Mr. Ohyagi has abundant experience and superior knowledge stemming from his roles as a manager in listed company. We wish to leverage this experience and knowledge in the supervision of the Company's business activities and in its decision making. 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.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
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## Status of Establishment of Voluntary Committees, Composition of Members, Affiliation of Committee Chairperson

(Members)

Committee Name	Committee Equivalent to Nominating Committee	Committee Equivalent to Compensation Committee
	Nomination Advisory Committee	Remuneration Advisory Committee
Committee Members	7	7
Full-Time Members	0	0
Internal directors	2	2
Outside directors	5	5
Outside Experts	0	0
Others	0	0
Committee Chairperson	Outside director	Outside director

## Supplementary Explanation

The two committees conduct deliberations in order to provide advice to the Board of Directors; they are not decision-making bodies.

### [Audit & Supervisory Board Members]

Existence of Audit & Supervisory Board	Exists
Number of auditors in Articles of Incorporation	5
Number of auditors	5

### Cooperation among Audit & Supervisory Board Members, Accounting Auditor, and Internal Audit Division

Audit & Supervisory Board members confirm the Accounting auditor's audit policy and plans, as well as the quality control and audit structures. They receive reports from the Accounting auditor on the status and results of quarterly audits and conduct exchanges of opinion, as necessary.

Audit & Supervisory Board members and the Internal Audit Division share with each other audit plans and audit results. By exchanging opinions, they endeavor to ensure highly efficient and effective audits.

Appointment of outside Audit & Supervisory Board Members	Appointed
Number of outside Audit & Supervisory Board members	3
Of Outside Audit & Supervisory Board Members, Number Designated as Independent Auditors	3

### Relationship with the Company (1)

Name	Affiliation	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Akira Yamashita	Other													
Kakuji Takano	Certified public accountant													
Nobuaki Katoh	From another company													

- \* Selection criteria regarding the relationship with the Company
  - \* “○” when the corporate auditor presently falls or has recently fallen under the category;
  - “△” when the corporate auditor fell under the category in the past
  - \* “●” when a close relative of the corporate auditor presently falls or has recently fallen under the category;
  - “▲” when a close relative of the corporate auditor fell under the category in the past
- a Executive of the Company or its subsidiaries  
b Non-executive director or accounting advisor of the Company or its subsidiaries  
c Executive or non-executive director of a parent company of the Company  
d Corporate auditor of a parent company of the Company  
e Executive of a fellow subsidiary company of the Company  
f A party whose major client or supplier is the Company or an executive thereof  
g Major client or supplier of the Company or an executive thereof  
h Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board member

- i Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h.) (the Audit & Supervisory Board member himself/herself only)
- k Executive of a company, between which and the Company outside directors/Audit & Supervisory Board members are mutually appointed (the Audit & Supervisory Board member himself/herself only)
- l Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board member himself/herself only)
- m Others

### **Relationship with the Company (2)**

Name	Reason for selection
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 has been appointed as an independent auditor.
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.
Nobuaki Katoh (Independent auditor)	Mr. Katoh has abundant experience as a director of listed companies, and has cultivated 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, 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 has been appointed as an independent auditor.

### **[Independent Directors/Auditors]**

Number of independent directors	6
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### **Other Matters Relating to Independent Directors/Auditors**

All the Company's outside directors/auditors qualify as independent directors/auditors and are designated as independent directors/auditors.

As stipulated in Principle 4-9 of [Disclosure Based on the Principles of Japan's Corporate Governance Code,] trading partners that make up 1% or more of consolidated sales or orders placed are uniformly not treated as independent, and independent directors that do not apply to this rule are not checked as business partners in a relationship with the Company.

## [Incentives]

Implementation of Measures to Provide Incentives to Members of the Managing Board	Introduction of a remuneration plan linked with consolidated operating performance, introduction of a system of stock acquisition rights
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### Supplementary Explanation on This Matter

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 the fiscal year ended March 31, 2012 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.

A decision was reached at the 22nd Annual Shareholders Meeting, held on June 15, 2006, to introduce a plan for issuing stock acquisition rights to serve as an incentive for executing operations and increasing operating performance, with an upper limit of ¥40 million per year. However, no stock acquisition rights have been allocated based on this plan since the fiscal year ended March 31, 2011.

Recipients of Stock Options	Internal directors, employees, directors of subsidiaries
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### Supplementary Explanation on This Matter

For employees, this system is limited to those in management positions. The system is also limited to the directors of only certain subsidiaries.

## [Remuneration of Directors]

Disclosure of Remuneration (for Individual Directors)	Partial individual disclosure
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### Supplementary Explanation on This Matter[Updated]

Chairman Takashi Tanaka's compensation for the fiscal year ended March 31, 2018 totaled 124 million yen (basic compensation: 78 million yen, bonuses: 25 million yen, stock-based compensation: 21 million yen), and is individually disclosed on the securities report (Japanese only).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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## **Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods**

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 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.

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. The chair, vice-chair and half or more of the members of this committee are outside directors.

## **[System for Supporting Outside Directors (Outside Audit & Supervisory Board Members)]**

### **[Updated]**

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.

Besides the Board of Directors meeting, the Company provides periodically sufficient opportunities and time of meetings between Executive Directors and Outside Directors/Audit & Supervisory Board Members, or meetings without Executive Directors, i.e. Outside Directors alone, which enables Outside Directors to give the Company the appropriate engagements and advices on various management matters.

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

## [Status of Persons Who Have Retired from the President]

### Name and Other Information of Councils, Advisers or Others Who Have Formerly Served as the President of the Company [Updated]

Name	Kazuo Inamori
Title / Position	Honorary adviser
Duties	Giving advice on the KDDI Group Philosophy and others
Work Form / Conditions (Full-time or Part-time, Remuneration)	Part-time / Paid
Date of Retirement from the President	June 27, 1989
Term	1 year (renewed every year)

Name	Tadashi Onodera
Title / Position	Senior Corporate Advisor
Duties	Economic organization activity and social contribution activities, etc
Work Form / Conditions (Full-time or Part-time, Remuneration)	Part-time / Paid
Date of Retirement from the President	December 1, 2010
Term	1 year (renewed every year)

Total number of Councils, Advisers or others who have formerly served as the President of the Company [Updated]	2
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### Other Matters

## 2. Matters concerning Business Execution, Auditing and Supervision, Nomination, Determination of Remuneration and Other Functions (Overview of Current Corporate Governance System) [Updated]

### [Business Execution and Its Supervision]

KDDI has introduced an executive officer system to assign authority, clarify responsibilities, and ensure that operations are conducted effectively and efficiently.

Important matters related to business execution are deliberated and decided by the Corporate Management Committee, composed of internal directors and executive officers. Final decisions on other matters are made through internal requests for decision. In addition to mutual supervision of directors and executive officers through Corporate Management Committee and other important internal meetings, organizational checks are conducted through internal requests for decision.

### [Directors and the Board of Directors]

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 board is currently headed by the chairman, who is a non-executive director.

The board comprises 14 members (13 men and one woman), of whom five are outside directors and three are independent outside directors.

### **[Audit & Supervisory Board System]**

Audit & Supervisory Board members conduct audit activities based on the audit policy and plans determined by the Audit & Supervisory Board. To perform audit activities, these members attend meetings of the Board of Directors and Corporate Management Committee, as well as other important internal meetings. In addition, the Audit & Supervisory Board receives reports on and deliberates Audit & Supervisory Board members' audit methods and results. Furthermore, the Audit & Supervisory Board expresses opinions, as appropriate, to the Board of Directors.

Three of the five Audit & Supervisory Board members (five men) are outside Audit & Supervisory Board members. All three of these members are independent outside Audit & Supervisory Board members.

### **[Advisory Committees]**

To ensure transparency and fairness in the nomination of director and Audit & Supervisory Board member candidates, as well as in executive compensation systems and levels, the Company has established the "Nomination Advisory Committee" and the "Remuneration Advisory Committee" as advisory bodies to perform deliberations in consultation with the Board of Directors.

The chairs, vice-chairs and half or more of the members of these two committees are outside directors.

### **[Remuneration of Directors and Audit & Supervisory Board Members]**

For the Company's policy on the remuneration of directors, please see the section of this report entitled "II.1. [Incentives] [Remuneration of Directors]."

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

### **[Nomination of Director and Audit & Supervisory Board Member 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, Audit & Supervisory Board member candidates are approved by the Board of Directors following approval by the Audit & Supervisory Board.

- Director candidates: People who satisfy the criteria in Supplementary Principle 4.11.1
- Audit & Supervisory Board member candidates: 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.

### **[Liability Limitation Agreements]**

The Company concludes agreements with directors (excluding executive directors) and Audit & Supervisory Board members limiting their liability for damages in accordance with Article 427-1 and Article 423-1 of the Companies Act. The limits on damage liability amounts based on these agreements are set in accordance with Article 425-1 of the Companies Act.

These limitations of liability are limited to acts by directors and Audit & Supervisory Board members who are without knowledge and are not grossly negligent in performing duties that are the source of such responsibility.

### [Accounting Audits]

The Company employed PricewaterhouseCoopers Kyoto to conduct its accounting audit for the fiscal year ended March 31, 2018. The certified public accountants who conducted the audit, their consecutive number of years in conducting accounting audits, and the status of assistants are as follows.

Engagement partner Yukihiro Matsunaga (six years)  
Engagement partner Toshimitsu Wakayama (four years)  
Engagement partner Tetsuro Iwase (two years)  
Assistants: 10 certified public accountants, 25 others (total of 35)

### [Internal Audits]

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.

### [Business Ethics]

The KDDI Group has established the "KDDI Group Business Ethics Committee," which makes decisions on compliance-related issues. This committee meets twice a year to determine the status of Group companies and support the construction and enhancement of compliance systems.

Companywide study sessions are held to promote awareness of the "KDDI Group Philosophy." Seminars are held to promote early response to and prevention of compliance violations, and training is conducted on an ongoing basis to raise awareness.

With regard to whistle-blowing, the Company has established a "Business Ethics Helpline" as a helpdesk for compliance with business ethics and laws and regulations. By establishing a contact point in collaboration with external experts, the Company is creating an environment in which it is easy for employees to report concerns. Furthermore, we have established internal regulations to protect whistle-blowers in accordance with the Companies Act and the Whistle-Blower Protection Act, and actively conduct educational activities on this topic. This scope of use of the Business Ethics Helpline has been extended to include business partners in an effort to also enhance our relationships with these partners in the area of business ethics and compliance with laws and regulations.

### [Internal Committees]

In addition to the "Nomination Advisory Committee," "Remuneration Advisory Committee," and "KDDI Group Business Ethics Committee," the Company has established the following committees in the interest of reinforcing governance.

- Disclosure Committee: Please see the section of this report entitled "V.2. Other Matters Concerning the Corporate Governance System."
- Sustainability Committee: This committee deliberates on matters relating to the sustainability of CSR, the environment, and more.
- Information Security Committee: This committee aims to ensure consistent information security

with relation to information assets.

### **[External Cooperation Related to Auditing and Supervision]**

Necessary information is collected and opinions are stated by outside directors via the Board of Directors, and by outside Audit & Supervisory Board members via the Board of Directors, Audit & Supervisory Board, and audit activities. The receipt of appropriate feedback ensures mutual cooperation between internal audits and accounting audits. Within the scope of this framework, the Corporate Risk Management Division strives to create cooperative relationships in the interest of reinforcing corporate governance and achieving sustainable growth and increased corporate value over the medium to long term.

Furthermore, the “Director and Audit & Supervisory Board Member Liaison Meeting,” the “Outside Directors and Audit & Supervisory Board Member Liaison Meeting,” the Outside Directors and part-time Audit & Supervisory Members Liaison Meeting,” and the “Outside Directors Liaison Meeting,” meet regularly to ensure smooth relations.

In addition, informal meetings are held twice each year to encourage free exchanges of opinion between part-time Audit & Supervisory Board members and representative directors.

### **3. Reasons for Adoption of Current Corporate Governance System**

From the perspective of the “proper and efficient business execution” and “appropriate auditing and supervision functions” expected of corporate governance, the Company has appointed multiple outside directors has adopted Audit & Supervisory Board and other systems that include a majority of outside Audit & Supervisory Board members.

Regarding “proper and efficient business execution,” the Company believes swift decision-making by the Board of Directors, centered on internal directors, points to a high level of efficiency. With respect to “appropriate auditing and supervision functions,” the Company believes that its auditing and supervision functions are functioning appropriately, as outside executives—including independent executives—perform checks of the bodies performing business execution from diverse perspectives. In particular, Audit & Supervisory Board members have no Board of Directors voting rights, enabling them to audit the execution of duties by directors objectively. Furthermore, we believe independent outside Audit & Supervisory Board members are able to conduct audits from a perspective independent from other members of the management team.

### ***III. Implementation of Measures for Shareholders and Other Stakeholders***

#### **1. Measures to Vitalize the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights**

	Supplementary Explanation
Early Notification of General Meeting of Shareholders	The Company sends out its notifications around one week earlier than statutorily required. In addition, this information is posted on the Company's website before it is sent out.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	The Company endeavors to arrange its meeting to avoid the peak day.
Exercise of Voting Rights via the Internet	The Company makes use of a site that enables the exercise of voting rights over the Internet.
Participation in Electronic Voting Platform and Other Measures for Enhancing the Environment for the Exercise of Voting Rights by Institutional Investors	The Company participates in an "exercise of voting rights platform."
Providing Notice of Annual Shareholders Meeting (Summary) in English	The Company provides an English version of its Notice of Annual Shareholders Meeting on its website, site for the Internet-based exercise of voting rights and "exercise of voting rights platform." The Company also provides its business report in English.
Other	<p>In response to requests by institutional investors, the Company provides its business report and Notice of Annual Shareholders Meeting in a combined report. In addition, to promote the exercise of voting rights by individual investors, the Company provides illustrations depicting how to exercise voting rights in an easy-to-understand manner.</p> <p>The Company also prepares a shareholder newsletter (Japanese only) that provides easy-to-understand explanations of business conditions and Company-related topics. The Company regularly posts this newsletter to shareholders and distributes it at seminars for individual investors.</p> <p>In addition, to encourage more shareholders to attend the General Meeting of Shareholders, the Company provides sign language interpreting of the proceedings, explanations and questions at the meeting venue, and also provides hearing devices and acoustic space. (The General Meeting of Shareholders can be observed on the Company website via on-demand video distribution (in Japanese only).)</p>

## 2. IR Activities[Updated]

	Supplementary Explanation	Explanations by the Representative Himself/Herself
Preparation and Publication of Disclosure Policy	The "IR Basic Policy," formulated by the Board of Directors, guides the Company's IR activities. The Company posts this policy on its website.	
Regular Investor Briefings for Individual Investors	<p>The Company proactively holds and participates in briefings for individual investors and strives to increase opportunities to make contact.</p> <p>In the fiscal year ended March 31, 2018, the Company held such briefings across Japan and internet broadcasting briefings and a total of over 3500 investors participated and viewed.</p>	Yes
Regular Investor Briefings for Analysts and Institutional Investors	<p>Four times each year, the company convenes earnings presentation meetings for analysts and institutional investors, coinciding with its disclosure of quarterly earnings. These meetings can be observed via live and on-demand video distribution.</p> <p>In addition, each quarter the Company's directors and other personnel visit its institutional investors in Japan to provide explanations of the Company's financial condition and future strategies.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>Each quarter, the Company's directors and other personnel visit institutional investors in regions including Europe, the United States, and Asia to provide explanations of the Company's financial condition and future strategies.</p> <p>In the fiscal year ended March 31, 2018, the Company held approximately 850 interviews with institutional investors in Japan and overseas, including fourteen overseas road shows, in which four conferences overseas participation hosted by securities companies.</p>	Yes
Posting of IR Materials on Website	<p>The Company posts various IR materials on its website.  <a href="http://www.kddi.com/english/corporate/ir/">http://www.kddi.com/english/corporate/ir/</a>          (Materials posted)</p> <ul style="list-style-type: none"> <li>- Financial Statements</li> <li>- Data Book</li> <li>- Important news releases, including timely disclosure information</li> <li>- Reports related to corporate governance</li> <li>- Notice of the General Shareholders Meeting</li> <li>- Annual Securities Report (Japanese only)</li> <li>- Shareholder newsletter (Japanese only)</li> <li>- Presentations</li> <li>- Q&amp;A of the financial results</li> <li>- Integrated Report</li> </ul>	
Establishment of Department and/or Manager in Charge of IR	The Company has set up an Investor Relations Department within the Corporate Management Division. This department comprises nine employees, including the department manager.	
Other	The Company regularly holds various seminars on specific themes for analysts and institutional investors.	

### 3. Measures to Ensure Due Respect for the Position of Stakeholders [Updated]

	Supplementary Explanation
Internal Rules Stipulated for Respecting the Position of Stakeholders	We strive to respect the position of all our stakeholders, including customers, shareholders, business partners, employees and local communities, and solve societal issues through dialogue and collaboration. In this manner, we define and publish our basic views on contributing to the development of a rich and truly connected society in the Integrated Report and Integrated Report Detailed ESG Version (SUSTAINABILITY REPORT).
Implementation of Environmental Activities, CSR Activities, etc.	<p>Based on a major change in social situation such as Sustainable Development Goals (SDGs) and COP 21 (Paris Agreement), we reviewed the materiality from a global perspective, and we have concluded that we identified the new six Material Sustainability Issues instead of existing four. And We announced them in March 2018.</p> <p><b>Message from the President</b>  <a href="http://www.kddi.com/english/corporate/csr/president/">http://www.kddi.com/english/corporate/csr/president/</a></p> <p><b>The six Material Sustainability Issues</b></p> <ul style="list-style-type: none"> <li>1.Safer and more resilient connected world</li> <li>2.Cyber security and privacy protection</li> <li>3.Rewarding workplaces for diverse talents</li> <li>4.An energy-efficient, circular economy</li> <li>5.Fulfilled life brought through ICT</li> <li>6.Respect for human rights and fairness in business</li> </ul> <p>In addition, through stakeholder dialogue with experts we gather opinions about the Company's business and social contribution activities. We strive to reflect this input into future sustainability activities.</p>
Formulation of Policies on Information Provision to Stakeholders	Positioning the building of trust-based relationships with shareholders and investors as an important management matter, the Company's "IR Basic Policy" established three IR activity guidelines: "open IR activities," "proactive IR activities," and "organized IR activities." We publicize these activities both internally and externally and strive toward value-oriented corporate management, active information disclosure, and enhanced communication.
Other	<p><b>[Status on promoting the advancement of female employees]</b></p> <p><b>&lt;Policies and systems &gt;</b></p> <p>"Embracing diversity" is the first item in the "KDDI Group Philosophy," and we conduct diversity-oriented activities throughout the Company.</p> <p>In the fiscal year ended March 31, 2009, we established the Diversity &amp; Inclusion Department to take charge of these activities. From the fiscal year ended March 31, 2013, we began focusing on the cultivation and promotion of female line managers (organizational leaders with the authority to conduct personnel evaluations) in the belief that including more women in corporate decision-making would enhance corporate capabilities.</p> <p>At the end of the fiscal year ended March 31, 2016, we achieved the target of promoting 90 female line managers (with female line managers</p>

then accounting for 7% of the total).

A new goal is to actively promote more women by aiming to appoint 200 female line managers by the end of the fiscal year ended March 31, 2021.

#### <Performance>

- Executive promotions of women (As of June 2018)

One director

One administrative officer

- Promotion of female line managers (As of April 2018)

118 female line managers

- Third-party commendations

In March 2018, KDDI was named by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange Group as a “Nadeshiko Brand” for the six consecutive year, a designation conferred on companies that take proactive steps to recruit women and create an environment where they can continue to work.

\* Other outside awards and certifications

- Ministry of Economy, Trade and Industry “New Diversity Management selection 100” (March 2016)

- Ministry of Internal Affairs and Communications “Select 100 Telework Pioneer” (April 2016)

- City of Osaka “Leading Company of Female Employees in Osaka City” (June 2016)

- Hokkaido Prefecture “Supporting company of Family in Hokkaido” (December 2016)

- Hokkaido Prefecture “Supporting company of Nadeshiko in Hokkaido” (March 2017)

#### <Specific measures to cultivate female leaders>

- Training program

In the fiscal year ended March 31, 2017, KDDI introduced its female line manager program to build a career pipeline for women from junior employees to candidates for promotion to manager positions. This program is designed to produce female leaders with a view to cultivating and promoting female executives and line managers. To do this systematically by managing the individual candidates selected in cooperation with each division, in the fiscal year ended March 31, 2017, the Diversity & Inclusion Department conducted interviews with each of approximately 200 candidates for female line manager positions.

During the fiscal year ended March 31, 2018, we held a seminar targeting young female employees to raise their motivation to advance their careers after certain life events, and a workshop seminar where female employees planned to be appointed to line managers can learn about concepts of leadership and managing an organization. We also organized various initiatives at different levels, which include an exchange event for 100 female leadership candidates to widen their view through messages from top management and contact with internal and external female role models, as well as lectures for managerial role candidates to expand their

	<p>perspectives under the tutelage of external executives.</p> <ul style="list-style-type: none"> <li>• Supporting a balance between work and childcare and nursing care</li> </ul> <p>The Company has in place various systems, such as childcare and nursing care leave. We hold seminars for people taking advantage of these systems, as well as their superiors, to foster awareness and develop an environment that eases a return to the workplace.</p> <p>The percentage of people returning to work after taking childcare leave is high, at more than 95%.</p>
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#### ***IV. Matters Related to the Internal Control System***

##### **1. Basic Views on the Internal Control System and Progress of System Development** [Updated]

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.

The Basic Policy for Constructing an Internal Control System is described below.

##### **1 Corporate Governance**

###### **(1) The Board of Directors**

The Board of Directors is composed of both internal and external Directors, who make decisions on matters such as management plans and important legal matters as stipulated by laws and ordinances based on the Board's regulations and Agenda standards. In addition, the Board oversees the competent execution of business duties by the Directors themselves.

Information pertaining to the execution of business duties by the Directors must be stored and managed appropriately in accordance with internal regulations.

###### **(2) System for executing business duties**

[1] The Executive Officers' System aims to clarify both the delegation of authority and responsibility system, as well as ensure that tasks are executed effectively and efficiently.

[2] The Corporate Management Committee, which is composed of Directors and Executive Officers', shall discuss and determine important matters pertaining to the execution of tasks, as well as discussing and determining the Board's Agenda items, based on the Corporate Management Committee regulations.

###### **(3) System for ensuring the effective execution of business duties by Audit & Supervisory Board Members**

[1] Audit & Supervisory Board Members shall attend the Meetings of the Board of Directors and, additionally, steps shall be taken to allow them to attend the principle internal meetings of the company.

[2] The Board of Directors, and staff, the Directors, etc. of subsidiaries, and the Internal Auditing Division shall provide the Audit & Supervisory Board Members with timely, appropriate reporting of information necessary for executing the business duties of the Audit & Supervisory Board Members, and if matters are discovered that pose a risk of significant damage to our company

and the subsidiaries, they shall be reported immediately to the Audit & Supervisory Board Members. In addition, the Board of Directors and staff, the Directors, etc. of subsidiaries, and the Internal Auditing Division shall aim to collaborate with the Audit & Supervisory Board Members by exchanging opinions and ideas.

- [3] The Auditing Office is established to support the business duties of the Audit & Supervisory Board Members, and it deploys full-time staff. Each Audit & Supervisory Board Member has the right to provide instructions to such staff members, and consent must be obtained in advance from the Audit & Supervisory Board or the Audit & Supervisory Board Member specified by the Audit & Supervisory Board, prior to making staffing decisions related to the Auditing Office.
- [4] Steps shall be taken to ensure that a person who has reported to the Audit & Supervisory Board Members shall not suffer any consequences on account of having made such report.
- [5] The Audit & Supervisory Board Members shall receive payment, including advance payment, for costs required by them to carry out their duties.

## **2 Compliance**

- (1) All Directors and employees should continuously maintain high ethical standards in accordance with the basic principles set forth in the 'KDDI Action Guideline,' which should be complied with, and aim to execute their business duties properly.
- (2) Firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.
- (3) Each KDDI Group company shall make efforts to promptly identify and resolve any serious violation of laws and ordinances or other compliance-related matters or incidents, at KDDI Group company meetings pertaining to business ethics.
- (4) KDDI shall aim to appropriately operate a whistle-blowing system internal reporting contact established both internally and externally to the company.
- (5) KDDI shall strive to improve understanding and awareness of compliance through in-house training and education as well as outside training lectures.

## **3 Risk management for achieving business goals fairly and efficiently**

- (1) KDDI shall conduct business risk analyses, stringently prioritize business activities and formulate appropriate business strategies and business plans at meetings participated in by Directors concerning business strategy, with the objective of continuous growth for the KDDI Group. To achieve this, business risk should be monitored monthly at meetings pertaining to performance management, and this performance should be managed thoroughly.
- (2) KDDI shall appoint an Internal Control Officer in each division, and the Internal Control Officer shall autonomously promote the following initiatives so that business objectives may be achieved fairly and efficiently.
  - [1] All Divisions and their Directors shall work in cooperation with the Risk Management Division, which regularly identifies and uniformly manages risk information. The KDDI Group's risks shall be managed appropriately and in accordance with internal regulations, and efforts shall be made to achieve business objectives fairly and efficiently.
  - [2] KDDI shall examine measures for minimizing the risk of business interruptions as much as possible in order to respond to events which could have serious and long-term effects on corporate business.
  - [3] In accordance with the internal control reporting system based on the Financial Instruments and

Exchange Act, KDDI shall implement documentation, assessment and improvement of the state of company-wide internal control and of important business processes on a consolidated basis, with the aim of further improving the reliability of financial reporting.

- [4] KDDI shall aim to maintain and enhance the systems necessary to improve the quality of business duties of the KDDI Group, including enhancement of the effectiveness and efficiency of business duties and appropriate acquisition, safekeeping and disposal of assets.

- (3) In its role as a telecommunications carrier, KDDI shall pursue the following initiatives.

- [1] Protecting the privacy of communications

Protecting the privacy of communications is at the very root of the KDDI Group's corporate management, and the Group will abide by this.

- [2] Information Security

KDDI aims to manage the company's total information assets, including preventing leaks of customer information and cyber-terrorism of networks for telecommunications services, by formulating measures at meetings pertaining to information security to ensure this security in cooperation with the Directors and employees.

- [3] Recovering networks and services in times of disaster

In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, a Business Continuity Plan (BCP) shall be formulated and measures shall be implemented to improve network reliability and prevent the halting of services.

In order to facilitate a prompt recovery in times of emergency or disaster, a Disaster Response Headquarters shall be established as expeditiously as possible.

#### **4 Initiatives relating to working together with stakeholders**

- (1) The whole company shall make efforts to gain support and trust for all KDDI Group activities, improve customer satisfaction, and strengthen and expand the company's customer base.

- [1] By regarding all stakeholders as customers, and through the prompt and appropriate response to customer needs and complaints, all Directors shall engage in TCS (Total Customer Satisfaction) activities that aim to improve the level of customer satisfaction. To promote these activities, efforts shall also be made at meetings pertaining to TCS to evaluate and improve TCS activities.

- [2] In addition to providing customers with safe, secure, high-quality products and services in compliance with the pertinent laws and regulations, information about products and services should be provided in an easy-to understand format and indicated appropriately, so that customers can select and use the most appropriate product and/or service.

- (2) In order to gain the understanding and trust of all stakeholders, transparency of KDDI Group management shall be ensured, and efforts shall be made to further enhance the PR and IR activities of the KDDI Group.

- (3) The KDDI Group's business risk shall be fairly identified and disclosed in a timely and appropriate manner at meetings pertaining to information disclosure. In addition, our Sustainability reports "Integrated Report (Detailed ESG Version)" shall be created and disclosed, centering on those departments promoting sustainability, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

#### **5 Systems for ensuring business suitability of corporate groups**

- (1) To ensure business suitability in subsidiaries, regulations pertaining to the management of subsidiaries shall be defined, and the systems described below shall be established.

- [1] The investment management division in charge of the management of each subsidiary, as well as the general management division that extends across the subsidiaries, shall be defined in order to establish a system of management and support for subsidiaries.
- [2] Subsidiary management roles pertaining to the Directors, the Audit & Supervisory Board Members, and other staff dispatched to each subsidiary shall be defined in order to ensure the effectiveness of subsidiary governance.
- [3] For decision-making on important matters at subsidiaries, the matters to be approved and approval procedures by the Board of Directors, the Corporate Management Committee, etc. shall be defined in order to establish the subsidiary management system.

[4] The matters covered in reports, as well as the procedures, shall be defined for subsidiaries in order to establish a system of collaboration with subsidiaries.

- (2) KDDI shall appoint an Internal Control Officer in each subsidiary to ensure appropriate business operations in each subsidiary, as well as to promote proper risk management and reduction measures, so as to achieve business goals fairly and efficiently.
- (3) In addition to working, through meetings in each subsidiary pertaining to the business ethics, to promptly identify and resolve any serious violation of laws and ordinances by a subsidiary or any other compliance-related matter or incident, a whistle-blowing system shall at all times maintain high ethical standards in accordance with the KDDI Action Guideline, and promotion shall be implemented to ensure a system is in place whereby business duties are carried out appropriately.

## **6 Internal Audits**

Internal audits are conducted for all aspects of business of the KDDI Group, and the suitability and effectiveness of the Internal Control system is verified regularly. The results of internal audits are reported to the President with added suggestions for points that can be improved or revised, and a report is also made to the Audit & Supervisory Board Members.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

The Company's "Basic Policy for Constructing an Internal Control System" states that firm measures should be taken against anti-social forces, and efforts should be made to sever all such relationships.

In addition, the "KDDI Action Guideline," which sets forth the basic principles that all officers and employees should maintain when performing their duties, takes a firm stand against anti-social forces, rejecting any requests for illicit funds and refusing to comply with their demands.

## **V. Other**

### **1. Adoption of Takeover Defense Measures**

Adoption of Takeover Defense Measures	Not adopted
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#### **Supplementary Explanation on This Matter**

### **2. Other Matters Concerning the Corporate Governance System**

#### **1. Basic Policy on the Timely Disclosure of Corporate Information**

KDDI considers building trust-based relationships with shareholders and investors a management priority. We endeavor to disclose corporate information that may affect investment decisions in a timely and appropriate manner, in accordance with the timely disclosure regulations stipulated by the Financial Instruments and Exchange Law and the Tokyo Stock Exchange.

#### **2. Internal Systems for the Timely Disclosure of Corporate Information**

##### **(1) Designation of Person Responsible for Handling Information and Establishment of Secretariat**

As defined in the timely disclosure regulations, KDDI has designated the general manager of the General Administration & Human Resources Division as the person responsible for managing corporate information and handling timely disclosure, and has established the General Administration Department of the General Administration & Human Resources Division as the secretariat.

We have established the "Disclosure Committee" to gather earnings information to be disclosed for fiscal periods and designated the Accounting and Finance Department of the Corporate Management Division as the secretariat.

##### **(2) Internal Decision-Making and Disclosure of Corporate Information**

The management of important internal corporate information is handled in accordance with the Company's internal regulations.

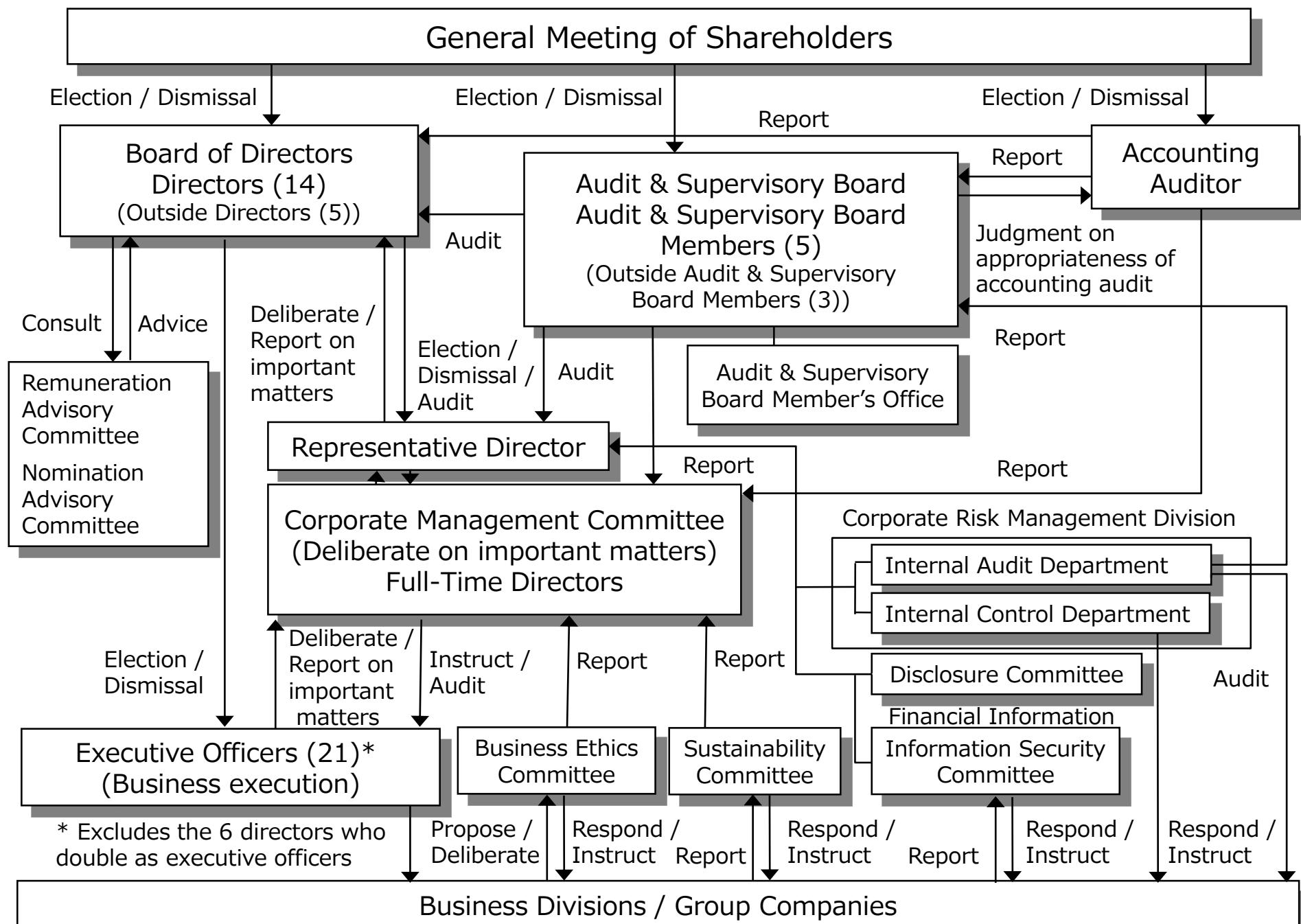
When disclosing corporate information, the General Administration Department first gathers such information from the Company's departments. In principle, items to be disclosed are approved by the Board of Directors or the Corporate Management Committee before being disclosed to the Tokyo Stock Exchange by the person responsible for handling information. In the event of a matter requiring urgent disclosure, corporate information is disclosed promptly, based on the judgment of the president or the person responsible for handling information.

To ensure the more accurate disclosure of corporate information, financial information to be disclosed for fiscal periods is centrally deliberated on by the "Disclosure Committee."

##### **(3) Checking Function Related to Timely Disclosure**

In line with the General Administration Department's designation of the person responsible for handling information, in accordance with timely disclosure regulations the decision on whether to disclose information is made after confirming with the internal department associated with the disclosure content or, if necessary, the accounting auditor or an attorney at law.

## Corporate Governance Framework



# [Timely Disclosure Organization Chart]

