



## Organizational Governance

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

 <p>▶ <b>Corporate Governance</b></p> <p>KDDI will streamline operations and boost its transparency so it can increase its corporate value and continue to grow dynamically.</p>	 <p>▶ <b>Risk Management and Internal Controls</b></p> <p>We have implemented and operate an internal control system and are enhancing risk management as well as operational quality related to risk reduction in order to continue to increase our corporate value.</p>
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## Corporate Governance

KDDI will streamline operations and boost its transparency, so that it can increase its corporate value and continue to grow dynamically.

### Corporate Governance Promotion Framework

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KDDI considers strengthening corporate governance to be a vital issue in terms of enhancing corporate value for shareholders, and is working to improve management efficiency and transparency. With regard to business execution, an executive officer system was introduced in June 2001 to assign authority, clarify responsibilities, and ensure that operations are conducted effectively and efficiently. The Company is also working to systematize internal decision-making flow with a view to ensuring timely management decisions.

KDDI is making active efforts to vitalize the General Meeting of Shareholders and ensure smooth exercise of voting rights. Convocation announcements are issued early, and the Company strives to avoid scheduling the meeting on days when many other companies hold their shareholders' meetings. KDDI also allows shareholders to exercise their voting rights via PC and mobile phone platforms.

The Board of Directors, which includes outside directors, makes decisions regarding important matters as prescribed by relevant statutes, and oversees the execution of business by directors and other managers to ensure proper conduct. The agenda items for the Board of Directors, as well as important matters relating to the execution of business, are decided by the Corporate Management Committee, composed of directors and executive officers. The Board of Directors also has the right to appoint and dismiss executive officers.

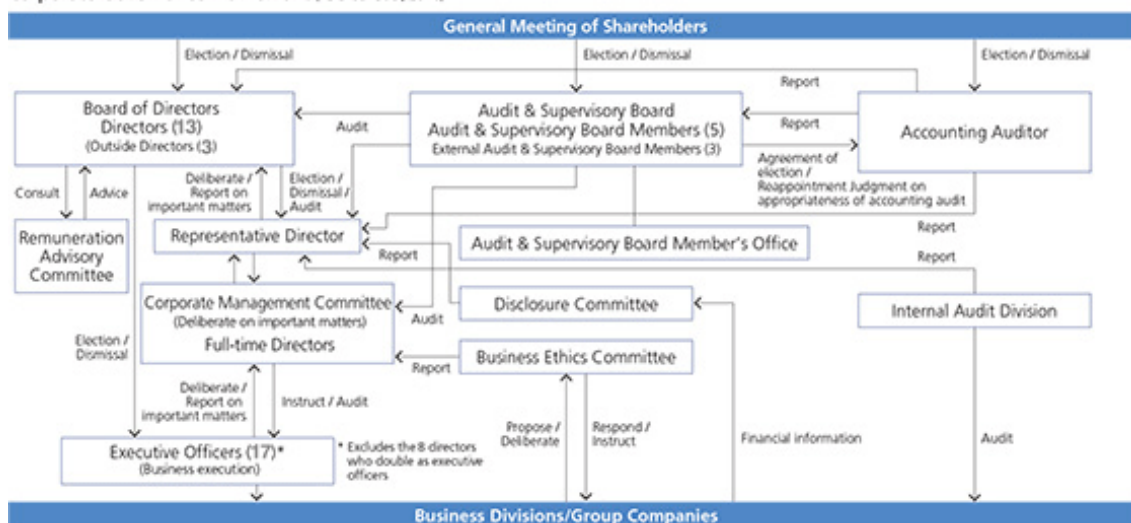
The Remuneration Advisory Committee, of which more than half of its members including the chairman consist of outside directors, provides advice on remuneration to executives.

Audit & supervisory board members attend meetings of the Board of Directors, as well as other important internal meetings. The Board of Directors and the Internal Audit Division provide, in an appropriate and timely manner, all data necessary to the execution of audit & supervisory board members' duties, exchange opinions, and collaborate with auditors. The Board also periodically listens to reports from the accounting auditor on the annual accounting audit plan, the progress, and the result of accounting audits. It also makes recommendations and exchanges of opinion as necessary. In addition, in 2006, KDDI established the audit & supervisory board member's office to assist audit & supervisory board members with their duties. The opinions of the audit & supervisory board members are taken into account when selecting personnel for assignment to the office.

All KDDI Group operations are subject to internal audits to regularly assess the appropriateness and effectiveness of internal controls. The results of internal audits are reported to the president and to audit & supervisory board members, along with recommendations for improvement and correction of problem areas.

KDDI also has a Business Ethics Committee, which makes decisions on compliance-related issues, and a Disclosure Committee, which oversees disclosure of information. By bringing together the various systems and frameworks for managing each Group company, KDDI is working to enhance governance across the entire Group.

Corporate Governance Framework (As of June 18, 2014)



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

Outside Directors

Name	Reason for selection as an outside director of the Company (if designated as an independent director, reason for this designation)	Principal activities in FY2013
Tetsuo Kuba	Mr. Kuba was appointed because of his demonstrated effectiveness in the management of one of the Company's principal shareholders, his extensive experience as a director of other companies, and the perspective rooted in broadbased insight that he brings to supervising the Company's business activities.	Assumed office on June 19, 2013  Attended 7 of 7 meetings of the Board of Directors
Nobuyori Kodaira	Mr. Kodaira was appointed because of his demonstrated effectiveness in the management of one of the Company's principal shareholders, his extensive experience as a director and auditor of other companies, and the perspective rooted in broadbased insight that he brings to supervising the Company's business activities.	Assumed office on June 19, 2013  Attended 6 of 7 meetings of the Board of 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 FY2013
Shinji Fukukawa	<p>Mr. Fukukawa was appointed because of the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations, which he brings to supervising the Company's business activities.</p> <p>Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an outside director, and have appointed him as an independent outside director.</p>	Assumed office on June 18, 2014

Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside auditor of the Company (if designated as an independent auditor, reason for this designation)	Principal activities in FY2013
Takeshi Abe	<p>Mr. Abe was appointed because of the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Mr. Abe's tenure as executive officer at the Development Bank of Japan, Inc., was short.</p> <p>A substantial amount of time has passed since he retired from that position, and he currently receives no benefits from that organization.</p> <p>Given this experience, and the fact that he hails primarily from organizations involved in administrative operations, we recognize that he has scant relationship with KDDI. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit &amp; supervisory board member, and have appointed him as an independent audit &amp; supervisory board member.</p>	<p>Assumed office on June 20, 2012</p> <p>Attended 9 of 9 meetings of the Board of Directors and 8 of 8 meetings of the Audit &amp; Supervisory Board</p>

Name	Reason for selection as an outside auditor of the Company (if designated as an independent auditor, reason for this designation)	Principal activities in FY2013
Kishichiro Amae	<p>Although Mr. Amae has no direct involvement with corporate management, he has extensive experience gained through many years as a diplomat and in the execution of operations at various organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing.</p> <p>Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit &amp; supervisory board member, and have appointed him as an independent audit &amp; supervisory board member.</p>	<p>Assumed office on June 20, 2012</p> <p>Attended 9 of 9 meetings of the Board of Directors and 8 of 8 meetings of the Audit &amp; Supervisory Board</p>
Yukihisa Hirano	<p>Mr. Hirano has extensive experience and expertise as a corporate manager. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing.</p> <p>A significant amount of time has passed since Mr. Hirano retired from his position as president of Toyota Motor Corporation, and he currently receives no benefits from that organization. In addition, after retiring he served as president of the Central Japan International Airport Co., Ltd., and we recognize that he currently has no relationship with Toyota Motor Corporation. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit &amp; supervisory board member, and have appointed him as an independent audit &amp; supervisory board member.</p>	<p>Assumed office on June 20, 2012</p> <p>Attended 9 of 9 meetings of the Board of Directors and 8 of 8 meetings of the Audit &amp; Supervisory Board</p>

### Remuneration for Directors and Audit & Supervisory Board Members (FY2013)

Executive Classification	Total Remuneration (Millions of yen)	Total Remuneration by Type (Millions of yen)			Number of Corresponding Executives
		Basic Remuneration	Stock Options	Bonus	
Directors (Excluding Outside Directors)	574	385	—	188	12
Outside Directors	20	20	—	—	4
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	47	47	—	—	2
Outside Audit & Supervisory Board Members	40	40	—	—	3

#### Notes:

- \* The above-stated remuneration for Board members included amounts for 2 Directors and 2 Outside Directors who stepped down at the end of the 29th Annual Meeting of Shareholders, held on June 19, 2013.
- \*The maximum monthly remuneration for directors pertaining to the above was set at ¥40 million by a resolution of the 17th Annual Meeting of Shareholders, held on June 26, 2001. Furthermore, directors may receive up to an additional ¥40 million of annual remuneration in the form of stock acquisition rights issued as stock options, as decided by a resolution of the 22nd Annual Meeting of Shareholders, held on June 15, 2006. Moreover, the maximum basic monthly remuneration for directors after July 2014 was set at ¥50 million by a resolution of the 30th Annual Meeting of Shareholders, held on June 18, 2014.
- \* The maximum annual remuneration for audit & supervisory board members was set at ¥100 million by a resolution of the 28th Annual Meeting of Shareholders, held on June 20, 2012. This amount is based on the Company's fiscal year.
- \* Remuneration amounts outlined above included the following Board members' bonuses, which were defined as being linked to performance and no more than 0.1% of consolidated net income for the applicable fiscal year by a resolution of the 27th Annual Meeting of Shareholders, held on June 16, 2011.
- \* In addition to the above, at the 20th Annual Meeting of Shareholders, held on June 24, 2004, it was decided to pay a retirement allowance to directors in connection with the cancellation of the executive retirement bonus system.

### Policies Regarding Decisions on the Contents of Remuneration

KDDI has set policies regarding decisions on the contents of remuneration for directors and audit & supervisory board members as following. The Company has also formed a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors in order to maintain both transparency and objectivity on the system of and the level of remuneration for executives. More than half of its members, including its chairman, consist of outside directors.

## Policies on Remuneration for Directors

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Remuneration for directors consists of fixed-amount salaries and executive bonuses provided that they are responsible for improving business results every fiscal year, as well as mid-to-long term corporate value. Fixed-amount salaries are based on their professional ranking and the management environment. Executive bonuses are based on the business results of the KDDI Group, representing their sector and the individual's performance during the fiscal year.

To clarify management responsibilities and enhance incentives for business improvement, executive bonuses after FY2011 will be linked to the business results of the KDDI Group within 0.1% of consolidated net profit in the fiscal year. This linking has been set by taking into account the responsibility of directors to sustain continuous growth and to lead the new age while swiftly reacting to environmental changes within the Group.

## Policies on Remuneration for Audit & Supervisory Board Members

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Remuneration for audit & supervisory board members is based on discussions with audit & supervisory board members and is only a flat-rate salary that is not linked to the business results of the KDDI Group.

## State of Corporate Governance

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The State of KDDI Corporate Governance is available in PDF format.

 [State of Corporate Governance \(287KB\) \(Japanese\)](#)

## Risk Management and Internal Controls

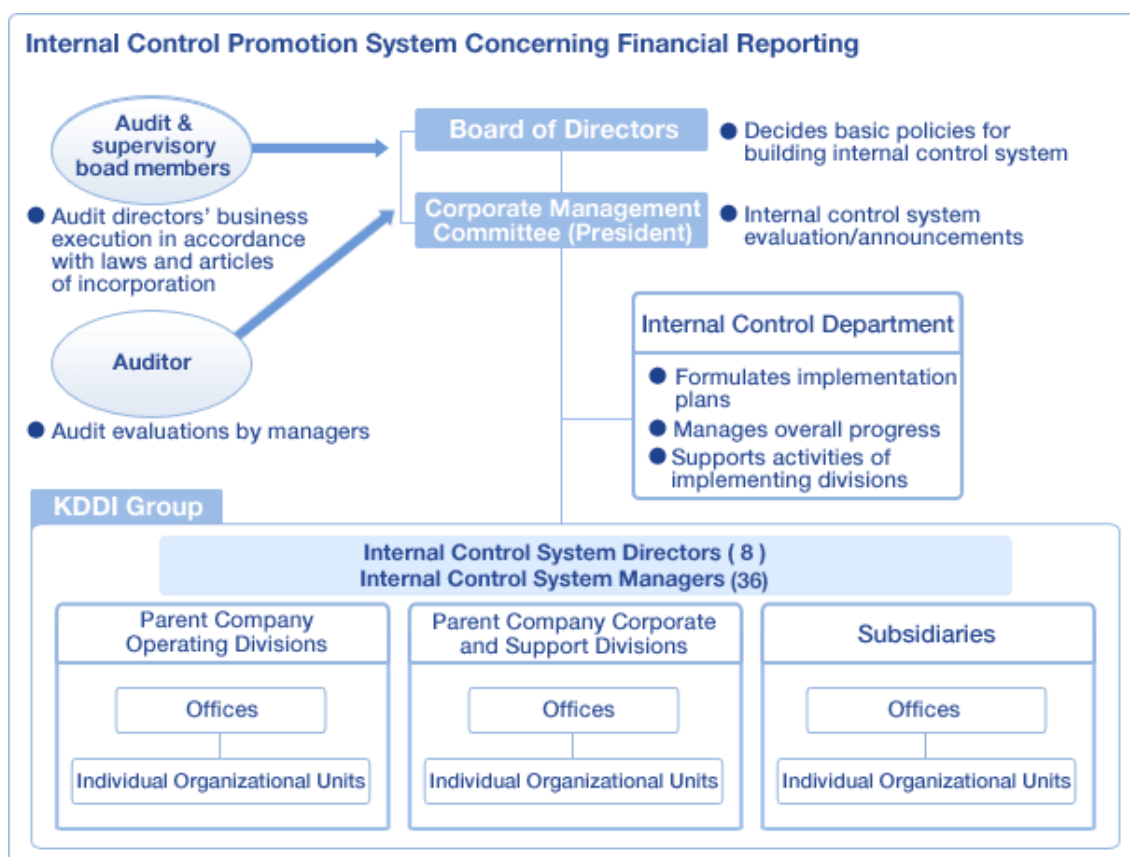
We have implemented and operate an internal control system and are enhancing risk management as well as operational quality related to risk reduction in order to continue to increase corporate value and improve overall corporate quality.

### KDDI's Risk Management and Internal Control Promotion Systems

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 is the core of this system. KDDI and its principal Group companies have appointed 36 Internal Control System Managers, as well as 8 Internal Control System Directors to oversee their activities. This structure forms the basis for our internal control system and its operation as well as our risk management activities. We also promote operational quality enhancement activities to realize a corporate constitution that prevents risks from materializing. In order to realize our management objectives with certainty, in FY2013 we designated 28 items as significant risks, reflecting on issues that have come to the fore in the past and changes in our operating environment, such as the provision of high quality networks, homogenization of products and services with rival companies, and expansion into new business domains. We worked to foresee risks, reduce significant risks, support operational improvements, and conduct internal audits.

Furthermore, we are undertaking Companywide initiatives to improve the quality of our operations, thereby cultivating a corporate culture that prevents risks from materializing.

#### ▶ Basic Policy for Constructing an Internal Control System





## Initiatives in Response to the Internal Control Reporting System

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In response to the Internal control reporting system based on the Financial Instruments and Exchange Law implemented in FY2008, KDDI established internal control systems at the Company and major Group subsidiaries in Japan and overseas, and conducted evaluations of its internal controls to ensure reliability in its financial reporting. The results of these evaluations were compiled in an internal controls report, which was submitted to the Japanese Prime Minister in June 2014, as well as disclosed to investors.

## Protecting Intellectual Property

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KDDI's commitment to creating and protecting intellectual property and respecting the intellectual property rights of others is defined in the basic policies of the KDDI Code of Business Conduct.

In addition, the Company has established the Intellectual Property Department, a specialized department for the protection and management of intellectual property.

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

## Enhancing Operational Quality to Improve Overall Corporate Quality

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KDDI considers its initiatives in response to the internal control reporting system to be part of its ongoing effort to improve overall corporate quality. The Internal Control Department, established as part of the response to this system, acts as the managing authority for the entire Company's internal control efforts, working to improve overall corporate quality by enhancing operational efficiency and providing standardization, while at the same time raising the quality of operations and the degree of added value.

To increase individual divisions' motivation to improve operating processes, KDDI has introduced the "Operational Quality Improvement Prize" to recognize excellent and motivational improvements, and in addition, we are conducting a "low-cost operation" initiative aimed at boosting the motivation of each employee toward improvement and forging a link between these activities and increases in operating performance. Through this initiative, all employees aim to (1) make even small business process improvements, (2) accumulate results through sustained efforts, (3) generate profits, and (4) encourage independent action to become firmly rooted in our corporate culture.

In addition, we are undertaking a number of measures to ensure that this initiative gets through to all employees, enhancing their understanding of internal control and making the activities a permanent fixture. For example, the sharing of executive messages and positive case studies through a regular email magazine and our internal newsletter, and the conducting of e-learning classes.

## Management System in Times of Large-Scale Disaster

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As part of our disaster preparedness, KDDI promotes initiatives to secure stable telecommunications services for customers, such as combating long-term base station power outages and deploying wireless shipboard base stations. In order to further promote these initiatives, on November 1, 2013, KDDI signed a “Disaster Agreement (hereafter Central Agreement)” with the Ministry of Defense aimed at ensuring mutual wide-area cooperation in securing telecommunications throughout the country in the event of disaster.

Under the Central Agreement, the Ministry of Defense, which is the designated administrative agency provided for in the Disaster Countermeasures Basic Act, and KDDI, which is the designated public agency, cooperate with each other with the aim of conducting speedy restoration activities in times of disaster. More precisely, as well as establishing a smooth communication system between the two parties, KDDI undertakes to provide, on a priority basis, satellite mobile phones, au mobile phones and other information terminals as the necessary means of communication for Ministry of Defense and Self-Defense Forces activities. Furthermore, the Ministry of Defense, through Self-Defense Forces units, will cooperate with KDDI in the transportation of supplies, use of various facilities and equipment, and loan of supplies and equipment such as fuel and materials. In addition, to ensure smooth collaboration in times of disaster, the Agreement also includes broad cooperation such as sharing of the necessary information and implementation of joint training at least once a year.

Following the signing of the Central Agreement, the signing of a “Disaster Agreement (hereafter Regional Agreement)” aimed at the building of a mutual cooperation system in each region is being promoted with the armies of the Japan Ground Self-Defense Force (JGSDF) across the country, based on the Central Agreement. In March 2014 Regional Agreements were signed between KDDI Kansai Regional Office and the JGSDF Middle Army, and between KDDI Kyushu Regional Office and the JGSDF Western Army.

Through these efforts, KDDI is now capable of establishing broad mutual cooperation and creating a system that promotes rapid restoration activities in the event of disaster, such as a massive earthquake in the Nankai Trough which is predicted to occur in the future.

KDDI will continue to strengthen its partnership with the Ministry of Defense and Self-Defense Forces and fulfil its obligations as a telecommunications carrier towards swift recovery in times of disaster.

## 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

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#### 1. The Board of Directors

- (1) The Board of Directors is composed of both internal and external Directors, who determine 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.
- (2) 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 Auditors

- (1) Auditors shall attend the Meetings of the Board of Directors, and additionally, may attend the principle internal meetings of the company.
- (2) The Board of Directors and Internal Auditing Division aim to collaborate by providing timely, appropriate information necessary for executing the business duties of the Auditors, as well as by exchanging opinions and ideas.
- (3) The Auditing Office was established to support the business duties of the Auditors, and the opinion of the Auditor determines the personnel for those users engaged therein.

### Compliance

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#### 1. All Directors 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.

Furthermore, firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.

#### 2. KDDI shall aim to ensure compliance is maintained by linking appropriately with the following types of organizational systems.

- (1) 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.
- (2) KDDI shall aim to appropriately operate a compliance-related internal reporting system established both internally and externally to the company.
- (3) KDDI shall strive to improve the understanding and awareness of compliance through both internal and external training and enhancement activities.

## Risk management for achieving business goals fairly and efficiently

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All Divisions and their Directors shall cooperate based on various meetings participated in by Directors, as well as the Risk Management Division which regularly identifies and uniformly manages risk information. The KDDI Group's risk should be managed appropriately in accordance with internal regulations, and efforts should be made to achieve business objectives fairly and efficiently.

Execution of these efforts shall be led by the person responsible for internal control in each division, and they shall be promoted autonomously.

### 1. Risk Management Initiatives

(1) KDDI shall conduct business risk analyses, stringently prioritize business activities and formulate appropriate business strategies and business plans at meetings 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 regard all its stakeholders as customers, and all Directors should become involved in efforts towards TCS (Total Customer Satisfaction) activities that aim to improve the level of satisfaction. To promote this, efforts should also be made at meetings pertaining to TCS to evaluate and improve TCS activities, and to respond promptly and appropriately to customer demands and complaints.

In addition, the various laws regarding product safety should be complied with, in order to provide customers with stable, safe, high-quality products and services. 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.

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

(3) KDDI shall strive to further enhance its PR and IR activities, ensuring the transparency of KDDI Group management and gaining the understanding and trust of all its stakeholders. 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, CSR reports shall be created and disclosed, centering on those departments promoting CSR, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

(4) KDDI shall examine measures for minimizing the risk of business interruptions as much as possible, and shall formulate a Business Continuity Plan (BCP), in order to respond to events which could have serious and long-term effects on corporate business.

### 2. Initiatives for enhancement of the quality of business duties

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.

Furthermore, KDDI shall aim to maintain and enhance the systems necessary to improve the quality of the 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. Initiatives as a telecommunications carrier

#### (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.

#### (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, measures will 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.

## Internal Audits

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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 Auditor.

## Systems for ensuring business suitability of corporate groups

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KDDI aims to further establish and maintain group management systems, as well as provide support and management for the construction of internal control systems for each Group Company and support the efficient and appropriate operation of these systems, thus ensuring appropriate business operations across the entire KDDI Group.