

Corporate Governance

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Corporate Governance

Corporate Governance Promotion Framework

KDDI considers strengthening corporate governance to be a vital issue in terms of enhancing corporate value for shareholders, and is working to improve management efficiency and transparency.

With regard to business execution, an executive officer system was introduced in June 2001 to assign authority, clarify responsibilities, and ensure that operations are conducted effectively and efficiently. The Company is also working to systematize internal decision-making flow with a view to ensuring timely management decisions.

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

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

The Remuneration Advisory Committee, of which more than half of its members including the chairman consist of outside

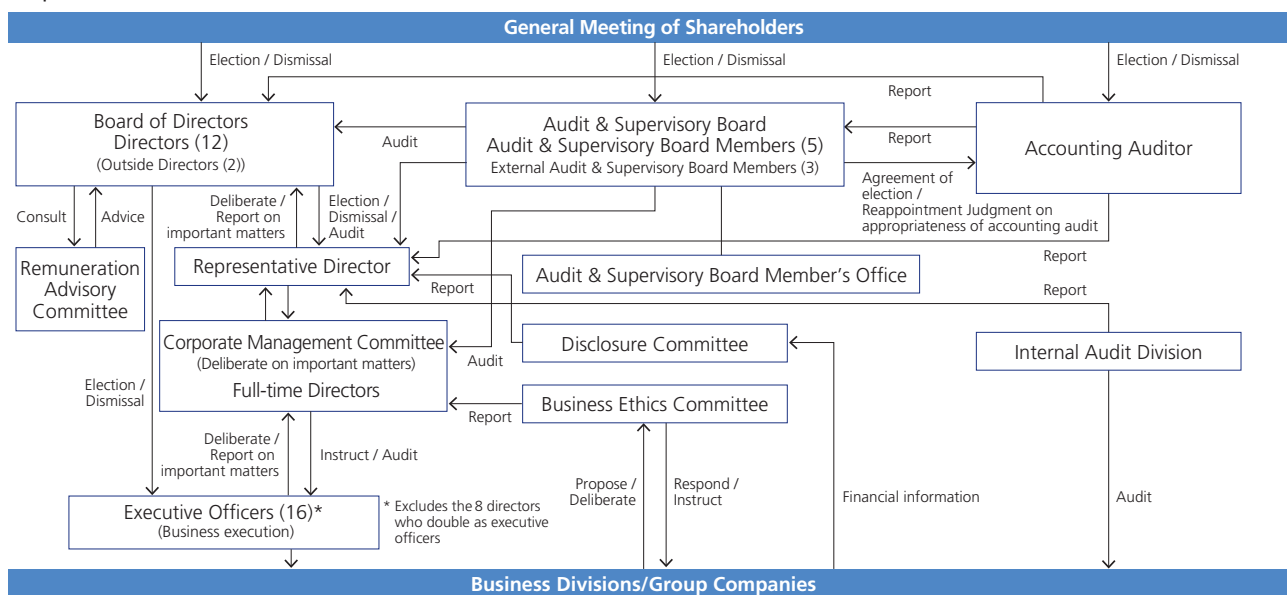
directors, provides advice on remuneration to executives.

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 19, 2013)



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 FY2012
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 broad-based insight that he brings to supervising the Company's business activities.	Assumed office on June 19, 2013
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 broad-based insight that he brings to supervising the Company's business activities.	Assumed office on June 19, 2013

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 FY2012
Takeshi Abe	<ul style="list-style-type: none"> Mr. Abe was appointed because of the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Mr. Abe's tenure as executive officer at the Development Bank of Japan, Inc., was short. A substantial amount of time has passed since he retired from that position, and he currently receives no benefits from that organization. Given this experience, and the fact that he hails primarily from organizations involved in administrative operations, we recognize that he has scant relationship with KDDI. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member. 	<p>Assumed office on June 20, 2012</p> <p>Attended 8 of 8 meetings of the Board of Directors and 7 of 7 meetings of the Audit & Supervisory Board</p>
Kishichiro Amae	<ul style="list-style-type: none"> 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. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member. 	<p>Assumed office on June 20, 2012</p> <p>Attended 8 of 8 meetings of the Board of Directors and 7 of 7 meetings of the Audit & Supervisory Board</p>
Yukihisa Hirano	<ul style="list-style-type: none"> Mr. Hirano has extensive experience and expertise as a corporate manager. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. A significant amount of time has passed since Mr. Hirano retired from his position as president of Toyota Motor Corporation, and he currently receives no benefits from that organization. In addition, after retiring he served as president of the Central Japan International Airport Co., Ltd., and we recognize that he currently has no relationship with Toyota Motor Corporation. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member. 	<p>Assumed office on June 20, 2012</p> <p>Attended 8 of 8 meetings of the Board of Directors and 7 of 7 meetings of the Audit & Supervisory Board</p>

Remuneration for Directors and Audit & Supervisory Board Members

		Number of Directors / Auditors	Remuneration (Millions of yen)
Directors	Outside Directors	2	20
	Others	10	556
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	6	39
	Others	2	47

- Notes: 1. The above-stated remuneration for audit & supervisory board members includes amounts for 3 audit & supervisory board members who stepped down at the end of the 28th Annual Meeting of Shareholders, held on June 20, 2012.
2. The maximum monthly remuneration for directors was set at ¥40 million by a resolution of the 17th Annual Meeting of Shareholders, held on June 26, 2001. This does not include employee salaries for directors concurrently occupying posts as employees. Furthermore, directors may receive up to an additional ¥40 million of annual remuneration in the form of stock acquisition rights issued as stock options, as decided by a resolution of the 22nd Annual Meeting of Shareholders, held on June 15, 2006.
3. The maximum annual remuneration for 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.
4. Remuneration amounts outlined above included the following Board members' bonuses, which were defined as being linked to performance and no more than 0.1% of consolidated net income for the applicable fiscal year by a resolution of the 27th Annual Meeting of Shareholders, held on June 16, 2011. 10 directors (excluding outside directors): ¥153.44 million
5. 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 below. The Company has also formed a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors in order to maintain both transparency and objectivity on the system of and the level of remuneration for executives. More than half of its members, including its chairman, consist of outside directors.

Policies on Remuneration for Directors

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

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

Policies on Remuneration for Audit & Supervisory Board Members

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.

Risk Management and Internal Controls

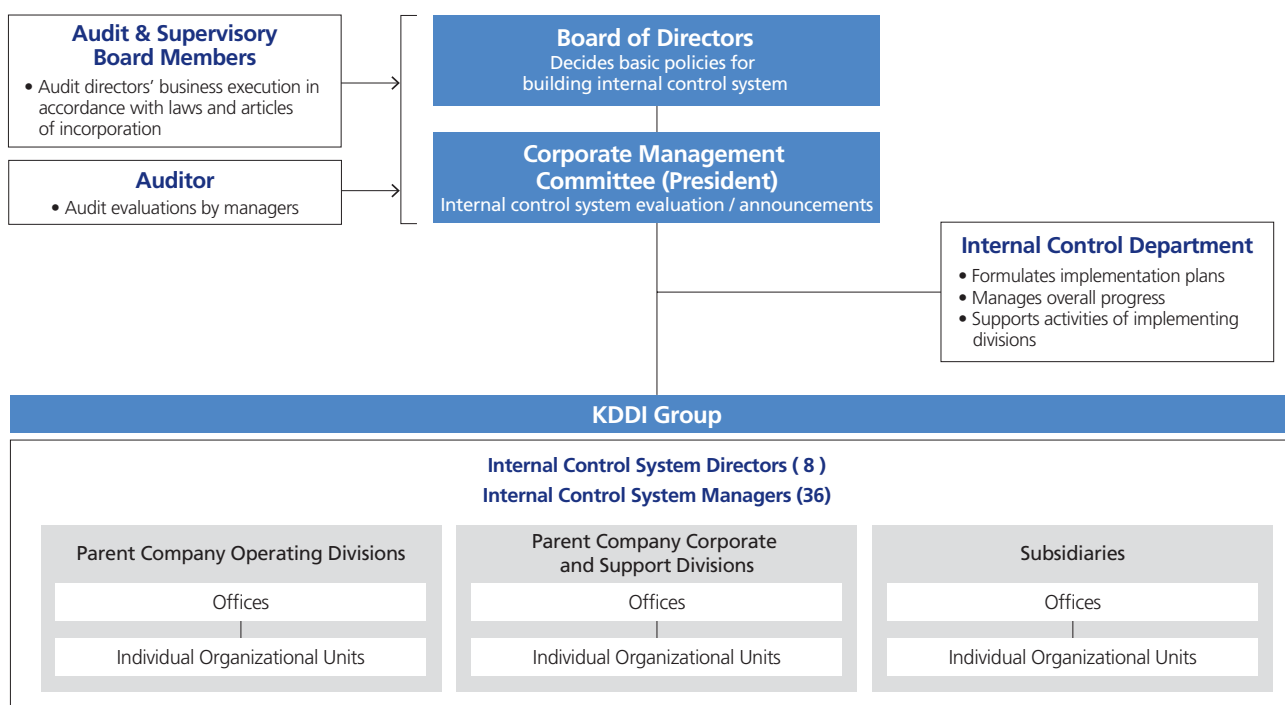
KDDI's Risk Management and Internal Control Promotion Systems

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 subsidiaries 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 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 FY2012 we designated 29 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 shift from feature phones to smartphones and changes in employment conditions. 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.

Internal Control Promotion System Concerning Financial Reporting



Initiatives in Response to the Internal Control Reporting System

In response to the Internal control reporting system based on the Financial Instruments and Exchange Law implemented in FY2008, KDDI established internal control systems at the Company and major Group subsidiaries in Japan and overseas, and conducted evaluations of its internal controls to ensure reliability in its financial reporting. The results of these evaluations were compiled in an internal controls report, which was submitted to the Japanese Prime Minister in June 2013, as well as disclosed to investors.

Protecting Intellectual Property

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

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. In addition to this system, in FY2012 we commenced 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. All KDDI employees are pursuing the aims of (1) making even small business process improvements, (2) accumulating results through sustained efforts, (3) generating profits, and (4) encouraging 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, executives involved in the movement share messages and positive case studies through a regular email magazine and our internal newsletter, and we conduct e-learning.

Business Continuity Plan (BCP) Initiatives

Following our experiences in the March 2011 Great East Japan Earthquake, we established a Companywide Disaster Response Project, and in October 2011 we formulated a Business Continuity Plan (BCP) for Large-Scale Disasters. We are pursuing a host of measures to address the plan's objectives of "ensuring the safety of employees and their families" and "fulfilling our responsibilities to continue providing telecommunications services as a designated public institution." Specifically, we have established detailed rules for each phase of response to disaster, from initial action through to full restoration. We are also creating satellite network links to principal bases throughout Japan in preparation for a scenario in which all fixed-line and mobile circuits cease to function. We have identified personnel who will, in the event of a disaster, be dispatched quickly to provide support at emergency shelters, and have stockpiled the equipment necessary for this eventuality. In parallel with these measures to shore up our structure, we are proactively conducting disaster response training throughout Japan that focuses on initial disaster response.

In February 2013, the Disaster Response Office spearheaded efforts by countermeasure offices to link communications equipment from all divisions and branches throughout Japan as part of disaster response training in anticipation of a massive earthquake in the

Nankai Trough. We employ a completely "blind" method of training, in which participants are not told what sort of disaster to expect until just before training begins. The training was held for approximately 200 emergency participants. At the start of training, they responded as information about the massive disaster began to unravel, lending the training a sense of reality.

We will reflect in future BCP the issues and areas for improvement that became apparent as a result of this training, building the foundations for more robust disaster response going forward.

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



Disaster response training connecting the communications equipment of all branches throughout Japan

VOICE Reassuring Customers as Quickly as Possible



Kei Kisanuki

General Manager,
Disaster Prevention
Planning Office

Operations & Service
Quality Management
Department

Operations Division

Having experienced the Great East Japan Earthquake, I recognized my mission as an employee of a telecommunications company that provides a social lifeline. I also gained a greater sense of the importance that communications play in reassuring and bringing joy to customers and realized that in a disaster, every second matters. Understanding this reality, KDDI's management departments have reinforced response capabilities within everyday operations to ensure that service can be restored quickly in the event of a disaster. We are conducting 2 types of training to this end, and are dedicating a significant amount of time to testing and considering the content of this training and to determining any issues or areas for improvement that emerge.

Going forward, we will step up our training to include such assumptions as areas becoming isolated when roads are destroyed so that we can create systems for responding to all manner of disasters.

Content of Training

1. Internal Training

This training, conducted over several days, envisions a variety of scenarios and concentrates on getting services back on line quickly, paying attention to the time elapsed from when disaster strikes until service is recovered.

2. Training Open to the Public

This training, conducted at national and city disaster preparedness centers, involves setting up vehicle-mounted base stations and eliciting the understanding of as many people as possible regarding activities to recover service in the event of a disaster.



Training open to the public

Directors and Audit & Supervisory Board Members

(As of June 19, 2013)

Directors



Tadashi Onodera

Chairman

'01.6 President
'05.6 President and Chairman
'10.12 Chairman (Current position)



Takashi Tanaka

President

'07.6 Associate Senior Vice President,
Member of the Board
Senior Vice President,
Member of the Board
'10.12 President (Current position)
'13.6 General Manager, Corporate
Communications Sector
(Current position)



Hirofumi Morozumi

Executive Vice President
Member of the Board

'07.6 Senior Vice President,
Member of the Board
'10.4 General Manager,
Corporate Sector (Current position)
'10.6 Executive Vice President, Member
of the Board (Current position)



Makoto Takahashi

Senior Vice President
Member of the Board

'07.6 Associate Senior Vice President,
Member of the Board
'10.6 Senior Vice President, Member of the
Board (Current position)
'11.4 General Manager, Business
Development Sector (Current position)



Yoshiharu Shimatani

Senior Vice President
Member of the Board

'03.4 Vice President
'09.6 Associate Senior Vice President,
Member of the Board
'11.4 General Manager, Technology Sector
(Current position)
'11.6 Senior Vice President, Member of the
Board (Current position)



Yuzo Ishikawa

Senior Vice President
Member of the Board

'01.6 Vice President
'10.6 Associate Senior Vice President,
Member of the Board
'11.6 Senior Vice President,
Member of the Board (Current position)
'12.4 Senior Vice President, Consumer
Business, Solution Business, Global
Business and Product Sector, Member of
the Board (Current position)



Masahiro Inoue

Associate Senior Vice President
Member of the Board

'05.1 Associate Senior Vice President
'10.6 Associate Senior Vice President,
Member of the Board
(Current position)
'11.4 Associate General Manager, Technology
Sector (Engineering and Operations),
Member of the Board (Current position)



Hideo Yuasa

Associate Senior Vice President
Member of the Board

'03.4 Vice President
'10.6 Associate Senior Vice President,
Member of the Board
(Current position)
'11.4 President, Chubu Telecommunications
Co., Inc. (Current position)



Tsutomu Fukuzaki

Associate Senior Vice President
Member of the Board

'06.10 Vice President
'12.4 Associate Senior Vice President, General
Manager, Consumer Sales Division
(Current position)
'13.6 Associate Senior Vice President,
Member of the Board (Current position)



Hidehiko Tajima

Associate Senior Vice President
Member of the Board

'10.4 Vice President
'13.4 Associate Senior Vice President, General
Manager, Global Consumer Business
Division, Global Business Sector
(Current position)
'13.6 Associate Senior Vice President,
Member of the Board (Current position)



Tetsuo Kuba

Member of the Board*¹

'09.4 President and Representative Director,
President and Executive Officer of
Kyocera Corporation
'13.4 Chairman of the Board and
Representative Director of Kyocera
Corporation (Current position)
'13.6 Member of the Board (Current position)



Nobuyori Kodaira

Member of the Board*¹

'10.6 Senior Managing Director of Toyota
Motor Corporation
'11.6 Director and Senior Managing Officer of
Toyota Motor Corporation
'12.6 Executive Vice President of Toyota
Motor Corporation (Current position)
'13.6 Member of the Board (Current position)

Audit & Supervisory Board Members

Masataka Iki

Yoshinari Sanpei

Takeshi Abe*²

Kishichiro Amae*²

Yukihisa Hirano*²

*1 Outside Directors

*2 Outside Audit & Supervisory Board Members

Mr. Takeshi Abe, Mr. Kishichiro Amae and Mr. Yukihisa Hirano are independent directors pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.