

### KDDI's Material Issues for CSR

Among the numerous issues KDDI faces in relation to its businesses, it has identified four material issues for CSR as being those of highest concern to society and initiatives that KDDI needs to focus on to achieve sustainable growth that is in harmony with society.

In this integrated report, in addition to the **Four Material Issues for CSR**, we introduce certain ESG information that is of particular importance to investors.

For more detailed ESG information not included in this report, please refer to the following website.

▶ <http://www.kddi.com/english/corporate/csr/report/2015/>

### Four Material Issues for CSR

#### Material Issue (Environment)

Initiatives to conserve the global environment

- Climate change
- Biodiversity
- Reducing the environmental impact of products and services
- Reducing waste and shifting to recycling

#### Material Issue (Society)

Vitalizing the Company by developing a diverse workforce

- Diversity and inclusion
- Promoting diverse working styles
- Low birthrate and aging society
- Occupational safety and health

#### Material Issue (Society)

Creating a safe and secure information and communications society

- Safe and secure information and communications services and products
- Supporting the healthy upbringing of young people (measures against harmful information, etc.)
- Erasing the digital divide for seniors

#### Material Issue (Governance)

Offering reliable information and communications services

- Providing reliable information and communications services
- Response to major disasters

# ESG

### Environment

24 **Material Issue** Initiatives to Conserve the Global Environment

Principal KPI:

By FY2016, lower electric power consumption per subscriber by **15%** compared with FY2011

### Society

26 **Material Issue** Vitalizing the Company by Developing a Diverse Workforce

Principal KPI:

By the end of FY 2015, female line managers to account for **7%** of the total

28 **Material Issue** Creating a Safe and Secure Information and Communications Society

Principal KPIs:

For KDDI Mobile Phone Learning Classes, achieve a junior course satisfaction level of **90** points

Achieve a senior course understanding level of **80%** in FY2014

### Governance

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Principal KPI:

**100%** improvement on issues identified in disaster response training

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# Environment



## Material Issue Initiatives to Conserve the Global Environment

As a telecommunications company, KDDI has the important responsibility of providing uninterrupted communications services around the clock, 365 days a year. To ensure this capability, we are introducing tribrid base stations powered by renewable energy and extending their battery life to 24 hours. As well as addressing the risk of power outages, this move reduces the amount of electricity required to operate base station facilities and data centers, which should lead to higher profits.

Furthermore, amid ongoing global warming such initiatives cut greenhouse gas emissions. As a result, in addition to ensuring high levels of ongoing service quality, these efforts prepare for future environmental risk.

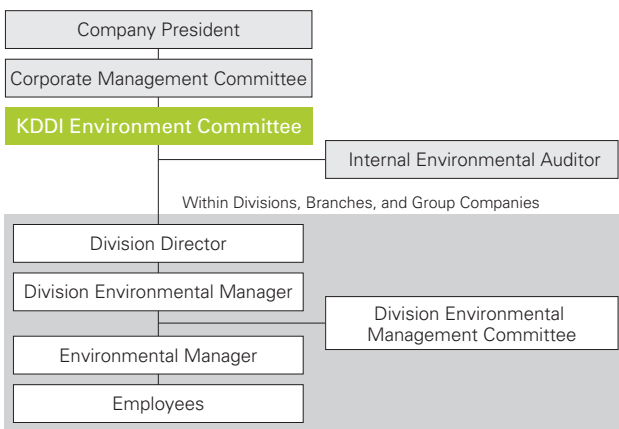
**Principal KPI:** By FY2016, lower electric power consumption per subscriber\*1 by **15%** compared with FY2011

### KDDI's Environmental Management Regime

The KDDI Group has formed an environmental management system centered on the KDDI Environment Committee. Comprising members from each division, branch, Group company, and related organization, the committee promotes efficient environmental preservation activities throughout the Group. KDDI has acquired ISO 14001 certification for this management system.

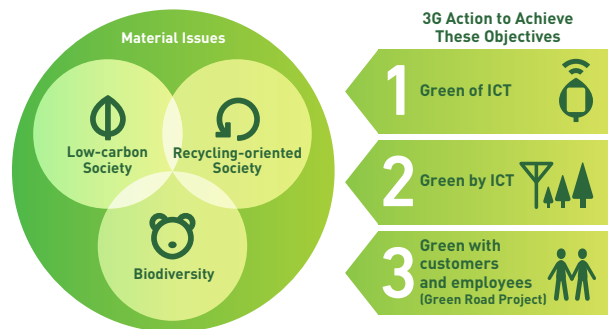
As of March 31, 2015, this certification had been obtained for KDDI, 20 of its 33 Group companies in Japan (61%), one overseas consolidated company, and four affiliated organizations.

#### KDDI Group's Environmental Management Regime



### Third Medium-Term Environmental Conservation Plan "KDDI GREEN PLAN 2012-2016"

As its five-year environmental preservation plan beginning in FY2012, KDDI has formulated the "KDDI GREEN PLAN 2012-2016," its third Medium-Term Environmental Conservation Plan. This plan introduces three material issues, "low-carbon society," "recycling-oriented society," and "biodiversity," and sets specific targets for each. To reach these goals, we are promoting 3G Actions ("Green of ICT," "Green by ICT," and "Green with customers and employees (Green Road Project)") to enhance our contribution to environmental preservation.



## KDDI GREEN PLAN 2012-2016

#### Specific Targets for Material Issues

Material Issues	Targets
Low-Carbon Society	(1) By FY2016, reduce electric power consumption by 30%, compared with the level if energy-saving measures had not been implemented. (2) By FY2016, lower electric power consumption per subscriber*1 by 15%, compared with FY2011. (3) By the end of FY2012, increase the number of tribrid base stations to 100.
Recycling-Oriented Society	(1) Achieve zero emissions*2 for retired telecommunications facilities. (2) Achieve material recycling ratio of 99.8% or more for used mobile phone handsets. (3) Achieve a material recycling ratio for general waste of 90% or more at KDDI-owned buildings and in the headquarters building.
Biodiversity	(1) Pursue activities based on our action guidelines for preservation of biodiversity.

\*1 Total for au + FTTH

\*2 "Zero emissions" is defined as a final processing ratio of 1% or less.

#### Progress on the Third Medium-Term Environmental Conservation Plan

We are working toward specific targets to be achieved by FY2016 under the Third Medium-Term Environmental Conservation Plan that we formulated in FY2012. As of March 31, 2015, we recognized that meeting our goal to "achieve a material recycling ratio for general waste of 90% or more at KDDI-owned buildings and in the headquarters building" would be problematic, as meeting this target is dependent on the facility specifications and processing areas of waste-processing contractors. However, we are on track toward our other goals, including one to increase our number of tribrid base stations to 100—a target we had already met as of March 31, 2013.

**“Green of ICT”**

**Reducing Electric Power Consumption in Base Stations  
Undertaking Disaster Measure Initiatives**

The dense blanket of au mobile phone base stations covering Japan accounts for 60% of the total energy consumed by KDDI. Accordingly, we are placing topmost priority on initiatives to reduce the electricity that base stations consume.

In March 2011, when the Great East Japan Earthquake struck, some 77% of the base stations that ceased to operate in the aftermath of the earthquake (in six Tohoku prefectures, as of March 12, 2011) did so because of power outages. Clearly, disaster preparedness measures that address power outages are a pressing topic.

To address this issue, KDDI is installing tribrid base stations and extending base station battery life to 24 hours. We are moving forward with this initiative, which has the dual benefit of reducing environmental impact and serving as a disaster countermeasure.

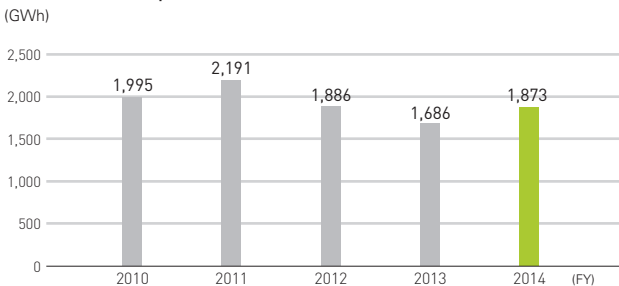
Tribrid base stations employ tribrid power control technology that uses three types of power efficiently according to the time of day and changes in the weather. This technology combines typical commercial electric power with generation from solar panels and batteries charged with nighttime power. Compared with base stations that use only conventional electric power, tribrid base stations have been confirmed to reduce annual CO<sub>2</sub> emissions by as much as 30%. As of March 31, 2015, we have 100 of these base stations in operation around Japan.

Serving as backup in case power is interrupted, KDDI had installed batteries with life extended to 24 hours at 2,200 base stations as of March 31, 2015. These batteries are in place mainly in prefectural and municipal government offices and train stations serving more than 100,000 passengers per day. We plan to continue installing these batteries after measuring their effect on reducing environmental impact.



Tribrid base station

**Power Consumption Trends**



**Responding to Scope 3 Emissions through Efforts throughout the Supply Chain**

To quantify and disclose environmental impact, KDDI regularly conducts life-cycle assessments (LCA) of its products and services to determine the amount of CO<sub>2</sub> generated at each stage of operations—from manufacturing and use to disposal or recycling. In recent years, efforts to visualize (determine, manage and report information on) emissions throughout a company’s supply chain have gained momentum, and guidelines\*<sup>1</sup> have been formulated for this purpose. Based on these guidelines, we have been calculating greenhouse gas emissions throughout the supply chain since FY2012.

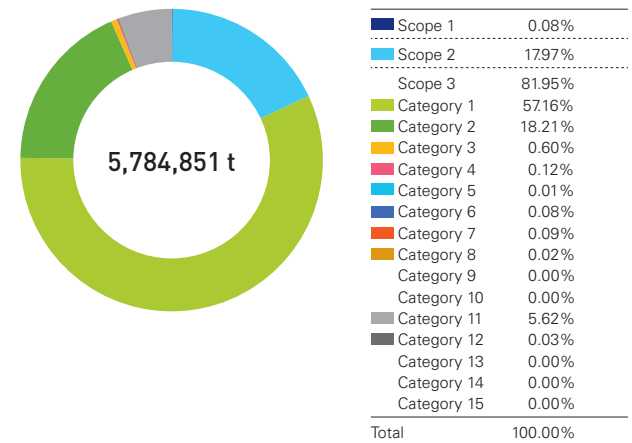
For business activities in FY2014, Scope 3 greenhouse gas emissions accounted for 81.95% of the total (which includes Scope 1, 2, and 3 emissions). During the year, measurement clarified that our Category 1 and Category 2 emissions were representing an increasing share of the total. Accordingly, we will continue to analyze these two key categories and undertake efforts to reduce these emissions.

To increase the reliability of our Scope 3 calculations, we have received third-party verification\*<sup>2</sup> by the Waseda University Environmental Research Institute. We will push ahead with efforts to identify Scope 1, 2, and 3 CO<sub>2</sub> emissions and undertake measures to reduce our environmental impact.

\*1 Green Value Chain Platform

\*2 Third-party verification by the Waseda University Environmental Research Institute (FY2014)

**Calculation Results for CO<sub>2</sub> Emissions in FY2014**



Please refer to our Integrated Report 2015 (Detailed ESG Version) for detailed environmental information.

<http://www.kddi.com/english/corporate/csr/report/2015/>

- Environmental statistics and other data
- Recycling-oriented society
- Biodiversity
- Technological development to reduce environmental impact



## Material Issue Vitalizing the Company by Developing a Diverse Workforce

Promoting diversity is one aspect of KDDI's management strategy for achieving sustainable corporate growth. Accordingly, we focus on recruiting and training human resources. Rather than trying to force people to be the same, we respect the individuality of employees, striving to create an organization and environment that harnesses their individual capabilities.

KDDI recognizes the importance of conducting its business from the perspective of women, who account for around half of its customers. To achieve this aim, we focus on cultivating and promoting female leaders.

Through initiatives like these, we will pull together as a Group to ensure we are the company of choice for our customers.

**Principal KPI:** By the end of FY2015, female line managers to account for **7%** of the total

### KDDI and the KDDI Group Philosophy

KDDI's management is thoroughly based on the Company's corporate philosophy, the "KDDI Group Philosophy."

When formulating this philosophy, top-level executives and departmental leaders gathered to earnestly deliberate on what sort of company KDDI aspired to become, the management philosophy that top management needed to maintain to achieve this goal, and the working styles and values that employee behavior needed to exhibit.

To ensure that all employees share the "KDDI Group Philosophy" in their works, we hold study sessions planned and conducted by employees themselves, as well as various other awareness activities. Sharing the Company's directions and values in this manner is aimed at achieving individual employee growth and sustainable development of the Company.

The KDDI Group Philosophy

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

### Cultivating and Promoting Female Leaders

Since FY2012, we have focused on cultivating female leaders, aiming to provide a place for them to participate in corporate decision-making and therefore reinforcing our power as a company. Specifically, we have set a goal for FY2015 of promoting 90 women to positions as line managers\*1 (with female line managers then accounting for 7% of the total). To this end, we launched a program for promoting female line managers in FY2012, and have since conducted programs involving workplace training, group training, study sessions, and communication with role models. At group training sessions, the president and other Board members participate in roundtables, providing evaluations on presentations.

To further augment our female leadership efforts, in FY2015 we will introduce a new initiative involving general managers in mentoring and coaching.

We are working to cultivate female managers, and these activities serve as the foundation which we are building upon with the promotion of female leaders. The number of female managers at KDDI rose for the ninth consecutive fiscal year, to 177 as of March 31, 2015.

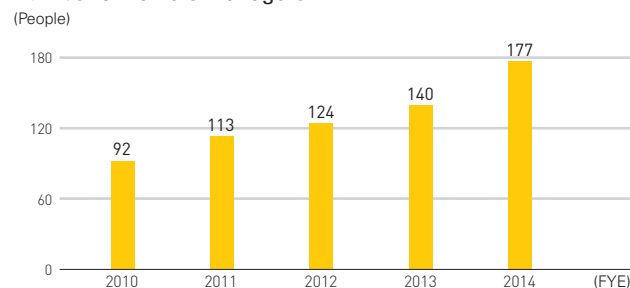
**Principal KPIs**  
(As of March 31, 2015)

**Female managers**  
**177**

**Female line managers\*2**  
**74**

**Female executives**  
**1**

### Number of Female Managers



### VOICE

#### Executive Interview

KDDI considers activities to promote the professional advancement of women a management issue and is undertaking serious and forward-looking initiatives on this front. These are having an effect, by raising awareness within the Company—even among women themselves—and the number of female line managers is increasing every year as a result.

We see this as a major success. Nevertheless, with our focus on "embracing diversity," we need to conduct more activities focused on women if we are to resolve the many issues we still face.

KDDI has set the numerical target for 2015 of having 90 female line managers, which would then account for 7% of the total. In addition to skill enhancement and career development programs, we are introducing telecommuting and making an active effort to support a balance between working and raising children. Still, there are few female line managers around us, so surely there are many female employees who feel uncertain whether they could become managers themselves.

In an age that embraces female empowerment, I aim my best to work enthusiastically and serve as a role model to aspiring female line managers and encourage their efforts to advance their careers.

Note: Ms. Saishoji was appointed as KDDI's first female executive in April 2014.



Nanae Saishoji  
Administrative Officer  
Deputy General Manager,  
Corporate Management  
Division, Corporate Sector

\*1 Organizational leaders with the authority to conduct personnel evaluations

\*2 Including workers on loan

### Selected as a “Nadeshiko Brand” for the Third Consecutive Year

KDDI has set a specific target for the number of women to be promoted by FY2015, and is cultivating and promoting female leaders. We also promote flexible working styles in an active effort to support a balance between work and home life. As an evaluation of such initiatives, in FY2014 we were named a “Nadeshiko Brand” for the third consecutive year, a designation conferred on listed companies that take proactive steps to promote women.

The “Nadeshiko Brand” is a joint effort by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select and introduce companies that are attractive because of their proactive efforts to encourage the success of women. KDDI has been a “Nadeshiko Brand” since FY2012.

We plan to continue encouraging the professional advancement of women, and believe management that incorporates a female viewpoint will lead to increased customer satisfaction.



### Establishing a System of Executive Assistants

As a method of providing instruction on management techniques, in FY2011 we introduced a new job title, “executive assistant,” for people who serve as assistants to directors. The executive assistants sit in on all meetings attended by their superiors, learning their management approaches from up close. We appointed 11 people to this new position in FY2014, with 32 people having had this experience as of March 31, 2015. Following their experience as assistants, these employees are appointed to line manager positions in various departments.

By giving employees the opportunity to learn management techniques directly from the Company’s directors, we are cultivating the human resources needed for the KDDI of tomorrow.

### Mission Grade

The Mission Grade System that we introduced for managers in FY2013 clarifies the management roles of line managers and the professional roles of managers in non-line positions, setting their rank in accordance with the size of their roles. Rather than being evaluated on past operating performance, under this system the rank is defined according to their responsibility, authority, and degree of influence on the basis of current job performance. Our compensation system is designed to reward employees in accordance with their level of contribution.

### Global Human Resources Cultivation

In response to the rapid wave of globalization, the KDDI Group is placing an emphasis on cultivating employees who have been locally hired overseas.

We position an understanding of the KDDI Group Philosophy as the basis for training. We also provide training on practical skills as needed according to employees’ positions and skills, including understanding of services, through Practical Level Training. Mid-Level Management Training aims to cultivate an understanding of business strategies and augment management skills, and Senior Management Training cultivates human resources for leadership roles as location managers.

Through our Global Human Resources Exchange Program, we also provide employees hired overseas with opportunities to work for a certain period of time at our headquarters. This program aims to encourage personnel interaction between overseas locations and headquarters.

Twice during FY2014, we invited the management teams of overseas subsidiaries to Tokyo. They attended Global Management Meetings (GMMs) lasting approximately one week, including individual concentrated study sessions.

The Overseas Subsidiary Business Ethics Committee met at the GMM in February 2015. At the meeting, management emphasized the importance to overseas management of reinforcing governance in such areas as graft, bribery, and anti-corruption.

## Supporting the Cultivation of Human Resources at Partner Companies

### Holding the “au CS AWARDS” in Pursuit of High-Quality Customer Service

KDDI has held the “au CS AWARDS” in various locations across Japan every year since 2004. Aimed at achieving higher levels of customer satisfaction, these awards are designed to enhance the customer service skills of au shop staff.

During last year’s awards, we held a customer service competition themed on “sharing practical skills—acquisitions offering a value proposal.”

The most recent awards aimed to further promote examples of good customer service. Superior au shop staff shared their ideas about everyday customer service with presentations entitled “My Best Success so Far.” By sharing

this expertise, participants honed their customer service skills and gained additional tools for maximizing customer satisfaction.



au shop staff demonstrating their customer service skills



**Material Issue** **Creating a Safe and Secure Information and Communications Society**

Rapid advances in ICT, including the proliferation of mobile phones and smartphones, are making society more convenient. At the same time, they can lead to trouble for children and widen the digital divide among seniors.

The Company holds KDDI Mobile Phone Learning Classes in an effort to increase literacy through awareness activities. We are also working to improve the quality of these classes by setting key indicators for participant satisfaction and understanding.

**Principal KPIs:** For KDDI Mobile Phone Learning Classes, achieve a junior course satisfaction level of **90** points  
 Achieve a senior course understanding level of **80** % in FY2014

**KDDI Mobile Phone Learning Class Safety and Security Seminars**

KDDI, Okinawa Cellular, and KDDI Group Welfare Association\* have been conducting KDDI Mobile Phone Learning Class safety and security seminars throughout Japan since FY2005 as a way to educate children on the safe and secure use of mobile phones and smartphones. The classes provide necessary information on rules and etiquette and teach children how to identify and protect themselves from trouble.

**Principal KPIs**  
(Results for FY2014)

Class satisfaction among juniors  
**91.6**pt

Class satisfaction among seniors  
**82.7**%

By vigorously promoting mobile phone classes for juniors, encouraging participation by elementary, junior high school, and high school student, as well as their guardians and teachers, in FY2014 these classes were held 3,283 times, representing a 3% year-on-year increase, and attended by some 570,000 people. From the time classes began in FY2005 through to the end of March 2015, we had conducted these classes 13,179 times, for some 2.38 million people.

KDDI employees also served as instructors in classes for seniors, holding courses at regional institutions by liaising with municipal authorities. They lend each participant an au Simple Phone or smartphone and project onto a screen images of people actually performing operations, helping participants learn the basics of how to operate mobile phones and smartphones, gaining experience in sending e-mail and using the Internet.

In FY2014, we held these classes 200 times, for approximately 3,600 participants. Attendees made such comments as "I would like more detail on using these devices," and we are now revising our program in response.

In FY2015, we plan to introduce a tablet course and will continue to listen carefully to participants' comments as we help seniors learn how to use mobile phones, smartphones, and tablets enjoyably, safely, and securely.

\* In FY2014, KDDI and Okinawa Cellular held classes at elementary schools in collaboration with the KDDI Group Welfare Association.



KDDI Mobile Phone Learning Class safety and security seminar

**Providing Safe and Secure Products**

KDDI offers a range of models tailored to a variety of specific customer needs, supporting their safety and security on the product front. For example, au's first junior smartphone, the "miraie," features a wide range of functions to ensure children can enjoy safe, secure smartphone use, and a durable design. The "BASIO," the first au smartphone for seniors, offers user-friendly operations that are simple even for first-time users. Targeting a mobile phone designed to closely meet the needs of a variety of customers, KDDI provides the "Simple Phone K012," which offers such features as one-touch dialing to registered numbers, an easy-to-see screen display, and user-friendly design.



miraie

BASIO

Simple Phone K012



## Material Issue Offering Reliable Information and Communications Services

Communications services are a lifeline for an advanced information society. Accordingly, KDDI places paramount importance on research dedicated to offering and improving reliable information and communications services.

We have formulated a robust corporate governance structure to ensure our ability to facilitate communications and to respond flexibly in the face of unforeseen circumstances.

Principal KPI: **100** % improvement on issues identified in disaster response training

### Providing Reliable Communications Services

KDDI owns an array of telecommunications facilities including optical cables and mobile phone base stations, which it maintains and operates via technical centers situated throughout Japan. At operations centers scattered across the country, we conduct centralized monitoring of telecommunications conditions 24 hours a day, 365 days a year. In the event of an outage, these centers control communications as appropriate, communicating with operational departments throughout Japan. With regard to communications service quality, we configure, analyze, and improve our facility operating system in line with the stringent standards that we have set for ourselves. In this manner, we strive to provide reliable communications services of consistently high quality.



### Introducing 4G LTE-Capable Emergency-Use Wide-Zone Base Stations

KDDI has installed and begun operating emergency-use wide-zone base stations as part of its disaster backup procedures in preparedness for an earthquake striking below the Tokyo metropolitan area. The base stations support voice communications (1x), 3G communications (EVDO), and LTE communications (4G LTE), allowing provision of mobile phone services such as voice calls and data transmission should an earthquake directly hit the capital. These are the first 4G LTE-compatible wide-zone base stations in Japan.

Ten base stations have been constructed, covering an area from Chiba (in Chiba Prefecture) to the east to Kawaguchi (in Saitama Prefecture) to the north, Tachikawa (in Tokyo), and Kawasaki (in Kanagawa Prefecture) to the west. Furthermore, learning from our experience with the Great East Japan Earthquake in March 2011, the backhaul line (connected to the

core network) in the wide-zone base station now has a dual structure of microwave radio and fiber optic cable.

We will study wide-zone base stations based on damage assumptions in each region of Japan in the event of disaster, not just in the Tokyo metropolitan area.



One of the wide-zone base station antennas on the roof of the KDDI Building in Shinjuku

### Business Continuity Plan (BCP) for Large-Scale Disasters

Following the Great East Japan Earthquake, we established a Companywide Disaster Response Project, and in October 2011 formulated a BCP for Large-Scale Disasters. This plan establishes detailed rules for each phase of response to a 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 addition to these measures to shore up our structure, we are proactively conducting disaster response training throughout Japan that focuses on initial disaster response.

In February 2015, 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 an earthquake directly underneath the Tokyo metropolitan area. As well as employing a completely “blind” method of training in which participants are not told what sort of disaster to expect until just before the training begins, training was conducted assuming total disruption of communications immediately after the disaster, with the disaster response meeting held under a communications environment consisting only of satellite networks.

The training was held for approximately 300 emergency participants. At the start of the training, they responded as information about the disaster began to unravel and considered new damage assumptions that were disclosed as time went on, lending the training a sense of reality.

We will reflect in future BCPs 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.

## Corporate Governance

### Executive Members (As of June 17, 2015)

#### Directors



**Tadashi Onodera**  
Chairman

'01.6 President  
'05.6 President and Chairman  
'10.12 Chairman (Current position)  
'13.6 Director, Kyocera Corporation (Current position)  
'14.6 Director, Daiwa Securities Group Inc. (Current position)



**Takashi Tanaka\***  
President

'07.6 Associate Senior Vice President, Director  
'10.6 Senior Vice President, Director  
'10.12 President (Current position)  
'13.6 General Manager, Corporate & Marketing Communications Sector (Current position)



**Hirofumi Morozumi\***  
Executive Vice President, Director

'03.6 Associate Senior Vice President, Director  
'07.6 Senior Vice President, Director  
'10.4 General Manager, Corporate Sector (Current position)  
'10.6 Executive Vice President, Director (Current position)

#### Audit & Supervisory Board Members

Audit & Supervisory Board Members

Yoshinari Sanpei  
Hiroshi Kobayashi  
Takeshi Abe ■

Outside Audit & Supervisory Board Members

Kishichiro Amai ■  
Yukihisa Hirano ■



**Makoto Takahashi\***  
Senior Managing Executive Officer, Director

'07.6 Associate Senior Vice President, Director  
'10.6 Senior Vice President, Director (Current position)  
'15.4 General Manager, Value Business Sector, and Global Business Sector (Current position)



**Yuzo Ishikawa\***  
Senior Managing Executive Officer, Director

'10.6 Associate Senior Vice President, Director  
'11.6 Senior Vice President, Director  
'14.6 Senior Managing Executive Officer, Director (Current position)  
'15.4 General Manager, Consumer Business Sector, Business Management, Solution Business, Media and CATV Business, and Product & Customer Service Sector (Current position)



**Masahiro Inoue**  
Managing Executive Officer, Director

'10.6 Managing Executive Officer, Director (Current position)  
'11.4 Deputy General Manager, Technology Sector, Engineering and Operations (Current position)



**Tsutomu Fukuzaki**  
Managing Executive Officer, Director

'06.10 Vice President  
'12.4 Associate Senior Vice President  
'13.6 Managing Executive Officer, Director (Current position)  
'15.4 Deputy General Manager, Consumer Business Sector, General Manager, Consumer Marketing Division and Consumer Sales Division (Current position)



**Hidehiko Tajima**  
Managing Executive Officer, Director

'10.4 Vice President  
'13.4 Associate Senior Vice President  
'13.6 Managing Executive Officer, Director (Current position)  
'15.4 General Manager, Global Business Sector (Current position)



**Yoshiaki Uchida**  
Managing Executive Officer, Director

'13.4 Vice President  
'14.4 Associate Senior Vice President, General Manager, Technology Sector, Technical Planning Division (Current position)  
'14.6 Managing Executive Officer, Director (Current position)

**Tetsuo Kuba** ■  
Director

'08.6 Director and Senior Managing Executive Officer of Kyocera Corporation  
'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 Director of KDDI (Current position)

**Nobuyori Kodaira** ■  
Director

'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 Director of KDDI (Current position)

**Shinji Fukukawa** ■  
Director

'88.6 Retired as Vice-Minister of Ministry of International Trade and Industry  
'88.12 Senior Advisor of Global Industrial and Social Progress Research Institute (Current position)  
'02.11 Chairman of Japan Industrial Partners, Inc. (Current position)  
'03.11 Administrative Director of Toyo University (Current position)  
'12.12 Chairman of Toyo University (Current position)  
'14.6 Director of KDDI (Current position)

**Kuniko Tanabe** ■  
Director

'73.3 Registered as attorney at law  
'82.2 Joined Tanabe & Partners, Partner (Current position)  
'03.6 Audit & Supervisory Board Member of DAIDO METAL CO., LTD. (Current position)  
'11.6 Corporate Auditor of Disco Corporation  
'15.6 Director (Current position)

■ Outside directors

■ Independent directors

\* Directors with representative rights



### Basic Stance on Corporate Governance

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 Annual General Meeting of Shareholders and ensure smooth exercise of voting rights. Convocation announcements are issued early (the target being three weeks prior to the meeting), and the Company strives to avoid scheduling the meeting on days when many other companies hold their shareholders' meetings. KDDI also allows shareholders to exercise their voting rights via PC and mobile phone platforms.

The Board of Directors, which includes outside directors and independent outside directors, makes decisions regarding important matters as prescribed by relevant statutes, and oversees the execution of 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. Furthermore, we have established the Remuneration Advisory Committee to advise the Board of Directors on executive remuneration.

Auditors 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 for the execution of auditors' duties, the exchange of opinions, and collaboration with auditors. The Board also periodically listens to reports from the accounting auditor on the annual accounting audit plan, progress, and the results of accounting audits. It also makes recommendations and conducts exchanges of opinions as necessary.

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 auditors, along with recommendations for improvement and correction of problem areas.

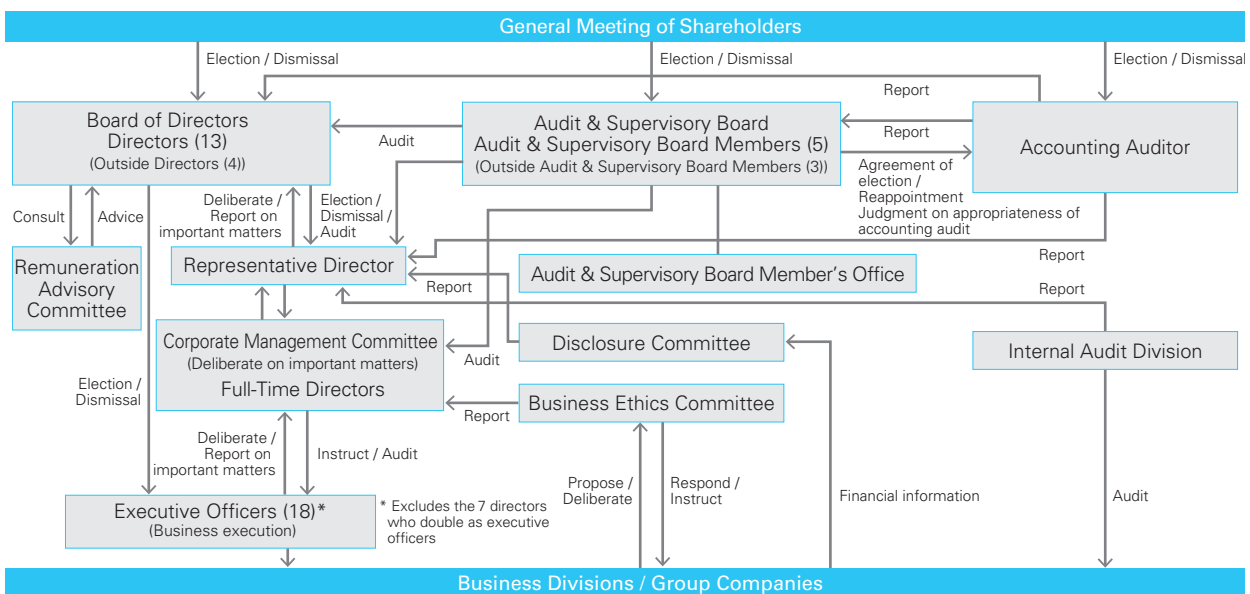
KDDI also has a Business Ethics Committee, which makes decisions on compliance-related issues, and a Disclosure Committee, which oversees disclosure of information. By bringing together the various systems and frameworks for managing each Group company, KDDI is working to enhance governance across the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

#### Response to Japan's Corporate Governance Code

We understand the gist of the Corporate Governance Code to be that a company must be accountable to its stakeholders and be proactive in its corporate governance, ensuring that decision-making is transparent and fair, as well as swift and decisive.

Based on this understanding, KDDI engages in dialogue with its shareholders and other stakeholders, monitors public trends, and considers and responds to needs through optimal corporate governance.

### Corporate Governance Framework (As of June 17, 2015)



Changes in the Corporate Governance Framework

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
President		Yuusai Okuyama*1			From June 2001 Tadashi Onodera							From December 2010 Takashi Tanaka						
Separation of management and execution*2	Directors	53*3	13	12	11	→						10	13	12	→		13	Now 13 people
	Outside directors			2	3	→		4	3	→			2	→		3	Now 4 people	
Management transparency*2	Independent directors															1	Now 2 people	
Assurance of diversity*2	Female executives																Now 1 person	
Transparency in executive remuneration					Introduction of a stock option system in 2002							Remuneration Advisory Committee established in 2011					Introduction of stock compensation plan for executives in 2015	
KDDI Group Philosophy		Enactment in October 2000												Start of a revision project in 2012		Revised, started promotion activities in 2013		

\*1 Appointed president of DDI in December 1993. Became president of KDDI in October 2000.  
 \*2 Number of people at the conclusion of each Annual General Meeting of Shareholders  
 \*3 Number of people at the conclusion of an Extraordinary Meeting of Shareholders convened in October 2000

Reasons for Appointment as Outside Executive Members

Name	Reason for selection as an outside director of the Company (If designated as an independent director, reason for this designation)	Principal activities in FY2014
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.	Board of Directors' meetings Attended 8 of 8 meetings
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.	Board of Directors' meetings Attended 7 of 8 meetings
Shinji Fukukawa (Independent director)	Mr. Fukukawa was appointed to apply 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 to supervising the Company's business activities. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as a director, and have appointed him as an independent director.	Board of Directors' meetings Attended 7 of 7 meetings * Following new appointment as director at the 30th Annual General Meeting of Shareholders
Kuniko Tanabe (Independent director)	Although Ms. Tanabe has not been involved in company management as a director in the past, she was elected to incorporate the extensive experience and wide knowledge she has gained as a partner at a law office in the supervision of the Company's business activities. Given her career history, we judge that no danger exists of conflicts of interest with general shareholders, consider her appropriate as a director, and have appointed her as an independent director.	—

Name	Reason for selection as an outside Audit & Supervisory Board member of the Company (If designated as an independent auditor, reason for this designation)	Principal activities in FY2014
Takeshi Abe (Independent auditor)	Mr. Abe was appointed because of the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Mr. Abe's tenure as executive officer at the Development Bank of Japan, Inc., was short. A substantial amount of time has passed since he retired from that position, and he currently receives no benefits from that organization. Given this experience, and the fact that he hails primarily from organizations involved in administrative operations, we recognize that he has scant relationship with KDDI. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an auditor, and have appointed him as an independent auditor.	Board of Directors' meetings Attended 7 of 8 meetings Audit & Supervisory Board meetings Attended 7 of 8 meetings
Kishichiro Amae (Independent auditor)	Mr. Amae has extensive experience gained through many years as a diplomat and in the execution of operations at various organizations, etc. 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 auditor, and have appointed him as an independent auditor.	Board of Directors' meetings Attended 8 of 8 meetings Audit & Supervisory Board meetings Attended 8 of 8 meetings
Yukihisa Hirano (Independent auditor)	Mr. Hirano has extensive experience and expertise as a corporate manager. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. A significant amount of time has passed since Mr. Hirano retired from his position as president of Toyota Motor Corporation, and he currently receives no benefits from that organization. In addition, after retiring he served as president of the Central Japan International Airport Co., Ltd., and we recognize that he currently has no relationship with Toyota Motor Corporation. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an auditor, and have appointed him as an independent auditor.	Board of Directors' meetings Attended 8 of 8 meetings Audit & Supervisory Board meetings Attended 8 of 8 meetings

## Amounts of Remuneration and Methods of Determining Remuneration

### 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 medium- 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 have been linked to the business results of the KDDI Group within 0.1% of consolidated net income 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.

### 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.

### Remuneration Advisory Committee

The Company has formed a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors in order to maintain both transparency and objectivity on the system of and the level of remuneration for executives. More than half of its members are outside directors (six people, including four outside directors, the president, and the chairman).

## Remuneration for Executive Members (FY2014)

Executive classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)		Number of corresponding executives
		Basic remuneration	Bonus	
Directors (Excluding Outside Directors)	536	387	148	11
Outside Directors	27	27	—	3
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	47	47	—	3
Outside Audit & Supervisory Board Members	40	40	—	3

#### Notes:

\* Individual remuneration is not disclosed, as no director received compensation of more than ¥100 million.

\* The maximum monthly remuneration for directors is ¥50 million.

Furthermore, directors may receive up to an additional ¥40 million of annual remuneration in the form of stock acquisition rights.

\* The maximum annual remuneration for members of the Audit & Supervisory Board is ¥100 million (based on the Company's business year).

\* Remuneration amounts include directors' bonuses, which were defined as being linked to performance and no more than 0.1% of consolidated net income.

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

## Status of Measures and Policies Providing Incentives for Directors

In addition to introducing a remuneration plan linked with consolidated operating performance and a system of stock acquisition rights, in September 2015 KDDI will introduce a stock compensation plan for executives. This plan targets directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors, and part-time directors).

The plan has a clear link between remuneration for directors and other executives, operating performance, and the share price, and is intended to heighten their awareness of contributing

to increases in operating performance and corporate value over the medium to long term. Under the plan, each fiscal year executives will be granted the right to acquire a certain number of shares depending on their rank, achievement level of operating performance, and key performance indicators. At the conclusion of the trust period, the accumulated shares will be transferred to the executives. These shares may not be acquired during an executive's tenure as director.

Note: A decision was reached at the 22nd Annual General Meeting of Shareholders, 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 FY2010.

## Risk Management and Internal Controls

### KDDI's Risk Management and Internal Control 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.

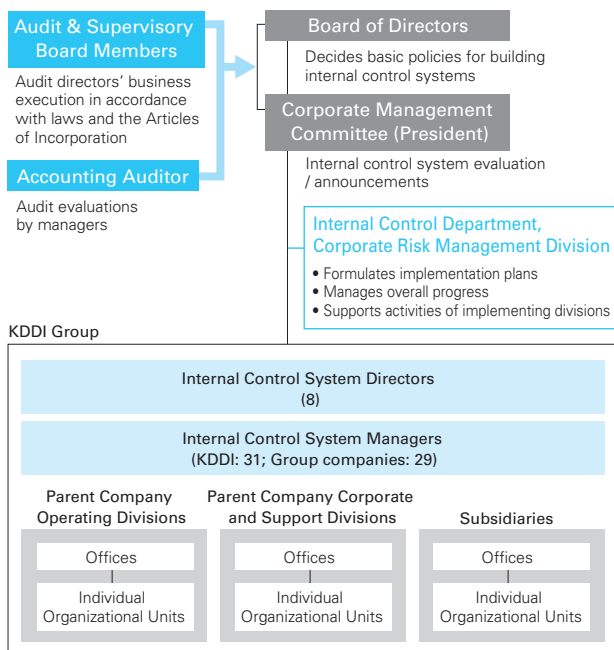
To ensure the sustainable growth of the entire Group, we are promoting risk management initiatives that encompass risk management Groupwide, including KDDI and its subsidiaries.

KDDI and its Group companies have respectively appointed 31 and 29 Internal Control System Managers, as well as eight 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 FY2014 we designated 32 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, the increasing similarity of our products and services to those of our competitors, and 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.

### Internal Control Systems

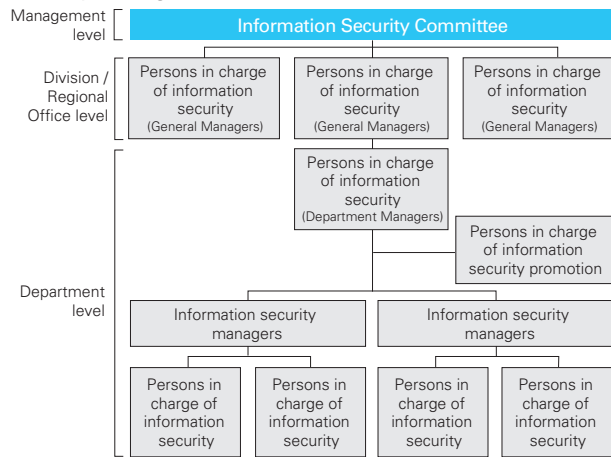


### Strengthening Information Security

KDDI is reinforcing its information security to prevent any leakage of the information it retains for some 43.48 million au customers, as well as numerous other individual and corporate customers.

KDDI has established and administers an Information Security Committee composed of management-level employees, along with the heads of the sales, technology, and corporate administrative divisions. This committee is part of a structure that carefully recognizes the status of information security controls for the entire Company, and readily implements measures to enhance information security at KDDI itself and throughout the Group.

### Security Management Structure



In April 2009, we acquired information security management system (ISMS) certification\*1 (ISO/IEC 27001) for the entire Company. Since then, we have continued to implement measures to improve information security centered on the maintenance of these systems. In FY2012, we formulated regulations for KDDI Group companies based on the KDDI Group Information Security Standards that we formulated in FY2011. Since FY2013, we have continued working to strengthen information security and governance at KDDI Group companies through the appropriate execution of Group company regulations and application of a plan-do-check-act (PDCA) cycle, as well as appropriately auditing its status.

\*1 This is a third-party certification system for information security systems. It was established with the goal of contributing to widespread improvements in information security and encouraging companies to target levels of information security that can be trusted around the world.

### ISMS Certification at KDDI

Registration Number	Organization	Initial Registration
IS 95253	KDDI CORPORATION*2	June 7, 2005
IS 76406	KDDI CORPORATION (Operations Division)*3	July 4, 2003
IS 85329	KDDI CORPORATION (Information Systems Division)	September 28, 2004

\*2 Includes corporate, technology and sales, and customer support divisions, as well as KDDI KYOSAIKAI (now, KDDI Group Welfare Association), KDDI Health Insurance Union, KDDI Pension Fund, KDDI Research Institute, Inc., and KDDI MATOMETE OFFICE CORPORATION

\*3 Includes Japan Telecommunication Engineering Service Co., Ltd.

# Compliance

## Basic Stance on Compliance

KDDI is improving and reinforcing its compliance structures, based on its belief that compliance with the law—including strict observance of the privacy of communications by telecommunications providers as established in the Telecommunications Business Law—is fundamental to business operations. In addition to establishing the KDDI Code of Business Conduct to ensure that all employees maintain a high sense of ethics and execute their duties appropriately, we are undertaking the following efforts to raise compliance awareness.

- Conducting activities to instill our corporate philosophy, the KDDI Group Philosophy
- Cultivating a sense of organizational togetherness and improving communications
- Performing activities to detect early on, analyze, and prevent violations
- Blocking any relationships with anti-social forces

## KDDI Group Compliance Promotion System

We have put in place the KDDI Group Business Ethics Committee, headed by the chairman of KDDI, to deliberate and make decisions on compliance-related items. The committee meets semi-annually to ascertain the situation at each company and support the establishment and reinforcement of compliance structures.

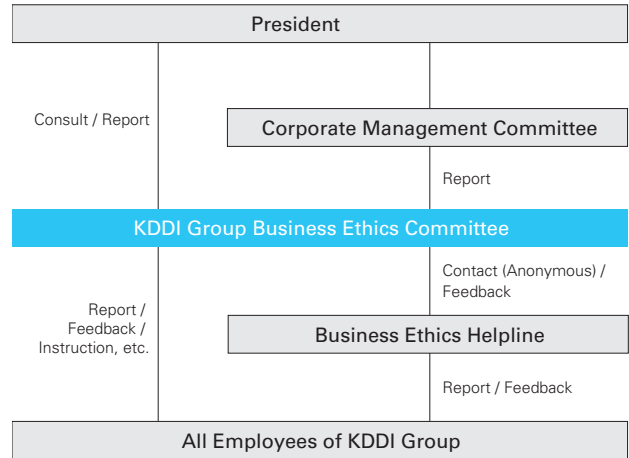
### KDDI Group Business Ethics Committee Framework



The KDDI Group Business Ethics Committee also formulates policies for educational activities and, in the event a compliance violation occurs, discloses information outside the Company and deliberates on measures to prevent recurrence.

The status of the committee’s activities is made available to all employees via the intranet.

### Compliance Framework



## Business Ethics Helpline

KDDI established the Business Ethics Helpline to serve as a contact point for all employees with questions or concerns about business ethics and legal compliance. 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 in response to the Whistle-Blower Protection Act, enacted in Japan in April 2006, and actively conducted educational activities on this topic.

In FY2014, the helpline received 23 reports, including inquiries. Internal investigations were conducted primarily by the KDDI Group with regard to the issues reported, and information regarding reporters was kept confidential. When problems were uncovered, steps were taken to rectify the situation, including proposing improvements and instituting measures to prevent recurrence.

People who make use of the whistle-blowing system were not subjected to disadvantageous treatment.

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

Our Basic Policy for the Creation of Internal Systems takes a firm stand on countering anti-social forces. In addition to rules defining initiatives for blocking off any relations with such forces, the KDDI Code of Business Conduct, which defines basic principles to be followed and enforced by all executives and employees, takes a firm stance against anti-social forces, rejecting any requests for illicit funds and refusing to comply with any demands.

## Disclosure and IR

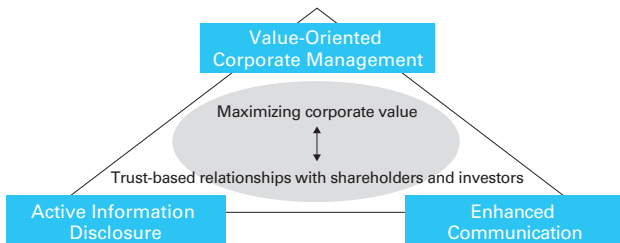
The company is fully committed to undertaking fair and timely disclosure in an easily understandable manner of any information that could have a material bearing on the investment decisions of investors. Such disclosure is conducted on an ongoing basis, and is focused on the requirements of shareholders and investors. The Company's policy in this regard is in line with the Financial Instruments and Exchange Act and the Securities Listing Regulations of Tokyo Stock Exchange, Inc., governing the timely disclosure of information concerning the issuers of publicly listed securities. KDDI discloses its basic IR policy\* on its website, explaining such matters as fundamental thinking regarding IR activities and the system for disclosing pertinent information. In particular, KDDI has set up a Disclosure Committee that concentrates on determining what information should be disclosed with the goal of improving business transparency and supplying appropriate information to the public.

KDDI takes the opinions expressed by shareholders and investors seriously, communicating them not only to management but also to employees in general. Such opinions are considered an extremely valuable reference in the formation of business and management strategies.

\* Approved at a Board of Directors' meeting held on March 15, 2015

### IR Basic Policy

KDDI's IR program is aimed at increasing the level of satisfaction among shareholders and investors through ongoing, proactive, and fulfilling dialogue, and enhancing trust in KDDI's management.



### IR Activity Guidelines

Through IR based on the activity guidelines outlined below, we strive to build long-term, trust-based relationships with shareholders and investors, as well as maximize our corporate value.

#### Three IR Activity Guidelines

- **Open IR Activities**

We value interactive dialogue with our shareholders and investors as well as ensuring accountability to our shareholders and investors through honest and fair information disclosure.

- **Proactive IR Activities**

By always incorporating new ideas into our IR activities, we strive to make KDDI known to more people and promote further knowledge of the Company.

- **Organized IR Activities**

Under the leadership of management, all of our officers and employees, including those of Group companies, engage in organized IR activities to further increase corporate value.

### IR Activities in FY2014

#### Enhancing Communication

Earnings presentation meetings were held quarterly to allow management to directly communicate the Company's results. KDDI also held individual and small group meetings with investors from Japan and overseas, and participated in various conferences and seminars for individual investors sponsored by securities companies for better communication.

Also, timely feedback was provided to management based on opinions and requests from shareholders and investors.

As a positive evaluation of our efforts, we received the "Award from Securities Analysts for Excellence in Corporate Disclosure" for the ninth time and for the third consecutive year.

#### Results of IR Activities in FY2014

	(Times)
Individual meetings with institutional investors	949
Financial results briefings	4
Overseas road shows	13
Seminars for individual investors	33

#### Enhancing IR Tools

KDDI provides webcasts of its results presentations on its website, and also posts an English-language version of its results presentations. Earnings reports and other types of disclosure documents are made available through the website, with information tailored for use on multiple devices, including various Web browsers, smartphones, and tablets.

KDDI's IR activities earned strong praise during the year. We were recognized through the receipt of the "Internet IR Best Company Award in 2014," by Daiwa Investor Relations Co., Ltd. As well, we ranked third in the "Gomez IR Website Overall Ranking 2014" by Morningstar, Inc., and fourth of all listed companies in Japan for the HP Depth Ranking by Nikko Investor Relations Co., Ltd.

