

# Corporate Governance



As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, our telecommunications business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.

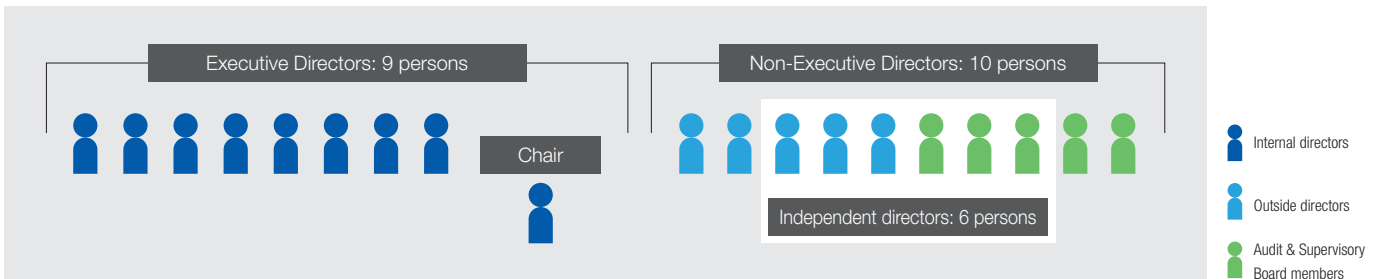
Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders (including customers, shareholders, business partners, employees, and local communities), and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and truly connected society.

We recognize reinforcing corporate governance as important to achieving sustainable growth and increasing corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the “Corporate Governance Code” defined by the financial instruments exchanges. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making.

In addition to our corporate credo and mission statement, we have formulated the “KDDI Group Philosophy,” which defines perspectives, values, and a code of conduct that officers and employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.

By proactively adhering to Japan’s Corporate Governance Code and practicing the KDDI Group Philosophy, which we consider inseparable from the standpoint of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increase corporate value over the medium to long term.

## Composition of Board of Directors



### Changes in the Corporate Governance Framework

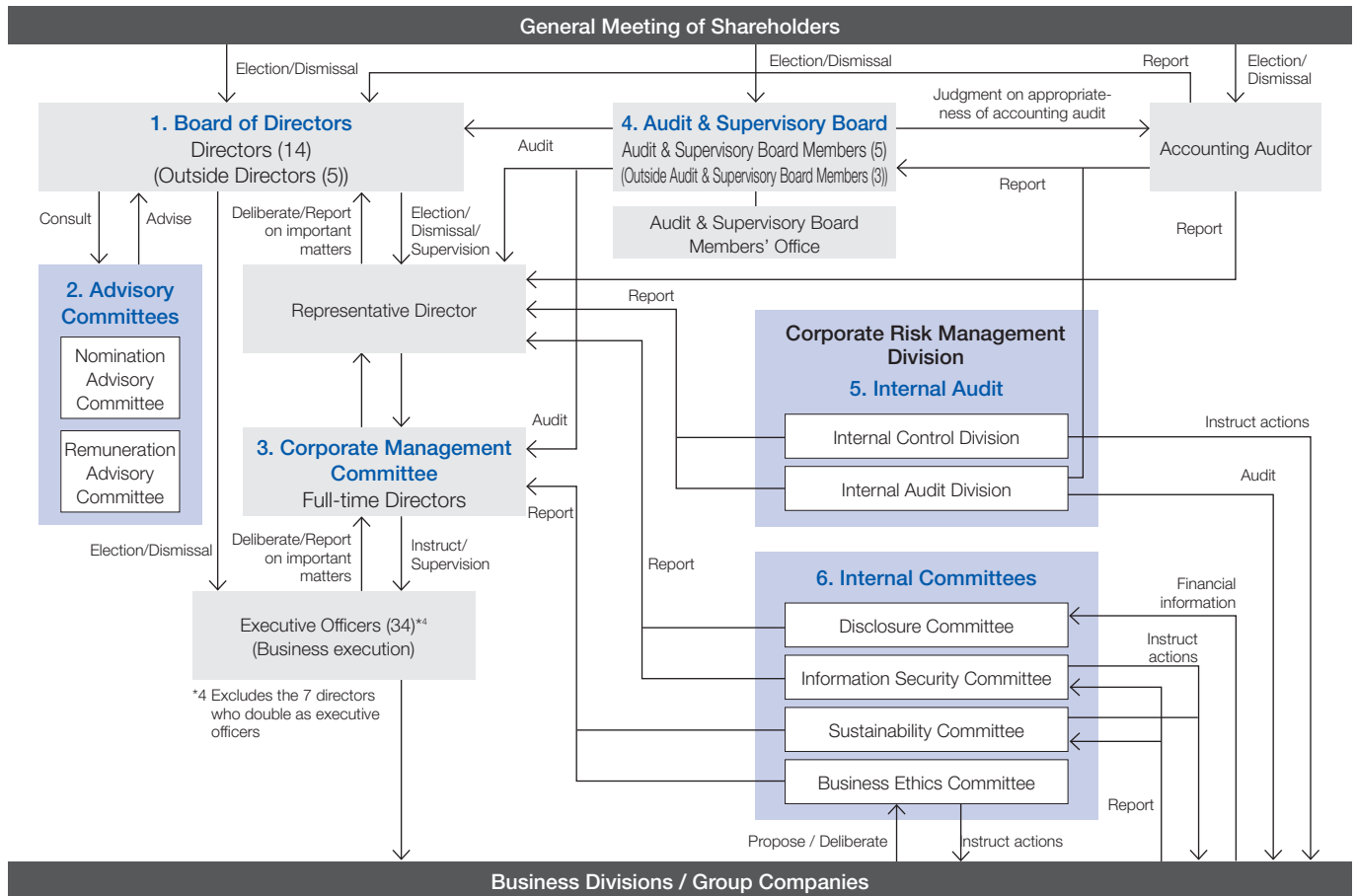
		2000—		2005—		2010—		2015—		2020—		
		Yuusai Okuyama		From June 2001 Tadashi Onodera		From December 2010 Takashi Tanaka		From April 2018 Makoto Takahashi				
President												
Directors*1	Number of directors	53*2	13	12	11	10	13	12	13	14		
	Outside directors			2	3	4	3	2	3	4	5	
Assurance of diversity*1	Number of female directors								1			
Audit & Supervisory Board members	Number of Audit & Supervisory Board members	5		4		5					4*4 → 5 →	
Ensure independence	Number of independent directors*3						2	1	3	4	5	6
	Advisory Committee									Nomination Advisory Committee established in 2015		
Transparency in executive remuneration		Introduction of a stock option system in 2002										
		Remuneration Advisory Committee established in 2011										
		Introduction of a performance-based bonus system for executives in 2011										
							Introduction of stock compensation plan for directors in 2015		Revision of stock compensation plan for directors in 2018		Introduction of stock price-linked bonuses in 2019	
The KDDI Group Philosophy	Enactment in October 2000						Revised, continued promotion activities from 2013					

\*1 Number of people at the conclusion of each Annual General Meeting of Shareholders

\*2 Number of people at the launch of KDDI in October 2000

\*3 Independent officers pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

\*4 KDDI's outside director Shin Honto passed away on April 28, 2021 and his position as an Audit & Supervisory Board member concluded that day.



**1. Board of Directors**

At KDDI, Board of Directors resolutions determine:

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

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

The Board is composed of directors, including outside directors and independent outside directors. The Board of Directors reaches decisions on a variety of issues, including business plans and important matters outlined in laws and regulations. The Board also conducts supervision in an effort to ensure directors appropriately fulfill their work obligations.

**2. Advisory Committees**

KDDI has formed a Nomination Advisory Committee and a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors to

maintain both transparency and fairness in the system of nomination of executive candidates and Audit & Supervisory Board member candidates and the level of remuneration for executives.

The Chairman, Vice Chairman and at least half of the members of these committees are outside directors.

**3. Corporate Management Committee**

Comprised of internal directors, executive officers and others, the Corporate Management Committee deliberates and decides on important matters related to business execution at the Company and its subsidiaries.

**4. Audit & Supervisory Board / Audit & Supervisory Board Members**

Audit & Supervisory Board members conduct their audit work based on audit policies and plans established by the Audit & Supervisory Board and carry out their work by attending meetings of the Board of Directors, the Corporate Management Committee, and other major internal meetings. The Audit & Supervisory Board receives reports on the audit methods of Audit & Supervisory Board members and

their results, discusses them, and offers its opinions, as appropriate, at meetings of the Board of Directors.

**5. Internal Audit**

KDDI conducts periodic internal audits targeting all the operations of the Group, and regularly reviews the appropriateness and effectiveness of internal controls.

The results of these internal audits are reported to the president and the Audit & Supervisory Board members, along with recommendations for improvement and correction of any problems.

**6. Internal Committees**

- KDDI Group Business Ethics Committee: deliberates and makes decisions on compliance-related items for the Group (P. 62)
- Disclosure Committee: deliberates on financial results information to be disclosed at fiscal period-ends (P. 63)
- Information Security Committee: ensures overall information security regarding information assets
- Sustainability Committee: deliberates on sustainability related matters such as CSR and the environment.



## Analysis and Evaluation of the Effectiveness of the Board of Directors

### Objective of Board of Director Evaluations

To ensure a correct understanding of the current status of its Board of Directors and to work toward continuous improvement, KDDI has its Board of Directors conduct regular annual self-evaluations.

### Overview of the Evaluation Process

KDDI verifies the effectiveness of its Board of Directors based on an evaluation by the directors and the Audit & Supervisory Board members. The evaluation is conducted in questionnaire form, combining a four-grade rating scale with free space for comments. This supports our efforts to validate the effectiveness of our initiatives and uncover any areas for improvement from both a quantitative and qualitative perspective.

The evaluation targets the most recent one-year period and is conducted regularly on an annual basis. The results are reported to the Board of Directors, which then considers future countermeasures. Key items for evaluation are as listed below.

- Operation of the Board of Directors (including composition, documentation and explanations, provision of information, etc.)
- Management supervision (including conflicts of interest, risk management, and management of subsidiaries, etc.)
- Medium- to long-term discussions (participation in medium-term management planning, monitoring of plan execution, etc.)

### Overview of Evaluation Results Summary

The Company's Board of Directors was found to be managed appropriately.

Even amid the COVID-19 pandemic, the Board utilized the internet to meet as scheduled and was found to be fully functioning and performing decision making. The following two points were found to be rated particularly highly.

- Ensuring transparency in decision making

Personnel with backgrounds in different fields of expertise are appointed outside directors and provide a wide range of advice at Board of Directors meetings.

On the business execution side, the outside directors actively respond and ensure transparency in decision making through open discussion.

- Enhancing information provided to outside Board members

Outside directors are given many opportunities to deepen their understanding of KDDI's business, such as discussions with managers of each business, facility tours and frontline observations.

### Improvements over the Previous Evaluation

In 2020, acknowledging the particular importance of monitoring subsidiaries, KDDI reorganized its management oversight process for companies it invests in. The Company conducts assessments that extend beyond financial status to encompass synergy, the business contribution ratio, and other factors, and holds discussions aimed at better business management for each company.

In addition, we clarified reporting standards to enable faster and stabler collection of risk data across the entire Group.











As a result, we confirmed that we made improvements on the issue, highlighted in the previous evaluation, of providing "timely and appropriate monitoring as a Group and considering better forms of supervision."

### Future Issues to be Addressed

In this evaluation, there were suggestions from a big-picture perspective from directors and Audit & Supervisory Board members on various themes that should be discussed for the Company's sustainable growth.

In the process for formulating the next medium-term management plan, we will take up these themes and hold lively discussions informed by diverse experiences and expertise in an effort to further enhance the effectiveness of the Board of Directors.

## Notable Expertise and Experience of Outside Directors and Audit & Supervisory Board Members

Name (Major background)	Position in the Company	Experience as president of a listed company	Expertise in the information and communications field	Expertise in law, accounting, and administration
Goro Yamaguchi (KYOCERA Corporation)	Outside Director	●		
Keiji Yamamoto (TOYOTA MOTOR CORPORATION)	Outside Director		●	
Shigeo Ohyagi (TEIJIN LIMITED)	Outside Director	●		
Riyo Kano (Attorney at law)	Outside Director			●
Shigeki Goto (Waseda University)	Outside Director		●	
Yukihiro Asahina (Ministry of Land, Infrastructure, Transport and Tourism)	Outside Audit & Supervisory Board Member			●
Toshihiko Matsumiya (Certified Public Accountant)	Outside Audit & Supervisory Board Member			●
Jun Karube (Toyota Tsusho Corporation)	Outside Audit & Supervisory Board Member	●		
Total	 Outside Director  Outside Audit & Supervisory Board Member	  	 	  

## Decision Standards for Independence of Outside Executives

In addition to the requirements of outside directors and Audit & Supervisory Board members defined in the Companies Act and the independence standards provided by financial instruments exchanges, the Company has formulated its own standards. Specifically, these

standards state that people hailing from business partners making up 1% or more of the Company's consolidated net sales or orders placed are not independent.

## Support for Outside Directors and Audit & Supervisory Board Members

In addition to notifying outside directors and outside Audit & Supervisory Board members in advance of the schedule and agenda for meetings of the Board of Directors, proposal materials are also distributed prior to the meetings to encourage understanding of the agenda items and invigorate discussion at the meetings. Questions are also accepted in advance and are used to enhance explanations on the day of the meeting, in an effort to provide for deeper, more substantial deliberations.

Outside of the Board of Directors meetings, we also provide updates on the status of business strategy, management, R&D, and technology.

Regarding business outlines, the heads and general managers of each business headquarters explain the overall picture and issues in detail, and the management status of subsidiaries is regularly reported. We also have opportunities to inspect sites such as in-house exhibitions of research and development results, telecommunication facilities, and monitoring and maintenance centers. In addition, we report twice a year on corporate ethics and risk management activities.

In order for outside directors to maintain their independence and strengthen their ability to collect information, collaboration with auditors has been strengthened, and regular liaison meetings between outside directors and auditors have been held. Auditors also explain audit results to outside directors.

In addition, in order to strengthen information exchange and information sharing among outside directors, we hold liaison meetings exclusively for outside directors and joint liaison meetings for outside directors and part-time auditors.

Through these efforts, we are deepening our understanding of KDDI's business, thereby invigorating discussions on management strategies at the Board of Directors and improving the effectiveness of management supervision and monitoring.

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

## Policy on Strategic Shareholdings

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

KDDI possesses strategic shareholdings if such possession will contribute to the sustainable growth of KDDI's business and the medium- to long-term increase of corporate value.

Every year, the Board of Directors reviews all the pros and cons of continuing the possession of each individual strategic holding by judging its

significance and economic rationale. When a strategic shareholding is found to have only tenuous significance, we will sell as promptly as possible.

The Company calculates the ratio of the contribution by the issuing company to the Company's profits within the most recent fiscal year. The economic rationale is verified by comparing the ratio with the valuation of each strategic shareholding at the end of the most recent fiscal year, and confirming whether the ratio satisfies the capital cost standard established by the Company.

## Executive Remuneration

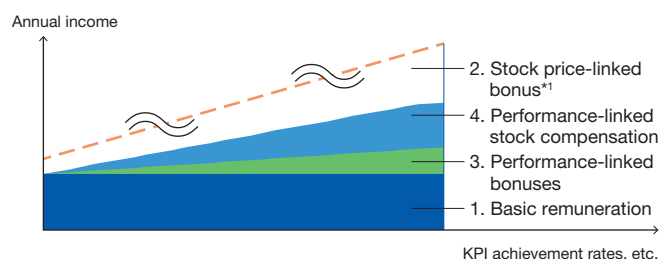
To ensure the transparency and fairness in executive compensation systems and levels, the Company has established a Remuneration Advisory Committee to conduct deliberations and provide advice to the Board of Directors in accordance with the consultation thereof. Compensation (base salary, bonus, stock compensation) for each director is decided at the Board of Directors meeting based on the

advice of the Compensation Advisory Committee. Furthermore, in determining performance-linked bonuses and stock compensation, we increased the ratio of KPIs related to the SDGs in the fiscal year ending March 31, 2022. For more details about the method of calculating executive remuneration, please refer to the securities report.

### Types and Methods for Determining Remuneration

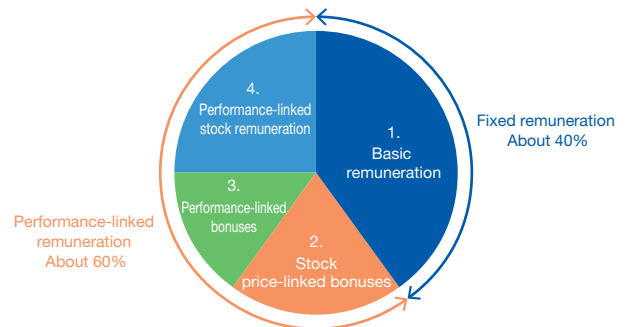
	Type of Remuneration	Method of Determination	Maximum Amount of Remuneration	General Meeting of Shareholders Approval Date
Directors	1. Basic remuneration	<ul style="list-style-type: none"> <li>Based on such factors as directors' professional ranking and the management environment.</li> <li>Reference values are considered and set at appropriate levels using information from outside experts.</li> </ul>	Maximum monthly remuneration of ¥50 million.	June 18, 2014 30th General Meeting of Shareholders
	2. Stock price-linked bonuses	Determined in relation to the stock price change rate and EPS growth rate for the applicable fiscal year	Within 0.1% of consolidated net income (profit attributable to owners of the parent under IFRS) during the applicable fiscal year	June 16, 2011 27th General Meeting of Shareholders
	3. Performance-linked bonuses	Bonuses are linked to and determined by the rate of achievement of the following: <ul style="list-style-type: none"> <li>The Group's consolidated revenue, operating income, and profit attributable to owners of the parent targets for each fiscal year</li> </ul>		
	4. Performance-linked stock compensation	<ul style="list-style-type: none"> <li>Certain KPIs tied to performance targets for each period</li> <li>KPIs:                             <ul style="list-style-type: none"> <li>Net increase in Group IDs</li> <li>Multi-Brand communications ARPU</li> <li>Multi-Brand value-added ARPU</li> <li>KDDI's SDGs targets, etc.</li> </ul> </li> </ul>	Applies to directors, executive officers and administrative officers: Total number of points (maximum) granted per fiscal year to those eligible: 357,000 points (Converted at a rate of 1 point = 1 share)	Introduced: June 17, 2015 31st General Meeting of Shareholders Revised: June 20, 2018 34th General Meeting of Shareholders
Audit & Supervisory Board members	Flat-rate remuneration only	Paid only basic remuneration that is not affected by fluctuations in the Company's operating performance.	Maximum annual remuneration of ¥130 million (for each business year)	June 22, 2016 32nd General Meeting of Shareholders

### Example of Compensation for Directors (excluding outside directors)



Note: The graph was created based on the remuneration model for the President.  
\*1 Because stock price-linked bonuses change in line with EPS growth rate and stock price changes, the graph is only an example.

### Breakdown of Executive Remuneration



Note: The graph was created based on the actual remuneration of the President in FY21.3.

#### Reference: Performance-linked stock compensation and stock price-linked bonuses

Performance-linked stock compensation was introduced from 2015 for the compensation of directors engaged in business execution in order to increase the willingness to contribute to medium- to long-term performance improvement and corporate value improvement.

In addition, from the fiscal year ended March 31, 2020, the Company introduced "stock price-linked bonuses" with the aim of providing a strong

incentive to achieve medium-term management plan targets, and increasing the linkage between remuneration for Directors and the stock price. In this system, "EPS\*2 growth rate," which was set as a target figure for the medium-term management plan, and "stock price change rate," which is directly linked to changes in share price, are used as performance indicators.

\*2 Basic earnings per share

### Results of Remuneration Advisory Committee Meeting (FY2021.3)

- The Remuneration Advisory Committee met one time, and all members attended.
- They discussed the amount of performance-linked compensation provided in the fiscal year ended March 31, 2020, the fairness of the level of compensation for the Company's directors and Audit & Supervisory Board members, and the general outline of the stock price-linked bonus system.