



Material Issue: Society

Creating a Safe and Secure Information and Communications Society

KDDI's Approach

Recognition of social issue

Due to the rapid proliferation of smartphones, mobile phones, and other ICT, society has become more convenient. At the same time, issues such as children being caught up in trouble through the use of these devices and the digital divide among senior citizens (information gap) still exist. Furthermore, there is an increasing need for information ethics education, such as newly defined information ethics that students learn for new courses of study in elementary and junior high schools (Ministry of Education, Culture, Sports, Science and Technology).

KDDI's risk and opportunity

- Through services and products provided by KDDI, it is assumed that there is a social and economical risk of a wide range of customers being caught up in crime or problems through smartphones, mobile phones, and the Internet.
- There is a new demand to provide smartphones and services equipped with various functions that offer safe, secure, and comfortable use for children and senior citizens, who are particularly socially vulnerable.

KDDI's management

•KDDI has established the KDDI Basic Guidelines Concerning Safe and Secure Communication for Young People so that children can communicate safely and securely. Through the activities of the KDDI Smartphone and Mobile Phone Safety Classes, we implement

awareness activities to increase literacy so that children and senior citizens can use smartphones and mobile phones safely and securely. We set student satisfaction levels and target comprehension levels as key indicators, with goals of 90 points and 83% respectively, and are working to increase the quality of lectures.

•We also enforce our Privacy Policy for the protection of client information in KDDI's business activities.

Policies



KDDI Basic Guidelines Concerning Safe and Secure Communication for Young People

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Privacy Policy

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Key Performance Indicators (KPI)

KDDI Smartphone and Mobile Phone Safety Classes	FY2015 Goal	FY2015 Result
Level of satisfaction for children's lectures	90 points	93.5 points
Level of understanding for senior's lectures	83%	83.1%

Highlights of FY2015 Activities

In FY2015, in order to achieve safe and secure communication for a wide range of customers from children to senior citizens, KDDI overhauled the programs of its KDDI Smartphone and Mobile Phone Safety Classes and established new courses based on the latest trends and the views of stakeholders.

In terms of products, KDDI released the mamorino Watch, a wristwatch-type mobile phone for children, which is the first of its kind in Japan to enable voice calls. Designed to provide comfort and peace of mind to children and their parents or guardians, the device is equipped with a wealth of safety-oriented functions, such as the ability to check the current location and prevent the child from becoming lost.

In terms of services, KDDI started providing a Net Skills Checkup service that assesses the Internet literacy of children and introduces measures based on their results, in an effort to raise awareness and establish an environment for safe and comfortable Internet use.



mamorino Watch



Future issues

- Respond to the needs of a wide range of customers, including children, senior citizens, foreigners, and people with disabilities
- Enrich the programs of the KDDI Smartphone and Mobile Phone Safety Classes to respond to the diversification of trouble
- Provide products and services that prioritize privacy protection and data security



Material Issue: Society

Vitalizing the Company by Developing a Diverse Workforce

KDDI's Approach

Recognition of social issue

From a global perspective, women in politics and the workplace advancement for women have progressed greatly. The gap between men and women has decidedly decreased. In line with this global trend, the Japanese government adopted the Act to Advance Women's Success in Their Working Life, which became effective in April 2016. In addition, there are increasing demands for companies to accelerate the advancement of women in the workplace.

"Equal pay for equal work" is a basic concept in Europe and America, and the principle of preventing wage gaps in the employment system is becoming universal. In Japan, on the other hand, there are many gaps between regular and non-regular employees in terms of factors such as the stability of wages and employment, and the challenge is to implement efforts aimed at more balanced and equal treatment.

KDDI's risk and opportunity

•When it comes to the workplace advancement of women, simply relying on approaches based on domestic standards increases the risk of criticism from society in labor practice aspects such as equal opportunity and decent work when expanding business activities globally to achieve sustainable growth.

•KDDI is re-evaluating its management strategy making women in management a sustainable company requirement to accelerate its diversity promotion with a global outlook. Internally, KDDI is creating an organization that promotes openness where a different value

system based on the advancement of female employees functions organically, that is filled with different working styles, and where employees with disabilities can advance.

KDDI's management

•KDDI established four basic principles aimed at achieving our transformation into a "Life Design Company", as outlined in the FY2016-FY2018 medium-term management plan. One of these principles is to improve the strength of employees, and one of the objectives of this principle is to utilize diverse human resources. For this objective, KDDI has set targets for the advancement of women in the workplace.



Improve the strength of employees	Introduce talent management
	Shift personnel to strategic enhanced departments
	Cultivate global human resources
	Utilize diverse human resources

•KDDI advocates "diversity is fundamental" as the aspiration of The KDDI Group Philosophy. We established the Diversity & Inclusion Department in 2008, and we achieved our target of 90 female line managers in FY2015. As a new goal for FY2016 and beyond, we have set a target to promote 200 females to line manager positions by FY2020.

•KDDI has set the following targets for FY2020 in relation to our action plan for the Act to Advance Women's Success in Their Working Life.

1. Number of female line managers: 200
2. Usage rate of paid vacation time: 70%
3. Percentage of recent graduate hires who are female: 30%

Policies

	The KDDI Group Philosophy
Link Website	
	KDDI Code of Business Conduct
Link Website	

Key Performance Indicators (KPI)

	FY2015 Goal	FY2015 Result
Female line managers	90 (7%)	94 (7.1%)



Material Issue: Society

Vitalizing the Company by Developing a Diverse Workforce

Highlights of FY2015 Activities

In recognition of our efforts to proactively promote women in the workplace, KDDI was selected as a "Nadeshiko Meigara" in March 2016 for the fourth consecutive year since FY2012. KDDI was also selected for the "Diversity Management Selection 100" award presented by Japan's Ministry of Economy, Trade and Industry, making this our first year to receive both awards.

In addition, KDDI achieved its FY2015 goal of 90 female line managers. As of the end of March 2016, there were 94 female line managers, comprising 7.1% of the total.



Future issues

- Achieve KPI of 200 female line managers
- Enhance employment of persons with disabilities

Creating a Safe and Secure Society

Policy

Basic Policy on Safety and Security

KDDI strives to create a social environment for information and telecommunications that allows children to communicate safely and securely. To that end, we have created the KDDI Basic Guidelines Concerning Safe and Secure Communication for Young People.

KDDI's Basic Guidelines Concerning Safe and Secure Communication for Young People

At KDDI we are working to safeguard young people from trouble arising from communication services such as mobile phones and the internet. We will continue to work to create a truly safe and secure society while building smooth communication services for young people.

Activity and Policy

Results of Safety and Security Education Activities

■ Safety and Security Lectures for Juniors in KDDI Smartphone and Mobile Phone Safety Classes

In FY2005, KDDI, Okinawa Cellular Telephone Company and KDDI Group Welfare Association* began conducting the KDDI Smartphone and Mobile Phone Safety Classes - Safety and Security Seminars throughout Japan as a way to educate children on the safe and secure use of smartphones, mobile phones, and the internet. The class provides the necessary information on rules and etiquette and teaches them how to identify trouble and protect themselves.

Classes for elementary, junior high, and senior high school students as well as parents, guardians and teachers were held 3,834 times in FY2015, which is a 17% increase compared to the previous

year, for some 680,000 participants. This brings the total number of classes to 17,013 for 3.05 million people between FY2005 and the end of FY2015.

In FY2015, KDDI also cooperated with the Social Media Association, the Hyogo Prefectural Police Department, and the education committees of four cities in Hyogo prefecture (Aioi, Tatsuno, Miki, and Yabu) to hold industry-government-academia collaborative classes for the region. By incorporating the circumstances of the region, the classes aimed to improve the information literacy of children along with the safety and security of the region.

Questionnaires on information literacy (total of 7 questions) were conducted before and after the classes to measure their effectiveness in terms of helping participants avoid trouble. Improvements were observed in all areas. In FY2016, KDDI aims to continue holding industry-government-academia collaborative classes while further expanding the scale of the activities.

The communication methods that children use, including smartphones, mobile phones, and the Internet, grow more sophisticated and diverse with each passing year. To respond appropriately to these needs, we will continue to review our program, update our videos and topics, and introduce new teaching materials in an effort to further educate young people.

* In FY2015, KDDI and Okinawa Cellular Telephone Company in collaboration with the KDDI Group Welfare Association held classes for elementary and junior high schools.

■ Lectures for Seniors in KDDI Smartphone and Mobile Phone Safety Classes

KDDI also offers a class for seniors aged 70 and under. We offer the Smartphone Course for Seniors and the Tablet Course for Seniors, designed for people who do not have smartphones or are not sure how to use them.

These classes are offered in collaboration with local governments,

and the instructors are KDDI employees who visit the regional facilities. Each participant is provided an au smartphone or tablet to use during the class. While looking at a screen that shows actual operations, the participants can learn basic smartphone or tablet operations and gain experience in sending e-mail and using the Internet. In FY2015, the classes were held 202 times for approximately 3,200 participants. In response to requests from class participants, KDDI will begin offering classes on disaster-prevention measures in FY2016.

Going forward, while taking on board participants' views, we plan to continue this support with the aim of helping seniors enjoy using smartphones and mobile phones effectively as well as safely and securely.

■ Information Ethics Education Using Smartphones

At the 2016 INAGAWA Smartphone Summit held in March 2016, KDDI and KDDI R&D Laboratories released an app called "Benkyo Unagashi Home (Inagawa Youth Health and Education Promotion Council Collaborative Edition)", which was developed in collaboration with high school students from the town of Inagawa in Hyogo prefecture. The app is designed to help students focus on studying, by providing an option to switch to "Study Mode" on the smartphone home screen. The app addresses the problem of smartphone overuse among youth by taking a new approach that promotes autonomous behavior rather than imposing restrictions such as filtering or usage time limits. In the future, KDDI will evaluate the effectiveness of this approach.



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Development of "Benkyo Unagashi Home" app

Providing Products and Services that Offer Peace of Mind to Customers

Policy

Responsibility for Products and Services

KDDI implements total integrated quality control from product design to after-sales service.

Together with mobile phone manufacturers, KDDI pays due regard to the impact of products on customer safety, presenting KDDI standards for durability and safety to mobile phone manufacturers, without relying solely on the manufacturer's standards. When products are shipped, they are delivered after checking the software and hardware quality, as well as the labels required under the associated regulations.

In addition, if any defects or quality issues arise after products are released, KDDI makes efforts to quickly identify the causes and take all available measures to improve the quality of both the hardware and software. KDDI operates a system whereby, if any serious defects are found, policy is determined by the market response screening committee under the chairmanship of the company president, ensuring prompt action is taken.

Activity and Results

Offering Secure and Safe Products

With the widespread popularity of smartphones and mobile phones, the Internet has come to play an essential role in daily life. However, with the rising number of cases in which Internet users experience trouble or become victims of crime, particularly among children and senior citizens, it is increasingly important for individuals to have proper Internet usage skills.

KDDI aims to provide products that can be used securely

and safely regardless of the user's level of information literacy, by developing functions based on an understanding of the rapidly expanding range of safety issues that users face. For example, KDDI offers devices with functions that are limited to the specific requirements of children, or functions that can restrict voice calls and email communications to registered users. In addition, devices are equipped with a variety of safety features that take advantage of the fact that users always carry their smartphone or mobile phone with them. Features such as the security buzzer or the Security Navi and location notification functions, which let you track the current location of the device, provide greater peace of mind in daily life.

Furthermore, to ensure comfortable use for all customers, KDDI promotes the concept of friendly design, which incorporates the elements of universal design with an emphasis on aesthetics and fun.

■ Product (1) mamorino Watch, Japan's first voice-call-capable wristwatch-type mobile phone for children

KDDI released the mamorino Watch, a touch-panel-equipped wristwatch-type mobile phone that is resistant to water, dust, and impact. Designed to be comfortably attached to the body for easy operation, the device is intended for use by young school-age children who are starting to move around without the close supervision of their parents or guardians.

KDDI adopted this wristwatch-type design after considering the views of all stakeholders, including parents and guardians who wanted a device that could reduce their worries of being unable to reach their children if they put their device aside when playing, or if they forget or lose the device. The device is the first kids' watch product in Japan to be equipped with voice call functionality*, which was another heavily requested feature. The device also



mamorino Watch

includes the popular GPS and SMS functions of the previously released mamorino3 GPS security buzzer.

In addition, the device can be used with the mamorino Watch Plan, a special price plan that offers free voice calls and SMS between family members in Japan, so that customers do not have to worry about the frequency of voice calls and email to and from their children.

Features of mamorino Watch

- ◇ Wearable either as a wristwatch or as a pendant
- ◇ Equipped with functions to check the current location and prevent your child from becoming lost
- ◇ Simple voice call and SMS (message) operations using voice or touch

* The first wristwatch-type communication device for children that supports VoLTE voice calls, as of February 4, 2016, according to research by ZTE.

■ Product (2) BASIO, the first au smartphone for seniors

KDDI offers the BASIO, a smartphone for seniors that is easy even for first-time users to use.

The BASIO is equipped with a variety of features designed to improve readability and usability, including a Home screen with easy-to-read text size and contrast, separate hard buttons for phone and email functions, and a shortcut icon that connects users directly to the au Customer Service Center when they have a question about how to operate the device. The user-friendly features make this model easy to operate and master, even for seniors who are using a smartphone for the first time. It is also equipped with functions that provide easy-to-hear sound.

■ Product (3) Junior Smartphone "miraie"

miraie is the first au smartphone for children. In addition to an impact resistant design, the device features a variety of functions to ensure the security and safety of young users. For example, the Secure

Providing Products and Services that Offer Peace of Mind to Customers

Character Input function displays an alert if the user enters any inappropriate words or words that may harm others when using email, the browser, or other applications.

In recognition of this Secure Character Input function, the miraie received the Ninth Kids Design Award (presented by the Kids Design Association) in July 2015.

Activity and Results

Offering Safe and Secure Services

Smartphone Use While Walking Caution App

KDDI provides a Smartphone Use While Walking Caution app in an effort to prevent accidents caused by walking while looking at the smartphone screen and to improve manners.

If you are looking at the smartphone screen while walking, the app displays a warning message until you come to a stop. The app accurately detects the smartphone orientation and type of shaking that occurs while walking, and it does not respond to the type of movement that occurs when you are in a motor vehicle or train, or when you simply shake the device itself. With the ability to use the screen even when the warning message is displayed, you can save the email that you are writing or the status of the game you are playing.



Example of warning screen display

Provision of "Age Confirmation Service"

KDDI provides the "Age Confirmation Service". With prior consent from the customer, this service transmits age information^[1] from KDDI to the site provider when the customer uses a community site that requires age confirmation, such as social networking sites and blogs.

This is in compliance with the requirement for CGM^[2] content providers to ensure age authentication as part of the youth protection policy in relation to using CGM services. We believe that the introduction of this service will be conducive to the improved safety and security of our customers.

[1] Age information: Information that indicates whether the potential user has reached or is under the age specified by the content provider. This information is based on the customer's date of birth used in the mobile phone subscription, or if user registration is submitted, the user's date of birth used in the registration; the actual date of birth and age are not transmitted. If user registration is submitted, user's age information is transmitted.

[2] CGM (Consumer Generated Media): Collective term for media in which consumers contribute their own content; examples include social networking services (SNS), blogs, and word-of-mouth sites.

Spreading Awareness of Filtering Services

In conjunction with the "Spring Term Campaign for Safe Internet Use" led by the Ministry of Internal Affairs and Communications to coincide with the spring graduation season and start of the new school year, KDDI promotes safe and secure internet use by young people.

When a new contract is concluded for an au mobile phone that will be used by a minor, the au shop provides information about the Safety Access for Android™/iOS/feature phone filtering services, along with assistance in configuring the settings. KDDI also launched a Net Skills Checkup homepage that assesses the Internet literacy of children and offers recommendations based on their age and the devices that they use. By answering questions in a quiz format, children can deepen their knowledge of how to use the Internet more safely and securely.

In addition, the Telecommunications Carriers Association (TCA) has created video content and posters for retailers nationwide that can be widely used at events and in shops to improve internet literacy and is mounting efforts to encourage the spread and awareness of filtering.

Measures Against Money Transfer Scams

Money transfer scams are on the rise again. KDDI is fully aware that this is a societal problem, and we are taking the following measures to prevent fraudulent mobile telephone and PHS subscriptions through the Telecommunications Carriers Association (TCA).

KDDI's measures include the enhancement of identity confirmation by restricting the payment methods for usage fees in individual subscriptions, the prevention of mass fraudulent subscriptions by restricting the number of subscribed lines, and the enhancement of screening by enhancing the sharing between mobile telephone and PHS providers of subscriber information for lines where identity confirmation is not possible.

In 2015, KDDI introduced the Nuisance Call Light-up service, which utilizes colored lights on a dedicated device to indicate the risk level of calls to the user's fixed-line phone, and automatically blocks incoming calls that have a high possibility of being a nuisance call (such as a scam call or cold call).

The database used to detect nuisance calls utilizes nuisance call number data provided by the police, local governments, etc.

KDDI will continue to strive to prevent fraudulent subscriptions and increase awareness of money transfer scams as well as enhance our efforts to eradicate crime.

Policy, System, and Infusion

Responsible Advertising and Marketing

KDDI advertisements are created based on the rules and provisions of the Act against Unjustifiable Premiums and Misleading Representations as well as voluntary standards and guidelines on placement of telecommunication service advertisements, to avoid advertisement placement that may constitute unfair customer enticement.

Providing Products and Services that Offer Peace of Mind to Customers

When creating an advertisement, the departments share thorough and accurate information about the purpose of the advertisement and the details of the product or service. After it is created, the advertisement is inspected by each department before it is submitted to the review department for final approval. As a rule that has been in place since 2013, advertisements cannot be used without passing the final review.

In FY2015, the review department evaluated 5,188 advertisements.

In addition, education activities are periodically conducted for all employees to ensure the appropriateness of advertising. In FY2015, KDDI conducted an e-learning class that focused on the contents of the Revised Act against Unjustifiable Premiums and Misleading Representations, which became effective in December 2014.

To continue providing services that will earn and maintain customer loyalty, KDDI will observe related laws and regulations and voluntary industry standard guidelines as well as continuing to place importance on improving the in-house system and employee training and working to ensure the rectification of advertisement displays related to telecommunication services.

Furthermore, in FY2015, KDDI did not violate any regulations related to marketing or communication (in the Revised Act against Unjustifiable Premiums and Misleading Representations).

Policy and System

Safety of Electrical Waves

Policy

In regard to radio wave safety standards related to KDDI mobile phones and all KDDI base stations in Japan, KDDI complies with the provisions of laws and regulations regarding radio waves and operates at an electromagnetic wave level below the Radio Radiation

Protection Guidelines.

Awareness of current situation and organization

Over the past few years, mobile phones and other wireless systems have come to be used in daily life. As we gain more opportunities to use such emitters of electrical waves in familiar settings, there has been a rising interest in the effects of such radiation on the human body and on medical devices. The Ministry of Internal Affairs and Communications created the "Radio Radiation Protection Guidelines" to enable the safe use of electromagnetic fields, and regulations have been introduced in accordance with these guidelines. The Radio Radiation Protection Guidelines are equivalent to international guidelines advocated by the World Health Organization (WHO) and were created to keep electromagnetic radiation within a range ensuring an adequate safety ratio, in accordance with the results of international research. Experts from WHO and other international institutions are in consensus that safety will be ensured if these guidelines are met.

We take great care to ensure that the electromagnetic radiation from our base stations poses no threat to safety. In order to ensure this, we design, build, maintain and periodically inspect our mobile phone base stations in strict compliance with the relevant laws and regulations, including the Radio Radiation Protection Guidelines stipulated in the Radio Law and the Building Standards Law, as well as local government ordinances. In addition, we provide mobile phone terminals that comply with the permissible values for radio wave strength and radio wave absorption by the human body stipulated in laws and regulations relating to radio waves.

In November 2002, KDDI began conducting joint experiments with NTT DOCOMO Inc. and SoftBank Corp., using cells of human origin to evaluate the impact of mobile phone radio waves on living organisms. Some results of the experiments were released in an interim report in 2005, and the final report released in 2007 concluded

that radio waves have no confirmed effect on living organisms at the cellular level or gene level. By serving as an example of scientific evidence that refutes claims that radio waves have a cancer-causing effect on cell structure and function, the research reaffirms the safety of radio waves emitted from mobile phone base stations.

KDDI is also committed to providing accurate information to all. We will continue to actively collaborate with relevant organizations on research and testing relating to the impact of electromagnetic radiation from mobile phones on the human body and on medical equipment, and we continue striving to stay abreast of trends in research into the safety of electromagnetic waves, both in Japan and internationally.

In addition, KDDI will continue providing information regarding the safety of radio waves emitted by mobile phone handsets via the website and other sources. When constructing mobile phone base stations, KDDI strives to provide adequate explanations in response to inquiries from local residents regarding the safety of radio waves, in an effort to ensure their full understanding and cooperation.

Organizations to which KDDI belongs: The Association of Radio Industries and Businesses, The National Institute of Information and Communications Technology.

Creating an Information and Communication Society that Enables the Participation of All

Policy

Approach to Digital Inclusion

In the i-Japan Strategy 2015 established by the Japanese government in 2009, digital inclusion is defined as “the use of digital technologies in a way that they will be accepted universally as the norm in every corner of society like air and water, creating a condition of digital inclusion throughout the economy and society”.

In accordance with this approach, KDDI is engaged in the three core activities described below, which aim to naturally integrate ICT into society and achieve a safer and more secure lifestyle for users without requiring any effort.

1. Developing products and services that are easy to use
KDDI aims to provide products and services that are easy to use, even for senior citizens or persons with disabilities.
2. Establishing an environment that enables safe and secure use
Along with improving the communication environment, KDDI also considers how to establish systems and price plans that are easy to use.
3. Offering technology education to promote the universal acceptance of ICT in society
KDDI offers IT education and conducts other education activities to contribute to the improvement of the information literacy of consumers.

Activity and Results

Efforts for Persons with Disabilities

■ Braille Request Service

KDDI operates a braille request service for visually-impaired

customers through which it is possible to receive monthly usage billing information in braille (including amount charged and breakdown).

■ Sign Language Support

KDDI offers sign language support to customers with hearing impairments, in an effort to make their visits to au shops more comfortable.

At au SHINJUKU, au NAGOYA, and au OSAKA, staff who are conversant in sign language are available to assist with purchasing, explain how to use devices, and provide repair support. At outlets managed directly by KDDI, we engage in efforts to cultivate staff who can use sign language, with the aim of creating shops that can support greater diversity. For customers who visit au FUKUOKA, au HAKATA, and certain au shops in the Tokyo metropolitan, Kanto, and Chubu areas, KDDI offers remote sign language support using tablet-based videoconferencing functions.

■ IT Education for the Hearing Impaired

KDDI offers IT education classes for the hearing impaired. In FY2015, KDDI conducted a three-day study camp for 11 elementary and junior high school students with hearing impairments, who participated in the development of a race starter app.

This app uses the light of the smartphone screen to signal the start of a race to hearing-impaired athletes, instead of the sound of a starter pistol. Light cues are used by sports organizations to signal the start of events for hearing-impaired athletes. However, facilities in Japan are not adequately outfitted with this type of equipment, depriving many athletes the opportunity to train properly.

Moving forward, KDDI will continue to conduct IT education classes for persons with disabilities in an effort to support activities aimed at expanding their range of professional opportunities and using their own strengths to resolve issues.

In March 2016, after refining the developed app and adding some new functions, KDDI made it available worldwide, free of charge.

■ Simple Phone K012 offers support for the visually impaired

KDDI offers the Simple Phone K012, a feature phone that is easy to use for customers with visual impairments.

The device is equipped with various functions that are convenient for visually impaired users, such as a read out loud function that uses speech to communicate the contents of email messages or to inform the user of how to operate the handset, as well as vocal recognition capabilities that enable the use of spoken commands to perform various operations, such as opening the address book or launching apps. We are also increasing convenience through such initiatives as making PDF instruction manuals on our website compatible with text-to-speech software.

■ Smile-heart Discount

Mobile phones are becoming more and more indispensable in people's daily lives. KDDI offers the Smile-heart Discount to make au mobile phones easier to use by providing discounted rates for disabled persons.

As of March 2016, the target segment is expanded to include holders of a physical disability certificate, rehabilitation certificate, certification of the psychiatric disorder, medical care certificate for specified diseases, registration certificate for specified diseases, and medical expenses certificate for specified intractable diseases.

Activity and Results

Offering Inexpensive Price Plans

■ Senior Plan (V) offers low rate for seniors

For seniors who would like to use a smartphone but are concerned

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about the higher usage fees, KDDI offers a price plan that makes it comfortable to switch to a smartphone.

Senior Plan V is available to customers age 55 or older who purchase the BASIO smartphone for seniors. This plan is offered at a lower cost than other flat-rate plans by reducing the amount of data that can be used each month.

Activity and Results

Efforts to Bridge the Digital Divide

■ Operator-assisted smartphone support service

With the rise in popularity of smartphones, the Customer Service Center has received numerous inquiries from customers who have purchased a smartphone but are unable to master it, as well as from customers who want to purchase a smartphone but are unsure whether they will be able to use it. In FY2011, KDDI launched Japan's first operator-based remote support service for Android™ smartphones, which ensures safe and secure smartphone use for all customers. When users are unsure about how to configure settings or perform operations, they can use this service to share their smartphone screen with a remote operator who can provide support. In FY2015, KDDI began offering this type of support to iPhone and iPad users as well, with the launch of the Minagara Support service. The service has earned high praise from the numerous customers who have used it.

■ Operator-assisted smartphone location service

With the great amount of highly important personal information stored in smartphones, ranging from email to financial data such as mobile banking records and credit card information, the loss or theft of a smartphone can pose a serious problem.

In FY2014, after receiving many customer requests for an

easy-to-use service that can locate any device when it is lost or stolen, KDDI launched "Lookout for au"*, the world's first operator-assisted location service for finding lost or stolen iPhones, iPads, and Android™ devices. When users contact the Customer Service Center and request the service, an operator acts on their behalf to locate the lost or stolen device.

* To use this service, a subscription to au Smart Support or au Smart Pass is required.

Activity and Results

Improving the Communication Environment in Developing Countries

KDDI is working together with Sumitomo Corporation and Myanmar Posts & Telecommunications in a joint venture aimed at establishing a comfortable communication environment in Myanmar, where there is an urgent need to improve the communication infrastructure.

As of the end of December 2015, the mobile phone adoption rate in Myanmar, which was at 13% before the launch of the joint venture, had reached approximately 78%*. Furthermore, the establishment of the communication infrastructure is accelerating so that mobile phones can be used anywhere in the country.

* According to estimates from the Myanmar government

Activity and Results

Efforts of KDDI Foundation in Developing Countries

■ Providing international ODA technical consulting

KDDI Foundation is currently providing technical consulting for two projects

administered through Japan's official development assistance (ODA) programs. These projects are the Greater Mekong Telecommunication Backbone Network Project (CP-P5) and the Communications Network Development Project for Major Cities in Iraq (IQ-P17).

■ Efforts in Mongolia

A fiber optic network is now being constructed in Mongolia, and 33,000 kilometers of the backbone have been completed. However, broadband Internet is not available in remote villages that are far from a backbone connection point, and there are at least 30 villages that have difficulty establishing any Internet connection at all.

In 2015, KDDI Foundation collaborated with the Information Technology, Post and Telecommunication Authority of Mongolia to implement a pilot program that uses satellites to provide broadband Internet connections to three villages along the national border. After the network was established, government offices, hospitals, schools, and other key institutions in the villages were able to dramatically increase the speed of information sharing, leading to improvements in daily life in the villages. KDDI is now examining the possibility of expanding the service and deploying it to other areas in the future.

■ Efforts in Vietnam

Traffic congestion in Hanoi, Vietnam has become a social problem, and there is an urgent need to improve the convenience of public buses. KDDI Foundation worked together with Vietnam's National Institute of Information and Communications Strategy on a pilot project to develop and introduce a system that displays real-time bus transit information on a map. The system has been praised for helping to improve user convenience by displaying information such as bus arrival times. KDDI is now examining the possibility of using similar technology in the future to display road traffic conditions as a measure to ease traffic congestion.

Improving Customer Satisfaction

Policy

For Maximum Customer Satisfaction

Total Customer Satisfaction (TCS) is not merely an abstract concept. At KDDI, it is the guiding principle for every thought and behind every action of everyone from our executive management to the newest employee. It derives from our understanding that successful business begins by exerting the utmost effort for the benefit of our customers and carefully forging enduring relationships of trust with each user. In order to maximize user satisfaction, the operations of every department are considered points of contact that provide products and services to users. We review all processes through the eyes of our customers, and we constantly endeavor to raise the level of satisfaction not only for users, but all KDDI stakeholders.

■ Basic Concept of TCS

To maximize customer satisfaction, every operation is considered to be connected to the products and services, and every process is reviewed from the customer's viewpoint. Targeting all stakeholders, from the top managers to the employees, each person makes it his or her own task to realize customer satisfaction on a company-wide basis.

This is the mission undertaken by all persons of the KDDI Group, and the basic conditions required of all.

Policy

KDDI CS Policy

We have formulated the KDDI CS Policy to embody our “customer-first” philosophy and to assert that this basic guideline be shared throughout the organization.

■ KDDI CS Policy

To enable the continuation of the company's unending evolution in step with its customers through the establishment of an optimal information exchange environment, and strong in our intention to provide the best possible service to customers through the close observation of daily-changing customer needs, reform of obstructive attitudes, and maximum utilization of our abilities and knowledge, KDDI has adopted the following seven policies.

1.Realization of Satisfaction

KDDI treats the opinions and feelings of customers with utmost seriousness, realizing a level of satisfaction acceptable to customers.

2.Customer-orientated Thinking and Action

All KDDI employees, from management down, consider everything from the customer's point of view, respond quickly and provide a quality service.

3.Working with Customer to Create Better Services

KDDI works together with customers to create better services and business operations.

4.Customer Evaluation

The flip side of customer expectation, KDDI appreciates customer criticism and welcomes the excellent opportunity it presents for realizing satisfaction.

5.Customer Trust

KDDI always keeps its promises to customers, providing thorough explanations acceptable to customers and consolidating customer trust with an honest and fair relationship.

6.Building and Repaying Customer Satisfaction

KDDI is able to increase sales by building customer satisfaction; increasing profits by minimizing costs ensures a return to customers, thus further increasing satisfaction.

7.Recognition of Excellence

KDDI strives to create a workplace environment in which each employee does their utmost for customers in their decisions and actions and employees recognize each others' efforts.

System

Customer Satisfaction Promotion System

In FY2015, KDDI established the Consumer Experience Promotion Department within the Consumer Business Sector for the purpose of improving customer experience, and has been making concerted efforts to improve customer experience from the customer's perspective. In particular, all of the contact points where customers and KDDI come together (shops, customer service, etc.) are regarded as the customer journey, and the areas of dissatisfaction are identified as pain points. KDDI establishes and implements improvement measures aimed at eliminating these pain points, providing an experience that has value for customers. In order to provide better products and services, efforts are made to resolve issues in TCS Committee meetings attended by the president and management executives.

Initiatives for improved services and quality are posted on the website as the occasion arises.

Improving Customer Satisfaction

■ Action! service improvement activities

In order to retain our customers' loyalty, KDDI listens closely to the voices of our customers, promptly translating their views into action. Based on our commitment to continuously refine our services and quality, we are undertaking Action! initiatives geared to enhanced services.

The views and requests that we receive from our customers through questionnaires and inquiries are shared among all KDDI employees through our inhouse system that is updated daily. Analysis of customer views and requests helps highlight problems and issues. Issues that require prompt judgment are discussed in meetings attended by senior executives headed by the company president as well as representatives from product development, service planning, customer service, marketing and other divisions, and solutions are addressed on a company-wide basis.

KDDI has made numerous improvements to service and products in response to the views and requests of customers. For example, in response to users concerned about smartphone addiction among children, KDDI released an app that supports the creation of rules for smartphone use, and in response to users worried about whether their spam filter settings were blocking important emails, KDDI revised the spam mail filter setting screens. KDDI will continue to listen to our customers and strive to further improve our services.

■ Providing au Smart Support

KDDI offers the comprehensive au Smart Support service for individual customers for a fee, providing the best support according to the customer's situation and ensuring that even first-time users get the most out of their smartphone.

Customers have access to a variety of membership privileges through the service, including a full-time customer support team

that provides 24-hour, 365-day assistance via the au Smart Support Center, on everything from configuring the initial settings on au smartphones to new operating tips. Other privileges include the On-site Smartphone Support service in which a representative travels to the customer's location to provide assistance with au smartphones, and the Smartphone Trial Rental service which may help to eliminate anxiety before purchasing an au smartphone.

Infusion

Holding the "au CS AWARD"

Each year, KDDI holds the "au CS AWARD" in locations throughout Japan in an attempt to enhance the customer service skills of au shop staff, thereby increasing customer satisfaction at au shops. The contest was launched in 2004 with the aim of enhancing the customer service skills of au shop staff.

In FY2015, the event was held on the theme of "presenting the best past customer service experiences". To showcase positive examples of customer service, outstanding au shop staff members were selected to demonstrate the customer service techniques and ideas that they use every day. By using the venue as a place of learning, the event served as an opportunity for KDDI to further maximize customer satisfaction.

In FY2016, the event will be organized around the theme of "presenting and learning practical customer service skills that lead to a superb purchasing experience for each and every customer".



au shop staff demonstrate their customer service skills

Activity and Results

Initiatives for Corporate Customers

KDDI ENTERPRISE USERS' GROUP (KUG) is an organization operated by corporate members who are users of KDDI's services. In KUG, which KDDI acts and supports as the organizer, member companies from various industries gather for seminars, observation tours and workshops that are held for the purpose of interchange, study and friendship. The member gatherings also serve as an opportunity for various activities to reflect the voices of our corporate users concerning improvements to KDDI's services and the development of new products.

In FY2015, KUG conducted nine activities. For example, one observation tour offered members the opportunity to view vehicle-mounted base station operations at the Mobile Operation Center and Technical Service Center in the KDDI Shinjuku Building, for a look at how KDDI implements disaster response and maintains service quality. In addition, seminars on the themes of cloud computing, IoT/M2M, and agile development, which are highly relevant topics for corporate customers, provided an opportunity for participants to listen to presentations by instructors from outside the company and exchange information about the latest developments and issues related to ICT.

Through exclusive observation tours and seminars, KUG aims to enliven the communication between KDDI and the group members.



Improving Customer Satisfaction

Activity and Results

Customer Satisfaction Surveys

To achieve top ratings in customer satisfaction, KDDI analyzes the results of customer satisfaction surveys conducted by external organizations such as J.D. Power Asia Pacific and Nikkei BP Consulting, Inc., and makes improvements based on the findings.

In FY2015, KDDI ranked second in the 2015 Japan Mobile Phone Service Satisfaction StudySM conducted by J.D. Power Asia Pacific, and was unable to reclaim the top rank that was achieved in 2012 and 2013. KDDI's voice services for corporate customers ranked first in the 2015 IP Phone and Direct-line Phone Service Satisfaction Study, for the third consecutive year.

Policy

Brand Management

The telecommunications market continues to grow more homogeneous, making it difficult for companies to differentiate themselves from competitors in terms of the functions, performance, and prices of products and services. To ensure that customers choose KDDI under such harsh conditions, it is imperative for us to undertake exhaustive efforts to consider the customer's perspective and continuously pursue activities that boost customer satisfaction. We believe that these efforts help our brand become more established.

KDDI is making a company-wide effort to promote the improvement of customer experience by identifying the establishment of a strong brand as a key issue. In addition, employees are offered group classes and e-learning courses aimed at fostering a deeper understanding of the importance of the customer's perspective, and they are encouraged to apply that perspective to their work.

Activity and Results

Improving the Popularity of Our TV Commercials

KDDI won the "Best Advertiser" award in the Fiscal 2015 Corporate Commercial Popularity Ranking conducted by the CM Research Center for the second consecutive year, with the highest score ever recorded in the survey.



Providing Online Convenience

Policy

Approach to Online Use

KDDI currently holds approximately 45.91 million au mobile phone contracts (as of March 2016) for conventional communication services.

From FY2013 to FY2015, KDDI promoted the 3M Strategy based on the concepts of Multi-Device (promoting the use of multiple devices), Multi-Use (achieving seamless communication), and Multi-Network (expanding the customer base). Accordingly, KDDI deployed an online strategy encouraging customers to use their au ID to access au services, which offer greater savings and convenience along with the ability to make payments and perform procedures online. In particular, to expand the au economic zone, KDDI is focused on providing products and services other than those related to communications, through the use of au WALLET, au WALLET Market, and au Smart Pass.

As the services become more sophisticated, KDDI is making efforts to provide easy-to-understand explanations on the website and conduct advertising activities that are appropriate. KDDI is also striving to improve the satisfaction of service users by expanding the ability to perform procedures and access information online through tools such as au Customer Support. Activities such as these contributed to a net increase of 2.43 million au users in FY2015, with an au contract cancellation rate of 0.88%.

From FY2016 to FY2018, the services will be refined to suit various customers in different stages of life, as KDDI aims to transform into a "Life Design Company" that provides a positive customer experience. To that end, KDDI launched the au Denki (electricity service) and au Insurance and Loan services in April 2016.

Moving forward, KDDI will continue working to expand the customer base by offering the advantages of online convenience

along with the sense of security of face-to-face customer service at the approximately 2,500 au shops across Japan.

Activity and Results

Providing Online Services that Offer Lifestyle Improvements

■ Providing au WALLET Prepaid Card and au WALLET Credit Card

In the au economic zone, KDDI offers customers the ability to improve their lifestyle with a variety of au brand products and services available through the communication service customer base. Especially important are the au WALLET Prepaid Card* and au WALLET Credit Card, which function as new payment platforms.

In the past, KDDI pursued efforts to expand sales on the basis of indicators such as the number of subscribers or the revenue related to communication services, but from now on, KDDI will pursue efforts to expand value-added sales of products and services that are not related to communication services, which use these payment platforms.

As of March 2016, approximately 17.9 million au WALLET Prepaid Cards and Credit Cards have been issued.

Moving forward, KDDI aims to expand the total value of au economic zone transactions to more than 1 trillion yen by the end of March 2017, and to more than 2 trillion yen by the end of March 2019 as a medium-term target.

* The au WALLET Prepaid Card is a payment service that can be used at most shops around the world that accept MasterCard®. (Some shops and services may not accept the card as a payment method.)

■ Providing energy and financial services

In FY2016, KDDI launched the au Denki (electricity service) and au Insurance and Loan services. Both services offer customers additional benefits when used in conjunction with an au mobile phone or smartphone.

KDDI has until now supported the lifestyle of customers by providing communication services. Moving forward, KDDI will play a more intimate role in the daily lives and lifestyle design of customers, by offering services beyond the field of communications, such as energy or financial services.

Activity and Results

Providing Online Support

■ Providing Anshin Total Support

KDDI provides an Anshin Total Support service for a fee for customers using the "au one net" Internet service provider with operator support for various Internet problems from 9AM until 11PM each day 365 days a year.

Specialist operators on the Anshin Total Support service answer many different kinds of questions relating to network connections and settings as well as user guidance via telephone and remote operation. By meeting a wide range of customer needs concerning PC peripheral equipment and software settings as well as KDDI equipment, we are creating a more convenient Internet environment.



Link Website

Anshin Total Support (Japanese)

Providing Online Convenience

■ Using Twitter® to Provide Active Support

The proliferation of smartphones and the surge in use of social networking services (SNS) has enabled customers to express their problems and dissatisfaction via “tweets” and made them increasingly visible.

We don't simply wait for customers to make a telephone inquiry or come along to an au shop for a consultation; we use Twitter® - a particularly prolific SNS - to provide “active support” by proactively searching for problems and dissatisfaction. One approach that has led to helping us to resolve issues among customers who tweet, but in an offhand manner without really intending to ask for help, has been to respond with our own tweet, saying “We saw your tweet. We may be able to help you, so could you provide us with more details?” Using an open forum like SNS allows us to simultaneously address areas that many people may find problematic or dissatisfying. We have received strong positive feedback outside of the company for this initiative.

Creating Value through Innovation

Policy

Approach to R&D

In the field of ICT, the speed of technological evolution and globalization continues to accelerate, while trends in technology change at a more dizzying pace than ever.

In this environment, KDDI is making efforts to conduct practical, advanced, long-term R&D in important technical fields related to network infrastructure, platforms, devices, and applications. In addition to basic research, KDDI pursues R&D with a flexible approach ranging from applied research and development to the creation of practical applications, while monitoring global trends in technology and services and incorporating open innovation technology.

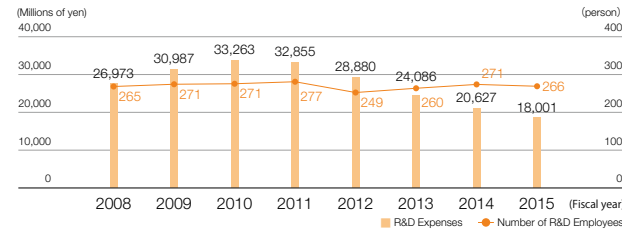
System

Research and Development Promotion System

A variety of processes are required in order to develop research results into practical applications, including the collection of information, development of individual technologies, evaluation, and design. For information collection in particular, KDDI deploys a staff of researchers specializing in each field in each country and region, and constantly gathers and analyzes the latest information from abroad by coordinating with KDDI Group overseas offices and other organizations such as external research institutions.

In addition, with respect to the use of open innovation technology, KDDI is proactively engaged in efforts through the KDDI Open Innovation Fund and KDDI ∞ Labo to facilitate cooperation and co-creation with many stakeholders.

Changes in R&D Expenses and Number of R&D Employees*



* KDDI R&D Laboratories, Inc.

Activity and Results

Promoting Open Innovation

KDDI Open Innovation Fund

KDDI Open Innovation Fund is a corporate venture fund operated by KDDI and Global Brain Corporation for investment in promising startups both domestically and internationally. We provide full-scale support for the growth of our partner startups through utilization of our business networks and marketing skills and collaboration with our services including au Smart Pass.

Based in San Francisco, USA, we are also looking to invest in startups with the latest technologies or innovative business models. We will provide wide-ranging support for business development, marketing and localization by companies looking to expand their business in Japan.

In FY2015, KDDI made a capital investment in Aoi.co, which operates the AOI-ZEMI smartphone tutoring school. AOI-ZEMI offers free high-quality lessons to junior high school and high school students who have access to a smartphone, tablet, or computer. As an online service, the lessons are not subject to the constraints of location.

In addition to the capital investment, KDDI provides sales and business support through activities such as distributing the AOI-ZEMI app via au Smart Pass. Moving forward, KDDI will continue providing new value to customers by investing capital in promising startups.

Furthermore, AOI-ZEMI participated in the fifth semester of the KDDI ∞ Labo startup incubator program, and went on to become the fourth KDDI ∞ Labo member to receive an investment from the KDDI Open Innovation Fund.



KDDI Open Innovation Fund

Link Website

KDDI ∞ Labo (Mugen Labo) Supporting the Growth of Venture Companies

In 2011, KDDI launched "KDDI ∞ Labo," a program designed to support young engineers who are passionate about created revolutionary Internet services for use around the world. This program provides total support to teams selected from a pool of applicants. This support ranges from service development support from the perspective of telecommunications companies to business support and promotion when they start up their business. In addition, KDDI provides a variety of other kinds of support such as communication space within its offices and free loans of terminals required for service development work. The Partners Association Program, which was launched in FY2014, enlists the cooperation of established companies from a wide variety of industries. In an effort to create new innovations, these established companies provide support to startup companies through the application of resources, such as their development environment and know-how, to facilitate new ideas and boost their development speed.

Creating Value through Innovation

In the ninth semester that began in October 2015, the first hardware program was launched, and six teams received support from KDDI and 18 established companies to develop their ideas into practical form. KDDI ∞ Labo has provided support to a total of 45 teams through the nine semesters of the program, and the tenth semester, which involves nine companies, is currently underway.

With the start of the tenth semester, KDDI changed the program's policy of operation, transitioning away from its function as an incubator program for new ideas that have not yet been publicly announced, to that of an accelerator program that supports the acceleration of business growth, even for services and products that have already been publicly announced. The program will continue to support startups using the assets and know-how of KDDI and the 30 participating companies from a wide range of industries.

In addition, through a regional partnership program that was launched in FY2015, KDDI is providing support to startups through four local governments (the cities of Osaka, Ishinomaki and Fukuoka, as well as Hiroshima prefecture).



Link Website

KDDI ∞ Labo

Activity and Results

Conducting R&D that Contributes to the Sustainable Development of Society

■ Development of "Benkyo Unagashi Home" app

In recent years, smartphone overuse among youth has become a social problem. In response, KDDI has developed the "Benkyo Unagashi Home" app to encourage limited smartphone use. Rather than imposing physical restrictions on smartphone use, the app promotes autonomous behavior change by applying the "nudge theory" developed by American economist Richard Thaler, which takes a psychological approach to behavior management. When installed, this app allows the user to switch between "Normal Mode" and "Study Mode" on the smartphone home screen. In "Normal Mode", nudges such as pop-up messages and an indicator that shows the smartphone usage time promote awareness about appropriate smartphone usage, prompting users to alter their behavior to prevent excessive use. In "Study Mode", only registered apps that are conducive to studying can be used, thereby helping the user concentrate on their studies, even when they are handling their smartphone.

■ Offering trial services that use HEMS technology

In May 2015, KDDI and the city of Kuwana began offering lifestyle support services designed to enrich and improve the convenience of daily life. The services make use of electricity-related big data obtained from approximately 14,000 participating households across Japan. Available through various providers, the services provide functions such as the visualization of electric power consumption, energy-saving advice, and remote monitoring of the elderly.

In addition, to ensure peace of mind in using these services, KDDI R&D Laboratories offers a privacy policy management function that lets users limit the type and amount of electricity-related data that they share. By allowing each user to configure their own privacy policy and limiting the sharing of electricity-related data based on the settings, the system ensures that user privacy is protected.

■ Dolphin observation using acoustic techniques for maintenance of underwater cables

The acoustic technology of KDDI's underwater robots, which were developed to inspect undersea cables, was used to study the behavior of endangered river dolphins inhabiting the Ganges river in India, in a joint research project conducted by The University of Tokyo and Kyushu Institute of Technology. The project contributes to biodiversity protection by providing a clear understanding of dolphin behavior, and it functions as a social contribution activity by educating the people involved so that they can perform the research independently.



Link Page_18

Winner of the 25th Global Environment Awards
(Fuji-sankei Group Award)

Link Page_104

Research on Behavior of Endangered River Dolphins

Creating Value through Innovation

■ Using new environmental technology at London data center

TELEHOUSE EUROPE, a European subsidiary of KDDI, has equipped the TELEHOUSE LONDON Docklands North Two facility, which is scheduled to open in the summer of 2016, with an indirect external air cooling system that draws outdoor air in through equipment mounted on the exterior walls of the building. In addition, the air flow has been optimized by physically separating the air ducts that cool the racks from those that exhaust heat from the data center equipment. The use of this new environmental technology greatly reduces the power consumption of the air conditioning system, creating a significant improvement in the power usage effectiveness of the facility.

■ Introduction of Tribrid Base Stations in Indonesia

Since 2009, KDDI has installed and operated Tribrid Base Stations,^[1] which are mobile phone base stations that effectively utilize normal commercial power, solar power, and rechargeable batteries. In June 2014, as part of its public Global Warming Countermeasure Proliferation Promotion Project to achieve Joint Crediting Mechanism (JCM),^[2] the Ministry of Economy, Trade and Industry selected KDDI's research proposal for Indonesia, which proposes an aim for reducing greenhouse gas through the proliferation of Tribrid Base Stations.

KDDI will continue its efforts to consider the environment while utilizing the latest technology in order to contribute to the important responsibility entrusted to global companies of conserving the global environment.

[1] Tribrid Base Stations are mobile phone base stations that effectively use commercial power, power generated from solar panels, and power saved in rechargeable batteries in response to the time of day and the weather. Compared to base stations that only use commercial power, Tribrid Base Stations can be expected to reduce CO₂ emissions up to 30%. KDDI installed its first Tribrid Base Stations in December 2009, and as of March 31, 2016, has expanded to 100 base stations nationwide.

[2] A mechanism in which, through a bilateral agreement between two countries, the contributions to the reduction and absorption of greenhouse gas emissions by the spreading and transferring Japanese low-carbon technology, products, and infrastructure are recognized as Japanese contributions

■ International Cooperation for R&D on Cyber Attack

Forecasting Technology

KDDI represents a research institution comprising six companies and organizations on a publicly subscribed R&D project tendered by the Ministry of Internal Affairs and Communications, "Proactive Response Against Cyber-attacks Through International Collaborative Exchange."

In recent years, unauthorized access, information exploitation, and other types of cyber attacks have grown in scale and become increasingly sophisticated. Through this project, the Ministry of Internal Affairs and Communications seeks to enhance information collection networks and international collaboration related to cyber attacks. To this end, the ministry is promoting cooperation among Internet service providers (ISP), universities, and other organizations on the promotion of "Proactive Response Against Cyber-attacks Through International Collaborative Exchange."

As part of the project, which KDDI conducted from FY2011 to FY2015, sensors were installed at several overseas locations to monitor for cyber attacks. KDDI worked with KDDI R&D Laboratories, the Institute of Systems, Information Technologies and Nanotechnologies (ISIT), Secure-Brain Corporation, Yokohama National University, and Japan Datacom Co., Ltd. to promote cutting-edge R&D related to the early detection and prevention of cyber attacks through international collaboration. Through this project, which is now being conducted by the non-profit organization Telecom-ISAC Japan and the National Institute of Information and Communications Technology (NICT), KDDI played a role in ensuring the safety of Japan's important network infrastructure, which is an essential part of the nation's business foundation and the lives of citizens.

Human Rights

Policy

Our Approach on Human Rights

KDDI understands the Universal Declaration of Human Rights and the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work as the most fundamental policy relating to human rights. Based on this view, we endeavor to fulfill our duty to respect human rights by referring to the United Nations Guiding Principles on Business and Human Rights.

Message from Executive Officer

With the recent establishment of standards such as the United Nations Guiding Principles on Business and Human Rights and the Guiding Principles Reporting Framework, companies are required to follow international guidelines on human rights issues. Our KDDI Group Human Rights Policy addresses these social demands by clearly defining standards aimed at strengthening our efforts in human rights, for the entire group and all our business partners.

As a player in the ICT industry, KDDI considers a wide variety of issues related to human rights, ranging from the customer's right to privacy and freedom of expression, to the handling of government requests for customer information in order to perform legitimate law enforcement activities.

Based on this policy, KDDI will proactively conduct education activities for employees to promote the understanding of human rights issues in our business activities, while working to address these issues.



Akira Dobashi
Executive Officer, CSR
Environmental Sustainability
General Manager, General
Administration & Human
Resources Division

The KDDI Code of Business Conduct, which serves as a guideline for the behavior of officers and employees, defines our basic principles on maintaining respect for human rights and individual characteristics throughout all our business activities.

In March 2016, the new KDDI Group Human Rights Policy was established. As a complement to the KDDI Code of Business Conduct, this policy stipulates that all companies in the KDDI Group shall respect human rights through efforts such as recognizing the importance of the Universal Declaration of Human Rights and other international standards, avoiding or reducing any negative impacts on human rights, and promoting human rights enlightenment activities.

In addition, the KDDI Guidelines for CSR in Supply Chain, which KDDI established in March 2016, defines standards pertaining to human rights and labor, such as prohibiting forced labor, inhumane treatment, child labor, and discrimination, which our business partners are obliged to understand and implement.

Infusion

Edification Activities for Employees

The guiding principles of The KDDI Group Philosophy and KDDI Code of Business Conduct form the basis of the code of conduct established for KDDI group companies in Japan, and they are shared throughout the group for edification.

In FY2015, KDDI continued to provide the e-learning classes from the previous fiscal year, which focused on the themes of sexual harassment and power harassment.

KDDI is also striving to educate employees on preventing all forms of harassment, including sexual harassment, through efforts such as publishing the Harassment Prevention Guidebook on the company intranet. In addition, KDDI has set up a Harassment Counseling Office

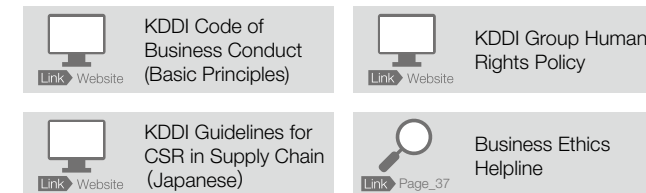
staffed by third-party professional counselors, as well as an Employee Counseling Center staffed by in-company counselors, within the Human Resources Department. Furthermore, KDDI maintains a strict level of confidentiality to ensure that individuals who seek counseling or report harassment do not suffer any adverse consequences.

Activity and Results

Participation in Global Conference on Business and Human Rights

Since FY2013, KDDI has participated in the Global Conference on Business and Human Rights (formerly the Conference on CSR and Risk Management) organized by Caux Round Table Japan and the United Nations Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises.

At the conference in FY2015, KDDI participated in workshops focusing on the importance of involving stakeholders in global human rights efforts, as the values around the world continue to change. In addition, a variety of individuals who are actively involved in efforts related to business and human rights gave presentations on the latest trends and case examples in countries around the world.



Diversity and Inclusion

Policy

Our Perspective on Diversity

Chapter 1 of The KDDI Group Philosophy states "Embracing diversity," setting forth clearly our belief that mutual respect for and understanding of people regardless of gender, age, nationality, religion, disability, and other diverse characteristics and values is essential to the sustainable growth of society. We promote diversity throughout the Company on this basis.



Diversity & Inclusion

Diversity logo selected from internally solicited proposals

Message from Executive Officer

With recent developments such as the acceleration of globalization, the environment surrounding companies is undergoing rapid change. To ensure that KDDI makes a smooth transition and continues to grow in this environment, I believe that we as a company must encourage the active participation of diverse human resources. I believe that by having individuals bring their unique characteristics, experiences, and ideas together, we can boost our creativity, produce new values, and provide services and products that can inspire our customers.



Hirofumi Morozumi
Executive Vice President,
Representative Director

I also consider it the social responsibility of KDDI to provide an environment that provides opportunities for people who were previously considered minorities, including women, senior citizens, and persons with disabilities, as well as to promote the cultivation and advancement of human resources that enable all employees to provide for themselves and achieve results.

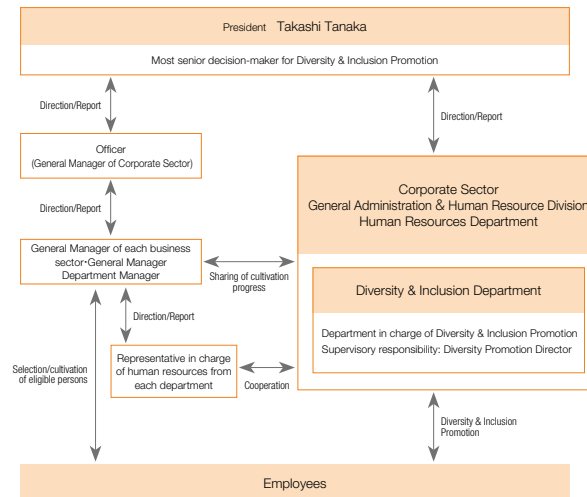
System

Diversity Awareness

In April 2008, KDDI established the Diversity & Inclusion Department in the Human Resources Department. Under the leadership of the president, we are engaged in company-wide efforts to promote the professional advancement of female employees, diverse work styles, and the advancement of employees with disabilities. In addition, the promotion of diversity is clearly positioned as a management issue, and efforts to cultivate and educate human resources, including the advancement of women in the workplace, have been added as an evaluation item for executives and line managers.

In FY2015, efforts were made to raise awareness within the company by holding various seminars and providing e-learning classes for all employees.

KDDI's Diversity & Inclusion Promotion System



<FY2015 External Assessments>

Selected as "Nadeshiko Meigara" for Four Consecutive Years
[Link](#) Page_17



Selected as "Diversity Management Selection 100" award
[Link](#) Page_17



Selected as Teleshop Pioneer 100
[Link](#) Page_18



Diversity and Inclusion

Policy

Cultivating and Promoting Female Leaders

In order to reinforce our power as a company by the participation of women in company decision-making situations, since FY2012 we have focused on cultivating female leaders. More precisely, our goal is the appointment of 90 female employees as line managers by FY2015, accounting for 7% of all line managers.* The line managers are organizational leaders with the authority to conduct personnel evaluations. To achieve this goal, in FY2012 we introduced the Ladies Initiative Program (LIP) for promoting female line managers. The program involved on-the-job training, group training, study meetings and communication with role models. The president and top executives participated in the group training, delivering feedback on the trainees' presentations. As a result of the program, KDDI employs 94 female line managers (7.1% of the total share) as of the end of March 2016, achieving the KPI target. As a new goal moving forward, we have set a target to promote 200 females to line manager positions by FY2020.

In addition, we are striving to expand our cultivation of female managers, which is the foundation for cultivating female leaders. KDDI has 251 female managers as of the end of March 2016, our tenth consecutive year with an increase.

In FY2016, KDDI started the Female Line Manager Program, which aims to establish a career pipeline for young females who are candidates for promotion to management positions, and propel the creation of female leaders with an eye toward the cultivation and advancement of female executives. Furthermore, e-learning classes on the advancement of women in the workplace will be offered to all line managers through this program, with a focus on raising awareness within the company.

(As of the end of March, 2016)

Number of Female Managers	251 (including loaned employees)
Number of Female Line Managers	94
Number of Female Administrative Officers	1
Number of Female Directors (Outside Directors)	1

* Organizational leadership/managerial post with the authority to evaluate personnel

System

“Win-K” Project to Promote the Professional Advancement of Female Employees

KDDI has in place “Win-K”, a companywide internal program was launched in under the direct control of the president to promote the advancement of female employees by “creating a workplace environment that celebrates and takes full advantage of the power of the individual.”

In FY2015, six female line managers became members of the program, and they became advisers to female managerial candidates and recently promoted female line managers. In addition, they were involved in the planning of Win-K training that aims to further improve the vision and perspective of female line managers, and they implemented the cultivation program by providing activities such as lectures by executives from inside and outside the company, and mentoring by top management.

Activity and Results

New Generation Saleswoman College

FY2015 saw the implementation of the “New Generation Saleswoman College ~ Project for the Advancement of Female Marketing Representatives in Different Industries”, which was launched in June 2014 by females in sales positions from seven companies representing different industries (Recruit, Nissan Motor Company, IBM Japan, Kirin, Sumitomo Mitsui Banking Corporation, Suntory, and KDDI), in an effort to address the difficulty of producing leaders due to the shortage of women in sales. As with the previous year, they drew up a proposal for the further advancement of women in marketing, and in September they gave a presentation to executives from the marketing and personnel divisions of the seven companies. The presentation featured a proposal to utilize a “saleswoman timer” that aims to improve productivity through personal time management, as a means of solving the issue of long working hours. In FY2016, there are plans to expand the number of participating companies and conduct activities aimed at creating a social movement.

Activity and Results

Support for LGBT

There are laws in Japan regarding gender change for people with gender identity disorder, and while there is a growing trend toward recognition of same-sex marriage in an increasing number of countries and regions abroad, understanding and support for such human rights in companies is still inadequate. To bring this situation to the notice of employees, since FY2013 KDDI has promoted activities in the company related to LGBT.*

Diversity and Inclusion

In FY2015, KDDI continued providing the e-learning courses from FY2014, with lessons on topics ranging from basic knowledge to more practical knowledge that leads to action. Starting in FY2015, KDDI began using graduate recruitment application forms that do not include any means for indicating the applicant's gender. The purpose of this is to enable us to recruit a wider range of outstanding human resources by extending KDDI's embracement of diversity to the recruitment stage and demonstrating our intention not to place importance on gender.

Following the passage of the Partnership Ordinance by Shibuya Ward in Tokyo, we also started applying a family discount to same-sex partners upon presentation of a partnership certificate.

* LGBT: Collective term for L=lesbians, G=gays, B=bisexuals and T-transgender

Policy and System

Promoting Employment Opportunities for People with Disabilities

We set up KDDI Challenged Corporation in 2008 to further expand employment opportunities for people with disabilities. The company strives to instill in employees with disabilities the awareness of what they can achieve. With a working environment tailored to the needs of these individuals, KDDI Challenged seeks to create and expand the types and scope of activities of each of its employees.

As of the end of March 2016, KDDI Challenged employs 73 people with disabilities. Among the work that these employees handle under contract from the KDDI Group are



Mobile phone handset disassembly

the disassembly of mobile phone handsets, performing maintenance on business mobile phones, handling accounting procedures, PC kitting*, facility maintenance, and Refresh Room operations.

At the Osaka Office, employees work full time, cleaning in the morning and disassembling mobile phone handsets in the afternoon.

We will continue to expand job areas with a focus on developing diverse occupations to enable people to realize their potential in their respective fields of expertise based on an understanding of their character through pre-employment training, and increase employment of people with mental disabilities as obligated by FY2018.

By providing new employee training at KDDI Challenged, the KDDI Group is providing opportunities for employees to work with people with disabilities.

* The process of setting up a PC operating system, installing applications, and other activities

Activity and Results

Support for Employees with Disabilities

In FY2015, KDDI conducted a questionnaire of all KDDI employees with disabilities in order to assess a variety of factors, such as the inconveniences they face in the company, and changes in their disability status. The views and comments obtained through the questionnaire help to improve the support that KDDI provides to employees with disabilities.

To improve support for employees with hearing difficulties, KDDI has also published the Guide to Communication with Employees with Hearing Difficulties. The guide was created by a project team whose members included employees with impaired hearing. It sets out the rules for sign language interpretation and describes in an easy-to-understand manner how to support summary writing in the workplace.

Activity and Results

Participation in ACE Challenged Seminar

In July 2015, the ACE Challenged Seminar was held for employees with disabilities and their senior staff. Employees from KDDI participated in the seminar, which provided an opportunity to exchange views with people with disabilities from other companies, and to discover the strengths that employees have learned about themselves through their work.

The seminar was hosted by the Accessibility Consortium of Enterprises (ACE) of which KDDI is a member, providing the opportunity for communication with employees with disabilities who are working in a company with the aim of helping each employee think about their future career.

Policy and System

Promoting the Active Role of Senior Employees

KDDI has in place a "reemployment" program for employees who have reached the retirement age of 60, enabling them to work as non-regular employees until age 65. This system employs open recruiting, allowing the employees to select their desired job type and activity while creating a mechanism for former full-time employees to make full use of their skills and experience in a host of workplaces.

For employees nearing retirement age, we also hold seminars that inspire them to think about their style of living and working after the age of 60.

Promoting Diverse Work Styles

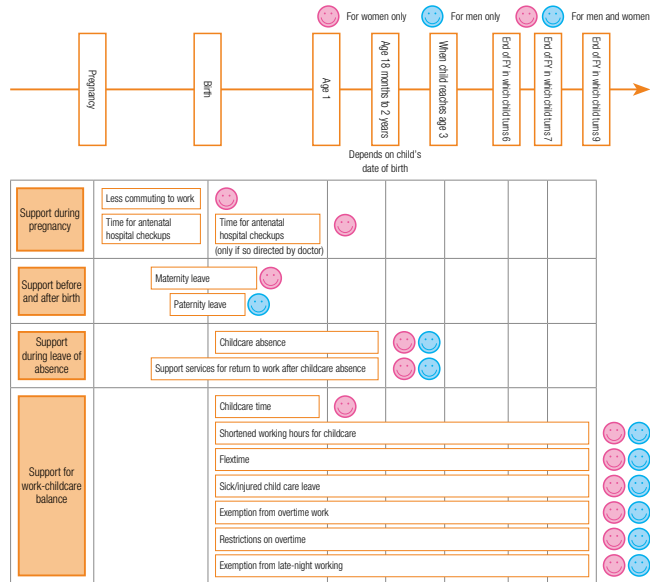
Policy

KDDI's Approach to Diverse Work Styles

KDDI is promoting work-life management by enhancing operational efficiency and labor productivity to enable employees to think for themselves and manage their work and private lives. We are also pursuing flexible work styles by enhancing the support systems for balancing work with childcare or nursing care to allow employees to fully demonstrate their individual strengths at each stage of life with the passage of time.

Furthermore, KDDI sets the recommended dates for taking paid

Program for Work-Childcare Balance



holidays, along with the dates of holidays such as anniversaries, and has established a 70% target for the usage rate of paid vacation time.

System

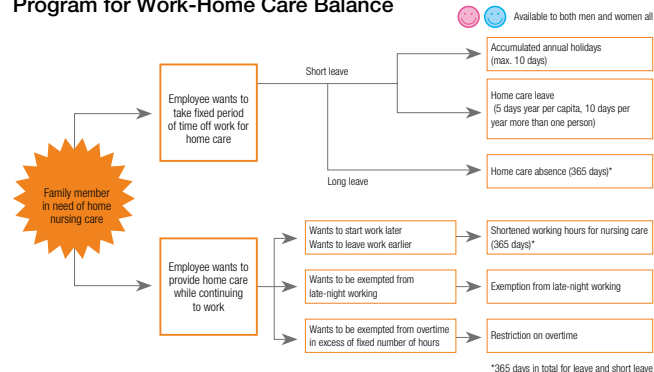
Work, Childcare and Nursing Care Support Systems

KDDI has in place a broad range of systems designed to help employees balance work with other commitments, such as childcare and nursing care. These systems include maternity leave, childcare absence, and shortened working hours for childcare and child nursing care leave, as well as nursing care absence, vacation time, and shortened working hours for nursing care.

While on childcare absence, employees use a dedicated Web site so that they can maintain communication with their superiors and take part in e-learning courses. Systems such as these help to ease the sense of uncertainty that employees may feel while on leave.

We also have an adjustable work hour system. The scheme

Program for Work-Home Care Balance



is flexible and allows employees to adjust working hours to their availability. Thanks to programs such as these, more than 95% of employees who take childcare absence return to their positions in the company (100% for males, 96.6% for females), and the retention rate 12 months after returning is 100%. Furthermore, we have in place programs for rehiring employees who previously left for reasons of childbirth or nursing care.

Activity and Results

Efforts to Support Childcare and Nursing Care

Supporting Return to Work After Childcare Absence

KDDI holds seminars for employees before they take maternity leave and when they return to work after childcare absence. These seminars are designed to help employees balance work and child-rearing as they strive for career success, by offering advice on lifestyle during child-rearing, improving awareness of issues they may face after returning to work, and supporting a smooth transition back to work.

Also in FY2012, we added a seminar for the superiors of employees planning to return to work at which we introduced the results of an employee hearing survey covering successful ways to balance work and childrearing. The seminar continues to educate and create sensitive superiors by featuring discussions with other superiors who have subordinates who have already returned to work, providing the opportunity to share information needed by working mothers for career development.



Forum for Employees before Returning after Childcare Absence

Promoting Diverse Work Styles

Support for Male Employees' Participation in Childcare

KDDI grants paid paternity leave on a day-to-day basis for up to 3 days one month before and after their spouse's expected delivery date or the birth, and supports male employees' participation in childcare. In FY2015, 269 men took advantage of the system.

Supporting a Balance between Work and Nursing Care

Since FY2012 KDDI has continued to hold a Course on Balancing Work and Nursing Care to raise the awareness of employees about nursing care problems and provide an opportunity for thinking about balancing work and nursing care.

In FY2015, over 100 employees participated in the course and enhanced their understanding of nursing care, including the fundamentals of preparing for nursing care. KDDI also updated the Guidebook Supporting Balance between Work and Nursing Care to reflect legal changes. This guidebook provides easy-to-understand explanations to facilitate and promote the effective use of our system, helping to prepare employees who face the issue of providing nursing care now or in the future. An online version of the guidebook is also available on the company intranet.

Acquisition of "Kurumin" Certification as Provider of Next-generation Childcare Support

In July 2009, KDDI acquired "Kurumin" certification from the Ministry of Health, Labor and Welfare as a company that provides support to employees to maintain next-generation child care. This certification attests to the success of our efforts in planning and conducting activities to support both work and home life, thereby enhancing our systems related to child-rearing and our introduction of a teleworking system. Going forward, we plan to continue striving to create a work environment where each employee can realize their full potential.



The "kurumin" logo
This symbolizes commitment to childcare, represented by the baby blanket in which the infant is lovingly wrapped (okurumi), and the concern and care of the entire workplace or company (shokubagurumi/kaisha-gurumi).

<KDDI's efforts>

1. Improvement of employment environment to support both the work life and home life of employees such as those engaged in child-rearing
 - (1) Implementation of measures to promote the taking of childcare absence by male employees
 - (2) Implementation of measures to provide financial assistance to employees when using child-rearing support services
2. Improvement of various labor conditions conducive to revising work styles
 - (1) Implementation of measures to reduce overtime work

Activity and Results

Diverse Work Styles

Telework Program (Working at Home)

KDDI has introduced a telework program to allow employees to work flexible hours and to boost operational efficiency. In June 2011, KDDI expanded its network to make the system available to all employees.

Taken from the perspective of business continuity, this extension was designed to enable employees to continue working even if travel to the Company was hampered by disaster or other situation.



Use of the teleworking system

In addition, KDDI has established a support program for employees who need to provide constant child care or nursing care, which only requires them to come into the office as little as once a month.

Adjustable Work Hour System

KDDI wants its employees to use their time at the Company effectively by improving their productivity and aims to prevent them from working long hours. To encourage this behavior, we have introduced an "Adjustable Work Hour System," through which an employee's prescribed number of working hours differs every month or every three months according to their working duties. In addition to the system that we put in place in May 2011 to shorten working hours for employees responsible for childcare or nursing care, the system of variable hours is designed to allow employees flexibility in choosing the number of hours they work.

Flexible Work Hours

KDDI introduced flexible working hours on October 1, 2012. Introduction of the system was decided following discussions between labor and management on whether or not the system should be introduced by job category, in accordance with the main purport of the Labor Standards Law. As of the end of March 2016, approximately 1,160 employees are using the system.

Work shift interval system

In FY2015, KDDI implemented a work shift interval system to ensure at least 8 hours of off-time between the completion of a work shift (including work outside regular hours) and the start of the next work shift, for the purpose of improving awareness about the issues of health management, long working hours, and work-life management.

Fair Personnel Evaluation and Human Resource Cultivation

Policy

Approach to Personnel Evaluation

To achieve fair and transparent personnel evaluation and remuneration, KDDI establishes consistent standards and grades for the performance and requirements demanded by the company, and conducts personnel evaluation based on targets set for individuals. Personnel evaluations are conducted twice per year through face-to-face interviews with supervisors. For remuneration, KDDI adopts a bonus system that is linked to business results, in which bonus amounts are based on factors such as the company's business results in the previous fiscal year. In addition, individual bonus amounts are decided based on the personal business results of each employee in the previous fiscal year.

System

Providing Long-term Incentives

In FY2015, KDDI introduced a stock grant system linked to the business results, to serve as an incentive plan for managers. This system is designed to provide our company's stocks to KDDI managers when specific requirements are met, in accordance with stock grant regulations set by the company in advance. By providing incentives, the system aims to improve awareness about the business results of managers and the stock price, as well as to further encourage the execution of operations aimed at improving business results while contributing to the improvement of mid-to-long term corporate value.

Policy

Approach to Human Resource Cultivation

To achieve our business vision and bring about an ideal world, it is essential for KDDI to strengthen the business foundation and embrace the challenge of creating new value around information and communication, which only KDDI can provide.

KDDI views human resource cultivation as the process of bolstering the development of people who, instead of being passive, have a strong desire to grow and play an instrumental role in innovation. To this end, KDDI offers a variety of training programs aimed at helping employees improve themselves.

For employees who enter the company after graduating from university, the first three years at the company are regarded as a period for building their foundation both as members of society and as a KDDI employees. As such, they are required to participate in training sessions once a year. In the initial training that employees receive when entering the company, they learn about the basics of being members of society and KDDI employees. In the second year, after employees are assigned to their positions, the training focuses on how to perform work and basic logical thinking. In the third year, the training focuses on improving practical, action-oriented skills.

System

Enhancing Various Systems

■ Mission Grade

In FY2013, KDDI introduced a Mission Grade System for managers. The system defines the management role assigned to line managers and the professional role assigned to non-line managers and

specifies the grade according to size. The grade is determined not by evaluation based on accumulated past performance, but by the size of the role, such as the responsibility for currently executed duties, authority borne, and degree of impact of the outputs, creating a pay structure that rewards employees according to their contribution to the company.

■ Management by Objectives System

KDDI has introduced a system of management by objectives for non-managerial employees.

Under a system of management by objectives for non-managerial employees, employees and their supervisors meet to determine an employee's "personal objectives," which feature a combination of company and organizational targets and individual targets for the employee, and are designed to encourage a sense of challenge that will spur employees on to further efforts toward personal growth. This system is linked with employee evaluations. We have also incorporated planning skills and other evaluation items as part of the process of achieving objectives and we are promoting more impartial and transparent personnel evaluations.

■ Executive Assistant

In FY2011, KDDI established a new executive post of assistant to a director, a position in which the holder learns the company's business approach. The assistant is present at all meetings attended by the director and learns at first hand the management's attitudes and way of thinking. In FY2015, 11 executive assistants were appointed, bringing the total number of executive assistants to 43 as of the end of March 2016. After gaining experience as assistants, they will be assigned to duties in the various divisions as line managers. By providing the opportunity to learn KDDI's business approach, we aim to develop the human resources needed to carry KDDI into the future.

Fair Personnel Evaluation and Human Resource Cultivation

■ Job Rotation System

By allowing employees to work in multiple job positions and departments, the “Challenge Rotation” program pursues expansion of and adaptation to individual work fields. The “Professional Rotation” program aims to contribute to society at a higher level by exploring and further expanding individual expertise.

■ Self Career Produce System (SCAP)

In FY2008, KDDI introduced a Self Career Produce System (SCAP) to spark employees' enthusiasm and evoke a spirit of challenge by enabling them to chart their own career courses. The system enables employees to transfer to departments of their choice after they have accumulated a certain amount of experience in their current positions and have earned positive evaluations.

■ Self-Reporting System

KDDI has introduced a self-reporting system whereby each individual employee conducts career inventory and reports on his or her personal career situation annually. Supervisors conduct interviews with employees based upon these reports, to strengthen communications and to develop a career plan.

■ Support for Qualification Acquisition

KDDI supports the acquisition of KDDI-designated qualifications to enable employees to improve their knowledge and technical skills and contribute to enhanced business quality, through payment of the related fees and other expenses.

In FY2015, a total of 24.16 million yen was paid to 1,127 eligible employees who applied for support.

■ Employee Training

KDDI provides group training for all company employees to enable them to acquire the necessary knowledge and skills to carry out their work, according to their position and qualifications. We have also built and operate a shared e-learning system to allow all employees, without exception, to acquire the necessary business knowledge.

In FY2015, KDDI conducted an average of 7.2 hours of training and e-learning per individual employee (94,686 hours in total). Furthermore, the training and e-learning classes cost KDDI an average of 97,000 yen per individual employee.

In addition, the various business divisions conduct their own training and human resource cultivation activities.

Activity and Results

Cultivating Human Resources Globally

■ Cultivating Locally Hired Employees

(Global Human Resources Exchange Program)

As part of efforts to promote the cultivation of human resources globally, the KDDI Group implements the Global Human Resources Exchange Program, which offers employees hired overseas an opportunity to work at our headquarters.

Through the program, employees hired overseas who are dispatched to our headquarters can learn about business practices in Japan, The KDDI Group Philosophy, the operations and perspectives of our headquarters, and strengthen partnerships with customers who have offices in Japan.

Program participants are stationed at our headquarters for a maximum of two years. Since FY2012, more than 10 employees from overseas offices have participated in the exchange program with headquarters.

■ Global cultivation of executives and next-generation executives

In the second half of FY2015, KDDI launched the Global Intensive Program (GIP) and Global Intensive Program Junior (GIPJr.), which aim to cultivate executives capable of performing management of global business operations and global offices.

Participants in GIP are removed from their duties for a period of six months while they receive training overseas or in Japan, and when training is complete, they are sent to a new department or operation. Participants in GIPJr. receive their training in Japan while they continue to carry out their duties, thereby requiring strong time management skills.

In FY2015, a total of 15 employees participated in the training programs (5 in GIP, 10 in GIPJr.), and they successfully enhanced their abilities as global human resources. To build on these results, KDDI plans to expand the number of participants and lengthen the training period and preparation period for the programs in FY2016.

■ Overseas Study Program (University and Internship Programs)

KDDI has introduced two overseas study courses, “Business Study Abroad” and “Specialized Study Abroad”, for the purpose of discovering and cultivating global human resources among mid-level employees. Applications to the courses are open to any motivated employees who take the initiative to apply.

In the “Business Study Abroad” course, employees attend a six-month training course before being dispatched to an overseas university or NPO for one to four months, where they have an opportunity to interact with businesspeople from around the world while learning about global standards for business ethics, frameworks, and procedures. In addition, some programs include an internship (work abroad program*) at an international company, or opportunities to engage in real business activities.

Fair Personnel Evaluation and Human Resource Cultivation

Participants in the “Specialized Study Abroad” program spend about a year at an overseas university or specialized institution, and they receive training to acquire high-level specialist knowledge and build human networks with relevant persons.

- Number of participants in overseas study courses (FY2000 - FY2015)
- Business Study Abroad: 35
 - Specialized Study Abroad: 22

Overseas Trainee System

Launched in FY2001, KDDI's overseas trainee system has undergone several revisions before taking its current form in FY2008.

The purpose of the system is to provide trainees with practical experience in sales operations, technical support, corporate duties, and other activities, in an effort to cultivate superior human resources with global sensibilities, who can conduct business smoothly in environments with diverse values and different business practices.

Another aim of the program is to discover and cultivate young employees who are self-motivated. As such, the application process is completely open to those who are eligible, without any need for recommendations from superiors. Eligibility is open to people in their fourth to eighth year of employment, who have a TOEIC score of at least 500. Approximately 10 people are selected each year, and in principle, they are dispatched to overseas locations for a period of two years.

The assigned operations during the dispatch period are determined based on the suitability of the trainee and the office to which they are dispatched. At the end of the dispatch period,

employees return to their original organization to apply the experience they gained as trainees.

- Number of trainees (FY2002 - FY2015): 120

English-language group study support

In FY2015, KDDI began implementing measures to support English-language group lessons in an effort to promote the self-study of English among employees.

The group lessons are held about once a week for an hour, and are conducted by native English instructors dispatched to the students' location. The Human Resources Department handles the dispatch of instructors and the program costs, but the actual lesson contents are up to the students. Lessons are conducted outside of business hours, such as before or after work, or during lunch break.

In FY2015, six group classes were held on a trial basis for 32 employees over a three-month period. In FY2016, 21 group classes are being conducted for 127 employees, over a six-month period from July to December.

Correlation between Position / Qualification and Training

Position or Qualification	Stratified Training	Theme-based Training				Division-specific training		
		Acquisition of skills & knowledge	Support for acquisition of qualification	Self-development support	Global human resources	Job-specific skills		
Director	Director Training							
Line Manager	Line Manager Training				GIP GIP Jr.			
Manager	Manager Training	ICT training	Common business knowledge (e-learning)	Coaching training	Support for acquisition of qualifications	Career development training	Overseas Trainee System Overseas study	Training by division
Assistant Manager	Assistant Manager Training							
Chief	Career enhancement training							
Employee	Training 3 years after graduation							
	Training 2 years after graduation							
	On joining company / Follow up training							

Building Labor Relations and Creating a Conducive Workplace Environment

Policy

Creating Sound Labor-management Relations

■ Signing a Union Shop Agreement

KDDI guarantees the right to freedom of association and collective bargaining.

KDDI adopted a Union Shop Agreement that requires all employees in Japan, except for managers and non-regular employees, to become members of the KDDI Workers Union starting in January 2012, and we signed the Labor-Management Relations Agreement, Union Activities Agreement, and Collective Bargaining Agreement with the KDDI Workers Union. Meetings between labor and management are held regularly to deliberate on a variety of issues, such as improving the working environment. As of the end of March 2016, 98.1% of all eligible company employees (11,412 people) belong to the Union.

In addition, based on the Agreement on Handling of Personnel Transfers, we have set out in the Labor Agreement that an employee shall be notified at least 5 days before a personnel transfer is officially announced and we have established a system for receiving complaints from the person concerned.

■ Basic Labor-Management Agreement (excerpt, simplified)

(Basic Terms of Agreement)

- Both parties recognize that job stability and security are important issues for labor and management and will do their best not to cause situations in which Union members are dismissed.
- Autonomy and rights will be mutually respected, a relationship based on trust and cooperation will be maintained and strengthened, and issues will be settled amicably through dialog based on mutual understanding and mutual responsibility.

Activity and Results

Labor-Management Cooperation

In an effort to foster communication between workers and management, labor-management talks were held a total of 20 times in FY2015. Information about the talks and other such events is disclosed to union members by the KDDI Workers Union as needed.

System

Pension System

KDDI has introduced its own retirement benefit and pension system, which is managed by the KDDI Pension Fund (a separate organization). The retirement benefit savings plan offered to employees is structured as a "defined-benefit pension plan", and the entire amount is borne by the company (361,423,699,083 yen as of the end of March 2016).

KDDI strives to provide fair and strict management of the fund to ensure a stable lifestyle for fund subscribers and recipients in the future.

* These are the fund assets for the entire KDDI Group (including the companies affiliated with the fund).

Activity and Results

Employee Awareness Survey

Each year, KDDI conducts the KDDI Kaitai Shinsho awareness survey targeting all employees and contract employees. The FY2015 survey highlighted a variety of employee issues, such as their need to learn from other companies, industries, and departments, their need for greater enthusiasm and action that aggressively seeks to

achieve more than what is asked, as well as their need to take more conscious action on a higher level.

We have publicized these survey results on our intranet and in our internal newsletter. We are also discussing the issues raised by the survey in training sessions at all levels within the company, as we introduce measures to enhance communication throughout the company and implement measures tailored to the issues in individual workplaces.

Activity and Results

Award Program for Employees

KDDI has implemented award ceremonies for employees to increase motivation and a sense of solidarity.

In July 2015, we held an awards ceremony for activities in FY2014, at which five President's Prizes, one Contribution Prize, one Nice Try Prize, three MVP Prizes for individuals, and one Operational Quality Improvement Prize were awarded.

System

System of Promotion to Regular Employee Status

KDDI directly employs people who sell KDDI smartphones and au Hikari products in mass retail stores and other shops as sales advisers. As they are the ones who actually come into contact with customers in shops, the sales advisers are very important to us. We have enhanced the various training systems and qualification systems to create a work environment that supports career development and makes working worthwhile.

We have introduced a regular employee appointment system to increase future career opportunities, and in FY2015, 83 employees were promoted to regular employee status.

Occupational Safety and Health

Policy

KDDI Basic Policy on Health and Safety

Based on the corporate philosophy that the “KDDI Group will pursue the happiness of all employees both physically and mentally,” KDDI has introduced a company-wide policy of “valuing human life, ensuring the safety of employees in the workplace at all times, maintaining and promoting their mental and physical health, and maintaining a pleasant working environment” and is taking various measures to prioritize the health and safety of employees. This policy is incorporated in all company regulations throughout the KDDI Group, ensuring management of health and safety in the work environment.

System

Safety and Health Management System

In accordance with the Industrial Safety and Health Act, KDDI has established a safety and health management system and appoints general safety and health managers, safety officers, health officers, safety and health promoters, health promoters, and industrial physicians in each workplace. In addition, KDDI has established Health and Safety Committees that plan and conduct activities as joint labor-management efforts. In addition to exchanging opinions on occupational safety, fire and disaster risk prevention, mental health, long working hours, health management, traffic safety, talks by industrial doctors and other such themes, the committees work toward employee health management and maintenance and the prevention of workplace injuries. The committees have been established at every office with 50 or more workers and they meet

once a month. The minutes of the committee meetings held at each office enable the sharing of information among offices. By sharing health and safety measures, accidents can be prevented. In addition, a system is in place for reporting important items relating to health and safety to Executive Officer, CSR Environmental Sustainability (General Manager, General Administration & Human Resources Division).

* There have been no deaths due to work-related accidents since the founding of KDDI.
* KDDI has not acquired OHSAS 18001 certification.



Status of Workplace Injuries
(rate of work-related accident frequency, rate of work-related accident severity, LTIFR)

Policy and System

Priority Measures Relating to Occupational Health and Safety

KDDI has set “reduction of long working hours” and “reduction of number of employees absent due to mental health problems” as key performance indicators and is taking various steps toward such reduction. These efforts have their basis in KDDI’s corporate philosophy and basic policies relating to health and safety. Our final goal is for there to be “no one who cannot work due to health disorder” and to this end we have established a mechanism for reporting to management.

■ Initiative for Improvement of Long Working Hours

KDDI has set reduction of long working hours as a key performance indicator and is endeavoring to achieve such reduction. For example, we are striving to promote a “No Overtime Day” as a means of

reducing long working hours with every Wednesday designated as a no overtime day. In addition, rules have been introduced on advance application for overtime, and some offices have introduced a Long Working Hours Reduction Month.

We also added a provision to the work regulations that requires an interval of at least 8 hours between the end of one workday and the start of the next.

■ Promotion of Mental Healthcare

KDDI has set reduction in absence due to mental health disorder as a key performance indicator and is striving to achieve such reduction.

As a means of preventing new onset, we provide e-learning courses for management, e-learning courses for all employees, e-learning courses and group training for newly appointed line managers, mental health seminars by psychiatric specialist industrial doctors, and stress checks by interviews and check sheets for new employees for three years after joining the company, and we are proactively encouraging selfcare and line care. In FY2016, following the revision of the Industrial Safety and Health Act in December 2015, KDDI introduced more thorough stress checks for all regular employees and contract employees, as stipulated in the regulations.

We are also aggressively promoting prevention of mental health problems by requiring employees who have worked longer than the prescribed number of hours to submit a questionnaire and consult the industrial doctor. Industrial health staff are also required to provide individual follow-up. In addition, KDDI has established the Employee Counseling Center and the Healthcare Room, where industrial counselors offer counseling to employees regarding issues in both their professional and personal lives.

As measures to prevent recurrence, when an employee returns to the workplace following leave due to mental health issues, the

Occupational Safety and Health

industrial doctor always interviews the returnee and the returnee's superior, offering training before they return to work and reduced hours after they return, to ease the physical and mental burden of returning to work. In terms of the workplace environment, support is provided for the returnee's superior, and the returnee, his or her colleagues, superior, industrial doctor and industrial health staff work together to facilitate a smooth return to work.

Policy and System

Enhancing Employees' Health Management

■ Providing Health Checks that Exceed Legal Requirements

KDDI provides health checks with testing categories that are more detailed than the legal requirements, and we offer health guidance to employees who undergo regular health checks. We have also reinforced our efforts targeting the prevention of lifestyle diseases, providing a specific health checkup and specific counseling guidance. Furthermore, in partnership with the health insurance society, we promote facilities for the prevention of aggravation of diseases (data health planning).

In addition, as a wellness benefit to employees, the KDDI Group Welfare Association provides subsidies for activities such as childbirth/child-rearing, nursing care, health maintenance, personal development, and domestic help, while offering employees the freedom to choose how to carry out the activities.

Furthermore, we have a Healthcare Room and a Refresh Room to encourage employee health maintenance and recovery. Employees can take a temporary rest in the Healthcare Room when they are not feeling well, and receive first-aid care and health counseling. At the Refresh Room, nationally qualified masseurs (health keepers) work to

ease away back and neck aches and to soothe tired eyes, helping to support the health of employees and temporary staff.

■ Safety and Health Management for Employees and Family Members Transferring to Developing Countries

KDDI has established a system to support the safety and health of all employees and accompanying family members in developing countries.

The level of medical care in Asia, particularly in Myanmar, India, Cambodia, Mongolia and Vietnam, is lower than in Japan and it is difficult to receive the same level of medical services as in Japan due to language and cultural problems as well as the high risk of infectious diseases rarely found in Japan. Under these circumstances, KDDI established the Vaccination and Health Report Guidelines for International Transferees and Business Travelers, from the perspective of health management and safety of employees who are transferring or traveling to these regions on business. Employees transferring or traveling abroad on business are required to receive the designated vaccinations for infectious diseases based on the guidelines. In addition, employees who are planning to transfer to hardship regions are required to consult an industrial physician before the transfer, to receive the appropriate health-related information.

Employees can check the company intranet for comprehensive information on 35 infectious diseases such as dengue fever and typhoid, regarding the pathogens and viruses, infection route, incubation period, symptoms, pathology/aggravation, prognosis, treatment, existence of vaccine, vaccination, and prevention. When certain conditions are met, all employees are obliged to submit a Health Report. In the event of the onset of disease, an industrial physician provides a thorough response that consists of assessing the status of medical examinations and recovery in the area, seeking the

opinion of an infectious disease specialist in Japan, and if necessary, compelling the employee to temporarily return to Japan for treatment.

In addition, in the case of Myanmar, risk assessment is conducted in partnership with a medical assistance company that is familiar with the situation in the country.

KDDI considers traffic accidents to be the biggest risk in Myanmar and takes the following measures for all employees and their family members who transfer to the country.

- Designation of hospital (designation of hospital in Myanmar with the latest treatment facilities or specialized physicians)
- Transportation to and from hospital (to avoid the employee having to drive)
- Medical support in Burmese, Japanese and English (treatment will be provided by doctor in Myanmar)
- Daily life support by Myanmar staff, holding of seminar.
- Monthly report (implementation of PDCA), etc.

KDDI is currently considering the possibility of providing similar medical support in Mongolia in the future.

■ Driver Training and Introduction of Vehicle Operation Management System

KDDI conducts driver training throughout Japan for employees who use vehicles on company business. In FY2014 we introduced a vehicle operation management system for all company vehicles. The system aims to enforce safe driving by the driver and provide an enhanced deterrent effect on traffic accidents by recording data on the vehicle's operation and the driver's driving and alerting the driver to inadequacies.

Employment Data

Data

Status of Employment

		Gender	FY2012	FY2013	FY2014	FY2015
Number of employees ^[1]	Unit: person	Male (KDDI)	9,034	8,648	8,588	8,649
		Female (KDDI)	2,197	2,091	2,083	2,126
		Total (Male and Female)	11,231	10,739	10,671	10,775
		Consolidated number of employees	20,238	27,073	28,172	31,834
Average age (KDDI)	Unit: age	Male	41.8	42.1	41.8	42.7
		Female	38.2	38.6	38.2	39.2
		Total (Male and Female)	41.1	41.4	41.1	42.0
Average work years (KDDI)	Unit: year	Male	16.8	17.1	17.3	17.6
		Female	15.3	15.6	15.9	16.0
		Total (Male and Female)	16.5	16.8	17.0	17.3
Employment turnover rate ^[2] (KDDI)	Unit: %	(Total) 0.84 (Male) 0.58 (Female) 2.06	(Total) 0.94 (Male) 0.72 (Female) 1.92	(Total) 0.89 (Male) 0.68 (Female) 1.78	(Total) 0.92 (Male) 0.68 (Female) 1.99	

[1] "Number of employees" is the number regular KDDI employees including employees temporarily transferred to KDDI. The number does not include employees who are on loan to other companies.

[2] "Turnover rate" is the calculated percentage of "natural resignations during the relevant term (employees who resigned at their request, excluding employees who retired at retirement age)" in the total number of regular employees in the first month of the relevant term.

		June 2013	June 2014	June 2015	June 2016
Number of employees with disabilities (KDDI)	Unit: person	300	334	350	372
Employment rate of persons with disabilities	Unit: %	2.02	2.02	2.11	2.19

* This number includes persons with disabilities who are employed at KDDI, as well as at KDDI Challenged and KDDI Engineering.

Employment Data

Data

Foreign Employees

Unit: person

	FY2012	FY2013	FY2014	FY2015
Number of foreign employees (KDDI)	53	85	103	105
Proportion of foreigners in new employees (KDDI)	11.3%	15.1%	8.3%	5.2%
Number of foreigners (management) (KDDI)	5	6	6	7
Consolidated number of foreign employees	-	2,630	2,624	4,380

Data

Employees by Age (KDDI) (As of end of March 2016)

Unit: person

	Total	Male	Female
Under 30	1,256	878	378
30 - 39	2,737	2,037	700
40 - 49	4,411	3,598	813
50 - 60	2,368	2,133	235
61 or over	3	3	0
Total	10,775	8,649	2,126

Data

Non-Regular Employees (Number of temporary employees)

Unit: person

	FY2012	FY2013	FY2014	FY2015
Agency employees (KDDI)	5,128	4,197	3,848	3,512
Contract employees (KDDI)	1,686	2,850	3,416	3,317
(Total)	6,814	7,047	7,264	6,829

Data

Managers (KDDI)

Unit: person

	FY2012	FY2013	FY2014	FY2015
Male Managers	3,609	3,752	3,921	4,074
Department Managers	356	334	368	400
Section Managers	3,253	3,418	3,553	3,674
Female Managers	124	140	177	251
Department Managers	5	11	9	11
Section Managers	119	129	168	240
Newly Appointed Managers	293	330	370	390
Male	278	312	330	309
Female	15	18	40	81

* The number of managerial personnel is the number of KDDI managerial personnel including those temporarily transferred outside of KDDI.

Data

Status of Union Membership (KDDI)* (FY2015)

		FY2015
Total number of union members	Unit: person	11,412
Union membership rate (Percentage of employees covered by collective agreements)	Unit: %	98.1

* The number of union members includes KDDI's currently serving regular employees and contract employees, as well as employees on loan from KDDI.

Employment Data

Data

Status of Recruitment (KDDI)

Unit: person

	Gender	FY2012	FY2013	FY2014	FY2015
Recent university graduates	Male	171	189	170	203
	Female	69	62	84	83
	Total (Male and Female)	240	251	254	286
Mid-career hires	Male	20	29	38	46
	Female	3	2	7	4
	Total (Male and Female)	23	31	45	50
Reemployment	Male	75	68	100	126
	Female	6	6	10	13
	Total (Male and Female)	81	74	110	139
Number of regular employees from non-regular employees		-	23	33	82

Data

Recent Graduate Hires (KDDI)

Unit: person

	Entered KDDI in April 2013	Entered KDDI in April 2014	Entered KDDI in April 2015	Entered KDDI in April 2016
Total number of university graduates	251	254	286	302
Male university graduates	189	170	203	217
Female university graduates	62	84	83	85
Junior college or technical school	0	0	0	0
Senior high school and others	0	0	0	0

Data

Mid-Career Hires (KDDI)

Unit: person

	FY2012	FY2013	FY2014	FY2015
Total	23	31	45	50
Total number of university graduates	23	30	44	49
Male university graduates	20	28	37	45
Female university graduates	3	2	7	4
Other males	0	1	1	1
Other females	0	0	0	0

Data

Retention of Recent University Graduates (KDDI)

Unit: person

	Male	Female
Graduate entry in April 2013	189	62
Currently employed in April 2016	178	55

Data

Departing Employees (KDDI) (FY2015)

Unit: person

	Early	Self	Company	Transfer	Other	Total
Male	0	72	12	5	9	98
Female	0	49	4	0	3	56
Total	0	121	16	5	12	154

Employment Data

Data

Usage of Childcare and Nursing Care Support System (KDDI)

Unit: person

Program		Gender	FY2012	FY2013	FY2014	FY2015
Childcare	Maternity leave	Female	157	169	190	185
	Paternity leave	Male	280	283	328	269
	Childcare absence	Male	5	15	12	14
		Female	268	270	275	281
	Childcare absence reinstatement rate ^[1]	Male	100.0%	100.0%	100.0%	100.0%
		Female	95.7%	95.0%	96.5%	96.6%
	Retention rate of employees who take childcare absence ^[2]	Male	100.0%	100.0%	100.0%	–
		Female	99.1%	98.2%	100.0%	–
	Shortened working hours for childcare	Male	2	2	1	2
		Female	357	378	394	417
Sick/injured child care leave	Male	638	520	320	290	
	Female	370	362	316	344	
Home care	Home care absence	Male	4	6	6	7
		Female	2	1	5	6
	Home care leave	Male	112	117	80	90
		Female	24	44	50	63
	Shortened working hours for nursing care	Male	1	2	1	4
		Female	1	0	1	2

[1] Total number of regular employees who returned to work after childcare absence ÷ Total number of regular employees who planned to return to work after childcare absence

[2] (Total number of regular employees who remain at KDDI 12 months after returning to work after childcare absence ÷ Total number of regular employees who returned to work after childcare absence) x 100

Data

Usage of Volunteer Leave and Japan Overseas Cooperation Volunteers (JOCV) (KDDI)

		FY2012	FY2013	FY2014	FY2015
Volunteer leave	Unit: Number of persons required	23	8	31	16
JOCV	Unit: Number of persons dispatched	1	2	2	2

Employment Data

Data

Overtime Hours, Overtime Allowance, Total Annual Actual Hours Worked, Paid Vacation, Average Annual Salary (KDDI)

		FY2012	FY2013	FY2014	FY2015
Average overtime hours per month ^[1]	Unit: hours/month	28.6	29.6	29.2	29.9
Average overtime allowance per month ^[1]	Unit: yen/month	–	–	101,218	100,197
Total annual actual hours worked (average) ^[1]	Unit: hour	–	–	1,944.6	1,941.6
Rate of paid vacation taken	Unit: Number of days granted	20.0	19.8	19.8	19.8
	Unit: Number of days obtained	13.8	11.8	13.1	13.1
	Unit: %	69.3	59.5	66.4	66.3
Average annual salary ^[2]	Unit: yen	9,067,548	9,396,971	9,763,079	9,510,045

[1] Applicable to KDDI employees in non-managerial positions.

[2] Average annual salary includes bonuses and extra wages.

Data

Status of Workplace Injuries (KDDI)

		FY2012	FY2013	FY2014	FY2015
Injury/illness	Unit: person	20	14	14	19
Death	Unit: person	0	0	0	0
(Total)	Unit: person	20	14	14	19
Frequency rate ^[1]		0.82	0.48	0.52	0.62
Severity rate ^[1]		0.0032	0.0037	0.0078	0.0024
Lost time injury frequency rates ^[2]		0.20	0.14	0.15	0.20

[1] Calculated based on the method used in the Survey on Industrial Accidents of the Ministry of Health, Labour and Welfare

[2] LTIFR: Lost time injuries frequency rate is the number of deaths and injuries due to industrial accidents divided by the cumulative hours worked multiplied by one million (lost time is defined as any period of one day or more)

Supply Chain Management

Policy

KDDI CSR Procurement Policy

In order to fulfill our social responsibility as a general telecommunications carrier responsible for social infrastructure at a higher standard and avoid procurement risk in the supply chain as far as possible, amid concerns about growing risk with the increasing globalization of business, KDDI established the KDDI CSR Procurement Policy in February 2014 and began consolidating our grasp and management of risk in the entire supply chain.

The Procurement Policy requests that the business partners participate in initiatives under 7 themes in which KDDI involves, such as coexistence and co-prosperity with business partners, Environmental consideration, Consideration for Human Rights and Working Environment, Fair and Equitable Transactions, Appropriate Information Management, assurance of quality and safety, and symbiosis with society.

To provide satisfactory services to our customers and achieve the sustainable development of the company and society together with our business partners, we are extending our demands and support based on the policy to the entire KDDI supply chain.



KDDI CSR Procurement Policy

[Link](#) Website

System

KDDI Guidelines for CSR in Supply Chain and CSR Procurement Promotion System

In 2014, KDDI established the system for promoting CSR procurement. In March 2016, we established the KDDI Guidelines for CSR in Supply Chain as a guide to implementing the Procurement Policy, and published them on our website. The guidelines were formulated based on items that are prescribed in the Electronic Industry Citizenship Coalition (EICC) code of conduct and the Supply-Chain CSR Deployment Guidebook published by the Japan Electronics and Information Technology Industries Association (JEITA).

The guidelines provide criteria to consider when selecting business partners and procurement items, including factors such as contribution to the environment and society, in addition to quality, price, and stability of supply.

In addition, to maintain a high sense of ethics in procurement activities, KDDI conducts a variety of compliance training for all employees, including compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.

Furthermore, KDDI holds briefings and conducts questionnaires with our leading business partners, in order to provide education and support that ensures their understanding of the importance of our CSR procurement activities, and to communicate our situation and present the initiatives we are undertaking.

In response to business partners who commit compliance violations, KDDI identifies the causes, requests improvements, and provides guidance and support if necessary.



KDDI Guidelines for CSR in Supply Chain (Japanese)

[Link](#) Website

Activity and Results

CSR Procurement Questionnaire

In order to operate the Procurement Policy effectively, KDDI has, since FY2014, conducted questionnaires in which our leading business partners answer a CSR Procurement Check Sheet. The questionnaire, which is based on the Supply-Chain CSR Deployment Guidebook (Check Sheet) published by the Japan Electronics and Information Technology Industries Association, consists of 86 questions deemed pertinent to KDDI, related to the following seven themes: human rights/labor, safety/health, environment, fair trade/ethics, quality/safety, information security, and contribution to society.

In FY2015, the questionnaire was provided to our key business partners representing approximately the top 90% of the total value of orders, and we received a response from nearly 100% of them. For the purpose of exchanging opinions on how to improve activities for KDDI and our business partners, we held meetings with two companies to discuss feedback on the questionnaire results and confirm some details about their responses.

In response to these questionnaire results, KDDI will work to further the advancement of the CSR Procurement Policy, while striving to systemize the issues related to the promotion of CSR and pursue efforts that lead to concrete initiatives.

Supply Chain Management

Activity and Results

Conflict Minerals

The U.S. government requires companies listed in the United States to disclose the use in their products of minerals produced in the Democratic Republic of the Congo and other conflict-plagued regions (below "conflict minerals").*

KDDI is not listed in the United States, but to fulfill its social responsibility in its procurement activities, it is working together with suppliers and implementing initiatives to ensure that it does not use conflict minerals.

In FY2015, KDDI conducted a CSR procurement questionnaire and found no conflict minerals used in our procured items.

* Conflict minerals are tantalum, tin, gold, tungsten and other minerals designated as such by the U.S. Secretary of State.

Activity and Results

Cooperation and Support of Business Partners

■ Reinforcement of Relationships with Business Partners

KDDI holds liaison meetings for business partners in order to obtain their understanding of our purchasing activities. KDDI invited 68 companies to the liaison meeting in February 2016, which provided an opportunity for participants to exchange opinions regarding the explanation of our situation and a presentation of the initiatives that we are undertaking. One business partner who attended commented that it was "good to have a frank exchange of opinions."

KDDI has expanded the KDDI Group's Business Ethics Helpline to business partners and we are striving to strengthen our relationships in the areas of business ethics and legal compliance.

■ Educational Support to au Shop Staff

KDDI believes that training au shop staff is an essential element of its efforts to pursue customer satisfaction. We encourage au shop staff to learn efficiently and effectively by conducting group training for learning essential sales skills, and e-learning for new product information, where basic operational knowledge and rapid mastery are required.

We also implement a qualification and certification system to evaluate staff skills and conduct professional training, recognizing sales efforts that generate high levels of customer satisfaction as "au Advisors," "au Masters" and "au Experts."

■ Support for Content Providers

KDDI works with content providers, who are our business partners, to offer proposals that provide attractive new value to customers. We have established a system that offers direct support to content providers on matters ranging from technical issues to operations, via a help counter for face-to-face advice and a help desk website for online inquiries.

■ Efforts to Improve Logistical Efficiency

In January 2016, the newly established KDDI East Japan Logistics Center began operating the Free Rack Auto Pick System (FRAPS), a cloud-based picking system provided by Yamato Logistics Co., Ltd., which is a member of the Yamato Group led by Yamato Holdings Co., Ltd.

With the increased volume of au smartphone accessories and other peripheral products handled by KDDI, along with the nationwide expansion of au WALLET Market, there was a need for efforts to improve the efficiency of logistical operations and transport capabilities, with an eye toward the future.

In response, KDDI constructed a new large-scale logistics center, introduced the FRAPS system provided by Yamato Group, and established a high-speed transport network capable of small-lot high-frequency deliveries. In addition to enabling the combined shipment of multiple orders to the same shop, these measures resolve various issues for improving the distribution of products and services, by improving operational efficiency, improving transport capabilities, and integrating logistics bases. In addition, products are delivered more rapidly than ever before.

Moving forward, KDDI will continue its efforts to quickly deliver products to customers and pursue logistical innovations that provide even greater convenience.

Supply Chain Management

■ Support for IT Utilization by SMEs

KDDI, PROJECT NIPPON CO., LTD. and KDDI Web Communications Inc., in partnership with the Micro Business and Individual Unit of the Japan Finance Corporation (JFC), are working on a “First-time Web User Project” to promote IT use by small and medium enterprises and support their business.

The number of SMEs in Japan has fallen to around 3.81 million from a peak of 5.33 million in 1986.^[1] While approximately 80%^[2] of SMEs consider strengthening of sales capabilities and increase in new customers as important business challenges, only 46%^[3] of small-scale enterprises have created their own websites, an important means of growing business. To contribute to solving the challenges facing SMEs, the four companies mentioned above provide integrated support from website creation to effective utilization through this project.

In addition, in December 2014 KDDI formed a capital and business alliance with crowdsourcing giant LANCERS INC. with a view to expanding its area of SMEs support. Through this alliance, KDDI serves as LANCERS' only telecommunications carrier partner, and is focused on expanding crowdsourcing services^[4] to address the shortage of IT manpower among SMEs.

The two companies will support the creation of healthy and prosperous regions by disseminating “diverse and flexible work styles” that are “irrespective of time or place” to individuals throughout the country. We will also promote IT utilization to reduce economic burdens, and support the creation of business opportunities and corporate growth of SMEs on an ongoing basis.

[1] As of July 2014. “2016 White Paper on Small and Medium Enterprises in Japan” published by the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry

[2] “Report on IT Utilization by Small and Medium Enterprises: Survey Report (September 2012)” published by the Japan Chamber of Commerce and Industry

[3] Small and medium enterprises before establishment and within one year of establishment

[4] Crowdsourcing service: An internet service that matches companies wanting work done with individuals willing to undertake the work

Activity and Results

Stakeholder Dialogues

Deepening CSR Procurement and Green Procurement Efforts at KDDI

KDDI established the CSR Procurement Policy in February 2014 and conducts CSR procurement questionnaires with the leading business partners every year.

Experts and businesspeople with abundant knowledge and experience in the field of CSR procurement were invited to participate in this year's stakeholder dialogues, which focused on the topic of deepening our efforts in CSR procurement and green procurement.

Invited experts

Naoki Adach (CEO, Response Ability, Inc.)

Haruko Kanamaru (General CSR Division Manager of Corporate Citizenship Department, AEON Co., Ltd.)

Main opinions

Mr. Adachi

- From the perspective of sustainable business, the supply chain is the most important factor. KDDI is expanding its business in Southeast Asia, where child labor is prevalent. There needs to be further education for vendors in these areas.
- The CSR procurement questionnaire is just a process for discovering problems, and the important thing is to decide how to respond to the issues that are identified. To ensure that suppliers make serious efforts, I would like for KDDI to properly calculate the resources that are needed and discuss the issues at the management level.
- It is correct to make efforts in terms of reviewing the manufacturing processes in CSR procurement. Questionnaire results showed that the actual implementation of CSR procurement led to improved productivity and reduced line stoppages at factories, and there are reported cases in which it led to improved competitiveness.
- The promotion of green procurement can inspire suppliers to develop technology, leading to new innovations and stronger competitiveness. Even though it may be more expensive to use eco-friendly products, I definitely want to see proactive efforts in that direction.
- CSR procurement is the most important factor in creating a foundation that earns the confidence of customers. Though it is difficult, I want to see further efforts.



Ms. Kanamaru

- It is important that the subjects clearly understand the purpose and content of the CSR procurement questionnaire, so the questions need to be detailed and specific. At AEON, we conduct briefings for first-time suppliers to communicate our basic company philosophy and our approach to CSR procurement.
- When issues are discovered through the audits, we often work with the suppliers to make improvements. To establish the necessary relationship of trust while making improvements, it is important to visit the actual sites when providing support.
- As society changes and the company's situation evolves, the Green Procurement Guidelines need to be updated to boost their effectiveness.
- From the perspective of company management, ensuring that CSR procurement efforts are implemented across the entire company is an issue that every company faces. To ensure consistent awareness among management, it is effective to share information about risks and the activities of competitors. To promote the incorporation of CSR procurement into the company's management policy, it is important to deepen the conversation at the management level. Efforts toward CSR procurement will definitely help to enhance the company's standing and improve the brand.



Activity and Results

Stakeholder Dialogues

Deepening CSR Procurement and Green Procurement Efforts at KDDI

In response to the dialogue

- We regularly visit the suppliers, but due to limited resources, our challenge is to determine whether to look one, two, three, or more levels into the supply chain. First, we place priority on the primary suppliers and work to ensure that the large risks have been eliminated.
- In conducting audits and improving the issues that are identified, a very important aspect is to establish a relationship of trust with suppliers and listen to their opinions while pursuing our efforts. This has been our approach up to now, even for conventional purchasing activities, and we will continue implementing this approach moving forward.
- KDDI has implemented a process for procuring energy-efficient power supply equipment and air conditioning equipment based on the KDDI Green Procurement Guidelines, but we have not introduced a similar process for communication devices due to cost. We recognize the need to review the guideline standards and make further efforts.
- We recognize the need for management to deepen their consideration of CSR procurement as a company-wide issue, and we have reaffirmed the importance of working with business partners to make continuous step-by-step improvements with respect to each issue, for the actual products at the actual sites. Moving forward, KDDI will continue making efforts to thoroughly implement the PDCA cycle and steadily resolve issues one by one.



Link Website

Dialogue Archive

Community Involvement and Development

Policy

Social Contribution Policy

The KDDI Group established its Social Contribution Policy in 2012. As a good corporate citizen, we respond to the demands of society and earn its trust by using our technologies and human resources to contribute to society in Japan as well as overseas.

Activity and Results

Status of Social Contribution Activities

KDDI is engaged in social contribution activities focused on the following five areas: bridging the digital divide, sound development of youth, environmental conservation, social and cultural support, and support in times of disaster.

In February 2008, KDDI established the +α Project as a social contribution activity that encourages the participation of employees. The project provides an opportunity for employees to earn points for social contribution activities that they conduct within or outside the company. These points are then converted to funds that KDDI donates to charitable organizations. As of March 2016, approximately 9,300 people across Japan have registered in the project and are proactively engaged in activities. In FY2015, a total of 5,574,800 yen was donated through the project.

Activity and Results

Efforts in Five Areas

■ (1) Bridging the Digital Divide

As a company that provides information and communications services, we recognize the digital divide in developing countries as a social issue that needs to be addressed proactively, and we are continuously pursuing efforts aimed at resolving the issue.

In addition, since 2012, KDDI has offered KDDI Smartphone and Mobile Phone Safety Classes for seniors, providing lectures to improve their information literacy and teach smartphone and tablet usage.

The KDDI Foundation has been working continuously to bridge the digital divide since FY2002. In FY2015, their initiatives included a pilot project to provide broadband Internet connectivity in Mongolia, and joint research on a bus transit information system designed to reduce urban traffic congestion in Vietnam.



Link Page_47

Lectures for Seniors in KDDI smartphone and Mobile Phone Safety Classes

Basic Principles

Operating in accordance with The KDDI Group Philosophy, by satisfying all its stakeholders the KDDI Group seeks to contribute to society's happiness by encouraging fulfilling lives for people around the world in a sustainable manner.

Behavioral Guidelines

- 1.As a company involved in information and communications business, KDDI recognizes its social responsibility to address societal issues through the use of information and communications technologies (ICT). We aim to provide appropriate communication environments that are safe and secure for all people.
- 2.KDDI has established medium-term themes for its social contribution activities in five areas: "bridging the digital divide,"* "sound development of youth," "environmental conservation," "social and cultural support," and "support in times of disaster." By maximizing our application of such resources as networks, products and services, we conduct social contribution activities through ICT, in a manner characteristic of KDDI.
- 3.Through communications with stakeholders, we notify and share information concerning ongoing improvements in the content of our operations, thereby contributing to society's development.
- 4.By sharing with KDDI Group employees our directions on social contribution activities, we pursue independent-minded activities as a good corporate citizen in the aim of achieving sustainable growth in tandem with society.

* Issue where an information disparity occurs between people who have access to information and communication technology such as the computers and the internet and those who do not.

Community Involvement and Development



Improving the Communication Environment in Developing Countries

[Link](#) Page_52



Efforts of KDDI Foundation in Developing Countries

[Link](#) Page_52

■ (2) Sound Development of Youth

KDDI proactively engages in activities to impart knowledge and introduce ICT and other technology to children, so that they can realize their own life and career goals and develop into future leaders.

KDDI Smartphone and Mobile Phone Safety Classes held across Japan provided an opportunity for elementary, junior high, and senior high school students to learn how to use smartphones and mobile phones in a safe and secure manner.

For junior high and high school students, KDDI offers career education classes conducted by KDDI employees, which encourage students to think about their own future path forward, as well as IT education classes on developing apps that help resolve issues that they face in their own lives and regions.

KDDI Foundation provides support in Japan and abroad for activities that encourage children to think for themselves and act independently.

In Japan, KDDI Foundation cooperates with Tohoku University, Nagoya University, and Kyushu University to offer a summer school science program in each region. The program is provided in response to requests for educational opportunities that offer children a unique experience with a fun and friendly approach to science. In other countries such as Cambodia and Myanmar, art education classes are being conducted in response to a desire for classes that enrich the spirit. In FY2015, KDDI Foundation opened its first music classroom at Phom O Elementary School in Cambodia.



Safety and Security Lectures for Juniors in KDDI Smartphone and Mobile Phone Safety Classes

[Link](#) Page_47



IT Education for the Hearing Impaired

[Link](#) Page_51



Information Ethics Education Using Smartphones

[Link](#) Page_47

■ (3) Environmental Conservation

Since FY2012, KDDI has been conducting the Green Road Project to promote environmental conservation activities that involve the participation of customers, as well as those that are conducted by employees.



Environmental Conservation Activities by Employees

[Link](#) Page_104

■ (4) Social and Cultural Support

In FY2014, KDDI launched the “Bridge of Hope” social contribution website to support the activities of NPOs and conduct fundraising activities after large-scale disasters occur.

The “KDDI Foundation” undertakes a wide range of activities contributing to the healthy development of society as a major implementing agency for international cooperation.

In Cambodia, KDDI has sponsored a charity classical concert every year since 2005, and donates the proceeds toward the construction of KDDI Schools and the development of classes in arts and music. KDDI also conducts cultural activities to support theater troupes that carry on the traditional art of Sbaek Thom shadow

puppetry. In 2014, KDDI began conducting activities in Myanmar to support local schools that provide classes for children and adults in English, art, and the Myanmar language.

In addition, KDDI provides grants to various types of social and cultural activities such as NPOs, foreign exchange students, and Japanese students studying abroad, including approximately ¥70 million per year in grants to research that has produced exemplary results, through awards such as the KDDI Foundation Prize.



[Link](#) Website

Bridge of Hope (Japanese)

■ (5) Disaster Support

When a large-scale disaster occurs in Japan or abroad, KDDI immediately begins accepting donations through the “Bridge of Hope” social contribution website, and provides support to ensure Internet connectivity in the afflicted areas.

In addition, KDDI is engaged in a variety of ongoing activities to support disaster reconstruction efforts.



[Link](#) Website

Reconstruction Support Efforts (The 2016 Kumamoto Earthquake) (Japanese)

<Reconstruction support following the Great East Japan Earthquake>

In July 2012, KDDI set up the Reconstruction Support Office under the direct control of the president to strengthen the reconstruction efforts in areas affected by the Great East Japan Earthquake. The staff of the Reconstruction Support Office is made up mainly of employees from the Tohoku region. Staff members have visited the Reconstruction Agency in Tokyo and the various local governments

Community Involvement and Development

(Kamaishi City Hall in Iwate prefecture, Kesenuma City Hall, Higashimatsushima City Hall, Sendai City Hall in Miyagi prefecture, and Fukushima Prefectural Office) and are working with the local governments and local residents to promote new town development that takes advantage of KDDI's vast expertise in ICT.



Link Website

Reconstruction Support Efforts
(Great East Japan Earthquake) (Japanese)

■ Main Disaster Support in FY2015 (Donations)

Japan

	Total Contributions	Obtained from	Donated to
Typhoon No. 18	¥5,159,900	KDDI's "Bridge of Hope" social contribution website	Central Community Chest of Japan

Overseas

	Total Contributions	Obtained from	Donated to
Tropical cyclone in Vanuatu	¥3,064,800	KDDI's "Bridge of Hope" social contribution website	Japanese Red Cross Society
Earthquake in Nepal	¥6,408,500	Same as above	Japanese Red Cross Society/Japan Platform
Flooding in Myanmar	¥5,296,500	Same as above	Embassy of the Republic of the Union of Myanmar
Earthquake in Afghanistan and Pakistan	¥2,570,400	Same as above	Japan Platform
Earthquake in Taiwan	¥6,614,500	Same as above	Japanese Red Cross Society

* KDDI matches the contributions donated by customers and KDDI employees.

■ Support Activities in FY2015

- May 29 Support in aftermath of volcanic eruption at Kuchinoerabu-jima (Kagoshima prefecture)
- September 10 Support in aftermath of Typhoon No. 18 (Ibaraki prefecture, Tochigi prefecture, and Miyagi prefecture)
- October 1 Support in aftermath of Typhoon No. 21 (Okinawa prefecture)