

# SUSTAINABILITY REPORT 2018



Disclosure of Sustainability-related Information.....	002	●Sustainability Initiatives Through Business (KDDI's Products and Services).....	035
Top Message .....	003	Network Quality Management and Improvement .....	036
Message from Executive Officer of Sustainability.....	005	Responsibility for Products and Service .....	039
Our Business and Strategies.....	006	Customer Relationship Management.....	042
KDDI's Commitment to Sustainability.....	007	Brand Management.....	045
KDDI Code of Business Conduct (Basic Principles) .....	009	Innovation Management.....	046
Sustainability Promotion Framework .....	010	Initiatives in Growing Markets outside Japan .....	049
Stakeholder Engagement .....	011		
KDDI's Material Sustainability Issues.....	014	●Sustainability Initiatives That Support Business (KDDI's Business Foundation).....	051
		Corporate Governance.....	052
●Materiality Highlight		Risk Management .....	059
Materiality 1 Safer and More Resilient Connected World .....	021	Information Security .....	062
Highlight: Maintaining Communications during Disasters .....	022	Disaster Preparedness .....	064
Materiality 2 Cyber Security and Privacy Protection.....	023	Compliance .....	065
Highlight: Protection of personal information.....	024	Human Rights.....	068
Materiality 3 Rewarding Workplaces for Diverse Talents .....	025	Labor Practices .....	070
Highlight: Professional Advancement of Women and Rewarding Workplaces .....	027	Recruiting and Developing Human Resources .....	077
Materiality 4 An energy-efficient, circular economy .....	028	Supply Chain Management.....	083
Highlight: Improving Energy efficiency .....	029	Community Involvement and Development .....	085
Materiality 5 Fulfilled Life Brought through ICTs.....	030	Environmental Management.....	090
Highlight: Regional revitalization using 5G.....	032	Environmental Performance .....	097
Materiality 6 Respect for Human Rights and Fairness in Business .....	033		
Highlight: Support for LGBT.....	034	External Recognition .....	105

# Disclosure of Sustainability-related Information

## About This Report

KDDI issues its Sustainability Report as a means for disclosing financial and non-financial information. This report is a focused summary of environmental, social, governance, and other non-financial information in PDF format (Japanese and English). For information on our business strategies and opportunities, please refer to the Integrated Report.

The Sustainability Report expands on information referencing to the GRI's Sustainability Reporting Standards, as well as information determined to contribute to promoting the understanding of the creating of KDDI's value.

We will continue making efforts to communicate with all stakeholders and promoting our sustainability initiatives.

## Period Covered

FY2017 (April 1, 2017 to March 31, 2018). Some of the included information pertains to activities before and after FY2017.

## Scope of Report

Although we report the activities of the KDDI Group (KDDI and its 178 subsidiaries), this report focuses on KDDI only since the ratio of Group's consolidated sales is approximately 1.25 times of KDDI's non-consolidated sales.\*

\*Consolidated: based on International Financial Reporting Standards (IFRS). Non-consolidated: based on Japanese GAAP.

## Publication Date

September 2018 (Next publication: September 2019; Previous publication: September 2017)

## Guidelines Referenced

- GRI (Global Reporting Initiative) Sustainability Reporting Standards
- SASB (Sustainability Accounting Standards Board) (Telecommunications)
- IIRC (International Integrated Reporting Council)
- ISO 26000: 2010 (Guidance on Social Responsibility)
- JISZ 26000: 2012 (Guidance on Social Responsibility) Japanese Industrial Standards
- Japan's Ministry of the Environment, 2012 Environmental Reporting Guidelines

## External Assurance

To ensure reliability, environmental data for Scope 1 and 2 has received independent third party assurance by Lloyd's Register Quality Assurance Limited, and environmental data for Scope 3 has been verified by Waseda Environmental Institute, an independent third-party.

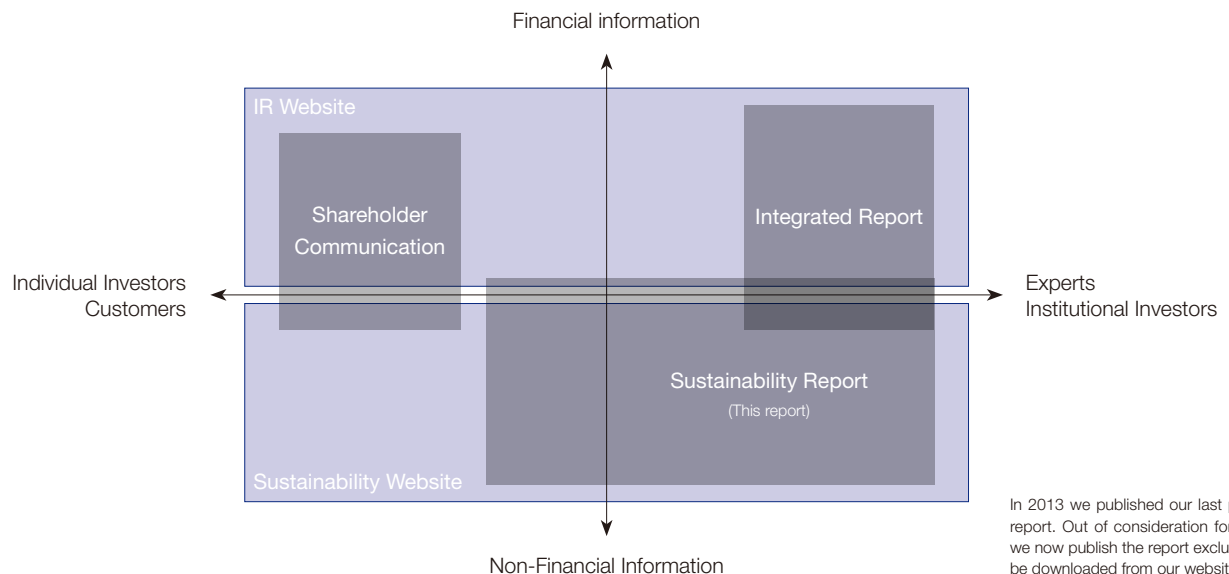
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In 2013 we published our last print edition of the report. Out of consideration for the environment, we now publish the report exclusively online. It can be downloaded from our website as a PDF file.

## We are committed to helping our connected society prosper.



*m. Takahashi*

Makoto Takahashi,  
President, KDDI CORPORATION

The international community's drive to tackle global societal issues has gained momentum in recent years, as evidenced in the UN Sustainable Development Goals (SDGs), and the Paris Agreement signed at the 21st session of the Conference of the Parties (COP21) to the UN Framework Convention on Climate Change. Companies too are expected to be proactive partners in the global effort and contribute to sustainable growth through business activities.

We at KDDI Group are committed to sustainable management, through which we seek to offer solutions to social issues and help communities prosper through sustainable growth. As a telecommunications service provider, our focus is on making the increasingly connected world a rich and vibrant place through our telecommunication services.

### The KDDI Group Philosophy is at the heart of our sustainable management approach.

The KDDI Group Philosophy is a set of principles that guides our effort to win the goodwill and trust of all our stakeholders. As a telecommunications operator, we are part of vital social infrastructure with an important mission: to provide stable service 24 hours a day, 365 days a year, whatever the situation. Our business by nature depends on the use of valuable public properties such as radio frequencies to provide our services. We are acutely aware of the responsibility this privilege brings — the responsibility to contribute in the efforts

to solve social issues. The KDDI Group Philosophy sets out our vision as a company and the culture we wish to instill in our employees. It is the starting point of our sustainable management approach.

We believe it is essential that all our employees share a common set of values in order for different business divisions to work closely together and create a synergy as we expand our operations globally. Following a revision in 2013, we have been running a campaign to promote the KDDI Group Philosophy among our employees across the world. Ensuring that we all share the Philosophy and works together to achieve our goals is key to our sustainable management approach.

### We listen to our stakeholders to create shared value.

We value all our stakeholders and their voices; we engage with our customers, partner companies, shareholders, local communities, governments and other people who support us, and our dialogues guide us as we tackle a wide range of social issues. This ensures that our core activities contribute to the society and create shared value. The concept of creating shared value is a key driver in our sustainable management vision. In March 2018, we announced the six Material Sustainability Issues to focus on in our endeavor to create shared value:

1. Safer and more resilient connected world
2. Cyber security and privacy protection
3. Rewarding workplaces for diverse talents
4. An energy-efficient, circular economy
5. Fulfilled life brought through ICTs
6. Respect for human rights and fairness in business

#### 1. Safer and more resilient connected world

In the highly connected society we now live in, info-communication services are one of the most critical lifelines. Even in times of emergency, when natural disasters bring down many lifeline services, we strive to maintain safe and resilient info-communication services to keep communities connected. By giving people peace of mind and supporting social order and wider economy, we can increase our corporate value in return.

#### 2. Cyber security and privacy protection

We put a full range of safeguards in place to maintain the confidentiality of communications and protect personal data so that our customers can use our services with confidence. Our networks are monitored by a specialist organization 24/7 to protect against cyberattacks and hacking attempts. We also have a group-wide information security framework in place to strengthen our data governance and prevent information leaks from the inside.

#### 3. Rewarding workplaces for diverse talents

Diversity and inclusion are key concepts that drive our initiatives to encourage our employees to fulfill their potential no matter what their gender, age, nationality, language, (dis)ability, sexual orientation or gender identity may be. By getting our people motivated, we improve our competitiveness. We are particularly focused on giving women opportunity; we have been running a leadership development program for women since fiscal 2012 to encourage more women to participate in corporate decision-making. We plan to appoint 200 female line managers by fiscal 2020.

The KDDI Group Philosophy has also inspired our commitment to health-focused management. We have a range of measures to protect the work safety of our employees, maintain and improve their physical and mental health, and provide a pleasant work environment. Through health-focused management, we embed a "health first" culture in the company and do everything we can to improve the vitality and productivity of our workforce.

#### 4. An energy-efficient, circular economy

KDDI Green Plan 2017-2030 is a set of long-term goals for fiscal 2030, such as reducing KDDI's CO<sub>2</sub> emissions by 7% from the fiscal 2013 level. As data traffic increases, power consumption is expected to rise. We are committed to reducing CO<sub>2</sub> emissions as part of the global climate action, and one way to achieve this is through technological innovation to reduce power consumption. We also see opportunities for business growth, for example, in the construction of environmentally responsible base stations and innovative ICT services to reduce our impact on the environment.

#### 5. Fulfilled life brought through ICTs

We set out our medium-term target for fiscal 2018 as "transforming into a business that provides customer experience value." As the era of IoT and 5G dawns, we will accelerate our work for the Integration of Telecommunications and Life Design. The foundation of our business activities is telecommunication, and as we expand our offering to include data content, commerce, energy, finance, education and other services that are essential to daily life, we strive to provide solutions to existing social issues and help our customers live their life to the full.

In countries and regions where our global operations are based, we will play our part in the growth of connected communities, using the technologies, experience and know-how we have built up home and abroad over the years to provide telecommunication and related services that work with the culture, social conditions and economy of each area.

#### 6. Respect for human rights and fairness in business

The core principle of the KDDI Code of Business Conduct, which guides our officers and employees in their day-to-day work, is respect for human rights and individuality. The KDDI Group Human Rights Policy, applicable across all group companies, demands that we respect international standards such as the Universal Declaration of Human Rights, minimize the negative impact of our business activities on human rights, and promote human rights awareness. The KDDI Guidelines for Responsible Supply Chain clearly set out our commitment to ensure that our supply chain is free of forced labor, inhumane treatment, child labor and discrimination, and we encourage our business partners to be part of this drive.

As we tackle these six Material Sustainability Issues, we are going to continue listening to our stakeholders, develop innovative solutions to social issues, nurture diverse talents and, through these efforts, increase our corporate value and create a sustainable society at the same time.

April 2018

## Message from Executive Officer of Sustainability

As the officer in charge of KDDI's sustainability actions, I am delighted to present this report.

This report provides details of our sustainability initiatives that center around our new six material sustainability issues. They are divided into two core themes: initiatives that support our business and initiatives we are engaged in through our business.

You can find details in the relevant sections, but here I would like to explain our approach to human rights, productivity, the environment and governance that informs these initiatives.

### Human rights are the foundation of all business activities

The UN Guiding Principles on Business and Human Rights highlight the corporate responsibility to respect human rights, while the 17 Sustainable Development Goals (SDGs) to transform our world aim to reduce inequalities and protect human rights. A wide spectrum of stakeholders demand businesses to address human rights issues.

We at the KDDI Group acknowledge this social trend and are working to promote respect for human rights across the group and our partners through the KDDI Group Human Rights Policy, the KDDI Sustainable Procurement Policy and the KDDI Guidelines for Responsible Supply Chain.

As part of the ICT industry, we face many potential human rights issues, including rights to privacy and freedom of expression as well as requests from government authorities to disclose customer data for legitimate purposes. We at KDDI will, guided by these policies and dialogues with our stakeholders, continue our efforts to identify and address human rights issues in our business activities.

### Productivity improvement is essential for the sustainable growth of the company — work style reform and health-focused management

As a business operating in Japan, where we face issues that are affecting our country such as low birth rate, aging and decline in productive population, we need to improve productivity to make our operations resilient enough against these issues and continue maintaining and raising our corporate value. For achieving sustainable growth in the dramatically changing business environment, it is also essential that we transform traditional homogeneous organizations into

organizations that benefit from diverse values.

We list building a stronger workforce and utilization of diverse human resources as one of the key policies in the medium-term management plan, under which various measures to expand diversity are being pursued. These include: nurturing and appointing female leaders, expanding disability employment, raising the awareness of LGBT<sup>1</sup> equality and adapting the workplace to facilitate it. Since the fourth quarter of 2016, we have introduced Work Style Reform across the company to realize both a robust and productive organization and an inclusive working environment. In fiscal 2018, the KDDI Group Declaration of Health-Focused Management was published to show our commitment to embedding a "health first" culture in the group, and we strive to energize the workforce and improve productivity.

Through these initiatives, we seek to transform the group and turn the vision of the KDDI Group Philosophy to make diversity our bedrock into a reality. We will create a working environment where every employee can work in a sustainable way and perform to their full potential.

[1] LGBT: Collective term for lesbian (L), gay (G), bisexual (B) and transgender (T) people. While there are various sexual and gender identifications other than LGBT, the term is used in this report to refer to all sexual minorities.

### Actions for the environment

In recent years, we have experienced frequent occurrences of natural disasters caused by climate change and the huge damage resulting from them. The Paris Agreement and the SDGs were adopted against this backdrop, and both of them set common long-term environmental goals for the whole world. The world has set its course firmly towards a zero-emissions society. This shift is evident from the increasing number of investors divesting from companies that are not environmentally responsible. This means that KDDI must also consider the environmental impact of its capital investments and service offerings.

With this in mind, we developed our 14-year long-term plan, Green Plan 2017-2030, in 2017. The increase in the use of ICTs can cut CO<sub>2</sub> emissions and mitigate climate change, but it can also increase the environmental impact of ICTs itself at the same time. The Green Plan sets out KDDI's vision of how this problem can be resolved through energy efficiency improvement of telecommunications systems and equipment and the use of renewable energy.

It also defines the company's CO<sub>2</sub> reduction targets. As the number of devices each person uses increases along with data usage volume, we consider it significant that we indicate our CO<sub>2</sub> reduction targets in terms of total volumes.<sup>2</sup>

We are determined to step up our environmental actions through our 2030 plan.

[2] KDDI non-consolidated (Japan): 7% reduction from fiscal 2013 level by fiscal 2030

### Enhanced governance

Governance is the foundation of corporate activities, and solid governance and management system are essential for any plans and actions to be implemented. By proactively adhering to Japan's Corporate Governance Code and practicing the KDDI Group Philosophy, which we consider inseparable from the standpoint of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group.

Through these sustainability initiatives and dialogues with our stakeholders, we will continue our efforts to achieve the SDGs and address Japan's social issues. We are determined to play our part to support to build a sustainable society and achieve sustainable growth of KDDI's business at the same time.



Akira Dobashi  
Executive Officer of Sustainability

# Our Business and Strategies

## Policy & System

## KDDI Group

### Overview of Our Main Business

#### ■ Integration of Telecommunications and Life Design

Since its formation by the merger of DDI, KDD and IDO in October 2000, KDDI has been solidifying its base as a total telecommunications operator that provides mobile and fixed telecommunications services.

We have been able to continue growing our business on the back of the expansion of the mobile market and the growing adoption of smartphones in Japan. However, as the growth of the domestic telecommunications business that has been driving our success slows, we are establishing new drivers for growth.

We now define our telecom business and the customer base as our core and develop life design business around it in fields such as commerce, finance and energy, and others. This is our vision of the integration of telecommunications and life design that offers new customer experience value.

In our global business, we have consumer business operations in Myanmar and Mongolia and the TELEHOUSE brand data center business as a part of global ICT business, and together we endeavor to achieve sustainable growth both in Japan and abroad.

## Policy

## KDDI Group

### Medium-term Management Targets

As mobile phone companies offer similar services and MVNOs offer low-cost SIM, the business environment of telecom industry is becoming more severe. On the other hand, new business opportunities, including IoTs, are being created. In order to achieve sustainable growth in this ever-changing environment, we must keep transforming our business, taking immediate actions against changes instead of following the conventional course. Given this backdrop, in May 2016, KDDI announced its new mid-term targets towards fiscal 2018 and has been undertaking various initiatives to achieve them.

## Mid-term goals for FY2018

### Achieve continuous growth and enhance shareholder returns

Profit growth	Operating Income	CAGR: 7%
	GMV of "au Economic Zone"	Over two trillion yen of the fiscal year ending March 31, 2019
	M&A for growth	Approx. 500 billion yen over three years
Shareholder returns	Dividend payout ratio	Lift from "above 30%" to "above 35%"
	Repurchase of treasury stock	Implement balancing with growth investment
	Cancellation of treasury stock	Limit the amount of treasury stock to 5% of outstanding, and retire any shares in excess

Business Segment	Service Overview	
Personal Services Segment	Personal communication services (au and MVNO mobile services, FTTH, CATV) and energy, educational services, etc.	Our mobile communication business includes service of "au," our core brand, and MVNO services offered by our subsidiary companies including UQ Communications Inc. Our fixed-line business includes FTTH under "au HIKARI" brand and CATV services, and others. This segment also provides non-telecommunications services such as au WALLET Market, an commerce service making use of au shops, an energy service "au Denki" and an educational service under the AEON brand.
Life Design Services Segment <sup>1</sup>	Personal commerce, finance, settlement, entertainment and other services	This segment offers value-added non-telecommunications services for personal customers such as enriching digital subscription services, including "au Smart Pass / au Smart Pass Premium," e-commerce service "Wowma!" and finance business, including insurance. By enhancing these services, we aim to maximize the "au Economic Zone" with greater profit.
Business Services Segment	Telecommunications services and ICT solutions, data center services, etc. for enterprise customers	This segment targets business customers of all sizes from large enterprises to SMEs and provides mobile services such as smartphones and tablets and a wide range of solution services including network, application and cloud services as well as IoT solutions that connects everything to the internet.
Global Services Segment	Telecommunications services and ICT solutions, data center services, etc., for personal and business customers outside Japan	This segment offers the one-stop ICT solutions to business customers mainly with our TELEHOUSE brand data centers. In addition, we are working proactively to expand consumer businesses in Myanmar and Mongolia.
Other	Construction and maintenance of telecommunications facilities, research and development of information and communications technologies, etc.	We conduct research and development of information communication technologies in addition to construction and maintenance of facilities that support communication services.

[1] The Value Services Segment has been renamed the Life Design Services segment from fiscal 2018

# KDDI's Commitment to Sustainability

## Policy

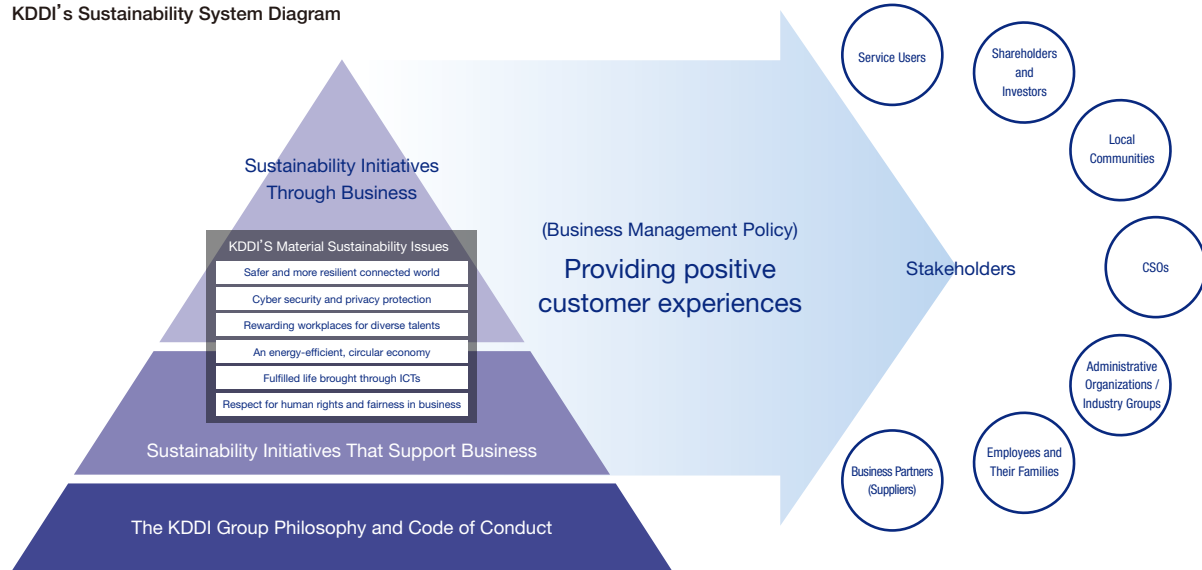
## KDDI Group

### Group Sustainability Policy

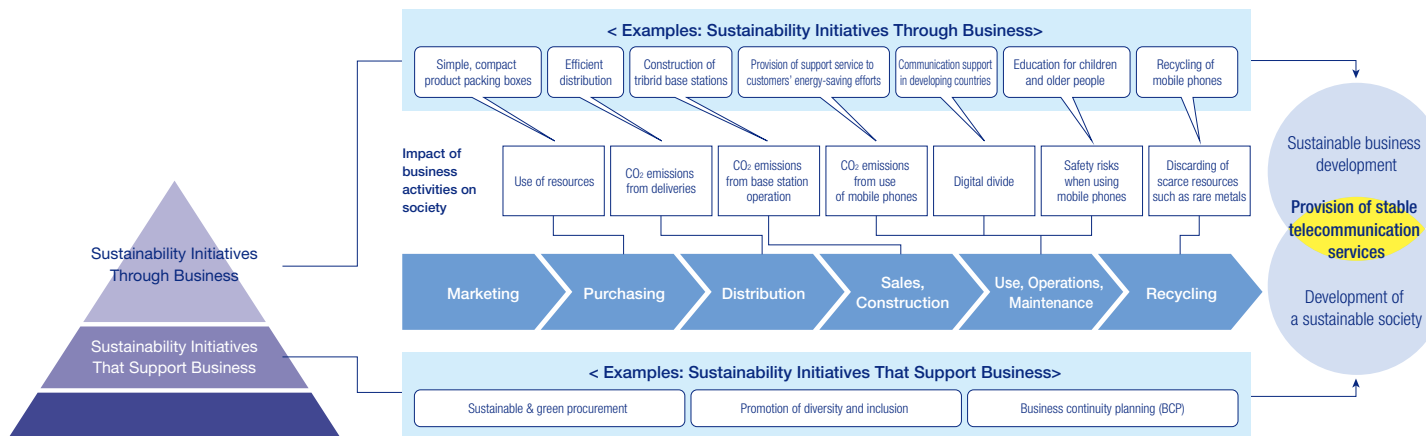
As a telecommunications operator that provides social infrastructure, our societal mission is to deliver stable services regardless of conditions, 24 hours a day, 365 days a year to achieve a truly connected society as stated in our corporate philosophy. We believe that sustainability is the axis needed to carry out this mission. As our businesses utilize radio waves, which are an important asset shared by all citizens, we recognize that we have a social responsibility to contribute to addressing the various issues facing society. The KDDI Group Philosophy describes the company that we need to become and the attitudes that employees of such a company need to maintain.

Our sustainability initiatives have two core themes: Sustainability Initiatives Through Business use the societal impacts that arise from our businesses as our business opportunities and aim to solve environmental and societal issues; and Sustainability Initiatives That Support Business aim to enhance our group basis that supports our service provision.

KDDI's Sustainability System Diagram



Value Chain and Sustainability





# KDDI's Commitment to Sustainability

## Philosophy

### KDDI Group

### The KDDI Group Philosophy

The KDDI Group Philosophy expresses the attitudes, values and behavior that all of us — officers and employees — need to exhibit in order to achieve our corporate philosophy. The KDDI identity and KDDI vision that we must embrace as a telecommunications operator are incorporated throughout. The KDDI Group Philosophy is the foundation for our sustainability initiatives and is the basic stance KDDI officers and employees must adopt. By putting the KDDI Group Philosophy into practice, we aim to be a company admired and trusted by all stakeholders.

## Our Shared Philosophy

### KDDI Group

### Group-wide Efforts

To encourage employees to better understand and practice our group philosophy, the president and executives discuss the importance of the philosophy and good practices directly with all employees and promote the spread of the philosophy. In fiscal 2017, we held study sessions for group companies in and outside Japan to enhance the shared philosophy.

We also added three sets of content to the movies that introduces our group philosophy (in English and Chinese) for non-Japanese-native employees to better understand the philosophy. Through understanding and implementation by these activities, Our group aims to be a corporate group loved and trusted by all our stakeholders.

## FY2017 results: Study sessions

	FY2017 Number of sessions
For division's general managers	5
For department's general managers/ new group leaders	For department's general managers: 4/ For new group leaders: 12
For all employees	For all employees: 551 Total number of participants: 25,020 Level of understanding: 96.8%
At group companies in and outside Japan	3 (In Japan: 2, outside Japan: 1)

### The KDDI Group Mission Statement

The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society.

### The KDDI Group Philosophy

#### Chapter 1: Vision

- 1.1 Connecting people "heart to heart", bringing smiles from "face to face"
- 1.2 Being global
- 1.3 Responsibility extending 24/7 and 365 days a year
- 1.4 Satisfying customers
- 1.5 Delivering a thrilling customer experience by always going further than expected
- 1.6 Keeping aspirations alive
- 1.7 Each one of us makes the KDDI Group what it is
- 1.8 Embracing diversity

#### Chapter 2: Management Principles

- 2.1 Fulfilling our corporate and social responsibilities
- 2.2 Clearly state the purpose and mission of our business
- 2.3 Pursue profit fairly
- 2.4 Transparent management
- 2.5 Maximizing revenues, minimizing expenses

- 2.6 Lean and mean management

- 2.7 Real-time business management

#### Chapter 3: Professional Mindset

- 3.1 We set specific goals with a pure and aspirational mind. Once our targets are set, we will drive ourselves to keep going with a strong commitment until we achieve success. Then we will share the fruits of our accomplishments.

#### Chapter 4: Way Forward

- 4.1 Be self-motivated
- 4.2 Keep your fighting spirit alive
- 4.3 Taking ownership
- 4.4 Open and direct communication
- 4.5 Be agile; think and act with a sense of urgency
- 4.6 Let's unite as a team to achieve our goals
- 4.7 Put yourself in the perspective of your boss

- 4.8 Look at what you do, from the outside in

- 4.9 Tackle a challenge head-on

- 4.10 Always be creative in your work

- 4.11 Every small effort counts

- 4.12 Believe in our potential

- 4.13 Go back to the basic principles

- 4.14 To know the problem, go, see and touch

- 4.15 Playing by the rules

- 4.16 Tough love at work

#### Chapter 5: Formula for Success

- 5.1 Achievement = Attitude x Effort x Ability

- 5.2 Do the right thing as a human being

- 5.3 Be altruistic

- 5.4 Be grateful to others

- 5.5 Have an open mind and a humble attitude

- 5.6 Be positive

# KDDI Code of Business Conduct (Basic Principles)

## Policy

## KDDI Group

### KDDI Code of Business Conduct (Basic Principles)

We established the KDDI Code of Business Conduct in 2003 as specific guidelines for understanding and practicing the KDDI Group Mission Statement and the Group Philosophy. All of our executives and employees maintain a high sense of ethics and execute their duties in compliance with the Code of Business Conduct.

In April 2016, we revised it in response to the changes in laws and regulations and in the social climate to enhance KDDI Group management. Each group company also establishes or reviews the code of conduct for the group company based on the KDDI Code of Conduct, considering the characteristics of their business.

 [KDDI Code of Business Conduct \(Basic Principles\)](#)

## KDDI Code of Business Conduct (Basic Principles)

### Happiness of Our Employees and Vibrancy in the Company

- I. Respect for Human Rights and Individuality
- II. Conscientious Performance of Duties
- III. Respect for Intellectual Properties

### Earning our Customers' Satisfaction and Trust

- IV. Provision of Services that Respond to the Trust and Confidence of our Customers
- V. Promotion of Fair Business Activities
- VI. Management of Information to Protect the Confidentiality of Communications and Customers' Information

### Confidence of Our Shareholders and Business Partners

- VII. Practice of Open and In-depth Communication
- VIII. Prevention of Insider Trading
- IX. Appropriate Accounting and Adherence to Agreements

### Development of the Society

- X. Environmental Conservation
- XI. Rejection of Organized Crime Groups
- XII. Contribution to the Development of the International Community

## Activity & Results

## KDDI Group

### Group-wide Efforts

KDDI periodically implements measures to ensure our Code is well known and understood by all employees.

#### In-house Training Results

##### ● Training for new recruits (for regular employees)

"Compliance: basic practices" (100% participation rate in FY2017)

##### ● E-learning (for regular and contract employees and temporary staff)

"Creating a Scandal-Free Workplace" (87% participation rate in FY2016)

"Power Harassment"

"Preventing Misrepresentation"

"Intellectual Property Risks and Requirements: What You Need to Know"

##### ● E-mail magazine (for regular employees)

FY2017 results: Distributed monthly

##### ● In-house posters, movies broadcasted on monitors in the elevators and within the group for corporate ethics month (for regular and contract employees and temporary staff)

FY2017 results: From Dec. 2017 to Feb 2018. Posters remain on display after this period

##### ● Recommendation of establishment and revision of codes of conduct based on the KDDI Code of Conduct (for group companies)

Results by FY2017: Established: 1 company; Revised: 6 companies

##### ● Group companies training on governance (for executives of group companies: 229 participants; participation rate 84.2%)

FY2017 evaluation: Satisfied 98%, Beneficial 98%

# Sustainability Promotion Framework

## Policy

## KDDI

### Approach to Sustainability Promotion

Our sustainability initiatives, which are fundamental to our business, include operational improvements through dialogue with diverse stakeholders, sustainable procurement, promotion of diversity and inclusion, and the business continuity planning (BCP). Based on these practices, we recognize the impact of our business activities on society throughout our value chain and implement sustainability initiatives to solve social issues through our products and services.

By promoting sustainability initiatives through our business, as well as those initiatives that support our business, we at KDDI develop our sustainable business as well as a sustainable society.

## System

## KDDI

### Sustainability Promotion Framework

The Sustainability Department designs and plans measures for the strategic integration of management and sustainability at KDDI and for the promotion of sustainability initiatives throughout the company. Sustainability policies and important topics are formulated and discussed twice a year by the Sustainability Committee, which is chaired by the Executive Director, Corporate Sector (Senior Managing Executive Officer, Director) with the Sustainability Department as the secretariat. The committee submits periodic reports to the Corporate Management Committee to inform of its discussion.

Important matters relating to sustainability (including human rights and the environment) must be approved by the Board members.

With the lead of Sustainability Department, KDDI spreads the policies formulated by the Sustainability Committee to the relevant departments across the world to conduct cross-departmental activities. There are also three subcommittees under the Committee: the Human Rights, the Environmental and the Green Plan Subcommittees.

The Executive Officer of Sustainability conducts management under a system where the remuneration is linked to corporate sustainability performance to clearly define the responsibility.

### Major Issues Addressed by the CSR Committee (now Sustainability Committee) in FY2017 (twice a year)

- Redefining of material sustainability issues
- Internal sharing and disclosure of material issues
- Fiscal year targets of KDDI Green Plan 2017-2030
- Establishment of Green Plan Subcommittee
- Trends in SDGs and introduction of examples of good practice

### Human Rights Subcommittee

The Human Rights Subcommittee discusses measures, as needed, to ensure respect for human rights in all business activities of the KDDI Group based on KDDI's Human Rights Policy.

Human rights issues include the following:

- Prohibition of child labor or forced labor
- Prohibition of discrimination in business activities (based on race, sex, faith, nationality, age, sexual orientation, gender identity etc.)
- (Relating to telecommunications business) Protection of confidentiality of communications, restrictions on freedom of expression, and respect for residents in case of demanding eviction for construction of base stations

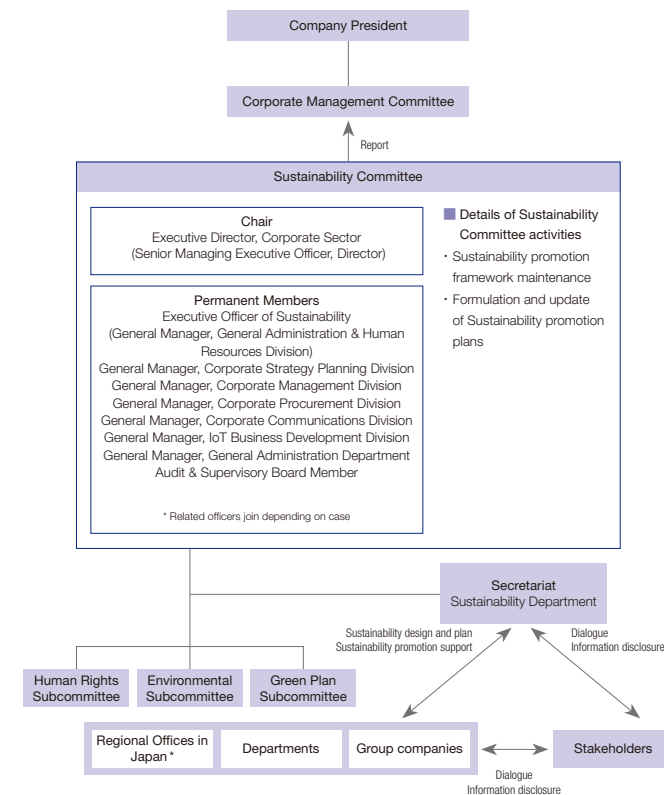
### Environmental Subcommittee

The Environmental Subcommittee discusses matters related to policy and plans for the sustainability initiatives and the environmental conservation activities of KDDI and the group companies.

### Green Plan Subcommittee

The subcommittee was established to monitor progress on the fiscal year targets in the KDDI Green Plan 2017-2030 and analyze the gaps between targets and results.

### Sustainability Promotion Structure



\* Control the sustainable initiatives, general administration, and human resources respectively in the ten divided regions of Japan. KDDI executive officers are appointed as the Senior General Manager of each regional office.

# Stakeholder Engagement

## Policy & System

## KDDI

### Stakeholder Engagement: Our Approach and System

Stakeholders that influence our businesses are diverse from customers, shareholders, business partners, employees and their families and to the local communities. We at KDDI consider all stakeholders in our business operations as our "customers," and implement various activities to offer new, satisfying experiences to each stakeholder.

We also use the GRI Sustainability Reporting Standards, SASB, IIRC, ISO 26000 and other global sustainability standards and checklists that consist of questions we receive from investors, and create and implement policies for assessing our current conditions and addressing management issues.

The results of engagement efforts are not only reported and shared within the company but also reported at relevant committees and management meetings and reflected in the decision-making process. KDDI values the dialogue with all our stakeholders who support us. We will continue to build up collaboration with our stakeholders and tackle societal issues to contribute to the development of a truly connected society.

## Activity

## KDDI

### Stakeholder Dialogue

We conduct stakeholder dialogue led by the Executive Officer of Sustainability. Through the dialogue, we incorporate the opinions and requests of stakeholders in our corporate management to build schemes for making further improvements.

In fiscal 2017, we had dialogue on the theme of the environment and human resources.

#### (1) Dialogue on the environment

In March 2018, we invite Mr. Keisuke Takegahara, Executive Officer, Deputy Chief Research Officer, Chief Manager, Sustainability Management Office, Corporate Planning & Coordination Department, Development Bank of Japan, to have dialogue about the following theme:

- Task Force on Climate-related Financial Disclosures (TCFD), RE100 and other

latest trend of decarbonization by governments, businesses, and institutional investors

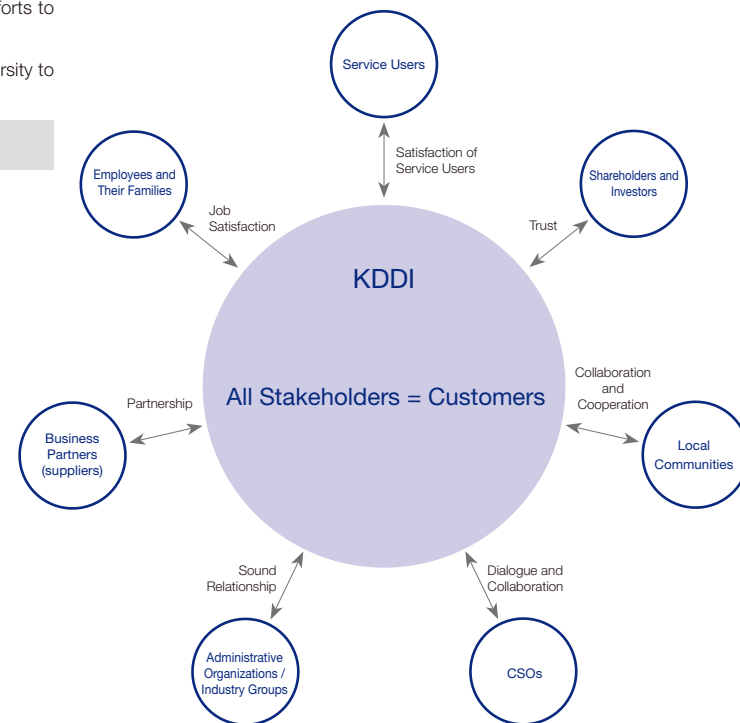
- Opinions about KDDI's long-term vision and material sustainability issues



#### (2) Dialogue on human resources

In February 2018, we invite Professor Hiroki Sato, Chuo Graduate School of Strategic Management, and Professor Hiroko Nomura, School of Communication and Design, College of Humanities, Shukutoku University, to have dialogue about the following theme:

- Evaluation of our actions at our frontline to improve productivity and efficiency while creating a fulfilling working environment, and input to our future efforts to further promote work style reform
- Importance of diversity and inclusion, and practical advice for linking diversity to value creation




# Stakeholder Engagement

## Activity & Results

KDDI

### Results of Stakeholder Engagement

Stakeholders	Main Contacts	Communication methods	Frequency	Details	Influence on the management and business activities	
Service Users	We strive for the satisfaction of our service users (customer experience) by living up to their trust and offering safe and valuable products and services	Customer Center, au Shops	Inquiries at customer center	As needed	• Respond by phone or email	• Transform into a business that provides positive customer experience
			Releases on websites and social media	As needed	• Spread information about the company and business activities	• Spread information appropriately
			au Shop service counters	As needed	• Share feedback to improve our products and services across the company and report the results to customers	• The departments in charge improve convenience of products and services and guarantee safety
			Daily sales activities	As needed		
Shareholders and Investors	We work to build a relationship of trust through honest and fair disclosure of information and active communications	General Administration Department, IR Department	General Meeting of Shareholders	Once a year	• Share business reports, consolidated financial reports, financial statements, auditors' reports	• Strengthen governance • Deliver information using websites and other information tools with a sincere attitude
			Results briefing	Four times a year	• Report financial results and business initiatives	
			Investor seminars Investors relationship website, etc.	Irregularly	• Explain and exchange opinions on financial results and business initiatives  ESG seminars for investors	
Local Communities	We collaborate and work in partnership with local communities and fulfill our duties as a corporate citizen	Regional Offices in Japan, Sustainability Department	Social contribution programs in each region	Irregularly	• Exchange opinions through local administrative organizations	• Reflect opinions on the environment conservation activities • Solve social issues in partnership with administrative organizations and local communities
CSOs			KDDI Smartphone and Mobile Phone Safety Classes	Irregularly	• Interact with local residents and contribute to local safety and development	
	We contribute to a better society through dialogue and cooperation		Activities funded by the KDDI Foundation	As needed	• Practice social contribution activities across the world • Participate in advanced initiatives	• Understand the social issues and needs in each community
			Events hosted in cooperation with CSOs	As needed		
Administrative Organizations / Industry Groups	We comply with the law and maintain sound relations	Government and Industrial Affairs Department, Regional Offices in Japan	Participation in conferences/ councils	As needed	• Participate in various conferences and exchange opinions	• Make proposals on various guidelines and deregulation
Employees and Their Families	We continue to be a dynamic company that provides job satisfaction to all employees	Human Resources Development Department, Human Resources Department, General Administration Department	Employee awareness survey	Once a year	• Conduct awareness survey on the activation level of the organization	• Analyze the state of companywide organizational culture and identify issues to be tackled in each department • Respect human rights
			Opinion exchanges between management and employees	A dozen times a year	• Discuss and promote mutual understanding about labor-management issues	
			KDDI Sports Festival (Cohosted with the labor union) *Cancelled due to rain in FY2017	Once a year	• Encourage interactions among KDDI Group employees including their families and management	• Create a sense of unity throughout the company
Business Partners (Suppliers)	We build partnerships based on mutual trust and carry out appropriate business activities with fair and open transactions	Procurement Management Department	Surveys and liaison conference	Once a year	• Share Sustainable Procurement Policy	• Promotion of responsible procurement through supply chain

# Stakeholder Engagement

## Activity & Results

## KDDI

### Participation in External Initiatives

We endeavor to participate and play a leadership role in initiatives and organizations in and outside Japan to contribute to the development of a truly connected society.

Initiative	Position
<b>International Standardization of Telecommunications</b>	
ITU-R (Radio Sector)	<ul style="list-style-type: none"> <li>• RRB member</li> <li>• SG4 Vice-chair (Satellite Communications)</li> </ul>
ITU-T (Standardization Sector)	<ul style="list-style-type: none"> <li>• SG3 Chair (Rates &amp; Policy)</li> <li>• SG9 Chair (Video Transmission &amp; CATV)</li> <li>• SG17 Vice-Chair (Security)</li> </ul>
GSM Association	Director
3GPP (Third Generation Partnership Project)	SA Plenary Vice-chair (Service & System Aspects)
<b>Building a Safe and Secure Society</b>	
Japan Smartphone Security Association (JSSEC)	Vice Chair/ Executive Board Member
Accessibility Consortium of Enterprises (ACE)	Director
<b>Conservation of the Global Environment</b>	
ICT Ecology Guideline Council	Director
<b>Promotion of Diversity and Inclusion</b>	
NPO J-Win	Advisory Board Member







# KDDI's Material Sustainability Issues

Policy

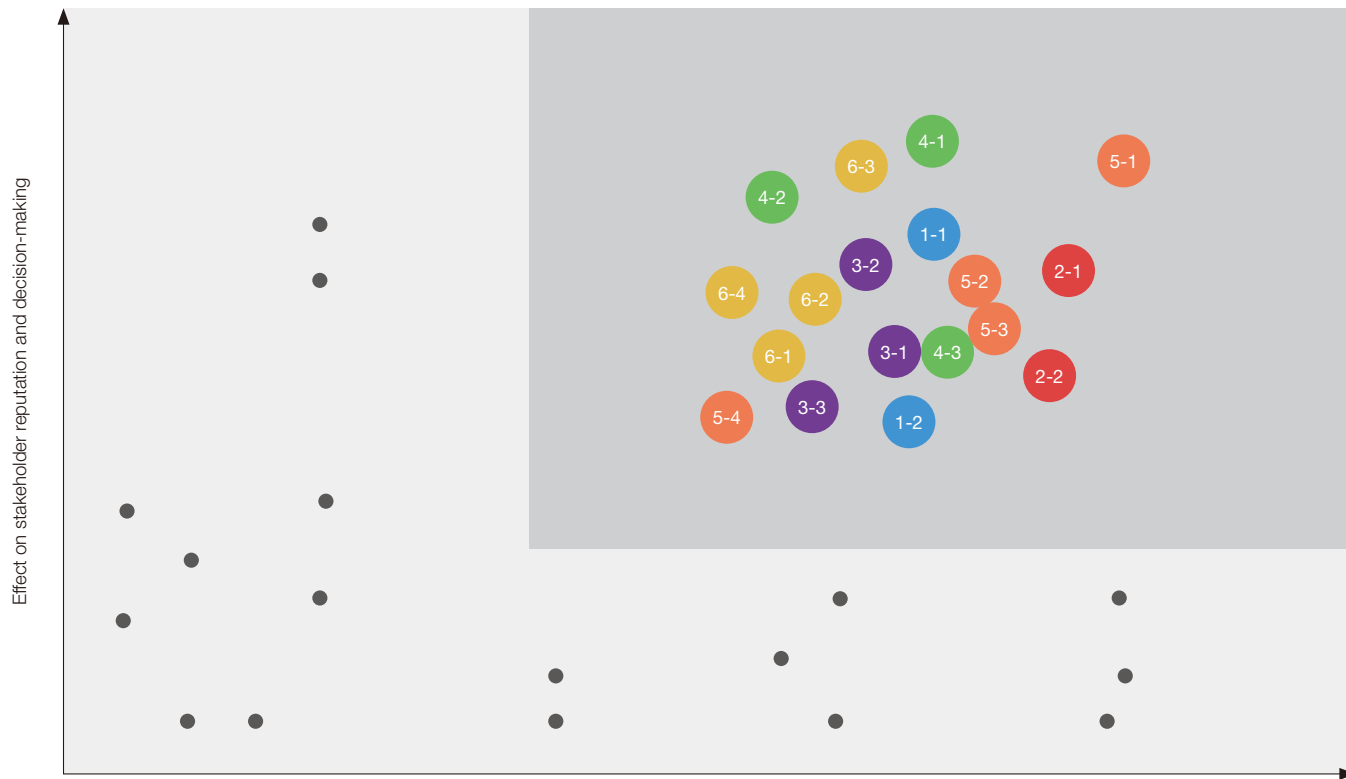
KDDI Group

## KDDI's Material Sustainability Issues

We at KDDI have identified six material sustainability issues among the numerous issues we face in relation to our business activities, based on the effect they have on stakeholder reputation and decision-making and the company's impact on the environment, society and economy.

<p><b>1. Safer and more resilient connected world</b></p>	<p><b>2. Cyber security and privacy protection</b></p>
 <ul style="list-style-type: none"> <li>Resilience to extreme weather events</li> <li>Risk management</li> </ul>	 <ul style="list-style-type: none"> <li>Utilization of information assets and tightening of security</li> <li>Data privacy</li> </ul>
<p><b>3. Rewarding workplaces for diverse talents</b></p>	<p><b>4. An energy-efficient, circular economy</b></p>
 <ul style="list-style-type: none"> <li>Promotion of diversity and inclusion</li> <li>Human resource development and career development</li> <li>Pursuit of employee satisfaction</li> <li>Promotion of health-focused management and improvement of employees' health</li> </ul>	 <ul style="list-style-type: none"> <li>Energy efficiency improvement and utilization of clean energy</li> <li>Zero emissions and 3Rs</li> <li>Mitigation of society's impact on environment through ICTs</li> </ul>
<p><b>5. Fulfilled life brought through ICTs</b></p>	<p><b>6. Respect for human rights and fairness in business</b></p>
 <ul style="list-style-type: none"> <li>Contribution to economic growth through robust information communication infrastructure</li> <li>Improvement of access to education, medicine and other public services through ICTs</li> <li>Promotion of employment creation and capacity building</li> <li>Innovation management</li> </ul>	 <ul style="list-style-type: none"> <li>Pursuit of sustainable procurement</li> <li>Respect for workers' rights</li> <li>Prevention of corruption and bribery</li> <li>Promotion of fair and proactive communication</li> </ul>

Matrix of material issues



Company's own impact on the environment, society and economy.

# KDDI's Material Sustainability Issues

## Policy

## KDDI Group

### Process for Identifying and Reviewing Material Issues

We defined our material issues for CSR in 2008. Following the significant changes in the wider society in recent years with the UN Sustainable Development Goals (SDGs) and the Paris Agreement adopted and coming into effect, in fiscal 2016 and 2017 we reviewed our priorities based on the GRI Standards. The review was conducted in the following steps:

#### Step 1

#### Examine and understand the effect on stakeholder reputation and on decision-making

- ▶ Issues were identified based on the 17 SDGs and 169 targets and the SASB Technology & Communications Sector standards and assessed using the ICT & SDGs report by Columbia University's Earth Institute and the trends among the ICT sector companies



#### Step 2

#### Examine and understand KDDI's impact on the environment, society and economy.

- ▶ The issues identified in Step 1 were assessed with a focus on (1) currently ongoing activities and activities in the pipeline, including R&D; and (2) business strategies and corporate activities including sustainability initiatives



#### Step 3

#### Review priorities and validity of issues to identify material issues

- ▶ Order of priority of the issues identified in Steps 1 and 2 were identified based on relative evaluation to select priority issues
- ▶ We hold dialogues with external experts and the opinions of Ms. Kaori Kuroda, the Executive Director of CSO Network Japan and President of SDGs Japan, and Professor Hitoshi Mitomo of Waseda University's Graduate School of Asia-Pacific Studies, who is researching social innovation through ICTs, were reflected on the priority issues to select six material issues

##### <Main points raised in the dialogues with external experts>

- Stakeholder cooperation
  - In order to contribute to society through a platform business, cooperation with other players, including competitors, is needed
  - While ICTs can play an important role, e.g., in watching over local areas, analogue perspectives such as the participation of local communities are also important
- Employee satisfaction
  - For a company that supports a social infrastructure, it is important to be asking whether its employees see their own goals aligned with the company's goals and find their meaning of life in work
- The Environment
  - It is expected the company will further contribute to energy efficiency improvement, use of ICTs to address environmental issues and creation of a circular society
- Data use and privacy
  - It is important to ensure transparency regarding how data is used and to have the perspectives of human rights and supply chain



Dialogue on Re-identifying Material Issues (FY2016)



#### Step 4

#### Approved by Corporate Management Committee

- ▶ After we reviewed validity of issues at Sustainability Committee, newly identified material issues were approved by the Corporate Management Committee. We then reported them to the Board of Directors

## Awareness Raising

## KDDI Group

### Spreading Material Sustainability Issues

We work to spread identified material sustainability issues throughout the entire group (responsible department: Sustainability Department). Furthermore, we hold proactive dialogues with stakeholders and incorporate their opinions and advice into the promotion of future sustainability activities.



Stakeholder Dialogues



# KDDI's Material Sustainability Issues

## Activity & Results

KDDI

### Material Sustainability Issues, Targets, and Results

<Indicators of Priority>  
Items are evaluated as A, B, or C, in order of priority

<Evaluation Indicators>  
A+: Significantly achieved  
A: Certainly achieved  
B: Action was taken, but with no achievements  
C: No actions

#### FY2017 Material Sustainability Issues and Results

	Priority	Material issues	Targets and KPIs	Boundary		FY2017 results	Evaluation
				Within organization	Outside organization		
Governance	A	Provide stable information and communication services (Further strengthen large-scale disaster response measures)	<ul style="list-style-type: none"> <li>Achieve 100% improvement of issues identified in disaster countermeasure training drills</li> </ul>	●	●	Achieved 100% improvement of issues	A
	A	Strengthen system for promoting sustainability initiatives	<ul style="list-style-type: none"> <li>Progress reports on the Environmental Conservation Plan</li> <li>Identify material issues while incorporating SDGs and external stakeholders' opinions</li> <li>Promote sustainability initiatives through business</li> <li>Improve employee knowledge and awareness of Sustainability</li> </ul>	●	●	<ul style="list-style-type: none"> <li>Establish the Green Plan Subcommittee for the management of progress in environmental conservation plan</li> <li>Redefined and published new material sustainability issues</li> <li>Promoted sustainability strategies through business</li> <li>Implemented e-learning program on SDGs and our new material sustainability issues</li> </ul>	A+
	B	Spread philosophy and raise compliance awareness	<ul style="list-style-type: none"> <li>Continue dissemination activities on the KDDI Group Philosophy</li> <li>Continue delivery of lecture e-mails regarding compliance</li> </ul>	●		<ul style="list-style-type: none"> <li>Held study sessions on KDDI Group Philosophy for all employees: Understood: 96.8%</li> <li>Delivered lecture e-mails about compliance for all employees: 12 e-mails in total</li> </ul>	A
Society	A	Realize a safe and secure information and communication-oriented society (Improve quality of KDDI Smartphone and Mobile Phone Safety Classes)	<ul style="list-style-type: none"> <li>Review various programs to respond to the diversification of troubles and address new needs for classes for older people</li> <li>Classes for young people: Instructor satisfaction: 94%, Material satisfaction: 94%, Intention to reapply: 92%</li> <li>Classes for older people: Satisfaction: 83%, Utilization: 85%</li> </ul>	●	●	<ul style="list-style-type: none"> <li>Survey response on classes for young people: Satisfied (Instructor): 98%, Satisfied (Material): 99%, Will reapply: 97%</li> <li>Survey response on classes for older people: Understood: 85%, Will use: 86%</li> </ul>	A+
	A	Create a vigorous company by cultivating diverse human resources (Further promote diversity)	<ul style="list-style-type: none"> <li>Promote measures to achieve 200 female line managers by FY2020</li> </ul>	●		Female line managers: 118 (as of April 1, 2018)	A
	B	Promote a sustainable supply chain	<ul style="list-style-type: none"> <li>Achieve 100% collection rate of CSR procurement questionnaire</li> <li>Implement audits of industrial waste management consigned companies and mobile phone disassembly consigned companies</li> <li>English translation of KDDI Guidelines for CSR in Supply Chain</li> </ul>	●	●	<ul style="list-style-type: none"> <li>Received response to sustainable procurement survey: over 90% of targeting suppliers</li> <li>Implemented audits of consigned companies</li> <li>Published the English version of the guidelines</li> </ul>	A
	B	Respond to human rights	<ul style="list-style-type: none"> <li>Promote human rights education for all employees</li> <li>Participate in outside events</li> </ul>	●	●	<ul style="list-style-type: none"> <li>Implemented e-learning program on LGBT for all employees</li> <li>Joined UN World Autism Awareness Day 2018 event</li> </ul>	A
	A	Consider and implement new measures aimed at regional revitalization	<ul style="list-style-type: none"> <li>Continue support activities linked to regional revitalization: Execute the Shimamono Lab project in 1 or more areas a year</li> </ul>	●	●	<ul style="list-style-type: none"> <li>Shimamono Lab project: 2 areas per year</li> </ul>	A+

# KDDI's Material Sustainability Issues

<Indicators of Priority>  
Items are evaluated as A, B, or C, in order of priority

<Evaluation Indicators>  
A+: Significantly achieved  
A: Certainly achieved  
B: Action was taken, but with no achievements  
C: No actions

## FY2017 Material Sustainability Issues and Results

	Priority	Material issues	Targets and KPIs	Boundary		FY2017 results	Evaluation
				Within organization	Outside organization		
Environment	A	Implementing KDDI Green Plan 2017-2030 • Measures to tackle climate change • Creating circular economy • Biodiversity conservation	• 7% reduction in CO <sub>2</sub> in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)	●	●	Target achieved: 1,011,891 t/CO <sub>2</sub> Fiscal 2017 target: below 1,020,438 t/CO <sub>2</sub>	A
			• Build highly energy-efficient data centers in Japan and abroad	●	●	Developed low-PUE TELEHOUSE data center business	A+
			• Contribute to reductions in society's CO <sub>2</sub> emissions by providing KDDI's ICT services	●	●	Added a new eco-labelled product: KDDI IoT Cloud service for water saving toilet	A
			• Maintain zero emissions from retired telecommunications facilities Achieve final disposal rate of 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less)	●	●	Target achieved: 0.1%	A+
			• Maintain material recycling rate of 99.8% for post-consumer mobile phones	●	●	Target achieved: 99.8%	A+
			• Actively promote initiatives using ICTs to conserve ecosystems	●	●	Under consideration	C
	B	Understand the supply chain issue	• Consider future measures to reduce Scope 3 emissions based on understanding the trends of the past 5 years	●	●	Under consideration	C
B	Reinforce environmental communication	• Engage with various stakeholders in and outside the group	●	●	• Had a dialogue on the environment with an outside expert • Implemented an e-learning program on KDDI Green Plan 2017-2030 for all employees	A	

# KDDI's Material Sustainability Issues

## FY2018 Material Sustainability Issues and Targets

Materiality	Issues	Targets and KPIs	Boundary	
			Within organization	Outside organization
1. Safer and more resilient connected world	<ul style="list-style-type: none"> <li>Resilience to extreme weather events</li> <li>Risk management</li> </ul>	<ul style="list-style-type: none"> <li>Number of serious accidents: 0*</li> </ul> <small>*Following the guidelines of the accident reporting criteria of Japan's Ministry of Internal Affairs and Communications</small>	●	●
		LTE population coverage rate expanded (Higher than previous fiscal year)	●	●
		Three-route core transmission lines of main communication stations: 100% <small>*For disaster preparedness, core transmission lines of main communication stations are arranged with three different routes that can be switched</small>	●	●
2. Cyber security and privacy protection	<ul style="list-style-type: none"> <li>Utilization of information assets and tightening of security</li> <li>Data privacy</li> </ul>	Data security incidents: 0* <small>*Data breaches, complaints, etc., that are illegal or may be subject to regulatory guidance</small>	●	●
		Data security training for all employees: held at least once a year	●	
3. Rewarding workplaces for diverse talents	<ul style="list-style-type: none"> <li>Promotion of diversity and inclusion</li> <li>Human resource development and career development</li> <li>Pursuit of employee satisfaction</li> <li>Promotion of health-focused management and improvement of employees' health</li> </ul>	Promoting measures to hire 200 female line managers (by the end of FY2020)	●	
		Usage rate of annual paid leave: 70% (by the end of FY2020)	●	
		Percentage of newly hired female graduates: 30% (by the end of FY2020)	●	●
		Disability employment rate: statutory rate achieved	●	●
		<ul style="list-style-type: none"> <li>Employees' smoking rate: below 18% (by the end of FY2020)</li> </ul> <small>*27.2% achieved at the end of FY2017</small>	●	
		<ul style="list-style-type: none"> <li>Employees receiving remarks at health exam: below 55% (by the end of FY2020)</li> </ul> <small>*58.1% achieved at the end of FY2017</small>	●	

# KDDI's Material Sustainability Issues

## FY2018 Material Sustainability Issues and Targets

Materiality	Issues	Targets and KPIs	Boundary	
			Within organization	Outside organization
4. An energy-efficient, circular economy	<ul style="list-style-type: none"> <li>Energy efficiency improvement and utilization of clean energy</li> <li>Zero emissions and 3Rs</li> <li>Mitigation of society's impact on environment through ICTs</li> </ul>	7% reduction in CO <sub>2</sub> in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)	●	●
		Build highly energy-efficient data centers in Japan and abroad	●	●
		Contribute to reductions in society's CO <sub>2</sub> emissions by providing KDDI's ICT services	●	●
		Maintain zero emissions from retired telecommunications facilities Achieve final disposal rate of 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less)	●	●
		Maintain material recycling rate of 99.8% for post-consumer mobile phones	●	●
		Actively promote initiatives using ICTs to conserve ecosystems	●	●
		Post-consumer mobile phones collected over 5 years (aggregated): 6 million (Target for FY2018-2022)	●	●
5. Fulfilled life brought through ICTs	<ul style="list-style-type: none"> <li>Contribution to economic growth through robust information communication infrastructure</li> <li>Improvement of access to education, medicine and other public services through ICTs</li> <li>Promotion of employment creation and capacity building</li> <li>Innovation management</li> </ul>	Response to Smartphone and Mobile Phone Safety Classes Young people: Satisfied (Material): 99%, Satisfied (Instructor): 98%, Will reapply*: 80% Older people: Understood: 85%, Will use: 87% * Percentage of those who answered "definitely want to apply"	●	●
		Ongoing support activities to help area revitalization (Shimamono Lab: 2 islands per year)	●	●
		Implement international cooperation projects by KDDI Group: 2 and more projects (E.g., facilitating wider access to telecommunications, education that utilizes ICTs, etc. in developing countries)	●	●
6. Respect for human rights and fairness in business	<ul style="list-style-type: none"> <li>Pursuit of sustainable procurement</li> <li>Respect for workers' rights</li> <li>Prevention of corruption and bribery</li> <li>Promotion of fair and proactive communication</li> </ul>	Human rights violations: 0 *Human rights violations refer to cases in which human rights violations (including any kinds of harassment) resulted in disciplinary actions	●	
		KDDI Group Philosophy Study Session attendance: 100%	●	
		Awareness raising of KDDI Code of Conduct (awareness raising measures carried out within the company): more than 12 times per year	●	
		Responsible procurement survey response rate: 90%+	●	●
		Stakeholder dialogues with external experts: One or more sessions per year	●	●

# KDDI's Material Sustainability Issues

## Policy & System

## KDDI Group

### SDGs and KDDI Business toward Sustainability

We develop various business activities related to UN Sustainable Development Goals (SDGs) and implement sustainability initiatives.

We organized the relationship between our newly identified material sustainability issues and 17 SDGs as shown in the table below. We will comprehensively contribute to the achievement of these global goals based on the specific themes that we set for each material issue.

We also believe that it is important to set priority issues to be addressed and specific targets to focus on. We are currently discussing the relationship between our business toward sustainability and SDGs as well as our approach at the Sustainability Committee as we formulate our new medium-term business plan (fiscal 2019 to fiscal 2021).

We will continue discussions about how to help solve social issues through our business also in future.

## Promotion & Other Activities

## KDDI Group

### Group-wide Promotion of SDGs

In the chairperson's 2018 New Year greeting, he explained to all employees that companies will be required to take actions for the UN Sustainable Development Goals (SDGs). We have created opportunities where our executive officers further learn about the SDGs in the Sustainability Committee and Corporate Management Committee.

In March 2018, we implemented an e-learning program for all employees to learn about the SDGs and new material sustainability issues.

For the group companies, we brought all 2,200 managers together and President declared that KDDI will proactively engage in sustainability initiatives to solve social issues through business, in order to achieve the SDGs and build a sustainable society.

### Initiatives for SDGs through GSMA

Since January 2017, KDDI has acted as a director of GSMA, which represents the worldwide mobile telecommunications industry. GSMA has announced its approach to contribute to the 17 goals laid out in the SDGs. KDDI is also involved in the Big Data for Social Good initiative, launched by GSMA in February 2017, to contribute to humanitarian aid using the big data kept by telecommunications operators when disasters occur. The Case For Change campaign, launched in September 2017, shows how mobile telecommunications operators are contributing to the SDGs. We helped to produce a movie explaining how Japanese telecommunications operators are working on preparation for and support after natural disasters.

[Link Website](#) Case For Change (Long edition)

[Link Website](#) Case For Change (Short edition)

### SDGs and KDDI Business

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	
1. Safer and more resilient connected world									●		●		●				●	
2. Cyber security and privacy protection									●								●	●
3. Rewarding workplaces for diverse talents				●	●			●		●								●
4. An energy-efficient, circular economy							●		●			●	●	●	●			●
5. Fulfilled life brought through ICTs	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
6. Respect for human rights and fairness in business					●			●		●		●				●	●	

Materiality 1

# Safer and More Resilient Connected World

## KDDI's Approach

### Our Recognition of Social Issue

In an advanced information society, communications services are the most essential lifeline. The disruption of this lifeline due to a natural disaster can be a major factor behind a downturn in society and the economy itself. We at KDDI are responsible for supporting local communities where people can live with peace of mind by continuing to offering reliable communications services 24 hours a day, 365 days a year.

### Our Risks and Opportunities

- Our corporate value could drop if we fail to provide our communication services for any reasons, even because of natural disasters.
- We believe that providing communication services continuously in the midst of unforeseen events to support the society and economy is a responsibility we own and will result in the rise of our company value.

### KDDI's Management

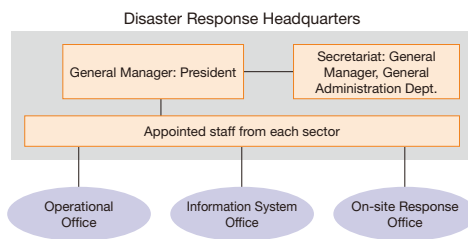
As the operation system for large-scale natural disasters, we have a business continuity plan (BCP) in place and have established various measures including disaster response framework. Additionally, we concluded agreements with Japan's Ministry of Defense, the Japan Self-Defense Forces and Japan Coast Guard to enhance our measures against disasters in tandem with relevant authorities.

#### Disaster Response Headquarters in Times of a Disaster

To stay prepared for unpredictable natural disasters, we at KDDI have set a standard for setting up a Disaster Response Headquarters in advance so that we can proactively initiate measures in case a disaster which exceeds the standard criteria occurs.

When the Disaster Response Headquarters is established, the President takes the role of the general manager. Communicating with the on-site response office in the disaster area, we will promptly restore the affected network and facilities as well as support our customers in the disaster-hit area and shelters with full effort.

#### Overview: Disaster Response Headquarters



#### Business Continuity Plan (BCP)

Our Business Continuity Plan (BCP) for Large-Scale Disasters includes measures for our basic principles: confirming the safety of employees and their families; carrying out our responsibility to continue telecommunications services as a designated public institution; and supporting our stakeholders. The plan establishes rules, from initial action, full restoration to post-disaster support at affected areas.

We assess the effectiveness of the BCP through disaster countermeasure training drills held twice a year, and issues identified in the drills are addressed to improve. Following the PDCA cycle, we are working to build a more robust foundation for disaster response.

- [Link Page\\_036](#) Network Quality Management and Improvement
- [Link Page\\_064](#) Disaster Preparedness

## Key Performance Indicators (KPIs)

### KPIs for FY2018

- Number of serious accidents: 0\*  
\*Following the guidelines of the accident reporting criteria of Japan's Ministry of Internal Affairs and Communications
- LTE population coverage rate expanded (Higher than previous fiscal year)
- Three-route core transmission lines of main communication stations: 100%  
\*For disaster preparedness, core transmission lines of main communication stations are arranged with three different routes that can be switched

## The Target Stakeholders



## Moving Forward

- Enhance business continuity planning of group companies
- Improve each disaster response staff's skills

# Maintaining Communications during Disasters

## Policy

## KDDI Group

### KDDI's Approach

Demands on mobile networks spike immediately after a disaster strikes as people in the affected areas try to contact family and friends and find out their whereabouts.

We at KDDI are working to make our communication networks resilient and reliable during disasters and exploring ways to contribute to rescue efforts using our networks.

## System

## KDDI

### au Disaster Recovery Support System

To quickly grasp the disaster situation and formulate an appropriate recovery plan, we have deployed the au Disaster Recovery Support System throughout ten technical centers in Japan. The system provides centralized management of information about regional damage, conditions at key sites and emergency shelters and evacuation routes. This information is reflected on maps in real time to identify high-priority areas, enabling us to provide effective recovery response even when the damage is widespread.

## System

## KDDI

### Ensuring Communication Services in Times of a Disaster

#### Multi-Route Core Transmission Lines and Route Distribution

To ensure stable communications, we distribute telecommunications equipment capacity and also establish dual communication lines (terrestrial optical fiber) as well as the system that uses automated switching to secure communication network when there is a failure. Submarine cables are also used to provide multiple communication lines, ensuring a highly reliable

network. In the event of trouble, bypass measures are implemented to secure communications.

#### Enhancing Disaster Resilience in Communication Stations and Telecommunications Facilities

We have augmented deployment of power supply vehicles and emergency power generators to make possible immediate power supply to telecommunications facilities in disaster areas. Furthermore, to ensure communication services in disaster-hit areas, we reinforced wireless entrance network as well as vehicle-mounted and portable base stations and equipped around 2,200 mobile phone base stations with batteries capable of operation for more than 24 hours.

#### Temporary Base Stations

We are developing drone base stations that can provide temporary mobile phone services during disaster situations when land-based or offshore base stations cannot provide coverage. We will conduct demonstration tests to drive the project to commercial production.

## Activity

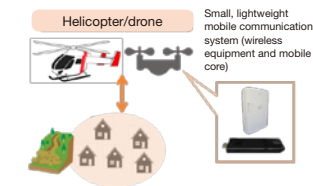
## KDDI Group

### Drone Base Stations for Disaster Response

KDDI and KDDI Research, Inc. have developed unmanned aerial vehicle (drone) base stations equipped with compact mobile phone base station equipment, which can be used to provide temporary coverage in areas where mobile communication services are disrupted by disasters. As part of the push toward commercial production, we conducted a demonstration test on the island of Yakushima in Kumage, Kagoshima, in December 2017. In the Yakushima test, a base station comprising a drone mounted with a simple mobile phone base station system (wireless equipment and mobile core) was used. One of the main advantages of this system is that the drone can provide a mobile area coverage on its own through its mobile core and provide basic mobile services. The

drone base station can capture signals coming from mobile phones using its own mobility management functions even where it cannot link up with any land-based base station system. This enables identification of users located in the coverage area, and it is hoped that this feature can also be used to call for help and deployed in search and rescue operations.

We are in the process of obtaining an experimental station license and will continue disaster simulation tests.



Demonstration test

## Materiality 2

## Cyber Security and Privacy Protection

## KDDI's Approach

## Our Recognition of Social Issue

Recent years have seen leaks of important confidential information worldwide due to software virus infections caused by cyberattacks, which has become a major social issue. We consider the personal and business information the KDDI Group retains for its customers and business partners to be extremely important assets that need to be managed with strict confidentiality.

## Our Risks and Opportunities

- Customer data leaks from inside the company or unauthorized access from outside could seriously damage the brand image of the KDDI Group. In addition to a possible loss of customer trust, we could also be forced to pay substantial compensation, which could have a negative impact on our financial position and business performance.
- We may face higher costs to enhance the confidentiality of communications and privacy protection systems in the future.
- There are new market opportunities where demand is growing, such as safe apps and global cyber security services.

## KDDI's Management

As a telecommunications operator, we are committed to protecting the confidentiality of communications. In order to protect customer data, we have set up the Information Security Committee and are working on the development and implementation of company-wide measures to prevent data leaks from within the company as well as unauthorized access from outside. Also, with the implementation of the KDDI Code of Business Conduct, KDDI Security Policy and KDDI Privacy Policy, distribution of the Handbook for Protection of Customer Data and establishment of the Business Ethics Committee, the KDDI Group is working to further strengthen its compliance

framework. We also have strengthened the technical, organizational and human aspects of our suite of security management measures. These include tighter control and monitoring of access authorization for our customer data systems, safekeeping of access logs and a ban on taking company data outside company premises or to external memory. In order to promote awareness, we provide ongoing training on confidentiality of communications and protection of customer data to all our employees.

We are also working with our external partners, particularly with our retail network of au shops, to strengthen our value chain management through the improvement of shop operations, monitoring and training.

In order to ensure the security of customer data, the au Smart Pass apps are examined to verify that their behaviors are in line with our privacy policy.

As a member of the industry body the Japan Smartphone Security Association (JSSEC), KDDI is taking part in data security initiatives.

## System

[Link](#)  
Page\_062 Information Security

## Policy

[Link](#)  
Website KDDI Code of Business Conduct (Basic Principles)

[Link](#)  
Website Privacy Policy

[Link](#)  
Website Security Policy

## Key Performance Indicators (KPIs)

## KPIs for FY2018

- Data security incidents: 0\*  
\* Data breaches, complaints, etc., that are illegal or may be subject to regulatory guidance
- Data security training for all employees: held at least once a year

## The Target Stakeholders



## Moving Forward

- Make the best use of data assets
- Further improve security
- Protect data privacy



Highlight

# Protection of personal information

Policy

KDDI Group

### KDDI's Approach

With the increasing prevalence of smartphones and the rapid progress of technologies such as big data and AI in recent years, new services that make use of various kinds of personal information are being considered. At the same time, however, these changes have also highlighted many issues surrounding privacy, and governments are reviewing their laws and regulations.

We endeavor to make the best use of information services while protecting privacy and are working to develop and provide safe systems and services that put the user in control of their own information.

Activity

KDDI Group

### Next Generation Service Development

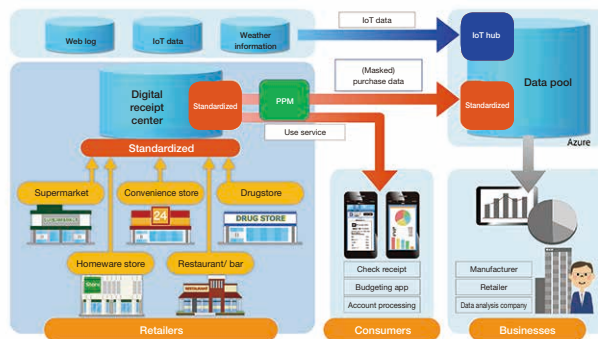
#### Demonstration Test for Integrating Digital Receipts into Social Infrastructure

KDDI Research, Inc. took part in the demonstration testing of a digital receipt platform that works with the standard digital receipt data format and API. The test was conducted by Toshiba Tec Corp. between February 13-28, 2018 as part of the New Industry Model Creation Base Development Project for Promoting IoT led by Japan's Ministry of Economy, Trade and Industry (METI) and the New Energy and Industrial Technology Development Organization (NEDO). In this test, which served as an assessment of the digital receipt standards developed by METI, the practicality of a standardized digital receipt platform was assessed in retail shop settings from different sectors and business formats.

KDDI Research, Inc. provided privacy policy manager (hereinafter PPM) developed by the company as a mechanism for protecting personal information by consumers themselves who provide data.

PPM is a mechanism that provides distribution control of personal

information, data masking, support for use consent, visualization of provided information, etc. according to policy defined by consumers themselves. In this test, the company provided data masking function of personal information and receipt information, a visualization function of provision situation, and easy-to-understand terms of use.



Activity

KDDI Group

### Building Platforms

#### Building a Platform that Enables the Use of Big Data from around the World

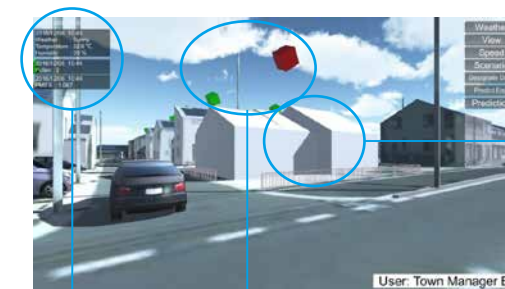
KDDI Research, Inc., Kokusai Kogyo Co., Tohoku University, Hitachi Solutions East Japan, Ltd. and Riken conducted a demonstration test to assess the practicality of a privacy-sensitive iKaas (intelligent Knowledge-as-a-Service) platform in partnership with the European Commission's Horizon 2020 program. The test, which was conducted jointly with Europe between February 24 and September 30, 2017, in the Tago-Nishi district of Miyagino, Sendai, in Miyagi Prefecture, was a simulation of town management services. Data from multiple sources including sensor readings from various indoor and outdoor locations

and data residing in different clouds such as urban space data and weather data were all pulled together and processed through an iKaas platform built by the participating Japanese and European research institutions, while disclosure control ensured privacy protection. The purpose of the system was to improve efficiency in the forecasting of power consumption and generation. An application was also created to provide intuitive visualizations of real-time data fluctuations and data processing results to show the state of the town in the past, present and future. The app was intended as a useful tool for local authorities, companies involved in town development as well as residents for disaster risk reduction, energy saving and town planning.

This project won the EuCNC 2017 Best Booth Award at the European Conference on Networks and Communications.

#### Example of Data Display Using iKaas Platform

(intuitive visualization of the state of town generated by combining urban space data with various collected data)



Actual and predicted temperature, humidity, etc., based on outdoor environment sensors and weather-related data

Visual flagging of indoor environment sensors showing abnormal values

The external views of residential units are partially masked for privacy

## Materiality 3

## Rewarding Workplaces for Diverse Talents

## KDDI's Approach

## Our Recognition of Social Issue

Japan has the worst labor productivity in the G7 countries, and it is said that productivity growth needs to triple to maintain the current real GDP growth rate. The Japanese government has launched a plan to "realize the dynamic engagement of all citizens" and embarked on a Work Style Reform, which seeks to allow more diverse working styles, increase middle earners, counter the entrenchment of inequality and create a virtuous circle of growth and distribution. There are many challenges to overcome to make this reform a success, such as the disparity between regular and irregular workers, long working hours and Japan's traditional single-track career path.

## Our Risks and Opportunities

- The decline in the productive population due to low birth rate and aging society means that, in order to attract high-quality human resource, we need to provide an attractive work environment that offers diverse work styles to suit diverse workforce. As we at KDDI defines the Integration of Telecommunications and Life Design as our new target business area, it is important for us to nurture human resources with diverse values and become innovative.
- To support sustainable business operations, we must care for our human resources that support the business. We will engage in health management of all employees and improve and maintain their health to achieve continuous productivity growth, reduce staff turnover rate and improve our corporate brand value.

## KDDI's Management

- We established four basic principles aimed at achieving our transformation into a Life Design Company, as outlined in the FY2016-2018 medium-term

management plan. One of these principles, "building a stronger workforce (utilization of diverse human resources)" sets cultivating female leaders as a KPI, incorporating it into our management strategies.

- In fiscal 2016, we created a Work Style Reform Promotion Committee consisting of executive directors representing all business sectors. It aims to improve productivity and is now running company-wide projects. In fiscal 2017, cross-departmental working groups were set up to work on productivity improvement. In fiscal 2018, the heads of eight strategic subsidiaries joined the committee to accelerate the efforts.
- As we focus on the health of employees as a key management agenda, we announced the KDDI Group Declaration of Health-Focused Management in April 2018, and are working to inject energy and vitality into the group.

Building a stronger workforce	Introduction of talent management
	Shift of key personnel to strategically important departments
	Global human resource cultivation
	Utilization of diverse human resources

## Policy

[Link](#)  
Page\_008 KDDI Group Philosophy

[Link](#)  
Website KDDI Code of Business Conduct (Basic Principles)

## Key Performance Indicators (KPIs)

## KPIs for FY2018

- Promoting measures to hire 200 female line managers (by the end of fiscal 2020)
- Usage rate of annual paid leave: 70% (by the end of fiscal 2020)
- Percentage of newly hired female graduates: 30% (by the end of fiscal 2020)
- Disability employment rate: statutory rate achieved
- Employees' smoking rate: below 18% (by the end of fiscal 2020)
  - \* 27.2% achieved at the end of fiscal 2017
- Employees receiving remarks at health exam: below 55% (by the end of fiscal 2020)
  - \* 58.1% achieved at the end of fiscal 2017

## Action Plan Based on Japan's Women's Advancement Act

With the enactment of the Act to Advance Women's Success in Their Working Life on April 1, 2016, we at KDDI have set the following targets in relation to actions to be implemented over a five-year period from April 1, 2016 to March 31, 2021.

## &lt;Targets&gt;

- 1 Number of female line managers: 200
- 2 Usage rate of annual paid leave: 70%
- 3 Percentage of newly hired female graduates: 30%

\* Achieving the 30% target for newly hired female graduates will bring the percentage of regular female employees to 24% in fiscal 2020.

## &lt;Actions&gt;

- Cultivate leaders consistently through the Female Line Manager Program
- Promote measures to encourage employees to take paid annual leave by creating plans for taking leave, and setting recommended dates for taking leave in each department

Materiality 3

# Rewarding Workplaces for Diverse Talents

## The Target Stakeholders



## Moving Forward

- Promote diversity and inclusion
- Human resource development and career development
- Improve employees' health

### Related Initiatives

- [Link](#) Page\_077 Recruiting and Developing Human Resources
- [Link](#) Page\_068 Human Rights
- [Link](#) Page\_070 Labor Practices

Materiality 3 Rewarding workplaces for diverse talents

Highlight

# Professional Advancement of Women and Rewarding Workplaces

Policy

KDDI

## KDDI's Approach — Professional Advancement of Women

Promoting gender equality and women empowerment not only deepens understanding of their human rights but leads to solving of issues in international society and corporate sustainable development.

We at KDDI strive to establish an environment and create a climate where diverse human resources can use their individual strengths to perform to the best of their abilities. We are focusing in cultivating female leaders, raising awareness and changing behavior of the management and improving the working environment, so that women can continue to participate and advance in their career even after going through life events such as giving birth and raising children.

Activity & Results

KDDI

## Cultivating and Promoting Female Leaders

We believe that the participation of women in company decision-making will lead to enhancing our corporate strength and are focusing on female leaders training program. Our specific goal is appointing 200 female line managers, who are authorized to conduct personnel evaluations by fiscal 2020. We are also striving to expand our female managers training program, which will lead to more female leaders.

(As of April 1, 2018)

Female managers	301
Female line managers	118
Female administrative officer	1
Female director (outside director)	1

Activity & Results

KDDI

## Selected as Nadeshiko Brand for Six Consecutive Years

In March 2018, KDDI was named a Nadeshiko Brand, an accolade given to listed companies in Japan that encourage women to play active roles in the workplace. We have been selected for six consecutive years since fiscal 2012.

The Nadeshiko Brand for fiscal 2017 was awarded to companies that are taking significant steps to empower women as part of management strategy. We are committed to diversity as a key management agenda under the KDDI Group Philosophy.

Policy

KDDI Group

## KDDI's Approach — Work Styles

We at KDDI Group are implementing a variety of work style reform initiatives to encourage each employee to fulfill their individual potential while improving productivity to achieve high-quality results and create new value.

Policy

KDDI Group

## Declaration of Health-Focused Management

The KDDI Group has released the Declaration of Health-Focused Management as part of its commitment to support every employee's health at the organizational level and bring a prosperous future. Building on this declaration, we are working on a range of initiatives to drive work style reform, promote mental health care, improve employee health management, look after the health and safety of employees and their families posted abroad, aiming for embedding a "health first" culture.

In fiscal 2018, KDDI was certified a White 500 company for its outstanding employee health management under a recognition program run by Japan's

Ministry of Economy, Trade and Industry.

Activity

KDDI Group

## Work Environment Improvement by Group Companies Outside Japan

### MobiCom was Given the First Best Employer of Mongolia Award

MobiCom, a general telecommunications operator with the biggest market share of mobile subscribers in Mongolia providing a wide variety of services in mobile/fixed communications, satellite communications and ICTs, won the Best Employer of Mongolia award in May 2017. The award is given to companies that have done most to provide an efficient work environment for employees. MobiCom was highly praised for providing stable employment and healthcare, making efforts to reduce occupational accidents and providing good in-house training programs to support career development.

In response to the award, Chairperson & CEO Tatsuya Hamada said: "MobiCom always complies with labor laws, regulations and guidelines and places importance on our employees' health and safety ahead of all else. In order to make even more progress, we are preparing to acquire certification to OHSAS 18001, an international standard for occupational health and safety management. We are also creating many courses and training environments to boost our employees' professional growth and career development. We will continue to put efforts into creating a comfortable work environment in the future."



## Materiality 4 An energy-efficient, circular economy

### KDDI's Approach

#### Our Recognition of Social Issue

In 2015, the world adopted the Paris Agreement, which calls for a global effort to hold the increase in global temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit it to 1.5 °C. Companies, too, are required to be part of this effort by setting emissions targets and tackle climate change through their businesses activities.

#### Our Risks and Opportunities

There is an increasing trend in the ESG investment community, especially in the US and Europe, to divest from companies that are not environmentally responsible. KDDI, and the wider telecom industry, must also consider its impact on the environment when making capital investments and developing services.

Each country and region has regulations and measures that influence corporate business activities, such as energy-saving standards, carbon taxes, and emissions trading. We consider such regulations and measures as potential risks to business continuity and growth.

In order to comply with these regulations, we are building environmentally responsible bases, as well as providing services that save energy and reduce society's environmental impact through the use of ICTs, creating an opportunity for our business growth.

#### KDDI's Management

We have developed the KDDI Environmental Charter based on the KDDI Group Philosophy and the KDDI Code of Business Conduct. The charter consists of two layers: a Manifesto that sets the basic principle and practical Action Guidelines. We have also developed the KDDI Action Guidelines on Biodiversity Conservation which looks at our efforts to biodiversity conservation

from multiple aspects. They form the basis for the conservation activities we pursue through various opportunities. Additionally, in fiscal 2017, we established Environmental Conservation Plan, KDDI Green Plan 2017-2030, and we are striving to make use of ICT services in climate actions, creating a recycling-oriented society and conservation of biodiversity.

#### Policy

- [Link](#) Page\_090 KDDI Environmental Charter
- [Link](#) Page\_103 KDDI Action Guidelines on Biodiversity Conservation

### Key Performance Indicators (KPIs)

#### KPIs for FY2018

- 7% reduction in CO<sub>2</sub> in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)
- Build highly energy-efficient data centers in Japan and abroad
- Contribute to reductions in society's CO<sub>2</sub> emissions by providing KDDI's ICT services
- Maintain zero emissions from retired telecommunications facilities: Achieve final disposal rate of 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less)
- Maintain material recycling rate of 99.8% for post-consumer mobile phones
- Actively promote initiatives using ICTs to conserve ecosystems
- Post-consumer mobile phones collected over 5 years (aggregated): 6 million (Target for fiscal 2018-2022)

### The Target Stakeholders



### Moving Forward

- Improve energy efficiency and use clean energy
- Work toward zero emission and 3Rs
- Reduce society's environmental impacts through ICTs

#### Related Initiatives

- [Link](#) Page\_090 Environmental Management
- [Link](#) Page\_091 KDDI Green Plan 2017-2030
- [Link](#) Page\_097 Environmental Performance

## Improving Energy efficiency

## Policy

## KDDI Group

## KDDI's Approach

As part of KDDI Green Plan 2017-2030, KDDI aims at upgrading to highly energy-efficient data centers in Japan and abroad.

As the days of each company running its own system coming to an end and the use of data centers accessed through the cloud becoming more widespread, there is a growing need for safer, more environmentally conscious data centers. We offer the TELEHOUSE data centers to meet this need.

As part of our effort to improve energy efficiency and resource recycling, we also offer an Environmental Eco Label service, which contributes to CO<sub>2</sub> emissions reduction through the use of ICT services. We also use renewable energy at some of its base stations. In order to cut energy use, annual reviews are conducted through Scope 3 data disclosures and third-party assessments.

## Activity &amp; Results

## KDDI Group

## Energy-Saving Dater Centers

## Data Center Business under the TELEHOUSE Brand

The KDDI Group operates a data center business under the TELEHOUSE brand at 47 locations in 23 cities across 12 regions worldwide. The brand has about 30 years of experience in offering expert services to customers.

TELEHOUSE data centers are equipped with high-capacity electric power and incorporate the latest energy-saving facilities, such as highly efficient and reliable power supply equipment, energy-efficient air conditioning, LED lighting and outdoor lighting that uses wind and solar power, in an effort to reduce power consumption and achieve low PUE<sup>1</sup> and significantly lower CO<sub>2</sub> emissions than conventional data centers.

We will continue supporting our customers' global business expansion as a premium data center operator offering the latest systems and connectivity.<sup>2</sup>

[1] PUE, or Power Usage Effectiveness, is calculated from the average power consumption and design values and is an indicator of how efficiently IT-related facilities such as data centers use energy. The closer the PUE is to 1.0, the more efficient the power usage is

[2] Connectivity indicates the ease of connection to multiple networks. Concentrating a wide variety of connection points to landline and mobile telecom network providers, content providers and cloud operators centered around Internet Exchange (IX) within the data center ensures high-quality, low-cost, fast-turnaround connectivity

## TELEHOUSE Europe a Winner in the Data Centre Solution Awards

TELEHOUSE Europe, a European subsidiary of the KDDI Group, was named a winner in the 2017 Data Centre Solution Awards (DCS Awards), which recognize innovative achievements of business enterprises in data-center-related technology and services. The DCS Awards features 25 categories, and TELEHOUSE was a winner in the Data Centre Energy Efficiency Project of the Year category.

TELEHOUSE London Docklands North Two (hereinafter North Two), which received the award, is the world's first multi-floor urban data center to feature an Indirect Adiabatic and Evaporative (IAC) cooling system, which has achieved top-level energy efficiency with a PUE value of 1.16 (design value). Situated in a prime location some 10 km from Central London, North Two was opened in November 2016, the fourth data center within the TELEHOUSE London Docklands campus, the largest data center in the UK with a total floor space of some 73,000 m<sup>2</sup>. The implementation of the IAC cooling system involved computer modelling of the airflow within the building in the design stage and painstaking data analysis and simulations (CFD analysis).



At the award ceremony



Exterior of North Two

## Materiality 5

## Fulfilled Life Brought through ICTs

## KDDI's Approach

## Our Recognition of Social Issue

The Japanese society is facing many challenges — low birth rate, ageing population and concentration of population in large cities resulting in rural depopulation, which lead to rural depopulation and a slump in regional economy and decline in local industries and culture. ICTs are seen as a potential solution to these issues.

While the wider use of ICTs improves convenience, there are issues associated with it, such as the prevalence of mobile and smartphone use among children and the widening digital divide affecting older people. The issue of children and ICTs in particular needs to be addressed; as the Children's Rights and Business Principles state, companies must respect children's rights. There is a growing need for information literacy education at schools to ensure children can use ICT devices safely without being exposed to criminal activities or other risks.

## Our Risks and Opportunities

- Through products and services provided by KDDI, it is assumed that there is a social and economic risk of customers being caught up in crime or problems through smartphones, mobile phones and the Internet. Socially vulnerable people (such as children, older people and people with disabilities) are at higher risk of human rights violations.
- On the other hand, offering smartphone devices and services that help socially vulnerable people use the technology safely and easily, combined with awareness campaigns, can be beneficial to KDDI's business as it can generate new demands.
- We believe that ICTs can address the disparity due to distance between large cities and rural areas in the volume and speed of information and ease of communication. ICT-based solutions are expected to help rural areas take advantage of the opportunities to expand business activities that showcase local industries, cultural and natural heritage and communities, and revitalize

rural economy.

## KDDI's Management

- We have established the KDDI Basic Guidelines Concerning Safe and Secure Communication for Young People so that children can communicate safely. Through the KDDI Smartphone and Mobile Phone Safety Classes, we raise literacy awareness to enable children and older people to use smartphones and mobile phones safely.
- We promote to apply universal design in developing our product and services to ensure comfortable and enjoyable use for all regardless of age, nationality and (dis)ability.
- In April 2017, we set up a Local Development Support Office within the IoT Business Development Division to develop solutions for regional issues using IoT. Core members have experience of working with the local authorities of the areas affected by 2011 earthquake and tsunami and are using the insights and know-how gained through the experience to work with local authorities across the country in area revitalization projects.

#### KDDI Basic Guidelines Concerning Safe and Secure Communication for Young People

We take Unicef's Convention on the Rights of the Child (CRC) and Children's Rights and Business Principles seriously. With regard to the CRC in particular, which codifies children's right to survival and development, we ensure that children have access to education and do not face digital divide. Regarding Children's Rights and Business Principles, we are committed to ensuring that KDDI's services come with safety measures that respect and promote children's rights.

We offer safe and affordable services to young people and run awareness campaigns. We are committed to protecting children's rights as we endeavor to create a society where children can enjoy mobile and internet

communication services that are safe and free from harm.

## Policy

[Link](#) Website Privacy Policy

[Link](#) Page\_085 Social Contribution Policy

[Link](#) Page\_085 Policy on Corporate Citizenship

## Key Performance Indicators (KPIs)

## KPIs for FY2018

- Response to Smartphone and Mobile Phone Safety Classes
  - Young people: Satisfied (Material): 99%, Satisfied (Instructor): 98%  
Will reapply: 80%\*
  - Older people: Understood: 85%, Will use: 87%
- Ongoing support activities to help area revitalization (Shimamono Lab: 2 islands per year)
- Implement international cooperation projects by KDDI Group: 2 and more projects

\* E.g., facilitating wider access to telecommunications, education that utilizes ICTs, etc. in developing countries

Materiality 5

# Fulfilled Life Brought through ICTs

## The Target Stakeholders



## Moving Forward

- Promote information literacy education
- Contribute to economy development with ICTs
- Revitalize local economies (Create employment and enhance capacity building)
- Innovation management



# Highlight Regional revitalization using 5G

## Policy

## KDDI

### KDDI's Approach

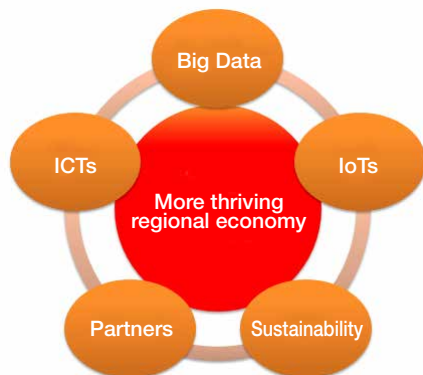
KDDI promotes regional collaboration initiatives from the following two viewpoints.

#### <As a Leader of Regional Economy>

KDDI utilizes various advanced technologies and knowhow from our partner companies to support unique initiatives with our many stakeholders, including local governments, companies, NPOs and residents.

#### <As a Life Design Company Close to Our Customers>

KDDI utilizes advanced technologies such as big data, ICTs and IoTs, to communicate information about wonderful products and services in various locations in Japan and aims for more thriving regional economy by boosting the flow of people and goods in Japan with its partner companies.



## Activity

## KDDI

### New Form of Area Promotion Event Using 5G

In collaboration with JR East Japan, KDDI took part in "Direct from Miyagi Market" held at Ueno Station in January 2018 and ran a virtual trip event: Teleport to Minami-sanriku Sun Sun Shopping Village through au 5G.

This event used our 5G mobile communication system and virtual reality technology to connect Ueno Station in Tokyo and a shopping mall in Minamisanriku, Miyagi, real-time. A special VR goggle used in the event area at Ueno Station was connected real-time to a 4K 360-degree camera held by a local guide so that visitors were able to experience shopping at the mall through the guide and enjoy what Miyagi has to offer.

This was the first ever use of 5G technology to enable interactive communication at an event attended by the general public. Use of 5G to send a high-resolution view of the shopping village to Ueno Station allowed us to assess network data speed and the feasibility of high-speed, large-volume communications.

The Minamisanriku Sun Sun Shopping Village reopened in March 2017 after a spell in temporary premises following the tsunami. It offers fresh seafood at low prices and local gifts and has been a driver in the revitalization of Minamisanriku and social exchanges.

Through this event, we offered an innovative service to offer immersive experience to visitors using 5G and promoted Miyagi as an attractive destination.



## Activity

## KDDI

### Aiming for Revitalization of Remote Island Regions

There are about 420 occupied remote islands in Japan, which face a variety of challenges, including out flow of young generation and population decline, need to strengthen island promotion and creation of value, and a lack of know-how of distribution and sales activities.

In order to support remote island regions, we have utilized our resources to carry out the Shimamono Project to distribute information about those regions and support company sales since fiscal 2015.

Through this project, we offer shopping services through the nationwide network of au shops, Shimamono Marche online mall of islands' products through au Wallet Market and Shimamono Lab workshops for island-based businesses on product marketing and promotion. The project is helping area revitalization efforts and producing results: some businesses report a 10% growth in sales through Shimamono Marche and some others reviewing production volumes after seeing a growth in sales. The Shimamono Lab has been held on the islands of Kikai in Kagoshima, Rishiri in Hokkaido, Oshima in Tokyo and Iki in Nagasaki, and the response to the feedback questionnaire has been positive. We started putting products of some Lab participants on Shimamono Marche from fiscal 2017, and they have generated aggregate sales of around 49 million yen so far (total of 27 products from 19 islands, as at end of March 2018).



Press release on the Shimamono Lab (Rishiri, Hokkaido)

## Materiality 6

## Respect for Human Rights and Fairness in Business

## KDDI's Approach

## Our Recognition of Social Issue

As value chains expand globally, there is a growing scrutiny of the impact of corporations' attitude and activities on human rights in the global society.

Sexual harassment, in particular, is a serious human rights issue across the world. In the field of communications, human rights violations on social media such as posting of photos and abusive or defamatory posts are also a serious problem.

In terms of fair business practices, issues that need to be addressed include anti-corruption measures, stance against organized crime groups and respect for human rights throughout supply chains.

## Our Risks and Opportunities

We are aware that turning a blind eye to human rights violations can damage the value of corporate brand and hamper the development of a sustainable society. We believe that efforts that eradicate human rights violations from business activities and from the wider society can contribute to KDDI's business growth.

## KDDI's Management

We at KDDI will eliminate discrimination based on race, faith, gender, social status, religion, nationality, age, sexual orientation, gender identity, family responsibilities (including pregnancy) or (dis)abilities, as well as correcting and eliminating labor practices that violate human rights, such as child labor and forced labor.

We have set up a governance framework consisting of a range of committees including the Business Ethics Committee and Sustainability Committee to drive our efforts. We also run initiatives to enhance our employees' understanding and practice of the KDDI Group Philosophy and

the Code of Business Conduct throughout the year. With our suppliers, we build partnerships on mutual trust and conduct business in a fair and equitable manner. We also use tools such as Responsible Procurement Surveys to ensure suppliers' compliance.

## Policy

 <a href="#">Link</a> Website	KDDI Group Human Rights Policy
 <a href="#">Link</a> Website	KDDI Guidelines for Responsible Supply Chain
 <a href="#">Link</a> Page_068	Human Rights
 <a href="#">Link</a> Website	KDDI Code of Business Conduct (Basic Principles)
 <a href="#">Link</a> Website	Basic Views on the Internal Control System and Progress of System Development (Corporate Governance Report, p. 23)

## Key Performance Indicators (KPIs)

## KPIs for FY2018

- Human rights violations: 0
  - \* Human rights violations refer to cases in which human rights violations (including any kinds of harassment) resulted in disciplinary actions
- KDDI Group Philosophy Study Session attendance: 100%
- Awareness raising of KDDI Code of Conduct (awareness raising measures carried out within the company): more than 12 times per year
- Responsible procurement survey response rate: 90%+
- Stakeholder dialogues with external experts: One or more sessions per year

## The Target Stakeholders



## Moving Forward

- Uphold workers' rights
- Prevent corruption/bribery
- Pursue sustainable procurement
- Promote fair and proactive communication

Highlight Support for LGBT

Policy

KDDI

KDDI's Approach

As shown in the enactment of a law permitting persons with gender identity disorder to change their gender status in Japan and the legalization of same-sex marriage in increasing number of countries and regions, attitudes toward LGBT<sup>1</sup> equality are changing. However, businesses still lag behind in the understanding of and support for LGBT rights.

In light of this, we at KDDI have been engaging in activities to promote LGBT awareness within the company since fiscal 2013 in the effort to advance understanding and spread awareness among employees.

[1] LGBT: Collective term for lesbian (L), gay (G), bisexual (B), and transgender (T) people. While there are various sexual and gender identifications other than LGBT, the term is used in this report to refer to all sexual minorities

Activity

KDDI

Initiatives to Promote LGBT Equality

Increase Allies

We at KDDI are engaged in an initiative to increase allies — supporters of LGBT people. To LGBT people, the presence of allies around them boosts confidence. Allies can also promote dialogue about the issue in the workplace.

We give employees who have declared to be allies KDDI ALLY stickers that they can display prominently to show their commitment to the cause. So far around 800 employees have declared to be allies and are working on making our workplace a safe, happy place for LGBT people to work in. We also offer networking opportunities to LGBT people.

Other Initiatives

Initiative	Details
Inclusion of LGBT equality in the KDDI Code of Business Conduct (Basic Principles)	Setting out the principle of no discrimination or violation of dignity on the basis of sexual orientation as well as gender, age or nationality, and raising awareness within and outside the company
Activities to raise awareness and promote understanding	Seminars and e-learning courses to improve the understanding of LGBT issues conducted on an ongoing basis since fiscal 2013
Change of definition of spouse / application of internal rules	Employees recognised by KDDI as having a same-sex partner treated as being married for the purpose of all company programs
Considerations in work environment	Transgender employees encouraged to use working names, receive tailored health checks and use universal toilets
Promoting the understanding of LGBT issues in society	<ul style="list-style-type: none"> <li>Participation in forums and other events related to LGBT issues and showcasing KDDI's initiatives</li> <li>Donations to LGBT support groups</li> </ul>
Application of au Family Discount scheme	Eligibility for family-oriented services such as au Family Discount extended to formally certified same-sex partners

Activity

KDDI

Extend Extend Family/Partner-Oriented Programs to Same-Sex Partners

We revised our internal rules on April 1, 2017 to expand the definition of spouse to include same-sex partners for all company benefit programs.<sup>2</sup>

Employees with same-sex partners can now receive benefits and allowances intended for married employees, such as congratulatory gift of money, holidays and other allowances, by submitting the necessary documents.

Also, au has expanded its Family Discount and other services available to families in July 2015 so that same-sex couples whose partnerships are formally recognized through local authorities' certificate schemes are eligible for these services.

[2] Applicable company programs include: housing allowance, unaccompanied duty allowance for job postings away from home, wedding gift money, special leaves (bereavement, marriage, maternity, childcare and family care), parental leave, use of company housing, etc.

Activity

KDDI

Participation in Events

Participation in Tokyo Rainbow Pride Parade

Tokyo Rainbow Pride 2018, one of the biggest LGBT events in Japan, was held in Yoyogi Park on May 5 and 6, 2018. Some members of KDDI took part in the final-day parade.

The one-hour parade marched through a 2.5-km circular route via Koen Dori and Meiji Dori streets back to the park. With a record number of people taking part, the parade was a huge celebration of diversity.

KDDI employees who took part put on KDDI ALLY T-shirts and held paraded placards. With the streets lined with large crowds, this proved to be an excellent opportunity to demonstrate our commitment to supporting LGBT rights.



Link Page\_105 Awarded Gold Rating in the PRIDE Index for Two Consecutive Years

# Sustainability Initiatives Through Business

## (KDDI's Products and Services)

Our business has a big impact not only on the users of our services but also on society as a whole.

As we are a telecommunications operator that connects countries and regions all over the world, we value all people in the world as our stakeholders.

We strive to offer safe and comfortable telecommunications services, equipment and devices while carefully communicating how to utilize them to our customers in the world.

▶ Network Quality Management and Improvement	P036
▶ Responsibility for Products and Services	P039
▶ Customer Relationship Management	P042
▶ Brand Management	P045
▶ Innovation Management	P046
▶ Initiatives in Growing Markets outside Japan	P049

# Network Quality Management and Improvement

## Policy

## KDDI Group

### KDDI's Approach

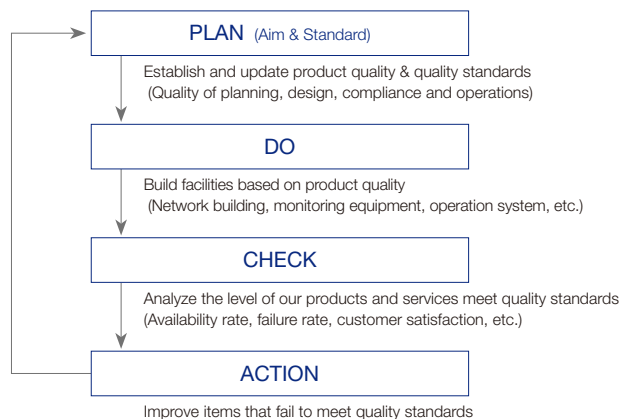
Our mission as a telecommunications operator is to ensure a communications environment where customers can use mobile phones and smartphones easily anytime anywhere. KDDI will offer safe and secure communication services by engaging sincerely in every operation from quality management and improvement of communication infrastructure, such as mobile phone base stations and switching equipment for fixed-line phones, to building next-generation networks.

## System

## KDDI

### Network Service Quality Management System

KDDI owns telecommunications facilities including optical cables and mobile phone base stations, which it maintains and operates via technical centers located throughout Japan. The operations centers in KDDI Building at Shinjuku conduct centralized monitoring of network conditions nationwide 24 hours a day, 365 days a year. In the event of an outage and other failures, these centers appropriately control communications, working with maintenance departments throughout



Japan. To ensure high-quality and reliable network service, we build, analyze and improve our facility operating system in line with our stringent standards.

Aiming for zero serious accidents, we at KDDI hold 26,000 training sessions each year. Our work procedures are based on the ideas of capacity design of telecommunications equipment, functional redundancy, distributed arrangement of facilities and functional safety.

## System

## KDDI

### Frequency and Duration of Network Interruption

In the event that network failure or maintenance causes any inconveniences to our customers' communications, we will make notice about it on the failure and maintenance information page at our website.

In fiscal 2017, there were no serious accidents corresponding to the criteria specified by Japan's Ministry of Internal Affairs and Communications.

- [Link Website](#) Failure and Maintenance Information (for personal customers) (Japanese)
- [Link Website](#) Failure and Maintenance Information (for corporate customers) (Japanese)

## Policy

## KDDI

### Expansion of Service Areas (Base Station Facilities)

Our mission is to offer a stable call and data transmission environment 24 hours a day, seven days a week. The population coverage ratio of au 4G LTE (800MHz platinum band) exceeds 99%, and we continue to upgrade base stations and implement various measures to further improve network connection even where capturing signals is difficult, such as busy downtown areas, subways and remote underpopulated areas. We are also working to ensure that smartphone or mobile phone signals are always available in underpopulated areas, remote areas, outlying islands and mountainous regions, so you can use services with ease.

We are also working on measures against increased data traffic in tourist areas according to the season. For example, we offer network coverage at the summit of Mt. Fuji during the climbing season since fiscal 2009. At the starting point of the mountain trails and along the trails we offer 4G LTE coverage throughout the year.

## System

## KDDI

### Building Mobile Phone Base Stations and Care for Neighbors

To offer a reliable communication environment to au mobile phone and smartphone users, KDDI sets up mobile phone base stations in all parts of Japan to support new services and improve service area quality for our customers' safe and comfortable life.

When designing and building a new, safe and reliable base station, we observe the Radio Act, Building Standards Act and other relevant laws and regulations as well as municipal ordinances and guidelines. The installation work is carried out by an experienced, designated construction company under a thorough safety management scheme. In cases where the construction is expected to cause a nuisance or inconvenience to the residents in the neighborhood due to increased traffic of construction vehicles and noise, or if we receive inquiries about the base station, we inform them of general information about the base station and explain about the construction work for their understanding and cooperation.

# Network Quality Management and Improvement

## Policy & System

### KDDI

#### Safety of Radio Waves

##### ■ KDDI's Approach (policy)


In compliance with the laws and regulations related to radio waves, we at KDDI offer our mobile phones and operate our mobile phone base stations in Japan at an electromagnetic wave level below the limits set at the Radio Radiation Protection Guidelines (RRPGs).

##### ■ System

Japan's Ministry of Internal Affairs and Communications established the Radio Radiation Protection Guidelines (RRPGs) that serves as a standard in the use of radio and TV waves and introduced regulations based on these guidelines. RRPGs are equivalent to ICNIRP international guidelines advocated by the World Health Organization (WHO), and experts from WHO and other international institutions have concluded electromagnetic wave exposures below the limits recommended in the international guidelines do not appear to have any known consequence on health.

We at KDDI take great care to ensure that the radio waves from our mobile phone base stations poses no threat to safety. We design, build, maintain and periodically inspect our base stations in strict compliance with the relevant laws and regulations, including the RRPGs, stipulated in the Radio Law and the Building Standards Act, as well as local government ordinances. We also explain to residents in local communities that the radio waves transmitted from our base stations comply with RRPGs standards.

In addition, we offer mobile phones that comply with the permissible values for radiation strength and absorption by the human body stipulated in radio-wave-related laws and regulations while disclosing that information on our website.

 [Absorption Rates of au Phones \(SAR\) \(Japanese\)](#)

##### ■ Research to Ensure the Safety of Radio Waves


In November 2002, KDDI began conducting joint experiments with NTT DOCOMO Inc. and SoftBank Corp., using human cells to evaluate the impact of radio waves for mobile phones on living organisms. Some results of the experiments were published in an interim report in 2005, and the final report issued in 2007 concluded that radio waves for mobile phones have no confirmed effect on living organisms at the cellular level or gene level. This research serves as an example of scientific evidence that refutes claims that radio waves may cause cancer affecting the cell structure and function. It also reaffirms the safety of radio waves emitted from mobile phone base stations.

KDDI also cooperates with electromagnetic environment committee of the Association of Radio Industries and Businesses (ARIB) in their research and study on safety of radio waves for mobile phones.

We will continue to actively collaborate with relevant organizations on research and testing on impacts of radio waves for mobile phones on the human body and on medical equipment. We also strive to stay updated about trends in research on safety of radio waves for mobile phones in Japan and abroad.

In addition, we will continue providing information about the safety of radio waves for mobile phones on our website and other sources. When constructing mobile phone base stations, we make sure to provide adequate explanations in response to inquiries from local residents about radio waves safety to ensure their understanding and cooperation.

##### ■ Organizations to which KDDI Belongs or Is Giving Its Cooperation

Affiliation	Electromagnetic environment committee of Association of Radio Industries and Businesses (ARIB), Electromagnetic Compatibility Conference Japan
Affiliation	The National Institute of Information and Communications Technology (NICT)
Affiliation	Working Group on evaluation method of electromagnetic field around base station, High Frequency Committee, Japanese National Committee of IEC/TC106
Research cooperation	mobi-kids Japan (study investigating the effects of mobile phones on health)  <a href="#">mobi-kids</a>

## Activity

### KDDI


#### Providing a Convenient Usage Environment

As part of detailed quality improvement efforts for each customer, we offer Signal Support 24, an after-sales support service concerning signal-related problems, for all customers using au mobile phones.

In this service, KDDI staff visit the homes of customers who have inquired about signal quality and examine the reception condition for au mobile phones. We contact the customers to set up an appointment within 24 hours of their inquiry, and then visit to check the signal and improve the signal quality using au Femtocells or au repeaters. We accept inquiries about signal quality not only in homes but also outdoors and in offices and restaurants.

The number of proposals we made to improve signal quality in fiscal 2017 was about 40,000. In response to customer feedback, we have significantly reduced the time from application to activation of au Femtocells, and we have improved the au repeaters so that the donor antenna can be installed outdoors, allowing external signal to be brought into the customer's home.

We will continue our efforts to improve service area quality as well as deliver a reliable communication environment.

 [Signal Support 24 \(Japanese\)](#)

# Network Quality Management and Improvement

## Policy

## KDDI Group

### Approach to Next-Generation High-Speed Communication

The mobile network that supports communication on smartphones and mobile phones has evolved from the first generation (1G) to the fourth generation (4G) together with changes in the times and lifestyle. We are engaged in research and development of next-generation mobile communication systems (5G) to provide communication services with greater stability and higher speed to customers, and to promote dramatic development of ICT network infrastructure. As we have progressed from 1G to 4G, we have achieved higher speed and capacity. With 5G, which allows low delay and multi-connectivity, we will meet a wide range of needs from devices for personal use to IoTs.

## Activity & Results


## KDDI Group

### Advancing Research on 5G

With the evolution of devices and the proliferation of IoTs, mobile networks are required to perform at much higher levels than expected before. We are conducting tests on the 5G next-generation mobile communication system, which allows multi-connectivity and low delay, as well as high speed and capacity, toward the launch for commercial use around 2020. Research is being conducted across the world to study the potential for utilization of high frequency bands including 28GHz to achieve higher speed and capacity in 5G networks.

In March 2018, with the Advanced Telecommunications Research Institute International (ATR) and the KDDI Research, Inc., we carried out a live streaming test of 4K high-definition video in a stadium using fifty 5G tablets, the first time this has been achieved in Japan.

#### 5G Testing Initiatives

 [Japan's First Live Streaming of 4K High-Definition Video in a Stadium Using Fifty 5G Tablets \(Japanese\)](#)

## Policy & System

## KDDI

### Initiatives Outside Japan

We endeavor to offer high quality and highly reliable services in various countries based on our global network linking different parts of the world and data centers TELEHOUSE. The au World Service provides broad coverage of countries for smartphone and mobile phone users in Japan to safely and comfortably use our services outside Japan too. This is realized based on the partnerships with overseas telecommunications operators that we have cultivated in the course of providing international telephone services for more than 60 years.

#### Maintenance and Operation of Global Network

We connect networks with communications providers around the world, and in cooperation with these companies, we maintain and operate a global network linking different parts of the world. As well as offering high quality international communication services using highly reliable optical fiber submarine cables, we aim to provide services using the latest network technologies such as virtualization.

Submarine cables provide 99% of Japan's international traffic,\* being an important component of the social infrastructure. Moving forward, we will offer even more reliable communication services for the Asia and Pacific regions, where demand is expected to grow further.


In March 2018, we signed a construction and maintenance agreement on joint construction of the Southeast Asia-Japan 2 Cable System optical fiber submarine cable connecting 11 points in Asia between Japan and Singapore.


In addition, through partnerships with companies such as Inmarsat and Intelsat, we offer services using satellite communications, enabling call and data transmissions to anywhere in the world, including on ships at sea, airplanes, the South Pole and other remote areas and islands where cables do not reach.

In September 2017, we decided to construct a new submarine cable-laying ship. As well as promoting IT innovation in shipping and offshore construction, we will provide more reliable communication services than ever.

\* According to research by KDDI

 [TELEHOUSE Inaugurates New Highly Connected Data Center in Docklands](#)

 [Construction of Submarine Cable-Laying Ship](#)

 [Inmarsat Service \(Japanese\)](#)

# Responsibility for Products and Services

## Policy

## KDDI Group

### KDDI's Approach

In our efforts to “add value to the customer experience,” we at KDDI believe it is important to offer products and services that all customers can experience the joy of communication.

We offer products and services from a customer perspective, aiming to create a society in which ICTs is accessible to all, where even more people the world over — adults, children, older people, people with disabilities and low-income earners — have equal access to the benefits of a variety of products and services.

As well as increasing accessibility, we strive to offer services that anyone can use with peace of mind. We are committed to offering products and services based on the principle of universal design, so that they can be used with confidence by everyone.

## Policy

## KDDI

### Product Quality Control

We implement total integrated quality control from product design to after-sales services. Together with outsourcing manufacturers, we at KDDI pay due regard to our product's impact on customer safety by presenting our own standards for safety and durability to the manufacturers, without relying solely on their standards. Products are delivered after checking the safety, durability and quality of the software and hardware, implementing 100% labelling required under the associated regulations.

In the case of any defects or quality issues arising after products are released, we receive inquiries via our website, phone and au retailers including au shops to immediately identify the causes and improve both hardware and software. If any especially serious defects are found, the market response screening committee chaired by the President is established to promptly confirm the details and causes to decide countermeasures.

#### Quality control flow diagram



## Policy, Activity & Results

## KDDI

### Education on Safe Use through Products and Services

Smartphones, mobile phones and the Internet have become irreplaceable in our daily lives. However, since it depends much on individuals' capabilities to use them properly, more people, particularly children and older people, get involved in crimes and other troubles.

We promote initiatives to ensure safe use regardless of the users' level of ICT literacy. Those include providing products and services that tell advice and manners to keep in mind and other awareness campaigns for safe use.

#### ■ Cycle Safety Project to Prevent Use of Smartphones While Cycling

On September 21, 2017, to tie in with the national road safety campaign in the autumn, we launched the Cycle Safety Project with Navitime Japan Co., Ltd. and au Insurance Co., Ltd. with an aim to eliminate the use of smartphone while cycling and to raise awareness of high compensation claims. As the first edition of the project, the Stop Using Smartphones While Cycling campaign was held between September 21 and October 31, 2017. Participants cycled 5 kilometers using Navitime's voice navigation app, then answered a questionnaire, and the first 5,000 people received a coffee to mark their achievement.

The second edition of the project was launched on March 20, 2018. As well as conducting tests to scientifically prove the negative effects of using a smartphone on a cyclist's field of vision and response speed, we produced the Stop Using Smartphones While Cycling VR Experience program for people to simulate the dangers of using a smartphone while cycling. Through the VR headsets, users can compare the field of vision and breaking response time when cycling with and without distraction from a smartphone.

Going forward, we will expand the Cycle Safety Project, aiming to realize a society where bicycles can be used safely.



# Responsibility for Products and Services

## Initiatives to Promote Safe Use

Targets	Products		Services		Rates		Measures	
Young people	mamorino4	A touch-screen mobile phone for kids, with voice operation, security alarm, location confirmation feature etc	Security Filter for au	A smartphone filtering service to protect young people from dangerous sites and apps. Filter level can be set according to the child's age and what they are using the smartphone for. Also provides time limits to prevent over-use, usage inquiries, area search etc	Junior Keitai Plan	A special price plan for the "mamorino4" for children of elementary school age and under. The plan can be used for a basic fee of 500 yen when subscribing to 2-year contract (Everybody Discount). Cancellation mid-contract will incur a contract cancellation fee (9,500 yen)	Promote the use of filtering services	Based on the Act on Development of an Environment That Provides Safe and Secure Internet Use for Young People, as well as implementing filtering for all contracts for minors, we are actively trying to improve user-friendliness and increase awareness of our filtering services
	miraie f	A smartphone for children, equipped with functions to prevent overuse and access to inappropriate websites and content as well as with location-tracking feature for their guardians	Age confirmation service	Under the customer's consent, offer an Age Confirmation Service that transmits age information (information for the content providers to determine whether the customer is over or under the age specified by the providers) when the customer uses social media and other services	Family Discount	Discount service with no fixed fee, for families using au smartphones or mobile phones. Domestic SMS messaging (C-mail) and domestic calls among family are free 24 hours a day, based on certain contract conditions. Families living separately can also apply  * Can be combined with Smile Heart Discount	KDDI Smartphone and Mobile Phone Safety Classes	We give classes at schools all over Japan, allowing children to learn the skills to safely and properly use smartphones and mobile phones using their own judgment  <a href="#">Link</a> Page_086 Community Involvement & Development / Initiatives
Older people	BASIO3	A product for first-time smartphone users with a clear, easy-to-use home screen and buttons and a camera that makes it easy to take photos	au smart support	A membership-based service where a dedicated team of advisors offer tailored support for customers who have bought a mobile phone but cannot use it, or want to buy one but feel anxious about using it, allowing them to use their device with confidence			Educational website: Family Guide to Children and Mobile Phones on WEB	An educational website where both parents and children can enjoy learning about the important points and rules when using smartphones and mobile phones  <a href="#">Link</a> Website Family Guide to Children and Mobile Phones (Japanese)
	Simple Phone KYF36/ KYF38	A feature phone focused on ease of use, with a high-quality audio communication function, simple menu screens and larger keys					Measures against money transfer frauds	<ul style="list-style-type: none"> <li>For Individual subscriptions: Enhancing identity confirmation by restricting the payment methods for usage fees; preventing mass fraudulent subscriptions by restricting the number of subscribable lines; and enhancing screening by information sharing among mobile phone and PHS companies about subscribers of lines whose identity cannot be confirmed.</li> <li>For fixed-line phones: Introduced the Nuisance Call Light-up service. KDDI employee volunteers conduct awareness raising activities at Musashikoyama Shopping Street in Tokyo (FY2017: 9 times)</li> </ul>
							KDDI Smartphone and Mobile Phone Safety Classes	Supporting "consumer education" run by local authorities, we explain the basic operation of smartphones and tablets, and how to use them safely, mainly for users aged 70 and under  <a href="#">Link</a> Page_086 Community Involvement & Development / Initiatives

## Responsibility for Products and Services

### ■ Initiatives to Promote Safe Use

Targets	Products		Services		Rates		Measures	
Users with disabilities	Simple Phone KYF36/ KYF38	Features a text-to-speech function for visually impaired users to allow operating instructions and e-mails to be read aloud by pressing a dedicated button	Braille Request Service	Service for visually impaired users to receive monthly usage billing information in braille (including amount charged and breakdown)	Smile-Heart Discount	Provide discounted rates for persons with disabilities to make au mobile phones easier to use. As of March 2018, the discounts are available to holders of a physical disability certificate, rehabilitation certificate, certification of the psychiatric disordered, medical care certificate for specified diseases, registration certificate for specified diseases and medical expenses certificate for specified intractable diseases	Sign language support	We offer support for contract procedures in sign language at a KDDI directly managed outlet (au Shinjuku). We also offer remote sign language support using tablet-based video conferencing functions at several KDDI directly managed outlets
LGBT	—	—	—	—	Family Discount service available to same sex partners	Expand the eligibility of family-oriented services such as au Family Discount to include same-sex partners when formal certification of same-sex partnership is provided	—	—
Everyone	Initiatives through MVNO		KDDI Group companies: UQ Communications Inc., UQ Mobile Okinawa Corporation, Jupiter Telecommunications Co., Ltd. and Biglobe Inc. offer low-cost communication services to reduce the cost burden for customers. The KDDI Group offers a variety of services to suit its customers' needs					
	Initiatives to stop smartphone use while walking, cycling and driving		Free app to prevent usage while walking. Provide a free app to stop smartphone use while walking and help prevent accidents and injuries and to improve manners					
			Cycle Safety Project: A joint initiative by KDDI, Navitime Japan Co., Ltd. and au Insurance Co., Ltd. to create a society where bicycles can be used safely. Campaign using apps and social media, as well as the Stop Using Smartphones While Cycling VR Experience					

# Customer Relationship Management

## Policy

## KDDI

### KDDI's Approach

We regard all our stakeholders as "customers" and are making efforts to increase their satisfaction. We have formulated the KDDI CS Policy as our guidelines on behavior and decision-making to achieve Total Customer Satisfaction (TCS), for which we make company-wide efforts with officers and employees to ensure a long-lasting and stable relationship of trust with our customers by doing our utmost for their benefit, which is our purpose.

[Link Website](#) KDDI CS Policy

## System

## KDDI

### Customer Satisfaction Improvement System

We are accelerating toward our medium-term business management target (until fiscal 2018) of becoming A Business that Provides Customer Experience Value.

Through the Integration of Telecommunications and Life Design, we aim to further improve customer experience (CX) and actively explore new ways to make customers' lives more enjoyable by expanding our life design services into areas like commerce, energy, finance and entertainment, as well as our existing communication services.

Toward that aim we at all departments strive to refine all points of contact with the customers, working on cross-departmental improvements across au shops, communication and sound quality, products, website, rates and services. We share the progress at the CX Promotion Meeting that is held twice a month, attended by top executives, to speed up the process.

Many evaluations, criticisms and comments we receive from customer questionnaires form the guidelines for our behavior. Reflecting these opinions sincerely in our business completes the cycle of offering further value to our customers.

## System

## KDDI

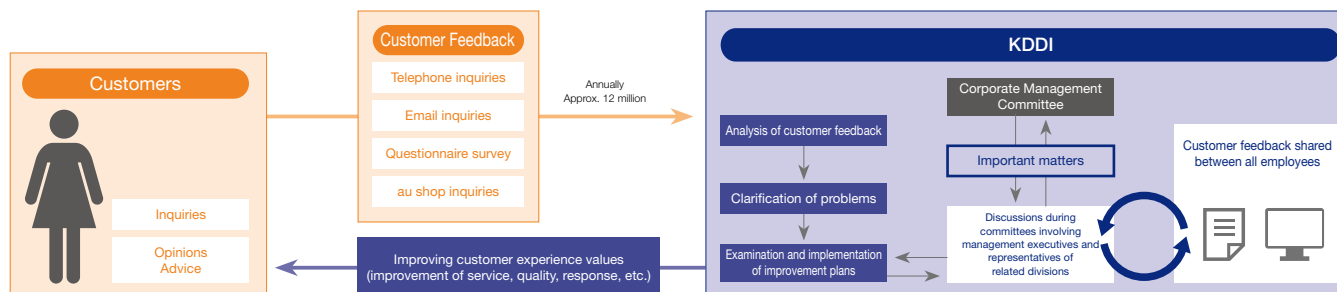
### Collecting Customer Feedback

We sincerely listen to valuable customer feedback and immediately translate it into action to continuously refine our services and quality. Based on their opinions and demands, we analyze and identify problems using the internal system that is updated daily. When prompt decision-making is required, management executives and representatives of related divisions meet and discuss to solve problems throughout the company. In order to share customer feedback with the whole company, we also have an intranet all employees can access and see their comments (excluding their personal information).

[Link Website](#) Improvement Initiatives (Japanese)

[Link Website](#) Services that Have Come from Customer Feedback (Japanese)

### Framework for Collection of Customer Feedback



# Customer Relationship Management

## System & Activity

### KDDI

#### Initiatives for Customer Satisfaction

##### ■ Ensuring Multilingual Support at au Shops





Following the rise in the number of non-Japanese customers, we have prepared survey forms in multiple languages for visitors to our shops. Based on the results of the survey, we further enhance multilingual support at each shop for customers from countries other than Japan so that they have a better experience too. These initiatives invite more people to choose au.

##### ■ Multilingual Support Initiatives

Initiative	Details
Introducing a video interpretation services	Promoting introduction of video interpretation service in 12 languages (English, Chinese, Portuguese, Korean, Vietnamese, Tagalog, Spanish, French, Thai, Nepalese, Hindi and Russian)
Translating various sales tools	Translated contract documents, notice, catalogs, flyers, etc. for customers in seven languages at most
Making multilingual au Support Movies	Made videos in four languages at most (English, Chinese, Portuguese and Vietnamese) to give information about au services and answer frequently asked questions

 [Multilingual Support Initiatives at au Shops](#)

## Other Initiatives

Initiative	Details
au CX AWARD	Each year, KDDI holds the customer service contest in locations throughout Japan in an attempt to enhance the customer service skills of au shop staff  <a href="#">Customer Service Contest: au CX AWARD (Japanese)</a>
au Support Movies	The movies explain how to use smartphones and popular apps in video form  <a href="#">au Support Movies (Japanese)</a>
au Osekkai-bu	Volunteers from KDDI visit customers to introduce smartphone usage tips, based on various lifestyles  <a href="#">au Osekkai-bu (Japanese)</a>
au Smart Support	We offer a membership-based support service offering tailored support for customers using smartphones  <a href="#">au Smart Support (Japanese)</a>

## Activity

### KDDI

#### Initiatives for Corporate Customer Satisfaction

In an ever-changing market environment, customer needs are becoming more diversified and sophisticated. We contribute to our corporate customers' businesses through detailed communication and thorough customer perspectives, in line with our business management policy of "fully supporting clients' business transformations."

We also work on various activities including the development of human resources in order to solve problems of our customers and to be chosen as their business partner. Examples of these activities include holding workshops and contests in the company and sharing examples of good practice where we have contributed to our corporate customers' businesses.

##### ■ KUG: KDDI Enterprise Users' Group

KDDI Enterprise Users' Group (KUG) is an organization operated by corporate customers of our services. In KUG, which KDDI supports as the organizer, member companies from various industries gather and hold seminars, observation tours and workshops in order to interact, study and cultivate friendship. It also serves as an opportunity for various activities where we collect feedback for KDDI to improve services and develop new products.

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

FY2017 activity results	Held 10 times (For FY2018, 11 events are scheduled)
Examples of initiatives	<ul style="list-style-type: none"> <li>Introduced our efforts in disaster resilience and service quality control through tours of the KDDI Shinjuku Building and the cable layer vessel named KDDI Ocean Link</li> <li>Organized seminars to share trends in IoTs and ICT solutions</li> </ul>

# Customer Relationship Management

## Results & Analysis

## KDDI

### Customer Satisfaction Surveys

#### Assessments of au Services in the Consumer Market

Survey name	Assessment results
J.D. Power: 2017 Japan Mobile Phone Service Satisfaction Study	Ranked highest in overall satisfaction (two consecutive years)
J.D. Power: 2017 Japan Mobile Data Communications Service Satisfaction Study	Ranked highest in overall satisfaction (two consecutive years)

#### Assessments of KDDI Services in the Corporate Market

Survey name	Assessment results
J.D. Power: 2017 Japan Business Mobile Phone and PHS Service Satisfaction Study <Large Enterprise/ Midsize Business Segment>	Ranked highest in overall satisfaction (two consecutive years)
J.D. Power: 2017 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study	Ranked highest in overall satisfaction (five consecutive years)

# Brand Management

## Policy

## KDDI

### KDDI's Approach

We operate all over the world, in both consumer and business markets. Our strategy is to use the KDDI brand for the business market and the au brand for the consumer market, but the aim of both brands is to "make customers happy." We will continue our efforts to improve customer satisfaction by taking the customer's perspective to ensure customers continue to choose our brands.

We are making company-wide efforts to promote the improvement of customer experience value, which leads to customer satisfaction. Establishing a stronger brand and managing it properly is one of our key issues.

For proper management of our brands, we are striving to raise employees' awareness of issues like unauthorized use of trademarks and inappropriate use of logos by third parties, so as not to affect customer satisfaction or bring any disadvantage to society.

## Policy

## KDDI

### Advertising Policy to Establish Our Brands

With our slogans "The company the customer can feel closest to" and "A company that continues to produce excitement," we aim to promote the improvement of customer experience value. We aim to understand our customers through all points of contact and provide the best services at the right time.

Our advertising and publicity are strongly promoted as one way to realize this policy.

## Policy

## KDDI

### Our Approach to Advertisement Production

KDDI advertisements are created with the idea of contributing to improved customer satisfaction, based on the rules of the Act against Unjustifiable Premiums and Misleading Representations as well as voluntary standards and

guidelines on placement of telecommunications services advertisements, to avoid interfering in the autonomous and rational choice of customers by unfair enticement.

When creating an advertisement, each department shares detailed information about the purpose of the advertisement and the details of the product or service. The created advertisement is inspected at each department before it is submitted to the review department for final approval. As a rule implemented since 2013, advertisements cannot be used without passing the final review. We select media which can be effective points of contact for communication with customers, as well as being cost-effective.

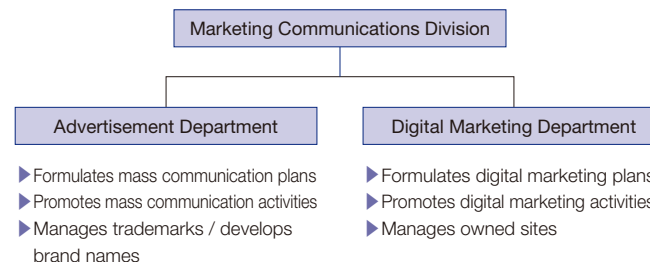
#### ■ FY2017 Violation of Regulations

There were no violations of any regulations related to marketing or communication (the Act against Unjustifiable Premiums and Misleading Representations).

#### ■ FY2017 Review Results

- Number of advertisements inspected by the review department: 5,499
- Results of review: Advertisements that might violate laws and regulations were all rectified

#### ■ Promotion System



## Activity & Results

## KDDI

### TV Commercial

Starting in January 2015, we rolled out the Santaro TV commercial series in an effort to spread the brand image of au under the brand slogan of New Freedom. We continue to run the Santaro series in fiscal 2018 with the aim of further increasing the popularity.

#### ■ External Assessment (Subject: The Santaro TV Commercial Series)

CM Soken Consulting

FY2017 Commercial Popularity Ranking by Company: First Place

FY2017 Commercial Popularity Ranking by Brand: First Place

\* Listed for Brand of the Year for three consecutive years

#### ■ Sponsorship

As one of our initiatives to improve our brand value, we sponsor sports contests, organizations and social and cultural projects. Through this support, we aim to create new value and provide excitement for customers.

Japan national soccer teams	As a supporting company of our national soccer teams, we support all the teams representing Japan: the Samurai Blues (men's team), Nadeshiko Japan (women's team), youth teams and the national Futsal and Beach Soccer teams
Sport climbing	As the official sponsor of the sport climbing category of the Japan Mountaineering and Sport Climbing Association, we support sport climbing and sponsor "Team au," made up of six climbers
Super GT	We sponsor the Lexus Team Tom's in Japan's biggest GT race, the Super GT
Boston Symphony Orchestra	Special sponsor of the 2017 Japan tour of the Boston Symphony Orchestra, conducted by Andris Nelsons, one of America's Big Five orchestras
Tokyo Jazz Festival	We sponsored Japan's biggest jazz festival, the 17th Tokyo Jazz Festival
"Connecting Hearts, Connecting Lives" Reconstruction Concert	We sponsored the "Connecting Hearts, Connecting Lives" concert for the reconstruction of the area affected by the 2011 earthquake and tsunami

# Innovation Management

## Policy

## KDDI Group

### Approach to Innovation

We at KDDI aim to continue to provide new experience value in all aspects of life, always focusing on our customers. As well as exploring the latest technologies through research and development, we proactively promote open innovation through collaboration with external partners and industry-academia-government collaboration, leading to the development of products and services beyond our customers' imagination.

## System

## KDDI Group

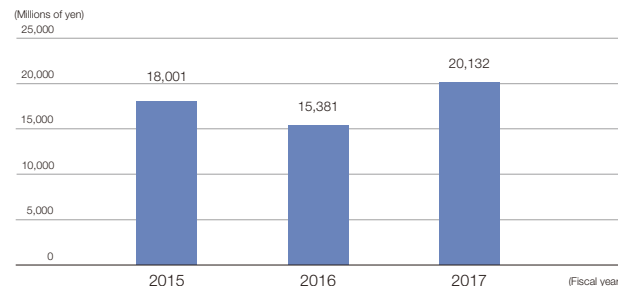
### Promotion for R&D and Technological Development

We have organized a framework to promote both technological development for grasping technology trends in a timely manner and utilizing the latest technologies for our business, and research and development aimed at creating state-of-the-art technologies in a long term.

Our technology divisions at KDDI Head Office lead our technological development, and we are working on innovative technologies that will support our business in the near future, such as 5G, connected devices, cars and homes and automatic operation.

On the other hand, in research and development, we established the KDDI Research Inc. separately from the Head Office technology divisions to enable a seamless progress from research analysis for future prediction to basic research and applied research. The research and development field of KDDI Research Inc. covers a wide range of areas such as network, AI x big data, security, and service applications, and 298 researchers are engaged in R&D (as of April 1, 2018).

### Change in R&D Expenses



## System

## KDDI Group

### Promoting Open Innovation

Our framework for open innovation includes: KDDI Digital Gate to create new business solutions with our customers in the IoTs and 5G era; the KDDI Open Innovation Fund, which invests in promising startups in Japan and other countries; and KDDI∞Labo, a program to support young engineers who are passionate about creating Internet services.

#### ■ KDDI Digital Gate

In summer 2018, we will launch KDDI Digital Gate, our business development hub for the IoTs and 5G era, to create new business solutions with our corporate customers.

As well as being a space where customers can experience all kinds of solutions made possible by cutting-edge technology such as cloud computing and advanced data analysis solutions by IoTs, 5G, AR, VR and AI, it will be a co-creation workshop space to identify potential issues and create innovative ideas through design thinking, as well as providing a space where prototypes can be developed rapidly with agile development methodology. A specialized team from KDDI will work with a professional group made up of highly specialized partner companies, aiming to speed up the process of identifying needs, creating, learning and improving, helping customers to provide services with high market value to society as quickly as possible.

#### ■ KDDI Open Innovation Fund

KDDI Open Innovation Fund is a corporate venture fund operated by KDDI and Global Brain Corporation which invests in promising startups across the world. We strongly support the growth of our investee companies, using our broad networks with different companies and marketing skills, as well as linking with our services including au Smart Pass.

We have specialist personnel based in San Francisco, US and Seoul, South Korea, where we are looking to invest in startups with the latest technologies or innovative business models. We offer wide-ranging support for business development, marketing and localization for our investee companies when they plan to expand their business in Japan.



#### ■ KDDI∞Labo

In 2011, we launched KDDI∞Labo, a program designed to support young engineers who are passionate about creating innovative Internet services that can be applied across the globe. This program offers total support to selected teams, including service development support from the perspective of a telecommunications operator as well as support for the management and promotion when they start up their business. We also provide communication space in our offices and free loan of equipment required for their service development.

Since 2014, we have been working on industry-academic partnerships that aim to commercialize the technologies from research at universities and on collaborations between startups and various companies (a total of 36 partner companies including KDDI) that agree to the purpose of this program in order to achieve co-creation.



# Innovation Management

## Activity

## KDDI Group

### Activities for Innovation

#### Product Innovation

Initiative	Details
IoT security technology using SIM	KDDI and KDDI Research, Inc. developed encryption key* management technology that introduces the high security tolerance of SIM in the communication of IoT devices to solve security issues such as illegal remote control, and identity fraud and data eavesdropping
New world record for optical fiber communication	KDDI Research Inc. and Sumitomo Electric Industries Ltd. collaborated and broke the world record for the transmission capacity of a single-core optical fiber (2.15 petabit per second), successfully testing optical fiber transmission at 10.16 petabit per second. This was achieved using multi-core multi-mode optical fiber technology allowing 114 spatial multiplexing. The transmission capacity of 10 petabits is equivalent to transmitting 25,000 Blu-ray discs* (50 GB/duplex) worth of data in a second

\* Values used in encryption so that data cannot be accessed by third parties. Encoding can be performed using common key encryption or public key encryption.

#### Process Innovation

Initiative	Details
Providing agile development education program	Expanding on agile development support incorporating the methods of Scrum Inc., working with Eiwa System Management, we hold agile development seminars and provide wide-ranging support to Scrum teams from their launch of agile development teams until an agile organization management method becomes established
KDDI IoT Cloud Creator	Even when customers do not yet have a clear idea of what they want to achieve using IoTs, agile development enables development with the minimum possible rework by a repeated process of development and review, experimenting a little at a time

#### Environment Innovation

Initiative	Details
KDDI IoT Cloud toilet water-saving management	We developed a service to monitor water level in each restroom using IoTs, which leads to saving water by 40 to 50%* compared to conventional one
Tribrid base stations	We developed a power control technology to efficiently supply powers, depending on time, with ordinary commercial power, power generated by PV panels and midnight power, saved in storage batteries
Ecological survey of the Ganges River dolphin	We are working with the University of Tokyo and Kyushu Institute of Technology to protect the endangered Ganges River dolphin in India through ecological survey of the wild dolphin, using the sonic wave and acoustic technologies implemented in our underwater robots that were developed for inspection of submarine cables

\* Estimate based on actual data from valve manufacturers

#### Social Innovation

Initiative	Details
Social verification of multi-lingual speech translation system	To help foreign visitors to Japan, KDDI trailed a multi-lingual speech translation system that can translate place names specific to the local area, using GPS to identify areas where the system was used. This was trailed in Tottori City (Tottori), Naha City (Okinawa) and Fukuyama City (Hiroshima)

## Activity & Results

## KDDI

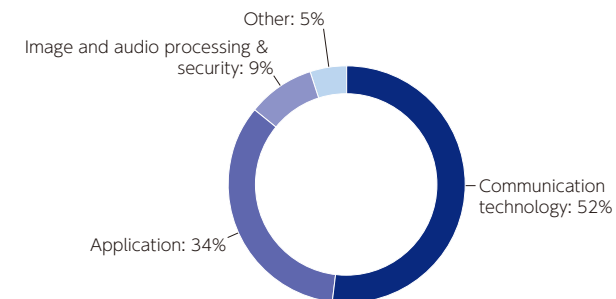
### Protecting Intellectual Property

One of our basic principles specified in the KDDI Code of Business Conduct defines our commitment to creating and protecting intellectual property of ours and respecting the intellectual property rights of others. We have formulated intellectual property handling regulations to ensure the proper management and enforcement of the industrial property rights, namely inventions and trademarks, copyrights for our software and other rights protected under the Unfair Competition Prevention Act, including rights to protect our technical know-how. In addition, we conduct educational activities every year through group training and e-learning classes to encourage employees to further understand the importance of intellectual property, as well as the risks of infringement and its prevention.

We at KDDI design and develop various services from telecommunications, IoTs, online content, payment, energy, to finance. We also conduct R&D of communication technologies such as LTE and 5G and security technologies for privacy protection. As a result of these efforts, we hold approx. 2,400 patents in Japan and approx. 200 outside Japan as of June 30, 2018. In line with the Patent Act, we have an invention reward system to secure incentives for inventors.

Moving forward, we will continue to enforce the protection of our intellectual properties and strengthen our competitiveness in the world.

#### Breakdown of KDDI's Patents (as of June 30, 2018)







# Innovation Management

## ■ Innovation Awards

We received the following awards in fiscal 2017.

Award giving organization	Award name	Awarded research	Award recipient (belonging organization at the time of receiving the award)	Date received
Tsushinbunka Association	The 62nd Maejima Hisoka Award (FY2016)	R&D and commercialization of Satch AR viewer application	Haruhisa Kato (KDDI Research, Inc.) Nobuo Kitazaki (Strategy Promotion Department) Masaaki Matsumoto (Operations Planning Department) Sakari Ito (KSGM) Tatsuya Kobayashi (Product Promotion Department)	April 11, 2017
Japanese Government	Medal with Purple Ribbon (Japan's Medal of Honour)	Development of decentralized control technology of long-haul high-speed optical transmission system  Awarded Fiscal 2017 Medal with Purple Ribbon (Japanese)	Masatoshi Suzuki (KDDI Research, Inc.)	April 29, 2017
Tsushinbunka Association	The 63rd Maejima Hisoka Award (FY2017)	R&D and commercialization of VistaFinder Mx, a remote operations supporting system	Tomohiro Tsuji (KDDI Research, Inc.) Akio Yoneyama (KDDI Research, Inc.) Jun Obata (KDDI Technology Corporation) Hiroyasu Sawa (J-TES) Nobuo Furuya (Solution Planning Department)	April 10, 2018
Ichimura Foundation for New Technology	The 50th Ichimura Industrial Award (FY2017)	Development of terabit-class long-haul high-capacity optical submarine cable system	Masatoshi Suzuki (KDDI Research, Inc.) Shigeyuki Akiba (Tokyo Institute of Technology) Itsuro Morita (KDDI Research, Inc.)	April 16, 2018
The Institute of Electronics, Information and Communication Engineers	Distinguished Achievement and Contributions Award		Masatoshi Suzuki (KDDI Research, Inc.)	June 7, 2018

 Information Relating to Awards KDDI Research, Inc. Received (2017)

 Information Relating to Awards KDDI Research, Inc. Received (2018)

## Initiatives in Growing Markets outside Japan

### Policy

#### KDDI Group

#### KDDI's Approach

We believe expanding information and communication services in emerging countries is key to solving various social issues. We have set the active expansion of global business as one of our business strategies. We strive to offer emerging countries with stable communication quality, utilizing our experience, expertise and technology of telecommunications services that we have accumulated in Japan and abroad, aiming to achieve higher quality of life and economic growth in those countries. In addition, the KDDI Foundation also supports to build communication infrastructure in developing countries where we don't operate our business.

### Activity

#### KDDI Group

#### Business Expansion and Sustainability Initiatives in Myanmar

##### ■ Business Expansion in Myanmar

We are working together with Sumitomo Corporation and Myanma Posts & Telecommunications (MPT) in a joint venture aimed at establishing an optimal communication environment in Myanmar, where there is an urgent need to improve the communication infrastructure. The mobile phone penetration in Myanmar, which was 13% before the launch of the joint venture, is now over 100%.

##### ■ Full rollout of LTE services started in Myanmar

The joint venture started rolling out LTE+, a service that enables faster data communication using the newly acquired 1.8 GHz band, in Yangon, Mandalay and Naypyidaw at the end of May 2017. By the end of December 2017, the service has reached 32 cities across Myanmar. LTE provides not only high-quality 3G communication covering wide areas of the country but also high-speed mobile data communication. High-speed communication enables us to offer rich content, and we started a movie streaming service in February 2018 and a music streaming service in March 2018. In May, we started a loyalty point service in partnership with eight other companies including a shopping mall. We will continue offering services that meet market needs.

##### ■ Sustainability Initiatives in Myanmar

In fiscal 2017, we ran an initiative called CSR Vision: Together for Future Generations, through which we organized activities focusing on Myanmar's younger generation, who will shape the country's future, in fields such as medical care, education and business incubation.

##### [Long-term training program for MPT workers]

We started a long-term training program for MPT workers to improve customer satisfaction and the quality of communication services in Myanmar. The first intake of MPT staff, two technical and two administrative workers, spent a year at KDDI between July 2017 and June 2018.

The objective of the program was to teach the trainees the technologies KDDI had developed over many years of experience in telecommunications business in Japan, where high-quality network offers a 24/7 service, and the knowledge and expertise in sales, marketing and service planning KDDI had gained in Japan's competitive environment. In the first phase, the trainees learned Japanese and attended a basic course in a classroom setting. In the second phase, practical training was given by KDDI staff working on the frontline of business.

After completing the program, the trainees will return to Myanmar, where it is expected that they will be able to use the techniques, know-how and business skills they have gained in Japan to contribute to Myanmar's growth. We at KDDI plan to take four new trainees in the second year of the program in fiscal 2018.

##### [App design competition held in Yangon for students in Myanmar]

The KDDI Foundation held an app design competition for university students as part of its international cooperation project to widen the reach of ICTs. The competition was supported by Myanmar's Ministry of Education, Ministry of Transport and Communications, Myanmar Computer Federation, MPT and the Embassy of Japan in Myanmar. Its aim is to give Myanmar students a chance to improve their ICT skills through app development and to learn the process of understanding and solving issues in their everyday life and society at the same time. We plan to continue this program and encourage more universities to take part.

### Activity

#### KDDI Group

#### Business Expansion and Sustainability Initiatives in Mongolia

##### ■ Business Expansion in Mongolia

KDDI's consolidated subsidiary MobiCom Corporation LLC started a high-speed data communication service by carrier aggregation in November 2017 — the first of this kind in Mongolia. The company endeavors to provide an optimal data communication environment in Mongolia to its customers by improving service quality and introducing new technologies in the effort to improve customer satisfaction and to grow its business.

##### ■ Sustainability Initiatives in Mongolia

##### [WASH Project — Water, Sanitation and Hygiene]

In Mongolia, it's hard to get safe and clean water, and only 35% of its population has access to it. MobiCom, in cooperation with local governments and NGO World Vision Mongolia, constructed hygienic waterworks and toilets in primary schools, contributing to improving public hygiene for about 45,000 children in 58 schools across 16 provinces. The WASH Project was selected as the Best CSR Project in Mongolia and has made an impact on the country's government to formulate policies relating to water hygiene. In collaboration with the Minister of Health, the Minister of Education, Culture, Science and Sports, and the Minister of Construction and Urban Development, MobiCom will construct more clean waterworks and toilets in kindergartens and secondary schools.

##### [Child Helpline 108]

Since 2014, MobiCom has been participating in Child Helpline 108 in Mongolia by providing free calls that can be connected 24/7 by children, parents, teachers and social welfare workers. The company has received more than 600,000 calls so far, contributing to solving problems of child abuse.

## Initiatives in Growing Markets outside Japan

### Activity

### KDDI Group

#### Initiatives of the KDDI Foundation

##### ■ Consulting on Telecommunications Backbone Network Project in Greater Mekong, Cambodia

Cambodia is building a 460-kilometer fiber-optic backbone network running from Kampong Cham to Sihanoukville via the capital Phnom Penh and a 30-km metro ring within Phnom Penh, as well as constructing fiber-optic access lines in major cities along these lines and introducing the latest NGN (next-generation network) system (IMS: IP Multimedia Subsystem).

To assist this project, a consortium comprising the KDDI Foundation and I.S. International, Inc., entered into a consulting agreement with Telecom Cambodia (TC) concerning the building of a telecommunications backbone network in the Greater Mekong region. The project began working in December 2007, and the facilities came into operation in June 2017, with all works planned for completion by the end of fiscal 2018.

The wider bandwidth and stability of the backbone telecommunications infrastructure, which is vital for the economy to flourish, will greatly contribute to the economic growth of the country

##### ■ Improvement of Emergency Medical Care in Thailand

In order to cut the death-in-transit rate of Thailand's ambulance service, we are supporting the national standardization of medical data and have also developed a prototype system for the remote sharing of patients' medical examination records and real-time status information with relevant teams at other locations. We have conducted a demonstration test of this system in the Ubon Ratchathani Province in eastern Thailand.

##### ■ Computing Education Study

We visited Singapore, Malaysia, Thailand and Myanmar to study how each country is introducing programming and computing in their elementary school curricula to prepare for the next-generation ICT Society. The findings were compiled in a report together with findings from the US and Europe.

### ■ Providing International ODA Technical Consulting

Projects	Details and scale of projects
Greater Mekong telecommunications backbone network project in Cambodia (CP-P5)	Consulting service agreement regarding the telecommunications backbone network project in Greater Mekong
Implementation period	December 2007 to FY2018 (expected completion)
Yen loan	3.029 billion yen
Dispatch of support personnel for consulting service concerning the communication network development project in major cities in Iraq (IQ-P17)	Consulting service on implementation of IMS-core in IP related equipment and increasing installation Edge-router and PON
Implementation period	December 2013 to May 2017 (completed)
Yen loan	11.674 billion yen
Preparatory study for the plan to develop an emergency telecommunications system in Bhutan	Preparatory study with the main focus on investigation for the development of the disaster resilience of telecommunications facilities for mobile phones
Implementation period	December 2016 to December 2017 (completed)
Yen loan	None (free)

### Results

### KDDI Group

#### Recognition of Our Initiatives in Growing Markets

Award	Evaluation
MobiCom: Selected as the Best Socially Responsible Company 2018	MobiCom recognized as the best foreign company for social responsibility in Mongolia
MobiCom: Awarded Best Employer of Mongolia 2017	In the first year of Mongolia's new awards recognizing private companies that are doing the most to provide a good workplace for employees, MobiCom was highly recognized for stable employment, health management, initiatives to reduce work-related accidents and in-house training program to facilitate career development <a href="#">Link</a> Page_027 Materiality 3: Highlight
MobiCom: Awarded Grand Prix, Entrepreneur Awards 2017	The top accolade in the awards recognizing companies that contributed most to Mongolia's economic growth over the year
MPT: Received the Speedtest Award (July – December 2016, January – June 2017)	Recognized as the fastest mobile network in Myanmar

# Sustainability Initiatives That Support Business

## (KDDI's Business Foundation)

Offering stable and quality telecommunications services for 24/7 — this forms the basis of KDDI's business.

In order to support and ensure continuous growth of our business,

we maintain a sound and transparent management system

and develop the group and the human resources that can flexibly respond to changes in society.

We also seriously work on nature conservation and engage with local communities as a corporate citizen.

▶ Corporate Governance	P052
▶ Risk Management	P059
▶ Information Security	P062
▶ Disaster Preparedness	P064
▶ Compliance	P065
▶ Human Rights	P068
▶ Labor Practices	P070
▶ Recruiting and Developing Human Resources	P077
▶ Supply Chain Management	P083
▶ Community Involvement and Development	P085
▶ Environmental Management	P090
▶ Environmental Performance	P097
▶ External Recognition	P105

# Corporate Governance

## Policy

## KDDI Group

### KDDI's Approach and Guidelines on Corporate Governance

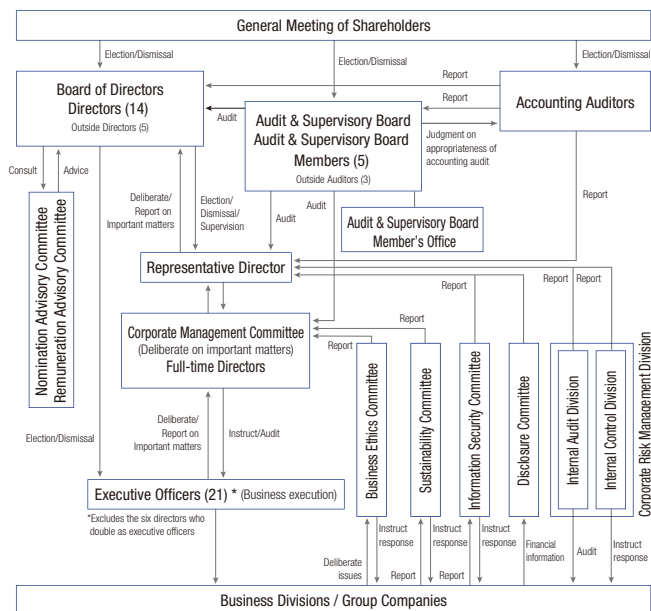
As a telecommunications company that offers social infrastructure, we have an important social mission of seamlessly offering stable communication services at all times under any circumstance. We also recognize our social responsibility to resolve various social issues through our telecommunications business, which relies on precious assets shared by all citizens including mobile phone signals and radio waves. In order to complete these social mission and responsibility, it is essential for us to achieve sustainable growth and improve our corporate value over the medium to long term. We aim to contribute to developing a safe and truly connected society by tackling social issues through dialogues and co-creation with all our stakeholders including customers, shareholders, business

partners, employees and local communities. We believe reinforcing corporate governance is key to our sustainable growth and increased corporate value over the mid to long term. We adhere to Japan's Corporate Governance Code and strive to enhance a framework that enables transparent, fair, timely and decisive decision-making. Also, in addition to our Corporate Credo and Mission Statement, we have formulated the KDDI Group Philosophy, which defines the mindset, value and principles to be shared by officers and employees and continue to raise awareness of this philosophy throughout the group.

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

[Link Website](#) Corporate Governance Report

## Corporate Governance Framework



## System

## KDDI

### Corporate Governance Promotion Framework

We believe strengthening corporate governance to be one of the most vital issues in enhancing corporate value for shareholders and all other stakeholders, and we are working to improve management efficiency and transparency.

KDDI is currently a company with company auditors, and in order to properly manage business execution, we have introduced an executive officer system to assign authority, clarify responsibilities and ensure effective and efficient business operations. We are also working to establish a framework for internal decision-making process to ensure timely management decisions. We have 14 directors (13 male, one female), including five outside directors, three of whom are independent directors. There are five Audit & Supervisory Board members (all male), including three outside members, and all outside members are appointed as independent directors.

### Criteria for Independence of Outside Directors/Auditors

In addition to the requirements in the Companies Act and the standards provided by the Tokyo Stock Exchange, Inc., we have formulated our own standards for

judging the independence of outside directors/auditors. Specifically, we consider those belong to business partners that make up 1% or more of the company's consolidated net sales or orders placed not independent.

## System

## KDDI

### Directors and Board of Directors

The Board of Directors is composed of both internal and outside directors including independent outside directors. They determine important legal matters and supervise the business execution of directors to ensure the appropriateness. The board also has the authority to assign and dismiss executive officers.

#### Board of Directors FY2017 Meetings

Number of meetings held	12
Outside directors' attendance rate	98.3%
Outside auditors' attendance rate	97.2%

### Evaluation of the Board of Directors' Effectiveness

#### <Purpose of Conducting>

We conduct a self-evaluation of the Board of Directors regularly every year in order to correctly understand its situation and continuously improve its operation.

#### <Evaluation Process>

We assess the effectiveness of the Board of Directors based on evaluation by the directors and Audit & Supervisory Board members themselves. The evaluation questionnaire combines four-grade rating scale and free writing so that the effectiveness of the board's initiatives are assessed and matters to be improved are identified from two perspectives; quantitative and qualitative.

The evaluation covers the most recent one year and is conducted annually. The results of the evaluation are reported back to the Board of Directors to discuss future measures. The main evaluation items are as follows:

- Operation of the Board of Directors (composition of members, documents and explanations, provision of information, etc.)
- Supervision of Executives (conflict of interest, risk management, management

# Corporate Governance

of subsidiaries, etc.)

- Medium- to long-term discussions (review of medium-term business planning, monitoring of plan enforcement, etc.)

## <Evaluation Results>

### [Summary]

KDDI's Board of Directors has been rated as appropriately running and functioning effectively. The following points have received particular praise:

- It includes outside directors and Audit & Supervisory Board members with a wealth of experience in different fields, ensuring that issues are discussed from a wide range of perspectives and multiple angles.
- Outside directors are allocated ample time to speak, and their comments and questions receive earnest response.

### [Improvements from Previous Evaluation]

The evaluation confirmed that improvements had been made to the issues highlighted in the last evaluation, such as the sharing of the progress status of the medium-term plan and the conducting of regular strategic discussions regarding the long-term outlook of the business environment and response to changes in the environment.

### [Moving Forward]

It was commented that it would be desirable to expand discussions on medium- to long-term management strategy to include more diverse perspectives. Based on these comments, we plan to hold multiple discussions in fiscal 2018 as we draft the next medium-term management plan.

 [The 34th Annual General Meeting of Shareholders Notice](#)

## System

## KDDI

### Corporate Management Committee

The Corporate Management Committee is composed of inside directors and executive officers. It holds discussions and makes decisions about matters identified at the Board of Directors and important items concerning the business execution.

## System

## KDDI

### Auditors and the Audit & Supervisory Board

The KDDI Audit & Supervisory Board is composed of five members, including three independent outside members. It designs policies and execution plans for auditing, as well as making decisions about important items concerning auditing operations. In selecting outside auditors, we see their abundance of experience and a wide range of insight that enable total supervision of the management and accurate auditing from a position independent of the directors.

Auditors attend meetings of the Board of Directors, as well as other important internal meetings including meetings of the Corporate Management Committee. Directors, employees, directors of subsidiaries and the Internal Audit Division provide the auditors with the information they need to perform their duty as required in a timely manner and, if any matter potentially highly damaging to the company and/or its subsidiary is discovered, immediately notify the auditors. Furthermore, directors, employees, directors of subsidiaries and the Internal Audit Division exchange their views with the auditors to facilitate coordination. The auditors also periodically receive reports from the accounting auditor on the annual accounting audit plan, as well as on the progress and the results of the auditing and exchange opinions with each other as necessary. The Audit & Supervisory Board Member's Office has been established to assist the work of auditors, and dedicated staff appointed with the prior approval of Audit & Supervisory Board or the Audit & Supervisory Board Members receive instructions from each auditor.

- Audit & Supervisory Board FY2017 Meetings: 12
- Audit & Supervisory Board FY2018 Meetings (planned): 12

### Internal Audits

We established the Audit Department in the Corporate Risk Management Division which is in charge of risk management of KDDI Group. It conducts internal audits of overall KDDI Group operations on the important risks identified through risk management activities. The results of internal audits are reported to the Company President and Audit & Supervisory Board members together with requests and recommendations concerning improvements and corrective measures to address highlighted issues, and the status and results of internal audits are also reported

to the Board of Directors every quarter. In fiscal 2017, a total of 17 audits were carried out to monitor the progress of corrective/improvement measures and to prevent risks from materializing.

## System

## KDDI

### Nomination Advisory Committee and Remuneration Advisory Committee

To ensure the transparency and fairness of systems and standards for nomination of directors and Audit & Supervisory Board members and their executive remuneration, we have established the Nomination Advisory Committee and the Remuneration Advisory Committee, which deliberates and provides advice to the Board of Directors based on the discussions thereof. The chair, vice-chair and more than half of the members of these committees are outside directors.

#### <Nomination Advisory Committee composition>

Members of Committee:

Goro Yamaguchi (Outside Director)  
Tatsuro Ueda (Outside Director)  
Kuniko Tanabe (Independent/Outside Director)  
Yoshiaki Nemoto (Independent/Outside Director)  
Shigeo Ohyagi (Independent/Outside Director)  
Takashi Tanaka  
Makoto Takahashi

#### <Remuneration Advisory Committee composition>

Members of Committee:

Goro Yamaguchi (Outside Director)  
Tatsuro Ueda (Outside Director)  
Kuniko Tanabe (Independent/Outside Director)  
Yoshiaki Nemoto (Independent/Outside Director)  
Shigeo Ohyagi (Independent/Outside Director)  
Takashi Tanaka  
Makoto Takahashi

# Corporate Governance

## <Meetings held (FY2017)>

Nomination Advisory Committee Meetings	2
Remuneration Advisory Committee Meetings	1

## System

## KDDI Group

### Other Committees

We have established the Business Ethics Committee, a deliberative and decision-making body for compliance related items, and the Disclosure Committee, a deliberative body for releasing information. We also have established the Sustainability Committee, which deliberates items related to sustainability including our social responsibility and environment. We collaborate with our group companies to manage their governance through various systems and frameworks in order to enforce the governance of the whole KDDI Group.

[Link](#) Sustainability Promotion Framework  
Page\_010

## System

## KDDI

### Items Related to Organizational Structure and Operations

Organizational form	Company with auditors
Number of independent auditors	6 (including 1 female)

### Items Related to Directors

Number of directors prescribed in the articles of incorporation	20
Tenure period of directors prescribed in the articles of incorporation	1 year
Presiding officer of Board of Directors	Chair (president and chairman are separate posts)
Number of directors	14 (including 1 female)
Outside directors	Appointed
Number of outside directors	5 (including 1 female)
Number of outside directors designated as independent directors	3 (including 1 female)

### Items Related to Audit & Supervisory Board Members

Number of members prescribed in the articles of incorporation	5
Number of members	5 (all male)
Outside members	Appointed
Number of outside members	3 (all male)
Number of outside members designated as independent members	3 (all male)

### Other

Implementation of anti-takeover measure	Not implemented
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## Policy & System

## KDDI

### Policies and Decision Process for Nominating Director and Auditor Candidates

The nomination of director and Audit & Supervisory Board member candidates involves deliberation by the Nomination Advisory Committee following a selection of candidates based on the below-stated policy. Auditor candidates are also approved by the Audit & Supervisory Board and then by the Board of Directors.

#### ■ Director Candidates

We believe that the Board of Directors should hold advanced specialized knowledge and diverse perspectives as a whole. Accordingly, we principally nominate those who have the following qualifications:

- Specialized knowledge and experience in different fields of business
- Perspective as a shareholder and management skills
- High independence and specialized knowledge as a supervisor

#### ■ Candidates for Audit & Supervisory Board Members

Ability to supervise overall management from a perspective independent of directors and extensive experience and insight to enhance audit appropriateness

#### ■ Diversity of Directors

We consider including diverse human resources and utilizing their various knowledge, experiences and skills to be an important growth driver toward Integration of Telecommunications and Life Design. We believe that ensuring diversity also in the Board of Directors can lead to better decision-making in the management. We are going even further toward Integration of Telecommunications and Life Design by including human resources with specialized knowledge and experiences in various fields to be used in the management, regardless of gender, age and nationality and by incorporating various viewpoints into the decision-making of the Board of Directors.

# Corporate Governance

## System

## KDDI

### Policies and Decision Process for Determining Remuneration for Directors and Audit & Supervisory Board Members

We have a following policy on remuneration for directors and Audit & Supervisory Board members. The Remuneration Advisory Committee deliberates and provides advice to the Board of Directors based on the discussions thereof, ensuring the transparency and fairness of systems and standards on executive remuneration. The chair, vice-chair and more than half of the members of the committee are outside directors.

#### ■ Policies for Determining Remuneration for Directors

Remuneration for directors consists of flat-rate remuneration and performance-linked executive bonuses and stock compensation provided that they are responsible for improving business results every fiscal year, as well as medium- to long-term corporate value. Flat-rate remuneration is based on such factors as directors' professional ranking and the management environment.

The amount of executive bonuses and stock compensation are

#### ■ Remuneration for Directors and Audit & Supervisory Board Members

Executive classification	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)			Number of eligible members
		Flat-rate remuneration	Bonus	Stock compensation	
Directors (excluding outside directors)	650	393	146	111	10
Outside directors	75	75	—	—	6
Audit & Supervisory Board members (excluding outside members)	52	52	—	—	2
Outside Audit & Supervisory Board members	50	50	—	—	3

- Notes: [1] The number of remunerated directors above includes two directors (including one outside director) who left at the end of the 33rd Annual Shareholders Meeting held on June 21, 2017. As they were not paid bonuses, the number of directors (excluding outside directors) who received bonuses was nine.
- [2] Regarding the above, at the 30th Annual Shareholders Meeting held on June 18, 2014, it is resolved that the maximum monthly remuneration for directors is 50 million yen.
- [3] At the 32nd Annual Shareholders Meeting held on June 22, 2016, it is resolved that the maximum annual amount of remuneration for Audit & Supervisory Board members is 130 million yen (for each business year).
- [4] At the 27th Annual Shareholders Meeting held on June 16, 2011, it is resolved that the amount of bonus for directors (excluding outside directors) shall be no more than 0.1% of the consolidated net profit for the fiscal year (or, according to IFRS, profit for the period attributable to owners of the parent).
- [5] The decision to introduce the performance-linked stock-type incentive program for directors (Board Incentive Plan) was resolved at the 31st Annual Shareholders Meeting held on June 17, 2015. This is apart from the bonuses and the company will pay directors, etc., who serve during the three years from fiscal 2015 to fiscal 2017.
- [6] In addition to the above, adjustment payments to directors and Audit & Supervisory Board members in lieu of retirement allowance were resolved at the 20th Annual Shareholders Meeting held on June 24, 2004 in connection with the cancellation of the executive retirement bonus system.
- [7] The director whose remuneration amount exceeds 100 million yen is Director Takashi Tanaka only, and the details are as follows: Remuneration, etc. totaling 124 million yen (flat-rate remuneration of 78 million yen, bonus of 25 million yen, and stock compensation of 21 million yen).

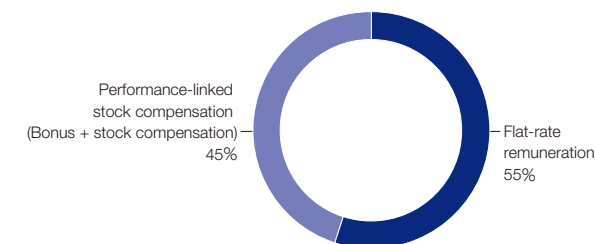
determined based on an evaluation of the rate of achievement of consolidated group operating revenue, operating income and profit for the year, as well as the achievement of certain KPIs, including the number of subscribers and the churn rate established for each fiscal year.

In order to clarify the executive responsibility of the directors and to increase the incentive for improving results, executive bonuses are variable and performance-linked, with a limit of up to 0.1% of the consolidated net profit for the relevant fiscal year. The limit for the variation has been defined to take account of the responsibility of the directors to meet the management goal of leading a sustainable growth and transition to a new paradigm while responding quickly to changes to the operational environment surrounding the group.

#### ■ Policies for Determining Remuneration for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board members is decided by consensus of the members of Audit & Supervisory Board. These members receive flat-rate remuneration that is not affected by fluctuations in the company's operating performance.

#### ■ Remuneration Distribution Ratio for Directors (excluding outside directors)\*



- \*Partial revision to stock compensation  
KDDI partially revised and will continue the performance-linked stock compensation plan it introduced in the fiscal year ended March 31, 2016.
- Aligning stock compensation with the period of the following year's medium-term management plan is intended as one effort toward achieving the following year's medium-term targets.
- Note that this revision is expected to result in an increase in the ratio of performance-linked stock compensation as a percentage of overall remuneration to 45%.\*
- \* When target achievement rate is 100%.

#### ■ Types of Remuneration and Methods of Determination

Types of remuneration		Method of determination	Maximum amount of remuneration	Resolution of shareholders meetings
Directors	Flat-rate remuneration	<ul style="list-style-type: none"> <li>Based on such factors as directors' professional ranking and the management environment</li> <li>Reference values are considered and set at appropriate levels using information from outside experts</li> </ul>	Maximum monthly remuneration of 50 million yen	June 18, 2014 30th General Meeting of Shareholders
	Bonus	Bonuses are linked to and determined by the rate of achievement of the group's consolidated revenue, operating income and profit for each fiscal year, as well as the achievement of certain KPIs, including net increase in mobile IDs, au churn rate and added-value ARPA	Within 0.1% of consolidated net income (profit attributable to owners of the parent under IFRS) during the applicable fiscal year	June 16, 2011 27th General Meeting of Shareholders
	(Partially revised)* Stock compensation (trust type)		(Applies to directors, executive officers and administrative officers) Total number of points (maximum) granted per fiscal year to those eligible: 357,000 points (Converted at a rate of 1 point = 1 share)	Introduced: June 17, 2015 31st General Meeting of Shareholders Revised: June 20, 2018 34th General Meeting of Shareholders
Audit & Supervisory Board members	Flat-rate remuneration only	Paid only basic remuneration that is not affected by fluctuations in the company's operating performance	Maximum annual remuneration of 130 million yen (for each business year)	June 22, 2016 32nd General Meeting of Shareholders
Formula for calculating bonus and stock compensation		Bonus: Basic amount by position multiplied by the company operating performance and KPI evaluation Stock compensation: Basic points by position multiplied by the company operating performance and KPI evaluation		



# Corporate Governance

## Policy

## KDDI

### Policies on Transaction between Related Parties

In accordance with the Companies Act, we require competitive or conflict-of-interest transactions by directors to be approved by and reported to the Board of Directors.

Individual transactions with major shareholders are conducted in accordance with one of the basic principles of the KDDI Code of Business Conduct, specifically, IX. Appropriate Accounting and Adherence to Agreements. In line with this principle, such transactions are decided upon in the same manner as other general transactions, through internal requests for decision, rather than by setting special standards. The internal requests for decision are checked by auditors too.

Director of Kyocera Corporation, which is the major shareholder of the company, serves as an outside director of the company. Accordingly, we strike a balance between comprehensive approval by and report to the Board of Directors and internal requests for decisions on individual transactions to ensure the governance.

## System

## KDDI

### Vitalizing the General Meeting of Shareholders and Facilitating the Exercise of Voting Rights

Measure	Details
Early Disclosure of General Meeting of Shareholders notice	We send notice around one week before the stipulated day by mail. Prior to that, the whole notice is disclosed on our website
Scheduling to avoid days when many other companies hold their shareholders' meetings	We schedule the shareholder's meetings to avoid days when many other companies hold their shareholders' meetings
Electronic voting system	Shareholders can exercise their voting rights via an online voting site
Participating in an electronic voting platform	We join electronic voting platform provided by Investor Communications Japan (ICJ)
English version of convocation notice (summary)	We publish English version of convocation notice on our website, online voting site and voting platform. Business reports are also published in English
Others	Shareholders can see the notice with their smartphone. In addition, to encourage the participation of more shareholders in the General Meeting of Shareholders, we offer sign language interpretation as well as hearing loop The video of the meeting is available to anyone on demand on our website with sign language interpretation


[Link](#)
[Website](#)

Corporate Governance Report


[Link](#)
[Website](#)

The 34th Annual General Meeting of Shareholders Notice

## Policy

## KDDI

### Communication with Shareholders

We consider our shareholders and investors to be especially important stakeholders who fully understand and strongly support our business sustainability. Accordingly, we put the most emphasis on building trust-based relationships with them in our management and strive for value-oriented corporate management, active information disclosure and enhanced communication.

As part of our ongoing effort to improve communication, we hold quarterly presentation sessions, where the management team presents the company's financial results directly. In addition, we organize private meetings and small-scale meetings with investors both from Japan and abroad, attend various conferences hosted by securities firms and hold seminars for private investors.

#### FY2017 Results

- Financial Results Briefing for Analysts and Institutional Investors: 4 times (held along with the quarterly financial disclosure)
- International roadshow: 14 times (including participation in 4 conferences sponsored by securities firms)
- Session with institutional investors in Japan and abroad: Over 850 times
- Seminar for private investors: 13 seminars held in major cities across Japan (including online seminars)
- Conducted a questionnaire and reported the results in shareholders' bulletin

# Corporate Governance

## System

## KDDI

### Outside Director Support System

In order to ensure active discussions in the Board of Directors meetings, we inform outside directors and Audit & Supervisory Board members in advance of the dates and agenda items and provide agenda materials for the upcoming meetings to help them have a deeper understanding of the items on the agenda. In addition, we make deliberations more substantial by accepting questions

beforehand and preparing more extensive explanations for the meetings based on the questions.

Outside the board meetings, there are ample opportunities for exchanges of views, either between internal and outside directors or exclusively among outside directors, with adequate time allocations, ensuring sufficient involvement by outside directors to advise on many aspects of management and operations.

Furthermore, as another measure to invigorate discussions in the board meetings concerning management strategies, we hold seminars for outside directors and Audit & Supervisory Board members, inviting staff in charge of each

business field, about industry trends, our organization, business and technologies and future strategies for their better understanding of our business. On April 1, 2006, we established the Audit & Supervisory Board Member's Office, which supports Audit & Supervisory Board members including outside members.

## Activity & Results

## KDDI

### Principal Activities of Outside Directors and Outside Audit & Supervisory Board Members

#### ■ Outside Directors Resigned

Name	Reason for selection as an outside director of the company (if designated as an independent director includes reason for this designation)	Principal activities in FY2017
Shinji Fukukawa (Independent director)	Mr. Fukukawa has abundant experience and superior insight gained from many years of practical experience in the public sphere and involvement in the business execution at various organizations. In the board meetings, he has offered a number of wide-ranging opinions about our business management from an independent position from the management team, based on changes in economic and social trends from a medium- to long-term perspective. We had appointed him a director with an expectation for his contribution to the enhancement of the company's corporate value. Based on his profile, we had judged there to be no risk of his appointment as an independent director causing any conflict of interest with our general shareholders	Attended 12 of 12 meeting of the Board of Directors
Nobuyori Kodaira	Mr. Kodaira has abundant experience and superior insight gained in his role as an executive at one of the world's leading automobile manufactures and as its global Chief Risk Officer. In the Board of Directors meetings, he has offered a number of many wide-ranging opinions about our business management, especially regarding risk management and the future strategies to operate in the competitive field from a medium- to long-term perspective. We had appointed him a director with an expectation for his contribution to the enhancement of the company's corporate value	Attended 12 of 12 meeting of the Board of Directors

# Corporate Governance

## ■ Outside Directors

Name	Reason for selection as an outside director of the company (if designated as an independent director includes reason for this designation)	Principal activities in FY2017
Goro Yamaguchi	Mr. Yamaguchi has abundant management experience and superior insight gained in his role as representative director and president of one of the world's leading manufacturers of electronic components and equipment. At Board of Directors meetings, he has given us many comments on the broader vision of management and operations from a medium- to long-term perspective. We are satisfied that he will continue to contribute to the corporate value of the company and have retained his service	Attended 9 of 10 meetings of the Board of Directors
Tatsuro Ueda	As an officer of one of the world's largest automotive manufacturers, Mr. Ueda has accumulated a wealth of experience and insight in the fields of administrative and human resource management as well as business planning. We have appointed him as an outside director who can comment on our broader vision on productivity improvement, human resource development and global strategy from a medium- to long-term perspective and thereby contributing to the corporate value of our company	Newly Appointed
Kuniko Tanabe (Independent director)	Ms. Tanabe has abundant experience and superior expert insight, cultivated as the partner at a law office. In the Board of Directors meetings, she has offered many expert opinions from an independent position regarding legal risk management from a medium- to long-term perspective. We are satisfied that she will continue to contribute to the corporate value and have retained her service. Based on her profile, we judge there to be no risk of her appointment as an independent director causing any conflict of interest with our general shareholders	Attended 12 of 12 meetings of the Board of Directors
Yoshiaki Nemoto (Independent director)	Mr. Nemoto has an exceptional specialized knowledge in communications and network engineering and information processing, which are directly relevant to our business, as well as a deep understanding of disaster resistance that is valuable for the operation of our business. In the Board of Directors meetings, he has offered many expert opinions from an independent position from the management team regarding operational policy as a telecommunications company providing social infrastructure from a medium- to long-term perspective. We are satisfied that he will continue to contribute to the corporate value and have retained his service. Based on his profile, we judge there to be no risk of his appointment as an independent director causing any conflict of interest with our general shareholders	Attended 12 of 12 meetings of the Board of Directors
Shigeo Ohyagi (Independent director)	Mr. Ohyagi has a wealth of corporate management experience and excellent knowledge cultivated as the President and CEO of one of the world's leading companies in the fields of synthetic fibers, chemical products, medicines and medical treatment, and distribution and retail. We have appointed him as an outside director who can comment on the broader vision of our new focus area, the life design business field, and our global strategy and M&A from a medium- to long-term perspective and thereby contributing to the corporate value of our company. Based on his profile, we judge there to be no risk of his appointment as an independent director causing any conflict of interest with our general shareholders	Newly Appointed

\* Mr. Goro Yamaguchi attended the 33rd Annual General Meeting of Shareholders when he was appointed as a new director. The attendance was counted after the appointment.

## ■ Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside auditor of the company (if designated as an independent member includes reason for this designation)	Principal activities in FY2017*
Akira Yamashita (Independent auditor)	Mr. Yamashita has abundant experience and insight gained from many years of practical experience in the public sphere and involvement in business execution at various organizations. We have appointed him as an outside member to benefit from his experience and insight in the monitoring of general management and conducting of appropriate audits. Based on his profile, we judge there to be no risk of his appointment as an independent member causing any conflict of interest with our general shareholders	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Audit & Supervisory Board
Kakuji Takano (Independent auditor)	Mr. Takano has abundant experience and insight gained as a certified public accountant, the representative of an accountancy firm and an auditor for other companies, as well as cultivated through business execution at various organizations. We have appointed him as an outside member to benefit from his experience and insight in the monitoring of general management and conducting of appropriate audits especially from accounting perspective. Based on his profile, we judge there to be no risk of his appointment as an independent member causing any conflict of interest with our general shareholders	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Audit & Supervisory Board
Nobuaki Kato (Independent auditor)	Mr. Kato has abundant experience and insight gained as a director of a listed company and an auditor as well as cultivated through business execution at various organizations. We have appointed him as an outside member to benefit from his experience and insight in the monitoring of general management and conducting of appropriate audits. Based on his profile, we judge there to be no risk of his appointment as an independent member causing any conflict of interest with our general shareholders	Attended 11 of 12 meetings of the Board of Directors and 11 of 12 meetings of the Audit & Supervisory Board

# Risk Management

## Policy

KDDI Group

### KDDI's Approach — Risk Management and Internal Control

In the ever changing business environment, the risks that companies face are more diverse and complicated.

We define factors and events that negatively influence the achievement of our business goals as risks and consider enforcing risk management a material business challenge. In order to be sustainable and responsible to society, we promote risk management initiatives throughout the KDDI Group.

## System

KDDI Group

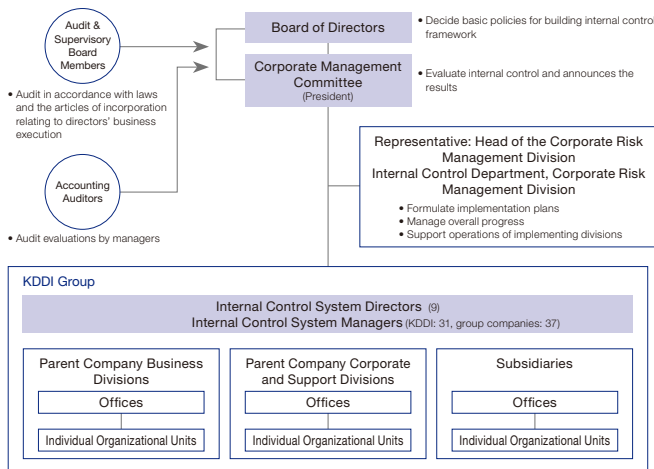
### Our Risk Management and Internal Control

We have established a system to centralize the management of risks, which we define as factors that have the potential to block the achievement of our business goals, with the Corporate Risk Management Division at the core.

Furthermore, we are working to promote risk management throughout the KDDI Group, including subsidiaries, in order to realize continuous growth of the entire group.

We have appointed 31 Internal Control System Managers within KDDI and 37 at group companies, as well as nine Internal Control System Directors to oversee their activities. Under their leadership, we introduce and run internal control systems, carrying out risk management activities and run operational quality improvement activities to foster a company culture in which risks are less likely to arise.

### KDDI Group Internal Control Framework

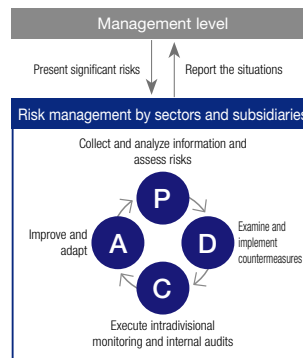


## System

KDDI

### Risk Management Activity Cycle

In order to prevent critical events for the company, we at KDDI consider that it is important to recognize signs of danger and implement preventive measures before the situation worsens. Based on this idea, we follow the PDCA cycle for risk management. We also have an organizational framework for risk management in place to ensure any risks we find will be addressed promptly and appropriately.



## Activity

KDDI Group

### Risk Identifying Process

We regularly examine information about risks to identify significant risks that seriously influence corporate business, and discuss measures to reduce such risks and their impacts as much as possible in case we face them. In order to ensure the achievement of our business goals, in fiscal 2017, we selected 25 significant risks based on issues that manifested in the past and changes in the business environment, and held internal audits based around risk prediction, reduction of significant risks, as well as risk approach. The selected significant risks include cyber-attacks, which is becoming increasingly complex, global businesses and issues relating to new business fields we are entering such as e-commerce, finance and accounting and energy, which aim to make the Integration of Telecommunications and Life Design a reality. We have also identified risks arising from the expansion of the group through M&A as significant risks and have implemented more robust measures against them.

In order to minimize information security risks, we have also established a common standard applicable group-wide to improve the level of information security across the group including newly joined group companies.

The status of these significant risks is also reflected on business risks that are revealed in the Securities Report since it relates to the finance as well.

- [Link Website](#) Securities Report / Business Risks (Japanese)
- [Link Website](#) Basic Policy for Constructing an Internal Control System


# Risk Management

## Policy

## KDDI Group

### Basic Policy for Constructing an Internal Control System

Based on the provision of Article 362, Paragraph 5 of the Companies Act, we pass the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors, publicly announce the resolutions and the operational status to ensure fair, transparent and efficient execution of our corporate duties and maintain an effective system for internal controls to raise the company's quality level.

 [Basic Policy for Constructing an Internal Control System](#)

## Main Operational Risks

Risk	Risk background	Potential impact on KDDI	KDDI's response
Competitors, rival technologies and rapid market shifts	<ul style="list-style-type: none"> <li>The homogenization of services offered by telecommunications operators</li> <li>The spread of low-cost SIM services from MVNOs</li> <li>Expansion of business areas to non-telecommunications services</li> <li>The need to give support for product defects generated with the expansion of the commerce business</li> <li>Inability to acquire bandwidths we need</li> <li>Increase in competition due to new high-speed wireless data technology</li> <li>Decreased revenue from voice call fees due to the expansion of apps with free calling features</li> <li>Possible rise in connection fees with other telecommunications operators</li> </ul>	Negative impacts on the financial position and operations of the KDDI Group	<ul style="list-style-type: none"> <li>Supporting continuous growth of the telecommunications business in Japan, as well as expanding the "au Economic Zone" and actively extending our business around the globe in an effort to establish new growth pillars</li> </ul>
Protection of confidentiality of communications and customer privacy	<ul style="list-style-type: none"> <li>Internal privacy breaches</li> <li>Unauthorized access from external networks</li> </ul>	<ul style="list-style-type: none"> <li>Could seriously damage the brand image of the KDDI Group. In addition to a possible loss of customer trust, we could also be forced to pay substantial compensation, which could have a negative impact on our financial position and/or earnings performance</li> <li>In the future, we may face higher costs to develop framework to protect the confidentiality of communications and customer privacy</li> </ul>	<ul style="list-style-type: none"> <li>Establishing Information Security Committee</li> <li>Public release of the Security Policy and Privacy Policy and maintenance and operation of internal information security regulations</li> <li>Acquiring external authentication (ISMS) in the whole company</li> <li>24/7 monitoring of external attacks by specialists</li> </ul>
System failures due to natural disasters and other unforeseen events	<ul style="list-style-type: none"> <li>Natural disasters, such as earthquakes, tsunamis, typhoons or floods, as well as secondary damages from the spread of toxic substances caused by natural disasters</li> <li>Spread of infectious disease</li> <li>War, terrorism, accidents or other unforeseen events</li> <li>Power brownouts or blackouts</li> <li>Computer viruses or other forms of cyber-attack and hacking</li> <li>Operation system hardware or software failures</li> <li>Flaws in communication equipment and services</li> </ul>	<ul style="list-style-type: none"> <li>Service outages or interruptions as a result of natural disasters or accidents</li> <li>Loss of opportunities to offer products and services due to service outages as a result of failures in network systems or communication equipment, substantial billing errors, closing of distributors or suspension of distribution</li> </ul>	<ul style="list-style-type: none"> <li>Improving reliability of our network and preventing service outages by implementing Business Continuity Planning</li> <li>Establishing a disaster response headquarters as early as possible in the event of an emergency or disaster</li> </ul>
Laws, regulations and government policies relating to telecommunications sector	<ul style="list-style-type: none"> <li>Revisions to the calculation formula for inter-operator connection fees and/or the accounting methods</li> <li>Revisions to the designated telecommunications facilities system and/or the regulations on prohibited activities</li> <li>Revisions to the universal service systems</li> <li>The emergence of MVNOs in the mobile communication market</li> <li>Revisions to the frequency allocation system and/or spectrum user fee system</li> </ul>	<ul style="list-style-type: none"> <li>Our financial position and/or earnings performance could receive negative impacts by the revision or abolishment of laws and regulations or formulation of government policies relating to telecommunications and finance business</li> <li>Negative influence on the our brand reputation and customer trust</li> </ul>	<ul style="list-style-type: none"> <li>Taking appropriate actions based on laws, regulations and government policies</li> <li>Advocating measures for fair competition with other telecommunications operators through various deliberation council, study sessions and public comment system of the Japan's Ministry of Internal Affairs and Communications</li> </ul>

\* For detail, please see the Business Risks section of the Securities Report for the year ended March 31, 2018.


# Risk Management

## Activity & Results

### KDDI Group

#### Initiatives in Response to the Internal Control Reporting System (J-SOX)

In response to the internal control reporting system based on the Financial Instruments and Exchange Law implemented in fiscal 2008, we conducted evaluations of the internal controls at KDDI and major 11 group subsidiaries in and outside Japan and to ensure reliability of our financial reporting. The results of these evaluations were compiled in an internal control report, which was submitted to the Japan's Prime Minister in June 2018, as well as disclosed to investors.

 [Securities Report / Internal Control Report \(Japanese\)](#)

## System & Awareness Raising

### KDDI

#### Activities to Enhance Operational Quality

In conjunction with the internal control reporting system, we established Internal Control Department that promotes the initiatives for improving overall operational quality of the whole company, and Internal Control System Managers in each department facilitate such initiatives that enhance the efficiency and standardization of operations to improve the operational quality.

Initiatives that worked to improve the business operations are made into a database, enabling all employees to put them into practice in their own departments.

Furthermore, to further raise each employee's awareness and motivation toward improvement of operations, we have introduced the Operational Quality Improvement Prize to recognize excellent and ambitious initiatives. From this fiscal year, we have started working on the introduction of robotic process automation (RPA) across the company as a way of improving operational quality, productivity and efficiency at the same time, starting with the preparation of the system environment for RPA and training programs.

#### ■ Activities to Enhance Operational Quality

- E-learning training
- Sharing messages from executive officers and good examples of initiatives in e-mail newsletters and internal magazines
- Implementation of Operational Quality Improvement Prize (Once a year)

# Information Security

## Policy

KDDI Group

### KDDI's Approach

[Link](#) Materiality 2. Cyber Security and Privacy Protection  
Page\_023

[Link](#) Security Policy  
Website

[Link](#) Privacy Policy  
Website

## System

KDDI Group

### Information Security Management Framework

To ensure a unified approach to the security of information assets across the group as a whole, we have established the Information Security Committee chaired by the Executive Director, Technology Sector. The committee comprises the management level, along with the general managers of sales, technology and corporate divisions.

Currently, the committee is chaired by Yoshiaki Uchida, Executive Vice President, Director and Executive Director for Technology Sector. Under this framework, we accurately grasp the status of information security management and promptly implement measures to enhance the information security throughout the group.

\* At KDDI, the chair of the Information Security Committee plays the role of the Chief Information Officer.

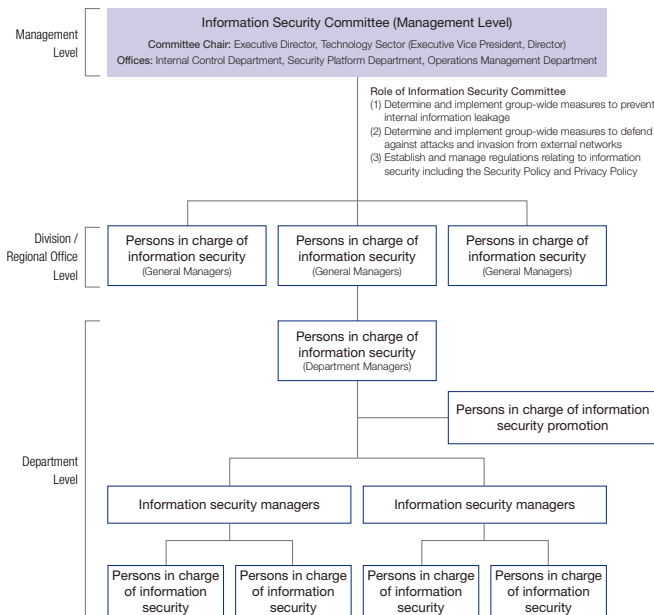
#### Strengthening Information Security in the Whole Company

The whole of KDDI has been ISMS 27001 certified since 2009.\* For our group companies, the KDDI Group Information Security Standards were introduced in fiscal 2011. In fiscal 2017, we revised the standards and extended to apply to all group companies. In addition to the improvement in the security level of KDDI group companies resulting from this change, we regularly audit the security level of group companies in an ongoing effort to strengthen the information security governance of the KDDI Group as a whole. Also, KDDI Digital Security Inc.

was founded in February 2018, and the company's specially trained security engineers now respond to cyberattacks.

\* ISMS certification (ISO/IEC 27001: 2013)  
A third-party conformity assessment scheme for information security. It was established with the goal of contributing to widespread improvements in information security and encouraging companies to target levels of information security that can be trusted around the world.

### Security Management Structure



### ISMS Certification KDDI acquired

Registration number	Organization	Initial registration
IS 95253	KDDI Corporation <sup>1</sup>	June 7, 2005
IS 76406	KDDI Corporation (Operations Division) <sup>2</sup>	July 4, 2003
IS 85329	KDDI Corporation (Information Systems Division)	September 28, 2004

[1] Includes corporate, technology and sales and customer support divisions, as well as KDDI Kyosakai (now KDDI Group Welfare Association), KDDI Health Insurance Union, KDDI Pension Fund, KDDI Research, Inc. and KDDI MATOMETE OFFICE CORPORATION.

[2] Includes Japan Telecommunication Engineering Service Co., Ltd.

## Policy

KDDI Group

### Basic Principles Concerning the Handling and Use of Personal Data

We have implemented internal rules for the handling of customers' personal data and use of big data in line with the Act on the Protection of Personal Information and other related laws and regulations. We obtain, manage and use such data in accordance with our privacy policy.

We also stay informed of and comply with security related laws and regulations of foreign countries. Our subsidiaries located in the EU as well as the KDDI head office already comply fully with the EU General Data Protection Regulation (GDPR), which came into effect in May 2018.

# Information Security

## System & Activity

## KDDI Group

### Efforts to Reduce Information Security Risks

Our efforts to minimize information security risks include preventing customer information leaks and defending against cyberterrorism. The Information Security Committee leads the management of all company information assets and formulates measures for officers and employees to put them into practice all together. The committee is part of our corporate governance framework, which manages risks for the whole group.

In fiscal 2017, we established the Information Security Incident Prevention Enhancement Month as a group-wide initiative with the aim of spreading and fully implementing information security rules. During this campaign, various activities were conducted for officers and employees to raise awareness toward information security.

Furthermore, we have implemented common security standards for the entire group and apply them to all group companies to manage all our information assets and strengthen the various measures that are in place to control specific information assets. To minimize security risks, persons in charge of information security promotion from KDDI and group companies hold regular meetings to share information and discuss security measures.

To tackle increasingly sophisticated, complex information security threats, we also need to collaborate with external parties. We are actively involved in cross-industry initiatives related to information security.

#### <Organizations We Join>

- ICT-ISAC Japan
- Forum of Incident Response and Security Teams (FIRST)
- Nippon CSIRT Association

### FY2017 List of Initiatives and Activities for Reducing Information Security Risks

Total information security	<ul style="list-style-type: none"> <li>• E-learning training</li> <li>• Educational articles published in the internal magazine</li> <li>• Walk-around security check</li> <li>• Information security incident prevention enhancement month</li> <li>• Internal security audits</li> <li>• Revising company regulations relating to information security of the whole group and establishing a promotion committee</li> <li>• Enforcing supervision of OA environment in the whole group</li> <li>• Internal lectures from external instructors during Cyber Security Month</li> </ul>
Prevention of information leakage through social media	<ul style="list-style-type: none"> <li>• Establishing Social Media Policy</li> <li>• Raising awareness among employees</li> </ul>
Stronger control measure for using cloud	<ul style="list-style-type: none"> <li>• Revising the company regulations relating to use of cloud</li> <li>• Building risk assessment framework relating to security and legislation systems</li> </ul>
Response to laws and regulations	<ul style="list-style-type: none"> <li>• Responding to the Amended Act on the Protection of Personal Information</li> <li>• Revising the company regulations in line with the EU General Data Protection Regulation (GDPR)</li> </ul>
Prevention of e-mail mistakes	<ul style="list-style-type: none"> <li>• Prohibiting automatic forwarding</li> <li>• Automatic encryption of attached files in external e-mails</li> </ul>
Measures against targeted attacks	<ul style="list-style-type: none"> <li>• Annual training against targeted e-mail attacks for employees</li> <li>• E-learning training</li> </ul>

 [Social Media Policy \(Japanese\)](#)



# Disaster Preparedness

## Policy

KDDI

### KDDI's Approach

As a designated public institution under the Disaster Countermeasures Basic Act, we have an emergency response policy in place to ensure the stable provision of telecommunications services at all times under any circumstance. We are working to build an organizational structure capable of responding to different types of disasters and implementing a suite of measures in partnership with various relevant organizations.

## System

KDDI

### Resilient Communication Environments and Disaster Relief in Affected Areas

In order to ensure the continued telecommunications services and prompt relief actions in the affected areas in the event of natural disasters such as earthquakes and typhoons, we have developed a Business Continuity Plan (BCP) for large-scale natural disasters. It draws on the experience of and lessons from the 2011 earthquake and tsunami and many other disasters the company has responded to and also takes into account the projected impact of a near-field earthquake in the Tokyo metropolitan area and a Nankai Trough megathrust earthquake.

## Policy & System

KDDI

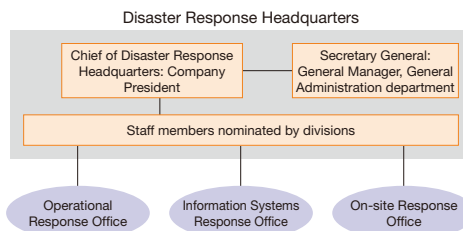
### Business Continuity Planning

Our BCP for large-scale natural disasters is based on the principles of ensuring the safety of our employees and their families, performing our responsibility as a designated public institution to ensure continuity of telecommunications services and supporting our stakeholders. It stipulates a range of measures that cover different stages, from the initial response at the occurrence of a disaster through full-scale restoration to relief activities in the affected areas.

The effectiveness of the BCP is assessed during the twice-yearly disaster preparedness drills, and any issues identified in the exercise are addressed. An

annual PDCA cycle is applied in the ongoing effort to strengthen the foundation of our emergency response structure further.

### Disaster Response Framework



### Establishing a Disaster Response Headquarters in Times of Disasters

Natural disasters are unpredictable and can strike any time. We have defined the criteria for establishing a Disaster Response Headquarters in advance to act proactively in the event of a natural disaster that meets these criteria.

In the event of the Disaster Response Headquarters being established, it will be headed by the President. The headquarters will maintain close communication and work in cooperation with local response offices to lead our efforts to restore damaged networks and facilities as quickly as possible, support the customers in affected areas and offer aids to emergency shelters.

## System

KDDI

### Action against Pandemic Influenza

Based on the Guidelines for the Prevention and Control of Pandemic Influenza approved in February 2009 at the council on countermeasures related to pandemic/avian influenza, we formulated the Plan for Maintaining Companywide Operations in the Event of an Outbreak of a New Strain of Influenza to ensure employees' health as well as appropriate responses so that we can maintain the communication services for our customers in the event of an outbreak of a pandemic influenza.

## Activity

KDDI

### Providing Disaster Response Services

Service name	Content
au Disaster Countermeasures App	An app that combines a variety of services that can be used in times of disasters, including the disaster message board service, emergency early warning e-mail, disaster voice messaging service and disaster information
Disaster Message Board Service	A service that enables safety confirmation at times of disasters
Emergency Early Warning E-mail	A service which sends advisories and instructions by national and local governments, including earthquake early warnings, tsunami warnings and disaster/evacuation information, to all au mobile phones in the affected area. We started to offer flood information in 2016
Disaster Voice Messaging Service	A service that delivers voice messages for safety confirmation using the packet communication network in times of disaster
Service Trial	Customers can try using the disaster message board service and the disaster voice messaging service Trial Period: <ul style="list-style-type: none"> <li>1st and 15th of every month (0:00-24:00)</li> <li>The first 3 days of the New Year (from 12:00 on January 1 to 24:00 on January 3)</li> <li>Disaster Preparedness Week (August 30-September 5)</li> <li>Disaster Preparedness and Volunteer Week (January 15-21)</li> </ul>

### Participation in Emergency Preparedness Events Held across the Country and Collaboration with Relevant Organizations

We at KDDI are actively involved in emergency preparedness events organized by the national and regional governments and emergency drills held in partnership with various coordinating organizations.

At emergency preparedness events, we focus mainly on informing the residents about emergency services we offer at times of disasters such as the disaster message board service and disseminating emergency preparedness information. We also work with the Japan Self-Defense Forces, local authorities and other relevant organizations to organize emergency drills, where we make the most of participating organizations' strengths to recreate highly realistic disaster situations. These internal and external drills test the effectiveness of our disaster response so that we can review and improve our preparedness.

# Compliance

## Policy

KDDI Group

### KDDI's Approach

We recognize that in order to fulfill our social responsibilities through our business activities, raising compliance awareness throughout the group is a fundamental issue of corporate management.

As a global corporate group, we continue to further enforce our group-wide compliance framework.

## System

KDDI Group

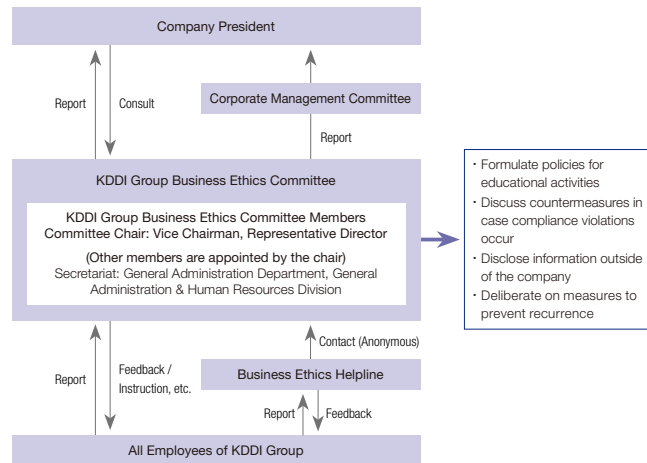
### KDDI Group Compliance and Enforcement Framework

We created the KDDI Code of Business Conduct to encourage ethical behaviors of employees with a compliance mindset. It's published on the intranet to ensure that it is shared and practiced, enabling employees to check it whenever they are unsure what action to take.

Also, we established the KDDI Group Business Ethics Committee as a decision making body for KDDI Group's compliance related matters. The KDDI Group Business Ethics Committee is chaired by the Vice Chairman, Representative Director, and members include directors and additional nominees appointed by the chair as required. They hold a meeting once every half-year, and in addition to assessing the conditions of each company, the committee builds and supports enhancement of compliance frameworks. The committee is also responsible for helpline issues, corruption prevention and compliance issues such as breaches of competition laws.

In addition, the committee formulates policies on raising awareness as well as discusses countermeasures in case compliance violations occur, and is responsible for disclosure of such information and prevention of recurrence, too. Report on their activities is made available to all employees via the intranet.

### KDDI Group Compliance and Enforcement Framework



## Activity & Results

KDDI Group

### Compliance Education, Training and Awareness Raising

We believe that fostering a dynamic communication environment within the group is essential for further enhancement of compliance awareness of all our employees. In fiscal 2017, we held study sessions for general managers, division managers and all employees as our continuous effort to spread the KDDI Group Philosophy.

In addition, as part of the initiatives to implement prompt response to violations and perform analysis and prevention, seminars on violation case study were offered to supervisors and group leaders, and ongoing training were continuously offered to all employees to raise their compliance awareness.

We provide training on bullying and harassment to newly appointed line managers. The KDDI Group Business Ethics Committee staff members attend outside seminars on the whistleblowing system, harassment prevention and governance improvement to improve the level of their work.

All employees also receive monthly compliance related awareness-raising e-mails. In addition, we implement training for group company executives to cultivate a management mindset, detect and prevent wrongdoings and acquire legal and accounting knowledge.

[Link](#) Page\_008 The KDDI Group Philosophy

# Compliance

## System

KDDI Group

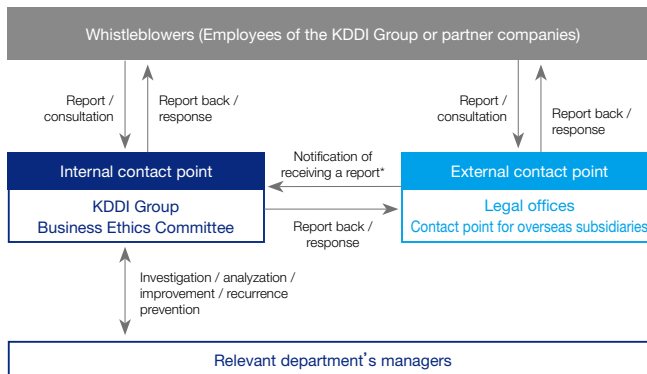
### Business Ethics Helpline (Grievance Mechanism)

We established the Business Ethics Helpline in 2006 to serve as a contact point for all employees of KDDI, KDDI Group companies and business partners who have questions or concerns about business ethics and legal compliance. The helpline is available anytime and can receive reports through an internal or external contact point established in collaboration with external experts (Reports can be received by e-mail, phone call or letter, in multiple languages).

Furthermore, we have established company regulations to enable anonymous whistleblowing based on the Whistleblower Protection Act enacted in Japan in April 2006. In 2017, we received 257 reports and inquiries, which includes reports of sexual harassment and workplace bullying and employment related inquiries, but there were no reports of serious issues that lead to disciplinary action or require external announcement.

The KDDI Group Business Ethics Committee conducts investigation of the issues reported as required while protecting privacy, and when the problems are detected, the committee members as well as the management team and the Audit & Supervisory Board members receive the report and take corrective actions along with measures to prevent recurrence.

### Business Ethics Helpline



\*Reports that the external contact point received are delivered to the internal contact point, keeping anonymity for the whistleblowers

### Compliance Reports Received in the Last Two Years

Reports	FY2016	FY2017
Compliance reports	171	257
Breakdown: harassments	69	120
Breakdown: other compliance violations	102	137

[Link](#) Page\_069 Employees' Awareness Raising

## Policy

KDDI Group

### Basic Policy for Eliminating Organized Crime Groups and Status of Implementation

Our Basic Policy for the Creation of Internal Systems takes a firm stand on countering organized crime groups.

In addition to rules defining initiatives for blocking off any relations with such groups, the KDDI Code of Business Conduct, which defines basic principles to be followed and enforced by all officers and employees, takes a firm stance against organized crime groups, rejecting any requests for illicit funds and refusing to comply with any demands.

## System

KDDI Group

### Anti-Corruption Measures

To prevent corrupt practices, the KDDI Code of Business Conduct defines the principles of promoting fair business activities and conscientious performance of duties and prohibits activities such as bribing politicians and public officials, along with other similar types of corruption. It is specifically stipulated that, when dealing with overseas governments and companies, the UN Convention against Corruption as well as the laws and regulations of the relevant countries and regions against foreign corrupt practices and unfair competition must be complied with. Any breach will result in disciplinary action according to the company regulations. In order to prevent these violations, we use e-learning courses and e-mails to inform all employees and raise their awareness.

We also urge business partners to comply with the KDDI Guidelines for Responsible Supply Chain, which defines rules for prohibition of corruption, bribery, abuse of power and giving or receiving illicit funds.

Also, for any political donations we make, we observe the Political Funds Control Act and follow the KDDI Code of Business Conduct and the KDDI Guidelines for Responsible Supply Chain.

In fiscal 2017, we made political donations totaling 6 million yen in Japan, and there were no cases of legal action against us concerning corruption or bribery.

# Compliance

## Policy

## KDDI Group

### Preventing Anti-Competitive Behaviors

The KDDI Code of Business Conduct defines rules that prohibit anti-competitive behaviors, and we make efforts to ensure that all employees comply with competition laws.

In addition to competition laws, we stipulate that local laws and regulations in each country and region on labor, tax, the environment, monopoly and consumer protection must be examined thoroughly to ensure full compliance.

Under the KDDI Guidelines for Responsible Supply Chain, we demand our business partners not to engage in any activities that inhibit fairness, transparency or freedom of competition.

In fiscal 2017, there were no legal actions against us concerning anti-competitive or monopolistic conduct. We fully adhere to these related regulations and continue the appropriate business operations.

## Policy & System

## KDDI Group

### Responsible Tax Practice

We at KDDI Group pursue the satisfaction and benefits of our customers while fulfilling our social responsibilities by maintaining and enhancing the international tax compliance and paying tax appropriately, adhering to international rules and tax-related laws and regulations in each country and region. In fiscal 2017, we paid 293,951 million yen of corporate income tax, which accounts for 30.8% of the gross income.

As KDDI Group businesses become increasingly multinational and have more international transactions, our top management is working to promote a tax strategy that properly recognizes international tax risks and regards it as an important issue that is directly linked to management. In addition, the head office is engaged in education for employees across the world and receives technical tax practice support from external specialists. With these initiatives, we strive to maintain and improve tax governance.

### ■ Efforts to Establish Good Relations with Tax Authorities

In an effort to reduce tax risks, we improve the transparency of our tax practices by submitting appropriate information and checking the appropriateness of our tax practices with tax authorities in advance as required, building trust with tax authorities in each country.

### ■ Efforts to Prevent Tax Avoidance

In accordance with OECD's Base Erosion and Profit Shifting (BEPS) action plans, we conduct responsible taxation by ensuring that our economic activities and value creation occur in the right tax payment places in line with the revision of tax regulations stipulated in BEPS. We also prevent transfer of sources of tax revenue to tax free or low tax rate countries and regions (so called "tax havens") with the purpose of excessive tax avoidance and work to make proper tax payments in accordance with each country's tax system.

# Human Rights

## Policy

## KDDI Group

### KDDI's Approach

As corporate value chain spreads on a global scale, international community has a greater interest in respecting human rights and in the influence businesses have on the related issues.

We at KDDI are striving to avoid discrimination based on race, faith, gender, social status, religion, nationality, age, sexual orientation, gender identity, family responsibilities (including pregnancy) or mental/physical health conditions, as well as tackling and eliminating labor practices that violate human rights, such as forced labor and child labor.

We believe that embedding of diversity and inclusion is particularly important for a company to achieve sustainable growth. The KDDI Group Philosophy includes a vision of embracing diversity to facilitate the understanding.

We are also aware that issues surrounding the protection of personal information and privacy uniquely expose the ICT industry to human rights risks. We are determined to fulfill our social responsibility to address these issues by leading an industry-wide drive.

[Link](#) Page\_033 Materiality 6. Respect for Human Rights and Fairness in Business

influences on human rights and to promote education on the issue. We have also set up a Human Rights Subcommittee under the Sustainability Committee and established a Sexual Harassment and Human Relationships Hotline staffed by external specialist counselors, an Employee Counseling Center staffed by internal counselors and a Harassment Hotline staffed by employees at the Human Resources Department, as points of contact to which employees can report their concerns. In addition, in the KDDI Guidelines for Responsible Supply Chain, we prohibit forced labor, inhumane treatment, child labor and discrimination, and our business partners are requested to understand and follow the guidelines.

Strict confidentiality is observed to protect those seeking help and to ensure that any stakeholders can discuss or report their concerns without fear of detriment.

We have established the following organizational arrangement to promote diversity:

- [Link](#) Page\_010 Human Rights Subcommittee
- [Link](#) Website KDDI Code of Business Conduct (Basic Principles)
- [Link](#) Website KDDI Group Human Rights Policy
- [Link](#) Website KDDI Guidelines for Responsible Supply Chain

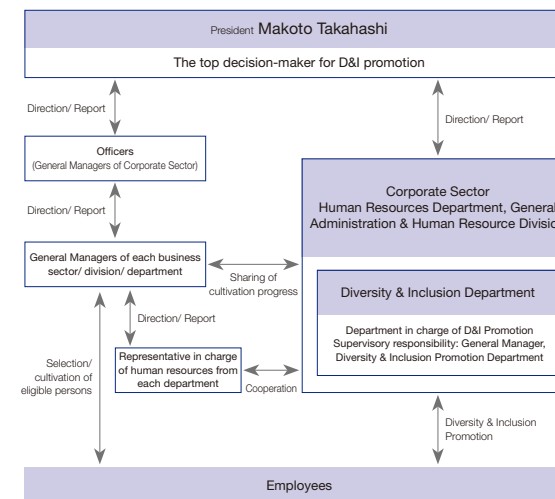
## System

## KDDI

### Diversity Awareness

In April 2008, we established the Diversity & Inclusion Department in the Human Resources Department. With the president as the top decision-making authority, we are engaged in company-wide efforts to promote diverse work styles and the professional advancement of women, employees with disabilities and LGBT people. We clearly define the promotion of diversity as a management issue, and in adherence to this policy, the officers and line managers are now evaluated based on their efforts to cultivate and educate human resources including professional advancement of women.

### KDDI's D&I Promotion System



## System

## KDDI Group

### Human Rights Initiatives

The KDDI Group considers the International Bill of Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work to be the most fundamental policies for human rights. The KDDI Code of Business Conduct, which serves as a guideline for behavior of officers and employees, defines our basic principles on respecting human rights and individual characteristics throughout all our business activities, and we carry out initiatives while consulting the UN Guiding Principles on Business and Human Rights. The KDDI Group Human Rights Policy, established in 2016, declares our efforts in all group companies to respect international standards such as the Universal Declaration of Human Rights, as well as to prevent and reduce negative

# Human Rights

## Activity

### KDDI Group

#### Employees' Awareness Raising

KDDI and our group companies in Japan strive to further raise awareness of employees on human rights based on the KDDI Code of Business Conduct. Our awareness-raising initiatives include the provision of e-learning sessions on LGBT equality (compulsory to all employees), regular e-mail newsletters about the Code of Business Conduct and the Harassment Prevention Guidebook posted on the intranet.

## Activity

### KDDI

#### Enhancing Our Efforts in Business and Human Rights

In order to further respond to social expectations for human rights due diligence required for global companies, we participate in various initiatives to clarify human rights issues that require response, reviewing and discussing policies based on the issues identified.

#### ■ Business for Social Responsibility (BSR)

KDDI has been a member of BSR since 2014. We participate in conferences on human rights and other sustainability issues held by the organization and apply what we gained from exchanging opinions with a diverse range of companies and organizations to the promoting of our initiatives.

[Link](#) Page\_034 Materiality 6. Highlight Support for LGBT

[Link](#) Page\_066 Business Ethics Helpline (Grievance Mechanism)

## Activity & Results

### KDDI

#### External Recognition

[Link](#) Page\_106 Selected as Nadeshiko Brand for Six Consecutive Years

[Link](#) Page\_106 Awarded Gold Rating in the PRIDE Index for Two Consecutive Years



# Labor Practices

## Policy

## KDDI Group

### KDDI's Approach

In response to the social issues of a declining working-age population and labor shortage, there are growing moves in the public and private sectors to conduct a fundamental review of labor practices and legal frameworks and to implement a variety of work styles. Being conscious of time management at work will lead to improved productivity and employees' better health. We also believe that as each employee takes advantage of the extra time generated to acquire various experiences, both the company and employees can achieve growth. We at KDDI regard the health of our employees as a key management agenda as stated in the KDDI Group Declaration of Health-Focused Management and support their health at the organizational level to retain high-quality human resources and ensure sustainable growth as a company.

We also comply with laws relating to prohibition of child labor and forced labor and to exceeding minimum wage.

### Starting Salary for University Graduates Compared to Minimum Wage

147%

\*Calculated based on the minimum wage in Tokyo (958 yen / hour).  
Specifically, the formula is 21 days × 958 yen × 7.5 hours  
\*As of September 2018

[Link](#) Page\_025 Materiality 3. Rewarding Workplaces for Diverse Talents

## System

## KDDI Group

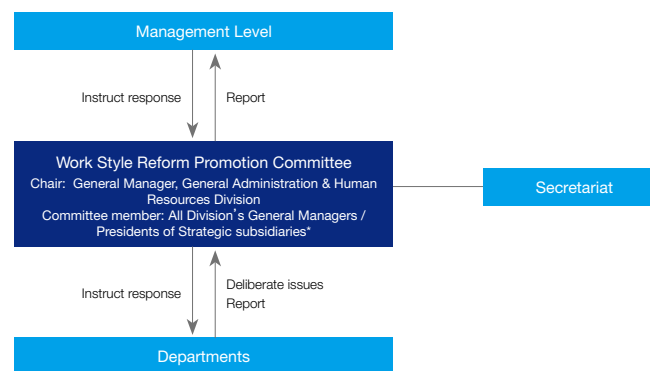
### Work Style Reform

In January 2017, we launched full-scale initiatives for work style reform to promote a fundamental change in perspectives and behaviors toward a work style that is more productive. We also established the Work Style Reform Promotion Committee as part of the initiatives.

The committee consists of General Managers representing Divisions as members and is chaired by the Executive Officer of Sustainability (General Manager, General Administration & Human Resources Division). To further

promote initiatives for productivity improvement, we have set up cross-departmental working groups in April 2017 to cope with various issues. From April 2018, the heads of eight strategic subsidiaries also participate in the committee to accelerate the work style reform.

### Work Style Reform Promotion Framework



\*KDDI Evolva, Inc., KDDI Engineering Corporation, KDDI Financial Service Corporation, KDDI MATOMETE OFFICE CORPORATION, Chubu Telecommunications Co., Inc., BIGLOBE Inc., UQ Communications Inc., OKINAWA CELLULAR TELEPHONE COMPANY (eight companies)

## Activity

## KDDI

### Progress and the Results of Work Style Reform

As the first step of our work style reform, we established a set of indicators for working time in January 2017 and introduced a range of measures to achieve them. These measures include introducing a "leave by 8 pm" rule, recommending shift to the early-start work patterns and encouraging the pre-planned use of annual paid holidays. The results are reported back to the committee so that any issues identified can be addressed.

In addition to the committee, cross-departmental working groups were set up, which identified work processes that have a scope for efficiency improvement, introduced robotic process automation (RPA) across the company and implemented improvements in the office IT and work environment.

To raise awareness, all employees were given e-learning training on time management. Furthermore, more strictly enforcement of the existing "no overtime" days and the requirement to apply in advance for working overtime were implemented, and the work shift interval rule, which stipulates a minimum of eight hours between the end of a shift and the start of the next day's shift, was incorporated into the rules of employment. As a result of these initiatives, the average number of overtime hours among non-managerial employees in fiscal 2017 was down about 14% from the fiscal 2016 figure.

## Policy

## KDDI Group

### Employees' Health Management

We were certified a White 500 company for our outstanding health and productivity management in the 2018 recognition program. With the announcement of the KDDI Group Declaration of Health-Focused Management in April 2018, we are strengthening our focus on health.

[Link](#) Page\_027 Organizations Recognized under the 2018 Certified Health and Productivity Management Organization Recognition Program (White 500)

## System

## KDDI Group

### Safety and Health Management System

In accordance with the Labor Standards Law and the Industrial Safety and Health Act, we are engaged in a group-wide health and safety drive to secure the safety and health of workers in workplaces and facilitate the establishment of comfortable working environment. We have established a safety and health management system, which includes general safety and health managers, safety officers, health officers, safety and health promoters, health promoters and industrial physicians in each workplace. We have also established Health and Safety Committees that plan and conduct activities as joint labor-management efforts. While exchanging opinions on health-focused management, work style reform, fire prevention and disaster preparedness, mental health, overtime work, health management, traffic safety, as well as hosting talk events inviting industrial doctors, each committee works toward employee health management and

# Labor Practices

maintenance and the prevention of workplace injuries. The committee is placed in offices with over 50 or more staff and holds a meeting once a month. The minutes of the meetings relating to safety and health are shared among offices, which helps prevent accidents. Under this system, important matters on safety and health should be reported to Executive Officer of Sustainability (General Manager, General Administration & Human Resources Division).

## Activity

KDDI

### Priority Measures Relating to Occupational Health and Safety

KDDI is running a number of initiatives to drive health-focused management based on the basic principles of respect for human life, ensuring the safety and mental and physical health of employees in workplaces at all times, and maintaining a comfortable working environment.

#### Health-Focused Management Actions

As part of the drive to promote health-focused management in fiscal 2018, we conducted a health awareness survey of all employees and are implementing measures based on the survey results. One of the measures implemented was to set up a health-focused management portal on the intranet in fiscal 2018. The portal provides useful information for improving the health of employees, including the "3-month challenge to get fit before the health exam" series, which gives easy-to-follow tips for improving lifestyle habits to get better health examination results.

Other initiatives focus on the three key elements of lifestyle habits – exercise, sleep and diet: recommendations for walking, holding sleep seminars and healthy menus in company restaurants. We are also interviewing smokers in preparation for a company-wide ban on smoking, and more initiatives will be introduced in phases.

A set of health KPIs have been defined as targets to be achieved by fiscal 2020 to improve the health of employees.

[Link](#) Page\_025 Materiality 3: Rewarding Workplaces for Diverse Talents

## Activity & Results

KDDI

### Promotion of Mental Healthcare

We make efforts to reduce absences due to mental health disorders. Particularly, we are committed to prevent new onset and recurrence of such disorders and implement measures for each purpose.

As a means of preventing new onset, we actively promote self-care and care given by supervisors while offering level-specific e-learning courses, training and seminars. As part of self-care program, we encourage all regular and contract employees to take a stress check survey once a year, and over 87% joined the survey in fiscal 2017. Based on the results, employees can consult with an industrial doctor if they request. The overall results are analyzed and sent to each work place to share the issues and discuss measures for improvement.

Our other measures to prevent mental health problems also include obligatory submission of a medical history form, interviews with industrial doctors and individual follow-up by industrial health staff for employees who worked overtime longer than the prescribed hours. In addition, we have established the Employee Counseling Center and an external counseling office, where industrial counselors support employees in resolving their problems concerning work, relationships and careers by themselves.

To prevent recurrence, we offer total support for employees when they return to work after the absence due to mental health issues. In addition to ensuring an industrial doctor has an interview with the returnee as well as with the returnee's supervisors, we implement other measures for them to return to work smoothly with less mental and physical load such as training before returning (return-to-work program, etc.) and short-time working after their returning. In terms of the workplace environment, in addition to the support provided by the returnee's supervisors, colleagues, industrial doctors and health staff also collaborate to facilitate their smooth return to work.

## Changes in Number of Employees Absent Due to Mental Health Problems (KDDI) (at the fiscal year end)

FY	Number
2013	102
2014	103
2015	87
2016	100
2017	99

## Activity

KDDI

### Enhancing Employees' Health

#### Providing Health Exams That Exceed Legal Requirements

We conduct regular health exams that are more detailed than required by law, keeping examination rate of 100% since fiscal 2010. For those who were diagnosed with severe health problems, we urge them to have an emergent consultation at a medical institution as soon as possible, and in fiscal 2017, 100% of employees followed the advice. For employees with conditions that do not appear to improve over time, we provide counseling with their supervisors and industrial doctors as well as a health guidance until their conditions improve. In fiscal 2017, we introduced a company program to assist with complete medical checkups and breast cancer screening, and since fiscal 2018, for female employees over 35 years old, we provide a full reimbursement of for breast cancer screening.

Furthermore, in partnership with the KDDI Health Insurance Union, we actively promote measures to prevent diseases from becoming severe (data health planning). The health guidance given by the union to prevent lifestyle-related diseases achieved complete rate of 11.0% for active support, 28.1% for motivation support, and we continue our efforts to increase the rate, including continuous support on e-mail basis. The union also provides e-learning courses on the prevention of lifestyle-related diseases, as well as health seminars on topics such as walking and getting in shape, as health promotion measures.



## Labor Practices

### Other Health Management Measures

Measure	Target	Content
Healthcare room	Regular and contract employees, temporary staff	When they feel sick, they can take a temporary rest in this room and receive first-aid care and health counseling
Refresh room	Regular and contract employees, temporary staff	Services such as massage and acupuncture and moxibustion are offered by nationally qualified practitioners
Wellness benefits	Regular employees	<ul style="list-style-type: none"> <li>KDDI Group Welfare Association provides subsidies for activities such as childbirth/childcare, family care, health maintenance, personal development and employing a housework helper (Employees are free to choose how to carry out the activities)</li> <li>KDDI Health Insurance Union provides special benefits for the use of sports clubs</li> </ul>

### Programs That Support Diverse Work Styles

Program	Details
Telework program (Working at home)	Introduced for all employees to enable flexible work hours and to boost work efficiency. A support program was also established for employees who need to do constant childcare and/or family care, which only requires them to come into the office as little as once a month *We were selected as a Telework Pioneer 100 certified by Japan's Ministry of Internal Affairs and Communications in April 2016
Variable working hours system	Introduced so that employees can change their prescribed working hours every month or every three months according to their volume of work. This system is also available on a monthly basis to employees with shortened working hours due to childcare and/or family care responsibilities
Discretionary work system	Introduced to aim at a work style where the emphasis is placed on high performance achieved in shorter time. As of March 2018, about 50% of 2,000 employees in the eligible departments use this system
Work shift interval rule	Introduced to raise awareness toward a more health-focused work style. The rule stipulates that employees should rest for a minimum of eight hours between the end of a shift and the start of the next day's shift with overtime work in consideration. Additionally, health management is conducted in case they exceed a certain amount of days when they can't have 11 hours of rest
Flexible working hours system	Introduced for employees to work flexibly and autonomously. About 60% of 900 employees in the eligible departments use this system
Shorter working hours system for parents	Introduced to support a good work and childcare balance. Employees can decide their working hours per day between 5 to 7 hours according to their children's age and summer holidays. This system is also available on a monthly basis to employees using variable working hours system
Shorter working hours system for caregivers	Introduced to support a good work and family care balance. Employees can decide their working hours per day between 5 to 7 hours according to their family care responsibilities. This system is also available on a monthly basis to employees using variable working hours system. They can use this system as long as care is necessary
Spouse accompaniment leave program	Established in April 2017 to support the work-life balance with a long-term perspective. The system allows a maximum three-year leave of absence to employees who accompany their spouse who is assigned overseas to live together. The program also applies to employees whose spouse is not a KDDI employee
Career-track employment with restricted work area (L course)	Established in 2016. L-course employees are not transferred outside the specified work area without their consent. The system enables the company to retain career-track workers who have difficulty relocating due to factors such as a changing home environment. All-area career-track employees are able to transfer to this course

### System

### KDDI

#### Safety and Health Management for Employees and Their Families Transferring Overseas

We conduct various activities aimed at ensuring the health and safety of employees working outside Japan. We provide a consultation with an industrial doctor to employees before transferring overseas, interview with medical staff to all employees returning to Japan and follow-up care after the regular health exams to employees working overseas. Additionally, industrial doctors, public health nurses and clinical nurses travel around to the overseas offices once a year to inspect the local medical institutions and the workplace environments as well as to provide consultations to the employees. We began conducting stress check test also for employees working overseas and providing follow-ups including checking their

health conditions as required.

Furthermore, we have established and implemented 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 outside Japan. In fiscal 2017, we introduced a medical return program that covers the expenses of returning sick or injured employees or accompanying families to Japan, if an industrial doctor judges that they should receive treatment in Japan. In preparation for emergent situations, we have implemented emergency evacuation services for all employees stationed or on a business trip overseas to evacuate from the company in the event of terrorism or political instability. We also offer emergency medical transport services that transport them to a different country and give medical treatment when they are severely ill or injured.

### System

### KDDI

#### Diverse Work Styles

##### Support System for Balancing Work and Family Life

To help employees balance work with other responsibilities, such as childbirth, childcare and family care, we have established a support system that exceeds legal standards.

We also established a dedicated website that enables employees in parental leave to stay in contact with their supervisors and take e-learning courses so that they feel comfortable during the leave of absence. After returning to work, the flexible working environment allows the returnees to choose from different work style options to suit their preference and their particular work situation, including shortened regular working hours (5-7 hours/day), variable working hours and telework. Under these programs, more than 94% of employees who take parental leave return to work (100% for males, 94.4% for females), and the retention rate 12 months after returning is 98.1%.

Furthermore, we have established programs for rehiring employees who previously left the company for reasons of childbirth or family care. In 2009, we acquired Kurumin certification in recognition of our efforts to support the work-life balance of our employees.

# Labor Practices

## <KDDI's Efforts>

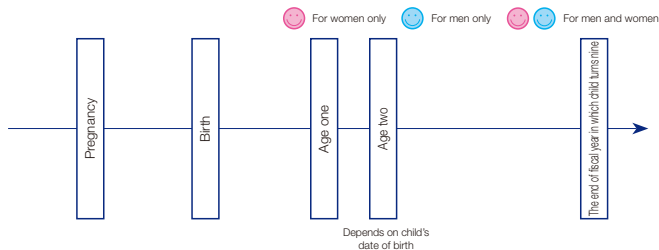
Improve employment environment to support the work-life balance of employees who are engaged in childcare and/or family care

- (1) Flexible working with options to suit home and work circumstances
- (2) Seminars for employees on maternity or parental leave and for employees caring for a family member while working

Our work regulations prohibit harassment, and we have set up a counseling office and provide training to spread the awareness in the company. From fiscal 2016, the scope has been expanded to include pregnancy harassment, and more robust action is taken.

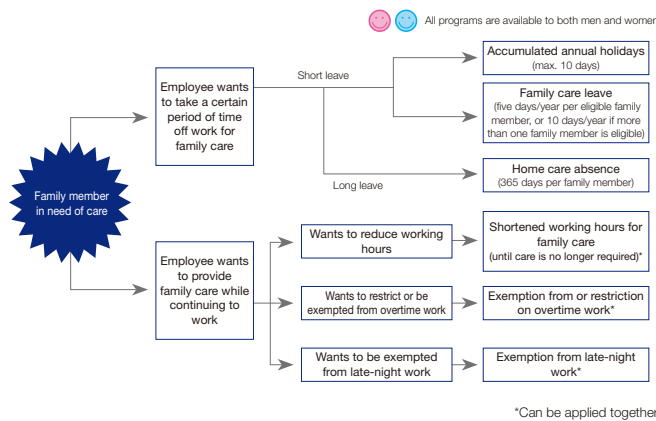
[Link](#) Page\_025 Action Plan Based on Japan's Women's Advancement Act

## Program for Work-Childcare Balance



Support during pregnancy	Less commuting to work Time for antenatal hospital checkups Time for antenatal hospital checkups (only if so directed by doctor)	
Support before and after birth	Maternity leave Paternity leave	
Support during leave of absence	Parental leave of absence *w/m** support services for return to work after parental leave of absence	
Support for work-childcare balance	Childcare time Shortened working hours for childcare Flextime Sick/injured child care leave Exemption from overtime work Restrictions on overtime work Exemption from late-night work	

## Program for Work-Family Care Balance



\*Can be applied together

## Activity & Results

KDDI

### Efforts to Support Childcare and Family Care (Excerpt)

Measure	Target	Details
Supporting return to work after parental leave of absence	Employees planning to take parental leave of absence	Hold seminars on lifestyle during parental leave of absence
	Employees planning to return to work	Hold seminars on how to increase their motivation and achieve a smooth returning to work
	Supervisors of employees planning to return to work	Share information for working mothers to develop their career
Support for male employees' participation in childcare	Male employees with spouse expecting to give birth	Grant paid paternity leave on the expected delivery date or in the period one month after the birth (up to three days, on a day-by-day basis) • FY2017 result: 282 persons
Supporting a balance between work and family care	All employees	Offer lectures on how to balance between work and family care and provide booklets about in-company programs
Promoting the active role of employees with shortened working hours for childcare	Supervisors of employees with shortened working hours for childcare	Create guidebooks on measures to promote the active role of the eligible employees and publish them on the intranet

\* Only measures that exceed the legal standards are described here as examples.

# Labor Practices

## Results

### Usage of Childcare and family Care Support System (KDDI)

Unit: person

Program		Gender	FY2013	FY2014	FY2015	FY2016	FY2017
Childcare	Maternity leave	Female	168	190	185	181	164
	Paternity leave	Male	283	328	269	279	282
	Parental leave of absence	Male	15	11	14	16	25
		Female	270	275	281	276	270
	Reinstatement after parental leave of absence <sup>1</sup>	Male	100.0%	100.0%	100.0%	100.0%	100.0%
		Female	95.0%	96.5%	96.6%	99.0%	94.4%
	Retention after parental leave of absence <sup>2</sup>	Male	100.0%	100.0%	100.0%	88.9%	–
		Female	98.2%	100.0%	96.5%	99.0%	–
	Shortened working hours for childcare	Male	2	1	2	1	3
		Female	378	394	417	440	458
Sick/injured child care leave	Male	520	320	290	344	429	
	Female	362	316	344	445	496	
Family care	Family care leave of absence	Male	6	6	7	8	8
		Female	1	5	6	5	4
	Family care leave	Male	117	80	90	107	133
		Female	44	50	63	87	117
	Shortened working hours for nursing care	Male	2	1	4	1	1
		Female	0	1	2	2	2

[1] (Total number of regular employees who returned to work after parental leave of absence) ÷ (Total number of regular employees who planned to return to work after parental leave of absence) x 100

[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

## Policy & System

## KDDI

### Expanding Employment Opportunities and Advancement of Persons with Disabilities

We strive to further expand employment opportunities for persons with disabilities to promote their independence and success at work.

Established in 2008 as a special subsidiary, KDDI Challenged aims to create and expand the types and scope of duties of each of its employees with disabilities by highlighting their ability and organizing a working environment tailored to each employee. In fiscal 2016, we launched Café Challenged in the KDDI head office building and Osaka Building, and in fiscal 2017, we launched it in Shinjuku Building, too. Employees with disabilities are in charge of the operation of these three shops. Also in fiscal 2016, we announced again that we have an existing counseling office for issues related to the advancement of persons with disabilities and created an environment to facilitate communication between the company and employees with disabilities. As part of our efforts to promote diversity and inclusion, the training programs for new hires in the group companies provide opportunities to work with persons with disabilities at KDDI Challenged.

With the aim of increasing the employment of persons with mental disabilities since fiscal 2018 as obligated, we have been continuing to expand job areas with a focus on developing diverse occupations, following pre-employment training to understand their characteristics to encourage their advancement based on the ability of each person.

At KDDI, the rate of employment for persons with disabilities is 2.53%\* (as of June 2018), which exceeds the legal requirement (2.20%).

\* Includes KDDI Challenged (special subsidiary) and KDDI Engineering

# Labor Practices

## Work Status of Employees with Disabilities

Work location	Work roles
KDDI Challenged	Work handled under contract from the KDDI Group including manual disassembling mobile phones, performing maintenance on business mobile phones, handling accounting procedures, PC kitting,* facility maintenance and operations of Refresh Room and Café Challenged
KDDI Challenged, Osaka Office	Cleaning (morning), manual disassembling mobile phones (afternoon) and operations of Café Challenged

\* Refers to the process such as setting up a PC operating system and installing applications

## System

KDDI

### Support System for Employees with Disabilities

The Act on the Elimination of Discrimination Against Persons with Disabilities, enacted in Japan in 2016, stipulates the need of rational consideration to be taken to eliminate barriers in the life of people with disabilities as much as possible. To ensure that employees with disabilities can lead stable professional life that matches their abilities and disabilities, we strive to create supportive work environment while publishing guidebooks for their supervisors.

## Examples of Support for Employees with Disabilities

Measure	Details
Questionnaire surveys	We conduct questionnaires for all employees with disabilities to assess factors such as the inconveniences they face in the company and changes in their conditions, and the opinions are incorporated into their work environments
Guidebook for Communication with Employees with Hearing Difficulties	This guidebook, which was created with the participation of employees with hearing difficulties, was published to provide easy-to-understand explanations on the rules of sign language interpretation and how to support summary writing in the workplace
Participation in external seminar ACE Challenged Seminar	Employees with disabilities and their supervisors participated in the ACE Challenged Seminar hosted by the Accessibility Consortium of Enterprises (ACE), which works to promote career design for employees with disabilities
Introduction of an app for persons with hearing difficulties	We introduced the UDTalk speech translation app to further ensure the access to information by employees with hearing difficulties

## Policy, System & Activity

KDDI

### Promoting the Active Role of Older Workers

We have established a post-retirement re-employment program for employees who have reached the age of 60 and satisfy certain requirements, encouraging them to work as non-regular employees until age 65 at longest. 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 various workplaces.

For employees nearing the retirement age, we also hold seminars that inspire them to think about their life and work styles after 60.

## Policy & System

KDDI

### Advancement of Foreign Employees

To ensure that employees from countries other than Japan can work comfortably in Japan and make full use of their abilities, we provide a variety of information about obtaining permanent resident status and programs relating to dependents and employee pension. In fiscal 2016, we held discussions with them to improve the working environment as the company expands globally.

In addition, employee education is provided to ensure employees from countries other than Japan are not discriminated on the grounds of race or faith.

## Policy

KDDI

### KDDI's Approach — Sound Labor-Management Relations

We aim to further promote decent work for all employees by working toward improving labor-management relations through honest discussions and negotiations with representatives of all employees.

## Policy

KDDI

### Creating Sound Labor-Management Relations

#### ■ Signing of Union Shop Agreement and Cooperation between Labor and Management

We guarantee the right to freedom of association and collective bargaining.

We adopted a Union Shop Agreement that requires all employees in Japan, except for managers and non-regular employees, to join 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.

As of the end of March 2018, 98.6% of all eligible employees (10,715 people) belong to the union. Regarding items with a significant influence on the treatment of employees, such as changes in the organizational structure and systems relating to human resources, we hold discussions with the union, and their consent is obtained before implementing any changes. Various issues relating to the improvement of working environment are also discussed regularly between labor and management, and in fiscal 2017, we had 22 meetings in total. Such discussions will be held on a regular basis also in fiscal 2018. The KDDI Workers Union provides union members with information about the contents of negotiations between labor and management. Agreements reached in previous sessions (benefit to both sides) include: increase in fixed monthly pay, bonus payment based on company performance, declaration of health-focused management, introduction of the work shift interval rule, making shortened working hours for parents more flexible, eliminating the time limit on shortened working hours for caregivers and increase in the overtime premium for non-regular workers.

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

# Labor Practices

## Results

### KDDI

#### Status of Union Membership\* (KDDI)

	FY2017
Total number of union members	10,715
Union participation rate (Percentage of employees covered by labor agreements)	98.6%

\*Includes KDDI's currently serving regular and contract employees, as well as employees on loan from the company

## System

### KDDI Group

#### Pension System

We have introduced our own retirement benefit and pension system, which is managed by the KDDI Pension Fund (a separate corporation). The KDDI pension plan offered to employees is structured as a defined-benefit pension plan, and the entire amount is borne by the company (387,211 billion yen\* as of the end of March 2018). KDDI Pension Fund manages the assets to be granted appropriately in the future.

We strive to provide fair and strict management of the fund to ensure a stable life for fund subscribers and recipients in the future.

\*Fund assets for the entire KDDI Group (including the companies affiliated with the fund)

#### Status of Workplace Injuries (KDDI)

		FY2013	FY2014	FY2015	FY2016	FY2017
Number of workplace accidents	Unit: case	14	14	19	21	23
Number of serious workplace accidents during construction	Unit: case	0	0	0	0	0
Frequency rate <sup>1</sup>		0.48	0.52	0.62	0.78	0.82
Severity rate <sup>1</sup>		0.0037	0.0078	0.0024	0.0102	0.0038
Lost time injury frequency rates <sup>2</sup>		0.14	0.15	0.20	0.19	0.28

[1] Calculated based on the formula specified in the Survey on Industrial Accidents of Japan's Ministry of Health, Labour and Welfare

[2] LTIFR: (Lost time injuries frequency rate is the number of workplace accidents) ÷ (the cumulative hours worked) × one million (lost time is defined as any period of one day or more)

#### Overtime Hours, Paid Holiday, Average Annual Salary, etc. (KDDI)

		FY2013	FY2014	FY2015	FY2016	FY2017
Average overtime hours per month <sup>1</sup>	Unit: hours/month	29.6	29.2	29.9	27.5	19.6
Average overtime allowance per month <sup>1</sup>	Unit: yen/month	—	101,218	100,197	96,395	65,879
Total annual actual hours worked (average) <sup>1</sup>	Unit: hour	—	1,944.6	1,941.6	1,919.2	1,892.7
Rate of paid holiday taken	Unit: Number of days granted	19.8	19.8	19.8	19.7	19.7
	Unit: Number of days obtained	11.8	13.1	13.1	12.8	13.5
	Unit: %	59.5	66.4	66.3	65.1	68.5
Average annual salary <sup>2</sup>	Unit: yen	9,396,971	9,763,079	9,510,045	9,532,136	9,363,399

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

[2] Average annual salary includes bonuses and extra wages

# Recruiting and Developing Human Resources

## Policy

## KDDI

### KDDI's Approach

As the working-age population continues to decrease due to the declining birth rate and aging population in Japan, it is said that the country's economic growth will slow down. The market environment of the information communication sector is changing rapidly and drastically in recent years as we have been experiencing technological innovation, intensified competition on a global scale and the participation of a variety of carriers. To timely respond to these changes and continue growing, we need to recruit diverse talents regardless of nationality, gender, age or (dis)ability and promote their advancement.

We regard the recruitment and development of human resources that can lead the new business area of integrating telecommunications and life design and the raising of the potential of the company's workforce as the highest priority.

[Link](#) Page\_025 Materiality 3. Rewarding Workplaces for Diverse Talents

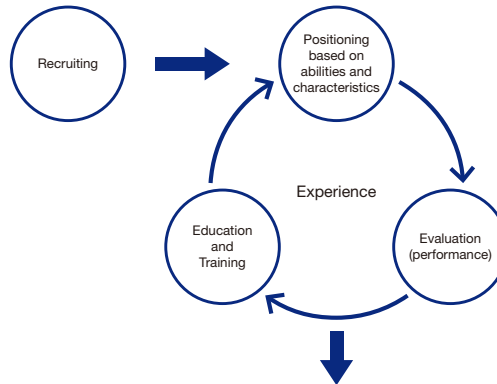
## System

## KDDI

### Human Resources System

To maximize the value created by human resources and ensure that the right people are placed in the right roles, we have established an organizational structure that manages the recruitment, development, utilization and career progression of human resources as a vertically integrated process (talent management process), effective from fiscal 2017. This ensures that the development of individual employees works in tandem with the optimization of organizational performance.

Also, we have implemented a remuneration system for division's general managers, which is linked to the achievement level of KPIs for development of human resources.



## Activity & Results

## KDDI

### Human Resource Cultivation Management

In the recruitment stage, we have removed the gender or sex section of the entry sheet to ensure we hire diverse talents.

We also have a variety of training and qualification schemes that give contract employees such as mass-retail sales advisors talent development opportunities. Those who wish can apply for a permanent contract, and 73 contract employees became regular employees through this scheme in fiscal 2017.

We execute various measures for effective employee growth including on-the-job training (OJT) and off-the-job training (OFF-JT). Additionally, we create a drive to grow in employees by providing each of them with proper evaluation and feedback. We have also prepared various programs for those employees passionate about growing themselves and leading changes that encourage them to work on active cultivation of potentials instead of staying passive.

Also, we support the acquisition of company designated qualifications by paying examination fees and other related expenses.

- FY2017 number of newly hired graduates of nationality other than Japan...11
- FY2017 percentage of newly hired female graduates...31.3%

### Retention of Newly Hired Graduates (KDDI)

Unit: person

	Male	Female
Graduates hired in April 2015	203	83
Currently employed in April 2018	192	77

### FY2017 Employee Training Results

Training	Results
Training expenses per employee (yen/person)	About 140,000 yen
Training time per employee (hours/person)	4.3 hours (56,610 hours in total)

[Link](#) Page\_078 KDDI Human Resource Cultivation Measures

[Link](#) Page\_079 Enhancing Various Evaluation Systems

# Recruiting and Developing Human Resources

## System

## KDDI

### KDDI Human Resource Cultivation Measures

Program		Details
Executive assistant		Employees work as directors' assistants, learning directly the mindset as a manager
Job rotation system	Challenge rotation	Employees work in multiple job positions and departments to have wider experiences in different fields and explore their competence
	Professional rotation	Employees contribute to the company by fully understanding and developing their individual expertise
Self-career produce system (SCAP)		Employees can transfer to departments of their choice after accumulating a certain amount of experience in their current positions and earning positive evaluations
Open recruitment system		Employees who are enthusiastic about starting up new business or expanding growing departments can apply for the open recruitment to be transferred
Self-reporting system		Employees can consult with their department's general manager on their future career plan based on their reports about their career history and current situation
Stratified training		Employees acquire knowledge and skills needed for carrying out their work depending on the position or qualifications they have
Common skill training		Employees acquire various business skills commonly needed by everyone in the company
Support for acquisition of qualifications		We pay examination fees and other related expenses to employees who acquired company designated qualifications
Global initiative program for managers (GIP)		We develop management staff that can manage global business and global bases through training in Japan and overseas
Lifelong learning sabbatical program		Employees wishing to study toward a qualification or acquire new skills on a voluntary basis can take a career break of up to three years
Business study abroad		Participants learn global standards for business at an overseas university or through communication with business persons at NPOs or internship
Specialized study abroad		Participants study at an overseas university or specialized institution to acquire advanced specialized knowledge and build human networks with relevant persons

Program	Details
Overseas trainee system	Employees wishing to join the program are sent to an overseas base for a certain period of time and through business practices, they are trained to be employees who can carry out their work even while surrounded by people with various values and business customs
Global employee exchange program	In this program, employees hired overseas are invited to our headquarters in Japan to learn about the business customs, operations and the KDDI Group Philosophy and strengthen partnerships with foreign customers who have offices in Japan
English circle support	We support English self-study circles in each workplace by sending instructors and contributing funds

### Training System by Position

Position	The KDDI Group Philosophy	Stratified training		Shared skill training	Global human resources	Division-specific training		
		Newly appointed	Already appointed					
Executive/Director	Division's general manager study session		Associated Companies Director Training					
Department's General Manager	Department's general manager study session	Newly-appointed department's general manager training	Department's general manager training		GIP			
GL (Group leader)	GL Study Session	Newly Appointed GL Training	GL Training					
Manager (Non-line)		Newly Appointed Manager Training						
Assistant Manager			Leadership Strengthen Training	Shared Skill Training	Overseas Trainee System	Training by Division		
Chief			Career Enhancement Training					Overseas Study
Employee			Training 3 years after employment Training 2 years after employment New Employee Training					

# Recruiting and Developing Human Resources

## System & Activity

KDDI

### Cultivating Women (inside the company): Female Line Manager Program

In fiscal 2016, we started the Female Line Manager Program which aims to establish a career pipeline for female employees from the young to the candidates for general managers. In this program, we cultivate future female leaders, including officers and line managers, toward their career progression. Managerial candidates (around 200) were selected with the assistance of individual departments to take part. The program included leadership awareness seminars as well as a large-scale event where the top management directly conveyed a message of encouragement and role models within and outside the company had dialogues to help broaden the participants' perspectives. Furthermore, we organized career design seminars for young female employees with the aim of expanding the candidate pool as well as provided e-learning to promote understanding of the necessity for cultivating female managers and to teach how to develop female employees for all managerial staff including men.

We are continuing our efforts to change the gender mindset in the company toward gender equality; in fiscal 2018, we released e-learning programs about how to nurture female talents as leadership candidates.

## Activity & Results

KDDI

### Cultivating Women (outside the company): Cross-Industry Forums

In fiscal 2017, too, we participated in the New Generation Eijo College — Project for the Advancement of Female Sales Representatives in Different Industries, which was launched in June 2014 by females in sales positions from seven companies in different industries (Recruit Holdings Co., Ltd., Nissan Motor Co., Ltd., IBM Japan, Ltd., Kirin Co., Limited, Sumitomo Mitsui Banking Corporation, Suntory Holdings Limited and KDDI Corporation), in an effort to address the difficulty of producing female leaders due to the shortage of women in sales. It was an opportunity for the participants to review their own career attitudes and skills as they got inspired and had their perspective broadened through

the interaction with female sales representatives from different industries. A participant from KDDI made a wrap-up presentation in the Eijo College Summit as a member of a finalist team in the cross-industrial program on a new sales model for the next generation, specifically about work sharing model. In fiscal 2018, the event will focus on the theme of creating the next generation sales management model.

## Policy

KDDI

### Fair Personnel Evaluation

To achieve fair and transparent personnel evaluation and remuneration, we have established common standards and grades for the performance and requirements demanded by the company. We also conduct personnel evaluations based on targets each employee has set. Personnel evaluations are conducted twice per year through face-to-face interviews with supervisors. For remuneration, we adopt a bonus system that is linked to the company's performance in the previous fiscal year. Individual bonus amounts are decided based on the personal business performance of each employee in the previous fiscal year.

Any employee who is not satisfied with their evaluation can file a complaint with the Human Resources Department, submitting application sheet.

## System

KDDI

### Enhancing Various Evaluation Systems

We have introduced the Objective Management System for non-managerial employees.

Under this system, each employee determines their personal objectives through sessions with their supervisors. The objectives are determined in tandem with the objectives of the company and the unit they belong to and designed to make employees challenge themselves toward personal growth and performance improvement. Their performance for their objectives is linked with personnel evaluations.

For managers, we introduced the Mission Grade System to evaluate their

work not based on accumulated past performance but based on the size of their current roles, such as the responsibility for currently executed duties, the authority borne and the degree of influence they have on the performance. The system defines the management roles assigned to line managers and the professional roles assigned to non-line managers and specifies the grade according to the size of role.

## Activity & Results

KDDI

### Employee Awareness Survey

Each year, we conduct the KDDI Kaitai Shinsho awareness survey targeting all employees including contract employees. The fiscal 2017 survey focused on making the ability of organizations visible and was based on a hypothesis about the organizational environment as a driver. The survey results showed that leaders of departments that have a high level of organizational competence tended to set a mission or vision for the department and made sure that it was embedded across the team.

The findings were initially presented to division's general managers and then made available to all employees via the intranet. A round-table discussion was held, where the leaders of departments with high organizational competence shared best practices. Based on these findings, divisions and departments are now drawing up plans to tackle issues identified within their unit to improve their organizational competence.

(Respondents: 11,286 (94.6% of the targets))



# Recruiting and Developing Human Resources

## System

### KDDI

#### Providing Long-term Incentives for (Managerial) Employees

We have introduced a performance-linked stock compensation system as an incentive plan for managerial employees. This system is designed to provide the company's share 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 of managers about the performance and the stock price, as well as to further encourage the execution of operations aimed at improving performance while contributing to the mid-to-long term corporate value.

## Activity & Results

### KDDI

#### Award Program for Employees

We have implemented award programs for employees to increase motivation and a sense of solidarity.

**President's Award Results** (evaluation period: April 1, 2017 - March 31, 2018)

Award name	Number of awarded cases
President's Award	3
Contribution Award	1
Nice Try Award	0
Individual MVP Award	3

# Recruiting and Developing Human Resources

## Results

### Employment Status

		Female/ Male	FY2013	FY2014	FY2015	FY2016	FY2017
Number of employees <sup>1</sup>	Unit: person	Male (KDDI)	8,648	8,588	8,649	8,718	8,723
		Female (KDDI)	2,091	2,083	2,126	2,198	2,314
		Total (Male and Female)	10,739	10,671	10,775	10,916	11,037
		Consolidated number of employees	27,073	28,172	31,834	35,032	38,826
Average age (KDDI)	Unit: age	Male	42.1	41.8	42.7	42.9	43.2
		Female	38.6	38.2	39.2	39.3	39.4
		Total (Male and Female)	41.4	41.1	42.0	42.2	42.4
Average working years (KDDI)	Unit: year	Male	17.1	17.3	17.6	17.7	18.1
		Female	15.6	15.9	16.0	16.0	15.9
		Total (Male and Female)	16.8	17.0	17.3	17.4	17.6
Employment turnover <sup>2</sup> (KDDI)	Unit: %	(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	(Total) 1.11 (Male) 0.95 (Female) 1.79	(Total) 1.08 (Male) 1.01 (Female) 1.39	

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

[2] "Employment turnover" 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

Unit: person

		Early	Self	Company	Transfer	Other	Total
FY2017 Departing Employees (KDDI)	Male	0	108	9	5	8	130
	Female	0	36	2	0	2	40
	Total	0	144	11	5	10	170

\*Excludes employees who retired at retirement age

		June 2014	June 2015	June 2016	June 2017	June 2018
Number of employees with disabilities	Unit: person	334	350	372	403	417
Employment rate of persons with disabilities	Unit: %	2.02	2.11	2.19	2.38	2.53

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

### Employees from Countries Other than Japan

Unit: person

	FY2013	FY2014	FY2015	FY2016	FY2017
Number of foreign employees (KDDI)	85	103	105	101	114
Proportion of foreigners in new employees (KDDI)	15.1%	8.3%	5.2%	2.0%	3.6%
Number of foreigners at the management level (KDDI)	6	6	7	10	11
Consolidated number of foreign employees	2,630	2,624	4,380	4,423	4,308

### Non-Regular Employees (KDDI) (Number of workers temporarily employed)

Unit: person

	FY2013	FY2014	FY2015	FY2016	FY2017
Temporary staff (KDDI)	4,197	3,848	3,512	3,940	4,539
Contract employees (KDDI)	2,850	3,416	3,317	3,101	2,628
Total	7,047	7,264	6,829	7,041	7,167

### Employee by Age (KDDI) (As of March 31, 2018)

Unit: person

	Total	Male	Female
Under 30	1,362	926	436
30-39	2,504	1,888	616
40-49	4,405	3,425	980
50-60	2,762	2,480	282
61 or over	4	4	0
Total	11,037	8,723	2,314

# Recruiting and Developing Human Resources

## Status of Hiring (KDDI)

Unit: person

	Gender	FY2013	FY2014	FY2015	FY2016	FY2017
Recent university graduates	Male	189	170	203	217	211
	University graduate	189	170	203	217	211
	Female	62	84	83	85	96
	University graduate	62	84	83	85	96
	Junior college or technical school	0	0	0	0	0
	Senior high school and others	0	0	0	0	0
	Total	251	254	286	302	307
Mid-career hires	Male	29	38	46	46	76
	University graduate	28	37	45	45	74
	Other	1	1	1	1	2
	Female	2	7	4	9	7
	University graduate	2	7	4	9	7
	Other	0	0	0	0	0
	Total	31	45	50	55	83
Reemployment after retirement	Male	68	100	126	143	112
	Female	6	10	13	17	13
	Total	74	110	139	160	125
Non-regular employees who became regular employees		23	33	82	122	118

## Retention of Newly Hired Graduates (KDDI)

Unit: person

	Male	Female
Graduates hired in April 2015	203	83
Currently employed in April 2018	192	77

## Manager (KDDI)

Unit: person

	FY2013	FY2014	FY2015	FY2016	FY2017
Male Managers	3,785	3,961	4,115	4,155	4,195
Department Managers or higher	367	408	411	465	481
Section Managers	3,418	3,553	3,674	3,690	3,714
Female Managers	140	177	251	270	302
Department Managers or higher	11	9	11	12	17
Section Managers	129	168	240	258	285
Proportion of Female Department Managers or higher	2.9%	2.2%	2.4%	2.5%	3.4%
Proportion of Female Section Managers	3.6%	4.5%	6.1%	6.5%	7.1%
Newly Appointed Managers	330	370	390	195	209
Male	312	330	309	169	173
Female	18	40	81	26	36

\*The number of managerial personnel includes KDDI managerial personnel as well as those temporarily transferred to other companies

# Supply Chain Management

## Policy

KDDI

### KDDI's Approach

In today's world where globalization has progressed, corporate procurement activities are influenced by social issues around the world.

We believe that driving sustainability initiatives not only within the company but throughout our supply chain will make our business more sustainable. KDDI will further improve our responsible procurement standards to strengthen partnerships with our business partners while collaborating with them to prevent human rights and safety and health labor issues from occurring.

## Policy

KDDI

### KDDI Sustainable Procurement Policy

As a general telecommunications operator that supports social infrastructure, we have implemented supply chain risk management with all business partners inside and outside Japan in line with the KDDI Sustainable Procurement Policy since February 2014 to fulfill our social responsibility at a higher level and avoid procurement risks as far as possible. The policy defines seven themes for appropriate supply chain management; Co-existence and Co-prosperity with Business Partners, Consideration of Global Environment, Considerations for Human Rights and Labor Environment, Fair and Equitable Trade, Fair Management of Information, Ensuring Quality and Safety and Co-existence with Society.

To offer 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 this policy to all business partners inside and outside Japan.

Additionally, KDDI investigates the scale, background, credibility, business conditions, financial conditions, etc. of potential business partners, and if they meet a predetermined standard, we open business with them. In case of a violation of serious compliance, such as those related to human lives, we deal with transactions including reviews of transactions until corrective actions are completed.

In fiscal 2018, we will conduct Responsible Procurement Surveys targeting our primary suppliers on problems to our responsible procurement including human rights violation and conflict minerals among primary and secondary suppliers.

 [KDDI Sustainable Procurement Policy](#)

## System

KDDI


### KDDI Guidelines for Responsible Supply Chain and Responsible Procurement Promotion System

We established the KDDI Guidelines for Responsible Supply Chain as a policy for implementing the Procurement Policy and published them on our website. The guidelines were formulated based on 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 for the environmental and social impacts to consider when selecting business partners and procurement items, in addition to quality, price, delivery and stability of supply.

We also conduct surveys targeting our leading business partners to support their understanding about our responsible procurement initiatives, and to communicate the situation and progress. In case of compliance violation committed by a business partner, KDDI requests them to identify the causes and request improvement. We offer guidance and support action if necessary.

Based on our Code of Business Conduct, we do not perform any transactions with organized crime group.

 [KDDI Guidelines for Responsible Supply Chain](#)

 [Promoting Green Procurement](#)

## Activity

KDDI

### Conflict Minerals

The US government requires companies listed in the US to disclose the use in their products of conflict minerals or minerals produced in the Democratic Republic of the Congo and other disputed regions.\*

KDDI is not listed in the US, but we at KDDI conduct surveys on problems to our responsible procurement to ensure that conflict minerals are not used.

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

## Activity

KDDI

### Promoting Responsible Procurement

#### ■ Responsible Procurement Surveys

We have conducted a survey targeting our leading business partners using a Responsible Procurement Check Sheet since fiscal 2014.

The survey is based on the Supply-Chain CSR Deployment Guidebook (Check Sheet) published by JEITA, consisting of 130 questions related to the seven themes of human rights and labor, safety and health, environment, fair and ethical trade, quality and safety, information security, and contribution to society and others deemed pertinent to the company. In fiscal 2017, we asked our key business partners representing approximately the top 90% of the total value of orders to answer the survey, and received responses from over 90% of them.

#### ■ Primary Supplier Inspections

Using the KDDI Industrial Waste Management Guidelines, we hold regular inspections each year of the industrial waste management companies that we have consigned to dispose of our industrial waste. Additionally, once a year, we hold on-site checks of industrial waste companies that perform mobile phone disassembly.

In fiscal 2017 we conducted inspections of three companies. We inform each company of the results as feedback. If correction is necessary, we create an action plan and work on the improvement jointly with the company.

# Supply Chain Management

## Activity

KDDI

### Capacity Building

#### ■ Initiatives to Improve Employees' Procurement Skills

Target	Initiative details
Employees responsible for procurement	<ul style="list-style-type: none"> <li>• Training program for newly appointed personnel</li> <li>• Compliance training</li> <li>• Recommendation to pass the grade B exam for Certified Procurement Professionals</li> </ul>

#### ■ Support for au Shops

We at KDDI consider that improving the service quality of au shops and other distributors are particularly important to offer positive customer experiences and maximize customer satisfaction. We continue to support them to further improve the skills of the staff.

Since training au shop staff is essential to improving the service quality of all distributors, we encourage the staff to learn effectively through group sales training and e-learning for basic operational knowledge and new product information. We also implement a qualification system to evaluate staff skills and encourage their sales efforts to achieve higher customer satisfaction with the titles "au Advisor," "au Master," and "au Expert." Additionally, each year in various locations in Japan, KDDI holds the "au CX AWARD," a customer service competition that recognizes excellent customer service and shares good practices of customer service.

A special in-house unit works on further improving the quality of au shop operations and staff service. They strictly implement inspections and make suggestions based on the results.

## System

KDDI

### Support for Distributors

We at KDDI support main distributors in their various business activities. This includes our support when they open au shops or move to new locations, in organizing staff and in staff capacity building through various training and qualification exams.

# Community Involvement and Development

## Policy

### KDDI Group

#### KDDI's Approach

We at KDDI Group are driving various initiatives to solve societal and environmental issues of the countries and regions where we operate to achieve a truly connected society. Each regional office leads community development activities, placing importance on dialogue and cooperation with a variety of stakeholders, including local communities, administrations, universities and CSOs.

## Policy

### KDDI Group

#### Policy on Corporate Citizenship

We established the Social Contribution Policy in 2012. As a conscientious corporate citizen, we respond to the society's needs and trust and contribute to society across the world utilizing our technologies and human resources. To carry out sustainable business in and outside Japan, it is essential to have dialogue with local communities and grow with them. We see social contribution activities as valuable opportunities to interact with local communities and will continue to capitalize on such activities in terms of business opportunities and risk avoidance.

When selecting and implementing activities, we discuss policies and methods, considering global issues such as Sustainable Development Goals (SDGs).

 [KDDI Basic Guidelines Concerning Safe Communication for Young People](#)

## System

### KDDI Group

#### Management Framework

As a corporate citizen, we at the KDDI Group strive to contribute to community development, matching the needs specific to a region where we operate.

Based on the basic policy and direction indicated by KDDI's head office, the regional offices around Japan are committed to implementing sustainability activities, acting as communicators with local communities. These activities are handled cross-departmentally by each regional office and the executive officers in charge of each region (senior general managers) have overall responsibility for the activities.

Regional offices discuss the opinions they receive from local communities with the related department in KDDI head office and take action. We have an information sharing framework within the group, including an intranet, to share activities in each region.

## Activity

### KDDI Group

#### Community Development in Five Areas

We are engaged in community development activities focused on the following five areas stated in our Policy on Corporate Citizenship: (1) bridging the digital divide; (2) sound development of youth; (3) environmental conservation; (4) social and cultural support; and (5) support in times of disaster.

These five areas are positioned as sustainability initiatives that support our business within the three strategies: (1) Sustainably grow the domestic telecommunications business; (2) Maximize the "au Economic Zone" and (3) ambitiously develop global business. These strategies are stated in KDDI's medium-term business goals (2016-2018): Integration of Telecommunications and Life Design — Transform into a Business Providing Customer Experience Value. Going forward, we will continue to fulfil our social responsibilities and contribute to society through these activities.

Medium-term business goals (2016-2018)	Sustainability initiatives that support business
Sustainably grow the domestic telecommunications business	<ul style="list-style-type: none"> <li>• Bridging the digital divide</li> <li>• Sound development of youth</li> <li>• Environmental conservation</li> <li>• Support in times of disaster</li> </ul>
Maximize the "au Economic Zone"	<ul style="list-style-type: none"> <li>• Bridging the digital divide</li> <li>• Sound development of youth</li> </ul>
Ambitiously develop global business	<ul style="list-style-type: none"> <li>• Bridging the digital divide</li> <li>• Social and cultural support</li> </ul>

#### Policy on Corporate Citizenship

##### 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 (ICTs). We aim to offer 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 ICTs, 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

## System

## KDDI Group

### The Plus Alpha Project Program

In February 2008, we started the Plus Alpha Project program that encourages our employees to actively participate in voluntary activities. In this program, employees earn points for social contribution activities within or outside the company, and the company donates an amount corresponding to these points to charity organizations on behalf of the employees. All employees (approx. 16,000) are eligible, and over 64 million yen was donated in total by fiscal 2017.

## Results

## KDDI Group

### Initiatives

#### ■ (1) Bridging the Digital Divide (Related SDGs: )

Targets	KPIs	FY2017 outcomes and progress	Goals for next fiscal year
Improve ICT literacy of older people	<ul style="list-style-type: none"> <li>Hold KDDI Smartphone and Mobile Phone Safety Classes for older people: (Understood 84%, Will use 85%)</li> </ul>	<ul style="list-style-type: none"> <li>Achieved: Understood 85%, Will use 86%</li> <li>Results of classes for older people (248 classes, 4,388 participants) Cumulative total: 1,126 classes, 20,524 participants</li> </ul>	Understood 85% Will use 87%
Bridging the digital divide in developing countries	—	<ul style="list-style-type: none"> <li>Investigation of computer education in Myanmar and other regions (KDDI Foundation)</li> </ul> <p><a href="#">Link</a> Page_049 Initiatives in Growing Markets outside Japan</p>	—

#### ■ (2) Supporting Sound Development of Youth (Related SDGs: )

Targets	KPIs	FY2017 outcomes and progress	Goals for next fiscal year
Improve ICT literacy of youth	<ul style="list-style-type: none"> <li>Hold KDDI Smartphone and Mobile Phone Safety Classes for youth</li> <li>Satisfied with teaching materials: 94%</li> <li>Satisfied with lecturers: 94%</li> <li>Will apply again: 92%</li> </ul>	<ul style="list-style-type: none"> <li>Achieved: Satisfied with teaching materials: 99.2% Satisfied with lecturers: 98.1% Will apply again: 96.5%</li> <li>Classes for juniors: 4,034 classes, approx. 760,000 participants (cumulative total: approx. 25,000 classes, approx. 4.5 million participants)</li> </ul>	Satisfied with teaching materials: 99% Satisfied with lecturers: 98% Will definitely apply again: 80%
	—	<ul style="list-style-type: none"> <li>Held Workshop-style classes for high school students: Raise DRR Literacy with Your Smartphone FY2017 Results (6 schools, 378 participants)</li> </ul> <p><a href="#">Link</a> Page_089 Workshop-Style Class for High School Students</p>	Hold in 10 schools
Support the next generation career building	<ul style="list-style-type: none"> <li>Hold an IT Class for hearing impaired junior high and high school students once a year</li> </ul>	<ul style="list-style-type: none"> <li>Achieved: Held once</li> </ul> <p><a href="#">Link</a> Website Speech Recognition IoT Development Workshop for Hearing Impaired People (Japanese)</p> <p><a href="#">Link</a> Website IT Class Held for Hearing Impaired Students</p>	Hold once a year

# Community Involvement and Development

## (3) Environmental Conservation (Related SDGs:



Targets	KPIs	FY2017 outcomes and progress	Goals for next fiscal year
Biodiversity conservation in collaboration with stakeholders	<ul style="list-style-type: none"> <li>Conduct environmental conservation activities around Japan: At least 80 times per year</li> </ul>	<ul style="list-style-type: none"> <li>Achieved: National total 210 times held</li> </ul>	Continue KPI for previous year
Environmental education for children	<ul style="list-style-type: none"> <li>Conduct environmental education for children: At least twice per year</li> </ul>	<ul style="list-style-type: none"> <li>Achieved: Held twice</li> <li><a href="#">Link</a> Website Nature Reporter Experience Class held at Festival of Learning Summer 2017 (Japanese)</li> <li><a href="#">Link</a> Website Make a Video Animal Encyclopedia! class held at Ueno Zoo (Japanese)</li> </ul>	Continue KPI for previous year

## (4) Social and Cultural Support (Related SDGs:












Targets	KPIs	FY2017 outcomes and progress	Goals for next fiscal year
Contribute to local community development and regional regeneration	<ul style="list-style-type: none"> <li>Shimamono Project (Shimamono Lab): Hold in at least one area per year</li> </ul>	<ul style="list-style-type: none"> <li>Achieved: Held in at least two areas</li> <li><a href="#">Link</a> Website Shimamono Lab held in Rishiri, Hokkaido as the second edition of Shimamono Project for regional revitalization of remote islands (Japanese)</li> <li><a href="#">Link</a> Website Shimamono Lab held in Oshima, Tokyo as the second edition of Shimamono Project for regional revitalization of remote islands (Japanese)</li> </ul>	Hold in at least two areas per year
Promote cultural development in growing regions	—	<ul style="list-style-type: none"> <li>Educational support in Cambodia (mechanical doll class and music class): KDDI Foundation</li> <li>Educational support in Myanmar (mechanical doll class): KDDI Foundation</li> </ul>	—
Support the succession of traditional culture	—	<ul style="list-style-type: none"> <li>Supported Ty Chien's Troupe, which succeeds the traditional art of Sbek Thom (large shadow play): KDDI Foundation</li> </ul>	—
Raise awareness of manners for mobile phone use, and prevent cycling accidents	—	<ul style="list-style-type: none"> <li>Launched the Cycle Safety Project in collaboration with companies in different industries to stop people using smartphones while cycling and to raise awareness of high compensation claims</li> <li><a href="#">Link</a> Website Cycle Safety Project to Realize a Society Where People Can Cycle Safely (Japanese)</li> </ul>	—



# Community Involvement and Development

## (5) Disaster Support (Related SDGs: )

Targets	KPIs	FY2017 outcomes and progress	Goals for next fiscal year
Support early recovery of disaster areas (donations)	• Fundraising on social contribution website Bridge of Hope	<ul style="list-style-type: none"> <li>• Achieved: Fundraising on Bridge of Hope (cumulative total: 11,754,900 yen *) * Amount raised includes donations from KDDI and KDDI Group employees</li> <li> <a href="#">Website</a> Contribution to Relief Fund for Victims and Areas Affected by Heavy Rain in Northern Kyushu, July 2017 (Japanese)</li> <li> <a href="#">Website</a> Contribution to Relief Fund for Victims of Typhoon No. 18, 2017 (Japanese)</li> <li> <a href="#">Website</a> Contribution to Relief Fund for Victims of Typhoon No. 21, 2017 (Japanese)</li> </ul>	Continue KPI for previous year
Support early recovery of disaster areas (voluntary activities)	—	<ul style="list-style-type: none"> <li>• Voluntary activities to support areas affected by heavy rain in Northern Kyushu (two activities)</li> <li> <a href="#">Website</a> Voluntary Activity to Support the Area Affected by Heavy Rain in Northern Kyushu (Japanese)</li> <li> <a href="#">Website</a> Voluntary Activity to Support the Area Affected by Heavy Rain in Northern Kyushu (Japanese)</li> </ul>	—
Economic recovery of disaster areas	—	<ul style="list-style-type: none"> <li>• Projects related to 2011 Tohoku earthquake and tsunami</li> <li> <a href="#">Website</a> FY2017: Kunimi, Fukushima: Local Regeneration Project by the Youth (Japanese)</li> <li> <a href="#">Website</a> Miyako, Iwate: IT Support to Attract Visitors to Miyako (Japanese)</li> <li> <a href="#">Website</a> Katsurao, Fukushima: IT Support to Attract Visitors to Katsurao (Japanese)</li> <li> <a href="#">Website</a> KDDI Tohoku Recovery Support Marche (Japanese)</li> </ul>	Continued support for affected areas in Tohoku

# Community Involvement and Development

## ■ Case: Workshop-Style Classes: Raise DRR Literacy with Your Smartphone

Japan is struck by major natural disasters almost every year, and education for disaster risk reduction (DRR) is becoming increasingly important in schools.

We held new workshop-style classes named Raise DRR Literacy with Your Smartphone for high school students to teach them how to effectively use ICTs as a lifeline in the event of a disaster.

In the classes, students are split into groups and asked to imagine that a major disaster has occurred. Looking at maps on their desks, they use smartphones and social media to collect information about the disaster and identify safe evacuation routes, shelters and places to go for help. By experiencing a simulation of exchanging information in a disaster situation, the students can learn the importance of helping themselves and others, as well as essential knowledge in a disaster. They also learn "information literacy": the differences between face-to-face communication and text communication and what to pay attention to when receiving and sending information, making them think about how they use smartphones in everyday life too.

Since 2005, we have held over 20,000 KDDI Smartphone and Mobile Phone Safety Classes in schools all over Japan, teaching students good manners for using smartphones and mobile phones and how to use them safely to avoid getting into trouble. Adding to this, we will promote education to help children utilize ICTs in positive ways to help their lives and communities.

### <Comprehension Questionnaire>

#### Questionnaire content

- (1) Importance of receiving and sending appropriate information in the event of a disaster
- (2) Importance of helping oneself and others in a disaster
- (3) Need to pay attention to information communication in everyday life too

#### Results


Understood very well	Understood well	Did not understand very well	Did not understand
70%	26%	2%	1%

### Percentage of positive responses


(Understood very well, well)

**96%**

## ■ Case: The Shimamono Project to Revitalize Remote Island Regions

 [Link](#)  
Page\_032 Materiality 5. Fulfilled Life Brought through ICTs Highlight

### ■ Other Initiatives

Local government	Details of initiatives
Toyouka, Hyogo	<ul style="list-style-type: none"> <li>• Promote tourism marketing by utilizing big data</li> <li>• Sell specialty products on au Wallet Market shopping website</li> </ul>
Shirakawa, Gifu	<ul style="list-style-type: none"> <li>• Established a communication environment that meets inbound demands</li> <li>• Offer coupons service for inviting tourists through au Smart Pass membership</li> </ul>
Higashimatsushima, Miyagi	<p>Started a smart fishing model project to achieve stable and efficient fishing by collecting data with underwater cameras and "smart buoy"</p> <p> <a href="#">Link</a> Website Smart Fishing On-site Test (Japanese)</p>

### Results

### KDDI

## Social Contribution

KDDI is a member of the 1% Club established by Japan Business Federation. Our total social contribution expenditures were 810 million yen in fiscal 2017.

[1] Advertising expenses and membership fees are excluded even if they have the goal of social contribution. Political contributions are not included in total social contribution expenditures.  
[2] In-store fundraising and employee donations are not included in total social contribution expenditures.

### Results

## Volunteer Leave and Number of JICA Volunteers (KDDI)

		FY2013	FY2014	FY2015	FY2016	FY2017
Volunteer leave	Unit: person who use the program	8	31	16	20	13
JICA volunteer*	Unit: person dispatched	2	2	2	1	0

\*The number of JICA volunteers (Youth Overseas Cooperation Volunteers participation system) is the number of people KDDI employees are dispatched to JICA in each fiscal year.

### Results

### KDDI

## Disaster Relief Fund (FY2017)

Source of funds: KDDI's Bridge of Hope social contribution website

### ■ Japan

Case	Total contributions	Donated to
Heavy rains in Northern Kyushu, 2017	7,576,400	Japanese Red Cross Society Central Community Chest of Japan
Typhoon No. 18, 2017	2,755,300	Japanese Red Cross Society
Typhoon No. 21, 2017	1,423,200	Japanese Red Cross Society

\*KDDI offers the donation platform for customers and its employees

### ■ Overseas

Case	Total contributions	Donated to
None	—	—

### KDDI

# Environmental Management

## Policy

## KDDI Group

### KDDI's Approach

Our attitude toward environmental conservation is defined in the KDDI Environmental Charter, which regulates the Manifesto (Approach to Global Environmental Problems), which is its highest concept, and the Action Guidelines for setting the direction of its concrete initiatives.

### KDDI Environmental Charter

#### Manifesto

KDDI Group recognizes the importance of fulfilling its duty as a responsible global corporate citizen to conserve and protect the Earth's irreplaceable environment so that it can be inherited by future generations. We are committed to pursuing our business in eco-conscious ways, through programs of activities that span the entire company.

#### Action Guidelines

- We will strive to evaluate the quantitative impact of our activities as a company on the global environment, implement effective environmental protection programs and continuously improve these programs. Specifically, we will:
  - Develop and operate environmental management systems necessary to make continuous improvements in such environmental fields as energy conservation, resource conservation and waste reduction.
  - Comply with environmental laws, ordinances and other regulations and requirements. In particular, we will promote measures to reduce our electricity consumption from the perspective of preventing global warming.
  - Promote communication through the appropriate disclosure of information.
- We will strive to develop and offer services that reduce the environmental

impact through the use of next-generation information technologies.

- We will contribute to the development of a recycling-oriented society by promoting measures to mitigate and reduce the environmental impact of activities that necessarily entail mass consumption, such as the supply of mobile handsets.
- We will promote corporate purchasing policies that favor ecofriendly products and equipment.
- As a responsible corporate citizen, we will contribute to society and local communities through activities that promote an affluent society that is in harmony with the environment.

## Policy

## KDDI Group

### Climate Risks and Opportunities

According to the Intergovernmental Panel on Climate Change (IPCC), the global warming is undoubtedly real. They consider that this is most likely caused by human activities such as economic growth and an increasing population.

We see the climate risks as significant business challenges, while we believe our opportunities lie in cutting greenhouse gas emissions to mitigate climate change and in reducing the adverse impacts to adopt it.

#### Our Risks and Opportunities from Regulations

Some national and regional regulations and policies influence corporate business activities, such as energy-saving standards, carbon taxes and emissions trading. We consider them our potential risks to business continuity and growth. They can also lead to business growth as we build environmentally responsible base stations complying with such regulations, and as we offer eco-conscious services in each country and region, using ICTs.

#### Our Risks from Natural Disasters and Opportunities in Building Resilience

Global warming has caused extreme weather events such as larger typhoon and heavy rain, bringing damage worldwide. Natural disasters also damage our telecommunications facilities, which would pose risks to our business continuity.

On the other hand, there is a growing demand globally for disaster risk reduction measures. We are working to expand our business by offering anti-disaster measures that use ICTs such as monitoring systems and disaster risk reduction (DRR) systems.

#### Our Other Risks and Opportunities

A lack of actions against climate change can be business continuity risks such as a decline in market competitiveness and in stakeholder trust. We have set long-term objectives to mitigate climate change, and we believe that providing environmentally conscious services leads to business expansion and can also help achieve SDG 7: Affordable and clean energy.

[Link](#) Page\_005 Message from Executive Officer of Sustainability

[Link](#) Page\_010 Sustainability Promotion Framework

#### Scope of Reporting on Environment-Related Information

[Link](#) Page\_091 Range of Environmental ISO Certification (KDDI Group ISO 14001 Certification Acquisition)

[Link](#) Page\_095 Environmental Accounting Scope of Calculation (Scope of Environmental Accounting)

[Link](#) Page\_097 Environmental Impact Scope of Calculation (Environmental Impact of FY2017 Business Activities)

# Environmental Management

## Policy

## KDDI

### The Fourth Environmental Conservation Plan: KDDI Green Plan 2017-2030

We have formulated and now promote a new Environmental Conservation Plan: KDDI Green Plan 2017-2030. This long-term plan is based on the objectives of the Paris Agreement adopted at COP21 in 2015 and Japan's Plan for Global Warming Countermeasures. Our plan targets 7% reduction of CO<sub>2</sub> emissions from fiscal 2013 level by fiscal 2030, and in order to achieve this, we continue our efforts to reduce CO<sub>2</sub> emissions by implementing renewable energy and other measures.

We will disclose the progress of each year as well as improve and revise the plan when we need to.

#### Overview of KDDI Green Plan 2017-2030

##### (1) Climate Action

- 7% reduction in CO<sub>2</sub> emissions in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)
- Upgrading to highly energy-efficient data centers in Japan and abroad
- Contributions to reductions in society's CO<sub>2</sub> emissions by providing KDDI's information and communication technology (ICT) services

##### (2) Creating a Recycling-Oriented Society

- Maintain zero emissions\* from retired telecommunication facilities
- Maintain material recycling rate of 99.8% for post-consumer mobile phones

##### (3) Conservation of Biodiversity

- Active promotion of initiatives using ICTs to conserve ecosystems

\* Zero emissions are defined as a final disposal rate of 1% or less.

[Link](#) Page\_017 KDDI Green Plan 2017-2030 FY2017 Results



#### Climate Action

- 7% reduction in CO<sub>2</sub> emissions in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)\*
- Upgrading to highly energy-efficient data centers in Japan and abroad
- Contributions to reductions in society's CO<sub>2</sub> emissions by providing KDDI's information and communication technology (ICT) services

\* KDDI's target emission reduction of 7% compared to FY2013 matches the 7% industry target in Japan's national Climate Action Plan. In order to achieve this target, KDDI will make use of various approaches to reduce emissions, including the use of renewable energy.

#### Creating a Recycling-Oriented Society

- Maintain zero emissions\* from retired telecommunication facilities\*
- Maintain material recycling rate of 99.8% for used mobile phones

\* Zero emissions are defined as a final disposal rate of 1% or less.

#### Conservation of Biodiversity

- Active promotion of initiatives using ICTs to conserve ecosystems

## System

## KDDI Group

### Environmental Management

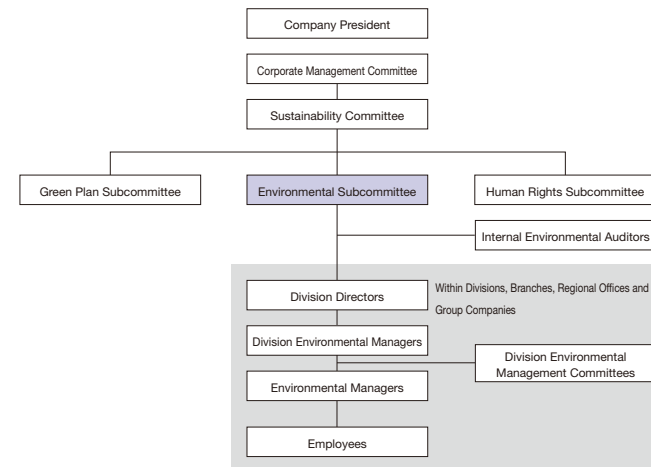
#### Management Structure

In order to clearly state our approach to integrating sustainability of the environment into our business operation, the Sustainability Committee was established to discuss material environmental issues with the Executive Officer, Corporate Sector as the chairperson and the Sustainability Department as the secretariat. The result of the discussion is shared at the Environmental Subcommittee, which is headed by the Executive Officer of Sustainability as the chairperson and organized by the Sustainability Department as the secretariat, with the managers of each division and group company that have acquired ISO 14001 certification to be reflected on their objectives. In fiscal 2017, we established the Green Plan Subcommittee to monitor and drive progress on the targets in the KDDI Green Plan 2017-2030.

#### Environmental Management System

KDDI Group has formed the Environmental Management System (EMS) with the Environmental Subcommittee at the center. This subcommittee manages the status of EMS operations carried out by each division, regional office, group company and related organization, and leads cooperation among each group company to promote efficient environmental conservation activities.

#### KDDI Group's Environmental Management Structure



[Link](#) Page\_010 Sustainability Promotion Framework

[Link](#) Page\_108 ISO 14001 Certification

#### KDDI Group ISO 14001 Certification Acquisition (certified by Japan Quality Assurance Organization, JQA)

As of the end of March 2018: KDDI Corporation, OKINAWA CELLULAR TELEPHONE COMPANY, KDDI Evolva Inc., KDDI Evolva Okinawa Inc., KDDI Research, Inc., KDDI Technology Corporation, KDDI Engineering Corporation, mediba Inc., Japan Telecommunication Engineering Service Co., Ltd., KDDI Group Foundation, KDDI Health Insurance Union, KDDI Pension Fund, KDDI Web Communications Inc., KDDI Challenged Corporation, KDDI Foundation, TELEHOUSE International Corporation of Europe Ltd., Chubu Telecommunications Co., Inc., WebMoney Corporation, KDDI MATOMETE OFFICE CORPORATION, KDDI MATOMETE OFFICE HIGASHINIHOH CORPORATION, KDDI MATOMETE OFFICE CHUBU CORPORATION, KDDI MATOMETE OFFICE KANSAI CORPORATION, KDDI MATOMETE OFFICE NISHINIHOH CORPORATION, Kokusai Cable Ship Co., Ltd. 24 companies/organizations in total are certified

# Environmental Management

## System

### KDDI Group

#### Internal Environmental Audits

We at KDDI Group conduct internal environmental audits as required by ISO 14001. Auditors are selected from each regional office by Sustainability Department to ensure objectivity and independence.

In fiscal 2017, 55 divisions and 83 offices in KDDI and group companies were audited. Referring to internal environmental audit results of fiscal 2016, emphasis was placed on (1) reflecting each corporate issues to their environmental targets, (2) compliance with environmental laws and regulations, (3) EMS operation and (4) responding to requirements of new standards. Self-checks using a check sheet were conducted along with audit interviews by auditors. There were no non-conformances, and 306 items requiring revision or receiving proposals, with about 90% in operations management. The audits found more items requiring revision or receiving proposals than the previous fiscal year, but these correspond to new standards.

## System

### KDDI Group

#### Compliance with Environmental Laws and Regulations

##### Compliance with Various Environmental Management Laws and Regulations

In order to prevent or reduce environmental impacts by our business activities, we strictly comply with national environmental laws and regulations, as well as with local ordinances and agreements. There were no violations of environmental laws and regulations in fiscal 2017.

##### <Related Laws and Regulations>

- Act on the Rational Use of Energy
- Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging
- Waste Management and Public Cleansing Act
- Act on Rational Use and Proper Management of Fluorocarbons
- Law Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes (PCB Special Measures Law)

##### Appropriate Processing of PCB-containing Equipment

We are promoting the disposal of equipment containing PCBs used in the past. The disposal of all equipment containing high-concentration PCBs owned by KDDI (approx. 7.5 tons) finished in June 2018.

In the late fiscal 2018 we will dispose of the remaining equipment containing low-concentration PCBs.

## Activity

### KDDI

#### Acquiring the Eco ICT Mark

We acquired the Eco ICT Mark established by the ICT Ecology Guideline Council\* as part of our endeavor to be environmentally conscious and reduce our environmental impacts.

\*Council founded to establish energy-saving indices to be referenced when procuring ICT devices and data center services.

## Activities & Results

### KDDI Group

#### Education and Awareness Raising for Employees

We believe that enhancing environmental awareness of all employees and encouraging them to further understand environmental issues are essential to promote our environmental activities.

Initiatives	Target	Details/Results
Briefing session at the beginning of the term	KDDI Group Environmental ISO Representatives	Themes: KDDI's EMS, environmental laws and regulations, details of new regulation revisions. Attended by representatives from 14 out of 18 companies (77% of target companies)
Training of internal environmental auditors		Held study sessions to train 6 auditors
E-learning	All Employees of KDDI Group	Theme: KDDI Green Plan 2017-2030 7,515 participants (27% of the target)





## Policy

### KDDI

#### Promoting Green Procurement

We formulated the KDDI Green Procurement Guidelines to promote purchasing of more environmentally conscious products and business equipment (communication devices, air conditioning systems and power supply facilities) with high energy-saving performance. The Guidelines target the devices defined in the latest Ecology Guideline for the ICT Industry specified by the ICT Ecology Guideline Council.

We also confirm our business partners' response toward environmental management, using the Responsible Procurement Surveys.

 <a href="#">Link Website</a>	State of Compliance with Green Purchasing Law (Japanese)
 <a href="#">Link Website</a>	List of Compatible Models with Green Purchasing Law (Japanese)
 <a href="#">Link Website</a>	Product Line-Up
 <a href="#">Link Page_083</a>	Supply Chain Management

## System

### KDDI

#### Cooperation with Business Partners

We continuously cooperate with our business partners to make our base stations lighter in weight and more energy efficient. In collaboration with our base station equipment suppliers we have developed equipment that is lighter and consumes less power (about 45% and 22% decrease respectively compared to conventional model) and have been introducing this equipment since fiscal 2015.

We will continue to promote approaches to business partners and work with suppliers to reduce our environmental impacts.

# Environmental Management





## Results

KDDI

### Self-Assessment Checklist for CO<sub>2</sub> Emission Reduction from Energy Conservation Efforts by Telecommunications Services Provider

	Assessment items	Implementation, measures taken
Preparation of a voluntary ecological action plan	1 Has a voluntary ecological action plan stipulating various efforts directed at reducing CO <sub>2</sub> emissions through energy conservation been created and is it being executed?	We have formulated and are implementing medium-term environmental conservation plans based on the KDDI Environmental Charter <a href="#">Link</a> Page_090 KDDI Environmental Charter
	2 Does the ecological policy include specific efforts stipulating numerical targets for the reduction of CO <sub>2</sub> emissions through energy conservation?	The fourth environmental conservation plan (KDDI Green Plan 2017-2020) included the following targets <ul style="list-style-type: none"> <li>• 7% reduction in CO<sub>2</sub> in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)</li> <li>• Build highly energy-efficient data centers in Japan and abroad</li> <li>• Contribute to reductions in society's CO<sub>2</sub> emissions by providing KDDI's ICT services</li> <li>• Maintain zero emissions from retired telecommunications facilities</li> <li>• Achieve final disposal rate of 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less)</li> <li>• Maintain material recycling rate of 99.8% for post-consumer mobile phones</li> <li>• Actively promote initiatives using ICTs to conserve ecosystems</li> </ul> Post-consumer mobile phones collected over 5 years (aggregated): 6 million (Target for FY2018-2022) <a href="#">Link</a> Page_091 The Fourth Environmental Conservation Plan – KDDI Green Plan 2017-2020
	3 Is the ecological policy documented and disseminated inside and outside of the company? Does the company carry out activities to inform and enlighten its employees? Is the company working to raise ecological awareness?	<ul style="list-style-type: none"> <li>• The environmental conservation plan is disclosed within and outside the company in the Sustainability Report and on the corporate website</li> <li>• We also provide e-learning program and internal seminars for employees as needed</li> </ul> <a href="#">Link</a> Page_092 Education and Awareness Raising for Employees
	4 Does the company disclose to the general public its activities and data such as CO <sub>2</sub> emission reduction?	The progress toward the achievement of the trend targets for the medium-term environmental conservation plan is disclosed in the Sustainability Report and on the corporate website <a href="#">Link</a> Page_028 Materiality 4: An energy-efficient, circular economy
Efforts relating to procurement	5 In regard to ICT equipment and data center services, has the company prepared a procurement standard based on assessment standards specified in this Guideline? Is procurement carried out in accordance with the standard?	We conduct the procurement activities in accordance with the KDDI Green Procurement Guidelines <a href="#">Link</a> Page_092 Promoting Green Procurement
	6 Is the company cognizant of energy conservation in procuring office equipment, supplies and logistics (e.g., green purchasing)?	KDDI promotes green purchasing under the KDDI Sustainable Procurement Policy <a href="#">Link</a> Page_063 Supply Chain Management

# Environmental Management

		Evaluation item	Implementation, measures taken
Promotion regime	7	In relation to efforts to reduce CO <sub>2</sub> emissions through energy conservation, has the company assigned a person or department to be responsible for such matters?	The Sustainability Department was established
	8	Is there a regime in place using internal audits or other means to keep appropriate track of the implementation of measures and achievement of targets set forth in the voluntary ecological action plan?	We monitor the implementation and the achievement level, conduct inspections and improve through internal audits under the Environmental ISO Management System
Other ecological activities	9	Are ecologically-friendly efforts being made other than activities to save energy?	<p>We consider the promotion of 3Rs (Reduce, Reuse, Recycle) also a significant issue and are committed to the following initiatives:</p> <ul style="list-style-type: none"> <li>• Promotion of recycling communication facilities and achieving higher recycling rate</li> <li>• Promotion of recycling post-consumer mobile phones and achieving higher recycling rate</li> <li>• Reduction in paper resource use via Green by ICT (Bill on Web, KDDI paperless fax service, slimmed down au mobile phone manual, compact individual packaging, etc.)</li> <li>• Reduction in office waste and achieving higher recycling rate</li> </ul> <p>We are also engaged in improving the supply chain by dealing with Scope 3 and promoting LCA and in conserving biodiversity</p> <p> <a href="#">Link</a> Page_100 Environmental Performance (Low-Carbon Society)</p> <p> <a href="#">Link</a> Page_101 Environmental Performance (Recycling-Oriented Society)</p> <p> <a href="#">Link</a> Page_103 Environmental Performance (Biodiversity)</p>
	10	Is the company involved in ecological preservation activities in collaboration with local communities?	<p>We implement environmental conservation activities together with our employees and our customers across Japan</p> <p> <a href="#">Link</a> Page_103 Environmental Conservation Activities by Employees</p>

# Environmental Management

## Policy

## KDDI Group

### Environmental Accounting

We have implemented environmental accounting since 2010 as an effective measure to quantitatively evaluate the costs and results of our environmental activities. We analyze calculated costs and results to conduct more efficient environmental management.

#### [Scope of Environmental Accounting]

- Period: April 1, 2017 to March 31, 2018
- Scope of calculation: 31 KDDI Group companies\*
- Calculation standard: Environmental Accounting Guidelines 2005 formulated by the Japan's Ministry of Environment, KDDI Environmental Accounting Guidelines

Environmental protection costs		Transaction examples	FY2016 (millions of yen)		FY2017 (millions of yen)		Change from previous year (millions of yen)	
			Investment	Cost	Investment	Cost	Investment	Cost
Business operation area costs	Pollution prevention costs	Pollution prevention costs stipulated by laws, costs for proper disposal of PCB, etc.	0	0	0	0	0	0
	Global environmental protection costs	Power-saving wireless equipment for mobile base stations (Investment amount is calculated proportionally based on the power-saving effect)	2,509	23,764	734	21,810	▲1,775	▲1,954
	Resource recycling costs	Reduction of paper consumption, processing and disposal of waste products	0	823	0	1,313	0	490
Upstream/downstream costs		Collection, recycling and reuse of merchandise and products	0	1,396	0	1,029	0	▲367
Management costs		Operation and updating of environmental ISO standards, disclosure of environmental information	0	122	0	125	0	3
R&D costs		R&D of technology, equipment, handsets, products and services conducive to reducing the environmental impacts	0	108	0	95	0	▲13
Social activity costs		Donations and support for forest conservation activities and to environmental conservation groups	0	50	0	58	0	8
Environmental damage restoration costs		Asbestos survey	0	0	0	0	0	0
Total			2,509	26,263	734	24,430	▲1,775	▲1,833

\* KDDI CORPORATION, KDDI Web Communications Inc., mediba Inc., KDDI Research, Inc., KDDI Engineering Corporation, KDDI Evolve Okinawa Inc., KDDI Challenged Corporation, KDDI Technology Corporation, WebMoney Corporation, KDDI MATOMETE OFFICE CORPORATION, KDDI MATOMETE OFFICE HIGASHINIHON CORPORATION, KDDI MATOMETE OFFICE CHUBU CORPORATION, KDDI MATOMETE OFFICE KANSAI CORPORATION, KDDI MATOMETE OFFICE NISHINIHON CORPORATION, OKINAWA CELLULAR TELEPHONE COMPANY, KDDI Evolve Inc., Japan Telecommunication Engineering Service Co., Ltd., Chubu Telecommunications Co., Inc., Kokusai Cable Ship Co., Ltd, UQ Communications Inc., BIGLOBE Inc., TELEHOUSE International Corp. of Europe Ltd. (UK), TELEHOUSE International Corp. of Europe Ltd. (France), TELEHOUSE International Corp. of America. (US), TELEHOUSE Deutschland GmbH (Frankfurt), HKCOLO.NET Ltd. (Hong Kong), TELEHOUSE Beijing BEZ Co., Ltd (Beijing), TELEHOUSE Beijing BDA Co., Ltd (Beijing), TELEHOUSE Shanghai Co., Ltd (Shanghai), KDDI Singapore Pte Ltd. (Singapore), TELEHOUSE International Corp. of Vietnam (Hanoi)



# Environmental Management

1. Environmental conservation benefits (physical)		Indicator category (unit)	FY2016	FY2017	Change from previous year
(1) Benefits for business operation area	1) Benefits related to resources input in business activities	Power consumption (MWh)	2,438,945	2,855,344	416,399
		Paper usage (t)	9,800	7,630	▲2,169
		Paper reduced by Bill on Web (t)	3,892	3,902	11
	2) Benefits related to waste or environmental impact originating from business activities	Greenhouse gas emissions (t-CO <sub>2</sub> ) *	1,291,392	1,459,827	168,435
		Industrial waste emissions related to telecommunications facilities and buildings (t)	7,154	4,931	▲2,223
(2) Benefits for upstream/downstream costs	Benefits related to goods and services produced from business activities	Number of post-consumer mobile phones and other devices collected (10,000 units)	359	315	▲44

2. Economic benefits of environmental conservation measures (yen)	Substantial benefits (Major effects)	FY2016 (millions of yen)	FY2017 (millions of yen)	Change from previous year (millions of yen)
Revenues	Revenues gained by disposal of telecommunications facilities and buildings	150	1,673	1,522
Costs reductions	Reduction in energy costs by introducing low-pollution vehicles	15	27	12
	Reduction in costs of new purchases by reusing old telecommunications facilities	4,083	2,610	▲1,473
Total		4,248	4,310	62

\*The CO<sub>2</sub> emissions are calculated using the emission factor by electric utility operator.

# Environmental Performance

## Activity & Results

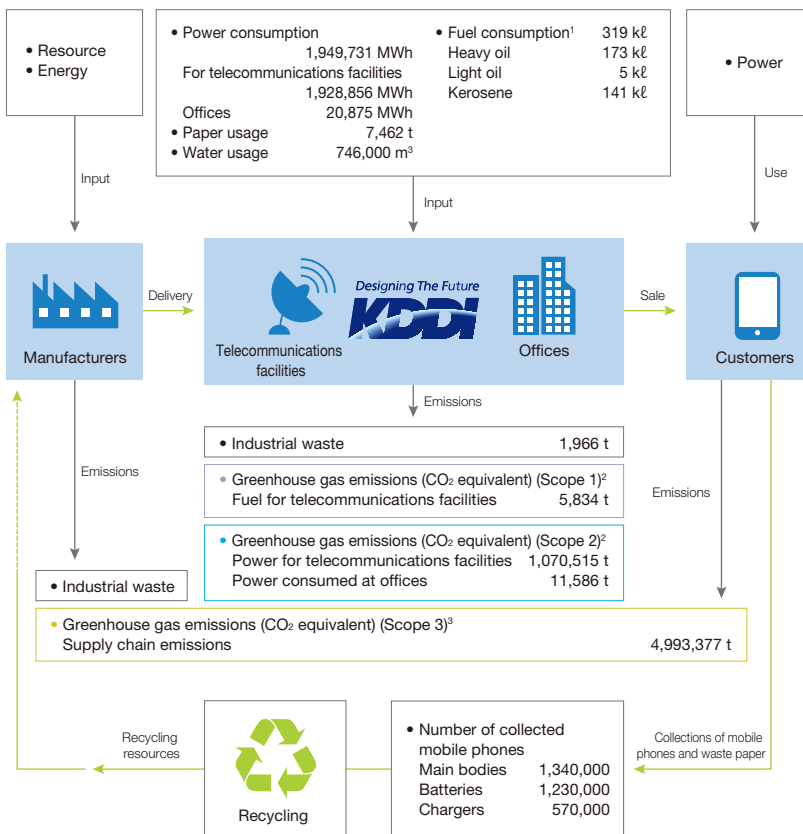
## KDDI

### Environmental Impact of Business Activities

Most of our input energy is electric power for telecommunications facilities. Heavy oil, light oil and kerosene are input when test running emergency power generation facilities. Most water usage occurs in everyday business activities in the offices.

We calculated greenhouse gas emissions in three areas, Scopes 1, 2 and 3 (all items), and received third-party verification.

### Environmental Impact of FY2017 Business Activities (Coverage: KDDI)



[1] Used for air conditioning of telecommunications facilities and for emergency generators.

[2] CO<sub>2</sub> emissions are calculated using a conversion coefficient of 0.555kg-CO<sub>2</sub>/kWh for the power consumption, and those for the fuel consumption is calculated using the emission coefficient applied to reporting and disclosure system specified in the Act on Promotion of Global Warming Countermeasures.

[3] Emissions from heat, vapor and hot and chilled water consumption are excluded, CO<sub>2</sub> emissions are calculated using emission coefficients indicated in the Japan's Ministry of the Environment's Overview of Basic Conversion Guidelines Related to the Calculation of the Greenhouse Effect through the Supply Chain.

# Environmental Performance

## Activity & Results

**KDDI**

### Understanding Environmental Impact

In order to quantitatively understand and share information about our environmental impact, we have calculated our supply chain greenhouse gas emissions (Scopes 1, 2 and 3) in adherence with various guidelines<sup>1</sup> since fiscal 2012.

In our fiscal 2017 business activities, Scope 3 accounted for 82% of total greenhouse gas emissions (Scopes 1, 2, and 3). When viewed by category, the percentages of Categories 1 and 2 have continued to grow as the previous fiscal year. Additionally, in order to ensure the reliability of calculations, the results of Scopes 1 and 2 were subjected to independent third party verification by Lloyd's Register Quality Assurance Limited, while the results of Scope 3 received third party verification from Waseda Environmental Institute Co., Ltd.

We also conduct life-cycle assessments (LCA) to evaluate the environmental impact by calculating CO<sub>2</sub> emissions throughout our value chain from manufacturing, use, disposal to recycling<sup>2</sup> of our products and services. Particularly, we conduct regular LCA for au Hikari and au.

[1] Green Value Chain Platform

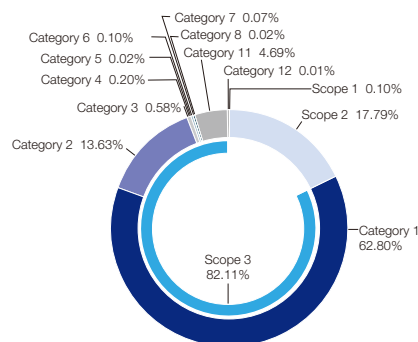
[2] Environmental burden at the disposal and recycling stage are added together to that of the manufacturing stage.

### GHG Emissions and the Proportion of Each Category

Category	FY2013		FY2014		FY2015		FY2016		FY2017			
	t-CO <sub>2</sub>	%	t-CO <sub>2</sub>	%	t-CO <sub>2</sub>	%	t-CO <sub>2</sub>	%	t-CO <sub>2</sub>	%		
Scope 1	All direct GHG emissions	3,505	0.06	4,680	0.08	5,344	0.10	5,365	0.09	5,834	0.10	
Scope 2	Indirect GHG emissions from consumption of purchased electricity, heat or steam	935,996	16.08	1,039,677	17.97	1,076,209	19.54	1,062,130	18.42	1,082,101	17.79	
Scope 3	Category 1	Purchased goods and services	3,343,506	57.44	3,306,863	57.16	3,236,999	58.78	3,507,745	60.85	3,818,806	62.80
	Category 2	Capital goods	1,093,184	18.78	1,053,203	18.21	776,711	14.10	815,893	14.15	828,675	13.63
	Category 3	Fuel- and energy-related activities	31,480	0.54	34,967	0.60	35,379	0.64	34,913	0.61	35,280	0.58
	Category 4	Upstream transportation and distribution	4,994	0.09	7,003	0.12	7,370	0.13	8,706	0.15	12,101	0.20
	Category 5	Waste generated in operations	588	0.01	500	0.01	681	0.01	583	0.01	1,043	0.02
	Category 6	Business travel	5,080	0.09	4,590	0.08	4,831	0.09	5,314	0.09	6,327	0.10
	Category 7	Employee commuting	2,671	0.05	5,031	0.09	4,574	0.08	4,642	0.08	4,332	0.07
	Category 8	Upstream leased assets	1,519	0.03	1,367	0.02	1,309	0.02	1,209	0.02	1,092	0.02
	Category 9	Downstream transportation and distribution	0	0.00	0	0.00	0	0.00	0	0.00	0.00	0.00
	Category 10	Processing of sold products	0	0.00	0	0.00	0	0.00	0	0.00	0.00	0.00
	Category 11	Use of sold products	397,324	6.83	325,364	5.62	356,359	6.47	318,023	5.52	285,294	4.69
	Category 12	End-of-life treatment of sold products	819	0.01	1,606	0.03	886	0.02	363	0.01	426	0.01
	Category 13	Downstream leased assets	0	0.00	0	0.00	0	0.00	0	0.00	0.00	0.00
	Category 14	Franchises	0	0.00	0	0.00	0	0.00	0	0.00	0.00	0.00
	Category 15	Investments	0	0.00	0	0.00	0	0.00	0	0.00	0.00	0.00
TOTAL		4,881,165	83.86	4,740,493	81.95	4,425,098	80.36	4,697,389	81.48	4,993,377	82.11	

\* CO<sub>2</sub> emissions are calculated using a conversion coefficient of 0.555kg-CO<sub>2</sub>/KWh for the power consumption, and those for the fuel consumption is calculated using the emission coefficient applied to reporting and disclosure system specified in the Act on Promotion of Global Warming Countermeasures.

### Comparison of GHG Emissions Ratio of Each Category (FY2017)



# Environmental Performance

## Activity & Results

KDDI

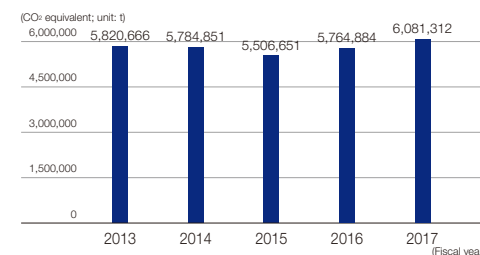
### Environmental Impact Data

	FY2013	FY2014	FY2015	FY2016	FY2017	
Greenhouse gas emissions (CO <sub>2</sub> equivalent; unit: t) <sup>1</sup>	5,820,666	5,784,851	5,506,651	5,764,884	6,081,312	
Electric power consumption (unit: MWh)	1,686,480	1,873,293	1,939,115	1,913,747	1,949,731	
Electric power consumption per subscriber (unit: MWh) <sup>2</sup>	385.4	398.9	390.4	363.5	344.1	
Fuel consumption (unit: kℓ)	260	254	258	341	319	
Paper usage (unit: t)	43,429.2	13,303.0	11,853.0	9,691.1	7,461.6	
Water usage (unit: 1,000m <sup>3</sup> )	1,864	2,206	2,159	1,500	746	
Industrial waste emissions (unit: t)	1,445.7	1,283.0	1,399.0	1,928.0	1,966.0	
Number of mobile phones and other devices collected by KDDI (unit: 10,000 devices)	Mobile phone main body	154	163	141	148	134
	Battery	161	182	143	146	123
	Charger	72	79	65	66	57
Energy usage at equipment-related facilities (unit: MWh)	664,798	747,016	779,504	777,273	799,257	

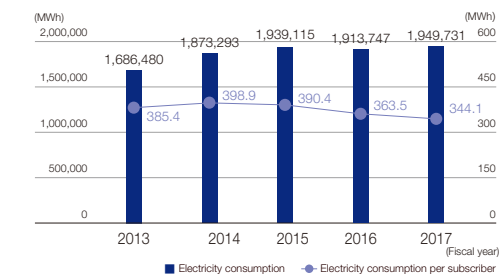
[1] CO<sub>2</sub> emissions are calculated using a conversion coefficient of 0.555kg-CO<sub>2</sub>/kWh for the power consumption, and those for the fuel consumption is calculated using the emission coefficient applied to reporting and disclosure system specified in the Act on Promotion of Global Warming Countermeasures.

[2] The number of subscribers combines subscription for au and FTTH.

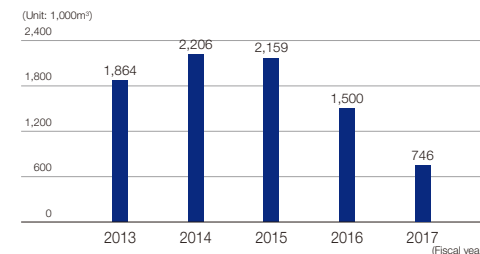
### Greenhouse Gas Emissions



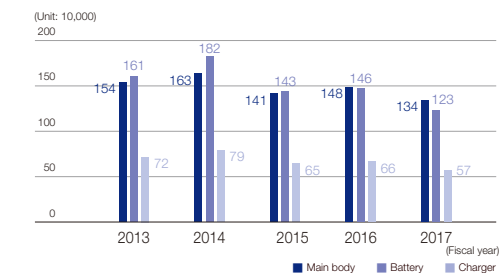
### Electricity Consumption and Electricity Consumption per Subscriber



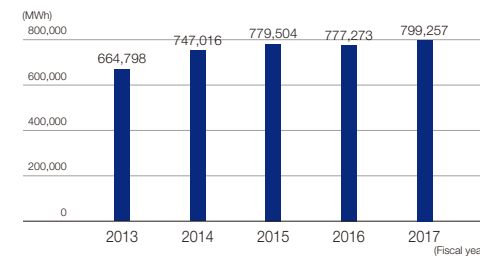
### Water Usage



### Number of Mobile Phones Collected by KDDI



### Energy usage at equipment-related facilities



# Environmental Performance

## Policy

### KDDI Group

#### KDDI's Approach (Low-Carbon Society)

Greenhouse gas emissions, which are considered a cause of global warming, are increasing year by year, and reducing them is now a social issue shared by all humankind.

The utilization of ICTs enhances the efficiency of business activities, including production and consumption, and is expected to contribute to the reduction of customers' CO<sub>2</sub> emissions. As ICTs expand, however, we may face greater environmental impact of data centers and base stations, which generates demand for development and implementation of energy-saving facilities and equipment.

We at KDDI offer new ICT services to contribute to the reduction of CO<sub>2</sub> emissions to realize a low-carbon society.



## Activity

### KDDI Group

#### Green by ICT

The Environmental Eco Label is provided to services that contribute to reducing the environmental impact of customers and society (reducing CO<sub>2</sub> emissions) through the use of ICT services offered by KDDI.



Environmental Eco Label services	Details
KDDI Cloud Platform Service	KDDI operates and maintains the platform, enabling customers to increase and decrease server capacity remotely from their own office, without having to travel to the data center where the servers are located. Furthermore, customers can reduce the amount of CO <sub>2</sub> emissions on their side by transferring the servers that they install, operate and maintain by themselves (on-premises environment) to the KDDI Cloud Platform Service. With this service, server operations are performed with an economy of scale unique to a telecommunications operator, enabling an approximately 38% reduction in CO <sub>2</sub> emissions per server per year in comparison to when customers operate their servers themselves
TELEHOUSE Data Center Services	 <a href="#">Page_029</a> Materiality 4. Highlight: Energy-Saving Dater Centers
MATOMETE KURUMATICS	A next generation vehicle operation management service that combines telecommunications with cloud technologies, enabling real time checking of driving conditions  <a href="#">Website</a> Environmental Eco Label is Newly Provided to MATOMETE KURUMATICS (Japanese)
KDDI IoT Cloud —Toilet Water-Saving Management	Monitor water level in each restroom utilizing IoTs to reduce water use by 40 to 50%* * Expected values based on the actual values measured by the bulb manufacturer

# Environmental Performance

## Activity

KDDI

### Green of ICT

#### ■ Reducing Power Consumption and Undertaking Disaster Measure Initiatives at Base Stations

Electricity consumed at the au mobile phone base stations accounts for 60% of the total volume consumed by KDDI, so reducing the electricity consumption at the base stations is one of our topmost priorities to tackle.

Also, 77% of the base stations that ceased to operate in the aftermath of 2011 Tohoku earthquake and tsunami did so because of power outages, which turned out to be a pressing topic to be included in disaster preparedness measures.

In regard to these issues, we promote implementing tribrid base stations\* and extending the life of base station batteries to 24 hours.

\*Base stations that utilize tribrid electric power control technology to efficiently supply three kinds of electric power, depending on time and weather: ordinary commercial power, power generated by solar panels and midnight power saved in storage batteries.

	Numbers as of the end of March 2018
Tribrid base stations	100 stations in Japan
Implementation of 24 hour-life base station batteries	Around 2,200 stations in Japan

#### ■ Portable Batteries

Since fiscal 2013, we have implemented portable batteries with reduced environmental impact at five maintenance bases throughout Japan as a substitute for the power supply vehicles used in the past to power mobile phone base stations during electricity outages.

#### Portable Battery Trial Test Results (FY2012)

Power supply vehicles	8.2 ℓ of fuel consumed per time	CO <sub>2</sub> emissions: 21.5 kg
Portable batteries	10 kWh of power consumed per time	CO <sub>2</sub> emissions: 4.1 kg

A reduction of 17.4 kg of CO<sub>2</sub> emissions per time

\*With an approximately 10-hour base station power outage and 1 kW wireless device power consumption.

#### ■ Renewable Energy (Internal use)

In order to promote energy conservation and CO<sub>2</sub> emissions cuts, we use natural energy sources, including solar power, at several large scale communication stations and tribrid base stations. At 15 of our mobile phone base stations in Japan, almost all electric power comes from natural energy sources.

The amount of natural energy produced by each tribrid base station is approximately 4.2 kWh per day,\* accounting for about 18% of the power consumed at each base. We expect further reduction of CO<sub>2</sub> emissions by 20 to 30% with the use of midnight power.\*

\*Estimated average energy production value by six solar batteries installed in test stations during clear skies. Includes actual values measured by KDDI.

#### ■ Renewable Energy (Solar power generation business)

We launched solar power generation business in November 2013 with the aim of contributing to reduction of CO<sub>2</sub> emissions. We constructed solar power generation facilities on part of company-owned land in four locations around Japan and sell the power to electric power companies based on the Feed-in Tariff Scheme for Renewable Energy.

Unit: MWh

	FY2014	FY2015	FY2016	FY2017
Total generated energy (sold)	14,403	13,674	14,288	18,137

## Results

KDDI

### External Recognition

[Link](#) Page\_106 Other External Assessments

## Policy

KDDI

### KDDI's Approach (Recycling-Oriented Society)

In order to reduce our environmental impact from waste produced through business activities, we effectively utilize our resources to contribute to the formation of a recycling-orientated society.

## Results

KDDI

### Reducing Waste and Promoting Recycling

We promote reuse activities that regenerate and effectively use retired telecommunications facilities. We also conduct material recycling that turns unneeded equipment and structural materials into resources.

In fiscal 2017, we recycled deteriorated storage batteries installed in telephone exchange stations used in test environments to utilize the materials and achieved a total recycling volume of 1,093.4 tons within KDDI. We will continue our commitment to reuse and recycle communication equipment, including base stations, retired due to regular upgrades.

# Environmental Performance

## Activity & Results

KDDI

### Promotion of Mobile Phone Recycling

Used (post-consumer) mobile phones collected from customers at au shops are manually disassembled in secured rooms, separating circuit boards, displays, cameras, plastics, screws, iron, antennas, motors, speakers and other parts. Gold, silver, copper and palladium are extracted from the circuit boards, while screws and antennas are recycled into steel products, and plastics are recycled into plastic products. When machine is used to disassemble a mobile phone, plastics are burned up in the incineration process and so cannot be recycled. Recycling eliminates the new need for mining and refining of mineral resources such as oil, iron, gold, silver and copper, while also reducing the amount of carbon dioxide that is generated in the mining and refining processes. Therefore, we at KDDI perform all disassembly manually to prevent recyclable resources from being wasted.

#### Performance in FY2017

Collection performance*	Recycling rate
3,150,000	99.8%

\*Includes main body, batteries and chargers

[Link](#) Website au Shop Locator

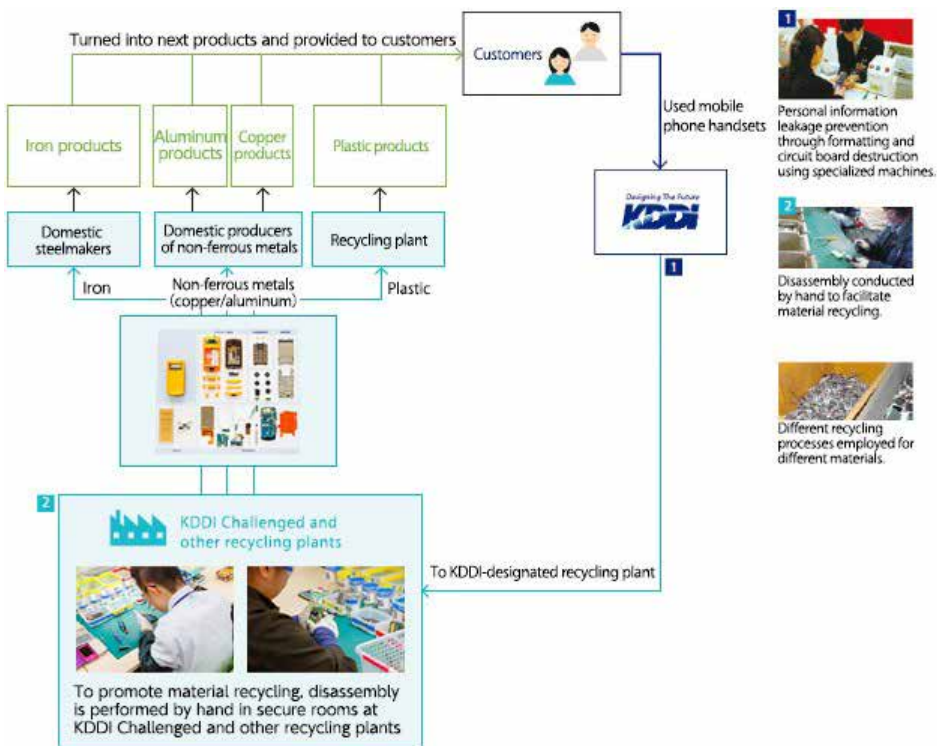
## Activity & Results

KDDI

### Reduction of Paper Resources

Initiative	FY2017 result
Reduction of paper by putting bills on the Web	3,902 t

### Basic Flow for Recycling of Mobile Phones



[Link](#) Page\_074 Expanding Employment Opportunities and Advancement of Persons with Disabilities

# Environmental Performance

## Policy


## KDDI

### Approach to Water Use

There are fears of losing water resources because of increasing global population and decreasing water availability due to climate change. As disputes concerning water distribution and pollution have broken out in various locations around the world, it is significant to make efficient use of water.

We are making efforts to reduce water use in our business activities as well as offer products and services which contribute to efficient water use.

### Providing KDDI IoT Cloud — Toilet Water-Saving Management

 [Providing KDDI IoT Cloud — Toilet Water-Saving Management \(Japanese\)](#)

## Policy

## KDDI

### KDDI's Approach (Biodiversity)

We have established the KDDI Action Guidelines on Biodiversity Conservation to multilaterally assess our contributions toward the conservation of biodiversity. In the guidelines, we defined three principles of Conserving Diversity in Business Activities, Collaboration and Cooperation with Related Organizations and Promoting Recycling of Resources. Based on this, we continue our activities on various opportunities.

## KDDI Action Guidelines on Biodiversity Conservation

### Conserving Diversity in Business Activities

When formulating business plans, we take into consideration the impact on the related ecosystems and local communities.

### Collaboration and Cooperation with Related Organizations

We strengthen collaboration and cooperation with administrative authorities, CSOs and other organizations, and undertake CSR activities using ICTs.

### Promoting Recycling of Resources

To prevent the depletion of bio-resources and minimize degradation of the natural environment, we continuously and proactively engage in recycling of resources.

## Activity

## KDDI Group

### Biological Research on Endangered Ganges River Dolphins

KDDI Research, Inc. utilizes the acoustic technology gained through the development of underwater robots used to maintain and inspect submarine cables, which connect continents, to conduct biological observations of endangered Ganges River dolphins, collaborating with the University of Tokyo Institute of Industrial Science, the Kyushu Institute of Technology, the Indian Institute of Technology Delhi and WWF-India.

The research aims to catch the ultrasonic waves the dolphins emit to determine their surrounding environment in murky waters with underwater microphones to study the dolphins' behavior underwater. An advantage of this method is that it enables the observations of large numbers of dolphins without having any impact on their behavior because it does not physically touch the dolphins.

## Activity & Results

## KDDI

### Green Activities with Customers and Employees

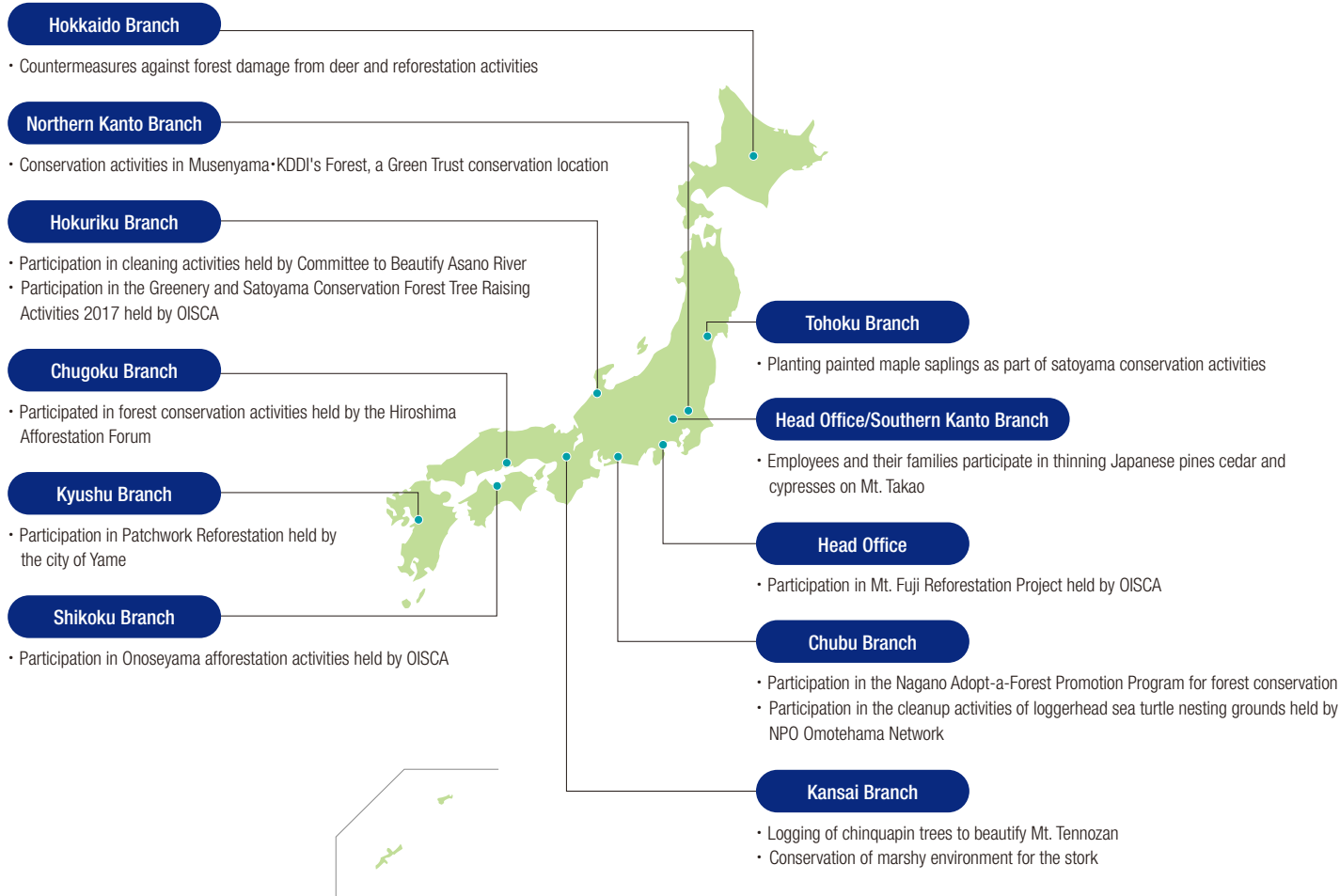
#### Environmental Conservation Activities by Employees

To promote the conservation of biodiversity in each region, we hold conservation activities that employees and their families participate in as volunteers. Working with stakeholders, including local authorities and NPOs, the regional offices are actively engaged in local environmental conservation.

Environmental conservation activity execution	Total participants
210	5,302



# Environmental Performance



# External Recognition

## Outside of Japan

## KDDI

### Inclusion in SRI Index FTSE4Good Global Index Series

We are included in the FTSE4Good Index Series, a major socially responsible investment (SRI) index in the world (as of June 2018). The index was developed by FTSE Russell, which belongs to the London Stock Exchange Group. It is widely used as a standard for selecting investees by institutional investors who focus on the social responsibility and sustainability of companies.



FTSE4Good FTSE Blossom Japan

### Inclusion in SRI Index MSCI ESG Leaders Indexes

We are included in the MSCI ESG Leaders Indexes, one of the global SRI indices (as of June 2018). It was developed by a US-based company, MSCI Inc., and selects companies with excellent environmental, social and governance (ESG) performances.

**MSCI** 2018 Constituent MSCI ESG Leaders Indexes

**MSCI** 2018 Constituent MSCI Japan ESG Select Leaders Index

**MSCI** 2018 Constituent MSCI Japan Empowering Women Index (WIN)

### Inclusion in Euronext Vigeo World 120

We are included in the Euronext Vigeo World 120, sustainability evaluation indices evaluated by Vigeo Eiris agency (as of June 2018).

This index distinguishes companies achieving the most advanced environmental, social and governance performances.



### Inclusion in Ethibel Sustainability Index (ESI) Excellence Global

We are included in the ESI Excellence Global, operated by Forum Ethibel, a Belgian association which promotes SRI investing (as of March 2018).



## Japan

## KDDI

### Inclusion in MS-SRI

We are included in the Morningstar Socially Responsible Investment Index (MS-SRI), the first SRI stock market index in Japan (as of January 2018). It is operated by Morningstar Japan K.K and selects 150 socially responsible companies from listed corporations in Japan.



### Selected as Nadeshiko Brand for Six Consecutive Years

We have been selected as a Nadeshiko Brand for being a listed company that proactively encourages women in the workplace for six consecutive years since 2012.

It is a joint undertaking by Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, Inc. to select and introduce companies that are engaged in promoting the advancement of female employees as attractive brands for investors.



### Awarded Gold Rating in the PRIDE Index for Two Consecutive Years

We received the top gold rating on the PRIDE Index, which evaluates companies' efforts concerning sexual minorities including LGBT for two consecutive years. The PRIDE Index was established by a private organization, work with Pride, with the aim of promoting the creation of inclusive workplaces in companies.



\*In July 2015, we started applying au Family Discount and various services provided based on the "condition that the users are family members" to same sex partners when the partnership is proved by an official certificate.

## External Recognition

### Ranked Second for Overall Performance in CSR Company Ranking


We were placed second for overall performance in the 12th CSR Company Ranking announced by Toyo Keizai Inc. In this ranking, around 1,400 Japanese companies are evaluated based on the survey conducted in 2017 for the utilization of human resources, environmental responsibility, corporate governance and social responsibility and finance. The top companies are recognized as trustworthy by a wide range of stakeholders.

### Other External Assessments

Assessments and awards	Results
CDP2017	Score B
The 19th Environmental Management Survey organized by Nikkei Inc.	Ranked 8th by industry
Environmental Human Resource Development Awards 2016 organized by Japan's Ministry of the Environment	Incentive Award
Environmental Communication Awards: Environmental Report Category	Excellence Award
Awards for Companies Promoting Experience-based Learning Activities for Youth organized by Japan's Ministry of Education, Culture, Sports, Science and Technology (MEXT)	Selection Committee Incentive Award
Good Life Award organized by Japan's Ministry of the Environment	Executive Committee Special Award
CSR Mobile Site Award 2017	Excellence Award
Low Carbon Cup 2018	Excellence Award
The Commendation on Instructional Materials for Consumer Education 2018 National Institute on Consumer	Education Chairman's Award

# External Recognition

## Scopes 1 and 2 FY2016 Greenhouse Gas Emissions Verification Statement



### LRQA Independent Assurance Statement Relating to KDDI Corporation's Environmental Performance Data for the fiscal year 2016

This Assurance Statement has been prepared for KDDI Corporation's in accordance with our contract but is intended for the readers of this Report.

**Terms of engagement**  
Lloyd's Register Quality Assurance (LRQA) was commissioned by KDDI Corporation to provide independent assurance on its environmental performance data ("the report") for the fiscal year 2016, that is, 1 April 2016 31 March 2017, against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISO 14064 - Part 3 for greenhouse gas data and LRQA's verification procedure for other environmental performance data. LRQA's verification procedure is based on current best practise, is in accordance with ISAE 3000.

Our assurance engagement covered KDDI Group's operations and activities in Japan and overseas<sup>1</sup> and specifically the following requirements:

- Verifying conformance with:
  - KDDI Corporation's reporting methodologies
- Evaluating the accuracy and reliability of data for the selected environmental performance data listed below:
  - direct GHG emissions (Scope1) and energy indirect GHG emissions (Scope2, Market-based) (in tonnes CO<sub>2</sub>e)
  - energy consumption (in MWh)
  - water consumption (in m<sup>3</sup>)
  - waste disposal volume (in tonnes).

Our assurance engagement excluded the data and information of KDDI Corporation's suppliers, contractors and any third-parties.

LRQA's responsibility is only to KDDI Corporation. LRQA disclaims any liability or responsibility to others as explained in the end footnote. KDDI Corporation's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of KDDI Corporation.

**LRQA's Opinion**  
Based on LRQA's approach nothing has come to our attention that would cause us to believe that KDDI Corporation has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable performance data as no errors or omissions were detected.

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

**Note:** The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

<sup>1</sup> The organizational boundary includes KDDI Corporation and major affiliated companies in Japan and overseas, and excludes J'COM group, UQ Communications, activities associated with its communication businesses in Myanmar and Mongolia.

Page 1 of 2

**Important information:**

Format – Word document available from CDP website/ORS that is to be filled out/signed by verifier and submitted by reporting company by attaching this document in the response.

The use of the CDP verification template is not mandatory. It has been produced to allow for verifiers whose standard assurance statement does not cover the points requested by CDP to demonstrate how the reporting company has met those requirements and therefore allow them to gain the appropriate credit from CDP. See <https://www.cdp.net/verification>.

The Directors  
KDDI Corporation  
2-3-2,Nishishinjuku,Sinjuku-ku,Tokyo,Japan  
18 June 2018

To whom it may concern,

The purpose of this letter is to clarify matters set out in the assurance report. It is not an assurance report and is not a substitute for the assurance report.

This letter and the verifier's assurance report, including the opinion(s), are addressed to you and are solely for your benefit in accordance with the terms of the contract. We consent to the release of this letter by you to CDP in order to satisfy the terms of CDP disclosure requirements but without accepting or assuming any responsibility or liability on our part to CDP or to any other party who may have access to this letter or our assurance report.

In accordance with our engagement contract with you dated 26 January 2018 (the "contract") and for the avoidance of doubt, we confirm that our LRQA Independent Assurance Statement Relating to KDDI Corporation's Environmental Performance Data for the Fiscal Year 2016 report to you dated 18 June 2018 (the "assurance report") incorporated the following matters:

- Boundaries of the reporting company covered by the assurance report and any known exclusions. <sup>\*1</sup>

KDDI Group's operations and activities in Japan and overseas countries


Note: The boundary includes KDDI Corporation and major affiliated companies in Japan and overseas, but doesn't include J'COM group, UQ Communications, Myanmar and Mongolia communication business.

<sup>\*1</sup> Optional field

CDP verification template 2017

## Scope 3 FY2017 Greenhouse Gas Emissions Verification Report

Scope3 Greenhouse gas emission verification report

Messrs. KDDI Corporation  July 13, 2018  
Waseda Environmental Institute.

Waseda Environmental Institute. (hereinafter, WEI) made verification of the calculation results for greenhouse gas emission for Scope3 in the period from April 1, 2017 to March 31, 2018 that KDDI CORPORATION (hereinafter, KDDI) reported on website.

- Scope of the verification**  
KDDI requested WEI to verify the accuracy of following greenhouse gas emission information.
  - Scope3 greenhouse gas emission
    - It is based on Basic Guideline Ver2.1 on greenhouse gas emission calculations through supply chain.
    - All Scope3 greenhouse gas emission ranging from Category 1 to Category 15
- Verification methods**  
WEI conducted following activities for verification, based on the requirements of ISO14064-3, to give the limited assurance.
  - Interview to the parties in charge of identifying and calculating the greenhouse gas emission
  - Confirmation of methods of collecting, totalizing, and analyzing information used to determine the greenhouse gas emission of KDDI
  - Sample audit of source data for checking the accuracy of greenhouse gas emission
- Conclusion**  
According to the verification activities and process conducted, the evidence showing that the claim of greenhouse gas emission was as follows was not found.
  - It lacks accuracy remarkably and does not indicate the greenhouse gas emission data in the scope properly.
  - It is not prepared according to the greenhouse gas emission calculation method provided by KDDI.




Greenhouse gas emission validated	
Scope3	4,933,377t-CO2

<sup>\*</sup> The direct GHG emissions include those of an overseas subsidiary. Indirect GHG emissions from consumption of purchased electricity, heat or steam are calculated using the emission factor by electric utility operator.

# External Recognition

## ISO 14001 Management System Certificate

### ISO 14001 Management System Certificate

Certificate Number : JQA-EM3768

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Organization :  
**KDDI CORPORATION**  
 GARDEN AIR TOWER, 3-10-10 IIDABASHI, CHIYODA-KU, TOKYO, JAPAN


JQA certifies that the above organization operates the Environmental Management System, within the scope of the Appendix attached, which has been assessed and found to comply with the requirements of:


ISO 14001 :2015 / JIS Q 14001 :2015

Registration Date : February 27, 2004  
 Last Renewal Date : December 1, 2017  
 Last Revision Date : March 16, 2018  
 Expiry Date : November 30, 2020  
Feel free to contact JQA for the validity of this certificate.

*N. Kobayashi*  
 NORIAKI KOBAYASHI  
 PRESIDENT  
 1-25 KANDASUDACHO, CHIYODA-KU, TOKYO, JAPAN

JAPAN QUALITY ASSURANCE ORGANIZATION  
To be used in conjunction with attached Appendix.



Partner of  


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