

# Integrated Report 2016

Detailed ESG Version

# Integrated Report 2016 (Detailed ESG Version)

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## Disclosure of CSR Information

### Approach to the Disclosure of CSR Information

KDDI publishes its Integrated Report as a means for disclosing financial and non-financial information. In addition to the normal Integrated Report, which focuses on financial information, KDDI publishes its Integrated Report (Detailed ESG Version), which expands on the non-financial information of the environment and social aspects in PDF format (Japanese and English).

The Integrated Report (Detailed ESG Version) expands on information referencing the report of the GRI's Sustainability Reporting Guidelines 4th Edition (G4), as well as information determined to contribute to promoting the understanding of the creating of KDDI's value. Furthermore, in order for KDDI's message to reach a wider range of stakeholders, KDDI releases its Highlights of 2016 in Japanese and English on its CSR website. We will continue fashioning ways to communicate with all stakeholders while promoting our CSR initiatives.

### Period Covered

This report covers business activities for FY2015 (April 1, 2015 to March 31, 2016). However, this report also contains descriptions of a few initiatives from before and after this period.

### Scope of Report

Although the scope of this report covers the business activities of the 164 companies in KDDI and its Group, it focuses on KDDI only since the ratio of Group's consolidated sales is approximately 1.17 times of KDDI's unconsolidated sales.

### Publication Date

Integrated Report (Detailed ESG Version) and Highlights of 2016 (CSR website and PDF version)

August 2016 (Next scheduled publication: August 2017; Previous publication: August 2015)

### Referenced Guidelines

- GRI (Global Reporting Initiative) Sustainability Reporting Guidelines 4th Edition
- SASB (SUSTAINABILITY ACCOUNTING STANDARDS BOARD (Telecommunications))
- IIRC (International Integrated Reporting Council)
- ISO26000: 2010 (Guidance on Social Responsibility)
- JISZ26000: 2012 (Guidance on Social Responsibility) Japanese Industrial Standards
- Ministry of the Environment, 2012 Environmental Reporting Guidelines

### External Assurance

To ensure reliability, environmental data has received independent third party assurance by Lloyd's Register Quality Assurance Limited. In Scope 3, CO<sub>2</sub> emissions have been assured by Waseda Environmental Institute.

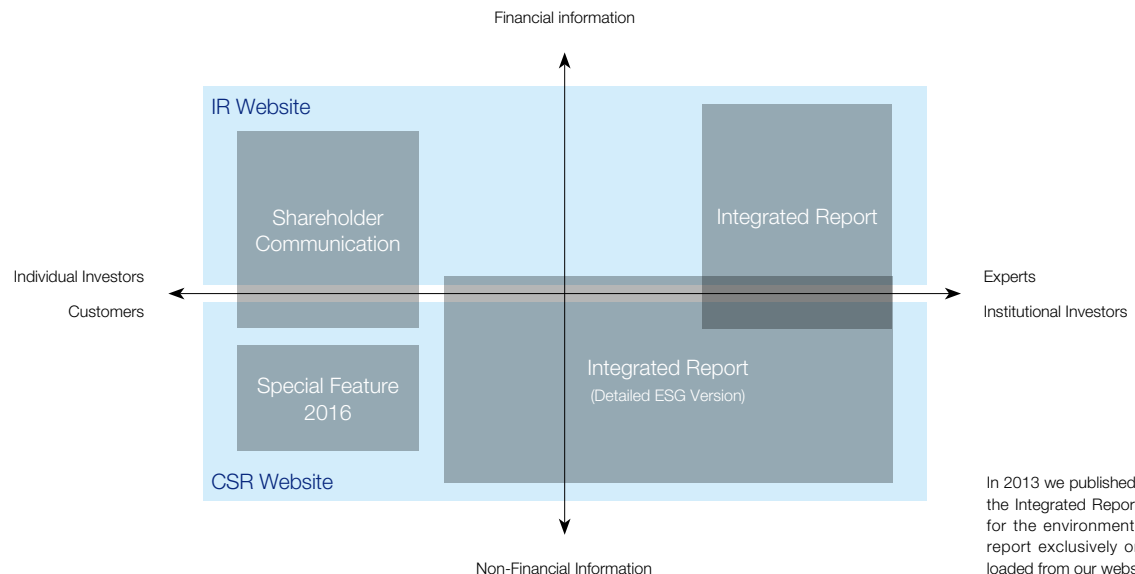
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In 2013 we published our last print edition of the Integrated Report. Out of consideration for the environment, we now publish the report exclusively online. It can be downloaded from our website as PDF files.

## Implementing The KDDI Group Philosophy and contributing to the development of an affluent communications-oriented society



*Takashi Tanaka*

Takashi Tanaka

President, KDDI CORPORATION

### Introduction

I would like to extend my heartfelt sympathies to all of those who have been affected by the recent earthquakes in Kumamoto and Oita prefectures. I would also like to reaffirm the KDDI Group's commitment to continuing our full-scale efforts in support of disaster reconstruction activities.

### The KDDI Group Philosophy is the Basis of CSR Management

KDDI aims to be a company that is loved and trusted by all our stakeholders through implementation of The KDDI Group Philosophy. As a telecommunications carrier that provides social infrastructure, our societal mission is to deliver stable services regardless of conditions, 24 hours a day, 365 days a year. As our business derives from utilizing radio waves, which are an important asset shared by all citizens, we recognize that we have a social responsibility to aim high and contribute to addressing the various issues facing society. The KDDI Group Philosophy defines our stance as a company and the perspectives that our employees should maintain, and I see this as the essence of CSR management.

In addition, with our recent progress in actively expanding our business around the globe, I firmly believe that it is essential for us to conduct our activities while holding values that are shared by all employees, in order to strengthen the partnerships between the various business divisions and create synergy. Following the revisions to The KDDI Group Philosophy in 2013, KDDI has been conducting educational activities in Japan and abroad to spread this philosophy. Moving forward, KDDI will strive to ensure that The KDDI Group Philosophy is shared by all employees, and we will work together in unison to carry out our mission.

### Paying Close Attention to Customer Feedback and Creating Value Together

Providing stable telecommunications services and fulfilling our responsibilities to society are fundamental to our business. To be the company of choice for our customers, we need to take this concept to the next stage. This understanding is central to exceeding customers' expectations and stimulating them, and is inherent in the commitment of our company philosophy. We recognize that listening humbly to feedback from our customers about their needs and anticipating the things that will trouble them is essential to

our ability to exceed their expectations and maintain their trust. Going forward, we will actively seek out dialogue with a variety of stakeholders, including the customers who underpin our businesses, partner companies, shareholders, local communities and government institutions, as we seek to resolve issues in a host of fields. We aim to make contributions to society through our business, working in harmony to deliver new societal value.

### We will continue to innovate in KDDI's own distinctive way

In FY2016, we established the three-year medium-term business management policy of transforming KDDI into a business that provides a positive customer experience. Based on this policy, KDDI aims to achieve continuous growth in the telecommunications business in Japan, as well as expand the au economic zone and actively deploy our business around the globe in an effort to establish a new axis of growth.

To achieve continuous growth in the telecommunications business in Japan, KDDI will further promote our 3M Strategy\* of growth in an effort to foster innovation in numerous fields that relate to our customers' lives and livelihoods, and we will continue working to resolve the problems facing society and contribute to sustainable development. To expand the au economic zone through the growth of the au customer base, KDDI aims to transform from a telecommunications company into a "Life Design Company" and provide services that suit various customers in different stages of life, thereby strengthening the foundation for providing customers a positive experience.

In terms of actively deploying our business around the globe, MobiCom Corporation, which is the largest mobile phone operator in Mongolia, became a consolidated subsidiary of KDDI in March of this year. In July 2014, KDDI established a joint venture with Myanma Posts & Telecommunications (MPT) and entered the Myanmar telecommunications business. KDDI aims to develop the economy and industry in these countries and contribute to enriching the lives of citizens, while focusing on these efforts as a pillar of KDDI's growth strategy. By utilizing the experience and expertise that we have accumulated in Japan and abroad, KDDI aims to expand our telecommunications-related business in line with the cultural, social, and economic circumstances of each country and region around the world, thereby contributing to the development of an affluent communications-oriented society.

### A workforce rich in individuality will shape KDDI's future

With the diversification of society's needs and values, it is important for companies themselves to diversify so that they can continue creating new value. We are using our approach to diversity and inclusion to utilize the individualities and capabilities of our diverse employees in our organization, regardless of gender, age, nationality, language, disability or sexual orientation. In particular, KDDI is actively engaged in a variety of activities aimed at promoting the advancement of women in the workplace. Since FY2012, the company has been focused on cultivating and advancing female leaders so that many women can participate in our decision-making processes. In recognition of our efforts to proactively promote women in the workplace, KDDI was selected as a "Nadeshiko Meigara" for the fourth consecutive year. KDDI was also selected for the "Diversity Management Selection 100" award, which is presented by Japan's Ministry of Economy, Trade and Industry to recognize companies that improve their corporate value through diversity management. Furthermore, as a new goal for this fiscal year, we have set a target to promote 200 females to line manager positions by FY2020.

We will continue to deepen our efforts for the equality of a diverse workforce to become an active dynamic company.

August 2016



I hereby pledge support for the "Declaration on Action by a Group of Male Leaders Who Will Create a Society in which Women Shine".

\* KDDI is pursuing a "3M Strategy" named after the initial letters of "Multi-Use," "Multi- Network" and "Multi-Device." Through this strategy, we aim to provide a communications environment that gives customers seamless access via their devices of choice – such as smartphones, tablets or others – to attractive and diverse services and content, over optimized networks.

# KDDI's CSR

## Policy

### KDDI's Approach to CSR

In order to promote its corporate philosophy of "contributing to the development of a prosperous communications-oriented society", KDDI recognizes that as a telecommunications operator that provides social infrastructure, it has the important social mission of providing stable services that are available 24 hours a day, 365 days a year, regardless of condition.

We believe that CSR is the axis needed to carry out this mission. Furthermore, we understand that the telecommunications business involves utilizing radio waves and other important assets of the Japanese people. Accordingly, it is our responsibility to aim high and contribute to society by addressing the numerous issues that society faces. The KDDI Group Philosophy describes the company that we need to become and the attitudes that employees of such a company need to maintain.

## Philosophy

### The KDDI Group Philosophy

The KDDI Group Philosophy expresses the attitudes, values and behavior that 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. By putting The KDDI Group Philosophy into practice, we aim to be a company admired and trusted by all stakeholders.

## Infusion

### Spreading The KDDI Group Philosophy

To encourage sharing and implementation of The KDDI Group Philosophy, the president and executives discuss the meaning of The KDDI Group Philosophy and good practices directly with all the employees and promote its spread. Study meetings are held at each

level, including monthly study meetings organized by the president and attended by all officers. In addition, study meetings planned and run by each division are held, as well as study meetings attended by all employees regardless of organization or division, in an effort to promote understanding and dissemination of The KDDI Group Philosophy.

Executives from Japan visit KDDI bases overseas to hold executive study meetings. In FY2015, a global voice-reading

#### 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's CSR

version of The KDDI Group Philosophy was released, increasing the opportunities for foreign employees to come into contact with The KDDI Group Philosophy. Through learning and implementation by these activities, KDDI aims to be a company that is loved and trusted by all our stakeholders.

Total number of study meetings held in FY2015: **829**

Total number of participants: **36,995**

### Policy

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

KDDI established the KDDI Code of Business Conduct in 2003 as specific guidelines toward understanding and practicing the corporate vision and The KDDI Group Philosophy. All KDDI executives and employees maintain a high sense of ethics and execute their duties in compliance with the Code of Business Conduct.

In FY2015, the Code of Conduct was reviewed in response to the enacting or abolition of laws and regulations and changes in the social climate with the aim of promoting KDDI Group management. The Code of Conduct was then revised in April 2016 following deliberation by the Business Ethics Committee. With increasing awareness of human rights and diversity and heightened social demand for prohibition of anti-competitive practices and bribery, the revision defines in detail human rights and individual characteristics and explicitly prohibits anti-competitive practices and bribery.

Group companies will successively establish or review their code of conduct in consideration of the characteristics of their business based on the KDDI Code of Conduct.

### ■ 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 Secrecy 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 Anti-social Forces XII. Contribution to the Development of the International Community



Link Website

KDDI Code of Business Conduct (Basic Principles)

### Infusion

### Spreading KDDI Code of Conduct

Training is regularly provided to promote the spread of the KDDI Code of Conduct. In FY2015, e-learning classes were held for all employees to promote understanding and spread of the corporate approach to eliminating relationships with anti-social forces and operations related to purchasing contracts for individual credit. (The attendance rate was around 93%.) Training is also provided on a rolling basis for contract employees and temporary staff.

Since April 2016 the KDDI Code of Conduct E-mail Magazine has been distributed to all employees to encourage understanding of the code by explaining the purpose of its establishment and its basic principles.

### Policy

### KDDI Business Activities and Social Responsibility

The foundation of our business operations is the provision of stable telecommunications services. KDDI's CSR activities, which support the provision of such services, include TCS (a mechanism for listening to customers) and other stakeholder engagement, CSR procurement, promotion of diversity and BCP (Business Continuity Plan) response. Recognizing the impact on society of not only our business activities but also the CSR activities that underlie them, based on our value chain, will be increasingly important for KDDI's social responsibility.

Viewing the numerous social problems that occur in each link of the value chain, such as the digital divide, mobile phone and internet-related crime, and environmental burden, as risks, we are pursuing



## KDDI's CSR

various CSR activities through our business operations aimed at solving these problems. By promoting CSR activities both through our operations and in support of our operations, KDDI will achieve both “business growth” and “development of a sustainable society.”

### System

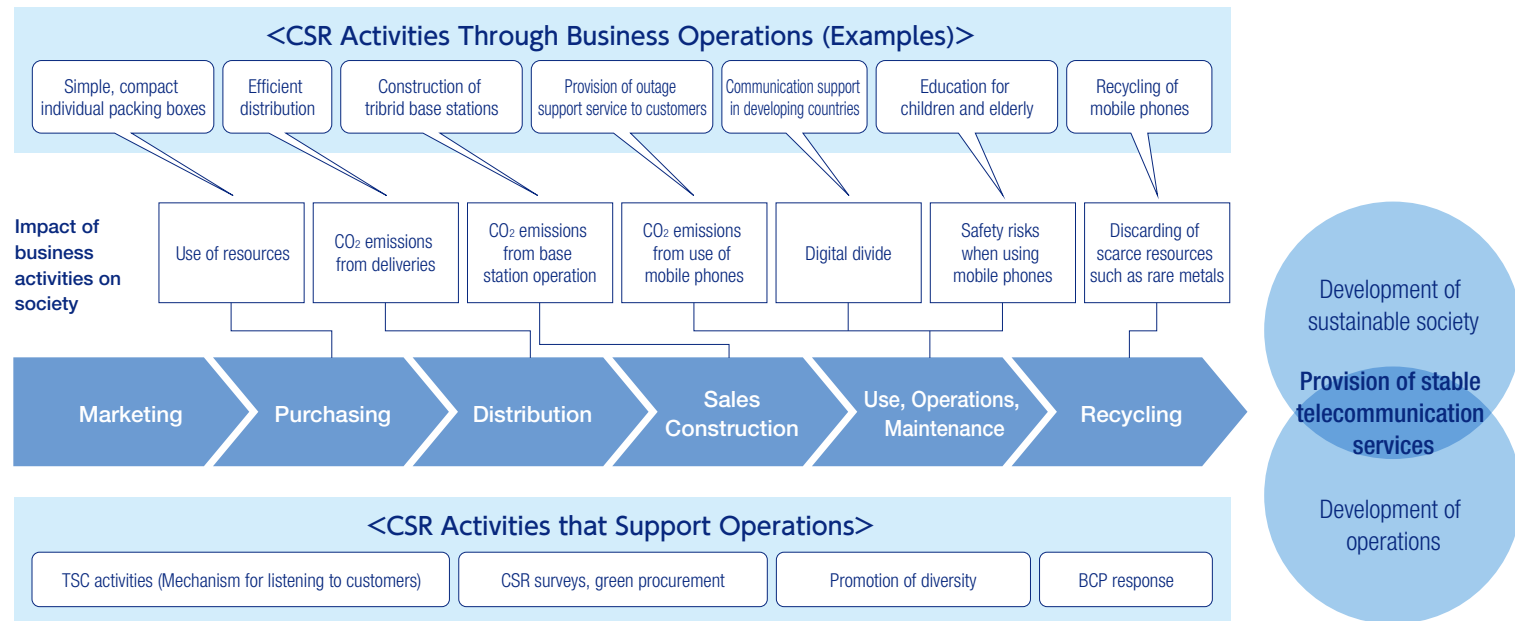
### CSR Promotion System

In October 2005, KDDI created the CSR Management Department (currently the CSR & Environment Management Department) as the contact point for dialogue with society. The function of the department is to convey the demands and issues of society to the company and promote company-wide CSR activities.

To clearly define a unified approach to management and CSR, in March 2016 KDDI created the CSR Committee headed by the General Manager of the Corporate Sector (Executive Vice President, Representative Director) with the CSR & Environment Management Department as the secretariat. There are two subcommittees under the CSR Committee, the Human Rights Subcommittee and the Environment Subcommittee.

The committee meets twice a year to discuss important CSR issues and initiatives. The content of the CSR Committee's

### Value Chain and CSR





## KDDI's CSR

discussions is reported to the Corporate Management Committee.

In FY2015, a CSR Committee meeting was held in March 2016. Initiatives aimed at resolving social issues and environmental activities toward zero carbon were discussed at the meeting and progress toward achieving CSR goals was confirmed.

In FY2016, in addition to reporting on third party assurance of FY2015 environmental data, the committee plans to discuss measures for mitigation of environmental impacts, our response to studies related to various laws and regulations and ESG investment, and our approach to human rights.

The executives in charge of CSR and the environment conduct management under a system where the degree to which KPI in CSR and environmental issues is achieved is linked to remuneration and responsibility is clearly defined.

### 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 right policy.

Human rights includes the following.

- Prohibition of child labor or forced labor
- Prohibition of racial discrimination in business activities (based on race, sex, religion, nationality, age, sexual orientation, etc.)
- (Relating to telecommunications business) Restrictions on protection of privacy of communications or freedom of expression, eviction demands related to construction of base stations, etc.

### Environment Subcommittee

Following on from the KDDI Environment Committee, the Environment Subcommittee discusses matters related to policy and planning of the environmental protection activities of KDDI and the KDDI Group.

### CSR Promotion System



# Stakeholder Engagement

## Policy

### Creating Society Together

KDDI values the dialogue with all of our stakeholders – customers, shareholders, business partners, employees and their families, and regional communities – who have given us their support. We will continue to build up collaboration with our stakeholders and proactively address the issues facing society in our aim to contribute to the development of a prosperous communications-oriented society.

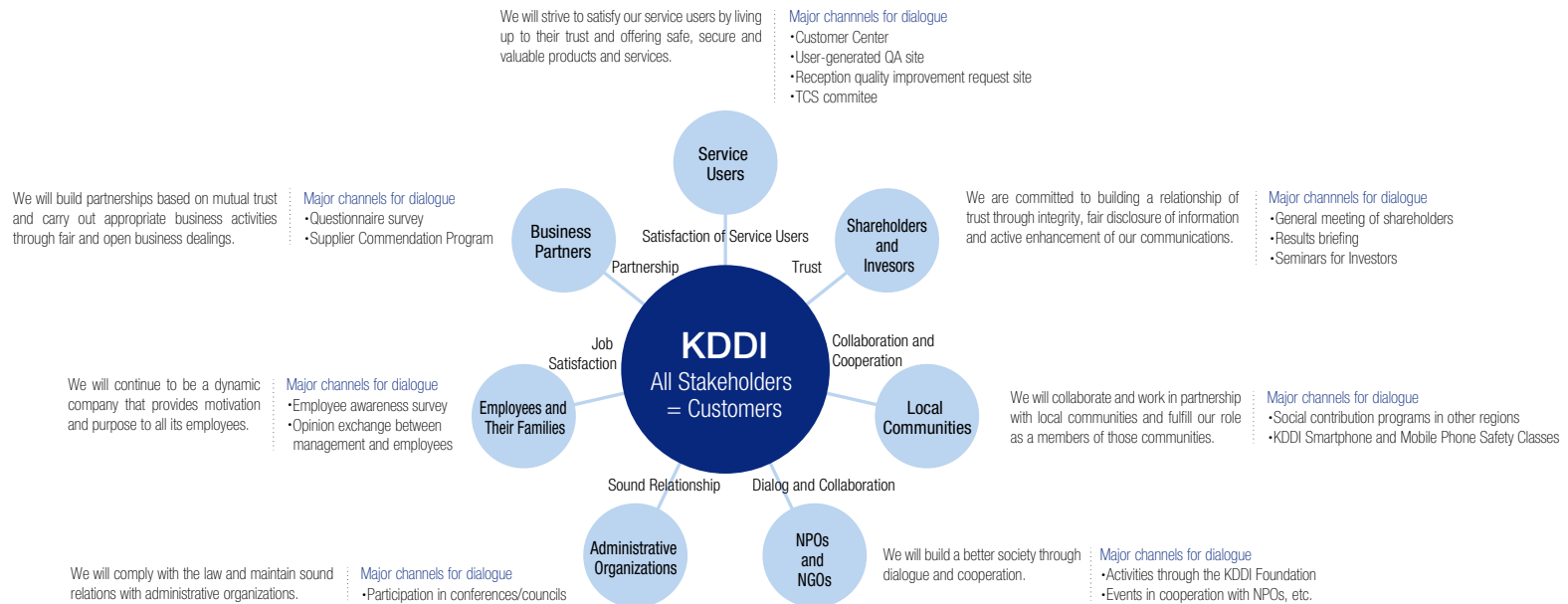
KDDI perceives all stakeholders as its customers, and conducts various activities geared toward fully satisfying all of these stakeholders. We also use the GRI (G4), SASB, IIRC, ISO26000, and other global CSR standards and checklists created from items from hearings with investors to create and implement policies that address the analysis of our current conditions and issues.

## System, Activity and Results

### Principal Channels for Dialogue with Stakeholders

#### ■ Service users (Primary point of contact: Customer Center)

As of the end of March 2016, KDDI has approximately 45.91 million au customers. By listening and responding to the opinions and demands of our customers and those that reach us by SNS, Twitter®, and other means, extracting the social issues of stakeholders, and providing each division feedback, we are making efforts to achieve a sustainable society.



## Stakeholder Engagement

### ■ Stockholders and investors (Primary point of contact: IR Department)

In FY2015, we held individual meetings with investors 977 times. Also, 980 stockholders attended the general stockholder meeting held on June 22 in 2016.

### ■ Local communities (Primary point of contact: CSR & Environment Management Department)

In FY2015, KDDI held free lectures through its KDDI Smartphone and Mobile Phone Safety Classes (formerly KDDI Mobile Phone Learning Classes) for about 680,000 elementary, junior high, and high school students and about 3,200 senior citizens. We also furthered our interaction with regional communities through society contribution activities such as environmental conservation activities conducted individually in eleven branch areas nationwide, donations, etc.

### ■ NPO・NGO (Primary point of contact: CSR & Environment Management Department and individual regional offices)

In FY2015, KDDI cooperated with government agencies, NPOs, and NGOs nationwide to implement forest conservation activities, coastal cleanup activities that inhabit rare organisms, and other various environmental conservation activities.

### ■ Administrative organizations (Primary point of contact: Government and Industrial Affairs Department)

In FY2015, KDDI dealt with revisions to the Electronic Communication Business Law and other laws based on answers from the Ministry of Internal Affairs and Communications Information and Communications Bureau "2020-ICT Infrastructure Policy Special Committee. We also participated in the Ministry of Internal Affairs and Communications "ICT Service Safety and Security Research Committee" which reviews and enhances consumer protection rules.

### ■ Employees and their families (Primary point of contact: General Administration Department)

In FY2015, KDDI held the KDDI Sports Festival offering the president, management, and employees the opportunity to interact in which approximately 2,400 employees and their families participated.

### ■ Business partners (Primary point of contact: Purchasing Management Department)

In FY2015, in order to recognize the risk in the entire supply chain and strengthen management, KDDI implemented a CSR procurement survey for approximately 90% of its top business partners based on order amount and received replies from almost 100%.

#### System

### Feedback to Management

KDDI has built a system for incorporating stakeholders' views in the management process.

Senior managers including the president discuss and work to resolve customers' views and demands in the monthly TCS Committee meetings. Issues discussed directly by management in individual meetings are shared as necessary with shareholders and investors. The opinions of regional communities put forward in KDDI Smartphone and Mobile Phone Safety Classes and customers' issues identified from CSR achievement questionnaires are reported to and solutions considered by the CSR Committee chaired by the General Manager of the Corporate Sector (Executive Vice President, Representative Director). The results of the CSR Committee's deliberations are reported to the Corporate Management Committee.

#### Activity and Results

### Efforts in FY2015

As part of our efforts to address the four material issues for CSR, KDDI engages in dialogues with various experts to receive advice on our activities. In FY2015, with rising social demand for CSR in the supply chain, KDDI invited experts and businesspeople with abundant knowledge and experience in the field of CSR procurement to participate in stakeholder dialogues, with the aim of deepening our understanding of CSR procurement and green procurement. Through these dialogues, we recognized the need for management to deepen their consideration of CSR procurement as a company-wide issue. In addition, we reaffirmed the importance of working with business partners to make continuous improvements with respect to each issue, for the actual products at the actual sites.

In addition, KDDI participated in the Global Conference on Business and Human Rights organized by Caux Round Table Japan and the United Nations Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, which provided an opportunity to learn about the current status of various issues and how they are being handled.



Link Website

Dialogue Archive

# Stakeholder Engagement

## Activity and Results

### Participation in Initiatives

KDDI endeavors to participate and play a leadership role in initiatives and organizations inside and outside Japan in order to contribute to the development of an affluent communications-oriented society.

#### ■ International Standardization of Telecommunications

KDDI proactively participates in International Telecommunication Union (ITU) activities to create international standards for information communications. In particular, in the field of wireless communication, KDDI chairs the Radio Regulation Board (RRB) whose 12 members are elected from all over the world, and we lead the way in solving problems related to satellite communications and airwaves which cannot be solved under current regulations for effective and equitable use of radio waves. In addition, KDDI chairs and vice-chairs the following study groups (SG) and task groups.

#### Positions in ITU

- ITU-R (Radio Sector): RRB Chair, SG4 Vice-chair (Satellite Communications)
- ITU-T (Standardization Sector): SG3 Chair (Rates & Policy), SG9 Vice-chair (Video Transmission & CATV), SG17 Vice-Chair (Security)
- ITU-D (Development Sector): SG1 Issue 5 Chair (ICT in Rural Areas)

#### ■ Building a Safe and Secure Society

KDDI strives to contribute to safety and security in various areas closely related to daily lives and livelihoods including the internet usage environment. As part of these endeavors, we play a leading role in educational activities as a core member of the Japan Smartphone Security Association which works to create a safe environment for smartphone use. KDDI also participates as a founding member in the Accessibility Consortium of Enterprises which promotes advancement of people with disabilities. KDDI Chairman, Tadashi Onodera, currently serves on the board of directors.

#### Main Initiatives and Organizations in which KDDI Participates and Occupies a Position (As of August 2016)

- Security Promotion Realizing Security Measures Distribution (SPREAD): Vice Chairman
- Japan Smartphone Security Association: Vice Chairman/Director
- Japan Network Security Association (JNSA): Vice Chairman
- Accessibility Consortium of Enterprises (ACE): Director

#### ■ Conservation of the Global Environment

KDDI participates in formulation of ecology guidelines as a member of the ICT Ecology Guidelines Council\* founded in June 2009 and works to promote the spread of energy-saving devices. In addition, KDDI has acquired the Eco ICT Mark established under the guidelines and endeavors to further environmental friendliness and reduction of environmental impacts.

\* Council founded for the purpose of establishing energy saving indices to be referenced when procuring ICT devices and data centers. The constituting members are: Telecommunications Carriers Association (TCA), Telecom Services Association (TEESA), Japan Internet Providers Association (JAIPA), Communications and Information Network Association of Japan (CIAJ), and ASP-SAAS Industry Consortium (ASPIC).

## About Material Issues

### Policy

### KDDI'S Material Issues for CSR

KDDI has identified four material issues for CSR where it is focusing its efforts. From the various issues we face in the course of our business activities, we have identified issues with significant social concerns that we need to focus our efforts on to grow sustainably and with society at large.



#### Material Issue: Governance

#### Offering Reliable Information and Communications Services

ICT provides important “lifelines” for society. The biggest responsibility KDDI faces in its operations is to provide customers with stable information and communications services.

We are therefore committed to avoiding network outages due to natural disasters and equipment failures to the greatest extent possible, and maintaining our ability to always offer high-quality information and communications services 24 hours a day 365 days a year.



#### Material Issue: Society

#### Creating a Safe and Secure Information and Communications Society

The phenomenon of children using smartphones and mobile phones to access the Internet and getting trouble is becoming a social problem. KDDI is addressing this situation by conducting KDDI Smartphone and Mobile Phone Safety Classes, through which it aims to raise children's “information literacy.” We also encourage the use of filtering to block harmful content. These are some of the many initiatives under way at KDDI with the aim of creating a safe and secure information and communications society. We are also strengthening efforts to close the digital divide among seniors.



#### Material Issue: Society

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

At KDDI, promoting diversity is one aspect of its management strategy for achieving sustainable corporate growth. Respecting the individuality of employees, rather than forcing different people to fit into the same box, we are working to create an organization and environment that harnesses our employees' capabilities by leveraging external differences, internal differences, and differences in corporate organizations. Encouraging diversity puts into practice “Chapter 1: Vision” of The KDDI Group Philosophy, namely “Embracing diversity.”



#### Material Issue: Environment

#### Initiatives to Conserve the Global Environment

Environmental preservation is a need that all mankind faces, and one that requires long-term initiatives. Accordingly, every 5 years KDDI formulates a Medium-term Environmental Conservation Plan including initiatives involving “Low-carbon society,” “Recycling-oriented society,” and “Biodiversity.” To achieve these objectives, in addition to reducing its own environmental impact, KDDI provides ICT services that help to reduce the environmental impact of society and promotes a host of activities involving customers and employees.

## About Material Issues

### Policy

### Process for Identifying Material Issues for CSR

We are engaged in addressing social issues that surround KDDI. We identify four issues that we should focus our efforts on from the many issues which result from dialogues with stakeholders and experts. The four themes rate high in importance in terms of social concern and issues for the sustainable growth of KDDI. Afterwards, a committee that is committed to CSR and the environment selects the material issues.

We also hold dialogues between the management including the President and experts. After careful consideration of everyone's opinions, the President decides on the continuation of material issues.

We use the Global Reporting Initiative (GRI) Guidelines 4th Edition, ISO26000, SASB (TELECOMMUNICATIONS Research Brief), and other documentation as check items for more specific initiatives for the four material issues and reflect those initiatives in our business activities.

### Infusion

### Dissemination of Material Issues for CSR

The CSR & Environment Management Department is the main body responsible for spreading awareness of the promotion of the four material issues.

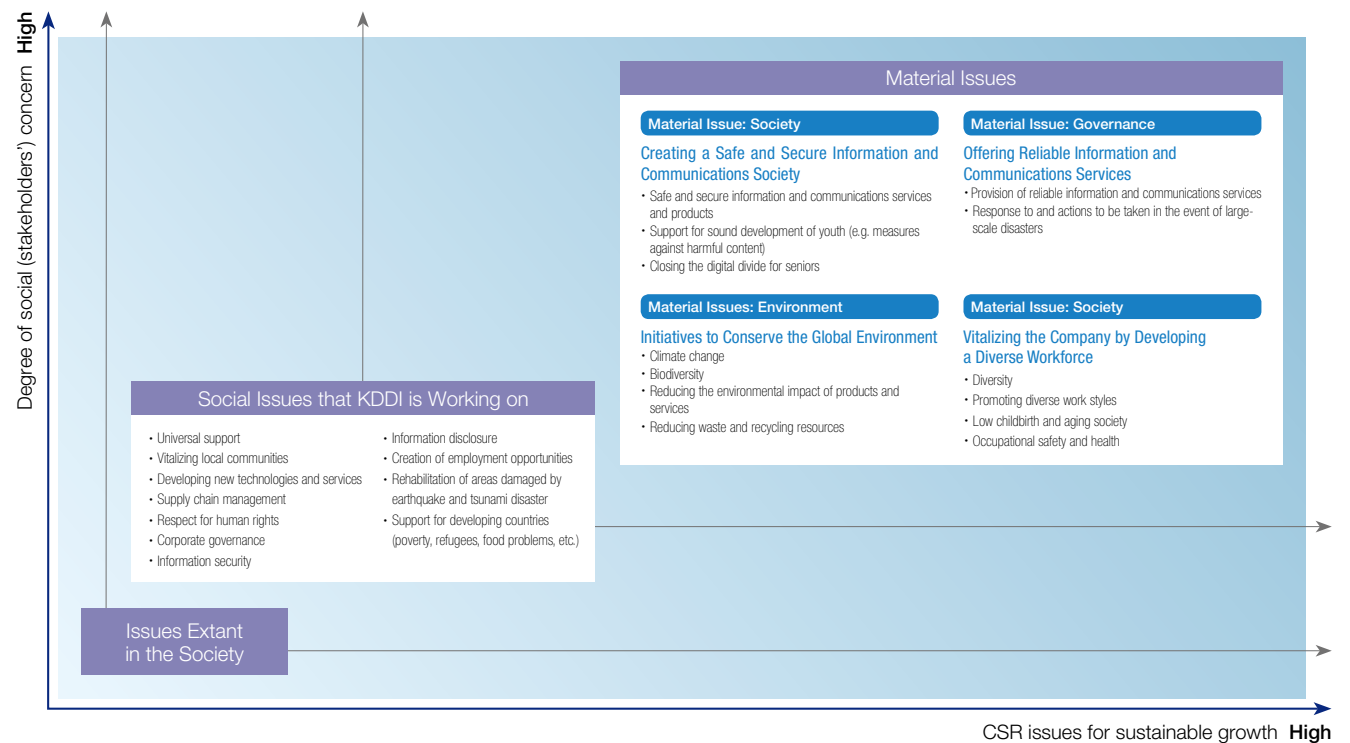
The material issues cover the 164 companies of KDDI and the Group.

We also work to share the material issues with business partners through the KDDI CSR Procurement Policy implemented in FY2013

and the KDDI Supply Chain CSR Guidelines formulated in FY2015.

Furthermore, we hold proactive dialogues with stakeholders, and apply the opinions and advice obtained from them to the promotion of future CSR activities.

### Social Issues and the Four Material Issues for CSR



## About Material Issues

### Activity and Results

### Targets, Results and Issues in Material Issues for CSR

The chart below provides an overview of the principal targets and results of the material issues for CSR during FY2015 and reports the main issues for FY2016 and their countermeasures.

〈Evaluation standard〉

A+: Significant achievements made on the issue

A: Certain achievements made on the issue

B: Action was taken, but with no achievements

C: No action was taken

	Priority	Material Issue	Target and KPI	Boundary		FY2015 Activity Results	Evaluation	Future Issues
				Within organization	Outside organization			
Governance	A	Provide stable information and communication services (Further strengthen large-scale disaster response measures)	•Achieve 100% improvement of issues identified in disaster countermeasure training drills	●	●	•Achieved 100% improvement of issues	A+	•Build a back-up system for terrestrial lines in times of disaster (when all communication is disrupted)
	B	Strengthen system for promoting CSR activities	•Establish CSR Committee •Review KDDI Code of Conduct	●		•Established CSR Committee and held first CSR Committee meeting •Revised KDDI Code of Conduct	A+	•Discuss next environmental conservation plans in CSR Committee and implement PDCA for CSR activities
	B	Spread philosophy and criteria	•Implement The KDDI Group Philosophy Study meetings for all employees •Achieve 100% participation in e-learning program on KDDI Code of Conduct	●		•Total number of participants 36,995 •Achieved 93% participation in e-learning program on KDDI Code of Conduct	A	•Continue dissemination activities on The KDDI Group Philosophy •Spread revised KDDI Code of Conduct



## About Material Issues

	Priority	Material Issue	Target and KPI	Boundary		FY2015 Activity Results	Evaluation	Future Issues
				Within organization	Outside organization			
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>• Achieve a score of 90 for satisfaction with classes for juniors</li> <li>• Achieve 83% satisfaction with classes for seniors</li> </ul>	●	●	<ul style="list-style-type: none"> <li>• Achieved a score of 93.5 for satisfaction with classes for juniors</li> <li>• Achieved 83.1% satisfaction with classes for seniors</li> </ul>	A+	• Consider measures to improve KPI (Review program in view of diversity of problems and respond to new needs of seniors)
	A	Create a vigorous company by cultivating diverse human resources (Further promote diversity)	<ul style="list-style-type: none"> <li>• Achieve target number of female managers by end of FY2015</li> <li>Female line managers: 90 (Proportion of line managers: 7%)</li> </ul>	●		Achieved target number of female managers at end of FY2015 Female line managers: 94 (Percentage of line managers: 7.1%)	A+	• Promote measures to achieve 200 female line managers by FY2020
	B	Promote supply chain CSR	<ul style="list-style-type: none"> <li>• Achieve over 90% collection rate of CSR procurement questionnaire</li> <li>• Formulate KDDI Supply Chain CSR Guidelines</li> </ul>	●	●	<ul style="list-style-type: none"> <li>• Achieved almost 100% collection rate of CSR procurement questionnaire</li> <li>• Formulated KDDI Supply Chain CSR Guidelines (March 2016)</li> </ul>	A+	• Spread KDDI Supply Chain CSR Guidelines to business partners
	B	Respond to human rights	<ul style="list-style-type: none"> <li>• Formulate human rights policy</li> <li>• Promote human rights education</li> </ul>	●	●	• Formulated KDDI Group Human Rights Policy (March 2016)	A	• Promote human rights education for all employees
	B	Consider and implement new measures aimed at regional revitalization	• Consider and implement support measures for outlying islands	●	●	• Implemented au WALLET Market "Shimamono Marche" (December 2015)	A+	• Continue support activities linked to regional revitalization

## About Material Issues

	Priority	Material Issue	Target and KPI	Boundary		FY2015 Activity Results	Evaluation	Future Issues
				Within organization	Outside organization			
Environment	A	Initiatives for global environmental conservation (Roll out Third Medium-term Environmental Conservation Plan)	•Reduce power consumption (compared to when no energy-saving measures are taken) by 30% by FY2016	●	●	•Progressing at a pace that will achieve the target	A+	•Prepare to receive industrial waste disposal operators •Consider medium-term plan for FY2017 onwards
			•Reduce power consumption per subscriber (compared to FY2011) by 15%			•Reduced power consumption by 33.4%	A+	
			•Construct 100 tribrid base stations (Target for FY2012)			•Constructed 100 tribrid base stations (end of March 2013)	A+	
			•Achieve zero emissions for 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)			•0.8%	A+	
			•Achieve recycling rate of used mobile phone material of over 99.8%			•99.8%	A	
			•Achieve recycling rate of general waste material for KDDI buildings and headquarters of over 90%			•85.7%	B	
	B	Understand the supply chain issue	•Respond to all 15 items of Scope 3 (Calculate and verify all 15 items for FY2015)	●	●	•Achieved	A+	•Consider future reduction measures by understanding the trends of the past 3 years (To be reflected in next environmental conservation plan)
	B	Reinforce environmental communication	•Implement e-learning at least once a year •Implement stakeholder engagement at least once a year (dialogue, etc.)	●	●	•Implemented mandatory e-learning for all employees on "Global Warming and Scope 3" •Implemented dialogue with experts on CSR procurement and green procurement	A	•Respond to issues identified through engagement
	C	Promote biodiversity conservation	•Promote new initiatives for biodiversity conservation	●	●	•Progressed no further than promoting existing programs (Ganges River dolphins, etc.) and considering new initiatives	B	•Consider new initiatives for biodiversity conservation

## External Assessment

### Activity and Results

#### Selected as “Nadeshiko Meigara” for Four Consecutive Years

Following its selection in FY2012, FY2013 and FY2014, KDDI has been selected as a “Nadeshiko Meigara” for being a company that proactively promotes women in the workplace for four consecutive years. On the same day, KDDI was also named in the New Diversity Management Selection 100 sponsored by the Ministry of Economy, Trade and Industry, the first time we have been doubly honored in addition to Nadeshiko Meigara.

Introduced in FY2012, Nadeshiko Meigara is a joint undertaking by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select and introduce companies that proactively promote the advancement of female employees as attractive stock.

Introduced in FY2012, Diversity Management Selection 100 is a project under which the Ministry of Economy, Trade and Industry recognizes enterprises that have achieved an improvement in their corporate value by carrying out diversity management. In FY2015, the New Diversity Management Selection 100 was introduced, setting as its focal themes “Improvement of Work Style”, “Expansion of Work Fields” and “Employment of Foreigners.”



#### Inclusion in SRI Indices (Morningstar Socially Responsible Investment Index)

As of January 2016, KDDI is included in the Morningstar Socially Responsible Investment Index (MS-SRI), which is the first socially responsible investment index in Japan.

The MS-SRI is a stock index of 150 socially exceptional companies selected by Morningstar Japan K.K. from listed domestic companies.



#### Inclusion in SRI Indices (Ethibel Sustainability Index Excellence Global label)

As of March 2016, KDDI is included in the Ethibel Sustainability Index Excellence Global label from the socially responsible investing promotion group Forum ETHIBEL, based in Belgium. Forum ETHIBEL selects companies that demonstrate high performance from a CSR perspective.



#### Inclusion in Euronext Vigeo World 120

As of June 2016, KDDI is included in the Euronext Vigeo World 120 sustainability evaluation indices, selected by NYSE Euronext, the world's biggest stock exchange group, and Vigeo which evaluates companies' performance in social responsibility.



#### Top Domestic Telecommunications Carrier in CDP 2015

KDDI obtained a score of 99 points in evaluation of the level of disclosure of climate change information in the CDP Global Climate Change Report 2015 published by CDP\* in November 2015. This is the highest score of any telecommunications carrier in Japan.

This survey, in which CDP sends out a questionnaire on climate change to 500 target Japanese companies, was the thirteenth to date.

\*CDP is a non-profit organization based in London, UK. It used to be known as the Carbon Disclosure Project.

#### Ranked 8th by Industry in Nikkei Environmental Management Survey

KDDI was ranked in 8th place in the information and communications sector in the 18th Environmental Management Survey announced by the Nihon Keizai Shimbun in January 2016. The survey analyzes a company's overall environmental management and evaluates its balance of environmental measures, such as reduction of greenhouse gases and waste, and improvement in management efficiency.

#### Finalist in Low Carbon Cup 2016

On November 26, 2015, KDDI's Promotion of Recycling of Used Mobile Phones received the Finalist Award out of a total of 1,993 entries in the Low Carbon Cup 2016 organized by the Japan Network for Climate Change Actions.

The Low Carbon Cup is a system that commends activities

## External Assessment

for prevention of global warming undertaken by a diverse range of companies and organizations all over the country. This year 38 finalists were selected including KDDI.

The award was in recognition of KDDI's recycling of almost 100% of used mobile phone material.



Promoting Recycling of Mobile Phones

[Link](#) Page\_103

### Winner of Prize for Excellence in the Environmental Communication Awards

On February 9, 2016, KDDI's Integrated Report (Detailed ESG Version) received the Selection Committee Chairman's Prize in the 19th Environmental Communication Awards sponsored by the Ministry of the Environment and the Global Environmental Forum for outstanding achievement in the field of environmental communications.

The awards are given with the aim of promoting initiatives for environmental management and environmental communications and improving the quality of disclosure of environmental reports by commending outstanding environmental reporting.

### Winner of the 25th Global Environment Awards (Fujisankei Group Award)

KDDI, The University of Tokyo and Kyushu Institute of Technology received the Fujisankei Group Award at the 25th Global Environment Awards sponsored by the Fujisankei Communications Group and supported by the Ministry of the Economy, Trade and Industry, Ministry of the Environment, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Land, Infrastructure, Transport and Tourism,

Ministry of Agriculture, Forestry and Fisheries, and the Japan Business Federation.

The Global Environment Awards were introduced in 1992 as a system for recognizing industry, aimed at the coexistence of industrial development and the global environment.

The award recognized the contribution of the ecological survey project on dolphins in the River Ganges jointly conducted by KDDI, The University of Tokyo and Kyushu Institute of Technology to biodiversity conservation.



25th Global Environment Awards (Fujisankei Group Award) presentation ceremony



Research on Behavior of Endangered River Dolphins

[Link](#) Page\_104

### Winner of Incentive Award of Japan Association for Promotion of Educational Technology

Disaster Training Classes Using Smartphones conducted at Yamanashi Prefectural Education Center with total support from KDDI and KDDI R&D Labs received the Incentive Award from the Japan Association for Promotion of Educational Technology (JAPET & CEC) at the ICT Yume Contest sponsored by JAPET & CEC.

This unprecedented and progressive high school initiative enables high school students to experience actual use of smartphones as a mitigation tool in times of disaster. It was highly appraised as an outstanding example of industry-government-university partnership and as a social challenge in regional disaster prevention and information literacy among high school students.

### Winner of Award for Companies Promoting Experience-based Learning Activities for the Youth

KDDI received the Selection Committee Incentive Award in the large corporation category at the 2015 Awards for Companies Promoting Experience-based Learning Activities sponsored by the Ministry of Education, Culture, Sports, Science and Technology (MEXT).

Introduced in 2014, the Awards for Companies Promoting Experience-based Learning Activities is a system for MEXT to recognize companies that undertake outstanding experience-based activities for young people.

KDDI received the award in recognition of its Tohoku Innovators Program, an IT education initiative for junior and senior high school students in the Tohoku region between August 2014 and February 2015.

### Selected as Telework Pioneer 100

On April 1, 2016, KDDI was selected as a "Telework Pioneer 100" certified by the Ministry of Internal Affairs and Communications (MIC).

Introduced in 2016 with the aim of promoting the spread of telework, Telework Pioneer 100 is a system for MIC to recognize companies, organizations, etc. that introduce and utilize telework.

KDDI introduced teleworking in 2005 and has created an environment in which about 7,000 employees currently work at home. This initiative was recognized by the award.





## Material Issue: Governance

# Offering Reliable Information and Communications Services

## KDDI's Approach

### Recognition of social issue

One can say that communications services are the most vital lifeline for a society whose information is becoming more advanced. Natural disasters, cyber-terrorism, and other occurrences that obstruct this lifeline are major causes of anxiety to society and the economy. We believe that it is our duty to continuously provide stable information communications services 24 hours a day, 365 days a year in any condition that may present itself in order to support a society where people can live securely.

### KDDI's risk and opportunity

- It is projected that our company value will drop should we become unable to provide communications services for any reason be it a natural disaster or cyber-terrorism.
- We feel that continuously providing information communications services under any circumstance will lead to the support of society and the economy thus resulting in the increase of our company value.

### KDDI's management

As an operation system during times of large-scale disasters, we have in place a business continuity plan (BCP) as well as a Disaster Agreement with the Ministry of Defense and the Japan Self-Defense Forces. Furthermore, the KDDI Security Operations Center is responsible for detecting, analyzing, and providing protection against

cyber attacks in which they have a 24 hour/365 day system where they are aware of the communications conditions. With these robust systems, KDDI can quickly respond in times of disaster or terrorism. In the realm of information security, we have established the KDDI Group Information Security Standards created by the Information Security Committee with which each company in the group outfits their operation systems.

We are also strengthening the governance for the entire Group in our efforts to make operations more efficient and transparent. As such, KDDI has established a system with the Corporate Risk Management Division at its core that promotes internal control activities. Its aim is to achieve a corporate constitution that prevents risks from materializing. The KDDI Code of Business Conduct defines the basic policies for compliance that every executive and employee must adhere to.

#### Policies

- Disaster Response Regulations



Security Policy

[Link](#) Website



Basic Policy for Constructing an Internal Control System

[Link](#) Page\_40



KDDI Code of Business Conduct (Basic Principles)

[Link](#) Website

## Key Performance Indicators (KPI)

	FY2015 Goal	FY2015 Result
Rate of issues improved extracted from 2014 company-wide disaster response training	100%	100%

## Highlights of FY2015 Activities

KDDI has reviewed and strengthened its disaster response measures for responding to an earthquake directly below the Tokyo Metropolitan area or a massive earthquake in the Nankai Trough, and has worked to establish a system for BCP implementation even when communications are severely impacted.

## Future issues

- Ensure a means of information sharing in times of disaster when the terrestrial network has ceased to function (total disruption of communications)
- Strengthen disaster response in office buildings in the event of an earthquake directly below the Tokyo metropolitan area
- Autonomous disaster response by each division assuming non-functioning of the chain-of-command structure

## Providing Reliable Service

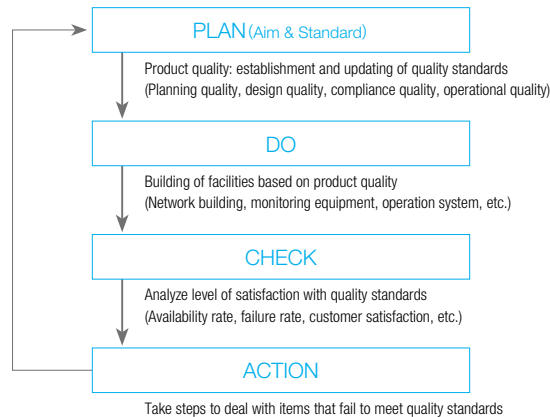
### System

### Service Quality Management System

At KDDI, we have a lot of communications facilities including optical fiber cables and mobile phone base stations which are maintained and managed by a nationwide network of operations departments and technical centers. KDDI's Operation Center centrally monitors communications nationwide 24 hours a day, 365 days a year. It is responsible for appropriate communication control as well as recovery work in cooperation with operations departments across Japan in the event of failure. With regard to service quality, we are constantly working to offer high-quality, reliable communication services by building, analyzing and improving the facilities and operation system in accordance with our own strict standards based on our management system.

### Multiple Surveillance and Controlling Operation Centers

Center	Role
Mobile Operations Center	In charge of surveillance of the au mobile phone network and fixed-line phone network
Server Operations Center	In charge of surveillance of the server facilities
Network Operations Center	In charge of surveillance of landline backbone circuits and station building, electric power and air conditioning equipment
Technical Service Center	In charge of surveillance of private corporate lines and VPN lines
IT Outsourcing Center	In charge of surveillance of individual solution equipment and operation of the data center
Security Operations Center	In charge of detection, analysis and defense against cyber attacks
Global Network Engineering & Operations Center	In charge of overall surveillance of international circuits and video circuits



### Activities and Results

### Offering Reliable Information and Communications Services

#### Network Service Enhancement Project

We launched the "Network Service Enhancement Project" with the aim of identifying and speedily rectifying issues, based on customer feedback through our communication network service. Through this project, we aim to solve problems promptly by a system that cuts across relevant departments including sales, operations, products, and technology and equipment.

#### Maintenance and Operation of Global Network

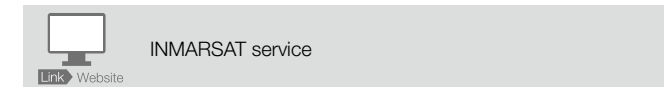
KDDI connects communications providers around the world to their networks. In cooperation with these companies, we maintain and operate a global network linking all parts of the world. As well as offering high quality international communication services using highly reliable optical fiber submarine cables, KDDI aims to offer services

using new technologies centered on its IP services.

Submarine cables provide 99% of Japan's international traffic\*, making them an important component of the social infrastructure. Moving forward, KDDI aims to provide an unprecedented level of reliability in communication services for the Asia-Pacific region, where demand is expected to continue growing.

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

\* According to research by KDDI.



### Activities and Results

### Launch of "FASTER" Optical Submarine Cable System Between Japan and U.S.

"FASTER", a optical fiber submarine cable between Japan and the U.S. constructed by a consortium formed by KDDI together with China Mobile International (China), China Telecom Global (China), Google (U.S.), SingTel (Singapore) and Global Transit (Malaysia) started service in June 2016. FASTER is 9,000 km long and has a transmission capacity of 60 Tbps, 1.5 times the previous transmission capacity between Japan and the U.S. To boost FASTER's reliability, there are two cable landing stations in Japan, in Minamiboso, Chiba Prefecture and Shima, Mie Prefecture. The cable landing station in

## Providing Reliable Service

Minamiboso is an elevated station located 28m above sea level, so it will not be affected by any tsunami that may occur. Together with the Unity cable between Japan and the U.S. that came into service in 2010 and the SJC cable in Asia that came into service in 2013, FASTER will support communication services in the Asia-Pacific region where demand is expected to continue growing.

### Activity and Results

### New Construction of Global Data Centers with Highest-Class Power Supply Capacity in Japan

In FY2015, KDDI constructed two new data centers, TELEHOUSE OSAKA 2 (Osaka City, Osaka) and TELEHOUSE TOKYO Tama 3 (Tama City, Tokyo), equipped with an electrical power supply capacity that ranks among the highest in Japan<sup>[1]</sup>. With the construction of these facilities, the network of TELEHOUSE data centers will span 48 sites (including 21 sites in Japan) located in 24 cities in 13 countries and regions around the world, and the total floor space of all data centers will measure approximately 447,000 square meters.



TELEHOUSE OSAKA 2 exterior



TELEHOUSE TOKYO Tama 3 exterior

In addition to the high-capacity power supply, both data centers boast an environmentally-friendly design that incorporates features such as highly efficient and reliable power-supply equipment, energy-efficient air conditioning, LED illumination, and motion detectors that sense the presence of people. The centers have been approved for the Environmental Eco Label<sup>[2]</sup> as ICT services that contribute to reducing the impact on the global environment.

The buildings also incorporate a seismic base isolation system that offers protection from earthquakes and minimizes the impact on customers when they occur.

Furthermore, the network cables traverse different routes underground, enabling communication services to be provided with a level of stability that only a telecommunications operator can achieve. Use of these data centers can serve as effective BCP<sup>[3]</sup> and DR<sup>[4]</sup> measures when a disaster occurs, which can help customers maintain safe and secure business operations.

[1] TELEHOUSE OSAKA 2 power supply capacity to each rack: 30 kVA (rated) TELEHOUSE TOKYO Tama 3 power supply capacity to each rack: 42 kVA (rated), the highest in Japan\*

\* As of August 26, 2014, according to research by KDDI based on public information.

[2] The Environmental Eco Label is provided to services that contribute to reducing carbon dioxide emissions through the use of ICT services offered by KDDI. The applicable services are indicated by the KDDI Eco Mark.

[3] BCP is an abbreviation of "business continuity plan", which refers to a plan to secure the continuity or quick recovery of important business operations in the event of a disaster.

[4] DR is an abbreviation of "disaster recovery", which refers to measures to prevent or recover from system failures that occur due to disaster.

### System

### Response to Product Accidents and Base Station Construction

#### Response to Product Accidents and Defects

When an accident or defect occurs with a KDDI product, a report is sent to the Product Accident Response Desk in each relevant department at KDDI, and a response plan is promptly established upon consultation with the Survey Committee, which is chaired by the president. In the case of a serious product accident, customers are notified immediately and thorough reports are filed with the relevant government agencies.

#### Auditing of Base Station Equipment Production Plants

KDDI conducts thorough quality control of equipment to be used in mobile phone base stations to ensure a stable communication environment for customers. Because failures in base station equipment can lead to communication difficulties over a whole area, we perform audits at plants which produce equipment for KDDI base stations.

Audits consist of strict checks of production processes and the production environment in order to eliminate a variety of causes of malfunctions and defects. If there are problems, we communicate them to the plant and take painstaking preventative action against breakdown of equipment.



## Providing Reliable Service

### Specific case examples of auditing:

- Ensuring that the 5S measures (Sorting, Setting in Order, Shining, Standardizing, and Sustaining Discipline.) are implemented properly
- Ensuring that the specified values are maintained within electrostatic protection areas
- Ensuring that the appropriate temperature and humidity are maintained within parts storage rooms
- Ensuring that the details of assembly procedures and visual inspections are clear, and that they are performed properly

To allow our customers to use mobile phones and smartphones with peace of mind, we will continue to ensure our manufacturers and suppliers understand KDDI's quality control philosophy and work together with plants to reduce the number of equipment malfunctions.

Through the auditing performed in FY2015, KDDI found no issues affecting product quality.

### ■ Setting Up Mobile Phone Base Stations and Neighborhood Care

With the aim to provide a reliable communications environment to mobile phone users, KDDI sets up mobile phone base stations in all parts of Japan in order to support new services and improve service area quality. For the design and construction when setting up a new base station, we abide by the Radio Act, Building Standards Act, and other relevant laws and regulations as well as municipal ordinances and guidelines.

Furthermore, in cases where the construction is expected to cause a nuisance or inconvenience to the neighborhood (for example, due to the traffic of construction vehicles and noise from construction) or if we received inquiries regarding a mobile phone base station, KDDI provides general information about the base station and explanation of the construction work so that we can earn the understanding and cooperation of the neighborhood.

### ■ Operating More Than 30,000 4G LTE Base Stations That Support a Maximum Downlink Speed of 150 Mbps

To further improve communication quality, KDDI and Okinawa Cellular Telephone Company adopted 4G LTE in October 2013.

Then in May 2014, KDDI introduced Carrier Aggregation, which is supported by next-generation high-speed LTE-Advanced technology.

The number of base stations that support a maximum downlink speed of 150 Mbps currently stands at over 30,000. KDDI will continue its efforts to improve service area quality in FY2016.

## Technological Development to Improve Communications Quality

### Activity and Results

#### Efforts to Increase Communication Speed

##### ■ Providing Carrier Aggregation for 4G LTE and WiMAX 2+

In FY2014, KDDI introduced 4G LTE Carrier Aggregation, which is supported by next-generation high-speed LTE-Advanced technology, and started releasing smartphones and tablets that support two next-generation communication networks, Carrier Aggregation and WiMAX 2+.

Carrier Aggregation technology enables LTE data communications across multiple frequency bands simultaneously. By combining data received in different frequency bands, a faster communication speed is achieved.

In FY2015, KDDI continued to increase the speed of 4G LTE Carrier Aggregation, as well as introducing Carrier Aggregation for WiMAX 2+ and releasing compatible smartphones and tablets.

In FY2016, KDDI plans to start offering 4G LTE & WiMAX 2+ high-speed communication with a maximum receiving speed of 370 Mbps, bundling 4G LTE high-speed communication and WiMAX 2+ high-speed communication with Carrier Application. The network is automatically selected based on the customer's communication environment, ensuring comfortable high-speed data communications<sup>[1]</sup>.

[1] Devices are connected to the network that KDDI determines to be the least congested, based on factors such as traffic conditions.

\* WiMAX 2+ is a high-speed communication service provided by UQ Communications Inc.

### Activity and Results

#### Providing a Convenient Usage Environment

##### ■ Providing Area Quality Information Transmission Function for 4G LTE Smartphones (Android™)

KDDI has expanded the number of mobile phones that include the Area Quality Information Transmission Function in its effort to further increase communications quality. The Area Quality Information Transmission Function is a function that detects and collects information on quality, signal condition and location during voice calls and data transmission and automatically sends it to KDDI. The area quality information sent to KDDI is analyzed statistically and used for improving the signal quality in places where customers experience transmission errors and slow transmission speeds.

##### ■ Improvement of Communications Environment by Home Visits

As part of the efforts to improve the communications environment for au mobile phones, KDDI offers the Signal Support 24 service for customers nationwide. 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. KDDI contacts the customer to setup an appointment within 24 hours of their inquiry.



Home visit service – Examining signal reception quality to create better service area



au Femtocell (left) and au repeater (right)

KDDI then implements service area improvements using au repeaters or au Femtocells. We accept inquiries about signal quality not only in homes, but also outdoors and in offices and restaurants. We will continue to strive to improve service area quality as well as deliver a reliable communication environment through committed reactions to the voices of our customers.

##### ■ au Wi-Fi SPOT Public Wireless LAN Service

KDDI offers the "au Wi-Fi SPOT Public Wireless LAN Service," which allows easy Internet access by anyone with an au smartphone.

By simply turning on the Wi-Fi function of their device, anyone can easily connect to an au Wi-Fi SPOT. Also, depending on the strength of the signal, devices can switch from 4G to Wi-Fi automatically for easy Internet communications. KDDI is enhancing au Wi-Fi SPOT network construction and increasing the number of hotspots so as to provide easy telecommunications access to all au smartphone users.



Sticker to inform of available location

## Initiative in Preparation for Emergencies

### Policy and System

### Business Continuity Plan (BCP) Initiatives

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

In March 2016, the Disaster Response Office spearheaded efforts by countermeasure offices to link communications equipment from all divisions and branches throughout Japan as part of disaster response training in anticipation of an earthquake directly underneath the Tokyo metropolitan area. As well as employing a "blind" method of training in which participants are not told what sort of disaster to expect until just before the training begins, training was conducted assuming total disruption of communications immediately after the disaster, with the disaster response meeting held under a communication environment

consisting of satellite network only.

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

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

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



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

### Activity and Results

### Participation in Nationwide Disaster Response Training

As a designated public institution under the Basic Act on Disaster Countermeasures, KDDI participates in comprehensive disaster response training held by the national and local governments, and as a provider of information communications infrastructure we cooperate with relevant authorities to ensure rapid and effective recovery activities.

In Disaster Preparedness Week in 2015, the week that included Disaster Preparedness Day, September 1, we took an active part in disaster response training held by local governments in different areas throughout Japan to increase awareness and knowledge of what to do if a disaster takes place.

### System

### au Disaster Recovery Support System

KDDI has implemented an au Disaster Recovery Support System in 10 technical centers nationwide to quickly grasp the situation and draw up precise recovery plans if a large-scale disaster takes place.

The au Disaster Recovery Support System comprehensively manages the overall area situation based on equipment malfunction information, the situation in key locations based on data traffic, and information related to emergency shelters and evacuation routes. By plotting this data on a map, it is possible to understand priority recovery areas visually and in real time. Even if a disaster affects a wide area, the system makes possible effective recovery activity.

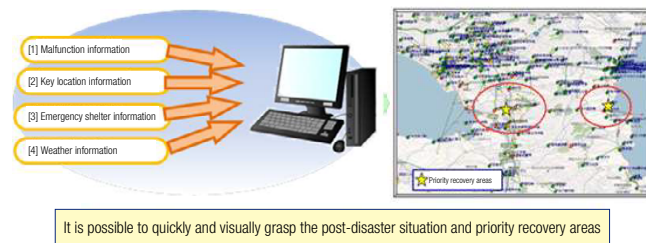
Also, by using it as a means to exchange information with government institutions and internal departments, it can be used not

## Initiative in Preparation for Emergencies

only to restore communications infrastructure but also as a useful tool for supporting general disaster recovery. We are also making efforts to further speed up recovery by making it possible for the system to link to weather information.

To quickly restore communications to service areas in case of outage, such as due to a disaster, we are pursuing equipment-based measures including increases in vehicle-mounted base stations, portable base stations, and wireless entrance facilities. We are also bolstering personnel-based measures to ensure this equipment is used effectively.

### au Disaster Recovery Support System



#### System

### Robust Network Construction

#### Introducing 4G LTE-Compatible Wide-Zone Base Station for Disasters

In preparation for an earthquake occurring directly beneath the Tokyo metropolitan area, KDDI is reviewing its disaster measures from various perspectives, and as a backup for the time between when an earthquake strikes and recovery, we have introduced and began operations on a “wide-zone base station for disasters.” The base station supports voice communication (1x), 3G communication (EVDO) and LTE communication (4G LTE), allowing provision of mobile phone services such as voice calls and data transmission should an earthquake directly hit the capital. It is the first 4G LTE-compatible wide-zone base station in Japan.



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



Radio Transmission Path Relay Station

Currently, ten base stations have been constructed, covering an area from Chiba in Chiba Prefecture to the east to Kawaguchi in Saitama Prefecture to the north, Tachikawa in Tokyo to the west and Kawasaki in Kanagawa Prefecture. Furthermore, learning from the experience of the Great East Japan Earthquake, the backhaul line (connected to the core network) in the wide-zone base station has a dual structure of microwave radio and optical fiber cable.

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

#### Chikura No.2 Cable Landing Station Safe from Effects of Tsunami

To enhance the continuity of communication services in readiness for a major disaster, in April 2014 KDDI established the Chikura No.2 Cable Landing Station in Minamiboso City, Chiba Prefecture, which will serve as an international communications hub for the U.S. and Asia.

Chikura No.2 Cable Landing Station is an elevated station located 28m above sea level where it will not be affected by tsunami in the event of a large-scale disaster.

In addition to optical fiber submarine cables linking Japan with the U.S. and Asia, as part of our international communications network BCP, KDDI will utilize cable routes to Europe via Russia and satellite networks. In this way, KDDI will continue to strive to provide safe and secure communications services by ensuring the continuity of international communications in times of disaster.

## Initiative in Preparation for Emergencies

### ■ Signing a Disaster Agreement with Each Regional Army of the Japan Ground Self-Defense Force and the Japan Coast Guard

KDDI signs an agreement of mutual cooperation to secure telecommunications in times of disaster (referred to below as "Disaster Agreement") with each regional army of the Japan Ground Self-Defense Forces nationwide and with the Japan Coast Guard. The aim of these Disaster Agreements is to ensure mutual cooperation in securing telecommunications across a wide area, so that quick recovery can be achieved in times of disaster, such as a major earthquake that is expected to occur directly underneath the Tokyo metropolitan area or in the Nankai Trough.

KDDI will continue working closely with all stakeholders in the full pursuit of measures to facilitate recovery after large-scale disasters.

### ■ Conducting Demonstration Experiments for Installing Mobile Phone Base Stations Aboard Ships

A ship-mounted base station is a wireless base station for recovery of mobile phone service area in the event of a disaster. Undertaking service area recovery from the sea which will not be affected by the extent of the disaster on the land will further speed up recovery of the service area and contribute to securing a means of contact for rescue and recovery operations in the event of a disaster.

Learning from the experience of the Great East Japan Earthquake in 2011 when recovery of the base stations from land routes was difficult due to severed roads and broken optical fiber cables, since 2012 KDDI has developed and conducted various demonstrations of dedicated communications equipment in collaboration with the Japan Coast Guard and relevant organizations toward practical operation of ship-mounted base stations for recovery of service area coverage from the sea. In March 2016, the Radio Act was revised toward utilization of ship-mounted base stations, enabling training using

commercial mobile phone radio waves based on the assumption of an actual disaster.

From FY2016 onward KDDI will work with relevant organizations to implement training in ship-mounted base stations as well as existing training in vehicle-mounted base stations on land.



The experimental mobile phone base station is installed on the bridge of the patrol vessel Satsuma.

### ■ Reinforcement of Equipment for Reconstruction of Network and Quick Recovery

KDDI is targeting improved network reliability and implementing various initiatives to prepare for the kind of large-scale disaster it is feared may take place, such as an earthquake directly underneath the Tokyo metropolitan area or a massive earthquake in the Nankai Trough (Tokai, Tonankai, Nankai).

As part of efforts to build disaster-resistant networks, we have augmented our backbone networks from three routes to four, and furthermore, we have installed a new facility monitoring system in Kansai to decentralize our monitoring functions.

Also, as a facilities measure to allow quick recovery in disaster-hit areas, we augmented deployment of mobile power supply vehicles and emergency power generators to make possible quick power supply to telecommunications facilities in the disaster area. Furthermore, we are implementing various initiatives to ensure

communications services in the disaster-hit areas, such as increasing deployment of wireless entrance facilities\* as well as vehicle-mounted and portable base stations and equipping around 2,000 mobile phone base stations with batteries capable of operation for more than 24 hours.

In 2015, faster deployment to disaster areas was enabled by mounting red lamps on vehicle-mounted base stations registered as emergency vehicles.

KDDI has also improved vehicle-mounted base stations by adding Carrier Aggregation (CA), which is supported by next-generation high-speed LTE Advanced technology. In addition to ensuring the availability of voice and data communication services for mobile phones in disaster-hit areas, this equipment can be used to provide reliable service in high-traffic areas where large numbers of customers gather, such as fireworks displays or outdoor events.



Vehicle-mounted base station

## Initiative in Preparation for Emergencies

### System

### Providing Services in Times of Disaster

#### ■ Ensuring the Ability to Communicate and Check the Safety of Loved Ones

When a disaster happens, many people try to use their phones simultaneously, making voice communications difficult. For this reason, we have begun offering a variety of new services that people can use to communicate or check the safety of loved ones after a disaster. We are also enhancing our Emergency Rapid Mail to provide tsunami warnings as well as useful information in times of disaster.

To ensure use in times of disaster, “au Disaster Countermeasures App” is preset on au smartphones (Android™) currently on the market. An iPhone version is also available from the App Store.

“au Disaster Countermeasures App” combines a variety of services that can be used when a disaster occurs, including the Disaster Message Board for registering and confirming safety in the event of disaster, Emergency Rapid Mail for directly sending disaster-related information such as emergency earthquake early warnings, tsunami warnings and disaster/evacuation information,\* and the Disaster Voice Messaging Service for conveying “spoken” confirmation of safety through use of the packet communications network in times of disaster. Furthermore, pre-initialization

The screenshot shows the 'Disaster Message Board' interface within the 'au Disaster Countermeasures App'. At the top, it says 'Disaster Message Board' and '-Register Messages-'. Under 'Condition', there are four radio button options: 'I am safe.', 'I am injured.', 'I am at home.', and 'I am at the evacuation center.', followed by a link 'See the comments.'. Below this is a text input field labeled 'Enter comments (up to 100 characters)'. A note states: '\* Your mobile phone number and the date of registration will be displayed on the confirmation screen for registered message.' At the bottom, there is a 'Register' button and a 'Back to Top' link. The footer indicates '(C)KDDI'.

au Disaster Countermeasures App

enables registration of safety information and sending of voice files from Wi-Fi, and use of mobile phone data transmission lines when voice transmission is interrupted.

We have also begun an arrangement allowing mutual usage of the Disaster Message Board and Disaster Voice Messaging Service between all mobile phone providers that transcends company fences.

\* A service which sends evacuation advisories, instructions, various warnings, and other citizen safety information from national and local governments simultaneously to all au mobile phones in the target area

#### ■ Video Introducing Useful Services in Times of Disaster

KDDI provides the Disaster Message Board Service and Disaster Voice Messaging Service, which ensure that customers can communicate or check the safety of loved ones in times of disaster. KDDI released “Moshi Moshi Keitai, Moshimo No Keitai,” an easy-to-understand video that introduces these services, and offered a trial period for customers to experience the Disaster Message Board Service and Disaster Voice Messaging Service for the following periods.

- 1st and 15th of every month (0:00-24:00)
- 3 days at New Year (12:00 on January 1-24:00 on January 3)
- Disaster Preparedness Week (August 30-September 5)
- Disaster Preparedness and Volunteer Week (January 15-21)

In addition, the au Disaster Countermeasures App is loaded with useful disaster-related information that can help customers prepare for disasters before they occur.



# Corporate Governance

## Policy

### Basic Views and Guidelines on Corporate Governance

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

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

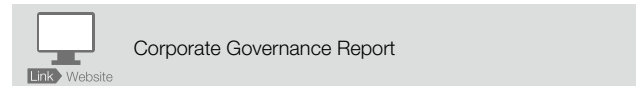
We recognize reinforcing corporate governance as important to achieving sustainable growth and increased corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the “Corporate Governance Code” defined by the financial instruments exchange. While maintaining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

In addition to our corporate credo and mission statement, we have formulated the “KDDI Group Philosophy,” which defines perspectives, values, and code of conduct that officers and

employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.

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

As of the present time, KDDI considers that it is in compliance with all governance codes, but we will continue to work for further improvement.



## System

### Corporate Governance Promotion Framework

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

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

KDDI is making active efforts to vitalize the General Meeting of Shareholders and ensure smooth exercise of voting rights.

Convocation announcements are issued early (about 3 weeks in advance), and the Company strives to avoid scheduling the meeting on days when many other companies hold their shareholders’ meetings. KDDI also allows shareholders to exercise their voting rights via PC and mobile phone platforms.

The Board of Directors, which includes outside directors and independent outside directors, makes decisions regarding important matters as prescribed by relevant statutes, and oversees the execution of proper conduct. The agenda items for the Board of Directors, as well as important matters relating to the execution of business, are decided by the Corporate Management Committee, composed of directors and executive officers. The Board of Directors also has the right to appoint and dismiss executive officers. KDDI has formed an Appointment Advisory Committee and a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors in order to maintain both transparency and fairness in appointing candidates to the Board of Directors and Audit & Supervisory Board, as well as on the system and level of remuneration for executives. More than half of the members of both committees, including the chairmen, consist of outside directors.

Audit & supervisory board members attend meetings of the Board of Directors, as well as other important internal meetings. The directors and the Internal Audit Division provide, in an appropriate and timely manner, all data necessary to the execution of audit & supervisory board members’ duties, exchange opinions, and collaborate with auditors. The Board also periodically listens to reports from the accounting auditor on the annual accounting audit plan, the progress, and the result of accounting audits. It also makes recommendations and exchanges of opinion as necessary. In addition, in 2006, KDDI established the audit & supervisory board member’s office to assist audit & supervisory board members with

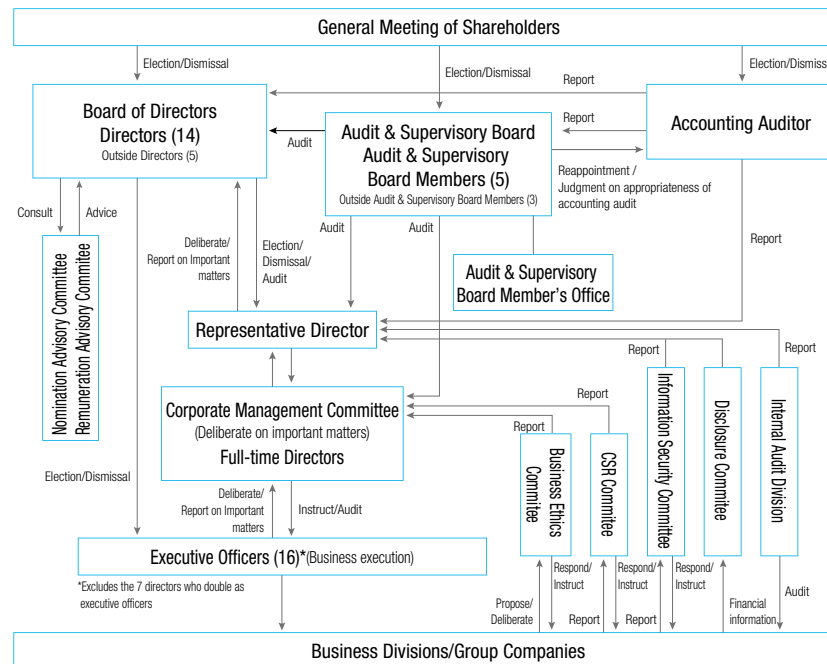


## Corporate Governance

their duties. The opinions of the audit & supervisory board members are regarded highly when selecting personnel for assignment to the office, and efforts made to ensure appropriate personnel.

All KDDI Group operations are subject to internal audits to regularly assess the appropriateness and effectiveness of internal controls. The results of internal audits are reported to the president and to audit & supervisory board members, along with recommendations for improvement and correction of problem areas.

### Corporate Governance Framework



# Corporate Governance

## System

### Items Related to Organizational Structure and Operation

Organizational form	Company with board of auditors
Number of directors in Articles of Incorporation	20
Tenure period of directors in Articles of Incorporation	1 year
Presiding officer of Board of Directors	Chairman (President and chairman are separate posts)
Number of directors	14 (including 1 female)
Selection process for outside directors	Appointed
Number of outside directors	5 (including 1 female)
Number of outside directors designated as independent directors	3 (including 1 female)
Existence of Audit & Supervisory Board	Exists
Number of auditors in Articles of Incorporation	5
Number of auditors	5 (all male)
Selection process for outside auditors	Appointed
Number of outside auditors	3 (all male)
Number of outside auditors designated as independent auditors	3 (all male)
Number of independent auditors	6 (including 1 female)
Status of implementing incentive measures for directors	<ol style="list-style-type: none"> <li>1. Performance-based bonus To clarify the managerial accountability of executives and further enhance incentives for business improvement, a fluctuating performance-linked remuneration system was introduced at the 27th Annual Meeting of Shareholders held on June 16, 2011, setting executive bonuses after FY2011 at no more than 0.1% of consolidated net profit in the fiscal year.</li> <li>2. Performance-based stock remuneration (BIP) Introduction of a performance-linked stock remuneration system was approved at the 31st Annual Meeting of Shareholders held on June 17, 2015, and the system was introduced on September 1, 2015. The percentage of performance-linked remuneration was raised as a result. The executive remuneration system and levels have been set by taking into account the responsibility of directors to sustain continuous growth and improve mid-to-long term corporate value while swiftly reacting to environmental changes within the KDDI Group.</li> <li>3. Stock option A stock option system for up to 40 million yen per year was introduced at the 22nd Annual Meeting of Shareholders held on June 15, 2006, with the aim of enhancing incentives for executing duties and improving business results. However, stock acquisition rights have not been allotted under this system since FY2010.</li> </ol>
Persons eligible for stock options	Internal directors, employees, subsidiary directors

## Corporate Governance

Existence of policy for deciding the remuneration amount and calculation method	<p>&lt;Directors&gt; Remuneration for directors consists of flat-rate salaries and performance-based bonuses and stock remuneration provided that they are responsible for improving business results every fiscal year and enhancing mid-to-long term corporate value. Flat-rate salaries are based on their professional ranking and the management environment. Executive bonuses and stock remuneration are based on achievement of the performance targets of the KDDI Group during the fiscal year and on their professional ranking.</p> <p>&lt;Auditors&gt; Remuneration for audit &amp; supervisory board members is based on discussions with audit &amp; supervisory board members and is only a flat-rate salary that is not linked to the business results of the KDDI Group.</p> <p>&lt;Remuneration Advisory Committee&gt; KDDI has formed a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors in order to maintain both transparency and objectivity on the system of and the level of remuneration for executives. More than half of the committee members, including its presiding officer, consist of outside directors (total of 7 members, consisting of 5 outside directors, the president, and the chairman).</p>
Remuneration ratio of the president to one company employee	12.5:1
Early issue of General Meeting of Shareholders announcements	Announcements are issued around one week before the stipulated day. Prior to that, an announcement is posted on the KDDI website.
Scheduling the General Meeting of Shareholders to avoid days when many other companies hold their shareholders' meetings	Efforts are made to avoid days when many other companies hold their shareholders' meetings.
Electronic voting methods	Shareholders can exercise their voting rights via an Internet voting site.
Efforts to participate in electronic voting platform and improve voting environment for other institutional investors	Joined electronic voting platform provided by Investor Communications Japan (ICJ).
English-language version of convocation announcement (summary)	English-language text of convocation announcements are provided via the KDDI website, internet voting site and voting platform. Business reports are also provided in English.
Other	<p>Based on requests from institutional investors, business reports and convocation announcements are incorporated into the same document.</p> <p>To encourage individuals to vote, an easy-to-understand illustrated guide to voting is included in convocation announcements.</p> <p>In addition, KDDI publishes a shareholders' bulletin that reports on the state of business and company topics in an easy-to-understand manner.</p> <p>This document is included with periodic notification letters that are sent to shareholders, and it is provided to individual investors at venues such as seminars.</p> <p>In addition, to encourage the participation of more shareholders in the shareholders' meetings, KDDI provides sign language interpretation at shareholders' meeting venues, for all of the proceedings, explanations, and Q&amp;A sessions.</p> <p>(Videos of the shareholders' meetings can be freely viewed on demand, via the KDDI website.)</p>
Existence of anti-takeover measures	None

# Corporate Governance

## Activity and Results

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

#### Outside Directors

Name	Reason for selection as an outside director of the Company (if designated as an independent director, reason for this designation)	Principal activities in FY2015
Tetsuo Kuba	Mr. Kuba was appointed because of the extensive experience and outstanding insight as a director of listed companies that he puts to excellent use in supervising the Company's business activities and decision-making process.	Attended 11 of 12 meetings of the Board of Directors
Nobuyori Kodaira	Mr. Kodaira was appointed because of the extensive experience and outstanding insight as a director of listed companies that he puts to excellent use in supervising the Company's business activities and decision-making process.	Attended 12 of 12 meetings of the Board of Directors
Shinji Fukukawa (Independent director)	Mr. Fukukawa was appointed because of the extensive experience and outstanding insight he has developed over numerous years as an executive officer in public administration and at various organizations which he exploits to contribute to enhancing the Company's corporate value. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders and have appointed him as an independent outside director.	Attended 12 of 12 meetings of the Board of Directors
Kuniko Tanabe (Independent director)	Ms. Tanabe was appointed because of the extensive experience and outstanding insight that she developed as a partner at a legal firm and which she exploits to contribute to enhancing the Company's corporate value. Given her career history, we judge that no danger exists of conflicts of interest with general shareholders and have appointed her as an independent outside director.	Attended 10 of 10 meetings of the Board of Directors * After being newly appointed as director at 31st Annual Meeting of Shareholders
Yoshiaki Nemoto (Independent director)	Mr. Nemoto was appointed because of his sophisticated insight into communication/network engineering and information processing that are so closely related to the Company's business and into disaster resistance that is so important for business operations, and his contribution to enhancement of the Company's corporate value. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders and have appointed him as an independent outside director.	—

## Corporate Governance

### Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside auditor and supervisor board member of the Company (if designated as an independent auditor, reason for this designation)	Principal activities in FY2015
Takeshi Abe (Independent auditor)	Mr. Abe was appointed because of the extensive experience and broad-based insight he has developed over numerous years as an executive officer in public administration and at various foundations involving the execution of operations at those organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Mr. Abe's tenure as executive officer at the Development Bank of Japan, Inc., was short. A substantial amount of time has passed since he retired from that position, and he currently receives no benefits from that organization. Given this experience, and the fact that he hails primarily from organizations involved in administrative operations, we recognize that he has scant relationship with KDDI. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Audit & Supervisory Board Resigned on June 22, 2016
Kishichiro Amae (Independent auditor)	Mr. Amae has extensive experience gained through many years as a diplomat and in the execution of operations at various organizations. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	Attended 11 of 12 meetings of the Board of Directors and 11 of 12 meetings of the Audit & Supervisory Board Resigned on June 22, 2016
Yukihisa Hirano (Independent auditor)	Mr. Hirano has extensive experience and expertise as a corporate manager. Consequently, he has been appointed to supervise overall management from a position independent from that of a director with the objective of promoting even more appropriate auditing. A significant amount of time has passed since Mr. Hirano retired from his position as president of Toyota Motor Corporation, and he currently receives no benefits from that organization. In addition, after retiring he served as president of the Central Japan International Airport Co., Ltd., and we recognize that he currently has no relationship with Toyota Motor Corporation. Consequently, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Audit & Supervisory Board Resigned on June 22, 2016
Akira Yamashita (Independent auditor)	Mr. Yamashita was appointed because of the extensive experience and insight he has developed over numerous years as an executive officer in public administration and at various organizations. Consequently, he has been appointed to supervise overall management with the objective of promoting appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	—
Kakuji Takano (Independent auditor)	Mr. Takano has extensive experience and insight as a certified public accountant, representative of an accounting firm and auditor at other companies as well as experience and insight in the execution of operations at various organizations. Consequently, he has been appointed to supervise overall management with the objective of promoting appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	—
Nobuaki Katoh (Independent auditor)	Mr. Katoh has extensive experience and insight gained as a director and auditor at listed firms and in the execution of operations at various organizations. Consequently, he has been appointed to supervise overall management with the objective of promoting appropriate auditing. Given his career history, we judge that no danger exists of conflicts of interest with general shareholders, consider him appropriate as an audit & supervisory board member, and have appointed him as an independent audit & supervisory board member.	—

## Corporate Governance

### Policy, Activity and Results

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

To clarify directors' management responsibilities and enhance incentives for business improvement, at the 27th Annual Shareholders Meeting on June 16, 2011, a system was introduced to link executive bonuses from fiscal 2011 to the business results of the KDDI Group within 0.1% of consolidated net income during the applicable fiscal year.

In addition, at the 31st Annual Shareholders Meeting on June 17, 2015, the introduction of a stock compensation plan was approved, and this system commenced operation on September 1, 2015. The percentage of remuneration that is performance-linked increased as a result. The KDDI Group sets director remuneration systems and levels in a manner that allows it to respond swiftly to environmental changes while taking into account directors' responsibilities for the management targets of achieving sustainable growth and increased corporate value over the medium to long term.

Remuneration for directors consists of fixed-amount salaries and performance-linked executive bonuses and stock remuneration provided that they are responsible for improving business results every

fiscal year, as well as medium- to long-term corporate value. Fixed-amount salaries are based on such factors as directors' professional ranking and the management environment. Executive bonuses and stock remuneration paid are based on the KDDI Group's level of achievement of its performance targets for each fiscal year, as well as on individual directors' roles.

Remuneration of Audit & Supervisory Board members is determined after consultation with the members. These members receive fixed-amount salaries that is not affected by fluctuations in the Company's operating performance.

To ensure the transparency and fairness of executive remuneration systems and levels, the Company has established a Remuneration Advisory Committee to conduct deliberations and provide advice to the Board of Directors in accordance with the request thereof. The chair, vice-chair and half or more of the members of this committee are outside directors.

#### Remuneration Advisory Committee composition

Chairman: Tetsuo Kuba (Outside Director)

Vice Chairman: Nobuyori Kodaira (Outside Director)

Member of Committee: Shinji Fukukawa (Outside Director), Kuniko Tanabe (Outside Director), Yoshiaki Nemoto (Outside Director), Tadashi Onodera, Takashi Tanaka

### Policy

### Approach to Profit Sharing

Profit sharing with shareholders is recognized as an important matter based on continuous stable dividends while maintaining financial soundness. The policy is to maintain a consolidated dividend trend of over 35% while taking into consideration investment in sustainable growth.

#### Remuneration for Directors and Audit & Supervisory Board Members (FY2015)

Executive Classification	Total Remuneration (Millions of yen)	Total Remuneration by Type (Millions of yen)			Number of Corresponding Executives
		Flat-rate Remuneration	Bonus	Stock remuneration	
Directors (Excluding Outside Directors)	622	370	140	111	10
Outside Directors	44	44	—	—	4
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	47	47	—	—	2
Outside Audit & Supervisory Board Members	43	43	—	—	3

\* Takashi Tanaka, the president, receives a total remuneration of ¥119 million (basic salary ¥70 million, bonus ¥27 million, stock remuneration ¥22 million). No other director receives remuneration in excess of ¥100 million.

\* Flat-rate remuneration of directors is limited to a maximum total of ¥50 million per month. Furthermore, directors may receive up to an additional ¥40 million of annual remuneration in the form of stock acquisition rights issued as stock options.

\* The maximum total annual remuneration for audit & supervisory board members is ¥100 million (based on the Company's fiscal year).

\* The remuneration amount for directors includes the bonuses that are linked to performance, and is no more than 0.1% of consolidated net income for the applicable fiscal year.

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

# Corporate Governance

## System

### Changes in the Corporate Governance Framework

		(Year)																		
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
President		Yuusai Okuyama*1		From June 2001 Tadashi Onodera									From December 2010 Takashi Tanaka							
Directors*2	Number of directors	53*3	13	12	11							10	13	12			13		Now 14 people	
	Number of outside directors			2	3			4	3				2			3	4	Now 5 people		
	Number of independent directors															1	2	Now 3 people		
Assurance of diversity*2	Number of female directors																1	Now 1 person		
Establishment of Advisory Committee													Remuneration Advisory Committee established in 2011						Nomination Advisory Committee established in 2015	
Transparency in executive remuneration				Introduction of a stock option system in 2002									Remuneration Advisory Committee established in 2011				Introduction of a performance-based bonus system for executives in 2011			
																	Introduction of stock compensation plan for directors in 2015			
KDDI Group Philosophy		Enactment in October 2000												Revision project from 2012 to 2013				Revised, continued promotion activities from 2013		

\*1 Appointed president of DDI in December 1993. Became president of KDDI in October 2000.

\*2 Number of people at the conclusion of each Annual General Meeting of Shareholders

\*3 Number of people at the conclusion of an Extraordinary Meeting of Shareholders convened in October 2000



# Compliance

## Policy

## Basic Stance

KDDI is improving and reinforcing its compliance structures, based on its belief that compliance with the law - including strict observance of the privacy of communications by telecommunications providers as established in the Telecommunications Business Law – is fundamental to business operations. In conjunction with these efforts, KDDI is working to improve awareness of compliance to ensure that all executives and employees maintain a high sense of ethics at all times and execute their duties appropriately, through the KDDI Code of Business Conduct as well as through the following activities:

- Spreading The KDDI Group Philosophy
- Fostering a sense of organizational unity and improving communication
- Quickly responding to violations, and performing analysis and prevention activities
- Eliminating relationships with anti-social forces



KDDI Code of Business Conduct (Basic Principles)

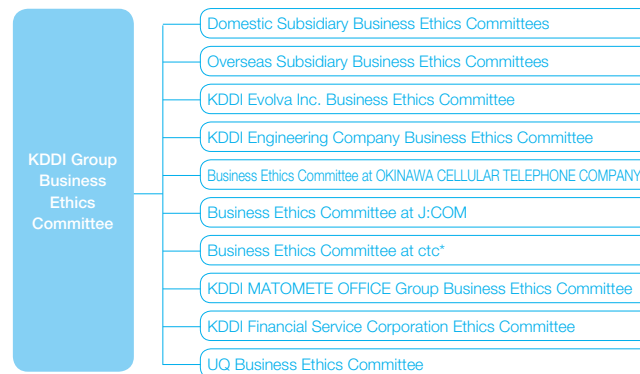
## System

## Compliance Promotion System of the KDDI Group

KDDI has also put in place a KDDI Group Business Ethics Committee, in which the KDDI Chairman serves as Committee Chairman, to deliberate and make decisions on compliance-related items. The Business Ethics Committee convenes semi-annually to ascertain the situation at each company and support the establishment and reinforcement of compliance structures.

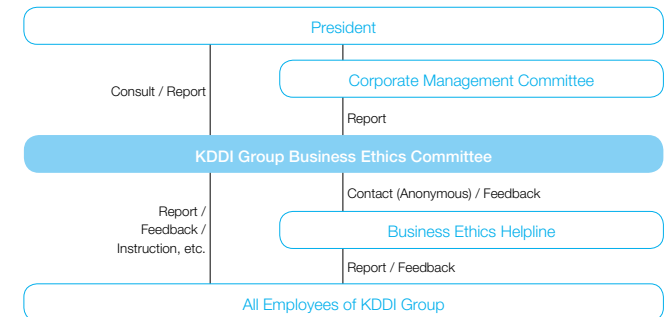
In addition, the Business Ethics Committee formulates policies for educational activities, and in the event that a violation of compliance occurs, it deals with the situation, discloses information outside of the Company, and deliberates on measures to prevent recurrence. The status of the committee's activities is made available to all employees via the intranet.

## KDDI Group Business Ethics Committee Framework



\*Chubu Telecommunications Co., INK. (ctc)

## Compliance Framework



## Infusion

## Compliance Education and Training

KDDI believes that fostering a dynamic communication environment within the company is an essential prerequisite for further improving employee awareness of compliance. In FY2015, KDDI continued to hold study sessions for sector managers, all employees, and division managers, in an effort to spread The KDDI Group Philosophy. In addition, as part of the effort to more quickly respond to violations and perform analysis and prevention, seminars on violation-related issues were offered to supervisors and group leaders. In addition, ongoing training continues to be provided to all employees, to raise awareness about compliance.

# Compliance

## System

### Regulations for Internal Reporting Process (Business Ethics Helpline)

In 2006, KDDI established the Business Ethics Helpline to serve as a contact point for all employees of KDDI, group companies, and business partner companies who have questions or concerns about business ethics and legal compliance. Concerns can be reported either through an in-company contact point or an external contact point that works in collaboration with external experts (email and telephone inquiries are accepted, and multilingual support is available). KDDI has also established internal regulations that enable informants to remain anonymous, thus protecting them in accordance with the requirements of the Whistleblower Protection Act, which went into effect in April 2006. In addition, KDDI is actively conducting educational activities regarding the use of the Helpline.

In FY2015, the Helpline received 27 reports, including inquiries. Internal investigations were conducted primarily by the KDDI Group with regard to the issues reported, and information regarding reporters was kept confidential. When problems were uncovered, steps were taken to rectify the situation, including proposing improvements and instituting measures to prevent recurrence.

Furthermore, the internal reporting system does not subject informants to any disadvantages in terms of whistleblower protection.

## Policy

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

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

## Policy

### Anti-corruption Practices

To prevent corrupt practices, the KDDI Code of Business Conduct defines the principles of promoting fair business activities and conscientiously performing duties, and prohibits activities such as bribing politicians, public officials, or other persons in public positions, along with other similar types of corruption.

In addition to establishing certain standards of behavior, such as maintaining a sound and proper relationship with politics and administration and avoiding any behavior that could be seen as collusive, as well as avoiding the exchange of gifts and entertainment with business counterparts, KDDI is committed to communicating these standards to all employees, through training and other activities.

KDDI also urges business partners to comply with the KDDI Guidelines for CSR in Supply Chain, which defines rules that prohibit corruption, bribery, abuse of power, and giving or receiving illicit funds.

In FY2015, there were no cases of legal action against KDDI related to corruption or bribery.

## Policy

### Preventing Anti-competitive Behavior

The KDDI Code of Business Conduct defines rules that prohibit anti-competitive behavior, and KDDI makes efforts to ensure that all employees comply with anti-competitive regulations. In addition, through the KDDI Guidelines for CSR in Supply Chain, business partners are urged to refrain from engaging in any activities that inhibit the fairness, transparency, or freedom of competition.

In FY2015, there were no cases of legal action against KDDI related to anti-competitive behavior or monopolistic practices.

## Policy

### Responsible Tax Practice

#### ■ Efforts for Tax Compliance in KDDI Group

In addition to efforts aimed at improving customer satisfaction and pursuing profits, the KDDI Group strives to fulfill its social responsibility by promoting and improving international tax compliance in accordance with international standards and tax-related regulations in each country and region, and by making appropriate tax payments. In FY2015, KDDI paid 253.649 billion yen in adjusted corporate income tax, at a taxation rate of 31.0% on profit before tax.

## Compliance

### ■ Efforts for Tax Governance

As KDDI Group businesses become increasingly multinational and increase the amount of international transactions, KDDI's top management is working to promote a tax strategy that properly recognizes international tax risk and regards it as an important issue that is directly linked to management. In addition, KDDI strives to promote and improve tax compliance through activities such as employee education.

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

In an effort to reduce tax risk, KDDI strives to establish a relationship of trust with tax authorities in each country by improving transparency through the timely submission of appropriate tax information, and by allowing tax authorities to check the information before it is submitted, as required.

### ■ Efforts to Prevent Tax Avoidance

In accordance with various Base Erosion and Profit Shifting (BEPS) action plans, KDDI is conducting activities to support the revision of tax regulations toward BEPS compliance in Japan and other countries, and working to match the locations of economic activity and value creation with the appropriate tax jurisdictions to ensure proper taxation.

In addition, KDDI takes measures to prevent the transfer of tax sources to countries and regions with low or zero tax rates (tax havens) for the purpose of minimizing taxation, and strives to ensure the proper assessment of taxes in accordance with the tax regulations of each country.

# Risk Management and Internal Controls

## System

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

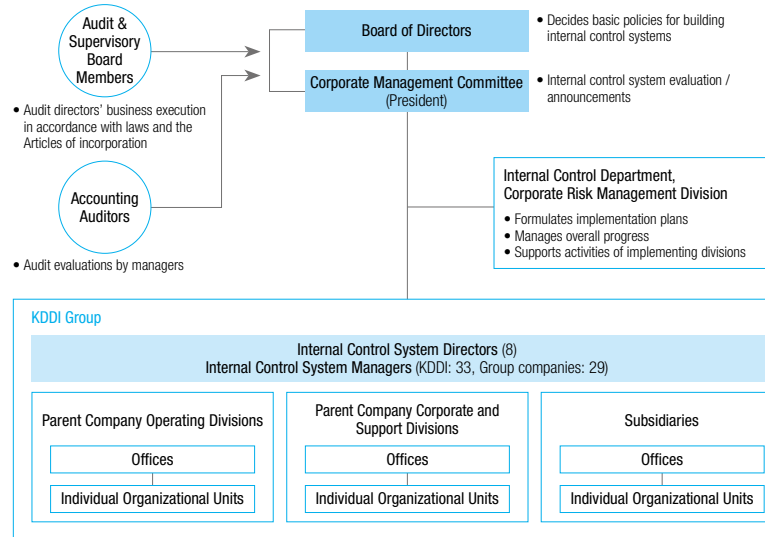
KDDI has established a system to centralize the management of risks, which it defines as factors that have the potential to block the achievement of management objectives. The Risk Management Division is the core of this system. In addition, KDDI is working to promote risk management across the entire Group, including KDDI as well as its subsidiaries, in order to achieve continuous Group-wide growth.

KDDI has appointed 33 Internal Control System Managers and Group companies have appointed 29, as well as 8 Internal Control System Directors to oversee their activities. This structure forms the basis for our internal control system and its operation as well as our risk management activities. We also promote operational quality enhancement activities to realize a corporate constitution that prevents risks from materializing.

In FY2015, to realize our management objectives with certainty, KDDI designated 32 items as significant risks, reflecting on issues that have come to the fore in the past and changes in our operating environment, such as the provision of high quality networks, homogenization of products and services with rival companies, and expansion into new business domains. KDDI worked to foresee risk, engaged in activities to reduce significant risks, and conducted internal audits based on a risk approach.

Furthermore, we are undertaking Companywide initiatives to improve the quality of our operations, thereby cultivating a corporate culture that prevents risks from materializing.

## Internal Control Systems



## Infusion

### Efforts to Improve Risk Response

KDDI understands the importance of establishing a business culture that recognizes risk and constantly improves operations to reduce risk, along with the need to secure a system that takes an appropriate response when risk is discovered. As a result, all divisions and their directors work in cooperation with the Risk Management Division, which regularly identifies and uniformly manages risk information. The KDDI Group's risks are managed appropriately in accordance with internal regulations, and efforts are made to achieve business

objectives fairly and efficiently. These risks are prioritized according to their potential for serious and long-term effects on the company, and KDDI examines and establishes measures to minimize the risk to business operations as much as possible.

Also, in addition to establishing an internal reporting system, KDDI engages in a variety of company-wide efforts to improve the ability to respond to risks, through activities such as disaster-preparedness drills, risk management training, and risk-related information sharing.

# Risk Management and Internal Controls

## Policy

### Basic Policy for Constructing an Internal Control System

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, KDDI passed the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors and issued a public announcement. KDDI aims to ensure fair, transparent and efficient execution of its corporate duties and to maintain an effective system for internal controls.

The contents of the Basic Policy for Constructing an Internal Control System are provided below.

#### 1 Corporate Governance

##### (1) The Board of Directors

The Board of Directors is composed of both internal and external Directors, who determine important legal matters as stipulated by laws and ordinances based on the Board's regulations and Agenda standards. In addition, the Board oversees the competent execution of business duties by the Directors themselves.

Information pertaining to the execution of business duties by the Directors must be stored and managed appropriately in accordance with internal regulations.

##### (2) System for executing business duties

[1] The Executive Officers' System aims to clarify both the delegation of authority and responsibility system, as well as ensure that tasks are executed effectively and efficiently.

[2] The Corporate Management Committee, which is composed of Directors and Executive Officers, shall discuss and determine important matters pertaining to the execution of tasks, as well as discussing and determining the Board's Agenda items, based

on the Corporate Management Committee regulations.

##### (3) System for ensuring the effective execution of business duties by Auditors

[1] Auditors shall attend the Meetings of the Board of Directors and, additionally, steps shall be taken to allow them to attend the principle internal meetings of the company.

[2] The Board of Directors, Directors of subsidiaries, and Internal Auditing Division aim to collaborate by providing timely, appropriate information necessary for executing the business duties of the Auditors, as well as by exchanging opinions and ideas.

[3] The Auditing Office was established to support the business duties of the Auditors; in order to ensure appropriate staffing levels due consideration shall be given to aptitude, the number of personnel required, etc., and the opinion of the Auditors.

[4] Steps shall be taken to ensure that a person who has reported to the Auditors shall not suffer any consequences on account of having made such report.

[5] The Auditors shall be assured of the costs required by them to carry out their duties effectively.

#### 2 Compliance

(1) All executives and employees should continuously maintain high ethical standards in accordance with the basic principles set forth in the 'KDDI Action Guideline,' which should be complied with, and aim to execute their business duties properly.

(2) Firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.

(3) Each KDDI Group company shall make efforts to promptly identify and resolve any serious violation of laws and ordinances or other compliance-related matters or incidents, at KDDI Group company meetings pertaining to business ethics.

(4) KDDI shall aim to appropriately operate a compliance-related

internal reporting system established both internally and externally to the company.

(5) KDDI shall strive to improve the understanding and awareness of compliance through both internal and external training and enhancement activities.

#### 3 Risk management for achieving business goals fairly and efficiently

(1) KDDI shall conduct business risk analyses, stringently prioritize business activities and formulate appropriate business strategies and business plans at meetings participated in by Directors concerning business strategy, with the objective of continuous growth for the KDDI Group. To achieve this, business risk should be monitored monthly at meetings pertaining to performance management, and this performance should be managed thoroughly.

(2) In each Division a person shall be appointed as the person responsible for internal control, and this person shall autonomously promote the following initiatives so that business objectives may be achieved fairly and efficiently.

[1] All Divisions and their Directors shall work in cooperation with the Risk Management Division, which regularly identifies and uniformly manages risk information. The KDDI Group's risks shall be managed appropriately and in accordance with internal regulations, and efforts shall be made to achieve business objectives fairly and efficiently.

[2] KDDI shall examine measures for minimizing the risk of business interruptions as much as possible in order to respond to events which could have serious and long-term effects on corporate business.

[3] In accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, KDDI shall implement documentation, assessment and improvement of the state of company-wide internal control and of important

## Risk Management and Internal Controls

business processes on a consolidated basis, with the aim of further improving the reliability of financial reporting.

- [4] KDDI shall aim to maintain and enhance the systems necessary to improve the quality of business duties of the KDDI Group, including enhancement of the effectiveness and efficiency of business duties and appropriate acquisition, safekeeping and disposal of assets.

- (3) In its role as a telecommunications carrier, KDDI shall pursue the following initiatives.

- [1] Protecting the privacy of communications

Protecting the privacy of communications is at the very root of the KDDI Group's corporate management, and the Group will abide by this.

- [2] Information Security

KDDI aims to manage the company's total information assets, including preventing leaks of customer information and cyber-terrorism of networks for telecommunications services, by formulating measures at meetings pertaining to information security to ensure this security in cooperation with the Directors.

- [3] Recovering networks and services in times of disaster

In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, a Business Continuity Plan (BCP) shall be formulated and measures shall be implemented to improve network reliability and prevent the halting of services. In order to facilitate a prompt recovery in times of emergency or disaster, a Disaster Response Headquarters shall be established as expeditiously as possible.

### 4 Initiatives relating to working together with stakeholders

- (1) The whole company shall make efforts to gain support and trust for all KDDI Group activities, improve customer satisfaction, and

strengthen and expand the company's customer base.

- [1] By regarding all stakeholders as customers, and through the prompt and appropriate response to customer needs and complaints, all executives and employees shall engage in TCS (Total Customer Satisfaction) activities that aim to improve the level of customer satisfaction. To promote these activities, efforts shall also be made at meetings pertaining to TCS to evaluate and improve TCS activities.

- [2] In addition to providing customers with safe, secure, high-quality products and services in compliance with the pertinent laws and regulations, information about products and services should be provided in an easy-to-understand format and indicated appropriately, so that customers can select and use the most appropriate product and/or service.

- (2) In order to gain the understanding and trust of all stakeholders, transparency of KDDI Group management shall be ensured, and efforts shall be made to further enhance the PR and IR activities of the KDDI Group.

- (3) The KDDI Group's business risk shall be fairly identified and disclosed in a timely and appropriate manner at meetings pertaining to information disclosure. In addition, Integrated Report (Detailed ESG Version) shall be created and disclosed, centering on those departments promoting CSR, for matters pertaining to the KDDI Group's social responsibilities, including its environmental efforts and contributions to society.

### 5 Systems for ensuring business suitability of corporate groups

- (1) Each member company of the KDDI Group shall appoint a person responsible for internal control in order to ensure appropriate business operations across the entire KDDI Group.
- (2) On the basis of the management regulations for subsidiaries, collaboration with subsidiaries shall be maintained through the

establishment of a system through which subsidiaries submit appropriate, timely reports.

- (3) Risk management shall be handled appropriately in the subsidiaries so as to achieve business goals fairly and efficiently.
- (4) In addition to working, through KDDI Group company meetings pertaining to the business ethics, to promptly identify and resolve any serious violation of laws and ordinances by a subsidiary or any other compliance-related matter or incident, all subsidiary personnel shall at all times maintain high ethical standards in accordance with the KDDI Action Guideline, and ensure a system is in place whereby business duties are carried out appropriately.

### 6 Internal Audits

Internal audits are conducted for all aspects of business of the KDDI Group, and the suitability and effectiveness of the Internal Control system is verified regularly. The results of internal audits are reported to the President with added suggestions for points that can be improved or revised, and a report is also made to the Auditor.

#### Activity and Results

### Initiatives in Response to the Internal Control Reporting System

In response to the Internal control reporting system based on the Financial Instruments and Exchange Law implemented in FY2008, KDDI established internal control systems at the Company and major Group subsidiaries in Japan and overseas, and conducted evaluations of its internal controls to ensure reliability in its financial reporting. The results of these evaluations were compiled in an internal controls report, which was submitted to the Japanese Prime Minister in June 2016, as well as disclosed to investors.

## Risk Management and Internal Controls

### Activity and Results

### Protecting Intellectual Property

KDDI's commitment to creating and protecting intellectual property and respecting the intellectual property rights of others is defined in the basic policies of the KDDI Code of Business Conduct.

Furthermore, it has formulated intellectual property handling regulations to ensure the proper management and usage of KDDI's inventions, ideas, designs, trademarks, and other industrial property; software and other copyrighted materials; and technologies, expertise, and other rights protected under the Unfair Competition Prevention Act.

As part of its efforts to provide customers with high-speed, high-quality, safe and secure communication services, KDDI conducts research and development of technology to increase communication speed, such as LTE and 5G, as well as security technology that provides privacy protection. As a result of these activities, KDDI holds approximately 2,000 patents in Japan and 250 patents overseas, as of the end of March in 2016. Moving forward, KDDI will continue to bolster its intellectual property assets and strengthen its competitiveness both in Japan and overseas.

In addition, KDDI conducts educational activities every year through group training and e-learning classes, to provide employees with a deeper understanding of the importance of intellectual property, as well as the risks of infringement and its prevention.

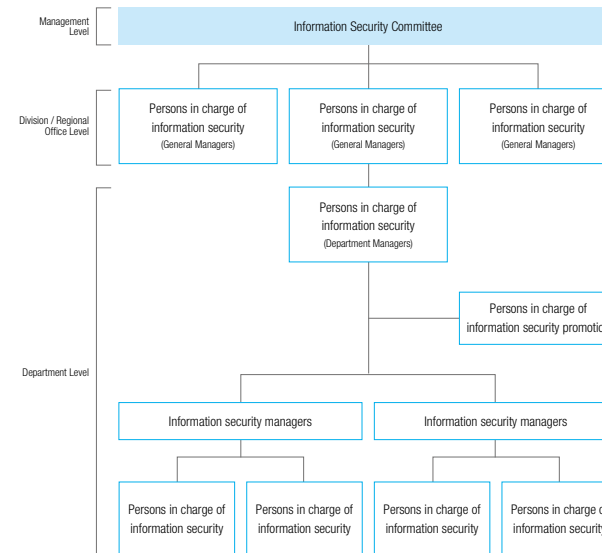
### System

### Information Security Management System

KDDI has established an Information Security Committee composed of management-level employees, along with the heads of the sales,

technology, and corporate administrative divisions. This committee is part of a structure that carefully recognizes the status of information security controls for the entire company, and when necessary readily implements Group-wide measures to enhance information security.

### Security Management Structure



### Policy

### KDDI's Security Policy

KDDI recognizes the appropriate management of information as a topmost management priority. Accordingly, we have formulated the Security Policy as our basic policy on information security. To earn the trust of customers and other stakeholders, we publicize this policy

both inside and outside the Company and declare our observance to it, consistently taking appropriate defensive action to counter the risk of information leaks.



Security Policy

### Policy

### KDDI's Privacy Policy

KDDI realizes the importance of personal information. To ensure the thorough protection of such information, KDDI conforms with the Telecommunications Business Law, legislation concerning the protection of personal information, industry-specific guidelines such as those related to the protection of personal information in the telecommunications business, and other laws. We also publicize and declare adherence to our basic policy in this area, the Privacy Policy.



Privacy Policy

### System

### Strengthening Information Security

KDDI is making serious efforts to strengthen information security, in order to prevent the leakage of information entrusted by numerous individual and corporate customers, including approximately 45.91 million au customers.



## Risk Management and Internal Controls

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

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

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

### ISMS Certification at KDDI

Registration Number	Organization	Initial Registration
IS 95253	KDDI CORPORATION <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 KYOSAIKAI (now, KDDI Group Welfare Association), KDDI Health Insurance Union, KDDI Pension Fund, KDDI Research Institute, Inc. and KDDI MATOMETE OFFICE CORPORATION

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

#### System

### Responding to Incidents Involving Information Leaks via Social Media

The expanding use of social media has prompted a spate of incidents in which corporate trust has been damaged or individual privacy compromised over the Internet. KDDI has addressed this situation by formulating and disseminating thoroughly rules that all executives and employees must follow when using social media.

#### System

### Preventing Information Leaks Due to Emailing Errors

Email has supplanted the telephone as an essential two-way communication tool for business. However, a major issue when using email is preventing information leaks caused by sending emails to the wrong address, attaching the wrong documents, or other mailing errors.

To resolve these issues, KDDI has introduced mechanisms for preventing emailing errors, such as prevention of automatic mail forwarding, automatic encoding of attached files when emails are sent outside the company, temporary delays before sending, and mandatory bcc of addresses (prevention of leaking of email addresses). In these ways, we are bolstering activities to prevent information leaks accompanying emailing errors.

#### System

### Activities to Enhance Operational Quality

KDDI considers its initiatives in response to the internal control

reporting system to be part of its ongoing effort to improve overall corporate quality. The Internal Control Department, established as part of the response to this system, acts as the managing authority for the entire Company's internal control efforts, and Internal Control System Managers take the role of facilitators in each division and work to improve overall corporate quality by enhancing operational efficiency and providing standardization, while at the same time raising the quality of operations and the degree of added value.

To increase individual divisions' motivation to improve operating processes, KDDI has introduced the Operational Quality Improvement Prize to recognize excellent and motivational improvements. In addition, KDDI is conducting operational quality enhancement activities aimed at boosting the motivation of each employee to make individual improvements that enhance the quality of KDDI's operations and lead to stronger business results. Through these activities, the business process improvements made by all employees are implemented one by one on a continuous basis. This encourages independent action to become firmly rooted in our corporate culture, while strengthening our efforts to focus on the customer's perspective.

#### Infusion

### Spreading Operational Quality Enhancement within the Company

We are undertaking a number of measures to ensure that this initiative gets through to all employees, enhancing their understanding of internal control and making the activities a permanent fixture. For example, the sharing of executive messages and positive case studies through a regular email magazine and our internal newsletter, and the conducting of e-learning classes.



## Material Issue: Society

# Creating a Safe and Secure Information and Communications Society

## KDDI's Approach

### Recognition of social issue

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

### KDDI's risk and opportunity

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

### KDDI's management

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

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

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

#### Policies



KDDI Basic Guidelines Concerning Safe and Secure Communication for Young People

[Link](#) Page\_47



Privacy Policy

[Link](#) Website

### Key Performance Indicators (KPI)

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

## Highlights of FY2015 Activities

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

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

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



mamorino Watch

### Future issues

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



## Material Issue: Society

# Vitalizing the Company by Developing a Diverse Workforce

## KDDI's Approach

### Recognition of social issue

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

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

### KDDI's risk and opportunity

- When it comes to the workplace advancement of women, simply relying on approaches based on domestic standards increases the risk of criticism from society in labor practice aspects such as equal opportunity and decent work when expanding business activities globally to achieve sustainable growth.
- KDDI is re-evaluating its management strategy making women in management a sustainable company requirement to accelerate its diversity promotion with a global outlook. Internally, KDDI is creating an organization that promotes openness where a different value

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

### KDDI's management

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

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

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

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

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

### Policies



The KDDI Group Philosophy



KDDI Code of Business Conduct

### Key Performance Indicators (KPI)

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



## Material Issue: Society

# Vitalizing the Company by Developing a Diverse Workforce

### Highlights of FY2015 Activities

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

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



### Future issues

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

## Creating a Safe and Secure Society

### Policy

### Basic Policy on Safety and Security

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

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

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

### Activity and Policy

### Results of Safety and Security Education Activities

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

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

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

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

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

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

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

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

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

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

These classes are offered in collaboration with local governments,

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

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

#### ■ Information Ethics Education Using Smartphones

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



Development of "Benkyo Unagashi Home" app

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## Providing Products and Services that Offer Peace of Mind to Customers

### Policy

### Responsibility for Products and Services

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

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

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

### Activity and Results

### Offering Secure and Safe Products

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

KDDI aims to provide products that can be used securely

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

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

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

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

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



mamorino Watch

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

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

Features of mamorino Watch

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

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

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

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

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

#### ■ Product (3) Junior Smartphone "miraie"

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

## Providing Products and Services that Offer Peace of Mind to Customers

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

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

### Activity and Results

### Offering Safe and Secure Services

#### Smartphone Use While Walking Caution App

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

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



Example of warning screen display

#### Provision of "Age Confirmation Service"

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

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

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

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

#### Spreading Awareness of Filtering Services

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

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

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

#### Measures Against Money Transfer Scams

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

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

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

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

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

### Policy, System, and Infusion

### Responsible Advertising and Marketing

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



## Providing Products and Services that Offer Peace of Mind to Customers

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

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

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

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

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

### Policy and System

### Safety of Electrical Waves

#### Policy

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

Protection Guidelines.

#### Awareness of current situation and organization

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

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

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

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

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

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

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

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

### Policy

### Approach to Digital Inclusion

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

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

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

### Activity and Results

### Efforts for Persons with Disabilities

#### ■ Braille Request Service

KDDI operates a braille request service for visually-impaired

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

#### ■ Sign Language Support

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

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

#### ■ IT Education for the Hearing Impaired

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

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

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

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

#### ■ Simple Phone K012 offers support for the visually impaired

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

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

#### ■ Smile-heart Discount

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

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

### Activity and Results

### Offering Inexpensive Price Plans

#### ■ Senior Plan (V) offers low rate for seniors

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

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

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

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

### Activity and Results

### Efforts to Bridge the Digital Divide

#### ■ Operator-assisted smartphone support service

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

#### ■ Operator-assisted smartphone location service

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

In FY2014, after receiving many customer requests for an

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

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

### Activity and Results

### Improving the Communication Environment in Developing Countries

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

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

\* According to estimates from the Myanmar government

### Activity and Results

### Efforts of KDDI Foundation in Developing Countries

#### ■ Providing international ODA technical consulting

KDDI Foundation is currently providing technical consulting for two projects

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

#### ■ Efforts in Mongolia

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

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

#### ■ Efforts in Vietnam

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

## Improving Customer Satisfaction

### Policy

#### For Maximum Customer Satisfaction

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

#### ■ Basic Concept of TCS

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

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

### Policy

#### KDDI CS Policy

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

#### ■ KDDI CS Policy

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

##### 1.Realization of Satisfaction

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

##### 2.Customer-orientated Thinking and Action

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

##### 3.Working with Customer to Create Better Services

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

##### 4.Customer Evaluation

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

#### 5.Customer Trust

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

#### 6.Building and Repaying Customer Satisfaction

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

#### 7.Recognition of Excellence

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

### System

#### Customer Satisfaction Promotion System

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

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

## Improving Customer Satisfaction

### ■ Action! service improvement activities

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

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

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

### ■ Providing au Smart Support

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

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

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

### Infusion

### Holding the "au CS AWARD"

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

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

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



au shop staff demonstrate their customer service skills

### Activity and Results

### Initiatives for Corporate Customers

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

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

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



## Improving Customer Satisfaction

### Activity and Results

#### Customer Satisfaction Surveys

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

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

### Policy

#### Brand Management

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

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

### Activity and Results

#### Improving the Popularity of Our TV Commercials

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



## Providing Online Convenience

### Policy

### Approach to Online Use

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

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

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

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

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

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

### Activity and Results

### Providing Online Services that Offer Lifestyle Improvements

#### ■ Providing au WALLET Prepaid Card and au WALLET Credit Card

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

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

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

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

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

#### ■ Providing energy and financial services

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

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

### Activity and Results

### Providing Online Support

#### ■ Providing Anshin Total Support

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

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



Anshin Total Support (Japanese)

Link Website



## Providing Online Convenience

### ■ Using Twitter® to Provide Active Support

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

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

## Creating Value through Innovation

### Policy

### Approach to R&D

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

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

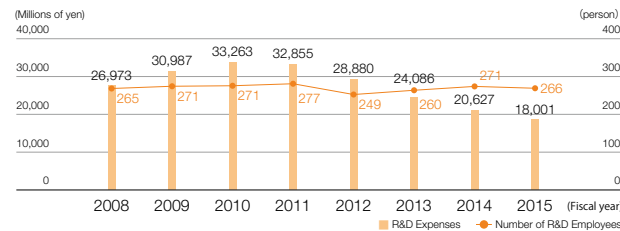
### System

### Research and Development Promotion System

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

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

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



\* KDDI R&D Laboratories, Inc.

### Activity and Results

### Promoting Open Innovation

#### KDDI Open Innovation Fund

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

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

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

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

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



KDDI Open Innovation Fund

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

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

## Creating Value through Innovation

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

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

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



KDDI ∞ Labo

[Link](#) Website

### Activity and Results

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

##### ■ Development of "Benkyo Unagashi Home" app

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

##### ■ Offering trial services that use HEMS technology

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

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

##### ■ Dolphin observation using acoustic techniques for maintenance of underwater cables

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



[Link](#) Page\_18

Winner of the 25th Global Environment Awards  
(Fujisankei Group Award)



[Link](#) Page\_104

Research on Behavior of Endangered River Dolphins

## Creating Value through Innovation

### ■ Using new environmental technology at London data center

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

### ■ Introduction of Tribrid Base Stations in Indonesia

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

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

[1] Tribrid Base Stations are mobile phone base stations that effectively use commercial power, power generated from solar panels, and power saved in rechargeable batteries in response to the time of day and the weather. Compared to base stations that only use commercial power, Tribrid Base Stations can be expected to reduce CO<sub>2</sub> emissions up to 30%. KDDI installed its first Tribrid Base Stations in December 2009, and as of March 31, 2016, has expanded to 100 base stations nationwide.

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

### ■ International Cooperation for R&D on Cyber Attack

#### Forecasting Technology

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

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

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

# Human Rights

## Policy

### Our Approach on Human Rights

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

#### Message from Executive Officer

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

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

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



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

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

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

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

## Infusion

### Edification Activities for Employees

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

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

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

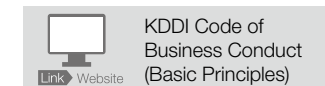
staffed by third-party professional counselors, as well as an Employee Counseling Center staffed by in-company counselors, within the Human Resources Department. Furthermore, KDDI maintains a strict level of confidentiality to ensure that individuals who seek counseling or report harassment do not suffer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

## Activity and Results

### Participation in Global Conference on Business and Human Rights

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

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



KDDI Code of  
Business Conduct  
(Basic Principles)



KDDI Group Human  
Rights Policy



KDDI Guidelines for  
CSR in Supply Chain  
(Japanese)



Business Ethics  
Helpline

# Diversity and Inclusion

## Policy

### Our Perspective on Diversity

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



**Diversity & Inclusion**

Diversity logo selected from internally solicited proposals

### Message from Executive Officer

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



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

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

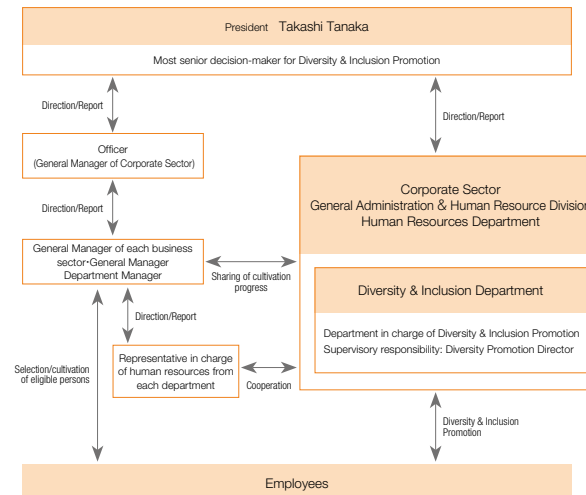
## System

### Diversity Awareness

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

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

### KDDI's Diversity & Inclusion Promotion System



### <FY2015 External Assessments>

Selected as "Nadeshiko Meigara" for Four Consecutive Years  
[Link](#) Page\_17



Selected as "Diversity Management Selection 100" award  
[Link](#) Page\_17



Selected as Telework Pioneer 100  
[Link](#) Page\_18



## Diversity and Inclusion

### Policy

### Cultivating and Promoting Female Leaders

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

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

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

(As of the end of March, 2016)

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

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

### System

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

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

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

### Activity and Results

### New Generation Saleswoman College

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

### Activity and Results

### Support for LGBT

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



## Diversity and Inclusion

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

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

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

### Policy and System

### Promoting Employment Opportunities for People with Disabilities

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

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



Mobile phone handset disassembly

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

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

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

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

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

### Activity and Results

### Support for Employees with Disabilities

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

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

### Activity and Results

### Participation in ACE Challenged Seminar

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

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

### Policy and System

### Promoting the Active Role of Senior Employees

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

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

## Promoting Diverse Work Styles

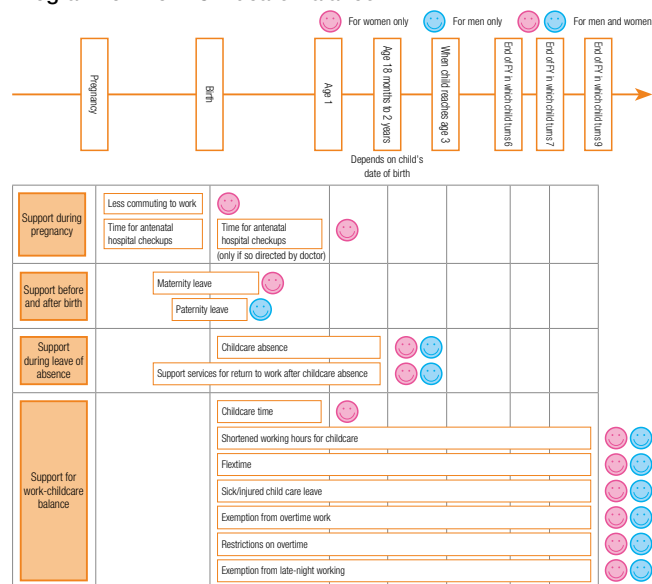
### Policy

### KDDI's Approach to Diverse Work Styles

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

Furthermore, KDDI sets the recommended dates for taking paid

#### Program for Work-Childcare Balance



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

### System

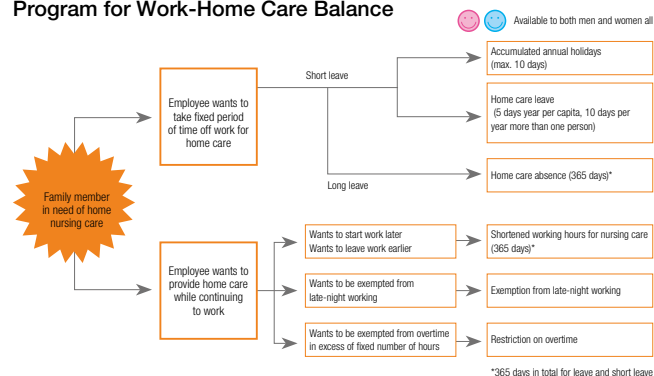
### Work, Childcare and Nursing Care Support Systems

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

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

We also have an adjustable work hour system. The scheme

#### Program for Work-Home Care Balance



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

### Activity and Results

### Efforts to Support Childcare and Nursing Care

#### Supporting Return to Work After Childcare Absence

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

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



Forum for Employees before Returning after Childcare Absence

## Promoting Diverse Work Styles

### ■ Support for Male Employees' Participation in Childcare

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

### ■ Supporting a Balance between Work and Nursing Care

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

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

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

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



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

#### <KDDI's efforts>

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

#### Activity and Results

### Diverse Work Styles

#### ■ Telework Program (Working at Home)

KDDI has introduced a telework program to allow employees to work flexible hours and to boost operational efficiency. In June 2011, KDDI expanded its network to make the system available to all employees. Taken from the perspective of business continuity, this extension was designed to enable employees to continue working even if travel to the Company was hampered by disaster or other situation.



Use of the teleworking system

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

#### ■ Adjustable Work Hour System

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

#### ■ Flexible Work Hours

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

#### ■ Work shift interval system

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

## Fair Personnel Evaluation and Human Resource Cultivation

### Policy

#### Approach to Personnel Evaluation

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

### System

#### Providing Long-term Incentives

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

### Policy

#### Approach to Human Resource Cultivation

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

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

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

### System

#### Enhancing Various Systems

##### ■ Mission Grade

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

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

##### ■ Management by Objectives System

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

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

##### ■ Executive Assistant

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

## Fair Personnel Evaluation and Human Resource Cultivation

### Job Rotation System

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

### Self Career Produce System (SCAP)

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

### Self-Reporting System

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

### Support for Qualification Acquisition

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

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

### Employee Training

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

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

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

#### Activity and Results

### Cultivating Human Resources Globally

#### Cultivating Locally Hired Employees

##### (Global Human Resources Exchange Program)

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

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

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

#### Global cultivation of executives and next-generation executives

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

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

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

#### Overseas Study Program (University and Internship Programs)

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

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

## Fair Personnel Evaluation and Human Resource Cultivation

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

Number of participants in overseas study courses (FY2000 - FY2015)

- Business Study Abroad: 35
- Specialized Study Abroad: 22

### Overseas Trainee System

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

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

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

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

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

- Number of trainees (FY2002 - FY2015): 120

### English-language group study support

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

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

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

### Correlation between Position / Qualification and Training

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



## Building Labor Relations and Creating a Conducive Workplace Environment

### Policy

### Creating Sound Labor-management Relations

#### ■ Signing a Union Shop Agreement

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

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

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

#### ■ Basic Labor-Management Agreement (excerpt, simplified)

(Basic Terms of Agreement)

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

### Activity and Results

### Labor-Management Cooperation

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

### System

### Pension System

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

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

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

### Activity and Results

### Employee Awareness Survey

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

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

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

### Activity and Results

### Award Program for Employees

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

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

### System

### System of Promotion to Regular Employee Status

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

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



## Occupational Safety and Health

### Policy

#### KDDI Basic Policy on Health and Safety

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

### System

#### Safety and Health Management System

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

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

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



### Policy and System

#### Priority Measures Relating to Occupational Health and Safety

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

#### Initiative for Improvement of Long Working Hours

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

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

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

#### Promotion of Mental Healthcare

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

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

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

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

## Occupational Safety and Health

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

### Policy and System

### Enhancing Employees' Health Management

#### ■ Providing Health Checks that Exceed Legal Requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ■ Driver Training and Introduction of Vehicle Operation Management System

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

# Employment Data

Data

## Status of Employment

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

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

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

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

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

## Employment Data

Data

### Foreign Employees

Unit: person

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

Data

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

Unit: person

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

Data

### Non-Regular Employees (Number of temporary employees)

Unit: person

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

Data

### Managers (KDDI)

Unit: person

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

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

Data

### Status of Union Membership (KDDI)\* (FY2015)

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

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

## Employment Data

### Data

#### Status of Recruitment (KDDI)

Unit: person

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

### Data

#### Recent Graduate Hires (KDDI)

Unit: person

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

### Data

#### Mid-Career Hires (KDDI)

Unit: person

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

### Data

#### Retention of Recent University Graduates (KDDI)

Unit: person

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

### Data

#### Departing Employees (KDDI) (FY2015)

Unit: person

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

## Employment Data

Data

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

Unit: person

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

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

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

Data

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

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

## Employment Data

### Data

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

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

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

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

### Data

#### Status of Workplace Injuries (KDDI)

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

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

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



# Supply Chain Management

## Policy

### KDDI CSR Procurement Policy

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

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

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



Link Website

KDDI CSR Procurement Policy

## System

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

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

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

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

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

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



Link Website

KDDI Guidelines for CSR in Supply Chain (Japanese)

## Activity and Results

### CSR Procurement Questionnaire

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

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

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

# Supply Chain Management

## Activity and Results

### Conflict Minerals

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

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

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

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

## Activity and Results

### Cooperation and Support of Business Partners

#### Reinforcement of Relationships with Business Partners

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

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

#### Educational Support to au Shop Staff

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

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

#### Support for Content Providers

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

#### Efforts to Improve Logistical Efficiency

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

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

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

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

## Supply Chain Management

### ■ Support for IT Utilization by SMEs

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

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

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

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

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

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

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

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

## Activity and Results

## Stakeholder Dialogues

## Deepening CSR Procurement and Green Procurement Efforts at KDDI

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

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

## Invited experts

**Naoki Adach** (CEO, Response Ability, Inc.)

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

## Main opinions

## Mr. Adachi

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



## Ms. Kanamaru

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



## Activity and Results

## Stakeholder Dialogues

## Deepening CSR Procurement and Green Procurement Efforts at KDDI

## In response to the dialogue

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



Link Website

Dialogue Archive

# Community Involvement and Development

## Policy

### Social Contribution Policy

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

## Activity and Results

### Status of Social Contribution Activities

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

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

## Activity and Results

### Efforts in Five Areas

#### (1) Bridging the Digital Divide

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

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

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



Lectures for Seniors in KDDI smartphone and Mobile Phone Safety Classes

[Link](#) Page\_47

#### Basic Principles

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

#### Behavioral Guidelines

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

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

## Community Involvement and Development



Improving the Communication Environment in  
Developing Countries

Link Page\_52



Efforts of KDDI Foundation in Developing Countries

Link Page\_52

### ■ (2) Sound Development of Youth

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

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

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

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

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



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

Link Page\_47



IT Education for the Hearing Impaired

Link Page\_51



Information Ethics Education Using Smartphones

Link Page\_47

### ■ (3) Environmental Conservation

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



Environmental Conservation Activities by Employees

Link Page\_104

### ■ (4) Social and Cultural Support

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

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

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

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

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



Bridge of Hope (Japanese)

Link Website

### ■ (5) Disaster Support

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

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



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

Link Website

### <Reconstruction support following the Great East Japan Earthquake>

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



## Community Involvement and Development

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



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

[Link](#) Website

### ■ Main Disaster Support in FY2015 (Donations)

#### Japan

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

#### Overseas

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

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

### ■ Support Activities in FY2015

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



## Material Issue: Environment

# Initiatives to Conserve the Global Environment

## KDDI's approach

### Recognition of social issue

In these times when global warming is evident, along with measures to mitigate global warming by reducing greenhouse gas emissions, people are asking about adaptations to global warming where nature and society are changing in response to the effect on the global environment. For companies, making simultaneous efforts to mitigate and adapt to this issue is important.

### KDDI's risk and opportunity

KDDI is aware of the risk of global warming and other climate changes, as well as large-scale natural disasters, and is taking the opportunity to mitigate and adapt to those risks. Global warming increases the risk of natural disasters, which greatly increases the chance of damage or disruption to communications equipment and interruption of communications hindering the provision of stable information communication services. Meanwhile, we are taking the opportunity to provide ICT services by using equipment that has a lesser environmental load and developing and proposing services, solutions, and other efforts that reduce the movement of customers. Furthermore, ICT services have become a valuable means of communications during times of disaster functioning as a lifeline that society cannot do without. As such, we are constantly working to provide high quality information communications services 24 hours a day, 365 days a year.

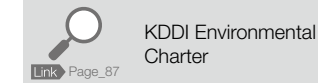
### KDDI's management

KDDI has in place the KDDI GREEN PLAN 2012-2016 Medium-term Environmental Conservation Plan based on the KDDI Environmental Charter, and the KDDI Action Guidelines on the Preservation of Biodiversity based on this Medium-term Environmental Conservation Plan. As of March 31, 2016, we are progressing in line with achieving the KDDI GREEN PLAN 2012-2016, barring one of the items.

### Key Performance Indicators (KPI)

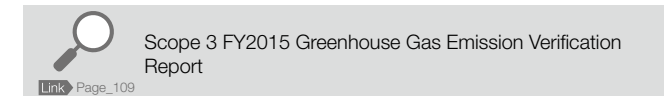
	FY2016 Goal	FY2015 Result
Amount of power consumption (compared to when energy conservation measures are not taken)	30% constraint	Progressing at pace to achieve this goal
Amount of power consumption per subscriber (compared to FY2011)	15% reduction	33.4% reduction
Number of Tribrid Base Stations established	100 stations (FY2012 Goal)	Achieved at the end of March 2013
Achieve zero emissions for retired telecommunications facilities (* Zero emissions is defined as having a final disposal rate of 1% or less.)	Final disposal rate of 1% or less	Final disposal rate of 0.8%
Recycling rate of used mobile phone material	Over 99.8%	99.8%
Recycling rate of general waste material for KDDI buildings and headquarters	Over 90%	85.7%

### Policies



## Highlights of FY2015 Activities

We have calculated and released FY2012, FY2013, FY2014, and FY2015 emissions for Scope 3, which indicate the greenhouse gas emissions in the supply chain.



## Future issues

- Efforts to reduce environmental load for the supply chain
- Transferring environmental technology that considers the environment overseas

# Environmental Management

## Policy

### KDDI Environmental Charter

KDDI Environmental Charter is composed of the Manifesto (Approach to Global Environmental Problems) which is the highest concept, and the Action Guideline for defining the direction of concrete initiatives.

#### 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 Guideline

1. 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:
  - (1) Develop and operate environmental management systems necessary to make continuous improvements in such environmental fields as energy conservation, resource conservation and waste reduction.
  - (2) 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.
  - (3) Promote communication through the appropriate disclosure of information.
2. We will strive to develop and offer services that reduce environmental impact through the use of next-generation information technologies.
3. 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.
4. We will promote corporate purchasing policies that favor eco-friendly products and equipment.
5. 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 Action Guidelines on the Preservation of Biodiversity

KDDI has established the KDDI Action Guidelines on the Preservation of Biodiversity based on the Third Medium-term Environmental Conservation Plan, which began in FY2012, to multilaterally capture the contributions towards the preservation of Biodiversity. Using this policy, we are pinpointing various opportunities to engage in promoting activities.

#### Preserving Diversity in Business Activities

When formulating business plans, we take into consideration the impact on the related ecosystems and local community.

#### Collaboration and Cooperation with Related Organizations

We strengthen collaboration and cooperation with administrative authorities, NPOs and other organizations, and undertake CSR activities using ICT.

#### Promoting Recycling of Resources

To prevent the depletion of bioresources and minimize degradation of the natural environment, we continuously and proactively engage in recycling of resources.

# Environmental Management

## Message from Executive Officer

The Paris Agreement, an international framework for new climate change mitigation measures that become effective in 2020, was adopted at the COP21 summit held in Paris last year. The Paris Agreement sets international standards that aim to hold the increase in the global average temperature to well below 2°C above pre-industrial levels. Accordingly, the Ministry of the Environment has announced a policy for implementing climate change measures in line with the Paris agreement. Based on this policy, KDDI is moving forward with improving the energy efficiency of base station equipment and other communications equipment, and working to reduce the amount of power that we consume. At the same time, by providing ICT services, we are contributing to the reduction of energy consumption by customers and society and to the reduction of greenhouse gas emissions.



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

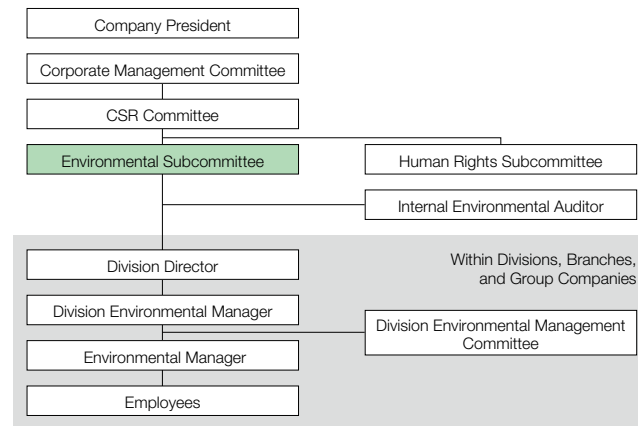
In addition, FY2016 is the final year in our Third Medium-term Environmental Conservation Plan. Moving forward, KDDI will continue promoting activities that aim to achieve our objectives, while working to establish and publicize our next Environmental Conservation Plan for FY2017 and beyond. Through the promotion of various conservation activities with the efforts from customers, business partners, and employees, KDDI will continue striving to fulfill our social responsibility.

### System

## Environmental Management Regime

### KDDI Group's Environmental Management Regime

KDDI Group has formed the KDDI Environmental Subcommittee, comprising members from each division, branch, Group company, and related organization. This subcommittee serves as the center for formulating KDDI's environmental management system and promoting efficient environmental preservation activities throughout the Group.



### KDDI Group's Environmental Management Regime

KDDI has acquired ISO14001 certification for this management system.

As of the end of March 2016, of the 83 companies that make up KDDI and its domestic consolidated subsidiaries, 20 companies (24%) have acquired this certification, along with 1 overseas company and 4 related organizations.

### KDDI Group ISO14001 Certification Acquisition

As of March 31, 2016: KDDI CORPORATION, Okinawa Cellular Telephone Company, KDDI Evolva Inc., KDDI Evolva Okinawa Corporation, KDDI R&D Laboratories Inc., KDDI RESEARCH INSTITUTE INC., KDDI Technology Corporation, KDDI Engineering Corporation, Kokusai Cable Ship Co., Ltd., 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 HIGASHINIHO CORPORATION, KDDI MATOMETE OFFICE CHUBU CORPORATION, KDDI MATOMETE OFFICE KANSAI CORPORATION, KDDI MATOMETE OFFICE NISHINIHO CORPORATION

### Internal Environmental Audits

KDDI conducts internal environmental audits once each year. In FY2015, 57 departments and 84 offices were provided with a checklist and then interviewed by internal environmental auditors in a two-phase evaluation on the state of conformity with environmental legislation. The audit also verifies the functioning of the system for systematic and ongoing improvement of environmental activities.

In FY2015, we had no violations of environmental legislation.

### Appropriate Processing of PCB

KDDI manages the disposal of transformers, capacitors, and other components that previously included high-concentration PCB. In FY2015, disposal could not be performed because the disposal

## Environmental Management

processors were not fully prepared to receive the disposal items. We will continue the disposal of remaining high-concentration PCB devices as soon as disposal processors that can accept them are in place. We are also scheduling the disposal of low-concentration PCB devices.

### ■ Compliance with the Green Purchasing Law

Read about KDDI's compliance with the standards required by the Law Concerning the Promotion of Procurement of Eco-friendly Goods and Services by the State and Other Entities (enacted in 2000; subsequently referred to as "Green Purchasing Law") and the Basic Policy for the Promotion of Procurement of Eco-friendly Goods and Services.



State of Compliance with Green Purchasing Law (Japanese)



List of Compatible Models (Japanese)



Product Line-Up

### ■ Acquiring the Eco ICT Mark

KDDI acquired the Eco ICT Mark established by the ICT Ecology Guidelines Council\* as part of our endeavor to further environmental conservation and the reduction of environment load.

\* Council founded for the purpose of establishing energy-saving indices to be referenced when procuring ICT devices and data centers. The constituting members are: Telecommunications Carriers Association (TCA), Telecom Services Association (TELESA), Japan Internet Providers Association (JAIPA), Communications and Information Network Association of Japan (CIAJ), and ASP-SAAS Industry Consortium (ASPIC).

Infusion





### Environmental Awareness for Employees

In order to deepen understanding with regard to KDDI's environmental initiatives, each year the company periodically institutes e-learning programs targeting all employees. In FY2015, during June, which is Environment Month, KDDI held e-learning sessions about climate change and Scope 3 in which 12,677 participants attended (participant rate of 93.2%).







# Environmental Management

## Activity and Results

### Self-evaluation Check List for CO<sub>2</sub> Emission Reduction Efforts by Telecommunication Operators

		Evaluation item	If implemented, description of actions taken
Formulation of voluntary environmental action plan, etc.	1	Has the organization formulated a voluntary environmental action plan that describes actions for reducing CO <sub>2</sub> emissions? Has the plan been implemented?	<p>KDDI has formulated a Medium-term Environmental Conservation Plan based on the KDDI Environmental Charter, and the plan is being implemented.</p> <p> <a href="#">Link</a> Page_87</p> <p>KDDI Environmental Charter/Action Guidelines</p>
	2	Does the voluntary environmental action plan include specific actions for which quantitative goals for CO <sub>2</sub> emission reduction are stated?	<p>The Third Medium-term Environmental Conservation Plan (KDDI GREEN PLAN 2012-2016) sets the following targets.</p> <ul style="list-style-type: none"> <li>30% reduction in energy use estimated for FY2016 compared with not taking any energy-saving measures</li> <li>15% reduction in energy use per subscriber estimated for FY2016 compared with FY2011</li> <li>Expansion of Tribrid Base Stations to 100 by March 31, 2012 (Target achieved)</li> <li>Achieve zero emissions for retired telecommunications facilities (*Zero emissions is defined as having a final disposal rate of 1% or less)</li> <li>Recycling rate of used mobile phone material Over 99.8%</li> <li>Recycling rate of general waste material for KDDI buildings and headquarters Over 90%</li> </ul> <p> <a href="#">Link</a> Page_92</p> <p>Third Medium-term Environmental Conservation Plan – KDDI GREEN PLAN 2012-2016</p>
	3	Does the organization put efforts into informing and enlightening employees about environmental conservation actions to improve their environmental awareness, as well as publishing the organization's voluntary environmental action plan internally and externally?	<p>The Medium-term Environmental Conservation Plan is published inside and outside the company by means of the Integrated Report (Detailed ESG Version) and the corporate website. KDDI also provides e-learning programs and internal seminars for employees whenever necessary.</p> <p> <a href="#">Link</a> Page_89</p> <p>Environmental Awareness for Employees</p>
	4	Are the implementation statuses of and the targeted achievements for actions given in the voluntary environmental action plan disclosed to the public?	<p>The attainment statuses of trend targets toward the achievement of the Medium-term Environmental Conservation Plan are published in the Integrated Report (Detailed ESG Version) and the corporate website.</p> <p> <a href="#">Link</a> Page_86</p> <p>Material Issue: Environment</p>

## Environmental Management

		Evaluation item	If implemented, description of actions taken
Eco-efforts in procurement	5	Has the organization formulated, with a view to energy-saving, procurement standards for ICT devices and data centers? Does procurement conform to the established standards?	KDDI conducts its procurement activities in accordance with the KDDI Green Procurement Guidelines.  Promoting Green Procurement <a href="#">Link</a> Page_98
	6	Does the organization procure office supplies and other goods as well as logistics service in an energy-saving manner (Green purchasing, etc.)?	KDDI promotes green purchasing under the KDDI CSR Procurement Policy.  Supply Chain Management <a href="#">Link</a> Page_78
Promotional system for eco-efforts	7	Is there an assigned group or personnel in charge of CO <sub>2</sub> emission reduction actions?	The CSR & Environment Management Department is established as the internal organization responsible for CO <sub>2</sub> emission reduction efforts.
	8	Does the organization have a system for appropriately monitoring and checking the status of implementation and the achievement level of targets given in the voluntary environmental action plan as well as for conducting internal audits?	KDDI monitors the status of implementation and the achievement level and conducts inspections and improvements through internal audits, both of which are realized through the ISO environmental management system.
Other eco-efforts	9	Does the organization undertake eco-friendly actions beside energy-saving efforts?	The promotion of 3R (Reduce, Reuse, Recycle) is also a core KDDI challenge, and the following goals are pursued: Promotion of recycling communications equipment; Improvements in recovering resources Promotion of recycling used mobile phones; Improvements in recovering resources 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.); Reduction in office waste and improvements in recovering resources. KDDI is also engaged in improving the supply chain through Scope 3 and LCA efforts, and support for Biodiversity.  Low-carbon society <a href="#">Link</a> Page_99  Recycling-oriented society <a href="#">Link</a> Page_102  Biodiversity <a href="#">Link</a> Page_104
	10	Does the organization perform activities for environmental conservation in collaboration with the community?	KDDI implements forest conservation activities in which employees and customers work together across the country.  Environmental Conservation Activities by Employees <a href="#">Link</a> Page_104



# Environmental Management

## Policy

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

As a 5-year Environmental Conservation Plan beginning from FY2012, KDDI established the KDDI GREEN PLAN 2012-2016 Third Medium-term Environmental Conservation Plan. This plan takes three material issues – Low-carbon society, Recycling-oriented society, and Biodiversity – and establishes concrete targets for each. By promoting the 3G – Green of ICT, Green by ICT, and Green Road Project – we will continue further contributing to the conservation of the global environment.



3Gs	Issue addressed	Example of initiatives
Green of ICT	Low-carbon society	Reduction of power consumption in base stations and disaster preparedness initiatives
	Recycling-oriented society	Reuse and recycling of communications equipment
Green by ICT	Low-carbon society	Environmental monitoring that uses M2M/IoT
	Biodiversity	Research on behavior of endangered river dolphins
Green Road Project	Recycling-oriented society	Promotion of mobile phone recycling
	Biodiversity	Environmental conservation activities by employees

## Material issues and specific targets

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

\* Zero emissions is defined as having a final disposal rate of 1% or less.

## Activity and Results

### Progress of the Third Medium-term Environmental Conservation Plan

Looking toward the target FY2016, we are promoting concrete targets for the Third Medium-term Environmental Conservation Plan established in FY2012. At the end of March 2016, barring the target of the over 90% recycling rate of general waste material for KDDI buildings and headquarters, we are progressing at a pace to achieve our goals including already having achieved the goal of expanding to 100 Tribrid Base Stations. The recycling of general waste material is dependent on equipment specifications of processors and other conditions of the processing area, which is making it difficult to achieve our target.

# Environmental Management

## Activity and Results

### Environmental Accounting

Noteworthy changes in parameters of environmental accounting during FY2015 were twofold: (1) the expansion of the scope of calculation and the addition of 1 domestic consolidated subsidiary (Kokusai Cable Ship Co.,Ltd) and 5 overseas consolidated subsidiaries (TELEHOUSE Beijing Co.,Ltd., TELEHOUSE Shanghai Co.,Ltd., KDDI Korea Corporation, KDDI Singapore Pte Ltd., TELEHOUSE International Corp. of Vietnam), and (2) the increase in electric power consumption (MWh) and greenhouse gas (t-CO<sub>2</sub>) compared with the preceding fiscal year.

KDDI and 30 major consolidated subsidiaries <sup>[1]</sup>

Period: April 1, 2015 to March 31, 2016

Environmental Protection Costs		Transaction Examples	FY2014 (Millions of Yen)		FY2015 (Millions of Yen)		Change from Previous Year (Millions of Yen)	
			Investment	Cost	Investment	Cost	Investment	Cost
Business area costs	Pollution prevention costs	Pollution prevention costs stipulated by law, costs for proper disposal of PCB, etc.	0	10	0	43	0	33
	Global environmental protection costs	Power-saving wireless equipment for mobile base stations (Investment amount is calculated proportionally based on the power-saving effect.)	6,602	22,176	9,512	23,202	2,909	1,027
	Resource recycling costs	Reduction of paper resources, processing and disposal of waste products	0	282	0	560	0	278
Upstream/downstream costs		Collection, recycling, and reuse of merchandise and products	0	1,186	0	1,281	0	95
Administrative costs		Operation and updating of environmental ISO standards, disclosure of environmental information	0	78	0	134	0	56
R&D costs		R&D of technology, equipment, handsets, products, services, and other items conducive to reducing the environmental burden	0	143	0	340	0	197
Social activity costs		Donations and support for forest conservation activities and to environmental protection groups	0	44	0	56	0	12
Environmental damage restoration costs		Measures for prevention of asbestos spraying, restoration of polluted soil	0	0	0	0	0	0
Total			6,602	23,919	9,512	25,616	2,909	1,696

## Environmental Management

1. Environmental Protection Benefits (Physical)		Indicator Category (Unit)	FY2014	FY2015	Change from Previous Year
(1) Benefits derived from business area	1) Benefits related to resources invested in business activities	Power consumption (MWh)	2,296,470	2,438,952	142,482
		Paper usage (t)	13,469	12,047	△1,423
		Paper reduced by Bill on WEB (t)	3,665	3,834	169
	2) Benefits related to environmental burden and waste products discharged from business activities	Greenhouse gas emissions (t-CO <sub>2</sub> ) <sup>[2]</sup>	1,298,422	2,376,524	1,078,102
		Industrial waste emissions related to telecommunications facilities and buildings (t)	7,556	5,298	△2,258
(2) Benefits derived from upstream/downstream costs	Benefits related to goods and services produced by business activities	Number of used mobile phones and other devices collected (10,000 units)	424	348	△77

2. Economic Benefits of Environmental Protection Measures (Yen)	Substantive Benefits (Major Effects)	FY2014 (Millions of yen)	FY2015 (Millions of yen)	Change from Previous Year
Revenues	Revenues from sales through disposal of telecommunications facilities and buildings	566	333	△233
Costs reductions	Reduction in energy costs by adopting the use of low-pollution vehicles	10	12	2
	Reduction in costs of new purchases by reusing disposed of telecommunications facilities	2,361	3,879	1,519
Total		2,936	4,224	1,288

[1] KDDI Web Communications Inc., mediba Inc., KDDI R&D Laboratories Inc., KDDI Research Institute, Inc., KDDI Engineering Corporation, KDDI Evolva Okinawa Corporation, KDDI Challenged Corporation, KDDI Technology Corporation, WebMoney Corporation, KDDI MATOMETE OFFICE CORPORATION, KDDI MATOMETE OFFICE HIGASHINIHO CORPORATION, KDDI MATOMETE OFFICE CHUBU CORPORATION, KDDI MATOMETE OFFICE KANSAI CORPORATION, KDDI MATOMETE OFFICE NISHINIHO CORPORATION, Okinawa Cellular Telephone Company, KDDI Evolva Inc., Japan Telecommunication Engineering Service Co., Ltd., Chubu Telecommunications Co., Inc., Kokusai Cable Ship Co., Ltd, 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 Co., Ltd (Beijing), TELEHOUSE BEIJING BDA Co., Ltd (Beijing), TELEHOUSE Shanghai Co., Ltd (Shanghai), KDDI Korea Corporation (Seoul), KDDI Singapore Pte Ltd. (Singapore), TELEHOUSE International Corp. of Vietnam (Hanoi)

[2] Emission coefficient used per telecommunications operator

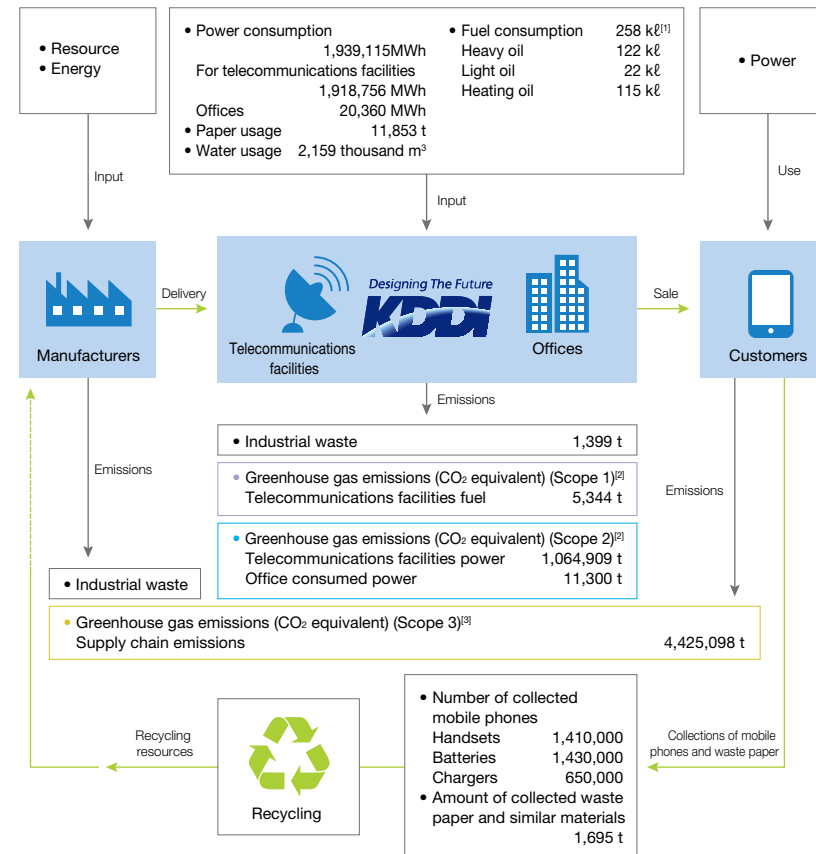
# Environmental Data

## Activity and Results

### Environmental Impact of Business Activities

Most input energy is electric power for telecommunications facilities. Heavy oil, light oil, heating oil and other fuels are input when test running emergency power generation facilities. Most water usage is generated by everyday business activities in the offices. Greenhouse gas emissions were calculated in three areas, Scope 1, Scope 2 and Scope 3 (all items), and third-party verification was received.

#### Environmental Impact of FY2015 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 the emission coefficients for fuel consumption applied to the calculation, reporting, and disclosure systems based on the "Act on Promotion of Global Warming Countermeasures."

[3] CO<sub>2</sub> emissions are calculated using emission factors indicated in the Ministry of the Environment's "Overview of Basic Conversion Guidelines Related to the Calculation of the Greenhouse Effect through the Supply Chain."

# Environmental Data

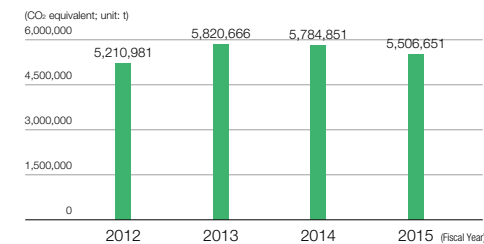
## Activity and Results

### Environmental Load Data (KDDI)

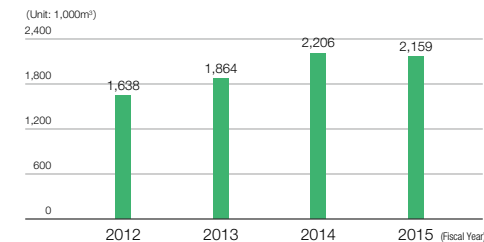
		FY2012	FY2013	FY2014	FY2015
Greenhouse gas emissions (CO <sub>2</sub> equivalent; unit: t) *		5,210,981	5,820,666	5,784,851	5,506,651
Electric power consumption (unit: MWh)		1,885,703	1,686,480	1,873,293	1,939,115
Electric power consumption per subscriber (unit: MWh)		464.7	385.4	398.9	390.4
Fuel consumption (unit: kℓ)		308	260	254	258
Paper usage (unit: t)		17,924.0	43,429.2	13,303	11,853
Water usage (unit: 1,000m <sup>3</sup> )		1,638	1,864	2,206	2,159
Industrial waste emissions (unit: t)		1,401.1	1,445.7	1,283	1,399
Number of mobile phones and other devices collected by KDDI (unit: 10,000 devices)	Mobile phones	181	154	163	141
	Batteries	182	161	182	143
	Chargers	83	72	79	65
Amount of waste paper and similar materials collected for recycling (unit: t)		2,394	2,235	2,531	1,695
Equipment-related energy usage at centers (unit: MWh)		685,885	664,798	747,016	779,504

\* CO<sub>2</sub> emissions are calculated using a conversion coefficient of 0.555 kg-CO<sub>2</sub>/kWh for the power consumption and the emission coefficients for fuel consumption applied to the calculation, reporting, and disclosure systems based on the "Act on Promotion of Global Warming Countermeasures."

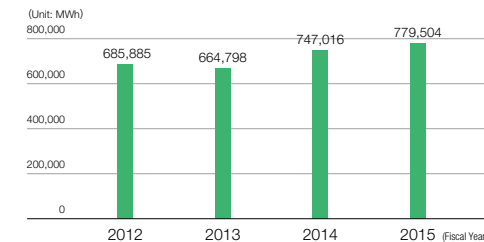
#### Greenhouse gas emissions



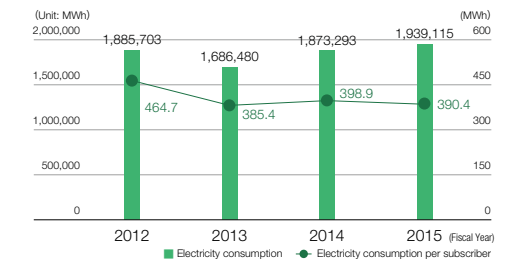
#### Water usage



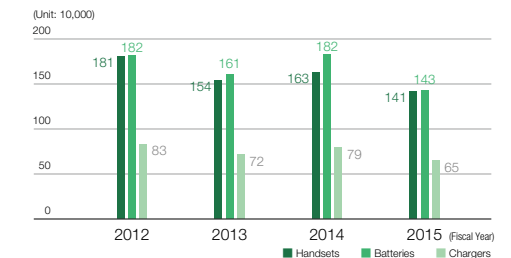
#### Equipment-related energy usage at centers



#### Electricity consumption and electricity consumption per subscriber



#### Number of mobile phones collected by KDDI



## Supply Chain Approach

### Activity and Results

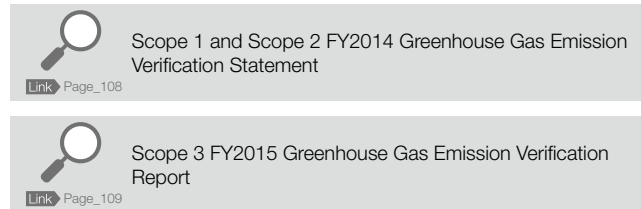
### Response to Scope 1, 2, and 3 Emissions

KDDI conducts periodic life-cycle assessments (LCA),<sup>[1]</sup> which assess environmental load, by calculating CO<sub>2</sub> emissions in every step of its products and services from manufacturing to use, disposal, and recycling. KDDI uses these assessments to quantitatively determine and disclose its environmental load. In recent years, the movement for the visualization (determining and disclosing of management and information) of emissions from the supply chain of telecommunications carriers has intensified, and KDDI has established guidelines<sup>[2]</sup> to respond to this need. Using these guidelines, we have calculated greenhouse gas emissions of the supply chain since FY2012. For FY2015 business activities, Scope 3 accounted for 80.36% of total greenhouse gas emissions (Scope 1, 2 and 3), and when looking at individual categories, we saw that Category 1 and Category 2 continued to account for a large percentage of emissions but were lower than in the previous fiscal year. We will continue analyzing these key categories and promote initiatives to reducing their emissions. The Scope 1 and 2 calculations were subjected to independent third party verification by Lloyd's Register Quality Assurance Limited. In addition, to enhance the reliability of the Scope 3 calculations, the results were subjected to third party verification by Waseda Environmental Institute Co.,Ltd..

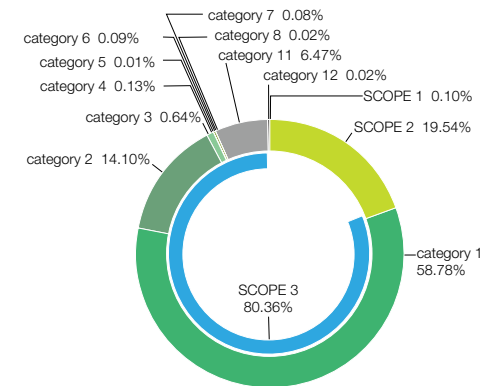
KDDI plans to continue its efforts to determine its Scope 1, 2, and 3 emissions and reduce its environmental load.

[1] Environmental load at the disposal and recycling stage includes environmental load at the manufacturing stage.

[2] Green Value Chain Platform



Comparison of GHG emission ratio of each categories (FY2015)



GHG emissions and the proportions of each categories

Category		FY2012		FY2013		FY2014		FY2015	
		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	2,857	0.05	3,505	0.06	4,680	0.08	5,344	0.10
Scope 2	Indirect GHG emissions from consumption of purchased electricity, heat or steam	1,046,565	20.08	935,996	16.08	1,039,677	17.97	1,076,209	19.54
Scope 3	category 1 Purchased goods and services	2,733,364	52.45	3,343,506	57.44	3,306,863	57.16	3,236,999	58.78
	category 2 Capital goods	952,799	18.28	1,093,184	18.78	1,053,203	18.21	776,711	14.10
	category 3 Fuel- and energy-related activities	34,439	0.66	31,480	0.54	34,967	0.60	35,379	0.64
	category 4 Upstream transportation and distribution	8,261	0.16	4,994	0.09	7,003	0.12	7,370	0.13
	category 5 Waste generated in operations	921	0.02	588	0.01	500	0.01	681	0.01
	category 6 Business travel	5,154	0.10	5,080	0.09	4,590	0.08	4,831	0.09
	category 7 Employee commuting	3,497	0.07	2,671	0.05	5,031	0.09	4,574	0.08
	category 8 Upstream leased assets	1,751	0.03	1,519	0.03	1,367	0.02	1,309	0.02
	category 9 Downstream transportation and distribution	0	0.00	0	0.00	0	0.00	0	0.00
	category 10 Processing of sold products	0	0.00	0	0.00	0	0.00	0	0.00
	category 11 Use of sold products	419,922	8.06	397,324	6.83	325,364	5.62	356,359	6.47
	category 12 End-of-life treatment of sold products	1,451	0.03	819	0.01	1,606	0.03	886	0.02
	category 13 Downstream leased assets	0	0.00	0	0.00	0	0.00	0	0.00
	category 14 Franchises	0	0.00	0	0.00	0	0.00	0	0.00
	category 15 Investments	0	0.00	0	0.00	0	0.00	0	0.00
TOTAL		4,161,559	79.86	4,881,165	83.86	4,740,493	81.95	4,425,098	80.36
		5,210,981	100.00	5,820,666	100.00	5,784,851	100.00	5,506,651	100.00

\* CO<sub>2</sub> emissions are calculated using a conversion coefficient of 0.555 kg-CO<sub>2</sub>/kWh for the power consumption and the emission coefficients for fuel consumption applied to the calculation, reporting, and disclosure systems based on the "Act on Promotion of Global Warming Countermeasures."

## Supply Chain Approach

### System

### LCA Initiatives

KDDI conducts life-cycle assessments (LCA) to quantitatively assess and show the environmental load, by calculating CO<sub>2</sub> emissions in every step in the life of its products and services, from manufacturing to use, disposal, and recycling \*.

In FY2015, KDDI conducted LCA for “au HIKARI” and “au” as a follow-up to the LCA conducted in FY2008 and FY2012. (Calculated by KDDI Research Institute, Inc.)

The environmental load of “au HIKARI” increased slightly as a result of the manufacturing costs and power consumption of computers, and improvements to network equipment. As for the environmental load of “au”, although there was a decrease due to the reduced size and power consumption of base stations, there was also an increase due

to a rise in manufacturing resulting from the spread of smartphones, resulting in a slight overall increase in the environmental load. Moving forward, KDDI will continue to periodically conduct LCA activities.

\* The environmental load at the disposal and recycling stage is included in the environmental load at the manufacturing stage.

### Policy and System

### Promoting Green Procurement

KDDI formulated “KDDI Green Procurement Guidelines” to promote purchasing of more environment-friendly products, and since April 2010 we have procured business equipment (communications devices, air conditioning systems, power supply facilities, etc.) with high energy-saving performance. The Guidelines set standards for 29 kinds of equipment, of which the standards for 15 kinds of equipment

are based on guidelines specified by the ICT Ecology Guideline Council, while those for the remaining 14 are based on KDDI's own standards set with reference to public standards in Japan and abroad (Top Runner Standards, ATIS [USA], CoC [Europe], etc.).

Furthermore, in FY2015, we implemented a CSR procurement survey for business partners, and obtained responses from nearly 100% of our business partners.



Conservation of the Global Environment  
ICT Ecology Guideline Council

[Link](#) Page\_11



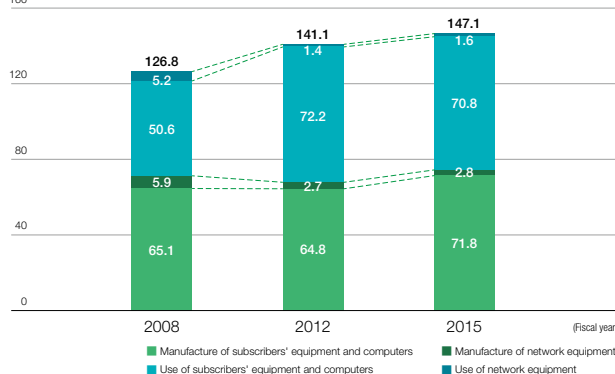
KDDI Green Procurement Guidelines (Japanese)

[Link](#) Website

### Activity and Results

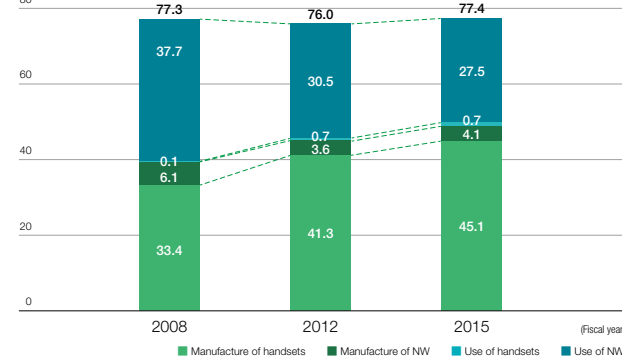
### Environmental Load of au HIKARI

Unit: kg-CO<sub>2</sub> per year per user  
160



### Environmental Load of au

Unit: kg-CO<sub>2</sub> per year per user  
80



### Cooperation with Suppliers

KDDI aims to reduce its environmental load and is making efforts to make its base stations lighter and more energy efficient, among other efforts. In FY2014, KDDI worked with its base station equipment suppliers to develop equipment that is lighter and consumes less power (approximately 45% lighter and approximately 22% less power consumption than previous base station equipment). In FY2015, KDDI continued working to reduce the environmental load by implementing this equipment.

KDDI will continue promoting approaches to suppliers and work with suppliers to reduce its environmental load.



## Low-Carbon Society

### Activity and Results

### Green by ICT

#### ■ Providing Services Approved for Environmental Eco Label

The Environmental Eco Label is provided to services that contribute to reducing the environmental burden of customers and society (reducing carbon dioxide emissions) through the use of ICT services offered by KDDI.

Services approved for the Environmental Eco Label are indicated by the KDDI Eco Mark.



#### <KDDI Cloud Platform Service>

KDDI has provided the KDDI Cloud Platform Service since July 2012.

KDDI conducts the operation and maintenance of the platform through this service, 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> that they generate by moving the servers that they install, operate, and maintain by themselves (on-premises environment) to the KDDI Cloud Platform Service. With the KDDI Cloud Platform Service, server operations are performed with an economy of scale that only a telecommunications operator can provide, enabling an approximately 38% reduction in CO<sub>2</sub> emissions per server per year, compared to when customers operate their servers individually.



KDDI Cloud Platform Service

### Results of verification

Equipment	Annual amount of CO <sub>2</sub> emissions (kg-CO <sub>2</sub> /year)		
	On-premises	KDDI Cloud Platform Service	Reduction
Streamlining of remote work environment	276.6	172.9	△ 103.7
Improvement of task accuracy through introduction of integrated monitoring and early warning detection functions	368.8	230.5	△ 138.3
Reduction in number of physical units	6,994.4	4,367.1	△2,627.4
Simplification of air flow design	125.6	78.5	△ 47.1
Use of high-efficiency batteries	0.5	0.3	△ 0.2
Use of Energy Star certified products	0.8	0.5	△ 0.3
Use of low-loss cables	0.3	0.2	△ 0.1
Total	7,767.0	4,850.0	△2,917.0

### Greenhouse gas emissions

Reduction of 2.9 t-CO<sub>2</sub>/year per server (△38%)

#### <TELEHOUSE Data Center Services>

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



TELEHOUSE Data Center Services

	Conventional Data Center	TELEHOUSE
Air conditioning for ICT equipment	Air conditioning for ICT equipment	Air conditioning for ICT equipment (Optimized temperature settings)
Interior lighting	Fluorescent lighting	High-efficiency light fixtures and LED lighting
Motion sensors	Normally equipped with manually operated lighting	Motion sensors
Street lighting outside buildings	Fluorescent lighting	Lights that use wind and solar power

\*1 Measured values of FY2010 Green IT Promotion Council

\*2 Design values of TELEHOUSE OSAKA 2

### Results of evaluation

Equipment	Annual amount of CO <sub>2</sub> emissions (t-CO <sub>2</sub> /rack)		
	Conventional Data Center	TELEHOUSE	Reduction
Air conditioning	40.2	20.1	△20.1
Interior lighting	0.1	0.1	△0.0
IT equipment	54.3	54.3	△0.0
Total	94.6	74.5	△20.1

\* Calculated based on design values of TELEHOUSE OSAKA 2

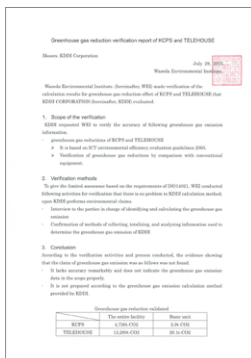
## Low-Carbon Society

### Greenhouse gas emissions

Reduction of 20.1 t-CO<sub>2</sub>/year per rack (△21%)

<Note on third-party verification>

To increase the credibility of calculations for the reduced environmental burden (reduced carbon dioxide emissions) of the services approved for the Environmental Eco Label, KDDI receives third-party verification from Waseda Environmental Institute Co., Ltd.



Third-party verification received from Waseda Environmental Institute Co., Ltd.

#### Activity and Results

### Green of ICT

#### Reducing Power Consumption in Base Stations and Undertaking Disaster Measure Initiatives

The dense blanket of mobile phone base stations covering Japan accounts for 60% of the total energy consumed by KDDI, and reducing the power that base stations consume is a topmost priority.

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

In regard to these issues, KDDI has promoted initiatives combining reduction of environmental impact and disaster preparedness measures by increasing the number of Tribrid Base Stations and extending the life of base station batteries to 24 hours.

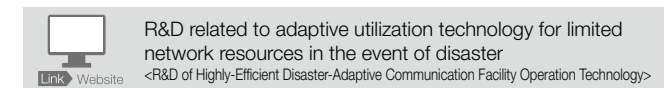
Tribrid Base Stations are base stations that employ tribrid power control technology to determine which of three types of power to use depending on the time of day and changes in the weather. Tribrid power control involves the use of technology to efficiently control the source of electric power by the hour, combining typical commercial electric power with generation from solar panels and charging batteries with nighttime power. Compared with base stations that only use conventional electric power, Tribrid Base Stations have been proved to reduce CO<sub>2</sub> emissions by as much as 30% a year. As of March 31, 2016, 100 Tribrid Base Stations were installed throughout Japan.

Furthermore, serving as backup in case power is interrupted, KDDI has installed batteries with life extended to 24 hours, focusing on prefectural and municipal government offices and train stations serving more than 100,000 passengers per day. As of March 31, 2016, extended life batteries have been installed at 2,200 base stations throughout Japan. We will continue installing extended life batteries while measuring the effect on the reduction of environmental load.



Tribrid Base Stations

A video about the advancement of Tribrid Base Stations is available for viewing (Japanese).



Together with “Research and development related to variable-capacity optical network control systems” and “Research and development of obstruction estimation in times of disaster and restoration plan analysis and calculation technology,” the “Study on advancement of Tribrid Base Stations” (KDDI project name) forms part of the “Research and development of management and control technology for disaster-proof networks guaranteeing communications even during large-scale disasters,” sponsored by the FY2011 supplementary budget of the Ministry of Internal Affairs and Communications.

#### Portable Batteries

In FY2013, KDDI introduced and utilizes portable batteries with reduced environmental impact at five maintenance bases throughout Japan as a substitute for the mobile power supply vehicles used in the past to power mobile phone base stations during electricity outages.

In the portable battery trial conducted in FY2012, assuming a power outage of approximately 10 hours per base station and wireless device power consumption of 1kW,



Portable batteries

## Low-Carbon Society

whereas a mobile power supply vehicle would consume 8.2 liters per time (equivalent to 21.5kg of CO<sub>2</sub> emissions), a portable battery required 10kWh per time (equivalent to 4.1kg of CO<sub>2</sub> emissions). Given this 17.4kg difference in CO<sub>2</sub> emissions, we expect an approximate 80% reduction in emissions compared with mobile power supply vehicles. KDDI plans to expand the number of portable batteries introduced in readiness for the future increase in base stations and to continue to work toward reduction in CO<sub>2</sub> emissions.

### Renewable Energy (Internal use)

In order to actualize even better energy conservation and CO<sub>2</sub> emissions cuts at KDDI, a portion of the electric power used at large scale communications stations like the Yamaguchi Satellite Earth Station, Oyama Network Center No. 2 and Tokyo Technical Center, and almost all electrical power at six mobile telephone base stations including Hokkaido and Aomori come from natural energy sources such as solar power. We have been making progress in introducing renewable energy, establishing 100 Tribrid Base Stations (base stations utilizing tribrid electric power control technology to efficiently supply three kinds of electric power - ordinary commercial power, power generated by solar panels, and midnight power saved in storage batteries - according to the time of day and changes in the weather) throughout Japan. The amount of natural energy produced by each Tribrid Base Station is approximately 4.2 kWh/day,\* accounting for 18% of the power used by every device. Furthermore, by utilizing midnight power, we are predicting that CO<sub>2</sub> emissions will reduce 20 to 30%\*



Large scale communications station using natural energy

\* Includes values researched by KDDI where average energy production is predicted from 6 solar batteries installed in test stations during clear skies

### Renewable Energy (Solar power generation business)

KDDI launched its solar power generation business on November 18, 2013, with the aim of contributing to reduction of CO<sub>2</sub> emissions. We constructed solar power generation facilities on some idle land owned by KDDI in three locations around the country, and we sell the power generated to electric power companies based on the Feed-in Tariff Scheme for Renewable Energy. Total power generation (total power sales) amounted to 3,034MWh in FY2013, 14,403MWh in FY2014 and 13,674MWh in FY2015. In FY2016, KDDI plans to expand its solar power generation facilities to provide approximately 3,000MWh of additional power per year.

Location of solar power generation facilities	Start of operation	Site area	Generating capacity
KDDI Oyama Network Center (Oyama, Tochigi Prefecture)	February 26, 2014	Approx. 41,000m <sup>2</sup>	Approx. 3,500kW
Adjacent to KDDI Yamata Transmitting Station (Koga, Ibaraki Prefecture)	January 24, 2014	Approx. 57,000m <sup>2</sup>	Approx. 3,300kW
Former site of Kitaura Receiving Station (Namegata, Ibaraki Prefecture)	November 18, 2013	Approx. 78,000m <sup>2</sup>	Approx. 2,000kW

### Road Heating that Uses Waste Heat

The Sapporo Technical Center in the KDDI Hokkaido Building is contributing to the reduction of CO<sub>2</sub> through a road heating system that uses water heated by the waste heat generated in communications equipment rooms (unlike conventional road heating systems that use heating oil and natural gas). Road heating systems

consist of underground pipes that circulate hot water to warm the roads and sidewalks and prevent the accumulation of snow and ice, thereby contributing to the prevention of accidents such as pedestrians slipping and falling.



Road heating facilities

### Activity and Results

## Green by ICT

### Environmental Monitoring that Uses M2M/IoT

The KDDI M2M Cloud Service is a secure one-stop cloud service solution for configuring essential M2M/IoT business functions, such as collecting and compiling data from sensors and displaying data reports. For example, by installing temperature and humidity sensors in their offices or shops, customers can record the temperature and humidity and visualize the usage conditions, which can then help in the implementation of plans for optimizing and improving the energy efficiency of the air conditioning.

By providing M2M/IoT-related services, KDDI helps customers improve their work efficiency, consolidate their IT resources through the cloud, improve their energy efficiency, and save resources through the shared use of facilities. Moving forward, KDDI will continue to provide ICT services that aim to solve customer issues while also reducing the environmental impact of society.

## Recycling-Oriented Society

### Activity and Results

#### Green of ICT

##### ■ Reuse and Recycling of Telecommunications Facilities

KDDI promotes reuse activities that regenerate and effectively employ retired telecommunication facilities. We also use material recycling to effectively employ equipment, components and materials that have become unnecessary.

In FY2015, KDDI recycled the materials in old deteriorated rechargeable batteries installed in telephone exchange stations used in test environments, to effectively utilize their resources. We will also make proactive efforts to reuse and recycle the retired equipment generated during periodic upgrades of communications equipment for base stations and other facilities.



Rechargeable batteries that are no longer needed

### Activity and Results

#### Green by ICT

##### ■ Reduction of Paper

KDDI is making efforts to slim down the operation manuals of its au mobile phones through the introduction of operation manual apps in smartphones and through other means. We are also making packaging on au mobile phones more compact.

We will continue to further reduce the use of paper and expand operation manual apps to improve usability that is kind to the environment.



From left, successive operation manuals with the most recent on the far right.



Paper Recycling at au shops

[Link](#) Page\_103

# Recycling-Oriented Society

## Activity and Results

### Green Road Project

#### Promoting Recycling of Mobile Phones

Used mobile phone handsets that have been collected from customers at au shops are manually disassembled, separating out substrates, displays, cameras, plastics, screws, iron, antennas, motors, speakers and other items, in a secured room. Gold, silver, copper, palladium and other resources are extracted from the substrates, while screws and antennas are recycled into steel products and plastics are recycled into plastic products. When a machine is used to disassemble a mobile phone, plastics are burned up in the incineration process and so cannot be used as a recycled resource. In addition, recycling eliminates the need to conduct new 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 through the mining and refining processes. KDDI performs all disassembly manually to prevent recyclable resources from being wasted.

#### Recycling rate in FY2015

99.8%



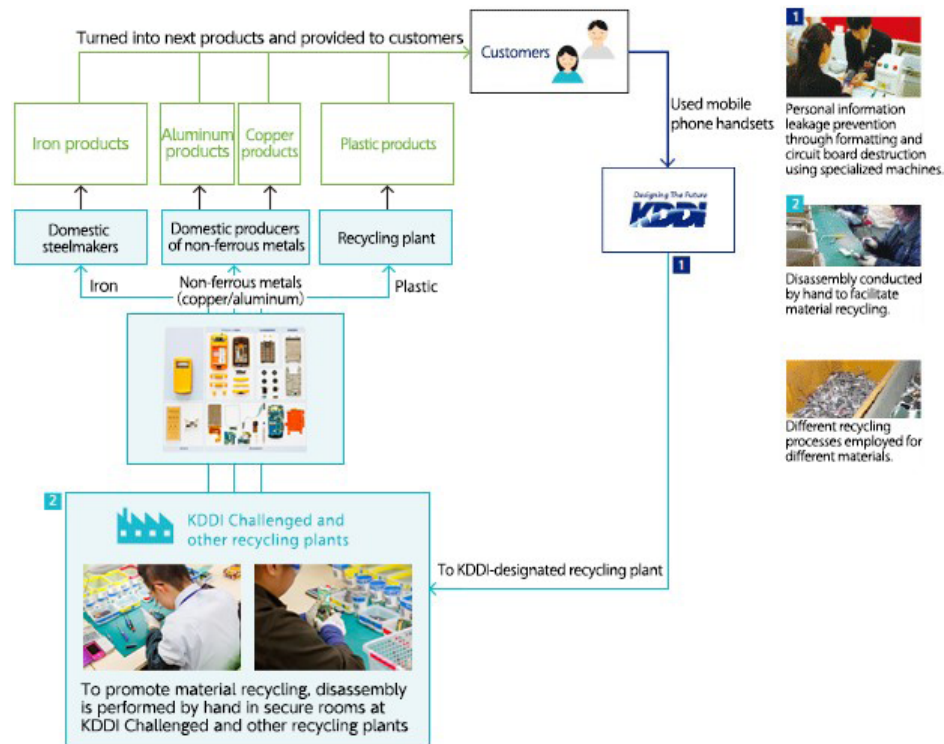
au shop Locator (Japanese)

Link Website

#### Paper Recycling at au shops

Throughout Japan, au shops collect and recycle various types of paper material such as mobile phone flyers, pamphlets, and cardboard packaging. In FY2015, we collected 1,695 tons of paper material, which was recycled into paper for new printed items.

#### Basic flow for Recycling of Mobile Phones





# Biodiversity

## Activity and Results

### Green by ICT

#### Biodiversity Consideration for Base Station Installation

Along with energy efficiency, KDDI is also taking biodiversity into concern for the construction of base stations. One example is cooperating with municipalities and environmental conservation associations to delay base station construction when it falls during the time that the Northern Goshawk and Oriental Stork build nests and lay eggs. Another example is the transplanting and afforestation of rare plants that exist on sites with guidance from the Ministry of the Environment. Furthermore, we select construction methods that do not produce pile driving noise so that the delivery, breeding, and milking of livestock is not effected by construction noise. Even though we have their understanding on the necessity for base station construction, we take great effort to build reliable relationships with municipalities and neighbors by minimizing the effect that base station construction has on the environment.

#### Research on Behavior of Endangered River Dolphins

KDDI R&D Laboratories is utilizing the acoustic technology cultivated by maintenance and inspection of submarine cables that connects continents and collaborating with the Institute of Industrial Science, The University of Tokyo, Kyushu Institute of Technology, Indian Institute of Technology Delhi, and WWF-India to observe the ecology of the Ganges River dolphin.

The Ganges River dolphin is a species of dolphin that live in the basin of the Ganges River. There are about 2,000 dolphins and are in danger of becoming extinct. To determine the surrounding environment of the murky waters where they live, these dolphins emit

high frequency ultrasonic waves known as “clicks”. By catching these ultrasonic clicks with underwater microphones, we hope to survey the dolphins’ behavior underwater. One advantage of using this method is that it enables the observation of large numbers of dolphins without having any effect on their behavior. Because observers simply listen to the ultrasonic waves that the dolphins emit, there is no need for them to physically touch the dolphins, thereby eliminating any impact.

In FY2015, KDDI received the Fuji Sankei Group Award of the 25th Grand Prize for the Global Environment Award in recognition of the contribution of these efforts to biodiversity protection.

In addition, the same type of ultrasonic wave monitoring equipment is being installed on floating homes in the Mahakam River in Borneo, to research the behavior of Irrawaddy dolphins and evaluate the impact of the growing river traffic. Moving forward, KDDI will continue to conduct research on river dolphins that face the threat of endangerment in various regions.

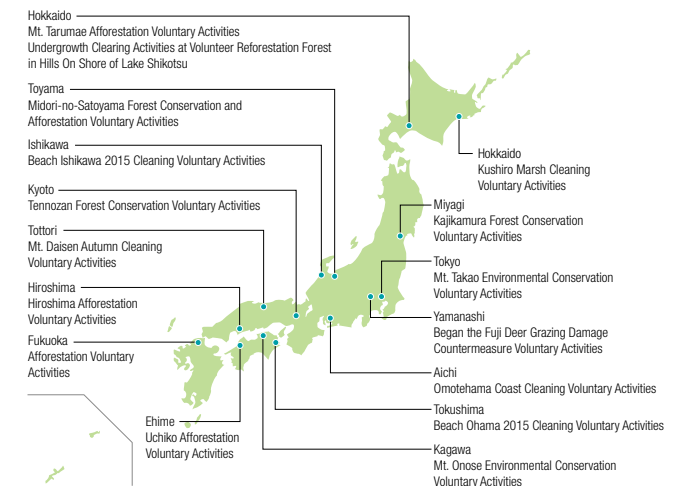
## Activity and Results

### Green Road Project

#### Environmental Conservation Activities by Employees

In FY2015, as in previous years, KDDI conducted environmental conservation activities in regions across Japan. Employees and their families participated in volunteer activities in a variety of settings in each region, ranging from mountains to rivers and beaches.

On Mt. Takao (Hachioji, Tokyo), KDDI continued conducting activities that began in FY2014, involving students from Tokyo Metropolitan KOGEI High School in an industry-academic partnership. Together, we made effective use of cypress wood obtained through tree-thinning activities by constructing benches and donating them to local retirement homes and other locations.



## Third-Party Opinion

### KDDI Corporation Integrated Report 2016 (Detailed ESG Version) Third-Party Opinion



**Masahiko Kawamura**

NLI Research Institute - Senior Research  
Fellow, Head of ESG Research Office

Kawamura earned his master's degree from the Kyushu University Faculty of Engineering in 1976, and joined Mitsui Ocean Development & Engineering Co., Ltd. (MODEC). In 1988, he entered NLI Research Institute. His areas of expertise are environmental management, CSR management, environmental business, and integrated reporting. He has served at various organizations, including the Sustainable Management Forum of Japan (Vice Chairman), BEREC (Fellow), and alterna (CSR Staff Education Manager), and his published works include "Perfect Guide to CSR Management (*CSR Keiei Paafekuto Gaido*)" (sole author), "New Trends in Integrated Reporting" (*Tougou Houkoku no Shin-chouryuu*) (co-author), and "Carbon Disclosure" (co-editor).

This opinion is intended to provide an evaluation and discussion of issues and expectations based on the information published in the KDDI Corporation Integrated Report 2016 (Detailed ESG Version), particularly with respect to the disclosure of CSR management information, as well as to the approach to CSR management and the details and results of initiatives.

#### 1. Disclosure of CSR Management Information

My initial assessment of the Integrated Report (Detailed ESG Version), which is published as a complement to the normal Integrated Report, is that it provides details from the PDCA perspective in a concise manner that is easy to read. In particular, each description of the four material issues begins with a "KDDI's Approach" section, in which "Recognition of social issue", "KDDI's risk and opportunity", "KDDI's management", "Key performance indicators (KPI)", "Highlights of FY2015 activities", and "Future issues" are all included together on a single page. The individual topics are divided into subsections with titles such as "Policy", "System", and "Activity and Results", which make it easy for evaluators to use the report.

As for the scope of the report (the report boundaries), it focuses mainly on KDDI due to the low ratio of consolidated sales to unconsolidated sales. However, in response to KDDI's active deployment of business around the globe, which is described as a medium-term management objective starting this year, ESG information will be required in the future for international operations that include supply chains. To a considerable extent, Japanese companies already recognize human rights and labor problems as

unforeseen CSR risks. As noted in the stakeholder dialogue section, CSR procurement is regarded as a management issue, and KDDI is requested to disclose a summary of the questionnaire results and formulate measures according to the risk level of each supplier.

In terms of disclosing CSR management information such as employment data and environmental data, KDDI can position itself as a front runner among companies in Japan. The section on the material issue of conserving the global environment includes detailed CO<sub>2</sub> emissions data for KDDI and the products and services, as well as details about Scope 1, 2, and 3 emissions. However, the overall picture is difficult to understand and it leaves a rather cumbersome impression, so I recommend that you first clearly define the scope of disclosure. On top of that, I would like to see KDDI greatly reduce CO<sub>2</sub> emissions through efforts such as introducing renewable energy over the medium- to long-term period.

#### 2. Details of CSR Management

As a basic approach to CSR management, The KDDI Group Philosophy shows that KDDI understands social issues as a telecommunications company, and recognizes its social mission and social responsibilities. More specifically, the "Value Chain and CSR" (page 7) diagram clearly shows the "Impact of business activities on society", which is the original definition of CSR. The diagram also clearly indicates the objectives of "Development of sustainable society" and "Development of operations" through the "Provision of stable telecommunication services". These ideas are also expressed in the message from the President.

There were many new initiatives in the previous fiscal year, such



## Third-Party Opinion

as the human rights policy, digital inclusion efforts, the guidelines for CSR in the supply chain, and tax compliance efforts. Even though most of these initiatives involved the establishment of concepts and policies and the improvement of systems, there was some visible progress in terms of performance. In particular, the proactive hardware and software support for social issues that are unique to the mobile phone business can be evaluated positively. The diversity efforts can also be evaluated positively, particularly the achievement of the target to promote 90 females to line managers (7% share of total) that contribute to decision-making processes, as well as the newly established target of having 200 female line managers by FY2020. Also, I think this is well understood, but care needs to be taken so as not to equate the diversity problem with the gender problem.

In terms of the relationship with governance, the Human Rights Panel and Environmental Panel were newly established as subsidiary groups under the CSR Committee. However, to prevent damage to the corporate value and to improve the power of the KDDI brand, it is not enough to simply provide reports in the management meetings. There also needs to be proactive discussions in those meetings. ESG investors might also request those reports to help in their decision-making processes.

As stated in the message from the President, the growth strategy aims to transform KDDI from a telecommunications company into a "Life Design Company". As a long-term vision, this is not something that can be achieved within the context of a 3-year medium-term management objective. With 2015 being recognized as the first year of sustainability for the global environment and society, megatrends in the business environment are undergoing radical changes that will render conventional business models unsuitable. It is essential

to have a medium- to long-term strategy that can contribute to the new communication society that will emerge by the year 2050. In conjunction with that, I propose that you establish an approximately 5-year CSR medium-term plan that reintegrates the four material issues. As one of Japan's key telecommunications companies, there are expectations for KDDI's practical capabilities.

## Third-Party Opinion

### Our Response to the Third-Party Opinion



**Akira Dobashi**

KDDI Corporation  
Executive Officer, CSR Environment  
Sustainability  
General Manager, General Administration &  
Human Resources Division

I would like to express my deep appreciation for the valuable opinion about the Integrated Report 2016 (Detailed ESG Version).

This year's report was expanded to include more ESG information required by investors than the report for the previous fiscal year, and we made proactive, exhaustive efforts to disclose the information. In terms of CSR management, we implemented new initiatives from the previous fiscal year, such as the establishment of the human rights policy and the CSR Committee, which have strengthened the foundation for CSR management.


We are pleased to receive positive evaluations for the two points above. With respect to information disclosure, it was noted that the report that is easy to use for evaluators. For CSR management, it was noted that there has been visible progress in terms of performance, due to hardware and software support for social issues that are unique to the mobile phone business, as well as due to the promotion of diversity.

At the same time, it was pointed out that our disclosure of environmental data has positioned KDDI as a potential front runner (in terms of the amount of information that is disclosed), but that the overall picture is difficult to understand. In addition, we recognize that there are still many issues for us to address in terms of CSR management with respect to strengthening the governance, as noted in the suggestions for proactive discussions in management meetings and the establishment of an approximately 5-year CSR medium-term plan as a medium-to-long term strategy.

In addition to making the information required by stakeholders easier to understand and devising ways to ensure more exhaustive disclosure, I believe we should aim to establish the next (medium-to-long term) Environmental Conservation Plan as a medium-to-long term strategy to improve the power of the KDDI brand and to prevent damage to the corporate value, and to entrench our CSR that is unique to KDDI.

Moving forward, KDDI will step up the efforts to promote co-creation and produce more new social value, as well as our efforts toward the development of sustainable society, by continuing to listen to the views of stakeholders and furthering the advancement of CSR management.

# Scope 1 and Scope 2 FY2014 Greenhouse Gas Emission Verification Statement



**Assurance Statement**  
**related to KDDI Corporation's GHG Emissions**  
**for the fiscal year 2014**

**Terms of Engagement**  
This assurance statement has been prepared for KDDI Corporation.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by KDDI Corporation (hereafter called as the Organisation) to assure its greenhouse gas (GHG) emissions data for the fiscal year 2014, that is, 1 April 2014 to 31 March 2015, (hereafter referred to as "the Report"). The Report relates to the GHG emissions data from the energy use activities of the Organisation and its consolidated subsidiaries in Japan and overseas.

**Management Responsibility**  
The Organization's management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with the Organisation.

Ultimately, the Report has been approved by, and remains the responsibility of the Organisation.

**LRQA's Approach**  
Our verification has been conducted in accordance with ISO 14064-3:2006 *Specification with guidance for validation and verification of greenhouse gas assertions* to provide limited assurance that GHG emissions data as presented in the Report have been prepared in conformance with the Organisation's in-house reporting procedures.

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:


- reviewed processes related to the control of GHG emissions data and records;
- interviewed relevant staff of the organization responsible for managing GHG emissions data and records;
- visiting Shinjuku Bunka Quint Building and KDDI Shinjuku Building to establish whether the in-house procedures have been effectively implemented; and
- verified historical GHG emissions data and records at an aggregated level for the fiscal year 2014.

**Level of Assurance & Materiality**  
The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at a materiality of the professional judgment of the verifier.

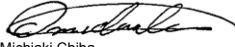
**LRQA's Opinion**  
Based on LRQA's approach nothing has come to our attention that would cause us to believe that the total GHG emissions disclosed in the Report as summarized in Table 1 below are not materially correct and the Report has not been prepared in conformance with the Organisation's in-house reporting procedures.

**LRQA's Recommendations**  
The organisation should continue improving the quality assurance and control systems with internal self-verification particularly across its group companies in Japan and overseas.

Page 1 of 2



Dated: 10 March 2016

  
Michiaki Chiba  
LRQA Lead Verifier  
On behalf of Lloyd's Register Quality Assurance Limited  
Japan Business Centre, Queen's Tower A, 10<sup>th</sup> Floor  
2-3-1 Minatomirai, Nishi-ku, Yokohama 220-6010, Japan

LRQA reference: YKA4005450

**Table 1. Summary of KDDI Corporation's GHG emissions 2014**

Scope	Tonnes CO <sub>2</sub> e
Energy direct GHG emissions	4,785
Energy indirect GHG emissions	1,293,637
<b>Total GHG emissions</b>	<b>1,298,422</b>

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Due to inherent limitations in any internal control, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The English version of this Assurance Statement is the only valid version. Lloyd's Register assumes no responsibility for versions translated into other languages.

In the case of any conflict between the English and Japanese versions of this legal section, the English version shall prevail.

Page 2 of 2

Note Direct greenhouse gas (GHG) emissions include the amount emitted by an overseas subsidiary.  
Energy indirect greenhouse gas (GHG) emissions are calculated using utility-specific emission factors.


# Scope 3 FY2015 Greenhouse Gas Emission Verification Report

Scope3 Greenhouse gas emission verification report

Messrs. KDDI Corporation

June 27, 2016

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, 2015 to March 31, 2016 that KDDI CORPORATION (hereinafter, KDDI) reported on website.

1. 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

2. 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

3. 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	4,425,098t-CO2
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