CSR Initiatives Supporting Operations

(KDDI Business Foundations)

The basis of KDDI operations is to offer reliable high-quality information and communication services 24 hours a day, 365 days a year. In order to support and grow these operations, in addition to constructing a healthy and highly transparent operation system, we are also working to create organizations and human resources that can respond flexibly to social change. We also place importance on contributing to the environment and the local communities.

Corporate Governance

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 actively adhering to Japan's Corporate Governance Code

and practicing the "KDDI Group Philosophy," which we consider fundamental 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. KDDI complies with the whole Corporate Governance Code, and will continue to improve governance.

Link Website   Corporate Governance Report

Corporate Governance Framework
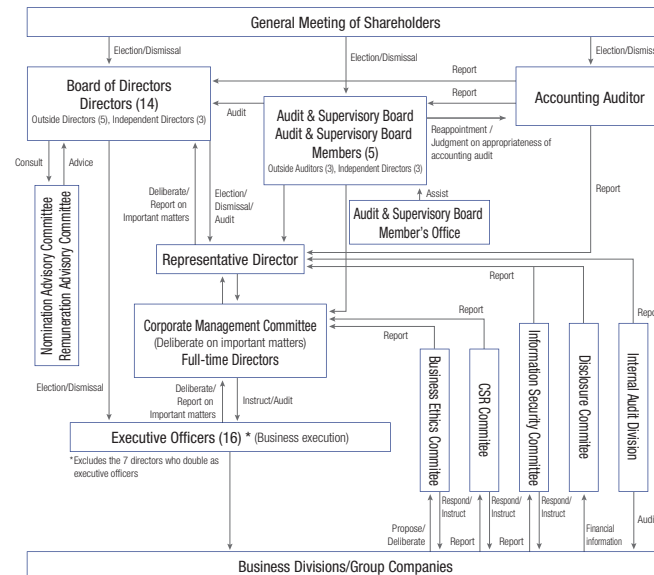
Corporate Governance Promotion Framework

KDDI considers strengthening corporate governance to be one of the most vital issues in terms of enhancing corporate value for shareholders and all other stockholders, and is working to improve management efficiency and transparency.

KDDI is currently a company with a board of auditors, and in order to properly manage business execution, an executive officer system was introduced to assign authority, clarify responsibilities, and ensure that operations are conducted effectively and efficiently. We are also working to systemize internal decision-making flow with a view to ensuring timely management decisions. There are 14 directors (13 male, 1 female), including 5 outside directors, 3 of whom are independent directors. There are 5 auditors (all male), including 3 outside auditors, and all outside auditors are appointed as independent directors.

■ Criteria for Independence of Outside Directors/Auditors

In addition to the outside directors/auditors requirements in the Companies Act and the independence standards provided by the Tokyo Stock Exchange, Inc., the Company has formulated its own standards. Specifically, these standards state that people belong to business partners making up 1% or more of the Company's consolidated net sales or orders placed are not independent.

Directors and Board of Directors

The Board of Directors is composed of both internal and outside

Corporate Governance

Directors, who determine important legal matters as stipulated by laws and regulations based on the Board of Directors Rules and agenda standards. In addition, the Board of Directors oversees the competent execution of business duties by the Directors themselves. The board also has the authority to assign and dismiss executive officers.

Board of Directors FY2016 Meetings

Number of meetings held		12
Director attendance rate		98.4%
	Number of outside directors	96.6%
Auditor attendance rate		98.8%
	Number of outside auditors	98.3%

■ **Evaluation of the Board of Directors' Effectiveness**

<Purpose of Conducting>

The Company conducts a self-evaluation of the Board of Directors regularly every year in order to correctly understand the situation of the Board of Directors and promote its consecutive improvement.

<Process of Evaluation>

The Company confirms the effectiveness of the Board of Directors based on evaluation by all of the directors and Audit & Supervisory Board members. The evaluation takes the form of a questionnaire and aims to verify the effectiveness of the board's initiatives and discover where improvements can be made from two perspectives, quantitative evaluation and qualitative evaluation, through a combination of four-grade evaluation and free writing.

The evaluation covers the most recent one-year period and is conducted annually. The results of the evaluation are reported to the Board of Directors and future measures are considered.

The main evaluation items are as follows.

・ Operation of the Board of Directors (composition of members, documents and explanations, provision of information, etc.)
・ Supervision of Executives (conflict of interest, risk management, management of subsidiaries, etc.)
・ Medium- and long-term discussions (review of medium-term business planning, monitoring of plan enforcement, etc.)

<Evaluation Results>

[Summary]

The Company's Board of Directors is composed of Directors and Audit & Supervisory Board Members that have diverse viewpoints, is well regarded for the free and open discussion that takes place in an environment where it is easy for outside officers to make the most of their individual specialties, and, in regard to timely and appropriate decision making and the supervision of executives, received a positive evaluation stating that the Company's Board of Directors is functioning effectively.

[Improvements since Previous Evaluation]

It was confirmed that matters that were pointed out as issues in the previous evaluation had improved such as providing opportunities for the outside directors to meet with responsible persons from each business division to familiarize with our business and strategies, all documents for the Board of Directors meeting being distributed beforehand, and questions being accepted prior to deliberation and incorporated into explanations from the Board of Directors.

Medium- and long-term business strategies are debated in depth, and discussions with the participation of outside directors are conducted from the stage of formulation of medium-term management plans.

[Future Issues]

We have received opinions that it would be desirable to further expand discussion of strategies aimed at sustainable growth, such as the long-term outlook for the business environment and policies on meeting the changing environment.

Based on these suggestions, we will continue to work for consecutive improvement.

Link Website   The 33rd Annual General Meeting of Shareholders Noticea
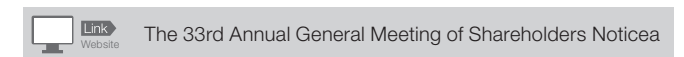
System   KDDI

Corporate Management Committee

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

System   KDDI

Auditors and the Audit & Supervisory Board (Auditing Office)

The KDDI Audit & Supervisory Board is composed of 5 members, including 3 independent outside auditors. It designs policies and execution plans for auditing, as well as making decisions about important items concerning auditing operations. Outside auditors who have abundant experience and a wide range of comprehension are assigned for their ability to actualize total management observation and more accurate audits from a position independent of the directors.

Corporate Governance

Auditors 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 auditors' duties, they also exchange opinions, and collaborate with auditors. The auditors also periodically listen to reports from the accounting auditor on the annual accounting audit plan, as well as on the progress and the results of accounting audits. They also make recommendations and exchanges of opinion as necessary. There is an Auditing Office established to support auditors' duties, and the personnel employed there consider the auditors' opinions when securing suitable staff.

• Audit & Supervisory Board FY2016 Meetings: 12

■ Internal Audits

An Audit Division was established in the Risk Management Headquarters, which is under the direct control of the president. It holds internal audits of overall KDDI Group operations in accordance with important risks revealed through risk management activities. Internal audit results are reported to the president and auditors with suggestions for improvements and revisions of issues. 17 internal audits total were held in FY2016, and we are working toward risk prevention.

System	KDDI

Nomination Advisory Committee and Remuneration Advisory Committee

To ensure the transparency and fairness of systems and levels of director and auditor nomination and executive remuneration, KDDI has established a Nomination Advisory Committee and a Remuneration Advisory Committee to conduct deliberations and provide advice to the Board of Directors in accordance with the requests thereof. The chairman, vice-chairman, and more than half of the members of these committees are outside directors.

<Nomination Advisory Committee composition>

Chairman: Nobuyori Kodaira (Outside Director)
Vice Chairman: Goro Yamaguchi (Outside Director)
Member of Committee: Shinji Fukukawa (Outside Director),
Kuniko Tanabe (Outside Director),
Yoshiaki Nemoto (Outside Director),
Tadashi Onodera, Takashi Tanaka

<Remuneration Advisory Committee composition>

Chairman: Goro Yamaguchi (Outside Director)
Vice Chairman: Nobuyori Kodaira (Outside Director)
Member of Committee: Shinji Fukukawa (Independent/Outside Director),
Kuniko Tanabe (Independent/Outside Director),
Yoshiaki Nemoto (Independent/Outside Director),
Tadashi Onodera, Takashi Tanaka

<Meetings (FY2016)>

Nomination Advisory Committee Meetings	1
Remuneration Advisory Committee Meetings	1

System	KDDI

Other Committees

The Business Ethics Committee was established as a decision making body for compliance related items, and the Disclosure Committee was established as a deliberative body for releasing information. Additionally, the CSR Committee was established as a deliberative body for items related to CSR and environment sustainability. The management of each group company is connected by various systems, and we are working to strengthen the governance of the whole KDDI Group.

Corporate Governance

System · KDDI

Items Related to Organizational Structure and Operation

Organizational form	Company with board of auditors
Number of independent auditors	6 (including 1 female)
Items Related to Directors	
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 (non-business executive officer, 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)
Items Related to Auditors	
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)
Other	
Existence of anti-takeover measure	None

Policy and System · KDDI

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

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. Position-based reference values are set at a reasonable level by an external specialized organization after investigation and validation. Executive bonuses and stock remuneration paid are based on the KDDI Group's level of achievement of its targets for consolidated operating revenue, operating income, and profit for the year, as well as achievement of the KPI, such as the number of subscribers and cancellation rates for each fiscal year.

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

System · KDDI

Director Renumeration Decision Process

To ensure the transparency and fairness of executive remuneration systems and levels, KDDI 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.

The total remuneration of President Takashi Tanaka in FY2016 was 123 million yen, a ratio of 12.9:1 compared to each individual employee.

System · KDDI

Status of Implementing Incentive Measures for Directors

■ **Performance-Based Bonuses**

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.

■ **Performance-Based Stock Remuneration (BIP)**

Introduction of a performance-linked stock remuneration system was approved at the 31st Annual General Meeting of Shareholders held on June 17, 2015, and the system commenced on September 1, 2015. The percentage of performance-linked remuneration increased as a result.

■ **Stock Options**

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.

Corporate Governance

Policy and System — KDDI

Policies for Nominating Director and Auditor Candidates

The nomination of Director and Audit & Supervisory Board member candidates involves deliberation by the Nomination Advisory Committee following a selection of candidates based on the below-stated policy. In addition, candidates for Audit & Supervisory Board member are approved by the Board of Directors following approval by the Audit & Supervisory Board.

■ Candidates for Director

The Company believes that the overall Board of Directors should include members with advanced specialized knowledge and diverse perspectives when making decisions including matters that are important from a management perspective and matters that legally require supervision. Accordingly, in principle the board includes the following members.

• People with specialized knowledge and experience in various fields of business
• People who have possess management knowledge
• People who are highly independent and have specialized knowledge appropriate to a supervisor

■ Candidates for Audit & Supervisory Board Member

People who are able to supervise overall management from a perspective independent from directors and who have the extensive experience and broad-ranging insight to enhance audit appropriateness.

Policy — KDDI

Diversity of Directors

KDDI considers taking on diverse human resources and utilizing their various knowledge, experiences, and skills to be an important driver of growth toward transforming into a "Life Design Company". KDDI believes that ensuring diversity in the Board of Directors can lead to better business judgment. By ensuring human resources with specialized knowledge and experiences in various fields with regards to management, regardless of gender, age, and nationality, and by incorporating various viewpoints into the decision-making of the Board of Directors, we are going even further toward our transformation into a "Life Design Company".

Policy — KDDI

Policies on Transaction between Related Parties

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

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

Directors of Kyocera Corporation and Toyota Motor Corporation, which are major shareholders of the Company, serve as outside directors of the Company. Accordingly, we strike a balance between comprehensive approval by and report to the Board of Directors, and internal requests for decisions on individual transactions.

■ Remuneration for Directors and Audit & Supervisory Board Members (FY2016)

Executive Classification		Total Remuneration (Millions of yen)	Employees (Number of people)	Total Remuneration by Type (Millions of yen)		
				Flat-rate Remuneration	Bonus	Stock remuneration
Directors	Outside Directors	68	5	68	—	—
	Directors not listed above	640	11	392	137	110
	Total	708	16	460	137	110
Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members	48	6	48	—	—
	Auditors not listed above	51	3	51	—	—
	Total	99	9	99	—	—

* Takashi Tanaka, the president, receives a total remuneration of ¥123 million (basic salary ¥78 million, bonus ¥25 million, stock remuneration ¥20 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.

Corporate Governance

System — KDDI

Initiatives for Vitalizing the General Meeting of Shareholders and Smoothing the Exercise of Voting Rights

Measure	Content
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
Participating in an electronic voting platform	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	Announcements can be viewed via smartphone. In addition, to encourage the participation of more shareholders in the General Meeting of Shareholders, KDDI provides sign language interpretation at the venue. Videos of the General Meeting of Shareholders can be freely viewed on demand with sign language interpretation, via the KDDI website.

Link Website — Corporate Governance Report

Link Website — The 33rd Annual General Meeting of Shareholders Notice

Policy — KDDI

Discussions with Shareholders

The Company considers our shareholders and investors to be important stakeholders who fully understand and strongly support its ongoing business. Accordingly, we make the building of trust-based relationships with shareholders and investors a management priority and strive for value-oriented corporate management, active information disclosure, and enhanced communication.

■ FY2016 Result

- Financial Results Briefing for Analysts and Institutional Investors: 4 times per year (held along with the quarterly financial disclosure)
- International roadshow: 14 times total (including participation in 4 stock company sponsored conferences)
- Interviews with international and domestic investors: Over 900 times total
- Briefing for individual investors: 65 times total in 26 cities throughout Japan (Number of investors participating: over 3,000 total)
- Questionnaire in shareholders' bulletin and reporting the results
- Events for shareholders: 2 times per year

System — KDDI

Outside Director Support System

Board of Directors meeting dates and agenda items are provided in advance to outside directors and outside Audit & Supervisory Board members. In addition, agenda materials are distributed ahead of time to foster understanding of the items in question and invigorate deliberations at Board of Directors meetings.

In addition, the Company is working to make deliberations more substantial by accepting questions in advance and providing more extensive explanations at Board of Directors meetings based on such questions.

Furthermore, the Company is working to invigorate deliberations in Board of Directors meetings by providing opportunities for outside directors and outside Audit & Supervisory Board members to undergo training by responsible persons in each field concerning industry trends, an overview of the Company's organization and its various businesses and technologies and future strategies, and improve their understanding of the Company.

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

Corporate Governance

Activity and Results   KDDI

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

■ Outside Directors Resigned

Name	Reason for selection as an outside director of the Company (if designated as an independent director, reason for this designation)	Principal activities in FY2016
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

■ 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 FY2016
Goro Yamaguchi	Mr. Yamaguchi has abundant management experience and superior knowledge gained in his role as representative director and president of one of the world's leading manufacturers of electronic components and equipment. We wish to leverage his wideranging opinions, taking a medium- to long-term perspective, to contribute to the enhancement of the Company's corporate value, primarily in the area of IoT, which the Company will be pursuing going forward. Accordingly, he has been appointed as a director.	(Newly appointed)
Nobuyori Kodaira	Mr. Kodaira has abundant corporate management experience and superior knowledge gained in his role as an executive at one of the world's leading automobile manufacturers, and as its global Chief Risk Officer. In the Board of Directors meetings, he has offered many wide-ranging opinions with regard to the Company's management on strategy and risk management, taking a medium- to long-term perspective, and taking our future competitive environment into consideration. We wish to continue benefitting from his contributions to the enhancement of the Company's corporate value. Accordingly, he has been appointed a director.	Attended 11 of 12 meetings of the Board of Directors
Shinji Fukukawa (Independent director)	Mr. Fukukawa has abundant experience and superior knowledge he has gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. In the Board of Directors meetings, he has offered many wide-ranging opinions from an independent position from the management team with regard to the Company's management, based on changes in economic and social trends, and taking a medium- to long-term perspective. We wish to continue benefitting from his contributions to the enhancement of the Company's corporate value. Accordingly, he has again been appointed a director. Moreover, with this background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent director.	Attended 12 of 12 meetings of the Board of Directors
Kuniko Tanabe (Independent director)	Ms. Tanabe has abundant experience and superior expert insight, cultivated as the partner at a law office. In the Board of Directors meetings, she has offered many expert opinions from an independent position from the management team regarding legal risk management, taking a medium- to long-term perspective. We wish to continue benefitting from her contributions to the enhancement of the Company's corporate value. Accordingly, she has again been appointed a director. Moreover, with this background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly she has been appointed as an independent director.	Attended 12 of 12 meetings of the Board of Directors
Yoshiaki Nemoto (Independent director)	Mr. Nemoto has a high level of knowledge in information processing, communications and network engineering, which is directly relevant to the business of the Company, as well as a deep understanding of disaster prevention that is valuable for the operation of our business. In the Board of Directors meetings, he has offered many expert opinions from an independent position from the management team regarding operational policy as an information communications operator providing social infrastructure, taking a medium- to long-term perspective. We wish to continue benefitting from his contributions to the enhancement of the Company's corporate value. Accordingly, he has again been appointed a director. Moreover, with this background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent director.	Attended 10 of 10 meetings of the Board of Directors*

* Mr. Yoshiaki Nemoto attended the 32nd Annual General Meeting of Shareholders when he was appointed as a new director. The attendance was counted after the appointment.

Corporate Governance

■ Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside director of the Company (if designated as an independent director, reason for this designation)	Principal activities in FY2016*
Akira Yamashita (Independent auditor)	Mr. Yamashita has cultivated abundant experience and knowledge gained from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	Attended 10 of 10 meetings of the Board of Directors and 10 of 10 meetings of the Audit & Supervisory Board
Kakuji Takano (Independent auditor)	Mr. Takano has abundant experience as a Certified Public Accountant, as the representative of an accountancy firm and as an auditor for other companies, in addition to which he has cultivated extensive experience and knowledge in the execution of business at various organizations. From the perspective of leveraging this primarily accounting-related knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	Attended 10 of 10 meetings of the Board of Directors and 10 of 10 meetings of the Audit & Supervisory Board
Nobuaki Katoh (Independent auditor)	Mr. Katoh has abundant experience as a director of listed companies, and has extensive experience and knowledge as an auditor and through execution of business at various organizations. From the perspective of leveraging this knowledge and experience to monitor general management and to engage in appropriate audit activities, he has been appointed as an Audit & Supervisory Board member. Furthermore, with his background, we judge there to be no risk of a conflict of interest with general shareholders and accordingly he has been appointed as an independent auditor.	Attended 9 of 10 meetings of the Board of Directors and 9 of 10 meetings of the Audit & Supervisory Board

* Mr. Akira Yamashita, Mr. Kakuji Takano, and Mr. Nobuaki Katoh attended the 32nd Annual General Meeting of Shareholders when they were appointed as new auditors. The attendance was counted after the appointment.

Corporate Governance

KDDI's Approach (Compliance)

We recognize that in order to complete corporate activities to fulfill our social responsibilities, both legal compliance and the infusion of general awareness are issues that make up our corporate management.

As a global corporation, we continue to expand on the compliance system common to our whole group.
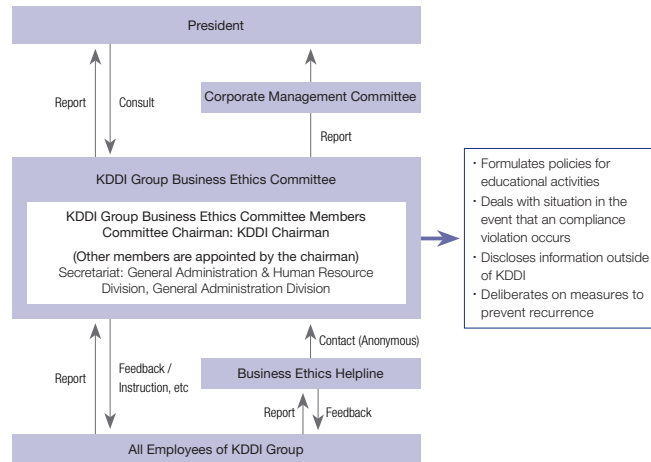
Compliance Promotion System of the KDDI Group

KDDI created the KDDI Code of Business Conduct for our employees to be aware of compliance and act ethically, and publish it to the Internet so that employees can check it whenever they are unsure of their actions, ensuring it is well-known and followed completely.

The KDDI Business Ethics Committee was established as a decision making body for KDDI Group compliance related items. The KDDI Business Ethics Committee Chairman is also the chairman of KDDI, who is not an executive director. The committee is composed of regular committee members, as well as those assigned by the chairman as necessary. They hold meetings once every half-year, and in addition to assessing the conditions of each company, the committee builds compliance systems, also providing support for strengthening said systems.

In addition, the KDDI Business Ethics Committee formulates policies for educational activities. 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. Report on the activity of the Committee is made available to all employees via the intranet.

Compliance Promotion System of the KDDI Group

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 FY2016, 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, and ongoing training continues to be provided to all employees to raises awareness about compliance as well. All employees also receive compliance related lecture e-mails every month. In addition, we implement training for group company executives that aims to cultivate a management mindset, prevent illegal findings, acquire legal knowledge, and acquire accounting knowledge.

Regulations for Internal Reporting Process (Business Ethics Helpline)

KDDI established the Business Ethics Helpline in 2006 to serve as a contact point for all employees of KDDI, KDDI Group companies, and business partners who have questions or concerns about business ethics and legal compliance. The helpline can receive reports through an internal contact point or an external contact point established in collaboration with external experts. (Reports can be received by email, telephone, or letter, in several languages). Furthermore, we have established internal regulations in response to the Whistle-

Business Ethics Helpline Flowchart
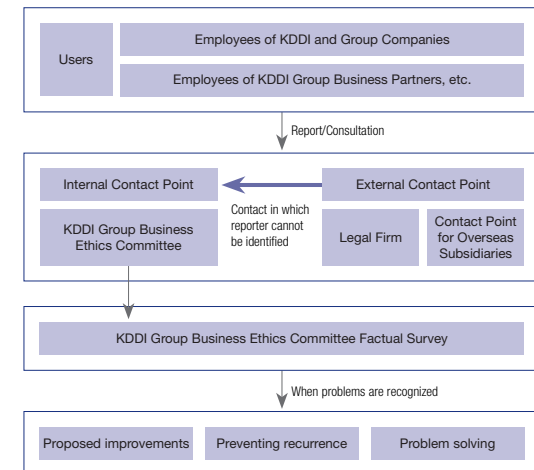
Corporate Governance

Blower Protection Act, enacted in Japan in April 2006, and have made it possible to make reports anonymously. We actively conduct educational activities on how to use the helpline. In 2016, we received 156 reports and inquiries. A breakdown of the reports and inquiries includes reports of sexual harassment and power harassment and employment related inquiries, but there were no reports of major issues involving punishment of personnel or external announcement among them.

Issues reported to the helpline are dealt with primarily by the KDDI Group Business Ethics Committee which, while mindful of privacy protections, will conduct an internal investigation when necessary. If problems are discovered as a result, they are promptly reported to the members of the committee, other members of management, and the Audit & Supervisory Board members, and corrective action is taken along with measures to prevent a recurrence.

Link Page_75   Edification Activities for Employees

Policy   KDDI Group

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 by 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.

System   KDDI Group

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 for prohibition of corruption, bribery, abuse of power, and giving or receiving illicit funds.

In FY2016, KDDI made political donations totaling 6 million yen in Japan, and there were no cases of legal action against KDDI related to corruption or bribery.

Policy   KDDI Group

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.

The Fair Trade Commission and Ministry of Internal Affairs and Communications established the Guidelines on Promoting Competition in the Telecommunications Field to promote fair and free competition in the telecommunications field. In providing services, KDDI checks that there are no conflicts with the Antimonopoly Act or the Telecommunications Business Law with regards to related departments in accordance with these guidelines.

Furthermore, the Ministry of Internal Affairs and Communications established the Guidelines on Optimizing Smartphone Purchase Support in April 2016, and the Fair Trade Commission released their thoughts about competition policy issues in the mobile phone market in August 2016.

KDDI fully adheres to these related regulations, and continues to work toward appropriate operation of services.

Policy and System   KDDI Group

Responsible Tax Practice

The KDDI Group pursues the enhancement of customer satisfaction and profit and also strives to fulfill its corporate responsibility by maintaining and enhancing its international tax compliance. Specifically, we comply with international rules and tax related laws and regulations in each country and region, and pay tax appropriately.

In FY2016, KDDI paid 253,282 million yen in adjusted corporate income tax, at a taxation rate of 28.3% against income before income tax.

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

Corporate Governance

to promote and improve tax governance through activities such as employee education and providing technical tax support from external specialists.

■ 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. We also make an effort to reduce tax risk 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 presented by OECD (Organisation for Economic Co-operation and Development), 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. KDDI also prevents transfer of sources of tax revenue to tax free or low tax rate countries and regions (so called "tax havens") with the purpose of excessive tax avoidance, and works to make proper tax payments in accordance with each country's tax system.

Policy — KDDI Group

KDDI's Approach
(Ideas on Risk Management and Internal Control)

In the constantly changing conditions of the business environment surrounding KDDI, the risks the company encounters are becoming more complicated and diverse.

KDDI defines events and factors that negatively influence business objectives as "risks", and considers strengthening risk management an important business challenge. In order to continue our business and fulfill our responsibilities to society, we promote risk management activities throughout the whole KDDI Group.

System — KDDI Group

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 Corporate Risk Management Division, led by a general manager of the Corporate Risk Management Division, is the core of this system.

Furthermore, KDDI is working to promote risk management throughout the KDDI Group, including subsidiaries, in order to realize

Internal Control Systems
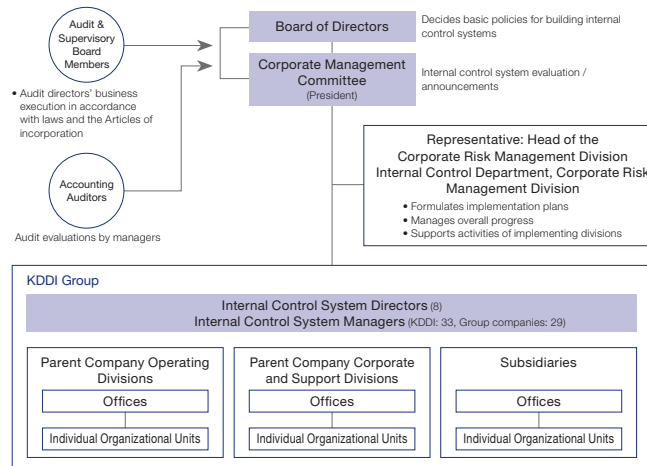
continuous growth therein. We have appointed 33 Internal Control System Managers and Group companies have appointed 29, as well as 8 Internal Control System Directors to oversee their activities. We promote operational quality enhancement activities to realize the maintenance and operations of our internal control system and our risk management activities, as well as a corporate constitution that prevents risks from materializing.

System — KDDI

Risk Management Activity Cycle

In order to prevent danger to the company, KDDI considers it important to assess signs of danger and discuss measures of prevention before the situation worsens. This forms the basis to build the risk management activity PDCA cycle. We also maintain a system that respond properly when mitigation risk and detection risk are found.
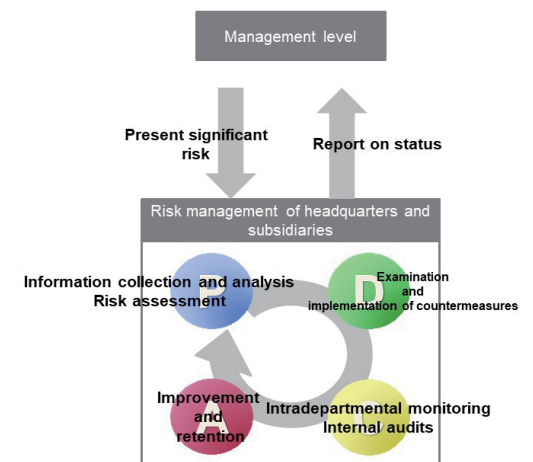
Corporate Governance

Activity **KDDI**

Risk Identifying Process

KDDI regularly examines risk information, defining risks as items that negatively influence company business seriously over a long-term, and discuss measures to reduce these risks as much as possible. In order to reliably achieve our business goals, in 2016, we selected 24 significant risks based on issues that manifested in the past and changes in the business environment, and held an internal audit based around risk prediction, reduction of significant risks, as well as risk approach. In addition to increasingly sophisticated cyber attacks, we also determine challenges accompanying the expansion of the business regions of food and commodity sales, financial products and accounts, and energy business which relate to the change from a global business and telecommunications company into a "Life Design Company" as risks to be newly considered. These significant risks also reflect on business risks that are revealed in the Securities Report based on their relationships to financial influences.

At the same time as investigating and managing the details of inventoried risks with the Risk Management Division at the core, the directors and employees of all divisions actively work toward the reduction of risks in the KDDI Group in accordance with internal regulations.

> **Link** Website Securities Report / Internal Control Report (Japanese)

Policy **KDDI Group**

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.

> **Link** Website Corporate Governance Report
> (p.21 Basic Views on the Internal Control System and Progress of System Development)

Activity and Results **KDDI Group**

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 KDDI 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 2017, as well as disclosed to investors.

> **Link** Website Securities Report / Internal Control Report (Japanese)

System and Infusion **KDDI**

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 expanding added value.

Cases of improvement of business operations from these activities are made into a database, and all employees are being prepared to practically improve business operations in their own departments.

Furthermore, to increase each employee's awareness and motivation to improve operations, KDDI has introduced the Operational Quality Improvement Prize to recognize excellent and motivational improvements.

■ **Infusion Activities to Enhance Operational Quality**
・E-learning training
・Sharing of email newsletters, as well as messages from executive officers and positive examples in the-house newsletter
・Implementation of Operational Quality Improvement Prize (Once a year)

Corporate Governance

■ Main Operational Risks

Risk	Risk background	Potential impact on KDDI	KDDI's response
Competitors, rival technologies, and rapid market shifts	・The homogenization of services offered by mobile phone carriers ・The spread of cheap SIM services from MVNOs ・Expansion of business areas to non-telecommunications services ・Changes in institutional aspects, including injustice toward mobile phone carriers and execution of guidelines, based on the Guidelines for Initiatives to Reduce Smartphone Payments and Optimize Device Sales established by the Ministry of Internal Affairs and Communications. ・Support for product defects as a result of expanding the product goods business ・Inability to acquire bandwidths in accordance with the Company's needs ・Increase in competition due to new high-speed wireless data technology ・Reduced revenue from voice call fees due to the expansion of apps with free calling features ・Possibility to reduce connection fees with other telecommunications carriers	Negative impacts on the financial position and operating results of the KDDI Group	・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 new growth pillars.
Communications security and protection of customer privacy	・Internal privacy breaches ・Unauthorized access from external networks	・Any such incident could seriously damage the brand image of the KDDI Group. In addition to a possible loss of customer trust, the Company could also be forced to pay substantial compensation, which could have a negative impact on the financial position and/or earnings performance of the KDDI Group. ・Going forward, the Company may also face higher costs to develop or upgrade communications security and privacy protection systems.	・Establishment of Information Security Committee ・Public release of the Security Policy and Privacy Policy, and maintenance and operation of internal information security regulations ・Acquisition of external authentication (ISMS) in the whole company ・24-hour a day, 365-day a year observation of external attacks by a specialist organization ・In addition to implementing 24 hour a day 365 days a year surveillance of unauthorized access to important systems through a specialist organization, we also conduct periodic vulnerability diagnosis of our public Internet server and resolve any vulnerabilities detected
System failures due to natural disasters and other unforeseen events	・Natural disasters, such as earthquakes, tsunamis, typhoons, or floods, as well as secondary damages from the spread of toxic substances caused by natural disasters ・Spread of infectious disease ・War, terrorism, accidents or other unforeseen events ・Power brownouts or blackouts ・Computer viruses or other forms of cyber-attack, hacking ・Operation system hardware or software failures ・Flaws in communications equipment and services	・The Risk of service outages or interruptions as a result of natural disasters or accidents ・The Risk of service outage as a result of failures in network systems or communications equipment, or substantial billing errors, the discredit to the Group's brand image, reliability, and lower customer satisfaction caused by opportunity loss in provision of products and services due to agent closures and distribution suspension	・Taking steps to improve the reliability of its network and to prevent service outages.
Telecommunications sector regulations and government policies	・Revisions to inter-operator access charge calculation formulae and accounting methods ・Revisions to the specified telecommunications equipment system and the regulations on prohibited activities ・Revisions to systems governing universal service ・New carriers entering the mobile communication market as Mobile Virtual Network Operators (MVNOs) ・Revisions to radio wave usage rules	・In regard to the revision or abolishment of telecommunications laws and regulations, to government policies, it could negatively affect the financial position and/or earnings performance of the KDDI Group. ・Negative influence on the KDDI Group's brand image and customer trust.	・Taking all appropriate measures to respond to such laws, ordinances, and government policies ・The KDDI Group advocates measures for fair competition with other telecommunications companies through various deliberative council, study groups with the Ministry of Internal Affairs and Communication and by offering opinions through a public comments system

Corporate Governance

KDDI's Approach
(Initiative in Preparation for Emergencies)

In order to secure telecommunications in times of disaster, KDDI established disaster prevention operation policies as well as countermeasures in preparation for disasters, and has intimate liaison and coordination between related agencies both domestic and international.

Establishment of Disaster-Resistant Communication Environments

KDDI has prepared for emergencies by formulating Business Continuity Plan (BCP) Initiatives following experiences in the Great East Japan Earthquake in order to be capable of providing communication services in the event of natural disasters including earthquakes and floods.

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.

Providing Disaster Response Services

■ Flood Monitoring Service Using LPWA

From March 2017, KDDI and MEIDENSHA CORPORATION has been performing demonstration tests of the flood monitoring service using an LPWA network compatible LoRa PoC Kit* with technological support from the Ministry of Land, Infrastructure, Transport and Tourism to inspect use of the Low Power Wide Area (referred to below as LPWA) network, a IoT communication technology in the disaster prevention perspective.

This demonstration test monitors flooding in levees using sensors installed on manholes. By enhancing regional flood monitoring and refining disaster prevention information, we believe we will be capable of providing local residents with accurate information that will aid in swift evacuation during floods.

* An inspection kit for corporate customers composed of a system developed by SORACOM, INC. and KDDI's IoT circuit service "KDDI IoT Connect Air". PoC is an abbreviation of Proof Of Concept and indicates the inspection test

■ Disaster Countermeasure Training Drill Solutions through VR (Virtual Reality)

KDDI, in collaboration with West Japan Railway Company (referred to below as JR-West), jointly developed the "Disaster Countermeasure Training Drill Solutions Through VR (Virtual Reality)" in February 2017, and from April of the same year, it is gradually being introduced in the Wakayama branch of JR-West.

This solution serves as a disaster countermeasure training drill for disasters such as tsunamis, etc. using VR equipment and live-action VR video content for operators of railroad corporations, and is the first example of commercialization in Japan*. Train operators can verify route information related to estimated flood depth and evacuation guidance, go through operation training assuming emergencies, and go through simulated experiences of tsunami occurrences using actual images of routes they routinely operate on. We believe that encouraging optimal action by cultivating operator judgment during emergencies will lead to the safety and security of commuters.

* As of February 15, 2017, researched by KDDI

Corporate Governance

■ Other services

Service name	Content
au Disaster Countermeasures App	An app that combines a variety of services that can be used when a disaster occurs, including the "Disaster Message Board Service", "Emergency Rapid Mail", and "Disaster Voice Messaging Service"
Disaster Message Board Service	A service that allows you to register and verify safety confirmation information during disasters
Emergency Rapid Area Mail	A service which sends evacuation advisories, instructions, etc. including emergency earthquake early warnings, tsunami warnings, and disaster/evacuation information from national and local governments simultaneously to all au mobile phones in the target area. We have started to provide flood information from 2016.
Disaster Voice Messaging Service	A service that conveys "spoken" confirmation of safety through use of the packet communications network in times of disaster
Experimental Service	KDDI offers a service that allows customers to experience the Disaster Message Board Service and Disaster Voice Messaging Service on the 1st and 15th of every month. <Offer Period> ・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)

■ 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 2016, 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.

Policy   **KDDI Group**

KDDI's Approach (Information Security)

Recent years have seen many incidents worldwide in which software virus infections caused by cyberattacks have led to leaks of important confidential information, something which has become a major social issue. The KDDI Group considers the personal information it retains for its customers and the business information it retains for its business partners to be extremely important assets that need to be managed with the strictest care.

As a company responsible for providing safe, reliable communications services, KDDI recognizes that the appropriate management of information and the protection of personal information are important management issues. Basic guidelines for ensuring information security are set out in our Security Policy, while guidelines for conduct to ensure the protection of personal information are set forth in our Privacy Policy. These policies are disclosed both internally and outside the Company, and KDDI has declared that it will work to ensure the trust of its customers and other related parties, and that all of its employees are to comply with these policies.

We also will strive to enlighten our employees on the importance information security and to enhance security measures, as we work to ensure proper information management.

Link Website   Security Policy

Link Website   Privacy Policy

System   **KDDI Group**

Information Security Management Framework

To ensure a unified approach to information security for information assets across the Group as a whole, KDDI has established an Information Security Committee chaired by the Executive Director, Technology Sector (Senior Managing Executive Officer, Director). The committee comprises management, along with the heads of sales, technology, and corporate administrative divisions. This creates a structure that can accurately grasp the status of information security management and promptly implement measures to enhance information security at KDDI itself and throughout the Group.

■ Strengthening Overall Group Information Security

In April 2009, we acquired information security management system (ISMS) certification* (ISO/IEC 27001: 2013) for the entire company. Since then, we have continued to implement measures to improve information security centered on the maintenance of these systems. We established the KDDI Group Information Security Standards in FY2011 for group companies. Based on these standards, we work toward improvement of security levels in group companies, and by regularly inspecting group company security conditions, we are continuously working toward strengthening group-wide security governance.

* 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.

Corporate Governance

Security Management Structure

Management Level

Information Security Committee (Management Level)
Committee Chairman: Executive Director, Technology Sector (Senior Managing Executive Officer, Director)
Offices: Internal Control Department, Security Platform Department, Security Operations Center

Role of Information Security Committee
(1) Determination and promotion of company-wide measures to prevent information leakage from internal sources
(2) Determination and promotion of company-wide measures through networks to defend against attacks and invasion from external sources
(3) Establishment and management of the Security Policy, Privacy Policy, and other information security and related regulations

Division / Regional Office Level

Persons in charge of information security (General Managers)

Persons in charge of information security (General Managers)

Persons in charge of information security (General Managers)

Persons in charge of information security (Department Managers)

Persons in charge of information security promotion

Department Level

Information security managers

Information security managers

Persons in charge of information security

Persons in charge of information security

Persons in charge of information security

Persons in charge of information security

■ ISMS Certification at KDDI

Registration Number	Organization	Initial Registration
IS 95253	KDDI CORPORATION [1]	June 07, 2005
IS 76406	KDDI CORPORATION (Operations Division) [2]	July 04, 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 and Activity   **KDDI**

Efforts to Reduce Information Security Risks

KDDI's efforts to reduce information security risk include preventing leaks of customer information and defending itself against cyber-terrorism. Management of all Company information assets starts with the formulation of policy by the Information Security Committee, which is then implemented through the concerted efforts of our officers and employees. The Information Security Committee is part of our corporate governance framework, which manages risk for the Company as a whole.

In FY 2016, we established an Information Security Incident Prevention Enhancement Month as a Company wide initiative with the goal of familiarizing employees with the need to comply with information security rules and ensuring their proper application. Through the implementation of this and other initiatives, we are working to enhance employee awareness.

To stand up against increasingly sophisticated, complex information security threats, KDDI also needs to collaborate with external parties. We are actively involved in cross-industry initiatives related to information security.

<Organizations Involved>
· ICT-ISAC Japan
· Forum of Incident Response and Security Teams (FIRST)
· Nippon CSIRT Association

■ FY2016 List of Initiatives and Activities for Reducing Information Security Risks

Total information security	· E-learning training · Educational articles published in the internal newsletter · Publishing educational articles · Internal lectures from external instructors in accordance with Cyber Security Month
Prevention of information leakage by SNS	· Establishment of Social Media Policy · Raising awareness among employees
Prevention of mis-sent emails	· Prohibiting automatic forwarding · Automatic encryption of attached files in external emails · Temporarily reserving external emails after sending · Compulsive bbc of addressees (prevention of email address leakage)
Prevention of targeted emails	· Annual targeted attack email training for employees · E-learning training

Link Website   Social Media Policy (Japanese)

Human Rights

Policy — KDDI Group

KDDI's Approach (Human Rights)

As our value chain spreads on a global scale, we are taking a greater interest in respecting human rights, and in the influence our business has on the international community. KDDI makes efforts to avoid discrimination based on race, creed, gender, social status, religion, nationality, age, sexual orientation, or mental health condition, as well as revising and eliminating labor practices that violate human rights, such as forced labor and child labor. In recent years, we are also conscious of human rights risks characteristic of the ICT industry, including the protection of personal information, privacy violations, and the expected role of the ICT industry in problem-solving, and will continue to fulfill our social responsibility.

System — KDDI Group

Human Rights Initiatives

The KDDI Group considers the International Bill of Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work to be the most essential policies with regards to human rights. The KDDI Code of Business Conduct, which serves as a guideline for the behavior of executives and employees, defines our basic principles on maintaining respect for human rights and individual characteristics throughout all our business activities, and we carry out initiatives while consulting the United Nations Guiding Principles on Business and Human Rights. Our KDDI Group Human Rights Policy, established in 2016, declares our efforts to respect international standards such as the Universal Declaration of Human Rights in all group companies, as well as to prevent and reduce negative human rights influences and promote human rights educational activities in all group companies. In addition, the KDDI Guidelines for CSR in Supply Chain defines our prohibitions against forced labor, inhumane treatment, child labor, discrimination, etc., which our business partners are requested to understand and implement.

- Link Page_09 — Human Rights Subcommittee
- Link Website — KDDI Code of Business Conduct (Basic Principles)
- Link Website — KDDI Group Human Rights Policy
- Link Website — KDDI Guidelines for CSR in Supply Chain (Japanese)

■ Message from Executive Officer

In addition to the establishment of the United Nations Guiding Principles on Business and Human Rights, the Sustainable Development Goals (SDGs), which proclaim world reform, discuss eliminating human rights differences, and more focus is being placed on corporations' human rights measures.

In response to these social requests, the KDDI Group promotes strengthening efforts toward human rights group-wide and with all business partners in compliance with the KDDI Group Human Rights Policy. We are also making efforts toward raising the empowerment of each and every employee by promoting women's careers as well as continuing general improvement toward LGBT issues both internally and externally.

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

Human Rights

Activity — KDDI Group

Edification Activities for Employees

KDDI and KDDI's domestic group companies conduct awareness education for human rights based on the KDDI Code of Business Conduct. In FY 2016, we performed educational activities such as e-learning about response to LGBT individuals (targeting all employees), distribution of code of conduct email newsletters, and publication of the "Harassment Prevention Guidebook" to the intranet.

KDDI has established a Harassment Counseling Office staffed by third-party professional counselors and an Employee Counseling Center staffed by in-house counselors within the Human Resources Department. We maintain a strict level of confidentiality to ensure that all stakeholders can seek counseling and report harassment without suffering any adverse consequences.

In FY2016, the Human Resources Department received 11 reports of harassment.

> Link Page_80   Support for LGBT

> Link Page_66   Regulations for Internal Reporting Process (Business Ethics Helpline)

Activity — KDDI

Strengthening Further Efforts in Business and Human Rights

In order to further respond to social expectations for human rights due diligence and other efforts required for global companies, KDDI participates in various initiatives to clarify human rights issues that require response, and this is reflected in the revision of our company's initiatives and discussion of policies.

■ Business and Human Rights Conference
In September 2016, KDDI participated in the Global Conference on Business and Human Rights organized by Caux Round Table Japan and Institute for Human Rights and Business and Business & Human Rights Resource Centre.

■ BSR (Business for Social Responsibility)
KDDI has been a member of BSR since 2014, participating in BSR conferences on human rights and other sustainability issues, and we utilize what we gained from exchanging opinions with a diverse range of companies and organizations in promoting our initiatives.

Supply Chain Management

Policy   KDDI

KDDI's Approach (Supply Chain Management)

Globalization has advanced in modern business activities, and social issues in various countries worldwide have begun to influence procurement activities.

KDDI believes that strengthening not only the company, other CSR initiatives including supply chain can lead to more sustainable business activities. Due to this belief, KDDI aims to build a partnership system with our business partners in which human rights and safety and health labor issues do not occur, with the goal of further improvement of CSR procurement standards while collaborating with said business partners.

Policy   KDDI

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, 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 defines our 7 themes of appropriate supply chain management, including Co-existence and Co-prosperity with Business Partners, Consideration of Global Environment, Considerations for Human Rights and Labor Environment, Fair and Equitable Trade, Fair Management of Information, Ensuring Quality and Safety, and Co-existence with Society.

To 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 this policy to the entire KDDI supply chain. Additionally, KDDI investigates the scale, background, credibility, business conditions, financial conditions, etc. of potential business partners, and if they meet a predetermined standard, we open business with them.

> 🖥 **Link** Website KDDI CSR Procurement Policy

System   KDDI

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

KDDI established the KDDI Guidelines for CSR in Supply Chain as a policy for implementing the Procurement Policy and published them on our website in Japanese and English. 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, delivery, 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, with the aim of providing 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 case of compliance violation committed by business partners, KDDI ask them to identify the causes and request improvement. We provide guidance and support action if necessary. KDDI does not perform transactions with anti-social forces.

> 🖥 **Link** Website KDDI Guidelines for CSR in Supply Chain (Japanese)

> 🔍 **Link** Page_103 Promoting Green Procurement

Activity   KDDI

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 not to use conflict minerals.

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

Supply Chain Management

Activity — KDDI

Promoting CSR Procurement

■ CSR Procurement Questionnaire for Business Partners

KDDI has conducted questionnaires in which our leading business partners answer a CSR Procurement Check Sheet since FY2014.

The questionnaire is based on the Supply-Chain CSR Deployment Guidebook (Check Sheet) published by JEITA. It consists of 130 questions deemed pertinent to KDDI, related to the seven themes of human rights and labor, safety and health, environment, fair trade and ethics, quality and safety, information security, and contribution to society. In FY2016, 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.

When confirmation of our business partners was required, detailed hearings were held separately.

As a result, it was confirmed that there were no issues in FY2016. Apart from these CSR procurement questionnaire results, visitation hearings of two companies were held with the objective of deepening exchange of opinions and collaborative relationships of CSR procurement.

■ Inspections of Industrial Waste Management Consigned Companies

Using the KDDI Industrial Waste Management Guidelines, KDDI holds regular inspections of the industrial waste management companies that we have consigned to dispose of our industrial waste. The inspection includes financial information, systems, and operation conditions, and will be held together with the CSR procurement questionnaire in FY2017. After the inspection, we give feedback, including improved items, and when revision is necessary, we create and action plan and request response.

■ Inspections of Mobile Phone Disassembly Consigned Companies

Once a year, KDDI holds on-site checks of industrial waste companies that perform mobile phone disassembly. In FY2016, we conducted inspections of five workplaces in Tokyo, Kanagawa, and Osaka, with a focus on workshop and storage site security. We give feedback to the consigned companies based on the inspection results. When revision is necessary, we create an action plan and request response, working together to discuss methods of improvement.

Policy and System — KDDI

Capacity Building

■ Enhancing Procurement Skills and Improvement of Purchasing Skills

In order to realize fair business dealings and sustainable procurement, KDDI is promoting initiatives to improve our various procurement and purchasing skills.

Target	Initiative Details
All employees	Educational activities on various compliances, including compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors
Procurement employees	・Training program for newly appointed purchasing managers ・Compliance training for purchasing managers ・Recommendation to pass the grade B exam for Certified Procurement Professional

■ Support for au Shops

At au shops and other distributors, customers have the opportunity to encounter au in person. KDDI considers improving the service levels of these distributors, especially au shops, are particularly important to provide positive customer experiences and maximize customer satisfaction. Therefore, we continue to provide support for them to improve these skills.

KDDI believes that training au shop staff is an essential element in improving the services of all distributors. We encourage the staff to learn efficiently and effectively by conducting group sales training and e-learning for basic operational knowledge and new product information. 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 with the titles "au Advisor," "au Master," and "au Expert." Additionally, each year in various locations in Japan, KDDI holds the "au CX AWARD", a customer service contest that recognizes excellent customer service and shares positive examples of customer service.

The au shop and staff service standards require a special in-house unit to improve distributor operations and strictly implement inspections and feedback based on inspection results, maintaining a service management system that ensures standards are above a fixed level.

Supply Chain Management

System — KDDI

Providing Incentives

As an incentive for our main distributors, KDDI provides support for various business activities, this includes au shop opening support when opening or moving to new locations, staff organization support for shop management, and support for various training and qualification acquisition.

As non-financial incentives, we hold the "au CX AWARD" customer service contest that maintains and improves staff motivation, as well as rewarding staff with excellent performance and commending them for long-term service.

Activity and Results — KDDI

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 77 companies to the liaison meeting in 2016. At the meeting, we exchanged opinions regarding the explanation of our situation and a presentation of the initiatives that we are undertaking. One of the companies who participated commented that it was "good to have a frank exchange of opinions."

KDDI has established the Business Ethics Helpline to strengthen our relationships in the areas of business ethics and legal compliance.

Labor Practices

KDDI's Approach (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 and inclusion throughout the Company on this basis.

Diversity & Inclusion

Diversity logo selected from internally solicited proposals

◼ Message from Executive Officer

To ensure that KDDI continues to grow in our rapidly changing business environment, we must shift away from being a homogeneous organization, toward one that adopts a diverse range of values. As one of our medium-term targets, KDDI aims to improve the strength of employees, and one of the essential features of this aim is to utilize diverse human resources. Since the early 2000s, KDDI has embraced the advancement of women in the workplace, and has undertaken efforts to strengthen the cultivation and promotion of female leaders. In recent years, we have pursued measures to enhance the promotion of diversity with respect to persons with disabilities and LGBT* people, through efforts such as awareness raising activities within the company and the establishment of a comfortable environment. Furthermore, in FY2016, KDDI implemented a full-scale launch of work style reform initiatives, and has embraced the challenge of creating a work environment that is conducive to all. Moving forward, as we reaffirm our commitment to embodying the aspiration of "Embracing diversity" expressed in the KDDI Group Philosophy, KDDI endeavors to solve a variety of issues and transform into a company that elicits the maximum performance from all employees.

Hirofumi Morozumi
Executive Vice President, Director

* LGBT: Collective term for lesbian (L), gay (G), bisexual (B), and transgender (T) people. In this report, the term "LGBT" is used to refer generally to all sexual minorities, including LGBT people.

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 and LGBT employees. 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's careers in the workplace, have been added as an evaluation item for executives and line managers.

KDDI's Diversity & Inclusion Promotion System
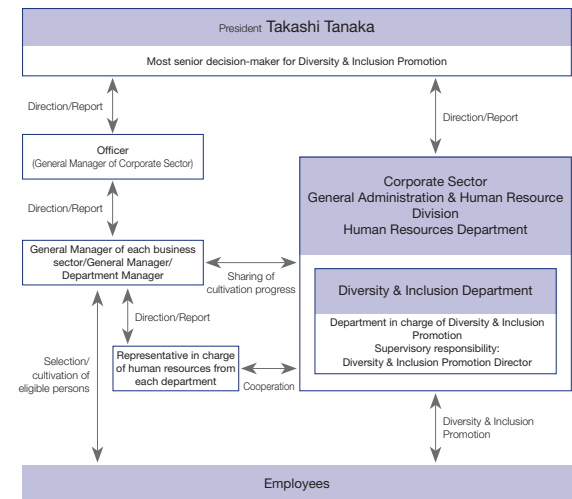
Labor Practices

Activity and Results   KDDI

External Assessments

🔍 **Link** Page_116   Selected as "Nadeshiko Meigara" for Five Consecutive Years

NADESHIKO BRAND 2013   NADESHIKO BRAND 2014   NADESHIKO BRAND 2015   NADESHIKO BRAND 2016   NADESHIKO BRAND 2017

Selected as "Diversity Management Selection 100" award

DIVERSITY MANAGEMENT SELECTION 100 2016

🔍 **Link** Page_116   Winner of the Gold Award in the PRIDE Index

work with Pride — wwP Gold 2016

Policy   KDDI

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. In light of this situation, KDDI has promoted activities within the company to raise awareness about LGBT issues since FY2013, which have advanced the understanding among employees and spread awareness to society. In line with these activities, KDDI revised its internal regulations on April 1, 2017 to include same-sex partners in the definition of spouses. Subsequent to this change, employees with same-sex partners are eligible for all company programs* available to employees with spouses recognized by KDDI.

* Applicable company programs: Housing allowance, unaccompanied duty allowance, special payment for marriage, special leave (mourning, marriage, maternity, childcare, and family care), child-raising leave, use of company housing, etc.

■ LGBT Initiatives

Initiatives	Content
Establish provisions in KDDI Code of Business Conduct (Basic Principles)	Establish provisions to prohibit unjustifiable discrimination and harm to personal dignity on the basis of sexual orientation or identity, along with other personal characteristics such as gender, age, and nationality, and widely publicize them internally and externally to the company.
Conduct edification activities to promote understanding	Seminars and e-learning courses aimed at improving the understanding of LGBT issues have been conducted on an ongoing basis since FY2013.
Change the definition of spouse, and apply the change to company regulations	When KDDI recognizes an employee as having a same-sex partner, that employee is eligible for all company programs available to other employees with spouses.
Give consideration to work environment	For transgender employees, it is recommended to use working names, conduct health checks on an individual basis, and provide universal toilets.
Promote understanding of LGBT issues in society	・Participate in forums and other events related to LGBT issues, and introduce KDDI initiatives as case examples. ・Make donations to LGBT support groups.
Apply changes to au "Family Discount" and other services	Expand the eligibility of family-oriented services, such as au "Family Discount", to include families with same-sex partners when formal certification of same-sex partnership is provided.

Policy and System   KDDI

Expanding Employment Opportunities and Advancement of Persons with Disabilities

KDDI is striving to further expand employment opportunities for persons with disabilities in an effort to promote independence and success in their work life. In addition, as part of our efforts to promote diversity and inclusion, the training programs for new employees at the KDDI Group provide opportunities to work with persons with disabilities at KDDI Challenged.

KDDI Challenged, which KDDI established in 2008 as a special subsidiary, aims 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. In FY2016, Cafe Challenged was opened in the KDDI headquarters building, and it is currently in operation. Also in FY2016, KDDI renewed efforts to publicize the counseling office for issues related to the advancement of persons with disabilities, and set up a system to facilitate communication between the company and employees with disabilities.

With the aim of increasing the employment of persons with mental disabilities by FY2018 as obligated, KDDI is continuing to expand job areas with a focus on developing diverse occupations. This is intended to enable people to realize their potential in their respective fields of expertise based on an understanding of their character through pre-employment training. At KDDI, the percentage of the workforce composed of people with disabilities is 2.38%* (as of June 2017), which exceeds the legal requirement (2.00%).

* This figure includes KDDI Challenged (special subsidiary) and KDDI Engineering.

Labor Practices

■ **Work Status of Employees with Disabilities**

Work location	Work details
KDDI Challenged	Work handled under contract from the KDDI Group includes disassembling mobile phone handsets, performing maintenance on business mobile phones, handling accounting procedures, PC kitting*, facility maintenance, Refresh Room operations, and Cafe Challenged operations.
KDDI Challenged, Osaka Office	Work includes cleaning (morning), disassembling mobile phone handsets (afternoon), and Cafe Challenged operations.

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

System　　　　　　　　　**KDDI**

Support System for Employees with Disabilities

The Law on the Elimination of Discrimination Against Persons with Disabilities, which went into effect in Japan in 2016, mandates that "reasonable accommodation" be taken to remove all barriers to the lifestyles of people with disabilities. To ensure that employees with disabilities have a work life that suits the characteristics of their particular disability, KDDI strives to maintain an accommodating work environment through efforts such as providing support to the employees themselves and publishing guidebooks for their superiors.

■ **Case Examples of Support for Employees with Disabilities**

Measure	Content
Implementation of questionnaire surveys	Questionnaires are conducted on all employees with disabilities, to assess factors such as the inconveniences they face in the company and changes in their disability status, and the opinions are incorporated into KDDI's activities.
Publication of "Guide to Communication with Employees with Hearing Difficulties"	This guide, which was created with the participation of employees with hearing difficulties, provides easy-to-understand explanations on the rules of sign language interpretation and how to support summary writing in the workplace.
Participation in external "ACE Challenged Seminar"	Employees with disabilities and their senior staff participated in the "ACE Challenged Seminar" hosted by the Accessibility Consortium of Enterprises (ACE), which works to promote career design for employees with disabilities.
Introduction of app for persons with hearing difficulties	KDDI introduced the "UDTalk" speech translation app to enrich the access to information by employees with hearing difficulties.

Policy, System, and Activity　　　　　　**KDDI**

Promoting the Active Role of Senior Employees

KDDI has established a "re-employment" program for employees who have reached the retirement age of 60 and have satisfied certain requirements, 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 various 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.

Policy and System　　　　　　　　　**KDDI**

Advancement of Foreign Employees

To ensure that foreign employees can work comfortably in Japan and make full use of their abilities, KDDI provides a variety of information related to company programs, on topics such as obtaining permanent resident status, dependents, and employee pension. In support of KDDI's efforts to become increasingly global, discussions were held with foreign employees in FY2016 aimed at improving the workplace environment.

Policy　　　　　　　　　　　　　　**KDDI**

KDDI's Approach (Diverse Work Styles)

In response to the social issues of a declining working-age population and labor shortage, there are growing moves in the public and private sectors to implement a fundamental review of work systems and to implement a variety of work styles. By implementing a work style that is conscious of time management, we can improve productivity while also ensuring greater employee health. In addition, we believe that each employee taking advantage of the extra time that is created to acquire experience can lead to the growth of both society and employees. At KDDI, we are promoting a system of work-life management that enables each employee to improve their own work efficiency and productivity on an individual basis.

Labor Practices

System   **KDDI**

Work, Childcare and Nursing Care Support Systems

To help employees balance work with other commitments, such as childbirth, childcare, and nursing, KDDI has established a system that exceeds legal standards and provides support to employees.

In addition, to ease the sense of uncertainty that employees may feel during childcare absence, KDDI provides a website that enables employees to stay in contact with their superiors and take e-learning courses. We also have an adjustable working hour system. The scheme is flexible and allows employees to adjust working hours to their availability. Thanks to programs such as these, more than 99% of employees who take childcare absence return to their positions in the company (100% for males, 99.0% for females), and the retention rate 12 months after returning is 96.8%.

Furthermore, we have established programs for rehiring employees who previously left for reasons of childbirth or nursing care. In 2009, KDDI acquired "Kurumin" certification in recognition of our efforts to support the balance between work and home life.

<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

Furthermore, in FY2016, KDDI updated the work regulations with a provision to prohibit maternity harassment. We set up a counseling office, and provide training to spread awareness within the company.

Program for Work-Childcare Balance

Program for Work-Home Care Balance

Labor Practices
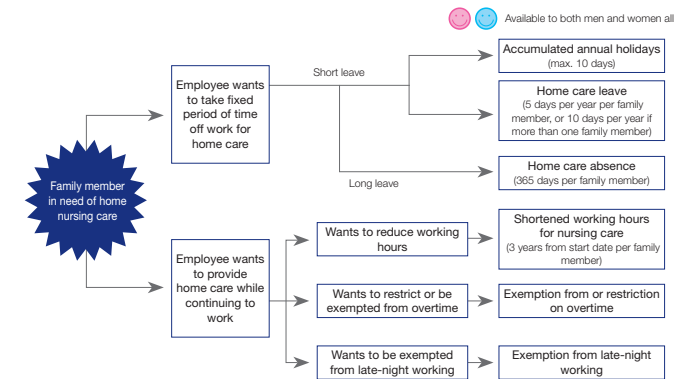
Activity and Results　　　　　　　　**KDDI**

Efforts to Support Childcare and Nursing Care (Excerpt)

Measure	Target	Content
Supporting return to work after childcare absence	Employees planning to take childcare absence	Hold seminars on lifestyle during childcare absence.
	Employees planning to return to work	Hold seminars on improving awareness of issues employees may face after returning to work and on supporting a smooth transition back to work.
	Superiors of people planning to return to work	Share information needed by working mothers for career development.
Support for male employees' participation in childcare	Male employees with spouse expecting to give birth	Grant paid paternity leave in the period approximately one month before or after the expected delivery date or the birth (up to 3 days, on a day-by-day basis). ・In FY2016, 279 employees took advantage of this program.
Supporting a balance between work and nursing care	All employees	Offer educational lectures on the balance between work and nursing care, and provide booklets on in-company programs.
Promoting the active role of employees with shortened working hours for childcare	Superiors of employees with shortened working hours for childcare	Create guidebooks on measures to promote the active role of the relevant employees, and publish them on the company intranet.

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

Results

Usage of Childcare and Nursing Care Support System (KDDI)

Unit: person

Program		Gender	FY2012	FY2013	FY2014	FY2015	FY2016
Childcare	Maternity leave	Female	157	168	190	185	181
	Paternity leave	Male	280	283	328	269	279
	Childcare absence	Male	5	15	11	14	16
		Female	268	270	275	281	276
	Childcare absence reinstatement rate [1]	Male	100.0%	100.0%	100.0%	100.0%	100.0%
		Female	95.7%	95.0%	96.5%	96.6%	99.0%
	Retention rate of employees who take childcare absence [2]	Male	100.0%	100.0%	100.0%	100.0%	–
		Female	99.1%	98.2%	100.0%	96.5%	–
	Shortened working hours for childcare	Male	2	2	1	2	1
		Female	356	378	394	417	440
	Sick/injured child care leave	Male	638	520	320	290	344
		Female	370	362	316	344	445
Home care	Home care absence	Male	4	6	6	7	8
		Female	2	1	5	6	5
	Home care leave	Male	112	117	80	90	107
		Female	24	44	50	63	87
	Shortened working hours for nursing care	Male	1	2	1	4	1
		Female	1	0	1	2	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

Labor Practices

Policy and System

Implementing Work Style Reform

In January 2017, KDDI implemented a full-scale launch of work style reform to encourage a fundamental transformation of our awareness and activities, and to shift away from the conventional work style toward a more highly productive work style.

<Purposes of work style reform>
(1) Preserve employee health
(2) Comply with labor-related regulations
(3) Create free time to improve the strength of employees
(4) Maintain human capital

To foster the understanding and full cooperation of employees on these efforts, work style reform assistance funds were paid to employees (non-managerial positions) in the 2017 summer bonus.

■ **Usage Rate of Annual Paid Vacation Time**

	FY2016 Goal	FY2016 Result
Usage rate of annual paid vacation time	70.0%	65.1%

Policy　　　　　　　　　　　　　　　　　　KDDI

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 Ofcer, CSR Environmental Sustainability (General Manager, General Administration & Human Resources Division).

Policy　　　　　　　　　　　　　　　　　　KDDI

Priority Measures Relating to Occupational Health and Safety

KDDI is pursuing a variety of efforts aimed at the "elimination of long working hours" and the "reduction of number of employees absent due to mental health problems," based on the company 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." The final goal for these efforts is for there to be "no one who cannot work due to health disorder," and to this end, KDDI has established a mechanism for reporting to management.

Activity and Results　　　　　　　　　　　KDDI Group

Diverse Work Styles

The KDDI Group is implementing a variety of work style reform initiatives designed to enable each employee to maximize their individual abilities, for the purposes of improving labor productivity, producing high-quality results, and creating new value.

Labor Practices

Efforts to Implement Work Style Reform

In January 2017, KDDI established benchmarks for work hours, as the first step in work style reform. To achieve these benchmarks, KDDI is implementing company-wide measures urging employees to leave work by 8:00 PM. In addition, to promote work style reform at the organizational level, KDDI established a "work style reform promotion committee" composed of general managers of each department. To further strengthen efforts aimed at improving productivity, KDDI has set up working groups that span multiple departments, and is implementing measures to encourage employees to systematically use their annual paid vacation time.

In addition, KDDI has pursued efforts such as thoroughly implementing the previously established "No Overtime Day," establishing rules for filing an application before performing overtime, and adding 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. Through these efforts, KDDI achieved an approximately 30% reduction in the average prescribed work hours among non-managerial employees from January to March 2017, compared to the same period in the previous year.

■ Programs That Support Diverse Work Styles

Program	Content
Telework program (Working at Home)	Introduced a telework program for all employees, to enable flexible work hours and to boost operational efficiency. 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. * Selected as a "Telework Pioneer 100" certified by the Ministry of Internal Affairs and Communications (MIC), in April 2016.
Adjustable work hour system	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. The system is also available on a monthly basis to employees with shortened working hours due to childcare or nursing care responsibilities.
Flexible work hours	This program was decided following discussions between labor and management on whether or not the program should be introduced by job category, in accordance with the main purport of the Labor Standards Law. As of the end of March 2017, the program is used by 1,950 employees in the assistant manager class in the applicable departments, and by approximately 55.6% of company employees.
Work shift interval system	This system ensures 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. The system applies to all company employees.
Spouse accompaniment leave system	This system, which was established in April 2017 to support the balance between work and home life with a long-term perspective, allows a maximum three-year leave of absence to employees whose spouse is assigned overseas, who accompany the spouse to the location to live together. The system also applies to employees whose spouse is not a KDDI employee.
Career-track employment with restricted work area (L course)	Established in 2016, this system of career-track employment (L course) where the work location is restricted to a certain area, and where employees are not transferred outside the specified area without their consent, enables KDDI to continue employing career-track workers who have difficulty relocating due to factors such as a changing home environment. Conventional all-area career-track employees are able to transfer to this system.

Promotion of Mental Healthcare

KDDI is making efforts to reduce absences due to mental health disorders. We are putting particular effort into preventing new onset and preventing recurrence of mental health disorders.

As a means of preventing new onset, KDDI conducts activities such as e-learning courses, training, and seminars at all levels within the company, and is proactively encouraging selfcare and line care. In FY2016, following the revision of the Industrial Safety and Health Act in December 2015, KDDI offered stress checks for all regular employees and contract employees, and achieved a participation rate of more than 80%. After the stress check results were analyzed and feedback was provided to the workplaces, information about issues was shared and improvement plans were examined.

In addition, KDDI is aggressively promoting the prevention of mental health problems by obligating employees who have worked longer than the prescribed number of hours to submit a questionnaire, and by providing consultations with an industrial doctor and individual follow-ups by industrial health staff. In addition, KDDI has established the Employee Counseling Center and an external counseling office, 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 industrial doctor always interviews the returnee and the returnee's superior, offering training (recommended participation in the Re-Work Program) 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 by the returnee's superior, and the returnee, his or her colleagues, superior,

Labor Practices

industrial doctor and industrial health staff work together to facilitate a smooth return to work.

■ Changes in Number of Employees Absent Due to Mental Health Problems (KDDI)

FY2013	FY2014	FY2015	FY2016
102	103	87	100

Status of Workplace Injuries (KDDI)

		FY2012	FY2013	FY2014	FY2015	FY2016
Injury/illness	Unit: person	20	14	14	19	21
Death	Unit: person	0	0	0	0	0
(Total)	Unit: person	20	14	14	19	21
Frequency rate [1]		0.82	0.48	0.52	0.62	0.78
Severity rate [1]		0.0032	0.0037	0.0078	0.0024	0.0102
Lost time injury frequency rates [2]		0.20	0.14	0.15	0.20	0.19

[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)

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

		FY2012	FY2013	FY2014	FY2015	FY2016
Average overtime hours per month [1]	Unit: hours/month	28.6	29.6	29.2	29.9	27.5
Average overtime allowance per month [1]	Unit: yen/month	–	–	101,218	100,197	96,395
Total annual actual hours worked (average) [1]	Unit: hour	–	–	1,944.6	1,941.6	1,919.2
Rate of paid vacation taken	Unit: Number of days granted	20.0	19.8	19.8	19.8	19.7
	Unit: Number of days obtained	13.8	11.8	13.1	13.1	12.8
	Unit: %	69.3	59.5	66.4	66.3	65.1
Average annual salary [2]	Unit: yen	9,067,548	9,396,971	9,763,079	9,510,045	9,532,136

[1] Applicable to KDDI employees in non-managerial positions.
[2] Average annual salary includes bonuses and extra wages

■ Main Measures to Prevent New Onset

Measure	Target	Content
E-learning	All employees of KDDI Group	Acquisition of knowledge about selfcare
	Manager	Acquisition of knowledge about line care
	Newly appointed managers	Basic understanding of line care
	Newly appointed line managers	Basic understanding of line care
	Employees transferred within the company	Learning about selfcare for transferees
Group training	Newly appointed line managers	Studying case examples of line care
	Manager	Line care seminars by industrial psychiatrists
	Line managers	・Mental health seminars by public health nurses and clinical nurses ・Mental health management seminars
	New employees	Health management seminars by public health nurses
Stress check	All employees of KDDI Group	Stress checks using checksheets, and interviews based on results
Individual interviews	Employees who have been at the company for up to 3 years	Health checks for employees who have worked longer than the prescribed number of hours
	Employees who have worked for 3 months after returning from absence	Interviews with superiors and notification of interview results to industrial doctor

Labor Practices

Policy and System — KDDI

Enhancing Employees' Health Management

■ Providing Health Checks That Exceed Legal Requirements

KDDI is pursuing efforts in health management to ensure that employees maintain good health and feel a sense of liveliness at work. In particular, the company provides regular health checks that are more detailed than the legal requirements, and a consultation rate of 100% has been maintained since FY2010. As a post-examination follow-up, KDDI provides emergency counseling through medical institutions to employees with conditions having a high degree of severity, which was accepted by 100% of those who were eligible in FY2016. For employees with conditions that do not appear to improve over time, we provide counseling with their work superiors and industrial doctors, and provide health guidance until their conditions improve. In addition, in FY2017, we introduced a company program to assist with complete medical checkups and breast cancer screening.

Furthermore, in partnership with the KDDI Health Insurance Union, we started implementing measures aimed at preventing the aggravation of diseases (data health planning) on a trial basis in FY2014, and began full-scale operations in FY2015. In addition, the KDDI Health Insurance Union provides e-learning courses on the prevention of lifestyle diseases, as well as health seminars on topics such as walking and getting in shape, as health promotion measures.

■ Other Health Management Measures

Measure	Target	Content
Healthcare room	Regular employees, contract employees, and temporary staff	When employees are not feeling well, they can take a temporary rest in this room and receive first-aid care and health counseling.
Refresh room	Regular employees, contract employees, and temporary staff	Services such as massage by nationally qualified practitioners are offered.
Wellness benefits	Employee	・KDDI Group Welfare Association provides subsidies for activities such as childbirth/child-rearing, nursing care, health maintenance, personal development, and domestic help. (Employees are free to choose how to carry out the activities.) ・KDDI Health Insurance Union provides special benefits for the use of sports clubs

System — KDDI

Safety and Health Management for Employees and Family Members Transferring Overseas

KDDI is pursuing a variety of efforts aimed at maintaining the health and safety of employees working overseas. KDDI provides consultations with industrial doctors to employees before taking a new post overseas, and consultations with medical staff after they return to Japan. While employees are stationed overseas, medical staff monitor the results of their regular health checks. Since FY2015, industrial doctors, public health nurses, and clinical nurses have traveled around to the overseas offices to visit the sites and provide consultations. In FY2015, KDDI also began providing stress checks and follow-ups to employees while they are stationed overseas.

Furthermore, 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 generally 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 has established and implemented the Vaccination and Health Report Guidelines for International Transferees and Business Travelers, from the perspective of health management and safety of employees who are transferring or traveling to these regions on business.

In FY2017, KDDI introduced a medical return program that covers the expenses of returning sick or injured employees or accompanying family members to Japan, if an industrial doctor determines that it is necessary to receive treatment in Japan. Furthermore, in FY2017, KDDI expanded the availability of emergency evacuation services and emergency medical transport services, which were provided as an emergency precaution to employees stationed in developing countries. These services are now available to all employees on business trips or stationed overseas, and efforts have been made to extend coverage across the entire globe.

Labor Practices

| Policy | KDDI |

KDDI's Approach (Sound Labor-Management Relations)

KDDI aims to achieve decent work for all employees by working toward maintaining and improving labor-management relations through honest discussion and negotiations with employee representatives.

| Policy | KDDI |

Creating Sound Labor–Management Relations

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

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.

As of the end of March 2017, 98% of all eligible company employees (11,150 people) belong to the Union.

Regarding items with a significant influence on the treatment of employees, such as organizational changes and institutional improvements related to human resources, discussions are held with the KDDI Workers Union, and their consent is obtained before implementing any changes. In addition, to facilitate labor-management cooperation, meetings between labor and management are held regularly to deliberate on a variety of issues, such as improving the

working environment. In FY2016, such meetings were held 39 times. Furthermore, the KDDI Workers Union provides union members with information about the contents of negotiations between labor and management.

In addition, through the Agreement on Handling of Personnel Transfers, KDDI has stipulated 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.

| Results |

Status of Union Membership* (KDDI) (FY2016)

		FY2016
Total number of union members	Unit: person	11,150
Union membership rate (Percentage of employees covered by collective agreements)	Unit: %	98.4

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

| System | KDDI Group |

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 (374.915 billion yen* as of the end of March 2017).

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

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

Securing and Cultivating Human Resources

KDDI's Approach (Securing and Cultivating Human Resources)

The declining birth rate and rising aging population are continuing issues in Japan, and it is believed that if the working-age population continues to lower, the country's economic growth will slow down. In order to maintain and strengthen KDDI's competitiveness, it is important to create an environment in which employees with the desire to work can actively demonstrate their individual strengths regardless of gender or age.

KDDI continues to maintain an environment in which each and every employee can freely demonstrate their skills while respecting one another's diverse viewpoints despite differences in gender, age, nationality, disability, faith, sexual orientation, etc., with the KDDI Group Philosophy that "diversity is fundamental" as our axis.

Policy — KDDI

Approach to Securing Human Resources

As stated in our corporate philosophy, KDDI considers our employees to be among our most important stakeholders, as well as important assets. The market environment of the information communications field in recent years has experienced technological innovation, competitive intensification, and the participation of a variety of carriers, causing rapid change. In order to rapidly respond to these changes and continue growing, we are striving to provide active support, as well as employ a diverse employee base without regard to gender, age, nationality, or disability.

KDDI also prohibits child labor and forced labor, and obeys the law with regards to minimum wage.

■ Examples of Initiatives
· FY2016 recent graduate hires of foreign nationality…6
· FY2016 percentage of female recent graduates hired…28%
· Removal of the gender category on job applications when hiring

Policy — KDDI

Approach to Human Resource Cultivation

KDDI considers improving the strength of our employees to be an essential issue with regards to realizing our transformation into a "Life Design Company". We have formed a Talent Management Process to strategically hire, cultivate, apply, and appoint with the objective of maximizing human resource value and finding employees perfectly suited for their jobs. This enables the growth of each and every employee and the maximization of organization performance.

Hiring → Deployment that utilizes abilities and characteristics → Evaluation (results) → Education and Training → (Experience)

Employee growth and maximization of organization performance

System — KDDI

Human Resource Cultivation Management

KDDI executes various measures for effective employee cultivation including On the Job Training (OJT) and Off the Job Training (OFF-JT), which includes various trainings opportunities. Additionally, we create a drive to grow in employees by providing each of them proper evaluation and feedback. We have also prepared various programs to promote self-education and create a space in which employees with a strong will to grow and become leaders of change can continue to grow and develop. KDDI supports the acquisition of company designated qualifications through payment of other related expenses including examination fees.

Employee Training	FY2016 Result
Training expenses per employee (yen/person)	93,802 yen
Training time per employee (hours/person)	6.5 hours (86,405 hours total)

Link Page_91 — Enhancing Various Evaluation Systems

Link Page_90 — KDDI Human Resource Cultivation

Link Page_92 — Employment turnover rate

Securing and Cultivating Human Resources

Activity KDDI

KDDI Human Resource Cultivation

Major Systems	Major Details
Stratified training	Participants are divided by each career level to acquire knowledge and skill needed for carrying out their work
Common skill training	Participants acquire various business skills needed for all KDDI employee business
Support for acquisition of qualifications	KDDI supports the acquisition of company-designated qualifications through payment of examination fees and other related expenses
Global initiative program for managers	KDDI creates management that can manage global business and global bases through overseas and domestic training
Business study abroad	Participants learn business global standards through overseas universities and exchange and internships with businesspersons at NPO
Specialized study abroad	Participants study at an overseas university or specialized institution, and they receive training to acquire high-level specialist knowledge and build human networks with relevant persons
Overseas trainee system	Applicants are sent to an overseas base for a fixed period, and through their business activities are trained to be employees who can carry out their work even while surrounded by people with various values and different business conventions
English circle support	A workplace's English self-study circle is supported by sending instructors and contributing funds
Global employee exchange program	Through the program, employees hired overseas are invited to our headquarters to learn about business practices in Japan, our operations, the KDDI Group Philosophy, and strengthen partnerships with customers who have offices in Japan

Policy KDDI

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

Training System by Position

Position	The KDDI Group Philosophy		Stratified Training		Shared Skill Training	Global human resources	Division-specific Training
			Newly appointed	Already appointed			Operation-specific Skills
Executives/Directors	General Manager Study Session	Company-wide Philosophy Study Session/Study Session by Department		Associated Companies Director Training	Shared Skill Training		Training by division
Supervisor	Division Manager Study Session		Newly-appointed Supervisor Training	Supervisor Training		GIP	
GL (Group leader)	GL Study Session		Newly Appointed GL Training	GL Training		GIP Jr	
Manager (Non-line)			Newly Appointed Manager Training				
Assistant Manager				Leadership Strengthen Training		Overseas Trainee System / Overseas Study	
Chief				Career enhancement training			
Employee			Training 3 years after employment				
			Training 2 years after employment				
			New Employee Training				

Securing and Cultivating Human Resources

System KDDI

Enhancing Various Evaluation Systems

KDDI has introduced the System of Objective Management for non-managerial employees.

Under this system, each employee meets with their supervisor to determine the employee's "personal objectives," which combine company and organizational goals with said employee's individual goals. This system is designed to make employees challenge themselves toward personal growth and performance improvement, and is linked with personnel evaluations. We also incorporate the process of achieving objectives into our personnel evaluations with the aim of making them more fair and transparent.

For managers, KDDI introduced the Mission Grade System, which 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, the authority borne, and the degree of impact of output. The system defines the management roles assigned to line managers and the professional roles assigned to non-line managers, and specifies the grade according to the size of the role. This makes the Mission Grade System a remuneration system under which employees with the greater contributions to the company receive greater reward.

System KDDI

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, and people who execute basic office work and general affairs as office contract employees.

As they are the ones who actually come into contact with customers in shops, the sales advisers are very important to us, and we have enhanced their various training and qualification systems. To create a work environment that supports career development and makes working worthwhile, KDDI not only provides office contract employees with routine work, we also have them participate in projects to improve operations. In addition to all this, we have introduced a regular employee appointment system to increase future career opportunities, and in FY2016, 122 employees were promoted to regular employee status.

System KDDI

KDDI Human Resource Cultivation System

Program		Details
Executive assistant		Employees work as directors' assistants, learning first-hand how to think like a manager
Job rotation system	Challenge rotation	Employees work in multiple job positions and departments to pursue expansion of and adaptation to their work fields
	Professional rotation	Employees contribute to society at a higher level by exploring and expanding their individual expertises
Self career produce system (SCAP)		Employees can transfer to departments of their choice after accumulating a certain amount of experience in their current positions and earning positive evaluations
Open recruitment system		Employees who are enthusiastic about starting up new business or expansion of division regions are transferred to their chosen sections
Self-reporting system		In this system employees report on their personal career inventories and personal career situations to their supervisors, and also consult with them on their future career plans

Activity and Results KDDI

Employee Awareness Survey

Each year, KDDI conducts the "KDDI Kaitai Shinsho" awareness survey targeting all employees and contract employees. In FY2016, the survey was conducted with the themes of "the degree of practice of actions of change" and "the degree of transparency of the KDDI Group Philosophy". This highlighted several issues, including the fact that while the necessity for change is well understood, there is a lack of concrete action, such as voluntary initiatives for improving the strength of our employees.

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.
(Respondents: 10,812 (91.9%))

System KDDI

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

Securing and Cultivating Human Resources

business results while contributing to the improvement of mid-to-long term corporate value.

Activity and Results　　　　　　　　　　　**KDDI**

Award Program for Employees

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

2016 President's Award Results
(evaluation period: April 1, 2015 - March 31, 2016)

Award	Number Won
President's Award	4
Contribution Award	3
Nice Try Award	1
Individual MVP Award	3

🔍 Link Page_69　Activities to Enhance Operational Quality

Results

Status of Employment

	Gender		FY2012	FY2013	FY2014	FY2015	FY2016
Number of employees [1]	Unit:person	Male (KDDI)	9,034	8,648	8,588	8,649	8,718
		Female (KDDI)	2,197	2,091	2,083	2,126	2,198
		Total (Male and Female)	11,231	10,739	10,671	10,775	10,916
		Consolidated number of employees	20,238	27,073	28,172	31,834	35,032
Average age (KDDI)	Unit: age	Male	41.8	42.1	41.8	42.7	42.9
		Female	38.2	38.6	38.2	39.2	39.3
		Total (Male and Female)	41.1	41.4	41.1	42.0	42.2
Average work years (KDDI)	Unit: year	Male	16.8	17.1	17.3	17.6	17.7
		Female	15.3	15.6	15.9	16.0	16.0
		Total (Male and Female)	16.5	16.8	17.0	17.3	17.4
Employment turnover rate [2] (KDDI)	Unit: %		(Total)0.84 (Male)0.58 (Female)2.06	(Total)0.94 (Male)0.72 (Female)1.92	(Total)0.89 (Male)0.68 (Female)1.78	(Total)0.92 (Male)0.68 (Female)1.99	(Total)1.11 (Male)0.95 (Female)1.79

[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.

Unit: person

		Early	Self	Company	Transfer	Other	Total
Departing Employees FY2016 (KDDI)	Male	0	101	17	4	11	133
	Female	0	45	3	0	3	51
	Total (Male and Female)	0	146	20	4	14	184

		June 2013	June 2014	June 2015	June 2016	June 2017
Number of employees with disabilities	Unit: person	300	334	350	372	403
Employment rate of persons with disabilities	Unit: %	2.02	2.02	2.11	2.19	2.38

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

Securing and Cultivating Human Resources

Foreign Employees

Unit: person

	FY2012	FY2013	FY2014	FY2015	FY2016
Number of foreign employees (KDDI)	53	85	103	105	101
Proportion of foreigners in new employees (KDDI)	11.3%	15.1%	8.3%	5.2%	2.0%
Number of foreigners (management) (KDDI)	5	6	6	7	10
Consolidated number of foreign employees	–	2,630	2,624	4,380	4,423

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

Unit: person

	FY2012	FY2013	FY2014	FY2015	FY2016
Agency employees (KDDI)	5,128	4,197	3,848	3,512	3,940
Contract employees (KDDI)	1,686	2,850	3,416	3,317	3,101
(Total)	6,814	7,047	7,264	6,829	7,041

Employee by Age (KDDI) (As of the end of March 2017)

Unit: person

	Total	Male	Female
Under 30	1,303	896	407
30 - 39	2,616	1,977	639
40 - 49	4,461	3,561	900
50 - 60	2,534	2,282	252
61 or over	2	2	0
Total	10,916	8,718	2,198

Status of Hiring (KDDI)

Unit: person

	Gender	FY2012	FY2013	FY2014	FY2015	FY2016
Recent university graduates	Male	171	189	170	203	217
	University graduate	171	189	170	203	217
	Female	69	62	84	83	85
	University graduate	69	62	84	83	85
	Junior college or technical school	0	0	0	0	0
	Senior high school and others	0	0	0	0	0
	Total (Male and Female)	240	251	254	286	302
Mid-career hires	Male	20	29	38	46	46
	University graduate	20	28	37	45	45
	Other	0	1	1	1	1
	Female	3	2	7	4	9
	University graduate	3	2	7	4	9
	Other	0	0	0	0	0
	Total (Male and Female)	23	31	45	50	55
Reemployment	Male	75	68	100	126	143
	Female	6	6	10	13	17
	Total (Male and Female)	81	74	110	139	160
Number of regular employees from non-regular employees		–	23	33	82	122

Securing and Cultivating Human Resources

Retention of Recent Graduates (KDDI)

Unit: person

	Male	Female
Graduate entry in April 2014	170	84
Currently employed in April 2017	161	77

Manager (KDDI)

Unit: person

	FY2012	FY2013	FY2014	FY2015	FY2016
Male Managers	3,609	3,785	3,961	4,115	4,155
Department Managers or higher	356	367	408	411	465
Section Managers	3,253	3,418	3,553	3,674	3,690
Female Managers	124	140	177	251	270
Department Managers or higher	5	11	9	11	12
Section Managers	119	129	168	240	258
Proportion of Female Department Managers or higher	1.4%	2.9%	2.2%	2.4%	2.5%
Proportion of Female Section Managers	3.5%	3.6%	4.5%	6.1%	6.5%
Newly Appointed Managers	293	330	370	390	195
Male	278	312	330	309	169
Female	15	18	40	81	26

[1] The number of managerial personnel is the number of KDDI managerial personnel including those temporarily transferred outside of KDDI.
[2] The number of male managers between FY2013 and FY2015 was corrected

Community Involvement and Development

Policy — KDDI Group

KDDI's Approach (Community Involvement and Development)

KDDI Group is continuing initiatives to solve societal and environmental issues of the countries and regions we have expanded to in order to achieve a truly connected society. Each regional office is in charge of regional social contribution activities in that region, and we place importance on discussion and cooperation with a variety of stakeholders from local communities, administrations, universities, NGOs and NPOs.

Social Contribution Policy

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.

Policy — KDDI Group

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 domestically and overseas.

When selecting and implementing activities, we discuss policies and methods while considering issues shared in international society, including Sustainable Development Goals (SDGs).

🔍 **Link** Page_19 — Relationship of SDGs to KDDI Business and CSR

Policy — KDDI Group

Community Contribution in 5 Fields

KDDI is engaged in social contribution activities focused on the following five areas published in our Social Contribution Policy: (1) bridging the digital divide, (2) sound development of youth, (3) environmental conservation, (4) social and cultural support, and (5) support in times of disaster.

🔍 **Link** Page_55 — About Efforts in Growing Markets

Results — KDDI Group

Initiative Conditions

■ **(1) Bridging the Digital Divide (related SDGs:** 🟥4 🟧9 🟦16 **)**

Targets	FY2016 Outcomes and Progress
Improve Senior ICT Literacy	· KDDI Smartphone and Mobile Phone Safety Classes for seniors (215 times, 3,900 participants, 82% comprehension)
Bridging the Digital Divide in Developing Countries	· Presented the vocational training school affiliated with Myanmar's NLD Education Network with 200 notebook PCs and an MPT Wi-Fi router, sent trainers, and in September 2016 started "Digital Skills to Go Forward", a CSR program aimed toward improving the digital skills of Myanmar's youth (MPT) · Supporting network construction in Cambodia, Iraq, and Bhutan (KDDI Foundation) 🔍 **Link** Page_55 — About Efforts in Growing Markets

Community Involvement and Development

■ (2) Sound Development of Youth (related SDGs:)

Targets	FY2016 Outcomes and Progress
Improve youth ICT literacy	・KDDI Smartphone and Mobile Phone Safety Classes for juniors (3,806 times, 680,000 participants, 93.7% comprehension) ・"IT Class" (App development classes) for hearing impaired elementary and junior high school students Link Page_26 Awareness Activities on the Use of ICT Services
Contribute to next generation career building	・Implemented Career Education targeted at junior high school and high school students ・Cooperation with the Cabinet Office's "Riko Challenge", which supports female students in junior high, high school, and university that are interested in the sciences select paths in the field, as well as hold a summer vacation hands-on event to support young women and girls in the sciences ・Cooperation with the "summer school" (science class) held by universities (KDDI Foundation) ・Hackathon with WoT and IoT manufacturers (KDDI Foundation)

■ (3) Environmental Conservation (related SDGs:)

Targets	FY2016 Outcomes and Progress
Develop biodiversity in collaboration with stakeholders	・Participation in Volunteer Survey of Manazuru, Kanagawa Forest Reserve of Uotsuki ・Environmental conservation activities with employees and their families (122 times total in Japan) Link Page_115 Green Road Project

■ (4) Social and Cultural Support (related SDGs:)

Targets	FY2016 Outcomes and Progress
Contribute to development of local communities	・Support of NPO activities and fund-raising activities through KDDI's "Bridge of Hope" social contribution website Link Website Bridge of Hope (Japanese)
Promote cultural development in growing regions (KDDI Foundation)	・Holding charity concerts to support education in developing countries ・Holding art classes in Cambodia and Myanmar ・Holding music classes in Cambodia ・Supporting local schools in Myanmar (English, art, Myanmar language)
Support the succession of traditional culture (KDDI Foundation)	・Supporting Ty Chean's Troupe, which succeeds the traditional art of Sbaek Thom (large shadow picture play)

■ (5) Disaster Support (related SDGs:)

Targets	FY2016 Outcomes and Progress
Support quick recovery of disaster areas	・Fund-raising through KDDI's "Bridge of Hope" social contribution website ・Supporting Internet connectivity in disaster areas ・Volunteer activities to support disaster areas (Kumamoto) Link Website Bridge of Hope (Japanese)

Policy   KDDI

KPI for Social Contribution Activity

Category	KPI	Material Issue	Related SDGs
Strengthening large-scale disaster response measures	・Holding company-wide training twice a year ・Split into 10 blocks throughout Japan and hold disaster drills in each block centered around the main branches that unify the blocks once a year	Governance	1 NO POVERTY
Sound development of youth, bridging the digital divide and improving ICT literacy	・KDDI Smartphone and Mobile Phone Safety Classes for juniors: ・Instructor satisfaction: 94% ・Material satisfaction: 94% ・Intention to reapply: 92% ・KDDI Smartphone and Mobile Phone Safety Classes for seniors: ・Comprehension: 83% ・Utilization: 85%	Society	11 SUSTAINABLE CITIES AND COMMUNITIES / 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Measures aimed at regional revitalization	・Shimamono Project (Shimamono Lab) More than 1 area per year	Society	8 DECENT WORK AND ECONOMIC GROWTH
Promote biodiversity conservation	・Environmental conservation activities in various locations in Japan: More than 80 times per year	Environment	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 13 CLIMATE ACTION

Community Involvement and Development

Policy and Results   KDDI

Local Collaboration Initiatives

■ Approach

Japan is facing many issues, including long-term population decline and the decrease in economic activity of provincial areas due to population concentration to metropolitan areas.

KDDI has contributed to the development of Japanese society. We consider the decline in population and industry in provincial cities to be major issues by constructing a stable telecommunications infrastructure.

■ Approach to Local Collaboration

KDDI promotes local collaboration initiatives from the following two viewpoints.

<As a Leader of Local Economy>

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

<As a Life Design Company Close to Our Customers>

KDDI utilizes advanced technologies such as big data, ICT, and IoT, to express the appeal of products and services to various locations in Japan, and aim for the revitalization of local economies by revitalizing the flow of people and things in Japan with our partner companies.

■ Case study: Aiming for Revitalization of Remote Island Regions with the Shimamono Project

There are approximately 420 so-called occupied remote islands in Japan, which face a variety of challenges, including out flow of young generation and population decline, strengthening island promotion and creation of value, and measures for distribution and sales activities.

In order to support remote island regions, KDDI has utilized our resources to carry out the "Shimamono Project" to distribute information about those regions and support company sales since FY2015.

Since starting the "Shimamono Project", it has contributed to remote island companies and regional vitalization, including sales of remote island companies in "au WALLET Market" increasing approximately 10%. Since FY2016, we have also carried out the "Shimamono Lab" to teach sales basics through online classes with the objective of supporting remote island companies that have challenges with expanding sales channels and product PR.

■ Shimamono Project

Starting Year	Initiative	Details of Initiatives	Performance
2015	Shimamono Marche	· Selling remote island company products on au WALLET Market	19 islands, 24 products (performance as of June 2017)
2016	Shimamono Labo	· Online classes for marketing analysis that utilize "au Smart Pass" product monitor for remote island companies that have challenges with market growth and product PR · Sales education support for selling products on "au WALLET Market"	FY2016 Kikaijima, Kagoshima · Shimamono Lab participation (6 companies, 12 people) · Number of selling products on "au WALLET Market": 3 companies

■ Major Local Collaboration Initiatives (Performance)

Local Government	Details of Initiatives
Toyooka, Hyogo	· Promotion of tourism marketing utilizing big data · Selling specialty products utilizing au WALLET Market
Shirakawa, Gifu	Established a structure for suggesting customers by utilizing "au Smart Pass" coupons and providing a communication environment that corresponds to inbound demands
Higashi-Matsushima, Miyagi	Started smart fishing model business collecting data using underwater cameras and Smart-V to achieve stable and efficient fishing Link Website Smart Fishing Trial Service (Japanese)
Manazuru, Kanagawa	Held a vegetation survey in Forest Reserve with Fish utilizing KDDI tablets and solution services

Policy and Results   KDDI

Locally Rooted Initiatives

■ Approach

As a corporate citizen, KDDI makes efforts to contribute to society by matching the needs specific to a region we operate in.

■ Systems

KDDI appoints divisions and representatives assigned to promote communication with local communities in all branches in Japan. Assigned divisions and representatives establish opportunities to hold dialogue with local parties.

Taking the opinions acquired from local communities, we consult with the related department in our company in accordance its contents and respond sincerely to the opinions.

Furthermore, the initiatives for each region are made available

Community Involvement and Development

to throughout the company using the KDDI intranet and other information sharing systems.

■ Activity: KDDI Oyama Network Center Open House

As a show of appreciation to our customers, KDDI opens the Network Center to the general public, including neighboring residents.

In FY2017, in order to promote deeper understanding of KDDI's initiatives in local residents, we held tours of the facilities and exhibited drones in the center.

・Number of visitors: 3,900
・Satisfaction: 94%

■ Locally Rooted Initiatives

🔍 **Link** Page_26 KDDI Smartphone and Mobile Phone Safety Classes

🔍 **Link** Page_115 Environmental Conservation Activities by Employees

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Activity and Policy   **KDDI**

Action for Reconstruction Support

■ Support to Kumamoto Earthquake Disaster Area

(1) Providing aid	・Provision of drinking water: 500 mL×24,768 bottles ・Provision of blue sheets: 700 ・Provision of antiseptics: 1 L×10 containers
(2) Volunteer activities in disaster areas	・FY2016 performance: 100 KDDI employees participated
(3) Other support activities	・Implementation of reconstruction support Marche ・Invited elementary school children from the Kumamoto disaster area and their parents to the Yamaguchi Technology Maintenance Center (28 families, 64 members total)

■ Support to Great East Japan Earthquake Disaster Area

Initiatives through loans to disaster area local governments	The Reconstruction Support Office (currently: Regional Creation Support Office), which was formed mainly of natives to the Tohoku region, loans workers to the Reconstruction Agency and various disaster area local governments, utilizing KDDI's extensive ICT knowhow to work with local governments and residents to promote new town development
Reconstruction support activities in disaster areas	・Special support for the reconstruction concert (Sendai, Miyagi) **Link** Website ~Connecting Hearts, Connecting Power~ A Reconstruction Concert Made Together (Japanese) ・Assistance for fishing activities using IoT (Fukushima Prefecture) **Link** Website Don't Rely on Intuition or Experience! "Smart Fishing" Utilizing Ocean Big Data Starts (Japanese) ・Comprehensive partnership agreement for regional revitalization **Link** Website Comprehensive Partnership Agreement with Fukushima Prefecture and KDDI (Japanese)

■ Support Activities in FY2016

・April 15:   2016 Kumamoto Earthquake Reconstruction Support Efforts
・August 31:   Support in aftermath of Typhoon No. 10 (Hokkaido, Iwate Prefecture)
・October 21:   2016 Central Tottori Earthquake Reconstruction Support Efforts
・December 22:   2016 Itogawa, Niigata Large-Scale Fire Reconstruction Support Efforts

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Community Involvement and Development

Results   **KDDI**

Status of Social Contribution Activities

KDDI is a member of the 1% Club established by the Keidanren Japan Business Federation. The status of our activities in FY2016 are as follows.

Unit: 10,000 yen

Fields of Activity	Expenses
(1) Bridging the digital divide	46,016
(2) Sound development of youth	
(3) Environmental conservation	11,897
(4) Social and cultural support	9,145
(5) Disaster support	15,803
Other	14,512

[1] Even if they have the goal of social contribution, items such as advertising expenses and membership fees are excluded. Also, political contributions are not included in total social contribution expenditures
[2] In-store fund-raising and employee donations are not included in total social contribution expenditures
[3] Since the applicable activities in activity fields (1) and (2) overlap, donations and initiatives in affected areas are added together

Field		Rate	Examples of Initiatives
Philanthropic activities	Non-continuous donations and initiatives	32%	・Funding affected areas through KDDI's "Bridge of Hope" social contribution website ・Kumamoto Earthquake reconstruction support efforts ・Tohoku affected areas reconstruction support efforts
Investment in local communities	Long-term investments to solve social issues	68%	・Implementing KDDI Smartphone and Mobile Phone Safety Classes ・Executed the Shimamono Project with the aim of vitalizing outlying island areas

[1] Even if they have the goal of social contribution, items such as advertising expenses and membership fees are excluded. Also, political contributions are not included in total social contribution expenditures
[2] In-store fund-raising and employee donations are not included in total social contribution expenditures

Results   **KDDI**

Disaster Funding (FY2016)

Source of funds: KDDI's "Bridge of Hope" social contribution website

■ Japan

	Total Contributions	Donated to
Earthquake in Kumamoto	60,042,200 yen	Japanese Red Cross Society Central Community Chest of Japan
Typhoon No. 10	2,117,500 yen	Japanese Red Cross Society Central Community Chest of Japan

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

■ Overseas

	Total Contributions	Donated to
Earthquake in Ecuador	3,591,700 yen	Japanese Red Cross Society
Hurricane in Haiti	1,362,000 yen	Japanese Red Cross Society

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

Performance

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

		FY2012	FY2013	FY2014	FY2015	FY2016
Volunteer leave	Unit: Number of persons required	23	8	31	16	20
JOCV*	Unit: Number of persons dispatched	1	2	2	2	1

*The number of JICA volunteers (Japan Overseas Cooperation Volunteers System) is equal to the number of KDDI employees dispatched to JICA in each fiscal year

Environmental Management

Policy

KDDI Group

KDDI's Approach (Environment)

KDDI's attitude toward environmental conservation is defined in the KDDI Environmental Charter, which regulates the Basic Principle (Approach to Global Environmental Problems), which is its highest concept, and the Code of Conduct for setting the direction of its concrete initiatives.

KDDI Environmental Charter

Manifesto

KDDI Group recognizes the importance of fulfilling its duty as a responsible global corporate citizen to conserve and protect the Earth's irreplaceable environment so that it can be inherited by future generations. We are committed to pursuing our business in eco-conscious ways, through programs of activities that span the entire company.

Scope of Reports of Environmental Information

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.

Message from Executive Officer

In recent years, natural disasters caused by climate change are occurring frequently, bringing with them immense damage. The Paris Agreement and Sustainable Development Goals (SDGs) were adopted based on these conditions, both setting long-term worldwide objectives in the environmental field, and changing the direction of the world toward becoming a "Zero CO_2 Emissions Society." In 2017, KDDI has also established KDDI GREEN PLAN 2017-2030, a long-term plan to extend over 14 years. The utilization of ICT reduces the CO_2 in society and contributes to the suppression of climate change, but ICT itself harbors the contradiction of increasing environmental impact. In our plan, KDDI has set objectives to solve these problems and reduce our own CO_2 emissions by increasing the energy efficiency of our telecommunications facilities and devices and utilizing renewable energy. We are further strengthening our initiatives from the position of fulfilling our responsibility to achieve this plan.

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

Environmental Management

Policy   **KDDI Group**

Risks and Opportunities from Climate Change

According to the Intergovernmental Panel on Climate Change (IPCC), when it comes to global warming, there is no room for doubt. They consider it extremely likely that influences from human activities such as economic growth and an increasing population form the main cause for global warming.

KDDI considers the risks from climate change to be important management challenges, and we believe there are opportunities to make adjustments to reduce climate change by lessening existing influences through "moderation" in order to suppress greenhouse gas emissions.

■ Risks and Opportunities from Regulations

Each country and region has regulations and measures that influence the business activities of corporations, such as energy-saving standards, carbon taxes, and emissions negotiations. KDDI considers such regulations and measures as potential risks to business continuity and growth. We also consider it an opportunity for business growth, and in order to comply with these regulations, we are building environmentally-friendly bases, as well as providing services that save energy and reduce society's environmental impact through the use of ICT.

■ Risks and Opportunities from Physical Influences

Global warming has caused typhoons to grow in size and increase in precipitation, bringing damage to various locations. These kinds of natural disasters also influence the telecommunications facilities of KDDI, and we perceive them as risks to business continuity. The demand for measures against such natural disasters is increasing globally. KDDI is working to expand our business by spreading anti-disaster measures that use ICT services such as monitoring systems and disaster-prevention systems to prepare for disasters.

■ Other Risks and Opportunities

A lack of response to climate change can lead to business continuity risks such as a decline in market competitiveness and reliance from stakeholders. KDDI has set long-term objectives to suppress climate change, and we believe that providing services that contribute to the reduction of environmental impact leads to business expansion and can also contribute to SDG Goal 7 (Affordable and clean energy).

Policy   **KDDI**

Fourth Environmental Conservation Plan
KDDI GREEN PLAN 2017-2030

KDDI has established the KDDI GREEN PLAN 2017-2030, a new environmental conservation plan. This is a long-term plan extending to FY2030, based on the long-term Paris Agreement objectives adopted at COP21 in 2015 and the government's Plan for Global Warming Countermeasures, with the objective of reducing KDDI's CO_2 emissions by 7% in comparison to FY2013. With the aim of achieving these objectives, we are making efforts to reduce CO_2 emissions by utilizing renewable energy and other various methods.

With this plan, in addition to making performance reports in each fiscal year, we will consider revisions and reviews when necessary, which will then be reflected in the plan.

Overview of KDDI Green Plan 2017-2030

(1) Climate Action
・7% reduction in CO_2 in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)
・Upgrading to highly energy-efficient data centers in Japan and abroad
・Contributions to reductions in society's CO_2 emissions by providing KDDI's information and communication technology (ICT) services

(2) Creating a Recycling-Oriented Society
・Maintain zero emissions* from retired telecommunication facilities
・Maintain material recycling rate of 99.8% for used mobile phones

(3) Conservation of Biodiversity
・Active promotion of initiatives using ICTs to conserve ecosystems

* Zero emissions are defined as a final disposal rate of 1% or less.

Climate Action
- 7% reduction in CO_2 emissions in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated) [Note]
- Upgrading to highly energy-efficient data centers in Japan and abroad
- Contributions to reductions in society's CO_2 emissions by providing KDDI's information and communication technology (ICT) services
Note: KDDI's target emission reduction of 7% compared to FY2013 matches the 7% industry target in Japan's national Climate Action Plan. In order to achieve this target, KDDI will make use of various approaches to reduce emissions, including the use of renewable energy.

Creating a Recycling-Oriented Society
- Maintain zero emissions from retired telecommunication facilities [Note]
- Maintain material recycling rate of 99.8% for used mobile phones
Note: Zero emissions are defined as a final disposal rate of 1% or less.

Conservation of Biodiversity
- Active promotion of initiatives using ICTs to conserve ecosystems

Environmental Management

System | KDDI Group

Environmental Management Regime

■ Environmental Management System

In order to clearly state our position on promoting CSR and the environment with management, the CSR Committee was established in the CSR & Environment Management Department to discuss important issues on the environment lead by the General Manager of the Corporate Sector with the CSR & Environment Management Department as the secretariat. Through the Environmental Subcommittee headed by the executive officer in charge of CSR as chairman and the CSR & Environment Management Department as the secretariat and attended by the managers of each division and group company that have acquired ISO14001 certification, the deliberation results will be reflected in each division and associated company, as well as in the objectives of each organization.
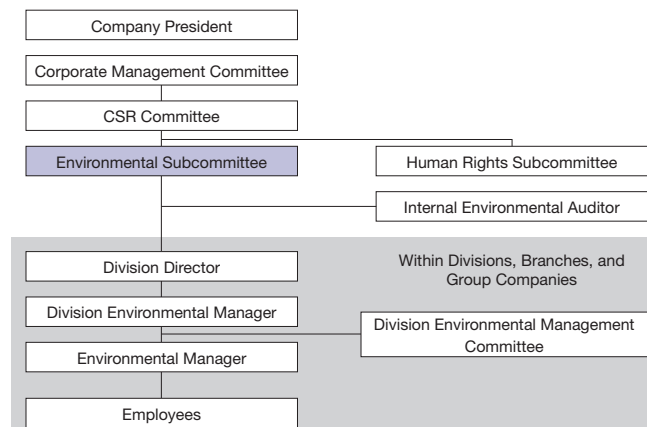
In the KDDI Group, the CSR & Environment Management Department takes a role of promotion, cooperating with related divisions to promote a group-wide system of management.

■ Environmental Management System Construction

KDDI Group has formed the Environmental Subcommittee, which serves as the center for the Environmental Management System (EMS). This subcommittee is comprised of a system that centrally manages the status of EMS operations carried out by each division, branch, group company, and related organizations, and cooperates with each group company to promote efficient environmental conservation activities throughout the group.

KDDI Group's Environmental Management Regime

Link Page_09   CSR Promotion Framework

KDDI Group ISO14001 Certification Acquisition (certifying authority: Japan Quality Assurance Organization (JQA))

As of the end of March 2017: KDDI CORPORATION, Okinawa Cellular Telephone Company, KDDI Evolva Inc., KDDI Evolva Okinawa Corporation, KDDI Research, Inc., KDDI Technology Corporation, KDDI Engineering Corporation, mediba inc., Japan Telecommunication Engineering Service Co., Ltd., KDDI Group Foundation, KDDI Health Insurance Union, KDDI Pension Fund, KDDI Web Communications Inc., KDDI Challenged Corporation, KDDI Foundation, TELEHOUSE International Corporation of Europe Ltd., Chubu Telecommunications Co.,Inc., WebMoney Corporation, KDDI MATOMETE OFFICE CORPORATION, KDDI MATOMETE OFFICE HIGASHINIHON CORPORATION, KDDI MATOMETE OFFICE CHUBU CORPORATION, KDDI MATOMETE OFFICE KANSAI CORPORATION, KDDI MATOMETE OFFICE NISHINIHON CORPORATION, Kokusai Cable Ship Co.,Ltd.   Total: acquired by 24 companies and groups

System | KDDI Group

Internal Environmental Audits

The KDDI Group holds internal audits as an ISO14001 requirement, and appoints auditors from each branch in order to ensure objectivity and independence, with a focus on the CSR & Environment Management Department.

In FY2016, 57 divisions and 64 offices in KDDI and group companies were audited. Referring to internal environmental audit results in FY2015, emphasis was placed on (1) compliance, (2) response to regulations revised in 2015, (3) EMS operation management, and (4) objective management, and self-checks using a check sheet were held in conjunction with face-to-face audits executed by auditors. There were 0 indicated matters, 161 matters requiring revision, with approximately 60% in operations management. Due to the decline in matters requiring revision or suggestion in comparison to the previous fiscal year, we believe that EMS is becoming firmly established.

System | KDDI Group

Compliance with Environmental Regulations

■ Compliance with Various Environmental Management Regulations

In order to prevent or reduce damage to the environment from our business activities, KDDI strictly complies with environmental regulations, as well as with regulations of various local governments and agreements made with regional authorities. There were no environmental regulation violations in FY2016.

Environmental Management

<Related Regulations>

・ Act on the Rational Use of Energy
・ Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging
・ Waste Management and Public Cleansing Act
・ Act on Rationalized Use and Proper Management of Fluorocarbons
・ Law Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes (PCB Special Measures Law)

■ **Appropriate Processing of PCB-containing Apparatus**

KDDI promotes the disposal of components that previously included high-concentration PCB. In FY2016, disposal could not be performed because the disposal processors were not fully prepared to receive the large 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.

Activity   **KDDI**

Acquiring the Eco ICT Mark

KDDI acquired the Eco ICT Mark established by the ICT Ecology Guidelines Council* as part of our endeavor toward environmental consideration and the reduction of our environmental impact.

* Council founded for the purpose of establishing energy-saving indices to be referenced when procuring ICT devices and data centers

Activity and Results   **KDDI Group**

Education and Infusion for Employees

KDDI believes that increase in environmental awareness and promotion of environmental understanding are needed in order to vitalize environmental activities, and we provide environmental education for all employees.

Initiatives	Target	Details/Performance
Beginning of period information session	KDDI Group Environmental ISO Representatives	Theme: KDDI's EMS, environmental regulations, details of new regulation revisions 17 companies, 56 participants
Training of inside auditors		Study session to train 4 auditors
E-learning	All Employees of KDDI Group	Theme: Biodiversity 12,430 participants (90.9% of the target)

Policy   **KDDI**

Promoting Green Procurement

KDDI formulated the KDDI Green Procurement Guidelines to promote purchasing of more environment-friendly products, and procure business equipment (communications devices, air conditioning systems, and power supply facilities) with high energy-saving performance. The Guidelines promote procurement activities for the devices defined in the new ICT Ecology Guidelines specified by the ICT Ecology Guideline Council.

Furthermore, through the CSR procurement survey for business

partners we have run since FY2015, we have confirmed our business partners' status of response toward environmental management.

Link Website	State of Compliance with Green Purchasing Law (Japanese)
Link Website	List of Compatible Models (Japanese)
Link Website	Product Line-Up
Link Page_76	Supply Chain Management

System   **KDDI**

Cooperation of Business Partners

KDDI is continuing cooperation with our business partners to make our base stations lighter and more energy efficient. We have worked with our base station equipment suppliers to develop equipment that is lighter and consumes less power (approximately 45% lighter and approximately 22% less power consumption than before), and have continued to introduce this equipment since FY2015.

KDDI will continue to promote approaches to business partners and work with suppliers ti reduce its environmental impact.

Environmental Management

Performance

KDDI

Self-evaluation Check List for CO$_2$ 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$_2$ emissions? Has the plan been implemented?	KDDI has formulated a Medium-term Environmental Conservation Plan based on the KDDI Environmental Charter, and the plan is being implemented. 🔍 **Link** Page_100 KDDI Environmental Charter
	2	Does the voluntary environmental action plan include specific actions for which quantitative goals for CO$_2$ emission reduction are stated?	The Third Medium-term Environmental Conservation Plan (KDDI GREEN PLAN 2012-2016) sets the following targets. ・30% constraint in energy use estimated for FY2016 compared with not taking any energy-saving measures ・15% reduction in energy use per subscriber estimated for FY2016 compared with FY2011 ・Expansion of Tribrid Base Stations to 100 by March 31, 2012 (Target achieved). ・Achieve zero emissions for retired telecommunications facilities (*Zero emissions is defined as having a final disposal rate of 1% or less) ・Recycling rate of used mobile phone material over 99.8% ・Recycling rate of general waste material for KDDI buildings and headquarters over 90% 🔍 **Link** Page_34 Third Medium-term Environmental Conservation Plan – KDDI GREEN PLAN 2012-2016
	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?	・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 program and internal seminars for employees whenever necessary. ・Integrated Report (Detailed ESG Version) 🔍 **Link** Page_103 Education and Infusion for Employees
	4	Are the implementation statuses of and the targeted achievements for actions given in the voluntary environmental action plan disclosed to the public?	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. 🔍 **Link** Page_32 Material Issue 4: Initiatives to Conserve the Global Environment
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. 🔍 **Link** Page_103 Promoting Green Procurement
	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. 🔍 **Link** Page_76 Supply Chain Management

Environmental Management

		Evaluation item	If implemented, description of actions taken
Promotional system for eco-efforts	7	Is there an assigned group or personnel in charge of CO$_2$ emission reduction actions?	The CSR & Environment Management Department is established as the internal organization responsible for CO$_2$ 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. Link Page_111 Environmental Performance (Low-Carbon society) Link Page_112 Environmental Performance (Recycling-Oriented society) Link Page_114 Environmental Performance (Biodiversity)
	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. Link Page_115 Environmental Conservation Activities by Employees

Environmental Management

Policy   KDDI Group

Environmental Accounting

KDDI has implemented environmental accounting since 2010 as a powerful system to quantitatively evaluate environmental activity costs and effects.

We analyze calculated costs and effects and utilize them toward more efficient environmental management.

[Scope of Environmental Accounting]

・Period: April 1, 2016 to March 31, 2017

・Scope of calculation: 30 KDDI Group companies*

・Calculation standard: Ministry of Environment "Environmental Accounting Guidelines 2005" and "KDDI Environmental Accounting Guidelines"

Environmental Protection Costs		Transaction Examples	FY2015 (Millions of Yen)		FY2016 (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	43	0	0	0	△43
	Global environmental protection costs	Power-saving wireless equipment for mobile base stations (Investment amount is calculated proportionally based on the power-saving effect.)	9,512	23,202	2,509	23,764	△7,002	562
	Resource recycling costs	Reduction of paper resources, processing and disposal of waste products	0	560	0	823	0	263
Upstream/downstream costs		Collection, recycling, and reuse of merchandise and products	0	1,281	0	1,396	0	115
Administrative costs		Operation and updating of environmental ISO standards, disclosure of environmental information	0	134	0	122	0	△12
R&D costs		R&D of technology, equipment, handsets, products, services, and other items conducive to reducing the environmental burden	0	340	0	108	0	△232
Social activity costs		Donations and support for forest conservation activities and to environmental protection groups	0	56	0	50	0	△6
Environmental damage restoration costs		Measures for prevention of asbestos spraying, restoration of polluted soil	0	0	0	0	0	0
Total			9,512	25,616	2,509	26,263	△7,002	647

* KDDI Web Communications Inc., mediba Inc., KDDI Research, Inc., KDDI Engineering Corporation, KDDI Evolva Okinawa Corporation, KDDI Challenged Corporation, KDDI Technology Corporation, WebMoney Corporation, KDDI MATOMETE OFFICE CORPORATION, KDDI MATOMETE OFFICE HIGASHINIHON CORPORATION, KDDI MATOMETE OFFICE CHUBU CORPORATION, KDDI MATOMETE OFFICE KANSAI CORPORATION, KDDI MATOMETE OFFICE NISHINIHON CORPORATION, Okinawa Cellular Telephone Company, KDDI 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)

| Disclosure of CSR Information | Top Message | KDDI Business and Strategies | KDDI's CSR | KDDI Code of Business Conduct | CSR Promotion Framework | Stakeholder Engagement | Four Material CSR Issues | Material Issues - Highlights | CSR Initiatives Through Business | CSR Initiatives Supporting Operations | External Assessment | CSR Data |

Environmental Management

1. Environmental Protection Benefits (Physical)		Indicator Category (Unit)	FY2015	FY2016	Change from Previous Year
(1) Benefits derived from business area	1) Benefits related to resources invested in business activities	Power consumption (MWh)	2,438,952	2,440,582	1,629
		Paper usage (t)	12,047	9,800	△2,247
		Paper reduced by Bill on WEB (t)	3,834	3,892	58
	2) Benefits related to environmental burden and waste products discharged from business activities	Greenhouse gas emissions (t-CO_2) *	1,392,753	1,277,094	△115,659
		Industrial waste emissions related to telecommunications facilities and buildings (t)	5,298	5,820	521
(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)	348	359	11

2. Economic Benefits of Environmental Protection Measures (Yen)	Substantive Benefits (Major Effects)	FY2015 (Millions of yen)	FY2016 (Millions of yen)	Change from Previous Year
Revenues	Revenues from sales through disposal of telecommunications facilities and buildings	333	150	△182
Costs reductions	Reduction in energy costs by adopting the use of low-pollution vehicles	12	15	3
	Reduction in costs of new purchases by reusing disposed of telecommunications facilities	3,879	4,083	203
Total		4,224	4,248	24

* Emission coefficient used per telecommunications operator

Environmental Performance

Activity and Results

KDDI

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 FY2016 Business Activities (Coverage: KDDI)

- Resource
- Energy

- Power consumption 1,915,383MWh
  For telecommunications facilities 1,895,367 MWh
  Offices 20,017 MWh
- Paper usage 9,691 t
- Water usage 1,223 thousand m³

- Fuel consumption 338 kℓ[1]
  Heavy oil 138 kℓ
  Light oil 6 kℓ
  Heating oil 195 kℓ

- Power

Input

Input

Use

Manufacturers — Delivery → Telecommunications facilities / Offices — Sale → Customers

Emissions

- Industrial waste 643 t
- Greenhouse gas emissions (CO_2 equivalent) (Scope 1)[2]
  Telecommunications facilities fuel 5,357 t
- Greenhouse gas emissions (CO_2 equivalent) (Scope 2)[2]
  Telecommunications facilities power 1,051,928 t
  Office consumed power 11,109 t
- Greenhouse gas emissions (CO_2 equivalent) (Scope 3)[3]
  Supply chain emissions 4,697,389 t

- Industrial waste

Emissions

Recycling resources

Recycling

- Number of collected mobile phones
  Handsets 1,480,000
  Batteries 1,460,000
  Chargers 660,000
- Amount of collected waste paper and similar materials 1,205 t

Collections of mobile phones and waste paper

[1] Used for air conditioning of telecommunications facilities and for emergency generators.
[2] CO_2 emissions are calculated using a conversion coefficient of 0.555kg-CO_2/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_2 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 Performance

Activity and Results   KDDI

Understanding Environmental Impact

In order to quantitatively understand and share information about our environmental impact, KDDI has calculated our supply chain greenhouse gas emissions (Scopes 1, 2, and 3) in adherence with various guidelines [1] since FY2012.

In our FY2016 business activities, Scope 3 accounted for 81.47% of total greenhouse gas emissions (Scopes 1, 2, and 3). When viewed by category, the percentages of Categories 1 and 2 have continued to grow since the previous fiscal year. Additionally, in order to ensure the reliability of calculations, the results of Scopes 1 and 2 were subjected to independent third party verification by Lloyd's Register Quality Assurance Limited, while the results of Scope 3 were subjected to third party verification by Waseda Environmental Institute Co.,Ltd.

KDDI also conducts life-cycle assessments (LCA) to evaluate the environmental impact by calculating CO_2 emissions in every step in the life of its products and services, from manufacturing to use, disposal, and recycling [2], as well as conducting regular LCA for "au HIKARI" and "au".

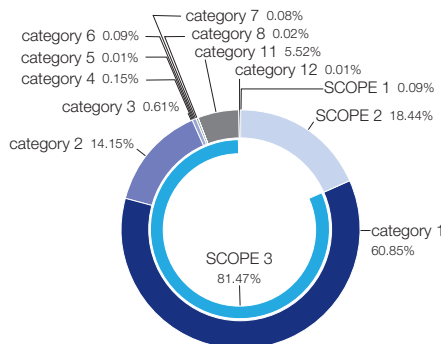[1] Green Value Chain Platform
[2] Environmental load at the disposal and recycling stage includes environmental load at the manufacturing stage.

GHG Emissions and the Proportions of Each Category

Category			FY2012		FY2013		FY2014		FY2015		FY2016	
			t-CO_2	%	t-CO_2	%	t-CO_2	%	t-CO_2	%	t-CO_2	%
SCOPE 1		All direct GHG emissions	2,857	0.05	3,505	0.06	4,680	0.08	5,344	0.10	5,357	0.09
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	1,063,038	18.44
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	3,507,745	60.85
	category 2	Capital goods	952,799	18.28	1,093,184	18.78	1,053,203	18.21	776,711	14.10	815,893	14.15
	category 3	Fuel- and energy-related activities	34,439	0.66	31,480	0.54	34,967	0.60	35,379	0.64	34,913	0.61
	category 4	Upstream transportation and distribution	8,261	0.16	4,994	0.09	7,003	0.12	7,370	0.13	8,706	0.15
	category 5	Waste generated in operations	921	0.02	588	0.01	500	0.01	681	0.01	583	0.01
	category 6	Business travel	5,154	0.10	5,080	0.09	4,590	0.08	4,831	0.09	5,314	0.09
	category 7	Employee commuting	3,497	0.07	2,671	0.05	5,031	0.09	4,574	0.08	4,642	0.08
	category 8	Upstream leased assets	1,751	0.03	1,519	0.03	1,367	0.02	1,309	0.02	1,209	0.02
	category 9	Downstream transportation and distribution	0	0.00	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	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	318,023	5.52
	category 12	End-of-life treatment of sold products	1,451	0.03	819	0.01	1,606	0.03	886	0.02	363	0.01
	category 13	Downstream leased assets	0	0.00	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	0	0.00
	category 15	Investments	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
			4,161,559	79.86	4,881,165	83.86	4,740,493	81.95	4,425,098	80.36	4,697,389	81.47
TOTAL			5,210,981	100.00	5,820,666	100.00	5,784,851	100.00	5,506,651	100.00	5,765,785	100.00

* CO_2 emissions are calculated using a conversion coefficient of 0.555 kg-CO_2/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."

Comparison of GHG Emission Ratio of Each Category (FY2016)

category 7 0.08%
category 8 0.02%
category 11 5.52%
category 12 0.01%
category 6 0.09%
category 5 0.01%
category 4 0.15%
SCOPE 1 0.09%
category 3 0.61%
SCOPE 2 18.44%
category 2 14.15%
category 1 60.85%
SCOPE 3 81.47%

Environmental Performance

Activity and Results

KDDI

Environmental Impact Data

	FY2012	FY2013	FY2014	FY2015	FY2016
Greenhouse gas emissions (CO_2 equivalent; unit: t) *	5,210,981	5,820,666	5,784,851	5,506,651	5,765,785
Electric power consumption (unit: MWh)	1,885,703	1,686,480	1,873,293	1,939,115	1,915,383
Electric power consumption per subscriber (unit: MWh)	464.7	385.4	398.9	390.4	363.5
Fuel consumption (unit: kℓ)	308	260	254	258	338
Paper usage (unit: t)	17,924.0	43,429.2	13,303.0	11,853.0	9,691.1
Water usage (unit: 1,000m³)	1,638	1,864	2,206	2,159	1,223
Industrial waste emissions (unit: t)	1,401.1	1,445.7	1,283.0	1,399.0	643.1
Number of mobile phones and other devices collected by KDDI (unit: 10,000 devices) — Mobile phones	181	154	163	141	148
Number of mobile phones and other devices collected by KDDI (unit: 10,000 devices) — Batteries	182	161	182	143	146
Number of mobile phones and other devices collected by KDDI (unit: 10,000 devices) — Chargers	83	72	79	65	66
Amount of waste paper and similar materials collected for recycling (unit: t)	2,394	2,235	2,531	1,695	1,205
Equipment-related energy usage at centers (unit: MWh)	685,885	664,798	747,016	779,504	778,224

* CO_2 emissions are calculated using a conversion coefficient of 0.555 kg-CO_2/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
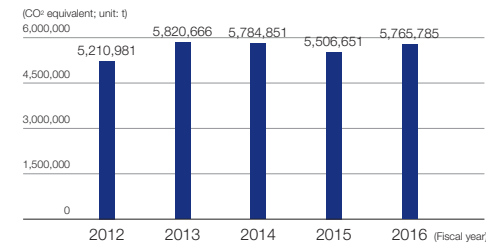
Electricity Consumption and Electricity Consumption per Subscriber
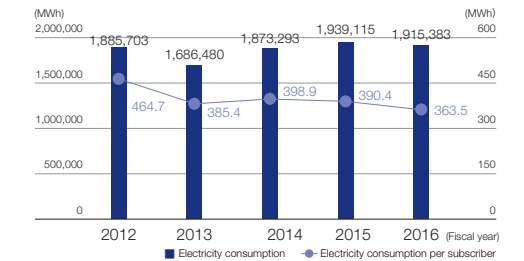
Water Usage

Number of Mobile Phones Collected by KDDI

Equipment-Related Energy Usage at Centers

Environmental Performance

KDDI's Approach (Low-Carbon Society)

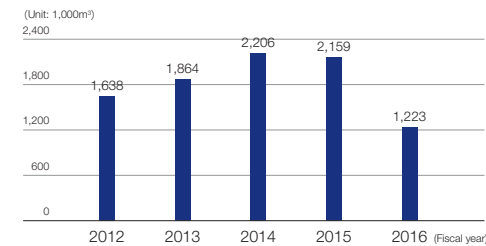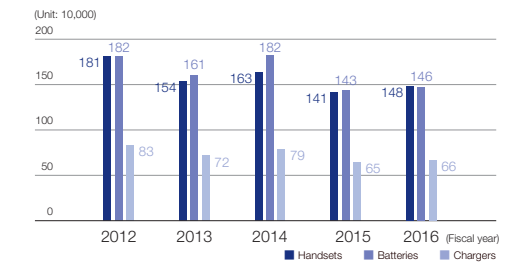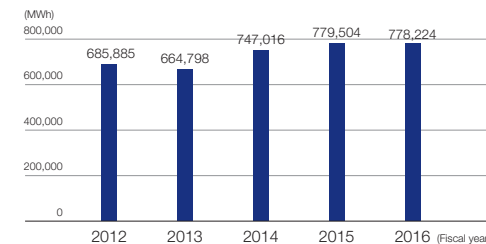Greenhouse gas emissions, which are considered a cause of global warming, are increasing year-by-year, and reducing them has become a social issue shared by all humankind.

The utilization of ICT leads to greater efficiency of business activities such as production and consumption, and is expected to contribute to the reduction of customers' CO_2 emission. In addition to expanding utilization, there are fears of an increase in environmental impact caused by the data center and base stations, so that consideration for energy use with regards to the development and introduction of facilities and devices has become an issue.

In order to actualize an affluent low carbon society, KDDI is providing new ICT services to contribute to the reduction of CO_2 emissions in society.

Activity — KDDI Group

Green by ICT

The Environmental Eco Label is provided to services that contribute to reducing the environmental impact of customers and society (reducing CO_2 emissions) through the use of ICT services offered by KDDI.

■ KDDI Cloud Platform Service

KDDI conducts the operation and maintenance of the platform through "KDDI Cloud Platform 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_2 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 unique to a telecommunications carrier, enabling an approximately 38% reduction in CO_2 emissions per server per year in comparison to when customers operate their servers individually.

■ TELEHOUSE Data Center Services

The TELEHOUSE data centers provided by KDDI are located in 48 bases in 24 cities around the world, including in Japan. They are equipped with high-capacity electric power and incorporate the latest in energy- saving facilities, 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_2 emissions than conventional data centers.

The TELEHOUSE LONDON Docklands North Two fully opened in November 2016, and adopts an indirect external air cooling system and other cutting-edge environmental technologies to achieve PUE 1.16, the highest-level energy efficiency for a data center operator. In Japan, TELEHOUSE TOKYO tama3 also employs the latest in energy-saving facilities and LED illumination, achieving PUE of 1.31 (design value).

TELEHOUSE LONDON Docklands North Two was recognized for achieving highest-level energy efficiency in the 2017 Data Centre Solution Awards.

* PUE is an index representing the energy efficiency of data centers and other IT facilities. It is calculated from average power consumption and design values.

■ FY2016 Products "MATOMETE KURUMATICS"

"MATOMETE KURUMATICS" is a next generation vehicle operation management service that combines telecommunications that enable checking operating conditions in real time with cloud technologies.

Link Website — MATOMETE KURUMATICS (Japanese)

■ Other Eco-Efforts

Initiatives	Details
Participate in the project to achieve an energy-saving society with active robot and drones	Develop an operation management system that utilizes drones for security and operation management functions
Participate in Ministry of Economy, Trade and Industry's virtual power plant launch test project	Promote initiatives for management of power supply and demand utilizing storage batteries for ordinary households and IoT Link Page_52 — Virtual Power Plant Construction and Demonstration Project
Provide KDDI IoT Cloud ~Toilet Water-Saving Management~	Monitor water data in each restroom utilizing IoT to reduce water use by between 40 and 50%* Link Page_53 — Other Exemples of Environment Innovation

* Expected values calculated from performance values of bulb manufacturer

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Green of ICT

■ Reducing Power Consumption in Base Stations and Undertaking Disaster Measure Initiatives

The au mobile phone base stations account for 60% of the total energy consumed by KDDI, reducing the power that base stations consume, which is one of our topmost priorities. Furthermore, 77% of the base stations that ceased to operate in the aftermath of the Great East Japan Earthquake that struck in 2011 did so because of power outages. This shows that disaster preparedness measures that address power outages are a pressing topic.

In regard to these issues, KDDI has promoted Tribrid Base Station initiatives* and extending the life of base station batteries to 24 hours.

* 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

	Numbers as of the end of March 2017
Tribrid base stations	100 stations in Japan
Extending life of base station batteries to 24 hours	Around 2,200 stations in Japan

<Portable Batteries>

In FY2013, KDDI introduced and utilizes portable batteries with reduced environmental impact at 5 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.

Portable Battery Trial Test Results (FY2012)

Mobile power supply vehicles	8.2 L diesel fuel consumed per time	CO2 emissions: 21.5 kg
Portable batteries	10 kWh of power consumed per time	CO2 emissions: 4.1kg

A reduction of 17.4 kg of CO_2 emissions per time
* With an approximately 10-hour base station power outage and 1 kW wireless device power consumption

■ Renewable Energy (Internal use)

In order to actualize even better energy conservation and CO_2 emissions cuts at KDDI, a portion of the electric power used at large scale communications stations and tribrid base stations are utilizing natural energy sources such as solar power. In addition, almost all electrical power at eight mobile telephone base stations in Japan come from natural energy sources.

The amount of natural energy produced by each Tribrid Base Station is approximately 4.2 kWh per day*, accounting for 18% of the power used by every device. Furthermore, by utilizing midnight power, we predict that CO_2 emissions will be reduced 20 to 30%.

* 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 in November 2013 with the aim of contributing to reduction of CO_2 emissions. We constructed solar power generation facilities on idle land owned by KDDI in three locations around Japan, and we sell the power generated to electric power companies based on the Feed-in Tariff Scheme for Renewable Energy.

Unit: MWh

	FY2013	FY2014	FY2015	FY2016
Total Power Generated (Total Generated Power Sold)	3,034	14,403	13,674	14,288

External Assessment

Link Page_117 — Winner of the Minister of the Environment Gold Award in Low Carbon Cup 2017

KDDI's Approach (Recycling-Oriented Society)

In order to reduce our environmental impact from waste produced through business activities, we effectively utilize our resources to contribute to the formation of a recycling-orientated society.

Reducing Waste and Promoting Recycling

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 FY2016, KDDI recycled a total of 2,400.8 tons of the materials in old deteriorated rechargeable batteries installed in telephone exchange stations used in test environments, to effectively utilize their resources. We will continue to make proactive efforts to reuse and

Environmental Performance

recycle the retired equipment generated during regular upgrades of communications equipment for base stations and other facilities in the future.

Activity and Results — KDDI

Promotion of Mobile Phone Recycling

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.

Performance in FY2016

Collection Performance*	Recycling Rate
3.59 million	99.8%

* Includes main body, batteries, and chargers

Link Website — au shop Locator (Japanese)

Link Page_80 — Expanding Employment Opportunities and Advancement of Persons with Disabilities

Activity and Results — KDDI

Reduction of Paper Resources

Initiatives	FY2016 Result
Reduction of paper by putting bills on the Web	3,892 t

Basic flow for Recycling of Mobile Phones

Turned into next products and provided to customers → Customers

Iron products | Aluminum products | Copper products | Plastic products

Domestic steelmakers | Domestic producers of non-ferrous metals | Recycling plant

Iron | Non-ferrous metals (copper/aluminum) | Plastic

Used mobile phone handsets

KDDI — Designing The Future

1. Personal information leakage prevention through formatting and circuit board destruction using specialized machines.

2. Disassembly conducted by hand to facilitate material recycling.

Different recycling processes employed for different materials.

To KDDI-designated recycling plant

KDDI Challenged and other recycling plants

To promote material recycling, disassembly is performed by hand in secure rooms at KDDI Challenged and other recycling plants

Environmental Performance

Policy | KDDI

Approach to Water Use

There are fears of losing water resources from population increase on a global scale and the reduction of useable water caused by climate change. Disputes concerning water distribution and pollution have broken out in various locations around the world, making efficient water use an issue. KDDI is making efforts to provide products and services to reduce water use from business activities and contribute to efficient water use.

■ **Providing KDDI IoT Cloud ~Toilet Water-Saving Management~**
In office and public restrooms, toilets with only one setting when flushing are usual, leading to excessive water use. "KDDI IoT Cloud ~ Toilet Water-Saving Management~" detects users with a sensor set in toilet stalls, optimizing control of the amount of toilet water while the user is present.

Furthermore, by understanding the water amount data in individual stalls utilizing IoT, we can monitor and remotely maintain precise water amounts, saving 40 to 50%* water and reducing costs compared to before.

* Expected values calculated from performance values of bulb manufacturer. Value may be lower depending on the location installed.

Policy | KDDI

KDDI's Approach (Biodiversity)

KDDI has established the KDDI Action Guidelines on the Preservation of Biodiversity to multilaterally assess our contributions toward the preservation of biodiversity. In these guidelines, we defined the 3 principles of Preserving Diversity in Business Activities, Collaboration and Cooperation with Related Organizations, and Promoting Recycling of Resources. Using this policy, we pinpoint various opportunities to promote activities.

KDDI Action Guidelines on the Preservation of Biodiversity

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.

Policy | KDDI

Biodiversity Consideration for Building Base Stations

KDDI is also taking biodiversity into consideration when constructing base stations. This includes cooperation with local governments and environmental conservation associations to delay construction when it falls during nest building and egg laying periods of the Northern Goshawk and the Oriental Stork. 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 race horses and dairy cattle are not affected by construction noise. Although we have their understanding on the necessity for base station construction, we take great efforts to build reliable relationships with local governments and residents by minimizing the effect that base station construction has on the environment.

Activity | KDDI Group

Research on Behavior of Endangered Ganges River Dolphins

KDDI Research utilizes the acoustic technology cultivated by underwater robots that maintain and inspect submarine cables that connect continents and collaborates with the Institute of Industrial Science, The University of Tokyo, the Kyushu Institute of Technology, the Indian Institute of Technology Delhi, and WWF-India to observe the ecology of the endangered Ganges River dolphin.

The researchers catch the ultrasonic waves these dolphins emit to determine their surrounding environment through murky waters using underwater microphones in hopes of surveying the dolphins' behavior underwater. One advantage of using this method is that it enables the

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observation of large numbers of dolphins without having any effect on their behavior because it does not physically touch the dolphins.

This initiative won the Fujisankei Group Award at the 25th Global Environment Awards.

Activity and Results　　　　　　　　**KDDI**

Green Road Project

■ Participation in Volunteer Survey of Manazuru Forest Reserve of Uotsuki

KDDI participated in the volunteer survey of the Forest Reserve of Uotsuki located in the Manazuru Peninsula. This activity is carried out with the objective of permanently preserving the Forest Reserve of Uotsuki formed from black pines afforested in the Edo period. It forms a part of the Forest Reserve of Uotsuki Conservation Project executed in collaboration between the town of Manazuru and OISCA International. Utilizing tablets loaned out by KDDI and the "G Suite Basic(TM)*" solution service, we cooperated with the citizens of Manazuru to survey the degree of growth of the trees.

* A cloud groupware service that can be used online or offline on smartphone and tablet apps

■ Environmental Conservation Activities by Employees

In FY2016, 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.

Environmental conservation activity execution	Total participants
122 times	4,529

Hokkaido Branch
・ Countermeasures against forest damage from deer reforestation activities

Northern Kanto Branch
・ Conservation activities in Musenyama, KDDI's Forest, a Green Trust conservation location

Hokuriku Branch
・ Participation in cleaning activities held by Committee to Beautify Asano River
・ Participation in the Greenery and Satoyama Conservation Forest Tree Raising Activities 2016 held by OISCA

Chugoku Branch
・ Participation in Daisen Fullscale Fall Cleaning held by the town of Daisen
・ Participated in forest conservation activities held by the Hiroshima Afforestation Forum

Kyushu Branch
・ Participation in Patchwork Reforestation held by the city of Yame

Shikoku Branch
・ Participation in forest conservation activities of the Shoyo Forest Reforestation held by the town of Uchiko
・ Participation in Onoseyama afforestation activities held by OISCA

Tohoku Branch
・ Planting planted maple saplings as part of satoyama conservation activities

Head Office/Southern Kanto Branch
・ Employees and their families participate in thinning pines and cypresses on Mount Takao

Head Office
・ Participation in Mount Fuji Reforestation held by OISCA
・ Tree growth survey held by the town of Manazuru as a part of the Forest Reserve of Uotsuki Conservation Project

Chubu Branch
・ Participation in the Nagano Adopt-a-Forest Promotion for forest conservatio
・ Held cleanup activities in Omotehama Network's loggerhead sea turtle nesting grounds

Kansai Branch
・ Logging of chinquapin trees to beautify Mount Tennozan