

SUSTAINABILITY REPORT 2019

English Version

The KDDI Group Mission Statement

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

The KDDI Group Philosophy

Chapter 1: Vision

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

Chapter 2: Management Principles

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

Chapter 3: Professional Mindset

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

Chapter 4: Way Forward

- 4.1 Be self-motivated
- 4.2 Keep your fighting spirit alive
- 4.3 Taking ownership
- 4.4 Open and direct communication
- 4.5 Be agile; think and act with a sense of urgency
- 4.6 Let's unite as a team to achieve our goals
- 4.7 Put yourself in the perspective of your boss
- 4.8 Look at what you do, from the outside in
- 4.9 Tackle a challenge head-on
- 4.10 Always be creative in your work
- 4.11 Every small effort counts
- 4.12 Believe in our potential
- 4.13 Go back to the basic principles
- 4.14 To know the problem, go, see and touch
- 4.15 Playing by the rules
- 4.16 Tough love at work

Chapter 5: Formula for Success

- 5.1 Achievement = Attitude x Effort x Ability
- 5.2 Do the right thing as a human being
- 5.3 Be altruistic
- 5.4 Be grateful to others
- 5.5 Have an open mind and a humble attitude
- 5.6 Be positive

Contents

- Top Message
- President's Message 2
- KDDI's Commitment to Sustainability
- KDDI's Commitment to Sustainability 4
- Sustainability Promotion Framework 6
- Our Business and Strategies 8
- KDDI's Target SDGs
- Social Issues to Be Solved through Business..... 10
 - Telecommunications Business —Building a safe and resilient information and telecommunications-based society 10
 - Global Business —Promoting economic development in countries with inadequate infrastructure 12
 - Regional Revitalization —Building communities where everyone can prosper ...14
 - Education Business —Training the next generation of human resources ... 16
 - Financial Business —Providing financial services anyone can easily use ... 17
- Social Issues to Be Solved through Corporate Activities 18
- Materiality
- Message from Executive Officer of Sustainability 20
- KDDI's Material Sustainability Issues 21
- FY2018 Material KPI Results 24
- FY2019 Material KPIs 25
- ① Safer and More Resilient Connected World 26
 - Network Quality Management and Improvement
 - Disaster Preparedness
 - Initiatives in Growing Markets outside Japan
- ② Cyber Security and Privacy Protection 34
 - Information Security
- ③ Fulfilled Life Brought through ICTs 38
 - Regional Revitalization Initiatives
 - Innovation Management
 - Responsibility for Products and Services
 - Initiatives Outside Japan
- ④ Rewarding Workplaces for Diverse Talents 46
 - Recruiting and Developing Human Resources
 - Labor Practices
- ⑤ Respect for Human Rights and Fairness in Business 62
 - Human Rights
 - Youth Education Activities
 - Compliance
 - Supply Chain Management
- ⑥ An Energy-Efficient, Circular Economy 70
 - Environmental Management
 - Environmental Performance
- Management Framework 86
 - Corporate Governance / Risk Management /
 - Customer Relationship Management / Brand Management
- Engagement 102
 - Stakeholder Engagement / Community Involvement and Development /
 - External Recognition
- Corporate Profile 112
- Disclosure Policy 113

➤ President's Message



Tomorrow, Together
In addition to realizing the “integration of telecommunications and life design,” we endeavor to provide solutions to social issues and help achieve a truly connected society.

m. Takahashi

President, KDDI CORPORATION

Our Mission Statement and Sustainability Activities

In the KDDI Group Mission Statement, we state our goal: to achieve a truly connected society. In addition, we are working to promote sustainability as part of our business strategy to provide solutions to social issues and spur the sustainable growth of society.

As a telecommunications operator, KDDI both provides a component of vital social infrastructure and benefits from leasing a limited public good, radio frequencies, to provide services. Our mission, therefore, is to provide stable service 24 hours a day, 365 days a year, no matter the conditions. In line with this mission, we work hard to maintain resilient and high-quality telecommunications systems. Overseas, we build stable communications environments, with a focus on emerging Asian countries where such environments are not yet established, thus helping to spur local economic development and improve people's lives.

Furthermore, since the deregulation of the telecommunications industry, we have collaborated with various partner companies to provide new experience value to customers while staying true to our open-minded partnerships and our history of consistent competitiveness.

A Foundation Built Upon the KDDI Philosophy and Corporate Governance

The foundation of our sustainability activities comprises the KDDI Philosophy, which has been instilled in top management and employees as a common set of policies and code of conduct since our founding, and our consistent activities to enhance corporate governance, which ensures transparency and fairness. Moreover, we value all our stakeholders, their voices and working together. Our stakeholders include customers, partner companies, shareholders, local communities, governments and other people who support us. Our dialogues and co-creation efforts guide us as we tackle the six Material Sustainability Issues company-wide.

[Web Link](#) [KDDI's Material Sustainability Issues](#)

Promoting Sustainability under the Medium-Term Management Plan

The international community's drive to tackle global social issues has been gaining momentum, as evidenced by the UN Sustainable Development Goals (SDGs), the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Paris Agreement signed at the 21st session of the Conference of the Parties (COP21) to the UN Framework Convention on Climate Change. To more thoroughly promote sustainability, we outlined the SDGs we will focus on in the next three-year medium-term management plan (April 2019–March 2021). We set targets that are tied to business strategies, encompassing telecommunications, global business, regional revitalization, education, and finance as well as to corporate activities, including developing human resources, supporting women's advancement in the workplace, respecting human rights, promoting diversity and inclusion, and conserving the environment. As we strive to reach these targets, the entire company will continue working together over the medium to long term to provide solutions to social issues.

[Web Link](#) [Medium-Term Management Plan \(FY2019–FY2021\)](#)

KDDI will continue to expand its businesses in growth fields, focusing on conventional telecommunications—the foundation of our business—at the core. Through these efforts, we aim to further promote the “integration of telecommunications and life design”—the core of our business strategy—while connecting people and companies and society. We are creating new value to build an exciting future and will enhance our corporate value and help communities prosper through sustainable growth.

Thank you for your support and guidance regarding these and other efforts past and future as the KDDI Group moves into the future.

September 2019
 Makoto Takahashi
 President, KDDI CORPORATION

➤ KDDI's Commitment to Sustainability

Sustainability is indispensable to the realization of the KDDI Group Mission Statement of achieving a truly connected society. To date, we have promoted sustainability by raising awareness of the KDDI Group Philosophy and the KDDI Code of Business Conduct, strengthening corporate governance, and taking measures to address material sustainability issues. However, under the medium-term management plan (FY2019–FY2021), we reiterate our commitment to contributing to the sustainable growth of society as part of our overall vision and clarify the SDGs KDDI is focused on. Through these measures we will contribute to society's sustainable growth.

Medium-Term Management Plan (FY2019-FY2021)



The KDDI Group Mission Statement

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Brand Message

Tomorrow, Together Explore the extraordinary
KDDI **au**

Company Vision

The company the customer can feel closest to | A company that continues to produce excitement | Contributing to the sustainable growth of society

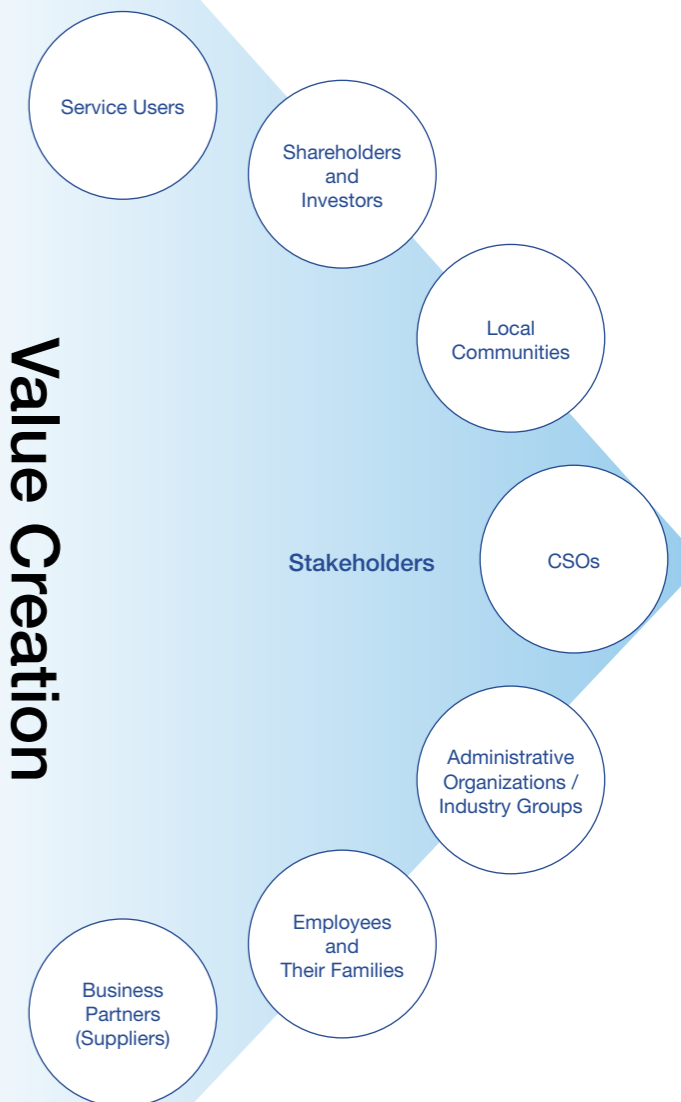
KDDI's Target SDGs

Social Issues to Be Solved through Business		Comparable SDGs		Social Issues to Be Solved through Corporate Activities		Comparable SDGs	
Telecommunications	Building a safe and resilient information and telecommunications-based society	9	13	Human Resource Development	Enhancing expertise and providing autonomous career development	4	
Global Business	Promoting economic development in countries with inadequate infrastructure	9	10	Support for Women's Advancement	Realizing workplaces where diversity is respected	5	
Regional Revitalization	Building communities where everyone can prosper	8	11	Respect for Human Rights, Diversity & Inclusion	Realizing diverse work styles	8	
Education	Training the next generation of human resources	4	10	Environmental Conservation	Contributing to a sustainable global environment	13	
Finance	Providing financial services anyone can easily use	8	9				
Partnership				Contribute to solutions for social issues in partnership with stakeholders		17	

Material Sustainability Issues

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

Value Creation



The sustainable development of society

Sustainability Promotion Framework

The KDDI Group Philosophy

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

[Web Link](#) The KDDI Group Philosophy

KDDI Code of Business Conduct

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

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

Happiness of Our Employees and Vibrancy in the Company

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

Earning our Customers' Satisfaction and Trust

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

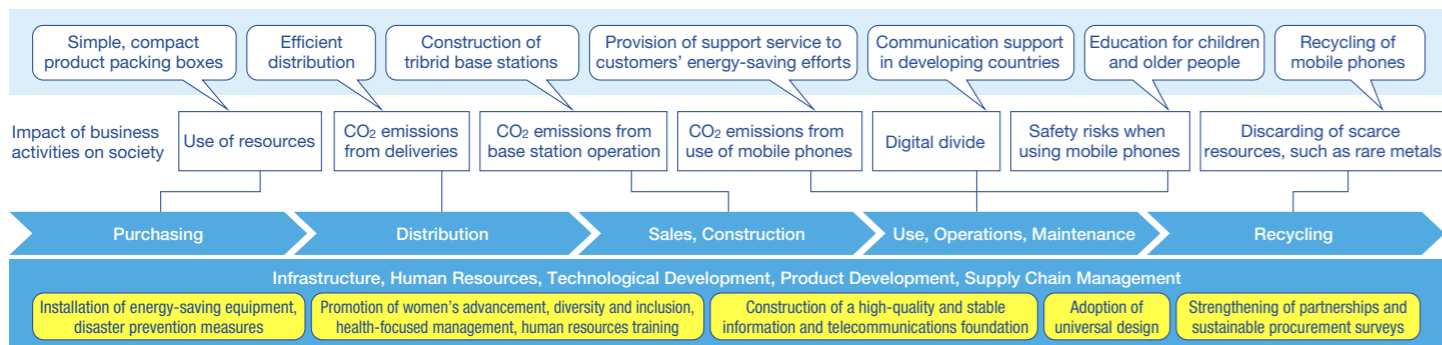
Confidence of Our Shareholders and Business Partners

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

Development of the Society

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

Example of Sustainability Activities in the Value Chain



The KDDI Group Philosophy, Group-wide Efforts

FY2018 results of our actions

- KDDI Group Philosophy Study Sessions**

For divisions' general managers	4
For departments' general managers/ new group leaders	2/ 8
For new employees	3
For all employees	For all employees: 450 Total number of participants: 12,207 Level of understanding: 93.0% Level of passion: 94.1%
At group companies in and outside Japan	7 (In Japan: 2, outside Japan: 5)

• **Training for new recruits (for regular employees)**
"Compliance: basic practices" (100% participation rate)

• **E-learning (for regular employees)**
"Insider Trading Regulations"
"How to Interact with Business Partners"
"Preventing Misrepresentation"
"Unconscious Bias"
"Power Harassment"

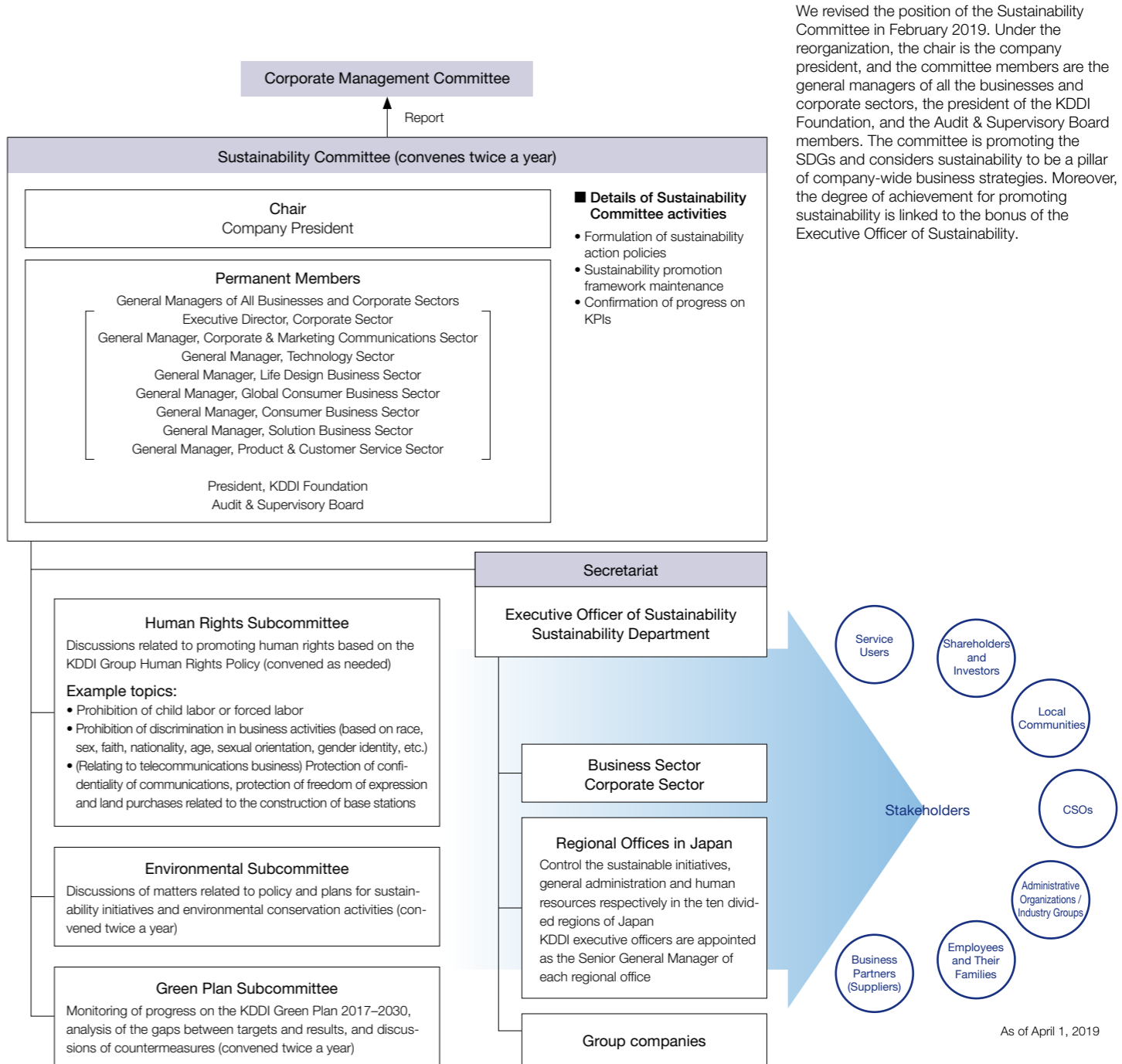
• **E-mail magazine about the KDDI Code of Business Conduct**
For regular and contract employees, temporary staff and subcontracted employees
Results: Distributed monthly

• **Survey about the Business Ethics Helpline**
For regular and contract employees, temporary staff and subcontracted employees
Period: November 2018–December 2018
Results: 79% awareness of the Business Ethics Helpline

• **Group companies' training on governance**
For executives of group companies
95 participants
Evaluation: Satisfied 100%, Beneficial 100%

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

Sustainability Promotion Framework



We revised the position of the Sustainability Committee in February 2019. Under the reorganization, the chair is the company president, and the committee members are the general managers of all the businesses and corporate sectors, the president of the KDDI Foundation, and the Audit & Supervisory Board members. The committee is promoting the SDGs and considers sustainability to be a pillar of company-wide business strategies. Moreover, the degree of achievement for promoting sustainability is linked to the bonus of the Executive Officer of Sustainability.

Major Issues Addressed by the Sustainability Committee in FY2018 (convened in September and February)

- Setting goals and reporting results for material KPIs
- Reporting progress on and analysis of KDDI Green Plan 2017–2030
- Formulating KDDI's Target SDGs, which are linked to the medium-term management plan
- FY2019 Sustainability Action Policy

Our Business and Strategies

Overview of the Medium-Term Management Plan (FY2019-FY2021) KDDI Group Policy



Tomorrow, Together
In addition to realizing the "integration of telecommunications and life design," we endeavor to provide solutions to social issues and help achieve a truly connected society.

KDDI will make further progress in the integration of telecommunications and life design with the aim of expanding the peripheral businesses around telecommunications, as well as achieve new value creation in the 5G/IoT era both in Japan and around the globe, and pursue efforts to provide new experience value that exceeds the expectations of customers.

Under the new KDDI brand slogan of "Tomorrow, Together" and the new au brand slogan of "Explore the extraordinary," KDDI will contribute to the development of an affluent communications-oriented society by promoting seven business strategies aimed at achieving the three components of the company vision.

The KDDI Group Mission Statement Philosophy

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

Brand Message Philosophy

Tomorrow, Together KDDI
Explore the extraordinary au

Company Vision Philosophy

- The company the customer can feel closest to
- A company that continues to produce excitement
- Contributing to the sustainable growth of society

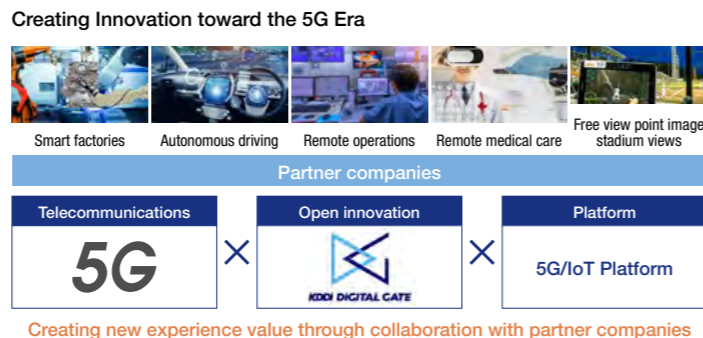
Financial Target

FY2024 Target		
EPS growth	FY2018 → FY2024	1.5 times
FY2019-FY2021 Initiatives		
Operating revenue growth	Operating revenue of life design domain	FY2021 target ¥1.5 trillion
	Operating revenue of new Business Services segment	FY2021 target ¥1 trillion
Cost reduction, etc.	3 years total	¥100 billion (approx.)
Shareholder returns		<ul style="list-style-type: none"> • Over 40% payout ratio • Flexible share buybacks • Cancel all treasury shares*

* Except KDDI shares owned by executives' compensation BIP Trust Account and ESOP Trust Account

Business Strategies KDDI Group Policy

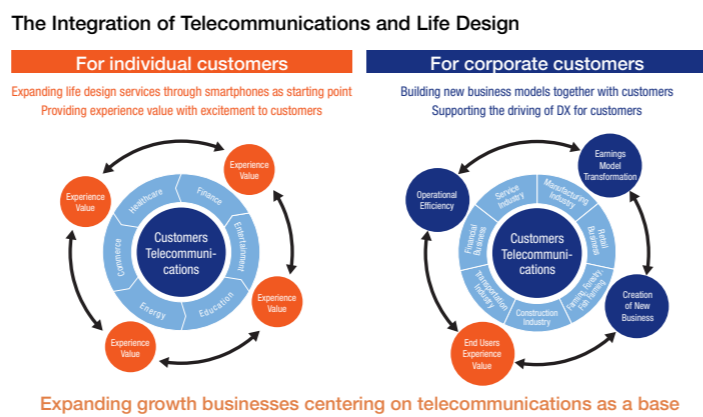
Creating Innovation toward the 5G Era
We will actively roll out 5G services as basic next-generation infrastructure, develop businesses through co-creation with various partner companies, and promote open innovation that incorporates the innovative ideas and advanced technologies of startup companies. In this way, we will create new experiential value and actively utilize 5G services for regional revitalization businesses.



The Integration of Telecommunications and Life Design
We aim to achieve sustainable growth in the consumer business by enhancing engagement with customers across the group, maximizing lifetime value (number of customers (ID) × total ARPA × continuation rate) and breaking new ground in life design fields, especially in the area that is our business foundation, telecommunications.

We aim to achieve sustainable growth with customers in the corporate business by supporting their digital transformation and realizing the integration of telecommunications and life design for corporate clients in Japan and overseas.

Further Expansion of Global Business
We aim to expand our market in Asia applying insights and know-how cultivated in our consumer business in Japan to the consumer business overseas. In addition, in our corporate business, we are striving to further expand our global ICT business by integrating our domestic and overseas operations, centering on KDDI IoT World Architecture and our data center business.



Utilizing Big Data
We are working to thoroughly understand customers by utilizing data and to maximize experiential value through proposals that customers find comfortable. In addition, with the rapid spread of networks and digitization in advance of upcoming 5G/IoT technologies, we are promoting the digital transformation of client companies by using big data in various industries.

Expanding the Finance Business
Electronic settlement and financial services are becoming increasingly familiar parts of customers' daily lives due to the central position of smartphones in people's lives. By offering smartphone-centric financial experiences, we aim to strengthen that engagement and achieve profit growth.

Growth as the Group
By maximizing the company's assets and supporting the growth of group companies, we aim to expand and strengthen the group-wide foundation for new growth and maximize synergies.

Sustainability
We set out specific SDGs that we are striving to help achieve through our businesses and corporate activities as a whole, and we promote company-wide sustainability activities to this end. We aim to further enhance corporate value and ensure sustainable growth alongside society by achieving targets that are tied to business strategies in areas encompassing telecommunications, global business, regional revitalization, education, and finance as well as to corporate activities, including developing human resources, supporting women's advancement in the workplace, respecting human rights, promoting diversity and inclusion, and conserving the environment.

KDDI's Target SDGs

Social Issues to Be Solved through Business	Comparable SDGs	Social Issues to Be Solved through Corporate Activities	Comparable SDGs
Telecommunications Building a safe and resilient information and telecommunications-based society	9 (Industry, Innovation and Infrastructure), 13 (Climate Action)	Human Resource Development Enhancing expertise and providing autonomous career development	4 (Quality Education)
Global Business Promoting economic development in countries with inadequate infrastructure	9 (Industry, Innovation and Infrastructure), 10 (Reduced Inequalities)	Support for Women's Advancement Realizing workplaces where diversity is respected	5 (Gender Equality)
Regional Revitalization Building communities where everyone can prosper	8 (Decent Work and Economic Growth), 9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities)	Respect for Human Rights, Diversity & Inclusion Realizing diverse work styles	8 (Decent Work and Economic Growth)
Education Training the next-generation of human resources	4 (Quality Education), 10 (Reduced Inequalities)	Environmental Conservation Contributing to a sustainable global environment	13 (Climate Action)
Finance Providing financial services anyone can easily use	8 (Decent Work and Economic Growth), 9 (Industry, Innovation and Infrastructure)		
Partnership Contribute to solutions for social issues in partnership with stakeholders			17 (Partnerships for Sustainable Development)

- Social Issues to Be Solved through Business
- Telecommunications Business
- Global Business
- Regional Revitalization
- Education Business
- Financial Business
- Social Issues to Be Solved through Corporate Activities

➤ KDDI's Target SDGs – Social Issues to Be Solved through Business

Telecommunications Business

—Building a safe and resilient information and telecommunications-based society—



Social Issues

- Decline in quality due to increase in data usage
- Areas exist where signals are weak
- Lifelines cut off during natural disasters
- Digital divide for weakest in society
- Population decline, loss of industrial competitiveness

KDDI's Vision

KDDI envisions a society with high-quality communications services that anyone can use without discrimination, and aims to achieve this vision through the provision of reliable fixed-line telephone and internet services while improving the quality of mobile communications. Moreover, the Company has built a resilient network to natural disasters, and has ensured the means to rapidly restore services in the event of damage.

In the fields of 5G and IoT, KDDI is contributing to a society where everyone can live in safety and security through initiatives to solve social issues, including the declining working population and regional economic disparities.

KDDI's Initiatives

To improve the quality of mobile communications, KDDI is sparing no effort to strengthen its networks by expanding the 4G LTE coverage area while improving quality and speeds. At the same time, the Company is developing technologies and building out foundations for the area rollout of 5G and IoT, which are

essential for digital transformation. In preparing for emergency situations, KDDI has built redundancy into its networks and put in place a structure for rapidly reconstructing damaged facilities from the land, sea and air. We also offer handsets and services that everyone can safely and securely use.

Sustainability Targets (Fiscal 2021)

- 4G LTE population coverage over 99.9%
- Provide 5G commercial services in all prefectures
- Reinforce communication stations against flooding and earthquakes, enhance resiliency of routes

Topics

■ First experiment in Japan Using 5G to Remotely Observe Self-driving Cars

In February 2019, KDDI conducted the first experiment in Japan using 5G technology to remotely monitor self-driving cars on public roads.

Numerous social issues have emerged as a result of an increase in elderly drivers and people having fewer means of transportation after relinquishing their driver's licenses. To ensure methods of transportation in the future, self-driving car technology and ICTs show promise as solutions for people who face hardship when shopping and for alleviating shortages of bus and taxi drivers, while also stimulating tourism and the automobile industry.

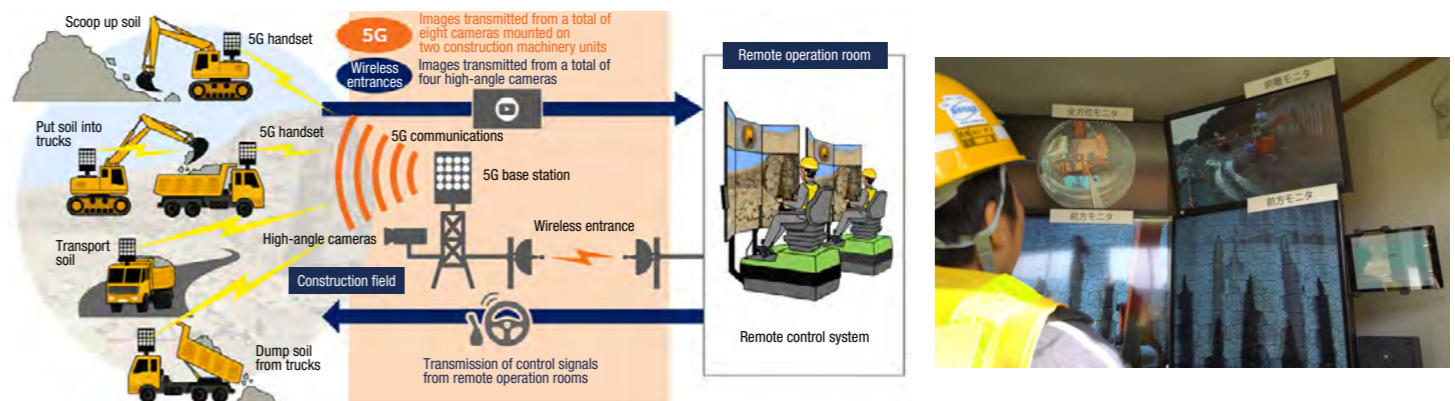


■ Successful collaboration Using 5G to Remotely Control Construction Machinery

In December 2018, KDDI, along with Obayashi Corporation and NEC Corporation, successfully conducted construction work using 5G to remotely operate two construction machinery units at a project site near the Aigawa Dam, which is currently under construction in Ibaraki City, Osaka.

In the wake of natural disasters, rapidly restoring social infrastructure is of the utmost importance. Due to the risk of secondary disasters, such as landslides, remote control systems for operating construction machinery from a distance are expected to improve safety at worksites.

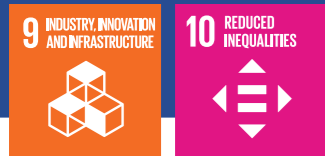
Fiscal 2018 Implemented as part of comprehensive 5G field testing by the Ministry of Internal Affairs and Communications



➤ KDDI's Target SDGs — Social Issues to Be Solved through Business

Global Business

—Promoting economic development in countries with inadequate infrastructure—



Social Issues

- Slow development of communications environment, economy and industry in developing countries
- Digital divide in developing countries

KDDI's Vision

In developing countries, KDDI aims to eliminate the digital divide by offering hardware and software assistance for information communications and helping improve the livelihoods of people in these countries through economic and industrial development and upgrades to telecommunications infrastructure.

Through these initiatives, the Company will contribute to the realization of a society where everyone has easy access to communications and information.

KDDI's Initiatives

KDDI is leveraging the experience, know-how and technological capabilities it has accumulated around the world in the communications services business to develop reliable, "Japan-quality" communications services with expanded 4G LTE coverage in Myanmar, Mongolia and other developing countries. By offering inexpensive and fair access to communications networks, we will increase the number of mobile connections in these countries, while contributing to economic development and the realization of more comfortable lifestyles. We are also

involved in peripheral businesses other than communications that contribute to sustained growth in these countries.

With the aim of eliminating the digital divide from international society, we proactively participate in ICT projects and offer technological consultations for developing countries, and contribute to the training of technicians through education and training programs in the ICT field.

Topics

■ Delivering "Japan-quality" Reliable Communications Services to Myanmar

Since 2014, KDDI has participated in a joint venture with Sumitomo Corporation and Myanmar Posts & Telecommunications (MPT) with the objective of contributing to the economic development and creation of a truly connected society in Myanmar.

Myanmar's telecommunications system used to be considerably outdated compared with other Southeast Asian countries, but it has changed dramatically since the deregulation of the telecommunications sector. In 2013, only 13% of the population had a mobile phone, and it was rare to see someone using one in public. By 2019, however, the majority of citizens now own mobile phones. Across Myanmar, everyone from children to the elderly has a smartphone in their hands. Nowadays, it is common to see people using the Internet or watching videos, enjoying a new form of communications.

Mobile phones are more than a lifeline essential in the daily lives of people in Myanmar. Their value has shifted and changed from a mobile phone used primarily for communications into a smartphone for consuming music and videos, as well offering a new level of experience.

In addition to expanding service areas for voice and data communications,



KDDI has endeavored to improve network quality in collaboration with MPT with the objective of making mobile phones easier to use. Along with MPT, KDDI sent technicians to areas where customers actually use data communications, such as retail facilities and parks, to measure signal strength and data communications speeds, while devising ways to improve the quality of the data communications environment in each and every location.

By advancing the level of data communications, KDDI has been expanding the 4G LTE coverage area in all major cities, including outlying regions in addition to metropolises, since the launch of 4G LTE services with the aim of contributing to the economic growth of all of Myanmar.

As a result of these efforts, as of December 2018, MPT's 4G LTE network coverage has expanded to 314 township jurisdictions that encompass 90% of the entire country. In cities across the nation, people can be seen enjoying music



and videos thanks to the high-quality communications network environment. KDDI's technological capabilities and operational know-how for providing high-quality services are at work across national borders, expanding all the way to Myanmar. We will continue to fulfill our mission of delivering the joys of connectivity to customers around the world.

Sustainability Targets (Fiscal 2021)

- Reach 70 million mobile connections* in emerging countries where KDDI has a communications business presence
- Total of 6 ICT projects to eliminate digital divide (total for fiscal 2019–2021)

* Number of mobile connections: Number of activated SIM cards (GSMA's "Mobile connections, including licensed cellular IoT")

➤ KDDI's Target SDGs — Social Issues to Be Solved through Business

Regional Revitalization

—Building communities where everyone can prosper—



Social Issues

- Decline in working population in regions
- Problems passing along know-how due to lack of successors
- Increase in regional economic disparities

KDDI's Vision

KDDI collaborates with partners in a variety of fields, including venture firms, local companies and local educational institutions. By pairing the know-how of partner firms to KDDI's advanced technologies in 5G, IoT and Big Data, we aim to solve local issues and revitalize regions.

Through this vision, KDDI contributes to the realization of a society where both local communities and companies can create new value.

KDDI's Initiatives

KDDI is taking the initiative in solving social issues and revitalizing regional economies by working with local governments and local companies across the nation. Using IoT solutions that involve 5G and drones, we help reenergize local industries struggling to find successors and increase work efficiency through the

remote operation of construction machinery. Moreover, our efforts are aimed at helping to eradicate transportation disparities by ensuring means of movement in regions with self-driving cars, eliminate disparities in education through remote education, and revitalize regions through the tourism business.

Sustainability Targets (Fiscal 2021)

- 60 or more projects that use IoT and ICTs for the resolution of regional challenges (total for FY2019-FY2021)

Topics

■ Reviving the Mackerel: A Project to Streamline Aquaculture with IoT, involving Obama City, Crowd Fishery and KDDI

Working with Obama City in Fukui Prefecture, Crowd Fishery Co., Ltd., the Obama Fisheries Cooperative Association and Fukui Prefectural University, KDDI is participating in the Reviving the Mackerel: A Project to Streamline Aquaculture, intended to utilize IoT to make fish farming more efficient.

In 1974, Tagarasu in Obama City alone hauled in 3,580 tons of mackerel, a time when the mackerel were practically jumping out of the water into fishing nets. In recent years, however, Obama City has seen its mackerel catch drop significantly, as the volume of mackerel caught across the nation has fallen due to overfishing. In 2015, Obama City caught less than one ton of fish.

It is necessary to expand the scale of fish farming operations in order to ensure profitability in the business. To expand operations, the survival rate of fish must be improved by shedding light on the relationship between water temperature and feed dosage. It is also necessary to create manuals of procedures for breeding fish in order to spread and expand mackerel aquaculture or fish farming. However, fish preserve management and fish breeding depends on the experience and gut feelings of fishermen, areas that are hard to turn into data points, and there are insufficient people willing to learn the trade. By using IoT, fish farming can be turned into data with the aim of more efficiently raising fish based on real-time data.

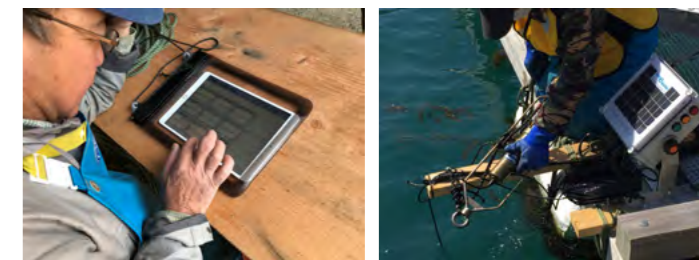
By installing Umi no Amedasu* IoT sensors at fish breeding zones that take hourly measurements of water temperature, oxygen concentration and salinity transmitted over wireless networks, it is possible to understand onsite conditions

without sending out a boat. With the introduction of a Digital Operations Diary* that uses a tablet for inputting and managing data on feeding locations, feed dosages and feed times, it is possible to turn the experience and gut feeling know-how of veteran fishermen into data points.

By analyzing correlations between the data related to fisherman know-how and data about the external environment obtained from IoT sensors, we are trying to increase fish farming efficiency and solve the issue of training successors.

Obama City, Crowd Fishery and KDDI are deploying IoT to help revitalize regions and develop the fishing industry.

* Umi no Amedasu and Digital Operations Diary are systems developed by Future University Hakodate.



■ Establishment of KDDI Regional Initiatives Fund No. 1 for Regional Revitalization in Unison with Regions

In April 2019, KDDI and Global Brain Corporation, a major independent venture capital firm headquartered in Shibuya Ward, Tokyo (President: Yasuhiko Yurimoto), jointly established the KDDI Regional Initiatives Fund No. 1 (KRIF1) for the purpose of investing in local companies and venture firms that promote regional revitalization.

This initiative will provide IT solutions and human resources, assist with human resource training through local educational institutions, and strongly back local companies and venture firms with financing to promote regional revitalization.

Venture firms and local companies that are strongly motivated to solve regional issues will play key roles in finding solutions to the various problems faced by local communities. Through assistance for companies provided through KRIF1, we aim to solve social issues and revitalize regional economies, working with local communities and companies to achieve the sustainable growth and development of society.

➤ KDDI's Target SDGs — Social Issues to Be Solved through Business

Education Business

— Training the next-generation of human resources —



Social Issues

- Need for training human resources responsive to globalization
- Insufficient education opportunities for children to thrive in society
- Insufficient learning opportunities for children in developing countries

KDDI's Vision

KDDI aims to broadly provide venues for children to learn lifelong skills through work and social experiences, in addition to offering opportunities to learn foreign languages, with the intention of contributing to the development of a sustainable society by solving issues faced by children in an increasingly diverse society.

By providing education opportunities in developing countries, KDDI also contributes to the development of human resources who may guide their countries toward sustained growth.

KDDI's Initiatives

Through the foreign language education business, the KDDI Group offers services for learning in a new format that blends education with communications services that can be provided anywhere. Moreover, the Company offers learning experiences at KidZania based on the concept of edutainment (learning while having fun).

In developing countries, KDDI creates opportunities for people to study English, PCs and music, subjects that tend to be neglected in these countries.

Sustainability Targets (Fiscal 2021)

- Enroll about 130,000 students in foreign language education
Create highly efficient educational environment using advanced technologies such as adaptive learning*
- ICT education support in emerging countries
Introduce English and PC classrooms at 11 schools in Cambodia (total for fiscal 2019-2021)

* Adaptive learning: The provision of study materials and learning methods optimized for each individual, based on each student's level of understanding and progress.

Financial Business

— Providing financial services anyone can easily use —



Social Issues

- Response to a cashless society
- Life planning (asset formation) in an era where people live 100 years
- Complex procedures for obtaining bank, securities and insurance services
- Increasingly complicated financial systems, diversity causing disparities in convenience and information

KDDI's Vision

In the increasingly complex and diverse financial system, KDDI intends to provide financial services that everyone can easily use anytime and anywhere through communications technology.

KDDI will help improve financial literacy by designing easy-to-understand mobile services so that IT literacy does not cause disparities in convenience.

With smartphones a point of interaction with customers, our strategy is to provide seamlessly integrated financial services to customers in a one-stop experience. In addition to offering efficient asset management functionality with analysis of household budgets and life plans, we aim to offer one-stop financial services for payments, banking and insurance.

KDDI's Initiatives

The KDDI Group has received government authorization to offer banking, securities, asset management, and both life and non-life insurance to customers. We provide highly convenient financial services that address various needs, mainly via smartphones that our customers always have near at hand. In addition

to daily online and offline spending activities, we are focused on creating solid engagements with customers through long-term transactions in accordance with their life stage, such as investments, loans and savings accounts.

Sustainability Targets (Fiscal 2021)

- Settlements / financial service transactions totaling ¥6.0 trillion

➤ KDDI's Target SDGs — Social Issues to Be Solved through Corporate Activities



Social Issues

- Inequitable rights to opportunities and compensation
- Advance work-style reforms for "realizing the dynamic engagement of all citizens"
- Declining productive population and low levels of labor productivity
- Address global warming and other climate change issues
- Promote fair business practices, including suppliers

KDDI's Vision

Amid a declining productive population, KDDI is spurring innovation and flexibly managing its diverse human resources in order to create new value and achieve higher quality and improvements in labor productivity by providing attractive work environments that enable diverse work styles and allow employees to work to the best of their abilities. KDDI operates a PDCA cycle in its management

structure from a medium- and long-term viewpoint for implementing measures to reduce the burden on the global environment, with reference to COP21. While building partnerships based on mutual trust with its suppliers, KDDI engages in appropriate business activities through fair and open transactions.

KDDI's Initiatives

KDDI aims to enhance employee engagement through diverse work styles and workplaces that respect diversity, including women, LGBT orientation and age/generation. With regard to employee health management, the Company aims to improve productivity based on the KDDI Group Declaration of Health-Focused Management. At the same time, we are focusing efforts on strengthening human resource training by establishing the self-training center and expanding the

training curriculum with the objective of helping employees improve their expertise and take the initiative on their own career formation.
 Regarding the environment, the Company has rolled out the KDDI Green Plan 2017-2030, its fourth environmental conservation plan. For its business partners, the Company aims to strengthen partnerships by having suppliers agree to abide by the KDDI Sustainable Procurement Policy.

Topics

■ Enacting work-style reforms and promoting health management
 At KDDI, we have long focused on work-style reforms and health management as important management priorities. Regarding work-style reforms, the Company has endeavored to create efficient work environments that respect diversity and discourage excessive work hours. Regarding health management, we have taken a variety of steps to improve health literacy among employees, having drawn up the KDDI Group Declaration of Health-focused Management. In order to redouble these efforts and work together even more, we newly established the Work Style Reform & Health Management Department as an organization dedicated to the task in January 2019. The 50 people in the department interview employees to better understand their physical and mental health conditions. Our aim is to create a workplace where all employees are healthy, excited to work and perform at their highest levels.

■ Establishment of KDDI LEARNING CORPORATION for human resource development at companies
 In April 2019, KDDI LEARNING CORPORATION was established as a wholly owned subsidiary to take charge of human resource development for employees of the KDDI Group. Training facilities are currently under construction that can also accommodate overnight stays, while also facilitating various events and the planning and implementation of employee training for companies. Plans call for opening the facility in April 2020.
 While supporting the growth of KDDI Group employees, promoting the exchange of human resources, and creating synergies in Group operations, KDDI LEARNING plans to offer educational services for its stakeholders by using KDDI's accumulated experience and knowledge in human resource development. Its aim is to contribute to broader society by helping people and companies grow.



Sustainability Targets

- Promote 200 women to line manager positions (target for fiscal 2020)
- Update foundation for facilitating employment of senior citizens as a leading company (target for fiscal 2021)
- Reduce CO₂ emissions by 7% compared with the fiscal 2013 level at KDDI (in Japan, non-consolidated basis) (target for fiscal 2030)

➤ Message from Executive Officer of Sustainability

Based on the KDDI Group Mission Statement of contributing to the development of a truly connected society, KDDI has made concerted efforts to solve social issues as an infrastructure company that supports the information foundations of society.

Under its new medium-term management plan (FY2019-FY2021) that began this fiscal year, the Company is committed to its aim of contributing to the sustainable growth of society, having identified KDDI's Target SDGs to link to business strategies, and declaring its intention to tackle social issues through business activities on a company-wide basis.

The basis for these endeavors is our sustainability activities that have centered on six material sustainability issues. In this report, we delve into this subject in detail, but here the context of our discussion focuses on corporate governance, environmental measures, human resources and human rights policies.

Corporate Governance

KDDI is keen to strictly adhere to the Corporate Governance Code and put the KDDI Group Philosophy into practice in its corporate activities. We believe in the importance of strengthening corporate governance across the entire Group, including subsidiaries, and we are building a structure for sharing know-how and proactively supporting Group companies in this regard. KDDI directly holds meetings with institutional investors on the topics of governance and sustainability, and also holds events directed at individual investors, as a part of its proactive approach to communications with stakeholders.

Environmental Measures

Movements to address environmental problems have gained momentum with the Paris Agreement, Sustainable Development Goals (SDGs) and the Task Force on Climate-related Financial Disclosures (TCFD). While the world has begun to move towards zero CO₂ emissions, renewable energy has not adequately spread throughout Japan, which urgently needs a concrete action plan in this regard. Through our core ICT business and other information communications operations, we contribute to improvements in work efficiency and reductions in the movement of people, helping to reduce CO₂ in society and rein in climate change. However, these benefits are countered by the rather large environmental impact caused by telecommunications equipment. In 2017, ahead of other telecommunications carriers in Japan, KDDI formulated the KDDI GREEN PLAN 2017-2030 with goals for reducing its total volume^{*1} of CO₂ emissions through the use of energy-saving telecommunications equipment and renewable energy. Putting these plans into action, we are concentrating on initiatives that are even more environmentally friendly than before.



Human Resources

As the productive population declines in Japan, it is imperative that companies provide attractive work environments that enable diverse work styles so that employees can use their various skills to the fullest, with the ultimate aim of sustaining growth as a company and contributing to society. KDDI will continue to promote respect for diversity—in the context of women, nationality, LGBT^{*2} orientation, disability, and age/generation—and work to accommodate various personalities and abilities in its organization. In April 2019, KDDI LEARNING CORPORATION was established as a wholly owned subsidiary to take charge of human resource development for employees of the KDDI Group. While supporting the growth of KDDI Group employees, promoting the exchange of human resources, and creating synergies in Group operations, KDDI LEARNING plans to offer educational services for its stakeholders by using KDDI's accumulated experience and knowledge in human resource development. It aims to contribute to broader society by helping people and companies grow. In April 2018, the Company announced the KDDI Group Declaration of Health-focused Management in a message from the President, and then created the Work Style Reform and Health Management Promotion Department in January 2019 as an organization focusing on health management. By promoting health management, we aim to establish a "health first culture" that fosters improvements in employee vitality and productivity.

Human Rights

As part of the ICT industry, we face many potential human rights issues, including rights to privacy and freedom of expression as well as requests from government authorities to disclose customer data for legitimate purposes. We will continue our efforts to identify and address human rights issues in our business activities through ongoing dialogue with our stakeholders, while furthering understanding among employees of the KDDI Action Guidelines and the KDDI Group Human Rights Policy.

Additionally, KDDI carries out various sustainability activities centered on six material sustainability issues, and is accelerating efforts to advance sustainability and SDGs by linking them to business strategies in its medium-term management plan. We will contribute to the sustainable growth of society through efforts to solve social issues unique to Japan and issues related to the SDGs, while valuing the communications we have with all stakeholders.

^{*1} 7% reduction in CO₂ emissions in FY2030, compared to FY2013 for KDDI (in Japan, non-consolidated).
^{*2} LGBT stands for lesbian, gay, bisexual and transgender. Gender minorities include other people with identities other than LGBT, but for the sake of convenience in this report, LGBT refers to all gender minorities, including LGBT.

Minoru Tanaka
Executive Officer of Sustainability

➤ KDDI's Material Sustainability Issues

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

The Sustainability Committee periodically checks up on progress being made toward KPIs set for each material issue.

S • Society	1	<p>Safer and more resilient connected world</p> <ul style="list-style-type: none"> Resilience to extreme weather events Risk management 	By continuing to provide secure, resilient and high-quality communications services for a highly connected society, KDDI maintains lifelines for people and helps create the foundation for a safe and secure information-based society. The Company is building systems hardened against disasters, while aiming to collaborate with related institutions to provide reliable information communications services even during unforeseen incidents like natural disasters.
	2	<p>Cyber security and privacy protection</p> <ul style="list-style-type: none"> Utilization of information assets and tightening of security Data privacy 	We have put into place a complete system for protecting the confidentiality of communications and customer information so that customers can utilize our services without worry. We have a special organization dedicated to thwarting external cyber-attacks, monitoring our networks for suspicious activity 24 hours a day, 365 days a year. While strengthening governance, the KDDI Group has put in place an information security framework to prevent internal leaks of information.
	3	<p>Fulfilled life brought through ICTs</p> <ul style="list-style-type: none"> Contribution to economic growth through robust information communication infrastructure Improvement of access to education, medicine and other public services through ICTs Promotion of employment creation and capacity building Innovation management 	For the coming era of 5G and IoT, KDDI is accelerating initiatives to realize "the integration of telecommunications and life design." With communications as its core business, KDDI intends to expand services that are essential in its customers' lifestyles, such as content, commerce, energy, financial services and education, in a bid to solve social issues and bring more abundance to everyone's lives.
	4	<p>Rewarding workplaces for diverse talents</p> <ul style="list-style-type: none"> Promotion of diversity and inclusion Human resource development and career development Pursuit of employee satisfaction Promotion of health-focused management 	KDDI aims to motivate its employees and improve its competitiveness as a company by optimally assigning personnel and maximizing the value of human resources by applying the diversity and multifaceted capabilities of its employees as organizational strengths. Furthermore, the Company is promoting health management and work style reforms with the objective of helping employees maintain and improve their physical and mental well-being, while ensuring their safety. By instilling in our corporate culture a reverence for health, we strive to enhance the vitality and productivity of our employees.
G • Governance	5	<p>Respect for human rights and fairness in business</p> <ul style="list-style-type: none"> Pursuit of sustainable procurement Respect for workers' rights Prevention of corruption and bribery Promotion of fair and proactive communication 	KDDI strives to eliminate or minimize any negative impact on human rights, while taking action to raise human rights awareness, based on the KDDI Code of Business Conduct (a basic set of principles for respecting human rights and individuality) and the KDDI Group Human Rights Policy, which covers all Group companies, based on international standards including the Universal Declaration of Human Rights. The KDDI Guidelines for Responsible Supply Chain, which is directed at our business partners, explicitly forbid forced labor, inhumane treatment, child labor, and discrimination. KDDI takes steps to ensure these initiatives are well understood.
E • Environment	6	<p>An energy-efficient, circular economy</p> <ul style="list-style-type: none"> Energy efficiency improvement and utilization of clean energy Zero emissions and 3Rs Mitigation of society's impact on environment through ICTs 	KDDI Green Plan 2017-2030 is a set of long-term goals for fiscal 2030, such as reducing KDDI's CO ₂ emissions by 7% from the fiscal 2013 level (in Japan, non-consolidated). As data traffic increases, power consumption is expected to rise. We are committed to reducing CO ₂ emissions. Technological innovation to reduce power consumption is one way to achieve this.

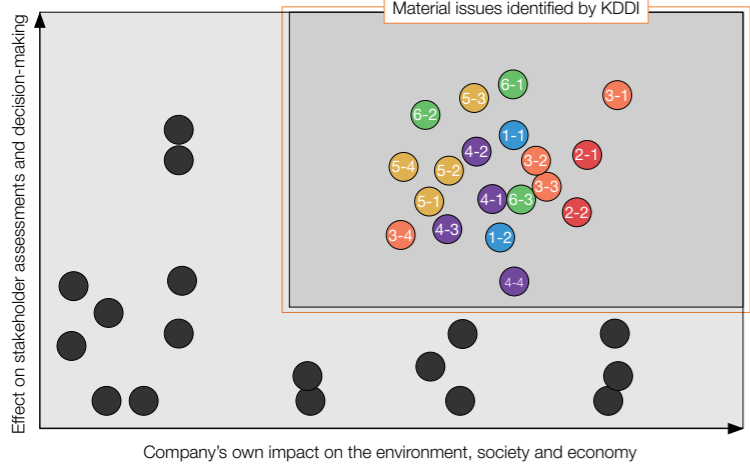
➤ KDDI's Material Sustainability Issues

Process for Re-identifying Material Issues (FY2016-FY2017)

1. Screen for issues from the two perspectives of impact on stakeholder assessments and decision-making, as well as the impact KDDI has on society, the environment and the economy
2. Assign priorities for each issue based on comparative evaluations
3. Identify six material sustainability issues that reflect the opinions of external experts gained through dialogue
4. The Sustainability Committee confirms the suitability of the material issues, which are then approved by the Corporate Management Committee and reported to the Board of Directors.

[Web Link](#) Sustainability Report 2018

Matrix of material issues



1. Safer and more resilient connected world 1-1 Resilience to extreme weather events 1-2 Risk management	2. Cyber security and privacy protection 2-1 Utilization of information assets and tightening of security 2-2 Data privacy
3. Fulfilled life brought through ICTs 3-1 Contribution to economic growth through robust information communication infrastructure 3-2 Improvement of access to education, medicine and other public services through ICTs 3-3 Promotion of employment creation and capacity building 3-4 Innovation management	4. Rewarding workplaces for diverse talents 4-1 Promotion of diversity and inclusion 4-2 Human resource development and career development 4-3 Pursuit of employee satisfaction 4-4 Promotion of health-focused management
5. Respect for human rights and fairness in business 5-1 Pursuit of sustainable procurement 5-2 Respect for workers' rights 5-3 Prevention of corruption and bribery 5-4 Promotion of fair and proactive communication	6. An energy-efficient, circular economy 6-1 Energy efficiency improvement and utilization of clean energy 6-2 Zero emissions and 3Rs 6-3 Mitigation of society's impact on environment through ICTs

Relationship Between Material Issues and SDGs

KDDI engages in various business activities and initiatives that help contribute to the attainment of SDGs. As shown below, our material issues relate to the 17 SDGs in the following ways. By addressing our material issues, we also contribute to the attainment of the SDGs.

Under the medium-term management plan (FY2019-FY2021), management has set numerical targets for KDDI's Targeted SDGs, which clarify the fields that we will focus our efforts on addressing SDGs through business and corporate activities, while linking these initiatives to business strategies.

[Web Link](#) The Medium-Term Management Plan

Relationship between KDDI's Business, Sustainability and SDGs

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

Enhancing Internal Understanding of Sustainability and SDGs

In February 2019, the President was appointed as chair of the Sustainability Committee, and the other members of this committee were shuffled to include all executive directors, all business sectors' general managers, the head of the KDDI Foundation, and auditors. The committee advances measures related to SDGs with sustainability as a central facet of company-wide business strategy. In his New Year's address and announcements of management policies for the next fiscal year, the President conveys to all employees the importance of advancing sustainability initiatives in business strategies to solve social issues through business activities in a bid to realize a sustainable society. Moreover, officers visit business sites across the nation to directly convey corporate policies to employees and elicit their opinions. In March 2019, general managers from business planning divisions attended sessions guided by external experts to discuss ways to promote a better understanding of the SDGs.

In July 2019, 113 officers and managers above the vice divisional general manager level participated in SDG study sessions to learn specific ways of contributing to KDDI's Targeted SDGs. The general managers are working towards objectives for sustainability initiatives that have been set as one of their assessment criteria for fiscal 2019. As a bottom-up measure for general employees, e-learning is conducted to deepen their understanding of materiality and the SDGs. Moreover, workshops and a SDG seminar for employees were held in collaboration with the United Nations Information Centre and Yoshimoto Kogyo Co., Ltd. to further their own individual thinking on social issues.

[Web Link](#) President's Message

Dialogue with Stakeholders about SDGs (March 2019)

KDDI invited Mr. Sasaya Hidemitsu, a CSR/SDG consultant who at the time served as advisor to Ito En, Ltd., to its head office for a dialogue with stakeholders on the topic of "understanding SDGs and the initiatives KDDI should take," targeted at the general managers of business planning divisions. Mr. Hidemitsu described SDGs as an important tool for identifying opportunities and avoiding risks, as well as a means for aligning diverse stakeholders toward a common goal and discovering partners. His discussion deepened our understanding of what SDGs we should tackle as a business.

[Web Link](#) Stakeholder Dialogue



Yoshimoto, the UN and KDDI: SDG Seminar to Further Employee Understanding (February 2019)

KDDI held a SDG seminar for employees with help from the United Nations Information Centre and Yoshimoto Kogyo Co., Ltd. This seminar was attended by about 90 employees who were interested in SDGs. At first, Ms. Kaoru Nemoto, the head of the United Nations Information Centre, talked about the basic approach to SDGs, actual issues being addressed in Japan and around the world, and what everyone needs to do in order to solve these issues.

Next, a representative from Yoshimoto Kogyo introduced several concrete examples of initiatives that leverage the power of thoughtfulness and laughter in activities to spread awareness and understanding of SDGs at companies, such as through the Japan SDGs Awards. Workshops facilitated by comedians from Yoshimoto Kogyo were then held. Many of the participating employees expressed that they are now eager to tackle SDGs themselves, saying that the seminar was a good opportunity to talk and think about group work, as well as how companies can contribute to SDGs, or expressing a desire to strengthen efforts in new services in their own business fields that will help achieve the objectives of SDGs.

[Web Link](#) Sustainability news; Yoshimoto, the UN and KDDI: SDG Seminar to Further Employee Understanding (Japanese only)



➤ FY2018 Material KPI Results

ESG	Materiality	Targets and KPIs	FY2018 Results	
			Results	Evaluation
S • Social	1 Safer and more resilient connected world	Number of serious accidents: 0*	1	Partially achieved
		* Following the guidelines of the accident reporting criteria of Japan's Ministry of Internal Affairs and Communications		
		LTE population coverage rate expanded (Higher than previous fiscal year)	Higher than previous fiscal year	
	2 Cyber security and privacy protection	Data security incidents: 0*	0	Achieved
		* Data breaches, complaints, etc., that are illegal or subject to regulatory guidance		
	3 Rewarding workplaces for diverse talents	Data security training for all employees: held at least once a year	2 times (Implemented an e-learning program for all employees)	Still under way
		Promoting measures to hire 200 female line managers (by the end of FY2020)	143	
		Usage rate of annual paid leave: 70% (by the end of FY2020)	71.90%	
		Percentage of newly hired female graduates: 30% (by the end of FY2020)	36.90%	
Disability employment rate: statutory rate achieved		2.54%		
E • Environment	4 An energy-efficient, circular economy	Declaration of Health-Focused Management	• Smoking rate *26.4% achieved at the end of FY2018	Still under way
		• Smoking rate: 18% or less (target figure for end of FY2020) *27.2% achieved at the end of FY2017	• Illness detection rate *58.5% achieved at the end of FY2018	
		• Illness detection rate (legally mandated items): 55% or less (target figure for end of FY2020) *58.1% achieved at the end of FY2017	• Provided such support as passive smoking prevention measures (ban on paper cigarettes) and no-smoking seminars	
		• Conducted walking events, held health seminars (walking, sleep, for women), provided health guidance to prevent worsening of lifestyle diseases, and conducted follow-up checks after regular health exams		
		7% reduction in CO ₂ in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)	FY2018 target: 1,014,147 t/CO ₂ FY2018 results: 1,073,625 t/CO ₂	
		Build highly energy-efficient data centers in Japan and abroad	Not applicable	
		Contribute to reductions in society's CO ₂ emissions by providing KDDI's ICT services	KDDI IoT Telecommunications Service LPWA was added to the Environmental Eco Label for helping reduce CO ₂ emissions	
S • Social	5 Fulfilled life brought through ICTs	Maintain zero emissions from retired telecommunications facilities Achieve final disposal rate of 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less)	Target achieved: 0.1%	Partially achieved
		Maintain material recycling rate of 99.8% for post-consumer mobile phones	Target achieved: 99.8%	
		Actively promote initiatives using ICTs to conserve ecosystems	To be determined	
		Post-consumer mobile phones collected over 5 years (aggregated): 6 million (Target for FY2018-FY2022)	FY2018 target: 1,200,000 units FY2018 results: 1,250,000 units	
		KDDI Smartphone & Mobile Phone Safety Classes, Comprehension Rate, Satisfaction Rate	For youths: satisfaction with education materials: 99%; satisfaction with lecturer: 98%; desire to reapply: 80% * Percentage of those who answered "definitely want to apply"	
G • Governance	6 Respect for human rights and fairness in business	• For older people: comprehension rate: 85%; usage rate: 87%	le islands (Himeji City, Hyogo Prefecture) Iki islands (Iki City, Nagasaki Prefecture)	Partially achieved
		Ongoing support activities to help regional revitalization (Shimamono Lab: 2 islands per year)	Nepal 2 Myanmar 2 Cambodia 7	
		Implement international cooperation projects by KDDI Group * E.g., facilitating wider access to telecommunications, eliminating the digital divide, etc. in developing countries		
		Human rights violations: 0	2	
E • Environment	4 An energy-efficient, circular economy	* Human rights violations refer to cases in which human rights violations (including any kinds of harassment) resulted in disciplinary actions	90.80%	Partially achieved
		KDDI Group Philosophy Study Session attendance: 100%		
		Measures for instilling the KDDI Code of Business Conduct company-wide: 12 or more per year	12 per year (sent out once a month)	
		Collection rate of sustainable procurement surveys: 90%	Collect 90% or more	
		Stakeholder dialogues with external experts: One or more sessions per year	One session	

➤ FY2019 Material KPIs

ESG	Materiality	Issues	FY2019 Materiality KPIs	Boundary	
				Within organization	Outside organization
S • Social	1 Safer and more resilient connected world	• Resilience to extreme weather events • Risk management	Number of serious accidents: 0*	●	●
			* Following the guidelines of the accident reporting criteria of Japan's Ministry of Internal Affairs and Communications		
			4G LTE population coverage rate over 99.9% (FY2021)	●	●
			Provide 5G services in all prefectures of Japan (FY2021)	●	●
			Take measures to prevent leaks and enhance earthquake protections at communication stations and make routes more resilient (FY2021)	●	●
			70 million mobile connections* ¹ overall in developing countries where the company is expanding telecommunications business (FY2021)	●	●
	2 Cyber security and privacy protection	• Utilization of information assets and tightening of security • Data privacy	ICT projects to eliminate the information gap: 6 (cumulative FY2019-FY2021)	●	●
			Data security incidents: 0	●	●
			Data security training for all employees: held at least once a year	●	●
3 Fulfilled life brought through ICTs	• Contribution to economic growth through robust information communication infrastructure • Improvement of access to education, medicine and other public services through ICTs • Promotion of employment creation and capacity building • Innovation management	Realize highly effective learning environments using active learning* ² and other advanced techniques (FY2021)	●	●	
		Number of language education students: around 130,000 (FY2021)	●	●	
		ICT education support business in developing countries Set up English and computer classrooms in 11 schools across Cambodia (cumulative FY2019-FY2022)	●	●	
		Settlement and financial transactions: 6.0 trillion yen (FY2021)	●	●	
G • Governance	4 Rewarding workplaces for diverse talents	• Promotion of diversity and inclusion • Human resource development and career development • Pursuit of employee satisfaction • Promotion of health-focused management and improvement of employees' health	Promoting measures to hire 200 female line managers (by the end of FY2020)	●	●
			As a leading company in promoting the professional advancement of senior employees, establish a foundation for promoting such advancement (FY2021 target)	●	●
			Usage rate of annual paid leave: 70% (by the end of FY2020)	●	●
			Percentage of newly hired female graduates: 30% (by the end of FY2020)	●	●
			Disability employment rate: statutory rate achieved	●	●
			Declaration of Health-Focused Management	●	●
E • Environment	5 Respect for human rights and fairness in business	• Pursuit of sustainable procurement • Respect for workers' rights • Prevention of corruption and bribery • Promotion of fair and proactive communication	Human rights violations: 0	●	●
			KDDI Group Philosophy Study Session attendance: 100%	●	●
			Measures for instilling the KDDI Code of Business Conduct company-wide: 12 or more per year	●	●
			Collection rate of sustainable procurement surveys: 90%	●	●
E • Environment	6 An energy-efficient, circular economy	• Energy efficiency improvement and utilization of clean energy • Zero emissions and 3Rs • Mitigation of society's impact on environment through ICTs	KDDI Smartphone & Mobile Phone Safety Classes, Comprehension Rate, Satisfaction Rate	●	●
			• For youths: satisfaction with education materials: 99%; satisfaction with lecturer: 99%; desire to reapply: 80% * Percentage of only those who said they would apply next time	●	●
			• For older people: comprehension rate: 86%; usage rate: 92%	●	●
			7% reduction in CO ₂ in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)	●	●
			Build highly energy-efficient data centers in Japan and abroad	●	●

*1 Mobile connections: Number of activated SIMs ("Mobile connections, including licensed cellular IoT" in GSMA)

*2 Adaptive learning: Providing learning contents and methods that are individually optimized according to the level of understanding and progress of each student

Materiality ① Safer and More Resilient Connected World

• Resilience to extreme weather events • Risk management

KDDI's approach

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

Our Risks and Opportunities

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

Management System

- The ongoing provision of a stable, resilient, high-quality telecommunications environment helps maintain lifelines and creates a foundation for a safe and secure information-based society. KDDI has been defined as a designated public institution under the Disaster Countermeasures Basic Act. To ensure our ability to provide stable information and telecommunication services under any circumstances, we formulated a disaster policy in the form of a Business Continuity Plan (BCP) for Large-Scale Disasters, established a system for dealing with various disaster scenarios, and launched initiatives to, for example, ensure rapid relief for areas affected by disasters, in cooperation with relevant organizations.
- KDDI maintains and operates many telecommunications facilities, including optical cables and mobile phone base stations, via technical centers located throughout Japan.
- The operations centers in KDDI Building at Shinjuku (Shinjuku-ku, Tokyo) conduct centralized monitoring of network conditions nationwide 24 hours a day, 365 days a year. In the event of an outage and other failures, these centers appropriately control communications, working with maintenance departments throughout Japan.
- To ensure high-quality and reliable network service, we build, analyze and improve our facility operating system in line with our stringent standards.
- Like elsewhere, the global consumer business in Myanmar and Mongolia faces the same demand for reliability in telecommunications. Even in regions where the social infrastructure is not as well established as that of Japan, we are rolling out operational know-how and management methods developed in Japan with considerations to individual nation's needs to ensure that customers can expect reliable, uninterrupted service 24 hours a day, 365 days a year. Moreover, to improve the reliability of our systems and networks, we have established design standards that include redundancies. We are actively working to enhance our technological capabilities related to maintenance and operations. In addition, we have measures in place to protect systems and customers from various security threats and apply KDDI standards to environmental upgrades to counter external and internal security threats.

FY2019 Material KPIs

[Web Link](#) FY2019 Material KPIs

Moving Forward

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

Initiatives

- The SDGs KDDI Aims to Achieve → P.10–19
- Network Quality Management and Improvement → P.27–29
- Disaster Preparedness → P.30–31
- Initiatives in Growing Markets outside Japan → P.32–33

Network Quality Management and Improvement

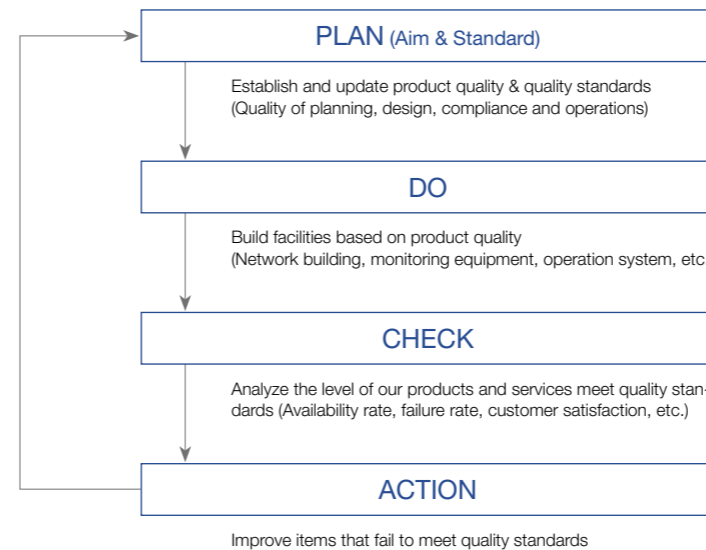
KDDI's Approach

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

Network Service Quality Management System

KDDI owns telecommunications facilities, including optical cables and mobile phone base stations, which it maintains and operates via technical centers located throughout Japan. The operations centers in the KDDI Building in Shinjuku conduct centralized monitoring of network conditions nationwide 24 hours a day, 365 days a year. In the event of an outage or other failure, these centers appropriately control communications, working with maintenance departments throughout Japan. To ensure high-quality and reliable network services, we constantly build, analyze and improve our facility operating system in line with our stringent standards.

Aiming for zero serious accidents, we at KDDI hold 20,000 training sessions each year. Our work procedures are based on the ideas of capacity design of telecommunications equipment, functional redundancy, distributed arrangement of facilities and functional safety.



Frequency and Duration of Network Interruption

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

[Web Link](#) Failure and Maintenance Information (for personal customers) (Japanese only)

[Web Link](#) Failure and Maintenance Information (for corporate customers) (Japanese only)

Expansion of Service Areas (Base Station Facilities)

Our mission is to offer a stable call and data transmission environment 24 hours a day, seven days a week. The population coverage ratio of au 4G LTE (800MHz platinum band) is 99%, but service can be temporarily disrupted in crowded places like shopping districts, event locations, and tourist spots. With the aim of providing a more user-friendly telecommunications environment, we are upgrading base stations and taking various other measures. We are also working to ensure customers can reliably and comfortably use their smart phones and cell phones in rural areas and outlying islands. For example, because many tourists visit Mt. Fuji in the summer, we construct a temporary service area there every year when the climbing season begins, bringing in antennas, wireless devices, and other equipment so customers can use 4G LTE connections not only on mountain trails but also at the summit. Because there are no optical cables, we use multiple methods to provide a stable telecommunications environment, including connecting the summit of Mt. Fuji with cities using proprietary wireless entrance connections.

Building Mobile Phone Base Stations and Care for Neighbors

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

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

Materiality ① Safer and More Resilient Connected World

● Resilience to extreme weather events | ● Risk management

Network Quality Management and Improvement

Safety of Radio Waves KDDI Policy & System

■ KDDI's Approach (policy)

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

■ System

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

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

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

[Web Link](#) Absorption Rates of au Phones (SAR) (Japanese only) >

■ Research That Ensures the Safety of Radio Waves

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

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

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

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

■ Organizations to which KDDI Belongs or Is Giving Its Cooperation

Affiliation	Electromagnetic environment committee of Association of Radio Industries and Businesses (ARIB), Electromagnetic Compatibility Conference Japan
Affiliation	NICT/EMC-net* * NICT: The National Institute of Information and Communications Technology, EMC: Electromagnetic Compatibility Laboratory
Affiliation	Working Group on evaluation method of electromagnetic field around base station, High Frequency Committee, Japanese National Committee of IEC/TC106
Research cooperation	Mobi-kids Japan (study investigating the effects of mobile phones on health)

[Web Link](#) [Mobi-Kids](#) >

Providing a Convenient Usage Environment: Signal Support 24 KDDI Activity

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

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

The number of proposals we made to improve signal quality in fiscal 2018 was about 30,000.

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

[Web Link](#) [Signal Support 24 \(Japanese only\)](#) >

Providing a Usage Environment for Overseas Travel KDDI Activity

The World Data Flat service provides a data service at a flat rate 24 hours a day in 150 or more countries and regions. This plan enables people with contracts for au smartphones, mobile phones, and tablets to safely and comfortably use our services outside Japan too. This is realized based on the partnerships with overseas telecommunications operators that we have cultivated in the course of providing international telephone services for more than 60 years.

Approach to Next-Generation High-Speed Communication KDDI Group Policy

The mobile network that supports communication on smartphones and mobile phones has evolved from the first generation (1G) to the fourth generation (4G) together with changes in the times and lifestyle. We are engaged in research and development of next-generation mobile communication systems (5G) to provide communication services with greater stability and higher speed to customers, and to promote dramatic development of ICT network infrastructure. 5G networks are capable of higher speed and capacity, low latency and many simultaneous connections. By connecting everything via networks, beginning with smartphones and mobile phones, we will continue helping to build Society 5.0 (a creation-based society) as we create new services and solve social problems.

Advancing Research on 5G KDDI Group Activity & Results

With the evolution of devices and the proliferation of IoTs, mobile networks are required to perform at much higher levels than expected before. We are conducting tests on the 5G mobile communication system, which allows multi-connectivity and low delay, as well as high speed and capacity, toward the launch for commercial use around 2020.

■ 5G Testing Initiatives

- [Web Link](#) [5G Co-Creation and Transformation —5G Research with Partners Creating Businesses of the Future— \(Japanese only\)](#) >
- [Web Link](#) [KDDI's Target SDGs \(Telecommunications Business\)](#) >
- [Web Link](#) [KDDI's Target SDGs \(Regional Revitalization\)](#) >

Materiality ① Safer and More Resilient Connected World

● Resilience to extreme weather events | ● Risk management

Disaster Preparedness

KDDI's Approach Policy

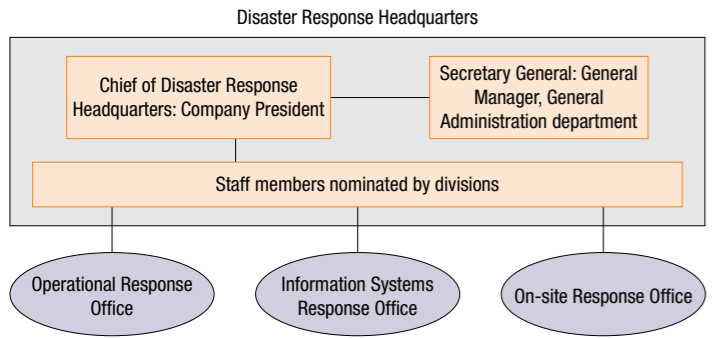
As a designated public institution under the Disaster Countermeasures Basic Act, we have formulated a business continuity plan (BCP) for large-scale natural disasters as an emergency response policy to ensure the stable provision of telecommunications services at all times under any circumstance. We are working to build an organizational structure capable of responding to different types of disasters and implementing a suite of measures in partnership with various relevant organizations.

Business Continuity Planning Policy & System

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

The effectiveness of the BCP is assessed during the twice-yearly disaster preparedness drills, and any issues identified in the exercise are addressed. An annual PDCA cycle is applied in the ongoing effort to strengthen the foundation of our emergency response structure further.

Disaster Response Framework



Establishing a Disaster Response Headquarters in Times of Disaster

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

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

Action against Pandemic Influenza System

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

au Disaster Recovery Support System System

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

Ensuring Communication Services in Times of a Disaster System

Multi-Route Core Transmission Lines and Route Distribution

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

Enhancing Disaster Resilience in Communication Stations and Telecommunications Facilities

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

Temporary Base Stations

The KDDI group owns a cable laying ship equipped with a base station that provides mobile phone services during disaster situations when there is no land-based base station that can provide coverage. Going forward, we will conduct repeated demonstration tests on drone base stations with the aim of providing mobile phone services from the sky during disaster situations.

Providing Disaster Response Services Activity

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

Collaboration with Disaster-related Organizations during Normal Times Activity

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

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

[Web Link](#) KDDI Initiatives (Disaster Relief & Support) ➔

Materiality ①  **Safer and More Resilient Connected World**
 ● Resilience to extreme weather events | ● Risk management

Initiatives Outside Japan

KDDI's Approach KDDI Group Policy

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

- [Web Link](#) KDDI's Target SDGs (Global Business) >
- [Web Link](#) KDDI's Target SDGs (Education Business) >
- [Web Link](#) Material Issue ③ Fulfilled life brought through ICTs >

ICT Solutions outside Japan KDDI Group Policy & System

KDDI provides a variety of one-stop solutions for customers' operations, including data centers, cloud computing, networks, and IoT services. We have established 40 TELEHOUSE data centers in 20 cities across 12 countries and regions. The data centers have garnered acclaim for their service quality and reliability rooted in around 30 years of operational experience as well as their high connectivity, which brings together world-class cloud-computing operators, telecommunications operators, information exchange facilitators, and more. In addition, TELEHOUSE data centers are equipped with high-capacity electric power and incorporate the latest energy-saving facilities, such as highly efficient and reliable power supply equipment, energy-efficient air conditioning, LED lighting and outdoor lighting that uses wind and solar power. The data centers are used by many customers as a platform for global business.

Maintenance and Operation of Global Network KDDI Group Policy & System

We connect networks with communications providers around the world, and, in cooperation with these companies, we maintain and operate a global network linking different parts of the world. As well as offering high quality international communication services using highly reliable optical fiber submarine cables, we aim to provide services using the latest network technologies such as virtualization. Submarine cables provide 99% of Japan's international traffic,* being an important component of the social infrastructure. Moving forward, we will offer even more reliable communication services for the Asia and Pacific regions, where demand is expected to grow further.

One of the newest submarine cables that KDDI is laying is the Southeast Asia-Japan 2 Cable System optical fiber submarine cable connecting Japan and Singapore. In March 2018, we signed a construction and maintenance agreement with Facebook (U.S.), China Mobile International (China), Singtel (Singapore), and other telecommunications operators in Asia. Construction is slated to wrap up in 2020.

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

In June 2019, we finished construction of *KDDI Cable Infinity*, a new submarine cable-laying ship. As well as promoting IT innovation in shipping and offshore construction, we will provide more reliable communication services than ever through the laying and maintenance of highly advanced submarine cables.

* According to research by KDDI

- [Web Link](#) Inmarsat Service (Japanese only) >

Business Expansion in Myanmar KDDI Group Activity

We are working together with Myanmar Posts & Telecommunications (MPT) and Sumitomo Corporation on a joint venture aimed at establishing an optimal communication environment in Myanmar, where there is an urgent need to improve the communication infrastructure. Although mobile phone penetration in Myanmar was 13% before the launch of the joint venture, many people in the country now own mobile phones.

Since July 2017, we have been running a long-term training program for the MPT workers who will one day be leaders to improve customer satisfaction and the quality of communication services in Myanmar. As part of the program, KDDI staff working on the business frontlines in Japan help Myanmar trainees gain technical knowledge and know-how that KDDI has developed over many years of experience in the telecommunications business in Japan, where its high-quality network offers 24/7 service. The training covers a wide range of subjects; everything from the design and construction of transmission systems and optical networks to their operation, initiatives aimed at enhancing reliability, disaster response measures, and even the development of advanced information systems. Sales- and business-related trainees study sales, marketing strategies, customer experience (CX), the basics of life design services, financial accounting, management accounting, and more. After returning to Myanmar, the trainees will continue to use the skills they have gained in Japan to contribute to Myanmar's growth.

Over the past two fiscal years, we have taken on a total of eight trainees. We will continue running this program going forward.

Business Expansion in Mongolia KDDI Group Activity

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

Initiatives of the KDDI Foundation KDDI Group Activity

■ **Building a Regional Optical Fiber Network in Nepal**
 In Nepal's western Dullu District, which is about 650 kilometers from the capital Kathmandu, we built a regional network using optical fiber that can be laid at low cost. Local clinics are now able to receive telehealth services from medical schools in Kathmandu. Looking ahead, plans are in place for this network to be used in a variety of applications, including government, medical care, and education.

■ **Consulting on Telecommunications Backbone Network in Cambodia**
 Cambodia has built a 460-kilometer fiber-optic backbone network running from Kampong Cham to Sihanoukville via the capital Phnom Penh and a 30-km metro ring within Phnom Penh, as well as constructed fiber-optic access lines and introduced the latest next-generation network system. The project began in December 2007, and the facilities came into operation in June 2017, with all work completed by October 2018. The wider bandwidth and stability of the backbone telecommunications infrastructure, which is vital for the economy to flourish, will greatly contribute to the economic growth of the country.

- [Web Link](#) KDDI Foundation >

Materiality ② Cyber Security and Privacy Protection

- Utilization of information assets and tightening of security
- Data privacy

KDDI's Approach KDDI Group Policy

Recognizing a Social Issue

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

Our Risks and Opportunities

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

KDDI's Management

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

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

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

In order to ensure the security of customer data, au Smart Pass apps are examined to verify that their behaviors are in line with our privacy policy. As a member of the industry body the Japan Smartphone Security Association (JSSEC), KDDI is taking part in data security initiatives.

FY2019 Material KPIs KDDI Group Policy

[Web Link](#) FY2019 Material KPIs

Moving Forward KDDI Group Policy

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

Initiatives KDDI Group Policy

- Information Security → P.35-37

Information Security

KDDI's Approach KDDI Group Policy

With the increasing prevalence of smartphones and the rapid progress of technologies such as big data and AI in recent years, new services that make use of various kinds of personal information are being considered. At the same time, however, these changes have also highlighted many issues surrounding privacy, and governments are reviewing their laws and regulations. We endeavor to make use of personal data while protecting privacy and are working to develop and provide safe systems and services that put the user in control of their own information.

- [Web Link](#) Security Policy
- [Web Link](#) Privacy Policy

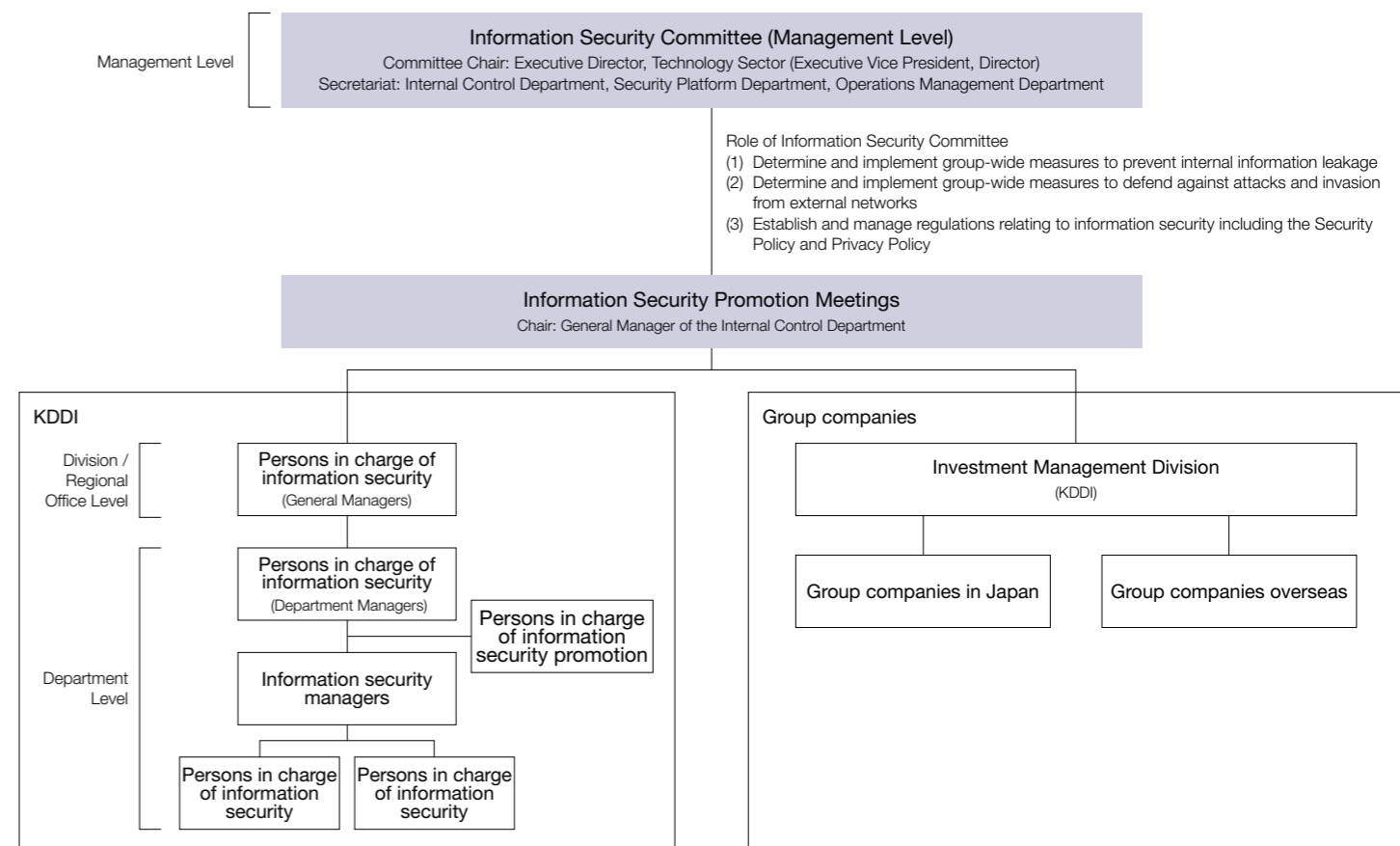
Information Security Management Framework KDDI Group System

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

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

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

Information Security Management Structure



Materiality ② Cyber Security and Privacy Protection

● Utilization of information assets and tightening of security ● Data privacy

Information Security

Strengthening Information Security throughout the Company

KDDI Group Policy & System

All KDDI Group companies have been ISMS 27001 certified since 2009.*1 For our group companies, the KDDI Group Information Security Standards were introduced in fiscal 2011. In fiscal 2017, we revised the standards and extended them to apply to all group companies. Augmenting the improvement in the security level of KDDI Group companies resulting from this change, we regularly audit the security level of group companies in an ongoing effort to strengthen the information security governance of the KDDI Group as a whole. Also, KDDI Digital Security Inc. was founded in February 2018, and the company's specially trained security engineers now respond to cyberattacks.

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

ISMS Certification KDDI Acquired

Registration number	Organization	Initial registration
IS 95253	KDDI Corporation ²	June 7, 2005
IS 76406	KDDI Corporation (Operations Division) ³	July 4, 2003
IS 85329	KDDI Corporation (Information Systems Division)	September 28, 2004

*2 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, and KDDI MATOMETE OFFICE CORPORATION.

*3 Includes Japan Telecommunication Engineering Service Co., Ltd.

Basic Principles Concerning the Handling and Use of Personal Data

KDDI Group Policy

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

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

Efforts to Reduce Information Security Risks

KDDI Group System & Activity

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

In fiscal 2018, we established the Information Security Incident Prevention Enhancement Month as a group-wide initiative with the aim of spreading and fully implementing information security rules. During this campaign, various activities were conducted for officers and employees to raise awareness toward information security.

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

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

<Organizations We Join>

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

FY2018 List of Initiatives and Activities for Reducing Information Security Risks

Total information security	<ul style="list-style-type: none"> • E-learning training • Training for new department general managers • Walk-around security check • Information security incident prevention enhancement month • Internal security audits • Technical audits of subcontractors' OA environments and systems in addition to general audit items • Confirmation of compliance with information security rules for the whole group • Information Security Promotion Meetings for the whole group • Continuing supervision of OA environment in the whole group • Internal lectures from external instructors during Cyber Security Month
Prevention of information leakage through social media	<ul style="list-style-type: none"> • Establishing Social Media Policy • Raising awareness among employees
Stronger control measure for using cloud computing	<ul style="list-style-type: none"> • Complying with the company regulations relating to the use of cloud computing for the whole group • Maintaining and improving risk assessment framework relating to security and legislation systems
Response to laws and regulations	<ul style="list-style-type: none"> • Responding to the Amended Act on the Protection of Personal Information • Complying with the company regulations in line with the EU General Data Protection Regulation (GDPR)
Prevention of e-mail mistakes	<ul style="list-style-type: none"> • Prohibiting automatic forwarding • Automatic encryption of attached files in external e-mails
Measures against targeted attacks	<ul style="list-style-type: none"> • Annual training against targeted e-mail attacks for employees • E-learning training

[Web Link](#) Social Media Policy (Japanese only)

Next Generation Service Development

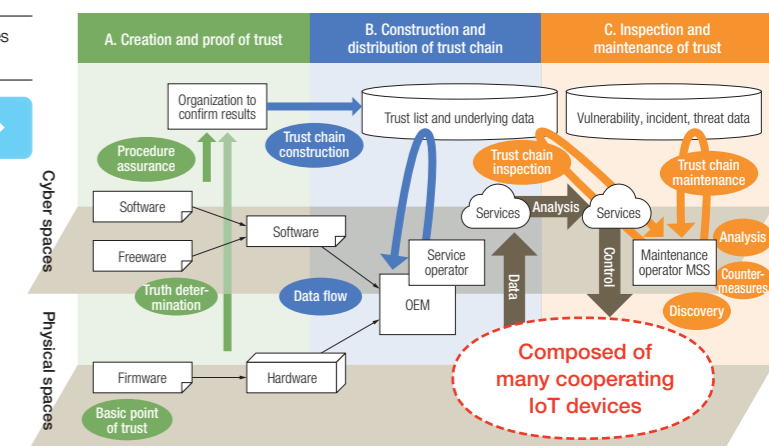
KDDI Group Activity

Development and Pilot Testing of Cyber, Physical, and Security Countermeasures for an IoT-based Society

KDDI participated in the Second Annual Cyber, Physical, and Security R&D Plan for an IoT-based Society, which was carried out by Japan's Cabinet Office and the New Energy and Industrial Technology Development Organization (NEDO) based on the Cross-ministerial Strategic Innovation Promotion Program (SIP).

The purpose of this work is to develop and test cyber, physical, and security countermeasures that can protect large-scale supply chains that encompass small and medium-sized corporations as well as IoT systems and services in order to ensure safety for all of society and protect IoT devices as we strive to realize a secure Society 5.0.

The basic policy of this work is to enhance security resilience by building and maintaining a chain of trust linking supply chains and IoT systems and services. KDDI has been jointly contracted with Hitachi, Ltd. and NEC Corporation to conduct R&D and pilot testing related to technology to assure the appropriateness of the trust chain, technology to build the trust chain, and technology to inspect and maintain the trust chain. This work will be done over the five years from fiscal 2018 to fiscal 2022. By conducting pilot tests that use KDDI's technology for securing privacy in data flows, we are promoting initiatives that will help ensure the safety of society as a whole and create new value in the form of basic technologies for a secure Society 5.0.



Materiality ③



Fulfilled Life Brought through ICTs

- Contribution to economic growth through robust information communication infrastructure
- Improvement of access to education, medicine and other public services through ICTs
- Promotion of employment creation and capacity building
- Innovation management

KDDI's Approach

Our Recognition of Social Issue

Japanese society is facing many challenges — a low birth rate, an aging population and a concentration of population in large cities are resulting in rural depopulation and thus a slump in regional economies and a decline in local industries and culture. ICTs are seen as a potential solution to these issues. While the wider use of ICTs improves convenience, there are issues associated with it, such as the prevalence of mobile and smartphone use among children and the widening digital divide affecting older people.

Our Risks and Opportunities

- The decreasing working population and growing economic disparity between regions are risks that could lead to a decline in the number of users and a decrease in business income.
- ICT-based solutions are expected to help alleviate shortages in the labor pool and business successors through more efficient operations, automation, and remote operation. ICT-based solutions are also expected to help rural areas take advantage of the opportunities to expand business activities that showcase local industries, cultural and natural heritage and communities and revitalize their economies.
- On the other hand, offering smartphone devices and services that help socially vulnerable people use the technology safely and easily, combined with awareness campaigns, can be beneficial to KDDI's business as it can generate new demand.

Management Framework

Technological Development and R&D

The technology and other divisions at KDDI Head Office lead our technological development, and we are working on innovative technologies that will support our business in the near future, such as 5G, self-driving vehicles, and automatic operation. On the other hand, in research and development, KDDI Research Inc. is engaged in a wide range of fields, from research analysis for future prediction to basic research and applied research.

Regional Revitalization

KDDI is promoting initiatives to solve regional problems using 5G and IoT, especially its Business Strategy Division's Next-Generation Foundation Establishment Office, Business IoT Promotion Division's Regional Revitalization and Support Office and the Life Design Business Promotion Division. We dispatched volunteers to municipalities affected by the Great East Japan Earthquake and are using the insight and know-how gained by members who supported the area's recovery.

Life Design

In our consumer business, we enhance life design services, including commerce, finance, energy, entertainment and education centered on telecommunications, and provide exciting experiential value to customers.

In our corporate business, we support the digital transformation of customers and realize the integration of telecommunications and life design for corporate clients in Japan and overseas as we aim to achieve sustainable growth with clients.

Product and services

We promote to apply universal design in developing our product and services to ensure comfortable and enjoyable use for all regardless of age, nationality and (dis)ability.

Initiatives outside Japan

In addition to the initiatives of KDDI's subsidiaries and affiliates, the KDDI Foundation conducts its own activities.

FY2019 Material KPIs

[Web Link](#) FY2019 Material KPIs

Moving Forward

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

Initiatives

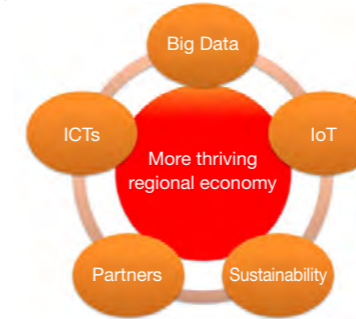
- KDDI's Target SDGs → P.10-19
- Regional Revitalization → P.39
- Innovation Management → P.40-42
- Responsibility for Products and Services → P.43-45
- Initiatives outside Japan → P.45

Regional Revitalization Initiatives

Approach to Regional Revitalization Using 5G/IoT

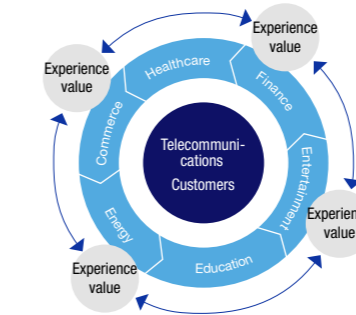
<As a Leader of Regional Economy>

KDDI utilizes various advanced technologies and know-how from our partner companies to support unique initiatives with our many stakeholders, including local governments, companies, Civil Society Organizations (CSOs) and residents.



<As a Life Design Company Close to Our Customers>

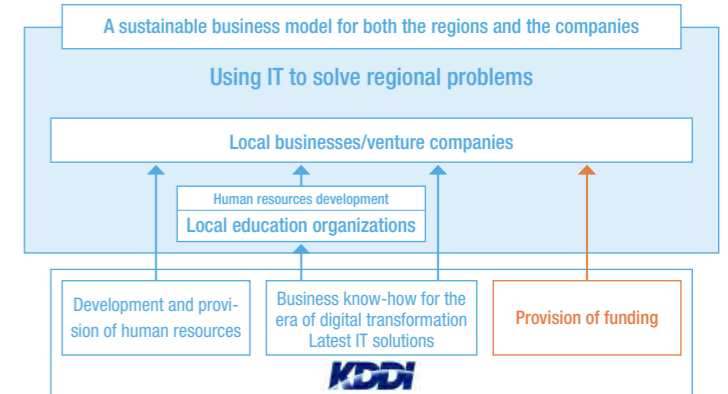
KDDI utilizes advanced technologies such as big data, IoT and ICTs, to communicate information about the outstanding products and services available in various locations in Japan and aims for more thriving regional economy by boosting the flow of people and goods in Japan with its partner companies.



KDDI Regional Initiatives Fund and Regional Revitalization

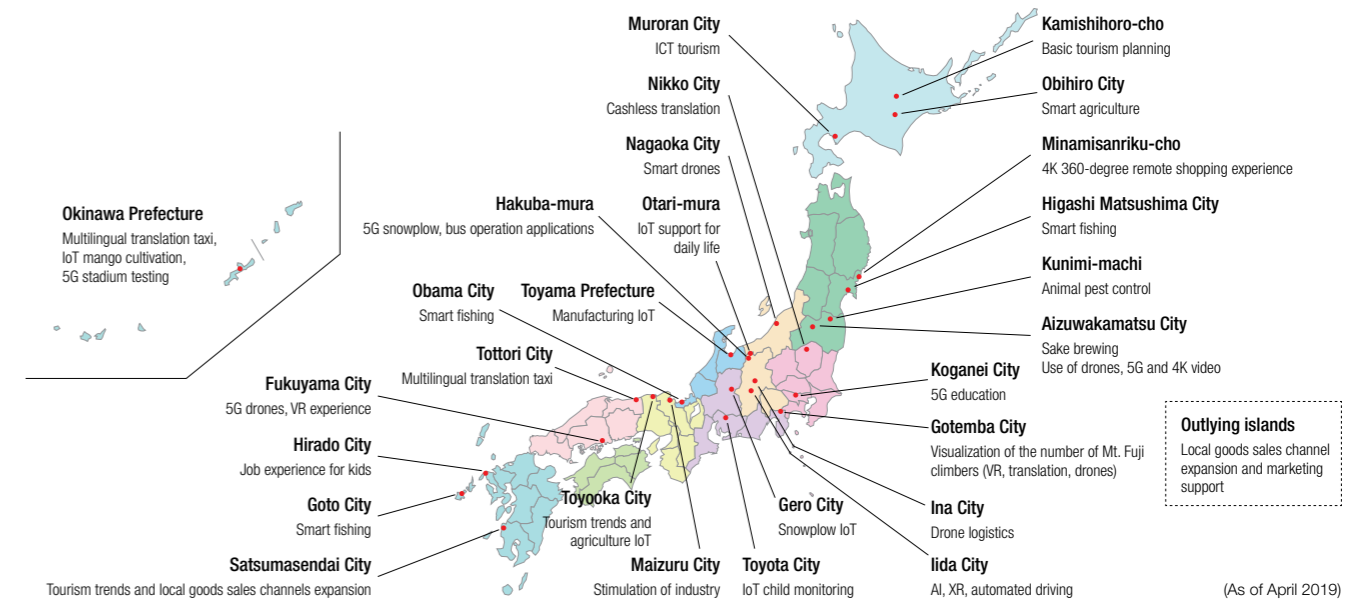
The KDDI Regional Initiatives Fund (KRIF) is corporate venture capital (CVC) established by KDDI Corporation and Global Brain Corporation (fund operator) for investing in venture companies and local business that promote regional revitalization.

Venture companies and local business with the vision for it are the ones that solve various regional problems. Through the provision of various resources, technologies and know-how and a first round of support for these companies from KRIF, KDDI will continue working to build a sustainable business model, both for the regions and for the companies.



[Web Link](#) KDDI's Target SDGs: Telecommunications Business

Initiatives in Regions of Japan



(As of April 2019)

Materiality ③



Fulfilled Life Brought through ICTs

- Contribution to economic growth through robust information communication infrastructure
- Promotion of employment creation and capacity building
- Innovation management
- Improvement of access to education, medicine and other public services through ICTs

Innovation Management

Approach to Innovation

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

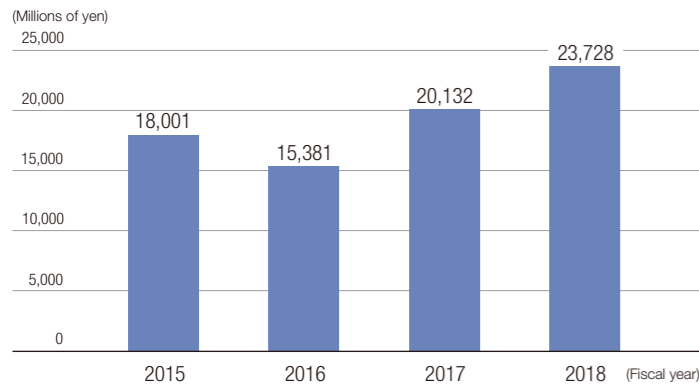
Promotion for R&D and Technological Development

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

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

On the other hand, in research and development, KDDI Research Inc. is engaged in a wide range of fields, from research analysis for future prediction to basic research and applied research. The research and development field of KDDI Research Inc. covers a wide range of areas such as network, AI x big data, security, and service applications, and 301 researchers are engaged in R&D (as of April 1, 2019).

Change in R&D Expenses



Promoting Open Innovation

■ KDDI Digital Gate

In September 2018, we launched KDDI Digital Gate, our business development hub for the IoT and 5G era, to create new business solutions with our corporate customers.

KDDI Digital Gate provides a KDDI development team and a project room where prototypes can be developed rapidly with agile development methodology; co-creation workshops are held to identify potential issues and come up with innovative ideas through design-oriented thinking; and hands-on demonstrations and testing using various telecommunications technology, including 5G and IoT, are conducted. KDDI will work with a professional group made up of highly specialized partner companies, aiming to speed up the process of identifying needs, creating, learning and improving, helping customers to provide services with high market value to society as quickly as possible.

■ KDDI Regional Initiatives Fund and Regional Revitalization

[Web Link](#) KDDI Regional Initiatives Fund and Regional Revitalization

■ KDDI Open Innovation Fund

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

In April 2018, we launched KDDI Innovation Fund No. 3. We established an investment program to strengthen initiatives in fields of increasing importance for the 5G era, including AI, IoT and big data. Drawing on the technological and business insights and networks of KDDI's and KDDI group companies' venture companies, we support promising new venture companies. Through the investment program, KDDI and KDDI group companies will continue working with the aim of creating businesses with venture companies.

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

[Web Link](#) KDDI Open Innovation Fund

■ KDDI∞Labo

In 2011, we launched KDDI∞Labo, a platform that enables startups promoting new services to collaborate with partner alliance members that have a wealth of assets and know-how in various industries with the aim of co-creating new businesses that impact society. This program offers total support to selected teams, including business cooperation, creation of testing opportunities, and discussions about business co-creation with mentors and the partner alliance, which comprises over 30 various major companies that support the mission of KDDI∞Labo. The platform also offers a variety of other support, including business matching opportunities through pitching events, 5G testing environments, the provision of KDDI Digital Gate assets and advice from external advisors well versed in a broad range of fields.

Since 2014, we have been working on industry-academic partnerships that aim to commercialize the technologies from research at universities and on collaborations between startups engaged in next-generation businesses as well as the partner alliance.

[Web Link](#) KDDI∞Labo

Activities for Innovation

■ Product Innovation

Initiative	Details
IoT security technology using SIM	KDDI and KDDI Research, Inc. developed encryption key* management technology that introduces the high security tolerance of SIM in the communication of IoT devices to solve security issues such as illegal remote control, and identity fraud and data eavesdropping
VistaFinder Mx: a system that enables remote operational assistance through augmented reality and 4K high-resolution video	We developed VistaFinder Mx, a system that enables remote operational assistance through augmented reality and 4K high-resolution video. With the emergence of small high-performance computers that can be used in multi-access edge computing (MEC) and wearable 4K cameras, it is now possible to record and transmit 4K video with higher transferability. VistaFinder Mx is bundled with these devices and MP-Factory, a software suite developed by KDDI Research, Inc. for encoding, recoding and processing MPEGs. This makes it possible to transfer 4K/60p video (H.264/AVC format) at a bit rate of several dozen Mbps. Using 4K video makes it easier for remote operational supporters to conduct maintenance on complicated devices and read device numbers, effectively lowering the human error rate and raising operational efficiency for workers on the frontlines.

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

■ Process Innovation

Initiative	Details
Providing agile development education program	In cooperation with Scrum Inc. and Eiwa System Management, Inc., we established the joint venture Scrum Inc. Japan. The company holds agile development seminars and is providing wide-ranging support to Scrum teams from the launch of their agile development teams until an agile organization management method becomes established
KDDI IoT Cloud Creator	Even when customers do not yet have a clear idea of what they want to achieve using IoT, agile development allows for development requiring the minimum possible reworking of existing material by using a repeated process of development and review, so users can experiment a little at a time

■ Environment Innovation

[Web Link](#) Environmental performance: a low-carbon society

■ Social Innovation

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

Materiality ③ Fulfilled Life Brought through ICTs

- Contribution to economic growth through robust information communication infrastructure
- Improvement of access to education, medicine and other public services through ICTs
- Promotion of employment creation and capacity building
- Innovation management

Innovation Management

Protecting Intellectual Property KDDI Activity & Results

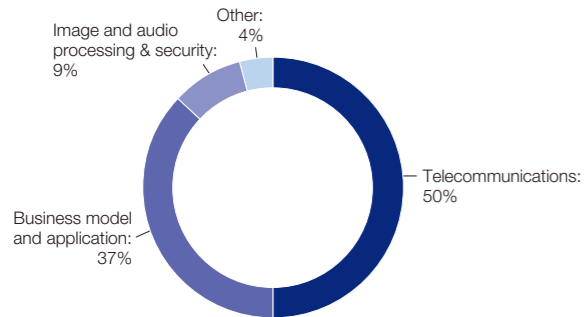
One of our basic principles specified in the KDDI Code of Business Conduct defines our commitment to creating, protecting and using intellectual property, which is an important management resource for the company's business expansion, as well as respecting the intellectual property rights of others and striving not to infringe them.

The Intellectual Property Office promotes internal IP activities related to putting these basic principles into practice.

For example, the office collaborates with IP managers assigned to each business and technical department to investigate the IP of others related to new services and to acquire IP rights in Japan and overseas. In addition, we conduct educational activities every year through group training and e-learning classes to encourage employees to further understand the importance of intellectual property, as well as the risks of infringement and its prevention. As a result of these efforts, we hold approx. 4,000 patents in Japan and approx. 500 outside Japan as of March 31, 2019, including pending patents.

Moreover, the office actively supports the KDDI group's IP activities, including those of its subsidiaries and the ventures it has invested in. In recognition of this support, we have received the Economy, Trade and Industry Minister's Prize as an IP usage company (open innovation promotion company) at the fiscal 2018 Intellectual Property Achievement Awards held by the Ministry of Economy, Trade and Industry and Japan Patent Office.

Breakdown of KDDI's Patents (as of March 31, 2019)



Main Innovation Awards Received

Award giving organization: Tsushinbunka Association
Award name: The 63rd Maejima Hisoka Award (FY2017)
Awarded research: R&D and commercialization of VistaFinder Mx, a remote operations supporting system
Award recipient (belonging organization at the time of receiving the award): Tomohiro Tsuji (KDDI Research, Inc.), Akio Yoneyama (KDDI Research, Inc.), Jun Obata (KDDI Technology Corporation), Hiroyasu Sawa (J-TESS), Nobuo Furuya (KDDI)
Date received: April 10, 2018

Award giving organization: Ichimura Foundation for New Technology
Award name: The 50th Ichimura Industrial Award (FY2017)
Awarded research: Development of terabit-class long-haul high-capacity optical submarine cable system
Award recipient (belonging organization at the time of receiving the award): Masatoshi Suzuki (KDDI Research, Inc.), Shigeyuki Akiba (Tokyo Institute of Technology), Itsuro Morita (KDDI Research, Inc.)
Date received: April 16, 2018

Award giving organization: The Institute of Electronics, Information and Communication Engineers
Award name: The 79th Distinguished Achievement and Contributions Award (FY2019)
Awarded research: Distinguished accomplishment in the development of the electronics, information and communication field
Award recipient (belonging organization at the time of receiving the award): Masatoshi Suzuki (KDDI Research, Inc.)
Date received: June 8, 2018

Award giving organization: Tsushinbunka Association
Award name: The 64th Maejima Hisoka Award (FY2018)
Awarded research: Contribution to technology for creating software related to encoding, recoding and processing MPEGs
Award recipient (belonging organization at the time of receiving the award): MP-Factory development team
Date received: April 10, 2019

Award giving organization: Telecommunication Technology Committee
Award name: Information and Communication Technology Award, Minister of General Affairs Awards (FY2019)
Awarded research: Contribution to research, development, standardization, and application related to encryption and identification technologies
Award recipient (belonging organization at the time of receiving the award): Toshiaki Tanaka (KDDI Research Inc.)
Date received: June 18, 2019

The following websites list awards other than those mentioned above.

- [Web Link](#) Information Relating to Awards KDDI Research, Inc. Received (2018)
- [Web Link](#) Information Relating to Awards KDDI Research, Inc. Received (2019)

Others

- Innovative Major Companies Ranking 2019 (sponsored by the Innovation Leaders Summit Action Committee and the Ministry of the Economy, Trade and Industry): No. 1 (two years running)
- Shell Ocean Discovery XPRIZE, an international competition for undersea exploration technology: Team KUROSHIO,* second place

* A Japanese undersea exploration team with participants from Japan Agency for Marine-Earth Science and Technology; Institute of Industrial Science, The University of Tokyo; Kyushu Institute of Technology; National Institute of Maritime, Port and Aviation Technology; Mitsui E&S Holdings Co., Ltd.; Nippon Marine Enterprises, Ltd.; KDDI Research, Inc.; Yamaha Motor Co., Ltd.

Responsibility for Products and Services

KDDI's Approach KDDI Group Policy

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

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

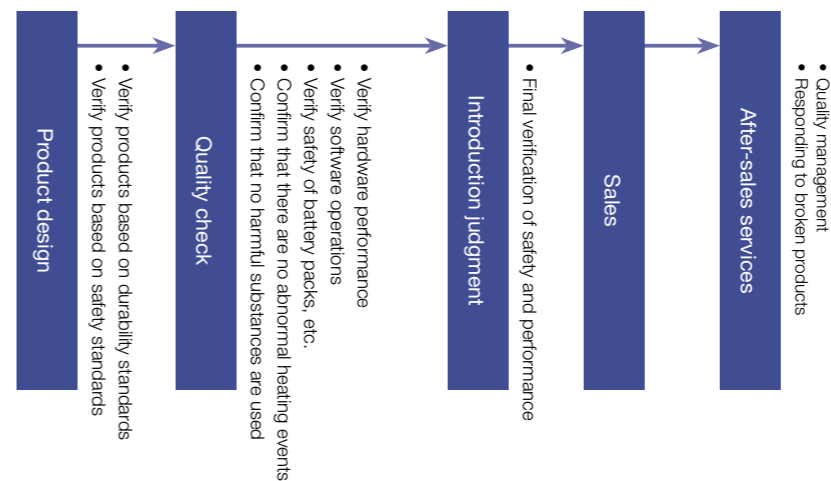
As well as increasing accessibility, we strive to offer services that anyone can use with peace of mind. We are committed to offering products and services based on the principle of universal design, so that they can be used with confidence by everyone.

Product Quality Control KDDI Policy

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

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

Quality control flow diagram



Initiatives for Promoting the Safe Use of Products and Services KDDI Group Policy, Activity & Results

Smartphones, mobile phones and the Internet have become irreplaceable in our daily lives. However, more people, particularly children and older people, get involved in crimes and other troubles.

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

Cycle Safety Project to Prevent Use of Smartphones While Cycling

In 2017, we launched the Cycle Safety Project. On March, 2019, KDDI and au Insurance Co., Ltd. launched the third edition of the project, focusing on high school students, who get into many traffic accidents while cycling. With the aim of finding ways to prevent people from using smartphones while cycling, which is becoming a social problem, we created the VR Class Kit to Prevent Smartphone Use while Cycling.

The VR class kit comprises three parts totaling 50 minutes. There is the Stop Using Smartphones While Cycling VR Experience program, which allows users to compare the field of vision and breaking response time when cycling with and without distraction from a smartphone. There is a slideshow that conveys the danger of bicycle accidents and the need to be prepared for expensive compensation. Finally, there is a workshop for brainstorming ways of preventing the use of smartphones while cycling. Teachers can use this VR class kit as part of their normal lessons, helping students to think for themselves about the dangers of being distracted by smartphones through realistic experiences.

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

* Reference: National Police Agency, Traffic Bureau, "Child and Student Traffic Accidents" (March 22, 2018)

Materiality ③




Fulfilled Life Brought through ICTs

- Contribution to economic growth through robust information communication infrastructure
- Promotion of employment creation and capacity building
- Innovation management
- Improvement of access to education, medicine and other public services through ICTs

Responsibility for Products and Services

■ Initiatives to Promote Safe Use

Targets	Products	Services	Rates	Measures
Young people	mamorino5 	Security Filter for au A smartphone filtering service to protect young people from dangerous sites and apps. Filter level can be set according to the child's age and what they are using the smartphone for. Also provides time limits to prevent over-use, usage inquiries, area search, etc.	Junior Keitai Plan A special price plan for the "mamorino4" and "mamorino5" for children of elementary school age and under. The plan can be used for a basic fee of 500 yen when subscribing to 2-year contract (Everybody Discount). Exit from a 2-year contract or cancellation mid-contract will incur a contract cancellation fee, etc.	Promote the use of filtering services Based on the Act on Development of an Environment That Provides Safe and Secure Internet Use for Young People, as well as implementing filtering for all contracts for minors, we are actively trying to improve user-friendliness and increase awareness of our filtering services.
		Age confirmation service With the customer's consent, we offer an Age Confirmation Service that transmits age information (information that allows content providers to determine whether the customer is over or under the age specified by the providers) when the customer uses social media and other services.	Discount service with no fixed fee, for families using au smartphones or mobile phones. Domestic SMS messaging (C-mail) and domestic calls among family are free 24 hours a day, based on certain contract conditions. Families living separately can also apply. * Can be combined with Smile Heart Discount	Educational website: Family Guide to Smartphones and Mobile Phones on WEB An educational website where both parents and children can enjoy learning about the important points and rules when using smartphones and mobile phones
Older People	BASIO3 Simple Phone KYF36/ KYF38	au smart support A membership-based service with a dedicated team of advisors offering tailored support for customers who have bought a mobile phone but are having difficulties using it or who want to buy one but feel anxious about using it, allowing customers to use their devices with confidence.	Family Discount	Measures against money transfer frauds • For Individual subscriptions: Enhancing identity confirmation by restricting the payment methods for usage fees; preventing mass fraudulent subscriptions by restricting the number of subscribable lines; and enhancing screening via information sharing among mobile phone and PHS companies about subscribers of lines whose identity cannot be confirmed. • KDDI employee volunteers conduct awareness raising activities on Musashikoyama Shopping Street in Tokyo (FY2018: 7 times)
		Blocking spam messages and calls (for smartphones) A service that displays a warning when it detects probable spam text messages and phone calls, such as those for fraudulent bills. For incoming texts or calls from public utilities, companies, or other sources, the name of the sender or caller will automatically be displayed using the information from the yellow pages.		KDDI Smartphone and Mobile Phone Safety Classes Supporting "consumer education" run by local authorities, we explain the basic operation of smartphones and tablets and how to use them safely, mainly for users aged 70 and under.
Users with disabilities	Simple Phone KYF36/ KYF38	Braille Request Service Service for visually impaired users to receive monthly usage billing information in braille (including amount charged and breakdown)	Smile-Heart Discount Provides discounted rates for persons with disabilities to make au mobile phones easier to use. As of March 2019, the discounts are available to holders of a physical disability certificate, rehabilitation certificate, certification of psychiatric disorder, medical care certificate for specified diseases, registration certificate for specified diseases or medical expenses certificate for specified intractable diseases.	Sign language support We offer support for contract procedures in sign language at a KDDI directly managed outlet (au Shinjuku). We also offer remote sign language support using tablet-based video conferencing functions at several KDDI directly managed outlets.
LGBT	-	-	Family Discount service available to same sex partners The eligibility of family-oriented services such as au Family Discount has been expanded to include same-sex partners when formal certification of same-sex partnership is provided.	-

Everyone	Initiatives through MVNO	KDDI Group companies: UQ Communications Inc., UQ Mobile Okinawa Corporation, Jupiter Telecommunications Co., Ltd. and BIGLOBE Inc. offer low-cost communication services to reduce the cost burden for customers. The KDDI Group offers a variety of services to suit its customers' needs.
	Initiatives to stop smartphone use while walking, cycling, and driving	Free app to prevent usage while walking. Provide a free app to stop smartphone use while walking and help prevent accidents and injuries and to improve manners. Cycle Safety Project: A joint initiative by KDDI and au Insurance Co., Ltd. to create a society where bicycles can be used safely. We are raising awareness of bicycle safety via campaigns using apps and social media, as well as the Stop Using Smartphones While Cycling VR Experience.

Initiatives Outside Japan

Initiatives of the KDDI Foundation

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

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

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

Materiality ④ Rewarding Workplaces for Diverse Talents

- Promotion of diversity and inclusion
- Pursuit of employee satisfaction
- Human resource development and career development
- Promotion of health-focused management

KDDI's Approach KDDI Group Policy

■ Social Issue

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

■ Our Risks and Opportunities

- The decline in the productive population due to low birth rate and aging society means that, in order to attract high-quality human resources, we need to provide an attractive work environment that offers diverse work styles to suit a diverse workforce. As we at KDDI define the Integration of Telecommunications and Life Design as our new target business area, it is important for us to nurture human resources with diverse values and become innovative.
- To support sustainable business operations, we must care for our human resources that support the business. Through working style reforms and health-focused management, we will construct a sound work environment where employees feel healthy and happy, which will lead to sustainable growth.

■ Management System

- In the Medium-Term Management Plan (FY2019–FY2021) we established KDDI's Target SDGs and decided to focus on human resource development; support for women's advancement; respect for human rights, diversity & inclusion; and environmental conservation as social issues to be solved through corporate activities. In addition, regarding support for women's advancement, we have been setting medium-term quantitative goals since 2016 and working toward their achievement.

- In April 2018, we announced the KDDI Group Declaration of Health-Focused Management and began promoting health-focused management that supports each employee's health. In addition, in January 2019, we established the Work Style Reform and Health-Focused Management Promotion Office, which works to establish a sound working environment as a base for sustainable growth through the activities of the Work Style Reform Promotion Committee.

- To maximize the value of human resources and ensure the appropriate placement of human resources, we built a system to standardize hiring, placement, education, and training. In this way, we have maximized organizational performance and the growth of each employee. Furthermore, we set human resource training goals as KPIs for each division's general manager and introduced a system that reflects performance in the form of bonuses.

FY2019 Material KPIs KDDI Group Policy

[Web Link](#) FY2019 Material KPIs

Moving Forward KDDI Group Policy

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

Initiatives KDDI Group Policy

- KDDI's Target SDGs (Corporate Activities) → P.18–19
- Recruiting and Developing Human Resources → P.47–51
- Labor Practices → P.52–61

Recruiting and Developing Human Resources

KDDI's Approach KDDI Policy

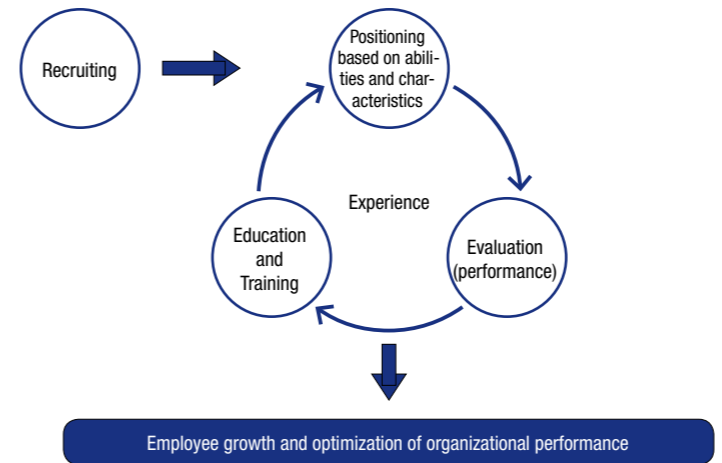
As the working-age population continues to decrease due to the declining birthrate and aging population in Japan, it is said that the country's economic growth will slow down. The market environment of the information communication sector has been changing rapidly and drastically in recent years as we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

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

Human Resources System KDDI System

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

Also, we have implemented a remuneration system for divisional general managers that is linked to the achievement level of KPIs for the development of human resources.



Human Resource Cultivation Management KDDI Activity & Results

In the recruitment stage, we have removed the gender query from the application sheet to ensure we hire diverse talents.

We also have a variety of training and qualification schemes that give contract employees, such as mass-retail sales advisors, talent development opportunities. Those who wish can apply for a permanent contract, and 66 contract employees became regular employees through this scheme in fiscal 2018.

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

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

- FY2018 number of newly hired graduates of nationality other than Japanese...6
- FY2018 percentage of newly hired female graduates...31.1%

	Male	Female
Graduates hired in April 2016	217	85
Currently employed in April 2019	212	79

	Results
Training expenses per employee (yen/person)	120,000
Training time per employee (hours/person)	6.0
Total training time (hours)	81,570

Materiality ④ Rewarding Workplaces for Diverse Talents

- Promotion of diversity and inclusion
- Pursuit of employee satisfaction
- Human resource development and career development
- Promotion of health-focused management

Recruiting and Developing Human Resources

KDDI Human Resource Cultivation Measures

KDDI Human Resource Cultivation Measures

Program	Details
Executive assistant	Employees work as directors' assistants, learning directly the management mindset. (Every year, one man and one woman are assigned.)
Job rotation system Challenge rotation	Employees work in multiple job positions and departments to gain wider experience in different fields and explore their competencies.
Self-career produce system (SCAP)	Employees can transfer to the departments of their choice after accumulating a certain amount of experience in their current positions and earning positive evaluations.
Open recruitment system	Employees who are enthusiastic about starting up new business or expanding growing departments can apply under the open recruitment system to be transferred (includes promoting involvement among elder staff).
Self-reporting system	Employees can consult with their respective department's general manager on their future career plans based on the reports about their career history and current situation.
Stratified training	Employees acquire the knowledge and skills needed for carrying out their work depending on the position or qualifications they have.
Common skills training	Employees acquire the various business skills commonly needed by everyone in the company.
Support for acquisition of qualifications	We pay examination fees and other related expenses for employees who are acquiring company-designated qualifications.
Global initiative program for managers (GIP)	We develop management staff that can manage global business and global bases through training in Japan and overseas.
Lifelong learning sabbatical program	Employees wishing to study toward a qualification or acquire new skills on a voluntary basis can take a career break of up to three years.
Business study abroad	Participants learn global standards for business at an overseas university or through communication with business persons at NPOs or internship.
Specialized study abroad	Participants study at an overseas university or specialized institution to acquire advanced specialized knowledge and build human networks with relevant persons.
Overseas trainee system	Employees wishing to join the program are sent to an overseas base for a certain period of time and, by conducting business, they learn how to carry out their work in a professional manner no matter the values and business customs of those who surround them.
Global employee exchange program	In this program, employees hired overseas are invited to our headquarters in Japan to learn about the business customs, operations and philosophy of the KDDI Group and strengthen their partnerships with foreign customers who have offices in Japan.
English circle support	We support English self-study circles in each workplace by providing instructors and contributing funds.

Training System by Position

Position	The KDDI Group Philosophy	Stratified training	Common skills training	Global human resources	Division-specific training Operation-specific skills
Executive/Director	Divisional general manager study session				
Departmental General Manager	Departmental general manager study session	Newly-appointed departmental general manager training	Common Skills Training	Global initiative program for managers	Training by Division
GL (Group leader)	GL Study Session	Newly Appointed GL Training			
Manager (Non-line)		Newly Appointed Manager Training			
Assistant Manager					
Chief					
Employee		Training 3 years after employment Training 2 years after employment New Employee Training		Overseas Trainee System Overseas Study	

KDDI's Approach — Professional Advancement of Women

Promoting gender equality and female empowerment not only deepens our understanding of their human rights but leads to solutions to issues in international society and corporate sustainable development. We at KDDI strive to establish an environment and create a climate where diverse human resources can use their individual strengths to perform to the best of their abilities. We are focusing on cultivating female leaders, raising awareness while changing the behavior of management and improving the working environment, so that women can continue to participate and advance in their careers even after going through major life events like giving birth and raising children. As of June 2019, around one third of female managers have children.

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

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

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

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

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

Cultivating and Promoting Female Leaders

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

	Unit: person
Female managers	321
Female line managers	143
Female administrative officer	1
Female director (outside director)	1

(Ref.) Female assistant managers 1,269 / (Men and women total) 5,868 (As of April 1, 2019)

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

In fiscal 2016, we started the Female Line Manager Program, which aims to establish a career path that will take young female employees to the stage of being candidates for a general manager position. In this program, we cultivate future female leaders, including officers and line managers, and help them in their career progression. Managerial candidates (around 200) were selected with the assistance of individual departments to take part. The program included Mind Up Seminars for candidates right before they take up their positions as line managers. By providing the skills necessary for leadership and adjusting mindsets, we are training female leaders who can take action right after taking up their position. In addition, we held a large-scale event where female executive role models within and outside the company directly conveyed a message of encouragement and held dialogues with their younger colleagues to help broaden the participants' perspectives. Furthermore, we organized career design seminars for young female employees with the aim of expanding the candidate pool. We provided e-learning to promote understanding of the necessity for cultivating female managers and to teach how to develop female employees for all managerial staff, including men as we work to reform mindsets within the company.

Managers have had multiple discussions with the president about the advancement of women going forward. These discussions were reflected in the medium-term management plan, and we are promoting the advancement of women as a business strategy.

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

We participate in the New Generation Eijo College — Project for the Advancement of Female Sales Representatives in Different Industries, which aims to address the difficulty of producing female leaders due to the shortage of women in sales by bringing together companies in different industries facing the same problem.

The project began in 2014. In fiscal 2018, on the theme of creating the next generation sales management model, teams held discussions on their ideal management model and made management recommendations.

This activity provided opportunities to think deeply about ideal management models. Specifically, it allowed participants to review their own career attitudes and skills as they got inspired through the interaction with female sales representatives from different industries.

Materiality ④ Rewarding Workplaces for Diverse Talents

- Promotion of diversity and inclusion
- Human resource development and career development
- Pursuit of employee satisfaction
- Promotion of health-focused management

Recruiting and Developing Human Resources

Evaluation and Remuneration Systems Policy

To achieve fair and transparent personnel evaluation and remuneration, we have established common standards and grades for the performance and requirements demanded by the company.

For managers, we adopted a mission grade system that categorizes the grade of a manager by the size of their role, including the scope of their current work responsibilities, authority and achievements. For non-managers, we adopted an aptitude grade system based on their ability to execute their duties.

In addition, based on discussions with their supervisors, employees set individual goals that take into account personal growth and the achievement of corporate and organizational goals. Personnel evaluations are conducted through face-to-face interviews with supervisors regarding the level of achievement of these individual goals. A final determination is made based on evaluations by multiple people.

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

As for bonuses, there are two types: corporate performance bonuses that reflect the company's performance and individual performance bonuses that reflect the personal business performance of each employee.

Employee Awareness Survey Activity & Results

Each year, we conduct the KDDI Kaitai Shinsho awareness survey targeting all employees, including contract employees. The fiscal 2018 survey focused on making the ability of organizations and the driving force of the organizational environment visible. The survey was conducted to enhance performance to achieve sustainable growth. The survey results showed that leaders of departments that have a high level of organizational competence tend to set missions or visions for their departments that help achieve the company's vision and made sure that said missions or visions are shared and embedded across the team through daily communication.

The collected data were analyzed alongside the results of hearings and then made available to all employees via the intranet. Comments and replies were also made available. A round-table discussion was held, where the leaders of departments with high organizational competence shared best practices. Based on these findings, divisions and departments are now drawing up plans to tackle issues identified within their unit to improve their organizational competence. (Respondents: 11,383 (97.0% of the targets))

Providing Long-term Incentives for (Managerial) Employees System

We have introduced a performance-linked stock compensation system as an incentive plan for managerial employees. This system is designed to provide the company's share to KDDI managers when specific requirements are met in accordance with stock grant regulations set by the company in advance. By providing incentives, the system aims to improve the awareness of managers regarding the company's performance and stock price, as well as to further encourage the execution of operations aimed at improving performance while contributing to corporate value over the medium-to-long term.

Award Program for Employees Activity & Results

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

President's Award Results (evaluation period: April 1, 2018 - March 31, 2019)

Award name	Number of awarded cases
President's Award	3
Contribution Award	1
Nice Try Award	0
Best Sales Award	3
Individual MVP Award	2

Results

Employment Status

		Male/ Female	FY2014	FY2015	FY2016	FY2017	FY2018
Number of employees*1	Unit: Person	Male (KDDI)	8,588	8,649	8,718	8,723	8,574
		Female (KDDI)	2,083	2,126	2,198	2,314	2,394
		Total (Male and Female)	10,671	10,775	10,916	11,037	10,968
		Consolidated number of employees	28,172	31,834	35,032	38,826	41,996
Average age (KDDI)	Unit: age	Male (KDDI)	41.8	42.7	42.9	43.2	43.4
		Female (KDDI)	38.2	39.2	39.3	39.4	39.4
		Total (Male and Female)	41.1	42.0	42.2	42.4	42.5
Average working years (KDDI)	Unit: year	Male (KDDI)	17.3	17.6	17.7	18.1	18.2
		Female (KDDI)	15.9	16.0	16.0	15.9	15.7
		Total (Male and Female)	17.0	17.3	17.4	17.6	17.7
Employment turnover*2 (KDDI)	Unit: %	(Total)	0.89	0.92	1.11	1.08	1.43
		(Male)	0.68	0.68	0.95	1.01	1.30
		(Female)	1.78	1.99	1.79	1.39	1.96
		(Total)	0.89	0.92	1.11	1.08	1.43
		(Male)	0.68	0.68	0.95	1.01	1.30
		(Female)	1.78	1.99	1.79	1.39	1.96

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

*2 "Employment turnover" is the calculated percentage of 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

		Early	Self	Company	Transfer	Other	Total
FY2018 Departing Employees* (KDDI)	Male	0	141	12	13	11	177
	Female	0	53	0	0	3	56
	Total	0	194	12	13	14	233

* Excludes employees who retired at retirement age

		June 2015	June 2016	June 2017	June 2018	June 2019
Number of employees with disabilities	Unit: person	350	372	403	417	417
Employment rate of persons with disabilities	Unit: %	2.11	2.19	2.38	2.53	2.54

Notes:
1. The number includes persons with disabilities who are employed at KDDI, as well as at KDDI Challenged and KDDI Engineering
2. The number is calculated by counting persons with severe disabilities as two people

Status of Hiring (KDDI)

		Gender	FY2014	FY2015	FY2016	FY2017	FY2018
Recent university graduates	Male		170	203	217	211	181
	University graduate		170	203	217	211	181
	Female		84	83	85	96	106
	University graduate		84	83	85	96	106
	Total		254	286	302	307	287
Mid-career hires	Male		38	46	46	76	102
	University graduate		37	45	45	74	95
	Other		1	1	1	2	7
	Female		7	4	9	7	9
	University graduate		7	4	9	7	9
Total		45	50	55	83	111	
Reemployment after retirement	Male		100	126	143	112	121
	Female		10	13	17	13	19
	Total		110	139	160	125	140
Non-regular employees who became regular employees		33	82	122	118	66	

Employees from Countries Other than Japan

	FY2014	FY2015	FY2016	FY2017	FY2018
Number of foreign employees (KDDI)	103	105	101	114	114
Proportion of foreigners in new employees (KDDI)	8.3%	5.2%	2.0%	3.6%	2.1%
Number of foreigners at the management level (KDDI)	6	7	10	11	10
Consolidated number of foreign employees	2,624	4,380	4,423	4,308	4,208

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

	FY2014	FY2015	FY2016	FY2017	FY2018
Temporary staff (KDDI)	3,848	3,512	3,940	4,539	4,206
Contract employees (KDDI)	3,416	3,317	3,101	2,628	2,084
Total	7,264	6,829	7,041	7,167	6,290

Employees by Age (KDDI) (As of March 31, 2019)

	Total	Male	Female
Under 30	1,396	930	466
30-39	2,454	1,825	629
40-49	4,193	3,222	971
50-60	2,922	2,594	328
61 or over	3	3	0
Total	10,968	8,574	2,394

Manager (KDDI)

	FY2014	FY2015	FY2016	FY2017	FY2018
Male Managers	3,961	4,115	4,155	4,195	4,184
Department Managers or higher	408	411	465	481	472
Section Managers	3,553	3,674	3,690	3,714	3,712
Female Managers	177	251	270	302	321
Department Managers or higher	9	11	12	17	23
Section Managers	168	240	258	285	298
Proportion of Female Department Managers or higher	2.2%	2.4%	2.5%	3.4%	4.6%
Proportion of Female Section Managers	4.5%	6.1%	6.5%	7.1%	7.4%
Newly Appointed Managers	370	390	195	209	192
Male	330	309	169	173	163
Female	40	81	26	36	29

Note: The number of managerial personnel includes KDDI managerial personnel as well as those temporarily transferred to other companies

Retention of Newly Hired Graduates (KDDI)

	Male	Female
Graduates hired in April 2016	217	85
Currently employed in April 2019	212	79

Materiality ④ Rewarding Workplaces for Diverse Talents

- Promotion of diversity and inclusion
- Human resource development and career development
- Pursuit of employee satisfaction
- Promotion of health-focused management

Labor Practices

KDDI's Approach (Labor Practices) KDDI Group Policy

We at KDDI regard the health of our employees as a key management issue as stated in the KDDI Group Declaration of Health-Focused Management. We support their health at the organizational level to foster an environment and culture where everyone can work healthfully and earnestly, maximize individual and organizational performance and ensure sustainable growth as a company. We also comply with laws relating to the prohibition of child labor and forced labor and the payment of minimum wage.

Starting Salary for University Graduates Compared to Minimum Wage 143%

* Calculated based on the minimum wage in Tokyo (985 yen / hour).
Specifically, the formula is 21 days × 985 yen × 7.5 hours
* As of April 2019

Declaration of Health-Focused Management KDDI Group Policy

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

Declaration of Health-Focused Management (April 2018)
In our mission statement we declare: "The KDDI Group values and cares about the material and emotional well-being of all its employees and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society." As the success of the company depends on a happy and energized workforce, we see the health of our employees as a key agenda for the management of the KDDI Group. We hereby declare our commitment to health-focused management, through which we will support the health of our employees at the organizational level as we strive for a prosperous future.

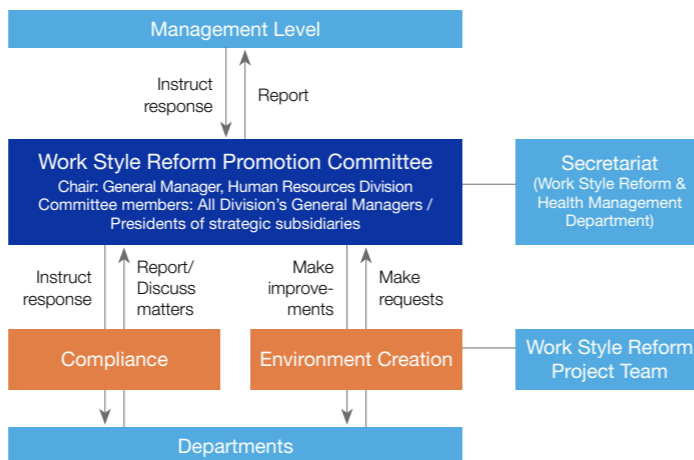
The KDDI Group will:

1. Encourage and help our employees to take proactive steps to improve and maintain their health.
2. Work closely with the KDDI Health Insurance Union and the KDDI Workers Union to improve the physical and mental health of our employees and their families.
3. Embed a "health first" culture within the group, where the pursuit of physical and mental health creates an energized and productive workforce.

Work Style Reform KDDI Group System

In January 2017, we launched full-scale initiatives for work style reform to promote fundamental changes in perspectives and behaviors toward a work style that is more productive. We also established the Work Style Reform Promotion Committee as part of the initiatives. The committee members consist of General Managers representing Divisions and the General Manager, Human Resources Division is the chair. Since April 2018, the heads of eight strategic subsidiaries have also been participants. From fiscal 2019, we launched a work style reform project team with a primary mission of creating a productive environment under the guidance of the committee and accelerated work style reforms.

Operational Framework of the Work Style Reform Promotion Committee



KDDI Evolva, Inc., KDDI Engineering Corporation, KDDI MATOMETE OFFICE CORPORATION, Chubu Telecommunications Co., Inc., BIGLOBE Inc., UQ Communications Inc., OKINAWA CELLULAR TELEPHONE COMPANY, au Financial Holdings Corporation, AEON Holdings Corporation of Japan, ENERES Co., Ltd.

Initiatives and Results of Work Style Reform in Fiscal 2018

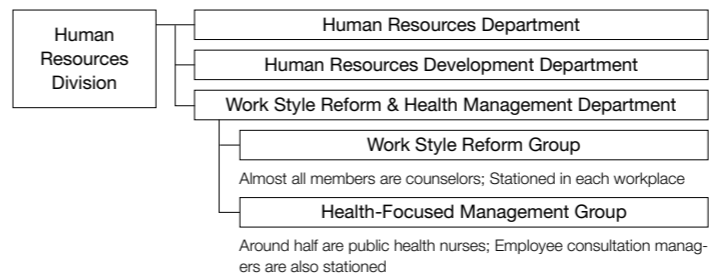
- Initiatives**
- Newly established the specialized organization Work Style Reform & Health Management Department
 - Held monthly Work Style Reform Promotion Committee meetings (topics: remedying long working hours, increasing productivity, etc.)
 - Concluded an agreement to reduce the upper limit on annual overtime to 540 hours (It had been 720 hours until fiscal 2017)
 - Made it a company-wide rule to leave work within 30 minutes of finishing work
 - Promoting the rule about leaving work by 20:00
 - Enforcing No Overtime Days and ensuring permission is granted in advance to work overtime
 - Enshrined the work interval system*¹ in the work rules
 - Created a system to record and manage employees' building entry and exit times as well as work computer log off times; Discrepancies between system logs and applications trigger alerts
 - Promoted planned usage of annual paid leave
 - Introduced robotic process automation (RPA)
 - Conducted e-learning classes for time management
 - Made internal systems accessible to mobile devices
 - Began allowing tethering for work smartphones
 - 23 departments participated in the Meeting Reform Project
 - Introduced and expanded shared offices
 - Participated in Telework Days as a special sponsor

Results

- Non-manager average overtime hours: around 4% lower than FY2017
- Number of regular employees*² who worked more than 60 hours of overtime in one month: zero

*1. The system ensures that there is an interval of at least eight hours between the end of one working period and the start of the next working period.
*2. Non-managers, excluding discretionary workers

Organization of the Work Style Reform & Health Management Department (As of April 2019)



Safety and Health Management System KDDI System

In accordance with the Labor Standards Law and the Industrial Safety and Health Act, we are engaged in a group-wide health and safety drive to secure the safety and health of workers in workplaces and facilitate the establishment of a comfortable working environment. We have established a safety and health management system, which includes general safety and health managers, safety officers, health officers, safety and health promoters, health promoters and industrial physicians in each workplace. Furthermore, from fiscal 2018, we newly appointed mental health promotion managers at workplaces with ten or more people and are actively working on mental health measures. We have also established Health and Safety Committees that plan and conduct activities as joint labor-management efforts.

Health and Safety Committees

- Established at workplaces with 50 or more workers
- Held once a month
- Topics: health-focused management, work style reform, fire prevention and disaster preparedness, mental health, overtime work, health management, traffic safety
- Important matters on safety and health are reported to the Executive Director of the Corporate Sector

Materiality ④ Rewarding Workplaces for Diverse Talents

- Promotion of diversity and inclusion
- Human resource development and career development
- Pursuit of employee satisfaction
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Labor Practices

KDDI Priority Measures Relating to Occupational Health and Safety Activity

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

■ Health-Focused Management Actions

As part of the drive to promote health-focused management in fiscal 2018, we conducted a health awareness survey of all employees and implemented measures based on the survey results. One of the measures implemented was to set up a health-focused management portal on the intranet in fiscal 2018. The portal provides useful information for improving the health of employees, including the "3-month challenge to get fit before the health exam" series, which gives easy-to-follow tips for improving lifestyle habits to get better health examination results. A set of health KPIs have been defined as targets to be achieved by fiscal 2020 to improve the health of employees.

Examples of Initiatives

- Encouraged walking
- Held seminars on sleep
- Provided healthy menu options at the company cafeteria
- Held hearings for smokers regarding bans on smoking

KDDI Promotion of Mental Healthcare Activity & Results

KDDI formulated the Mental Health Promotion Plan and is carrying it out while implementing PDCA cycles for mental health initiatives. In addition, from fiscal 2019, we stationed 36 new internal counselors across the company and began interviewing all employees. The interviews enable us to hear directly from employees and assess working conditions from perspectives that differ from those of their superiors. They also help us quickly identify employees who are showing signs of difficulty even in the absence of reports from said employees, enabling us to act promptly in cooperation with medical professionals and managers as necessary. In this way, we are creating a healthful work environment.

Examples of Initiatives

- Offering level-specific e-learning courses related to mental health
- Offering harassment prevention seminars for managers
- All regular and contract employees complete a stress check survey once a year (FY2018 survey rate: 84%)
- Based on the results, employees can consult with an industrial doctor if they request.
- The overall results are analyzed and sent to each work place to share the issues revealed, and workplaces with high stress levels are instructed to devise measures for improvement.
- Obligatory submission of medical history forms, interviews with industrial doctors and individual follow-ups by industrial health staff for employees who worked more than the prescribed number of hours of overtime
- Established the Employee Counseling Center and an external counseling office, which are staffed by industrial counselors
- We offer total support for employees when they return to work after absence due to mental health issues
 - Industrial doctors interview returnees as well as the returnee's supervisors
 - Training before returning (return-to-work program, etc.)
 - Reduced work hours after returning
 - Colleagues, industrial doctors and health staff collaborate to facilitate the returnee's smooth return to work in addition to the support provided by their supervisors

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

FY	Number
2014	103
2015	87
2016	100
2017	99
2018	112

KDDI Enhancing Employees Health Activity

■ Providing Health Exams That Exceed Legal Requirements

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

Furthermore, in partnership with the KDDI Health Insurance Union, we actively promote measures to prevent diseases from becoming severe (data health planning). The health guidance given by the union to prevent lifestyle-related diseases achieved a complete rate of 20.8% for active support and 23.6% for motivation support, and we continue our efforts to increase these rates, including continuous support on an e-mail basis. To promote better health, the union also dispatches lecturers to provide health seminars at workplaces and, in fiscal 2018, introduced a health business that provides free dental checkups.

In addition to measures taken to date, in fiscal 2019, we introduced KDDI Wakuwaku Points, which is a health point program for all employees with the goal of encouraging improvements in behavior by, for example, promoting fun exercise (walking) and changes in lifestyle habits.

■ Other Health Management Measures

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

KDDI Safety and Health Management for Employees and Their Families Transferring Overseas System

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

Furthermore, we have established and implemented the Vaccination and Health Report Guidelines for International Transferees and Business Travelers from the perspective of health management and employee safety for those transferring or traveling outside Japan. We introduced a medical return program that covers the expenses of employees or accompanying family members returning sick or injured to Japan, if an industrial doctor judges that they should receive treatment in Japan. In preparation for emergent situations, we have set up emergency evacuation services for all employees stationed or on a business trip overseas for evacuating in the event of terrorism or political instability. We also offer emergency medical transport services for the transport of severely ill or injured persons to a different country for medical treatment if necessary.

Materiality ④ Rewarding Workplaces for Diverse Talents

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Labor Practices

Diverse Work Styles

Programs That Support Diverse Work Styles

Program	Content
Telework program (Working at home)	Introduced for all employees to enable flexible work hours and to boost work efficiency. A support program was also established for employees who need to do constant childcare and/or family care, which only requires them to come into the office as little as once a month. *We were selected as a Telework Pioneer 100 certified by Japan's Ministry of Internal Affairs and Communications in April 2016
Variable working hours system	Introduced so that employees can change their prescribed working hours every month or every three months according to their volume of work. This system is also available on a monthly basis to employees requiring shortened working hours due to childcare and/or family care responsibilities.
Discretionary work system	Introduced to encourage a work style where the emphasis is placed on high performance achieved in a shorter time. As of March 2019, over 50% of the 1,900 employees in the eligible departments use this system.
Work shift interval rule	Introduced to raise awareness of a more health-focused work style. The rule stipulates that employees should rest for a minimum of eight hours between the end of a shift and the start of the next day's shift with overtime work in consideration. Additionally, health management is conducted in case they exceed a certain number of days when they cannot take 11 hours of rest.
Flexible working hours system	Introduced to encourage employees to work flexibly and autonomously. About 60% of 900 employees in the eligible departments use this system.
Shorter working hours system for parents	Introduced to support a good work and childcare balance. Employees can decide their working hours per day between 5 to 7 hours according to their children's age and summer holidays. This system is also available on a monthly basis to employees using the variable working hours system.
Shorter working hours system for caregivers	Introduced to support a good work and family care balance. Employees can decide their working hours per day between 5 to 7 hours according to their family care responsibilities. This system is also available on a monthly basis to employees using the variable working hours system. They can use this system as long as care is necessary.
Spouse accompaniment leave program	Established in April 2017 to support the work-life balance with a long-term perspective. The system allows a maximum three-year leave of absence to employees who accompany a spouse who has been assigned overseas so that they may live together. The program also applies to employees whose spouses are not KDDI employees.
Career-track employment with restricted work area (L course)	Established in 2016. L-course employees are not transferred outside the specified work area without their consent. The system enables the company to retain career-track workers who have difficulty relocating due to such factors as a changing home environment. All-area career-track employees are able to transfer to this course.

Support System for Balancing Work and Family Life

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

We also established a dedicated website that enables employees taking parental leave to stay in contact with their supervisors and take e-learning courses so that they feel comfortable during the leave of absence. After returning to work, the flexible working environment allows the returnees to choose from different work style options to suit their preference and their particular work situation, including shortened regular working hours (5-7 hours/day), variable working hours, and telework. Under these programs, more than 98% of employees who take parental leave return to work (100% for males, 98.9% for females), and the retention rate 12 months after returning is 97.4% (fiscal 2018 results).

Furthermore, we have established programs for rehiring employees who previously left the company for reasons of childbirth or family care.

While making use of shortened working hours for childcare or while overtime work is exempted or limited, employees with children in third grade or younger will not be subject to a job transfer that requires moving residence.

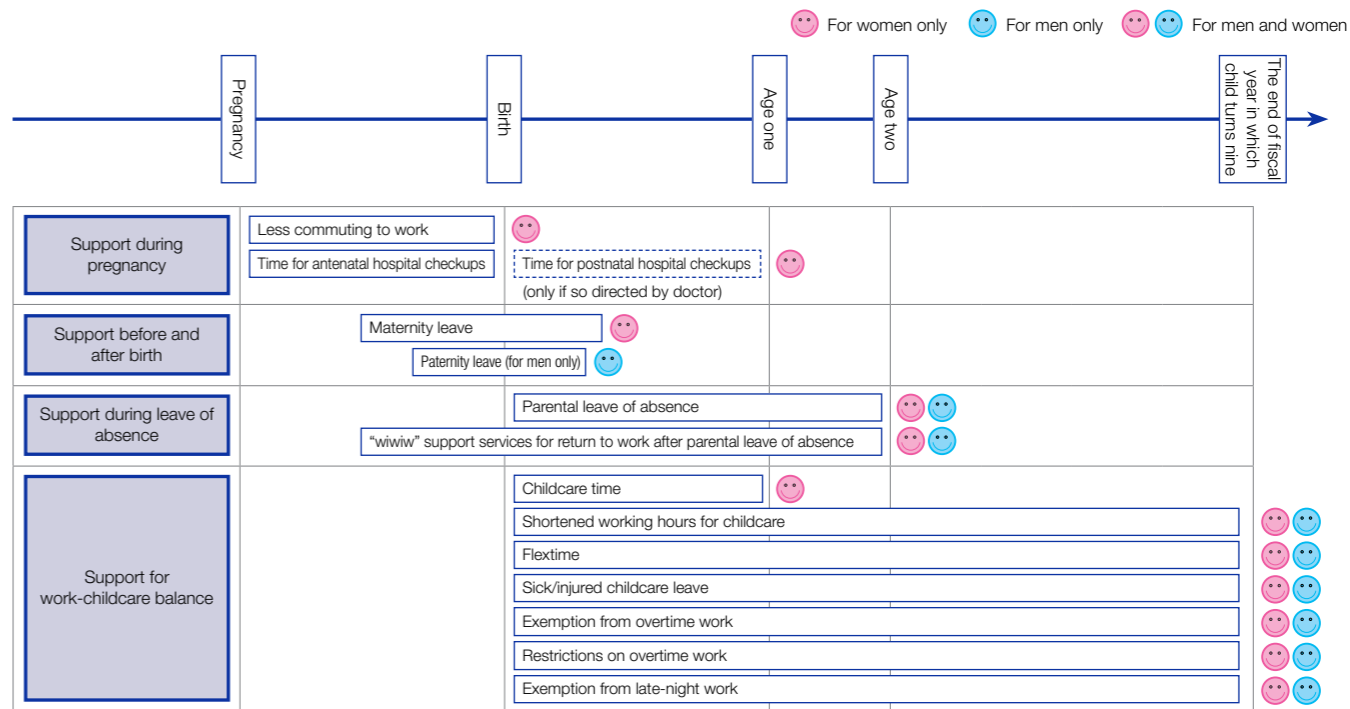
<KDDI's Efforts>

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

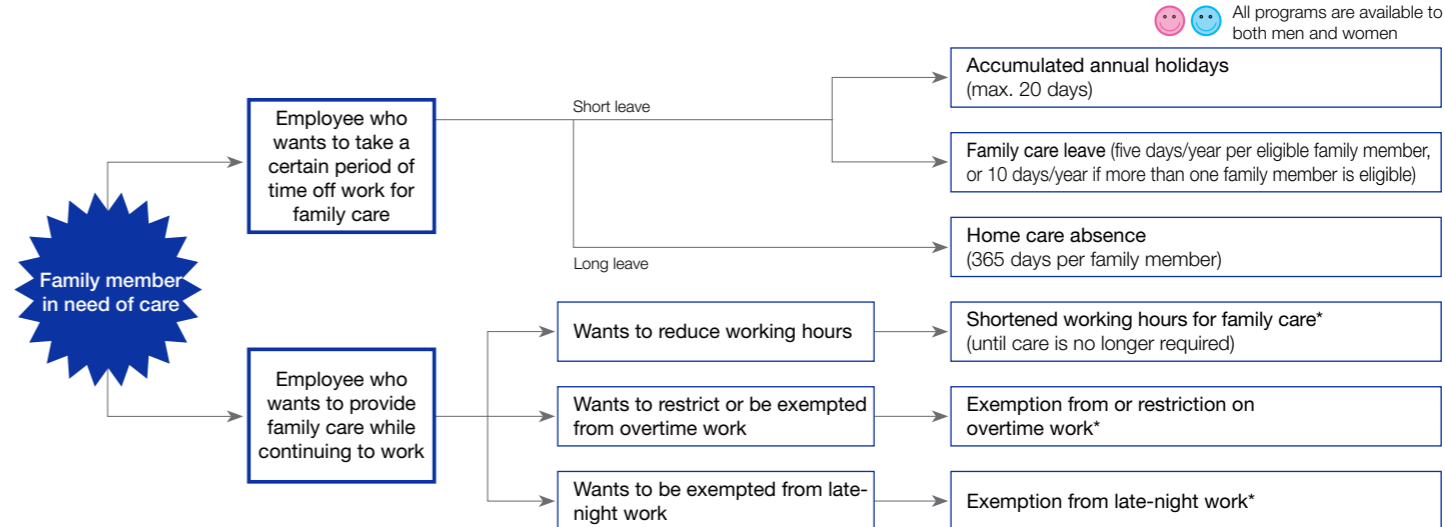
- (1) Flexible working with options to suit home and work circumstances
- (2) Seminars for employees on maternity or parental leave and for employees caring for a family member while working

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

Program for Work-Childcare Balance



Program for Work-Family Care Balance



* Can be applied together

Materiality ④ Rewarding Workplaces for Diverse Talents

- Promotion of diversity and inclusion
- Pursuit of employee satisfaction
- Human resource development and career development
- Promotion of health-focused management

Labor Practices

Efforts to Support Childcare and Family Care KDDI Activity & Results

Efforts to Support Childcare and Family Care (Excerpt)

Measure	Target	Content
Supporting return to work after parental leave of absence	Employees planning to take parental leave of absence	Hold seminars on lifestyle during parental leave of absence
	Employees planning to return to work	Hold seminars on how to increase their motivation and achieve a smooth returning to work
	Supervisors of employees planning to return to work	Share information for working mothers to develop their career
Support for male employees' participation in childcare	Male employees with spouse expecting to give birth	Grant paid paternity leave on the expected delivery date or one month following the birth (up to three days, on a day-by-day basis) • FY2018 result: 255 persons (acquisition rate: 72.2%)
Supporting a balance between work and family care	All employees	Offer lectures on how to balance between work and family care and provide booklets about in-company programs
Promoting the active role of employees with shortened working hours for childcare	Supervisors of employees with shortened working hours for childcare	Create guidebooks on measures to promote the active role of the eligible employees and publish them on the intranet

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

Usage of Childcare and Family Care Support System KDDI Results

Usage of Childcare and Family Care Support System (KDDI)

Unit: person

Program	Gender	FY2014	FY2015	FY2016	FY2017	FY2018	
Childcare	Maternity leave	Female	190	185	181	164	135
	Paternity leave	Male	328	269	279	282	255
	Parental leave of absence	Male	11	14	16	25	27
		Female	275	281	276	270	247
	Reinstatement after parental leave of absence *1	Male	100%	100%	100%	100%	100%
		Female	96.5%	96.6%	99.0%	94.4%	98.9%
	Retention after parental leave of absence *2	Male	100%	100%	88.9%	93.3%	—
		Female	100.0%	96.5%	99.0%	98.0%	—
	Shortened working hours for childcare	Male	1	2	1	3	6
		Female	394	417	440	458	469
Sick/injured child care leave	Male	320	290	344	429	471	
	Female	316	344	445	496	522	
Family care	Family care leave of absence	Male	6	7	8	8	12
		Female	5	6	5	4	6
	Family care leave	Male	80	90	107	133	180
		Female	50	63	87	117	113
	Shortened working hours for nursing care	Male	1	4	1	1	3
		Female	1	2	2	2	6

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

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

Expanding Employment Opportunities and Advancement of Persons with Disabilities KDDI Policy & System

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

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

With the aim of increasing the employment of persons with mental disabilities since fiscal 2018 as obligated, we have been continuing to expand job areas with a focus on developing diverse occupations, following pre-employment training to understand their characteristics to encourage their advancement based on the ability of each person. At KDDI, the rate of employment for persons with disabilities is 2.54%*1 (as of June 2019), which exceeds the legal requirement (2.20%).

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

Work Status of Employees with Disabilities

Work location	Work roles
KDDI Challenged	Work handled under contract from the KDDI Group, including manually disassembling mobile phones, performing maintenance on business mobile phones, handling accounting procedures, PC kitting,*2 facility maintenance and operating Refresh Room and Café Challenged
KDDI Challenged, Osaka Office	Cleaning (morning), manually disassembling mobile phones (afternoon) and operations of Café Challenged

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

Support System for Employees with Disabilities KDDI System

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

Examples of Support for Employees with Disabilities

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

Materiality ④ Rewarding Workplaces for Diverse Talents

- Promotion of diversity and inclusion
- Pursuit of employee satisfaction
- Human resource development and career development
- Promotion of health-focused management

Labor Practices

KDDI Policy, System & Activity

Promoting the Active Role of Older Workers

We have established a post-retirement re-employment program for employees who have reached the age of 60 and satisfy certain requirements, encouraging them to work as non-regular employees until age 65 at the latest. This system employs open recruiting, allowing the employees to select their desired job type and activity while creating a mechanism for former full-time employees to make full use of their skills and experience in various workplaces.

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

Furthermore, to further broaden the field of activity for senior employees, from fiscal 2019 we began supporting career development and have been working to establish a conducive environment.

KDDI Policy & System

Advancement of Foreign Employees

To ensure that employees from countries other than Japan can work comfortably in Japan and make full use of their abilities, we provide a variety of information about obtaining permanent resident status and programs relating to dependents and employee pension. In fiscal 2016, we held discussions with them to improve the working environment as the company expands globally. In addition, employee education is provided to ensure that employees from countries other than Japan are not discriminated against on the grounds of race or faith.

KDDI Policy

KDDI's Approach — Sound Labor-Management Relations

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

KDDI Results

Status of Union Membership* (KDDI)

	FY2018
Total number of union members*	10,442
Union participation rate (Percentage of employees covered by labor agreements)	98.7%

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

KDDI Policy

Creating Sound Labor-Management Relations

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

We guarantee the right to freedom of association and collective bargaining. We adopted a Union Shop Agreement that requires all employees in Japan, except for managers and non-regular employees, to join the KDDI Workers Union starting in January 2012, and we signed the Labor-Management Relations Agreement, Union Activities Agreement and Collective Bargaining Agreement with the KDDI Workers Union.

Regarding items with a significant influence on the treatment of employees, such as changes in the organizational structure and systems relating to human resources, we hold discussions with the union, and their consent is obtained before implementing any changes. Various issues relating to the improvement of working environment are also discussed regularly between labor and management, and in fiscal 2018, we had 36 meetings in total. Such discussions will be held on a regular basis in fiscal 2019 as well. The KDDI Workers Union provides union members with information about the content of negotiations between labor and management. Agreements reached in previous sessions (benefit to both sides) include: increase in fixed monthly pay, bonus payment based on company performance, introduction of the work shift interval rule, making shortened working hours for parents more flexible, eliminating the time limit on shortened working hours for caregivers, increase in the overtime premium for non-regular workers, enhancement of the system for accumulating annual paid leave, and promotion of health-focused management.

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

KDDI Group System

Pension System

We have introduced our own retirement benefit and pension system, which is managed by the KDDI Pension Fund (a separate corporation). The KDDI pension plan offered to employees is structured as a defined-benefit pension plan, and the entire amount is borne by the company (398,437 billion yen* as of the end of March 2019). KDDI Pension Fund manages the assets to be granted appropriately in the future.

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

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

KDDI System

Wellness Benefits (for employees)

Various systems	<ul style="list-style-type: none"> • Two-day weekends (Saturday, Sunday, holidays) • 121 days off per year (weekends, holidays, end and start of year: FY2018 results) • Annual paid leave (15 days for the first year, 20 days from the following year (varies with work attendance rate)) • Free vacation system (promoting taking five consecutive paid vacation days) • Special leave (for funeral, marriage, birth, childcare, etc.) • Refresh vacation • Leave before and after birth • Childcare and caregiving leave, etc.
Insurance	Health insurance, pension insurance, employment insurance, labor accident insurance, etc.
Asset creation	Various asset creation and accumulation systems, employee stock-holding association
Welfare association	KDDI Group Welfare Association (mutual aid benefits, support systems for daily life, group insurance, group life insurance, sports clubs, golf courses, department store perks, coupons for theme parks and resorts, etc.)
Residential investments	Affiliated home loans
Resorts	Around 75 contracted resorts nationwide

KDDI Results

Status of Workplace Injuries (KDDI)

		FY2014	FY2015	FY2016	FY2017	FY2018
Number of workplace accidents	Unit: case	14	20	21	23	20
Number of serious workplace accidents during construction	Unit: case	0	0	0	0	0
Frequency rate*1		0.52	0.62	0.78	0.82	0.77
Severity rate*1		0.0078	0.0024	0.0102	0.0038	0.0052
Lost time injury frequency rates*2		0.15	0.20	0.19	0.28	0.15

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

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

KDDI Results

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

		FY2014	FY2015	FY2016	FY2017	FY2018
Average overtime hours per month*1	Unit: hours/month	29.2	29.9	27.5	19.6	19.0
Average overtime allowance per month*1	Unit: yen/month	101,218	100,197	96,395	65,879	63,542
Total annual actual hours worked (average)*1	Unit: hour	1,944.6	1,941.6	1,919.2	1,892.7	1,871.4
Rate of paid holiday taken	Unit: Number of days granted	19.8	19.8	19.7	19.7	19.7
	Unit: Number of days obtained	13.1	13.1	12.8	13.5	14.2
	Unit: %	66.4	66.3	65.1	68.5	71.9
Average annual salary*2	Unit: yen	9,763,079	9,510,045	9,532,136	9,363,399	9,528,103

*1 Applicable to KDDI employees in non-managerial positions

*2 Average annual salary includes bonuses and extra wages

Materiality ⑤



Respect for Human Rights and Fairness in Business

- Pursuit of sustainable procurement
- Prevention of corruption and bribery
- Respect for workers' rights
- Promotion of fair and proactive communication

KDDI's Approach

Our Recognition of Social Issues

As value chains expand globally, there is growing scrutiny of the impact of corporate attitudes toward and activities supporting human rights in global society.

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

Our Risks and Opportunities

- We assume there are social and economic risks where, through the products and services provided by KDDI, customers become involved in mischief or crime committed through the internet, cell phones, or smartphones. In particular, we are concerned that the rights of the socially weak (children, the elderly, the disabled, etc.) may be infringed. In educational environments, there is a growing need for data literacy education to enable children to properly use ICT equipment without getting caught up in mischief or crime.
- We are aware that turning a blind eye to human rights violations can damage the value of corporate brand and hamper the development of a sustainable society. We believe that efforts to eradicate human rights violations from business activities and from the wider society can contribute to KDDI's business growth.

KDDI's Management

- We at KDDI respect the KDDI Code of Business Conduct and the KDDI Group Human Rights Policy. We will eliminate discrimination based on race, faith, gender, social status, religion, nationality, age, sexual orientation, gender identity, family responsibilities (including pregnancy) or (dis)abilities as well as correcting and eliminating labor practices that violate human rights, such as child labor and forced labor.
- We have set up a governance framework consisting of a range of committees, including the Business Ethics Committee and Sustainability Committee, to drive our efforts. We also run initiatives to enhance our employees' understanding and practice of the KDDI Group Philosophy and the Code of Business Conduct throughout the year.

- We established the Business Ethics Helpline, which is available anytime, to receive reports or provide consultation regarding violations of business ethics, laws, or regulations through an internal or external contact point established in collaboration with external experts. Contact points can be reached by e-mail, phone call or letter, in multiple languages. To protect whistleblowers, reports can be made anonymously, and we work to protect privacy in surveys.
- With our suppliers, we build partnerships on mutual trust and conduct business in a fair and equitable manner. We also use tools such as Responsible Procurement Surveys to ensure suppliers' compliance.
- KDDI Smartphone and Mobile Phone Safety Classes are held by certified employee lecturers who go around to schools all over Japan. Through these classes, we teach children how to safely communicate through smartphones and mobile phones. We also raise awareness and foster greater understanding of human rights on the internet.

FY2019 Material KPIs

[Web Link](#) FY2019 Material KPIs

Moving Forward

- Pursuit of sustainable procurement
- Respect for workers' rights
- Prevention of corruption and bribery
- Promotion of fair and proactive communication

Initiatives

- Human Rights → P.63-64
- Youth Education Activities → P.65
- Compliance → P.65-67
- Supply Chain Management → P.68-69

Human Rights

KDDI's Approach

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

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

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

Human Rights Initiatives

The KDDI Group considers the International Bill of Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work to be the most fundamental policies for human rights. The KDDI Code of Business Conduct, which serves as a guideline for behavior of officers and employees, defines our basic principles on respecting human rights and individual characteristics throughout all our business activities, and we carry out initiatives while consulting the UN Guiding Principles on Business and Human Rights. The KDDI Group Human Rights Policy, established in 2016, declares our efforts in all group companies to respect international standards such as the Universal Declaration of Human Rights, as well as to prevent and reduce negative influences on human rights and to promote education on the issue. We have also set up a Human Rights Subcommittee under the Sustainability Committee and established a Sexual Harassment and Human Relationships Hotline staffed by external counselors and a Harassment Hotline staffed by employees at the Human Resources Department, as points of contact to which employees can report their concerns. In addition, in the KDDI Guidelines for Responsible Supply Chain, we prohibit forced labor, inhumane treatment, child labor and discrimination, and our business partners are requested to understand and follow the guidelines.

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

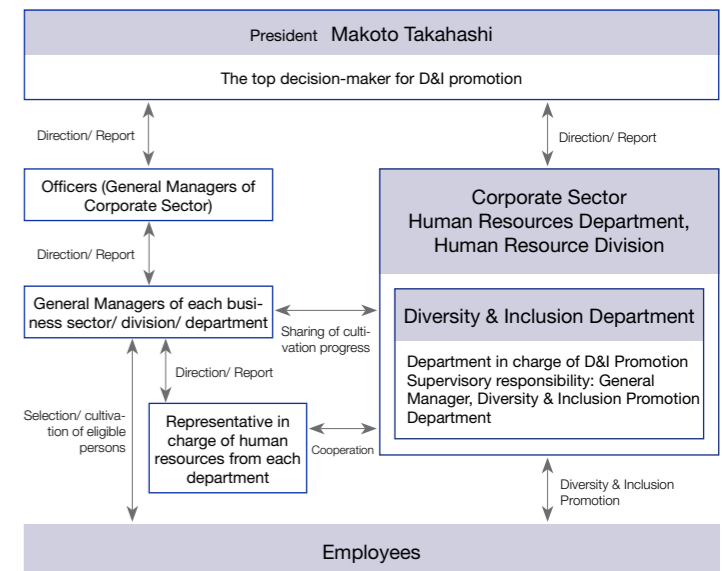
We have established the following organizational arrangement to promote diversity:

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

KDDI's D&I Promotion System

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

KDDI's D&I Promotion System



Materiality ⑤ Respect for Human Rights and Fairness in Business

- Pursuit of sustainable procurement
- Prevention of corruption and bribery
- Respect for workers' rights
- Promotion of fair and proactive communication

Human Rights

Initiatives to Promote LGBT Equality KDDI Activity

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

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

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

■ Increase Allies

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

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

■ Other Initiatives

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

Employee Awareness Raising KDDI Group Activity

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

Enhancing Our Efforts in Business and Human Rights KDDI Activity

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

■ Business for Social Responsibility (BSR)

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

[Web Link](#) Business Ethics Helpline (Grievance Mechanism) >

External Recognition KDDI Activity & Results

[Web Link](#) External Recognition >

Youth Education Activities

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

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

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

Initiatives through KDDI Smartphone and Mobile Phone Safety Classes KDDI Activity

KDDI sends certified lecturers to visit elementary, middle, and high schools all over Japan. The lecturers teach children rules and manners to abide by when using a smartphone or mobile phone and go over teachable examples of trouble and incidents related to smartphones, mobile phones, and the internet. The classes are designed to enable children to use their own judgment and thereby avoid risks. Since its launch in fiscal 2005, a total of 29,000 classes have been held with over 5,310,000 attendees. There is a wide variety of human rights-related risks posed by the internet, and people need to be careful not to spread misinformation or write hurtful comments on social media, post identifying information, or too easily trust people met online. These topics are covered by the lectures, and we are working to enable children to safely use information technology while protecting their human rights.

[Web Link](#) Community Participation: List of Initiatives >

Compliance

KDDI's Approach KDDI Group Policy

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

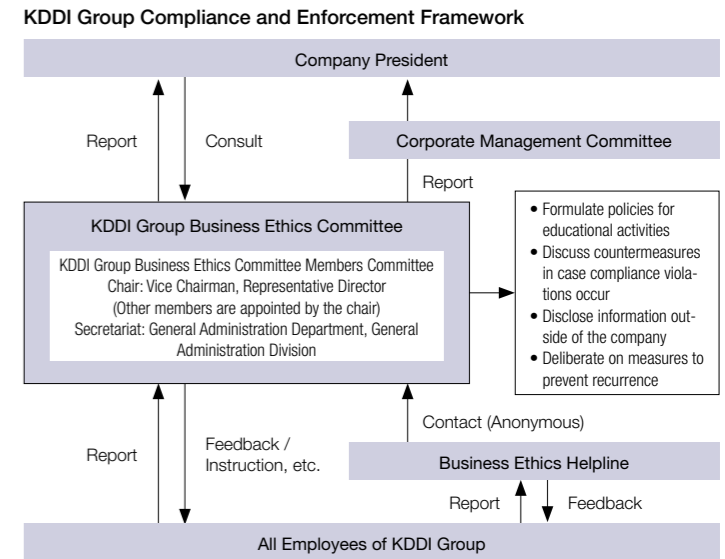
As a global corporate group, we continue to further enforce our group-wide compliance framework.

KDDI Group Compliance and Enforcement Framework KDDI Group System

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

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

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



Materiality ⑤ Respect for Human Rights and Fairness in Business

- Pursuit of sustainable procurement
- Prevention of corruption and bribery
- Respect for workers' rights
- Promotion of fair and proactive communication

Compliance

Compliance Education, Training and Awareness Raising KDDI Group

Activity & Results

Examples of Initiatives in FY2018

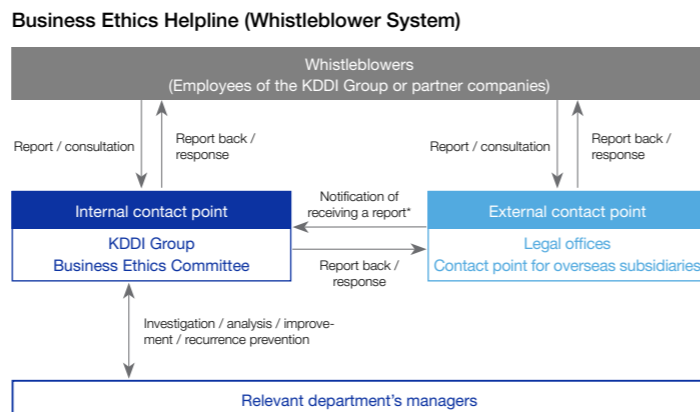
- Target: All KDDI employees
Promotion of the KDDI Group Philosophy
Monthly email newsletter related to promoting the KDDI Code of Business Conduct
- Target: Managers, Group leaders
Seminars and training for violation case studies
- Target: New line managers
Training related to bullying and harassment
- Target: KDDI Group Business Ethics Committee Staff
Participation in seminars on the internal reporting system and other topics
- Target: Group company executives
Training to instill a leadership mentality, the importance of compliance management, legal knowledge and accounting knowledge.

[Web Link](#) Sustainability Promotion Framework (KDDI Group Philosophy, KDDI Code of Business Conduct) >

Business Ethics Helpline (Grievance Mechanism, Whistleblower System) KDDI Group

System

We established the Business Ethics Helpline in 2006 to serve as a contact point for all employees of KDDI, KDDI Group companies and business partners who have questions or concerns about business ethics and legal compliance. The helpline is available anytime and can receive reports through an internal or external contact point established in collaboration with external experts (Reports can be received by e-mail, phone call or letter, in multiple languages).
Furthermore, we have enabled anonymous consultation and reporting based on the Whistleblower Protection Act enacted in Japan in April 2006. In 2018, there were 330 consultations and reports, but there was no consultation or reporting of serious issues that require external announcement.
The KDDI Group Business Ethics Committee investigates the issues consulted on and reported as required while protecting privacy, and when the problems are detected, the committee members as well as the management team and the Audit & Supervisory Board members review the report and take corrective actions along with measures to prevent recurrence.



* Consultations that the external contact point received are relayed to the internal contact point, keeping anonymity for the whistleblowers

Compliance Consultations Received in the Last Two Years (KDDI Group)

Consultations	FY2017	FY2018
Compliance consultations	257	330
Breakdown: harassments	120	151
Breakdown: other compliance violations	137	179

[Web Link](#) Promotion of the KDDI Group Philosophy and KDDI Code of Business Ethics >

Basic Policy for Eliminating Organized Crime Groups and Status of Implementation KDDI Group

Policy

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

Anti-Corruption Measures KDDI Group

System

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

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

Secretarial Department
For any political donations we make, we observe the Political Funds Control Act and follow the KDDI Code of Business Conduct and the KDDI Guidelines for Responsible Supply Chain.
In fiscal 2018, we made political donations totaling 6 million yen in Japan, and there were no cases of legal action against us concerning corruption or bribery.

Preventing Anti-Competitive Behaviors KDDI Group

Policy

The KDDI Code of Business Conduct defines rules that prohibit anti-competitive behaviors, and we make efforts to ensure that all employees comply with competition laws.
In addition to competition laws, we stipulate that local laws and regulations in each country and region on labor, tax, the environment, monopolies and consumer protection must be examined thoroughly to ensure full compliance.
Under the KDDI Guidelines for Responsible Supply Chain, we demand our business partners to not engage in any activities that inhibit fairness, transparency or freedom of competition.
In fiscal 2018, there were no legal actions against us concerning anticompetitive or monopolistic conduct.
We fully adhere to these related regulations and continue the appropriate business operations.

Responsible Tax Practice KDDI Group

Policy & System

We at KDDI Group pursue the satisfaction and benefits of our customers while fulfilling our social responsibilities by maintaining and enhancing international tax compliance and paying tax appropriately, adhering to international rules and tax-related laws and regulations in each country and region. In fiscal 2018, we paid 309,149 million yen of corporate income tax, which accounts for 30.6% of gross income.
As KDDI Group businesses become increasingly multinational and have more international transactions, our top management is working to promote a tax strategy that properly recognizes international tax risks and regards such risk as an important issue that is directly linked to management. In addition, the head office is engaged in education for employees across the world and receives technical tax practice support from external specialists. With these initiatives, we strive to maintain and improve tax governance.

Efforts to Establish Good Relations with Tax Authorities
In an effort to reduce tax risks, we have improved the transparency of our tax practices by submitting appropriate information and checking the appropriateness of our tax practices with tax authorities in advance as required, building trust with tax authorities in each country.

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

Materiality ⑤ Respect for Human Rights and Fairness in Business

- Pursuit of sustainable procurement
- Respect for workers' rights
- Prevention of corruption and bribery
- Promotion of fair and proactive communication

Supply Chain Management

KDDI's Approach (Supply Chain Management) Policy

In today's world where globalization has progressed, corporate procurement activities are influenced by social issues around the world. We believe that driving sustainability initiatives not only within the company but throughout our supply chain will make our business more sustainable. KDDI will further improve our responsible procurement standards to strengthen partnerships with our business partners while collaborating with them to prevent human rights and safety and health labor issues from occurring. In addition, we are enhancing the various forms of support we provide to distributors, who are important partners.

KDDI Sustainable Procurement Policy

As a general telecommunications operator that supports social infrastructure, we have implemented supply chain risk management with all business partners inside and outside Japan in line with the KDDI Sustainable Procurement Policy since February 2014 to fulfill our social responsibility at a higher level and avoid procurement risks as far as possible. The policy defines seven themes for appropriate supply chain management: Co-existence and Co-prosperity with Business Partners, Consideration of Global Environment, Fair and Equitable Trade, Considerations for Human Rights and Labor Environment, Fair Management of Information, Ensuring Quality and Safety, and Co-existence with Society. To offer satisfactory services to our customers and achieve the sustainable development of the company and society together with our business partners, we are extending our demands and support based on this policy to all business partners inside and outside Japan.

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

In fiscal 2018, we conducted Responsible Procurement Surveys targeting our primary suppliers on problems regarding responsible procurement, including human rights violations and trade in conflict minerals among primary and secondary suppliers. We also confirmed compliance with the KDDI Sustainable Procurement Policy.

[Web Link](#) KDDI Sustainable Procurement Policy

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

We established the KDDI Guidelines for Responsible Supply Chain as a policy for implementing the Procurement Policy and published them on our website. The guidelines were formulated based on the Electronic Industry Citizenship Coalition (EICC) code of conduct and the *Supply-Chain CSR Deployment Guidebook* published by the Japan Electronics and Information Technology Industries Association (JEITA). The guidelines provide criteria for the environmental and social impacts to consider when selecting business partners and procurement items, in addition to quality, price, delivery, and stability of supply.

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

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

[Web Link](#) KDDI Guidelines for Responsible Supply Chain

[Web Link](#) Promoting Green Procurement

KDDI Conflict Minerals Activity

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

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

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

KDDI Promoting Responsible Procurement Activity

Responsible Procurement Surveys

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

The survey is based on the *Supply-Chain CSR Deployment Guidebook* (Check Sheet) published by JEITA, consisting of 130 questions related to the seven themes of human rights and labor, safety and health, environment, fair and ethical trade, quality and safety, information security, and contribution to society and others deemed pertinent to the company. In fiscal 2018, we asked our key business partners representing approximately the top 90% of the total value of orders to answer the survey and received responses from over 90% of them.

Primary Supplier Inspections

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

In fiscal 2018, we conducted inspections of a total of four companies. We inform each company of the results as feedback. If correction is necessary, we create an action plan and work on the improvement jointly with the company.

KDDI Initiatives to Improve Employees' Procurement Skills System

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

KDDI Support for Personnel Training at au Shops Activity

We at KDDI consider that improving the service quality of au shops—as specialty stores for a telecommunications operator—and other au distributors to be particularly important to maximizing positive customer experiences. We continue to support them in various ways to further improve the skills of the staff.

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

Moreover, KDDI employees periodically conduct data security audits at au shops and provide feedback based on the audit results. In this way, we are working to raise security awareness among staff handling personal information and to improve the accuracy of operations.

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

KDDI Support for Distributors System

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

Materiality ⑥ An Energy-Efficient, Circular Economy



- Energy efficiency improvement and utilization of clean energy
- Zero emissions and 3Rs
- Mitigation of society's impact on environment through ICTs

KDDI's Approach

■ Social Issue

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

■ Our Risks and Opportunities

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

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

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

■ Management Framework

KDDI Environmental Charter

- Manifesto

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

- Action Guidelines

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 the 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.

FY2019 Material KPIs

[Web Link](#) FY2019 Material KPIs

Moving Forward

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

Initiatives

- Environmental Management → P.71–76
- Environmental Performance → P.77–85

Environmental Management

KDDI's Approach

Our attitude toward environmental conservation is defined in the KDDI Environmental Charter, which regulates the Manifesto (Approach to Global Environmental Problems), which is its highest concept, and the Action Guidelines for setting the direction of its concrete initiatives.

Climate Risks and Opportunities

According to the Intergovernmental Panel on Climate Change (IPCC), global warming is undoubtedly real. They consider that this to be most likely caused by human activities such as economic growth and an increasing population.

We see the climate risks as significant business challenges, while we believe our opportunities lie in cutting greenhouse gas emissions to mitigate climate change and in reducing the adverse impacts of doing so.

■ Our Risks and Opportunities from Regulations

Some national and regional regulations and policies influence corporate business activities, such as energy-saving standards, carbon taxes, and emissions trading. We consider them our potential risks to business continuity and growth. They can also lead to business growth as we build environmentally responsible base stations complying with such regulations, and as we offer eco-conscious services in each country and region, using ICTs.

■ Our Risks from Natural Disasters and Opportunities in Building Resilience

Global warming has caused extreme weather events such as larger typhoons and heavy rain, bringing damage worldwide. Natural disasters also damage our telecommunications facilities, which would pose risks to our business continuity. On the other hand, there is a growing demand globally for disaster risk reduction measures. We are working to expand our business by offering anti-disaster measures that use ICTs such as monitoring systems and disaster risk reduction (DRR) systems.

■ Our Other Risks and Opportunities

A lack of action against climate change can in itself be a business continuity risk of, for example, a decline in market competitiveness and in stakeholder trust. We have set long-term objectives to mitigate climate change, and we believe that providing environmentally conscious services leads to business expansion and can also help achieve SDG 7: Affordable and clean energy.

[Web Link](#) Message from Executive Officer of Sustainability

Scope of Reporting on Environment-Related Information

[Web Link](#) Range of Environmental ISO Certification (KDDI Group ISO 14001 Certification Acquisition)

[Web Link](#) Environmental Accounting Scope of Calculation (Scope of Environmental Accounting)

[Web Link](#) Environmental Impact Scope of Calculation (Environmental Impact of FY2018 Business Activities)

Materiality ⑥ An Energy-Efficient, Circular Economy

- Energy efficiency improvement and utilization of clean energy
- Zero emissions and 3Rs
- Mitigation of society's impact on environment through ICTs

Environmental Management

The Fourth Environmental Conservation Plan: KDDI Green Plan 2017-2030 KDDI Policy

We are promoting a new Environmental Conservation Plan: KDDI Green Plan 2017-2030. This long-term plan is based on the objectives of the Paris Agreement adopted at COP21 in 2015 and Japan's Plan for Global Warming Countermeasures. Our plan targets a 7% reduction in CO₂ emissions from the fiscal 2013 level by fiscal 2030, and, in order to achieve this, we continue our efforts to reduce CO₂ emissions by implementing renewable energy and other measures.

We will disclose our progress each year as well as improve and revise the plan when we need to.

[Web Link](#) KDDI Green Plan 2017-2030 FY2018 Results



Climate Action

- 7% reduction in CO₂ emissions in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated) *
- Upgrading to highly energy-efficient data centers in Japan and abroad
- Contributions to reductions in society's CO₂ emissions by providing KDDI's information and communication technology (ICT) services

* KDDI's target emission reduction of 7% compared to FY2013 matches the 7% industry target in Japan's national Climate Action Plan. In order to achieve this target, KDDI will make use of various approaches to reduce emissions, including the use of renewable energy.

Creating a Recycling-Oriented Society

- Maintain zero emissions from retired telecommunication facilities *
- Maintain material recycling rate of 99.8% for used mobile phones

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

Conservation of Biodiversity

- Active promotion of initiatives using ICTs to conserve ecosystems

Environmental Management KDDI Group System

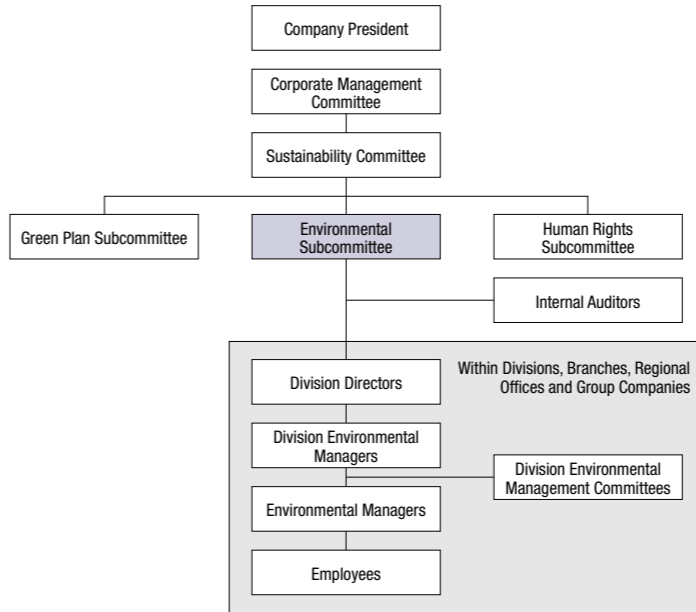
Management Structure

In order to clearly state our approach to integrating the sustainability of the environment into our business operation, the Sustainability Committee discusses material environmental issues. The results of such discussion are shared at the Environmental Subcommittee, which is headed by the Executive Officer of Sustainability as the chairperson and organized by the Sustainability Department as the secretariat, with the managers of each division and Group company that has acquired ISO 14001 certification to be reflected in their objectives. The Green Plan Subcommittee, which was established in fiscal 2017, monitors and drives progress on the targets in the KDDI Green Plan 2017-2030.

Environmental Management System

KDDI Group has formed the Environmental Management System (EMS) with the Environmental Subcommittee at the center. This subcommittee manages the status of EMS operations carried out by each division, regional office, Group company, and related organization and leads cooperation at each Group company to promote efficient environmental conservation activities.

KDDI Group's Environmental Management Structure



Internal Environmental Audits KDDI Group System

We at KDDI Group conduct internal environmental audits as required by ISO 14001. Auditors are selected from each regional office by the Sustainability Department to ensure objectivity and independence.

In fiscal 2018, 24 divisions and 33 offices in KDDI and group companies were audited. Referring to the internal environmental audit results of fiscal 2017, emphasis was placed on (1) reflecting each corporate issue to its environmental targets, (2) compliance with environmental laws and regulations, (3) EMS operation, and (4) responding to requirements of new standards. Self-checks using a check sheet were conducted along with audit interviews by auditors. There were no non-conformances, and 187 items requiring revision or receiving proposals.

KDDI Group ISO 14001 Certification Acquisition (certified by Japan Quality Assurance Organization, JQA)

As of the end of March 2019: KDDI Corporation, OKINAWA CELLULAR TELEPHONE COMPANY, KDDI Evolva Inc., KDDI Evolva Okinawa Inc., KDDI Research, Inc., KDDI Technology Corporation, KDDI Engineering Corporation, mediba Inc., Japan Telecommunication Engineering Service Co., Ltd., KDDI Group Foundation, KDDI Health Insurance Union, KDDI Pension Fund, KDDI Web Communications Inc., KDDI Challenged Corporation, KDDI Foundation, TELEHOUSE International Corporation of Europe Ltd., Chubu Telecommunications Co., Inc., WebMoney Corporation, KDDI MATOMETE OFFICE CORPORATION, KDDI MATOMETE OFFICE HIGASHINIHOON CORPORATION, KDDI MATOMETE OFFICE CHUBU CORPORATION, KDDI MATOMETE OFFICE KANSAI CORPORATION, KDDI MATOMETE OFFICE NISHINIHOON CORPORATION, Kokusai Cable Ship Co., Ltd. 24 companies/organizations in total are certified

[Web Link](#) ISO 14001 Certification

Materiality ⑥



An Energy-Efficient, Circular Economy

- Energy efficiency improvement and utilization of clean energy
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- Mitigation of society's impact on environment through ICTs

Environmental Management

Compliance with Environmental Laws and Regulations KDDI Group System

Compliance with Various Environmental Management Laws and Regulations

In order to prevent or reduce environmental impacts by our business activities, we strictly comply with national environmental laws and regulations, as well as with local ordinances and agreements. There were no violations of environmental laws and regulations in fiscal 2018.

<Related Laws and Regulations>

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

Appropriate Processing of PCB-containing Equipment

We are promoting the disposal of retired equipment that contains PCBs. We are continuing to dispose of remaining equipment containing high-concentration PCBs and low-concentration PCBs.

Acquiring the Eco ICT Mark KDDI Activity

We acquired the Eco ICT Mark established by the ICT Ecology Guideline Council.

* Part of our endeavor to be environmentally conscious and reduce our environmental impacts.

Education and Awareness Raising for Employees KDDI Group Activities & Results

We believe that enhancing the environmental awareness of all employees and encouraging them to better understand environmental issues are essential to promote our environmental activities.

Initiatives	Target	Details/Results
Briefing session at the beginning of the term	KDDI Group Environmental ISO Representatives	Themes: KDDI's EMS, environmental laws and regulations, details of new regulation revisions. Participants: Attended by representatives from 16 out of 18 companies (89% of target companies)
Training of internal environmental auditors		Held study sessions to train 4 auditors
e-learning	All Employees of KDDI Group	Theme: KDDI Environmental Eco Label Participants: 12,122 (88.4% of the target)

Promoting Green Procurement KDDI Policy

We formulated the KDDI Green Procurement Guidelines to promote purchasing of more environmentally conscious products and business equipment (communication devices, air conditioning systems and power supply facilities) with high energy-saving performance. The Guidelines target the devices defined in the latest Ecology Guideline for the ICT Industry specified by the ICT Ecology Guideline Council.

We also confirm our business partners' response toward environmental management, using the Responsible Procurement Surveys.

[Web Link](#) [Supply Chain Management](#)

Response to Law on Promoting Green Purchasing

KDDI has a lineup of products that meet the requirements of the Japanese government's Law on Promoting Green Purchasing.

[Web Link](#) [State of Compliance with Green Purchasing Law \(Japanese\)](#)

[Web Link](#) [List of Compatible Models with Green Purchasing Law \(Japanese\)](#)

[Web Link](#) [Product Line-Up](#)

Cooperation with Business Partners KDDI System

We continuously cooperate with our business partners to make our base stations lighter in weight and more energy efficient. In collaboration with our base station equipment suppliers we have developed equipment that is lighter and consumes less power (decreases of about 45% and 22%, respectively, compared to conventional models) and have been introducing this equipment since fiscal 2015.

We will continue to promote approaches to business partners and work with suppliers to reduce our environmental impacts.

Self-Assessment Checklist for CO₂ Emission Reduction from Energy Conservation Efforts by Telecommunications Services Provider KDDI Results

	Assessment items	Implementation, measures taken
Preparation of a voluntary ecological action plan	1 Has a voluntary ecological action plan stipulating various efforts directed at reducing CO ₂ emissions through energy conservation been created and is it being executed?	We have formulated and are implementing medium-term environmental conservation plans based on the KDDI Environmental Charter Web Link KDDI Environmental Charter
	2 Does the ecological policy include specific efforts stipulating numerical targets for the reduction of CO ₂ emissions through energy conservation?	The fourth environmental conservation plan (KDDI Green Plan 2017-2030) included the following targets <ul style="list-style-type: none"> • 7% reduction in CO₂ in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated) • Build highly energy-efficient data centers in Japan and abroad • Contribute to reductions in society's CO₂ emissions by providing KDDI's ICT services • Maintain zero emissions from retired telecommunications facilities • Achieve final disposal rate of 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less) • Maintain material recycling rate of 99.8% for post-consumer mobile phones • Actively promote initiatives that use ICTs to conserve ecosystems Post-consumer mobile phones collected over 5 years (aggregated): 6 million (Target for FY2018-FY2022) Web Link The Fourth Environmental Conservation Plan - KDDI Green Plan 2017-2030
	3 Is the ecological policy documented and disseminated inside and outside of the company? Does the company carry out activities to inform and enlighten its employees? Is the company working to raise ecological awareness?	<ul style="list-style-type: none"> • The environmental conservation plan is disclosed within and outside the company in the <i>Sustainability Report</i> and on the corporate website • We also provide e-learning program and internal seminars for employees as needed Web Link Education and Awareness Raising for Employees
	4 Does the company disclose to the general public its activities and data such as CO ₂ emission reduction?	The progress toward the achievement of the trend targets for the medium-term environmental conservation plan is disclosed in the <i>Sustainability Report</i> and on the corporate website
Efforts relating to Procurement	5 In regard to ICT equipment and data center services, has the company prepared a procurement standard based on assessment standards specified in this Guideline? Is procurement carried out in accordance with the standard?	We conduct procurement activities in accordance with the KDDI Green Procurement Guidelines Web Link Promoting Green Procurement
	6 Is the company cognizant of energy conservation in procuring office equipment, supplies and logistics (e.g., green purchasing)?	KDDI promotes green purchasing under the KDDI Sustainable Procurement Policy Web Link Supply Chain Management
Promotion regime	7 In relation to efforts to reduce CO ₂ emissions through energy conservation, has the company assigned a person or department to be responsible for such matters?	The Sustainability Department was established
	8 Is there a regime in place using internal audits or other means to keep appropriate track of the implementation of measures and achievement of targets set forth in the voluntary ecological action plan?	We monitor the implementation and the achievement level, conduct inspections and improve through internal audits under the Environmental ISO Management System
Other ecological activities	9 Are ecologically friendly efforts being made other than activities to save energy?	We consider the promotion of 3Rs (Reduce, Reuse, Recycle) to also be a significant issue and are committed to the following initiatives: <ul style="list-style-type: none"> • Promotion of recycling communication facilities and achieving higher recycling rate • Promotion of recycling post-consumer mobile phones and achieving higher recycling rate • Reduction in paper resource use via Green by ICTs (Bill on Web, KDDI paperless fax service, slimmed down au mobile phone manual, compact individual packaging, etc.) • Reduction in office waste and achieving higher recycling rate We are also engaged in improving the supply chain by dealing with Scope 3 and promoting LCA and in conserving biodiversity. Web Link Environmental Performance (Low-Carbon Society) Web Link Environmental Performance (Recycling-Oriented Society) Web Link Environmental Performance (Biodiversity)
	10 Is the company involved in ecological preservation activities in collaboration with local communities?	We implement environmental conservation activities together with our employees and our customers across Japan Web Link Environmental Conservation Activities by Employees

Materiality ⑥ An Energy-Efficient, Circular Economy

- Energy efficiency improvement and utilization of clean energy
- Zero emissions and 3Rs
- Mitigation of society's impact on environment through ICTs

Environmental Management

Environmental Accounting KDDI Group Policy

We have implemented environmental accounting since 2010 as an effective measure to quantitatively evaluate the costs and results of our environmental activities. We analyze calculated costs and results to conduct more efficient environmental management.

<FY2018 Scope of Environmental Accounting>
 • Period: April 1, 2018 to March 31, 2019
 • Scope of calculation: 32 KDDI Group companies*
 • Calculation standard: Environmental Accounting Guidelines 2005 formulated by the Japan's Ministry of Environment, KDDI Environmental Accounting Guidelines

Environmental protection costs	Transaction examples	FY2017 (millions of yen)		FY2018 (millions of yen)		Change from previous year (millions of yen)	
		Investment	Cost	Investment	Cost	Investment	Cost
Business operation area costs	Pollution prevention costs	0	0	0	27	0	27
	Global environmental protection costs	734	21,810	220	18,879	(514)	(2,931)
	Resource recycling costs	0	1,313	0	711	0	(603)
Upstream/downstream costs	Collection, recycling and reuse of merchandise and products	0	1,029	0	991	0	(38)
Management costs	Operation and updating of environmental ISO standards, disclosure of environmental information	0	125	0	137	0	12
R&D costs	R&D of technology, equipment, handsets, products and services conducive to reducing the environmental impacts	0	95	0	47	0	(47)
Social activity costs	Donations and support for forest conservation activities and to environmental conservation groups	0	58	0	50	0	(7)
Environmental damage restoration costs	Asbestos survey	0	0	0	0	0	0
Total		734	24,430	220	20,842	(514)	(3,588)

* KDDI CORPORATION, KDDI Web Communications Inc., mediba Inc., KDDI Research, Inc., KDDI Technology Corporation, KDDI Engineering Corporation, KDDI Evolva Inc., KDDI Evolva Okinawa Inc., KDDI Challenged Corporation, WebMoney Corporation, KDDI MATOMETE OFFICE CORPORATION, KDDI MATOMETE OFFICE HIGASHIHIHON CORPORATION, KDDI MATOMETE OFFICE CHUBU CORPORATION, KDDI MATOMETE OFFICE KANSAI CORPORATION, KDDI MATOMETE OFFICE NISHIHIHON CORPORATION, OKINAWA CELLULAR TELEPHONE COMPANY, Okinawa Telecommunication Network Co., Inc., Japan Telecommunication Engineering Service Co., Ltd., Chubu Telecommunications Co., Inc., Kokusai Cable Ship Co., Ltd., UO Communications Inc., BIGLOBE Inc., TELEHOUSE International Corp. of Europe Ltd. (UK), TELEHOUSE International Corp. of Europe Ltd. (France), TELEHOUSE International Corp. of America (US), TELEHOUSE Deutschland GmbH (Frankfurt), HKCOLO.NET Ltd. (Hong Kong), TELEHOUSE Beijing BEZ Co., Ltd. (Beijing), TELEHOUSE Beijing BDA Co., Ltd. (Beijing), TELEHOUSE Shanghai Co., Ltd. (Shanghai), KDDI Singapore Pte Ltd. (Singapore), TELEHOUSE International Corp. of Vietnam (Hanoi)

1. Environmental conservation benefits (physical)	Indicator category (unit)	FY2017	FY2018	Change from previous year
(1) Benefits for business operation area	Power consumption (MWh)	2,992,240	3,157,389	165,149
	Paper usage (t)	7,630	11,012	3,382
	Paper reduced by Bill on Web (t)	3,902	4,041	138
	Greenhouse gas emissions (t-CO ₂) *	1,526,737	1,557,489	30,752
(2) Benefits for upstream/downstream costs	Industrial waste emissions related to telecommunications facilities and buildings (t)	4,937	3,103	(1,834)
	Number of post-consumer mobile phones and other devices collected (10,000 units)	315	288	(28)

2. Economic benefits of environmental conservation measures (yen)	Substantial benefits (Major effects)	FY2017 (millions of yen)	FY2018 (millions of yen)	Change from previous year (millions of yen)
Revenues	Revenues gained by disposal of telecommunications facilities and buildings	1,673	135	(1,538)
Cost reductions	Reduction in energy costs by introducing low-pollution vehicles	27	37	10
	Reduction in costs of new purchases by reusing old telecommunications facilities	2,610	2,929	319
Total		4,310	3,101	(1,209)

* The CO₂ emissions are calculated using the emission factors furnished by electric utility operators. (Emissions from heat, steam and hot and chilled water consumption are included.)

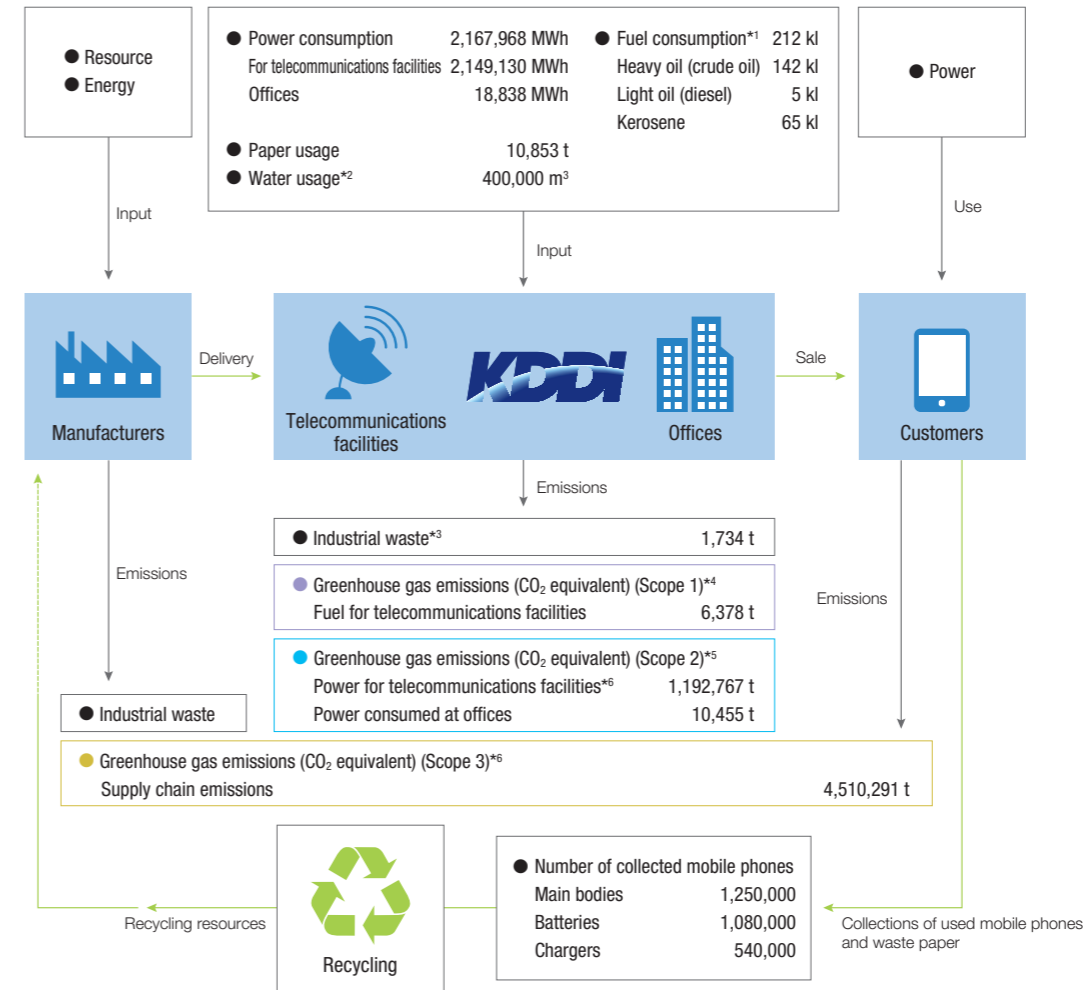
Environmental Performance

Environmental Impact of Business Activities KDDI Activity & Results

Most of our input energy is electric power for telecommunications facilities. Heavy oil (crude oil), light oil (diesel) and kerosene are input when testing emergency power generation facilities. Most water usage occurs in everyday business activities in the offices.

We calculated greenhouse gas emissions in three areas, Scopes 1, 2 and 3 (all categories), and received third-party verification.

Environmental Impact of FY2018 Business Activities (Coverage: KDDI, non-consolidated basis)



*1 Used for air conditioning of telecommunications facilities and for emergency generators.

*2 Water supply, recycled water, well water, excluding waste water

*3 Nonhazardous industrial waste (telecommunications equipment, normal daily waste from KDDI buildings)

*4 Heavy oil (crude oil), diesel, kerosene, town gas

*5 CO₂ emissions are calculated using a conversion coefficient of 0.555kg-CO₂/KWh for the power consumption. (Emissions from heat, steam and hot and chilled water consumption are excluded.)

*6 CO₂ emissions are calculated using emission coefficients indicated in the Japan's Ministry of the Environment's Overview of Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain.

Materiality ⑥ An Energy-Efficient, Circular Economy

- Energy efficiency improvement and utilization of clean energy
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Environmental Performance

Understanding Environmental Impact

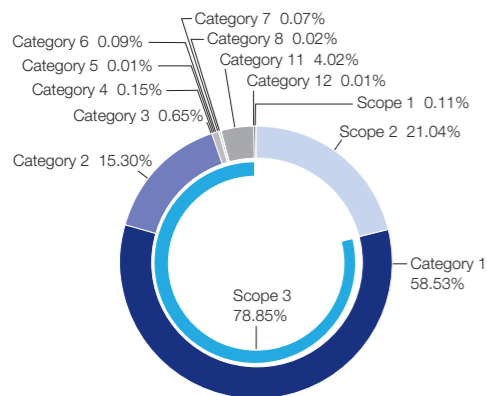
In order to quantitatively understand and share information about our environmental impact, we have calculated our supply chain greenhouse gas emissions (Scopes 1, 2 and 3) in adherence with various guidelines* since fiscal 2012.

In our fiscal 2018 business activities, Scope 3 accounted for 79% of total greenhouse gas emissions (Scopes 1, 2, and 3). When viewed by category, the percentages of Categories 1 and 2 have continued to grow as in the previous fiscal year.

Additionally, in order to ensure the reliability of calculations, the results of Scopes 1 and 2 were subjected to independent third party verification by Lloyd's Register Quality Assurance Limited, while the results of Scope 3 received third party verification from Waseda University.

* Green Value Chain Platform

Comparison of GHG Emissions Ratio of Each Category (FY2018)



GHG Emissions and the Proportion of Each Category (Coverage: KDDI, non-consolidated basis)

Category		FY2014		FY2015		FY2016		FY2017		FY2018		
		t-CO ₂	%	t-CO ₂	%	t-CO ₂	%	t-CO ₂	%	t-CO ₂	%	
Scope 1 ^{*1}	All direct GHG emissions	4,680	0.08	5,344	0.10	5,365	0.09	5,834	0.09	6,378	0.11	
Scope 2 ^{*2}	Indirect GHG emissions from consumption of purchased electricity, heat or steam	1,039,677	17.97	1,076,209	19.54	1,062,130	18.42	1,158,078	18.81	1,203,222	21.04	
Scope 3 ^{*3}	Category 1	Purchased goods and services	3,306,863	57.16	3,236,999	58.78	3,507,745	60.85	3,818,806	62.02	3,347,946	58.53
	Category 2	Capital goods	1,053,203	18.21	776,711	14.10	815,893	14.15	828,675	13.46	875,318	15.30
	Category 3	Fuel- and energy-related activities	34,967	0.60	35,379	0.64	34,913	0.61	35,280	0.57	37,104	0.65
	Category 4	Upstream transportation and distribution	7,003	0.12	7,370	0.13	8,706	0.15	12,101	0.20	8,777	0.15
	Category 5	Waste generated in operations	500	0.01	681	0.01	583	0.01	1,043	0.02	710	0.01
	Category 6	Business travel	4,590	0.08	4,831	0.09	5,314	0.09	6,327	0.10	5,012	0.09
	Category 7	Employee commuting	5,031	0.09	4,574	0.08	4,642	0.08	4,332	0.07	4,034	0.07
	Category 8	Upstream leased assets	1,367	0.02	1,309	0.02	1,209	0.02	1,092	0.02	1,133	0.02
	Category 9	Downstream transportation and distribution	0	0	0	0	0	0	0	0	0	0
	Category 10	Processing of sold products	0	0	0	0	0	0	0	0	0	0
	Category 11	Use of sold products	325,364	5.62	356,359	6.47	318,023	5.52	285,294	4.63	229,913	4.02
	Category 12	End-of-life treatment of sold products	1,606	0.03	886	0.02	363	0.01	426	0.01	344	0.01
	Category 13	Downstream leased assets	0	0	0	0	0	0	0	0	0	0
	Category 14	Franchises	0	0	0	0	0	0	0	0	0	0
	Category 15	Investments	0	0	0	0	0	0	0	0	0	0
TOTAL		5,784,851	100	5,506,651	100	5,764,884	100	6,157,289	100	5,719,891	100	

*1 Heavy oil (crude oil), diesel, kerosene, town gas

*2 Emissions from power consumption: conversion coefficient of 0.555kg-CO₂/KWh (Emissions from heat, steam and hot and chilled water consumption are excluded.)

*3 Uses emission coefficients indicated in Japan's Ministry of the Environment's Overview of Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain.

Materiality ⑥



An Energy-Efficient, Circular Economy

- Energy efficiency improvement and utilization of clean energy
- Zero emissions and 3Rs
- Mitigation of society's impact on environment through ICTs

Environmental Performance

Environmental Impact Data

KDDI (non-consolidated basis)	FY2014	FY2015	FY2016	FY2017	FY2018	
Greenhouse gas emissions (CO ₂ equivalent; unit: t) ^{*1}	5,784,851	5,506,651	5,764,884	6,157,289	5,719,891	
Electric power consumption (unit: MWh)	1,873,293	1,939,115	1,913,747	2,086,626	2,167,968	
Electric power consumption per subscriber (unit: MWh) ^{*2}	398.9	390.4	363.5	368.3	362.9	
Fuel consumption (unit: kl) ^{*3}	254	258	341	319	212	
Paper usage (unit: t)	13,303.0	11,853.0	9,691.1	7,461.6	10,852.9	
Water usage (unit: 1,000m ³) ^{*4}	2,206	2,159	1,500	746	400	
Industrial waste emissions (unit: t) ^{*5}	1,283.0	1,399.0	1,928.0	2,466.9	1,734.1	
Number of mobile phones and other devices collected by KDDI (unit: 10,000 devices)	Mobile phone main body	163	141	148	134	125
	Battery	182	143	146	123	108
	Charger	79	65	66	57	54
Energy usage at equipment-related facilities (unit: MWh)	747,016	779,504	777,273	816,904	865,050	

*1 Scope 1, 2 and 3 emissions (Emissions from heat, vapor and hot and chilled water consumption are excluded from Scope 2.); CO₂ emissions are calculated using a conversion coefficient of 0.555kg-CO₂/KWh for the power consumption, and those for the fuel consumption is calculated using the emission coefficient applied to reporting and disclosure system specified in the Act on Promotion of Global Warming Countermeasures.

*2 The number of subscribers combines subscriptions for au and FTTH (unit: 10,000 contracts).

*3 Fuel consumption includes heavy oil, diesel and kerosene (but excludes city gas)

*4 Water supply, recycled water, well water, excluding waste water

*5 Nonhazardous industrial waste (telecommunications equipment, normal daily waste from KDDI buildings)

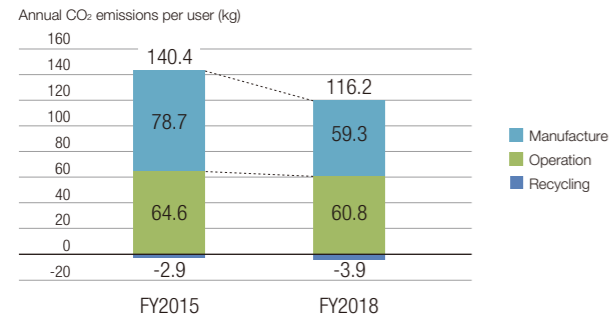
Implementation of Life Cycle Assessments (LCA)

We are working on LCAs that assess environmental impact by calculating CO₂ emitted through all processes related to products and services, including manufacture, use, disposal and recycling.*

Since fiscal 2008, we have regularly conducted LCAs for the "au" and "au Hikari" brands every few years. We conducted LCAs in fiscal 2018.

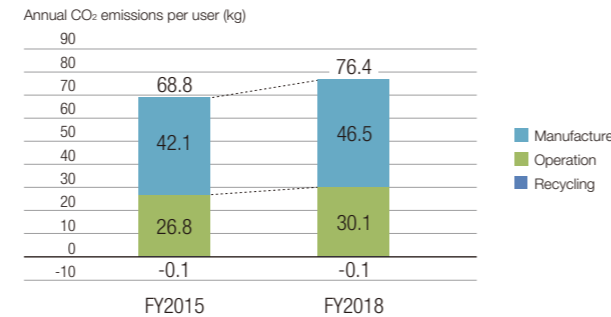
* The environmental impact from disposal and recycling are included in environmental impact from manufacture.

Environmental Impact of "au Hikari"



CO₂ emissions per "au Hikari" user decreased 17.3% from the previous assessment. CO₂ emissions have declined as computers and other devices connected to the internet have come down in price, become more energy efficient and last longer before needing to be replaced. Another factor behind the decline is that since 2016 network equipment has been getting upgraded and stations have been consolidated.

Environmental Impact of "au"



CO₂ emissions per "au" user increased 11.1% from the previous assessment. CO₂ emissions for handsets have risen as smartphones become more ubiquitous, risen in price and gained battery capacity. Another contributing factor is the increase in wireless base stations to handle the expansion in communications traffic and greater number of frequencies used. On the other hand, energy conservation is making progress as individual wireless base stations' annual power consumption has fallen 24.5%.

KDDI's Approach (Low-Carbon Society)

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

The utilization of ICTs enhances the efficiency of business activities, including production and consumption, and is expected to contribute to the reduction of customers' CO₂ emissions. As ICTs expand, however, we may face a greater environmental impact from data centers and base stations, which in turn will generate demand for the development and implementation of energy-saving facilities and equipment.

We at KDDI offer new ICT services to contribute to the reduction of CO₂ emissions to realize a low-carbon society.

Green Supported by ICTs

The Environmental Eco Label is granted to services that contribute to reducing the environmental impact of customers and society (reducing CO₂ emissions) through the use of ICT services offered by KDDI.



Environmental Eco Label services	Details
KDDI Cloud Platform Service	KDDI operates and maintains this platform, enabling customers to increase or decrease their server capacity remotely from their own offices, without having to travel to the data center where the servers are located. Furthermore, customers can reduce the amount of CO ₂ emissions they are responsible for by transferring the servers that they install, operate and maintain themselves (on-premises environment) to the KDDI Cloud Platform Service. With this service, server operations are performed with an economy of scale unique to a telecommunications operator, enabling an approximately 38% reduction in CO ₂ emissions per server per year in comparison to when customers operate their servers themselves
TELEHOUSE Data Center Services	These data centers have high power supply capacity, highly efficient and reliable power generation equipment, energy-efficient air conditioning equipment, LED lighting, outdoor lights that use wind and solar power and other advanced, energy-efficient equipment.
MATOMETE KURUMATICS	A next-generation vehicle operation management service that combines telecommunications with cloud technologies, enabling the real-time checking of driving conditions
KDDI IoT Cloud — Toilet Water-Saving Management	Monitors water level in each restroom utilizing IoTs to reduce water use by 40 to 50%* * Expected values based on the actual values measured by the bulb manufacturer
KDDI IoT Communication Service LPWA	This telecommunications service uses LPWA technology, which utilizes KDDI's 4G LTE network. This technology reduces the power consumed by telecommunication devices and provides telecommunications coverage over a wider area.

Materiality ⑥



An Energy-Efficient, Circular Economy

- Energy efficiency improvement and utilization of clean energy
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Environmental Performance

Green of ICTs

Reducing Power Consumption and Undertaking Disaster Measure Initiatives at Base Stations

Electricity consumed at the au mobile phone base stations accounts for 60% of the total volume consumed by KDDI, so reducing electricity consumption at base stations is one of our topmost priorities to tackle.

Also, 77% of the base stations that ceased to operate in the aftermath of 2011 Tohoku earthquake and tsunami did so because of power outages, which turned out to be a pressing issue to be addressed in disaster preparedness measures.

In regard to these issues, we promote implementing tribrid base stations* and extending the life of base station batteries to 24 hours.

* Base stations that utilize tribrid electric power control technology to efficiently supply three kinds of electric power depending on time and weather: ordinary commercial power, power generated by solar panels and "midnight" (off-peak) power saved in storage batteries.

	Numbers as of the end of March 2019
Tribrid base stations	100 stations in Japan
Implementation of 24 hour-life base station batteries	Around 2,200 stations in Japan

Portable Batteries

Since fiscal 2013, we have implemented portable batteries with reduced environmental impact at 11 maintenance bases throughout Japan as a substitute for the power supply vehicles used in the past to power mobile phone base stations during electricity outages.

Portable Battery Trial Test Results (FY2012)*

Power supply vehicles	8.2 ℓ of fuel consumed per time	CO ₂ emissions: 21.5 kg
Portable batteries	10 kWh of power consumed per time	CO ₂ emissions: 4.1 kg

A reduction of 17.4 kg of CO₂ emissions each time

* With an approximately 10-hour base station power outage and 1 kW wireless device power consumption.

Renewable Energy (Internal use)

In order to promote energy conservation and CO₂ emissions cuts, we use natural energy sources, including solar power, at several large scale communication stations and tribrid base stations. At 15 of our mobile phone base stations in Japan, almost all electric power comes from natural energy sources.

The amount of natural energy produced by each tribrid base station is approximately 4.2 kWh per day,* accounting for about 18% of the power consumed at each base. We expect further reduction of CO₂ emissions by 20 to 30% with the use of midnight power.*

* Estimated average energy production value by six solar batteries installed in test stations during clear skies. Includes actual values measured by KDDI.

Renewable Energy (Solar power generation business)

We launched solar power generation business in November 2013 with the aim of contributing to reduction of CO₂ emissions. We constructed solar power generation facilities on part of company-owned land in four locations around Japan and sell the power to electric power companies based on the Feed-in Tariff Scheme for Renewable Energy.

Unit: MWh

	FY2014	FY2015	FY2016	FY2017	FY2018
Total generated energy (sold)	14,403	13,674	14,288	18,137	17,998

External Recognition

[Web Link](#) Other External Assessments

KDDI
Activity

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-oriented society.

Reducing Waste and Promoting Recycling

We promote reuse activities that regenerate and effectively use retired telecommunication facilities. We also conduct material recycling that turns unneeded equipment and structural materials into resources.

In fiscal 2018, we recycled deteriorated storage batteries installed in telephone exchange stations used in test environments to utilize the materials and achieved a total recycling volume of 1,618.4 tons within KDDI. We will continue our commitment to reuse and recycle communication equipment, including base stations, retired due to regular upgrades.

Reducing Waste and Promoting Recycling

Initiative	FY2018 result
Reduction of paper by putting bills on the Web	4,041t

KDDI
Policy

KDDI
Activity

KDDI
Activity & Results

Promotion of Mobile Phone Recycling

Used (post-consumer) mobile phones collected from customers at au shops are manually disassembled in secured rooms, with circuit boards, displays, cameras, plastics, screws, iron, antennas, motors, speakers and other parts being separated. Gold, silver, copper and palladium are extracted from the circuit boards, while screws and antennas are recycled into steel products, and plastics are recycled, to the extent possible, 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 recycled. Recycling eliminates any need for 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 by materials processing. Therefore, we at KDDI perform all disassembly manually to prevent recyclable resources from being wasted.

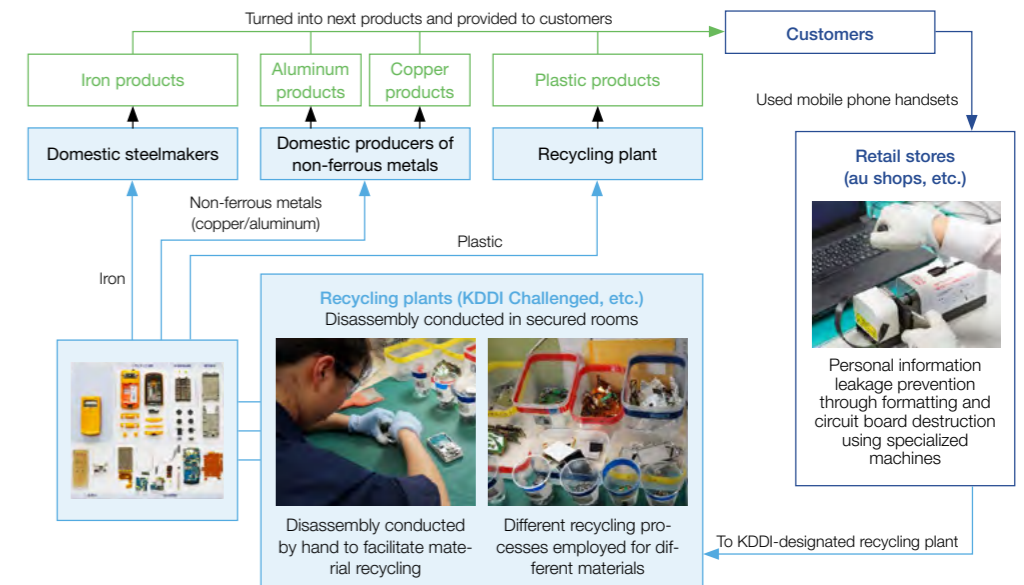
Performance in FY2018

Collection performance*	Recycling rate
2,880,000	99.80%

*Includes main body, batteries and chargers

[Web Link](#) au Store Locator

Basic Flow for Recycling of Mobile Phones



[Web Link](#) Expanding Employment Opportunities and Advancement of Persons with Disabilities

Materiality ⑥ An Energy-Efficient, Circular Economy

- Energy efficiency improvement and utilization of clean energy
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Environment Performance

Approach to Water Use KDDI Policy

There are fears of losing water resources because of increasing global population and decreasing water availability due to climate change. As disputes concerning water distribution and pollution have broken out in various locations around the world, it is significant to make efficient use of water.

We are making efforts to reduce water use in our business activities as well as to offer products and services that contribute to efficient water use.

■ Providing KDDI IoT Cloud – Toilet Water-Saving Management

[Web Link](#) Providing KDDI IoT Cloud – Toilet Water-Saving Management (Japanese only) [▶](#)

KDDI's Approach (Biodiversity) KDDI Policy

We have established the KDDI Action Guidelines on Biodiversity Conservation to multilaterally assess our contributions to the conservation of biodiversity. In the guidelines, we define the three principles of Conserving Diversity in Business Activities, Collaboration and Cooperation with Related Organizations and Promoting Recycling of Resources. Based on this, we continue our activities on various opportunities.

KDDI Action Guidelines on Biodiversity Conservation

- **Conserving Diversity in Business Activities**
When formulating business plans, we take into consideration the impact on the related ecosystems and local communities.
- **Collaboration and Cooperation with Related Organizations**
We strengthen collaboration and cooperation with administrative authorities, CSOs and other organizations, and undertake CSR activities using ICTs.
- **Promoting Recycling of Resources**
To prevent the depletion of bio-resources and minimize the degradation of the natural environment, we continuously and proactively engage in recycling of resources.

Biological Research on Endangered Ganges River Dolphins KDDI Group Activity

KDDI Research, Inc. utilizes the acoustic technology gained through the development of underwater robots used to maintain and inspect submarine cables, which connect continents, to conduct biological observations of endangered Ganges River dolphins, collaborating in this effort with the University of Tokyo Institute of Industrial Science, the Kyushu Institute of Technology, the Indian Institute of Technology Delhi and WWF-India.

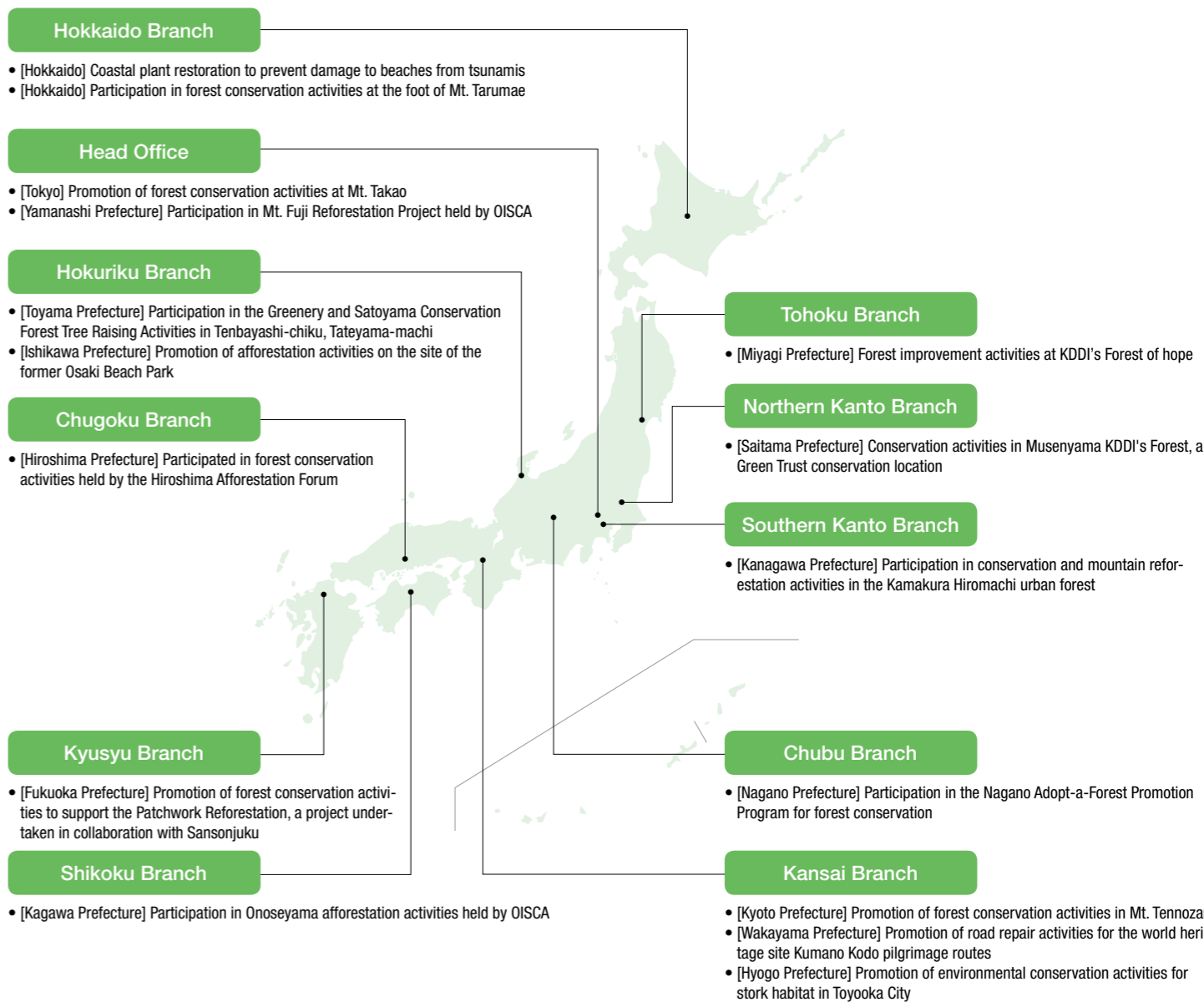
The research aims to catch the ultrasonic waves the dolphins emit to determine their surrounding environment in murky waters with underwater micro-phones to study the dolphins' behavior underwater. An advantage of this method is that it enables the observations of large numbers of dolphins without having any impact on their behavior because it does not physically touch the dolphins.

Green Activities with Customers and Employees KDDI Activity & Results

■ Environmental Conservation Activities by Employees

To promote the conservation of biodiversity in each region, we hold conservation activities that employees and their families participate in as volunteers. Working with stakeholders, including local authorities and NPOs, the regional offices are actively engaged in local environmental conservation.

Environmental conservation activity execution	Total participants
248	4,988



Corporate Governance

KDDI's Approach and Guidelines on Corporate Governance

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

Governance Code and strive to enhance a framework that enables transparent, fair, timely and decisive decision making. Also, in addition to our Mission Statement, we have formulated the KDDI Group Philosophy, which defines the mindset, value and principles to be shared by officers and employees and continue to raise awareness of this philosophy throughout the group.

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

[Web Link](#) Corporate Governance Report

Corporate Governance Promotion Framework

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

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

Criteria for Independence of Outside Directors/Auditors

In addition to the requirements in the Companies Act and the standards provided by the Tokyo Stock Exchange, Inc., we have formulated our own standards for judging the independence of outside directors/auditors. Specifically, we consider those belonging to business partners that account for 1% or more of the company's consolidated net sales or orders placed not independent.

<Evaluation Results>

[Summary]

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

- Because the outside directors and Audit & Supervisory Board members have varied backgrounds as they include managers, lawyers, CPAs, and data engineering specialists, many meaningful questions and opinions are posed, and each proposal is thoroughly examined.
- To ensure that outside directors and Audit & Supervisory Board members can fulfill their duties, the company provides necessary information, and the outside directors, Audit & Supervisory Board members, and accounting auditors work together to share information on the company's issues.

[Improvements from Previous Evaluation]

The evaluation confirmed that improvements had been made with regard to issues highlighted in the last evaluation, namely, expanding discussions on medium- to long-term management strategy. In 2018, we held four discussions on the next medium-term management plan based on different themes. Each meeting involved an active exchange of opinions from various perspectives, resulting in a deeper discussion of important strategies and the identification of issues.

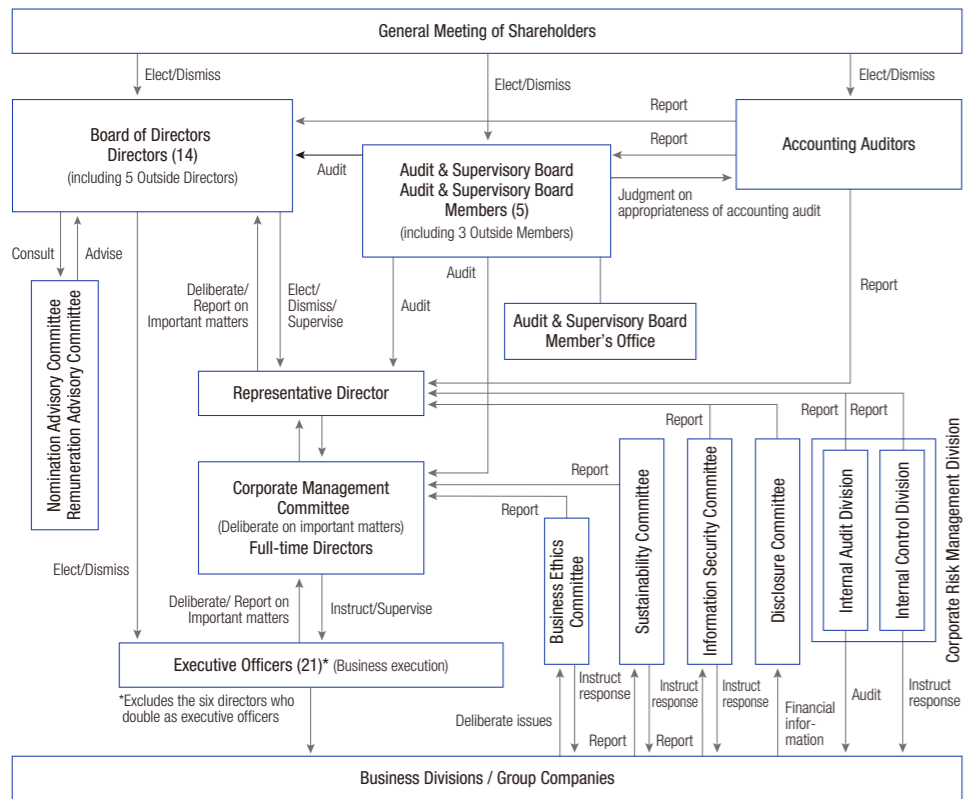
[Moving Forward]

We will work to continually improve items pertaining to the following two material issues as we aim to enhance our sustainable corporate value.

- Going forward, as we branch out into different industries and fields, especially the telecommunications business, we will hold discussions from various perspectives related to the company's social mission and business strategies, such as the kind of company KDDI aims to be.
- To bolster the business growth of expanding group companies and to strengthen their corporate governance, the Board of Directors monitors the management status and basic operational systems of subsidiaries as necessary.

[Web Link](#) The 35th Annual General Meeting of Shareholders Notice

Corporate Governance Framework



Directors and Board of Directors

The Board of Directors is composed of directors, including independent outside directors. They determine important legal matters and supervise the business execution of directors to ensure the appropriateness.

Board of Directors FY2018 Meetings

Number of meetings held	12
Internal directors' attendance rate	100%
Outside directors' attendance rate	96.7%
Outside auditors' attendance rate	94.3%

Evaluation of the Board of Directors' Effectiveness

<Purpose of Conducting>

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

<Evaluation Process>

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

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

The main evaluation items are as follows:

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

Corporate Governance

Auditors and the Audit & Supervisory Board KDDI System

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

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

Audit & Supervisory Board FY2018 Meetings	12
Audit & Supervisory Board FY2019 Meetings (planned)	12

Internal Audits

We established the Audit Department in the Corporate Risk Management Division, which is in charge of risk management of the KDDI Group. It conducts internal audits of overall KDDI Group operations on the important risks identified through risk management activities. The results of internal audits are reported to the Company President and Audit & Supervisory Board members together with requests and recommendations concerning improvements and corrective measures to address highlighted issues, and the status and results of internal audits are also reported to the Board of Directors every quarter. In fiscal 2018, a total of 20 audits were carried out to monitor the progress of corrective/improvement measures and to prevent risks from materializing.

Nomination Advisory Committee and Remuneration Advisory Committee KDDI System

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

<Nomination Advisory Committee composition>
 Chair: Keiji Yamamoto (Outside Director)
 Vice Chair: Goro Yamaguchi (Outside Director)
 Members of Committee: Yoshiaki Nemoto (Outside Director)
 Shigeo Ohyagi (Outside Director)
 Riyo Kano (Outside Director)
 Takashi Tanaka
 Makoto Takahashi

<Remuneration Advisory Committee composition>
 Chair: Goro Yamaguchi (Outside Director)
 Vice Chair: Keiji Yamamoto (Outside Director)
 Members of Committee: Yoshiaki Nemoto (Outside Director)
 Shigeo Ohyagi (Outside Director)
 Riyo Kano (Outside Director)
 Takashi Tanaka
 Makoto Takahashi

<Meetings held (FY2018)>
 The Nomination Advisory Committee met three times, and all members attended each time. The committee discussed the nomination of candidates at the General Meeting of Shareholders and the pros and cons of hiring a Senior Corporate Advisor advisor. The Remuneration Advisory Committee met twice, and all members attended each meeting. The committee discussed payments of performance-linked remuneration and the revision of the executive remuneration system (continuing and partially revising the stock remuneration system).

Other Committees KDDI Group System

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

[Web Link](#) Sustainability Promotion Framework

Items Related to Organizational Structure and Operations KDDI System

Organizational form	Company with auditors
Number of independent auditors	6 (including 1 female)
Items Related to Directors	
Number of directors prescribed in the articles of incorporation	20
Tenure period of directors prescribed in the articles of incorporation	1 year
Presiding officer of Board of Directors	Chair (president and chairman are separate posts)
Number of directors	14 (including 1 female)
Outside directors	Appointed
Number of outside directors	5 (including 1 female)
Number of outside directors designated as independent directors	3 (including 1 female)
Items Related to Audit & Supervisory Board Members	
Number of members prescribed in the articles of incorporation	5
Number of members	5 (all male)
Outside members	Appointed
Number of outside members	3 (all male)
Number of outside members designated as independent members	3 (all male)
Other	
Implementation of anti-takeover measure	Not implemented

Policies Related to the Scale, Diversity, Balance of Knowledge, Experience and Abilities of the Board of Directors KDDI Policy & System

We consider including diverse human resources and utilizing their various knowledge, experiences and skills to be an important growth driver toward the Integration of Telecommunications and Life Design. We believe that ensuring diversity also in the Board of Directors can lead to better management decision making. To ensure a diversity of opinions and highly specialized knowledge within the Board of Directors as a whole when it makes decisions, including on important management matters, and when its oversight is requested by law, the people selected for the Board of Directors meet the following criteria regardless of sex, age, or nationality.

Policies and Procedures when the Board of Directors Appoints Candidates for Director or Audit & Supervisory Board Member Positions KDDI Policy & System

Appointment and Selection Standards
 Director candidates:
 Meet one or more of the following criteria:
 • Have specialized knowledge and experience in each business field
 • Have specialized knowledge or management knowledge suitable for a supervisor
 • Have a high degree of independence

Audit & Supervisory Board member candidates:
 Have a wealth of experience and broad knowledge that will enable more appropriate audits and oversight of overall management from a position that is independent from directors

For both types of candidates:
 Have the character suitable for being a Board member, have high ethical standards and not be self-serving

Nomination and Election Procedures for Directors
 (1) Select candidates based on the above criteria
 (2) Deliberate them at a Nomination Advisory Committee meeting
 (3) Approve them at a Board of Directors meeting
 (4) Elect them at the General Meeting of Shareholders

Nomination and Election Procedures for Audit & Supervisory Board Members
 (1) Select candidates based on the above criteria
 (2) Discuss them at an Audit & Supervisory meeting and gain approval
 (3) Deliberate them at a Nomination Advisory Committee meeting
 (4) Approve them at a Board of Directors meeting
 (5) Elect them at the General Meeting of Shareholders

Consideration Criteria for Termination
 • When the performance of a business that a director is responsible for or the achievements of a department a director is responsible for are exceptionally poor
 • When the company is harmed by a major misstep or intentional violation of a law, regulation or the Articles of Incorporation in their execution of duties
 • When the company's credibility and reputation are significantly damaged by the inappropriate seeking of personal gain through the abuse of position or authority
 • When the company determines that keeping a director is not appropriate

Termination Procedures for Directors
 • After deliberations at the Nomination Advisory Committee meeting, the Board of Directors deliberates the matter as needed and implements necessary measures for termination.

Corporate Governance

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

Remuneration for directors consists of flat-rate remuneration and performance-linked executive bonuses and stock compensation provided that they are responsible for improving business results every fiscal year, as well as medium- to long-term corporate value.

In addition, when deciding remuneration for each board member, we have established standard amounts for each position with regard to basic pay, bonuses and stock remuneration. Furthermore, the standard amounts are calculated based on the importance of each board member's duties and average levels for companies of comparable size with KDDI. We also conduct examinations based on data from external survey organizations.

The Board of Directors decides on the following matters with advice from the Remuneration Advisory Committee.

Policy

- Basic Policy on Board Member Remunerations

Individual Remuneration, etc.

- Remuneration amount for each director (basic pay, bonus, stock remuneration)
- Payment period
- Payment method

■ Policies for Determining Remuneration for Audit & Supervisory Board Members

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

■ Remuneration for Directors and Audit & Supervisory Board Members (FY2018)

Executive classification	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)			Number of eligible members
		Basic remuneration	Bonus	Stock compensation	
Directors (excluding outside directors)	710	390	136	184	10
Outside directors	75	75	—	—	7
Audit & Supervisory Board members (excluding outside members)	52	52	—	—	3
Outside Audit & Supervisory Board members	50	50	—	—	3

- Notes:
- The number of remunerated directors above includes three directors (including two outside directors) who retired at the conclusion of the 34th Annual Shareholders Meeting held on June 20, 2018. The number of directors who received bonuses was nine, excluding said retired directors.
 - The number of remunerated Audit & Supervisory Board members above includes one Audit & Supervisory Board member (including zero outside Audit & Supervisory Board members) who retired at the conclusion of the 34th Annual Shareholders Meeting held on June 20, 2018.
 - Regarding the above, at the 30th Annual Shareholders Meeting held on June 18, 2014, it is resolved that the maximum monthly basic remuneration for directors is 50 million yen.
 - At the 32nd Annual Shareholders Meeting held on June 22, 2016, it is resolved that the maximum annual amount of remuneration for Audit & Supervisory Board members is 130 million yen (for each business year).
 - At the 27th Annual Shareholders Meeting held on June 16, 2011, it is resolved that the amount of bonus for directors (excluding outside directors) shall be no more than 0.1% of the consolidated net profit for the fiscal year (or, according to IFRS, profit for the period attributable to owners of the parent).
 - The decision to continue and partially revise the performance-linked stock-type incentive program for directors (Board Incentive Plan) was resolved at the 34th Annual Shareholders Meeting held on June 20, 2018. This is separate from the bonuses, and the company will pay said incentive to directors, etc., who serve during the four years from fiscal 2018 to fiscal 2021.
 - In addition to the above, adjustment payments to directors and Audit & Supervisory Board members in lieu of retirement allowance were resolved at the 20th Annual Shareholders Meeting held on June 24, 2004 in connection with the cancellation of the executive retirement bonus system. Tadashi Onodera, who left at the end of the 34th Annual Shareholders Meeting held on June 20, 2018, was paid 64 million yen in retirement allowance.
 - The only director whose remuneration amount exceeds 100 million yen is Makoto Takahashi, and the details are as follows: Remuneration, etc. totaling 124 million yen (basic remuneration of 78 million yen, bonus of 25 million yen, and stock compensation of 45 million yen).

■ Types of Remuneration and Methods of Determination

Composition of Director Remuneration (excluding Outside Directors)

Types of remuneration (percentage of total)		Form of payment	Content of remuneration and method of determination	Maximum amount of remuneration	Resolution of shareholders meetings	Number of board members at time of resolution
Basic remuneration	Fixed (55%)	Cash	<ul style="list-style-type: none"> Amounts determined by each director's professional ranking are paid out every month Appropriate levels are considered using information from outside experts and set in consideration of the management environment and other factors 	Maximum monthly remuneration of 50 million yen	June 18, 2014 30th General Meeting of Shareholders	13 Directors (including three Outside Directors)
			<ul style="list-style-type: none"> Bonuses are linked to and determined by the rate of achievement of the group's consolidated revenue, operating income and profit for each fiscal year, as well as the achievement of certain KPIs, including net additions of Mobile IDs, au churn rate and value added ARPA 	Within 0.1% of consolidated net income (profit attributable to owners of the parent under IFRS) during the applicable fiscal year	June 16, 2011 27th General Meeting of Shareholders	10 Directors (excluding Outside Directors)
Stock compensation (trust type)	Performance-linked (45%)	Stock	<ul style="list-style-type: none"> Calculation Formula Bonus: Basic amount by position multiplied by the company operating performance and KPI evaluation Stock compensation: Basic points by position multiplied by the company operating performance and KPI evaluation 	(Applies to directors, executive officers and administrative officers) Total number of points (maximum) granted per fiscal year to those eligible: 357,000 points (Converted at a rate of 1 point = 1 share)	Introduced: June 17, 2015 31st General Meeting of Shareholders Revised: June 20, 2018 34th General Meeting of Shareholders	9 Directors, 21 Executive Officers, 50 administrative officers (excluding overseas residents, Outside Directors and part-time directors)
			Note: The amount paid in reference to each fiscal year's performance is determined by the Board of Directors after deliberations by the Remuneration Advisory Committee			

Note: Outside Directors and Audit & Supervisory Board members are paid only flat-rate compensation that does not vary with the company's performance to ensure they appropriately supervise and oversee management.

Policies on Transactions between Related Parties KDDI Policy

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

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

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

Vitalizing the General Meeting of Shareholders and Facilitating the Exercise of Voting Rights KDDI System

Measure	Details
Early Disclosure of General Meeting of Shareholders notice	We send a notice around one week before the stipulated day by mail. Prior to that, the whole notice is disclosed on our website
Scheduling to avoid days when many other companies hold their shareholders' meetings	We schedule the shareholder's meetings to avoid days when many other companies hold their shareholders' meetings
Electronic voting system	Shareholders can exercise their voting rights via an online voting site. From the 2019 General Meeting of Shareholder, we introduced a system where shareholders can log in to the online voting site using a QR code in an effort to make things more convenient.
Participating in an electronic voting platform	We have joined the electronic voting platform provided by Investor Communications Japan (ICJ)
English version of convocation notice	We publish a full English translation of the convocation notice on our website, online voting site and voting platform.
Others	Shareholders can see the notice with their smartphone. In addition, to encourage the participation of more shareholders in the General Meeting of Shareholders, we offer sign language interpretation as well as a hearing loop. The video of the meeting is available to anyone on demand on our website with sign language interpretation.

[Web Link](#) Corporate Governance Report

[Web Link](#) The 35th Annual General Meeting of Shareholders Notice

Communication with Shareholders KDDI Policy

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

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

■ FY2018 Results

- Financial Results Briefing for Analysts and Institutional Investors: 4 times (held along with the quarterly financial disclosure)
- International roadshow: 12 times (including participation in 5 conferences sponsored by securities firms)
- Session with institutional investors in Japan and abroad: Over 800 times
- Seminar for private investors: Management conducted both online and in-person seminars. Around 1,200 investors participated (listened).

Outside Director Support System KDDI System

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

We also provide a wide range of information outside the board meetings, including on business strategies, management status, R&D and technology.

Each division's general manager and manager provide detailed explanations of the general overview of business and issues and regularly report on the management status of subsidiaries. In addition, we provide opportunities to visit in-house exhibitions of R&D achievements as well as the telecommunications equipment and monitoring center and other workplaces. We also provide two reports every year on corporate ethics and risk management activities.

To enable more thorough information gathering capabilities while maintaining the independence of Outside Directors, we hold regular liaison meetings between Outside Directors and Audit & Supervisory Board members, strengthening their cooperation. Accounting auditors also explain the results of audits to Outside Directors.

To bolster information exchanges and sharing between Outside Directors, we hold liaison meetings with only Outside Directors and liaison meetings with Outside Directors and part-time Audit & Supervisory Board members.

We aim to raise the effectiveness of the Board of Directors supervision of management and to invigorate discussions of management strategies at board meetings by providing a deeper understanding of our business through these initiatives. On April 1, 2006, we established the Audit & Supervisory Board Member's Office, which supports Audit & Supervisory Board members, including outside members.

Corporate Governance

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

■ Outside Directors

Name	Reason for selection as an outside director of the company (if designated as an independent director includes reason for this designation)	Principal activities in FY2018
Goro Yamaguchi	Mr. Yamaguchi has an abundant wealth of corporate management experience and excellent knowledge cultivated as the president and representative director of one of the world's leading electronic component and equipment manufacturers. In the Board of Directors meetings, the company has received a large number of broad opinions related to business administration and operations from him based on a medium- to long-term perspective and has determined that he can continue to contribute to improving the corporate value of the company. Accordingly, he has again been appointed as an outside director.	Attended 12 of 12 meetings of the Board of Directors
Keiji Yamamoto	Mr. Yamamoto has excellent knowledge cultivated in IT development and electronics engineering divisions and abundant management experience as a management at the one of the world's leading automobile manufacturers. The company has determined that he can contribute to improving the corporate value of the company by giving broad opinions on promoting 5G/loT strategy, etc. from a medium- to long-term perspective, and for these reasons he has been selected as an outside director.	Newly Appointed
Yoshiaki Nemoto (Independent director)	Mr. Nemoto has a superior knowledge in information processing, telecommunications 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 an outside 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
Shigeo Ohyagi (Independent director)	Mr. Ohyagi has a wealth of corporate management experience and excellent knowledge cultivated as the president and CEO of one of the world's leading companies in the fields of synthetic fibers, chemical products, medicines and medical treatment, and distribution and retail. The Company determined that he can contribute to improving the corporate value of the Company by giving broad opinions from a medium- to long-term perspective, especially focusing on the field of life design business that the Company will promote in the future, global strategy and M&A. Accordingly, he has been appointed an outside 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 9 of 10 meetings of the Board of Directors
Riyo Kano (Independent director)	Ms. Kano has abundant experience and superior knowledge, cultivated as a partner at a law firm and a committee member of government committees. The Company has determined that she can contribute to improving the corporate value of the Company by giving technical opinions related to legal risk management from her experience based on a medium- to long-term perspective independent of the management team, and for these reasons she has been selected as an outside 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 nominated as independent director.	Newly Appointed

The activities of Outside Directors who left at the end of the 35th Annual Shareholders Meeting are as follows.

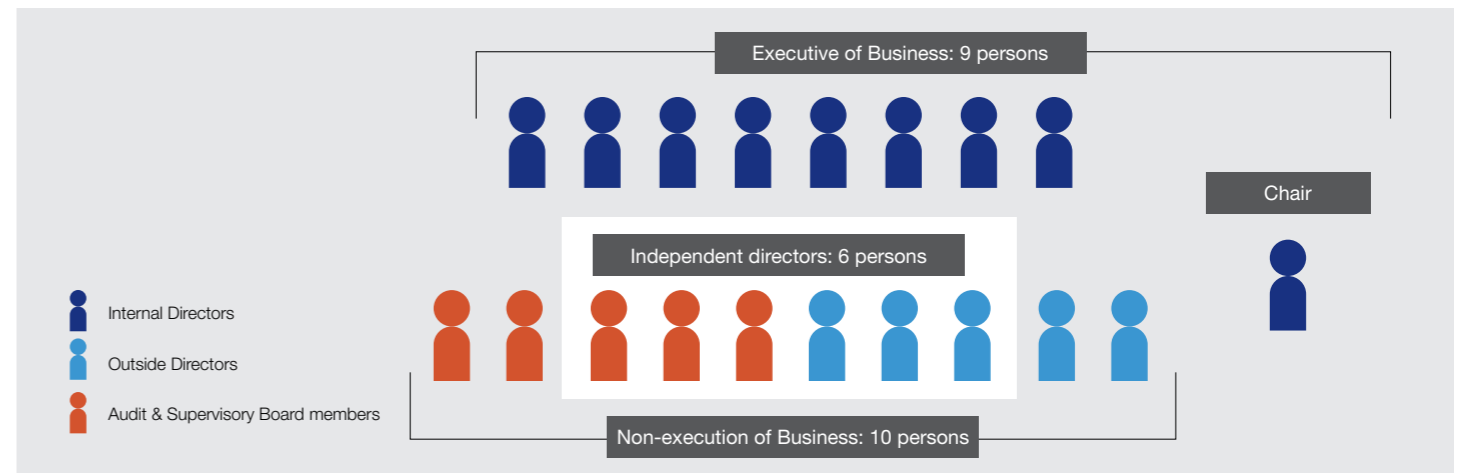
Name	Principal activities in FY2018
Tatsuro Ueda	Attended 9 of 10 meetings of the Board of Directors*
Kuniko Tanabe (Independent director)	Attended 12 of 12 meetings of the Board of Directors

* Mr. Tatsuro Ueda and Mr. Shigeo Ohyagi attended the 34th Annual General Meeting of Shareholders when they were appointed as new directors. The attendance was counted after the appointment.

■ Outside Audit & Supervisory Board Members

Name	Reason for selection as an outside Audit & Supervisory Board member of the company (if designated as an independent member includes reason for this designation)	Principal activities in FY2018
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 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Audit & Supervisory Board
Kakuji Takano (Independent auditor)	Mr. Takano has abundant experience 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 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Audit & Supervisory Board
Nobuaki Kato (Independent auditor)	Mr. Kato has abundant experience as a director of listed companies and has cultivated 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 10 of 12 meetings of the Board of Directors and 10 of 12 meetings of the Audit & Supervisory Board

■ Composition of Board of Directors



➤ Risk Management

KDDI's Approach — Risk Management and Internal Control

KDDI Group Policy

In the ever-changing business environment, the risks that companies face are increasingly diverse and complicated. We define factors and events that negatively influence the achievement of our business goals as risks and consider enforcing risk management a material business challenge. In order to be sustainable and responsible to society, we promote risk management initiatives throughout the KDDI Group.

Our Risk Management and Internal Control

KDDI Group System

We have established a system to centralize the management of risks, which we define as factors that have the potential to block the achievement of our business goals, with the Corporate Risk Management Division at the core. Furthermore, we are promoting risk management throughout the KDDI Group, including subsidiaries, in order to realize the continuous growth of the entire group. We have appointed 31 Internal Control System Managers within KDDI and 42 at group companies, as well as seven Internal Control System Directors to oversee their activities. Under their leadership, we introduce and run internal control systems, carrying out risk management activities and run operational quality improvement activities to foster a company culture in which risks are less likely to arise.

Risk Management Activity Cycle

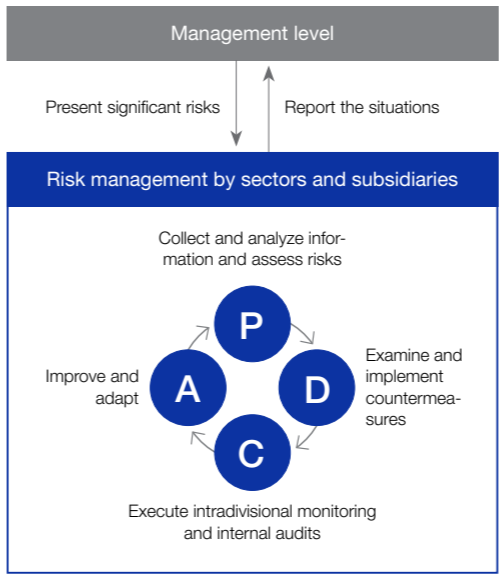
KDDI System

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

Risk Identifying Process

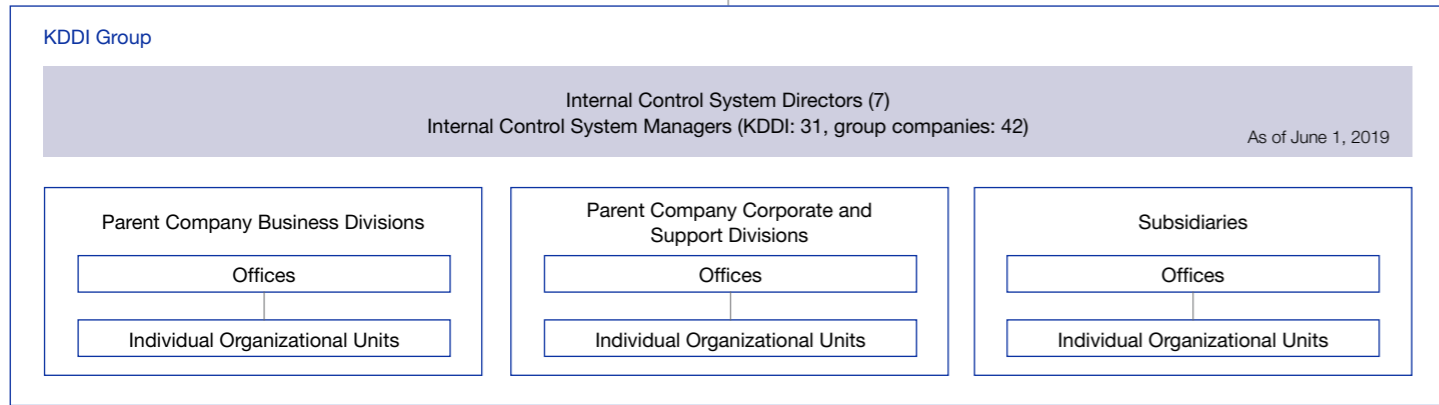
KDDI Group Activity

We regularly examine information about risks to identify significant risks that seriously influence corporations, and discuss measures to reduce such risks and their impacts as much as possible in case we face them. In order to ensure the achievement of our business goals, in fiscal 2018, we selected 25 significant risks based on issues that manifested in the past and changes in the business environment, and held internal audits centered on risk prediction, the reduction of significant risks and risk approach. The selected significant risks include cyber-attacks, an area that is becoming increasingly complex, global businesses, and issues relating to new business fields we are entering, such as e-commerce, finance and accounting, and energy, which aim to make the Integration of Telecommunications and Life Design a reality. We have also identified risks arising from the expansion of the group through M&A as significant risks and have implemented more robust measures against them. In order to minimize information security risks, we have also established a common standard applicable group-wide to improve the level of information security across the group, including newly joined group companies. The status of these significant risks is also reflected on business risks that are revealed in the Securities Report since it relates to the finance as well.



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

KDDI Group Internal Control Framework



Risk Management

Basic Policy for Constructing an Internal Control System KDDI Group Policy

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

In fiscal 2018, we revised the Basic Policy for Constructing an Internal Control System with the purpose of strengthening governance as a corporate group to further reinforce cooperation with group companies.

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

Main Operational Risks

Risk	Risk background	Potential impact on KDDI	KDDI's response
Competitors, rival technologies and rapid market shifts	<ul style="list-style-type: none"> The homogenization of services offered by telecommunications operators The spread of low-cost SIM services from mobile virtual network operators (MVNOs) Expansion of business areas to non-telecommunications services The need to provide user support for product defects attributable to the rapid expansion of the commerce business Inability to acquire needed bandwidth we need Increase in competition due to new high-speed wireless data technology Possible rise in connection fees with other telecommunications operators 	Negative impacts on the financial position and operations of the KDDI Group	<ul style="list-style-type: none"> The creation of new value in the 5G/IoT era domestically and globally by further promoting "integration of telecommunications and life design," which centers on telecommunications and expands the peripheral businesses
Protection of confidentiality of communications and customer privacy	<ul style="list-style-type: none"> Internal privacy breaches Unauthorized access from external networks 	<ul style="list-style-type: none"> Could seriously damage the brand image of the KDDI Group. In addition to a possible loss of customer trust, we could also be forced to pay substantial compensation, which could have a negative impact on our financial position and/or earnings performance In the future, we may face higher costs to develop the framework necessary to protect the confidentiality of communications and customer privacy 	<ul style="list-style-type: none"> Establishing Information Security Committee Public release of the Security Policy and Privacy Policy, and maintenance and operation of internal information security regulations Acquiring external authentication (ISMS) in the whole company 24/7 monitoring of external attacks by specialists
System failures due to natural disasters and other unforeseen events	<ul style="list-style-type: none"> Natural disasters, such as earthquakes, tsunamis, typhoons, or floods, as well as secondary damage 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 and hacking Operation system hardware or software failures Flaws in communication equipment and services 	<ul style="list-style-type: none"> Service outages or interruptions as a result of natural disasters or accidents Loss of opportunities to offer products and services due to service outages as a result of failures in network systems or communication equipment, substantial billing errors, closing of distributors, or suspension of distribution 	<ul style="list-style-type: none"> Improving reliability of our network and preventing service outages by implementing Business Continuity Planning Establishing a disaster response headquarters as early as possible in the event of an emergency or disaster
Laws, regulations, and government policies relating to telecommunications sector	<ul style="list-style-type: none"> Revisions to the calculation formula for inter-operator connection fees and/or accounting methods Revisions to designated telecommunications facilities system and/ or the regulations on prohibited activities Revisions to the universal service systems The emergence of MVNOs in the mobile communication market Revisions to the frequency allocation system and/or spectrum user fee system 	<ul style="list-style-type: none"> Our financial position and/or earnings performance could be negatively impacted by the revision or abolishment of laws and regulations or formulation of government policies relating to telecommunications and finance business Our financial position and/or earnings performance could be negatively impacted if the company's competitive advantage is relatively diminished as a result of competition policies 	<ul style="list-style-type: none"> Taking appropriate actions based on laws, regulations and government policies Advocating measures for fair competition with other telecommunications operators through various deliberation councils and study sessions as well as the public comment system of the Japan's Ministry of Internal Affairs and Communications

* For details, please see the Business Risks section of the Securities Report for the year ended March 31, 2019.

Initiatives in Response to the Internal Control Reporting System (J-SOX) KDDI Group Activity & Results

In response to the internal control reporting system based on the Financial Instruments and Exchange Law implemented in fiscal 2008, we conducted evaluations of the internal controls at KDDI and 11 major group subsidiaries in and outside Japan to ensure reliability of our financial reporting. The results of these evaluations were compiled in an internal control report, which was submitted to the Japan's Prime Minister in June 2019, as well as disclosed to investors.

[Web Link](#) Securities Report / Internal Control Report (Japanese only)

Activities to Enhance Operational Quality KDDI System & Awareness Raising

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

Initiatives that are successful at improving business operations are added to a database, enabling all employees to put them into practice in their own departments.

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

Activities to Enhance Operational Quality

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

Customer Relationship Management

Customer Satisfaction Improvement System

We will continue aiming to achieve sustainable business growth by enhancing customer engagement and actively breaking ground in new life design fields, especially those related to telecommunications. To promote the Integration of Telecommunications and Life Design, we aim to further improve customer experience (CX) and provide customers with exciting experiences by expanding our life design services into areas like commerce, energy, finance and entertainment, focusing on our existing communication services.

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

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

Collecting Customer Feedback

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

[Web Link](#) Improvement Initiatives (Japanese only) >

[Web Link](#) Services that Have Come from Customer Feedback (Japanese only) >

Initiatives for Customer Satisfaction

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

Multilingual Support Initiatives

Initiative	Details
Introducing a video interpretation services	Promoting introduction of video interpretation service in 13 languages (English, Chinese, Portuguese, Korean, Vietnamese, Tagalog, Spanish, French, Thai, Nepalese, Hindi, Russian and Indonesian)
Translating various sales tools	Translated contract documents, notice, catalogs, flyers, etc., for customers in seven languages
Making multilingual au Support Movies	Made videos in four languages (English, Chinese, Portuguese and Vietnamese) to give information about au services and answer frequently asked questions

[Web Link](#) Multilingual Support Initiatives at au Shops >

Other Initiatives

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

Initiatives for Corporate Customer Satisfaction

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

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

KUG: KDDI Enterprise Users' Group

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

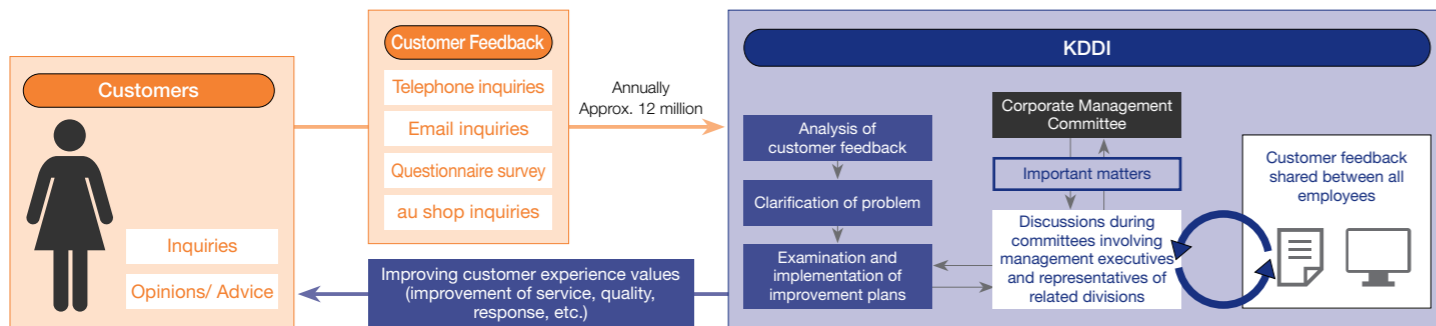
Through exclusive observation tours and seminars, KUG aims to accelerate the communication between its members and KDDI.

FY2018 activity results
Held 12 times (For FY2019, 11 events are scheduled)

Examples of initiatives

- Introduced our efforts related to disaster resilience and service quality control through tours of the KDDI Shinjuku Building and the undersea cable laying vessel *KDDI Ocean Link*
- Organized seminars to share trends in IoT and ICT solutions, mainly for KDDI Digital Gate

Framework for Collection of Customer Feedback



Customer Satisfaction Survey

Assessments of au Services in the Consumer Market

Survey name	Assessment results
J.D. Power: 2018 Japan Mobile Phone Service Satisfaction Study	Ranked highest in overall satisfaction (three consecutive years)

Assessments of KDDI Services in the Corporate Market

Survey name	Assessment results
J.D. Power: 2018 Japan Business Mobile Phone and PHS Service Satisfaction Study <Large Enterprise/ Midsize Business Segment>	Ranked highest in overall satisfaction (three consecutive years)
J.D. Power: 2018 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study	Ranked highest in overall satisfaction (six consecutive years)

Brand Management

KDDI's Approach KDDI Policy

With the launch of the medium-term management plan (FY2019–FY2021), KDDI revamped the au brand slogan.

The slogan for the KDDI brand, which is for the corporate and business market, is "Tomorrow, Together." The new slogan for the au brand, which is for the consumer market, is "Toward a more interesting future." Each of these slogans represents how each brand wants to exist for customers and society. Our strategy is to use the KDDI brand for the business market and the au brand for the consumer market, but both brands share the underlying concept of moving in the direction of a more exciting and fulfilling future (tomorrow) together. We will continue our efforts to improve customer satisfaction by taking the customer's perspective to ensure customers continue to choose our brands.

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

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

Advertising Policy to Establish Our Brands KDDI Policy

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

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

Our Approach to Advertisement Production KDDI Policy

KDDI advertisements are created with the idea of contributing to improved customer satisfaction, based on the rules of the Act against Unjustifiable Premiums and Misleading Representations as well as voluntary standards and guidelines on placement of telecommunications services advertisements, to avoid interfering in the autonomous and rational choice of customers by unfair enticement.

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

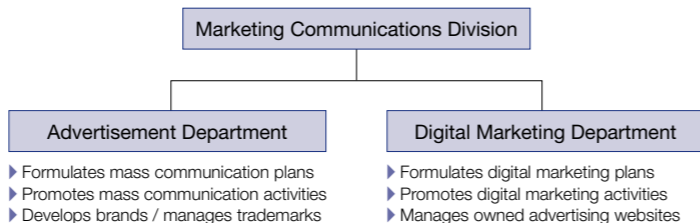
FY2018 Violation of Regulations

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

FY2018 Review Results

- Number of advertisements inspected by the review department: 5,070
- Results of review: Advertisements that might violate laws and regulations were all rectified

Promotion System



TV Commercial KDDI Activity & Results

Starting in January 2015, we rolled out the Santaro TV commercial series, and from January 2018, we rolled out "too sophisticated Takasugi-kun" series. In an effort to spread the brand image of au under the new brand slogan "Toward a more interesting future," we will continue to run both series with the aim of further increasing our popularity.

External Assessment (Subject: The Santaro TV Commercial Series and the "Too Sophisticated Takasugi-kun" Series)

CM Soken Consulting

FY2018 Commercial Popularity Ranking by Company: First Place (April 2018–March 2019)

* Listed as Best Advertiser for five consecutive years

FY2018 Commercial Popularity Ranking by Brand: First Place (November 2017–October 2018)

* Listed as Brand of the Year for four consecutive years

Sponsorship

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

Soccer	As a supporting company of Japan's national soccer teams, we support all the soccer teams representing the country, including the Samurai Blues (men's team) and Nadeshiko Japan (women's team). We also sponsor the J.League team Kyoto Sanga F.C.
Sport climbing	As the official sponsor of the sport climbing category of the Japan Mountaineering and Sport Climbing Association, we support sport climbing and sponsor "Team au," made up of five climbers
Super GT	We sponsor the Lexus Team au Tom's in Japan's biggest GT race, the Super GT.
E-Sports	E-sports are growing in popularity around the world, and we support the spread of e-sports in Japan as the official sponsor of the Japan eSports Union (JeSU) and as a sponsor of the pro team DetonatioN Gaming.
Sports of Heart	We sponsored Sports of Heart 2018, a sports and culture festival organized so that disabled and non-disabled people can have fun together.
Tokyo Jazz Festival	We sponsored Japan's biggest jazz festival, the 18th Tokyo Jazz Festival 2019.
Kirishima International Music Festival	We sponsored the Kirishima International Music Festival 2018, which was held with the purpose of creating opportunities to listen to concerts and learn from expert musicians.
"Connecting Hearts, Connecting Lives" Reconstruction Concert	We sponsored the 2019 "Connecting Hearts, Connecting Lives" concert for the reconstruction of the area affected by the 2011 earthquake and tsunami.

Stakeholder Engagement

Stakeholder Engagement: Our Approach and System

Policy & System

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

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

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

Stakeholder correlation diagram



Stakeholder Dialogue

Activity

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

In fiscal 2018, we had dialogue on the theme of SDGs.

[Web Link](#) Stakeholder Dialogue

[Web Link](#) Promotion of Understanding Sustainability and SDGs

Results of Stakeholder Engagement

Activity & Results

Stakeholders	Communication methods	Frequency	Details	Influence on the management and business activities
Service Users Web Link Customer Relationship	Releases on media, websites and social media	As needed	• Spread information about the company and business activities	• Spread information appropriately
	Inquiries at customer center (telephone/ web)	As needed	• Response to inquiries from customers	• Improve customer experience value
	au Shop service counters/ retail networks	As needed	• Share feedback to improve our products and services across the company	• The departments in charge improve convenience of products and services and guarantee safety
Shareholders and Investors Web Link Governance	General Meeting of Shareholders	Once a year	• Share business reports, consolidated financial reports, financial statements, auditors' reports	• Strengthen governance • Deliver information using websites and other information tools with a sincere attitude
	Results briefing	Four times a year	• Report financial results and business initiatives	
	Disseminating information through Shareholder Communication	Twice a year		
	Session with institutional investors in Japan and abroad	Hundreds of times	• Explain and exchange opinions on financial results and business initiatives	
	Seminar for investors	Several times a year	• Specific sessions such as ESG briefings, seminar for private investors, etc.	
	Spread information through website	As needed	• Dissemination of information such as various reports, documents and details of initiatives	
Local Communities Web Link Community Involvement	Social contribution programs in each region	As needed		• Reflect opinions on the environmental conservation activities • Solve social issues in partnership with administrative organizations and local communities
	KDDI Smartphone and Mobile Phone Safety Classes implemented at school and community facilities	As needed	• Exchange opinions through local administrative organizations • Interact with local residents and contribute to local safety and development	
CSOs Web Link Community Involvement	Activities funded by the KDDI Foundation	As needed	• Practice social contribution activities across the world	• Understand the social issues and needs in each community
	Events hosted in cooperation with CSOs	As needed	• Participate in advanced initiatives	
Administrative Organizations / Industry Groups Web Link Participation in External Initiatives	Participation in conferences/ councils	As needed	• Collect information and exchange opinions	• Make proposals on various guidelines and deregulation
	Participation in Initiatives	As needed		
Employees and Their Families Web Link Materiality ① Labor Practices	Employee awareness survey	Once a year	• Conduct awareness survey on the activation level of the organization	• Analyze the state of company-wide organizational culture and identify issues to be tackled in each department • Respect human rights
	Opinion exchanges between management and employees	A dozen times a year	• Discuss and promote mutual understanding about labor management issues	
	KDDI Sports Festival (Co-hosted with the labor union)	Once a year	• Create a sense of unity through encouraging interactions among KDDI Group employees including their families and management	
Business Partners (Suppliers) Web Link Materiality ⑤ Supply Chain	Surveys and liaison conference	Once a year	• Share Sustainable Procurement Policy	• Promotion of responsible procurement through supply chain

Stakeholder Engagement

Participation in External Initiatives KDDI Activity & Results

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

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

Topics

SDG-focused Initiatives through the GSMA
KDDI is actively helping achieve the 17 SDGs with the GSMA, which represents mobile telecommunications operations around the world. In fiscal 2018, a video about our system supporting disaster preparedness measures and information for national and local governments was played at the GSMA booth at the Mobile World Congress Shanghai in June and the SDGs booth at the U.N. General Assembly in September, which had the GSMA as a main sponsor. We also garnered acclaim for being the first in the world to create a new service through industry-wide collaboration on big data from smartphones and IoT devices, such as connected cars.

The GSMA website "Big Data for Social Good" is an initiative to help support people during emergencies using big data from telecommunications operators.

[Web Link](#) [Big Data for Social Good](#)

Our system supporting disaster preparedness measures and information for national and local governments featured on the above webpage.

[Web Link](#) [System supporting disaster preparedness measures and information for national and local governments](#)

Video shown at the SDGs booth of the U.N. General Assembly

[Web Link](#) [Video shown at the SDGs booth of the U.N. General Assembly](#)

In addition to the aforementioned video shown at the SDGs booth at the U.N. General Assembly, there was also a VR video of an interview with employees of the Special Telecommunications Countermeasures Office and the company's vehicle-mounted base stations related to recovery efforts after the Great East Japan Earthquake.

Community Involvement and Development

KDDI's Approach KDDI Group Policy

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

Policy on Corporate Citizenship KDDI Group Policy

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

Under the medium-term management plan (FY2019–FY2021), we established and are working toward KDDI's target SDGs, which incorporate goals linked to business strategies and goals linked to corporate activities. In addition, when deciding on and implementing philanthropic endeavors, including social contributions and donations, we consider the relation to and impact of our own business activities as well as issues common to the international communities, such as the SDGs. We are currently considering policies, methods, and other measures.

[Web Link](#) [KDDI Basic Guidelines Concerning Safe and Secure Communication for Young People](#)

[Web Link](#) [KDDI's Target SDGs](#)

Basic Principles

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

Behavioral Guidelines

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

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

Management Framework KDDI Group System

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

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

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

The Plus Alpha Project Program KDDI Group Activity

From fiscal 2008, we started the Plus Alpha Project program that encourages our employees to actively participate in voluntary activities. In this program, employees earn points for social contribution activities within or outside the company, and the company donates an amount corresponding to these points to charity organizations on behalf of the employees. All employees (approx. 17,000) are eligible, and over 9,979,576 yen was donated in total by fiscal 2018.

[Web Link](#) [Contribution through the Plus Alpha Project program \(Japanese only\)](#)

Community Involvement and Development

Case: Workshop-Style Classes: Raise DRR Literacy with Your Smartphone

Japan is struck by major natural disasters almost every year, and education for disaster risk reduction (DRR) is becoming increasingly important in schools. We held new workshop-style classes named Raise DRR Literacy with Your Smartphone for high school students to teach them how to effectively use ICTs as a lifeline in the event of a disaster. A social media network was specially created for learning how to share information during the classes.

<Comprehension Questionnaire>

Questionnaire content	(1) Importance of receiving and sending appropriate information in the event of a disaster (2) Importance of helping oneself and others in a disaster (3) Need to pay attention to information communication in everyday life too
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Results

Understood very well	Understood well	Did not understand very well	Did not understand
76.8%	21.2%	1.8%	0.2%

Percentage of positive responses

Understood very well, well
98.0%

[Web Link](#) Raise DRR Literacy with Your Smartphone KDDI's education for information literacy

Case study: The Shimamono Project, which aims to invigorate the communities in outlying islands

Japan has around 420 populated outlying islands. These communities are facing various challenges, such as young people moving away from the islands, population decline, how to create value and convey the allure of the islands as well as a lack of know-how regarding logistics and sales activities.

To aid outlying island communities, KDDI has teamed up with the NPO Rito Keizai Shimbun (The Archipelago News) on the Shimamono Project since fiscal 2015. The project uses KDDI's resources to support business sales and share information in outlying island communities. In addition, KDDI hosts Shimamono Marche on its own shopping site au WALLET Market to sell goods produced in outlying islands. We also hold the Shimamono Lab, which is a course for outlying island businesses on expanding sales channels and promoting products. The Shimamono Lab is now offered in a total of six areas. In addition, sales from Shimamono Marche reached a cumulative total of around 56 million yen (21 islands, 34 products, as of March 31, 2019).

[Web Link](#) KDDI's Shimamono Project Supports Outlying Islands

Social Contribution

KDDI is a member of the 1% Club established by Japan Business Federation. Our total social contribution expenditures were 840 million yen in fiscal 2018.

1. Advertising expenses and membership fees are excluded even if they have the goal of social contribution. Political contributions are not included in total social contribution expenditures.
2. In-store fundraising and employee donations are not included in total social contribution expenditures

Volunteer Leave and Number of JICA Volunteers (KDDI)

Volunteer Leave and Number of JICA Volunteers (KDDI)

		FY2014	FY2015	FY2016	FY2017	FY2018
Volunteer leave	Unit: person who uses the program	31	16	20	13	29
JICA volunteer*	Unit: person dispatched	2	2	1	0	0

* The number of JICA volunteers (Youth Overseas Cooperation Volunteers participation system) is the number of people KDDI employees are dispatched to JICA in each fiscal year.

Disaster Relief Fund (FY2018)

Source of funds: KDDI's Bridge of Hope social contribution website
KDDI matches the donations of customers and KDDI group employees.

Japan

Case	Total contributions (Yen)	Donated to
Earthquake in northern Osaka, 2018	6,511,200	Japanese Red Cross Society
Heavy rains in July, 2018	27,000,000	Japanese Red Cross Society
Earthquake in eastern Ibari, Hokkaido, 2018	8,600,000	Japanese Red Cross Society

Overseas

Case	Total contributions (Yen)	Donated to
Earthquake in Sulawesi, Indonesia	2,124,300	NPO Japan Platform

Initiatives

KDDI Group Results

(1) Bridging the Digital Divide

Targets	FY2018 initiatives
Improve ICT literacy of older people	<ul style="list-style-type: none"> • Hold KDDI Smartphone and Mobile Phone Safety Classes for elder people • Comprehension rate 85%, Usage rate 91% • Classes held 244 classes, 3,899 participants (cumulative 1,350 classes, 24,423 participants)

(2) Supporting Sound Development of Youth

Targets	FY2018 initiatives
Improve ICT literacy of youth	<ul style="list-style-type: none"> • Hold KDDI Smartphone and Mobile Phone Safety Classes for youth • Satisfied with teaching materials: 99% • Satisfied with lecturers: 98% • Will reapply: 69% • Classes held 4,469 classes, approx. 820,000 participants (cumulative total: approx. 29,000 classes, approx. 5.31 million participants) • Held Workshop-style classes for high school students: Raise DRR Literacy with Your Smartphone • FY2018 Results (15 schools, 651 participants)

Support the next generation career building	Web Link IT Class Held for Hearing Impaired Students (Japanese only)
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(3) Environmental Conservation

Targets	FY2018 initiatives
Biodiversity conservation in collaboration with stakeholders	Web Link Environmental Conservation Activities by Employees
Environmental education for children	Web Link We held a class on creating a field guide on plants and forest wildlife at the Ichikawa City Public Ohwada Elementary School. (Japanese only)

(4) Social and Cultural Support

Targets	FY2018 initiatives
Contribute to local community development and regional revitalization	Web Link Shimamono Lab workshops for outlying island businesses in the islands (Japanese only) Web Link Shimamono Lab workshops for outlying island businesses in Iki City, Nagasaki Prefecture (Japanese only)
Raise awareness of manners for mobile phone use and prevent cycling accidents	Web Link We created a virtual reality (VR) class kit for preventing smartphone use while cycling. VR class kit for preventing smartphone use while cycling (Japanese only)
We support CSOs and other organizations working to support the environment and society.	Web Link KDDI's Bridge of Hope social contribution website (Japanese only)

(5) Disaster Support

Targets	FY2018 initiatives
Support early recovery of disaster areas	Web Link Donation of relief funds for victims of the earthquake in Sulawesi, Indonesia (Japanese only)
	Web Link Donation of relief funds to victims of the 2018 earthquake in eastern Ibari, Hokkaido (Japanese only)
	Web Link Donation of relief funds to victims of the heavy rains in July 2018 (Japanese only)
	Web Link Donation of relief funds to the victims of the 2018 earthquake in northern Osaka (Japanese only)
Related to the Great East Japan Earthquake	Web Link Volunteer activities to support areas affected by the heavy rains in July 2018 (Japanese only)
	Web Link We helped create tourism VR content for Miyako. (Japanese only)
	Web Link We sponsored the Karakuwa Junior High School Community Building Workshop. (Japanese only)
	Web Link We sponsored the Minamisanriku Entertainment Show (Japanese only)
	Web Link Initiatives to Support Reconstruction from the Great East Japan Earthquake (Japanese only)
Web Link We provided aid for short-term folk high schools in Kunimi-machi, Fukushima Prefecture. (Japanese only)	

(6) Contribution Activities in Growth Regions outside Japan

Country name	FY2018 Initiatives
Myanmar	<ul style="list-style-type: none"> • Held music classes and the Art Village School (KDDI Foundation) • CSR vision: Together for Future Generations (MPT) These activities focus on younger generations who will contribute to the future of Myanmar. The pillars of the activities are health, education and business incubation. MPT helped upgrade public water facilities, held training programs for digital skills, and supported startup companies in technological fields.
	<ul style="list-style-type: none"> • Large-scale cleanup activities: Clean and Fresh to Move Forward (MPT) MPT held its second round of large-scale cleanup activities in 18 districts across Myanmar.
Mongolia	<ul style="list-style-type: none"> • Child Helpline 108 (MobiCom) This service can be accessed for free 24/7 by children, parents, teachers, social workers, and others. To date, the service has received over 600,000 reports and helped prevent child abuse and solve other problems.
	<ul style="list-style-type: none"> • W.A.S.H. Project (MobiCom) In collaboration with local governments and the NGO World Vision Mongolia, MobiCom builds clean water facilities and toilet facilities for elementary schools. To date, the project has helped improve the public health of around 54,000 children at elementary schools in 80 districts.
Cambodia	<ul style="list-style-type: none"> • Built a KDDI School (the 11th one), built English and computer classrooms (for the 7th school), participated in music classes and presentations, held workshops by amateur orchestras, and held field days (KDDI Foundation) • Created DVDs to introduce and pass down the traditional Cambodian art form of large-scale shadow theater (Sbek Thom) (KDDI Foundation)
	<ul style="list-style-type: none"> • Held e-learning and robot programming classes (KDDI Foundation)

External Recognition

A Sample of Indices That Include KDDI

Inclusion in SRI Index FTSE4Good Global Index Series
We are included in the FTSE4Good Index Series, a major global index for socially responsible investment (SRI) (as of June 2019).
The index was developed by FTSE Russell, which belongs to the London Stock Exchange Group. It is widely used as a standard for selecting investees by institutional investors who focus on the social responsibility and sustainability of companies.



Inclusion in SRI Index MSCI ESG Leaders Indexes
Among global SRI indices, we are included in the MSCI ESG Leaders Indexes (as of June 2019).
This index suite was developed by a US-based company, MSCI Inc., and selects companies with excellent environmental, social and governance (ESG) performance.



THE INCLUSION OF [ISSUER ENTITY NAME] IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF [ISSUER ENTITY NAME] BY MSCI OR ANY OF ITS AFFILIATES.

THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Inclusion in Euronext Vigeo Eiris Indices World 120
We are included in the Euronext Vigeo Eiris Indices World 120, a representative SRI index (as of June 2019).
This index distinguishes 120 companies achieving the most advanced environmental, social and governance performance.



Inclusion in Ethibel Sustainability Index (ESI) Excellence Global
We are included in the ESI Excellence Global, operated by Forum Ethibel, a Belgian association which promotes SRI investing (as of March 2019).



Inclusion in S&P/JPX Carbon Efficient Index
We are included in the S&P/JPX Carbon Efficient Index, which is an environmental index jointly developed by the Japan Exchange Group, the Tokyo Stock Exchange, and the S&P Dow Jones Index (as of March 2019).



Acquired the Highest Rank in the DBJ Environmental Ratings
The Development Bank of Japan (DBJ) developed its own environmental rating system. The investment menu confers an environmental rating after companies are evaluated on their environmental management, outstanding companies are selected, and investment criteria are established based on their score. KDDI acquired the highest rank of A in the ratings (as of March 2019).



Awarded Gold Rating in the PRIDE Index for Three Consecutive Years
We received the top gold rating on the PRIDE Index, which evaluates corporate efforts related to LGBT and other sexual minorities, for three consecutive years. The PRIDE Index was established by a private organization, work with Pride, with the aim of promoting the creation of inclusive workplaces in companies.

* In July 2015, we started applying au Family Discount and various services provided based on the "condition that the users are family members" to same sex partners when the partnership is confirmed by an official certificate.



Ranked Second for Overall Performance in CSR Company Ranking
We placed second for overall performance in the 13th CSR Company Ranking announced by Toyo Keizai Inc. In this ranking, around 1,501 Japanese companies are evaluated based on the survey conducted in 2019 for the utilization of human resources, environmental responsibility, corporate governance and social responsibility and finance. The top companies are recognized as trustworthy by a wide range of stakeholders.

Other External Recognition

Recognition and awards	Results
The 22nd Environmental Management Survey organized by Nikkei Inc.	Ranked 9th by industry
22nd Environmental Communication Awards: Environmental Report Category organized by the Global Environmental Forum	Excellence Award
FY2018 Awards for Companies Promoting Experience-based Learning Activities for Youth organized by Japan's Ministry of Education, Culture, Sports, Science and Technology (MEXT)	Selection Committee Incentive Award
6th Good Life Award organized by Japan's Ministry of the Environment	Environmental Art & Design Award
The Commendation on Instructional Materials for Consumer Education 2018 organized by the National Institute on Consumer Education	National Institute on Consumer Education Chairman's Award
FY2018 Awards for Efforts to Build a Sustainable Society organized by the Ecological Life and Culture Organization	President's Award

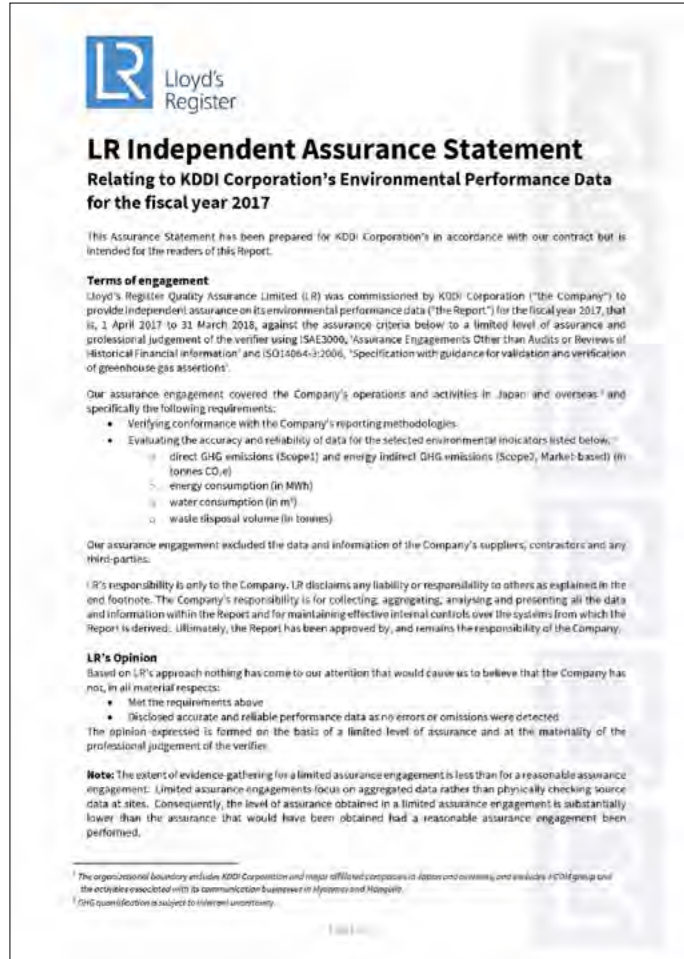
Recognition of Our Initiatives in Growing Markets

Received the Outstanding Contribution to the Asia Mobile Industry Award at the 2019 Asia Mobile Awards
At the Asia Mobile Awards 2019, which were held in June 2019 at Asia's largest annual mobile industry event Mobile World Congress Shanghai, KDDI's chairman Takashi Tanaka received the highest honor of Outstanding Contribution to the Asia Mobile Industry Award. This award is given by the GSMA to honor an individual who has made an outstanding contribution to the development of Asia's mobile industry. This marks the first time a Japanese person has won the award.

Award	Recognition
MobiCom: Received the award for Corporate Social Responsibility at the Forbes Mongolia Awards 2019	Received in recognition of being the best Mongolian company in the field of social responsibility and eco-friendliness
MobiCom: Top 10 Entrepreneur Award 2018	Received in recognition of the company's business accomplishments, profit, social responsibility, employment, exports, and other factors
MobiCom: Selected as the Best Socially Responsible Company 2018	MobiCom recognized as the best foreign company for social responsibility in Mongolia
MPT: Honored in five categories at the Myanmar Employer Awards 2017	Received in recognition of being the company most committed to developing employees' capabilities as well as in recognition of the company's sophisticated hiring strategies, human resource systems, and other factors
MPT: Received a Gold Sabre Award 2017	Received in recognition of the company's CSR activity of donating solar lanterns to temples, schools, and other institutions
MobiCom: Awarded Best Employer of Mongolia 2017	Received in recognition of the company's efforts to provide a good workplace for employees, stable employment, health management, safety and hygiene, and career development initiatives
MPT: Recognized as Most Loved Brand 2016	Recognized as the brand most loved by the people of Myanmar in a brand survey

External Recognition

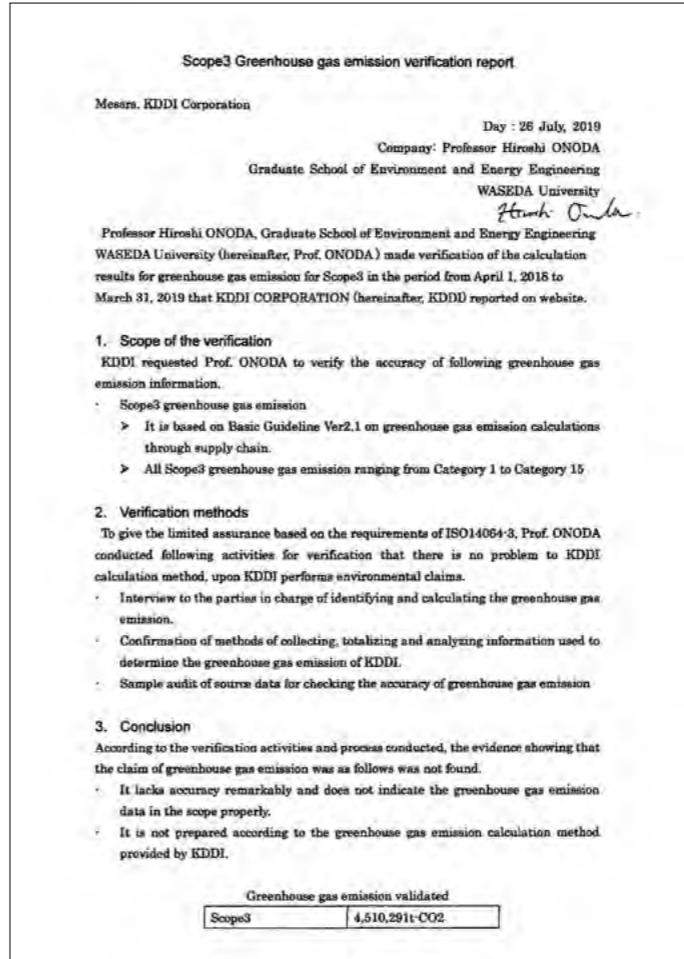
Scopes 1 and 2 FY2017 Greenhouse Gas Emissions Verification Statement



* Direct GHG emissions include those of an overseas subsidiary. Indirect GHG emissions from consumption of purchased electricity, heat or steam are calculated using the emission factor of each electric utility operator.



Scope 3 FY2018 Greenhouse Gas Emissions Verification Report



ISO 14001 Management System Certificate



Corporate Profile

Corporate Profile (As of March 31, 2019)

Company name : KDDI CORPORATION
 Date of establishment : June 1, 1984
 Main business : Telecommunications business
 Head office : Garden Air Tower, 3-10-10, Iidabashi, Chiyoda-ku, Tokyo 102-8460, Japan
 President : Makoto Takahashi
 Capital : 141,852 million yen
 Total employees : 41,996 (consolidated basis)

Office Status (As of March 31, 2019)

Office : Head Office (Tokyo Prefecture)
 Head branches : Hokkaido (Hokkaido Prefecture), Tohoku (Miyagi Prefecture), Northern Kanto (Saitama Prefecture), Southern Kanto (Kanagawa Prefecture), Chubu (Aichi Prefecture), Hokuriku (Ishikawa Prefecture), Kansai (Osaka Prefecture), Chugoku (Hiroshima Prefecture), Shikoku (Kagawa Prefecture), Kyushu (Fukuoka Prefecture)
 Branches : 17 branches, 74 branch stores, 6 customer services centers, etc.
 Technical centers : 14 technical centers and engineering centers, 3 technical maintenance centers, 1 transmission center
 Offices outside Japan : Geneva, Beijing, Shanghai

[Web Link](#) Major KDDI group companies

Principal Businesses (As of March 31, 2019)

The KDDI group comprises KDDI, 175 consolidated subsidiaries (116 in Japan, 59 overseas) and 39 equity-method affiliates (32 in Japan, 7 overseas). The businesses of the group are classified into segments in accordance with the types of services and customer attributes. The principal businesses of each segment are presented below.

Personal Services : Communication services (au and MVNO mobile phone, FTTH, CATV), energy, educational services, etc., for individuals
 Life Design Services : Commerce, finance, payment, entertainment services, etc. for individuals
 Business Services : Telecommunications services, ICT solutions, data center services, etc. for companies
 Global Services : Communications services, ICT solutions, data center services, etc., for companies and individuals overseas

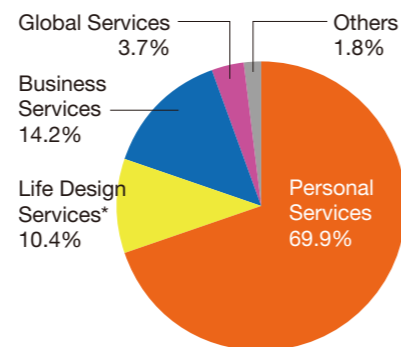
KDDI Consolidated Performance*

FY2018
 Operating revenue : 5,080,353 million yen
 Operating income : 1,013,729 million yen
 Profit for the period attributable to owners of the parent : 617,669 million yen

* See the financial summary data in investor relations for details.

[Web Link](#) Financial Highlights

Operating Revenue Composition by Business Segment (FY2018)



* From FY2018, the name of the "Value Services segment" was changed to the "Life Design Services segment."

Note: From fiscal 2019, we have consolidated the four original segments of Personal Services, Life Design Services, Business Services and Global Services into the two new segments of Personal Services for individual consumers and Business Services for corporate clients.

Disclosure Policy

Disclosure of Sustainability-related Information

About This Report

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

The *Sustainability Report* expands on information referencing the GRI's Sustainability Reporting Standards, as well as information to promote greater understanding of how KDDI creates value. We will continue making efforts to communicate with all stakeholders and promoting our sustainability initiatives.

Please note that this report is an English translation of the Japanese *SUSTAINABILITY REPORT 2019*, prepared for your reference and convenience only and without any warranty as to its accuracy.

In the event of any discrepancy, the Japanese original shall prevail.

Period Covered

FY2018 (April 1, 2018 to March 31, 2019). Some of the included information pertains to activities on or after April 1, 2019.

Scope of Report

Although we report the activities of the KDDI Group (KDDI and its 175 subsidiaries), this report focuses on KDDI only since the ratio of the Group's consolidated sales is approximately 1.25 times KDDI's non-consolidated sales.*

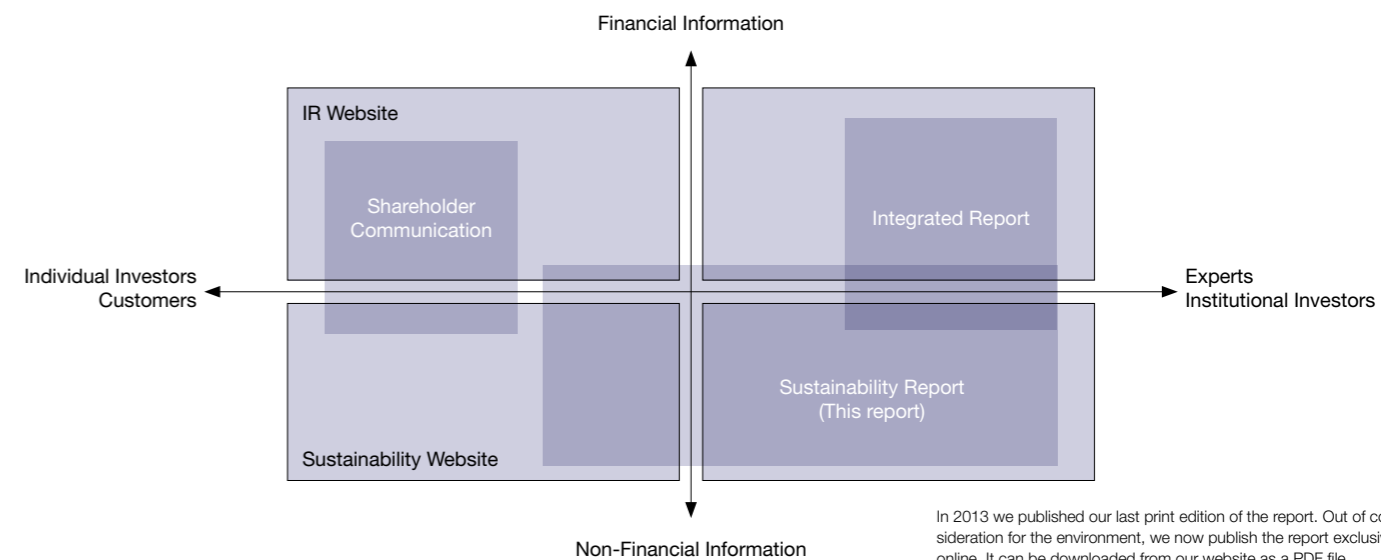
* Consolidated: based on International Financial Reporting Standards (IFRS). Non-consolidated: based on Japanese GAAP.

Publication Date

September 2019
 (Next publication: September 2020; Previous publication: September 2018)

Guidelines Referenced

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



External Assurance

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

Inquiries

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