# SUSTAINABILITY REPORT 2020 5G on the Rise auv5G**English Version**







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

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

#### Chapter 2

#### **Management Principles**

- O Fulfilling our corporate and social responsibilities
- OClearly state the purpose and mission of our business
- O Pursue profit fairly
- O Transparent management
- O Maximizing revenues, minimizing expenses
- O Lean and mean management
- O 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

- O Be self-motivated
- O Keep your fighting spirit alive
- O Taking ownership
- Open and direct communication
- O Be agile; think and act with a sense of urgency
- O Let's unite as a team to achieve our goals
- $\bigcirc$  Put yourself in the perspective of your boss
- O Look at what you do, from the outside in
- O Tackle a challenge head-on
- O Always be creative in your work
- O Every small effort counts O Believe in our potential
- O Go back to the basic principles O To know the problem, go, see and touch
- O Playing by the rules
- O Tough love at work

#### **Formula for Success**

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

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## Top Message

# Tomorrow, Together Working with all our partners, we will create new value in the 5G era, aiming to grow sustainably with society.



First of all, I would like to express my sincere appreciation to all our stakeholders for your continuous support.

Since establishment, KDDI has made realizing a truly connected society part of the KDDI Group Mission Statement. As a communications carrier responsible for essential lifeline infrastructure, we strive to fulfill our mission of maintaining resilient, high-quality telecommunications, and under the slogan Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au), we aim to provide telecommunications services that are always reliable, no matter what.

Furthermore, in recent years, movements to address social issues have gained momentum with the Paris Agreement adopted by COP21 which is a global framework for climate change, a proposal from the Task Force on Climate-related Financial Disclosures (TCFD), and Sustainable Development Goals (SDGs) for solving global issues. In Japan as well, in promotion of "Society 5.0: Co-creating the future for SDGs", the use of cutting-edge technology to solve social issues is being advocated, and the era when previously unattainable new values are brought to industries and society is about to arrive.

Under these conditions, in March 2020, we began offering our much-anticipated au 5G service in Japan.

The era of 5G will be a time when telecommunications become seamlessly integrated with all kinds of physical things. 5G has the potential to greatly change society, transforming individual lifestyles, values, and ways of doing business. We are thus on the verge of an exciting new era. Moreover, the use of 5G/loT, Al, and big data is expected to solve a wide variety of social issues.

#### **Toward Sustainable Growth**

In our medium-term management plan (April 2019-March 2022) released last year, we set contributing to the sustainable growth of society as our company vision. We at KDDI rigorously take on social issues in addition to our own expansion and strive to evolve along with society through initiatives for achieving the SDGs.

To this end, we strive to achieve growth on axes of sustainable growth of existing businesses and challenge to new innovation based on our management policy.

In order to contribute to the sustainable growth of society, KDDI is advancing sustainability activities centered on six material sustainability issues on a group-wide basis. Furthermore, in 2020, KDDI formulated "KDDI Sustainable Action"-KDDI's initiatives for the SDGs aimed at 2030 with a determination to continue working to solve various social issues through business going forward. In consideration of the social issues and the business sectors KDDI can contribute to as a telecommunications operator, we revised KDDI's Target SDGs, which were linked with the medium-term management plan (April 2019-March 2022), into eight social fields. We do not view social issues merely as risks; we also consider them opportunities to leverage the unique strengths of KDDI. We strive to solve diverse social issues while raising profit as a business, such as by providing inexpensive, high-quality telecommunications services in developing countries and spurring regional revitalization using 5G, IoT, and other technologies.

Recently, due to the increasing number of large-scale natural disasters and impact from the spread of COVID-19, online use has been accelerating in various areas. The telecommunications' role of

connecting communication as a lifeline is becoming more and more important. We, as a telecommunications company, have a mission to protect human life by building a reliable communication infrastructure that ensures communication service at all times under any circumstances and establishing an early recovery support system. In addition, we regard not only natural disasters but also large-scale communication failures as a risk that has a great impact on corporate value.

With the belief that providing a stable service 24 hours a day, 365 days a year under any circumstances leads to maintaining and increasing our corporate value, KDDI is united in providing our utmost effort to offer resilient and high-quality telecommunications services under the slogan of "Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au)."

The spread of COVID-19 has had an immense impact on the activities of industry and society at large around the world. In line with the policies of KDDI Sustainable Action, we announced KDDI's Basic Policy toward COVID-19, which is based on five central pillars aimed at, among other things, contributing to the construction of a resilient social infrastructure that is resistant to environmental changes by promoting digital transformation (DX) for individual and corporate customers such as telework, online education, and remote medical care. Going forward, KDDI will rally our group-wide strength as a lifeline provider to "connect and protect lives," "connect day-to-day lives," and "connect hearts and minds" so we may continue fulfilling our corporate mission of supporting the daily lives of our customers and in-

This corporate attitude has penetrated into the group as the KDDI Group Philosophy which defines perspectives and code of conduct that top management and employees should share. Due to the synergy effect with our corporate governance system that secures transparency and fairness, a more solid management system has been es-

When our business growth and contribution to society are integrated to create a virtuous cycle, KDDI's growth will be a strength to

The KDDI Group works to connect and protect lives, connect dayto-day lives, and connect hearts and minds. Through KDDI Sustainable Action, KDDI will work on solving social issues and aim for sustainable growth with society.

October 1, 2020 will mark the 20th anniversary of KDDI's establishment.

Tomorrow, Together

We will continue to move forward, together with customers, partners, and society at large, sharing a faith in the future as we aim to sustainably grow profit and reinforce shareholder returns from a longterm perspective.

As we move forward together, I would like to express my sincere appreciation for your continued support and guidance for the KDDI

Link Medium-Term Management Plan (FY2019–FY2021) Web Link KDDI Sustainable Action

Web Link KDDI's Basic Policy toward COVID-19







## **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.





#### 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.

## **Brand Message** Tomorrow, Together

**Company Vision** 

The company the customer can feel closest to

A company that continues to produce excitement

of society

Connecting hearts and minds

Creating a digital society

for affluence and peace

of mind

Envisioning a safe

and secure society in terms

of security and privacy

Contributing to the sustainable growth

#### **KDDI Sustainable Action**

#### **KDDI Sustainable Action**

Our power to make connections will help create a brighter future for all.

Connecting day-to-day lives

Sustainable development

for cities

and communities

Resolving global issues

and creating people-friendly

## Connecting and protecting lives

Building a resilient infrastructure for communication and disaster response



Building resilient communications infrastructure and speedily initiating

Building the infrastructure









Helping improve the livelihoods of people in developing countries through economic and industrial development upgrading

Developing human resources for the next generation



Improving the educational environment with ICTs and developing human resources for the next generation

Promotion of diversity



Respecting human rights, promoting diversity and inclusion

Fostering health



Supporting healthy, fulfilling lives with ICTs

## **Partnership**



Resolving social issues through partnerships

#### Material Sustainability Issues

Conserving

Becoming energy-efficient and

achieving zero emissions



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



Respect for human rights and fairness in business



6 An energy-efficient, circular economy

Value

Creation

Service users

**Shareholders** and Investors

> Local Communities

Stakeholders NPO/NGO

> Administrative Organizations/ **Industry Groups**

**Employees** Their Families

**Business** Partners (suppliers)



KDDI







## **Sustainability Promotion Framework**

#### The KDDI Group Philosophy

KDDI Group



The KDDI Group Philosophy expresses the attitudes, values, and behavior that all of 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.



**KDDI Code of Business Conduct** 

KDDI Group

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.

We review it according to revisions in laws and regulations and changes in the social landscape. In July 2020, we revised the contents of Respect for Human Rights and Individuality which is the first basic principle in the KDDI Code of Business Conduct to emphasize the seriousness of harassment and the importance of diversity.

We will continue to promote the KDDI Code of Business Conduct as standards in the group while considering the characteristics of the business.

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

- I. Respect for Human Rights and Individuality
- 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

#### The KDDI Group Philosophy, Group-wide Efforts



#### FY2019 results of our actions

#### •KDDI Group Philosophy study sessions

	•
For divisions' general managers	4
For departments' general managers / new group leaders	2/7
For new employees	3
Group leaders	For group leaders: 59 Total number of participants: 1,462 Level of clarification: 99.6%, Level of passion: 98.7%
Non-line employees	For non-line employees: 342 Total number of participants: 10,641 Level of clarification: 95.2% Level of passion: 90.7%
At group companies in and outside Japan	6 (In Japan: 2, outside Japan: 4)

#### •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 2019-December 2019

Results: 85% awareness of the Business Ethics Helpline

#### •Group companies' training on governance

For executives of group companies

Number of participants: 58

Evaluation: Satisfied 100%, Beneficial 100%

Web Link KDDI Code of Business Conduct (Basic Principles)

## Sustainability Promotion Framework

Corporate Management Committee

Report

#### Sustainability Committee (convenes twice a year)

Chair

Company President

#### Permanent Members

General Managers of All Businesses and Corporate Sectors Executive Director, Corporate Sector Executive Director, Corporate & Marketing Communications Sector Executive Director, Technology Sector Executive Director, Global Consumer Business Sector, Executive Director Personal Business Sector Executive Director, Solution Business Sector

President, KDDI Foundation Audit & Supervisory Board

#### **Details of Sustainability Committee** activities

- •Formulation of sustainability action policies
- Sustainability promotion framework maintenance

Secretariat

Sustainability Department

Confirmation of progress on KPIs

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 and all employees.

## Executive Officer of Sustainability

Human Rights Subcommittee Discussions related to promoting human rights based on the KDDI Group Human Rights Policy (convened as needed)

Example topics: •Prohibition of child labor or forced labor

of base stations

- Prohibition of discrimination in business activities (based on race, sex, faith, nationality, age, sexual orienta-
- tion, gender identity, etc.) •(Relating to telecommunications business) Protection of confidentiality of communications, protection of freedom of expression, and land purchases related to the construction

#### **Environmental Subcommittee**

Discussions of matters related to policy and plans for sustainability initiatives and environmental conservation activities (convened twice a year)

#### Green Plan Subcommittee

Monitoring of progress on the KDDI GREEN PLAN 2017-2030, analysis of the gaps between targets and results, and discussions of countermeasures (convened twice a year)

## **Business Sector** Corporate Sector Regional Offices in Japan Control the sustainable initiatives, general administration and human resources respectively in the ten divided regions of Japan KDDI executive officers are appointed as the Senior General Managers of

Group companies

each regional office

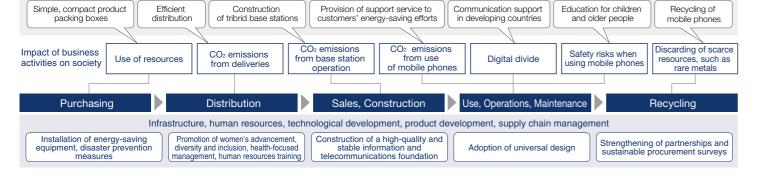
## Shareholders Investors Local Communities Stakeholders NPO/NGO Administrativ Organizations Groups **Employee Business** Partners

As of April 1, 2020

#### Major Issues Addressed by the Sustainability Committee in FY2019 (convened in August and February)

- Setting goals and reporting results for material KPIs
- •Examining and approving initiatives for SDGs promotion (including introduction of examples of good practices in Japan and abroad)
- •Reporting progress on SDGs by all businesses and corporate sectors as well as the KDDI Foundation
- •Reviewing KDDI's Target SDGs (formulating and approving KDDI Sustainable Action)
- •Formulating and approving a draft of FY2020 sustainability promotion plan

#### ■ Example of Sustainability Activities in the Value Chain







**KDDI Group** 



## **Our Business and Strategies**

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

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

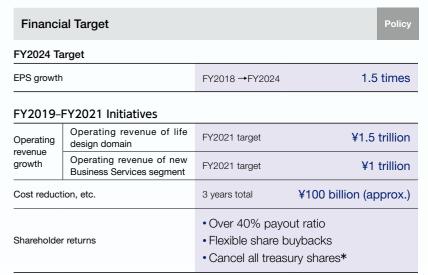
The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society.

**Brand Message** 

## Tomorrow, Together KDDI Explore the extraordinary 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



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

#### **Seven Business Strategies**

#### 1. 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 partners, and promote open innovation that incorporates the innovative ideas and advanced technologies of start-ups. In this way, we will create new experiential value and actively utilize 5G services for regional revitalization businesses.

#### ■ Innovation in 5G



Creating new experience value through collaboration with partners

#### 2. Further Expansion of Global Business

For the consumer 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. For the 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.

#### 3. 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 DX of client companies by using big data in various industries.

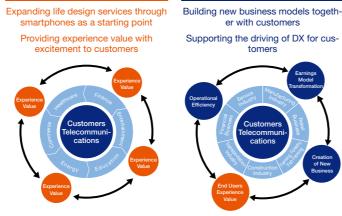
#### 4. The Integration of Telecommunications and Life Design

We aim to achieve sustainable growth in the consumer business by enhancing engagement with customers across the group, maximizing lifetime value (number of customers in the group (group ID)  $\times$  engagement  $\times$ total ARPA) 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 (DX) and realizing the integration of telecommunications and life design for corporate clients in Japan and overseas.

For corporate customers

#### ■ The Integration of Telecommunications and Life Design

For individual customers



Expanding growth businesses centering on telecommunications as a base

#### 5. 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.

#### 6. 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.

#### 7. Sustainability

KDDI formulated KDDI Sustainable Action-KDDI's initiatives for the SDGs aimed at 2030 with a determination to continue working to solve various social issues through business going forward. We aim to further enhance corporate value and achieve sustainable growth with society by helping to solve social issues through business with partners by connecting and protecting lives, connecting day-to-day lives, and connecting hearts and minds while using 5G, IoT, and other technologies.

In addition, according to the approach of KDDI Sustainable Action, we formulated KDDI's Basic Policy toward COVID-19 to respond to increasing impact of COVID-19. (Refer to the following page.)



**Partnership** 



Resolving social issues through partnerships





KDDI Group

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#### **Our Business and Strategies**

#### KDDI's Basic Policy toward COVID-19

The impact of the COVID-19 pandemic on society is expected to linger for a long time. Based on the approach of the KDDI Sustainable Action that was formulated to lay out our commitment to continuing to work toward the solution of diverse social issues through our businesses, we will rally our group-wide strength as a company providing a lifeline which connects and protects lives, connects day-to-day lives, and connects hearts and minds, thereby satisfying our social mission by examining and implementing initiatives according to the following five policies.

#### KDDI's Basic Policy toward COVID-19

- 1. We ensure the safety of our customers and employees of the Company and affiliated companies above all else.
- 2. We continue to respond to the rise in telecommunications traffic and maintain telecommunications services, which are the foundation and lifeline of society.
- 3. We actively collaborate with governments, municipalities, and public organizations, etc.
- 4. We contribute to the construction of a resilient social infrastructure that is resistant to environmental changes by promoting digital transformation (DX) for individual and corporate customers such as telework, online education, and remote medical care.
- 5. We offer customer experiences that can alleviate worries and difficulties in life and fill the heart.

Web Link KDDI's Basic Policy toward COVID-19 (Japanese only)



Reception counter partition (image)



#### 1. We ensure the safety of our customers and employees of the Company and affiliated companies above all else

- (1) In au Shops, in addition to shortened operating hours, thorough measures to prevent the spread of COVID-19 are being taken. For example, partitions have been installed on store reception counters and shops have been equipped with disinfectant and face masks. Moreover, at our customer centers and various support centers, fewer staff members coming to work in our offices enables safe physical distancing for continued customer support by phone or online.
- (2) In KDDI, only the employees involved in critical mission come to work sites while other employees basically work from home. We thus continue fulfilling our responsibility of providing important telecommunications services as a telecommunications business operator that is a designated public corporation. Approximately 90% of our employees work from home, and we are also implementing measures to prevent the spread of COVID-19 by reducing operations and securing social distancing by spreading out office spaces and break rooms.



Web Link Reduced Operating Hours and Measures to Prevent the Spread of COVID-19 in au Shops in Japan (Japanese only)



Web Link Icom and KDDI Launched an IP Transceiver Rental Service Free of Charge (Japanese only)

#### 2. We continue to respond to the rise in telecommunications traffic and maintain telecommunications services.

#### which are the foundation and lifeline of society

- (1) As of May 2020, traffic on KDDI's communication network at peak times only grew by 10% compared to before the spread of COVID-19, and the capacity of our entire network is more than adequate at this point. Compared to before the spread of COVID-19, both data and voice traffic were on the rise. However, our network is designed to handle peak traffic even during disasters.
- (2) Partly due to the increase of use for telework, traffic increased mainly for landline communications by approximately 60% from 9 am to 6 pm on weekdays. On the other hand, mobile communication traffic did not change significantly.

Mobile calls (VoLTE traffic intensity) grew by slightly less than 20% at the most compared to regular time, which reveals high customer needs for calling.



**15**%

Comparison of traffic between Pre-COVID-19 Spread in February (February 3 to 23) and April (April 6 to 26) \* For each value, the same week of February and April were compared

(3) If online schooling is provided more often in the future, a further growth in traffic from 9 am to 6 pm on weekdays is expected. In preparation for further traffic increases, we will work together to maintain a stable telecommunications environment while continuously securing the safety of our employees and staff members of affiliated companies.

#### 3. We actively collaborate with governments, municipalities, and public organizations, etc.

Starting with the provision of location information analysis data to governments and municipalities, KDDI will proactively collaborate with initiatives of governments, municipalities, and other public organizations according to changes in society.

#### Provision of location information analysis data

Web Link Provision of the "KDDI Location Analyzer" Location Information Big Data Analysis Tool to Municipalities across Japan Free of Charge for Measures against the Spread of COVID-19 (Japanese only)

during the Golden Week Holidays (April 29, 2020 to May 6, 2020) in



Major Tourist Destinations across Japan (Japanese only) Web Link Chosen as One of Tokyo Prefecture's COVID-19 Tech Partner Comnanies (Japanese only)

#### Responses including extension of payment due date

Web link Handling of Billing in Consideration of the Growing Impact of COVID-19 (Japanese only)

#### Donations



Web Link Donation to the Central Community Chest of Japan to Support COVID-19 Measures (Japanese only)



Web Link Additional Donations to the Central Community Chest of Japan to Support the COVID-19 Measures (Japanese only)



Web Link Donation of Supplies to Medical Institutions in Support of COVID-19 Measures (Japanese only)

#### 4. We contribute to the construction of a resilient social infrastructure that is resistant to environmental changes by promoting digital transformation (DX) for individual and corporate customers such as telework, online education, and remote medical care

- (1) In the background of increasing needs for online use triggered by the spread of COVID-19, we, as a company that supports telecommunications infrastructure, will proceed with building an online environment that allows the continuation of social activity under any circumstances and promoting DX for individual and corporate customers.
- (2) We will examine various initiatives for building an environment that allows timely and proper provision of online education and remote medical care.
- (3) We will build a multi-purpose event space on the internet to support diverse economic and cultural activities.

#### Support for online education, etc.

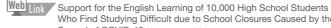
Web Link Support for Customers Affected by the Spread of COVID-19\_Free au Data Charge for Student (25-Years-Old or Younger) Customers (Japanese only)



Reducing the Price of Unlimited Data Plans for Students (25-Years-Old or Younger) n Response to the Increasing Impact from the Spread of COVID-19 (Japanese only)



Web Link KDDI and Mates Built a Partnership Offering a Home Learning Support Service—In Response to Changes in the Education Environment Resulting from the Spread of COVID-19. Part of the Online Learning Support Service Launched Earlier than Planned (Japanese only)



Who Find Studying Difficult due to School Closures Caused by the Spread of COVID-19 (Japanese only) Web Link Provision of Assets including Facilities and Technical Data by 46

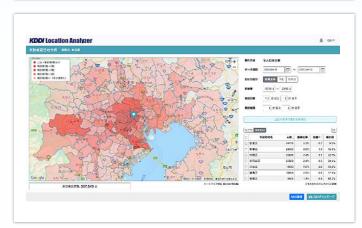
ups Facing Challenges due to COVID-19 (Japanese only)



Link Maximum 500 Million Yen in Financial Support to Business Operators Affected by the Spread of COVID-19 beyond the Industry Mainly through Crowdfunding (Japanese only)

Companies of the KDDI ∞ Labo Partners Association to Assist Start-

# BBFR SEA DO DESKS THE STATE STATE



"KDDI Location Analyzer" Location Information Big Data Analysis Tool

#### 5. We offer customer experiences that can alleviate worries and difficulties in life and fill the heart

While people are spending more time at home, we have implemented various measures to assist with providing a more comfortable and fulfilling time for our customers including live streaming of entertainment contents and campaign promotions offering better deals with cashless payment.

#### Offering contents and entertainment service free of charge



Web Link Limited-Time Offer of Book Pass Unlimited Reading Plan Free of Charge (Japanese only)

KDDI Group promotes the integration of telecommunications and life design, and as a company contributing to the sustainable growth of society, we will connect people, companies, and society and provide experience value with excitement to customers together with our diverse partners into the future

10 KDDI Sustainability Report 2020

KDDI Sustainability Report 2020 11



# **Connecting** Day-to-day Lives

KDDI has solved not only issues in cities and communities but also issues in developing countries by using new technologies and connecting partners.

Furthermore, we are able to contribute to future generations by developing human resources.



Sustainable

for Cities

▶page 18

**Development** 

and Communities

**Building** the Infrastructure for Developing **Countries** 

▶ page **20** 







**Developing Human** Resources for the Next Generation

▶ page **22** 



# Connecting and Protecting Lives

Our resilient infrastructure for communication has supported communication that has served as a lifeline during disasters.

It means implementing ICT technology to reduce environmental impact, helping our precious planet.



**Building a Resilient** Infrastructure for Communication and Disaster Response

▶page 14







Conserving the Environment

▶page 16





## Connecting Hearts and Minds

Initiatives for creating a digital society for affluence and peace of mind are necessary so people don't feel lonely and have healthy and fulfilling lives in the era of diversity.

Our role of connecting hearts and minds will be more important in the age of longevity.



**Creating a Digital** Society for Affluence and Peace of Mind

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**Promotion** of Diversity and Inclusion

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**Fostering Health** and a Purpose in Life

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#### **Feature Article**

Connecting and Protecting Lives Our resilient infrastructure for communication has supported communication that has served as a lifeline during disasters. It means implementing ICT technology to reduce environmental impact, helping our precious planet.

## Corresponding SDGs







## **KDDI Sustainable Action**

**Building a Resilient Infrastructure** for Communication and Disaster Response

Our reliable communication infrastructure that ensures communication service at all times under any circumstances and our well-prepared land-sea-air recovery support system during severe large-scale disasters protect people's lives as a lifeline.

Coverage area

Base stations deployed Vehicle-mounted base stations which act as mobile base stations rush to a site that lost com-

Measures from land, sea, and air in times of disasters

Cable laying ships equipped with base stations restore telecommunications services along coastal areas that are difficult to service with vehicle-mounted base stations.

Possible coverage

Aerial vehicle base stations provide coverage to isolated regions from the sky to restore service.

Demonstration tests ongoing as of June 2020

We are working to build a resilient network to secure telecommunications services during disasters while designing disasters ter-proof telecommunications facilities and securing measures to rapidly restore service.

Base stations equipped with batteries for 24-hour operation

These battery-equipped base stations ensure battery-only operation for 24 hours or longer for continual service even during blackouts.

\*As of the end of March 2020

4G LTE population coverage

KDDI provides a 4G LTE network that realizes smooth connections even in mountainous areas

\*FY2019 Results

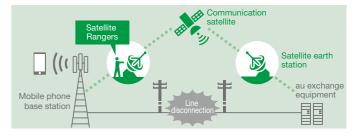
Batteries with which au Shops and \_ KDDI offices nationwide are equipped

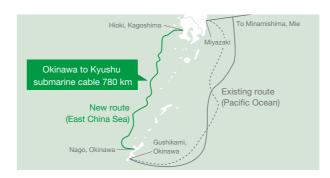
au Shops and KDDI offices are equipped with batteries that can charge up to 200 smartphones and compact batteries that can provide flexible support.

\*As of the end of June 2020

#### KDDI Satellite Rangers That Restore Communication by Using **Satellite Communication**

When communication cables are severed in an earthquake, telecommunication recovery specialists known as KDDI Satellite Rangers are called upon to switch optical networks to satellite lines to restore service in affected areas.





# New Installation of Submarine Cables to Multiply Communication

We have built a resilient network with multiple communication routes. Even if a communication route becomes unavailable due to a disaster or other reasons, our high-quality service will continue to be provided by our system of automatically switching to other available routes.



#### As the Mission of a Telecommunications Business Operator, KDDI Will Work to Maintain Resilient and High-Quality Communication

In 2019, the Japanese archipelago suffered from many disasters. In particular, when Japan was seriously damaged by Typhoon No.15 (Faxai) and No.19 (Hagibis), KDDI mobilized all available resources to achieve early recovery for affected cus-

KDDI, a designated public corporation, shoulders the important responsibility of providing telecommunications which is a lifeline of society. To provide the highest quality service and telecommunication network, KDDI makes improvements seamlessly, promotes measures for large scale disasters, and fulfills its social responsibility.

Yukiko Habu

Deputy General Manager, Operations Management Department, Operations Division, Technology Sector

In addition, KDDI works on various measures in preparation for disasters such as the development of base stations using drones (demonstration tests ongoing as of June 2020) and remote operation of construction equipment in disaster stricken sites using 5G. KDDI will continue to contribute to building disaster-resilient and sustainable communities by fulfilling our mission of connecting.

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## Corresponding SDGs

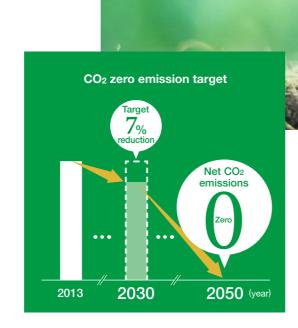




#### **KDDI Sustainable Action**

## **Conserving the Environment**

We will proactively drive a shift to renewable energy to achieve net-zero CO<sub>2</sub> emissions by 2050 and reduce the environmental impact on society through the use of ICTs.



Creating a Recycling-Oriented a Recycling-Oriented Society

# Toward Achievement of the Environmental Conservation Plan: KDDI GREEN PLAN 2017-2030

KDDI promotes the following three focus topics, namely, (1) Climate Action, (2) Creating a Recycling-Oriented Society, and (3) Conservation of Biodiversity. In particular, KDDI has been promoting initiatives in Climate Action with a target of reducing our CO<sub>2</sub> emissions by 7% in the fiscal year ending March 31, 2030 compared to the fiscal year ended March 31, 2013 based on the long-term goals of the Paris Agreement adopted by COP21 and the Plan for Global Warming Countermeasures by the Japanese government.

See page 84 for details.

#### Promoting Technological Development to Deliver Safety and Security as Well as Consideration for the Environment

Currently, KDDI is verifying the commercial introduction of fuel cells that are predicted to be a clean power supply. The use of clean energy including fuel cells not only leads to a reduction of CO<sub>2</sub> emissions but also the extended provision of mobile phone services during disasters and provision of mobile phone services to areas where securing a power supply is difficult. We will promote technological development to deliver safety and security in addition to reducing the environmental impact.

Hisayasu Muraguchi General Manager, Mobile Base Site Facilities Design Department, Engineering Division, Technology Sector We recognize the importance of fulfilling our 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.

CO<sub>2</sub> emissions

1,046,820<sub>t-CO2</sub>

To curb rapid temperature increases, KDDI addresses the reduction of CO2 emissions.

\*The CO<sub>2</sub> emissions are calculated using the emission factors furnished by electric utility operators (Emissions from heat, steam and hot and chilled water consumption are included.)

\*FY2019 Results

Material recycling rate for post-consumer mobile phones

99.8%

We promote material recycling that turns unneeded equipment and structural materials into resources.

\*FY2019 Results

Number of post-consumer mobile phones and other devices collected

2.79 million units

We collect and recycle mobile phones, batteries, and chargers that are no longer necessary.

\*FY2019 Results

Final disposal rate of retired telecommunication facilities

0.04

KDDI reuses waste effectively as resources.

\*FY2019 Results

Number of tribrid base stations

in Japan 100 stations

We efficiently use three types of power, namely, commercial power, power generated by solar panels, and storage batteries. \*As of the end of March 2020

# Recycling of Mobile Phones: Manual Disassembly of Every Single Part

KDDI manually disassembles used mobile phones collected from customers into circuit boards and plastics. We collect gold, silver, and copper from circuit boards while recycling as much plastics as possible. When a machine is used to disassemble mobile phones, plastics end up being burned in the incineration process and cannot be recycled. Therefore, we at KDDI perform all disassembly manually to prevent recyclable resources from being wasted.



Collection target of post-consumer mobile phones

6 million units

\* FY2018 to the end of FY2022

In order to protect the global environment, which is the basis of our activities, we, as a member of society, will tackle the issue of global climate change beyond national borders and realize both business growth and conservation of the global environment.

the Environment

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#### **Feature Article**

Connecting Day-to-day Lives KDDI has solved not only issues in cities and communities but also issues in developing countries by using new technologies and connecting partners. Furthermore, we are able to contribute to future generations by developing human resources.

#### Corresponding SDGs







## **KDDI Sustainable Action**

## **Sustainable Development for Cities** and Communities

KDDI will realize the sustainable growth of communities by utilizing cutting-edge technologies such as 5G and IoT together with various partners through the establishment of next-generation smart cities.



Kimotsuki-cho

Crop-spraving

drone

Smart agriculture/

Obihiro City Smart agriculture Minamisanriku-cho 4K 360-degree remote shopping experience Outlying islands 9 Regional tourism/ Shuttle bus operation app

ovota City

Okinawa Prefecture

MaaS in tourism/ Drone logistics for

remote islands

IoT child monitoring

Activity for ICT implementation in regions

from FY2019 to FY2021

We are promoting ICT implementation in regions through regional revitalization activities with ICTs such as the co-creation of business in cooperation with municipalities and local enterprises.

#### Promotion of Solving Regional Issues by Building the Largest Number of 5G Base Stations in Japan

For use in regional revitalization and creation of experience value, KDDI will actively roll out 5G services as basic next-generation infrastruc-

#### We Aim for Truly Sustainable Regional Revitalization by Developing Human Resources That Will Play an Integral Role in Solving Regional Issues

KDDI confirmed the usability of ICTs through demonstration tests we conducted for solving regional issues with ICTs across Japan. Currently, we have a shortage of local companies and venture companies that play a key role in solving regional issues and local human resources who support such companies. Therefore, in addition to ICT demonstration tests, supporting and developing local venture companies and human resources is important. KDDI will strive to realize truly sustainable regional revitalization by carrying out human resource development in regions with our know-how of open innovation and co-creation with venture companies.

> Shigeki Matsuno Administrative Officer, Corporate Strategy Planning Division

2020 2021 2022 2023 (FY)

50,000

au 5G

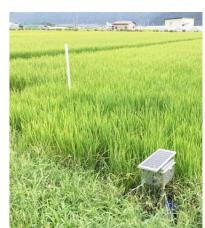
Opening Plan



We aim to solve diverse regional issues by utilizing our various advanced technologies and partners' know-how together with local governments, companies, and NPOs.

#### Reducing Working Hours for Water Control by 71% with Rice Field Sensors and an Automatic Irrigation System

KDDI launched smart agriculture project in 2019 in Hida City, Gifu Prefecture to solve issues in agriculture such as aging farmers and the lack of successors in farming. In the project, we installed sensors in rice fields that automatically measure water levels in addition to water and soil temperatures to enable the checking of consolidated data on the cloud with tablets. We also set up automatic irrigation systems that automatically control the supply of water according to the water level in the rice fields so farmers can check on the rice fields with tablets from home. These solutions help decrease the frequency of visits to fields and shorten work time, thereby saving labor and reducing cost.



#### Division of Work and Improvement of Yields and Quality of Agricultural Products with the Introduction of Agriculture IoT That Automatically Supplies Water and Fertilizer

We have been promoting the introduction of an Al irrigation and fertilizing system called ZeRo.agri at Sachi Mitsurusato KDDI Evolva Nobiru (Higashi-Matsushima City, Miyagi Prefecture). Based on information acquired from solar sensors and soil sensors, Al calculates the necessary amount of water according to the growth of crops and automatically waters at the appropriate timing. This solution separates work between IT and farmers and improves yields and crop quality. Thanks to this system, shipments of cherry tomatoes were 1.6 times larger (2.4 times larger per month at the most) than the previous year, and the period of

harvesting was cut down by one week. Backed by such great results, Sachi Mitsurusato KDDI Evolva Nobiru was awarded the Mobile Business Award in the MCPC Award 2019.

\* MCPC Award: For the purpose of encouraging the further use of mobile solutions and IoT/M2M systems, the MCPC Award recognizes outstanding achievements in the introduction of mobile systems such as improvements in work efficiency, business performance, or customer satisfaction as well as the promotion of social contributions and advanced mobile use

#### Regional Revitalization with the Discovery and Fostering of Start-Ups

KDDI and Makoto, Inc. (head office: Sendai City, Miyagi Prefecture) built a comprehensive partnership for the purpose of discovering and fostering local start-ups with the aim of solving regional issues and sustainable growth. In addition to developing an education program that contributes to fostering entrepreneurs by leveraging knowledge obtained through our respective experience of co-creation with start-ups over the years, we will discover local start-ups and develop entrepreneurs that will lead the future of the region in coordination with local education organizations.



KDDI will continuously commit ourselves to tackle diverse social issues through our business to contribute to the realization of Society 5.0 for SDGs that achieves both economic growth and the solution of social issues.

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#### Corresponding SDGs







## **KDDI Sustainable Action**

## Building the linfrastructure for Developing Countries

Mainly in developing countries in Asia, KDDI will build communication infrastructures so all local residents will be included in the communication area. We will also provide high quality communication services at low prices to realize industrial growth.

International Contribution in Developing Countries (Telecommunications & Education)



#### Operating MobiCom general telecommunication business operator

MobiCom has been operating a telecommunication business since 1995. Local user share is number one.

[Bhutan]



#### Access network building

We built an access network using optical fiber/Wi-MAX/Wi-Fi in three mountainous villages located over 3,000 m above sea level. \*2012 to 2013

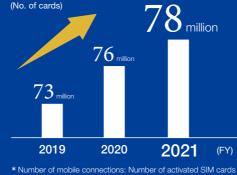
#### Conducting programming education activity

We launched robot programming education in 2019. The program offered in 10 schools develops problem solving ability with logical thinking.

#### Laying optical fiber in a mountainous region

KDDI laid optical fiber in the western mountainous region approximately 650 km from the Nepal capital of Kathmandu.





#### Mounting All the Most Popular and Convenient Functions on Smartphones

MobiCom Corporation LLC offers MonPay mobile money service. Since the launch in 2016, MonPay has 350 thousand customers at present. MonPay marked its fifth anniversary. Over the years, in addition to electronic payments and a point program, we have realized the use of MonPay for public transportation, offered coupon menus, and coordinated MonPay with games to enable customers to conveniently take care of many transactions with just their smartphones. We will continue to create more fulfilled lives for customers by mounting more convenient functions.

> Tatsuya Hamada Chairperson and CEO, MobiCom Corporation LLC

## [Myanmar]



Developing a telecommunications business jointly with Myanmar Posts and Telecommunications (MPT) and Sumitomo Corporation

Joint business was inaugurated in 2014. Local user share is number one.

## [Cambodia]



#### Donation of 12 KDDI schools

We build and donate elementary and middle schools across the country in cooperation with NGO based on profits and donations from charity concerts.



#### High-speed network construction

KDDI built a high-speed network connecting government offices, schools, and a hospital on the island of \*2013 to 2015

Even in regions where the social infrastructure is not as well established as that of Japan, we are rolling out operational knowhow 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.

#### To Allow the Integration of Telecommunications and Life Design to Be Enjoyed by Many More Customers with Mobile Services





In Myanmar, we have been running a telecommunications business jointly with Myanmar Posts and Telecommunications (MPT) and Sumitomo Corporation since 2014. Mobile phone penetration in Myanmar was around 10% in 2013, but a nationwide expansion of service coverage enabled people in the country to enjoy high-quality and convenient network service including internet access and watching videos on a smartphone. In 2018, the MPT Club point program kicked off, and the MPT Money mobile money service was launched in 2020.

In Mongolia, general telecommunications business operator MobiCom Corporation LLC has been operating a telecommunications business since 1995, and in 2017, the company started to offer the first LTE high-speed data communication in the country by carrier aggregation. In 2014, a Candy point program was launched, and the provision of MonPay mobile money service started in 2016. MonPay leads the FinTech market in Mongolia including a micro loan service started in 2017 and a joint debit card with major financial institution XacBank launched in 2018.



## Laying Optical Fiber in a Mountainous Region in Nepal





By providing our experience, know-how, and technological capabilities that we have cultivated both inside and outside of Japan, we will continue to help improve quality of people's lives and economic growth including increases in productivity and income.



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#### Corresponding SDGs



## **KDDI Sustainable Action**

## **Developing Human Resources** for the Next Generation

KDDI will disseminate an easy-access education environment for everyone by integrating education and technology to raise the ICT education of Japan to the top of the world and build a solid foundation for sustainable growth.

#### Our Mission Is to Develop Human Resources That Can Flourish Globally

Due to impact from the spread of COVID-19, it has become difficult to continue with conventional education, and we think the reformation of how education is provided with ICTs will accelerate at a faster pace than ever before. We believe our mission is to continue developing human resources which can flourish globally without being affected by the environment. For this purpose, we will focus on offering a hybrid education environment at AEON English conversation schools where the advantages of online and offline lessons are integrated. We will also make a strong effort to provide efficient lessons where students see improvements from using ICTs.

> Ken Kumagaya General Manager. Business Development Department. Corporate Strategy Planning Division





KDDI has been working on the development of human resources that play a key role in the next generation through the promotion of EdTech where education and ICT are combined and provision of work experience opportunities where students can learn while enjoying their studies.

#### Promotion of EdTech, Combination of Education and ICT

English conversation school operator AEON, KDDI, and KDDI Digital Design Inc. are promoting a joint project called AEON DX to pursue EdTech where education and ICT are combined. We aim to further maximize learning efficiency to increase student proficiency and provide opportunities to study English comfortably by using big data and analytics technology.







#### Providing Occupational Experience through KidZania

We offer occupational experience under the concept of edutainment (learning while having fun) at KidZania where children can learn how society works while enjoying activities.

Virtual reality experience of the Japanese Antarctic Research Expedition

## LINK FOREST Training/Accomodation Facility That Support Companies in Human Resource Develop-

The LINK FOREST training/accomodation facility offers human resource development services including education programs and an education management system created based on the experience and know-how of the human resource development that KDDI has cultivated. We support the growth of individuals and companies and contribute to the sustainable growth of society with rich contents and the most suitable learning environments.



LINK FOREST

As a responsibility for future generations, we will support the development of human resources that can take action to solve issues faced by society, form a sustainable society, and build the foundations of economic growth.

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#### Feature Article

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#### Corresponding SDGs





#### **KDDI Sustainable Action**

# Creating a Digital Society for Affluence and Peace of Mind

KDDI will realize a digital society for affluence and peace of mind by protecting personal information with security measures which keep pace with rapid digitalization and providing services including payment and financial services which are easily usable by anyone.



KDDI offers a home IoT service and works on activities to educate users on the use of telecommunication devices and internet safely and without worry.

#### KDDI Smartphone and Mobile Phone Safety Classes

In the youth-oriented classes, the lecturers teach children rules and manners for 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.

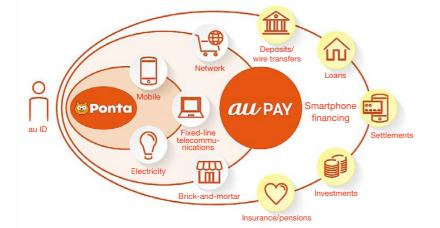
In the senior-oriented classes which target seniors aged 70 or younger, the lecturers explain basic smartphone or tablet operation and how to safely use these devices without worry.





# Acceleration of New Smartphone-Centric Financial Strategy "Smart Money Concept"

While people's lifestyles have become diversified, financial systems have become more complex and diversified as well. KDDI will accelerate our Smart Money Concept that provides a safe and convenient payment and financial experience by using smartphones as a gateway so financial matters are less intimidating for customers.



## We Will Accelerate Realization of the Smart Money Concept by Expanding the au PAY Smartphone Payment Service

We are focusing on expansion of the au PAY smartphone payment service. The popularization of cashless payments is not only essential for the realization a digital society for affluence and peace of mind but it is also extremely important for offering services tailored to the daily shopping behavior of customers.

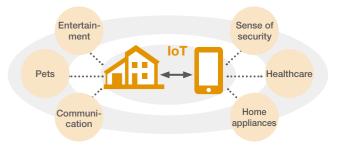
We build points of contact with customers through au PAY and Ponta as well as offer new value to customers by coordinating a wide variety of financial serv ices such as deposit, credit, asset management, loans, and insurance. Through these measures, we will accelerate realization of the Smart Money Concept.

Atsushi Nagano

General Manager, Financial and Payment Business Department, Business & Services Development Division, Personal Business Sector

#### Pursuit of Smart Life through the Provision of Home IoT Services

"au HOME" and "with HOME" are home IoT services that allow users to remotely check whether the doors and windows at home are closed and how family members and pets are doing. These services are equipped with a voice control function for home appliances and a message function to realize a convenient smart life that provides a sense of security.





Co-Creation with Start-Ups and Business Corporations through KDDI Open Innovation Fund 3 KDDI established fund programs that reinforce our efforts in fields of increasing importance in the 5G era such as AI, IoT, and FinTech, and we are aiming for new business creation through support for prospective start-ups.

We will continue to work on creating new value and minimizing risk in the digital society to contribute to the realization of a secure Society 5.0 for SDGs where everyone can enjoy worry-free convenience.

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#### Corresponding SDGs





## **KDDI Sustainable Action**

## **Promotion of Diversity and Inclusion**

KDDI will be a role model as a business operator with a social mission by providing services and workplaces that respect diversity and realize an inclusive society that respects diversity.



KDDI thinks that mutual respect for and understanding of diversified personalities and sense of values are essential for a company's sustainable growth. Therefore, KDDI promotes diversity and inclusion on a company-wide basis.

#### Advancement of Female Employees

KDDI considers the support for women's advancement as a management issue and focuses on developing female leaders and promoting female employees to leadership positions. Our various human resource development measures include the Female Line Manager Program. In addition, by establishing a system to support the work-life balance of employees and promoting work style reform, KDDI has been working on the establishment of an environment and fostering a climate where female employees can make use of their diverse abilities and perform to the best of their abilities even while experiencing life events.



ACE Award grand prix prize winners

**3**employees \* 2014, 2017, 2019

**Employment rate** of persons with disabilities

\* As of June 2020

#### **Expanding Employment Opportunities and Advance**ment of Persons with Disabilities

KDDI has been working on creating a supportive environment that enables employees with disabilities to flourish by providing a translation app and summary writing. As role models for those with disabilities who play active roles in a company, three KDDI employees, the most among the participating companies in the ACE\* Award, received its grand prix prize.

KDDI Challenged Corporation, a special KDDI subsidiary, manages mainly cafes in offices and promotes self-sufficiency and the flourishing of employees with disabilities by targeting the expansion and creation of work and occupational fields.

\* ACF: Accessibility of Consortium of Enterprises, Consortium of companies aiming to establish new employment models of people with disabilities that contribute to the growth of companies

#### Increasing the Understanding of LGBT and Creation of Workplaces Respecting Individuals

We at KDDI strive to improve the understanding of LGBT (sexual minority) in the company with seminars and other activities so LGBT employees can work comfortably and energetically. In addition, we revised internal regulations so same-gender partners are included as spouses in all internal systems. Moreover, we also revised entry sheets for recruiting applications so applicants do not have to enter a gender.





KDDI ALLY logo stickers aiming for expanding al-

KDDI mobilizes a wide range of diverse abilities which become a source of innovation leading to the sustainable growth of individuals and the organization and aims for the realization of a society where no one is left behind.

## Aiming to Foster a Corporate Culture That Accepts Diversity

For supporting female employee advancement, in addition to internally training personnel, KDDI has proactively promoted their participation in cross-industry forums, with a focus on initiatives to raise female employees' viewpoints. As a result, in April 2020, we had two female Executive Officers resulting in an increase of female decision makers.

To support the advancement of persons with disabilities, we established a special KDDI subsidiary which manages cafes in offices and undertakes assignments from KDDI to increase opportunities where persons with disabilities can flourish. As of June 1, 2020, we maintained a 2.53% employment rate of persons with disabilities.

In addition, KDDI also proactively works on LGBT issues, and in fiscal 2020 launched Familyship Application System that treats children of same-gender partners in the same way as

those of married couples under its company regulations

We are aiming to foster a corporate culture that accepts diversity through these initiatives.

> Kaname Utsumi Head of Diversity & Inclusion Department, Human Resources Division, Corporate Sector





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#### Corresponding SDGs





#### **KDDI Sustainable Action**

## Fostering Health and a Purpose in Life

In an era where people live longer, KDDI will realize a society where anyone can feel healthy and satisfied in their job by taking leadership in the execution of work style reform and utilizing cutting-edge ICTs.





Creating a Workplace Environment Where Employ-

KDDI established a new dedicated organization known as the Work Style Reform & Health Management Department to encourage drastic awareness and behavior change from conventional work styles to realize a workplace environment where all employees can remain healthy and work energetically and perform to their utmost.

In addition, we formulated the Declaration of New Work Styles centering on the realization of work styles that allow individual emment and corporate competitiveness.

## ees Can Remain Healthy and Work Energetically and **Perform to Their Utmost**

ployees to achieve results without being limited by hours or location in this new normal era triggered by the spread of COVID-19. By building an environment where employees can select their own working hours and locations with advanced technologies and by supporting new work styles as well as introducing a system to evaluate employee accomplishment and endeavors, we will increase employee engage-

KDDI is working on building a workplace where employees can work happily and energetically by promoting health-focused management and work style reform in addition to working on disease prevention and health support of all society with cutting-edge ICTs.

#### Prohibition of Smoking at All KDDI Offices and Discontinuation of Company-Wide Dress Code

As part of health-focused management and work style reform, smoking rooms in offices were removed. Smoking in offices is now prohibited in KDDI. In addition, we discontinued our dress code which was uniformly applied to the entire company and established guidelines tailored to each sector according to characteristics of the work.

KDDI will continue to seek the realization of sustainable growth by promoting new ideas, sense of values, and work styles and increasing the independence and productivity of individual employees under our human resource strategy of autonomy and responsibility.





#### Promoting the Active Role of Elderly Employees

KDDI has been working on various environment creation measures to further broaden the work fields of elderly employees. In addition to reemployment after retirement up to 65 years of age, KDDI has various systems that enable elderly employees to work energetically such as career development training and an open recruitment system for elderly employees in preparation for the era when people live longer.

#### "Smaho de Dock" Self Health Examination Service



Number of organizations using Smaho de Dock

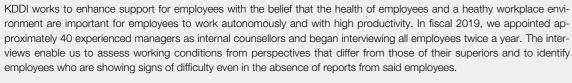
\*As of April 2020

cal health. The service makes heath examinations easy and quick for busy individuals who find it difficult to receive health checkups such as parents busy with child-rearing and self-employed individuals and contributes to unearthing those who have not had a health examination and early discovery of disease.

KDDI offers Smaho de Dock self health examination service that enables the online management of physi-

KDDI will continue to support the health of individual employees as well as healthy lives of all people of any age with the aim of reform into more innovative work styles.

## Formulation of the Mental Health Promotion Plan to Enhance Our Initiatives to Support Employee Mental Health



#### Kazunori Tanaka

Head of Work Style Reform & Health Management Department, Human Resources Division, Corporate Sector

Materiality 4

Materiality 2

Materiality 3

Materiality 5

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## 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.

In May 2019, we announced KDDI's target SDGs together with the Medium-Term Management Plan for fiscal 2019-2021. In the process of promoting our initiatives for the SDGs, we revisited the scope of theinitiatives based on social issues to designate eight social issue categories based on the scale of related social issues and the business areas in which KDDI can contribute as a communications carrier, and in May 2020, we formulated the new KDDI Sustainable Action in line with the KDDI

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.

#### Governance

KDDI also actively engages in diverse businesses in non-communication fields while strictly adhering to the Corporate Governance Code and putting the KDDI Group Philosophy into practice in its corporate activities. Particularly today 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 meets with institutional investors face to face on the topics of governance and sustainability and holds events directed at individual investors as part of its proactive efforts to promote dialogue with stakeholders and reflect their voices in management decisions.

#### **Environmental Measures**

Movements to address environmental problems have gained momentum with the Paris Agreement, Sustainable Development Goals (SDGs), the Task Force on Climate-related Financial Disclosures (TCFD), and the EU Taxonomy. While the world has begun to move towards zero CO<sub>2</sub> 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. As these benefits are countered by a growing impact caused by the installation of telecommunications equipment, in 2017 KDDI formulated the KDDI GREEN PLAN 2017-2030 to reduce CO2 emissions through the use of energy-saving telecommunications equipment and renewable energy, setting a goal for reducing its total volume\*1 of CO<sub>2</sub> emissions ahead of other telecommunications carriers in Japan. We also declared in KDDI Sustainable Action that we will reduce the environmental impact on society through the use of ICT, aiming to substantially achieve zero CO2 emissions by 2050.

#### **Human Resources**

As the productive population declines in Japan, it is imperative that companies provide attractive work environments that enable diverse work styles (time, location, type of employment, etc.) so that employees can use their various skills to the fullest, with the ultimate aim of sustaining Executive Officer of Sustainability General Administration Division

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. In April 2020 we opened LINK FOREST, integrated training facilities with a hotel, a museum, and a hall where events can be held. The facilities offer not only learning opportunities but also human resource development services built on our experience and expertise to help people and companies grow, contributing to sustainable growth of society. 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 & Health Management 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**

Minoru Tanaka

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. In March 2020 we conducted human rights due diligence to identify risks and opportunities across our business activities and take appropriate actions based on them. We will continue monitoring the effectiveness of these activities for further improvement.

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.

## **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.

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 communica-

We have put into place a complete system for protecting the confidentiality of

#### **S** Society



#### Safer and more resilient connected world

- · Resilience to extreme weather events
- Risk management



#### 2 Cyber security and privacy protection

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



tions services even during unforeseen incidents like natural disasters.



#### 3 Fulfilled life brought through ICTs

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

and education, in a bid to solve social issues and bring more abundance to evervone's lives KDDI aims to motivate its employees and improve its competitiveness as a

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



#### 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

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



#### 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.

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 An energy-efficient, circular economy

- Energy efficiency improvement and utilization of clean energy
- Zero emissions and 3Rs
- Reduction 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 CO2 emissions by 7% from the fiscal 2013 level (in Japan, non-consolidated). We will proactively drive a shift to renewable energy to substantially achieve zero CO2 emissions by 2050 and reduce the environmental burden on society through use of ICT. As data traffic increases. power consumption is expected to rise. We are committed to reducing CO<sub>2</sub> emissions. Technological innovation to reduce power consumption is one way to achieve this.

<sup>\*1.7%</sup> reduction in CO<sub>2</sub> in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)

<sup>\*2</sup> 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

Message from Executive Officer of Sustainability

**KDDI's Material Sustainability Issues** 

FY2019 Material KPI Results

FY2020 Material KPIs

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## **KDDI's Material Sustainability Issues**

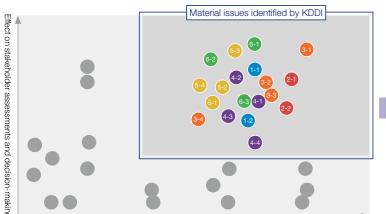
#### Process for Re-identifying Material Issues (FY2016-FY2017)

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. For details of the re-identifying process, please refer to our Sustainability Report 2018.



#### Matrix of material issues



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

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

#### Relationship between Material Issues and KDDI Sustainable Action

environment through ICTs



KDDI engages in various business activities and initiatives that help contribute to the attainment of SDGs. KDDI's Medium-Term Management Plan for fiscal 2019-2021 released in May 2019 sets out the company's vision, to which a new target of "contributing to the sustainable growth of society" has been added. The company also presented an overview of KDDI's target SDGs together with quantifiable performance indicators consistent with the Management Plan. As part of our efforts to promote the SDGs, we reviewed the scope of our initiatives based on social issues.

And we revised KDDI's Target SDGs from the perspective of "magnitude of social issues" and "business areas where we can contribute more as a telecommunications carrier," and established target "KDDI Sustainable Action" for 2030 in eight categories of social issues.

Our material issues relate to the social issue categories as shown in the table below. By addressing the issues, we believe that we can contribute to the achievement of the SDGs.



	Relationship between KDDI's material issues and eight social issue categories (KDDI Sustainable Action)								
			Social issue categories						
		Building a resilient infrastructure for communication and disaster response	Conserving the environment	Sustainable development for cities and communities	Building the infrastructure for developing countries	Developing human resources for the next generation	Creating a digital society for affluence and peace of mind	Promotion of diversity and inclusion	Fostering health and a purpose in life
	Safer and more resilient connected world	•		•					
	Cyber security and privacy protection						•		
Materiality	Fulfilled life brought through ICTs				•	•			
	Rewarding workplaces for diverse talents							•	•
	Respect for human rights and fairness in business							•	
	An energy-efficient, circular economy		•						
	Corresponding SDGs	9 HOLL MANUE 11 MICHAEL STR. 13 HOLL MANUE 14 HOLL MANUE 15 HOLL MANUE 1	13 and 250	8 RESTRICTION 9 RESTRICTION 10 RESTR	9 MANUTATION 10	4 section	9 1000 12 12 1000 1000 1000 1000 1000 10	5 mm 10 mm ( 😩 )	3 mercenta 8 moderates

#### 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, general managers of all sectors of the headquarters, the head of the KDDI Foundation, and auditors. The committee is promoting the SDGs and considers sustainability to be a pillar of company-wide business strategies.

#### For management

Dialogue with Stakeholders about SDGs (July 2019)

KDDI held an SDGs workshop for President and other management members including assistant general managers.

We invited Ms. Ayako Sonoda, President of Cre-en Inc., to our headquarters and held a stakeholder dialogue session for the President and executive officers from the Deputy General Manager level up on the theme of "what role KDDI is expected to play in the drive towards a sustainable society," which was attended by 113 participants. KDDI's new Medium-Term Management Plan for fiscal 2019-2021 released in May 2019 sets out the company's vision, to which a new third point-"contributing to the sustainable growth of society"-has been added. The company also presented an overview of KDDI's target SDGs alongside the Management Plan. This dialog session was held with the aim of exploring how KDDI can achieve its target SDGs.



#### For SDGs promotion leaders

SDGs Promoter Workshop (August 2019)

KDDI held an SDGs promoters workshop for the General Manager of Planning and Directors of Planning in the sectors of the headquarters, who are responsible for promoting the SDGs.

The workshop was implemented as part of efforts to promote measures toward the achievement of KDDI's Target SDGs formulated along with the Medium-Term Management Plan and was attended by 23 participants. Mr. Norio Masuda, senior manager, Sustainability Promotion Division, Hitachi, Ltd. was invited to make a speech on the theme "Introduction of Hitachi's Initiatives for the SDGs."

Web Link SDGs Promoter Workshop (Japanese only)

#### For general employees

Representatives of the Sustainability Department visited offices across Japan, including business and supervisory divisions in the Tokyo area, to hold workshops for over 440 employees in total to help them deepen understanding of the SDGs.

As a bottom-up measure, we implemented two e-learning training sessions to deepen understanding of materiality and the SDGs and also held SDGs workshops and seminars, which around 120 applicants from among KDDI Group employees attended to discuss ways to achieve the SDGs through everyday activities at home and in the workplace.

Web Link SDGs study sessions and workshops were held to help employees deepen their understanding of the SDGs. (Japanese only)

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.

















Materiality 6

Message from Executive Officer of Sustainability

KDDI's Material Sustainability Issues

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## **FY2019 Material KPI Results**

	Maria	,	EVG244	Boundary (scope of aggregation)		FY2019 Results	
	Materiality	Issues	FY2019 Material KPIs	KDDI Unconsolidated	KDDI Group	Results	Evaluation
	1 Safer and more resilient connected	Resilience to extreme weather	4G LTE population coverage rate over 99.9% (FY2021)	•		99.9%	Stil under wa
	world	events • Risk management	Implement measure to enhance the resilience of telecommunication routes	•		The Hokkaido Route was made more resilient (June 2019)  New cabling to Okinawa (March 2020)	Achieved
			Number of serious accidents: 0 *Following the guidelines of the accident reporting criteria of Japan's Ministry of Internal Affairs and Communications	•		0 (no accidents)	Achieved
			Implement measures to prevent leaks and enhance earthquake protections at communication stations (FY2021)	•		Measures to prevent leaks were taken at 7 additional communication stations (September 2019).	Stil under wa
	2 Cyber security and privacy	Cyber security • Utilization of Data security incidents: 0	•	•	0	Achieve	
	protection	security  • Data privacy	Data security training for all employees: held at least once a year	•		2 times (Implemented an e-learning program for all employees)	Achieve
	3 Fulfilled life brought through	Contribution to economic growth	Provide 5G services in all prefectures of Japan (FY2021)	•		15 prefectures	Stil under wa
	ICTs	through robust information	60 regional revitalization projects (initiatives to co-create solutions for issues with regions using IoT and ICT) (cumulative total FY2020.3–FY2022.3)	•		30 (FY2019)	Stil under wa
		communication infrastructure	Reach 70 million mobile connections*2 in developing countries where KDDI has a communications business presence (FY2021)	•	•	76,410,000*2	Stil under wa
		Improvement of access to education, medicine and other	ICT projects to eliminate the information gap: 6 (cumulative FY2019–FY2021)		•	2	Stil under wa
3		public services through ICTs	ICT education support in developing countries: Set up English and computer classes at 11 schools in Cambodia (cumulative FY2019-2021)		•	Classes were set up at 10th and 11th schools.	Stil under wa
		Promotion of employment creation and capacity building     Innovation management	Number of language education students: around 130,000 (FY2021) From FY2020 onwards, this target will be revised to accommodate the new online education environment toward the New Normal, and integrated into the current target, "Create a highly efficient educational environment using advanced technologies such as adaptive learning."	•	•	Approx. 90,000 (FY2019)	Stil under wa
		g	Realize highly effective learning environments using adaptive learning*3 and other advanced techniques (FY2021)	•	•	Aeon, an English language school, conducted a trial of "Al Study Design—grammar version" (officially launched in April 2020) and a trial of "AEON UPI," a coaching service based on data science (officially launched in July 2020).	Stil under wa
			Settlement and financial transactions: 6.0 trillion yen (FY2021)	•	•	6.5 trillion yen (FY2019)	Stil under wa
	4 Rewarding workplaces for	Promotion of diversity and inclusion Human resource development and career development Pursuit of employee satisfaction Promotion of	Promoting measures to hire 200 female line managers (by the end of FY2020)	•		Number of female line managers: 156 as of April 1, 2020	Stil under wa
	diverse talents		Percentage of newly hired female graduates: 30% (by the end of FY2020)	•		32.3% (FY2019)	Stil under wa
			Disability employment rate: statutory rate achieved	<b>●</b> *4		2.53% as of June 2020     Number of participants in the career	Achieve
			As a leading company in promoting the professional advancement of elderly employees, establish a foundation for promoting such advancement (FY2021 target)	•		design course: 753 (FY2019)  Number of applicants for in-house positions: 202 (FY2019)	Stil under wa
		health-focused management	Usage rate of annual paid leave: 70% (by the end of FY2020)	•		66.9% (FY2019)	Stil under w
			Healthcare management initiatives  • Illness detection rate (legally mandated): 55% or less (target figure for FY2020 end)  • Rate of smokers: 18% or less (target figure for FY2020 end)	•		• Illness detection rate: 59.8% (FY2019) • Rate of smokers: 24.3% (FY2019)	Stil under wa
	5 Respect for human rights and fairness in	Pursuit of sustainable procurement	Number of cases of human rights violation: 0 *Human rights violation refers to abuse of human rights, such as power harassment, subject to disciplinary action.	•		2	Not achieved
à	business	Respect for workers' rights	KDDI Group Philosophy Study Session attendance: 100%	•		91.5%	Not achieved
		Prevention of corruption and bribery	Measures for instilling the KDDI Code of Business Conduct company-wide: 12 or more per year	•		A mail magazine was issued 12 times a month to instill the KDDI Code of Business Conduct.	Achieve
		Promotion of fair and proactive	Collection rate of sustainable procurement surveys: 90%	•		96%	Achieve
		communication	KDDI Smartphone & Mobile Phone Safety Classes, Comprehension Rate, Satisfaction Rate • For youths: satisfaction with education materials: 99%; satisfaction with lecturers: 99%; desire to reapply: 80% • For older people: comprehension rate: 86%; usage rate: 92%	•		For youths: satisfaction with education materials: 99.3%; satisfaction with lec- turers: 99.1%; desire to reapply: 84.3%     For older people: comprehension rate: 85.1%; usage rate: 91.5%	Partially achieve
	6 An energy-efficient,	Energy efficiency improvement and	$7\%$ reduction in CO $_2$ emissions in FY2030, compared to FY2013 for KDDI (in Japan, non-consolidated).	•		FY2019 target: 1,007,273t-CO <sub>2</sub> *5 FY2019 results: 1,046,820t-CO <sub>2</sub> *5	Stil under wa
,	circular economy	utilization of clean energy  • Zero emissions and	Maintain zero emissions from retired telecommunication facilities Final disposal rate: 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less)	•		Final disposal rate: 0.04% (FY2019)	Stil under w
		3Rs • Mitigation of	Upgrading to highly energy-efficient data centers in Japan and abroad	•	•	Not applicable	Stil under w
		society's impact on environment through ICTs	Maintain material recycling rate of 99.8% for post-consumer mobile phones	•		99.8% (FY2019)	Stil under w
-		32.0	Post-consumer mobile phones collected over 5 years (aggregated): 6 million (Target for FY2018-FY2022)	•		FY2019 target: 2,400,000 (cumulative) FY2019 results: 2,422,620 (cumulative)	Stil under w

<sup>\*1</sup> The status of KPIs with a target set to achieve by FY2020 and beyond are indicated as "Still under way" across the board, including those progressing according to the FY2019 plan.
\*2 Number of mobile connections: Number of activated SIM cards (GSMA's "Mobile connections, including licensed cellular IoT") FY2019 results are the number of connections as of April 2020.
\*3 Adaptive learning: The provision of study materials and learning methods optimized for each individual, based on each student's level of understanding and progress.
\*4 Includes KDDI Challenged (special subsidiary) and KDDI Engineering
\*5 The CO<sub>2</sub> emissions are calculated using the emission factors furnished by electric utility operators. (Emissions from heat, steam and hot and chilled water consumption are included.)

## **FY2020 Material KPIs**

				510000 M :	Boundary (scope of aggregation)		
3		Materiality	Issues	FY2020 Material KPIs	KDDI Unconsolidated	KDDI	
	1	Safer and more resilient connected world	Resilience to extreme weather events	4G LTE population coverage rate over 99.9% (FY2021)	•		
		Connected world	Risk management	Implement measure to enhance the resilience of telecommunication routes	•		
				Number of serious accidents: 0 *Based on the guidelines of the accident reporting criteria of Japan's Ministry of Internal Affairs and Communications	•		
				Implement measures to prevent leaks and enhance earthquake protections at communication stations (FY2021)	•		
	2	Cyber security and privacy protection	Utilization of information assets and tightening of security     Date or in a security	Data security incidents: 0 *Data breaches, complaints, etc., that are illegal or subject to regulatory guidance	•	•	
			Data privacy	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 communications infrastructure     Improvement of access to education, medicine	Provide 5G services in all prefectures of Japan (FY2021)	•		
3			and other public services through ICTs  • Promotion of employment creation and capacity building  • Innovation management	60 regional revitalization projects (initiatives to co-create solutions for issues with regions using IoT and ICT) (cumulative total FY2020.3–FY2022.3)	•		
				Reach 78 million mobile connections*1 in developing countries where KDDI has a communications business presence (FY2021)	•	•	
				Realize highly effective learning environments using adaptive learning*2 and other advanced techniques (FY2021)	•	•	
				Settlement and financial transactions: 6.0 trillion yen (FY2021)	•	•	
	4	Rewarding workplaces for diverse talents	Promotion of diversity and inclusion     Human resource development and career development	Promoting measures to hire 200 female line managers (by the end of FY2020) Building a framework for supporting women's advancement across the KDDI Group	•		
			Pursuit of employee satisfaction     Promotion of health-focused management	Percentage of newly hired female graduates: 30% (by the end of FY2020)	•		
				Disability employment rate: statutory rate achieved	●*3		
				As a leading company in promoting the professional advancement of elderly employees, establish a foundation for promoting such advancement (FY2021 target)	•		
				Healthcare management initiatives  • Illness detection rate (legally mandated): 55% or less (target figure for FY2020 end)  • Rate of smokers: 18% or less (target figure for FY2020 end)	•		
	5	Respect for human rights and fairness in business	Pursuit of sustainable procurement     Respect for workers' rights     Prevention of corruption and bribery	Number of cases of human rights violation: 0  *Human rights violation refers to abuse of human rights, such as power harassment, subject to disciplinary action.	•		
à			Promotion of fair and proactive communication	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%	•		
				KDDI Smartphone & Mobile Phone Safety Classes, Comprehension Rate, Satisfaction Rate • For youths: satisfaction with lecturers: 99%; desire to reapply: 85%; launched a new lecture style • For older people: comprehension rate: 86%; usage rate: 92%	•		
	6	An energy-efficient, circular economy	Energy efficiency improvement and utilization of clean energy	7% reduction in CO <sub>2</sub> emissions in FY2030, compared to FY2013 for KDDI (in Japan, non-consolidated).	•		
			Zero emissions and 3Rs     Mitigation of society's impact on environment through ICTs	Maintain zero emissions from retired telecommunication facilities Final disposal rate: 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less)	•		
				Upgrading to highly energy-efficient data centers in Japan and abroad	•	•	
				Maintain material recycling rate of 99.8% for post-consumer mobile phones	•		
-				Post-consumer mobile phones collected over 5 years (aggregated): 6 million (Target for FY2018-FY2022)	•		

<sup>\*1</sup> Number of mobile connections: Number of activated SIM cards (GSMA's "Mobile connections, including licensed cellular IoT") We have revised upward the FY2021 target \*2 Adaptive learning: The provision of study materials and learning methods optimized for each individual, based on each student's level of understanding and progress. \*3 Includes KDDI Challenged (special subsidiary) and KDDI Engineering

KDDI's Material Sustainability Issues

FY2019 Material KPI Results

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#### Materiality 1



#### KDDI Group 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

gent standards.

- Our corporate value could drop if we fail to provide our communications services for any reasons, even because of natural disasters.
- We believe that providing communications 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 Framework

- 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 telecommunications 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, ana-

lyze and improve our facility operating system in line with our strin-

• 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 knowhow 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.

# FY2020 Material KPIs Web Link FY2020 Material KPIs

Moving Forward

- Enhance response to areas affected by an earthquake occurring directly beneath the Tokyo Metropolitan Area and measures for business continuity
- Strengthen collaboration with Group companies
- Improve each disaster response staff's skills

Initiatives

- KDDI Sustainable Action ⇒ P.12 29
- Network Quality Management and Improvement ⇒ P.37 39
- Disaster Preparedness ⇒ P.40 41
- Initiatives Outside Japan ⇒ P.42 43

## **Network Quality Management and Improvement**

## KDDI's Approach (management and improvement of network quality)

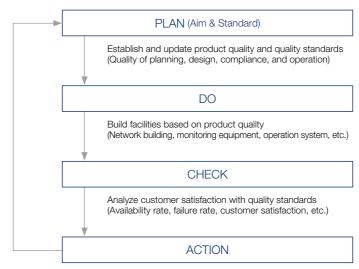
Our mission as a telecommunications operator is to ensure a communications environment where customers can use mobile phones and smartphones easily anytime anywhere. KDDI will offer safe and secure communications services by engaging sincerely in every operation from quality management and improvement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

#### **Network Service Quality** KDDI Management System

KDDI owns telecommunications facilities, including optical cables and mobile phone base stations, which it maintains and operates via technical centers located throughout Japan.

The operations centers in KDDI Building at Shinjuku (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.

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.



Improve items that fail to meet quality standards

#### 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.



Link Failure and Maintenance Information (for personal customers) (Japanese only)

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

KDDI

Our mission is to offer a stable call and data transmission environment around the clock with a motto of "connecting and protecting lives, connecting day-to-day lives, and connecting hearts and minds." We will aim to build a 5G telecommunications network together with au 4G LTE communications network (800MHz platinum band) across Japan to provide a more comfortable telecommunications environment. The 5G service, which provides an advanced telecommunications environment of low latency and high capacity, is much anticipated by many of our customers. We plan to roll it out in regions as well as major cities. We will strive to offer au mobile phone and smartphone users a reliable communications environment in crowded areas as well as airports, commercial facilities, event halls, and other in-house spaces.

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

KDDI

To offer a reliable communications 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 2

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#### **Network Quality Management and Improvement**

# Safety of Radio Waves KDDl'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. The RRPGs, equivalent to the international guidelines advocated by the World Health Organization (WHO), set the limits based on the results of studies conducted across nations with safety factors fully taken into account. It is commonly acknowledged among experts from WHO and other international institutions that electromagnetic wave exposures below the limits will not 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.



#### Research That Ensures the Safety of Radio Waves

In November 2002, KDDI began conducting joint experiments with NTT DOCOMO Inc. and Soft Bank 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 concertion.

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

Affiliation	Electromagnetic environment committee of Association of Radio Industries and Businesses (ARIB), Electromagnetic Compatibility Conference Japan
Affiliation	The National Institute of Information and Communications Technology (NICT) / EMC-net Study Group on the Evaluation of Human Exposure to Electro- magnetic Fields
Affiliation	Japan national committee of the IEC/TC106 (Methods for the assessment of electric, magnetic and electromagnetic fields associated with human exposure) Working Group on the Evaluation of Electromagnetic Fields around Base Stations
Research cooperation	Mobi-Kids Japan (study investigating the effects of mobile phones on health)

#### Providing a Convenient Usage Environment: Signal Support 24

KDDI

Activity

Advancing Research on 5G

KDDI Group

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.

In fiscal 2019, we conducted approximately 26,000 site surveys and proposed measures to improve signal qualities based on them.

Going forward, we will strive to further improve customer satisfaction with our services so that customers think "I'm glad that I chose au." and expand our service coverage.



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

KDDI Group

Polic

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 conducted research and development of the next-generation mobile communication system "5G" with an aim to provide communications services with greater stability and higher speed to customers and promote dramatic development of ICT network infrastructure, and on March 26, 2020, we launched the "au 5G" service.

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.

Based on its advanced 5G and robust 4G hybrid network and in collaboration with its partners in various industries, KDDI delivers to customers a new and unprecedented expanded experience, called "AUGUMENTED EXPERIENCE," in an array of everyday situation such as entertainment, sports, and art. We contribute to developing and expanding our corporate customers' business by supporting their digital transformation (DX) through leveraging our IoT / ICT related technologies and expertise, as well as deploying a business model that helps create new business opportunities through open innovation with our partner companies so that we can grow together. Focusing on KDDI DIGITAL GATE, which is a business development base for the 5G / IoT era that supports customers' DX, we will work with diverse partners as a digital integrator for this era, in which telecommunications are becoming seamlessly integrated with all kinds of physical things, to advance the creation of new experience value and businesses only possible in the 5G era.

With the evolution of devices and the proliferation of IoTs, mobile networks

are required to perform at much higher levels than expected before. KDDI will work on demonstration experiments with its partner companies to pursue business opportunities beyond industrial borders and fields of business through the fifth-generation mobile communications system "5G" with high speed, high capacity, low latency, and massive device connectivity. 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 start-ups. In this way, we will create new experiential value and actively utilize 5G services for regional revitalization businesses.

In February 2020, we conducted a 5G experiment jointly with Obayashi Corp. and NEC Corp. as part of the 5G Comprehensive Demonstration Test led by the Ministry of Internal Affairs and Communications at a construction site of the Kawakami Dam in Iga City of Mie Prefecture, which successfully demonstrated the 5G's ability in road construction. The technology enabled remote operation of three construction machines, simultaneous operation of a vibration roller equipped with an automatic operation system, and real-time acquisition of construction, proving that it is applicable to the construction of general roads. Going forward, it is expected to help reduce time to site and man-hour.

#### 5G Testing Initiatives

Web Link 5G Co-Creation and Transformation −5G Research with Partners Creating Businesses of the Future – (Japanese only)

Web Link KDDI Sustainable Action

# Providing Service Environment outside Japan

(DDI

The users of au smartphones and mobile phones can enjoy our voice and data communications services in 150 or more countries and regions around the world, including the World Data Flat service, which provides a data service at a flat rate. 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 65 years.

Starting from February 2020, an early booking discount is applicable to the World Data Flat service when the service is booked in Japan before departure. No prior settings are required when using the service overseas. KDDI will strive to continue to provide an environment where users can use our communications services securely and comfortably outside Japan.

Web ink The World Data Flat service

Service name

FY2019 Material KPI Results

FY2020 Material KPIs

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## **Disaster Preparedness**

KDDI's Approach (disaster preparedness)



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.

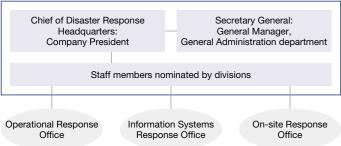
**Business Continuity Planning** 

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

Disaster Response Headquarters



#### 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

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

KDDI

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 communications services for our customers in the event of an outbreak of a pandemic influenza.

#### au Disaster Recovery Support 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.

#### **Facility Systems for Securing Communications** Services in Times of a Disaster

#### **Providing Disaster Response Services**

#### 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 communications 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 communications 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

Content

KDDI

Disaster Message Board Service, Emergency Email Service, au Disaster Disaster Voice Message Service, Disaster Information Response App Web Link au Disaster Response App (Japanese only) A service that enables safety confirmation at times of arge-scale disaster Disaster Message Board Service Link Disaster Message Board Service A service that sends disaster and evacuation information provided by national and local governments, special weatherand eruption-related warnings, tsunami warnings and Emergency Email earthquake early warnings to all au mobile phones in the affected area Link Emergency Email Service (Japanese only) A service that delivers voice messages for safety confirmation using the packet communication network in times of disaster Disaster Voice Messaging Service Link Disaster Voice Messaging Service Customers can try using the disaster message board service and the disaster voice messaging service Trial Period: • 1st day and 15th day of the month (0:00-24:00) Service Trial • 1st to 3rd day of January (January 1 at 12:00-January 3 at Disaster Preparedness Week (August 30-September 5) • Disaster Preparedness and Volunteer Week (January 15-21)

#### Collaboration with Disaster-related **Organizations during Normal Times**

KNNI

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)

KDDI's Material Sustainability Issues

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## **Initiatives Outside Japan**

KDDI's Approach (initiatives in growth markets outside Japan)



We believe expanding information and communications services in emerging countries is key to solving various social issues. Further expansion of global business is 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 cultivated in and outside Japan, 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 Sustainable Action

Web Link Material Issue 3 Fulfilled Life Brought through ICTs

#### ICT Solutions outside Japan

KDDI Group



KDDI provides a variety of one-stop solutions for customers' operations, including data centers, cloud computing, networks, and IoT services. We have established more than 40 TELEHOUSE data centers in 10 or more countries. The data centers have garnered acclaim for their service quality and reliability in around 30 years of operational experience as well as their high connectivity, which brings together world-class internet exchange (IX) providers, telecommunications operators, and cloud-computing operators, 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

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. We not only provide high quality international communications services using highly reliable optical fiber submarine cables but also new platforms such as Connected

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 communications services for the Asia and Pacific regions, where demand is expected grow further.

One of the newest international submarine cables that KDDI is laying is the Southeast Asia-Japan 2 Cable System (SJC2), an optical fiber trunk connecting Japan and Singapore. We signed a construction and maintenance agreement for the cable network with Facebook (U.S.), China Mobile International (China), Singtel (Singapore), and other telecommunications operators in Asia, and the construction is now under way.

In September 2019, KDDI Cable Infinity, a new submarine cable-laying vessel started operation for the SJC2 and other projects, laying cables underwater and connecting them to land lines. As well as promoting IT innovation in marine vessel and offshore construction operations, we endeavor to build and maintain a highly reliable global infrastructure using the high-performance undersea cable technology owned by the KDDI Group. New services are developing at a global scale on trunk networks connecting Japan and the world, and IoT is one of the major global technologies supporting them. KDDI and Toyota Motors collaborated to build a global communications platform for connected cars, and the Global Network Operation Center ("GNOC") started operating the plat-

In addition, through partnerships with companies such as Inmarsat and Intelsat, the GNOC offers services using satellite communications, enabling call and data transmission to anywhere in the world, such as ships at sea, airplanes, the South Pole and other remote areas and islands where cables do not reach, thereby insuring secured global communication around the clock.

\* According to research by KDDI

Web Link Inmarsat Service (Japanese only)

#### **Business Expansion in Myanmar**

**KDDI Group** 

Initiatives of the KDDI Foundation

**KDDI Group** 

#### Building an optical fiber network with a simplified construction in Mongolia, a land of extreme cold

Local networks were established in Mongolia using optical fiber cables that are easy to install and operate. The networks built with a simple structure and at low cost were set up at three locations: Terelj, a tourist spot in the suburbs of Ulaanbaatar, the capital of Mongol; Arkhangai and Bayankhongor some 600 km away from the capital. A test was implemented to ensure the durability of the optical fiber cables in extreme weather conditions where the external temperature goes down to minus 40 to 50 degrees Celsius. Going forward, the networks will be used for medicine, administration, and education as well as enhancement of tourism focused on sightseeing resources nearby, thereby contributing to regional revitalization.

Web Link KDDI Foundation

## We are working together with Myanma Posts & Telecommunications

(MPT) and Sumitomo Corporation on a joint venture aimed at establishing an optimal communications environment in Myanmar, where there is an urgent need to improve the communications infrastructure. Although mobile phone penetration in Myanmar was around 10% before the launch of the joint venture, a nationwide expansion of service coverage enabled people in the country to enjoy internet access and watching videos on a

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 communications 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 hours a day, 365 days a year. 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.

We have accepted a total of 12 trainees from the country since 2017. We will continue running this program going forward.

#### Business Expansion in Mongolia

KDDI Group

KDDI's consolidated subsidiary MobiCom Corporation LLC started a highspeed 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.

KDDI has accepted a total of eight trainees from MobiCom since 2018 as part of its resource exchange program to provide them with training on corporate sales and marketing as well as security systems. Through the exchange of personnel, we contribute to enhancing telecommunications business in Mongolia.

Since 2017, KDDI PRECEDE (the company in charge of operating KDDI's directly managed stores) has provided MobiCom shop staff with training on customer interaction and also offered on-the-job training at their shops to improve their customer service and hospitality skills, striving to support for the improvement of customer satisfaction beyond national boundaries.







Message from Executive Officer of Sustainability

KDDI's Material Sustainability Issues

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## Materiality 2



• Cyber Security and Data Privacy Protection ⇒ P.45 - 47

## **Cyber Security and Privacy Protection**

Utilization of information assets and tightening of security
 Data privacy

#### KDDI Group KDDI's Approach Social Issue Our Risks and Opportunities • Customer data leaks from inside the company or unauthorized Recent years have seen leaks of important confidential information access from outside could seriously damage the brand image of the worldwide due to cyberattacks employing software viruses, a situation that has become a major social issue. We consider the personal and KDDI Group. In addition to a possible loss of customer trust, we business information that the KDDI Group retains for its customers and could also be forced to pay substantial compensation, which could business partners to be extremely important assets that need to be have a negative impact on our financial position and business managed with strict confidentiality. 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. **Management Framework** • As a telecommunications operator, we are committed to protecting • We also have strengthened the technical, organizational and human the confidentiality of communications. In order to protect customer aspects of our suite of security management measures. These include tighter control and monitoring of access authorization for our data, we have set up the Information Security Committee and are customer data systems, safekeeping of access logs and a ban on working on the development and implementation of company-wide measures to prevent data leaks from within the company as well as taking company data outside company premises or saving it to unauthorized access from outside. external memory. In order to promote awareness, we provide ongoing training on the confidentiality of communications and protection of • Also, with the implementation of the KDDI Code of Business Concustomer data for all our employees. We are also working with our duct, KDDI Security Policy, and KDDI Privacy Policy, and the estabexternal partners, particularly with our retail network of au Shops, to lishment of the KDDI Group Business Ethics Committee, the KDDI strengthen our value chain management through the improvement Group is working to further strengthen its information security goverof shop operations, monitoring and training. nance. • In order to ensure the security of customer data, au Smart Pass apps and all other customer apps provided by KDDI are examined to verify that their behaviors are in line with KDDI Group Smartphone Apps & Privacy Policy Management Guidelines established in April 2019. As a member of the industry body the Japan Smartphone Security Association (JSSEC), KDDI is taking part in data security initiatives. FY2020 Material KPIs Web Link FY2020 Material KPIs Moving Forward Make the best use of data assets Further improve security Protect data privacy KDDI Group Initiatives

## **Cyber Security and Data Privacy Protection**

#### KDDI's Approach (Cyber Security and Data Privacy Protection)

Information Security Management

**KDDI Group** 

With the increasing prevalence of smartphones and the rapid progress of technologies such as big data and Al 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.

To ensure that it uses personal data while protecting privacy, KDDI has published its privacy policy and its handling of personal information, including types of information to collect, purpose of use and the requirement of a customer's consent, and thus completely protects such personal information. In addition, in January 2020 we set up "Privacy Portal" to provide clear explanation about KDDI's use of customers' information, ensuring the transparency while deepening customers' understanding.

Framework To ensure a unified approach to the security of information assets across

the group as a whole, we have established the Information Security Committee chaired by the Executive Director, Technology Sector. The committee comprises the management level, along with the general managers of sales, technology and corporate divisions.

Currently, the committee is chaired by Kazuyuki Yoshimura, Executive Director, 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.

Web Link Security Policy



Management

Level

■ Information Security Management Structure

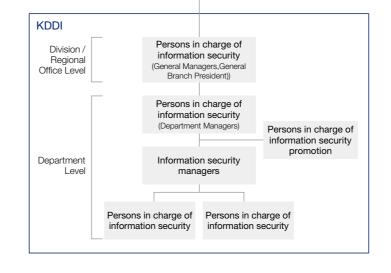
Information Security Committee (Management Level) Committee Chair: Executive Director, Technology Sector Secretariat: Internal Control Department, Information Security Planning Department, Data Governance Office

Role of Information Security Committee

- (1) Determine and implement group-wide measures to prevent internal information leakage
- (2) Determine and implement group-wide measures to defend against attacks and invasion from external networks
- (3) Establish and manage regulations relating to information security including the Security Policy

## Information Security Promotion Meetings

Chair: General Manager of the Information Security Planning Department





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## Materiality 2



## **Cyber Security and Privacy Protection**

Utilization of information assets and tightening of security
 Data privacy

#### **Cyber Security and Data Privacy Protection**

#### Strengthening Information Security throughout the Company



All KDDI Group companies have been ISMS 27001\*1 certified since 2009. For our group companies, the KDDI Group Information Security Standards were introduced in fiscal 2011. In fiscal 2017, we revised the standards and extended 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 Kvosaikai (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



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

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 FY2019, in order to eradicate information security accidents, we took measures to strengthen information security in a way to encourage each department to autonomously raise the information security awareness, aiming to raise the awareness among directors, officers and employees.

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 mea-

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)

#### ■ FY2019 List of Initiatives and Activities for Reducing Information Security Risks

• E-learning training

• Training for new department general managers Walk-around security check

Enhancement of raising information security awareness

Internal security audits

· Enhancement of checking authorization to access customer information

Total Information Security

- 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
- · Continuing supervision of OA environment in the whole group

Prevention of information leakage through social media

Complying with Social Media Policy · Raising awareness among employees

Stronger control measure for using cloud computing

of cloud computing for the whole group · Maintaining and improving risk assessment framework relating to security and legislation systems

Complying with the company regulations relating to the use

Response to laws and regulations

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

 Prohibiting automatic forwarding • Automatic encryption of attached files in external e-mails Annual training against targeted e-mail attacks for

Measures against

Web Link Social Media Policy (Japanese only)

employees E-learning training

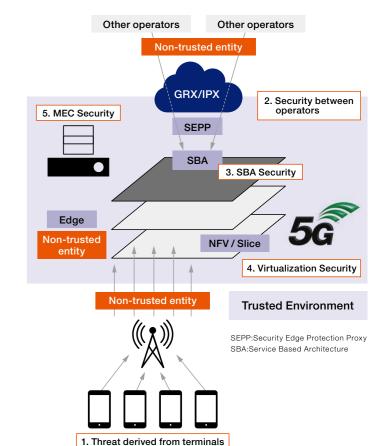
## **Next Generation Service Development**

**KDDI Group** 

Research and Development of Security Measures for 5G Network Era

The 5G network comes with more additional functions to realize a scenario of high speed, large capacity, high reliability, low latency, and massive devices being simultaneously connected. New solutions that have not been seen before are also introduced; such as virtualized network infrastructure, sharing of telecommunications functions with other operators, and greater flexibility in configuration according to how a network is used. A multi-vendor alliance building wireless access network, Open Radio Access Network (O-RAN), is a typical example of such trend. Security of 5G core functions has been tightening through solutions to problems with 4G, though there are still concerns about potential security problems attributable to newly introduced functions, different network configuration from current networks, open specifications, more complexity and so on.

KDDI, in cooperation with KDDI Research Inc., has been engaged in research and development, and application method of strengthening the security of the 5G network as a whole. We will build a network platform in line with 5G Network Era and expand facilities to provide services based on new functions. In doing so, we will study and offer security measures and functions as required.

















## **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** Group KDDI's Approach

#### Social Issue

In recent years, Japanese society is facing the decline in productivity and shrinking regional economies due to the shrinking working-age population because of the aging population with fewer children and the accelerating rural depopulation because of the concentration of population in large cities. Under such circumstances, ICTs are expected to be an effective tool to revitalize regional economies by alleviating labor shortage and increasing high quality employment in regional areas.

While the wider use of ICTs improves convenience, there are concerns 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. They 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

Innovation management

• Promote information literacy education

KDDI's initiatives to use 5G and ICTs to solve regional problems are mainly driven by its Business Strategy Division's Regional Revitalization Promotion Department, and Business IoT Promotion Division's Regional Revitalization and Support Office. 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.

(Create employment and enhance capacity building)

#### 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 custom-

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.

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

Innovation management ⇒ P.50 - 52

Initiatives Outside ⇒ P.55

Responsibility for Products and Services ⇒ P.53 - 55

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

#### FY2020 Material KPIs Web Link FY2020 Material KPIs KDDI Group Moving Forward Initiatives KDDI Group • KDDI Sustainable Action ⇒ P.12 - 29 • Contribute to economic development through ICTs Regional Revitalization Initiatives ⇒ P.49 Revitalize local economies

# **Regional Revitalization Initiatives**

#### Approach to Regional Revitalization Using 5G / IoT

KDDI Group

#### Regional Human Resources Development Using 5G

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

To realize sustainable regional revitalization, it is important to develop businesses and human resources that locally support ICTs. We are working together with local educational organizations and other stakeholders to create an environment where people can learn know-how on the most advanced ICTs and corporate management by utilizing 5G network without leaving the area they live.

#### KDDI's Regional Revitalization Project "Te to Te"

In 2019, KDDI launched its regional revitalization project "Te to Te."

By helping realize a community's passion, hope, and business idea to drive regional revitalization. KDDI will endeavor to work together to create "Community's Future."

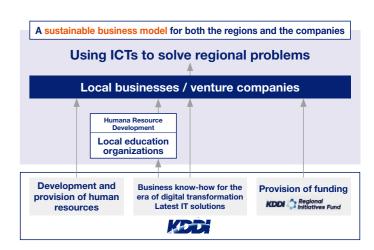
KDDI will support the community's challenges by moving forward hand-in-hand with the community. That is our will, that is "Te to Te."



## 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 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 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.



#### Initiatives in Regions of Japan Using ICTs Okinawa Prefecture Hida City Muroran City Kamishihoro-cho Multilingual translation taxi IoT mango cultivation Gero City Yokote City Obihiro City 5G stadium testing Drone logistics for remote islands Kamaishi City Bird and animal pest control Hamamatsu City Nagaoka City Tovota City Minamisanriku-cho Toyama Centrair Airport Prefecture Higashi Matsushima City Kuwana City Manufacturing Io7 Outlying islands Sendai City **Obama City** Maizuru City Kunimi-machi Toyooka City Aizuwakamatsu City Hinoemata-mura Tottori City Chizu-machi Nikko City Fukuyama City Otari-mura Nagano City Shimonoseki City IoT support for daily life Tablet education Hirado City Goto City Hakuba-mura Ina City Koganei City Nagashima-cho Atsugi City lida City Mivazaki Citv Shimanam Ibaraki City Gotemba City Kaido Satsumasendai City Kimotsuki-cho Kaivo-cho (as of April 2020)

**KDDI Group** 

Materiality 2

Materiality 3

Materiality 4

Materiality 5







#### 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**

#### Approach to Innovation

**KDDI Group** 



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**

KDDI Group

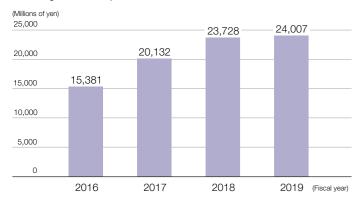


We have organized a framework to promote both technological development for grasping technology trends in a timely manner and utilizing the latest technologies for our business, and research and development aimed at creating state-of-the-art technologies over the long term.

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. KDDI Research, Inc. is engaged in research and development in a wide range of fields, such as network. IoT. Al x big data, security and service applications, and 308 researchers are engaged in R&D (as of April 1, 2020).

#### ■ 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 in Toranomon, Tokyo to create new business solutions with our corporate customers. In September 2019, we expanded KDDI Digital Gates to Osaka and Okinawa, which have already been used by over 350 companies in total.

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 partners, 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.

Web Link KDDI DIGITAL GATE (Japanese only)

#### 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 start-ups 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 Al, 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. KDDI Open Innovation Fund No.3, which is active as of May 2020, has invested approximately 20 billion yen in total. The fund program will also make it possible not just for KDDI but also for its group companies to proactively undertake joint development efforts 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 start-ups 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 start-ups 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 in the era of 5G. This program offers total support to selected teams, including business cooperation, creation of testing opportunities, and discussions about business co-creation with the partner alliance, which comprises over 40 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, and the provision of KDDI Digital Gate assets.



#### **Activities for Innovation**

#### Product Innovation

Initiative	Content
Planning and development of smartglasses using XR technology	In May 2019, KDDI signed a strategic partnership with nreal Ltd. to create new forms of communication and to work on Spatial Computing in 5G era, including joint planning and development of smartglasses using XR technology and its marketing in Japan. The "nreal light" smartglasses to be used in verification tests are not used alone but connected via USB-Type C cable to either smartphones or nreal Computing Unit, a chipset from Qualcomm in U.S. These light smartglasses ensure safety, extend operating time, and are compatible with an AR / VR app that enables position tracking. They have a wide 52° viewing angle but weigh only 88 grams, far lighter than other smartglasses.
Development of athletes support system using athletic behavior recognition Al	In October 2019, we developed an athlete-supporting system help-ful to improve athletes' techniques. This system uses athletic-be-havior-recognition Al to extract 65 skeletal points from photos of an athlete taken by a smartphone, and recognizes and analyzes the athlete's form and how each body part is used. In addition, by using a ball with a built-in sensor and combining the speed, rotation rate, and axis of the ball with the athlete's movements, the effect of movements on the ball can be analyzed to find areas of advice such as posture, motion, etc.

#### **Process Innovation**

Initiative	Content
Providing agile development education program	In addition to using agile development methods on our own, in cooperation with Scrum Inc. and Eiwa System Management, Inc., we established the joint venture Scrum Inc. Japan in March 2019 to bring about innovation. The company holds agile development seminars, and is providing wide-ranging support to Scrum teams from the launch of their agile development teams to the establishment of an agile organization management method. We will continue providing agile development know-hows to support transformation of businesses through digitalization.

#### **Environment Innovation**



Web Link Environmental performance: a low-carbon society

#### Social Innovation

Initiative	Content				
Remotely monitoring system in demonstration test of self-driving service	In June and July 2019, we participated in the experiment of a self-driving system between roadside rest facilities in a mountainous rural area in Hitachiota City, Ibaraki Prefecture. This test aims to verify and examine technologies and services necessary to introduce self-driving service as first- and last-mile services in mountainous rural areas. KDDI provided a remote monitoring system for vehicle operation required for the Level 4 driverless self-driving. Through these initiatives, we will contribute to revitalization of regional industries and prosperous society with convenient transportation.				
Started experiment of automated capturing using loT	In September 2019, we started an experiment of a automated capturing system using IoT to reduce serious damage on crops by wild boars. This experiment introduced IoT automated capturing system with a function to remotely monitor and operate large-sized traps laid from mobile devices such as smartphones and tablets, and a function to detect any animals inside or outside of the trap and automatically catch them. It is expected to capture wild animals more efficiently by saving a regular look-around, increasing the number of boars captured in a single trap, and reducing the animals that circumvent a trap.				

KDDI's Material Sustainability Issues

FY2019 Material KPI Results

FY2020 Material KPIs

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## **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**

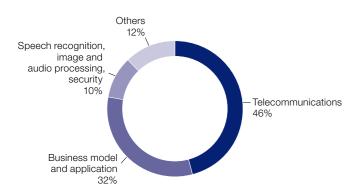
One of our basic principles specified in the KDDI Code of Business Conduct defines our commitment to creating, protecting and using intellectual property, which is an important management resource for the company's business expansion, as well as respecting the intellectual property rights of others and 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 department to investigate the IP of other parties 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. 600 outside Japan as of March 31, 2020, including pending patents.

Moreover, the office actively supports the KDDI group's IP activities, including those of its subsidiaries and the venture companies it has invested in from the perspective of promoting co-creation. 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.

Since May 2020, KDDI has joined the IP Open Access Declaration Against COVID-19 and pledged not to exercise any intellectual property rights owned by it with regard to activities intended to stop the spread of COVID-19 (https://www.gckyoto.com/covid19). Through this, we will contribute to stopping the spread of COVID-19 early.

■ Breakdown of our patents (As of the end of March 2020)



#### Main Innovation Awards Received

Award giving organization: Tsushinbunka Association

Award name: The 64th Maeiima 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: The ITU Association of Japan

Award name: ITU-AJ Accomplishment Awards

Awarded research: Contribution to international standardization concerning security in ITU-T SG17

Award recipient (belonging organization at the time of receiving the award):

Yutaka Miyake (KDDI Research Inc.) Date received: May 17, 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

Award giving organization: SCAT

Award name: SCAT president award

Awarded research: Research, development and practical application of ultra high-speed ciphering technology Kcipher-2

Award recipient (belonging organization at the time of receiving the award):

Shinsaku Kivomoto, Toshiaki Tanaka, Yuto Nakano (KDDI Research Inc.). Koichi Sakurai (Kyushu University)

Date received: January 14, 2020

The following websites list awards other than those mentioned above.

Link Information Relating to Awards KDDI Research, Inc. Received (2019)

Link Information Relating to Awards KDDI Research, Inc. Received (2020)

• 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)

## **Responsibility for Products and Services**

## KDDI's Approach

variety of products and services.

**Product Quality Control** 

lease based on strict standards.

ware and software.

to customers.

be used with confidence by everyone.

can experience the joy of communication.

(Responsibility for Products and Services)

In our efforts to "add value to the customer experience," we at KDDI be-

lieve it is important to offer products and services so that all customers

to create a society in which ICTs is accessible to all, where even more

people the world over - adults, children, older people, people with dis-

abilities and low income earners — have equal access to the benefits of a

one 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

We implement total quality control from product design to after-sales ser-

vice to ensure that customers can use our products in a safe and secure

manner. With the purpose of realizing the products with safe and secure

quality, in cooperation with outsourcing manufacturers, we at KDDI care-

fully confirm the safety, durability, and quality of our hardware and soft-

ware products in each manufacturing process from design to market re-

leased, we receive inquiries via our website, phone and au retailers includ-

ing au Shops to immediately identify the causes and improve both hard-

screening committee chaired by the President is established to confirm

the details and causes, decide countermeasures, and promptly respond

In case any defects or quality issues arising after products are re-

If any especially serious defects are found, the market response

As well as increasing accessibility, we strive to offer services that any-

We offer products and services from a customer perspective, aiming

KDDI Group

KDDI

of Products and Services Smartphones, mobile phones and the Internet have become irreplaceable

Initiatives for Promoting the Safe Use

in our daily lives. However, more people, particularly children and older people, get in-

volved in crimes and other troubles.

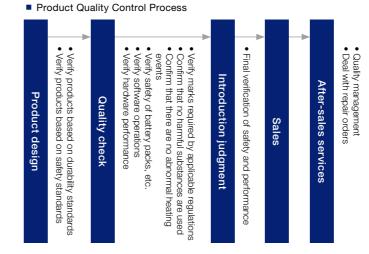
We promote initiatives to ensure safe use regardless of the users' level of ICT literacy. Those include providing products and services that give advice and instruction on manners to keep in mind and other awareness campaigns for safe use.

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

In 2017, we launched the Cycle Safety Project. In March, 2019, KDDI and au Insurance Co., Ltd. launched the third edition of the project, focusing on high school students\*, who are prone to get into a traffic accident while cycling. To offer an opportunity to simulate the danger from using smartphones while cycling, which is becoming a social problem, and find a solution to preventing it, we created the VR Class Kit to Prevent Smartphone Use While Cycling. The VR class kit comprises three parts totaling 50 minutes. They are a slideshow that conveys the danger of bicycle accidents and the need to be prepared for expensive compensation; the Stop Using Smartphones While Cycling VR Experience program, which allows users to simulate the field of vision and response time to brake when cycling with and without distraction from a smartphone; and 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



Message from Executive Officer of Sustainability

KDDI's Material Sustainability Issues

FY2019 Material KPI Results

FY2020 Material KPIs

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## 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

#### **Responsibility for Products and Services**

Extensive variations of 5G mobile phones

(Widest 5G variations from high-end to low-cost models)

#### Initiatives to Promote Safe Use

Targets		Products		Services		Rates		Measures		
Young people	mamorino5	amorino5	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 overuse, usage inquiries, area search, etc.	Junior Keitai Plan N	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  KDDI Smartphone and Mobile Phone Safety Classes	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 striving to improve user-friendliness and increase awareness of our filtering services.  We give classes at schools all over Japan, allowing children to learn the skills to safely and properly use smartphones and mobile phones using their own judgment.  Web Link Community Involvement & Development / Initiatives  Web Link Materiality 5:Respect for Human Rights and Fairness in Business		
			Age confirmation Services	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.	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.    Web Link   Family Guide to Smartphones and Mobile Phones (Japanese only)		
	BASIO4	A product for first-time smartphone users with a large screen that makes it easy to read texts and see photos. It has a clear and easy-to-use home screen and buttons. In addition, just by pushing the dedicated button, it is easy to use auPAY, the smartphone payment service for shopping and payment just by reading a barcode or QR code.	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.			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; enhancing screening via information sharing among mobile phone and PHS companies about subscribers of lines whose identities cannot be confirmed; and suspending the use of land-line telephone numbers that were used for money transfer frauds or other particular kind of frauds at the request of the National Police Agency. KDDI employee volunteers conduct awareness raising activities on Musashikoyama Shopping Street in Tokyo (FY2019: twice)		
	A feature phone focused on ease of use, with a high-quality audio communication function, simple menu screens, big letters and larger keys  Simple Phone KYF36/KYF38	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.	Social		KDDI Smartphone and Mobile Phone	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.  Web Link Community Involvement & Development / Initiatives  Web Link KDDI Awareness Raising and Education Initiatives			
			Blocking spam calls (for landlines)	A service for au Hikari phone option that blocks incoming spam phone calls, such as those for scams or solicitations, to a landline phone. Spam calls from a unknown numbers are automatically blocked without the need for a special setting.			Safety Classes			
	Simple Phone KYF36/KYF38	Features a text-to-speech function that, once set up, will read aloud menu options, e-mails, and other text. This can be used as an aid not only by elderly people with diminished eyesight but by other visually impaired people.	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 2020, 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 service	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	-	-	-	-		Eligibility for family-oriented services such as au Family Discount extends to formally certified same-sex partners	_	-		
	Initiatives throug	h MVNO						communication services to reduce the cost burden for customers. The KDDI e split and offer low priced telecommunications services from October 2020.		
	Initiativos to sta	o amartahana uga while walking	Free app to prev	rent usage while walking. Provide a free app	to stop smartpho	ne use while walking and help prevent accidents and injurie	es and to improve ma	inners.		
	Initiatives to stop smartphone use while walking, cycling, and driving		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

KDDI Group

Policy 8 Activity

#### Improvement of Emergency Medical Care in Thailand

In order to cut the death-in-transit rate of Thailand's ambulance service, we made research on ICTs emergency medical care and relevant medical care in Japan, set up a demonstration system to standardize data format and operational process used in emergency medical care in Thailand, and conducted a demonstration test in Ubon Ratchathani Province in the east part of Thailand. The results will be shared across the country.

#### E-Learning & Programming Education in Nepal

We have developed an e-learning environment at elementary and junior high schools in Lalitpur, a city adjacent to the country's capital, Kathmandu, so that students can study subjects, such as arithmetic and science, using e-learning materials. Robot-programming education was also introduced in order to develop logical thinking. The number of schools subject to this program has gradually increased to ten at present. Each of the schools undertakes their own initiatives, such as open school days attracting local communities.

KDDI Sustainability Report 2020 KDDI Sustainability Report 2020

• Since "au 5G" service is available now, KDDI offers eight 5G models, from the high specification model with a built-in high resolution camera, such as 8K, to the middle range model with selected functions, so that customers can make the most of the "UNLIMITED WORLD au 5G."
• 5G-upgraded models of popular brands among Japanese users, namely "Xperia 1 II," "Galaxy S20 5G," "Galaxy S20+ 5G," "Galaxy S20 Ultra" and "AQUOS R5G" are available. Popular global brands, OPPO's 5G flagship smartphone model "OPPO Find X2 Pro" and ZTE smartphone "ZTE a1," are also available only to au users (as of June 2020). In addition, KDDI, for the first time as a Japanese telecommunications operator, has released Xiaomi smartphone "Mi 10 Lite 5G."

FY2019 Material KPI Results

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#### 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

## KDDI's Approach

**KDDI Group** 

#### Social Issue

Improving productivity is an urgent issue to Japan suffering the shrinking population. 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. However, Japan has the worst labor productivity in the G7 countries, which needs to improve. Furthermore, in the fight against the global outbreak of COVID-19, we face a challenge to adopt the "new normal" that would significantly change our ways of living and working.

#### Our Risks and Opportunities

The decline in the productive population due to low birth rate and aging society is causing difficulties in recruiting high quality human resources. In addition, we need to provide an attractive work environment that offers diverse work styles to suit a diverse workforce.

In June 2020 we introduced a new personal development program showing an example of new work style in light of the "new normal" to help each and every employee to design their work style according to their current life stage and their values, so that they can achieve personal and organizational goals while pursuing their career. Through improvement in both tangible and intangible elements of work environment, we expect to recruit more diverse workforce in the future.

#### Management Framework

- 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.
- 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, in fiscal 2020 each organization started working on SDGs as part of its organizational goals to encourage its members to understand SDGs and take actions for them.
- 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. We also established the Work Style Reform and Health-Focused Management Promotion Office in January 2019, and are working to develop a sound work environment as a foundation for sustainable growth through the activities of the Work Style Reform Promotion Committee and all employees interview by internal counselors.

#### FY2020 Material KPIs

Web Link FY2020 Material KPIs

#### **Moving Forward**

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

#### Initiatives

• KDDI Sustainable Action ⇒ P.12 - 29

- Recruiting and Developing Human Resources → P.57 61
- Labor Practices ⇒ P.62 71

# **Recruiting and Developing Human Resources**

## KDDI's Approach

(Recruiting and Developing Human Resources)

**Human Resource Cultivation** Management

fiscal 2019.

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.

To maximize the value created by human resources and ensure that the

right people are placed in the right roles, we have established an organi-

zational structure that manages the recruitment, development, utilization

and career progression of human resources as a vertically integrated pro-

cess, effective from fiscal 2017. In this way, we have maximized organiza-

#### **Human Resources System**

KNNI

by paying examination fees and other related expenses.

instead of staying passive

• FY2019 number of newly hired graduates of nationality other than Japanese: 4

In the recruitment stage, we have removed the gender query from the

contract employees, such as mass-retail sales advisors, talent development

opportunities. Those who wish can apply for a permanent contract, and

27 contract employees became regular employees through this scheme in

ing 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

Also, we support the acquisition of company-designated qualifications

We also have a variety of training and qualification schemes that give

We execute various measures for effective employee growth, includ-

application sheet to ensure we hire diverse talents.

• FY2019 Percentage of newly hired female graduates: 32.3 %

## ■ Retention of Newly Hired Graduates (KDDI)

Unit: person

	Male	Female
Graduates hired in April 2017	211	96
Currently employed in April 2020	204	89

#### ■ FY2019 Employee Training Results (KDDI)

Unit: yen / person	80,000			
Unit: hour / person	5.0			
Unit: hour	95,125			
	Unit: hour / person			



tional performance and the growth of each employee

Materiality 5

**Materiality 4** 

Materiality 6





## 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**

## KDDI Human Resource Cultivation Measures KDDI System

#### **KDDI Human Resource Cultivation Measures**

Program	Content
Executive assistant	Employees work as directors' assistants, learning directly the management mindset. (Every year, one man and one woman are assigned.)
Job rotation system	Eligible employees during a career selection period work out their own career plan and make a choice for their career in the future with autonomy and responsibility, to grow themselves.
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).
Career plan 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.
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 training	Newly-appointed departmental general manager training			
GL (Group leader)	GL Study Session	Newly Appointed GL Training	0		
Manager (Non-line)	Study Se	Newly Appointed Manager Training	Common s		Training
Assistant Manager	stion by		skills training	Overseas Study Overseas Trainees	Training by Division
Chief	Philosophy Study Session by layer / Study Session by Department		ning	seas seas seas	ä
Employee	ent	Training 3 years after employment Training 2 years after employment New Employee Training			

#### KDDI's Approach (Professional Advancement of Women)

KDDI

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

Syst

In fiscal 2016, we started the Female Line Manager Program (JLP), which aims to establish a career path leading to officers and line managers, targeting female employees from those just below a section manager position to candidates for a general manager position. Selected managerial candidates have opportunity to participate in Mind Up Seminars, where they can learn the skills necessary for leadership and adjust their mindsets. In addition, we help them develop leadership and further grow as a leader by promoting dialogues with female executive role models within the company. We are continuously providing e-learning to promote understanding of the necessity and method for cultivating female managers for all line

managers, including male managers, as we work to reform mindsets within

## KDDI Policy Cross-Industry

the company.

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.

Promoting gender equality and female empowerment not only deepens

our understanding of their human rights but leads to solutions to issues in

This is reflected in the medium-term management plan, and we are

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 become

ambitious to build their own career and continue to work even while going

international society and corporate sustainable development.

promoting the advancement of women as a business strategy

through major life events, like giving birth and raising children.

Action Plan Based on Japan's Women's

#### Targets

1 Number of female line managers: 200

Advancement Act

- 2 Usage rate of annual paid leave: 70%
- 3 Percentage of newly hired female graduates: 30%

#### Action

- 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 Leader KDDI

Activity &

We believe that the participation of women in company decision-making will contribute 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

Executive / Director	Executive Officers	2
Executive / Director	Outside directors	1
Managara		341
Managers	Line managers	156

(as of April 1, 2020)

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



In addition to internally training personnel, KDDI has proactively participated in cross-industry forums, with a focus on initiatives to raise female employees' viewpoints. Through participation in various opportunities for personal exchange, including the Eijo College that aims to create a management model for female sales representatives, J-Win for development of female leaders, the International Conference for Women in Business where approximately 800 women gather from Japan and abroad to achieve self-growth, and the Lead the Jibun Camp designed for a person to lay the foundation as an innovative leader, we encourage female employees to get motivated and raise their self-awareness and viewpoints as a leader.

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# 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**

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. These evaluations are conducted twice a year for all employees. 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 Engagement Survey**

Since fiscal 2019, KDDI has conducted the Employee Engagement Survey, because we consider that if each and every employee can work feeling motivated and fulfilled, it will contribute to sustainable growth of the company.

This survey measures, based on indicators, the level of "voluntary contribution and motivation toward the company and their work," the employee engagement defined by KDDI.

The results of the survey are shared real-time with leaders of each organization.

Human Resources Department does not analyze the results of the Employee Engagement Survey or formulate measures using the results. The leader of each organization will share the results with their respective members and discuss what actions to take for them to work feeling motivated and fulfilled. We believe that this process itself will improve the level of the employee engagement.

We are committed to improving the employee engagement by working on this activity company-wide.

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

**KDDI** 

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

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

#### ■ President's Award Results

Unit: case

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

(Evaluation period: April 1, 2019-March 31, 2020)

#### Results

#### ■ Employment Status

		Male / Female	FY2015	FY2016	FY2017	FY2018	FY2019	
		Male (KDDI)	8,649	8,718	8,723	8,574	8,465	
		Female (KDDI)	2,126	2,198	2,314	2,394	2,427	
Number of employees*1	Unit: person	Total (Male and Female)	10,775	10,916	11,037	10,968	10,892	
		Consolidated num- ber of employees	31,834	35,032	38,826	41,996	44,952	
	Unit: age	Male	42.7	42.9	43.2	43.4	43.6	
Average		Female	39.2	39.3	39.4	39.4	39.7	
age (KDDI)		Total (Male and Female)	42.0	42.2	42.4	42.5	42.8	
Average		Male	17.6	17.7	18.1	18.2	18.4	
working	Unit:	Female	16.0	16.0	15.9	15.7	15.9	
years (KDDI)	year	year	Total (Male and Female)	17.3	17.4	17.6	17.7	17.8
Employment turnover (KD		Unit: %	(Total) 0.92 (Male) 0.68 (Female) 1.99	(Total)1.11 (Male) 0.95 (Female) 1.79	(Total)1.08 (Male)1.01 (Female)1.39	(Total)1.43 (Male)1.30 (Female)1.96	(Total)1.45 (Male)1.30 (Female)2.03	

<sup>\*1 &</sup>quot;Number of employees" is the number of regular KDDI employees, including employees temporarily

Unit: person									
			Early	Self	Company	Transfer	Other	Retirement age	*Excludes employees who retired at retirement age
		Under 30	0	24	1	0	0	0	25
		30–39	0	61	0	0	0	0	61
	Male	40-49	0	24	4	0	3	0	31
	IVICIO	50-60	0	32	3	0	7	0	42
		61 or over	0	0	0	6	0	39	6
		Total	0	141	8	6	10	39	165
		Under 30	0	15	0	0	0	0	15
FY2019		30-39	0	22	1	0	0	0	23
Departing	Female	40-49	0	16	1	0	1	0	18
Employees	remae	50-60	0	3	0	0	0	0	3
		61 or over	0	0	0	0	0	1	0
		Total	0	56	2	0	1	1	59
		Under 30	0	39	1	0	0	0	40
		30–39	0	83	1	0	0	0	84
	Total	40-49	0	40	5	0	4	0	49
	IJIAI	50-60	0	35	3	0	7	0	45
		61 or over	0	0	0	6	0	40	6
		Grand total	0	197	10	6	11	40	224

		June 2016	June 2017	June 2018	June 2019	June 2020
Number of employees with disabilities	Unit: person	372	403	417	417	410
Employment rate of persons with disabilities	Unit: %	2.19	2.38	2.53	2.54	2.53

Notes 1: The number includes persons with disabilities who are employed at KDDI, as well as at KDDI Notes 1: The number includes persons with disamined and a single of the control o

	,					it: perso
	Male / Female	FY2015	FY2016	FY2017	FY2018	FY2019
	Male	203	217	211	181	202
	University graduate	203	217	211	181	202
Recent	Female	83	85	96	106	91
university	University graduate	83	85	96	106	9.
graduates	Junior / technical college graduate	0	0	0	0	(
	High school graduate, etc.	0	0	0	0	(
	Total	286	302	307	287	293
	Male	46	46	76	102	120
	University graduate	45	45	74	95	70
	Other	1	1	2	7	4
Mid-career hires	Female	4	9	7	9	15
	University graduate	4	9	7	9	12
	Other	0	0	0	0	;
	Total	50	55	83	111	13
	Male	126	143	112	121	13
Reemployment after retirement	Female	13	17	13	19	10
aner remement	Total	139	160	125	140	14
Non-regular emplo	82	122	118	66	2	

#### ■ Foreign Employee

FY2015	FY2016	FY2017	FY2018	FY20	19 56
105				Male	EG
105					50
105				Female	53
	101	114	114	Total (Male + Female)	109
5.2%	2.0%	3.6%	2.1%		2.05%
7	10		10	Male	8
				Female	1
		11		Total (Male + Female)	9
4,380	4,423	4,308	4,208		4,393
	7	5.2% 2.0% 7 10	5.2% 2.0% 3.6% 7 10 11	5.2%     2.0%     3.6%     2.1%       7     10     11     10	Total (Male + Female)  5.2% 2.0% 3.6% 2.1%  Male  Female  7 10 11 10  Total (Male + Female)

## ■ Non-Regular Employees (KDDI) (Number of workers temporarily employed) Unit: person

	FY2015	FY2016	FY2017	FY2018	FY2019
Temporary staff (KDDI)	3,512	3,940	4,531	4,196	4,604
Contract employees (KDDI)	3,317	3,101	2,637	2,216	1,964
Total	6,829	7,041	7,168	6,412	6,568

Note: The numbers of non-regular employees for FY2017 and FY2018 are the same as those on Securities

#### ■ Employees by Age (KDDI)

	Total	Male	Female
Under 30	1,436	963	473
30–39	2,323	1,744	579
40–49	4,000	3,015	985
50-60	3,130	2,740	390
61 or over	3	3	0
Total	10,892	8,465	2,427

(As of March 31, 2020)

Managers(KDDI)					Unit: person
	FY2015	FY2016	FY2017	FY2018	FY2019
Male Managers	4,115	4,155	4,195	4,184	4,202
Department Managers or higher	411	465	481	472	513
Section Managers	3,674	3,690	3,714	3,712	3,689
Female Managers	251	270	302	321	342
Department Managers or higher	11	12	17	23	23
Section Managers	240	258	285	298	319
Proportion of Female Department Managers or higher	2.4%	2.5%	3.4%	4.6%	4.3%
Proportion of Female Section Managers	6.1%	6.5%	7.1%	7.4%	8.0%
Newly Appointed Managers	390	195	209	192	191
Male	309	169	173	163	165
Female	81	26	36	29	26

Note: The number of managerial personnel includes KDDI managerial personnel as well as those temporarily

#### ■ Retention of Newly Hired Graduates (KDDI)

Unit: person

	Male	Female
Graduates hired in April 2017	211	96
Currently employed in April 2020	204	89

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

Materiality 2

Materiality 3

Materiality 4

Materiality 5 Materiality 6







#### 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



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 139%\*

\* Calculated based on the minimum wage in Tokyo (1,013 yen / hour). Specifically, the formula is 21 days × 1.013 ven × 7.5 hours (as of April 2020)

#### **Declaration of Health-Focused** Management

KDDI Group



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.

Web Link Declaration of Health-Focused Management

#### Work Style Reform

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 strategic subsidiaries have also been participants. From fiscal 2019, we launched a work style reform project team with a primary mission of accelerating the adoption of diverse work styles and implemented work style reforms, such as developing a better work environment and the vision on new work style.

■ Operational Framework of the Work Style Reform Promotion Committee

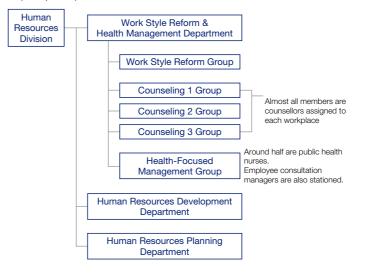


KDDI Evolva, Inc., KDDI Engineering Corporation , KDDI MATOMETE OFFICE CORPORATION, Chubu Telecommunications Co., Inc., BIGLOBE Inc., UQ Communications Inc., OKINAWA CELLULAR TELEPHONE COMPANY, au Financial Holdings Corporation, AEON Holdings Corporation of Japan ENERES Co. Ltd.

#### Initiatives and Results of Work Style Reform in Fiscal 2019

- Held monthly Work Style Reform Promotion Committee meetings (topics: eliminating long working hours, increasing productivity, etc.)
- For purposes of appropriate work schedule management and early support for an employee likely to feel mentally sick, conducted an interview to all 12,000 employees working at workplaces in Japan twice a year
- As part of promoting "Autonomous Work Style," abolished the company-wide standard on work clothes and made each division set its own standard
- Ensured all employees leave work within 30 minutes after the end of business
- Promoting the rule about leaving work by 20:00
- Enforcing No Overtime Days and ensuring permission is granted in advance to work overtime
- Extended the interval between shifts from 8 to 9 hours
- 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)
- Made internal systems accessible to mobile devices
- Began allowing tethering for work smartphones
- To operate good quality meetings, made each division develop its action plans for meeting reform
- Promoted use of shared offices
- Participated in Telework Days as a special sponsor
- Held rehearsals in anticipation of the period of the Olympic Paralympic
- Revised the Teleworking Work Rule in order to expand opportunities for teleworking and ensure appropriate application.

■ Organization of the Work Style Reform & Health Management Department (as of April 2020)



## Safety and Health Management System

KDDI

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, industrial physicians, and employees in charge of mental health promotion in each workplace. 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, health management,
  - mental health, work style reform
  - overtime work and long working hours, fire prevention and disaster preparedness, traffic safety
- Important matters on safety and health are reported to the Executive Director of the Corporate Sector

To create a comfortable working environment, we conduct the statutory

atmospheric environment measurement every two months for temperature, humidity, air current, carbon dioxide, carbon monoxide, and floating dust, and if any deviation is detected, work with a respective facility management company to take appropriate countermeasures, such as ventilation and cleaning. In addition, in FY2020, we removed all smoking rooms from offices to reduce passive smoking risk.

Departments handling constriction as a contractor provide internal chief engineers and managing engineers with regular safety trainings to prevent accidents such as electric shock. These trainings include Safety Training for Dangerous Operations, Tool Training, Health and Safety Education for Foremen, Chief Engineer Training, and thus strive to ensure thorough safety control.

In a twice-yearly safety convention for contractors in charge of base station and network facility construction projects involving dangerous operations, such as working in high places, as well as a Group Safety Convention for group companies, we have shared safety-related examples and provided information on how to improve safety-related skills. In addition, in 2019 we provided trainees from MPT, a telecommunication company in Myanmar, with safety training using a KDDI-produced safety awareness raising comic titled "Pronogenba (worksites of professionals)."

Materiality 6

Materiality 5

## 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**

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







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

#### **Health-Focused Management Actions**

As part of the drive to promote health-focused management in fiscal 2019, we conducted a health awareness survey of all employees and implemented measures based on the survey results. As part of the measures, in fiscal 2019 we introduced KDDI Wakuwaku Points, which is a health point program that provides employees with a mobile app with functions designed to improve health literacy, such as access to health-related information focusing on diet, exercise, sleep and smoking, a challenge program to change lifestyle habits, and a walking event .

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

#### Initiative

- Encouraged walking
- Held seminars on sleep: "Seminar on sleep"
  - "Secrets behind hormone a working woman needs to know to stay attractive"
  - "Seminar on good physical balance"
  - "Seminar on preventative measures against a heat stroke"
  - "Seminar on countermeasures for lifestyle-related diseases"
- Held hearings for smokers regarding bans on smoking

#### Promotion of Mental Healthcare



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.

- 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 once a year (Employees surveyed in FY2019: 88.9%)
- 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)

FY2015	FY2016	FY2017	FY2018	FY2019
87	100	99	112	101

#### **Enhancing Employees Health**

Safety and Health Management for Employees

#### Providing Health Exams That Exceed Legal Requirements

We conduct regular health exams that are more detailed than required by law, with an examination rate of 98.3%. Following those exams, we inform all those diagnosed with observation by email. As 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 2019, 98.3% 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 since FY2018, we have had a program in place to provide full reimbursement for breast cancer screening for female employees 35 years old or more.

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 23.4% for active support and 27.5% 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

Measures	Target	Content	
Healthcare room	Regular and contract employees, temporary staff	When they feel sick, they can take a sho rest in this room and receive first-aid car 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 and contract employees	KDDI Group Welfare Association provides subsidies related to such issues as child-birth / 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	

# and Their Families Transferring Overseas

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. We also began conducting stress check 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.

■ Program for Work-Childcare Balance







# 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**

■ Programs That Support Diverse Work Styles				
Program Content				
and to boost work efficiency. A sup established for employees who need care and / or family care, which only into the office as little as once a month working at a satellite office and mobile *We were selected as a Telework Pionee.	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 also recommend working at a satellite office and mobile working.  *We were selected as a Telework Pioneer 100 certified by Japan's Ministry of Internal Affairs and Communications in April 2016			
Variable working hours every month or every to their volume of work. This system monthly basis to employees requir	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 placed on high performance achieve the end of March 2020, 17% of the this system.	ed in a shorte	er time. At		
Work shift interval rule Program work style. The rule stipulates that en a minimum of nine hours between th start of the next day's shift with ove ation. Additionally, health manageme	Introduced to raise awareness of a more health-focused work style. The rule stipulates that employees should rest for a minimum of nine 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 tonomously. In April 2020, this rule was been applied across the board.				
Shorter working hours system for parents Introduced to support a good work Employees can decide their working 5 to 7 hours according to their fam This system is also available on a mees using the variable working hours:	hours per day ily care respo onthly basis to	y between insibilities.		
Shorter working hours system for caregivers  Introduced to support a good work a Employees can decide their working 5 to 7 hours according to their fam This system is also available on a mees using the variable working hours this system as long as care is necessary.	hours per day ily care responsible onthly basis to s system. The	y between ensibilities. o employ-		
Spouse accompaniment leave program  Established in April 2017 to suppor with a long-term perspective. The systhree-year leave of absence to emplospouse who has been assigned ove live together. The program also applies spouses are not KDDI employees.	stem allows a yees who acc rseas so that	maximum ompany a they may		
Career-track employment with restricted work area (L course)  Established in 2016. L-course employoutside the specified work area with system enables the company to retay who have difficulty relocating due changing home environment.	nout their con in career-trac	sent. The k workers		

#### 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.

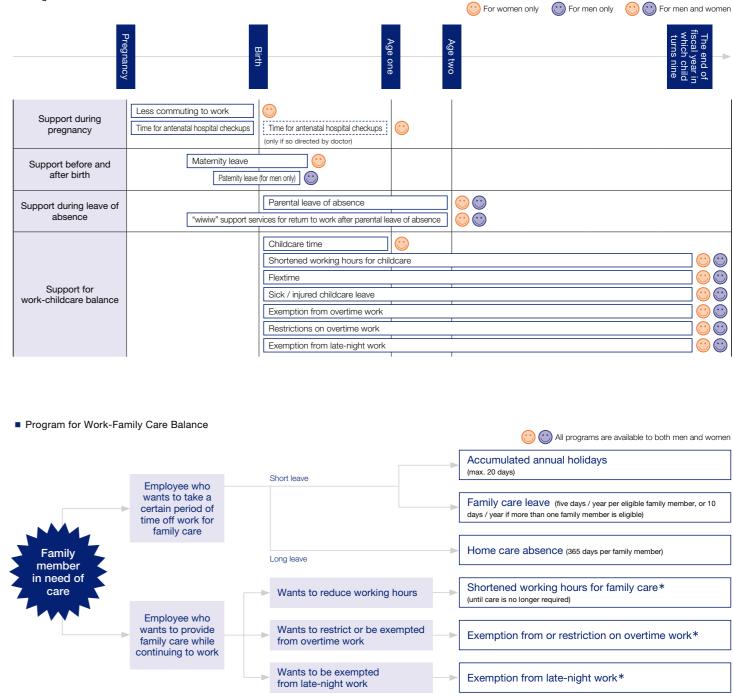
In fiscal 2019, we held a seminar on searching for nursery schools by outside experts to provide recent trend and know-how. The seminar was attended by many employees: not only employees taking or planning to take parental leave of absence, but also those with no immediate plan but with interest or for the purpose of sharing the information with their subordinates or colleagues. (Approximately 40 % of 108 participants were male employees.) 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. While making use of shortened working hours for childcare or while overtime work is exempted or limited, employees will not be subject to a job transfer that requires moving residence. Under these programs, more than 98% of employees who take parental leave return to work (100% for males, 98.8% for females) (fiscal 2019 results).

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

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

- Flexible working with options to suit home and work circumstances
- 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.



\* Can be applied together

KDDI's Material Sustainability Issues

FY2019 Material KPI Results

FY2020 Material KPIs

Materiality 1

grand prix prize.

ment (2.20%)

Work location

KDDI Challenged

KDDI Challenged

Osaka Office

Materiality 2

Materiality 3

**Materiality 4** 

Materiality 5

Materiality 6









# 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**

# Efforts to Support Childcare and Family Care

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

Measures	Target	Content
Support for male employees' participation in childcare		
Supporting a balance between work	For all employees	Hold seminars by outside experts on searching for nursery schools, which provides recent trend and know-how
and childcare Employees with childcare responsibility		Subsidies for babysitting fees
Supporting a balance between work and family care	For all employees	Provide seminars on a good balance between work and nursing care and post a handbook describing internal support programs on the intranet

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

## Usage of Childcare and Family Care Support System

■ Usage of Childcare and Family Care Support System (KDDI)

	Program	Male / Female	FY2015	FY2016	FY2017	FY2018	FY2019
	Maternity leave	Female	185	181	164	135	136
	Paternity leave (for men only)	Male	269	279	282	255	202
	Davistal la sua ef alsa sua	Male	14	16	25	27	29
	Parental leave of absence	Female	281	276	270	247	239
	Reinstatement after parental	Male	100%	100%	100%	100%	100%
21.11	leave of absence*1	Female	96.6%	99.0%	94.4%	98.9%	98.8%
Childcare	Retention after parental leave of	Male	100%	88.9%	93.3%	92.9%	-
	absence*2  Shortened working hours for	Female	96.5%	99.0%	98.0%	97.7%	_
		Male	2	1	3	6	3
	childcare	Female	417	440	458	469	497
	Olale / lais was also hall also was less ve	Male	290	344	429	471	439
	Sick / injured childcare leave	Female	344	445	496	522	484
		Male	7	8	8	12	7
	Home care absence	Female	6	5	4	6	6
Family	Family care leave	Male	90	107	133	180	175
care		Female	63	87	117	113	118
	Shortened working hours for family care	Male	4	1	1	3	3
		Female	2	2	2	6	11

<sup>\*1 (</sup>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

## **Expanding Employment Opportunities and**

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 for them by providing support to them based on a questionnaire survey, while preparing a guidebook for their supervisors.

#### ■ Examples of Support for Employees with Disabilities

Support System for Employees

with Disabilities

Measures	Content
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 supervisors	To understand, accept and treat employees with disabilities according to the need of each of the employees, we provide a guidebook for their supervisors.
Guidebook for communication with employees with hearing difficulties	This guidebook, which was created with the participation of employees with hearing difficulties, is posted on the intranet to provide easy-to-understand explanations on the rules of sign language interpretation and how to support summary writing in the work-place.
Support in creating network	Help employees with disabilities build a network with people with disabilities who work for other companies and have opportunities to grow themselves through participation in external seminars targeting them.
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

## Advancement of Persons with Disabilities

ities who plays an active role in a company, three KDDI employees, the

most among the participating companies in ACE Award, received its

success of work of employees with disabilities, aiming to expand and cre-

ate the types and scope of duties, including the operations of the three cafes. With the aim of increasing the employment of persons with intellec-

tual disabilities as required under the law in fiscal 2018, we have been continuing to expand job areas with a focus on developing diverse occu-

pations, by understanding their characteristics mainly through pre-employment training; so that each can fully excise their ability in a work area in which they excel. At KDDI, the rate of employment for persons with disabilities is 2.53%\*1 (as of June 2020), which exceeds the legal require-

> Work roles Work handled under contract from the KDDI Group, including manually disassembling mobile phones, performing mainte

nance on business mobile phones, handling accounting procedures, PC kitting\*2, facility maintenance and operating Refresh

Cleaning (morning), manually disassembling mobile phones

(afternoon), and operations of refresh rooms and Café

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

Room and Café Challenged

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

■ Work Status of Employees with Disabilities

Challenged

Established in 2008 as a special subsidiary to provide opportunities for many people, KDDI Challenged is promoting the independence and

At KDDI, many employees with disabilities are each playing an important role in their respective workplace. As a role model of a person with disabil-

Measures	Content
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 supervisors	To understand, accept and treat employees with disabilities according to the need of each of the employees, we provide a guidebook for their supervisors.
Guidebook for communication with employees with hearing difficulties	This guidebook, which was created with the participation of employees with hearing difficulties, is posted on the intranet to provide easy-to-understand explanations on the rules of sign language interpretation and how to support summary writing in the work-place.
Support in creating network	Help employees with disabilities build a network with people with disabilities who work for other companies and have opportunities to grow themselves through participation in external seminars targeting them.
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

<sup>\*2 (</sup>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

KDDI's Material Sustainability Issues

FY2019 Material KPI Results

FY2020 Material KPIs

Materiality 1 Materiality 2 Materiality 3

Materiality 4

Materiality 5 Materiality 6







# 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**

### Promoting Active Role of Elderly Workers



As we enter the era of 100-year lifespans, KDDI has adopted systems that help its employees aged 50 years or older can play an active role in a workplace. 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 create an environment to help senior employees further broaden their field of activities, since fiscal 2019 we have offered internal open recruiting opportunities and supported career development for employees aged 50 years or older.

#### **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 light of religious diversity, a space for worship is prepared in a workplace. In fiscal 2016, we held discussions with them to improve the working environment as the company expands globally. We provide employees with a guidebook explaining multi-culture in an easy-to-understand manner to ensure that non-Japanese employees are not discriminated for race and religion.

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

KNNI



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.

Status of Union Membership (KDDI)	KDDI	Results
	FY20	119
Total number of union members*	10,1	13
Union participation rate (Percentage of employees covered by labor agreements)	99.0	0%

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

#### Creating Sound Labor -Management Relations

KDDI

#### 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 between labor and management through collective bargaining, working-level negotiations, labor-management committee and the like as required, and in fiscal 2019 we had 77 meetings in total. Such discussions will be held as frequently as possible in fiscal 2020 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, enhancement of the work shift interval rule, making shortened working hours for parents more flexible, eliminating the time limit on shortened working hours for caregivers, enhancement of the system for accumulating annual paid leave, promotion of health-focused management and promotion of harassment preven-

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.

#### 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 (392,379 billion yen\* as of the end of March 2020). 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)

# Wellness Benefits (for employees)

		ı
Sy	stem	ı
		ı

- Two-day weekends (Saturday, Sunday, holidays) 126 days off per year (weekends, holidays, end and start of year FY2019 results Annual paid leave (20 days. \*Varies according to work attendance
- rate, and, for the first year of employment, to the month an employee joins the company.) Free vacation system (promoting taking five consecutive paid
- vacation days) Special leave (for funeral, marriage, birth, childcare, etc.)
- · Refresh vacation
- Maternity leave

Various

Residential

investments

Resorts

• Childcare and caregiving leave, etc.

Around 75 contracted resorts nationwide

Insurance	Health insurance, pension insurance, employment insurance, laboraccident insurance, etc.
Asset creation	Various asset creation and accumulation systems, employe stock-holding association
Welfare association	KDDI Group Welfare Association (mutual aid benefits, support systems for daily life, group insurance, group life insurance, sport clubs, golf courses, department store perks, coupons for them parks and resorts, etc.)

# Status of Workplace Injuries (KDDI)

Affiliated home loans

Decui
Resu

		FY2015	FY2016	FY2017	FY2018	FY2019
Number of workplace accidents	Unit: case	20	21	23	20	19
Number of serious workplace accidents during construction	Unit: case	0	0	0	0	0
Frequency rate*1		0.62	0.78	0.82	0.77	0.77
Severity rate*1		0.0024	0.0102	0.0038	0.0052	0.0065
Lost time injury frequency rates*2		0.20	0.19	0.28	0.15	0.16

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

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

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

		FY2015	FY2016	FY2017	FY2018	FY2019
Average overtime hours per month*1	Unit: hours / month	29.9	27.5	19.6	19.0	19.0
Average overtime allowance per month*1	Unit: yen / month	100,197	96,395	65,879	63,542	64,943
Total annual actual hours worked (average)*1	Unit: hour	1,941.6	1,919.2	1,892.7	1,871.4	1,861.2
	Unit: Number of days granted	19.8	19.7	19.7	19.7	19.7
Average rate of paid holiday taken	Unit: Number of days obtained	13.1	12.8	13.5	14.2	13.2
	Unit: %	66.3	65.1	68.5	71.9	66.9
Average annual salary*2	Unit: yen	9,510,045	9,532,136	9,363,399	9,528,103	9,300,662

<sup>\*1</sup> Applicable to KDDI employees in non-managerial positions

<sup>\*2</sup> Average annual salary includes bonuses and extra wages. There is no difference in total compensation (average annual salary) between female and male employees.

FY2019 Material KPI Results

FY2020 Material KPIs

Materiality 1

Materiality 2

Materiality 3

Materiality 4

Materiality 5

Materiality 6







# **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

**KDDI Group** 

#### Social Issue

As economic activities of companies around the world expand globally, there is growing scrutiny in global society, concerning corporate attitudes toward human rights and the impact of business activities on human rights, including the establishment of the UN Guiding Principles on Business and Human Rights. Not only companies and their group companies but also their entire value chain are required to take measures to respect for human rights.

In terms of fair business practices, issues that need to be addressed include anti-bribery and anti-corruption measures, and countermeasures for organized crime groups.

#### 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.
- In terms of privacy and data protection, there are risks that KDDI and its business partners may retain, process and access personal information beyond specified purpose. These risks may increase especially in countries and regions with weak rule of law or lacking strict laws protecting data.

#### **Management Framework**

- 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 and all other stakeholders, 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 regarding matters such as human rights and conflict minerals.
- KDDI Smartphone and Mobile Phone Safety Classes are held by certified 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.

#### FY2020 Material KPIs

Web Link FY2020 Material KPIs

# **Moving Forward**

**KDDI Group** 



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

#### Initiatives

KDDI Sustainable Action ⇒ P.12 - 29

- Human Rights ⇒ P.73 75
- Youth Education Activities ⇒ P.75
- Compliance ⇒ P.76 78

# Supply Chain Management → P.79 - 81

# **Human Rights**

#### KDDI's Approach (Human Rights)

**KDDI Group** 

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

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, and set the policies and take initiatives in reference to the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

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. The KDDI Group Human Rights Policy, established in 2016, also 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 believe that diversity and inclusion is important for a company to achieve sustainable growth, especially in driving innovation. The KDDI Group Philosophy includes a vision of embracing diversity to facilitate the

We are also aware that issues surrounding the protection of personal information and the invasion of privacy by a government 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.

Web Link KDDI Code of Business Conduct (Basic Principles)

# Management Framework

At the Sustainability Committee (convenes twice a year) chaired by the President, KDDI determines the policy on activities related to human rights, develops and reviews the structure for their promotion and checks their progress against targets. We have also set up a Human Rights Subcommittee under the Sustainability Committee to have discussions on promotion of respect for human rights in accordance with the KDDI Group Human Rights Policy.

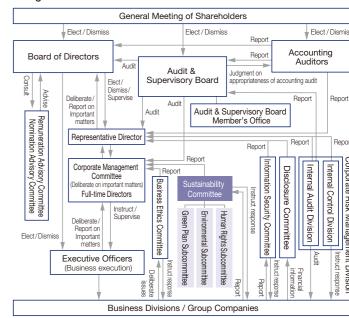
We established the Business Ethics Helpline, which is available anytime, to receive reports or provide consultation regarding violations of business ethics, laws, or regulations through an internal or external contact point established in collaboration with external experts. Contact points can be reached by e-mail, phone call or letter, in multiple languages.

We have also established a Sexual Harassment and Human Relationships Hotline staffed by external specialist counselors, an Employee Counseling Center staffed by internal counselors and a Harassment Hotline staffed by employees at the Human Resources Department. 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.

Any stakeholder can discuss or report their concerns. Privacy of those reporting concerns is protected at any contact point. Reports can be made anonymously. Strict confidentiality is observed to protect those seeking help by ensuring that they will not suffer any detrimental treatment as a result of raising a concern.



# ■ Organizational Structure









# 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**

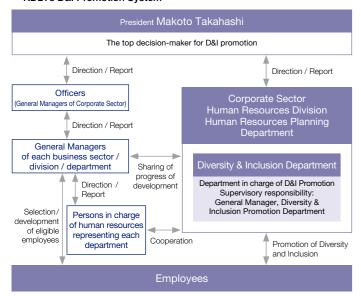
# KDDI's D&I Promotion System

**KDDI** 

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.

By specifying promotion of diversity and respect for human rights in the KDDI Group Philosophy and the KDDI Code of Business specify, we have clearly positioned diversity promotion as a management issue.

#### ■ KDDI's D&I Promotion System



### **Human Rights Impact Assessment**

**KDDI Group** 

KDDI has identified human rights issues that it needs to address in accordance with the UN Guiding Principles on Business and Human Rights, and reflected them in reviewing initiatives of human rights due diligence and considering relevant measures.

In fiscal 2019, we worked together with the nonprofit organization BSR\* to exercise human rights due diligence. We identified and assessed actual or potential adverse human rights impacts that we may have on our stakeholders through our own business activities and in our value chains.

As part of human rights due diligence, we, in cooperation with BSR, held lectures on Social Trend Surrounding Business and Human Rights for managers of the five relevant departments to learn the background of the association between business and human rights, human rights risks that companies are facing today and what actions they need to take, and thus helped them raise awareness and consider future measures.

\* BSR(Business for Social Responsibility)

As a BSR member company since 2014, KDDI has participated in conferences organized by BSR on sustainability agenda including human rights, exchanged views with a variety of companies and organizations, and reflected this experience in promoting its own initiatives.

#### **Assessment Process**

BSR human rights impact assessment covers all business activities by KDDI. First, we conducted desktop research on human rights risks facing KDDI based on its Sustainability Report, website and other available publications, media reports and NGO research data about human rights issues facing telecommunications business, and conducted analysis and made a list of internal control processes for each of the human rights risks identified. Then we interviewed the five relevant departments, asked their views about specific initiatives and concluded the assessment.

### Major Risks Identified

Main potential impacts on human rights identified are as follows:

- · Consideration of human rights in supply chains, such as forced, slave, restrained or child labor
- · Privacy and data protection, children's cyber safety
- Freedom of expression in conflict-affected countries and high-risk countries

#### Future Initiatives

Prioritize identified impacts, develop action plans by department, and implement initiatives to reduce risks in cooperation with stakeholders Continue to monitor the effectiveness of the action plans, and exercise PDCA cycle of human rights due diligence.

#### **Employee Awareness Raising**

KNNI

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 harassment prevention seminars (compulsory to all line managers), regular e-mail newsletters about the Code of Business Conduct and the Harassment Prevention Guidebook posted on the intranet.

### Initiatives to Promote LGBT Equality

KDDI

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. 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.

#### 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

We give employees who have declared to be allies KDDI ALLY stickers that they can display prominently to show their commitment to the cause. As of June 2020, around 2,900 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

Initiatives		Content
	Inclusion of KDDI Code of Business Conduct (basic principle)	The code enshrines the principle of no discrimination or vio- lation of dignity on the basis of sexual orientation and gen- der identity, in addition to gender, age or nationality, which is widely communicated within and outside the company.
	Awareness-raising activities for facilitating 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 and children, and application of internal regulations  Considerations in work environment		If the company regards an employee as having his / her same-sex partner:  • The employee is regarded as having his / her spouse in all internal programs (since April 2017).  • Any child between the employee and his / her same-sex partner is regarded as his / her child under all internal regulations (since June 2020).
		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	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	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.

#### **External Recognition**



# **Youth Education Activities**

KDDI Basic Guidelines Concerning Safe and Secure Communication for Young People

We take Unicef's Convention on the Rights of the Child (CRC) and Children's Rights and Business Principles seriously. With regard to the CRC in particular, which codifies children's right to survival and development, we ensure that children have access to education and do not face 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 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 33,000 classes have been held with over 6,110,000 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







# **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**

### KDDI's Approach(Compliance)

**KDDI Group** 





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



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 Chairperson 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.

#### ■ KDDI Group Compliance and Enforcement Framework



### Compliance Education, Training and Awareness Raising

Examples of Initiatives in FY2019

- Target: All KDDI employees
- Promotion of the KDDI Group Philosophy
- Target: All KDDI employees Monthly email newsletter related to promoting the KDDI Code of Business Conduct
- Target: Managers, Group leaders Seminars and training for violation case studies Harassment-prevention seminars

operations, and legal and accounting knowledge

- Target: New line managers Training related to bullying and harassment
- Target: Group company executives Training for learning mindset as a leader, risk management in corporate

Web Link Sustainability Promotion Framework (KDDI Group Philosophy, KDDI Code of Business Conduct)

#### **Business Ethics Helpline** (Grievance Mechanism)

**KDDI Group** 

Basic Policy for Eliminating Organized Crime Groups and Status of Implementation

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

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

Link Basic Policy for Constructing an Internal Control System

#### **Anti-Corruption Measures**

**KDDI Group** 

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.

Specifically, this includes any business entertainment, gift and invitation given to a public official in the course of business with governmental agencies that is prohibited under the National Public Service Act and other applicable laws and regulations.

KDDI has established that, when dealing with overseas governments and companies, employees will not provide any business entertainment, gift or invitation as stipulated in 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. 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 Department

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

Unit: case

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 2019, we made political donations totaling 6 million yen in Japan, and there were no cases of legal action against us concerning corruption or bribery.

by e-mail, phone call or letter, in multiple languages).

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, including human rights issues. 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

Furthermore, we have enabled anonymous consultation and reporting based on the Whistleblower Protection Act enacted in Japan in April 2006.

In 2019, there were 469 consultations and reports, but there was no consultation or reporting of serious issues that require external announce-

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 recur-

If it is identified that its business activities has caused, or had any adverse impact on human rights, KDDI ensures that it will provide relief for those affected.

# ■ Business Ethics Helpline



# Relevant department's managers

# ■ Compliance Consultations Received in the Last Two Years

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Consultations	FY2018	FY2019
Compliance consultations	330	469
Breakdown: harassments	151	173
Breakdown: other compliance violations	179	296

<sup>\*</sup> Consultations that the external contact point received are relayed to the internal contact point, keeping anonymity for the whistleblowers

# 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

### **Preventing Anti-Competitive Behaviors**

**KDDI Group** 

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.

However, in March 2020, the Ministry of Internal Affairs and Communications gave KDDI and UQ Communications an administrative guidance, requesting for instructions to be given to distributors and other necessary measures for correction of an excessive customer retention practice, on the basis that the distributors sold mobile phones to customers at discounted prices below the limit under the revised Telecommunications Business Act, effective in October 2019.

We have been taking measures to prevent similar practices from occurring again, including further explanation of the revised Telecommunications Business Act to all distributors, online trainings for agencies' staff, having persons in charge of the guidelines in place at distributors.

In fiscal 2019, there were no other 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

#### Basic Approach to Tax Practice

We at KDDI Group pursue the satisfaction and benefits of our customers while fulfilling our social responsibilities not only by complying with international rules and applicable tax laws and regulations in all operating countries and regions, but also by complying with and following the spirit of the law and paying tax appropriately to engage in tax fairness, and thereby strive to maximize shareholders' value.

In fiscal 2019, we paid 325,298 million yen of corporate income tax, which accounts for 31.9% of gross income.

KDDI Group submits the Securities Report after undergoing accounting audits by external accounting auditors and obtaining approval of the CFO (Executive Vice President, Representative Director / Executive Director, Corporate Sector) and the President.

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

Also, with regard to the tax returns it prepares, KDDI has them reviewed by an external tax accountant corporation and obtains approval of the CFO (Executive Vice President, Representative Director / Executive Director, Corporate Sector) before submitting them to the tax authorities.

#### Tax Transparency and Relations with Tax Authorities

To maintain the transparency of tax affairs, we prepare and submit an annual report on our activities by country in accordance with tax laws in Japan, while building trust relationship with tax authorities in each country by conducting timely and appropriate disclosure of tax-related information, such as a business summary report on the overall status of the Group's activities, and by making prior inquiries as required. With these initiatives, we strive to reduce tax risks.

#### Efforts to Prevent Tax Avoidance

In accordance with OECD's Action Plan on Base Erosion and Profit Shifting (BEPS), we are committed to ensuring proper tax payment in all operating countries including Japan, by aligning tax payments with the location of our economic activity and value creation, in line with the revision of tax regulations to tackle BEPS. We also prohibit the transfer of the tax base 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.

### Amount of tax paid

Unit: 100 million yen

	FY2019		
Japan	2,703	98.1%	
Europe	32	1.2%	
Asia	16	0.6%	
North America, etc.	3	0.1%	
Total	2,754	100.0%	

# **Supply Chain Management**

KDDI's Approach (Supply Chain Management)

KDDI

KDDI Guidelines for Responsible Supply Chain and Responsible Procurement Promotion System

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

In addition, we are enhancing the various forms of support we provide to distributors, who are important partners.

### **KDDI Sustainable Procurement Policy**

KDDI

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

Since fiscal 2018, we have conducted Responsible Procurement Surveys targeting our tier-1 suppliers, through which we have surveyed on problems regarding responsible procurement, including human rights violations and use of conflict minerals, of tier-2 and tier-3 suppliers as well. In this way, we confirm each supplier's compliance with the KDDI Sustainable Procurement Policy.

Web Link KDDI Sustainable Procurement Policy

We established the KDDI Guidelines for Responsible Supply Chain as guidelines for implementing its procurement policy and published them on our website (in Japanese and English). The guidelines were formulated based on the Responsible Business Alliance (RBA; formerly called the Electronic Industry Citizenship Coalition (EICC)) code of conduct and the Supply-Chain CSR Deployment Guidebook published by the Japan Electronics and Information Technology Industries Association (JEITA). The

guidelines provide criteria to consider in selecting business partners and

procurement items, not only for quality, price, delivery and stability of sup-

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

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

Link KDDI Guidelines for Responsible Supply Chain

Web Link Promoting Green Procurement

ply but also for environmental and social impacts.

# **Conflict Minerals**

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's Material Sustainability Issues

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Support for Distributors







# 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

### **Supply Chain Management**

# Promoting Responsible Procurement

Responsible Procurement Surveys

Activ

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

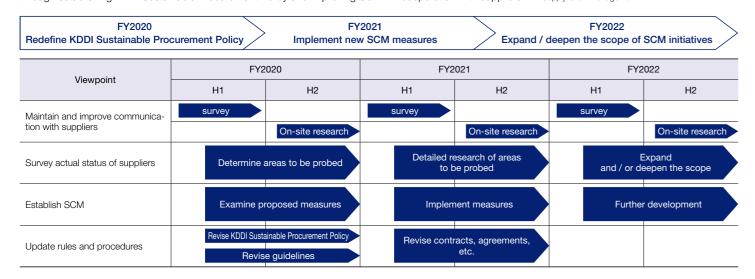
The survey covers 42 items related to the seven themes, namely human rights and labor, safety and health, environment, fair and ethical trade, quality and safety, information security and contribution to society, as defined in the KDDI Supply Chain Responsible Procurement based on the Responsible Business Alliance (RBA; formerly called the Electronic Industry Citizenship Coalition (EICC)) code of conduct and the Supply-Chain CSR Deployment Guidebook (Check Sheet) published by the Japan Electronics and Information Technology Industries Association (JEITA). In addition to them, it also covers other items that KDDI deems pertinent to the company. Through this survey, we make sure of sharing the KDDI Sustainable Procurement Policy and other necessary information with suppliers. In fiscal 2019, we asked our key suppliers representing

approximately the top 90% of the total value of orders to answer the survey and received responses from over 96% of them.

To gradually improve our responsible procurement standards while maintaining stable procurement as a general telecommunications operator, we will further drive initiatives that are determined and redefined in the four newly set categories, namely "Maintain and improve communication with suppliers," "Survey actual status of suppliers," "Establish supply chain management (SCM) based on responsible procurement" and "Update rules and procedures." Specifically, we will check the status of each supplier's responsible procurement initiatives through a questionnaire, and take necessary measures to reduce risks, for example by conducting additional on-site research for suppliers with any risk from perspectives, such as human rights and labor, quality and safety, and environment.

#### ■ Establishment of KDDI Sustainable Procurement Policy and Improvement of SCM

We aim to achieve both gradual improvement of our responsible procurement standards and stable procurement as a general telecommunications operator through establishing KDDI Sustainable Procurement Policy and improving SCM\* in cooperation with suppliers. \*Supply Chain Management



#### Visit, exchange views with, and conduct inspection of tier-1 suppliers

We make sure that we visit a supplier's worksite, exchange view and share information about responsible procurement initiatives in a bid to build a better partnership with the supplier. In fiscal 2019, we conducted inspections of a total of two companies.

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 2019, we conducted inspections of a total of five 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.

# Initiatives to Improve Employees' Procurement Skills

KDDI

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Target Initiative details

Employees responsible for procurement Professionals

Initiative details

Training program for newly appointed personnel
Compliance training
Recommendation to pass the grade B exam for Certified

#### Initiatives for au Shops

retail stores in addition to au Shops.

At the end of March 2020, there are 18 KDDI directly managed outlets dedicated to KDDI products and services and 2,174 au Shops throughout Japan. These shops including au Shops are the place where customers actually see and experience au products and services. KDDI products and services are also widely available at Toyota car dealers and electronics

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 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.

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.

In its agreement with distributors, KDDI requires them to have no involvement in anti-social forces, engage in fair trade practices and conduct proper business activities.

#### Major Education and Training Activities

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Target	Initiative details	Frequency		
For distributors' management	Sales role-playing training session using examples of inappropriate conducts (Expected good practices to be cascaded by distributors' management to their staff)	Once a year		
For in-store staff	E-learning "Compliance General Course" Distribution of various training materials (examples of misconducts, etc.)	Once a year		
For in-store staff	Awareness raising through Compliance Video	Once a year		

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# Materiality 6



# An Energy-Efficient, Circular Economy

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

# KDDI Group 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. As Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) was published in 2017, 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.

# FY2020 Material KPIs Web Link FY2020 Material KPIs **Moving Forward** Initiatives • Energy efficiency improvement and utilization of clean energy • KDDI Sustainable Action ⇒ P.12 - 29 • Environmental Management ⇒ P.83 - 88 Zero emissions and 3Rs Environmental Performance ⇒ P.89 - 97 • Reduction of society's impact on environment through ICTs

# **Environmental Management**

#### KDDI's Approach (Environment)

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.

Web Link KDDI Environmental Charter

#### Climate Risks and Opportunities

Our Other 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 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

### Our Risks from Natural Disasters and Opportunities in Building Resilience

Global warming has caused extreme weather events such as larger tvphoons 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.

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 and SDG 13: Take urgent action to combat climate change and its impacts.

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 FY2019 Business Activities)

KDDI's Commitment to Sustainability Feature Article: KDDI Sustainable Action

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## Materiality 6



# An Energy-Efficient, Circular Economy

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

### **Environmental Management**

#### The Fourth Environmental Conservation Plan: KDDI GREEN PLAN 2017-2030

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 CO<sub>2</sub> emissions from the fiscal 2013 level by fiscal 2030. In order to achieve this, we continue our efforts to reduce CO<sub>2</sub> emissions by implementing renewable

energy and other measures.

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



#### Climate Action

- 7% reduction in CO<sub>2</sub> in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)\*1
- 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
- \*1 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\*2
- Maintain material recycling rate of 99.8% for used mobile phones
- \*2 Zero emissions are defined as a final disposal rate of 1% or less.

#### Conservation of Biodiversity

- Actively promote initiatives using ICTs to conserve ecosystems

#### Net-zero CO<sub>2</sub> Emissions by 2050

KDDI will proactively drive a shift to renewable energy to substantially achieve net-zero CO<sub>2</sub> emissions by 2050 and reduce the environmental burden on society through the use of ICT.

Web Link KDDI Sustainable Action

### **Environmental Management**

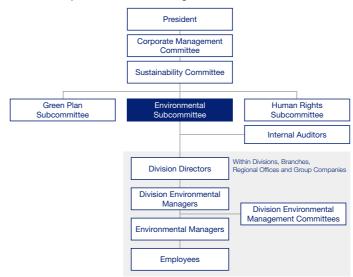
Management Structure

In order to clearly state our approach to integrating the sustainability of the environment into our business operation, KDDI Group conducts the Sustainability Committee for discussing material environmental issues. The results of such discussion are shared at the Environmental Subcommittee, which is headed by the President 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** 

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 2019, 15 divisions and 28 offices in KDDI and group companies were audited. Referring to the internal environmental audit results of fiscal 2018, emphasis was placed on (1) reflecting each corporate issue to its environmental targets, (2) compliance with environmental laws and regulations, and (3) EMS operation. Self-checks using a check sheet were conducted along with audit interviews by auditors. There were no non-conformances, and 104 items requiring improvement or receiving proposals.

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

As of the end of March 2020:

KDDI Corporation, Okinawa Cellular Telephone Company,

KDDI Research, Inc., KDDI Technology Corporation,

KDDI Engineering Corporation,

Japan Telecommunication Engineering Service Co., Ltd.,

KDDI Foundation, Telehouse International Corporation of Europe Ltd. (U.K.), Chubu Telecommunications Co., Inc.,

KDDI MATOMETE OFFICE CORPORATION, KDDI MATOMETE OFFICE

HIGASHINIHON CORPORATION, KDDI MATOMETE OFFICE CHUBU CORPORATION, KDDI MATOMETE

OFFICE KANSAI CORPORATION,

KDDI MATOMETE OFFICE NISHINIHON CORPORATION, Kokusai Cable

15 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
- Zero emissions and 3Rs Reduction of society's impact on environment through ICTs

### **Environmental Management**

# Compliance with Environmental Laws and Regulations

**KDDI** Group





# 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. In KDDI, there were no violations of environmental laws and regulations in fiscal 2019. There were no environmental contaminations, such as leakage or outflow of hazardous substances either.

- <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

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ICT Ecology V

KDDI has acquired the Eco ICT Logo established by the ICT Ecology Guideline Council\* to work toward improving environmental consciousness and reducing environmental impacts.

\* A council aiming for establishing energy conservation indices and other standards to be referenced when procuring ICT devices and data centers

#### Education and Awareness Raising for Employees

KDDI Group



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.

essential to promote our environmental activities.				
Initiatives	Target	Details / Results		
Briefing session at the beginning of the term	Persons responsible for environmental ISO of KDDI Group	Themes: KDDI's EMS, environmental laws and regulations, details of new regulation revisions.  Participants: Attended by 17 representatives from 11 out of 11 departments (100% of target departments) and 20 representatives from 11 out of 12 group companies (92% of target companies)		
Training of internal Environmental auditors		Held study sessions to train 2 auditors		
e-learning	All Employees of KDDI Group	Theme: KDDI's initiatives for environment (Trainees: 11,164 (84.3% of the targets))		

### **Promoting Green Procurement**

Po

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.



#### 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.



# Cooperation with Business Partners

DI Sy:

more ener-

We continuously make our base stations lighter in weight and more energy efficient. As 5G networks process larger volume of data (traffic) than 4G networks, electricity consumption would significantly increase with the existing system. Therefore, we work with the suppliers of equipment for base stations to develop equipment lighter in weight and more energy efficient. We are introducing the most advanced 4G and 5G base stations, reducing weight by approximately 40% and electricity consumption by approximately 19%, compared to conventional 3G and 4G base stations.

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

# Self-Assessment Checklist for CO<sub>2</sub> Emission Reduction from Energy Conservation Efforts by Telecommunications Services Provider

DI R

Results

			Assessment items	Implementation, measures taken
	Pre	1	Has a voluntary ecological action plan stipulating various efforts directed at reducing $\text{CO}_2$ 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  KDDI Environmental Charter
	Preparation of a voluntary ecological action plan	2	Does the ecological policy include specific efforts stipulating numerical targets for the reduction of ${\rm CO_2}$ emissions through energy conservation?	The fourth environmental conservation plan (KDDI GREEN PLAN 2017-2030) included the following targets  • 7% reduction in CO <sub>2</sub> in FY2030 compared to FY2013 for KDDI (in Japan, non-consolidated)  • Upgrading to highly energy-efficient data centers in Japan and abroad  • Contribute to reductions in society's CO <sub>2</sub> emissions by providing KDDI's ICT services  • Maintain zero emissions from retired telecommunication 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
gical action plan	cal action plan	3	Is the ecological policy documented and disseminated inside and out-side of the company? Does the company carry out activities to inform and enlighten its employees? Is the company working to raise ecological awareness?	The environmental conservation plan is disclosed within and outside the company in the Sustainability Report and on the corporate website  We also provide e-learning program and internal seminars for employees as needed  Education and Awareness Raising for Employees
		4	Does the company disclose to the general public its activities and data such as CO <sub>2</sub> emission reduction?	The progress toward the achievement of the trend targets for the medium-term environmental conservation plan is disclosed in the Sustainability Report and on the corporate website
	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
ment C	ting to nent	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  Link Supply Chain Management
	Promoti	7	In relation to efforts to reduce CO <sub>2</sub> emissions through energy conservation, has the company assigned a person or department to be responsible for such matters?	The Sustainability Department was established
	Promotion regime	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	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:  • 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)
		10	Is the company involved in ecological preservation activities in collaboration with local communities?	We implement environmental conservation activities across Japan, together with our employees and local stakeholders such as local authorities and NPOs  Web Link Environmental Conservation Activities by Employees

Message from Executive Officer of Sustainability

KDDI's Material Sustainability Issues

FY2019 Material KPI Results

FY2020 Material KPIs

**KDDI Group** 

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Materiality 6



# Materiality 6



We have implemented environmental accounting since 2010 as an effec-

tive measure to quantitatively evaluate the costs and results of our envi-

We analyze calculated costs and results to conduct more efficient environ-

# An Energy-Efficient, Circular Economy

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

### **Environmental Management**

# **Environmental Accounting**

ronmental activities.

mental management

<FY2019 Scope of Environmental Accounting>

Period: April 1, 2019 to March 31, 2020

Scope of calculation: KDDI and 28 major group companies\*

Calculation standard: Environmental Accounting Guidelines 2005 formu-

lated by the Japan's Ministry of Environment, KDDI Environmental Accounting Guidelines

Unit: million yen

Environmen	tal protection costs	Transaction examples	FY2018		FY2019		Change from previous year	
Environmental protection costs		·	Investment Cost		Investment	Cost	Investment	Cost
	Pollution prevention costs	Pollution prevention costs stipulated by laws, costs for proper disposal of PCB, etc.	0	27	0	1	0	(26)
Business operation area costs	Global environmental protection costs	Power-saving wireless equipment for mobile base stations (Investment amount is calculated proportionally based on the power-saving effect)	220	18,878	98	10,034	(122)	(8,844)
00010	Resource recycling costs	Reduction of paper consumption, processing and disposal of waste products	0	711	0	121	0	(590)
Upstream/down:	stream costs	Collection, recycling and reuse of merchandise and products	0	991	0	1,277	0	286
Management co	sts	Operation and updating of environmental ISO standards, disclosure of environmental information	0	137	0	114	0	(22)
R&D costs		R&D of technology, equipment, handsets, products and services conducive to reducing the environmental impacts	0	47	0	0	0	(47)
Social activity costs		Donations and support for forest conservation activities and to environmental conservation groups	0	50	0	37	0	(14)
Environmental damage restoration costs		Asbestos survey	0	0	0	0	0	0
Total			220	20,841	98	11,585	(122)	(9,256)

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

1. Environmental conservat	ion benefits (physical)	Indicator category		FY2018	FY2019	Change from previous year
		Electricity usage	Unit: MWh	3,157,389	3,084,018	(73,371)
	Benefits related to resources input in business activities	Paper usage	Unit: ton	11,012	9,602	(1,410)
(1) Benefits for business	Business detivities	Paper reduced by Bill on Web	Unit: ton	4,040.6	4,207.3	166.7
operation area	2) Benefits related to waste or environmen-	Greenhouse gas emissions*	Unit: t-CO <sub>2</sub>	1,557,489.1	1,376,495.6	(180,993.5)
	tal impact originating from business activities	Industrial waste emissions related to telecommunications facilities and buildings	Unit: ton	3,103	3,749	646
(2) Benefits for upstream/ downstream costs	Benefits related to goods and services produced from business activities	Number of post-consumer mobile phones and other devices collected	Unit: 10,000 units	288	279	(9)

\* The CO<sub>2</sub> emissions are calculated using the emission factors furnished by electric utility operators. (Emissions from heat, steam and hot and chilled water consumption are included.)

Economic benefits of environmental conservation measures (yen)	Substantial benefits (Major effects)	FY2018	FY2019	Change from previous year
Revenues	Revenues gained by disposal of telecommunications facilities and buildings	134.6	140.3	5.7
Cost reductions	Reduction in energy costs by introducing low-pollution vehicles	36.6	35.5	(1.1)
Cost reductions	Reduction in costs of new purchases by reusing old telecommunications facilities	2,929.5	4,850.6	1,921.2
Total		3,100.6	5,026.4	1,925.8

FY2019: Consolidated data (Data not covered by the environmental	al accounting above)	
Consolidated electricity consumption derived from renewable energy sources	Unit: MWh	169,349
Consolidated water resource input (total volume)	Unit: 1,000 m <sup>3</sup>	675
Consolidated water resource input (basic unit)	Unit: 1,000 m <sup>3</sup> / person	0.016

KDDI Targets for FY2030: Consolidated data						
Consolidated electricity consumption		3,513,024				
Consolidated electricity consumption derived from renewable energy sources	Unit: MWh	255,772				
Consolidated electricity consumption from the power grid		255,772				
Consolidated water resource input (basic unit)	Unit: 1,000 m <sup>3</sup> / person	0.014				

# **Environmental Performance**

#### **Environmental Impact of Business Activities**

KDDI

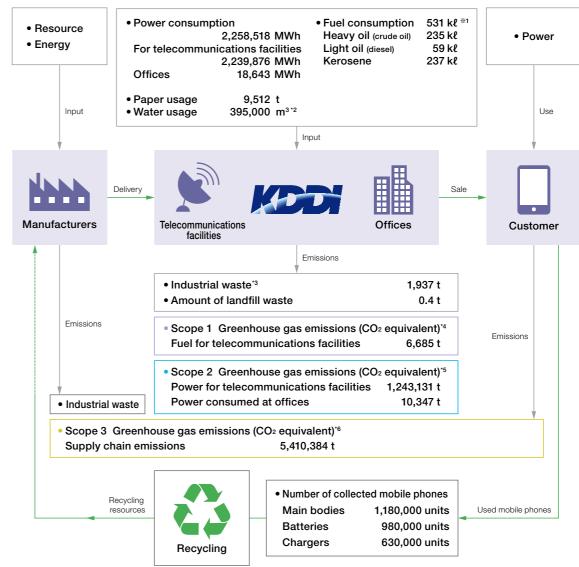
Activity & Results

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 every-

day 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 FY2019 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), Light oil (diesel), kerosene, town gas
- \*\* Teasy on (clude oil), Egin to (clessin), Received as (clude oil), Egin to (clude oil), Eg
- \*6 CO<sub>2</sub> 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

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# Materiality 6



# **An Energy-Efficient, Circular Economy**

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

### **Environmental Performance**

### **Understanding Environmental Impact**

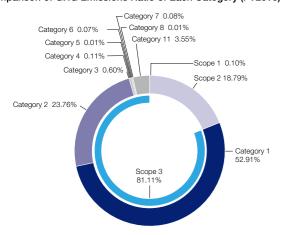
In order to quantitatively understand and share information about our environmental impact, we have calculated our supply chain greenhouse gas emissions (Scopes 1, 2 and 3) in adherence with various guidelines\* since fiscal 2012.

In our fiscal 2019 business activities, Scope 3 accounted for 81% of total greenhouse gas emissions (Scopes 1, 2, and 3). When viewed by category, Categories 1 and 2 have continued to make up large portions 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 (FY2019)



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

			FY2	015	FY2	016	FY2	FY2017 FY2018		018	FY2019	
	Category		CO <sub>2</sub> em	nissions	CO <sub>2</sub> em	nissions	CO <sub>2</sub> emissions		CO <sub>2</sub> emissions		CO <sub>2</sub> emissions	
		t	%	t	%	t	%	t	%	t	%	
Sco	ppe 1*1	All direct GHG emissions	5,344	0.10	5,365	0.09	5,834	0.09	6,695	0.12	6,685	0.10
Sco	ppe 2*2	Indirect GHG emissions from consumption of purchased electricity, heat or steam	1,076,209	19.54	1,062,130	18.42	1,158,078	18.81	1,194,058	20.91	1,253,478	18.79
	Category 1	Purchased goods and services	3,236,999	58.78	3,507,745	60.85	3,818,806	62.02	3,347,946	58.62	3,529,472	52.91
	Category 2	Capital goods	776,711	14.10	815,893	14.15	828,675	13.46	875,318	15.33	1,584,908	23.76
	Category 3	Fuel- and energy-related activities not included in Scope 1 and 2	35,379	0.64	34,913	0.61	35,280	0.57	37,104	0.65	40,188	0.60
	Category 4	Upstream transportation and distribution	7,370	0.13	8,706	0.15	12,101	0.20	8,777	0.15	7,408	0.11
	Category 5	Waste generated in operations	681	0.01	583	0.01	1,043	0.02	710	0.01	413	0.01
	Category 6	Business travel	4,831	0.09	5,314	0.09	6,327	0.10	5,012	0.09	4,955	0.07
	Category 7	Employee commuting	4,574	0.08	4,642	0.08	4,332	0.07	4,034	0.07	5,043	0.08
Scope 3*3	Category 8	Upstream leased assets	1,309	0.02	1,209	0.02	1,092	0.02	1,133	0.02	784	0.01
	Category 9	Downstream transportation and distribution	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
	Category 10	Processing of sold products	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
	Category 11	Use of sold products	356,359	6.47	318,023	5.52	285,294	4.63	229,913	4.03	237,008	3.55
	Category 12	End-of-life treatment of sold products	886	0.02	363	0.01	426	0.01	344	0.01	205	0.00
	Category 13	Downstream leased assets	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
	Category 14	Franchises	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
	Category 15	Investment	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
			4,425,098	80.36	4,697,389	81.48	4,993,377	81.10	4,510,291	78.97	5,410,384	81.11
Total			5,506,651	100.00	5,764,884	100.00	6,157,289	100.00	5,711,044	100.00	6,670,547	100.00

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

<sup>\*3</sup> 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.

<sup>\*1</sup> Heavy oil (crude oil), diesel, kerosene, town gas

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# Materiality 6



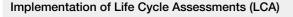
# An Energy-Efficient, Circular Economy

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

#### **Environmental Performance**

Environmental Impact Data  KDDI Activity & Results							
KDDI			FY2015	FY2016	FY2017	FY2018	FY2019
Greenhouse gas emissions*1		CO <sub>2</sub> equivalent-unit: ton	5,506,651	5,764,884	6,157,289	5,711,044	6,670,547
Power consumption		Unit: MWh	1,939,115	1,913,747	2,086,626	2,151,456	2,258,518
Electric power consumption per su	ubscriber *2	Unit: MWh	390.4	363.5	368.3	360.6	357.3
Fuel consumption *3		Unit: kiloliter	258	341	319	330	531
Paper usage		Unit: ton	11,853.0	9,691.1	7,461.6	10,852.9	9,511.8
Water usage *4		Unit: 1,000 m <sup>3</sup>	2,159	1,500	746	400	395
Industrial waste *5		Unit: ton	1,399.0	1,928.0	2,466.9	1,927.3	1,937.1
Number of makila phanes and	Mobile phone main body		141	148	134	125	118
Number of mobile phones and other devices collected by KDDI	Batteries	Unit: 10,000 devices	143	146	123	108	98
	Chargers		65	66	57	54	63
Energy usage at equipment-related	d facilities	Unit: MWh	779,504	777,273	816,904	863,416	903,111

- \*1 Scope 1, 2 and 3 emissions (Emissions from heat, vapor and hot and chilled water consumption are excluded from Scope 2.): CO<sub>2</sub> emissions are calculated using a conversion coefficient of 0.555kg-CO<sub>2</sub>/KWh for the power consumption, and those for the fuel consumption is calculated using the emission coefficient applied to reporting and disclosure system specified in the Act on Promotion of Global Warming Countermeasures.
- \*2 The number of subscribers combines subscriptions for au and FITH (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)

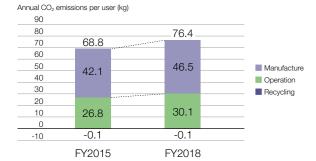


We are working on LCAs that assess environmental impact by calculating CO<sub>2</sub> emitted through all processes related to products and services, including manufacture, use, disposal and recycling.\* Since fiscal 2008, we have regularly conducted LCAs for the "au" and "au Hikari" brands every

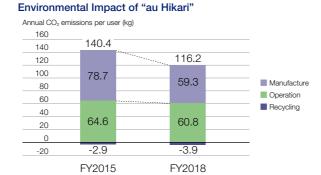
few years. We conducted LCAs in fiscal 2018.

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

### Environmental Impact of "au"



 ${\rm CO_2}$  emissions per "au" user increased 11.1% from the previous assessment.  ${\rm CO_2}$  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%.



CO<sub>2</sub> emissions per "au Hikari" user decreased 17.3% from the previous assessment. CO<sub>2</sub> 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.

### KDDI's Approach (Low-Carbon Society)

mentation of energy-saving facilities and equipment.

CO<sub>2</sub> emissions to realize a low-carbon society.

issue shared by all humankind.

Greenhouse gas emissions, which are considered a cause of global

warming, are increasing year by year, and reducing them is now a social

The utilization of ICTs enhances the efficiency of business activities, including production and consumption, and is expected to contribute to the reduction of customers' CO<sub>2</sub> emissions. As ICTs expand, however, we may face a greater environmental impact from data centers and base stations, which in turn will generate demand for the development and imple-

We at KDDI offer new ICT services to contribute to the reduction of

KDDI Grou

roup

Green Supported by ICTs

DDI

Activity

The Environmental Eco Label is granted to services that contribute to reducing the environmental impact of customers and society (reducing CO<sub>2</sub> emissions) through the use of ICT services offered by KDDI.



Environmental Eco Label services	Content
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.
au Denki RE100 Menu and Non-Carbon Menu	Under the RE100 Menu, we supply electricity that meets RE100 criteria by supplying electricity derived from renewable energy sources (including electricity under Feed-in Tariff scheme) and offsetting carbon through the purchase of J-Credit (derived from renewable energy). Under the Non-Carbon Menu, we supply electricity with zero CO <sub>2</sub> emissions derived from the electricity pur-

chase by utilizing J-credit scheme.

KDDI

FY2019 Results

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# Materiality 6



# An Energy-Efficient, Circular Economy

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

#### **Environmental Performance**

# Green of ICTs Reducing Power Consumption and Undertaking Disaster Measure

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 2020
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 12 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\*

Power supply vehicles	8.2 $\ell$ of fuel consumed per time	CO <sub>2</sub> emissions: 21.5 kg
Portable Batteries	10 kWh of power consumed per time	CO <sub>2</sub> emissions: 4.1 kg

A reduction of 17.4 kg of CO<sub>2</sub> emissions 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 reduction, we use natural energy sources, including solar power, at several large scale communication stations and tribrid base stations. At 11 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 seven facilities of four locations around Japan and sell the power to electric power companies based on the Feed-in Tariff Scheme for Renewable Energy.

Unit:	M١

	FY2015	FY2016	FY2017	FY2018	FY2019
Total generated energy (sold)	13,674	14,288	18,137	17,998	17,406

**External Recognition** 

Web Link External Recognition

### 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.

# **Promoting Waste Reduction**

We promote reuse activities that regenerate and effectively use retired telecommunications facilities. We also conduct material recycling that turns unneeded equipment and structural materials into resources. In fiscal 2019, 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 791.8 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	
romoung riceyomig	

Initiatives

Reduction of paper by putting bills on the Web

# 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.

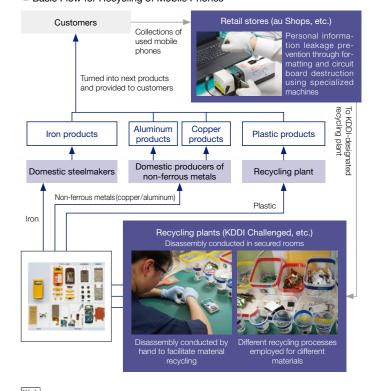
#### ■ Performance in FY2019

Collection performance*	Recycling rate (mobile phones)	
2,790,000 units	99.8%	

<sup>\*</sup> Includes main body, batteries and chargers



### ■ Basic Flow for Recycling of Mobile Phones



Link Expanding Employment Opportunities and Advancement of Persons with Disabilities

Message from Executive Officer of Sustainability

KDDI's Material Sustainability Issues

FY2019 Material KPI Results

FY2020 Material KPIs

Materiality 1

Materiality 2

Materiality 3

Materiality 4

Materiality 5

Materiality 6



# Materiality 6



# An Energy-Efficient, Circular Economy

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

#### **Environmental Performance**

## Approach to Water Use



Biological Research on



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

#### Providing KDDI IoT Cloud — Toilet Water-Saving Management

Web Link Providing KDDI IoT Cloud — Toilet Vacancy Management and KDDI IoT Cloud — Toilet Water-Saving Management (Japanese only)

### KDDI's Approach (Biodiversity)

KDDI



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

- Environment protection 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, NPOs and other organizations, and undertake CSR activities using ICTs.
- Promotion of Resources Recycling To prevent the depletion of bio-resources and minimize the degradation of the natural environment, we continuously and proactively engage in recycling of resources.

Web Link KDDI Action Guidelines on Biodiversity Conservation

#### **KDDI** Group **Endangered Ganges River Dolphins**

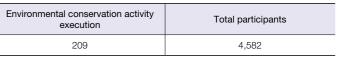
KDDI Research, Inc. utilizes the acoustic technology gained through the development of underwater robots used to maintain and inspect submarine cables, which connect continents, to conduct biological observations of endangered Ganges River dolphins, collaborating in this effort with the University of 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 deter-mine 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.

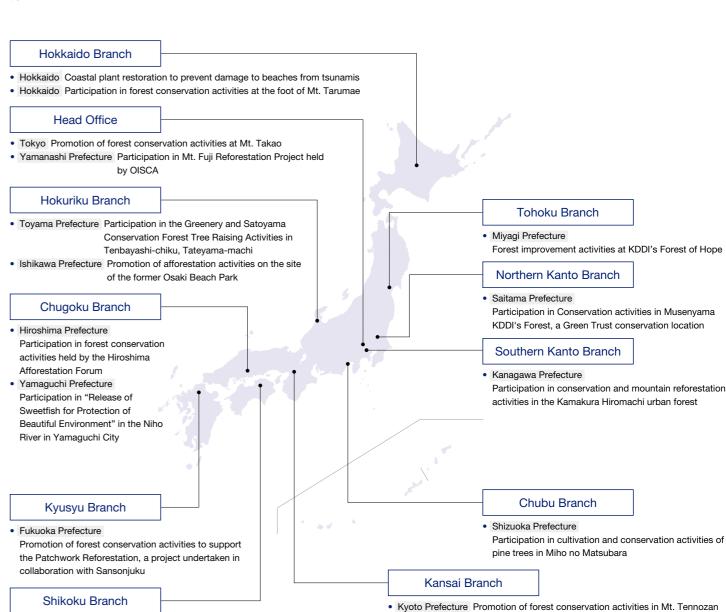
### Green Activities with Customers and Employees

**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.

#### ■ Performance in FY2019





 Kagawa Prefecture Participation in Onoseyama afforestation activities held by OISCA

• Hyogo Prefecture Promotion of environmental conservation activities for stork habitat in Tovooka City

Wakayama Prefecture Promotion of road repair activities for the world heritage

site Kumano Kodo pilgrimage routes

Risk Management

Customer Relationship Management

Brand Management







KNNI



# **Corporate Governance**

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

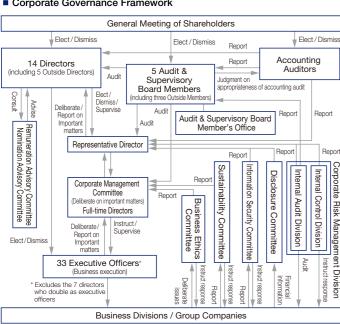
As a telecommunications company that offers social infrastructure, we have an important social mission of seamlessly offering stable communication services at all times under any circumstance. We also recognize our social responsibility to resolve various social issues through our telecommunications 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 Framework



### 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 board of 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.

We also provide outside directors / auditors with 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 inhouse 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.

#### 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.

#### **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 FY2019 Meetings

Number of meetings held	Internal directors' attendance rate	Outside directors' attendance rate	Outside auditors' attendance rate
12	100%	100%	97.2%

### Evaluation of the Board of Directors' Effectiveness

#### Purpose of Conducting

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

#### **Evaluation Process**

We assess the effectiveness of the Board of Directors based on 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.)

## **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:

- The agenda is well organized and focused on achieving sustainable growth and increasing corporate value over the medium to long term. Deliberations are made based on active questioning from outside directors / auditors
- Regular reports are made on the statuses of the medium-term management plan and the annual plan and meaningful discussions are constantly being held on how best to achieve the objectives.

#### Improvements from Previous Evaluation

During the previous evaluation, we identified the need to "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 this end. we announced that in 2019, we would hold discussions on the medium- to long-term management strategy and our corporate culture. We also stated in our new medium-term management plan that we would strive to become a company that can contribute to the sustainable growth of society by tackling social issues through our business activities and as a company as a whole.

#### Moving Forward

While telecommunications remains our core business, the scale of our company continues to grow in multiple directions as we expand into other industries and fields. We determined that in doing so, it is particularly important to monitor our subsidiaries to raise the overall corporate value of KDDI Group. We will continue to discuss how to monitor subsidiaries as necessary and in an appropriate manner to further optimize supervision as a group.

Link The 36th Annual General Meeting of Shareholders Notice



Organizational form

incorporation

Number of independent auditors

Tenure period of directors prescribed

Presiding officer of Board of Directors

Number of outside directors designated as

Number of outside members designated as

Implementation of anti-takeover measure

President and Representative Director remunera-

Policies Related to the Scale, Diversity,

Balance of Knowledge, Experience and

We consider including diverse human resources and utilizing their various

knowledge, experiences and skills to be an important growth driver to-

ward the Integration of Telecommunications and Life Design. We believe

that ensuring diversity also in the Board of Directors can lead to better

within the Board of Directors as a whole when it makes decisions, includ-

ing on important management matters, and when its oversight is request-

ed by law, the people selected for the Board of Directors meet the follow-

elements to look for in outside directors / auditors for KDDI's Board of Directors: experience as a president of a listed company (management know-how), specialized knowledge in the telecommunications field (ability to support our main line of business) and specialized knowledge in law,

Through discussions held by the Nomination Advisory Committee, we determined that, from the viewpoint of achieving sustainable growth at KDDI Group, the following expertise and background were crucial

To ensure a diversity of opinions and highly specialized knowledge

tion / average KDDI employee annual salary

Abilities of the Board of Directors

ing criteria regardless of sex, age, or nationality.

management decision making.

Items Related to Audit & Supervisory Board Members

Number of members prescribed in the articles of

Number of directors prescribed in the articles of

Items Related to Directors

in the articles of incorporation

Number of outside directors

Number of directors

independent directors

Number of members

independent members

Number of executives

Others

Number of outside members

Outside members

incorporation

Outside directors

Risk Management

Customer Relationship Management

Brand Management







### **Corporate Governance**

# Auditors and the Audit & Supervisory Board

The KDDI Audit & Supervisory Board is composed of five members, including three independent outside members. It designs policies and execution plans for auditing as well as making decisions about important items concerning auditing operations. In selecting outside auditors, we see their abundance of experience 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 duties of Audit & Supervisory Board members, and dedicated staff appointed with the prior approval of the Audit & Supervisory Board or a full-time Audit & Supervisory Board member designated thereby receive instructions from each Audit & Supervisory Board member.

Audit & Supervisory Board FY2019	Audit & Supervisory Board FY2020
Meetings	Meetings (planned)
12	11

#### 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 2019, a total of 16 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

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: Shigeo Ohyagi (Outside Director) Riyo Kano (Outside Director)

Shigeki Goto (Outside Director)

Takashi Tanaka

Makoto Takahashi

#### Remuneration Advisory Committee composition

Chair: Goro Yamaguchi (Outside Director)

Vice Chair: Keiji Yamamoto (Outside Director)

Members of Committee: Shigeo Ohyagi (Outside Director)

Rivo Kano (Outside Director) Shiqeki Goto (Outside Director)

Takashi Tanaka

Makoto Takahashi

#### Meetings held (FY2019)

The Nomination Advisory Committee met twice, 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. The Remuneration Advisory Committee met three times, and all members attended each meeting. The committee discussed the following topics:

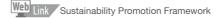
- FY2018 payment of performance-linked remunerations
- Appropriateness of the Company's payment standard for board member remunerations
- Overview of a stock price-linked bonus system

#### Other Committees





We have established the Business Ethics Committee, a deliberative and decision-making body for compliance-related items, and the Disclosure Committee, a deliberative body for releasing information. We also have established the Sustainability Committee, which deliberates 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.



#### Items Related to Organizational Structure and Operations

Company with board of com-

Chair (president and Chair-

person are separate posts)

14 (including 1 female)

5 (including 1 female)

3 (including 1 female)

pany auditors

1 year

Appointed

5 (all male)

Appointed

3 (all male)

3 (all male)

33 (31 male, 2 female)

KDDI

Not implemented

21 times

6 (including 1 female)

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

#### 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
- 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.

accounting or government (for compliance purposes). By nominating directors and auditors with such qualities, we provide well-balanced supervision and advice to management. The expertise of KDDI's outside directors / auditors can be found on page 104.

Brand Management







### **Corporate Governance**

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

#### **Policy on Determining Remunerations**

KDDI's standard for board member remunerations are determined by comparison with other companies in the same industry and of similar scale in Japan while also taking into consideration the company's state of management. Furthermore, the Remuneration Advisory Committee annually consults objective research data from outside specialized agencies to verify the appropriateness of the payment standard. The remunerations are determined based on the roles and responsibilities given to each executive. Performance-linked stock compensation was introduced in fiscal 2015 for directors involved in conducting business to raise their motivation for improving medium- to long-term business performance and corporate value. Furthermore, in fiscal 2019, we introduced the stock price-linked bonus to further motivate executives to achieve the goals of the Medium-Term Management Plan and to increase the link between board member remunerations and shareholder value. The performance indicators for this system are the EPS\* growth rate identified as one of the goals in the Medium-Term Management Plan, and the stock price change rate, which is directly linked to increases / decreases in shareholder value.

The following are the four types of remunerations for directors involved in conducting business.

- \* Earnings Per Share
- Basic remuneration
- Stock price-linked bonus
- Performance-linked bonus
- Performance-linked stock compensation

Furthermore, the link between board member remunerations and performance / stock prices are determined based on each executive's position and the roles and responsibilities that are expected of them. In response to placing responsibility on the stakeholders, the aforementioned link will most closely be reflected in the president's remuneration, as the person who steers the company's management. Of the president's total remuneration, approximately 40% is comprised of basic remuneration and the remaining approximately 60% is linked to performance and stock prices.

### Method of Calculating Bonuses and Stock Compensation

The performance-linked bonus and stock compensation (trust type) are evaluated based on the following criteria: company operating performance (the group's revenue, operating income and profit for each fiscal year) and the achievement of KPIs in each business, which are linked to the goals in the Medium-Term Management Plan. They are calculated in the following ways.

Bonus: Basic amount by position multiplied by the company operating performance and KPI achievement

Stock compensation: Basic points by position multiplied by the company operating performance and KPI achievement

The stock price-linked bonus is evaluated based on the EPS growth rate and rate of stock price change and calculated in the following way. Stock price-linked bonus:

Basic amount by position multiplied by coefficients ((A  $\times$  50%) + (B  $\times$  50%)) A) EPS growth rate

EPS at end of current fiscal year divided by EPS at end of previous

B) Rate of stock price change (TOPIX growth rate):

(Company's stock price at end of current fiscal year / Company's stock price at end of previous fiscal year) divided by (TOPIX stock price at end of current fiscal year / TOPIX stock price at end of previous fiscal year)

#### **Determination of Board Member Remunerations Continued**

A Remuneration Advisory Committee is in place to ensure transparency and objectivity regarding the structure and standard of board member remunerations as well as the process for determining the amount. The chair, vice chair and the majority of the committee is comprised of outside directors.

- Chair: Goro Yamaguchi (Outside Director)
- Vice Chair: Keiji Yamamoto (Outside Director)
- Members of Committee: Shigeo Ohyagi (Outside Director)

Rivo Kano (Outside Director) Shigeki Goto (Outside Director) Takashi Tanaka, Makoto Takahashi

The following topics regarding board member remunerations are decided by the Board of Directors after being advised by the Remuneration Advisory Committee without first going to the representative director.

- Basic Policy on Board Member Remunerations
- Remuneration standards for each director (basic remuneration, bonus, stock compensation), time of payment, method of payment
- Amount of performance-linked bonus, stock price-linked bonus and performance-linked stock compensation to be paid

If a serious violation is committed in a board member's line of work that goes against the mandate contract signed between by the Company and the board member, a regulation is in place that allows the Company to confiscate stock compensation points that have already been awarded or demand the repayment of the amount equivalent to the stocks already issued.

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 (FY2019) Unit: million ven

	Total	Total remuneration by type			Number	
Executive classification	remunera- tion	Basic remuneration	Bonus	Stock compensation	of eligible members	
Directors (excluding outside directors)	889	383	297	209	10	
Outside directors	75	75	_	_	7	
Audit & Supervisory Board members (excluding outside members)	52	52	_	_	2	
Outside Audit & Supervisory Board	50	50			3	

- 1. The number of remunerated directors and the amount paid as shown above include one director and two outside directors who retired at the conclusion of the 35th Annual Shareholders Meeting held on June 19,
- 2019. The number of directors who received bonuses was nine, excluding said retired directors.

  2. At the 30th Annual Shareholders Meeting held on June 18, 2014, it is resolved that the maximum monthly flat-rate remuneration for directors is 50 million ver
- At the 32nd Annual Shareholders Meeting held on June 22, 2016, it is resolved that the maximum annual amount of remuneration for Audit & Supervisory Board members is 130 million yen. (For each business year).
- 4. At the 27th Annual Shareholders Meeting held on June 16, 2011, it is resolved that the amount of bonus for di-
- rectors shall be no more than 0.1% of the consolidated net profit for the fiscal year and linked to performance.

  5. 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.

  6. In addition to the above, adjustment payments to directors 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 honus system

#### Total remunerations and bonuses of board members who receive over 100 million ven (3 people)

	F	Total	Total remuneration by type				
Name	Name Executive classification r		Basic remuneration	Bonus	Stock compensation		
Takashi Tanaka	Director	135	48	59	27		
Makoto Takahashi	Director	198	78	68	52		
Yoshiaki Uchida	Director	102	45	34	23		

#### Types of Remuneration and Methods of Determination

Composition of Director Remuneration (excluding Outside Directors)

- Composition of Director Hernandian (excitating Catalage 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			Maximum monthly remuneration of 50 million yen	June 18, 2014 30th General Meeting of Shareholders	Directors (13) (including 3 Outside Directors)
Stock price-linked bonus	Cash		income (profit attributable to own-	June 16, 2011 27th General Meeting	Directors (10) (excluding outside
Performance-linked Bonus		ed revenue, operating income and profit for each fiscal year, as well as the achievement of	ers of the parent under IFRS) during the applicable fiscal year	of Shareholders	directors)
Performance-linked Stock compensation	Stock	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)	June 17, 2015 31st General Meeting	9 Directors, 21 Ex- ecutive Officers, 50 administrative offi- cers (excluding overseas residents, Outside Directors and part-time directors)

<sup>\*</sup> 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**

In accordance with the Companies Act, we require competitive or conflictof-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 Kvocera 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.

#### Outside Director Support System

KDDI

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 be-tween 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.

# Communication with Shareholders

KDDI

We consider our shareholders and investors to be especially important stake-holders 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 smallscale meetings with investors both from Japan and abroad, attend various conferences hosted by securities firms and hold seminars for private investors.

#### FY2019 Results

- Financial Results Briefing for Analysts and Institutional Investors: 4 times (held along with the quarterly financial disclosure)
- International roadshow
- 10 times (including participation in 3 conferences sponsored by securities firms)
- Session with institutional investors in Japan and abroad:
- Approximately 750 times Seminar for private investors:
- Management conducted both online and in-person seminars. Around 1,600 investors participated (listened).

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

Measures	Content
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 share-holders' meetings
Electronic voting system	Shareholders can exercise their voting rights via an on- line voting site. From the 2019 General Meeting of Shareholder, we introduced a system where sharehold- ers 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 electronic voting site and voting platform.
Others  * Extracted from the Corporate Governance Report For details, see the website below:	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



Link The 36th Annual General Meeting of Shareholders Notice







# **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 FY2019
	Goro Yamaguchi Male  Mr. Yamaguchi has an abundant wealth of corporate management experience and excellent knowled president and representative director of one of the world's leading electronic component and equipment Board of Directors meetings, the company has received a large number of broad opinions related to but and operations from him based on a medium- to long-term perspective and has determined that he can be to improving the corporate value of the company. Accordingly, he has again been appointed as an outside		Board of Directors 100% (Attended 12 of 12 meetings)
	Keiji Yamamoto Male	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 auto-mobile manufacturers. The company has determined that he can contribute to improving the corporate value of the company by giving broad opinions on promoting 5G / IoT strategy, etc. from a medium- to long-term perspective, and for these reasons he has been reappointed as an outside director.	Board of Directors 100% (Attended 10 of 10 meetings)*
	Shigeo Ohyagi (Independent director) Male	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 pro-mote 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.	Board of Directors 100% (Attended 12 of 12 meetings)
Riyo Kano (Independent director) Female  government committees. The Company by giving technical opperspective independent of the Moreover, with this background.		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 he has been reappointed as an independent director.	Board of Directors 100% (Attended 10 of 10 meetings)*
	Shigeki Goto (Independent auditor) Male	Mr. Goto 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 cyber security that is valuable for the operation of our business. In the Board of Directors meetings, he has offered 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 benefit from his contributions to the enhancement of the Company's corporate value. 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 share-holders and accordingly he has been appointed as an independent director.	Newly Appointed (June 17, 2020)

The activities of Outside Directors who left at the end of the 36th Annual Shareholders Meeting are as follows.

Name	Principal activities in FY2019
Yoshiaki Nemoto Male	Board of Directors Attended 12 of 12 meetings

\*Mr. Keiji Yamamoto and Ms. Riyo Kano attended the 35th Annual General Meeting of Shareholders when they were appointed as new directors. The attendance was counted after the appointment.

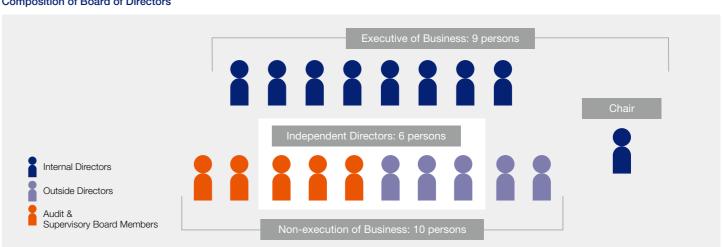
# Diversity and Expertise of the Outside Directors

Name (Major background)	Position in the Company	Experience as president of a listed company	Expertise in the telecommunications field	Expertise in law, accounting or government
Goro Yamaguchi (Kyocera Corporation)	Outside directors	•		
Keiji Yamamoto (Toyota Motor Corporation)	Outside directors		•	
Shigeo Ohyagi (Teijin Limited)	Outside directors	•		
Riyo Kano (Lawyer)	Outside directors			•
Shigeki Goto (Waseda University)	Outside directors		•	
Toshihiko Matsumiya (Certified Public Accountant)	Outside Audit & Supervisory Board members			•
Jun Karube (Toyota Tsusho Corporation)	Outside Audit & Supervisory Board members	•		
Shin Honto (Ministry of Land, Infrastructure, Transport and Tourism)	Outside Audit & Supervisory Board members			•
Total Outside Director Outside Au	dit & Supervisory Board Member		2 2	

#### 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 FY2019
Toshihiko Matsumiya (Independent auditor) Male	Mr. Matsumiya has abundant experience as a Certified Public Accountant, as an employee of an auditing company, as the representative of an accountancy firm and as an auditor for other companies. 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. Moreover, with this background, we judge there to be no risk of a conflict of interest with general share-holders and accordingly he has been appointed as an independent director.	Newly Appointed (June 17, 2020)
Jun Karube (Independent auditor) Male	Mr. Karube has cultivated abundant experience as a representative director of a listed company. 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. Moreover, with this background, we judge there to be no risk of a conflict of interest with general share-holders and accordingly he has been appointed as an independent director.	Newly Appointed (June 17, 2020)
Shin Honto (Independent auditor) Male	Mr. Honto 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. Moreover, with this background, we judge there to be no risk of a conflict of interest with general share-holders and accordingly he has been appointed as an independent director.	Newly Appointed (June 17, 2020)

# Composition of Board of Directors



Brand Management







# **Risk Management**

KDDI's Approach KDDI Group (Risk Management and Internal Control)

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

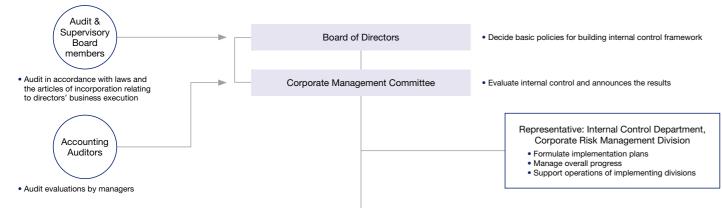
We define factors and events that negatively influence the achievement of our business goals as risks and consider enforcing risk management a material business challenge. In order to be sustainable and responsible to society, we promote risk management initiatives throughout the KDDI Group.

# Our Risk Management and Internal Control KDDI Group

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

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 28 Internal Control System Managers within KDDI and 44 at group companies, as well as six Internal Control System Directors to oversee their activities. Under their leadership, we introduce and run internal control systems, carrying out risk management activities and run operational quality improvement activities to foster a company culture in which risks are less likely to arise.

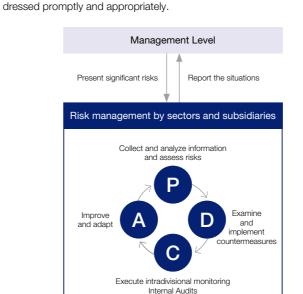
#### ■ KDDI Group Internal Control Framework





### Risk Management Activity Cycle

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



#### Risk Identifying Process

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 2019, 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 com-

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 only)

Link Basic Policy for Constructing an Internal Control System

**Risk Management** 

Customer Relationship Management

Brand Management









# **Risk Management**

# Basic Policy for Constructing an Internal Control System

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.



#### ■ Main Operational Risks

Risk	Risk background	Potential impact on KDDI	KDDI's response
Competitors, rival technologies and rapid market shifts	The need to provide user support for product defects problems attributable to the rapid expansion of the commerce business. Inability to acquire needed bandwidth we need. Increase in competition due to new high-speed wire-less data technology. Possible rise in connection fees with other telecommunications operators.  Intensifying competition as a result of changes in the business landscape due to partnerships with other industries, sales packages that include other products (such as telecommunications + power), the emergence of MNOs and MVNOs in the market and other companies expanding their business fields.	Negative impacts on the financial position and operations of the KDDI Group	The creation of new value and and the achievement of sustainable growth in the 5G / loT era domestically and globally with a business strategy that focuses on the "integration of telecommunications and life design," which centers on telecommunications and expands peripheral businesses
Protection of confidentiality of communications and customer privacy	Internal privacy breaches     Unauthorized access from external networks	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 or surcharge In the future, we may face higher costs to develop the framework necessary to protect the confidentiality of communications and customer privacy Could have a negative impact on the financial position and / or earnings performance of the KDDI Group	Establishment of the KDDI Code of Business Conduct, KDDI Security Policy, and KDDI Privacy Policy     Establishment of the Business Ethics Committee     Reinforcement of various technical, organizational and human safety management measures     Educating all employees on the protection of confidentiality of communications and customer privacy     Working with our external partners, particularly with our retail network of au Shops, to strengthen management through the improvement of shop operations, monitoring and training     Establishing Information Security Committee     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	Natural disasters, such as earthquakes, tsunamis, typhoons, or floods, as well as secondary damage (pandemic) from the spread of toxic substances caused by natural disasters Worldwide spread of an infectious disease (pandemic) 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	Service outages or interruptions as a result of large-scale natural disasters or accidents caused by climate change, etc.  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 could damage the brand image of the KDDI Group and lead to loss of customer trust and decreased customer satisfaction, which could have a negative impact on the earnings performance  The Company's future business activities and earnings performance could be affected by fewer new customers due to shortened hours at au Shops, reduced mobile data usage due to increased WiFi usage for remote work, and the various influences on our life design business and solution services for corporate customers	Initiatives to improve reliability of our network and prevent 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 the telecommunications sector	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 MNOs and MVNOs in the mobile communication market Revisions to the frequency allocation system and / or spectrum user fee system Rules regarding electricity retail and financial business Rules regarding the usage of personal data	The KDDI Group's 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  KDDI's earnings performance could be negatively impacted if the company's competitive advantage is relatively diminished as a result of competition policies	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
Acquisition of human resources, training and personnel management	Rise in human resources investment costs in the future	If we are unable to handle matters appropriately in the future, the KDDI Group's brand image could be damaged, leading to loss of customer trust and a negative impact on our earnings performance	Working together across the entire company to support personnel training and career development to keep up with technological innovations     Appropriate personnel management and the promotion of work style reforms based on the law

<sup>\*</sup> For details, please see the Business Risks section of the Securities Report for the year ended March 31, 2020.



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



In response to the internal control reporting system based on the Financial Instruments and Exchange Law implemented in fiscal 2008, we conducted evaluations of the internal controls at KDDI and 10 major group subsidiaries (totaling 11 companies) 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 Japan's Prime Minister in June 2020, as well as disclosed to investors.



#### Activities to **Enhance Operational Quality**



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 better understand the needs of our customers and provide more fulfilling and convenient lifestyles, 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 and connect 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.

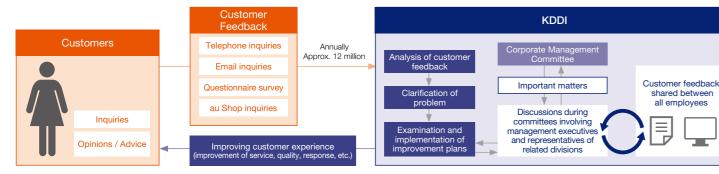
#### Collecting Customer Feedback KDDI

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).



#### ■ Framework for Collection of Customer Feedback



## Initiatives for Customer Satisfaction KDDI

#### **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**

Initiatives	Content	
Introducing 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 au Support Movies	Made videos in English to provide information on au services and answer frequently asked questions	



#### Other Initiatives

Initiative	Details
au CX AWARD	Each years, KDDI presents awards for day-to-day initiatives at au Shops and holds the Customer Service Contest in locations throughout Japan to share success stories.
au Support Movies	Movies explaining how to use smartphones and popular apps in video form  Web Link au Support Movies
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

KDDI

Right now, KDDI's many corporate customers are promoting digital transformation (DX) to grow their businesses.

To respond to the diversified and sophisticated needs of such customers, KDDI is committed to its policy of "creating new value through DX together with our customers." To this end, we strive to communicate closely with our customers and look at matters from their perspectives in an effort to help turn their DX visions into reality.

#### 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. These activities also provide opportunities for KDDI to collect opinions and feedback from members to improve services and develop new products.

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

#### FY2019 activity results

9 events

- Introduced our efforts related to disaster resilience and service quality control through tours of the KDDI Shiniuku Building
- Offered opportunities for people to experience "design thinking," a problem solving method, at KDDI DIGITAL GATE
- Organized seminars to share the latest trends in ICT solutions



## **Customer Satisfaction Survey**

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

Consultations	Evaluation
J. D. Power: 2019 Mobile Phone Service Satisfaction Study	Ranked highest in overall satisfaction (four consecutive years)

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

Consultations	Evaluation	
J. D. Power: 2019 Business Mobile Phone Service Satisfaction Study <large <br="" enterprise="">Midsize Business Segment&gt;</large>	Ranked highest in overall satisfaction (four consecutive years)	
J. D. Power: 2019 Business IP Phone & Direct Line Phone Service Satisfaction Study	Ranked highest in overall satisfaction (seven consecutive years)	
J. D. Power: 2019 Business Network Service Satisfaction Study <large business="" enterprise="" segment=""></large>	Ranked highest in overall satisfaction	

**Brand Management** 

Our Approach to

**Advertisement Production** 







# **Brand Management**

KDDI's Approach (Brand Management) KDDI

The slogan for the KDDI brand, which is for the corporate and busi-

ness market, is "Tomorrow, Together." The slogan for the au brand, which

is for the consumer market, is "Explore the extraordinary." 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 fulfill-

ing future (tomorrow) together. The slogans are a reflection of our commit-

ment to better understand our customers and continue being the company

that people choose. They also express our endeavors to increase the trust

we have earned from many companies and to work together as partners.

customer experience value, which leads to customer satisfaction. Estab-

employees' awareness of issues like unauthorized use of trademarks and

inappropriate use of logos by third parties, so as not to affect customer

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

Our advertising and publicity are strongly promoted as one way to

Advertising Policy to Establish Our Brands KDDI

satisfaction or bring any disadvantage to society.

the right time.

realize this policy.

lishing a strong brand and managing it properly is one of our key issues.

We are making company-wide efforts to promote the improvement of

For the proper management of our brands, we are striving to raise

KDDI and au each have brand slogans.

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.

KDDI

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

#### FY2019 Violation of Regulations

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

#### FY2019 Review Results

- Number of advertisements inspected by the review department: 4,756
- Results of review: Advertisements that might violate laws and regulations were all rectified

## Promotion regime

· Develops brands / manages trademarks



### Advertisement and Brand Building Efforts

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 "Explore the extraordinary," we will continue to run both series with the aim of further increasing our popularity.

#### **External Recognition**

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

CM Soken Consulting

FY2019 Commercial Popularity Ranking by Company:

First Place (April 2019-March 2020)

\*Listed as Best Advertiser for six consecutive years

FY2019 Commercial Popularity Ranking by Brand:

First Place (November 2018-October 2019) \*Listed as Brand of the Year for five consecutive years

As one of our initiatives to improve our brand value, we sponsor sports contests, cultural organizations and social and cultural projects. By offering new ways of watching sports in the upcoming age of 5G popularity and through other forms of 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 teams Kyoto Sanga F.C. and Nagoya Grampus.
Baseball	We support baseball as a sponsor of the Yokohama DeNA BayStars.
Sport climbing	As the official sponsor of the sport climbing category of the Japan Mountaineering and Sport Climbing Associa- tion, we support sport climbing and sponsor "Team au," made up of five climbers
Motor sports	We sponsor the TGR 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 as well as various e-sports competitions and events.
UNIVAS	We support the promotion and development of university sports as a partner of the Japan Association for University Athletics and Sport (UNIVAS).
Sports of Heart	We sponsored Sports of Heart 2019, 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 Internation- al Music Festival	We sponsored the Kirishima International Music Festival 2019, which was held with the purpose of creating opportunities to listen to concerts and learn from expert musicians.

#### Starting Up Old Phones: A Trip Down Memory Lane

Starting Up Old Phones: A Trip Down Memory Lane is an event held by KDDI to recharge and start up old phones that people used to use to print out nostalgic photos stored in the device. The service is free of charge and also accepts phones that are not au. So far, it has been held 215 times at KDDI directly managed outlets across Japan and at various events. Over 7,900 people have participated.





# **Stakeholder Engagement**

Stakeholder Engagement: Our Approach and System

KDDI



Stakeholders that influence our businesses are diverse, ranging from customers, shareholders, business partners, 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; JIS Z 26000, Environmental Reporting Guidelines, Guidance for Collaborative Value Creation and other domestic standards; and checklists that consist of questions we receive from investors. With these, we 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 Dialogue

KDDI

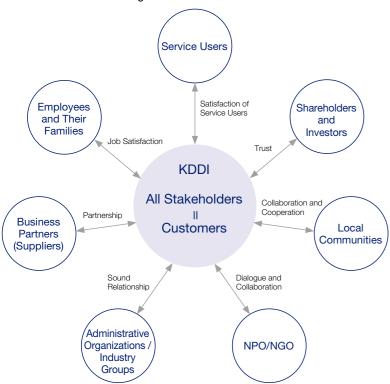
We conduct stakeholder dialogue led by the Executive Officer of Sustainability. Through the dialogue, we incorporate the opinions and requests of stakeholders in our corporate management to build schemes for making further improvements.

In fiscal 2019, we had dialogue on the theme of SDGs.

Web Link Stakeholder Dialogue

Link Enhancing Internal Understanding of Sustainability and SDGs

#### ■ Stakeholder correlation diagram



# Results of Stakeholder Engagement



Stakehole	ders	Communication methods	Frequency	Content	Influence on the management and business activities	
	We strive for the sat- isfaction of our ser-	Releases on media, websites and social media	As needed	Spread information about the company and business activities	Spread information appropriately	
Service Users  Web Link Customer	vice users (customer experience) by living up to their trust and offering safe and valuable products and services.	Inquiries at customer center (telephone / web)	As needed	Response to inquiries from customers	Improve customer experi- ence value	
Relationship		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	
		General Meeting of Shareholders	Once a year	Share business reports, consolidated financial reports, financial statements, auditors' reports		
		Results briefing	Four times a year	• Report financial results and		
Shareholders and Investors	We work to build a relationship of trust	Disseminating information through Shareholder Communication	Twice a year	business initiatives	Strengthen governance     Deliver information using	
Web Link Corporate Governance	through honest and fair disclosure of information and active	Session with institutional investors in Japan and abroad	Over around 750 times a year	Explain and exchange opinions on financial results and business initiatives	websites and other informa- tion tools with a sincere atti- tude  Promote efforts to achieve	
	communications.	Seminar for investors	Several times a year	Specific sessions such as SDGs briefings, seminars for private in- vestors, etc.	SDGs	
		Spread information through website	As needed	Dissemination of information such as various reports, docu- ments and details of initiatives		
		Social contribution programs in each region	As needed			
Local Communities work in partne with local community with local community ties and fulfill out	We collaborate and work in partnership with local communi- ties and fulfill our du- ties as a corporate citizen.	Information Ethics Classes (KDDI Smartphone and Mobile Phone Safety Classes, Raise Disaster Risk Reduction Literacy with Your Smartphone) and environmental education held at schools and community facilities  Web Link Community Involvement	As needed	Exchange opinions through local administrative organizations     Interact with local residents and contribute to local safety and development	<ul> <li>Reflect opinions on the environment conservation activities</li> <li>Solve social issues in partnership with administrative organizations and local communities</li> </ul>	
NPO/NGO Web Link Community	We contribute to a better society	Activities funded by the KDDI Foundation	As needed	Practice social contribution activities across the world	Understand the social issues and needs in each community	
Community Involvement	through dialogue and cooperation.	Events hosted in cooperation with NPO/NGO	As needed	• Initiatives		
Administrative Organizations / Industry Groups	We comply with the	Participation in conferences / councils	As needed	Collect information and ex-	Make proposals on various	
Participation in External Initiatives	law and maintain sound relations.	Participation in Initiatives	As needed	change opinions	guidelines and deregulation	
	We continue to be a dynamic company that provides job satisfaction to all employees	Employee Awareness Survey (Employee Engagement Survey)	Several times a year	Conduct surveys on employees' motivation to actively contribute to the company and their work		
		5 % IF	12 times a year	Direct communication between employees and the president	Analyze the state of compa- nywide organizational culture and identify issues to be	
Employees and Their Families Web Link Labor Practices		Excitement Tours	Ten times a year	Direct communication between employees and board members	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 includ- ing their families and manage- ment	Create a sense of unity throughout the company	
Business Partners (Suppliers)  Web Link Supply Chain	We build partnerships based on mutual trust and carry out appro- priate business activi- ties with fair and open transactions.	Surveys and liaison conference	Once a year	Share Sustainable Procurement Policy	Promotion of responsible procurement through supply chain	

Stakeholder Engagement

**Community Involvement and Development** 

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### **Stakeholder Engagement**

Participation in External Initiatives

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

truly connected society.				
Initiative	Position			
International Standardization of Telecon	nternational Standardization of Telecommunications			
ITU-R (Radio Sector)	WRC-19 COM5 Chair (World Radiocommunication Conference; satellite matters, etc.)     SG4 Vice-chair (Satellite Communications)			
ITU-T (Standardization Sector)	SG3 Chair (Rates & Policy) G9 Chair (Video Transmission & CATV) G17 Vice-Chair (Security)			
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			
Conservation of the Global Environment				
ICT Ecology Guideline Council	Head of Council			
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 2019, a guidebook published for the industry on natural disaster management features many of KDDI's initiatives as best practices. These include our ability to restore services from the sea with KDDI Ocean Link, a cable laying vessel equipped with a base station; public disaster management trainings held jointly with local municipalities; and cooperative efforts with other businesses during disasters. The initiatives underscore the importance of being connected, which we learned from past disasters. They also aim to convey the weight of our responsibility as an industry that provides essential services, and to serve as examples for businesses in other countries on how to build systems that ensure telecommunications services and swift service restorations during disasters.



# **Community Involvement and Development**

#### KDDI's Approach (Community Involvement and Development)

KDDI Group

Management Framework

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

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

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

### The Plus Alpha Project Program

**KDDI** Group

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 a total of 8,679,000 yen was donated to 49 organizations in fiscal 2019. The total amount of donations made since the beginning of this program is 82,549,748 yen.

communities, administrations, universities and NPO/NGO

# Policy on Corporate Citizenship

**KDDI Group** 

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.

We at KDDI Group are driving various initiatives to solve societal and

environmental issues of the countries and regions where we operate to

contribute to the development of a truly connected society. Each regional

office leads community development activities, placing importance on

dialogue and cooperation with a variety of stakeholders, including local

We established KDDI Sustainable Action in line with the KDDI SDGs for 2030 and are committed to resolving various social issues through our business as a company that contributes to society's sustainable growth. 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



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.

# **Action 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.

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





### **Community Involvement and Development**

Workshop-Style Classes: KDDI 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 have been holding workshop-style classes named Raise DRR Literacy with Your Smartphone for high school students since fiscal 2017 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. In total, these workshops have been held at 40 schools with over 2,000 participants to date.

#### ■ Comprehension Questionnaire

Questionnaire content	(1) Importance of receiving and sending appropriate information in the event of a disaster     (2) Importance of helping oneself and others in a disaster     (3) Need to pay attention to information communication in everyday life too

#### Results (FY2019)

Understood very well	Understood well	Did not understand very well	Did not understand	
77.0%	21.2%	1.1%	0.6%	

#### Percentage of positive responses

<u> </u>	
Understood very well, well	
98.2%	



Web Link KDDI's IT Literacy Training: Reducing Disaster Risk with Smartphones

The Chimemone Ducinet which sime to		
The Shimamono Project, which aims to	KDDI	Activity
invigorate the communities in outlying islands	ועעא	Activity
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. 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 branding and promoting products. The Shimamono Lab is now offered in a total of seven areas.

In addition, sales from Shimamono Marche reached a cumulative total of around 58 million yen (22 islands, 36 products, as of March 31, 2020).



#### KDDI Social Contribution

KDDI is a member of the 1% Club established by Japan Business Federation. Our total social contribution expenditures were 1.01 billion yen in fiscal 2019.

- 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 expen-

### Volunteer Leave and Number of JICA Volunteers (KDDI)

KDDI

#### ■ Volunteer Leave and Number of JICA Volunteers (KDDI)

			FY2015	FY2016	FY2017	FY2018	FY2019
Volunte leave	Pers	: son who uses program	16	20	13	29	17
JICA Volunte	Unit ers* Pers	: son dispatched	2	1	0	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 (FY2019)



Source of funds: KDDI's Bridge of Hope social contribution website KDDI matches the donations of customers and KDDI group employees. In the case of an emergency, KDDI also makes donations.

#### Japan

Case	Total contributions (Unit: yen)	Donated to
Heavy rain damages in August 2019	3,085,500	Japanese Red Cross Society
Typhoon No.15 (Faxai) damages in Chiba Prefec- ture in 2019	6,137,600	Japanese Red Cross Society
Typhoon No.15 (Faxai) damages in Tokyo in 2019	1,638,600	Japanese Red Cross Society
Typhoon No.19 (Hagibis) damages in 2019	16,232,800	Japanese Red Cross Society
COVID-19 emergency support donation	100,000,000	Central Community Chest of Japan

# Initiatives

### ■ KDDI Group Results

### (1) Bridging the Digital Divide

Targets	FY2019 initiatives
Improve ICT literacy of older people	Hold KDDI Smartphone and Mobile Phone Safety Classes for elder people     Comprehension rate 85.1%, Usage rate 91.5%     189 classes held, 3,045 participants (cumulative 1,539 classes, 27,468 participants)

#### (2) Supporting Sound Development of Youth

Targets		FY2019 initiatives	
	Improve ICT literacy of youth	Hold KDDI Smartphone and Mobile Phone Safety Classes for youth     Satisfied with teaching materials: 99.3%     Satisfied with lecturers: 99.1%     Will reapply: 84.3%     4,332 classes held, approx. 790,000 participants (cumulative total: approx. 33,000 classes, approx. 6.11 million participants)	
		Held Workshop-style classes for high school students:     Raise DRR Literacy with Your Smartphone     Held at 19 schools with 937 participants     (cumulative 40 schools with over 2,000 participants)	

#### (3) Environmental Conservation

Targets	FY2019 initiatives
Biodiversity conservation in collaboration with stakeholders	Link Environmental Conservation Activities by Employees
Environmental education for children	Link We held a class on creating a field guide on plants and forest wildlife at the Urayasu City Akemi Elementary School. (Japanese only)  Web Link We held a class on creating a field guide on plants and forest wildlife at the Yokohama City Mutsukawanishi Elementary School. (Japanese only)

#### (4) Social and Cultural Support

Targets	FY2019 initiatives
Contribute to local community development and regional revitalization	Web Link Shimamono Lab workshops for outlying island businesses in the Kasaoka Islands, Okayama Prefecture (Japanese only)  Web Link Shimamono Lab workshops for outlying island businesses in the islands of Oita Prefecture (Japanese only)
Raise awareness of manners for mobile phone use and prevent cycling acci- dents	Classes held using a VR kit to prevent smartphone use while cycling at Sendai Shirayuri Gakuen High School (Japanese only)  Web Link Classes held on preventing bicycle accidents by using VF that recreates smartphone use while cycling at Kawasaki City Hirama Elementary School (Japanese only)
We support NPOs 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	FY2019 initiatives		
	Support early recovery of disaster areas	Donation of relief funds for victims of the heavy rains in August 2019 (Japanese only)		
		Link Donation of relief funds for victims of Typhoon No.15 (Faxai) in Chiba Prefecture in 2019 (Japanese only)		
		Link Donation of relief funds for victims of Typhoon No.15 (Faxai) in Tokyo in 2019 (Japanese only)		
		Link Donation of relief funds for victims of Typhoon No.19 (Hagibis) in 2019 (Japanese only)		
		Donations to support COVID-19 measures (Japanese only)		
	Related to the Great East Japan Earthquake	As supporters of project-based learning classes at Kun- imi-machi, we helped local junior high school students to create a promotional VR video for Kunimi (Japanese only)		
		As supporters of Katsurao-mura's VR content creation, we helped comprehensive learning classes at Katsurao Junior High School (Japanese only)		

Country name	FY2019 initiatives
	Held art, music, English, computer and dance classes at the Village School (KDDI Foundation)
	Held digital skill education programs, technology internship and sports promotion events for youths who will be the futu- leaders of Myanmar (MPT)
Myanmar	Large-scale cleanup activities: Clean and Fresh to Move Foward (MPT) MPT held its third round of large-scale cleanup a tivities in 18 districts across Myanmar
iviyai ii Hai	"Clean and Sustainable Water Program" (MPT)     Prepared wells in villages that have difficulty accessing cleadomestic water to improve public hygiene
	Support for COVID-19 measures (MPT)     A portion of our sales was donated to support COVID-19 relimeasures. We also gave out Topup cards to medical worke and volunteers for free and eliminated fees for sending MF Money to the government and NGOs.
	Used computer donations (MobiCom)     As part of KDDI's used computer donation project, MobiComakes donations to public schools across Mongolia and government facilities
	Child Helpline 108 (MobiCom)     This service can be accessed for free 24 / 7 by childre parents, teachers, social workers, and others. We hope to he resolve issues such as child abuse with this service.
Mongolia	W.A.S.H. Project (MobiCom)     In collaboration with local governments and the NGO Wor Vision Mongolia, MobiCom builds clean water facilities ar toilet facilities for elementary schools.
	Support for COVID-19 measures (MobiCom)     MobiCom provided free pre-paid SIM cards to police, medic     workers and COVID-19 countermeasure experts. A part     online sales and sales from our distributors were donated     medical facilities.

classes (KDDI Foundation)

dation)

(KDDI Foundation)

Cambodia

Nepal

 Built a KDDI School (the 12th one), built English and computer classrooms (for the 10th and 11th schools) and held music

Provided support to pass down the traditional Cambodian art form of large-scale shadow theater (Sbek Thom) (KDDI Foun-

Held e-learning and robot programming classes

健康経営優良法人

ホワイト500

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# **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 2020). 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.





FTSE Blossom Japan

#### Inclusion in SRI Index MSCI ESG Leaders Indexes

Among global SRI indices, we are included in the MSCI ESG Leaders Indexes (as of June 2020)

This index suite was developed by a US-based company, MSCI Inc., and selects companies with excellent environmental, social and governance (ESG) performance.



**2020** CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCL JAPAN EMPOWERING WOMEN INDEX (WIN)

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

THE MSCLINDEXES ARE THE EXCLUSIVE PROPERTY OF MSCLIMSCLAND THE MSCLINDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCLOB 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 2020).

This index distinguishes 120 companies achieving the most advanced environmental, social and governance performance.



#### Inclusion in Ethibel PIONEER and Ethibel **EXCELLENCE Investment Registers**

We are included in Ethibel EXCELLENCE and investment universe Ethibel PIONEER, both labels of Forum Ethibel, which is a Belgian association that promotes SRI. We also continue to be included in ESI Excellence

Ethibel Investment Register is an investment universe comprised of companies that have earned high corporate social responsibility (CSR) performance scores according to the association's diverse evaluation (as of Mav 2020).





# Inclusion in S&P / JPX Carbon Efficient

We are included in the S&P / JPX Carbon Efficient Index, which is a environmental index jointly developed by the Japan Exchange Group, the Tokyo Stock Exchange, and the S&P Dow Jones Index (as of June



#### 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. Furthermore, KDDI is the only company in the telecommunications industry that has earned a DBJ Environmental Rating(as of March 2020).



#### Awarded Gold Rating in the PRIDE Index for Four Consecutive Years

We received the top gold rating on the PRIDE Index, which evaluates corporate efforts related to LGBT and other sexual minorities, for four consecutive years (as of October 2019).

The PRIDE Index was established by a private organization, work with Pride, with the aim of promoting the creation of inclusive workplaces in companies.

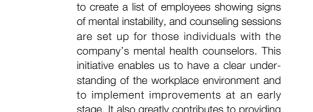


#### Recognized as a company in line with Health and Productivity Management 2020 (White 500)

We were recognized by the Nippon Kenko Kaigi for our outstanding health management initiatives that consider the health of our employees from a management perspective and which are strategically carried out. This led to being recognized as a Health and Productivity Management 2020 company in the large enterprise category (White 500) (as of July 2020).



We won the Award of Excellence in the HR Management category at the 5th HR Technology Awards. Our initiative of using AI to identify and support employees who show signs of mental instability was praised as being innovative. The Al uses deep learning to create a list of employees showing signs stage. It also greatly contributes to providing early support for mental instability, being aware of the mental and physical states of our employees and resolving workplace issues (February 2020).



We placed first for overall performance in the 14th CSR Company Ranking announced by Toyo Keizai Inc. In this ranking, around 1,593 Japanese companies are evaluated based on the survey conducted in 2020 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 (February 2020).

Ranked First for Overall Performance in CSR Company Ranking

#### Other External Assessments

Recognition and awards	Evaluation	
Association for Resilience Japan 6th Japan Resilience Award	Award of Excellence in the Business and Industry category	
Japan Committee for United Nations Decade on Biodiversity (UNDB-J) Biodiversity Action Award	Received award	
National Institute on Consumer Education Consumer Education Resources Award 2020	Award of Excellence	

#### 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 Chairperson 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	Evaluation
	MobiCom: Honored as one of the Top 100 Companies of 2019	Received in recognition of comprehensively contributing to Mongolia's economy with sales, tax payment and capital investment
	MobiCom: Top 10 Entrepreneur Award 2019	Received in recognition of the company's business accomplishments, profit, social responsibility, employment, exports, and other factors
	MobiCom: Received the best player of ICT EXPO 2019 award	Recognized for our comprehensive activities in the ICT field
	MobiCom: Received the Honorary Tax Payer award and Best Tax Payer award	Received in recognition of regularly reporting to the local tax office and for the amount of tax paid
	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 re- sponsibility and eco-friendliness
		·

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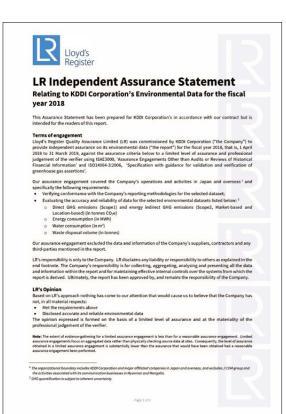


# **External Assurance**

#### Scopes 1 and 2

Stakeholder Engagement

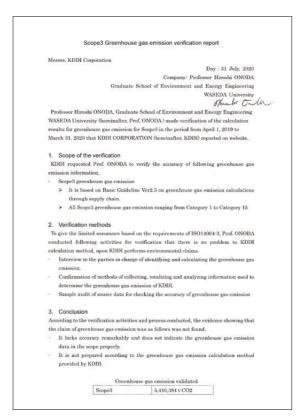
### FY2018 Greenhouse Gas Emissions Verification Statement

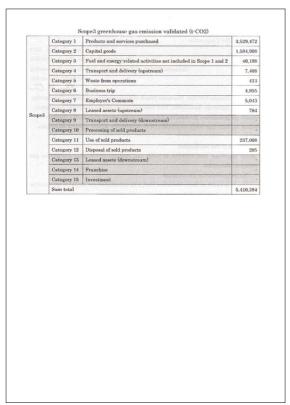




\* Direct GHG emissions include those of an overseas subsidiary. Indirect GHG emissions from consumption of purchased electricity, heat or steam are calculated using the emission factor of each electric utility operator.

### Scope 3 FY2019 Greenhouse Gas Emissions Verification Report





### ISO 14001 Management System Certificate



# **Corporate Profile**

#### Corporate Profile (As of March 31, 2020)

: KDDI CORPORATION Company name

Date of establishment : June 1, 1984

Main business : Telecommunications business

Head office : Garden Air Tower, 3-10-10, lidabashi, Chiyoda-ku, Tokyo 102-8460, Japan

President, KDDI CORPORATION: Makoto Takahashi Capital : 141,852 million yen Number of employees : 44,952 (consolidated basis)

#### Office Status (As of March 31, 2020)

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, 65 branch stores, 6 customer services centers, etc.

Technical centers : 11 technical centers and engineering centers, 3 technical maintenance centers, 1 transmission center

Offices outside Japan : Geneva, Beijing, Shanghai



#### Principal Businesses (As of March 31, 2020)

The KDDI group comprises KDDI, 164 consolidated subsidiaries (105 in Japan, 59 overseas) and 40 equity-method affiliates (33 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 in Japan and overseas (mobile and fixed telecommunications) and life design services

(commerce, finance, energy, entertainment, education etc.) for individuals

**Business Services** : Communication services in Japan and overseas (mobile and fixed telecommunications) and ICT solutions and data

center services for companies

## KDDI Consolidated Performance\*

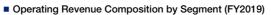
FY2019

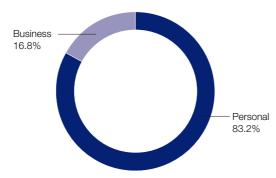
Operating revenue : 5,237,221 million yen Operating income : 1,025,237 million yen Profit for the period attributable : 639,767 million yen

to owners of the parent

\* See the financial summary data in investor relations for details.







Note: From fiscal 2019, we have changed 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

Appendix Table

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).

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 2020 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

FY2019 (April 1, 2019 to March 31, 2020). Some of the included information pertains to activities prior to March 2019 and after April 2020.

#### Scope of Report

Although we report the activities of the KDDI Group (KDDI and its 164 subsidiaries), this report focuses on KDDI only since the ratio of the Group's consolidated sales is approximately 1.29 times KDDI's non-consolidated sales.3

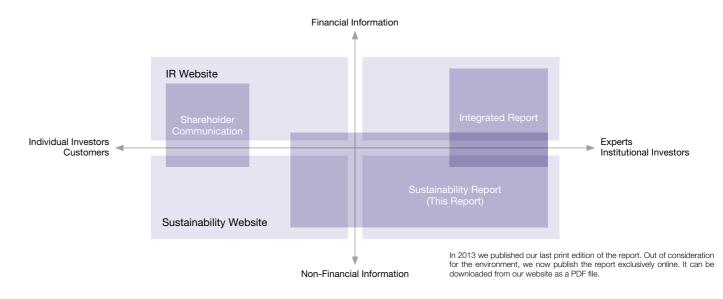
\*Consolidated: based on International Financial Reporting Standards (IFRS). Non-consolidated: based on Japanese GAAP

#### **Publication Date**

September 2020 (Next publication: September 2021; Previous publication: September 2019)

#### **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, 2018 Environmental Reporting Guidelines
- Japan's Ministry of the Environment, 2005 Environmental Reporting Guidelines
- Japan's Ministry of Economy, Trade and Industry, Guidance for Collaborative Value Creation



#### 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. Environmental data for Scope 3 has been verified by WASEDA University, an independent third-party.

# Inquiries

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Stakeholder Engagement

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Appendix Table

# **Appendix Table: Comparative Table with GRI Standards**

KDDI prepared this report by referencing the GRI Sustainability Reporting Standards.

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103-3	Evaluation of the management approach	34-35		
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304-2	Significant impacts of activities, products, and services on biodiversity	N/A		
304-3	Habitats protected or restored	96-97		
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A		
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306-2	Waste by type and disposal method	86, 89, 92		
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306-4	Transport of hazardous waste	86		
306-5	Water bodies affected by water discharges and / or runoff	_		
GRI 307	: Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	86 (N/A)		
GRI 308	3: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria			
308-2	Negative environmental impacts in the supply chain and actions taken	79-80		
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GRI 402	: Labor / Management Relations 2016			
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404-3	Percentage of employees receiving regular performance and career development reviews	60			
GRI 405	: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	59, 61, 73-75, 10			
405-2	Ratio of basic salary and remuneration of women to men	_			
GRI 406	: Non-discrimination 2016				
406-1	Incidents of discrimination and corrective actions taken	34, 73-77			
GRI 407:	: Freedom of Association and Collective Bargaining 2016				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	70, 79-81			
GRI 408	: Child Labor 2016				
408-1	Operations and suppliers at significant risk for incidents of child labor	N/A			
GRI 409:	: Forced or Compulsory Labor 2016				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A			
GRI 410	: Security Practices 2016				
410-1	Security personnel trained in human rights policies or procedures	-			
GRI 411:	: Rights of Indigenous Peoples 2016				
411-1	Incidents of violations involving rights of indigenous peoples	N/A			
GRI 412	: Human Rights Assessment 2016				
412-1	Operations that have been subject to human rights reviews or impact assessments	74			
412-2	Employee training on human rights policies or procedures	6, 34-35, 73-77			
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening				
GRI 413	: Local Communities 2016				
413-1	Operations with local community engagement, impact assessments, and development programs	97, 117-119			
413-2	Operations with significant actual and potential negative impacts on local communities	N/A			
GRI 414:	: Supplier Social Assessment 2016	,			
414-1	New suppliers that were screened using social criteria	79-81			
414-2	Negative social impacts in the supply chain and actions taken	79-81			
GRI 415	: Public Policy 2016				
415-1	Political contributions	77			
GRI 416	: Customer Health and Safety 2016				
416-1	Assessment of the health and safety impacts of product and service categories	53-55			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	N/A			
GRI 417:	: Marketing and Labeling 2016				
417-1	Requirements for product and service information and labeling	53, 95			
417-2	Incidents of non-compliance concerning product and service information and labeling  N/A				
417-3	Incidents of non-compliance concerning marketing communications	112 (N/A)			
GRI 418	: Customer Privacy 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	34 (N/A)			
GRI 419	: Socioeconomic Compliance 2016				
419-1	Non-compliance with laws and regulations in the social and economic area	N/A			
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# Appendix Table: Sustainability Accounting Standards Board (SASB) Comparative Table

KDDI references the sustainability account standards for telecommunication services industry designated by Sustainability Accounting Standards Board

Table 1. Sustainability Disclosure Topics & Accounting Metrics

Topic	SASB Code	Accounting·Metric	Destination of Disclosure
Environmental Footprint of Operations			Environmental Performance → P.88 - 92
	TC-TL-220a.1	Description of policies and practices relating to behavioral advertising and customer privacy	Cyber security and privacy protection → P.44 - 47  Web Link Privacy Policy
Data Drivani	TC-TL-220a.2	Number of customers whose information is used for secondary purposes	Not disclosed
Data Privacy	TC-TL-220a.3	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	Not disclosed
	TC-TL-220a.4	(1) Number of law enforcement requests for customer information     (2) Number of customers whose information was requested     (3) Percentage resulting in disclosure	Not disclosed
	TC-TL-230a.1	(1) Number of data breaches (2) Percentage involving personally identifiable information (PII) (3) Number of customers affected	(1) FY2019 Material KPI Results → P.34 (2) and (3) are not disclosed
Data Security	TC-TL-230a.2	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	Cyber security and privacy protection → P.44 - 47 Innovation management → P.50, 52 Risk management → P.106 - 109 Participation in external initiatives → P.116
Product End-of-life Management	TC-TL-440a.1	(1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled	(1) Promotion of mobile phone recycling → P.95 (2) through (4) are not disclosed
	TC-TL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Not disclosed
Competitive Behavior & Open Internet	TC-TL-520a.2	Average actual sustained download speed of (1) owned and commercially-associated content and (2) non-associated content	Definition of measured value of operating speed (Japanese only)
	TC-TL-520a.3	Description of risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices	Cyber security and privacy protection → P.44 Fulfilled life brought through ICTs → P.48 Respect for human rights and fairness in business → P.72 Risk management → P.108
Managing Systemic Risks	TC-TL-550a.1	(1) System average interruption frequency and     (2) customer average interruption duration	Frequency and Duration of Network Interruption → P.37
Technology Disruptions	TC-TL-550a.2	Discussion of systems to provide unimpeded service during service interruptions	Network Quality Management and Improvement → P.37 Disaster Preparedness → P.40 - 41

#### Table 2. Activity Metrics

SASB Code	Accounting-Metric	Destination of Disclosure
TC-TL-000.A	Number of wireless subscribers	Web Link Major Operational Data
TC-TL-000.B	Number of wireline subscribers	Not disclosed
TC-TL-000.C	Number of broadband subscribers	Web Link Major Operational Data
TC-TL-000.D	Network traffic	Not disclosed