

# Top Commitment



Fumiyuki Kanai

Representative Director,  
President and Chief Executive Officer

**We will create value through technology and dialogue to build the foundations of an affluent sustainable society and to evolve into a resilient corporate group.**

We greatly appreciate your understanding and support for the business activities of KOKUSAI ELECTRIC CORPORATION (“the Company”). We extend our sincere condolences to those who have lost their lives due to COVID-19 and natural disasters.

We also extend our heartfelt sympathy to all who have suffered and hope for a rapid recovery. In this report, we want to show the value creation strategies of the Group, which is striving to realize an affluent and sustainable society, and report the progress made with the strategies with an eye to having even more in-depth dialogue with our stakeholders and opening up new horizons in our business.

## **June 2018 – A fresh start as a pure play manufacturer of semiconductor manufacturing systems**

More than 70 years have passed since the Company was founded in 1949 as Kokusai Electric Co., Ltd. for the main purpose of manufacture and sales of telecommunications equipment and high-frequency equipment. In 2000, the Company merged with Hitachi Denshi, Ltd. and Yagi Antenna Co., Ltd. and changed its name to Hitachi Kokusai Electric Inc., which was the predecessor for the film forming process solutions business.

There has been rapid technological innovation since that time, and the Company has supplied semiconductor

manufacturing systems to meet customer needs while making upfront investment in development amid severe competition in the development, necessary to capture the market needs for technologically complex semiconductor devices.

In recent years, in addition to improving the quality of batch film forming technology and making advances in the product life cycle business, the Company has developed treatment technology that improves post film forming film quality and enhanced this as a new business field.

In 2018, KOKUSAI ELECTRIC embarked on a fresh start as a pure play manufacturer of semiconductor manufacturing systems following a series of reorganizations

that included a TOB from USA investment fund Kohlberg Kravis Roberts & Co. L.P. ("KKR") in 2017. We are now in our fourth year.

## Social and economic trends, trends in the business environment and market conditions since 2020 and earnings for the fiscal year ended March 31, 2021

In addition to the restrictions on various activities of people imposed by the global spread of COVID-19, many natural disasters (torrential rains, hurricanes, forest fires, etc.) have occurred in Japan and abroad that are attributed to climate change, which have been major factors dampening economic recovery. The situation represents a mix of uncertainty for the outlook caused by numerous concerns such as the spread of various strains of the virus, trade frictions, regional conflicts and human rights problems, together with the hopes for an economic recovery based on the global rollout of the COVID-19 vaccines. Under such circumstances, there were also concerns about the impact that the COVID-19 pandemic would have on the semiconductor-related business environment, but the market for semiconductor manufacturing equipment has expanded in parallel with further

growth in the semiconductor market due to the forecast explosive demand for data given the rapid evolution of the infrastructure environment with the Internet of Things (IoT), artificial intelligence (AI), electric vehicles (EV), automated driving, ultra-high speed communications (5G), and digital transformation (DX), as well as the popularity of remote work and e-commerce.

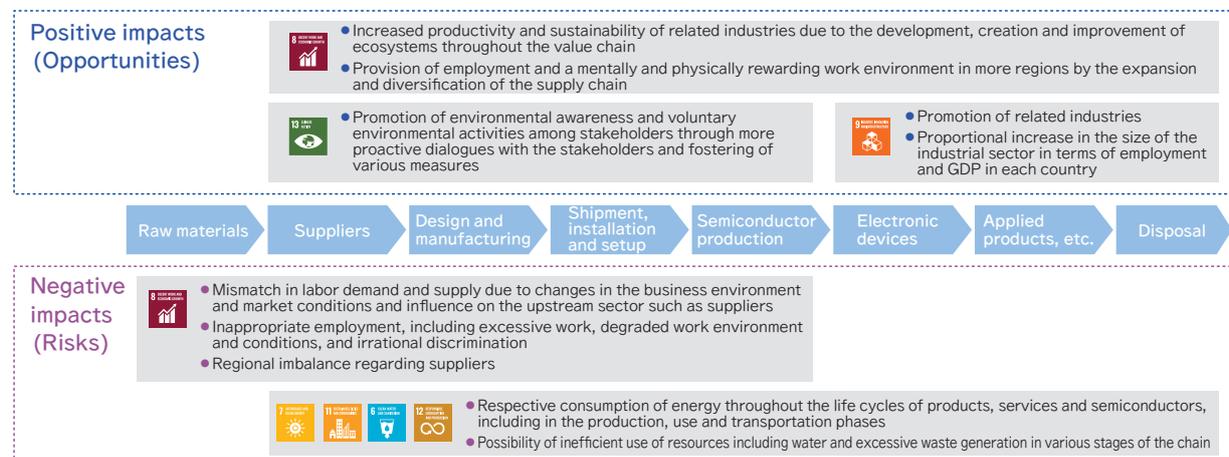
Amid the Company's expanding business environment, in addition to memory such as NAND flash memory, plant/equipment investment for foundries is also firm. The Group's earnings for the current fiscal year exceeded initial plans with revenue of ¥178,023 million and operating profit of ¥60,037 million, both record highs. We once again extend our appreciation to all stakeholders.

## We formulated the medium-term management plan with analysis of the risks and opportunities in the semiconductor value chain

The life cycle of semiconductors created by the Group's products offers tremendous opportunities for the sustainable development of our society, but may also pose risks that can have negative impacts. The Company is committed to ensuring the right direction for our business, always appropriately capturing the risks and opportunities by contributing to the development and evolution of a range of

advanced products, through collaboration and engagement with our stakeholders.

We will steadily foster our business in line with sustainability management and manage our progress based on our newly formulated medium-term management plan, aiming to achieve the predefined numerical targets.



Note: The Sustainable Development Goals (SDGs) are composed of the 17 goals and 169 targets to be attained by 2030, for which governments and companies are expected to take measures immediately.

## Top Commitment

### Proposing products, technologies and services that support a sustainable future

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The Company's basic policy is to provide customers with value that conforms to trends in increasingly diversified, advanced and complex semiconductor devices.

Research and development is the Company's number one priority, and we aim to provide technologies and products with added values that respond to customer needs by accelerating research through the allocation of sufficient personnel and funds to the key Toyama Technology & Manufacturing Center and others.

We also actively promote enhancements to advanced research and development through cooperative operations with universities and outside institutions and collaborations with other companies.

In addition to developing technologies that address the increasingly high functionality and high density of devices, we promote research and development of highly-functional film forming technology that adapts to three-dimensional (3D) multilayer devices and treatment, and curing technology.

In highly-functional film forming technology, our key product is batch system and we promote the development of technology for large batch furnaces that can be applied at lower costs and for mini batch furnaces that can achieve higher functional film forming with precise control.

However, for treatment and curing technology, we promote the development of various applications making free use of revitalization technologies such as plasma.

In addition to the development of these processes and platforms, we promote elemental development of various components such as temperature control, supply systems and exhaust systems, and material development through cooperative operations with material manufacturers, while achieving efficient development through active utilization of simulation technology.

In recent years, the Company has proposed BCD® (Balance Controlled Deposition), a proprietary film forming technology based on a batch furnace, which has produced major outcomes.

While making a major contribution to the realization of 3D-NAND devices with excellent step coverage, we have hopes that this will also address the shift to 3D Logic and DRAM in the future.

In addition, in terms of reducing the environmental impact from products and services, we are investigating and assessing environmentally-friendly design to reduce CO<sub>2</sub> emissions, waste and the use of resources in all processes. We are promoting the development, design and *Monozukuri* for products and services with lower power consumption and greater conservation of resources than traditional products. We also strive to propose products and services with high added value to customers, to realize a low carbon society through environmentally-friendly products.

Note: BCD is a registered trademark of KOKUSAI ELECTRIC CORPORATION in Japan.

### Promoting SDGs-based business reforms

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The Company defines what our role should be in the Corporate Statement "strives to create value through technology and dialogue to realize a sustainable society that is safe, comfortable and vibrant."

With the clarification of various social issues in Japan and overseas, the Group has created opportunities to rethink the Group's significance of existence and mission in society and how we can contribute to addressing these social issues.

We have delved into the details of the Group's risks and opportunities based on SDGs and extracted the

issues that we should address. The Company has examined the direction to be taken and the framework of the business reforms to be made to this end.

Moreover, in order to evaluate the progress made with the reforms and set specific targets, we have identified key performance indicators (KPIs) as quantitative indices. We will use these for progress management and proactively disclose the related information as much as possible through this report and other media.

### 2030 – Achievement of the SDGs-related targets together with business reforms

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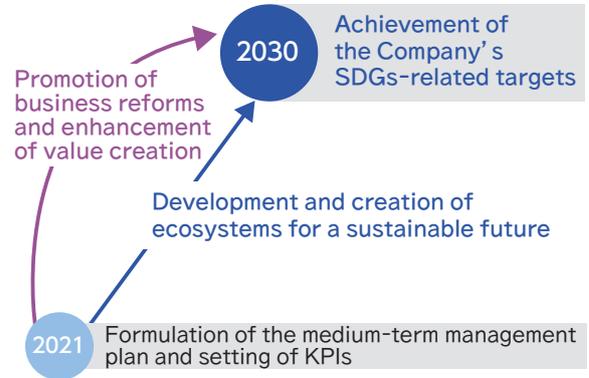
We decided on the direction of the Group's value creation from the SDGs targets to realize a sustainable society by 2030 and we are initiating business reforms as the backbone of our medium- to long-term business strategies.

The Company believes it is particularly important to reduce our environmental impact, respect human rights, recruit and train diverse human resources and enhance our compliance and governance structures. These are expressed as part of the Company's

KOKUSAI ELECTRIC Way and in our Guidelines and Commitments, with the aim of spreading this within the Group and throughout the Company's supply chain.

We have also enhanced the promotion structure, such as with the establishment of a specialist committee within the Company as a forum to discuss the promotion of sustainability management.

#### Roadmap to Achieve the SDGs through Business Reforms



### To become a truly leading company and a creator and a collaborator in the field of film forming.

The Group will do everything possible to establish a system to develop and propose solutions that are useful for the evolving needs of customers and to continuously pursue the long-term future direction.

In addition, we will build a resilient structure able to withstand intensified competition through our accumulated technology and speedy business operations, based on sustainability management, to become a truly leading company and a creator and a collaborator in the field of film forming.

The Company is in its fourth year since its spinoff and launch as a new company, but its staff and

predecessors, with support from all concerned, have been engaged in the development of semiconductor manufacturing equipment for more than 70 years, contributing to the growth of the global semiconductor industry. Their experience and pride have been passed down to the Group. Going forward, we will leverage this corporate DNA in the rapidly changing business environment and bring a fresh perspective to working with all our stakeholders.

We look forward to your continued support and understanding.

