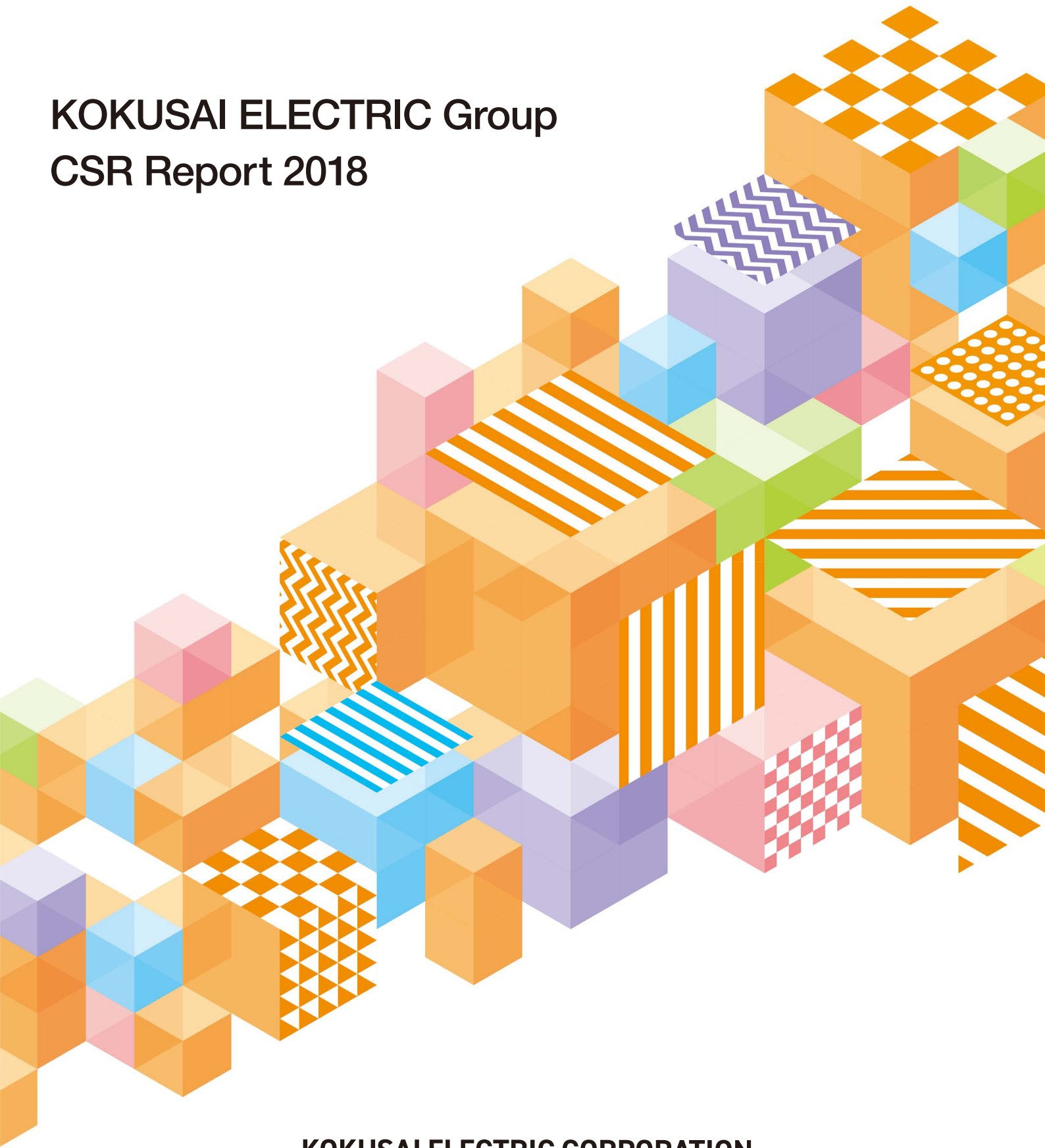




# KOKUSAI ELECTRIC Group CSR Report 2018



**KOKUSAI ELECTRIC CORPORATION**

## Commitment of the President and Chief Executive Officer

# For a sustainable society, we will create value through technology and dialogue.

The Thin Film Process Solutions Segment of Hitachi Kokusai Electric Inc. was spun off from the said company and has made a fresh start as KOKUSAI ELECTRIC CORPORATION (“the Company”). I would like to take this opportunity to share some of my thoughts with our stakeholders. We decided to publish this report to show the value creation strategies of the KOKUSAI ELECTRIC Group (“the Group”), which is committed to contributing to the creation of a sustainable society, and report the progress made with the strategies with an eye to having even more meaningful stakeholder dialogues.

In fiscal 2017, the economy remained favorable both in Japan and the United States, mainly driven by consumer spending and equipment investment. China stably continued its economic growth, propelled by infrastructure investment and expanded personal consumption, while in Europe the economy got a boost led by Germany. As a result, the global economy recorded mild growth as a whole.

Under these circumstances, demand expanded across the entire semiconductor industry due to the spread of the Internet of Things (IoT) in society, growing demand for data centers, expansion of the memory market fueled by the diversification of electronic devices, emergence of the next-generation communication standards, and further progress of AI, self-driving and currency mining. Accordingly, demand for semiconductor manufacturing equipment also expanded, boosting our sales.

As for the future business environment of the Group, the world economy is expected to continue its mild growth and the semiconductor market will also continue its expansion despite some uncertainties, including the outcome of the Brexit negotiations in the EU and trends in international trade. Amid these shifts, the semiconductor manufacturing equipment industry is entering a new growth stage.

As a newly established corporation, the Company will implement the following measures.

The needs of our customers will change in line with the substantial changes being felt in the market, expansion

of the world economy, and subsequent social changes, as well as changes in the global environment. We will work to identify the future needs of our customers, with an eye to establishing a system to develop and propose solutions that are useful for them on a longer-term basis. In the progress of our customers’ business and expansion of their business scope, social and environmental issues to be addressed by them are diversifying, as are their business risks and opportunities. Based on this recognition, we will give first priority to engaging in dialogue with customers. We will make use of our advanced technologies, including the core film forming technology, and foster speedy business operations to make proposals to our customers ahead of market trends and supply high-quality products and services to them to become a truly leading company in the field of film forming.

The Group is committed in its Corporate Statement to creating value through technology and dialogue to realize a sustainable society that is safe, comfortable





and vibrant. We will fulfill this corporate social role by contributing to the development and evolution of a range of advanced electronic devices collaborating with our customers and their customers, while doing all we can do toward 2030 for the achievement of the Sustainable Development Goals (SDGs) adopted at the U.N. Summit held in September 2015.

In order to help achieve a sustainable society from a medium- to long-term viewpoint, we deem it important to reduce the environmental impact caused by our production activities, respect human rights, pursue diversity in our hiring and HR development, comply with laws and regulations, and establish a clean corporate culture based on the globally recognized ISO 26000 guidelines on corporate social responsibility. Accordingly, we make commitments to doing these in the KOKUSAI ELECTRIC Way and the Guidelines and Commitments and make sure all of our directors and employees are aware of these commitments. And we are establishing an in-house system to achieve them, under which we will enter into close dialogues with local stakeholders and creatively work with them for a sustainable future.

KOKUSAI ELECTRIC is a new company, but its staff and predecessors, with support from all concerned, have been engaged in the development of semiconductor manufacturing equipment since April 1956, leading Japan's semiconductor industry and playing an important role in the extremely competitive 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. In this, I would ask for your continued advice and support.

July 31, 2018

Fumiyuki Kanai

President and Chief Executive Officer

## CONTENTS

Commitment of the President and Chief Executive Officer .....	1
What KOKUSAI ELECTRIC Considers Important .....	3
Editorial Policy, Communication Tools of the Company .....	4
Company Outline, Main Products .....	5
Main Centers for Development, Design and Production, Group Network .....	6
<b>SPECIAL REPORT</b> .....	
<b>Value Created through Dialogue with Customers</b>	
We pursue <i>Monozukuri</i> to create value that contributes to the resolution of social issues jointly with customers. ....	7
<b>SOCIAL REPORTS</b> .....	
Pursuing Quality .....	9
Promoting Responsible Procurement Activities .....	10
Respect for Human Rights, Basics and Ethics .....	11
Corporate Governance .....	12
Respecting and Enhancing Human Assets .....	13
Living Together with Communities .....	16
<b>ENVIRONMENTAL REPORTS</b> .....	
Eco-Mind & Global Environmental Management .....	18
Eco-Factories & Offices .....	20
Eco-Friendly, Next-Generation Products .....	22

## What KOKUSAI ELECTRIC Considers Important

KOKUSAI ELECTRIC CORPORATION (the “Company”) and its Group companies consider earning the confidence and meeting the expectations of society through all business activities to be its corporate social responsibility (CSR).

### ■Our Business Management and CSR

In defining the Corporate Statement, the KOKUSAI ELECTRIC Way, and the Guidelines and Commitments, which collectively form the basis of its business management and CSR, the Company thoroughly discussed and considered both the expectations of society toward the Group and important management-related issues.

Our CSR policy is to realize the basic principles set out in the Corporate Statement and the KOKUSAI ELECTRIC Way by ensuring that all officers and employees recognize and act on the Guidelines and Commitments and the KOKUSAI ELECTRIC Group Codes of Conduct.

Through this report and our website, we disclose information on the status and progress of our CSR activities undertaken in accordance with our CSR policy so as to provide a basis for the broad promotion of dialogue with stakeholders concerning the management of our Group.

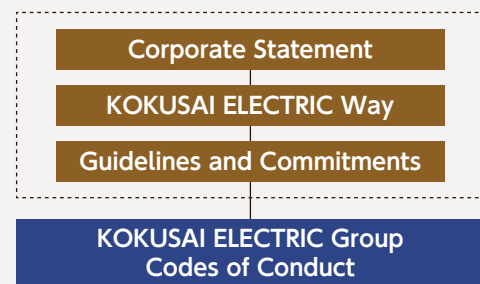
## Corporate Statement and Management Policy

**Corporate Statement** : How our Group should function and significance of its existence

**KOKUSAI ELECTRIC Way** : Basics of the corporate management, the will and value of the Group

**Guidelines and Commitments** : What is considered important in conducting business activities

**KOKUSAI ELECTRIC Group Codes of Conduct** : Specific standards of behavior that should be observed by officers and employees to realize the Corporate Statement



## Corporate Statement, KOKUSAI ELECTRIC Way, and Guidelines and Commitments

### Corporate Statement

The KOKUSAI ELECTRIC Group strives to create value through technology and dialogue to realize a sustainable society that is safe, comfortable and vibrant.

### KOKUSAI ELECTRIC Way

1. Striving for Social Issues : By pursuing *Monozukuri*, the KOKUSAI ELECTRIC Group creates value to contribute to the resolution of social issues jointly with customers.
2. Optimization by Collaboration : By collaborating with stakeholders, it develops and creates ecosystems as a world pioneer with the aim of creating an affluent and sustainable future.
3. Human Assets : It respects the diversity of its human resources and provides them with the opportunity and environment to enhance and perform their abilities.
4. Basics and Ethics : It respects human rights, observes laws and ethics and establishes a clean corporate culture that is admired by society.

*Note : Monozukuri is defined as all creative activities carried out by the KOKUSAI ELECTRIC Group, including the development and provision of products and services, among others.*

### Guidelines and Commitments

For the purpose of implementing the Corporate Statement, in accordance with the KOKUSAI ELECTRIC Way, the KOKUSAI ELECTRIC Group pledges to the dissemination of the following Guidelines and Commitments and to the establishment of effective corporate governance.

1. Through innovations, develop and provide socially useful products and services in which the emphasis is on safety, quality and environmental soundness, thereby promoting business and solving social issues.
2. Engage in fair and free competition, business activities that are based on a commitment to high ethical standards, and

responsible procurement, and observe the spirit as well as the letter of international rules and national laws and regulations.

3. Realize work practices that provide employees with opportunities for further training and growth, and that respect their diversity, character and individuality, and provide a mentally and physically rewarding, safe and healthy work environment.
4. Disclose corporate information and information related to products and services proactively, effectively, fairly and sincerely, and engage in constructive dialogue with a wide range of stakeholders of the KOKUSAI ELECTRIC Group for the creation and expansion of corporate value.
5. Regard environmental problems as issues affecting all people and endeavor to protect the global environment, local living environments and biodiversity as a precondition to continuing business activities.
6. Conduct business that respects the human rights of all persons.
7. As a good corporate citizen, engage in community proactively and contribute to its development.
8. Protect and manage business technology information, individual and customer information and other confidential information in a strict manner, and conduct thorough and organized crisis management by making preparations against terrorism, cyber attacks, actions taken by antisocial forces and natural disasters.
9. Comply with trade-related laws and regulations in order to contribute to the maintenance of international peace and security.
10. Encourage behavior based on these Guidelines and Commitments within the Group’s supply chain. Should a situation arise that runs counter to these Guidelines and Commitments and causes the Group to lose the trust of society, the top management shall fulfill their responsibility by endeavoring to resolve the matter, establish the cause and take steps to prevent a reoccurrence.



## Editorial Policy

### ■Basic Concept

We want this report to serve as an opportunity to communicate and deepen mutual understanding with—and encourage the engagement of—our customers, business partners, colleagues, neighbors, stockholders and many other stakeholders. To that end, we selectively determine the contents and topics for inclusion so as to ensure the report remains readable and easy to understand.

### ■Referenced Guidelines

- GRI\* (Global Reporting Initiative) Standards  
GRI Sustainability Reporting Standards 2016  
GRI Content Index as per the GRI Standards is posted on the “CSR information” page of our website at the same time as the publication of this English version of our CSR report.
- Other
  - ISO (International Organization for Standardization) 26000 (issued in November 2010)
  - Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (revised in May 2011)
  - International Integrated Reporting Council (IIRC) Integrated Reporting Framework (published in December 2013)
  - Sustainable Development Goals (SDGs) (Adopted at the U.N. Summit in September 2015)

\* GRI : A nonprofit organization (NPO) located in the Netherlands. Under a strategic partnership with the United Nations Environment Programme, the GRI helps corporations and public organizations to prepare their environmental reports. It has issued the first guideline in 2000, and published standards in 2016.

### ■Scope of this Report

#### Period

The main period covered is fiscal 2017 (from April 1, 2017 to March 31, 2018)

#### Companies

The Company and its Group companies  
For the Period defined above, however, activities and data of Hitachi Kokusai Electric Inc. and its Group companies or their Thin Film Process Solutions Segment are reported.

Note : On June 1, 2018, the Group became independent from the Hitachi Kokusai Electric Group and made a fresh start as a group of companies mainly engaged in the semiconductor manufacturing equipment business. Accordingly, the “Company Outline” on page 5 and “Group Network” on page 6 are as of June 1, 2018, and for topics related to the business segment, reports are limited to those in the area equivalent to the Company and the Group after the reorganization.

#### Scope of Data

Indicated under each item

#### Note on Figures

Financial values are rounded down to the unit indicated as per accepted financial reporting practice. Figures for environmental and other non-financial data are rounded to the nearest unit indicated.

Note : Regarding the sales figures reported on pages 5 and 6, consolidated revenues were reported there in the previous CSR reports of the Hitachi Kokusai Electric Group. However in this CSR Report 2018, in consideration of the statutory scope of disclosure applied to the Company, we show unconsolidated sales of Hitachi Kokusai Electric Inc. based on the Japanese criteria, including sales for previous fiscal years.

### ■Next Issue

The next report is planned to be issued in September 2019.

## Communication Tools of the Company

Information about the Group’s business activities is posted on the website of the Company, including the PDF version of this KOKUSAI ELECTRIC Group CSR Report 2018 as well as detailed information and updates that cannot be included in the CSR report.

### ■Website on the Internet

We post information for customers, corporate information and employment information on our website.



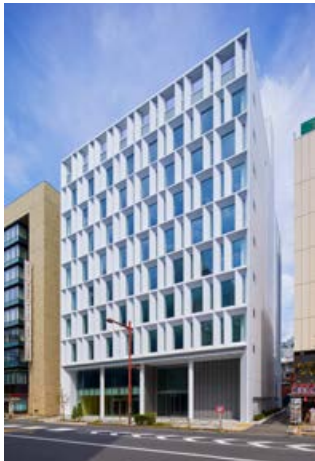
Our website on the Internet

To access the Company’s website:



<https://www.kokusai-electric.com/en/>

**Company Outline** (as of June 1, 2018)



Head office  
(oak Kanda Kaji-cho Building 5F)

**Name**  
KOKUSAI ELECTRIC CORPORATION

**Address of Head office**  
3-4, Kanda Kaji-cho, Chiyoda-ku,  
TOKYO 101-0045, Japan

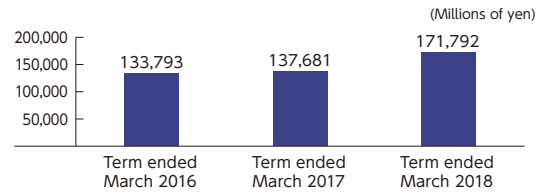
**Established**  
February 2, 2017

**Paid-in Capital**  
¥7,500.025 million

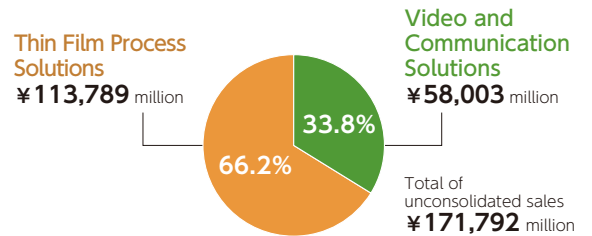
**Employees**  
940 (Unconsolidated)

Note : On June 1, 2018, the Thin Film Process Solutions Segment became independent from Hitachi Kokusai Electric Inc. and made a fresh start as a new company.

**Unconsolidated Sales of Hitachi Kokusai Electric Inc.**



**Sales of Hitachi Kokusai Electric Inc. by Segment**



**Main Products**

**Semiconductor Manufacturing Equipment**



Batch SiGe / Si Epitaxial Growth System



Single Wafer Plasma Nitridation / Oxidation System



Batch Thermal Process System



Single Wafer Annealing System



High-quality & High-performance Thermal Process System

## ■ Main Centers for Development, Design and Production



### Toyama Technology & Manufacturing Center

Located in Yatsuo-machi, Toyama, with a view of the Tateyama mountain range, this factory has special-purpose clean rooms where semiconductor manufacturing equipment for next-generation processes is developed, designed and produced to meet the demanding needs of major users worldwide.



### Head Office, Main Factory of Kook Je Electric Korea Co., Ltd.

Located in Cheonan-si, Chungnam, about 100 km south of Seoul, the capital of South Korea, Kook Je Electric Korea Co., Ltd. designs, produces and retrofits semiconductor manufacturing systems, supplying products mainly to users in South Korea.



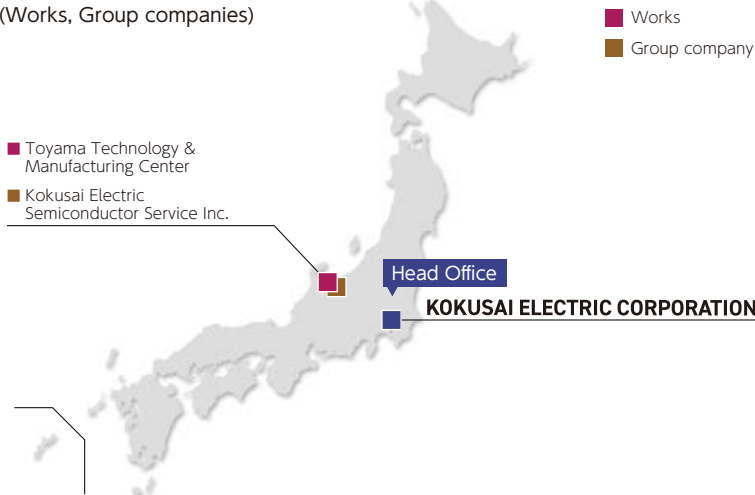
### Pyeongtaek Factory of Kook Je Electric Korea Co., Ltd.

Pyeongtaek in Gyeonggi Province is located to the south of Seoul, the capital of South Korea. The factory mainly develops semiconductor manufacturing equipment. It will meet local users' needs for advanced technologies and products based on the concept of local production for local consumption.

## ■ Group Network (as of June 1, 2018)

### Domestic Network

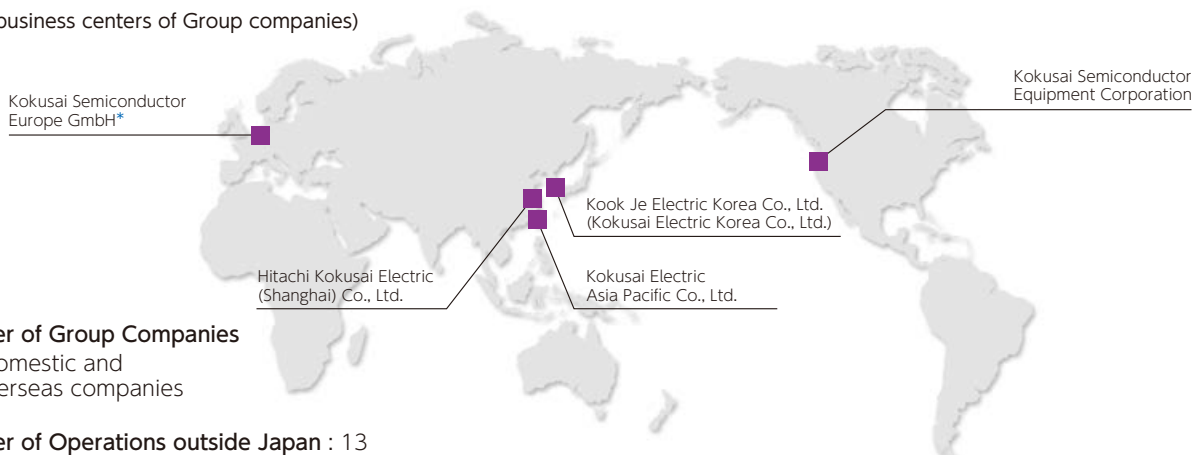
(Works, Group companies)



Number of Operations in Japan : 3  
(Chiyoda-ku, Tokyo, Toyama-shi, Toyama, and Kamiichi-machi, Toyama)

### Overseas Network

(Major business centers of Group companies)



Number of Group Companies  
One domestic and five overseas companies

Number of Operations outside Japan : 13

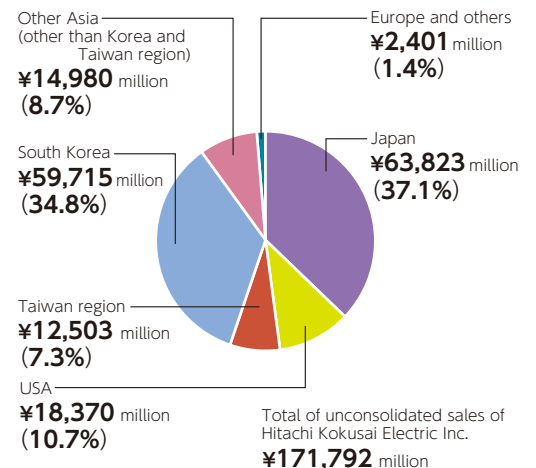
Note : In addition to the five bases shown on the map, the following sites were included in the count:

Vancouver Office of Kokusai Semiconductor Equipment Corporation, Israel Office and Dublin Office of Kokusai Semiconductor Europe GmbH, Singapore Branch and three service centers located in Taiwan of Kokusai Electric Asia Pacific Co., Ltd., and Pyeongtaek Factory of Kook Je Electric Korea Co., Ltd.

\*Hitachi Kokusai Semiconductor Europe GmbH will change its name to Kokusai Semiconductor Europe GmbH, as shown on the map, after the necessary procedures have been completed.

## ■ Sales by Region of Hitachi Kokusai Electric Inc.

(Term ended March 2018)



Note : The sales are calculated based on the customer locations.





# Value Created through Dialogue with Customers

We pursue *Monozukuri* to create value that contributes to the resolution of social issues jointly with customers.

## 1 TSURUGI-C<sup>2®</sup>, High-Quality Film Forming and High-Performance Semiconductor Manufacturing System

Using leading-edge technologies, we create the future with customers

In response to the accelerated expansion of three-dimensional multilayered semiconductor devices, the Company developed the TSURUGI-C<sup>2®</sup>\* high-quality film forming and high-performance semiconductor manufacturing system by adopting a new reactor. We incorporated leading-edge technologies into the equipment to provide high-quality and uniform film forming performance.

The technological needs of customers are highly demanding, including the need to form high-quality films

with uniform thickness on 3D structures, measures to minimize foreign matter for higher yield, and the minimum sizing of the reactor to reduce the time required for high-quality film forming.

Responding to these needs, we are working with our customers to increase the quality of next-generation devices while reducing the production cost.

\* TSURUGI-C<sup>2</sup> is a registered trademark of KOKUSAI ELECTRIC CORPORATION.



Mt. Tsurugi and TSURUGI-C<sup>2®</sup>

### VOICE

The system was named "TSURUGI" after Mt. Tsurugi in the Tateyama mountain range, of which the people of Toyama are very proud. We developed the system based on the concept of focusing on our process technology, and this concept was highly appreciated by our customers. As we head into the age of three-dimensional multilayered structures, we will create products that serve as a mainstay for the Company's profitability while contributing to society with our system development technologies.



Satoshi Taniyama  
Thin Film Equipment Engineering Department II

## 2 SCQI Award Received from Intel Corporation

We received the 2017 Supplier Continuous Quality Improvement (SCQI) award from Intel Corporation.

"Intel is very pleased to recognize the outstanding performance of our award winning suppliers in 2017," said Robert Bruck, Corporate Vice President and General Manager of Global Supply Management at Intel. "They have demonstrated industry-leading technology innovation, accelerated ramp speeds, operational excellence, and social responsibility. Our close collaboration with these suppliers continues to be a vital part of Intel's success in delivering the world's best silicon solutions."



2017 SCQI award trophy



SCQI award ceremony  
Photo provided by Intel Corporation

### VOICE

Only seven companies, including ourselves, received the SCQI award from a field of around 16,000 Intel suppliers. We feel very honored to receive the award and all of us will work on further quality improvement.

Tsuyoshi Okamoto  
North America & Europe Sales Department



### 3 Internal Collaboration System to Enhance Support for Customers' Technology Development

Kokusai Semiconductor Equipment Corporation (KSEC) launched an internal collaboration system using Microsoft SharePoint®, which is used to store and manage internal documents.

Based on this system, employees form teams by project, and now members of the teams can share, update and store all related information and access the latest data at any time. This system is quite effective for a technology development department that is implementing multiple projects concurrently for customers.

\* SharePoint is a registered trademark of Microsoft Corporation in the United States and other countries.

#### VOICE

The KSEC development support team has members at three locations, and the system helps the members store documents appropriately and more promptly. It enables all team members to access the same document without fail, eliminating the risk that some might access an older version. All members can now communicate smoothly with each other and use the latest project information. In particular, the system allows any of them to describe the status of the project clearly to customers, which is really important.

**Martin Rodriquez**  
Tech Support Manager, KSEC



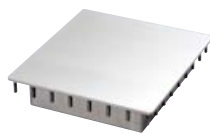
### 4 Highly Reliable Ultrasonic Cleaner for Use by Semiconductor-Related Manufacturers

Kokusai Electric Semiconductor Service Inc. (KSS) produces and sells ultrasonic oscillators and ultrasonic transducers, both of which are used for ultrasonic cleaning.

Ultrasonic cleaners are best known as devices used for cleaning eyeglasses and jewelry, but they are also used to clean semiconductor devices. KSS's products are widely adopted by the leading manufacturers of semiconductor



Ultrasonic oscillator



Ultrasonic transducer

cleaning equipment and used in semiconductor plants across the world.

#### VOICE

There are ultrasonic medical equipment (for echography), ultrasonic atomizers (aroma diffusers) and ultrasonic stain removers in addition to ultrasonic cleaners. They are used in our daily life. I would like to contribute to society by expanding the application of ultrasonic waves in creative ways.

**Masaki Okawa**  
Engineering Department, Applied Electronics Division, KSS

### 5 Contributing to Customers' BCPs by Proposing Anti-seismic/ Seismic Isolation Methods

In Japan, a country prone to natural disasters, it is very important for companies to make business continuity plans (BCPs) to ensure the early recovery of business after an earthquake.

Kokusai Electric Semiconductor Service Inc. (KSS) has been proposing seismic reinforcement measures for semiconductor manufacturing equipment since 1999, when a large earthquake struck Taiwan, and has also proposed the installation of seismic isolation bases at the bottom of equipment since the occurrence of the Great East Japan Earthquake in 2011. KSS's proposals have mainly been adopted by companies in the automobile industry, which attributes importance to BCPs. When a large earthquake hit Kumamoto in 2016, our proposals proved effective in helping customers to minimize the damage caused to their equipment and achieve an early recovery of their business.

#### VOICE

In the event of an earthquake, we need to dispatch personnel to the afflicted customers, procure necessary materials, collect information and supervise the overall management of the situation as essential measures. KSS has gone through the process of recovery from a large earthquake repeatedly and all of its employees are aware of the importance of promptly building an emergency response system. Based on the strong relationships that we have built with customers through daily operations, we make it a rule to check the status of their equipment after an earthquake, even a minor one, on a 24-hour basis as part of our preventive measures against contingencies.

**Masaharu Kitazuka**  
Service Operation Division, KSS

**Inquiries about anti-seismic/seismic isolation measures:** Please contact the nearest service base of the Group by phone or fax.



# Pursuing Quality

In accordance with the Basics and Ethics, we think and act from the customer's point of view, and work hard to continuously improve each business process.

## Customer First

We devote ourselves to *Monozukuri* on a customer-first principle, and develop and provide products and services in which emphasis is placed on safety, quality, and environmental soundness, in order to earn the trust and confidence of our customers and society.

## Providing Safe Products and Services

We comply not only with the Product Liability (PL) Law, domestic and international laws, and safety standards, but observe also internal standards for further safety in an attempt to improve the level of quality, thereby providing customers with safe and high-quality products and services. Moreover, in quality assurance meetings, we share information and promote activities for preventing nonconformities based on case studies of failure occurring both internally and externally.

## Policy to Improve Quality

We are certified under ISO 9001 (quality management systems) at our production sites within and outside Japan and are continuously improving our quality management system by using the PDCA cycle in the process approach. We also work to further satisfy various requirements of customers for products and services.

## Policy to Address Quality Problems

We conduct a series of review and recurrence prevention activities based on thinking and acting from the customer's point of view. Called *Ochibo Hiroi* (i.e. "gleaning"), these activities help us identify the direct technical causes of problems and the motivational problems that led to those causes, and involve work to prevent recurrence and verify similar products in an attempt to prevent problems.

## Efforts to Enhance the Global Network

We work to further improve the quality of products and services by exchanging personnel involved in quality assurance and supporting their activities across Group companies, including those outside Japan.

### Flows of Quality Improvements



## TOPIC

### Prizes in VLSI Research's Customer Satisfaction Survey for 21 consecutive years

In May 2018, the Company was awarded prizes in four categories—The "10 BEST"\*<sup>1</sup>, "THE BEST"\*<sup>2</sup> (two categories) and "RANKED 1st"\*<sup>3</sup>—in the annual customer satisfaction survey on semiconductor manufacturing systems conducted by U.S.-based market research company VLSI Research\*<sup>4</sup>.

This is the Company's 21st consecutive year winning the 10 BEST award and its third year earning the RANKED 1st award as a result of it having earned a high evaluation for technical leadership and the high levels of product performance and quality of its equipment.

\*1 The "10 BEST" : The 10 BEST awards are for large chip making equipment manufacturers as a whole.

\*2 "THE BEST" : THE BEST awards recognize more defined markets for each manufacturer. The Company was awarded in the "Suppliers of Fab Equipment" and "Suppliers of Wafer Fab Equipment to Foundation Chip Makers" categories.

\*3 "RANKED 1st" : The RANKED 1st awards place a special distinction on suppliers that achieve the highest rating from customers in any survey category. The Company's award was earned in deposition equipment.

\*4 VLSI Research : VLSI Research Inc., a provider of customer satisfaction surveys and market analysis in the areas of semiconductors, photovoltaics, LEDs, manufacturing, materials, critical subsystems, and related industries. VLSI Research has an established reputation for providing semiconductor industry analyses.



The official logos for the Awards won ©VLSI Research Inc.

To inquire about our products and services:

<https://www.kokusai-electric.com/en/contact/>

● Service companies:  
<https://www.kokusai-electric.com/en/company/list/>

Note : Inquiries concerning quality problems and repairs are addressed by the relevant sales and service staff.



# Promoting Responsible Procurement Activities

We will promote CSR procurement from a global perspective in cooperation with our business partners.

## Basic Policy for Material Procurement

The KOKUSAI ELECTRIC Group procures materials, commodities and services necessary for production and supply from global markets, ensuring appropriate prices, delivery dates and quality in order to provide its customers with products that are valuable and satisfactory.

The Group also emphasizes strict compliance with laws and environmental considerations, engages in fair and open transactions, and promotes the cultivation of partnerships with its suppliers.

## CSR-Oriented Procurement Activities

The Company is working to promote CSR supply chain management. As part of such efforts, we have distributed the “Group Supply-Chain CSR Procurement Guidelines” to 260 suppliers in order to share CSR awareness across the supply chain.

As business operations become increasingly global, the possibility that a procurement risk in the supply chain may cause a management problem to the Company is increasing. We select suppliers in a fair manner through appropriate procedures, taking into consideration not only material quality, delivery dates and prices, and the technological development capabilities of the suppliers, but also examining their human rights and labor practices along with their status in terms of corporate ethics and legal compliance to determine whether they fulfill their social responsibility.

## Reinforcement of Partnerships

The Company promotes the development of reciprocal relationships with business partners. Through our business partner meetings (BPMs) and the New Year reception, we work to maintain fair trade relations and reinforce partnerships through information sharing.

In the New Year reception held in January, we share our medium- to long-term business policies with executives of our business partners and give commendations to excellent partners. In the biannual BPM, we brief attendees on our business policies and trends as well as our procurement, production, quality and CSR measures to strengthen mutually beneficial “win-win” relationships with business partners by pursuing proactive communication and interaction.



BPM held on April 13, 2018 with the participation of 164 people from 121 business partners

## Promotion of Globalization

As global procurement measures, we share procurement strategies with overseas production bases and assist them in procurement so as to strengthen our global partnerships

for procurement. Procurement staff members from the Company were stationed in South Korea from 2016 to 2017 to promote local-production-for-local-consumption-oriented global procurement and develop and train local staff. Furthermore, to support procurement operations at business bases outside Japan, we have appointed dedicated staff members within the Company to work in close collaboration with local procurement staff. We will work to further promote integrated global procurement.

## Deployment of Procurement BCP

If a business partner with whom we cooperate is affected by a natural disaster, such as a large-scale earthquake, it could have a major impact not only on our own business operations and those of our partners, but also on the broader society.

To minimize such an impact, we have been formulating a Procurement Business Continuity Plan (“BCP”) (thorough standardization, promotion of multi-sourcing, consideration of alternative materials, etc.). We are now working to improve and strengthen the BCP by updating the registered information (including information at domestic Group companies) to keep it current and regularly verifying its effectiveness.

## Measures against the Issue of Conflict Minerals

The Company is committed to the responsible sourcing of minerals (conflict minerals) from the Republic of the Congo (DRC) and adjoining countries. We will continue striving to enhance the transparency of supply chains and conduct procurement activities that do not benefit armed groups that encroach upon human rights.

## VOICE

### Business Partner who received the Fiscal 2017 Most Excellent Performance Award

We are honored to receive a commendation as the most excellent business partner for fiscal 2017.

I would like to thank all our business partners for the support they have given to our production activities, which we conducted under the instruction of your company.

Every member of our team will continue to make a concerted effort to make more contributions to the growth of your company by establishing a production system that meets the needs of the growing semiconductor market. I would ask for your continued advice and pray for the further development of your company.

Mr. Kaneyoshi Miyano, President of Tateyama Machine (left)



Tateyama Machine Co., Ltd.



# Respect for Human Rights, Basics and Ethics

We respect human rights, observe laws and ethics, and establish a clean corporate culture that is admired by society.

## Respect for Human Rights

The Company upholds respect for human rights in the KOKUSAI ELECTRIC Way and commits to conduct business that respects the human rights of all people. We also specify the details of this promise in the KOKUSAI ELECTRIC Group Codes of Conduct and ensure all Group members are made well aware of them.

### ■ KOKUSAI ELECTRIC Group Codes of Conduct (3. Respect for Human Rights)

- (1) We will understand internationally recognized human rights, respect the human rights of all people in relation to our business activities, and strive not to infringe upon their human rights.
- (2) We will undertake appropriate due diligence with regard to human rights in each country where we operate in accordance with local social conditions and the features of the business, products and services.
- (3) We will work to establish a system designed to identify all potential infringements on human rights and prevent their occurrence. In the event that such infringement does occur, we will promptly follow the appropriate internal and external procedures for corrective actions and relief measures.
- (4) We will cooperate with a range of stakeholders to contribute to the creation of an inclusive society by supporting the independence of socially vulnerable groups whose human rights tend to be infringed upon.
- (5) In all our business activities, including the hiring and treatment of employees, we will respect the human rights of individuals and refrain from any act that would undermine individual dignity or constitute discrimination on the basis of gender, sexual orientation, age, nationality, race, ethnicity, ideology, belief, religion, social status, family origin, disease or disability.
- (6) We will employ people in line with the laws and regulations of each country and region and based on related international norms. We will not employ children who are below the minimum working age or force employees to work against their will.
- (7) In line with the laws, regulations and labor practices of each country and region, and based on related international norms, we will strive to ensure employees and management work together to better understand each other's problems and resolve issues jointly through genuine and constructive dialogue.

### ■ Giving Consideration to Human Rights in the Expansion of Business

When acquiring a company or establishing a new one, we have a system in place to share the KOKUSAI ELECTRIC Way, Guidelines and Commitments, and the KOKUSAI ELECTRIC Group Codes of Conduct, which include our policy to respect human rights, with local executives of the acquired/new company and evaluate the related risks.

### ■ Training to Increase Awareness around Human Rights

We conduct activities to make employees more aware of human rights and prevent discrimination based on race, nationality, gender and others. We also triennially provide all Group employees, including those outside Japan, with training to encourage them to respect the human rights of all people in relation to the Group's business activities, products and services.

### ■ Respect of Basic Rights at Work

Considering the laws and regulations and labor practices in each nation and region, and respecting the basic rights of employees presented as the principles of the United Nations Global Compact, our Group will strive to have employees and managers better understand each other's problems and resolve issues jointly through genuine and constructive dialog.

### ■ Human Rights Consideration of Personnel Assuring Security and Safety

Personnel of a company in charge of guarding property, security control, loss prevention, and escorting persons, goods and valuables have chance to face risks that arise from inappropriate actions or approaches unintentionally affecting human rights. Since the corporate administration departments are in charge of these in our Group, all the personnel of our Company's Human Resources and Corporate Administration Department and our Group's corporate administration departments in Japan have received business training including human rights consideration and thoroughly learned to adopt appropriate manners.

## Collaboration with Stakeholders

The Group promotes positive dialogue with all stakeholders, including customers, builds relationships based on mutual trust, and engages them in value creation.

Our Commitment to Stakeholders		Examples of dialogue	Response departments
Customers	Create value to contribute to the resolution of social issues jointly with customers	Customer visits by sales personnel, business negotiations at exhibitions, response to inquiries, and consultations from customers	Sales and quality assurance departments
Employees	Give opportunities for further training and growth and provide a mentally and physically rewarding, safe and healthy work environment	Labor-management council, small-group suggestion activities/presentation sessions, sharing of employee survey results and follow-up activities, use of intranet	Human Resources & Corporate Administration Department
Business partners	Engage in fair and free competition, appropriate business transactions and responsible procurement activities	Business partner meetings, individual material purchasing negotiations, CSR survey of business partners	Procurement Department
Communities	Participate in community proactively to contribute to its growth	Participation in local activities, joint disaster drills with local fire stations	Human Resources & Corporate Administration Department
Shareholders/investors	Engage in constructive dialogue with a range of stakeholders for the creation and expansion of corporate value	General Meeting of Shareholders, meetings of the Board of Directors, and meetings on structural reforms	Business Operation Planning Department, Legal Department, and Finance & Accounting Department



## Identifying and Addressing Risks Properly

### Compliance

Bid rigging and the formation of cartels are criminal acts against society. Efforts to eradicate these unlawful acts and enhance competitiveness will lead to improved corporate structures and customer-first operations. Furthermore, there is growing social interest in the prevention of bribery of public officials, etc. inside and outside Japan. Reflecting growing concerns in the international area such as the issue of nuclear development, export control is also assuming greater importance. For these risks, with the Corporate Management Division taking the lead, we are implementing education and conducting periodic audits targeted at the entire Group, updating their scope as necessary. Moreover, we maintain a system in which any risks are reported immediately to top management. Through all these, we are working to ensure that the strong interests of top management concerning compliance, that is, to live up to the trust and expectations of society, are thoroughly pursued throughout the Group, with both top-down and bottom-up measures.

As for the proper management and handling of confidential information of the Company and other firms, the protection of personal information, etc., the Company's department in charge of information security educates and enlightens employees regularly and as necessary. Regarding the observance of other laws and company rules and the prevention of disreputable incidents, the relevant departments, the Legal Department, and the Human Resources & Corporate Administration Department jointly educate and enlighten employees regularly and as necessary. Meanwhile, internal auditors carry out audits of the entire Group on a regular basis.

## Corporate Governance

### Basic Approach to Corporate Governance

The Company formulated the KOKUSAI ELECTRIC Way and the Guidelines and Commitments and promises in the Corporate Statement to create value through technology and dialogue to realize a sustainable society that is safe, comfortable and vibrant. As a specific set of norms, we also have the KOKUSAI ELECTRIC Group Codes of Conduct. We manage and conduct business by sharing these principles with Group companies.

In order to achieve the sustainable growth of the Group and increase its corporate value on a medium- to long-term basis based on the aforementioned principles, we will establish and maintain optimal corporate governance in accordance with the following basic views:

1. Respect the rights of stockholders and have dialogues with them in a constructive manner.
2. Endeavor to appropriately cooperate with stakeholders.
3. Develop a system and environment to secure the effectiveness of the Board of Directors, and endeavor to enhance its functions.

### Corporate Governance Structure

The Company has adopted a "Company with Company Auditors" system. The Board of Directors decides on the Company's basic management policies and important business issues, and delegates decision-making authority within the statutory scope to directors in charge of business execution. By appointing executive officers, we intend to increase our business efficiency. The Board of Directors monitors and supervises business execution as a whole and builds necessary systems, while corporate auditors check whether the Board and the directors are executing business appropriately and monitoring/supervising the operation. The auditors also conduct surveys as required, and report the results and propose improvement plans to the Board of Directors. Through this governance system, the Company ensures the appropriateness of its business operations while promoting management reforms.

### Outline of Corporate Governance Structure

#### 1. Execution of Business

Within the scope of statutory and regulatory requirements, considerable authority is delegated to directors in charge of business execution with respect to matters related to management decisions.

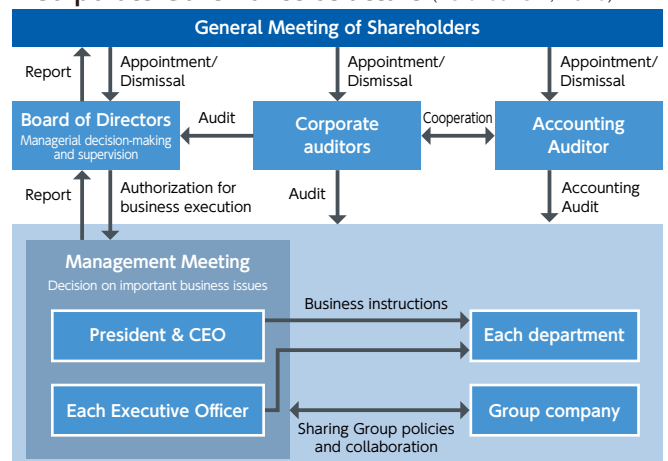
While individual Executive Officers are provided with decision-making authority and execute operations for their particular areas of responsibility in accordance with the segregation of duties determined by the Board of Directors, a Management Meeting comprising all Executive Officers and corporate auditors is held to deliberate matters of major importance, excluding matters decided by the Board of Directors, in order to ensure the adequacy of decision-making.

All other operational matters for determination by Executive Officers are defined in the Company's internal rules and regulations by their type and content. All necessary procedures are taken in accordance with these internal rules and regulations.

#### 2. Auditing

Corporate auditors carry out audits and conduct surveys on management activities, including the execution of business operations.

#### ■ Corporate Governance Structure (As of June 1, 2018)





# Respecting and Enhancing Human Assets

We respect the diversity of human resources, and provide them with the opportunity and environment to enhance and perform their abilities.

## Measures to Develop Human Resources

### 1. Our Basic Philosophy on Human Resources Development and Basic Policies for the Present Fiscal Year

Our basic philosophy is to train workers who “learn on their own, think on their own and act on their own.” We aim to develop individuals who are always eager to explore and learn, enjoy overcoming challenges, and continue to evolve every day.

With regard to human resources development, we have defined the following four basic policies for this fiscal year.

- I. Help improve basic skills and learn advanced technologies as well as technologies in new fields
- II. Give full education on health & safety, the environment and CSR
- III. Develop global human resources for business operations outside Japan
- IV. Help assistant managers enhance their motivation and skills

### 2. Training of Global Human Resources

With the aim of developing people who can contribute to expanding global business, we have continued to implement the following training programs.

#### (1) Training young employees to cultivate a global mindset

In order to foster a global mindset among new employees, we provide various types of training in our introductory training for new employees, including English speech contests, sessions for learning about different cultures, TOEIC®\* tests, and support for personal development.

For employees who have been with us for five years or less, we set target scores for TOEIC® and provide support to help them achieve their target scores in the form of seminars on how to study English and English learning tools such as correspondence and e-learning courses. We also place emphasis on improving employees' practical speaking skills, and we encourage those who get a high TOEIC® score to take speaking tests.

\* TOEIC is a registered trademark of Educational Testing Service (ETS) of the United States.

#### (2) Holding English conversation classes inside the company

In order to help employees acquire world-class competencies and proactively communicate with native English speakers, we hold internal English conversation classes taught by native-speaker instructors. At the Toyama Technology & Manufacturing Center, a small-group lesson is given every week with the participation of young employees and other members.

#### (3) Human resource development support for overseas Group companies

With the aim of training local employees of overseas Group companies, we implement a human resource development support program under which employees selected from overseas Group companies are invited to Japan to gain work experience at the Company. In fiscal 2017, we accepted four local employees under the program, which is intended to help them improve their skills through OJT, acquire knowledge on

new equipment and cutting-edge technologies, and develop personal relationships with Japanese employees in related departments.

This program has helped develop employees who can contribute to expanding global business operations, including those of Group companies in and outside Japan. Furthermore, by providing opportunities for people with diverse backgrounds to mix and work together, this program has contributed to fostering diversity awareness among Japanese employees.

## Work-life Balance

### Support for Balancing Work and Family Life

Recognizing the importance of achieving a good balance between “a sound and comfortable life” and “rewarding and fulfilling work,” we have been working to develop and enrich programs that help workers realize a good balance between work and family responsibilities such as child rearing and nursing care.

#### ■ Designation of No-Overtime Days and No-Working-on-Day-Off Days

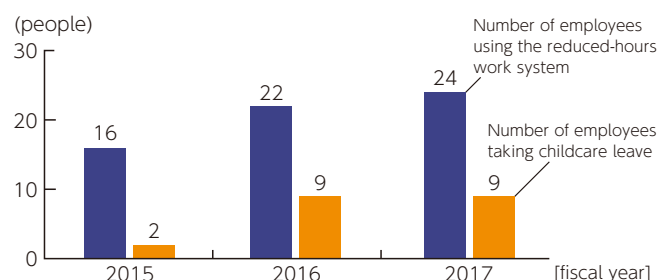
As a joint labor-management initiative to promote no-overtime days, we encourage employees to leave work on time every Wednesday and also designate the second and fourth Wednesdays of each month as “No-Overtime Days.” We have also extended the period during which employees can take a compensatory day off from a period of one month after working on a holiday to a period of two months after doing so in the following case: the employee has taken an international business trip during a Japanese vacation period (Golden Week/summer/New Year holidays). We have thereby made it easier for employees to take compensatory days off.

#### “Allowance for Balancing Child Care and Work” Program

As part of efforts to create an environment where employees rearing children can continue to make a full contribution at work, we introduced the “Allowance for Balancing Child Care and Work” program on April 1, 2017. This program provides employees who are raising a preschool-aged child or children, whether in a dual-income household or as a single parent, with financial assistance to cover child-rearing expenses, such as preschool fees and babysitting costs.

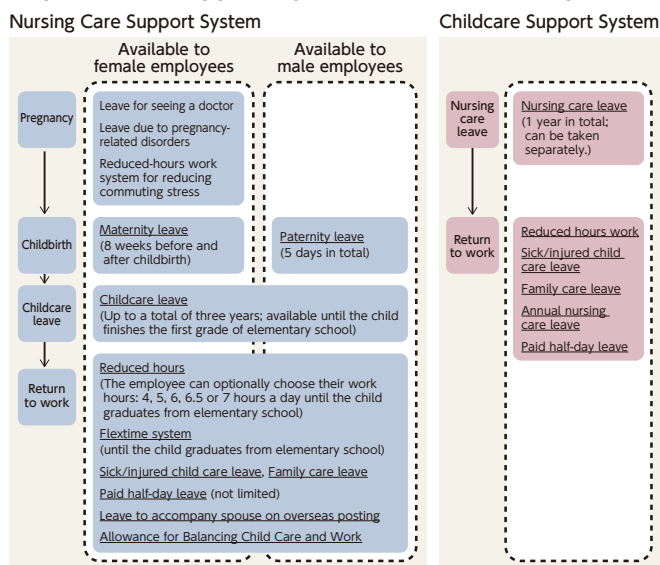
#### ■ The number of employees who took childcare leave and those who used the reduced-hours work system\*

(The semiconductor process business division of Hitachi Kokusai Electric Inc.)



\* Employees who used the reduced-hours work system: Those working shorter hours than normal in order to fulfill parental, nursing care or similar responsibilities

## ■ Systems for supporting child care and nursing care



(Underlining indicates contents of a system or a system itself that exceeds the legal obligations.)

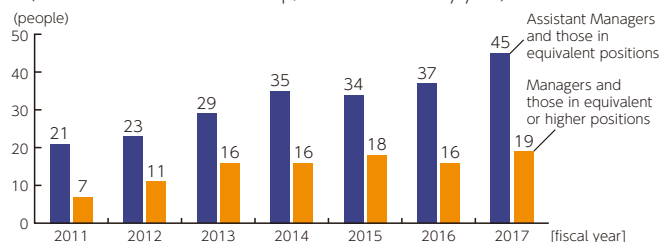
## Efforts to Promote Female Empowerment in the Workplace

With the aim of raising the motivation of female employees toward career development, the Company has been holding a two-day career seminar for female career-track employees. We created a three-year plan from fiscal 2014 to provide all female career-track employees with the opportunity to attend the seminar.

The seminar includes a lecture by an invited guest speaker on the environment surrounding working women, a panel discussion hosted by female managers at the Company, and group discussions to provide participants with the opportunity to think about their career development and medium- to long-term career path.

### ■ Number of female managers

(Hitachi Kokusai Electric Group, as of June 1 every year)



## Workplace Diversity

We promote the employment of people with disabilities and the reemployment of older employees. We have adopted a reemployment system for older workers that allows employees who have reached retirement age to extend their employment to age 65. Many employees choose to utilize this system, which enables them to pass on their long-accumulated experience and professional skills to younger workers.

To promote the employment of people with disabilities, we operate an internship program for disabled job

candidates that allows the Company to assess the intern's work skills and abilities while giving the intern the chance to try out the working environment, etc. As of March 1, 2018, Hitachi Kokusai Electric Inc. satisfied the mandated employment quota (2.0%).

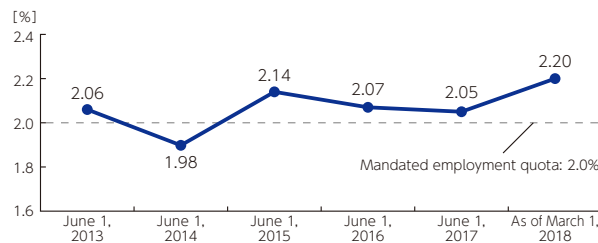
### ■ Consultation counter for persons with disabilities

Based on the Revised Act on the Promotion of the Employment of Disabled Persons, which took into effect in April 2016, we have established a system for supporting both employees with disabilities and their workplaces, setting up a consultation counter in order to respond appropriately to their needs and concerns.

The consultation counter responds to both inquiries from employees with disabilities and inquiries from workplaces regarding issues associated with the employment of persons with disabilities. The consultation counter also provides advice and assistance to workplaces regarding reasonable accommodations.

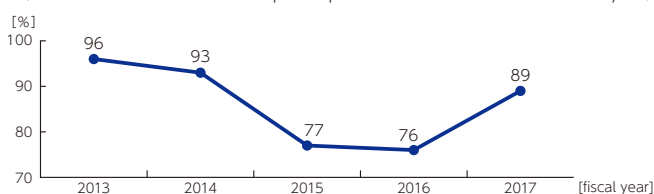
### ■ Employment of people with disabilities

(Hitachi Kokusai Electric Group in Japan, but the data for 2014 and before are for Hitachi Kokusai Electric Inc. only.)



### ■ Reemployment of older workers

(Hitachi Kokusai Electric Group in Japan, actual results for each fiscal year)



## Anti-disaster Measures

The Toyama Technology & Manufacturing Center held a comprehensive evacuation drill.

In the drill, which was the first to be held on the premises following the start of operation of the new "Building-Tsurugi", members of the disaster response headquarters, internal firefighting team, each workplace, and the security office cooperated with each other at locations across the site, including at the existing facilities, while paying special attention to the Building-Tsurugi operational area. They confirmed the initial responses to be made by workers at Building-Tsurugi and the evacuation routes, and checked all the actions and safety measures to be taken by on-site customers and employees promptly and appropriately.



Members of the emergency response headquarters checked the situation of each department



After evacuation, safety was confirmed by workplace through roll calls



# Respecting and Enhancing Human Assets

We respect the diversity of human resources, and provide them with the opportunity and environment to enhance and perform their abilities.

## Health and Safety

In fiscal 2017, the Company and its Group company in Japan conducted the following health and safety activities.

### 1. Safety Activities to Foster the Establishment of a Safety Culture

Despite vigorous efforts to eliminate lost-time working accidents (prevent rule breaches and eliminate peer accidents), such accidents did occur at some sites. We have continued our efforts to require employees to confirm work procedures before starting to work and conduct risk detection activities without fail.

### 2. Health Activities to Promote Preventive Management of both Physical and Mental Health

We regard health management as a management priority. To promote health management, we launched the health steering committee as the supreme organization to plan and decide on the company-wide health management measures in a top-down manner.

### 3. Traffic Safety Activities, to Eradicate Traffic Accidents Resulting in Injury to Others

We instituted the Hitachi Kokusai Electric Group Safe Driving Month, during which we conducted various activities to eradicate traffic accidents resulting in injuries suffered by other parties, resulting in a 16% decrease compared to the previous year.

On February 20, 2018, as a result of conducting the aforementioned activities based on labor-management cooperation, Hitachi Kokusai Electric Inc. was named one of the White 500 companies under the 2018 Certified Health and Productivity Management Organization Recognition Program implemented by the Japanese Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

Through continued labor-management efforts, the Company will foster the creation of physically and mentally healthy and energetic workplaces under the leadership of the health steering committee composed of top executives and of the on-site health and safety committee.



2018  
健康経営優良法人  
Health and productivity  
ホワイト500

Logo mark for the program

### ■ Rate of lost-time work accidents

Frequency rate of work accidents; Frequency of lost-time work accidents/Total number of working hours x 1 million hours (Hitachi Kokusai Electric Group in Japan)

2013 (Calendar year)	2014	2015	2016	2017
0.11	0	0.12	0.12	0.12

Number of employees taking leave due to mental health problems; Number of those who were absent for seven or more days per month (persons)

(If the same employee takes leave several times a year, it will be counted as one) (Hitachi Kokusai Electric Group in Japan)

2013 (Calendar year)	2014	2015	2016	2017
30	38	40	57	41

Number of occupational deaths

(by region/by gender) (Hitachi Kokusai Electric Group)

Calendar year		2013	2014	2015	2016	2017
Japan	Men	0	0	0	0	0
	Women	0	0	0	0	0
Asia (excluding Japan)	Men	0	0	0	0	0
	Women	0	0	0	0	0
Americas, Europe and others	Men	0	0	0	0	0
	Women	0	0	0	0	0
Total		0	0	0	0	0

## Dialogue with the Union

The Company has concluded an agreement with the Hitachi Kokusai Electric Group Labor Union, under which labor-management conferences are held regularly to discuss labor conditions and personnel systems. Through these conferences, labor and management work together to establish disciplinary rules for the workplace and maintain and improve the workplace environment. In the labor agreement, it is specified that the Company and union hold such labor-management conferences regularly to facilitate two-way communication, ensure smooth business operations and growth, and improve the working conditions of employees. In this way, labor and management exchange constructive opinions regarding various issues such as management policies and business operations, thereby establishing healthy and stable relations between workers and management.

## Makeup of Personnel (as of March 31, 2018)

### ■ Makeup of personnel (Hitachi Kokusai Electric Inc.)

	Male	Female	Total
Number of employees	2,168	218	2,386
Number of managers and above	464	6	470
Number of senior managers and above	181	2	183
Directors/Executive Officers	13	0	13
Average age	44.5	42.6	44.3
Average years of service	21.0	18.9	20.8
Number of employees leaving the company	86	10	96

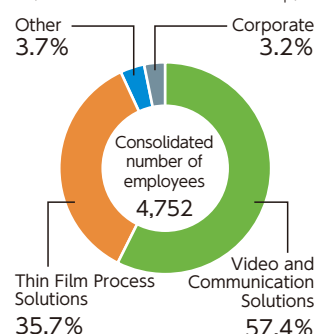
### ■ Number of labor union members

(Hitachi Kokusai Electric Group in Japan)

Name of labor union	Number of members
Hitachi Kokusai Electric Group Labor Union	2,611

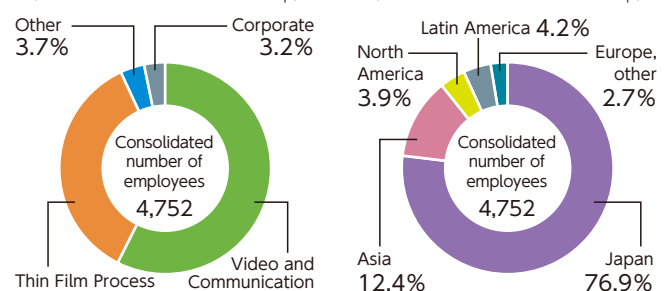
### ■ Percentage of personnel by Segment

(Hitachi Kokusai Electric Group)



### ■ Percentage of personnel by Region

(Hitachi Kokusai Electric Group)







# Living Together with Communities

We make efforts to understand the situation of each community, as well as the thinking of its people, to enhance our own awareness and think about future needs.  
—Charity, human development support, sustainable cities and communities—

## Donating Money for Victims of an Earthquake in Taiwan

At midnight on February 6, 2018, an earthquake with a seismic intensity as high as 7 hit the eastern part of Taiwan. In Hualien County, where the epicenter of the earthquake was located, lifeline facilities were badly damaged, including roads sustaining cracks.

Based in Taiwan's Hsinchu City, Kokusai Electric Asia Pacific Co., Ltd. sells semiconductor manufacturing equipment and provides related services across Asia. Immediately after confirming the safety of its employees and their families, customers and other business partners, the company began collecting funds from employees to help victims of the disaster in the form of a matching gift. Hitachi Kokusai Electric Inc. joined the company in adding the matching donation and also collected funds from directors and employees of it and its Group companies in Japan. In total, more than 2 million yen was raised and donated from Hitachi Kokusai Electric Group to the government of Hualien County for use in its relief and recovery activities.

We pray for the souls of the victims and the early recovery of the afflicted areas.



Collapsed building and relief activity by the firefighting department of Hualien  
Photo provided by the municipal government

## Volunteering to Make Kimchi for the Winter Season

A total of 15 employees of Kook Je Electric Korea Co., Ltd. volunteered for an activity to make kimchi. This activity was organized by a customer-related charity organization with the objective of distributing the Korean pickles to low-income elderly people living alone and orphans. About 100 volunteers gathered at a church in Anseong City, Gyeonggi for the activity. Over the course of around four hours, they made roughly 2,000 packs of kimchi and delivered them to social welfare facilities in the city. (December 2, 2017)



Pickling Chinese cabbage

## Welcoming Students on a Tour of the Site

On September 22, 2017, 24 students visited our site in Toyama from local universities and technical colleges under the company visit program implemented by the Consortium

of Universities in Toyama. The visitors toured the facilities and interacted with alumni employees. The program is held annually to introduce local students to the benefits of working in the prefecture and to increase their awareness about the job market. Three alumni employees spoke about their jobs and the satisfaction they derive from their work, and the students proactively asked questions, making the event a very meaningful one. We also regularly invite students of local senior high schools, including Yatsuo High School, Tonami Technical High School and Koho High School, to tour the facilities.



Discussion with alumni employees



Q&A session in which students proactively asked questions

## Giving Support to the Owara Kaze-no-Bon Festival and the Hikiyama Festival

The Toyama Technology & Manufacturing Center gives financial support to the Owara Kaze-no-Bon and Hikiyama festivals as part of its effort to maintain harmony with local communities and contribute to their revitalization.

The Owara Kaze-no-Bon festival is held annually for three days from September 1 in Yatsuo-machi, Toyama City in Toyama Prefecture with the participation of 11 central districts. Citizens of each district perform dances backed by the melancholic melody of Etchu Owara Bushi folk music.

Held on May 3, the Hikiyama festival is also an annual event. It has been held since the middle of the Edo era as the spring festival of Yatsuo Hachiman Shrine. Toyama is famous for these two festivals, which attract crowds of visitors from both inside and outside the prefecture. The financial support provided by the Company for the festivals is partially used to preserve the local traditional culture.



Owara Kaze-no-Bon Festival (in September)



Yatsuo "Hikiyama" Festival (in May)



# Living Together with Communities

We make efforts to understand the situation of each community, as well as the thinking of its people, to enhance our own awareness and think about future needs.  
—Charity, human development support, sustainable cities and communities—

## Amphitheater in the area for young scouts

From Kokusai Semiconductor Europe GmbH in Erkrath, Germany, six employees volunteered to participate in an activity to build a wooden theater in an area for social activities of the Royal Rangers (junior scouts). The first amphitheater in the city, completed by a total of 60 rangers and volunteers, is now quite useful for various social activities of the community. (September 15, 2017)



3D model to study the structure beforehand

## Participating in the Saitama Road Support Program

Since 2015, the Kanto Center of Kokusai Electric Semiconductor Service Inc. has been participating in the “Saitama road support program” implemented by Saitama City as a volunteer activity. Once a month, employees of the Center clean up the roads near the site during lunchtime and other breaks. We will continue conducting the activity to make the surrounding environment even more comfortable. (May 25, 2018)



Cleanup activity conducted in the neighborhood



Collecting trash from inside bushes



Members of the Kanto Center

## Participating in a Local Tree Planting Activity

Hitachi Kokusai Electric (Shanghai) Co., Ltd. sells semiconductor manufacturing equipment and provides related services in China. From its Xi’an Branch, 11 employees participated in a weekend tree planting activity conducted in the Xiangyu Forest Park area located to the

south of Xi’an.

Some employees participating in the activity used shovels and scoops for the first time in their life, devoting considerable time and labor to plant the trees. They enjoyed the activity, however, helping each other to ensure the seedlings were packed down firmly.

Employees who participated in the activity are all looking forward to seeing the seedlings grow into large trees, turning the small, empty hill into a green one.

They felt a strong sense of achievement, both in terms of their cooperation with others and making a contribution to the local community. (March 25, 2017)



Planting activity



Commemorative photo of all participants taken at the end of the activity

## Vladivostok Concert Tour Friendship Activities in “the Japan-Russia Cultural Exchange Year”

Conductor, Mr. Toshio Yanagisawa, known to be active in harmonizing the world by music, and amateur musicians in the Kanto region voluntarily visited the city of Vladivostok on a concert tour recognized as part of the Japan-Russia cultural exchange program.

The orchestra performed both Japanese and Russian folk music and listened to performances by students at S. Prokofiev Memorial School of Music No.1.. At the Far Eastern State Academy of Art Concert Hall, they performed Suite “El amor brujo” by Falla with a Russian singer, Horn Concerto No. 1 by Mozart, the Piano Concert by Gershwin, and a musical piece by a Japanese composer, earning resounding applause. The members of Consulate-General of Japan and professors of the Academy gave them words of appraisal and gratitude, for the amazing level performance unlike an amateur group. (November 3, 2017)



The double bass player (second from the right on stage) is an employee of the Company  
Photo provided by Mr. Takeo Otsuka





# Eco-Mind & Global Environmental Management

We have established an environmental management system in accordance with our Guidelines and Commitments and our Action Guidelines for Environmental Conservation, and work to cultivate an “eco-mindset.”

The Company became independent from Hitachi Kokusai Electric Inc. on June 1, 2018. Accordingly, on pages 18 to 22, the scope of the report is the Thin Film Process Solutions Segment of Hitachi Kokusai Electric Group on the performance for the period until the end of fiscal 2017.

## KOKUSAI ELECTRIC Action Guidelines for Environmental Conservation

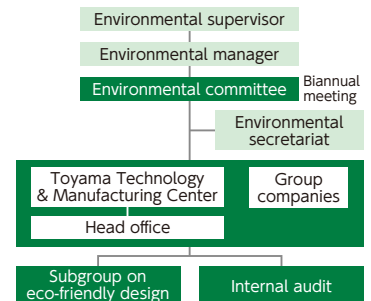
### [Purpose]

In order to realize an environmentally harmonious and sustainable society through the provision of products and services, KOKUSAI ELECTRIC is committed to meeting its social responsibilities by promoting globally applicable *Monozukuri* aimed at reducing the environmental impacts of products throughout their entire life cycles, thereby ensuring global environmental conservation.

## Environmental Management System

The Toyama Technology & Manufacturing Center is committed to conducting business activities in line with its environmental policies and to reducing its environmental impact. To this end, members of the Center conduct environmental conservation activities under the instructions of environmental managers appointed by the environmental supervisor, with the heads of each department serving as members of the environmental committee. The Center also has a subgroup on eco-friendly product design, including ensuring compliance with overseas

laws and regulations and managing chemicals used in its products, and members of the related departments discuss on the design through the subgroup. This environmental management system is internally audited to check if it effectively functions.



## Education of Internal Environmental Auditors

The Group has been inviting external lecturers to provide instruction so as to promote the uniform education of internal environmental auditors, aiming to improve their abilities and ensure that environmental audits are carried out from the same perspective across the Group.

In fiscal 2017, we included case studies in the group training of these auditors based on the findings of the previous year’s ISO 14001 inspections, with an eye to enhancing their abilities.



Group training

## Targets and Results of Environment Activities in Fiscal 2017 (Toyama Technology & Manufacturing Center)

The results and evaluation of the Environmental Action Plan in fiscal 2017 are as follows. As from fiscal 2016 onward, we are vigorously promoting environmental activities toward the targets set for 2018 under the new medium-term plan.

Category	Action goal	Index	Final fiscal year (2018) targets	Fiscal 2017		Evaluation		
				Targets	Results			
Management	Nurture an environmental mindset in all employees	Participation ratio	100%	100%	100%	🌳🌳🌳		
	Raise the level of environmental activities (Indicator of the level of environmental activities)	GP of GREEN 21-2018	480GP	360GP	366GP	🌳🌳🌳		
Products and Services	Improve environmental performance of products	Reduction rate in CO <sub>2</sub> emissions	—	40%	53%	🌳🌳🌳		
Factories & Offices	Global Warming Prevention	Improve energy use per unit	Improvement rate of energy use per unit (reference year 2005)	18%	8%	11%	🌳🌳🌳	
		Reduce transportation energy per unit	Reduction rate (reference year 2006)	60%	70% or lower	56%	🌳🌳🌳	
	Effective Use of Resources	Improve waste and valuables generation per unit	Improvement rate (reference year 2005)	54%	49%	55%	🌳🌳🌳	
Ecosystem Preservation	Contribute to ecosystem preservation (Number of ecosystem preservation activities implemented)	Number of discussions/surveys, plans, activities implemented	New	Discussion/survey	0	0	0	🌳🌳🌳
				Planning	0	1	0	
				Implementation	5	0	5	
	Ongoing	Ongoing activities	28	26	28			
Partnership with Stakeholders for the Environment	Make social contributions through environmental activities (Number of environment-related social contribution activities implemented)*	Number of activities implemented	13	14	23	🌳🌳🌳		

\* Number of activities implemented in such areas as environmental education, information exchange, ecosystem preservation through afforestation, etc., community contribution through cleanup projects, etc., lights-off campaigns, and community energy-saving activities

[ Evaluation standard ] 🌳🌳🌳 : Achieved 100% 🌳🌳🌳 : Achieved 80% or more 🌳 : Achieved less than 80%



# Eco-Mind & Global Environmental Management

We have established an environmental management system in accordance with our Guidelines and Commitments and our Action Guidelines for Environmental Conservation, and work to cultivate an “eco-mindset.”

## “GREEN 21-2018” Evaluation Results (the Company)

The Toyama Technology & Manufacturing Center implements “GREEN 21,” a mechanism for the self-evaluation of its environmental activities in order to improve and upgrade the quality of such activities. More specifically, GREEN 21 is a mechanism for classifying environmental activities into six categories, evaluating the degree to which the targets of environmental activities were achieved and the contents of said activities, and visualizing the results in the form of radar charts.

During the period from fiscal 2016 to 2018, under the “GREEN 21-2018 program,” we are working to enhance the quality of environmental activities while evaluating achievements and progress toward Environmental Action Plan targets. Our target for fiscal 2018 has been set at 480 green points (GPs).

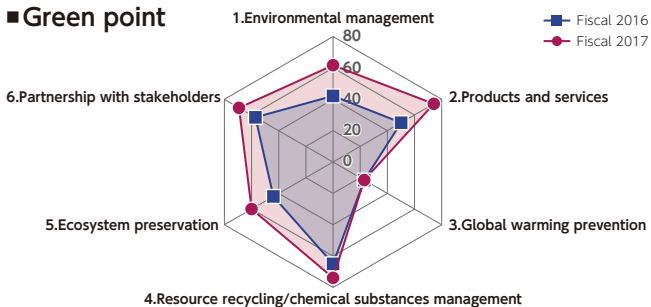
In fiscal 2017, the Company surpassed its target of 360 GPs with a score of 366.

In fiscal 2017, our performance received a high evaluation, particularly in “Environmental management” and “Products and services” categories due to the introduction of environmentally conscious design assessment.

### ■ GREEN 21 evaluation items

	Category	Main Evaluation Indicators
1	Environmental management	Environmental control, Observation of laws and regulations
2	Products and services	Improvement of environmental performance, Environmental design assessment
3	Global warming prevention	Improvement of energy use per unit, Reduction of energy use during transportation
4	Resource recycling/chemical substances management	Improvement of waste and valuables generation per unit, Reduction in water use per unit
5	Ecosystem preservation	Implementation of ecosystem preservation activities
6	Partnership with stakeholders	Environmental education, tree-planting, community cleanup activities

### ■ Green point



## Environmental Accounting (the Company)

The Toyama Technology & Manufacturing Center calculates environmental conservation costs and environmental conservation effects with reference to the Japanese Ministry of the Environment’s Environmental Accounting Guidelines. Environmental conservation costs include plant/equipment investments and R&D expenses related to the environment. Environmental conservation effects are determined based on profits from the sale of recycled items, expenditure reduction through investments in energy-saving equipment, etc. We use the results of environmental accounting to improve our environmental return on investment.

### ■ Environmental conservation cost Expenses (in millions of yen)

Item	FY2015	FY2016	FY2017	Overview
Business area costs	194.6	174.1	307.4	Costs of maintenance of equipment with low environmental impact, depreciation, etc.
Upstream/downstream costs	0	0	0	Costs for green procurement and recycling
Management activity costs	41.5	32.2	38.5	Personnel expenditures for environmental management, maintenance costs for environmental management system
Research and development costs	0	0	0	R&D for the reduction of environmental impact caused by products and production processes, product design expenses
Social activity costs	0.6	0	0.2	Environmental improvements such as afforestation and beautification, PR and publicity expenses
Environmental damage costs	0	0	0	Environment-related measures, contributions and levies
Total	236.6	206.3	346.2	—

### Investments (in millions of yen)

Item	FY2015	FY2016	FY2017	Overview
Investments in environmental conservation	49.9	15.6	65.6	Direct investments in environmental load reduction facilities such as energy conservation facilities

### ■ Economic effects of environmental conservation

#### Economic effects (in millions of yen)

Item	FY2015	FY2016	FY2017	Overview
Net income effects	7.8	8.5	17.0	Profit on sale of recycled waste, etc.
Expenditure reduction	3.0	1.1	5.3	Cost-saving effects, etc. by saving energy
Total	10.8	9.6	22.3	—

## Winning a Prize of Excellence as a Business Establishment in Toyama City’s Green Curtain Contest 2017

The Toyama Technology & Manufacturing Center implements a green curtain project in line with an initiative promoted by the Japanese Ministry of the Environment. It won a prize of excellence as a business establishment in Toyama City’s Green Curtain Contest 2017, in recognition of the greening activity conducted as part of its anti-global warming measures.

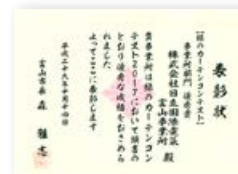
The Center conducted the activity proactively. Specifically, it increased the diversity of cultivated plants, donated seedlings for green curtains to local preschools, helped the children plant the seedlings while providing them with environmental education, and reported the growth status of plants to employees through SNS\*.

Also, to raise environmental awareness, goya seedlings were planted and their fruit harvested and consumed by employees, enhancing their sense of unity and awareness of environmental issues such as global warming.

\* SNS stands for social networking services, which are provided at community-type websites.



Snail flower



Certificate of commendation given at the Green Curtain Contest



Commendation plaque





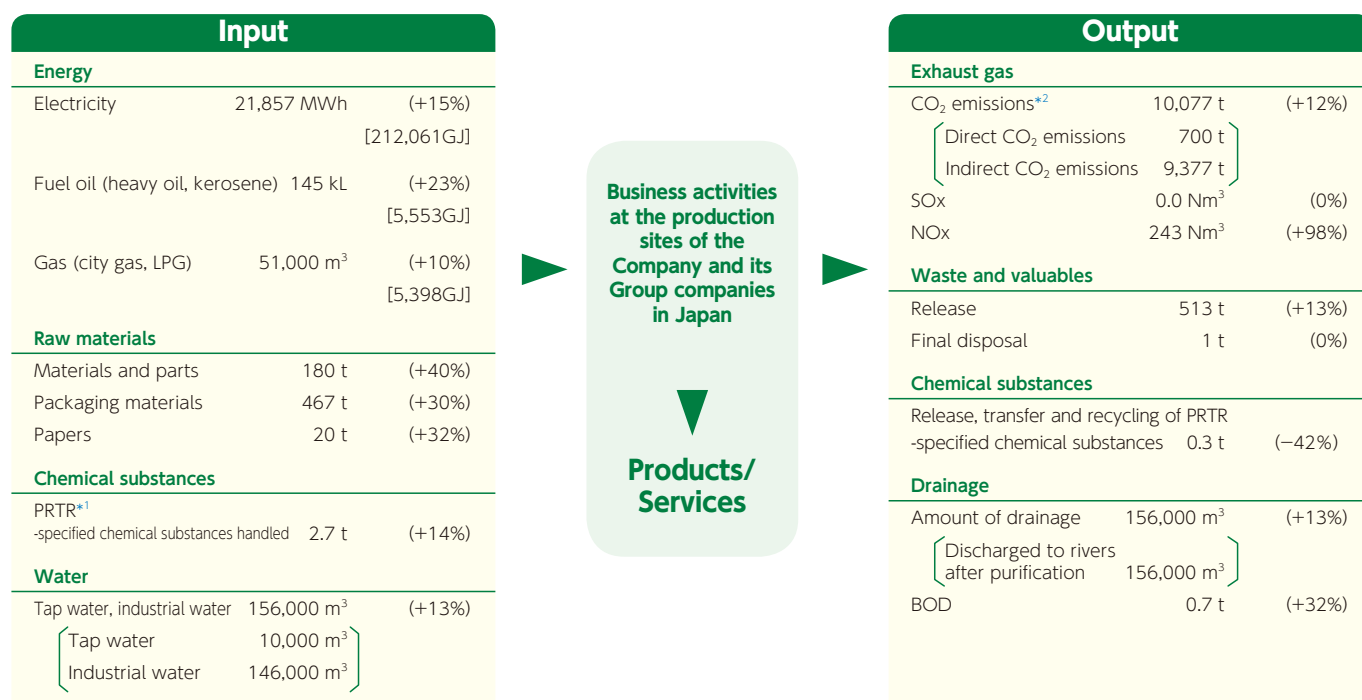
# Eco-Factories & Offices

Throughout the entire production process, we work to save energy and enhance facilities in an attempt to prevent global warming and reduce industrial waste.

## Operations and Environmental Impact

The Toyama Technology & Manufacturing Center expends resources and energy in order to make and provide products and consequently discharges CO<sub>2</sub> and waste products. It monitors the inputs and outputs of such elements, and works to reduce hazardous chemical substances and increase energy efficiency.

For information on the procurement of raw materials and the reduction of environmental impacts caused by our products, see “Promoting Responsible Procurement Activities” and “Eco-Friendly, Next-Generation Products,” respectively.



\*1 PRTR: Pollutant Release and Transfer Register

\*2 CO<sub>2</sub> emissions: Emissions were calculated based on the 2005 emission coefficients for electric power by country published by the International Energy Agency (IEA).

The values in parentheses show the change from fiscal 2016.

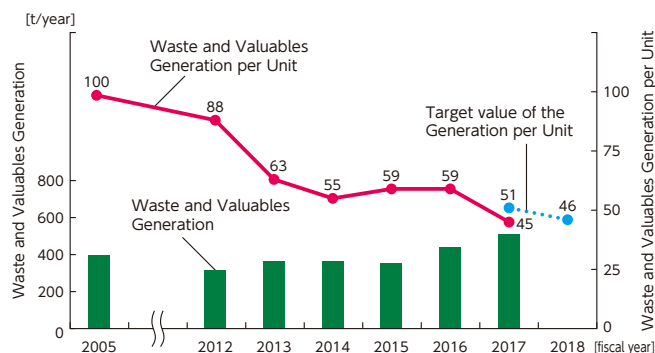
## Reduction of Waste (Toyama Technology & Manufacturing Center)

The Toyama Technology & Manufacturing Center works to reduce Waste and Valuables Generation per Unit and set a goal of improving its rate to 46 (an improvement of 54% compared with fiscal 2005) in fiscal 2018.

In fiscal 2017, we endeavored to reduce the use of packaging materials and sort waste packaging materials for disposal and collection. We will educate employees on the importance of waste sorting and encourage them to do it.

We are also reducing landfill waste by recycling waste materials and will continue doing this to achieve zero emissions.

### Improvement in the amount of Waste and Valuables Generation and that per Unit





# Eco-Factories & Offices

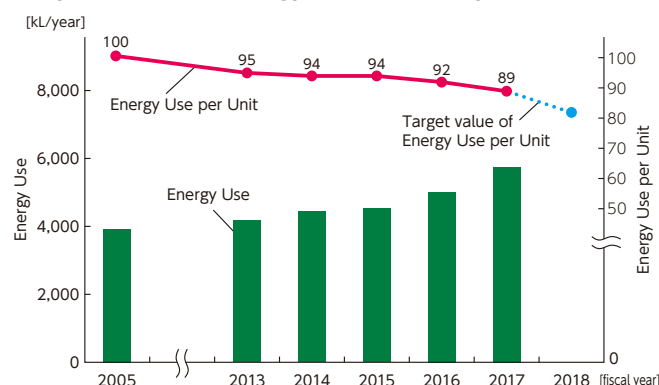
Throughout the entire production process, we work to save energy and enhance facilities in an attempt to prevent global warming and reduce industrial waste.

## Prevention of Global Warming and Energy Saving (Toyama Technology & Manufacturing Center)

Most of the energy consumed by the Toyama Technology & Manufacturing Center goes toward operating the evaluation equipment used for process development. We therefore work to reduce unnecessary idling to lower the environmental impact of the equipment. We set a goal of improving Energy Use per Unit to 82 in fiscal 2018 (an 18% improvement compared to fiscal 2005). In fiscal 2017, we expanded energy saving efforts and achieved the goal of improving Energy Use per Unit to 89 (an 11% improvement compared to fiscal 2005).

As efforts regarding facilities in fiscal 2017, we upgraded to high-efficiency air-conditioning equipment and switched to LED lighting. With regard to operations, in support of the national campaign against global warming promoted by the government since 2005, we implemented “Cool Biz” and “Warm Biz” campaigns and continued our participation in the “Lights Out Campaign.”

### Improvement in Energy Use and that per Unit



## Proper Disposal of Waste

In order to keep the product manufacturing sites even cleaner, the Toyama Technology & Manufacturing Center replaced the clean room (CR) suits and helmets with next-generation eco-friendly types. Wasted CR suits and helmets used to be recycled into refuse plastic fuel (RPF) but some residues were sent to final landfill sites. However in the replacement, the old suits and helmets were 100% recycled into materials, being collected by the manufacturers of the products under the wide-area certification system\*. The Company will monitor the latest trends of recycling technologies and choose a more appropriate disposal method when outsourcing the disposal of waste.

### Outline of material recycling



\* Under the wide-area certification system, manufacturers collect their products wasted from the users for recycling. Because manufacturers know much about the features and structures of their products, the collected wasted products are expected to be recycled in an advanced manner.

## Participation in the “Lights Out Campaign”

The Group annually participates in the “Lights Out Campaign” organized by the Japanese Ministry of the Environment, switching off lights, such as signboard lights, across its bases in Japan on the summer solstice day as well as on the day of Tanabata, the seventh of July.

We also participated in “Earth Hour,” which was held by the World Wide Fund for Nature (WWF) on March 24, 2018, turning off lights at our sites both within and outside Japan.

### Signboard and outside lights turned off at Kook Je Electric Korea Co., Ltd.



Before turning off

After turning off



# Eco-Friendly, Next-Generation Products

Throughout the product life cycle, from raw materials production and manufacturing to customer use and final disposal, we work to reduce the impact of products on the environment.

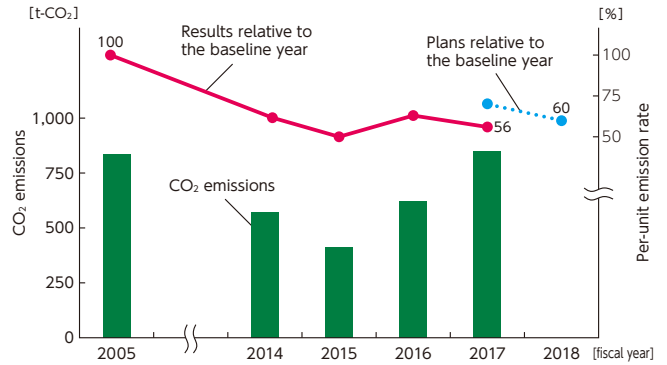
## Reducing Environmental Impact in the Transportation of Products

### Reducing environmental impact in logistics activities

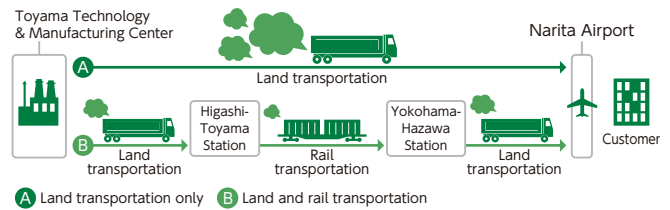
The Toyama Technology & Manufacturing Center was commended by the Director-General of the Maritime Bureau, an agency of the Japanese Ministry of Land, Infrastructure, Transport and Tourism, as an excellent company certified under the fiscal 2017 Eco-Ship Mark program implemented by the Ministry. Since then the Center has been promoting modal shift to marine transportation and improving the transportation method to further reduce its environmental impact. The Center reduced CO<sub>2</sub> emissions from land transportation in the Kanto region to about one-sixth by shifting to rail transportation using containers. It also proactively fostered the following measures to reduce its greenhouse gas emissions. It will continue to implement various measures to mitigate global warming and establish a low-emissions logistics system.

- Monitor CO<sub>2</sub> emission reductions
- Expand bulk transport
- Ship products from the nearest port to customers outside Japan
- Modal shift to transportation by ferry and by rail
- Reduce transportation weight by shifting from wooden packaging to cardboard packaging
- Use returnable boxes for delivery of products to customers in Japan

### CO<sub>2</sub> emissions and emissions per unit of sales by fiscal year (Toyama Technology & Manufacturing Center)



### Shift from land to rail transportation (example)



## Provision of Eco-Friendly Products

### Introduction of eco-design (environmentally conscious design)

In fiscal 2016, our Group introduced Environmentally Conscious Design, which is in compliance with International Standard IEC 62430,\* with the aim of reducing environmental impacts not only by working to reduce our Group's environmental footprint, but also by providing eco-friendly products to customers.

To promote environmentally conscious design, we have introduced two types of assessments in the product development process: environmentally conscious design assessment and life cycle assessment.

In the environmentally conscious design assessment, environmental considerations incorporated in the design process to reduce the environmental load of a new product are evaluated. In the life cycle assessment, the potential environmental impact of a new product is assessed throughout its life cycle, based on a comparison of the specifications of the new product with those of existing products.

We pursue environmentally conscious design by utilizing the results of assessment results.



\* IEC62430: International standard on environmentally conscious design for electrical and electronic products and systems, specified by the International Electrotechnical Commission (IEC)

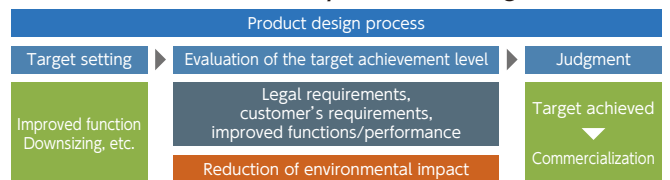
### Introduction of assessments

To reduce environmental impacts of our products throughout their life cycles, we introduced two types of assessments into the product design process, as shown on the right.

#### 1. Environmentally conscious design assessment

By using a special tool (assessment sheet), we assess the results of an approach to reduce environmental impacts against the development target set for product/service performance.

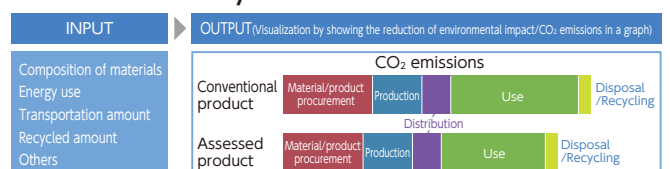
#### Elements of environmentally conscious design assessment



#### 2. Life Cycle Assessment (LCA)

We compare functions between the developed product and conventional products and make quantitative assessments of items that are related to the life cycles of products and have impacts on the environment by using a special LCA sheet.

#### Elements of life cycle assessment





# KOKUSAI ELECTRIC CORPORATION

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■ This report, issued only as a pdf file, is not printed or available as a booklet.

<https://www.kokusai-electric.com/en/csr/report/>

## Editor's Postscript

The new company publishes its first CSR report soon after its founding, carrying on the spirit of its predecessor company, which has been attributing importance to dialogue with stakeholders for over 60 years.

The evolution of semiconductors is inseparably related to the progress of society and global environmental changes. We have created this report out of a desire to build a company that foresees the expectations of society by regularly communicating with a wide range of people, sharing information and promoting dialogue in a sincere manner, and flexibly thinking how products should be manufactured. We will report the results of our efforts made to this end as well as our new trials in the next edition onward. After reading this report, readers are invited to kindly give us their valuable feedback by replying to the questionnaire.