

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

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