

Aiming to be a Company Trusted by Society

Promoting the development of partnerships, while observing appropriate procurement from the global markets

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, while observing CSR, 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 and strengthening of partnerships with its suppliers through appropriate management of confidential information.

CSR-Oriented Procurement Activities

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. The Company is strengthening the promotion of CSR supply chain management based on the RBA Code of Conduct, and aim to share CSR awareness with our suppliers.

We select suppliers through appropriate procedures, considering material quality, delivery dates, prices, and the technological development capabilities of the suppliers, as well as confirming whether they are fulfilling their social responsibilities regarding human rights, labor practices, ethics, and legal compliance.

Note: RBA stands for Responsible Business Alliance, which is a federation established by the electronics industry in 2004. A total of 120 companies, mainly from the U.S., have joined the federation, including retailers, automakers and toy manufacturers. Since it was formed largely for the fulfillment of social responsibilities, the RBA has been promoting the Code of Conduct that it formulated, which includes suppliers in its target.

Reinforcement of Partnerships

The Company promotes the development of reciprocal relationships with business partners.

By holding business partner meetings (BPMs) and the New Year reception in an online format even during the COVID-19 pandemic, 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. Through proactive communication, we strive to strengthen mutually beneficial “win-win” relationships with our business partners.

Promotion of Globalization

As global procurement measures, we share procurement strategies with overseas production bases, and the procurement staff members from the Company are strengthening links to promote local-production-for-local-consumption-oriented global procurement and develop and train local staff. We will continue to work in close cooperation with our local procurement bases in South Korea and the U.S. and 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 promotion of multi-sourcing, consideration of alternative materials, creation of a database of production bases for procurement products, and standardization, etc.).

Measures against the Issue of Conflict Minerals

The Company is strengthening its initiatives with our business partners to fulfill its social responsibility by conducting procurement activities for tin, tantalum, tungsten, gold (collectively “3TG”) as well as cobalt (conflict minerals) from the Democratic Republic of the Congo (DRC) and adjoining countries so that they do not benefit armed groups that encroach upon human rights across the Company’s supply chain.

We respect human rights prescribed by the United Nations, and establish a clean corporate culture that is admired globally.

KOKUSAI ELECTRIC Group Human Rights Policy

The KOKUSAI ELECTRIC Group strives to create value through technology and dialogue to realize a sustainable society that is safe, comfortable and vibrant now and in the future. Accordingly, we will support the creation of a society where human rights are respected. As a prerequisite to this, KOKUSAI ELECTRIC (including its Group companies; the same hereinafter in this policy statement) seeks to meet its responsibility to respect human rights.

The Responsibility to Respect Human Rights

KOKUSAI ELECTRIC strives to meet its responsibility to respect human rights by not infringing on human rights and addressing negative human rights impacts with which KOKUSAI ELECTRIC may be involved through its operations and businesses relationships. KOKUSAI ELECTRIC understands human rights to be, at a minimum, those outlined in the International Bill of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. Responsibility to respect human rights applies to all officers and employees of KOKUSAI ELECTRIC CORPORATION and its consolidated group companies. KOKUSAI ELECTRIC expects its business partners and other parties whose own impacts may be directly linked to KOKUSAI ELECTRIC's operations, products or services to respect and not infringe upon human rights, and will respond appropriately where they are not respecting human rights.

Relationship to KOKUSAI ELECTRIC's Values and Policies

KOKUSAI ELECTRIC is aware that as a business enterprise it is a member of society and can contribute to

creating an environment in which human rights are respected. We believe that meeting the responsibility to respect human rights is key to operating as a responsible business, and should be expected of all companies. This human rights policy is an expression of our commitment to fulfilling these responsibilities based on KOKUSAI ELECTRIC's Corporate Statement, KOKUSAI ELECTRIC Way, and Guidelines and Commitments.

Exercising the Responsibility to Respect Human Rights

KOKUSAI ELECTRIC is committed to meeting the responsibility to respect human rights through implementing the United Nations Guiding Principles on Business and Human Rights. KOKUSAI ELECTRIC will identify and assess potential and actual impacts on human rights and take appropriate measures to prevent or mitigate risks. Where KOKUSAI ELECTRIC identifies that it has caused or contributed to a negative human rights impact, it will carry out appropriate internal and external processes to provide remediation. KOKUSAI ELECTRIC adheres to national law and regulation in each market in which it operates. Where KOKUSAI ELECTRIC faces conflicts between internationally recognized human rights and national laws, KOKUSAI ELECTRIC will follow processes that seek ways to honor the principles of international human rights.

KOKUSAI ELECTRIC will provide appropriate training and capacity building in order to embed this policy commitment throughout KOKUSAI ELECTRIC CORPORATION and all its consolidated Group companies. KOKUSAI ELECTRIC is committed to engaging in dialogue with and consulting relevant external stakeholders about addressing potential and actual human rights impacts.

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 and Guidelines and Commitments, which include our policy to respect human rights, as well as the KOKUSAI ELECTRIC Group Human Rights Policy, with local executives of the acquired/new company, and evaluate/address the related risks.

Training to Increase Awareness around Human Rights

In our annual training program for new employees, we promote awareness of human rights to prevent discrimination based on race, ethnicity, nationality, gender, age, or disability, and encourage them to respect the human rights of all people.

Respect of Basic Rights at Work

Considering the laws, regulations, and labor practices in each nation and region, the Group will respect the basic rights of employees presented in the principles of

the United Nations Global Compact and strive to have employees and managers better understand each other's problems and resolve issues jointly through genuine and constructive dialog.

Consideration of Human Rights in Assuring Security and Safety of Assets and People

Personnel who are in charge of the safety of customers and employees or responsible for preventing loss of company equipment and assets risk carrying out actions that could unintentionally affect human rights in the performance of their duties. Therefore, we ensure that all employees with such duties consider human rights and take appropriate action.

Compliance with International Code of Conduct

KOKUSAI ELECTRIC complies with the international RBA Code of Conduct (Responsible Business Alliance) which specifies standards for human rights, labor, health and safety, and more, and strives to meet its responsibility to respect human rights in international community.

We have built an R&D system that meets the rigorous demands for technological innovation, focusing on high performance, diversity, and market expansion.

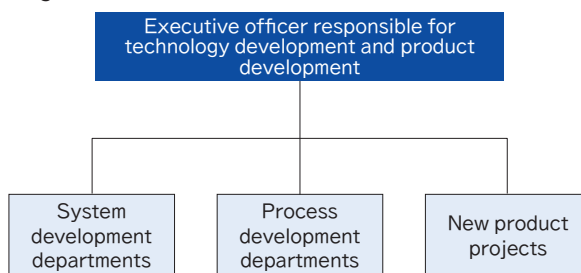
R&D Policy

The Company develops semiconductor manufacturing equipment leveraging among the top film forming technologies in the world. In addition to providing underlying film forming technology, we are also striving to overcome physical limitations with miniaturization through joint development with research institutes, raw material manufacturers, and device manufacturers. Our film forming technology is used by the world's top device manufacturers, and greatly improves the functionality and performance of semiconductors. Semiconductors that utilize our film forming technology are found in electronic devices around the globe and contribute to making people's lives safer and more comfortable.

R&D System

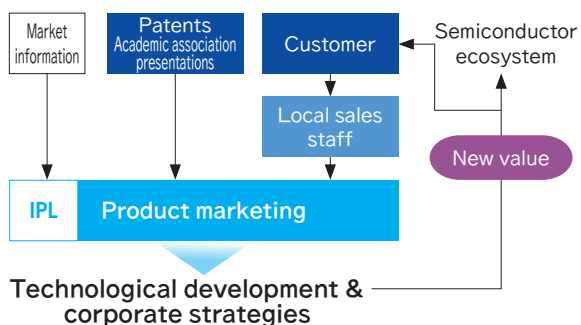
Semiconductor device development is advancing around the globe. We have research institutes worldwide and have established a comprehensive research system. Since it requires technology from a wide range of fields — including machinery, electronics, heating, fluids, physics, chemistry, AI, and machine learning — we have assembled a team of experts representing each one. Our aim is to create an R&D team and continues to overcome difficult problems by leveraging our own technology and collaborating with consortiums, universities, and development partners around the world.

Organizational Structure



Product Marketing

In order to improve our products and provide high value to customers, our sales division and local staff obtain feedback from customers and share it within the company. We also strive to create new value company-wide by driving forward proposals that lead to new technological developments and corporate strategies, through an initiative called “intellectual property landscape” (IPL) that provides a comprehensive overview and analysis of academic association information, patents, and market information.



Intellectual Property Management

The Company recognizes the importance of various intellectual property initiatives in business operations from the perspective of strengthening the competitiveness of our technology and products. Therefore, we are actively working to protect our technology and products with intellectual property rights efforts such as acquiring patent rights, design rights, trademark rights, and other intellectual property rights for combinations of products, product design, manufacturing processes, software, and so on in Japan and other countries. We are also working to strengthen our global patent applications.

Global patent application rate

93.1%
(2018)

Patent grant rate

95.1%
(2018: Japan)

We aim to be the top company in customer satisfaction by developing and producing equipment that exceeds customers' expectations and contributes to customers' profits.

Pursuing Quality

Based on our mindset to think and act from the customer's point of view, 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.

When a defect is discovered, we search thoroughly for the technological cause and the motivational factor that lies behind it, and work to prevent recurrence. We also actively take preventative measures to apply the results to other products.

Moreover, we strive to improve the quality of products and services by creating training programs to boost each employee's quality assurance skills, carrying out company-wide activities to foster awareness on quality, and exchanging personnel involved in quality assurance and supporting their activities, which includes group companies and business partners.

Since 2004 we have been distributing annual customer satisfaction questionnaires on our products and services to customers worldwide. After the responses are totaled and analyzed, the results are conveyed internally to improve customer satisfaction.

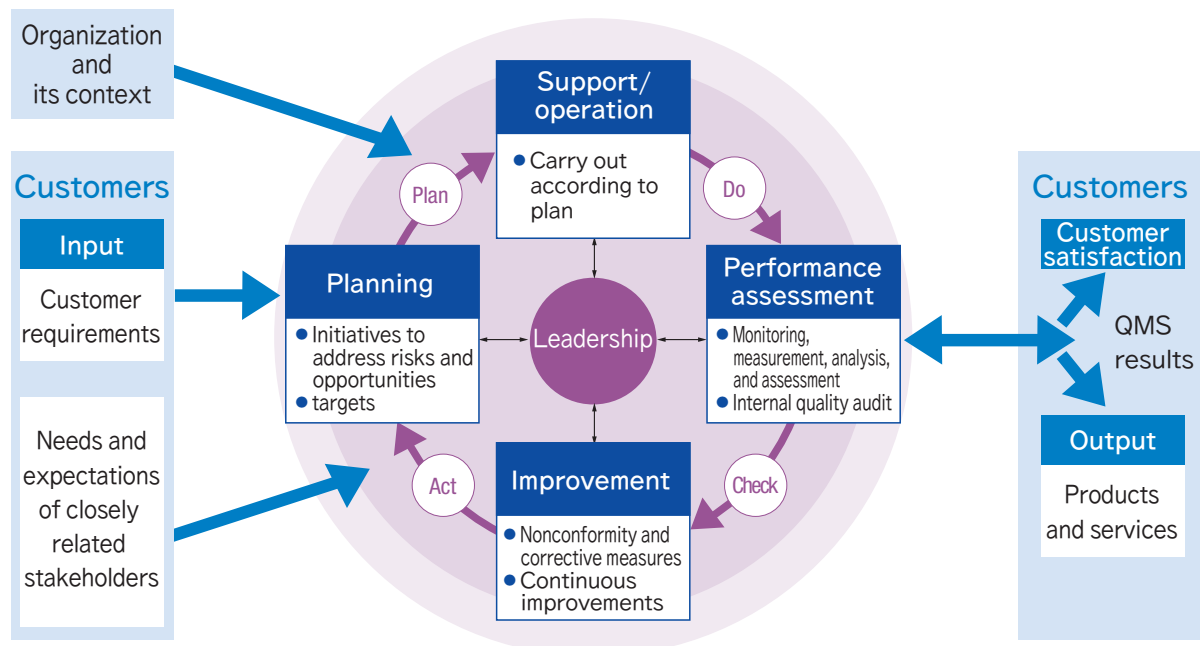
Quality Management System

The Group's production sites have acquired ISO 9001 (Quality Management System) certification. We have built a quality management system based on a PDCA cycle using a process approach, and continuously make improvements. Furthermore, we are also strengthening D-FMEA and P-FMEA activities to improve the quality of work. Through these efforts we provide products and services that meet customers' needs.

Note: D-FMEA (Design Failure Mode and Effect Analysis): Method to predict and prevent potential failures and accidents in the design stage by identifying failure modes simplified for each component and unit that make up a product, and forecasting the impact the failure modes would have on the product

Note: P-FMEA (Process Failure Mode and Effect Analysis): Method to improve production process through extracting the mode to cause each of the failures/mistakes over the entire process, evaluating the effect of the mode, and thereby designing the measures to prevent failures

Quality Management System (QMS)



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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. These activities help us identify the direct technical causes of problems and the motivational factors 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 improve the quality of products and services even further by exchanging personnel involved in quality assurance and supporting their activities across Group companies, including those outside Japan.

Service Support

The Company helps ensure that equipment runs stably by leveraging its worldwide service network to make on-site visits and provide remote online support (e.g. remote maintenance through use of smart glass). We are also moving forward with enhancing local on-site support, which includes carrying out upgrades to extend the life of equipment, making renovation proposals to improve functionality, conducting regular maintenance inspections, repairing parts, and expanding overhaul items. Through these support services, we contribute to reducing waste, raw material use, and CO₂ emissions throughout the product life cycle.

Training Center

The Company has established training centers in six main areas worldwide, which provide a variety of training courses to customers to ensure safe and efficient operation of equipment. Since the mobility of people has been restricted due to the global COVID-19 pandemic in recent years, we started an online training course to continue to provide effective training. The online courses make use of videos of equipment and remote operation technology to teach participants how to operate equipment systems and conduct maintenance, to maximize effectiveness under the current restricted environment. We will continue working to provide high-quality training to ensure customers use our equipment safely, effectively, and with peace of mind.

News

PQS Award Received from Intel Corporation

We received the 2020 Preferred Quality Supplier (PQS) Award from Intel Corporation. "KOKUSAI ELECTRIC has been vital to our success, especially during this uniquely challenging year," said Dr. Randhir Thakur, chief supply chain officer at Intel Corporation. "They provided standout service in a critical area of the Intel supply chain and met or exceeded their annual improvement goals. Earning this award represents years of hard work, continuous improvement and truly exceptional performance."

The PQS Award recognizes success in the Intel Supplier Continuous Quality Improvement (SCQI) Program. It is the second-highest honor in the program Intel suppliers can achieve. Only 26 particularly high-performing suppliers out of the several thousand in Intel's global supply chain earned the award.

Note: Intel and the Intel logo are trademarks of the Intel Corporation in the US and other countries.



Earned VLSI Research Annual Customer Satisfaction Survey Awards for 24 Consecutive Years

In July 2021, the Company won the "10 BEST Large Suppliers of Chip Making Equipment" award for the 24th consecutive year and "THE BEST Suppliers of Fab Equipment" award in the VLSI Research annual Customer Satisfaction Survey. We will strive to achieve even higher targets in the future.



Note: The official logos for the Awards won are registered trademarks or trademarks of VLSI Research Inc.