



KOKUSAI ELECTRIC Group CSR Report 2019



KOKUSAI ELECTRIC CORPORATION

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

Thank you very much for your daily support for the business activities of KOKUSAI ELECTRIC CORPORATION (“the Company”). In this report we will show the value creation strategies of the KOKUSAI ELECTRIC Group (“the Group”), which is striving to realize a sustainable society, and report the progress made with the strategies with an eye to having even more in-depth dialogues and opening up new horizons in our business.

In fiscal 2018, the U.S.-China trade frictions and Brexit caused instability while economic indicators show Japan experienced a slowdown. However, even in the face of uncertainties caused by these factors, the economy grew moderately, both in Japan and abroad.

Under these circumstances, demand expanded across the entire semiconductor industry as a whole due to the spread of the Internet of Things (IoT) in society, growing demand for data centers, the diversification of electronic devices, emergence of the next-generation communication standards, and further progress of AI, self-driving and currency mining, although the growth rate of the memory market began to slow down in the latter half of the fiscal year. The expanded demand in turn increased the need to develop and supply semiconductor manufacturing equipment, and by steadily meeting this need, the Group boosted its sales to a record high. I would like to thank all stakeholders once again for the kind support they have extended to the Group.



As for the future business environment of the Group, due to the aforementioned uncertainties, the world economy is set to become somewhat sluggish and the growth of the memory market will slow down. These will have a negative impact on the growth of the semiconductor market for the next couple of years. The semiconductor manufacturing equipment industry has indeed already faced difficulties in the first half of 2019 and has been groping for a way to enter a new growth stage.

In such a business environment, the Company will implement the following measures while building a resilient structure able to withstand changes in demand and intensified competition.

The needs of our customers will change in line with the substantial changes of the market environment, transformation and expansion of the world economy, and subsequent social changes, as well as change 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 long-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 and a creator and a collaborator 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 aim to contribute to the development and evolution of a range of advanced electronic devices in collaboration with our customers and their customers. To this end we will cooperate with various stakeholders, including customers who regard the achievement of the Sustainable Development Goals (SDGs) adopted at the U.N. Summit held in September 2015 as their medium- to long-term targets, with a focus on engaging

in dialogue with them. We will steadily foster our business in the right direction and manage our progress based on our newly formulated medium-term management plan, aiming to achieve the predefined numerical targets in three years' time.

In order to help achieve a sustainable society from a long-term viewpoint, we deem it important to reduce our environmental impact, 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 members of the Group are aware of these commitments. Moreover, we are establishing an in-house system to fulfill them.

The Company is in its second year from its spinoff and launch as a new company, but its staff and predecessors, with support from all concerned, have been engaged in the development of semiconductor manufacturing equipment for more than 60 years, contributing to the growth of Japan's 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.

As announced on July 1, 2019, the Company entered into a share transfer agreement* with KKR HKE Investment L.P. ("KKR") and Applied Materials, Inc. ("Applied"), under which Applied will acquire all the Company's outstanding shares owned by KKR. Upon the completion of the share transfer, the Company will operate as a business unit of Applied's Semiconductor Products Group. I am convinced that this transfer will enable us to deliver better value to customers by leveraging the business foundations of both Applied and the Company, reinforce R&D efforts, accelerate innovation, and achieve more, thereby helping the Company take the business into its next phase for its long-term growth.

I would ask for your continued advice and support.

July 31, 2019



President and Chief Executive Officer

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* For details of the share transfer agreement, please refer to the Company's news release dated July 1, 2019.

Company Outline (as of March 31, 2019)



Head office
(5th Floor, oak Kanda Kajicho)

Name
KOKUSAI ELECTRIC CORPORATION

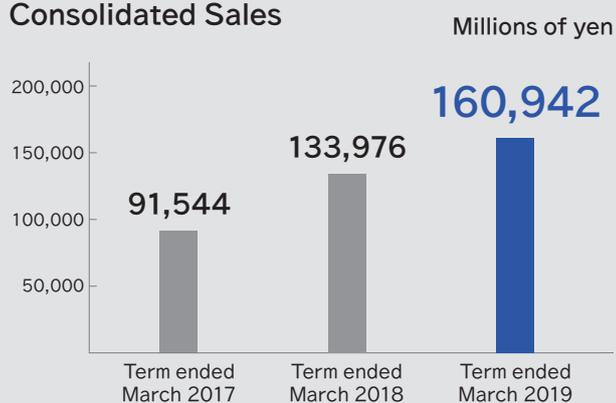
Address of Head office
3-4 Kandakaji-cho, Chiyoda-ku, Tokyo 101-0045, Japan

Established
February 2, 2017

Paid-in Capital
¥100 million

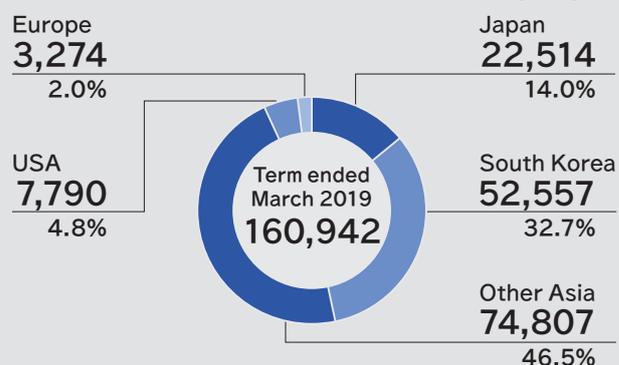
Number of employees
1,897 (consolidated)

Consolidated Sales



Note: For the term ended March 2019, calculations were made based on the Japanese accounting standards, while for other terms, those were on the International Financial Reporting Standards. The above values are unaudited and for reference purposes only.

Sales by Region



Note: The sales are calculated based on the customer locations. The above values are unaudited and for reference purposes only.

Main Products

Semiconductor Manufacturing Equipment



Batch Thermal Processing System



High-quality & High-performance Thermal Processing System



Batch Thermal Processing System for 200mm Wafers



Single Wafer Plasma Nitridation / Oxidation System



Single Wafer Annealing 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.



Kamiichi Works of Kokusai Electric Semiconductor Service Inc.

Located amid a rich natural environment in Toyama Prefecture's Kamiichi Town at the foot of Mt. Tsurugidake in Japan's Northern Alps, the factory develops, designs, and produces ultrasonic cleaning machines and resistivity measurement systems. It also produces controllers for semiconductor manufacturing equipment. These products are supplied to users across the world.

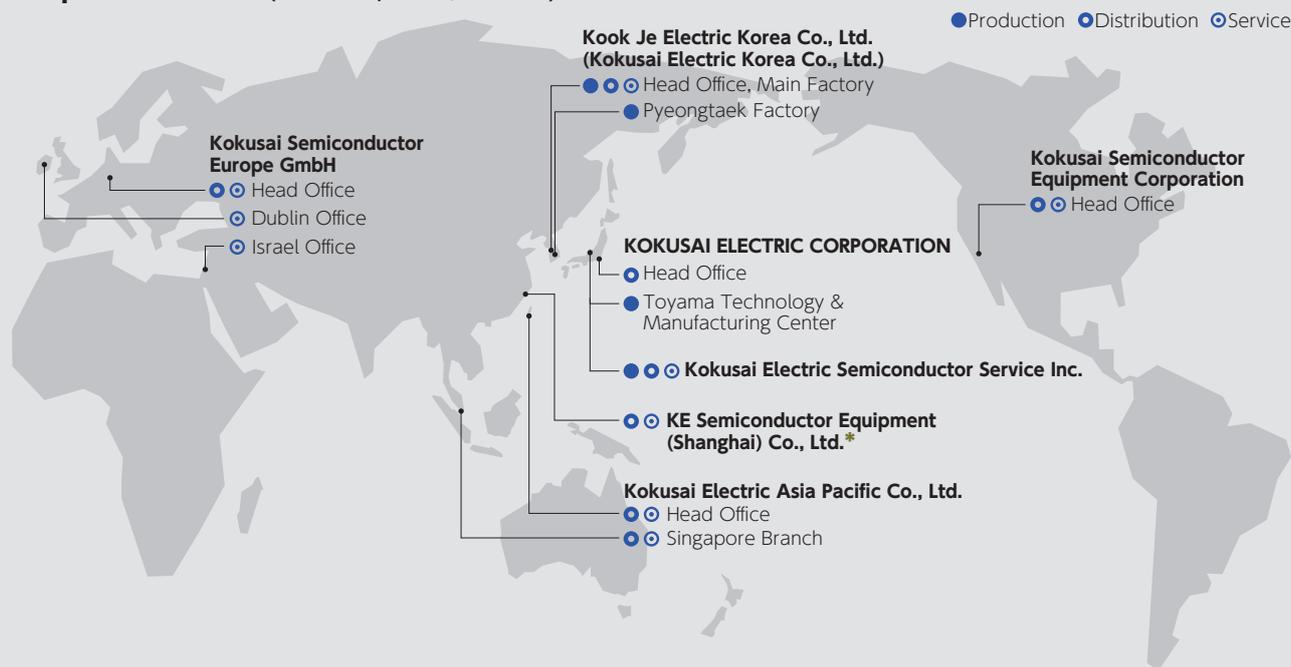


Pyeongtaek Factory of Kook Je Electric Korea Co., Ltd.

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 April 1, 2019)



Number of Group Companies: KOKUSAI ELECTRIC (the Company) has a total of six Group companies, one in Japan and five overseas.

Number of Operations: In addition to the 11 bases shown on the map, the following sites were included in the count of operation: Kamiichi Works of Kokusai Electric Semiconductor Service Inc., three offices of Kook Je Electric Korea Co., Ltd. in South Korea, three offices of Kokusai Semiconductor Equipment Corporation in the USA, and three service centers of Kokusai Electric Asia Pacific Co., Ltd. in Taiwan region. In total the Group has 21 operations, three in Japan and 18 outside the country.

* Hitachi Kokusai Electric (Shanghai) Co., Ltd. changed its name to KE Semiconductor Equipment (Shanghai) Co., Ltd., as shown on the map as of July 24, 2018.

Note: Details about the bases not shown on the map or in the section above are disclosed at the websites of the respective companies.

Kokusai Electric Semiconductor Service Inc.
<https://www.kokusai-electric.com/kss/global/>

Kokusai Semiconductor Equipment Corporation
<http://www.ksec.com/>

Kook Je Electric Korea Co., Ltd.
<http://www.kekorea.co.kr/eng/>

Kokusai Electric Asia Pacific Co., Ltd.
<http://www.kap.com.tw/>



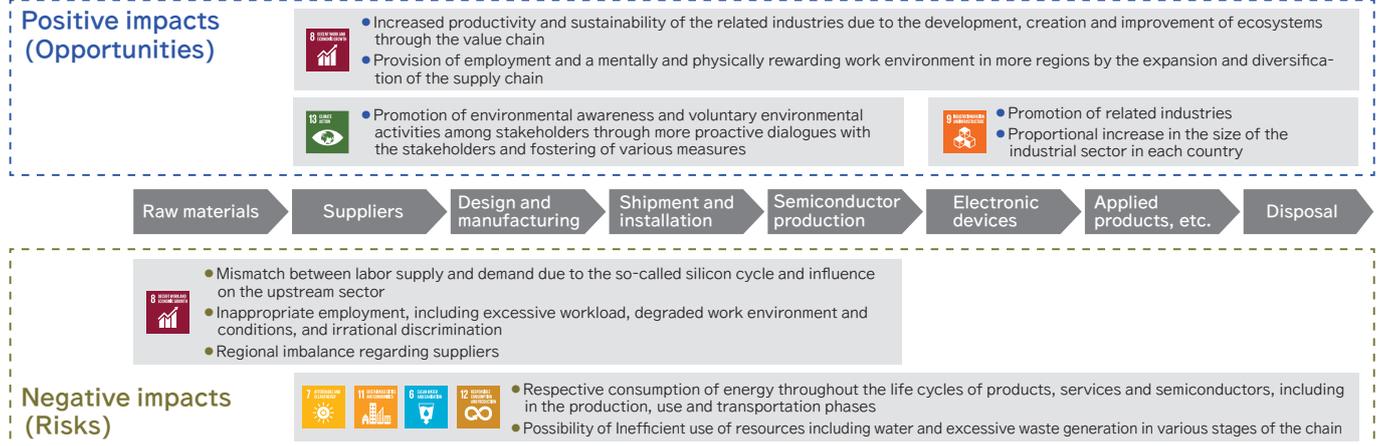
KOKUSAI ELECTRIC's Value Creation

By collaborating with stakeholders, we will develop and create ecosystems with the aim of creating a sustainable future.

Business Reforms to Be Made by the Company in Line with the SDGs*

Risks and Opportunities Posed to the Semiconductor Value Chain

The Group deals with semiconductor manufacturing equipment, which functions to produce semiconductors. Throughout the life cycle of semiconductors, they offer tremendous opportunities for the sustainable development of our society, but may also pose risks that can have negative impacts.



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

Direction of the Company's Business Reforms to Be Taken in Line with the SDGs

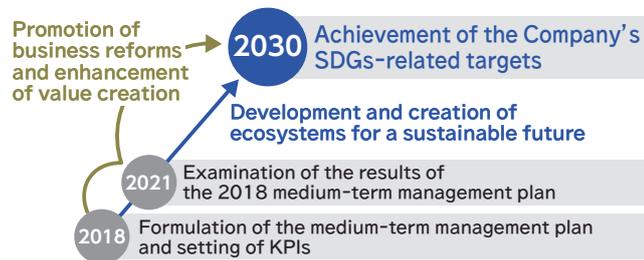
We have delved into the relevant SDGs that are related to the Group's risks and opportunities and therefrom extracted the direction to be taken by the Company and the business reforms to be made to this end. We thus took an "outside-in approach" to decide on our business targets based on the social needs to be met.

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

Related SDGs	Direction to be taken	KPI	Business reform
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Develop and produce devices, materials and services in each related country, and contribute to the industrialization/substantial improvement of productivity in each of the regions	<ul style="list-style-type: none"> - Operating profit margin (consolidated, undisclosed) - Sales by region - Procurement cost by region (undisclosed) 	Collaboration/enhancement of collaboration across the value chain Collaboration with stakeholders Reduction of environmental impact Employee awareness-raising for sustainability
Goals 7 and 12	Build an inclusive and sustainable ecosystem in relation to the manufacture of semiconductors	<ul style="list-style-type: none"> - Various diversity indicators, such as employment rate of people with disabilities (including undisclosed ones) 	
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Collaborate with suppliers, labor unions and local governments, and establish policies and procedures to protect whistleblowers, mechanisms for dealing with complaints, and relevant support systems	<ul style="list-style-type: none"> - Rate of suppliers having a whistleblowing system in place (undisclosed) 	
Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all	Promote efficient use of resources, including energy and water, in the semiconductor-related industry and the electronic device industry as well as in the use phase of electronic devices by enhancing collaboration across the value chain, thereby reducing environmental impact	<ul style="list-style-type: none"> - Consolidated sales - Environmental indicators, such as GHG emissions across the value chain including both the upstream and downstream sectors (including undisclosed indicators) - Practical cases of collaboration with customers and suppliers (undisclosed in principle) 	
Goal 6. Ensure availability and sustainable management of water and sanitation for all	Reduce waste and environmental impact throughout the life cycles of products	<ul style="list-style-type: none"> - Per-unit use/emissions of chemical substances - Per-unit use/discharge of water and its recycling rate - Estimates for these environmental indicators across the value chain (undisclosed) 	
Goal 12. Ensure sustainable consumption and production patterns	Foster zero emissions	<ul style="list-style-type: none"> - Amount of waste sent to landfills 	
Goals 11. Make cities and human settlements inclusive, safe, resilient and sustainable Goal 13. Take urgent action to combat climate change and its impacts	Promote volunteer activities to contribute to the revitalization of regions, such as those to protect local nature and culture, promote tourism, and develop human resources Provide employees with training for the mitigation of, adaptation to, reduction of the impact of, and earlier warning against climate change	<ul style="list-style-type: none"> - Total number of participants in volunteer activities - Percentage of employees receiving relevant training 	

Roadmap to Achieve the SDGs through Business Reforms

We decided on the direction of the Group's value creation process in line with the SDGs to be achieved for the creation of a sustainable society by 2030 and then formulated the medium- to long-term business strategies with a focus on implementing business reforms.



What the Company considers important

The Company's Business Management and CSR

The Company regards it as its corporate social responsibility (CSR) to meet the trust and expectations of society through-out our business activities in cooperation with Group companies.

By examining and discussing what society expects from us and what is important for the management of the Group, we have created the Corporate Statement, which describes how our Group should function and significance of its existence, the KOKUSAI ELECTRIC Way, which describes basics of the corporate management, the will and value of the Group, and the Guidelines and Commitments, which indicate what is considered important in conducting business activities.

We will implement the basic principles described in the Corporate Statement and the KOKUSAI ELECTRIC Way by continuing to act in accordance with the Guidelines and Commitments, regarding them as our CSR policy. As mentioned above, based on our medium- to long-term strategies, we establish the medium-term management plan and set KPIs to manage progress with the plan. We also share our priority measures and approach across the Group based on our annual business management policy.

We disclose our CSR activities and the results in this report and on our official website with a view to broadly engaging in dialogue about our business management with all stakeholders.



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.

For quality management, we report on the specific measures and enhancement of the related systems on our website.

Pursuing quality (online information):

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

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.



KOKUSAI ELECTRIC's Value Creation

By collaborating with stakeholders, we will develop and create ecosystems with the aim of creating a sustainable future.

Value Creation: Cases and Topics

1 Contributing to the Growth of the IoT and Automobile Industries by Providing a New Vertical Furnace for 200mm Wafers

—Refurbished low-cost high-performance thermal processing equipment for 200mm wafers, aiming to create a sustainable future—

Semiconductors have been contributing to the convenience of our daily life and are now expected to play a substantial role to mitigate global warming and prevent the depletion of resources. In particular, power semiconductors are attracting considerable attention, being expected to make great contributions to energy conservation by being used in air conditioners, hybrid electric vehicles (HEVs) and electric vehicles (EVs) to minimize power loss. As such, demand for power semiconductors is expected to increase for use in energy-related devices. For the manufacture of power semiconductors, thermal processing equipment for 200mm wafers is more suitable than leading-edge equipment for 300mm wafers, as the former provides benefits such as low production cost and stable quality. Accordingly, operation has resumed for some equipment for 200mm wafers that was formerly idle, and the expansion of existing equipment for 200mm wafers has also been promoted around the world. While low-cost, second-hand equipment for 200mm wafers was available in the industry, the second-hand market is now facing supply constraints. In response, we have newly developed a vertical-type furnace for 200mm wafers that is equipped with the latest functions. This product is widely adopted by a lot of customers.



“VERTEX®* Revolution” batch thermal processing equipment for 150mm and 200mm wafers

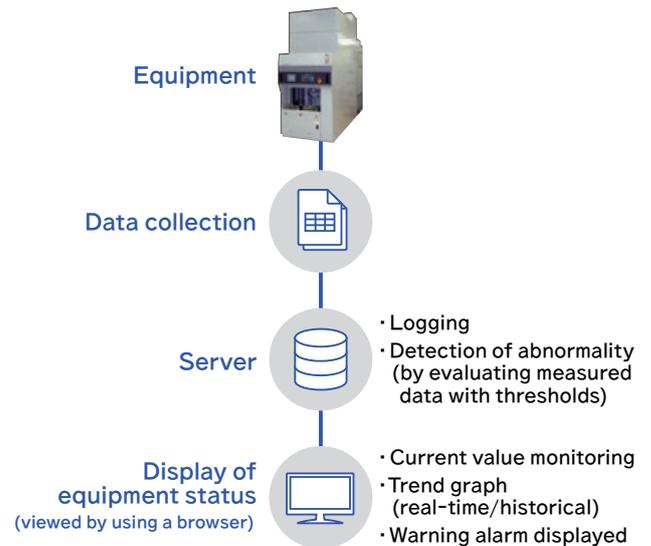
* VERTEX is a registered trademark of the Company.

2 Provision of a System for the Stable Operation of Production Equipment

Kokusai Electric Semiconductor Service Inc. (KSS) developed a system to collect and monitor the data dispatched from the sensors installed in customers' production equipment. By accumulating the collected data, providing comparisons with past data, and performing follow-ups, the system helps customers watch the status of their production equipment for timely maintenance.

The system also helps customers minimize their equipment operation costs by preventing failure occurrence. Since it is not designed as a built-in component; the system can be attached to the equipment as an external component and its behavior is thereby not affected by the equipment controller. This system is structured for general use and can collect data not only from equipment made by a company but also from that made by different companies.

Status monitoring system



VOICE

Kenichi Takemura, Global Equipment Refurbishment and Service Department

Across the communication, IoT and other new business industries, priority tends to be given to reducing the production cost. Accordingly, we make proposals to provide customers with newly created value, win their trust, and contribute to the creation of a recycling society, including proposing the modification of our products currently used by the customers and the replacement of old models with the latest models as well as the introduction of refurbished thermal processing equipment for 200mm wafers.



VOICE

Hideyuki Miyoshi, Service Planning Department, KSS

While there is large demand for leading-edge semiconductor manufacturing equipment due to the development of new semiconductor devices, customers continue to use the same equipment that they have long been using for the manufacture of conventional devices. KSS makes proposals on how customers can maintain their production lines while improving the operability of the equipment so that they can continue to use it for years to come.

The general-use status monitoring system is equipped with a function to collect information necessary to maintain the semiconductor manufacturing equipment and prevent its aging. We analyze the collected data together with customers, thereby further improving the trust we have built with them by serving them over a period of years.

3 Conducting CIP* Activities to Assist Customers with Development, Mass Production, and Quality Improvement

Kokusai Electric Asia Pacific Co., Ltd. (KAP) has its head office in Hsinchu in the northern part of Taiwan. Hsinchu is known globally as home to a number of semiconductor companies and is called the “Silicon Valley of Taiwan.” With service bases in Linko in Taipei, Taichung, and Tainan, KAP provides leading semiconductor device manufacturers with after-sale services for the Company’s vertical furnaces and single wafer furnaces. The sales, service and management staff are working as a united team to serve customers by communicating closely with them, which occurs on a daily, weekly and monthly basis to identify customer needs, including potential needs, as soon as possible. By meeting these needs appropriately and speedily, we are helping customers promptly develop and mass-produce advanced semiconductor products and improve their quality.

* CIP stands for continuous improvement process.

VOICE

C. C. Wang,
Linko Service Center, KAP

In our CIP activities, we were given a high score from a leading customer in the Linko district. The customer appreciated our quick identification of the problems they faced by sharing equipment information among our bases and our daily services. We will continue to serve customers by setting even higher targets.



4 Developing a Resistivity Measurement System Equipped with an Automatic Wafer Transfer Machine

Kokusai Electric Semiconductor Service Inc. (KSS) develops, manufactures, and sells resistivity measurement systems. Resistivity measurement systems are used to measure the resistivity of semiconductor wafers, etc. In addition to the desktop (manual) type, we developed a full-automatic type that transfers wafers automatically. KSS’s resistivity measurement system for 300mm wafers, which is equipped with an automatic transfer machine, is adopted by a number of leading-edge factories in Japan and overseas.

We have also developed and commercialized a compact system in response to customers’ needs for full-automatic measurement systems for 200mm and smaller wafers with a smaller footprint to save space at their factories. We will continue to meet our customers’ needs by developing even better products.



Resistivity measurement system equipped with an automatic transfer machine for 200mm and smaller wafers

VOICE

Kazuhiko Kinoshita, Engineering Department,
Applied Electronics Division, KSS

Resistivity measurement systems are used to manage the quality of products in the semiconductor manufacturing process. These systems thus play an important role in the manufacturing process and we aim to achieve higher measurement performance and develop new systems in response to customer needs, thereby contributing to their value creation.

TOPICS

PQS Award Received from Intel Corporation

We received a 2018 Preferred Quality Supplier (PQS) award from Intel Corporation.

“Intel’s award winning suppliers are critical to Intel’s success,” said Jacklyn Sturm, corporate vice president and general manager of Global Supply Management at Intel. “As we grow into new markets with evolving and expanding product quality and performance requirements, these suppliers continue to rise to the challenge to collaborate, innovate and win together.”



PQS award ceremony
Photo provided by Intel Corporation

VOICE

Tsuyoshi Okamoto,
North America & Europe Sales Department

We have been a recipient of the supplier award for 15 years in a row and the last PQS award is the 18th supplier award granted to us by Intel. We feel very honored to receive the award in recognition of our efforts to fulfill our role as supplier, such as ensuring quality. We hope to make further improvements so that we can continue receiving the award.

Prizes in VLSI Research’s Customer Satisfaction Survey for 22 Consecutive Years

In May 2019, the Company was awarded prizes in two categories—The “10 Best”^{*1} and “THE BEST”^{*2} in the annual customer satisfaction survey on semiconductor manufacturing systems conducted by U.S.-based market research company VLSI Research^{*3}.

This is the Company’s 22nd consecutive year winning the 10 BEST 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.



The official logos for the Awards won^{*4}

*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 VLSI Research: VLSI Research is a provider of customer satisfaction surveys and market analysis and has an established reputation for providing analysis on the technical, business, and economic aspects of the semiconductor supply chain.

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



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 posted the “Supply-Chain CSR Procurement Guidebook” on a net-site just for our business partners in order to share CSR awareness with major suppliers in Japan.

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 material quality, delivery dates, prices, and the technological development capabilities of the suppliers. Moreover, we examine whether they are fulfilling their social responsibilities regarding human rights, labor practices, ethics, and legal compliance based on the RBA* Code of Conduct.

* 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. 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. We also ask them to inform us of any findings they have made about our compliance and other issues by using the [inquiry form](#) available at our website.

We will thereby strengthen mutually beneficial “win-win” relationships with our business partners.



BPM held on April 12, 2019 with the participation of 173 people from 131 business partners

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.

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. Presently, dedicated staff members appointed by the Company are working in close cooperation with local procurement staff in South Korea and the U.S. We will continue to further promote integrated global procurement.

Furthermore, we establish our “procurement booth” at semiconductor-related international exhibitions as a contact for suppliers who want to start dealing with us, including overseas companies.

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

Fujikin Incorporated

Business partner who received the Fiscal 2018 Most Excellent Performance Award

Thank you so much for honoring us with the most excellent performance award in this commemorative year, which is the last year of the Heisei period and the first year of the Reiwa period. We will continue to evolve as the No. 1 supplier to support your company and become a “total solution company” for gas supply systems. I would ask for your continued advice.



Mr. Shinya Nojima, President and COO of Fujikin Incorporated (left)



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.

Human Resource Development

The Company's Basic Philosophy on Human Resources Development

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.

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.

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 seminars on how to study English, sessions for learning about different cultures and TOEIC®* tests.

We also give support to personal development by providing English learning tools such as correspondence and e-learning courses.

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.

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 2018, we accepted five 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.

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

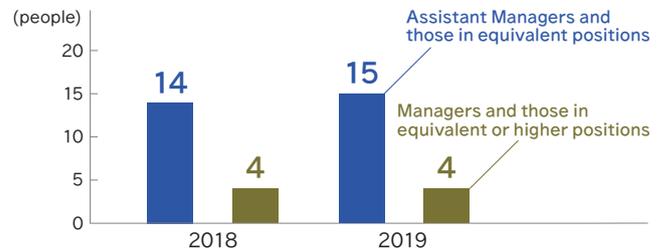
Efforts to Promote Female Empowerment in the Workplace

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 women, a panel discussion with 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

(The Company, 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. In fiscal 2018, we accepted two special support school students as interns.

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.



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

Based on the Corporate Statement, “The KOKUSAI ELECTRIC Group strives to create value through technology and dialogue to realize a sustainable society,” we give priority to health and safety at all times in all of our business activities as our basic principle. In line with the following basic policies, we are working to provide employees with safe and healthy workplaces.

1. Regarding health and safety as one of our management priorities, we will conduct activities to further improve our workplaces in terms of health and safety.
2. We will comply with the related laws and regulations as well as with our in-house administrative criteria and will conduct health and safety activities focusing on the basics.
3. All employees will proactively participate in health and safety activities and make a concerted effort to make their workplaces comfortable and to nurture a culture of safety.
4. We will enhance collaboration with all the companies concerned to ensure the health and safety of all those related to our business activities.
5. We will conduct our business activities in line with the basic principle of giving priority to health and safety, thereby contributing to the creation of a safe and comfortable society.

Early in 2018, before the launch of the Company, the Toyama Technology & Manufacturing Center had a lost-time work accident. In response, we reviewed our safety measures and enhanced the related systems based on the basic policies as shown above.

We have also set the 10 safety rules for Group companies in Japan and the special five safety rules to be obeyed in our high-risk work areas. We encourage individual employees to comply with these rules and maintain self-discipline, thereby nurturing a culture of safety and ensuring workplace safety.

KOKUSAI ELECTRIC Group 10 safety rules



- including:
- Tidy up yourself.
 - Comply with the in-house traffic rules.
 - Watch your step and head while walking and performing operations.
 - Obey the safety rules set for each task and area.
 - Caution or warn each other as necessary to stop any unsafe behaviors and noncompliance with the rules.

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 (The Company, but excluding corporate divisions for years 2014 to 2017)

2014 (Calendar year)	2015	2016	2017	2018
0.00	0.00	0.00	0.00	1.72

Number of employees taking leave due to mental health problems: Number of those who were absent for seven or more days per month (If the same employee takes leave several times a year, it will be counted as one) (The Company, but excluding corporate divisions for years 2014 to 2017)

2014 (Calendar year)	2015	2016	2017	2018
3	2	2	4	6

Number of occupational deaths (by region/by gender)
(The Group)

Calendar year		2014	2015	2016	2017	2018
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

Anti-disaster Measures

The Toyama Technology & Manufacturing Center has its own fire brigade composed of about 90 members, who are divided into small groups by building (Building-Tateyama, Building-Yakushi, Building-Oyama, Building-Tsurugi, Building-Nishiyama and Warehouse-Okubo). Each of these groups has teams with clearly specified responsibilities, such as evacuation guidance, emergency reporting, firefighting, and first aid, and these teams conduct disaster control activities on a daily basis.

Based on the principle of “protecting our workplace by ourselves,” the teams conduct monthly drills (for basic emergency behaviors) and training to get accustomed to wearing an air respirator mask so that they can make prompt and appropriate responses in case of emergency. Moreover, they participate in study meetings held to ensure the safety of gases and chemical substances and in external training to learn about cardio pulmonary resuscitation and lifesaving. They are thus improving their skills both within and outside the Center.

The Center annually participates in the local fire brigade competition and won in both the “indoor fire hydrant” and “fire extinguisher” manipulation divisions at the 2018 competition. In the comprehensive evacuation drill held by the Center in October of the same year, the winning team members supported the training on such emergency behaviors.



Wearing an air respirator mask



Members participating in the local competition held in 2018

Dialogue with the Union

The Company has concluded an agreement with the KOKUSAI ELECTRIC 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.

Work Style Reforms and 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,” the Company has been working to make work style reforms and to develop and enrich programs that help workers realize a good balance between work and family responsibilities such as child-rearing and nursing care.

Systems for supporting child care and nursing care

	Childcare Support System		Nursing Care Support System	
	Available to female employees	Available to male employees		
Pregnancy	Leave for seeing a doctor Leave due to pregnancy-related disorders Reduced-hours work system for reducing commuting stress		Nursing care leave	Nursing care leave (1 year in total; can be taken intermittently.)
Childbirth	Maternity leave (8 weeks before and after childbirth)	Paternity leave (5 days in total)	Return to work	Reduced hours work Sick/injured child care leave
Childcare leave	Childcare leave (Up to a total of three years; available until the child finishes the first grade of elementary school)			Family care leave Annual nursing care leave Paid half-day leave
Return to work	Reduced hours work (The employee can optionally choose their work hours: 4, 5, 6, 6.5 or 7 hours a day until the child graduates from elementary school) Flexitime system (until the child graduates from elementary school) Sick/injured child care leave, Family care leave Paid half-day leave (not limited) Leave to accompany spouse on overseas posting Allowance for Balancing Child Care and Work			Paid half-day leave

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

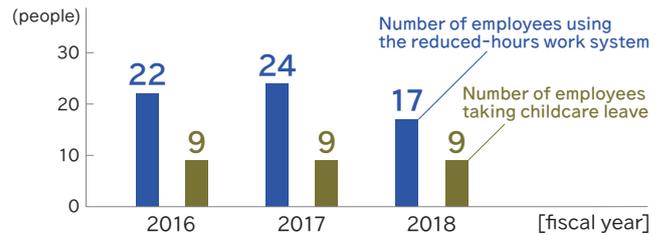
Designation of No-Overtime Days and No-Working-on-Day-Off Days

As a joint labor-management initiative to reduce overtime work and promote no-overtime days, the Company encourages its employees to leave work on time on the second and fourth Wednesday of each month. It also encourages them to designate any of the weekdays in the first, third and fifth week of each month as their own “No-Overtime Day.” It has 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, the Company 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.

Employees who took childcare leave and those who used the reduced-hours work system* (The Company, but excluding corporate divisions for fiscal 2016 and 2017)



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

Makeup of Personnel

Makeup of Personnel

(The Company, as of March 31, 2019)

	Male	Female	Total
Number of employees at work	841	95	936
Number of managers and above	182	4	186
Number of senior managers and above	74	1	75
Number of executive officers	4	0	4
Average age	44.1	44.2	44.1
Average years of service	20.6	18.7	20.4
Number of employees leaving the company in the year	18	1	19

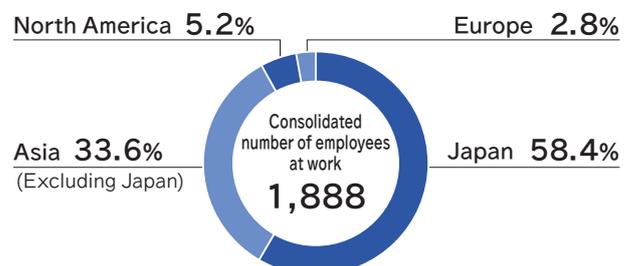
Number of Labor Union Members

(The Group in Japan, as of May 1, 2019)

Name of labor union	Number of members
KOKOKUSAI ELECTRIC Labor Union	717
Kokusai Electric Semiconductor Service Labor Union	123
Total number of members in Japan	840

Percentage of Personnel by Region

(The Group, based on the number of employees at work, as of March 31, 2019)





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 persons,” in the Guidelines and Commitments. We also specify the details of this promise in the KOKUSAI ELECTRIC Group Human Rights Policy and ensure all Group members are made well aware of the policy.

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/handle 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, 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.

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 future. Based on this statement, 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 hereafter 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. The responsibility to respect 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. Meeting the responsibility to respect human rights is key to operating as a responsible business, and is accepted to be a baseline expectation for 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.

Implementing 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 provide for cooperate in legitimate 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 honour 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.

Promoting Compliance

The Company formulated the Corporate Statement, the KOKUSAI ELECTRIC Way and the Guidelines and Commitments as the basis for the Group's business activities. We are implementing these basic principles and ensuring that all directors and employees share the values and fulfill their duties in compliance with related laws, regulations and rules.

We have an executive officer who serves as compliance man-

ager in order to prevent and detect at an early stage any non-compliance with related laws and regulations or the articles of incorporation. We also have a compliance reporting system to enable Group employees to report directly to external lawyers about noncompliance issues. In our internal rules we prohibit the disadvantageous treatment of employees who have made a report through the system.

Corporate Governance

Board of Directors and Directors

The Company has a Board of Directors composed of five directors: two who execute business and three who are outside directors. The Board makes decisions on items that are designated by related laws and regulations, the articles of incorporation and the rules on the Board as those to be decided by the Board. Members of the Board carefully deliberate these items before making decisions on them.

The Board meets once a month and also meets as necessary when an important managerial issue requires a prompt response.

Management Meeting and Executive Officers

The Company adopts the executive officer system. Executive officers selected by the Board of Directors engage in business operations to fulfill their respective roles for the Company under the leadership of the president and CEO.

Attended by executive officers, the Management Meeting is held to examine important items that have impacts on the Company and its subsidiaries in a multifaceted manner and to carefully make decisions on the items.

Corporate Auditor

The Company has a corporate auditor, who attends the Board

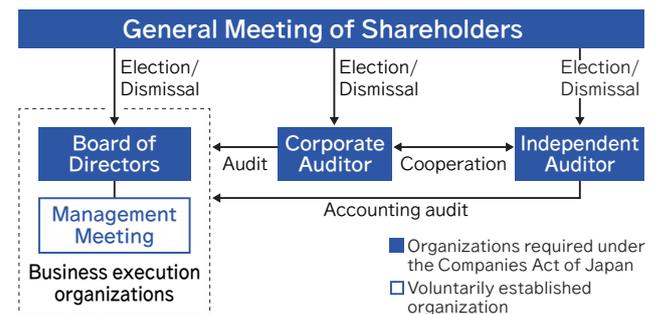
of Directors meetings, Management Meeting and other important meetings to monitor the resolutions and reports made on important items and to express their opinions as necessary.

In order to increase the effectiveness of the auditing activities, the corporate auditor cooperates and regularly exchanges opinions with the auditing firm.

Internal Control

The Board of Directors has established an internal control system by setting the internal control rules to ensure the appropriateness of the Group's business activities and monitors the operation of the system.

Corporate Governance Structure (As of April 1, 2019)



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 conference, 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	Engage in community proactively to contribute to its development	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



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.”

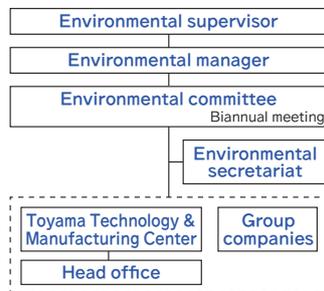
KOKUSAI ELECTRIC Action Guidelines for Environmental Conservation

[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

In line with the Company’s Action Guidelines for Environmental Conservation, the environmental supervisor sets the environmental policies and the environmental committee composed of the heads of each division promotes environmental conservation activities across the Group. We mainly conduct the following activities in the three categories.



Granted a Prize for the Environmental Human Resources Development Corporate Awards

On March 28, 2019, we were granted an Encouragement Award in the 2018 Environmental Human Resources Development Corporate Awards sponsored by the Japanese Ministry of the Environment and the Environmental Consortium for Leadership Development, which commends companies that are implementing measures to encourage employees to voluntarily take actions for eco-friendly corporate management.

We were given the award in recognition of our commitment in global manufacturing to reducing the environmental impact of our products and services throughout their life cycles for the realization of an environmentally harmonious and sustainable society and our implementation of a range of initiatives to make employees more environmentally aware. More broadly, we believe that we won the prize as a result of having steadily conducted environmental education, environmental volunteer and other activities.



Award ceremony (May 27, 2019)
Chairman of the Board, Environmental Consortium for Leadership Development (Left) and Deputy General Manager of the Toyama Technology & Manufacturing Center

Photo provided by the secretariat of the Environmental Consortium for Leadership Development

Eco-management Promotion of environmental education, improvement activities conducted under the departments’ environmental management programs, and environmental volunteer activities

Eco-product Compliance with overseas product-related laws and regulations, management of chemical substances used in products, and eco-friendly product design

Eco-factory Reduction of energy use and waste generation

Targets and Results of Environment Activities in Fiscal 2018 (Toyama Technology & Manufacturing Center)

The results and evaluation of the Environmental Action Plan in fiscal 2018 are as follows. Since fiscal 2016, we have been vigorously promoting environmental activities toward the targets set for 2018, which is the final year of the medium-term plan.

Category	Action goal	Index	Final fiscal year (2018)		Fiscal 2017 Results	Evaluation	
			Target	Results			
Eco-management	Nurture an environmental mindset in all employees	Participation ratio	100%	100%	100%	🌳🌳🌳	
	Indicator of the level of environmental activities	Green points	480GP	498GP	366GP	🌳🌳🌳	
	Ecosystem Preservation	Number of ecosystem preservation activities implemented	New	Discussion/survey	0	0	🌳🌳🌳
				Planning	0	0	
			Implementation	5	5		
Ongoing	Ongoing activities	28	28	28			
Collaboration with Stakeholders for the Environment	Number of environment-related social contribution activities implemented*	Number of activities implemented	13	13	23	🌳🌳🌳	
Eco-product	Environmental design assessment	Assessment rate	100%	100%	100%	🌳🌳🌳	
Eco-factory	Global Warming Prevention	Improve energy use per unit	Index: “Energy Use per Unit” (reference year 2005)	82 or below	95	89	🌳
		Reduce transportation energy per unit	Index: “Transportation Energy Used per Unit of Production” (reference year 2006)	60 or below	45	56	🌳🌳🌳
	Effective Use of Resources	Improve waste and valuables generation per unit	Index: “Waste and Valuables Generation per Unit” (reference year 2005)	45 or below	45	45	🌳🌳🌳

* 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%

Green Points (The Company)

We use green points (GPs) for the self-evaluation of our environmental activities in order to improve and upgrade the quality of such activities. GPs provide a mechanism for classifying our 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.

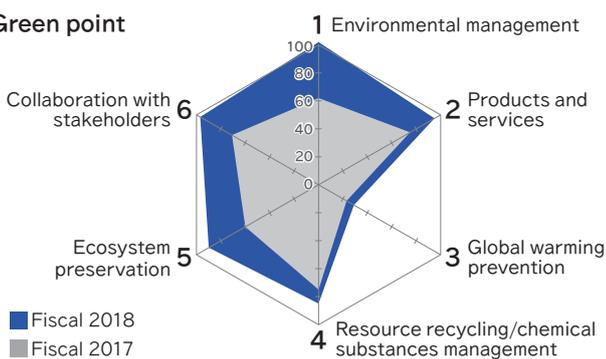
During the period from fiscal 2016 to 2018, we worked to enhance the quality of environmental activities while evaluating achievements and progress toward Environmental Action Plan targets. In fiscal 2018, the Company far surpassed the predefined target with a score of 498 GPs.

In fiscal 2018, the final year of the three-year period, the Company earned a high score for environmental management as a result of visiting its overseas sites to give them advice on environmental activities and by increasing employees' e-learning attendance rate to 100%. We also collaborated with stakeholders to give environmental education to local preschool-aged children and conduct local cleanup activities. In recognition of these activities, we were granted the aforementioned Encouragement Award in 2018. These contributed to the high GPs.

GP evaluation items

Category	Main Evaluation Indicators
1 Environmental management	Environmental management, 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 Collaboration with stakeholders	Environmental education, tree-planting, community cleanup activities

Green point



Note: For "3. Global warming prevention," please refer to "Prevention of Global Warming and Energy Saving" on page 18.

Environmental Accounting (The Company)

We calculate environmental conservation costs and environmental conservation effects with reference to the Japanese Ministry of the Environment's Environmental Accounting Guidelines. Environmental conservation expenses 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	FY			Overview
	2016	2017	2018	
Business area costs	174.1	307.4	310.9	Costs of maintenance of equipment with low environmental impact, depreciation, etc.
Upstream/downstream costs	0.0	0.0	0.0	Costs for green procurement and recycling
Management activity costs	32.2	38.5	45.6	Personnel expenditures for environmental management, maintenance costs for environmental management system
Research and development costs	0.0	0.0	0.0	R&D for the reduction of environmental impact caused by products and production processes, product design expenses
Social activity costs	0.0	0.2	0.3	Environmental improvements such as afforestation and beautification, PR and publicity expenses
Environmental damage costs	0.0	0.0	0.0	Environment-related measures, contributions and levies
Total	206.3	346.2	356.8	—

Investments (in millions of yen)

Item	FY			Overview
	2016	2017	2018	
Investments in environmental conservation	15.6	65.6	153.8	Direct investments in environmental load reduction facilities such as energy conservation facilities

Economic effects of environmental conservation

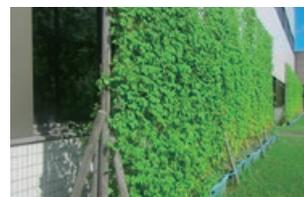
Economic effects (in millions of yen)

Item	FY			Overview
	2016	2017	2018	
Net income effects	8.5	17.0	17.0	Profit on sale of recycled waste, etc.
Expenditure reduction	1.1	5.3	7.1	Cost-saving effects, etc. by saving energy
Total	9.6	22.3	24.1	—

Winning a Prize of Excellence as a Business Establishment in Toyama City's Green Curtain Contest 2018

The Group implements a green curtain project in line with an initiative promoted by the Japanese Ministry of the Environment. In November 2018, we won a prize of excellence as a business establishment in Toyama City's Green Curtain Contest for the second consecutive year. The contest is held to encourage citizens and companies to save energy in an enjoyable and easy manner.

We received the honor as a result of the Toyama Technology & Manufacturing Center having conducted environmental activities proactively, including increasing the diversity of cultivated plants, donating seedlings for green curtains to local preschools, and helping the preschool children plant the seedlings while providing them with environmental education.



Bitter gourds



Planting seedlings together



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 (Toyama Technology & Manufacturing Center)

The Toyama Technology & Manufacturing Center expends resources and energy in order to make and provide products and consequently discharges CO₂ 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 Group's environmental impact reduction measures taken through the semiconductor value chain, see "Business Reforms to Be Made by the Company in Line with the SDGs" on page 17 and "Eco-Friendly, Next-Generation Products" on page 19.

Input Business activities at the Toyama Technology & Manufacturing Center Product/Services ▶ Output The values in parentheses show the change from fiscal 2017.

Energy

Electricity	23,522 MWh	(+8%)
	[228,144 GJ]	
Fuel oil (heavy oil, kerosene)	120 kL	(-17%)
	[4,621 GJ]	
Gas (city gas, LPG)	54,000 m ³	(+7%)
	[5,761 GJ]	

Raw materials

Materials and parts	109 t	(-39%)
Packaging materials	387 t	(-17%)
Papers	18 t	(-9%)

Chemical substances

PRTR*1-specified chemical substances handled	1.9 t	(-31%)
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Water

Tap water, industrial water	154,000 m ³	(-1%)
Tap water	10,000 m ³	
Industrial water	144,000 m ³	

Exhaust gas

CO ₂ emissions*2	10,749 t	(+7%)
Direct CO ₂ emissions	658 t	
Indirect CO ₂ emissions	10,091 t	
SOx	0.0 Nm ³	(0%)
NOx	92 Nm ³	(-62%)

Waste and valuables

Release	491 t	(-4%)
Final disposal	2 t	(+52%)

Chemical substances

Release, transfer and re-cycling of PRTR-specified chemical substances	0.6 t	(+105%)
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Drainage

Amount of drainage	154,000 m ³	(-1%)
Discharged to rivers after purification	154,000 m ³	
BOD	0.5 t	(+24%)

*1 PRTR: Pollutant Release and Transfer Register

*2 CO₂ emissions: Emissions were calculated based on the 2005 emission coefficients for electric power by country published by the International Energy Agency (IEA).

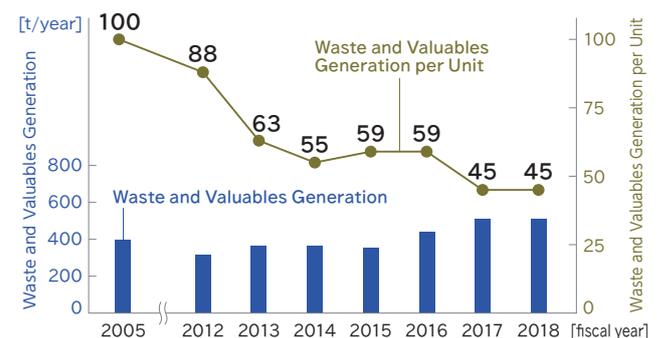
Reduction of Waste

To curb waste generation, the Toyama Technology & Manufacturing Center works to reduce Waste and Valuables Generation per Unit. In fiscal 2018, this per-unit generation index remained at the same level as the previous year. Specifically, it came to 45, an improvement of 55% relative to fiscal 2005. In fiscal 2018 we conducted an activity to reduce landfill waste for "zero emissions." To this end we fostered the appropriate sorting of waste by raising employees' awareness around recycling and the effective use of resources through in-house education.

We also make it a rule to visit the sites of waste treatment companies to confirm that our waste, which includes industrial waste, general waste and waste sold as valuables, is treated appropriately throughout the process from collection and transportation to disposal. We conduct on-site checks with a

focus on legal compliance, safety and environmental friendliness.

Improvement in the generation of waste and valuables and in the per-unit generation index (Toyama Technology & Manufacturing Center)

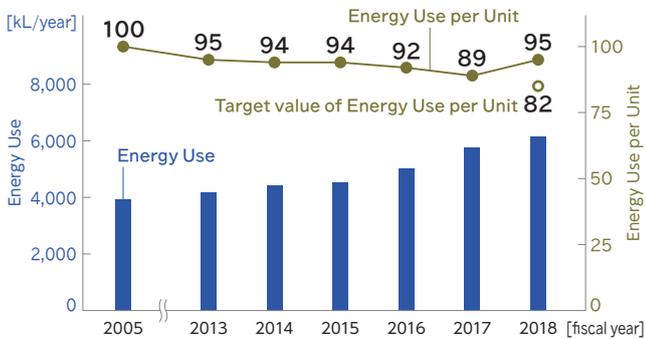


Prevention of Global Warming and Energy Saving

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. In fiscal 2018, we strived to reduce Energy Use per Unit to 82 (an 18% improvement relative to fiscal 2005). However, the energy use index came in below the target at 95 (a 5% improvement relative to fiscal 2005) due to the expansion of product development and process evaluation.

To save energy used by facilities, we are fostering replacement, including upgrading to high-efficiency air-conditioning equipment and switching 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 in the per-unit use index (Toyama Technology & Manufacturing Center)



Commended as a Company Excellent in Energy Management

The Toyama Technology & Manufacturing Center was given the highest commendation by the Director-General of the Chubu Bureau of Economy, Trade and Industry among those commended by the Bureau as contributors to energy saving. Every February, which is designated “Energy Saving Month” in Japan, the Bureau gives commendations to companies and individuals who have made outstanding contributions to energy conservation.

This fiscal year, the Company became the only recipient of the Bureau’s commendation in the Hokuriku area.

We were given the commendation in recognition of our use of an energy-saving SCR evaluator,* shift to LED lighting in our buildings, adoption of a “free cooling system” (to use low-temperature external air for heat exchange for air-conditioning), and replacement of equipment with more energy-efficient models.

* SCR evaluator: Equipment to evaluate the process status of the Company’s products in super-clean rooms



(Right) Hidehiro Yanagawa, General Manager of the Toyama Technology & Manufacturing Center
(Left) Yumio Nakamura, Manager of the Production Facilities Section

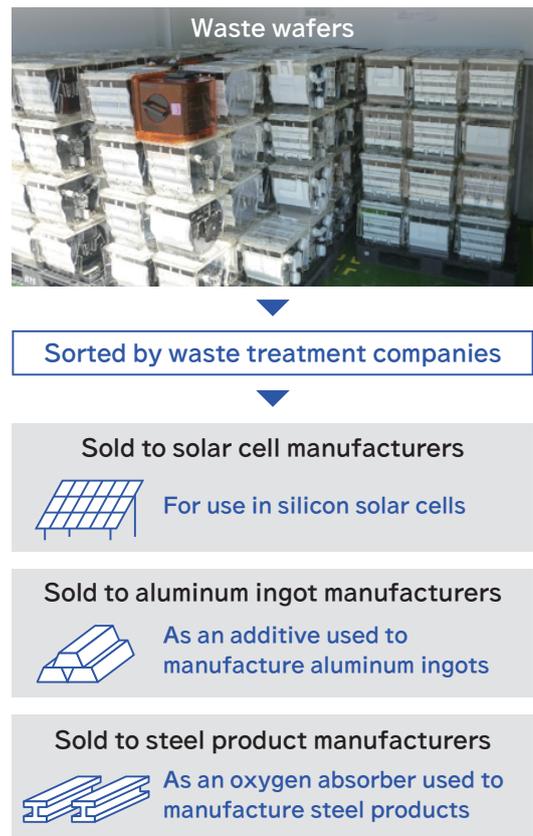
Proper Disposal of Waste

Much of the waste discharged from the Toyama Technology & Manufacturing Center is recycled, and most of the wafers used for process evaluation are sold as valuable waste and reused.

Some waste wafers are sorted by waste treatment companies for use by solar cell manufacturers as a material for silicon solar cells. Waste wafers that are not suitable for this application are used by other manufacturers, for example, as an additive used for the manufacture of aluminum ingots and as an oxygen absorbent for steel products.

As our responsibility as a waste generator, we closely check whether our waste products are disposed of appropriately and work to foster their recycling.

Flow of appropriate waste disposal





Eco-Friendly, Next-Generation Products

Through the product life cycle, from raw materials production and manufacturing to customer use to final disposal, we conduct activities to contribute to reducing environmental impacts.

Transportation of Products in Cardboard Packaging (Reducing Energy Use in Transportation)

The Company used to transport its products in wooden crates. Recently, however, we have adopted “high-performance cardboard” packaging for the export of products to our overseas sales companies as the cardboard packaging has superior quality, including being light and strong. Unlike with wooden crates, we do not need to use nails, bolts, etc. for the fixation of the cardboard packaging, which reduces operational risks. Moreover, the cardboard packaging is easy to open even for inexperienced non-engineers, leading to a substantial reduction in time and labor required for opening. Also, because the cardboard packaging is lighter, we can reduce the energy used for transportation (i. e. CO₂ emissions), which contributes to environmental impact reduction.

Comparison between wooden crates and cardboard product packaging

Comparison item	Wooden	Cardboard
Weight ratio	1	0.84
Time required for packing	28 min. by 6 people	14 min. by 6 people
Time required for opening	22 min. by 5 people	3 min. by 4 people
Reusability	Reusable	Reusable



Wooden crate



Cardboard packaging

We decided to use the cardboard packaging after conducting the following tests to confirm that the replacement would not have any adverse impacts on products and their quality.

1. Water and weather resistance
2. Possibility of the cardboard being pierced by the fork of a forklift
3. Trial transportation
4. Damage caused by lashing strength to packages transported with products in them
5. Changes in transportation conditions (temperature and humidity)

Appropriate Management of Chemical Substances Used in Products

Based on its environmental policies, to prevent environmental pollution, the Company manufactures products by appropriately managing the use of chemical substances in the products to ensure safety based on the international rules and on both domestic and overseas environmental laws and regulations. We collect the latest information about environmental regulations enforced in each country and share that information with employees and business partners. We also annually provide employees with e-learning on the environmental laws and regulations related to our products. In June 2018 we held an environmental seminar for business partners in the Toyama and Tokyo areas to brief them on how we procure goods in compliance with environmental laws and regulations, how to respond to a survey conducted under the chemSHERPA*¹ information communication scheme for chemical substances used in products, and on the Eco Test*².

*1 chemSHERPA is a registered trademark of Mizuho Information & Research Institute, Inc.

*2 The Certification Test for Environmental Specialists (Eco Test) is carried out by the Tokyo Chamber of Commerce and Industry.



Environmental seminar held for business partners in June 2018



Communication Tools

We will engage in constructive dialogue with a wide range of stakeholders for the creation and expansion of corporate value.

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 2019 as well as detailed information and updates that cannot be included in the CSR report.

The Company’s Website

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



The Company’s website

For details of the Group, please visit the following website:
<https://www.kokusai-electric.com/en/>

Corporate Profile

We have been publishing a brochure titled “Corporate Profile,” which gives an outline of the Group, and updating the content from time to time. We distribute hard copies of this brochure as necessary and post the online version (in PDF format) on our website.



Corporate Profile

Corporate Profile (online version in PDF format: 1.75 MB)
<https://www.kokusai-electric.com/en/company/>

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

The title, publication year, and specific content of each Standard that this CSR Report references is shown at the GRI Content Index, which is posted on the “CSR Information” page of the Company’s 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)
- Organization 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 2018 (from April 1, 2018 to March 31, 2019)

Companies

The Company and its Group companies

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: On page 3, we disclosed consolidated sales figures, including those for previous fiscal years, to ensure data consistency for companies included in the scope of this report, while in the previous year’s report we disclosed unconsolidated sales figures in consideration of the statutory scope of disclosure applied to the Company.

Next issue

The next report is planned to be issued in September 2020.



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.

Donation to Support Victims of Heavy Rains in July

On and after June 28, 2018, a wide range of areas across Japan, especially in western Japan, suffered damage due to the heavy rains caused by Typhoon No. 7 and the seasonal rain front. Due to this event, 224 people lost their lives, eight went missing, 459 were injured and around 18,000 houses were damaged.

The Group collected money from employees and the Company matched the amount under the matching fund system, thereby donating a total of slightly more than 1 million yen to the Japanese Red Cross Society as the fund to conduct relief and recovery support activities for the disaster-afflicted areas.

The donated money has been used by the Japanese Red Cross Society to send personnel to the afflicted areas for medical support, mental healthcare, and hygiene and health management, and to distribute support goods for victims.

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

Removal Activity Conducted in Winter to Prepare for Farming in Spring

A total of 10 employees of Kook Je Electric Korea Co., Ltd. participated in an initiative implemented by a customer-associated charity group and conducted a removal activity on post-harvest farmland.

The farmland is used by local elderly farmers to grow agricultural crops, which they then harvest and distribute as food. The employees removed the vinyl cloth covering the farmland, weeds, and support stands on behalf of the farmers, who had been unable to do it without assistance, so that they could restart farming next spring.



Labor-intensive weeding



Removing the support stands used to grow cherry tomatoes



Removal of the vinyl cloth covering the soil

Service Activity in a community neighboring Tainan Industrial Park

On March 3, 2019, the Taiwan Xianghe Charity Association conducted an activity to provide poor people with free-of-charge medical care and massage by a doctor of traditional Chinese medicine. Employees of the Tainan Service Center, Kokusai Electric Asia Pacific Co., Ltd. (KAP) and their families (34 people in total) participated in the activity as guides and distributed refreshments including tea and desserts.

Through this activity the employees interacted with local residents and learned the difficulties involved in medical care activities. The event provided them with an opportunity to develop themselves and become aware of the importance of having various experiences outside the workplace. We will continue to participate in diverse volunteer activities and events.



Massage performed by a doctor of traditional Chinese medicine started while staff were preparing for the event



KAP Tainan members and their families participating in the activity

VOICE

Mr. Weibin Wang, President of the Association

We were able to conduct the activity smoothly thanks to support from volunteers, who served as local community supporters in the activity. More than 300 people were served by the activity, and both the Association and all the served were thankful to the KAP employees.

J. R. Wang, Section Manager, Technical Department, KAP

I was glad to be able to participate in the activity. We met people who were in need of support and were able to help them. The smiles on their faces have provided us with tremendous momentum for our CSR activities.



Receiving a letter of thanks from President Wang (Left)

Cleanup Activity Conducted around the Premises

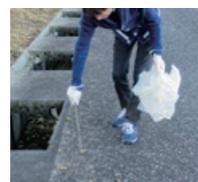
The Kamiichi Works of Kokusai Electric Semiconductor Service Inc. conducts a cleanup activity around the premises twice a year in spring and fall.

Every time almost all employees of the plant participate in the volunteer activity. They meet before work starts to conduct the activity in the fresh air of early morning.

We will continue to conduct this activity toward the future.



Cleaning up a ditch



Picking up trash on the road



Group photo taken at the end of the activity (Oct. 26, 2018)

Hosting an Intern

Toyama Technology & Manufacturing Center (TTMC hereafter) hosted an intern from Inha University in South Korea for five days from August 20 to 24, 2018. We have been hosting interns from the university since fiscal 2011 in order to provide them with an opportunity to experience working at a company. We were able to provide this intern with a variety of experiences at TTMC with the support of a range of departments, including design, development, quality assurance, and manufacturing.

Welcoming Students on a Tour of the Site

On September 14, 2018, 17 students visited our TTMC from local universities and 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 derived 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 and Tonami Technical High School, to tour the facilities.



Plant tour by high school students



Discussion with alumni employees

Working as Volunteers in a Citizens Park in Toyama

In response to a call for help from public interest incorporated foundation Toyama Kenmin Fukushi Koen, we encourage Group employees to participate in volunteer activities conducted in Taikoyama Land—a park located in Imizu City, Toyama Prefecture. In 2018, a total of 90 people, composed of the TTMC and Kokusai Electric Semiconductor Service Inc. employees and their families, participated in the activities four times, on June 24, July 15, September 2 and November 11, cleaning up the park, planting flowers and bulbs in the flower beds and removing weeds.



Planting seedlings and bulbs



Participating in the activity with family members (July 15, 2018)

Volunteer Cleanup Activity on the Banks of the Jinzu River

The activity is held by the TOYAMA Fishery Cooperative annually on the Sunday immediately before the start of the ayu fishing season. In fiscal 2018, about 420 people participated in the activity, including members and staff of the cooperative

association and employees of companies and organizations. Employees of the Group also proactively participate in the activity every year. In fiscal 2018, a total of 56 people, including TTMC and Kokusai Electric Semiconductor Service Inc. employees and their families, participated in the activity to pick up trash on the riverside from the Fuchu-ohashi Bridge to the Arisawa Bridge.



Picking up trash together along the riverside



Group photo taken at the end of the activity (June 10, 2018)

Participation in Toyama Marathon 2018

The Toyama Marathon was started in 2015. It attracts competitors from across Japan, who are drawn to the charming historical town and the beautiful scenic nature found along the marathon course, such as the Tateyama mountain range and Toyama Bay, which has been admitted to the World's Most Beautiful Bays Club.

The Company created original T-shirts for employees participating in the marathon and their supporters to help boost the sense of team spirit. A total of 37 representatives of the Company competed in the event in 2018, including a board director. As they raced toward the finish line they breathed in the charming air of Toyama and interacted with other runners as well as those cheering them on from the sidelines.



Employees encouraged each other before the start of the marathon (Oct. 28, 2018)

Philippine Concert Tour as a Friendship Activity

Conductor, Mr. Toshio Yanagisawa, already famous for the activities in harmonizing the world by music, now deployed an orchestra for a concert tour under the support of Japanese Embassy in Philippine, during our holiday weekend starting on March 21, 2019, to which one of our Company employees voluntarily participated.

St. Scholastica's College and the TIU Theater, the event places for the concerts are both advocating visions to provide opportunities of education on cultural performance for the local children with poverty, so that they could realize their dream, not to start criminal behaviors. Several students as well as a professor from the School of Music of the College joined the performance of the concerts, whereas a group of such local children were invited as the audience there. The tour turned out to be quite a valuable and enthusiastic cultural exchange.



The double-bass player at the right end is the employee of the Company.

Photo provided by Mr. Toshio Yanagisawa

Editor's Postscript

In this report we have described how the newly established company was managed in its first fiscal year. We worked to make the report even more intelligible and easier to understand than the previous CSR report, which was published soon after the launch of the Company.

Specifically, we changed the page layout and outlined the important issues for the Company's business development in reference to global standards on social issues and listed the relevant items in the order decided in relation to the standards. We have three different information disclosure media: this annual CSR report published in PDF format, our official website, and the brochure "Corporate Profile" available in a printed format. We reviewed the roles to be played by the three and have provided links as necessary to serve as guideposts for readers.

We refer to the opinions shared by readers in the questionnaire survey to make our next report better. After reading this report, readers are therefore invited to kindly give us their valuable feedback by replying to the questionnaire on this CSR report.

KOKUSAI ELECTRIC CORPORATION

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