

# Foundations for Sustained Development

## Enhancements to corporate governance as the foundation for transitioning to a company with an audit and supervisory committee

### Basic approach to corporate governance

Following the approval at the 6th General Meeting of Shareholders held on June 30, 2021, the Company transitioned from a company with a board of corporate auditors to a company with an audit and supervisory committee for the purpose of further enhancing the Board of Directors' supervision of executive officers and to improve corporate governance. We aim to separate management and execution with the appointment of multiple outside directors who are not themselves involved in business execution. The Board of Directors supervises overall management through decision-making on important business execution, including the election of executive officers, while the Audit and Supervisory Committee conducts lawful and suitable audits of the management and execution, which is thought to enable the realization of sustained improvement in corporate value. In addition, the Company has voluntarily established as consultation organizations for the Board of Directors, the Nomination and Compensation Committee, which clarifies the policies concerning executive personnel matters and compensation and to ensure transparency in the decision-making process, and the Transactions with Controlling Shareholders Committee, which deliberates on important transactions and behavior where there is conflict of interest between controlling shareholders and minority shareholders.

### Board of Directors

The Board of Directors comprises nine directors: Fumiyki Kanai (Representative Director, President and Chief Executive Officer) as chair, with Yuji Kamiya (Director, Executive Vice President and Executive Officer), Noriko Sakai (Outside Director), Masaaki Tsuruta (Outside Director), Hirofumi Hirano (Outside Director), Masaki Nakamura (Director), Toshiyuki Uchino (Audit and Supervisory Committee Member), Hitoshi Kumagai (Audit and Supervisory Committee Member, Outside Director), and Hirohito Nakada (Audit and Supervisory Committee Member, Outside Director). In principle, the Board of Directors meets once a month and at other times as necessary. The Board of Directors deliberates and determines matters prescribed by laws and the articles of incorporation as well as important matters concerning business execution, and also supervises overall management, including the execution of duties by executive officers. To ensure decision-making from a wide-ranging viewpoint and the objective supervision of business execution, five of the nine directors on the Board of Directors are Outside Directors.

### Audit and Supervisory Committee

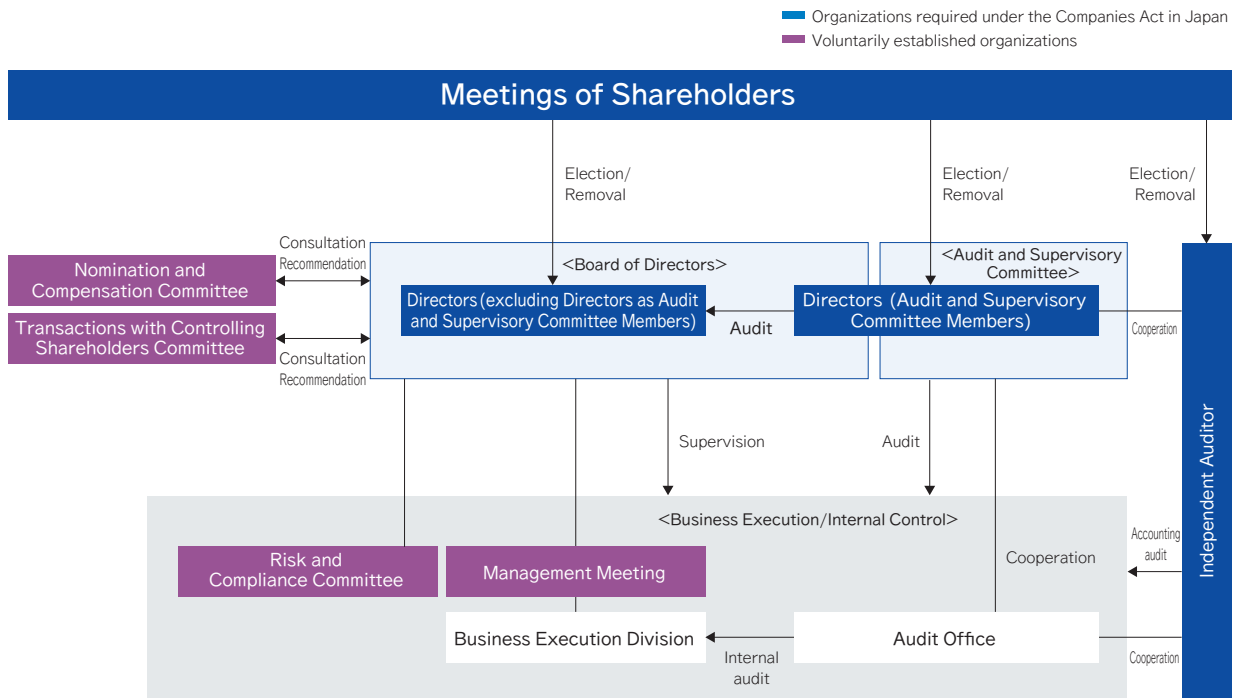
The Audit and Supervisory Committee comprises three Directors who are Audit and Supervisory Committee Members (of which two are Outside Directors) including full-time member Toshiyuki Uchino (Director) as chair, and Hitoshi Kumagai (Outside Director) and Hirohito Nakada (Outside Director). In principle, the Audit and Supervisory Committee meets once a month and at other times as necessary. The Audit and Supervisory Committee, comprised of these Directors who are Audit and Supervisory Committee Members, cooperates with the Independent Auditor and the Audit Office and strives to ensure the integrity of management.

### Executive Officer System and Management Meeting

The Company has introduced an executive officer system and the Representative Director, President and Chief Executive Officer controls the operations as the chief person responsible for business execution. The Management Meeting comprises the Representative Director, President and Chief Executive Officer as chair and all executive officers. In principle, the Management Meeting meets twice a month. The Management Meeting deliberates and determines important matters concerning business execution other than matters to be resolved by the Board of Directors as prescribed by laws and the articles of incorporation or otherwise.

### Outside Directors/Independent Directors

The Company's Board of Directors comprises nine directors including one woman, two executive officers and concurrent Directors and one Director who have extensive experience and advanced expertise as well as being knowledgeable about semiconductor-related businesses, and six Outside Directors, including independent directors who support and supervise management from an objective standpoint. Outside Director Hirofumi Hirano has been involved in investment proposals and alliance business in multiple business areas over many years, and he has contributed his opinions and suggestions on expansion of the Company's business areas. Four Directors meet the independence criteria of the Companies Act, the Regulation for Enforcement of the Companies Act and the Tokyo Stock Exchange. These are independent directors Noriko Sakai (Lawyer), Masaaki Tsuruta (former Representative Director of Samsung Japan Corporation) and Audit and Supervisory Committee Members Hitoshi Kumagai (Certified Public Accountant) and Hirohito Nakada (Lawyer). They provide honest and lively constructive opinions at the Board of Directors based on their respective extensive knowledge and experience in various fields such as in corporate management from a fair and neutral standpoint. They fulfill their role and obligations as independent directors.



## Internal Controls

The Company is aiming to maintain and enhance the Group's internal control system by establishing the Basic Policy on Internal Control Systems, which includes the fulfillment of reliable financial reporting and the realization of prompt and appropriate decision makings, improving the internal control system to ensure appropriate and efficient execution of the Group's operations, while also establishing an Internal Control Committee (which convenes twice a year) chaired by an executive officer who is in charge of finance and accounting.

The Audit Office was established under the direct control of the President on January 18, 2021. It conducts internal audits of all departments including subsidiaries in Japan and overseas and evaluates matters such as the effectiveness of management and operations, compliance, and the reliability of financial reports from a standpoint that is independent from business execution. The results of the audit are reported to the President, with regular exchange of opinions with the Audit and Supervisory Committee and the external auditors. We strive to increase the effectiveness of monitoring activities in the respective roles.

## Compliance

The Group has defined matters concerning risk management for business activities in our Basic Rules for

Risk and Compliance. We aim to prevent the materialization of risk or minimize losses in the event that such risks materialize. In addition, by prescribing the basic policies, the structure and management methods for compliance relating to business activities in line with our "Corporate Statement, KOKUSAI ELECTRIC Way and Guidelines and Commitments," we, first of all, observe relevant laws and regulations in our business execution and conduct ourselves in a manner to ensure highly transparent management that conforms with social norms and corporate ethics.

## Risk Management

The Group classifies the various risks in Japan and overseas surrounding its business operations into categories such as managed risk, disaster and accident risk, and social risk and regularly reviews the risk levels and measures taking account of the level of impact on business continuity. Recently, we have revised the response to COVID-19, a global-scale risk, and the response to natural disasters such as abnormal weather and major earthquakes. We continue to identify new risks and implement measures.

## Foundations for Sustained Development

### 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 to the greatest extent possible even during the COVID-19 pandemic.

Stakeholders	Our commitment to stakeholders	Examples of dialogue	Response Departments
Customers	Create value to contribute to the resolution of social issues jointly with customers	Technology exchange meetings, joint development projects, customer satisfaction surveys	Sales departments Quality assurance departments
Employees	Give opportunities for further training and growth and provide a mentally and physically rewarding, safe and healthy work environment	Various training, labor-management conference, health guidance, sharing of employee survey results and follow-up activities, use of intranet	Human resources and corporate administration departments
Business partners	Engage in fair and free competition, appropriate business transactions that are legally compliant and consistent with social norms, and responsible procurement activities	Business partner meetings, various business negotiations and meetings	Procurement departments
Communities	Engage in community proactively to contribute to its development	Participation in local activities, support for maintaining and developing traditional arts, joint disaster drills with local fire stations, sponsorship of professional soccer team	Human resources and corporate administration departments
Shareholders/ Investors	Engage in constructive dialogue with a range of stakeholders for the creation and expansion of corporate value	General Meeting of Shareholders	Legal departments Finance & accounting departments Public relations & IR departments

### Messages from Outside Directors

#### Striving to ensure integrity and transparency as an organization

I have been an Outside Director (independent director) since March 31, 2021. Since then, my impression has been that the Company has high technological capabilities, which it combines with its integrity. It is a company that does not spare any effort to realize its Corporate Statement: strives to create value through technology and dialogue to realize a sustainable society that is safe, comfortable and vibrant.

Amid the unstable environment caused by COVID-19, the Company has increased its earnings backed by factors such as expansion of the semiconductor manufacturing systems market. At the same time, to enhance corporate governance, the Company has continuously strived to ensure integrity and transparency as an organization by transitioning to a company with an audit and supervisory committee, and establishing voluntary committees such as the Nomination and Compensation Committee. I also utilize my practical experience in corporate law as an international attorney, and appropriately express my opinions to ensure integrity and transparency as an organization.

**Noriko Sakai**  
Outside Director

#### Contributing to the improvement in corporate value such as management efficiency and business expansion

I believe the Company has very unique and sophisticated technical capabilities in the semiconductor equipment industry. The Company tops the list of such industry which leads the world. It has maintained amazing earnings amid the strong demand for semiconductors. It always needs to strive for ongoing growth in both of technological capabilities and management figures, and maintain good performance even during stormy times to be the excellent company. As an independent director, I mainly provide advice on areas such as management efficiency and direction for business expansion. I would like to contribute to the improving the Company's value together with employees.

**Masaaki Tsuruta**  
Outside Director

## Executives

### Directors (Excluding Directors who are Audit and Supervisory Committee Members)



**Fumiyuki Kanai**  
Representative Director

**Career Summary**  
 April 1981 Hitachi, Ltd.  
 April 2003 Renesas Technology Corp.  
 April 2016 Senior Vice President and Executive Officer and General Manager, Semiconductor Process Engineering Division, Hitachi Kokusai Electric Inc.  
 June 2018 Representative Director, President and Chief Executive Officer, the Company (Current position)



**Yuji Kamiya**  
Director

**Career Summary**  
 April 1981 Hitachi, Ltd.  
 June 2015 Executive Officer and General Manager of Finance & Accounting Division, Hitachi Kokusai Electric Inc.  
 June 2018 Director, Executive Vice President and Executive Officer, the Company (Current position)



**Noriko Sakai**  
Outside Director

**Career Summary**  
 April 1997 Nagashima & Ohno (Now, Nagashima Ohno & Tsunematsu)  
 December 2005 O' Melveny & Myers gaikokuho kyodojigyō horitsujimusho  
 February 2008 Partner, O' Melveny & Myers gaikokuho kyodojigyō horitsujimusho  
 January 2017 Partner, Hirakawa International Law Office (Current position)  
 March 2021 Outside Director, the Company (Current position)



**Masaaki Tsuruta**  
Outside Director

**Career Summary**  
 April 1979 Sony Corporation  
 January 2013 Representative Director, Samsung Japan Corporation  
 January 2019 Representative Director and President, Future Domain Co.,Ltd. (Current position)  
 June 2021 Outside Director, the Company (Current position)



**Masaki Nakamura**  
Director

**Career Summary**  
 April 2010 McKinsey & Company  
 February 2014 KKR Japan  
 February 2017 Director, HKE Holdings Co., Ltd. (Now, the Company) (Current position)  
 January 2021 Director, KKR Japan (Current position)



**Hirofumi Hirano**  
Outside Director

**Career Summary**  
 April 1983 The Nikko Securities Co., Ltd.  
 January 2010 Japan Representative, AlixPartners Asia LLC  
 April 2013 Chief Executive Officer, KKR Japan (Current position)  
 March 2021 Outside Director, the Company (Current position)

### Directors who are Audit and Supervisory Committee Members



**Toshiyuki Uchino**  
Director (Full-time Audit and Supervisory Committee Member)

**Career Summary**  
 April 1984 Hitachi, Ltd.  
 April 2003 Renesas Technology Corp.  
 June 2018 Corporate Officer, General Manager - Global Services Unit  
 January 2021 Corporate Auditor, the Company  
 June 2021 Director (Appointed Audit and Supervisory Committee Member), the Company (Current position)



**Hitoshi Kumagai**  
Outside Director (Audit and Supervisory Committee Member)

**Career Summary**  
 December 1997 Audit Department, KPMG LLP New York Office  
 October 2002 Transaction Services Department, KPMG FAS Co., Ltd.  
 October 2006 Representative Partner, Trustees FAS Co., Ltd. (Current position)  
 January 2021 Corporate Auditor, the Company  
 June 2021 Outside Director (Audit and Supervisory Committee Member), the Company (Current position)



**Hirohito Nakada**  
Outside Director (Audit and Supervisory Committee Member)

**Career Summary**  
 December 2001 Nagashima Ohno & Tsunematsu  
 July 2007 Kirkland & Ellis LLP (Chicago)  
 February 2014 Co-founder and partner, Shibata, Suzuki & Nakada (Current position)  
 March 2021 Corporate Auditor, the Company  
 June 2021 Outside Director (Audit and Supervisory Committee Member), the Company (Current position)

Note: Career Summaries are partial excerpts.