

The IBIDEN Group's CSR Management

IBIDEN WAY

The power that has enabled IBIDEN “to overcome many adversities with all our employees and to continue to exist,” and “the wisdom and vitality that have achieved dramatic growth in recent years” - these have persisted throughout IBIDEN's long history. The systematization that carries this on, transcending borders, is the “IBIDEN WAY.”



MISSION

It is the fundamental perspective of the existence value and purpose of this company.

We contribute to the progression of society through innovative technology, with respect for both individuals and the global environment.

SPIRIT

We share our spirits with all staffs globally. And through accomplishing these, “Corporate Philosophy” will be realized.

- Trust through Integrity
- “Wa” Teamwork and Synergy
- Challenge with Passion
- IBI-TECHNO Innovation

To The Next Stage 110 Plan

The business environment surrounding the IBIDEN Group is changing drastically, and global competition between companies is extremely intense. In response, the IBIDEN Group launched the medium-term (5-year) management plan, “To The Next Stage 110 Plan,” in the fiscal year ending March 31, 2019 (fiscal year 2018) to achieve our sustainable success for the next 100 years and smoothly conquer future changes in the environment.

Built upon nurturing our people, we will be strengthening our existing businesses and launching new ventures to achieve stable growth. We will be driving the ESG principles in our operations to earn trust from all stakeholders.

Period

FY2018 to FY2022; a five-year term

Pillar of the strategy

- Strengthen the competitiveness of existing businesses
- Expand new businesses
- Cultivate human resources
- Promote ESG management

Target management indicators (FY2018 to FY2022)

- Capital expenditures: a total of ¥190 billion
- Depreciation and amortization: a total of ¥190 billion
- R&D expenses: The ratio of R&D expenses to consolidated net sales will be maintained at the level of 5% or more.

This report describes mainly the Group's activities in global CSR management based on the medium-term management plan, “Challenge IBI - TECHNO 105 Plan,” for fiscal year 2017. From fiscal year 2018, we have started concrete initiatives to promote ESG management by further enhancing our CSR management.

CSR Policy and Promotional structure

All CSR activities at the IBIDEN Group are based on our MISSION of “We contribute to the progression of society through innovation technology, with respect for both individuals and the global environment.” We pursue activities that enhance the reliability and transparency of management through business so that we will be able to build a relationship based on trust with society, as well as strive to flourish as a going concern and contribute to social advancement.

The direction and the ideal of our CSR activities are shared throughout the entire Group and presented as the IBIDEN Group Charter of Behavior (hereinafter called “Group Charter of Behavior”), which takes into account our role as a global corporation and reflects requests and demands from our stakeholders including our major customers around the world.

IBIDEN Group Charter of Behavior (July. 2011)

Article 1: Compliance with laws, regulations, and ethics

We comply with laws, regulations and ethical requirements of the countries and regions where its business operations are based. We work against corruption in all its forms, and carry out open and fair corporate activities with the intention of becoming a company that enjoys the confidence of the international community. We also protect and properly manage personal and customer data and other types of information.

Article 2: Development together with stakeholders

We develop together with our stakeholders, so we enhance the transparency of management and build a trustworthy relationship through communication. We also actively engage in community-based activities that contribute to society as a good corporate citizen.

Article 3: Providing customer delight

We provide customer delight, so we have a good understanding of social trends, future needs and develop. We provide safe and secure products and services to maximize our customer’s satisfaction by growing IBI-Techno.

Article 4: Management based on global standards

We manage our group based on global standards. We respect human rights and other international norms of behavior. Also, we respect culture and customs in each country or region concerned when carrying out our corporate activity.

Article 5: Harmony with nature

We harmonize with nature in all areas of our corporate activities. We manage to develop technologies to achieve good balance between the environment and business, and we provide environmentally friendly products and services by promoting energy and resource conservation activities.

Article 6: Attractive and vibrant company

We aim to become an attractive and vibrant company on the basis of fair, equitable and result oriented employee evaluation personnel system. We aim to have a safe and comfortable working environment. We create a rewarding corporate culture that the employee can respect for each diversity, and fully exercise their skills and abilities.

Principles on Corporate Social Responsibility (CSR)

The Group strives to contribute to social advancement while achieving continuing existence by implementing CSR management. The vision of the Group’s CSR management has been developed along four themes in our mid-term plan based on corporate philosophy and charter of behavior: internal control, human resource management, environment management, and social contribution. We believe that working from these four viewpoints will allow us to build on our relationship based on trust with our stakeholders by further expanding activities in a wide range of areas.

<CSR Policy>

We aim to enhance our corporate value

- By raising awareness of the need for IBIDEN to act responsibly and honestly in the interest of sustainable operations
- By fulfilling our responsibilities in a well-balanced manner from an economic, environmental and social standpoint
- By working in partnership with all of our stakeholders.



<Conceptual diagram of CSR management>

IBIDEN Group Charter of Behavior and Corporate Governance

We recognize that the entire Company including the management must participate in the effort if we are to fully realize the spirit of the IBIDEN Group Charter of Behavior. The management also understands that it should lead by example to ensure that these efforts take place thoroughly throughout the Company as well as among our Group companies, and to encourage our suppliers to participate. Furthermore, we pay continuous attention to the voices of people both inside and outside the Company and have put in place an effective corporate structure. Should an incident occur that violates the Group Charter of Behavior, the management will have in place a system to solve problems, which will communicate its position, investigate the cause and implement a prevention of recurrence. Moreover, we will communicate accurately and in a timely manner the information regarding the incident including accountability. Finally, after authority and responsibility are clarified, severe consequences will be imposed.

Framework for CSR Promotion

The Company set up the CSR Promotion Division in April 2006 as the organization responsible for the promotion of CSR activities. The CSR policy and activities of the entire Group are advanced by the CSR Promotion Division by sharing the direction and the ideal form of activities and cooperating with each plant and group company. We appoint a management person in charge of CSR promotion in each division and domestic affiliated company and he or she performs duties such as promoting CSR activities and compliance, supervising the implementation of compliance, hosting educational sessions and training for the members of the divisions or company, and reporting improvements to compliance risks within the division or company. We convened a conference for management persons responsible for CSR promotion in July 2017. During the conference, participants confirm the company-wide promotion items and their progress while sharing anecdotal examples of promotional activities at each plant or within each group company. Overseas group companies hold a regular meeting with the CSR Promotion Division to share the CSR Policy of the entire Group and push forward with CSR activities according to the characteristics of the region and issues faced by each company.

Managing Activities Related to the IBIDEN Group Charter of Behavior

The IBIDEN Group Charter of Behavior was established to reflect the international movement as well as requests of external stakeholders in implementing CSR management, in accordance with the Company's corporate philosophy, the IBIDEN WAY. As an international common understanding, we value and reflect the ISO26000 Guidance, responsibilities required of a company by the UN Global Compact and the code of conduct stipulated by Responsible Business Alliance, (though the Company is not a member) in the Charter of Behavior as part of the supply chain. Moreover, we also assess and reflect items emphasized by domestic initiatives such as the Charter of Corporate Code of the Japan Business Federation (Keidanren) the Company is affiliated with in the Charter of Behavior.

In order to develop these ideas into specific activities, we implement activities in three phases (responses as the Company, individual's activities and expansion of activities to suppliers) based on global standards and requests from and assessment items of outside organizations.

We have compiled items that should be managed by IBIDEN as a company in the IBIDEN Social Responsibility Management Standards (hereinafter called "SR Management Standards"). We have created IBIDEN Standards for Employee Behavior (hereinafter called "Standards for Employee Behavior") for each employee as standards for specific activities.

The Standards for Employee Behavior serve as compliance behavioral guidelines for each employee, based on which IBIDEN Group companies have established their own standards for employee behavior. We have also established IBIDEN Group Supplier CSR Guidelines (hereinafter called "CSR Guidelines") for our suppliers, and provide guidance on compliance with CSR Guidelines through explanations about standards, fact-finding surveys, and audits.

In drawing up these three standards and guidelines, the division in charge of promoting CSR prepared drafts, which were issued after discussions by the Management Council with participation by top management. We have broken them down into specific practical procedures, including internal rules and guidelines, in the IBIDEN Management System (hereinafter called "IMS") and operate them to constantly improve systems and activity levels.



IBIDEN Social Responsibility Management Standards (July, 2017, third edition)



For more information on each of the activities, please refer to the following page.
 SR Management Standards, Standards for Employee Behavior P13 "Compliance"
 CSR Guidelines P17 "CSR Management in the Supply Chain"


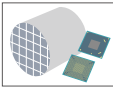



Dialogue and Cooperation with Stakeholders

Since its operations began as a hydroelectric power generation business that provided electricity to the community, the IBIDEN Group has won the support of all residents in the community as well as many other people.

We continue to look for opportunities to communicate with our stakeholders to thoroughly understand the expectations and demands that they have concerning the Group.

We believe it is important for building a trustworthy relationship with all stakeholders and sustainable development to continue working on expectations and request items obtained as a result of communication throughout the supply chain led by the Company.

■Example of Communication (As of march 31, 2018)

Stakeholders	Example of Communication	Responsible division
Employees 	Employees at our 37 Group companies (consolidated), both in Japan and abroad, number 15,574. Grounded in the basic principle of respect for individuals, we value the creativity and varied characteristics of each and every employee. Labor and Management Committee, Training and development, Appraisal interview Health and Safety Committee, Compliance counter	P22~27 P28 P15 HR & GA Division Environment & Safety Division CSR Promotion Division
Customers 	We contribute to the lives of our customers, grounded in innovation technology, by offering diverse, high quality products, from electronic components to ceramic and building materials Improvement of customer satisfaction, Provision of CSR information Code of conduct audit	P55 P7 Business Administration Division (Each Operation) CSR Promotion Division
Suppliers 	The IBIDEN Group operates businesses in Japan and abroad, and conducts procurement from numerous suppliers CSR briefing for suppliers Safety & Health Promotion Meeting Implementation of CSR survey and audit, Compliance counter for supplier	P18 P29~31 P18 Global Purchasing Division Environment & Safety Division CSR Promotion Division
Local communities 	IBIDEN has major facilities in 16 countries around the world, and conducts global corporate citizen activities that suit the culture and climate of each country and region. Regular exchanges with community associations, Social contribution activities	P34 P50~54 Each plant HR & GA Division
Shareholders / Investors 	IBIDEN has about 140 million issued shares, with a total of 28,799 shareholders (as of the end of March 2018) General meetings of shareholders Investor briefings, Response to research and evaluation organizations	P10 P6 HR & GA Division Strategic Corporate Planning Division CSR Promotion Division

Assessment by Third-Party Organizations and Our Actions

Corporate Evaluation by External Organizations

In recent years, an increasing emphasis is placed on environmental, social and governance (ESG) investment in a way that evaluates corporate value in terms of the environment, social responsibility and corporate governance rather than exclusively operational results such as profitability and financial condition. The Company analyzes external evaluations of organizations that evaluate socially responsible investment (SRI), identifies any gap between our targets and the results of the external evaluations, and takes action on issues that can be improved in the relevant departments.

In 2017, IBIDEN was named to a constituent of the FTSE Blossom Japan Index created by the global index provider FTSE Russell*1, and has been continuously selected for FTSE4Good Index Series, one of the world's leading socially responsible investment (SRI) index series. Furthermore, we have been included in the MSCI Japan ESG Select Leaders Index launched in July 3, 2017 by MSCI, Inc.*2

*1 FTSE Russell is a part of the London Stock Exchange Group and a leading global index provider.

*2 MSCI Inc. is a financial service provider in New York in the United States and is listed on the New York Stock Exchange. MSCI is a leading provider of investment decision support tools to institutional investors globally, including large-scale public pension funds, asset managers, and hedge funds.



CSR-Related Audits

We respond to observance of the code of conduct of the industry and CSR-related audits conducted by third-party organizations based on customer requirement. During audits, a gap analysis is conducted on the difference between industry standards and the Company's current efforts, and issues that need to be addressed are identified. We take seriously the issues pointed out during these audits and make improvements by analyzing the causes and implementing corrective actions as well as preventive measures. Furthermore, we are working toward creating a system that meets industry standards by improving upon these issues.

In fiscal year 2017, we continued to undergo in-house inspections and internal audits carried out by certified internal auditors who were well versed in the audit standards of industry associations and a specialized division. Accordingly, there were no significant findings related to labor and human rights, but in terms of occupational safety and health we received suggestions on emergency evacuation measures at the domestic plants, and are implementing countermeasures in discussion with industry associations. To maintain an excellent compliance rate, we will continue to conduct inspections on a routine basis and implement a cycle of operational improvement at each workplace. In addition, we will undertake external CSR audits on a regular basis to verify the effectiveness of internal audits and enhance the credibility of our CSR activities.