

In addition, we consider it important to secure supply chains in the event of a disaster also in the context of fulfilling our corporate social responsibilities, and will continue to promote the procurement of materials and products based on our BCP policy.

Expectations of suppliers

1. Maintaining a sound management base

We request that our suppliers maintain a sound and stable management in order to build strong partnerships with us through long-term transactions.

We also ask our suppliers to disclose their management policies, management and financial information on a regular basis.

2. Compliance with laws and social norms

We request that our suppliers comply with laws and social norms in each country and each region where they do business, in addition to understanding our "NKC Group CSR Procurement Guidelines," and be committed to complying with those guidelines.

3. Suggesting cutting-edge technologies and ensuring optimal quality

We ask our suppliers to suggest cutting-edge technologies that lead to our product development, while developing their quality assurance systems together with us and providing materials and products that meet our specifications and quality standards.

4. Fair price and cost improvement activities

To achieve product prices that are acceptable to customers, we request that our suppliers supply materials and products at fair prices and implement continuous cost improvement activities.

5. Committing to Green Procurement

We request that our suppliers promote Green Procurement activities in creating products, while giving due regard to reducing environmental impacts, and preferentially employ materials and products that have low impacts on the global environment.

6. Pursuing stable supply and BCP

To maintain stable supplies of products to customers, we request that our suppliers achieve reliable delivery schedule management for materials and products, reduce lead times, and make suggestions to secure stable supplies.

Furthermore, to secure supply chains in the event of a disaster, we also ask our suppliers to develop thorough systems for ensuring stable supplies by formulating BCP policies such as production in multiple factories.

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standard pay rate by hour, according to the laws and regulations of the corresponding region. Upon payments, companies must provide a wage slip that includes information that enables the breakdown of payments to be checked.

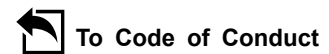
[Description of Terms]

Minimum wage refers to the minimum wage stipulated by laws regarding wages in the country where the company is doing its operation. This must be paid to workers at the appropriate time without delay, based on the law where the company is doing its operation.

Living wage refers to a level of wages that meets the needs of a worker and their family and satisfies the dignity of that worker, according to international standards.

Unfair wage deductions refer to wage deductions that violate laws regarding labor, etc. For example, companies cannot deduct the cost of uniforms, personal protective equipment required for work, or the cost of cleaning uniforms from wages. However, this does not include nonpayment of wages corresponding to time not worked due to worker's late to work or absence.

(2-5) Prohibiting Inhumane Treatment



[Background]

Inhumane treatment such as sexual harassment and verbal abuse may exacerbate in the working environment without other people around realizing.

[Code Interpretation]

Companies are required to establish, notify workers and operate a disciplinary policy and handling procedures, and an internal reporting system (grievance mechanism) for identifying the facts of inhumane treatment.

Appropriate worker living conditions are required both in terms of human rights and health and safety, and are explained separately in Item (3-7).

[Description of Terms]

Psychological abuse refers to the act of causing mental or emotional harm through psychological violence to others by means, for example, of inhumane expressions or harassment, neglect, or words that damage one's self-esteem.

Physical abuse refers to violence and work under harsh circumstances.

Coercion refers to the act of forcing others to do something against their will through intimidation, etc. For example, forcing workers to work overtime.

Harassment refers to the act of making others feel unpleasant due to pestering or bullying. This includes sexual harassment, sexual abuse, physical punishment, physical or mental oppression, verbal abuse, and the withdrawal of basic physical comfort (such as chairs or personal protective

equipment).

In addition, it also includes abuse of authority, or pregnancy discrimination and maternity harassment.

The Violence and Harassment Convention, 2019 (No. 190) of the ILO defines violence and harassment as indicated below.

(a) the term violence and harassment in the world of work refers to a range of unacceptable behaviours and practices, or threats thereof, whether a single occurrence or repeated, that aim at, result in, or are likely to result in physical, psychological, sexual or economic harm, and includes gender-based violence and harassment;

(b) the term gender-based violence and harassment means violence and harassment directed at persons because of their sex or gender, or affecting persons of a particular sex or gender disproportionately, and includes sexual harassment.

(2-6) Prohibiting Discrimination



To Code of Conduct

[Code Interpretation]

Behavior that may lead to discrimination is not allowed in wages, promotions, rewards, access to training, hiring, and employment practices, including discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, veteran status, protected genetic information, or marital status.

Furthermore, health checks and pregnancy tests are also regarded as discrimination if they could harm equal opportunity or the fairness of treatment.

The grounds of discrimination are diverse.

- Race and color: Discrimination made on the basis of belonging to a specific ethnic group, which may affect ethnic minorities, indigenous peoples, or tribal populations.
- Sex: Discrimination on the basis of biological characteristics and functions that distinguish men and women and of social differences between men and women. It also includes discrimination on the basis of marital status, family structure, or motherhood.
- Religion: Discrimination on the basis of membership to a certain religion or expression of religious belief. It also includes discrimination against atheists.
- Political opinion: Discrimination on the basis of different opinions with respect to established political principles, membership to a particular political party, political or sociopolitical attitudes, civic commitment, or moral qualities.
- National extraction: Discrimination on the basis of a person's birthplace, ancestry or foreign origin. It may target national or linguistic minorities, nationals who have acquired their citizenship by naturalization, and the descendants of migrants from other countries, etc.

- Social origin: Discrimination on the basis of social class, occupational category, or caste. Social origin may affect one's career.

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

The principle of non-discrimination in respect of employment and occupation comprises the principle of equal remuneration for men and women who accomplish work of equal value. According to the Equal Remuneration Convention, 1951 (No. 100) of the ILO, the principle refers to all the elements of remunerations, such as salary or ordinary wage and other basic fees, directly or indirectly paid, in cash or in kind, by the employer to the worker arising out of the employment (Convention No. 100). Objectively determining the value of work requires the consideration of the elements such as work components, responsibilities, skills, efforts, working conditions, and major achievements.

(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

Discrimination can also be based on factors such as age or disability, health (in particular HIV/AIDS), membership of a labor union, and sexual orientation. In the United States, the following factors must also be considered.

- Veteran status: United States law defines the covered veteran status as a veteran of the Vietnam war, and defines employment measures, consideration, and protection. This is because veterans are thought to face discrimination based on inability to communicate with other workers due to being treated as a murderer, as well as disorders due to military service (such as post-traumatic stress disorder (PTSD)).

*Information on covered veteran status:

<https://www.dol.gov/ofccp/regs/statutes/4212.htm>

- Protected genetic information: In the United States, GINA (Genetic Information Nondiscrimination Act of 2008) defines genetic information as the results of genetic diagnosis. Genetic information is given as a factor for discrimination due to the possibility of discrimination based on genetic information such as the latent risk of disease.

*Information regarding the Genetic Information Nondiscrimination Act of 2008:

<https://www.eeoc.gov/laws/types/genetic.cfm>

(2-7) Freedom of Association and Right to Collective Bargaining



To Code of Conduct

[Code Interpretation]

Companies are also required to respect the right of workers to establish and join trade unions of their own choosing, and at the same time respect the rights of workers not to join a trade union or

refrain from such activities. Furthermore, workers and their representatives must be able to engage in collective bargaining to formally gain mutual understanding with management regarding concerns about working conditions and management practices, without fear of discrimination, retaliation, intimidation, or harassment.

[Description of Terms]

In regard to Collective Bargaining, the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) of the ILO requires that companies recognize representative organizations of the workers for the purpose of collective bargaining, promote bona fide negotiations between both sides, and incorporate provisions for dispute resolution into collective agreements. The following items are recommended as concrete examples of relevant corporate activities.

- Provide such facilities as may be necessary to establish effective collective agreements.
- Enable duly authorized representatives of workers to negotiate with representatives of management who are authorized to take decisions on the matters under negotiation.
- Not threaten or suggest retribution to influence unfairly negotiations or hinder the exercise of the right to organize.
- Provide information required for meaningful negotiations.
- When requested by the government, respond constructively with relevant information on their operations.

(Source: The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (Paragraph 47 to 63))

3 Health and Safety



[Code Interpretation]

Minimizing work-related injury and illness and maintaining a safe and healthy working environment leads to quality of products and services, consistency of production, and worker retention, and morale. Moreover, it is essential for companies to have worker input and provide workers with training in order to identify and resolve safety and health problems in the workplace. The Guidelines on occupational safety and health management systems (ILO-OSH 2001) of the ILO and recognized management systems such as OHSAS18001 and ISO45001 were referred to when establishing these guidelines and may contain additional useful information.

(3-1) Occupational Safety



[Code Interpretation]

Companies must identify safety hazards in the workplace and their risk of occurrence, and implement safety measures for workers. Examples of safety hazards in the workplace include contact with chemical substances, electricity, or other energy sources, fire, vehicular accidents,

and fall hazards.

Example safety measures are indicated below. Companies must systematically promote such measures.

- Identifying and assessing safety hazards, including their risk of occurrence
- Designing an appropriate workplace that eliminates safety hazards and considers safety
- Implementing safety communications (including the handling of personal protective equipment)

It is also necessary to take reasonable measures to protect pregnant women and nursing mothers from conditions with high hazards.

[Description of Terms]


Risks regarding occupational safety refer to the potential risk of health problems and accidents that occur during work, due to factors such as electricity or other energy, fire, vehicles or moving objects, floors that are slippery or prone to tripping, and falling objects.

Proper design, engineering, and administrative controls refer to the elimination or reduction of risks according to the hierarchical control of (1) Elimination of risk factors or substitution to safer options, (2) Engineering control (such as monitoring dangerous places using sensors and shutting down the power source of machinery or equipment (lock out)), (3) Administrative control (such as signs indicating prohibition of energy shutdown equipment operation during shutting down of the power source (tag out)), and (4) Providing personal protective equipment (safety gear such as protective goggles, helmets, and gloves).

Reasonable steps to protect pregnant women and nursing mothers from conditions with high hazards includes avoiding risks such as lifting/moving heavy objects, exposure to infectious diseases, exposure to lead, exposure to poisonous chemical substances, physically demanding work, exposure to radioactive substances, threats of violence, long work hours, extreme temperatures, and extreme noise.

For one year after childbirth, if it is necessary for a worker to nurse a child, it is desirable for a company to provide an appropriate break time for nursing or milking, and to implement measures such as providing a safe and clean place to do so, that colleagues and the general public cannot enter and cannot see.

(3-2) Emergency Preparedness

 [To Code of Conduct](#)

[Background]

Evacuation routes are sometimes not accessible in times of emergency by locks and obstacles. Workers are dying by inhalation of flame and smoke or falling and jumping down in case of fire accident occurs because they cannot escape from a building. That is why it is important to ensure

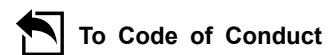
an evacuation route that enables workers to escape, to maintain systems that all workers surely can evacuate in safe and to conduct adequate evacuation drill.

[Code Interpretation]

Emergency plans refer to, for example, emergency reporting, communication to employees, clarifying evacuation procedures, installing evacuation equipment, ensuring easily identifiable exits without obstruction, providing appropriate exit facilities, storing medical supplies for emergency, installing fire detection systems, installing fire extinguishers, fire shutters, and sprinklers, securing external communication methods, and maintaining recovery plans.

Dissemination of emergency plans within the workplace is also required. This involves, for example, providing emergency training (including evacuation drill) to workers, and placing/posting emergency procedures in the workplace in an easily accessible location.

(3-3) Occupational Injury and Illness



[Background]

Companies must prioritize worker health and safety and also consider occupational injury.

[Code Interpretation]

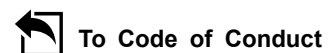
Companies must record occupational injury and worker illness, provide necessary medical treatment, investigate cases, identify and eliminate causes, implement corrective actions including preventing, managing and reporting.

It is also necessary to define rules for promoting worker's return/restart to work and to report implementation thereof.

[Description of Terms]

Appropriate countermeasures refer to systems and measures for promoting worker's reporting, classifying and recording injury and illnesses, providing medical treatment when necessary, investigating injury and illnesses, implementing corrective actions to eliminate causes, and facilitating worker's return to work. This also includes implementing the required administrative procedures stipulated by the law and taking out industrial accident insurance.

(3-4) Industrial Hygiene




[Code Interpretation]

The possibilities of hazard must be eliminated or controlled according to the appropriate design and engineering and administrative control. When hazard cannot be adequately controlled through such methods, it is necessary for workers to be provided appropriate personal protective equipment that is well managed and maintained, and to use that equipment appropriately.

[Description of Terms]

Hazardous agents include substances that are poisonous, radioactive, or cause chronic illness (such as lead and asbestos). These substances may exist in smoke, steam, mist, or dust form. Noise and odors may be deemed hazardous to the human body if they are significantly strong. Appropriate control refers to the establishing and implementing management standards, and providing the appropriate training and personal protective equipment to workers.

(3-5) Physically Demanding Work

 **To Code of Conduct**

[Description of Terms]

Physically demanding work includes long hours of work in an unnatural position, long hours of repetitive or continuous work such as data entry or assembly work that causes physical exertion, and heavy labor such as the manual handling of heavy raw materials or manual transport of heavy objects.

Appropriate management includes providing working circumstances based on human engineering, regular breaks, providing supportive tools, and the sharing and cooperating works among multiple workers. (It is also effective to maintain circumstances that enable people to move around properly and efficiently, and consider the reduction of accidents and mistakes.) Ergonomics, or Human Factors is a field of research utilized in the actual design of objects and environments to ensure that humans can use them in as natural state as possible and with movements as naturally as possible. (This also includes the reduction of accidents and mistakes by maintaining circumstances that enable people to move around correctly and efficiently.)


(3-6) Machine Safeguarding

 **To Code of Conduct**

[Description of Terms]

Appropriate safeguarding refers to management for preventing injuries and accidents that occur during work, safety mechanisms such as failsafe, foolproof, interlock, and tagout, and protective barriers in place, as well as regular inspection and maintenance of machinery.

(3-7) Health and Safety at Facilities

 **To Code of Conduct**

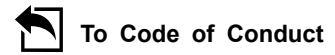
[Code Interpretation]

Maintaining health and safety refers to maintaining the cleanliness and sanitation of facilities, and requires the following points to be considered.

- Drinking water: Water quality tests compliant with laws and regulations, and safe drinking water (provided by a water cooler, etc.)
- Sanitary food preparation: Clothing cleanliness and health checks for kitchen workers, pest control, temperature control of food storage, effective cafeteria business licenses, etc.

- Toilets: Clean toilet facilities of a sufficient number, providing toilet paper, etc.
- Dormitories: Fire response plan, emergency exit routes (egress), secured accommodations for storing personal items (providing lockable storage), adequate living space (3.3 m2 or more per person), ventilation, temperature control, adequate lighting, etc.

(3-8) Health and Safety Communication



[Code Interpretation]

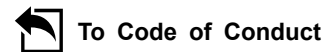
Companies must provide appropriate workplace health and safety information and training regarding all the workplace hazards that workers will be exposed to (including but not limited to machinery, electricity, chemicals, fire, and physical hazards).

Occupational health and safety information should be clearly posted in facilities or placed in a location identifiable and accessible by workers. It also must be provided in a language that the workers can understand.

Training must be provided to all workers before starting work and regularly after that. It is also encouraged that safety concerns from workers are raised. Items for training include the correct use of personal protective equipment, emergency response measures, safe operation of machinery, and preparations before entering hazardous environments.

Paragraph 43 of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy also contains information concerning the fostering of a preventative culture based on labor-management dialog.

(3-9) Worker Health Management

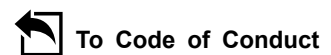


[Description of Terms]

Appropriate health management refers to conducting health checks at least at the level stipulated by law, and working on the prevention and early detection of worker illness.

It is also necessary to adequately consider treatment such as mental healthcare and the prevention of health problems due to overwork.

4 Environment

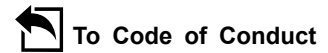


[Code Interpretation]

The responsibility to consider the environment refers to the promotion of measures for minimizing negative impacts on regional society, the environment, and natural resources, and prioritize maintaining the health and safety of not only workers, but all people in the local community.

Recognized management systems such as ISO14001 were referred to when establishing these guidelines, and may contain additional useful information.

(4-1) Environmental Permits and Reports

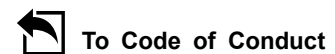


[Code Interpretation]

Examples in Japan include the obligation to assign a manager that has obtained the qualifications stipulated by the law, such as laws on waste disposal (a specially-controlled industrial waste manager), energy saving (an energy manager in plants that use a certain level of energy), and the control of air pollution (a pollution prevention manager at plants that emit chemical substances, dust, or smoke).

Furthermore, companies may be obligated to assign a manager responsible for poisonous/deleterious substance management, designated chemical substance management, and hazardous substance management, depending on the chemical substances used in business.

It may also be necessary to receive permission for facilities that handle hazardous substances and environmental impact assessments, depending on the type of business conducted and the location of plants.



(4-2) Reducing Energy Consumption and Greenhouse Gas Emissions

[Code Interpretation]

Improving energy efficiency involves minimizing energy consumption and the related scope 1 and scope 2 greenhouse gases (GHG), and companies must track and document energy efficiency at each facility or business site.

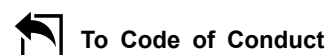
[Description of Terms]

There are various types of greenhouse gases, but the term greenhouse gas generally refers to the six groups of substances defined in the Kyoto Protocol, which are carbon dioxide, methane, nitrous oxide, HFC, PFC, and SF₆.

Continuous efforts for reducing greenhouse gas emissions refer to the process of setting voluntary reduction targets for the above six types of greenhouse gases, and making and executing plans to achieve them.

Scope 1 greenhouse gas emissions are direct emissions caused by a company, and scope 2 greenhouse gas emissions are indirect emissions caused by the use of electricity, heat, and steam provided by another company.

(4-3) Air Emissions

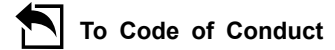


[Code Interpretation]

Hazardous substances discharged to the atmosphere include volatile organic chemicals, aerosols, corrosives, microparticles, ozone depleting substances, and combustion by-products. Companies must strive to analyze and monitor these substances prior to discharge, and only

discharge them after conducting the required control and treatment based on the results of that analysis and monitoring. Program includes routine monitoring of treatment systems for the performance and the handling of substances to discharge.

(4-4) Water Management

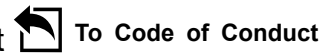


[Code Interpretation]

Water management requires monitoring water sources, use, and discharge, seeking opportunities to conserve water, and controlling channels of contamination.

Controlling channels of contamination includes confirming that site water channels are free from contamination and are protected from contamination (such as confirming that there are no pools of standing water and grease/oil slicks near storm drains) and that the emergency response equipment is in place (shutoff valves and stopcocks must be installed to prevent outflow or leakage of clean water and sewage due to a plant accident or natural disaster, and street inlets/sewage inlets and storage reservoirs installed to contain leaks or overflows are deemed to be insufficient), etc.

(4-5) Effective Utilization of Resources and Waste Management



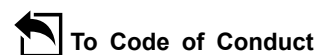
[Code Interpretation]

Companies must identify and manage wastes not identified to be hazardous even when disposing, implement a systematic approach for responsible disposal or recycling, and work for reducing waste.

Companies must implement measures for disposing substances according to local laws and regulations, and minimizing the disposing substances, and ensure that natural resources are not wasted.

Programs include changing the production equipment at the source, using alternative materials, and reusing and recycling resources. Companies should also settle voluntary targets for the help of complying with laws and regulations. Natural resources refer to water, fossil fuels, minerals, virgin forest, and the products of virgin forest, etc. The prevention of environmental pollution leads to the saving of natural resources and is closely related to the sustainability of the planet.

(4-6) Chemical Substance Management



[Code Interpretation]

In Japan, companies must perform management based on the Chemical Substance Control Law, Poisonous and Deleterious Substances Control Law, Industrial Safety and Health Act, Fire Service Act, and PRTR (Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management). It is also necessary to consider chemical substance management in manufacturing processes.

(4-7) Managing the Chemical Substances Contained in Products To Code of Conduct

[Code Interpretation]


Companies must also consider customer demands regarding the chemical substances contained in products.

- Companies must follow the laws and regulations of the countries where the products are sold.
- Companies must take responsibility for the components included in the end products, and upstream companies must provide the required information to downstream companies.

For example, when exporting to the EU, the relevant laws and regulations include the RoHS Directive and the REACH Regulation.

It is also necessary to consider the substances that are added, contaminated, or adhere during the manufacturing process.

5 Fair Trading and Ethics

 To Code of Conduct

[Code Interpretation]

Companies must comply with the laws and regulations not only of Japan but also of all the countries where they do business. Furthermore, all employees must conduct business with highest standards of integrity and obtain trust from all stakeholders, with senior management setting an example.

(5-1) Preventing Corruption

 To Code of Conduct

[Code Interpretation]

Companies must uphold a policy of prohibiting any and all forms of bribery, excessive entertainment or gifts, corruption, blackmail, or embezzlement, and maintain continuous compliance.

Continuous compliance requires not only establishing policy, but also appropriately training employees and continuing to ensure that policy is implemented.

(5-2) Prohibiting Inappropriate Provision and Improper Benefit

 To Code of Conduct

[Code Interpretation]

Companies are prohibited from directly or indirectly providing or receiving something valuable, or promising or proposing to do so, in order to gain business or obtain inappropriate benefit.

It is necessary to clarify policies and procedures and monitor in order to comply with laws regarding the preventing of corruption.

(5-3) Fair Information Disclosure



[Code Interpretation]

Companies are required to actively provide and disclose information to stakeholders.

The information to provide and disclose to stakeholders includes the details of business activities, financial situation, ESG (environmental, social, and governance) information, risk information (such as damage due to large-scale disasters, adverse impacts on the environment and society, and the discovery of significant legal violations), and information regarding the supply chain.

Disclosing information on critical risks in a timely manner, and communicating to customers are also one of the examples actively providing information.

Companies are not allowed to tamper records, misrepresent information, or disclose false information.

(5-4) Respecting Intellectual Property



[Code Interpretation]

The protection of intellectual property applies not only to a company, but also to third parties such as customers and suppliers.

[Description of Terms]

Intellectual property includes trade secrets and technical know-how in addition to intellectual property rights.

Intellectual property rights are rights defined by law, and include patent rights, utility model rights, design rights, trademark rights, and copyrights.

(5-5) Conducting Fair Business



[Code Interpretation]

Companies must comply with laws regarding fair business, including fair competition and subcontract law, and must not conduct illegal acts such as cartel agreements to restrict competition, unfair business practices, or misleading representation.

It is also necessary to avoid forces that pose a threat to the order and safety of civil society, and comply with laws, regulations, and all social standards. In the catalog presentations and advertising of products and services, companies must not express untruths or mislead consumers and customers, and must also make sure not to include information that slanders or infringes the rights of other companies or individuals.

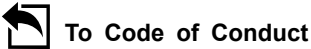
[Description of Terms]

Fair competition refers to complying with local laws regarding fair competition and fair trading and promoting free and fair competition while avoiding cartel agreements to restrict competition, unfair

business practices, and misleading representation.

Fair advertising refers to advertising that provides factual information that is not for unfair purposes.

(5-6) Protecting Whistleblowers



[Code Interpretation]

In a grievance mechanism available to related parties including employees of the company and its suppliers, the company must ensure the anonymity of the whistleblower such as the supplier or employee, and the confidentiality of what was reported, and whistleblowers must be protected from disadvantageous treatment by the company or an individual due to the act of whistleblowing.

[Description of Terms]

Whistleblowing refers to reporting or disclosing unfair practices in one's company or supply chain. Whistleblower refers to a person who reports or discloses inappropriate activity by an employee or director of a company or a public official or public institution.

Disadvantageous treatment refers to acts that harm the working circumstances including harassment, as well as changes to working conditions such as unfair performance evaluation, rewards, dismissal, or reshuffling.

(5-7) Responsible Minerals Procurement



[Code Interpretation]

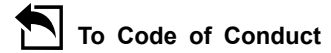
Due diligence regarding responsible minerals procurement refers to companies establishing policies, communicating expectations to suppliers (and incorporating them in contracts where possible), identifying and reviewing risks in the supply chain, and establishing and implementing strategies to handle the identified risks.

The following five steps are included in the internationally-recognized OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas document regarding due diligence for responsible mineral procurement.

- Step1 : Establish strong company management systems
- Step2 : Identify and assess risks in the supply chain
- Step3 : Design and implement a strategy to respond to identified risks
- Step4 : Carry out independent third-party audit of smelter/refiner's due diligence practices
- Step5 : Report annually on supply chain due diligence

Related laws include Section 1502 of the Dodd-Frank Wall Street Reform & Consumer Protection Act in the United States and the Conflict Minerals Regulation of the European Union.

6 Quality and Safety



[Code Interpretation]

The safety, quality, and accuracy of information on products and services may have a profound impact on not only customers but a wide variety of stakeholders.

Recognized management systems such as ISO9001 were referred to when establishing these guidelines, and may contain additional useful information.

(6-1) Ensuring Product Safety



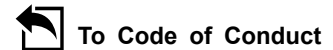
[Code Interpretation]

When companies design products, they must ensure adequate product safety and consider their responsibility as a manufacturer when providing products. They must also consider the safety that the product should ordinarily provide, in addition to legal compliance.

Example Japanese laws regarding product safety include the Electrical Appliance and Material Safety Act, Consumer Product Safety Act, and Household Goods Quality Labeling Act. Safety standards are defined in bylaws and JIS standards, etc. Overseas safety standards include UL, BSI, and CSA standards, etc.

Effective measures for ensuring product safety include management such as traceability (history of materials, components, and processes, etc.) and swift handling to solve problems.

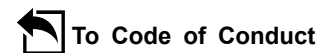
(6-2) Quality Management



[Code Interpretation]

Companies must comply with all laws and regulations that apply to the quality of products and services, and are also required to establish appropriate frameworks and management systems for complying with their own quality standards and customer requirements.

(6-3) Providing Accurate Information on Products and Services



[Code Interpretation]

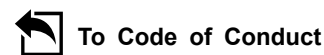
Companies are required to provide information to customers and consumers that is correct, accurate and does not lead to misunderstandings. They must not provide false information or information that has been falsified.

[Description of Terms]

Accurate information refers to the following, for example.

- Accurate information regarding the specifications, quality, and handling method of products and services.
- Accurate information on the substances contained in the materials and components used in products, etc.

7 Information Security

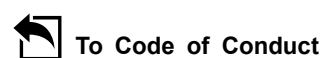


[Code Interpretation]

With the development of the advanced information technology society in recent years, information management is becoming more and more important. Problems with information management such as the leak of confidential information and personal information can have a profound effect on various stakeholders including the supply chain, in addition to the company itself and its customers.

Recognized management systems such as ISO27001 were referred to when establishing these guidelines, and may contain additional useful information.

(7-1) Defense from Cyber Attacks



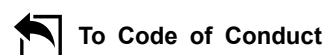
[Code Interpretation]

Companies are required to prevent trouble caused by cyber attacks, such as the leak or modification of information and the stopping of information systems. Since attackers can expand their target of attack based on customer and client information they obtain, the scope of damage from cyber attacks is not limited to the company in question. The devices subject to cyber attacks are expanding from conventional computers and servers to industrial systems and devices part of the IoT (Internet of Things), and countermeasures must also be implemented for such devices. It is also important to establish a plan for quickest recovery from a remedy of cyber attack. Plans include data back up and redundancy of data server or data center.

[Description of Terms]

Example of cyber attacks include targeted e-mail that leads to malware infections or malicious sites, which can cause the leak of personal information, customer information, client information, and confidential information such as trade secrets, as well as other harm such as important files becoming encrypted and held for ransom.

(7-2) Protecting Personal Information



[Code Interpretation]

Companies are required to comply with local laws and regulations to carefully handle the personal information of suppliers, customers, consumers, and employees. Personal information must only be collected, stored, processed, transmitted, and shared within the scope required to achieve the specified purpose it is used for.

[Description of Terms]

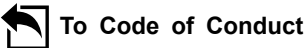
Personal information is information regarding a living individual, and contains information that

enables that particular individual to be identified, such as name, date of birth, or other attributes (including information that can be easily matched with other information to identify a particular individual).

Appropriate management refers to establishing and implementing a general management framework for personal information, and includes establishing rules and policies that workers must comply with, establishing plans, and implementing of measures, as well as audits and reviews.

Appropriate protection includes preventing personal information from being wrongfully or unfairly retrieved, used, disclosed, or leaked.

(7-3) Preventing the Leak of Confidential Information



[Code Interpretation]

Companies are required to establish an appropriate framework and management system for managing the confidential information collected by the company or received from third parties. This includes defining information management levels and employee training.

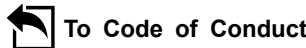
[Description of Terms]

Confidential information generally refers to information disclosed according to a written confidentiality agreement (including digital information recorded magnetically or optically) or information disclosed orally upon confidential notice.

Appropriate management refers to establishing and implementing a general management framework for personal information, and includes establishing rules and policies that workers must comply with, establishing plans, the implementing of measures, as well as audits and reviews.

Appropriate protection involves preventing confidential information from being wrongfully or unfairly retrieved, used, disclosed, or leaked.

8 Business Continuity Planning



[Code Interpretation]

The occurrence of large-scale natural disasters such as earthquakes and typhoons as well as terrorism, riots, infectious disease, and accidents may cause a major impact on business continuity. Companies must make appropriate preparations for such events to ensure that production operations can quickly resume, and thereby minimize impact on the supply chain. Recognized management systems such as ISO22301 were referred to when establishing these guidelines and may contain additional useful information.



[Code Interpretation]

Business continuity risks include large-scale natural disasters (such as earthquakes, tsunamis, floods, heavy rainfall, heavy snowfall, and tornadoes) as subsequent power outages, water outages, and traffic obstructions, accidents (such as fires or explosions), the spread of infectious and contagious diseases, and terrorism or riots.

Advance countermeasures required include local recovery strategies indicating how to protect, mitigate, and recover the various elements of production sites from estimated damage. It is also important to secure alternative methods of recovery from damage when it takes longer than expected.

Companies must provide continuous training to employees so that they can act in the event of an actual disaster, and establish a manual for quickly recovering business according to a business continuity plan (BCP).

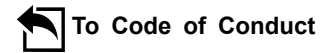
[Description of Terms]

A business continuity plan (BCP) is a plan created in advance that enables production activities to be swiftly resumed so that a company can fulfill its responsibility of supply when the company or its suppliers are affected by a disaster such as a large-scale natural disaster.

Manual for quickly recovering business is documenting activities from establishing to recovery, and the process and procedures until recovery is complete.

Section 2: Description of Establishing a Management System

A Establishing a Management System



[Code Interpretation]

The following points must be considered when establishing a management system for achieving the various items in Section 1: Code of Conduct.

- Whether it complies with the laws, regulations, and customer requirements regarding business practices and products
- Whether it is according to the content of these guidelines
- Whether it identifies and reduces the risks regarding the content of these guidelines
- Whether continuous improvements can be expected based on the above

[Description of Terms]

A management system is establishing a framework for continuous improvements through the Plan-Do-Check-Action (PDCA) cycle regarding policy compliance, implementation systems, corrective actions, and stakeholder engagement. This is not necessarily for the purpose of acquiring certification. Furthermore, a management system includes the following.

- Company commitment
- Management accountability and responsibilities
- Legal and customer requests
- Risk identification and risk management
- Improvement objectives
- Training
- Communication
- Worker feedback, participation, and grievance
- Audits and assessments of identified risks
- Corrective Action Process
- Documentation and recording

Examples of well-known management systems are indicated below.

- Health and safety management systems such as ILO Guidelines on occupational safety and health management systems, OHSAS18001, and ISO 45001
- Environmental management systems such as ISO 14001 and Eco-Action 21
- Quality management systems such as the ISO 9000 family, IATF16949, and ISO13485
- Information security such as ISO/IEC 27001
- Business continuity such as ISO22301

Due diligence guidelines regarding all corporate conduct include the OECD Due Diligence Guidance for Responsible Business Conduct.

This guidance includes the following six processes.

- (1) Embed responsible business conduct into policies and management systems
- (2) Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services
- (3) Cease, prevent and mitigate adverse impacts
- (4) Track implementation and results
- (5) Communicate how impacts are addressed
- (6) Provide for or cooperate in remediation when appropriate

Due diligence is the process enterprises should carry out to identify, prevent, mitigate and account for how they address these actual and potential adverse impacts in their own operations, their supply chain and other business relationships, as recommended in the OECD Guidelines for MNEs. Effective due diligence should be supported by efforts to embed RBC into policies and management systems, and aims to enable enterprises to remediate adverse impacts that they cause or to which they contribute.

(Source: OECD Due Diligence Guidance for Responsible Business Conduct)

The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy defines due diligence in the field of labor as indicated below, and emphasizes stakeholder engagement (the process for actively engaging with stakeholders via dialog, etc. in order to achieve mutually acceptable results as a company fulfills its social responsibility) and harmonization with host country development.

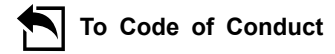
10. (e) In order to gauge human rights risks, enterprises - including multinational enterprises - should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should involve meaningful consultation with potentially affected groups and other relevant stakeholders including workers' organizations, as appropriate to the size of the enterprise and the nature and context of the operation. For the purpose of achieving the aim of the MNE Declaration, this process should take account of the central role of freedom of association and collective bargaining as well as industrial relations and social dialogue as an ongoing process.

11. Multinational enterprises should take fully into account established general policy objectives of the countries in which they operate. Their activities should be consistent with national law and in harmony with the development priorities and social aims and structure of the country in which they operate. To this effect, consultations should be held between multinational enterprises, the government and, wherever appropriate, the national employers' and workers' organizations

concerned.

(Source: The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy)

B Supplier Management



[Code Interpretation]

In the Guiding Principles for Business and Human Rights of the United Nations and OECD guidelines, companies are required to take the same responsibility for CSR in their supply chain as they do at their own company. Therefore, it is necessary to communicate the requirements in Section 1: Code of Conduct to suppliers, monitor the status of compliance, and promote improvements.

Supply chain management is covered in Chapter 2 of International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games by the ILO. This handbook provides specific examples of recommended practices, points of attention for each process, and supply chain management process, in order to promote the implementation of sustainable supply management according to international labor standards, particularly regarding aspects of labor and human rights.

- Supply chain management process (role of in-house expertise, etc.)
- Human rights/labor due diligence process for new suppliers, etc.

Preliminary research → on-site due diligence → agreement on action plan → contracting and monitoring

- Assessing human rights and labor risks

Risk indices/factors, examples of questions to suppliers

- Dialogue/communication with suppliers

Content and method of discussions in dialogue process, interviewees and interviewing techniques

- On-site occupational safety and health check
- Consultation with third parties regarding labor issues

Things to keep in mind for consultation with trade unions, employers' organizations, and NGOs, sources of information, etc.

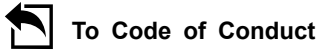
(Source (Translation from Japanese original): International Labour Standards and Sustainable Sourcing Handbook Towards the Realisation of Decent Work through the Tokyo 2020 Olympic and Paralympic Games, ILO 2019)

[Description of Terms]

A supply chain refers not only to the process starting from raw materials and to the end when

products and services arrive at the consumers, but all relationships including such as worker dispatch agents and contractors, regardless of the individual roles of each company.

C Proper Import/Export Control



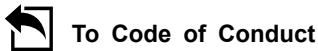
[Code Interpretation]

Companies must understand and comply with the various national laws and regulations for importing and exporting.

Technologies and goods regulated by law refer to components, products, technologies, equipment, and software subject to import/export control according to laws and regulations based on international agreements, etc. (such as the Wassenaar Arrangement).

It may be necessary to obtain permission, etc. from the competent authorities regarding importing and exporting.

D Establishing a Grievance Mechanism



[Code Interpretation]

In order to comply with Section 1: Code of Conduct, it is important to establish a mechanism for processing grievances from stakeholders including workers and suppliers, and enable treating problems as a continuous process. In order to ensure that the grievance mechanism functions effectively, it is useful to conduct awareness surveys to see the level of understanding and to ask for participating continuous improvements by collecting suggestions, etc.

[Description of Terms]

A grievance mechanism is a framework that enables related parties to report acts suspected to be in violation of Section 1: Code of Conduct to promote corrective action. It is important that complaints can be lodged via anonymous reporting. Whistleblowers must not be treated disadvantageously due to their complaints

Example of grievance mechanism include a suggestion box, telephone, e-mail, or hotline managed by an external organization.

E Disclosing the Activities



[Code Interpretation]

Companies must not only disclose information as stipulated by the law, etc., but also disclose information regarding efforts for these guidelines to stakeholders including customers.

Examples types of information disclosure include CSR reports and sustainability reports via

company websites and printed media.

Guidelines to refer to include GRI Standards and Environmental Reporting Guidelines from the Ministry of the Environment.