

Partnership with Our Suppliers

We at Nissha Group procure the raw materials, components, equipment, and services necessary for making our products from many suppliers. We work with the suppliers that constitute this supply chain to promote CSR procurement based on our Basic Purchasing Policy, sharing awareness of our social responsibility, and enhancing mutual corporate value.

Basic Purchasing Policy

For the achievement of our Mission, the Nissha Group build relationships of trust with our suppliers through mutually fair procurement.

We evaluate our suppliers fairly, impartially, and comprehensively based on the following criteria.

1. Stable business foundation and reliable management principles
2. Excellent technology development, stable supply, and quality servicing capabilities
3. Adaptability to changes in the business environment
4. Safety of products and services, consistency of quality, and competitiveness of prices and lead times
5. Effective business continuity management

We promote CSR procurement by working with our suppliers in the following areas.

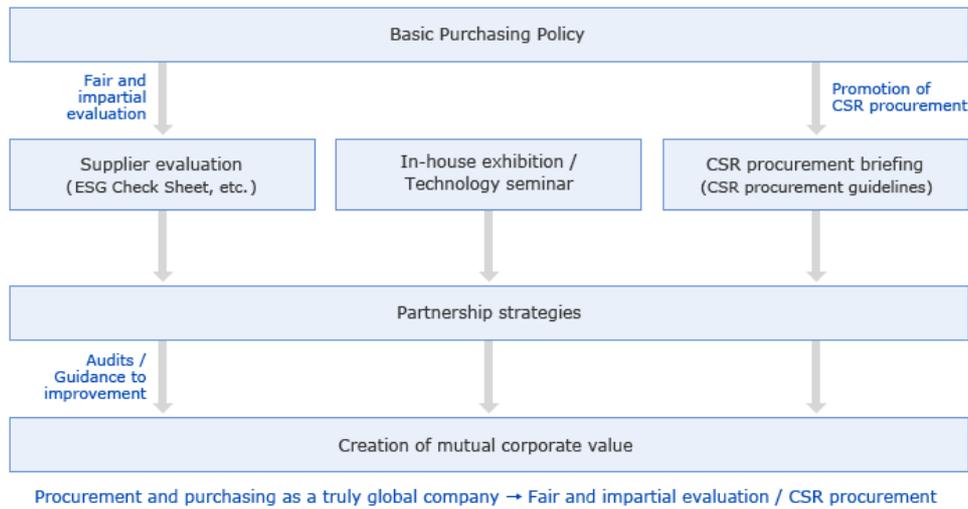
1. Labor and human rights
2. Health and safety
3. Environment
4. Ethics
5. Information security

Established on April 2, 2009

Revised on January 1, 2018

Junya Suzuki
Chairman of the Board
President and CEO
Nissha Co., Ltd.

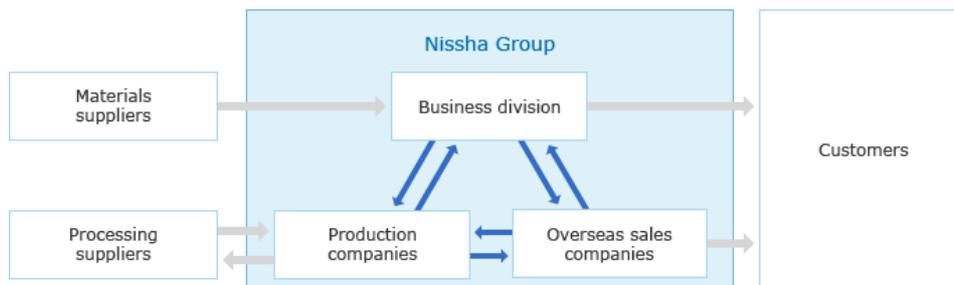
Basic Approach to CSR Procurement Promotion



Expansion of Our Supply Chain

We collaborate with various suppliers in conducting our business activities. And its supply chain is expanding globally.

Supply Chain of the Industrial Materials and Devices Businesses



CSR Supplier Audits

We conduct CSR audits on our suppliers. Many of these audits cover five areas— labor, health and safety, environmental, ethics, and management system—drawing on the global code of conduct provided by RBA (Responsible Business Alliance) and on our customers' own code of conduct based on this RBA template. Prior to auditing, we organize a briefing to explain the background, purpose, standards, and flow of the CSR audit. The audit process consists of an inspection of the supplier's employment regulations and time cards, tours of the site premises including the clean room, and interviews with employees. In the event the audit uncovers any instances of noncompliance, the supplier is required to establish corrective action (CA) and preventive action (PA) on the findings. Roughly three months later, auditors checked that CA and PA have been taken and the noncompliance has been remedied, bringing the CSR audit to completion.

From fiscal year 2015 onward, we carry out audits focusing on particularly important suppliers and new suppliers. In the fiscal year ended December 2018, with the start of full-scale mass

production at Nitec Precision and Technologies, Inc. (NPT) prompting recognition of the high risk of human rights issues, we conducted audits at one supplier of temporary employment agencies. This combined with the 18 companies audited to date brings the total to 19. The audits detected 187 instances of noncompliance (88 related to labor and human rights, 53 to safety and health, 29 to the environment, 12 to ethics, and 5 to management system). Working hours management and retirement process were among the main findings.

In the fiscal year ending December 2019, we are carrying out CSR surveys using SAQ (Self-Assessed Questionnaires) based on the RBA codes of conduct. This is positioned as a regular annual assessment targeting all suppliers who underwent CSR audits in the past. If we find anything of concern after checking the responses, we intend to carry out a CSR audit locally using auditors who have in-house qualifications.

Items of CSR Procurement Guideline

1. Labor and human rights

- 1) Freely chosen employment
- 2) Young workers
- 3) Working hours
- 4) Wages and benefits
- 5) Humane treatment
- 6) Non-discrimination
- 7) Freedom of association

2. Health and safety

- 1) Occupational safety
- 2) Emergency preparedness
- 3) Occupational injury and illness
- 4) Industrial hygiene
- 5) Physically demanding work
- 6) Machine safeguarding
- 7) Sanitation, food, and housing
- 8) Health and safety communication

3. The environment

- 1) Environmental permits and reporting
- 2) Pollution prevention and resource reduction
- 3) Hazardous substances
- 4) Wastewater and solid waste
- 5) Air emissions
- 6) Materials restrictions
- 7) Storm water management
- 8) Energy consumption and greenhouse gas emissions

4. Ethics

- 1) Business integrity
- 2) No improper advantage
- 3) Disclosure of information
- 4) Intellectual property
- 5) Fair business, advertising and competition
- 6) Protection of identity and non-retaliation
- 7) Responsible sourcing of minerals

5. Information Security

- 1) Building of information management system
- 2) Prevention of leakage of confidential information about our customers and third parties
- 3) Defense against a computer and network threat, and management of electronic device and recording medium
- 4) Prevention of leakage of personal information.

Fields of ESG check sheet

1. Certification
2. Labor and human rights
3. Health and safety
4. Environmental management
5. Information security management
6. Corporate ethics and compliance
7. Management system

Development of Procurement Personnel

We make continuous efforts to educate procurement personnel and promote transactions with our suppliers based on fairness, impartiality, and integrity in line with our Basic Purchasing Policy.

Initiatives on FY ended December 2018

Training for new procurement personnel

We conducted training for new hires in and transferees to procurement divisions of the Nissha Group in Japan, covering the basic knowledge needed by employees engaging in procurement operations.



Program Participation

Lecture/Training	Participants in FY2018
Training for new procurement personnel Procurement program	11 (100% attendance)
Basic course (e-learning)	333 (100% attendance)