

## Supply chain management

From tackling global environmental problems as well as problems related to human rights and labor to carbon neutrality initiatives to combat global warming, risk management against natural disasters, and the pursuit of a sustainable society, companies are now expected to engage in very different activities than they were in the past.

In response to these changes in the surrounding environment, we are establishing a Basic Policy on Procurement and Client CSR Guidelines concurrently with the revision of our Code of Conduct.

### Basic Procurement Policy

- (1) Promotion of global procurement activities
- (2) Observance of laws, social codes, and internal regulations
- (3) Promotion of fair, just, and sincere procurement activities
- (4) Consideration for the environment and human rights in procurement
- (5) Building partnerships based on trust with our valued suppliers

\* This Basic Procurement Policy is currently being updated

### Strengthening partnerships with our valued suppliers

In addition to conventional specifications such as quality and price, it is now increasingly important in procurement activities to work together with clients on efforts such as improving labor conditions and making considerations for the environment. Once we have established our Client CSR Guidelines which are currently being revised, we hope that our partners will be receptive and prepared to engage in activities that lead to mutual prosperity as partners—based on greater mutual trust than ever.

### Specific efforts

We engage in various activities through the INOAC Partnership Assembly with 67 of our valued suppliers. Teaming up with our clients, we engage in awareness-raising activities such as lecture presentations on work-style reform and cybersecurity measures, activities to ascertain problems at worksites, and activities to improve production processes. Through participation in the QC Improvement Competition to present results of improvement efforts and other such activities, we work toward mutually raising the levels of our enterprises and achieving benefits for all sides while at the same time developing human resources.

#### Assembly to Address Quality Problems

We engage regularly in activities to decide on the appropriate level of quality together with our clients while looking at the actual products.



#### Supplier Awards

We present awards to those clients who particularly contributed throughout the year.



### Seeking sustainability in procurement

In order to offer products that are friendly to the environment and our daily lives, we avoid the use of environmentally hazardous substances in our manufacturing based on our INOAC Green Procurement Standards. We also engage in procurement geared toward achieving carbon neutrality. Every year we conduct surveys to avoid the usage of conflict minerals linked to human rights abuses and discrimination as well as raw materials and other substances obtained through unethical practices such as forced labor.

### Observing the Subcontract Act

As part of compliance, we create a list of clients we do business with in order to thoroughly ensure our observance of the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors), and we visualize the conditions of transactions with the clients to whom this act applies. In sections that handle purchasing work, we establish frameworks to ensure ongoing compliance by having individual employees attend Subcontract Act workshops and make action plans at periodical in-house training as part of their skills planning.

#### Visualizing transaction conditions

##### For new clients

When commencing business transactions, we verify whether the Subcontract Act applies to those transactions. Before beginning the transaction, we exchange payment conditions (including offsetting conditions), basic business agreements, and notices of unit price determination with those clients. We also create lists to enable centralized management of what notifications have been exchanged with subcontracting clients.

##### For existing clients

Since the Subcontract Act could become applicable to transactions when terms and conditions are changed, we manage our ongoing Subcontract Act observance by regularly checking transaction conditions and updating our lists accordingly.