

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 changes in the surrounding environment such as these, we revised our Basic Procurement Policy. Our Supplier CSR Guidelines were also approved at the Board of Directors meeting in October 2024. We are engaged in CSR throughout our entire supply chain by making all of our partners fully aware of these guidelines.

Basic Procurement Policy

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| 1. Engaging in fair, just, and honest procurement activities | 4. Consideration for human rights & labor |
| 2. Building partnerships based on trust with our valued suppliers | 5. Eco-friendly procurement activities |
| 3. Achieving safety & quality | 6. Compliance |
| | 7. Consideration for proper information management |
| | 8. Engaging in the optimal procurement globally |

► Strengthening partnerships with our valued suppliers

In addition to quality, price, and other aspects, 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. Through our Supplier CSR Guidelines, we will request that our partners be receptive and prepared to engage in activities that lead to mutual prosperity as partners, based on more mutual trust than ever.

► Specific efforts

We engage in various activities through the INOAC Partnership Assembly with 64 of our valued suppliers. Teaming up with our clients, we engage in initiatives such as awareness-raising activities including lecture presentations on plans to strengthen business continuity capa-

bilities and preventing lifestyle-related diseases, activities to ascertain problems at worksites and take measures against them, 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 for those clients who particularly contributed to us throughout the year.



► Sustainable procurement efforts

In order to offer products that are friendly to the environment and our daily lives, we have defined our INOAC Green Procurement Standards.

We engage in manufacturing with low environmental impact by regularly updating these standards and investigating chemical substances contained in our products. As part of our procurement activities geared toward carbon neutrality, we also make visits to clients and propose energy-saving measures to them. In addition, we make efforts such as conducting surveys to exclude products and other supplies involving conflict minerals or human rights abuses.

► Compliance

In basic business agreements entered into with our clients, we clearly stipulate that infringement on intellectual property rights is forbidden. We also stipulate conformance with green procurement and elimination of relationships with antisocial forces in order to comply with the relevant laws and regulations.

In order to thoroughly ensure our observance of the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors), we create a list of clients we do business with, 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 through attendance at Subcontract Act workshops and periodical in-house training, in addition to internal audits conducted by legal affairs sections.

Visualizing transaction conditions

For new clients

When commencing business transactions, we verify whether those transactions are subject to the Subcontract Act. 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.